

BY ROY STROM

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Stay-at-Home-Rainmakers: A Growing Threat to Big Law



Work from your house. Set your own billable rate. And keep 80 percent of the money from every matter you originate and handle.

That's the sales pitch Culhane Meadows, a firm with no office space that **opened in 2013**, has used to attract a horde of Big Law refugees. In less than four years, the cloud-based firm has **grown from four lawyers in Texas**

to just under 60, working from their home offices in Atlanta, Austin, Chicago, Dallas, Houston, New York and Washington, D.C.

Earlier this month, Culhane Meadows announced its **hire of five partners in Chicago**, including one who used to work at Kirkland & Ellis and two from Steptoe & Johnson. Culhane Meadows' fast-paced growth is one indication that it and a number of its cloud-based contemporaries are **increasingly competing with Big Law** for both rainmakers and work from Fortune 100 clients.

“What you’re seeing is some of the more forward-thinking, younger-generation lawyers who do have some business saying that the incumbent model may be working for me today, but it’s nothing that I particularly want to plan my future around,” said Mark Cohen, **a founder of the now-defunct virtual firm Clearspire**, who now consults for law departments and law firms. “This is all coming, ultimately, at the expense of the traditional law firm model.”

Culhane Meadows spun off from the **largest player in the virtual law firm space**, FisherBroyles, which today boasts about 180 partners who also broke away from traditional law firm life.

A FisherBroyles co-founder, Kevin Broyles, said his firm will crack the Am Law 200 by next year, thanks to annual

gross revenue growth that he claims clocks in at 50 percent. Culhane Meadows said its gross revenue increased 31 percent from 2015 to last year, and 114 percent the year prior. [The American Lawyer reported in October](#) that other virtual firms, such as the Potomac Law Group, Rimon and VLP Law Group, have seen their revenue growth hover around 40 to 60 percent a year for the last half-decade.

Even so, these virtual firms face healthy skepticism from some pockets of the legal market. Doubts over the cloud-based model include the quality and size of matters that clients would be willing to use them for; how they might staff such larger matters, since many virtual firms don't have associates, and how they ensure the quality of legal representation remains constant throughout a firm.

“You couldn't convince me in this lifetime that a company with a serious bet-the-company matter is going to go to a firm like this,” said one legal recruiter in the Midwest. “So what are they doing, really? You'd have to assume they're doing a lot of what's referred to as commodity work.” Like other firms in this space, Culhane Meadows has a transparent, eat-what-you-kill model. All compensation is formula-based, and partners keep 80 percent of every hour that is billed. Lawyers who originate and handle matters keep the entirety of that 80 percent. Lawyers who handle work for their partners receive about two-thirds of

that take-home pay, while the rainmaker keeps the rest as an origination credit.

Lawyers are allowed to set their own billable rate at Culhane Meadows, which Grant Walsh, a co-founder of the firm, said is often equivalent to a third-year associate in the city where the partner lives.

As a tradeoff for that flexibility, partners at virtual firms have more out-of-pocket expenses than at the firms they leave behind. Lawyers pay for their computers, phones, continuing legal education and marketing expenses. They also pay for office space if they want to meet a client in, say, an off-site conference room.

“If you were at Weil Gotshal or Kirkland, and your rate was \$800 an hour and the client really loved you, then the client is going to really love you at \$450 an hour,” Walsh said.

Steven Shapiro is still working out what his billable rate will be since joining Culhane Meadows in Chicago in March as a 59-year-old with more than 30 years of experience in the law. He began his career as an associate at Mayer Brown and then became a senior in-house lawyer at a string of companies, including suburban, Chicago-based First Midwest Bancorp., where Shapiro served as executive vice president and corporate secretary.

Shapiro returned to private practice in 2011 at Chicago's Krasnow Saunders Kaplan & Beninati. He heard of Culhane Meadows through a general counsel of a large company in the southeastern U.S. who told him that she uses the firm.

"I don't know if I would have entertained the idea, but if an established business is using them and thinks highly of them, it breaks the mold that it's just for small companies," Shapiro said. "And it breaks the mold that it's just for young attorneys."



Jamal Edwards

Jamal Edwards, who joined Culhane Meadows about a year ago, having previously worked in Kirkland's Chicago headquarters and the local office of Detroit-based Honigman Miller Schwartz and Cohn, said his new firm allows him to act as an outside general counsel to companies—something that he wanted to do more than specialize as a patent lawyer at Kirkland. Edwards said he charges clients a flat monthly fee to handle general business matters.

"Here, I can really work on their matters pretty much at any level I choose to without it becoming cost prohibitive," Edwards said.

Shapiro and Edwards noted they have yet to take on a matter that they can't adequately staff at Culhane Meadows. Shapiro said a client asked if he could handle the paper involved in a bond issuance, and he said he has "every expectation of doing it." Edwards said he has referred work to other partners every month since he joined.

Still, Broyles, the co-founder at FisherBroyles, said his virtual firm competes for work with other firms in the Am Law 150 to 200 range, and he does not expect to be taking matters from larger New York firms.

"There's no level of work that a general counsel wouldn't send to most of the other Am Law 200 firms that they wouldn't send to us," Broyles said.

He hopes to change that soon. For instance, Broyles said he has been recruiting a partner from a large New York firm who has a \$20 million book of business. The jury is still out on whether the partner will join the firm, Broyles said, but that would represent a sea change in the type of competition that cloud-based firms are creating for Big Law.

"It's going to explode. And people will say, wow, if a guy who has \$20 or \$25 million can make that move, then

someone who has \$10 million or \$15 million can make that move,” Broyles said. “It’s coming.”

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