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More Small Corporate Practices Emerging in Area

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Corporate work is not just for big firms anymore.

A growing number of solo corporate attorneys and small corporate boutiques have emerged in the last two years to fill what they see as a gap in the Philadelphia legal market.

"What happens is you often get smaller companies and startups paying rates that are way above what they should be paying" for work that they don't necessarily need to pay a big firm to do, said Keith S. Marlowe, a solo corporate attorney in the Philadelphia area who practices under the banner Marlowe Legal Advisors.

Marlowe said the corporate law market in Philadelphia has traditionally been "top heavy," with the vast majority of the work being handled by attorneys at big firms, whereas New York "has tons" of boutiques specializing in corporate transactional and securities work.

But recently, and especially since the recession hit, Philadelphia has seen more and more corporate attorneys with large firm and in-house pedigrees venturing out on their own or in very small groups in hopes of attracting business from smaller private companies and startups, as well as capturing some of the work larger public companies typically reserve for megafirms, Marlowe said.

"The corporate legal market in Philadelphia isn't small," he said. "There's a lot of corporate work in Philadelphia and it doesn't all have to go to big firms."

In fact, Marlowe, who specializes in a wide array of corporate and securities work and serves as a legal adviser to hedge, private equity, venture capital and real estate funds, said solo attorneys and small boutiques with the proper expertise can handle almost any type of corporate matter for a smaller company or startup.

"In most cases, most startups don't need big firms at all," said Marlowe.

And for certain types of work, larger companies don't need them either, said Christopher D. McDemus, a solo corporate transactional attorney who practices as MCD Law Partners in Chalfont, Pa.

McDemus said he handles a lot of day-to-day operational work for companies with revenues exceeding \$100 million.

It's the type of work larger firms would likely kick to a junior-level associate, but that a solo or boutique attorney with years of big firm and in-house experience could do more quickly, accurately and cheaply, he said.

"You're getting a partner-level person for half or less of what that person would have [charged] at a big firm," he said.

Marlowe said he has encountered some companies who are reluctant to hire a solo or boutique corporate lawyer simply because they don't want to sacrifice the safety net the big firm nameplate gives them.

Still, some matters truly are better suited to big firms, he said.

"I'm not trying to do [public companies'] 10K's and 10Q's," he said. "I think big firms are better equipped for things like IPOs and public mergers."

WORKING WITH THE BIGS

All of the solo and boutique corporate lawyers *The Legal* spoke to emphasized that they are not trying to battle big firms for business.

"No one I know thinks they can or is trying to compete with a big firm," said Debra J. Poul, co-founder of three-attorney corporate law

boutique MillCrest Law in Radnor, Pa.

In fact, many said big firms play important roles in their own practices.

Marlowe said he'll sometimes handle a portion of a matter for a company, such as representing a single party in a large securities transaction, while a big firm handles the bulk of the work.

Edward Blume, a solo corporate lawyer whose practice, called Blume Partners, is based in Conshohocken, Pa., began his career at Mesirov Gelman Jaffe Cramer & Jamieson and Wolf Block before going in-house in 2000 and then eventually becoming the chief operating officer of a Main Line-based corporation and engaging in other business endeavors.

He said he decided to start a solo practice in December 2008 because he saw a need in the market for a corporate attorney with a business background and affordable rates.

Blume said he has no desire to work with public companies, preferring instead to play a "supporting role" to big law firms.

He works with developing companies until they outgrow his practice, at which point he refers them to a larger firm.

"I've found some clients that have said, 'Look I'm a small business, you're a small business, let's do this together,'" he said. "As they grow, either I'll grow with them, or they'll go on to a bigger firm."

But, just as some work is better left to a larger firm, Poul said, other matters "don't take an army."

And often, that work isn't necessarily worth larger firms' time or resources anyway.

A SMALLER FIRM'S TREASURE

Marlowe said solo and boutique-firm corporate attorneys can handle transactions like smaller acquisitions and venture investing for large companies, as well as certain types of specialized financing, such as Private Investment in Public Equity, or PIPE, transactions.

Similarly, McDemus said the types of matters he handles for larger companies, such as licensing and commercial contract work, often amount to "loss leaders" for big firms.

But one firm's loss leader can be a smaller firm's treasure.

"Some firms will say, 'Well, if that's only \$6,000 of work...'— either they'll scoff at it or it won't get the attention it deserves," Poul said. "But if you're a small boutique, that's not some insignificant amount."

Marlowe had a similar take.

"A matter that results in billing that might seem small to a big firm, might be very meaningful to an individual," he said.

The biggest reason for this high rate of return, of course, is that overhead is almost non-existent for these types of practices.

And those savings get passed on to the clients.

"I can keep my overhead very, very lean and still be professional," said McDemus. "I don't have an office in Paris or artwork on the wall in New York that gets built into that billing rate."

Marlowe said the other advantage for companies who work with solos or boutiques is flexibility in terms of fee arrangements.

"I have the flexibility to do whatever would work best for my client and obviously for myself," he said, adding that solos and boutique lawyers "certainly don't have to go through a committee" to make decisions about whether to enter into alternative fee arrangements.

Marlowe said he's had some clients who he's billed by the hour and others who have had fixed-fee arrangements.

For some clients, he offers what he calls a "GC-for-hire model," which means he acts as a company's general counsel on an as-needed basis.

Marlowe said this was the arrangement he entered into with his first client, a hedge fund investment manager for whom he had served as general counsel, chief operating officer and chief compliance officer before going solo.

Marlowe, who was an associate at both Ballard Spahr and Morgan Lewis & Bockius and managed a hedge fund before making the transition to in-house counsel, said he decided to start his own practice after it became apparent that he could counsel the hedge fund manager on more of a part-time basis while also working with other clients.

But perks like fee flexibility, low rates and high returns are all at least partially attributable to the fact that solo practitioners and

boutiques don't have huge staffs, which some clients may interpret as a lack of practice depth.

But the attorneys *The Legal* spoke with said that's a misconception, as many solo and boutique corporate attorneys have developed large referral networks.

"I think the depth is created in the relationships we have with one another," said Blume.

'BUYER BEWARE'

Marlowe said he has relationships with everyone from fellow solo practitioners to big firm lawyers whom he can refer a variety of matters or portions of matters to, if need be.

It's important, he said, to know when it's necessary to do so.

"I don't pretend to be something I'm not," he said. "I'm not a tax lawyer, I'm not a litigator, I'm not a real estate lawyer."

Blume echoed these sentiments.

"If I have a client who comes to me and says, 'I have an international tax issue'... I would send that to a big firm," he said. "But if I have a client who's buying a company and there's a lease involved, that's easy."

McDemus said it wasn't until recently that corporate attorneys with large firm and in-house backgrounds began to crop up in small boutiques or as solo practitioners.

Marlowe added that, in Philadelphia, there aren't many solo or boutique lawyers with practices focused primarily on corporate work.

"There's a difference between a corporate attorney who's been trained and has done hundreds of transactions from simple to sophisticated versus a lawyer who spends 95 percent of their time in court and dabbles in transactional work and holds themselves out as a 'business lawyer,'" he said.

McDemus, whose resume includes associate positions at Cozen O'Connor and Morgan Lewis, followed by several years in-house and a stint as a partner in the Bethlehem, Pa., office of general practice firm Florio Perrucci Steinhardt & Fader, said he decided to go solo because he wanted the freedom to grow his practice the way he thought best.

But while all of the attorneys *The Legal* spoke to said they chose small practices over big firm life, McDemus warned that that's not always the case.

Companies should always be willing to do the proper due diligence before choosing to work with a solo or boutique corporate lawyer, he said.

"There's a little bit of 'buyer beware' out there," McDemus said. "There are people that are out there operating on their own because they have to and some that are doing it because they want to." •