

# Downturn Pushing More Attorneys To Solo Practices

Layoffs and Slack Prospects Have Made Hanging Out a Shingle More Attractive

By Anna Scott  
Daily Journal Staff Writer

Nathaniel Kelly's career options seemed limitless when he was hired two years ago, right out of USC law school, for a six-figure job in the Los Angeles office of the corporate firm Kaye Scholer.

But as the recession took hold, Kelly, an associate in the corporate finance department, saw the deals he was working on fizzle. By February 2009, he said, his billable hours had withered and the firm had started to shed lawyers. He was reassigned to the litigation department to assist with document review on a case, which was settled in March, leaving him with little to do. In April 2009, eight months after he started, Kelly took a buyout and started job-hunting.

"I went from 10 or 12 job offers and a lot of interviews with some of the best firms in the country to sending my résumé to an anonymous post on Craigslist," he said.

Kelly, 27, picked up legal work where he could. He represented his family in mineral rights deals in Colorado and Texas and did part-time contract work for a securities firm. Eventually he cobbled together enough work to open a Beverly Hills solo practice, focused largely on family law, including trusts and estates, pre-nuptial agreements and divorces, in February 2010. So far it has been rewarding, but not easy.

"It's been a lot of time and financial investment just to be a continuing business," Kelly admitted. But, he added, "I felt like this was better than doc review."

Kelly has minimal debt thanks to a partial scholarship to USC and no undergraduate

loans, which, coupled with the generous buyout from his previous firm, helped him afford the initial investment to set up shop and purchase malpractice insurance for \$1,500 a year. He also shares office space in a suite with flexible rent, based on common area use. Still, sustaining his business is an ongoing challenge. Kelly bills himself out at slightly less than \$200 an hour and, if he has a good year, expects to take home about half his Kaye Scholer salary in 2010. Finding clients with significant legal issues and the ability to pay is key.

"I have to spend almost as much time getting the work," he said, "but less time doing the work."

Kelly once envisioned becoming a plaintiffs' lawyer, perhaps at his own firm, but said his current experience has made him reexamine his long-term goals.

"I saw myself up there, standing by myself in front of the jury, but never thought that far in terms of what it would take, the actual business, to be in that position," he said. "That's what I'm working on now."

Kelly is committed to his solo practice for the time being, he said, but has his eyes open to other opportunities while he figures out his ultimate objective.

Kelly is one of many lawyers who have struck out on their own since the economy started its downward spiral. The percentage of solo practitioners among law school alumni who graduated between 1982 and 2009 and work in private practice has crept from 3 percent in 2007 to 5.5 percent in 2009, according to a July report from the National Association for Law Placement, Inc. A rising number of them appear to be lawyers not long out of school. Solo practi-



Nathaniel Kelly

Robert Levins / Daily Journal

tioners represent about 2.9 percent of all lawyer jobs reported for the class of 2009, compared with 1.9 percent for the previous class, according to NALP.

That spike reflects fewer opportunities at established law firms, said NALP Executive Director James Leipold. Many new solo shops will fold when jobs return, he predicted.

"It's the economy," said Leipold. "If you look at other recessions, you see the same patterns. As the economy improves and law firms increase their hiring over time, we will see less."

In the meantime, recent graduates who have opened solo practices can gain valuable experience but also face big challenges.

"It's at best a difficult way to start your career," said Leipold. "What students often lack are the business skills."

Doing without the built-in guidance of more experienced attorneys that comes with big firm jobs is another major pitfall for young solo practitioners, said Allan Tanenbaum, an Atlanta-based lawyer who until last month chaired the American

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**NATHANIEL KELLY  
SOLE PRACTITIONER**

# Newly Minted Lawyers Turning to Solo Practices in Downturn

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Bar Association's now disbanded Commission on the Impact of the Economic Crisis on the Profession and Legal Needs.

"You have no opportunity to learn by example of other lawyers that are around you, and you have these enormous economic pressures that really were not there for the last classes of law school graduates where jobs were more plentiful," he said. "At a minimum, you run the risk of new lawyers developing bad habits. Bad habits can lead to unprofessional conduct. Bad habits can lead to bad problems."

The ABA does offer a mentoring program for law school students in which they can be paired with solo practitioners. However, the association does not have a formal mentoring program for law school graduates in solo practice, nor does the Los Angeles County bar association, according to spokespeople.

Zein Obagi, 26, started his own

civil and municipal law solo practice shortly after being laid off from the land use department of Allen Matkins Leck Gamble Mallory & Natis in January of this year. Obagi, a classmate of Kelly's, now focuses primarily on creditors' rights and has found several more experienced lawyers willing to share advice. Still, he agreed that one of his biggest stumbling blocks has been mastering the practical skills not taught in law school or found in practice guides.

"The first time I filed a lawsuit, I didn't even have a civil cover sheet," he said. "It was kind of embarrassing."

After being let go from Allen Matkins, Obagi applied for positions at Nossaman and Manatt, Phelps & Phillips in Orange County. "But the truth of the matter was, considering where land use was, land use practices could get for the same rate much more experienced people," he said.

Obagi has recently helped clients including family members,

plastic surgeons and a BMW parts manufacturer with collections. But learning day-to-day tasks on the fly is still a challenge.

"It's the little things," said Obagi. "I feel like there are many ways, especially procedurally, where you can trip up."

Like Kelly, Obagi has also grappled with logistics and keeping afloat financially. He worked from his apartment until July, when he linked up with a partner who handles business development and marketing and moved into a Monrovia office sub-leased for a discounted rate from his partner's father. Obagi's parents have also temporarily taken over his student loan payments while he pours most of his income back into his business and takes home a nominal salary of roughly \$2,000 a month.

"The pay is just enough to get me by," he said. "With my severance package I can pay off my car, but I've kept my standard of living very modest. The reward is in the future."

Many young lawyers who have

gone it alone like Obagi and Kelly will eventually be brought back into the fold of bigger firms once the job market improves, said Leipold, as an earlier wave of solo practitioners did in the wake of the 1990s recession.

Others, however, see the solo route as a permanent path.

Daren Schlechter, 29, graduated from Whittier Law School in 2008 and started a solo bankruptcy practice in April after a year and a half with a small firm. He often relies on advice from other bankruptcy lawyers at the boutiques that share his Century City suite to make up for his relative inexperience, he said. While Schlechter still supplements his income with contract work, he does not envision working for anyone else again.

"There are days you feel so fulfilled, and there are a lot more now than when I worked for somebody else," he said. But, he said, "the hardest day at my old job is still the easiest day at this job."

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