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Session 4: Fixed Fee Family



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Today's Agenda

- Main AFA Models
- Pricing Options on PERSUIT
- Fixed Fee Types

What are main AFA models?

Scale of Not very Innovative to VERY INNOVATIVE

AFA Families

Efficiency Controlled Hourly Billing

- Capped Fees
- Collared Fees

Value Based Billing

- Success Fee
- Contingency Fee
- Hybrid Model



Fixed Fee Billing

- Portfolio Fixed Fee
- Matter-Level Fixed Fee
- Phase-Level Fixed Fee
- Task Based / Line Item Fixed Fee
- Activity Collared Fixed Fee

Pricing Option on PERSUIT

Fee Types

Rate Card/Hourly Rate	hourly rates of the proposed law firm timekeepers
Budgeting Estimate	represents total budget amounts (e.g. \$100,000) but which have no 'teeth' behind them as firms can bill beyond the amount without any penalty
Capped Fee	sets a capped budget such that the law firm bills hourly up until a cap upon which they can no longer bill the Client
Fixed Fee	flat fee that will be paid to the firm to represent the Client for the duration of the matter: <ul style="list-style-type: none">● Portfolio Fixed Fee: annual fee for a portfolio of work;● Fixed Fee by Phase: fixed amount for each phase of a matter;● Fixed Fee by Task/Line Item: fixed amount per task or deliverable;
Contingency Fee	law firm charges a set % of the amount recovered in the case
Success Fee	law firm charges Client a fee that is only paid upon the achievement of a predefined outcome

What are main Fixed Fee types?

Type 1: Matter Fixed Fee

Definition: fixed fee that will be paid to the firm to represent the client for the duration of the matter.

Example: a fixed fee of EUR 100,000 for the matter.

Pros

- Avoids rate increases during the life of the matter
- Matter-level cost predictability
- A competitive RFP process can be effective in providing market prices

Cons

- Client bears the risk of overpaying if the matter completes early
- Need to provide detailed scope and assumptions up front



Type 2: Line Item/Task Based Fixed Fee

Definition: firm charges a fixed amount per task or deliverable (i.e. utility patent, H1B visa) and bills the client with fixed line-item amounts for the activities completed.

Example: \$12K per utility patent, \$5K per real estate lease, \$3K per H1B visa.

Pros

- Provides cost predictability per task and billing transparency
- Less frequent re-negotiation because less dependent on accurate assumptions
- Fair for both sides as volume of activity fluctuates in parallels with fees

Cons

- Lack of cost predictability if volume of work is unknown
- Difficult to manage complexity and value variations
- Tough to account for all activities as some work falls into the “white spaces” causing firms to fill in with hourly rates

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CONTENT

PRICE LIST

CATEGORY NUMBER ONE		CATEGORY NUMBER TWO	
Product one	\$15.00	Service one	\$15.00
Product two	\$50.00	Service two	\$50.00
Product three	\$45.00	Product one	\$45.00
Service one	\$50.00	Product two	\$50.00
Service two	\$15.00	Pack one	\$15.00

Get everything you want. All your cyber activities are simplified and made fast. A lot of power to do things. All thanks to its processor and state-of-the-art graphics.

Type 3: Phased Fixed Fee

Definition: fixed amount for each phase of a matter. Fee is prorated if the case is resolved prior to the completion of a phase.

Example: \$1M total estimate for matter based on a fixed fee of \$100K for early assessment, \$100K preliminary motions, \$300K discovery, \$200K pretrial, \$300K trial.

Pros

- Less risk on client in case of early settlement or dismissal
- Cost predictability
- Eliminates invoice review and accruals
- Market pricing when engaged using a competitive RFP process

Cons

- Can be difficult to determine the scope of work prior to the start of a matter
- Need to provide specific assumptions for each phase
- Could overpay if phases are defined too broadly because firms will price in all contingencies



Type 4: Portfolio Fixed Fee

Definition: firm and client establish an annual fee for a portfolio of work that can include multiple matters and bills the client monthly 1/12 of the total portfolio fixed fee.

Example: \$2M for all employment litigation cases in a calendar year.

Pros

- Avoids frequent monitoring of tasks
- Cost predictability
- Less administrative burden

Cons

- Can set up poor incentives (e.g. handling of case settlements)
- Firm could deploy low cost-resources if staffing is not decided up-front
- Both parties bear risk of over/under billing based on actual volume of work realised



PERSUIT Recommends

When to use Fixed Fees

Consider using fixed fees for matters with predictable scope of work when your project trajectory is unlikely to change and your costs are highly predictable.

Fixed fees are also ideal for repetitive task based work, such as handling and processing visas and applications.

When to use Portfolio Fixed Fees

Portfolio fixed fees are a good fit for matters that are really high volume, repetitive, but tend to be lower in value.

For example, patent agency work, trademark filings, immigration filings, a lot of corporate governance or corporate entity management work