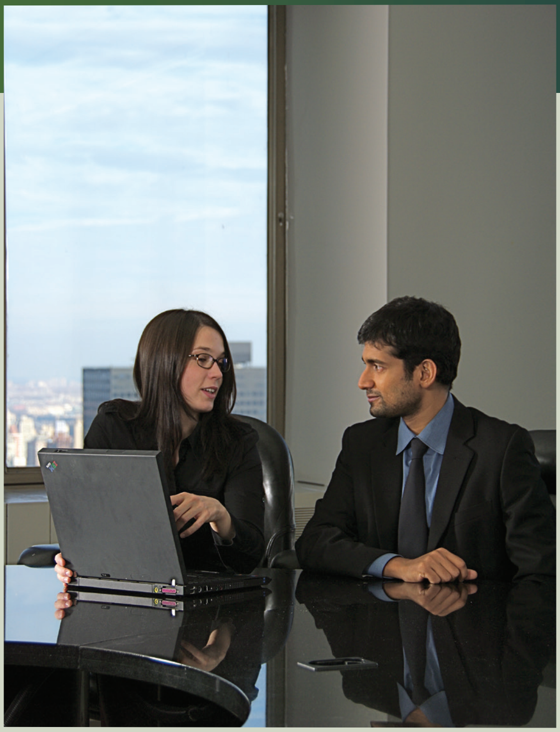

Non-Recourse Line of Credit

Reduce risk and increase profits per partner by using an asset based line of credit. Use your receivables to secure the line of credit and use the cash for any one of the following:

1. Distributions to partners;
2. Pay-off bank loans personally guaranteed by the partners (sometimes at a discount);
3. Fund out of pocket costs for practice areas like foreclosure and personal injury;
4. Pay for quick expansion in new practice areas to increase profits per partner.

The most important aspect of this financing is that it is non-recourse to the partners. Everyone has heard of the rapid fall of some very large firms (e.g. Dewey & LeBoeuf) and the horror stories of individual partners losing their life savings and their homes. This entire specter goes away when you switch to non-recourse financing. If the Firm melts down, partners can walk away free and clear.

Profits Per Partner

Everyone is trying to find ways to increase profits per partner. Leverage is the primary tool that you can use. In a recent scenario a Northeastern firm's client asked them to open an office in California. The firm used their receivables as leverage and used the cash to furnish the office and hire associates and paralegals for staff. Here is a simple mathematical example:

Here, when adding one associate, profitability in actual dollars has gone from $170,000 to $404,000. Percentage of profit has also increased from 28% to 34%. This is the concept of leverage, using a commercial finance company's money to increase firm profits.

	Before Financing	After Financing
Revenues	$600,000	$1,200,000
Cost of Goods/Services Sold (70%)	$330,000	$660,000
Gross Profit (30%)	$270,000	$540,000
Fixed Cost	$100,000	$100,000
Factoring Fee	$0	$36,000
Net Profit	$170,000	$404,000
Net Profit (%)	$28%	34%

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INCREASE RECEIVABLES COLLECTION TIME

Every month the partners look at the amount of money collected per partner. With a receivables based line of credit, your legal bill is collected within forty eight hours of its issuance. The funds are wired directly into the firm's bank account, thus no waiting for checks to clear and multiple days of bank hold time. Most importantly, this funding is non-recourse, so you do not have to worry about collection times or write-offs in the future. This type of finance works particularly well with clients who have intentionally delayed the payment of invoices to 45 days, 60 days or more.

TAKE OUT THE BANK

A number of firms in certain industries have come under serious pressure from their lenders. Some of this is based on a downturn in business. Many foreclosure practices were hit hard as the government brought lawsuits against big banks and imposed mandatory waiting periods prior to foreclosure. These measures brought foreclosures to a grinding halt in many areas of the country and firms with large foreclosure practices were hurt badly. To add insult to injury bankers froze credit lines, demanded additional collateral and threatened to liquidate many law firms.

A number of firms used their receivables to obtain a line of credit and pay off the bank at a discount. Many commercial bank lenders thought that foreclosure firms would go out of business because of the government's actions and did internal writedowns against such loans. Thus when the law firms obtained their receivables line of credit they were able to go to the bank and offer cash at a discount from the full face amount of the loan. Discounts ranged from 20% to 45% of these multimillion dollar loans.

DURHAM
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Growth Without Risk

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