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As any corporate lawyer can attest, legal services are by no means immune to the budget-cutter's axe.

With ever-increasing pressure from management to save cash, full-time, in-house general counsel is beginning to seem like an expense small to medium-sized companies can ill afford.

Enter one solution: Firms that are cropping up to help companies outsource such services. And the model is becoming increasingly attractive to executives looking to expand their companies but are unwilling or unable to keep counsel on the payroll full time.

“It has become more common,” says David Chaumette, partner at De La Rosa & Chaumette and chair of corporate counsel for the Houston Bar Association. “Like every other budget, legal budgets are being cut and resources are more scarce.”

That means midsize companies may not have the ability to staff a legal department — even if that means a legal department of one, Chaumette says.

“Legal departments, much like IT, are often not the profit centers for companies,” he says. “Sometimes they are cut even if there are long-term ramifications for the company.”

Law firm Phillips & Reiter PLLC was founded in 2004 with a focus on filling that legal need by offering outsourced general counsel services to small and medium-sized companies.

“We provide services to emerging companies that may not have the legal needs that would require a full-time general counsel or doesn't have the money to hire a large law firm,” says Craig Kaiser, managing partner of Phillips & Reiter's Houston office.

One such company was oilfield equipment firm Energy Equipment Corp. In 2005, then-president Cam Hewell decided the company need its own counsel after several years of dramatic growth. After acquiring the company with a partner in 1997, annual revenues had grown from \$3 million to \$65 million by 2005.

Still, he felt the company's legal needs were not large enough to justify a full-time, in-house lawyer. Hewell contacted Phillips & Reiter, and attorney Alicia Goodrow came on board to work as a part-time general counsel. It was just the arrangement Hewell was looking for. As any good general counsel, Goodrow became acquainted with the inner workings of the company. She was to advise Hewell and his partner not just on specific legal issues, but also on “big picture” strategy, all at a much lower cost compared to a full-time attorney.

“With Alicia, she didn’t just answer the question, she would step back and say, ‘Let’s take a look at the entire bonus or profit-sharing policy and let’s think how this impacts the company.’ ”

Hewell says the arrangement was highly convenient. When he needed Goodrow’s advice, she was there. When advice wasn’t needed, Energy Equipment Corp. didn’t have to pay an attorney’s salary.

In 2007, Hewell and his partners sold the company to T3 Energy Services Inc., where Hewell is now vice president. Goodrow worked on the acquisition, bringing in other lawyers when she needed specific expertise.

Searching for the right attorney is critical when choosing any general counsel, says Chaumette, who advises executives to find an attorney who fits in with the company’s culture and knows the industry well.

“The most important thing is you should find someone who really understands the industry and the company itself,” Chaumette says. “At the same time you also need a generalist. For example, even if they don’t see real estate matters often, they need to be well versed in it if the need arises.”

At Phillips & Reiter, most of its 22 lawyers have a broad commercial experience. And several have practiced law for more than a decade and have come out of major firms or large in-house legal departments.

That access to top talent is part of the advantage of this system, Hewell says.

“When you are a small company it’s hard to hire highly talented people,” Hewell says. “When people go to work for a company, how it’s going to look on their resumes means a lot.”

With his budget, if Hewell hired for a full-time general counsel, he may have had to settle for a less-experienced attorney.

“If we did that, we weren’t going to get the cream of the crop,” Hewell says. “If we went to the market and said ‘we want to get a lawyer to come work for our small oilfield equipment company,’ we may not have had as many options. But with Alicia it was really a model that worked well.”