

## ADAPTING ON THE FLY

Solos, small firms make quick changes in bad economy

By **DOUGLAS S. MALAN**

Maybe size does matter, at least a little bit. It seems no one is immune to the fallout of the Wall Street meltdown and certainly not lawyers. The economic pressures that are leading to big firm layoffs can also have an acute impact on solos and smaller firms.

But being small provides some advantages, especially when it comes to quick adaptation to the marketplace, attorneys say. There are often no committees to answer to and a streamlined management structure that sometimes includes just one person. And in changing times, the ability to adjust instantly can be beneficial.

Here's just one example: a quick shift in fee structure can make a solo or small firm more competitive at a time when everyone is looking for a discount.

"I get calls asking how much I charge for a [property] closing and asking what my hourly rate is for litigation," said Laura Flynn Baldini, a real estate and business litigation attorney in Farmington. "People shop around. They're looking to save every dollar and penny."

So, too, are the attorneys. With pressure to maintain business comes the heightened sensitivity to running a streamlined practice with little overhead. That includes keeping an eye on all expenses. "I'm keeping the heat down," said Weston solo Craig Cohen, who is a labor and employment attorney. "That's the kind of thing I've been doing."

Cohen is in the process of returning to a larger law firm but he said the move has nothing to do with the economy. Had he not crossed paths with attorneys at Berchem, Moses & Devlin in Milford, Cohen would still be a solo, but the greater business opportunities available through a big firm were too attractive to pass up.

His solo practice "has been okay. I'm down a little from last year, but not substantially," said Cohen, who left an in-house position in Stamford to open his own shop in 2003. "Receivables are not coming in as steadily. You have to remind people that they owe you money."

### Eye On Flexibility

More than ever, solo attorneys or those at small firms must be concerned about their bottom line with every decision they make. "One of the biggest problems is that there are legitimate business disputes coming in the door, but you have to assess carefully the client's ability to pay you," Baldini said.

Several of Baldini's business litigation cases stem from just that type of situation. Often, a homeowner and contractor enter into agreements, but then projects stall when homeowners lose their jobs or when contractors fall behind paying their bills.

The other half of her practice focuses on residential real estate. Despite the nationwide slowdown, there are pockets where activity is fairly steady, including Baldini's territory of West Hartford and Avon. Professionals moving in and out of the area account for some business, but Baldini also is noticing many first-time homebuyers who are getting into the market with lower prices.

If she's able to offer a slight discount on a closing over her competitors, she has an advantage. Low overhead ensures Baldini's flexibility in pricing. Her costs include office space, a computer, printer and a paralegal.

"I have a pretty lean operation," Baldini said. "That's the way I've always done it."

Commercial and residential real estate work "is dead" for Begos, Horgan & Brown, but the six-lawyer firm in Westport and Bronxville, N.Y., has adjusted accordingly to serve the financially distraught, said founding member Patrick Begos.

"We're trying to move strongly into debtor and creditor work, which we've always done but we're trying to emphasize more now," Begos said. "We've increased our spending on marketing to get our name out there and compete for people who are having financial difficulties."

The firm hasn't cut back on anything, mainly because of a steady flow of work coming from Unum Group, a Chattanooga, Tenn.-based disability insurer that has had a longstanding relationship with Begos.

Begos' firm has attempted to carve out a niche with banks to review their troubled loans and to ensure that the banks had standing to file foreclosure proceedings. Earlier this year, firm member Christopher Brown got a case against his homeowner client dismissed in New Haven Superior Court because Brown showed that the plaintiff mortgage company couldn't prove it held the mortgage at the time it filed suit.

Despite that outcome, banks didn't bite on Begos's pitch, telling him that they would rather play the odds that most homeowners won't contest foreclosures in court.

Begos said the firm is starting to field more inquiries about employment matters as workers get laid off and wonder if they have any legal claims.

The economic times have called for a shift in thinking when it comes to billing, Begos said. For the first time, his firm is accepting credit card payments.

"We've always tried to be sensitive to clients' ability to pay bills, and we're trying to be more flexible and creative," Begos said.

### Rolling The Dice

Stephan Grozinger, a Weston-based solo attorney in commercial real estate, has been doing a lot of that recently. With acquisitions and sales of property all but dried up, Grozinger has been aggressive about securing deals in one area that remains fairly active—leasing.

That means charging a flat fee, rather than an hourly rate, so that small or medium-sized clients can control their costs in a deal that might unexpectedly turn complex. There's also some dice-rolling going on; Grozinger now offers success-based prices in deals with a small likelihood of closing. If the deal goes through, Grozinger gets paid. If not, he gets nothing.

"The idea is you do enough deals on a success basis that a few of them actually will be successful, and that's my



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gamble," said Grozinger, who has been a solo for five years after careers at Pepe & Hazard and Day, Berry & Howard.

It's a business model that Grozinger probably will have to follow through a good portion of next year. Through seminars he has attended, Grozinger is hearing that commercial real estate lawyers shouldn't expect any significant sales and acquisitions until spring "and probably a lot longer," he said.

But Grozinger believes his pricing structure will pay dividends when the industry begins its recovery, and businesses and brokers remember his willingness to work with them on legal costs.

Meanwhile, "I'm primarily trying to use the inevitable extra time [between deals] to keep in contact with mortgage brokers and commercial real estate brokers," Grozinger said.

And he's holding down his own costs by working out of his small home office. Earlier in the year, when oil prices were skyrocketing, he invested in a geothermal heating system for his house, and he has no staff or paralegals.

"I have very little overhead and a lot of efficiencies," he said.

He and other solos and small firms believe those qualities will position them for more business during difficult economic times, but that doesn't lessen their concern about how to navigate the choppy waters and the general decline in business.

As Cohen, the employment lawyer in Weston noted, "There is some solace in the fact that you're not alone and every sector of the economy is struggling." ■