

Determining Attorney Compensation



PerformLaw

Partner Compensation

Typical equity member compensation approaches

Formula Based

Gross Fee Credits or Profit Splits for Collected Origination \$

Billing Attorney \$

Working Attorney \$

Compensation not tied to ownership %

Example: Profit pools split based on shares of totals.

E.g. Total originations= \$2,000,000
your originations= \$500,000, your get 20% of the origination pool

Percent of Ownership

Percent of profit is tied to ownership percentage

Example:

Firm Profit = \$2,000,000

Ownership Percent 10%

Income Share \$200,000

$(\$2,000,000 * 10\%)$

Hybrid

Formula based objective portion

Subjective and Equity Pools

Example:

Tier 1: Timekeeper pay

Tier 2: Origination pay

Tier 3: Subjective

Tier 4: Ownership



A dark, semi-transparent background image showing a business meeting. Several people in business attire are gathered around a table, looking at various documents and charts. One person in the foreground is using a calculator. The overall scene is dimly lit, with the focus on the business activity.

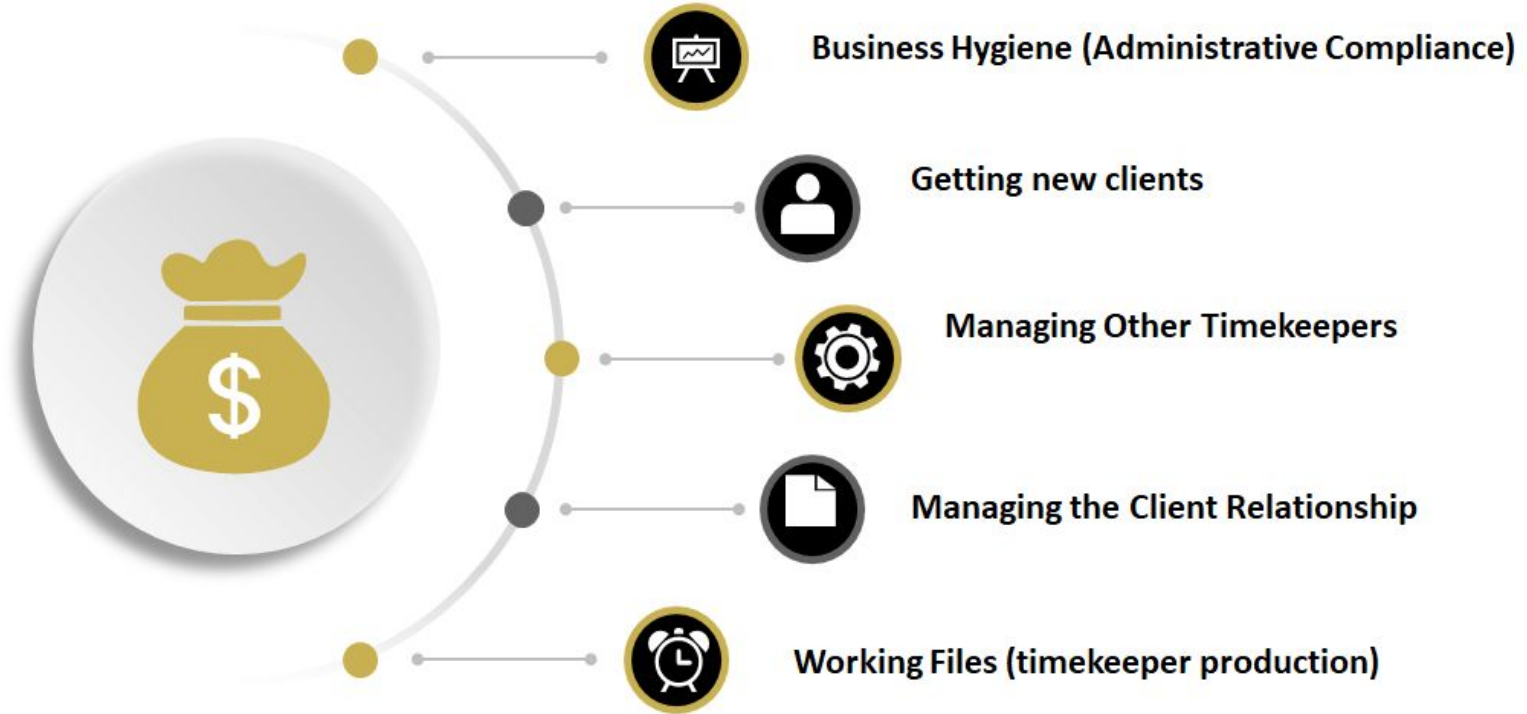
CONTRIBUTIONS

AND REWARDS



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Financial Performance Factors



Subjective Criteria

Wealth creation factors and sub-factors



Recruiting

Search Interviewing, Peer Recruiting, Law School Activities, Committee Service



Attorney Training and Development

Training Plans, Practice Plans, Evaluation and Feedback, Progression Metrics, Mentoring



Branding and Marketing

Reputation, Strategy and Plans, Content Contributions, Referral Network, Team Development



Systems and Intellectual Property

MAS/CRM, Case Management, Legal Content, Protocols, Policy Support

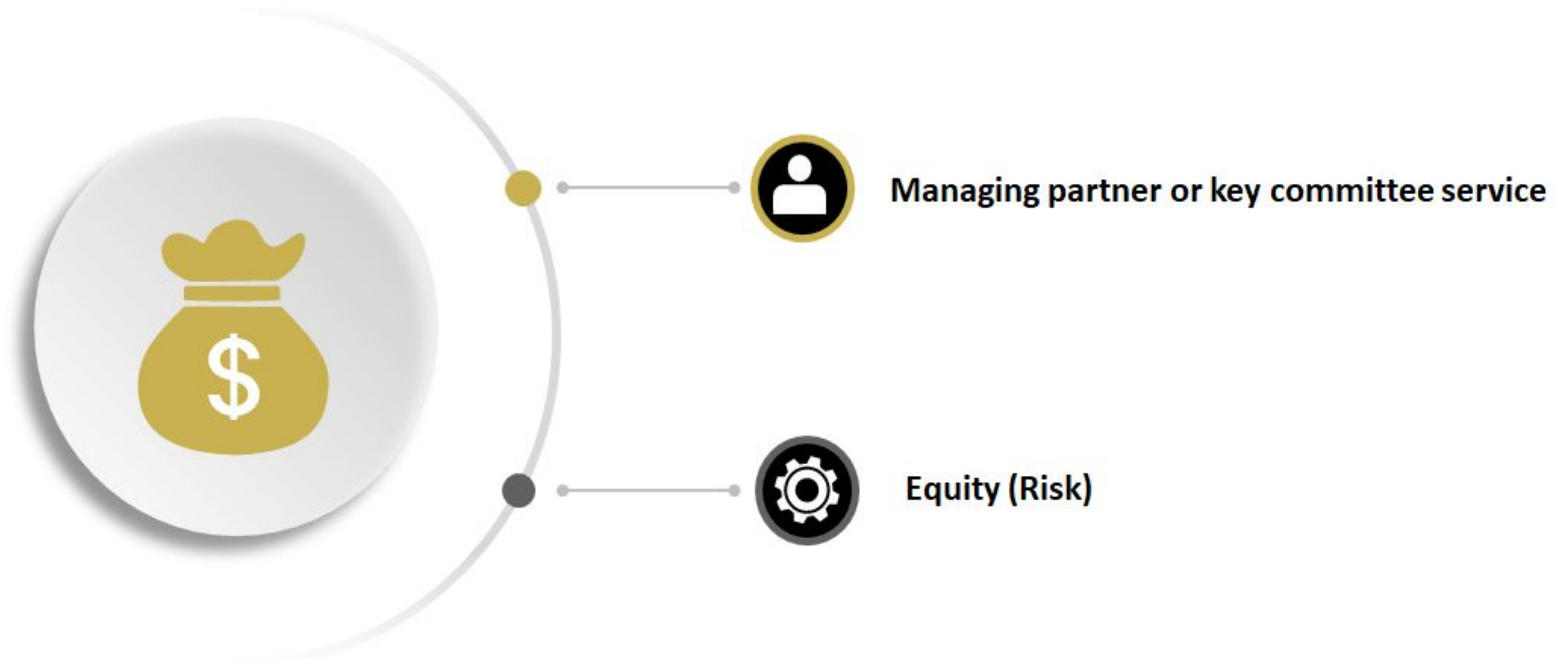


Cultural Development

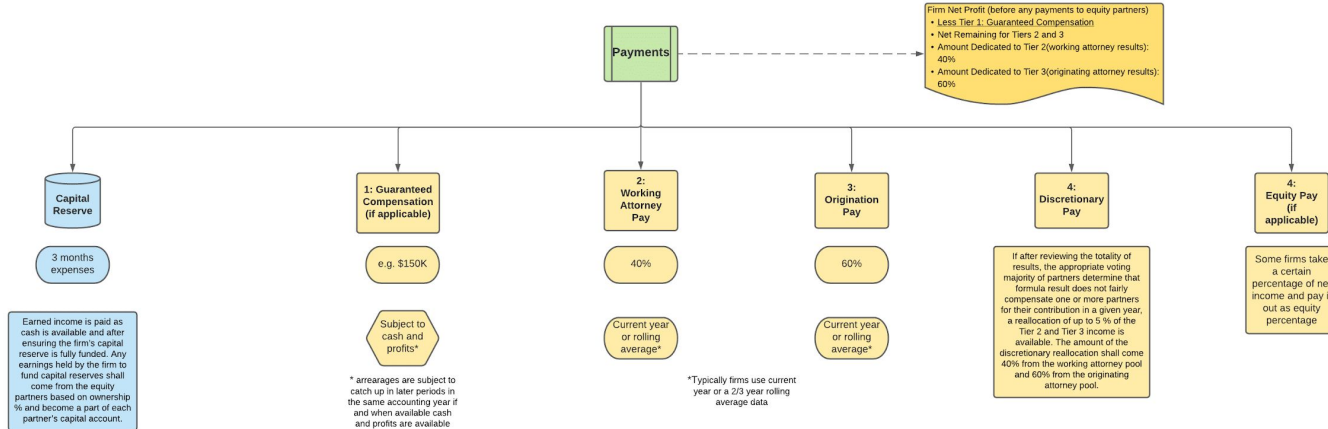
Citizenship Fairness
Collaboration, Team Building, Stewardship



Management and Investing



Compensation Plan Example



Earned income is paid as cash is available and after ensuring the firm's capital reserve is fully funded. Any earnings held by the firm to fund capital reserves shall come from the equity partners based on ownership % and become a part of each partner's capital account.

Minimum collection e.g. \$350k (pro rata adjustment for collections below threshold)

Collections	Calculations	Compensation
\$300k	(300K/350K)*150K	\$129,000
\$500k	maxed at \$150k	\$150,000

Working Attorney

	Current YR	Current YR - 1	Current YR - 2	Average	Percent WA Pool
Partner A	500,000	510,000	495,000	501,667	32.54%
Partner B	475,000	450,000	600,000	508,333	32.97%
Partner C	525,000	575,000	495,000	531,667	34.49%
Total	1,500,000	1,535,000	1,590,000	1,541,667	100.00%

Origination

	Current YR	Current YR - 1	Current YR - 2	Average	Percent OA Pool
Partner A	750,000	825,000	900,000	825,000	32.89%
Partner B	900,000	675,000	850,000	808,333	32.23%
Partner C	875,000	950,000	800,000	875,000	34.88%
Total	2,525,000	2,450,000	2,550,000	2,508,333	100.00%



A dark, semi-transparent background image showing a business meeting. Several people in business attire are gathered around a table, looking at various documents and charts. One person's hand is visible using a calculator. The overall scene is professional and focused on data analysis.

ADMITTING

NEW PARTNERS

Benefits of Partnership (Equity)

01

Participate in the leverage profit

02

Keep more of your own profit

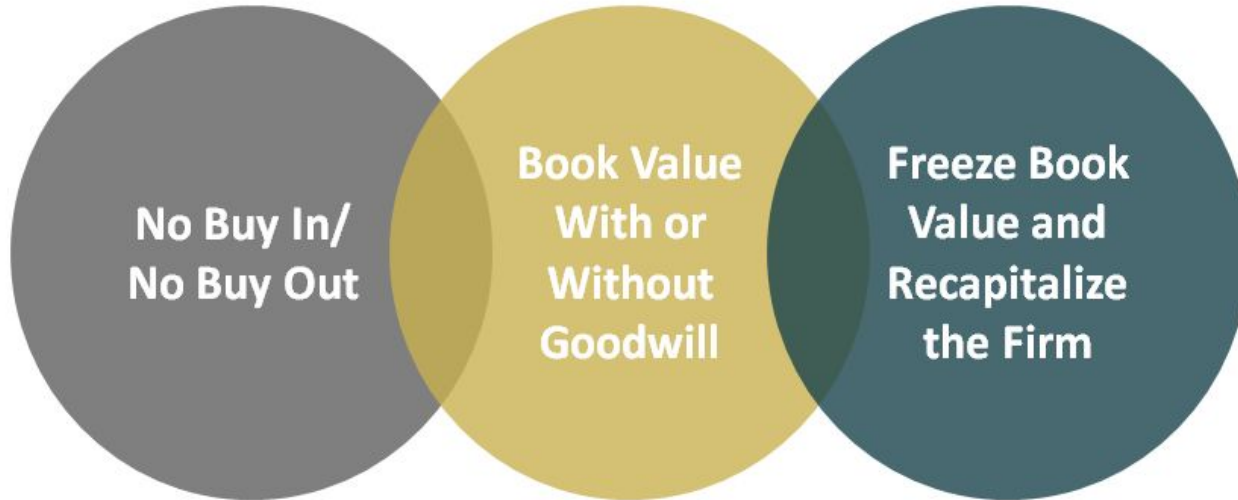
03

Enhanced marketing opportunities

04

Self determination

Main Ways to Admit New Partners



1. No Buy In / No Buyout



More Prevalent In Larger Firms



Required Capital Contributions



Refundable



2. Book Value Without Goodwill

Assets Minus Liabilities



Include AR and WIP



Example:

A law firm has \$500k in assets including AR and WIP and owes \$200k to the bank, book value is \$300K.

Assuming 100 shares, each share is worth \$3K.

Book Value With Goodwill

Assets Minus Liabilities



Include AR and WIP



Something Extra for the Value of the Going Concern



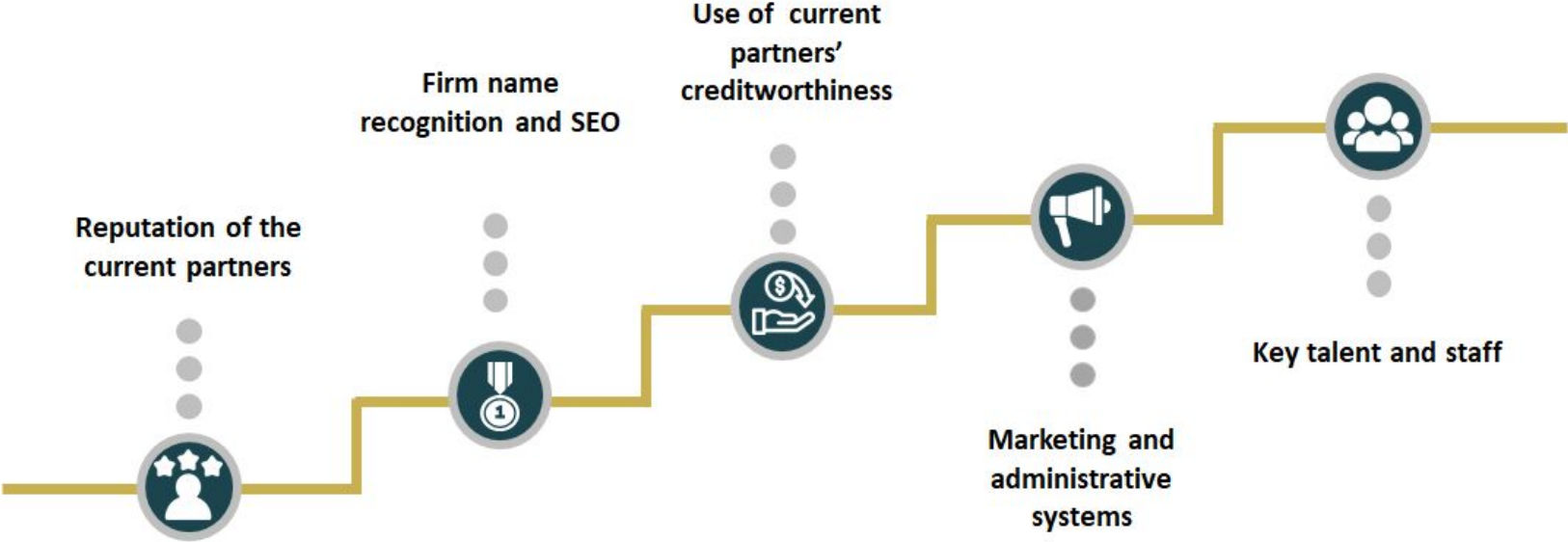
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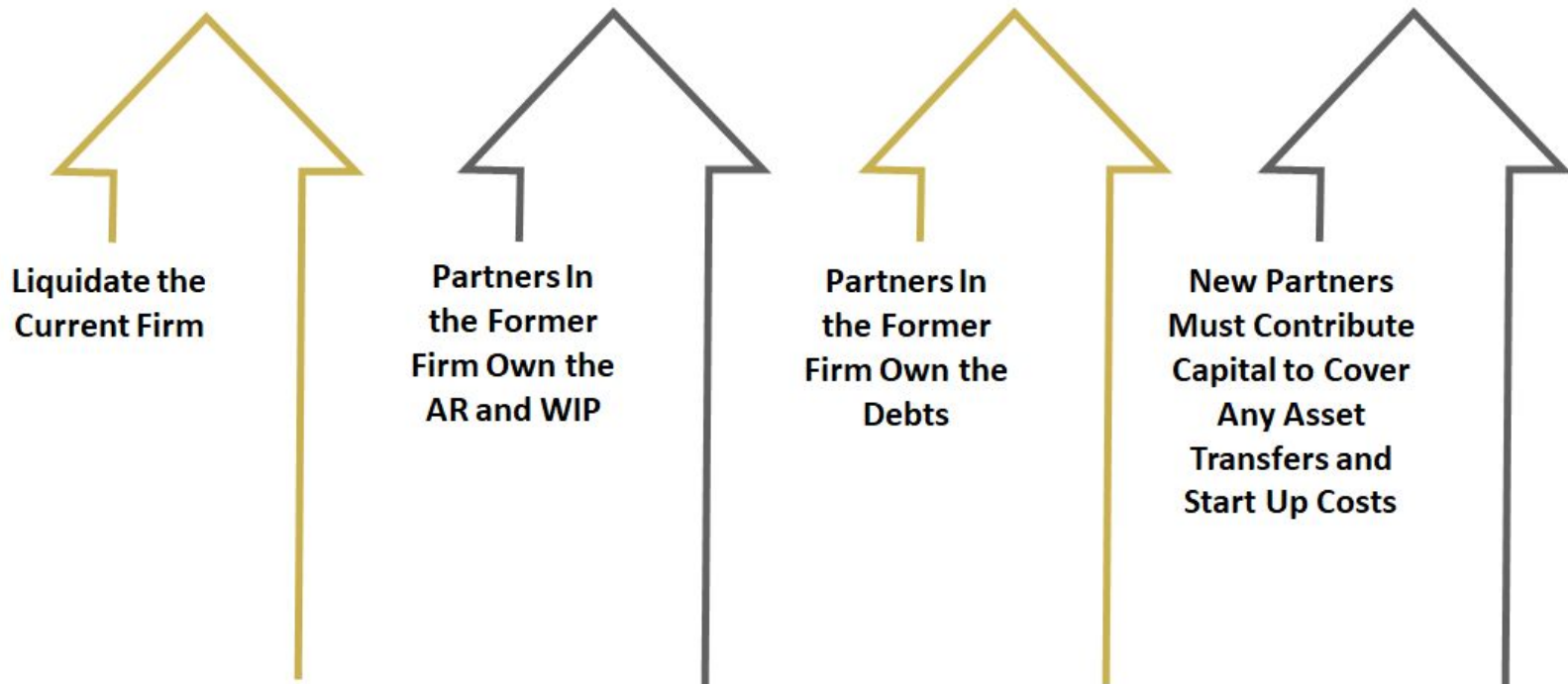
Assume partners agree to a going concern value of \$50K, each share is worth \$3.5K.



Examples of Goodwill



3. Freeze Book Value and Recapitalize the Firm

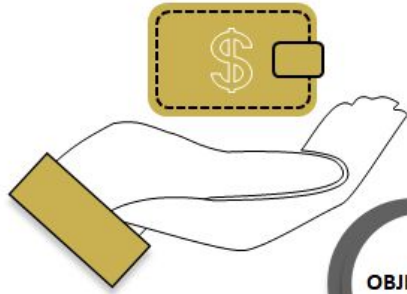


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ASSOCIATE

COMPENSATION

Building Value and Contributing Income



Building Long Term Value

- More **salary** emphasis
- Less bonus recognition
- Equal advancement weight

SUBJECTIVE

OBJECTIVE

Contributing To Profits

- Less salary emphasis
- More **bonus** recognition
- Equal advancement weight



Building Long Term Value

- Quality of professional work
- Client relationships and service
 - Personal development
- Business development competence
 - Training contributions
 - Professional recognition
 - Firm reputation buildup

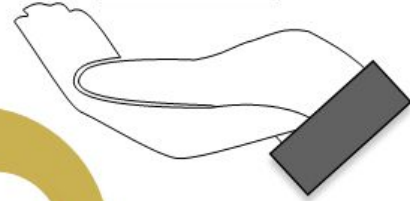
SUBJECTIVE



OBJECTIVE

Contributing To Profits

- Personal profitability
- Client profitability
- Profitability of others (leverage & supervision)
- Recruitment of profitable lawyers
- Training contributions



Building Value and Contributing Income

Contribution	Description	Year 1-4	Year 5-8	Year 9-13	Year 14+
Billable	Needed to meet client demand (will vary by firm and practice type)	2,100	2,100	2,000	2,000
Non-Billable Hours					
Skill Development	CLE and formal training programs	30	25	25	25
Training Others	Time spent training and helping others learn and grow	0	25	50	75
Marketing and Related	Traditional marketing activities, content contribution, brand building	10	25	100	125
Bar, Professional, Civic (BPC)	Leadership and participation in BPC organizations (often a supplement to marketing and individual brand building)	10	35	50	85
Recruiting	Interviewing, on campus, clerk programs, firm functions	2	5	15	15
Pro Bono	Some firms count toward billable goals. Depends on firm policy and state bar rules.	TBD	TBD	TBD	TBD
Administrative	Time, accounting, billing and non-billable overhead time (HR, Tech, Finance, Firm Management, Vendor Contracts)	20	20	120	175
Sub-total Non-Billable Hours	Mostly an investment in building your career	72	135	360	500
Total Hours Contributed		2,172	2,235	2,360	2,500

Income Generation



Bringing the client in (Origination)

50% of Client/File Profit



Managing the Client Relationship (Client/File Mgt.)

20% of Client/File Profit



Managing Other Timekeepers (Workload/ Production Management.)

20% of Client/File Profit



Doing good legal work (working the file)

Production Bonus (charged to profit)



Wealth Creation (Organizational Development)

Recruiting

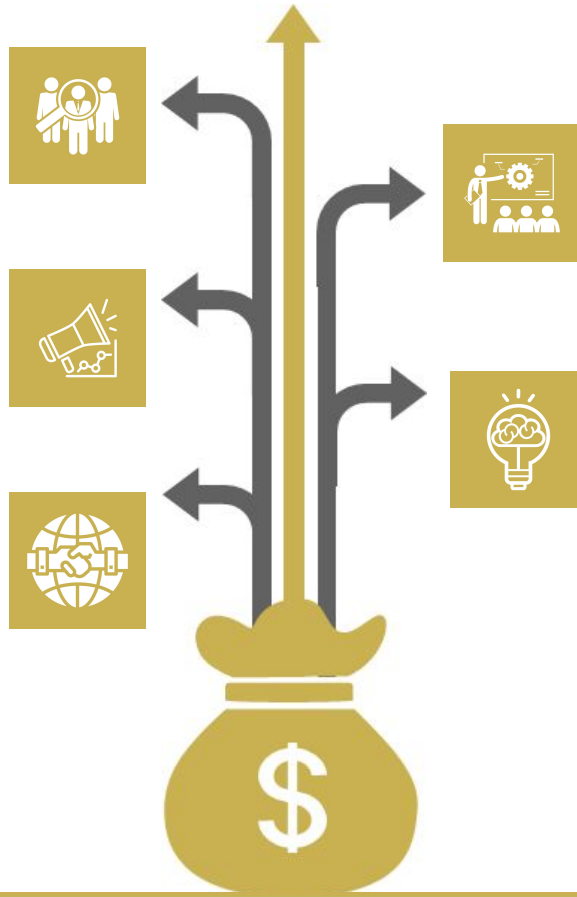
1. Search
2. Interviewing
3. Peer recruiting
4. Law school rec
5. Committees

Branding and Marketing

1. Training plan
2. Practice plan
3. Eval/Feedback
4. Progression
5. Mentorship

Cultural Development

1. Reputation
2. Strategy/Plans
3. Content - all
4. Referral Base
5. Team Develop



Attorney training and development

1. MAS/CRM
2. Case Mgt.
3. Legal Content
4. Protocols
5. Policy Support

Systems and Intellectual Property

1. Citizenship
2. Fairness
3. Collaboration
4. Team Building
5. Stewardship



Management



Managing partner or key committee service

Treat as OP Ex - stated
amount or % revenue

Measurement

1. MP checklist
2. Expectations
3. Stated amounts



Capital/Investing



Equity (Risk)

% of cash basis profit

Measurement

1. ROI



Performance

