

SEA

STRUCTURED FINANCIAL ASSOCIATES



## FEE STRUCTURE **PLUS**<sup>TM</sup>



**Helping Trial Attorneys Maximize  
the Value of their Hard-Earned Fees**

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## Cash-Out at Settlement vs. FEE STRUCTURE **PLUS**<sup>TM</sup>

Fee Structure Plus<sup>TM</sup> (“FSP”) is a unique and powerful product designed to assist trial attorneys in maximizing the value and use of their hard-earned contingency fees.

FSP enables a law firm and the attorneys associated with a particular case to **defer taxes** on a contingency fee while **simultaneously** providing the opportunity for **immediate liquidity** on a significant portion of the fee if the partners so desire. By doing so, attorneys have **tremendous flexibility and more options** to use the proceeds how they want.

Whether attorneys elect to invest back in their business or utilize the fees for personal purposes, **FSP puts the decisions and control back in your hands!**

	Cash-Out at Settlement	Fee Structure Plus
Tax Deferral	X	✓
Flexibility on Timing of Liquidity	X	✓
Lawyers Control Investment Selections	✓	✓

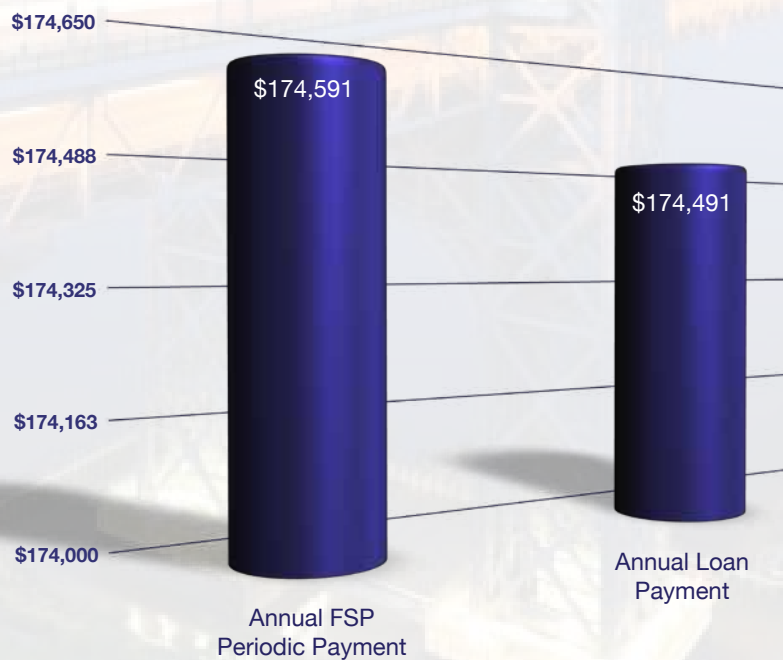
# SAMPLE RESULTS: CASH-OUT AT SETTLEMENT vs. FEE STRUCTURE *PLUS*<sup>™</sup>

## ASSUMPTIONS FOR THIS ILLUSTRATION

- \$1,000,000 contingency fee
- 6 year FSP term
- 4.5% fixed interest loan
- 35% federal tax; 10.55% state tax (CA)
- 4.50% discount rate
- 7% after-tax return on investments

## RESULTS

- Annual tax-deferred periodic payments from FSP (paid in years 2-7) = \$174,591
- You could obtain a maximum loan of \$900,000 (90% of the fee)
- Annual loan repayment (principal + interest) = \$174,491
- Taxes remitted for years in which periodic payments to the extent of the payment received.



# SAMPLE RESULTS: CASH-OUT AT SETTLEMENT vs. FEE STRUCTURE **PLUS**<sup>™</sup>

## COMPARISON

- Fee Structure Plus gives you **\$341,506 (i.e., 61.1%) more** available cash in year one
  - Cash fee less applicable taxes = \$558,494
  - FSP loan amount (tax-free year one) = \$900,000
- On a 6 year deal, Fee Structure Plus provides you **\$128,814 (i.e., 16.1%) more** in total net present value (TPNV) of proceeds than cash
  - Cash scenario TNPV = If you invested the \$558,494 (cash after tax) for 6 years at the after-tax rate of 7%, you'd end up with \$802,081
  - FSP scenario TNPV = If you invested the \$900,000 (FSP pre-tax loan proceeds) for 6 years at the after-tax rate of 7%, you'd end up with \$930,895



### HOW DOES FSP DELIVER TAX DEFERRAL?

This is accomplished by establishing a deferred compensation arrangement via a FSP tax “Transaction”. In the Transaction the law firm agrees to accept annual periodic payments from a third party assignee in satisfaction of its contingency fee arrangement. The assignee purchases assets that generate the income for the periodic payments.

When you establish a Transaction in this manner, you will receive your first periodic payment one year from the date of the Transaction establishment and annually thereafter. You will receive an IRS Form 1099 each year only to the extent of the amount of your annual periodic payment as opposed to incurring taxes on the entire contingency fee up front if you cash-out the contingency fee.

### HOW DOES FSP DELIVER IMMEDIATE LIQUIDITY?

Liquidity of your contingency fee is created because you have the option to immediately acquire a **low, fixed rate**, fixed duration, unsecured loan from one of our strategic banking partners. The proceeds from the annual periodic payment stream (i.e., the payments from the Transaction) can be used in part to make scheduled annual repayments of the loan’s principal and interest.

### IN WHAT WAY DOES THE FSP DELIVER FLEXIBILITY?

FSP transactions have a lot of flexibility built directly into them in a variety of ways including:

- You decide how much you want to put into the FSP on any given transaction so long as you meet the \$250,000 minimum.
- Not all partners in a law firm have to participate in FSP – any combination of partners can participate so long as at least one partner participates.
- You have complete discretion to use the loan proceeds however you desire whether for personal or business purpose.
- If you elect to do the loan portion of FSP, you can take the maximum loan amount permissible or you can take a lesser amount based on what you need/want.

### **AT WHAT POINT DOES THE LAW FIRM HAVE TO MAKE THE DECISION TO USE THE FSP PROGRAM?**

You need to make the decision *prior* to constructive receipt of your contingency fee. This would include establishment of the product prior to execution of any settlement documents or motions.

### **ONCE THE LAW FIRM DECIDES TO USE THE FSP PRODUCT, HOW LONG DOES IT TAKE TO SET UP THE REQUIRED TRANSACTIONS?**

Under ideal circumstances the FSP program can be enacted for you in a very short time period but the actual time has varied based on each Law Firm's ability to work with us to establish the various transactions inside the FSP program.

To help facilitate set-up we provide template documents for all of the required transactions associated with the FSP program, and we also help coordinate all processing of the Transaction and the optional loan.

### **DOES THE DEFENDANT HAVE TO AGREE TO THE ESTABLISHMENT OF THE PERIODIC PAYMENT TRANSACTION IN ORDER FOR THE LAW FIRM TO BE ABLE TO PARTICIPATE IN THE FSP PROGRAM?**

**Yes.** The defendant must agree to the establishment of the Transaction to fund the periodic payments in satisfaction of defendant's settlement agreement payment obligation.

This is analogous to the agreements obtained by defendants in typical structured annuity situations.

### **CAN A LAW FIRM USE THE FSP PROGRAM FOR MORE THAN 1 CONTINGENCY FEE?**

**Absolutely.** In fact the benefits of the FSP program can increase significantly the more a law firm engages in the program as a regular business practice.

# FREQUENTLY ASKED QUESTIONS

FEE STRUCTURE **PLUS**<sup>™</sup>

## **ARE THE ANNUAL PAYMENTS UNDER THE STRUCTURE THE SAME EACH YEAR?**

They are fixed as to amount and payment dates, mirroring the settlement agreement terms, at the time the Transaction is established.

## **ARE THE PRINCIPAL AND INTEREST PAYMENT ON THE LOAN THE SAME EACH YEAR?**

The loan payments stay the same each year for the duration of the loan although the principal and interest components vary annually according to the loan amortization schedule.

## **HOW CAN THE PROCEEDS OF THE LOAN BE USED?**

You have the discretion to use the proceeds for whatever lawful purpose you desire whether personal or business related.

## **IS INTEREST ON THE LOAN DEDUCTIBLE?**

This depends on the use of the proceeds. You should consult with your individual tax advisor for specific guidance on particular uses as they relate to potential deductibility.

## **WHEN ARE THE TAXES ON THE TRANSACTION PERIODIC PAYMENTS DUE?**

You will receive an IRS Form 1099 in each year that you receive a periodic payment (e.g., years 2-7 in a 6 year deal). Consequently, you will owe taxes for each year in which you received a periodic payment.

**Structured Financial Associates, Inc. is a subsidiary of Integrated Financial Settlements, Inc.**

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