LEGAL TRACKER™
FEE ARRANGEMENTS

INTRODUCTION

An alternative fee arrangement (“AFA”) is defined as any type of legal fee arrangement where a client pays an attorney something other than the standard hourly rate for the work performed. AFAs are often referred to as “value-based fees” because they are tied to the engagement’s value instead of the billable hour. AFAs can provide fee predictability and better value in matters by focusing on results and efficiency, often without being based on the time expended.

This document describes the types of fee arrangements that can be used in Legal Tracker, as well as instructions and guidance on implementing the AFA functionality in your database. Based on the complexity of AFA configuration and compliance, we provided this document to discuss those configuration options and how to communicate invoicing instructions to your legal service providers. Before implementing AFA functionality, we recommend that you reach out to your Client Success Team to discuss your options, strategic plans, and best practices for rolling out AFAs.

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TYPES OF FEE ARRANGEMENTS IN LEGAL TRACKER

Blended Hourly Rates

- **Description**
  - The parties agree to bill all attorney time, or the time for all attorneys of a particular timekeeper type (for example, partners, associates, and of counsel), at a specified hourly rate (regardless of each attorney's usual billable rate).
- **Notes & Considerations**
  - Firms may be reluctant to have attorneys who normally bill above blended rate bill on the matter.
  - Client can end up with inefficient, less-experienced attorneys billing on matter at a higher blended rate.
  - Client must continually analyze staffing ratios to ensure they are getting a good deal.
  - Company is still paying for hours and not outcome.
- **Tracker Functionality**
  - Lead firm fee arrangement- Blended hourly rates.
  - Matter-specific rates.
  - Unique timekeeper for blended time.
- **Law Firm Billing**
  - Matter-specific rates or unique timekeeper for blended rate.
- **Workflow Guidance**
  - Blended Hourly Rates

Capped Fee

- **Description**
  - Company pays the law firm's traditional hourly rate but limits the fee so it does not exceed the maximum amount budgeted, called a "cap."
- **Notes & Considerations**
  - Benefits may include simplicity, predictability and/or efficiency.
  - Risks may include work only done to hourly amount and nothing more.
  - 3rd party or external circumstances may still cause issues or challenges.
- **Tracker Functionality**
  - Lead (or ancillary) firm fee arrangement – Capped fee.
  - AFA capped fee functionality (additional settings).
  - Possibly task-code alerts for more granular capped fees.
- **Law Firm Billing**
  - Likely up-front contract at beginning, potentially incrementally but likely TBD at outset of agreement.
- **Workflow Guidance**
  - Capped Fee

Discounted Hourly Rates

- **Description**
  - Company pays a percentage of the firm's standard hourly rates.
- **Notes & Considerations**
  - Could be negotiated to accommodate the volume of working with a law firm on a regular basis (i.e. in excess of ten hours or more per month), and/or working on multiple matters.
- **Tracker Functionality**
  - Lead firm fee arrangement – Discounted hourly rates.
  - Timekeeper Rate Review.
- **Law Firm Billing**
  - Timekeepers bill at discounted rate.
- **Workflow Guidance**
  - Discounted Hourly Rates

Flat Fee

- **Description**
    - Company pays outside counsel a set price for a specific service.

- **Notes & Considerations**
    - Similar benefits to that of capped fee (efficiency and predictability to stay within cost limit; lower admin costs).
    - Risks may include lower quality work, potentially lower success incentive; windfall if case ends before all hours within fee billed.

- **Tracker Functionality**
    - Lead (or ancillary) firm fee arrangement – Fixed or flat fee.
    - Invoice-level adjustments for entire amount of invoice.
    - Invoice-level adjustments to increase/reduce invoice equal the flat fee.
    - Tracker matter-level AFA functionality.

- **Law Firm Billing**
    - Can be paid in advance, partially as milestones are reached, at specific time intervals, or when everything is complete.

- **Workflow Guidance**
    - Flat Fee

Fixed Fee

- **Description**
    - Company pays outside counsel a fixed price to address many matters over a specified period of time.

- **Notes & Considerations**
    - Benefits could include bundling of matters up and let the firm manage everything, even if different subject matter.
    - Multiple matters under one big 'fee'.
    - Risks could include lower quality of work, potentially less visibility, potential windfall if case completes before fee is 'used up'.

- **Tracker Functionality**
    - Lead (or ancillary) firm fee arrangement - Fixed or flat fee.
    - Additional fee arrangement – Portfolio/Retainer.
    - Invoice-level adjustments for the entire amount of the invoice.
    - Invoice-level adjustments to increase/reduce invoice equal the flat fee.
    - Tracker Matter-level AFA functionality.

- **Law Firm Billing**
    - Likely negotiated up front with firms as to terms of scope and duration.

- **Workflow Guidance**
    - Fixed Fee

Fixed or Capped Fee with a Collar

- **Description**
    - An agreement where the fee is fixed or capped; however, if the firm ends up billing more than a percentage of the fixed or capped fee, the excess becomes subject to discounted hourly rates.

- **Notes & Considerations**
    - Allows prediction of spend, incentivizes firms to keep within limits.
    - Might be slightly harder to understand than a basic flat fee or traditional hourly rates.

- **Tracker Functionality**
    - Lead firm fee arrangement - Fixed or capped fee.
    - Additional fee arrangement – Portfolio/Retainer.
    - Invoice-level adjustments for the entire amount of the invoice.
    - Invoice-level adjustments to increase/reduce invoice equal the flat fee.
    - Tracker Matter-level AFA functionality.

- **Law Firm Billing**
    - May be up front, in stages or all at the end, likely depends in large part as to whether they exceed the cap during the matter's litigation.

- **Workflow Guidance**
  - Fixed or Capped Fee with a Collar

Holdbacks and Success-Based Fees

- **Description**
  - A holdback is a portion of the law firm's fee that the company retains until pre-determined conditions are met or milestones achieved. Success fees or bonuses are often used with holdbacks, but may also be used independently. A success fee typically awards the law firm a premium for extraordinary results.

- **Notes & Considerations**
  - A common holdback amount is 25-30%, but the exact amount should be negotiated between the parties. The holdback should be significant enough that the law firm only achieves a reasonable profit if they are successful in their execution on the matter.
  - Incentivizes law firm to deliver excellent service.
  - Holdbacks are typically coupled with a flat fee in a transaction where the law firm's fees are guaranteed from the outset.
  - Success-Based Fees often used in litigation and paid if the law firm wins the lawsuit or reaches a favorable result.

- **Tracker Functionality**
  - Lead firm fee arrangement – Performance-Base Success Fee/Holdback.

- **Law Firm Billing**
  - Likely up-front contract at beginning.
  - Tracker automatically deducts the holdback % from approved charges on each invoice and firms bill as they complete work.

- **Workflow Guidance**
  - Holdbacks and Success-Based Fees

IP Fixed Fee

- **Description**
  - Company agrees to pay law firm a fixed or not to exceed fee for tasks or phases of work as opposed to a fixed fee for the matter as a whole. Differentiated from other fixed fee arrangements by the greater level of specificity in the categories of allowed charges.
  - Also applies to arrangements where companies want to limit the number of times a firm can bill for a certain task (e.g. office actions on a patent).

- **Notes & Considerations**
  - Especially well-suited for high volume and lower dollar value matters and transactions where budgets classifications and amounts are consistent and where checking and approval of invoices relative to fixed budgets can be administratively burdensome.
  - Typical use cases include patents, trademarks, immigration where budgeting is applied to well-defined and discrete tasks.
  - Can also apply to phased based fixed fees where auto approvals are beneficial.

- **Tracker Functionality**
  - Tracker AFA functionality turned on.
  - System Settings AFA Functionality – auto approval of invoices, etc.
  - Task code alerts and preconfigured task code alerts – total and/or per unit amounts, disable TK audits for line item billings, etc.

- **Law Firm Billing**
  - Typically, tasks are billed when completed (some tasks may be billed multiple times).
  - Preferred: usage of FLTFEE TK classification to bill a fixed fee for each task charged and no invoice level adjustments.
  - Some companies require shadow hourly billing for visibility to specific work done on matters.

- **Workflow Guidance**
  - IP Fixed Fee

Standard Hourly Rates

- **Description**
  - Company pays the law firm's standard hourly rates. Timekeeper is assigned rate depending on their experience and the type of case.

- **Tracker Functionality**
  - Lead firm fee arrangement – Standard hourly rates.
  - Timekeeper Rate Review.

- **Law Firm Billing**
  - Timekeepers bill at standard hourly rate.

- **Workflow Guidance**
  - Standard Hourly Rates

Additional Fee Arrangements

Additional Fee Arrangements (also known as "secondary fee arrangements") in Legal Tracker can be applied in addition to other fee arrangements. For example, matters that have fixed fees or discounted hourly fees could also have a volume discount applied on top of it, or those matters could be included in a firm portfolio to place an overall limit or "cap" for the spend across those matters as a whole.

Volume Discount

- **Description**
  - Company negotiates a tiered-fee discount arrangement where the more the company spends with the firm, the bigger the company's discount on fees. Each tier is typically a range of approved fees (prior to discount) and the discount increases with each successfully higher tier. Volume discounts can be applied in addition to other fee arrangements (e.g. volume discounts can be applied to matters that have fixed fees and discounted hourly fees).

- **Notes & Considerations**
  - Can benefit companies who don't have the purchasing power or spend history to negotiate higher discounts unless they actually reach higher levels of spend OR where higher spend companies want to have some financial protection against runaway spend on a matter (e.g. class action suit for data breach). Tiered/volume discounts are generally for the benefit of law firms and are very difficult to administer and result in rate comparison difficulties.
  - If the discount arrangement is not tiered, you should not use the volume discount feature except where you may want Tracker to automatically deduct a small percentage (e.g. 1% for early payment of invoices or to charge the law firm a processing fee).

- **Tracker Functionality**
  - Company Settings - Volume Discounts are enabled by company system administrators under Settings. Each firm can have a unique volume discount arrangement or multiple firms can be associated with one standard discount arrangement configuration.
  - The calculation period for determining the fees in the discount tiers is based on a fixed period (typically annually) or a rolling 12-month period. The discount calculation date can be the invoice posted date, approved date or billing period end date (billing period end date is typically used). The effective date(s) of the discount arrangement can be modified.
  - Tracker can flag or auto-adjust firm discounts which are different than Tracker calculated discounts.
  - The Tracker discount calculation can be based on 1) fees including all firm and company adjustments (this could include the volume discount the firm submits with the invoice); 2) amounts in 1) but excluding company invoice level adjustments; 3) Billed amount (excludes all company adjustments).

- **Law Firm Billing**
  - Law firm typically reflects the volume discount as an invoice level fee adjustment based on the total net fees billed. Given that company invoice adjustments are frequently made, it's typically best to not auto adjust to Tracker calculated discount amounts and instead, flag differences

- **Workflow Guidance**
  - Volume Discount

Portfolio/Retainer

- **Description**
  - Form of fixed fee for a group of matters which have some common characteristic (e.g. licensing or lease agreements) over a period of time and further defined by geography or some other characteristic (e.g. org unit). The individual matters could be subject to other fee arrangements and the Portfolio amount could be a secondary/ultimate cap on costs or it could be the primary/only fee type.

- **Notes & Considerations**
  - Allows for economies of scale to be applied and provides incentive for firms to invest in people, tools, and technology to optimize processes, achieve faster and better results at a lower cost, and gives company cost predictability.
  - Uncertainty regarding number of matters and cases where there are some unusually high cost matter(s), which requires special consideration when creating the portfolio.
  - More matters in the portfolio – more predictable the costs and less risk to law firms.

- **Tracker Functionality**
  - Firm Profile – add cost, time frame, audit rules and other information on the firm profile for each separate portfolio and subsequently assign/associate matters to the portfolio when created.

- **Law Firm Billing**
  - Fixed monthly or quarterly billings or law firm can bill against individual matters, subject to the cap of an overall portfolio cost.

- **Workflow Guidance**
  - Portfolio/Retainer

Contingency Fee

- **Description**
  - Based on a percentage of a company's award, settlement reduction "savings" or some other benefit that can be quantified. May include reimbursement of law firm out of pocket expenses in addition to contingency fee. Differentiated from performance- based arrangement where some fees are reimbursed as the matter proceeds.

- **Notes & Considerations**
  - No upfront fees.
  - Work product incentive.
  - No costs for losses.
  - Could potentially cost more than regular hourly fee.

- **Tracker Functionality**
  - Additional fee arrangement – Contingency
  - Invoice only after conclusion of case, accrue/budget for whole amount

- **Law Firm Billing**
  - Single invoice after conclusion of case; likely an invoice-level adjustment for total amt; accrue/budget for total amount

- **Workflow Guidance**
  - Contingency Fee

Prepayment

- **Description**
  - Payment for fee arrangements in advance of services being provided.

- **Notes & Considerations**
  - Lower cost by prepaying where law firms are anxious to reflect higher revenues.

- **Tracker Functionality**
  - Additional fee arrangement – Prepayment

- **Law Firm Billing**
  - Law firm invoices prior to provided services.

- **Workflow Guidance**
  - Prepayment

Speedy Pay Discount

- **Description**
  - Percentage reduction in fees for paying firms faster than standard payment terms.
- **Notes & Considerations**
  - Lower cost by paying sooner where law firms are anxious to reflect higher revenues.
- **Tracker Functionality**
  - Additional fee arrangement – Speedy Pay Discount
- **Law Firm Billing**
  - Agreed upon payment deadline in advance; discount may be applied to next month's invoice.
- **Workflow Guidance**
  - Speedy-Pay Discount

FEE ARRANGEMENT WORKFLOWS IN LEGAL TRACKER

Blended hourly rates

When companies enter into a blended hourly rate arrangement, the parties agree to bill all attorney time, or the time for all attorneys of a particular timekeeper type (for example, partners, associates, and counsel), at a specified hourly rate (regardless of each attorney's usual billable rate).

To accomplish this in Tracker, select “Blended hourly rates” for the firm fee arrangement. This will allow you to track and report on matters with this type of arrangement.

1. Go to the **Matters** menu, select **Create New Matter** from **Actions**, and then choose matter options.
2. Create the matter profile, and then save and close.
   Note: You'll select Lead Firm / Lead Outside Counsel here and provide more firm details on the **Firms** tab.
3. Complete the **Firms** tab. Choose **Blended Hourly Rates** as the fee arrangement and enter fee comments if applicable.

Next, you can utilize Timekeeper Rate Review to create matter-specific rates, or approve rates using a unique timekeeper classification and/or ID.

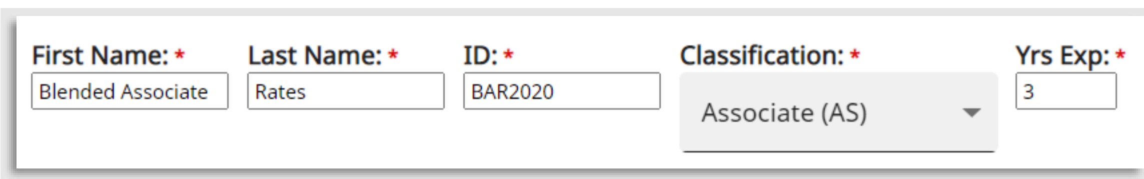
For matter-specific rates:

I. Instruct your firm to upload the rate sheet on the **Rates** tab until the billing button. Or Company System Administrators can upload the rate sheet on behalf of the firm. Include matter-specific rate information on the rate sheet.

For unique timekeeper classification and/or IDs:

1. Ensure the Timekeeper classification that you would like to use is enabled by visiting **Timekeeper Classifications, Rates and Reviewers** in **System Setup.**
2. If the classification that you would like to use is not enabled, reach out to Tracker Support.
3. Instruct your firms to include the blended hourly rate timekeeper ID with the appropriate classification on the rate sheet.

The required fields are First Name, Last Name, ID, Classification and Yrs Exp.



Capped Fee

When companies enter into a capped fee rate arrangement, the parties agree that the company will pay the firm's traditional hourly rates until a negotiated maximum budget amount is reached. This maximum budget is called a "cap."

If you would like to set a capped fee arrangement for a matter in Tracker:

1. Enter the **Matters** button.
2. Enter an existing matter and then click on the **Firms** tab. If the matter has not yet been created, create that matter first and then enter the **Firms** tab within that matter.
3. Click Edit on the right-hand side of the screen next across from the name of the firm that has agreed to the Capped fee.
4. Select the 'Capped fee' selection from the Fee Arrangement selection in Tracker. You will notice that several additional options appear on the screen.
5. Choose whether to manage the budget/fees by Matter Lifetime Costs, Budget, or Budget with over-run collar
    a. If you manage by Matter Lifetime Costs, then you can set your collar for total cost within the fee arrangement itself further down on the page. The budget functionality and requirements will not apply to this matter if you use this method of management.
    b. If you manage by Budget, then your collar is determined by the budget on the matter. The normal budget audit functionality will apply to this matter.
    c. If you manage via Budget with Over-Run collar, then budget requirements remain on the matter, but the cap is set above the budget at an amount you specify similar to Matter Lifetime Costs. You would use this method where you want to maintain visibility on the budget but will allow for some overage up to a cap.
6. If you choose to manage your capped fee arrangement using either Matter Lifetime Costs or Budget with over-run collar, you will then choose to whether the cap applies to Total costs or to Fees & Expenses.
    a. Choose Total Costs where the type of cost in not important to the arrangement, as the cap applies to any costs received.
    b. You will choose Fees & Expense where you either have separate caps for fees and expense in a matter or you only want to cap the fees and allow the firm to have no cap on their invoiced expenses.
7. You can then set your capped amount(s) and an email warning to your Lead Company Person on the matter when a certain threshold percentage of the cap has been reached.
8. Determine what Action to take on invoices where the cap has been exceeded.
    a. Chose red flag/warning where you do not want any automated action to take place but would like your approvers to respond appropriately to the overage.
    b. Auto-reduce to the fee arrangement amount where you want to see the invoice but allow the system to automatically reduce the invoice back to the amount of the arrangement. Note that this could lead to invoices being reduced to $0 if the entire amount of the invoice is over the capped amount established on the matter.
    c. Auto-reject invoice is the best option where you do not want to see what would have been invoiced had the cap not been applicable to the matter.
9. Select **Save & Close** under the **Actions** menu

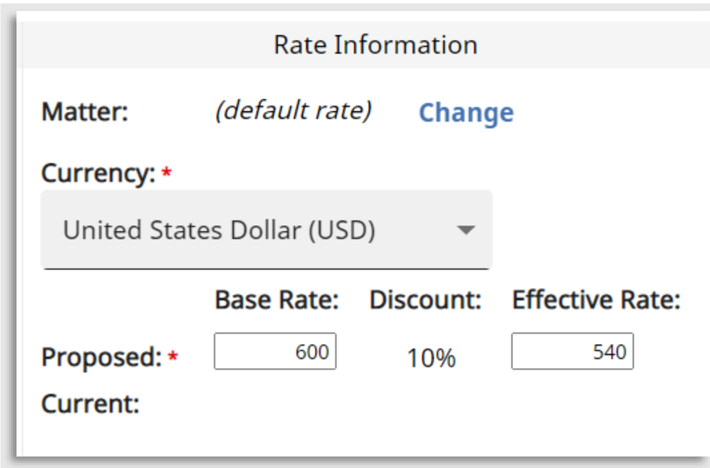
Your firms can then submit invoices as normal using their current hourly timekeeper rates.

Discounted hourly rates

When parties agree to bill discounted hourly rates on a matter, or all matters, the firm will bill a percentage of their retail rate. To accomplish this, select “Discounted hourly rates” for the firm fee arrangement.

Next, you can utilize Timekeeper Rate Review to create matter-specific rates, or approve discounted default rates. Instruct your firm to include the discount on the rate sheet by entering their standard hourly rate as the base rate, and their discounted hourly rate as the effective rate.

Report on savings resulting from the negotiated discounted hourly rates through the Timekeeper Rate Sheet Savings report.



Fixed and Flat Fees

A flat fee is used when you negotiate to pay a firm or vendor a set price for a particular service. A fixed fee is used when you pay outside counsel either a fixed price for each of many matters or a fixed price to resolve many matters collectively, generally over a certain period of time. Many clients use the same Tracker functionality for fixed and flat fee arrangements, though there are differences in functionality that can be used to establish more granularity of flat fees or grouping of matters in a single arrangement for fixed fees.

If you would like to set a fixed or flat fee arrangement for a matter in Tracker:

1. Enter the **Matters** button.
2. Enter an existing matter and then click on the **Firms** tab. If the matter has not yet been created, create that matter first and then enter the **Firms** tab within that matter.
3. Click Edit on the right-hand side of the screen next across from the name of the firm that has agreed to the fixed/flat fee.
4. Select the ‘Fixed or flat fee’ selection from the Fee Arrangement selection in Tracker. You will notice that several additional options appear on the screen.
5. Choose whether to manage the budget/fees by Matter Lifetime Costs, Budget, or Budget with over-run collar
    a. If you manage by Matter Lifetime Costs, then you can set your collar for total cost within the fee arrangement itself further down on the page. The budget functionality and requirements will not apply to this matter if you use this method of management.
    b. If you manage by Budget, then your collar is determined by the budget on the matter. The normal budget audit functionality will apply to this matter.
        i. To setup recurring fixed fees (i.e. monthly, quarterly, or annually recurring), law firm budgets can be utilized and set up at the appropriate interval.
    c. If you manage via Budget with Over-Run collar, then budget requirements remain on the matter, but the cap is set above the budget at an amount you specify similar to Matter Lifetime Costs. You would use this method where you want to maintain visibility on the budget but will allow for some overage up to a cap.
6. If you choose to manage your fixed/flat fee arrangement using either Matter Lifetime Costs or Budget with over-run collar, you will then choose to whether the collar applies to Total costs or to Fees & Expenses.
    a. Choose Total Costs where the type of cost in not important to the arrangement, as the cap applies to any costs received.
    b. You will choose Fees & Expense where you either have separate caps for fees and expense in a matter or you only want to cap the fees and allow the firm to have no cap on their invoiced expenses.
7. You can then set your fixed/flat amounts and an email warning to your Lead Company Person on the matter when a certain threshold percentage of the cap has been reached.
8. Determine what Action to take on invoices where the cap has been exceeded.
    a. Chose red flag/warning where you do not want any automated action to take place but would like your approvers to respond appropriately to the overage.
    b. Auto-reduce to the fee arrangement amount where you want to see the invoice but allow the system to automatically reduce the invoice back to the amount of the arrangement. Note that this could lead to invoices being reduced to $0 if the entire amount of the invoice is over the capped amount established on the matter.
    c. Auto-reject invoice is the best option where you do not want to see what would have been invoiced had the cap not been applicable to the matter.
9. Select **Save & Close** under the **Actions** menu

After you designate a fixed or flat fee matter, you will need to determine whether or not you require line item detail on invoices from your firms.

If your company does not require line item information for your fixed or flat fee matters, you can inform your firms to bill using the following instructions:

(1) When designating a **fixed/flat fee in your LEDES formatted invoice**: The fixed/flat amount should be entered as an invoice-level adjustment to fees as indicated by the following excerpt from the LEDES specification:

Invoice-level adjustments must be entered as a line item with the EXP/FEE/INV_ADJ_TYPE indicating either an invoice-level adjustment to fees ("IF") or an invoice-level adjustment to expenses ("IE") and the value for the adjustment entered in the LINE_ITEM_ADJUSTMENT_AMOUNT field. Thus, an invoice-level adjustment of $4000 on fees (i.e., a flat fee of $4000) would have the following field values (among others):

EXP/FEE/INV_ADJ_TYPE - "IF"

LINE_ITEM_ADJUSTMENT_AMOUNT - "4000"

LINE_ITEM_TOTAL - "4000"

In addition, the **line-item narrative** should include a description of the flat fee. Your client may also request you to provide a FLAT/FIXED designation within the line item task code. If you have questions about what description and code to include, please contact your client directly.

Learning Center Link: Include Deductions and Credits in Invoices

(2) To designate a **fixed/flat fee using the LEDES Generator**:

1. After entering all line items, click Adjust Total Fees to create an invoice -level adjustment to fee.
2. Enter the flat fee in the 'Adjustment' field and flat fee description.
3. The total will be automatically calculated.

Learning Center Link: Legal Tracker LEDES Generator Quick Reference Guide

Due to mirror functionality in Tracker for many fixed and flat fee arrangements, it is often helpful to see them as the same for Tracker purposes. There is, however, some functionality in Tracker specific to each arrangement type.

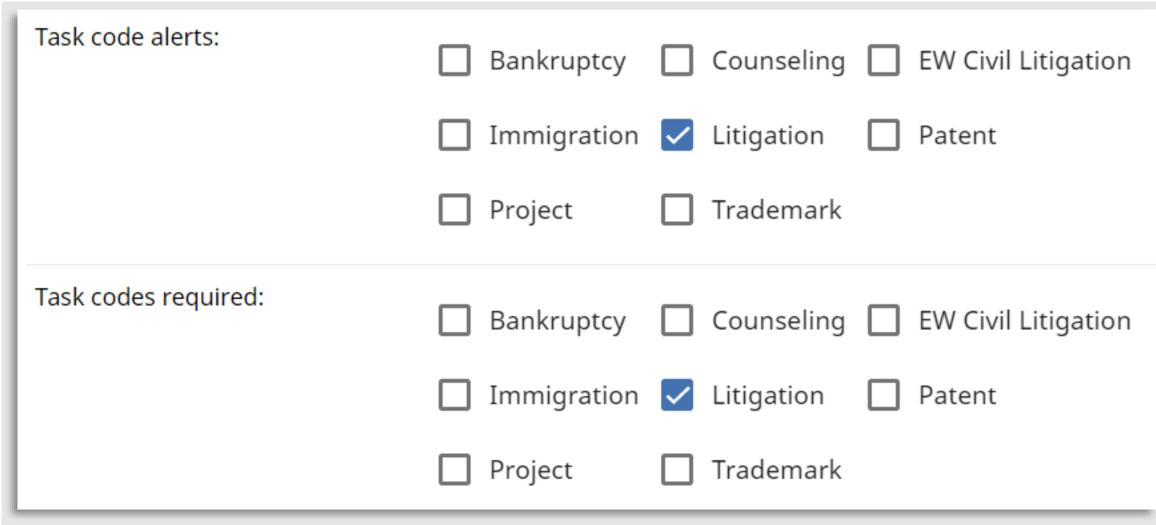
Flat flee specific functionality: task code alerts

Task code alerts are a system function that enabled your company to set both invoice and matter limits for fees associated with each task code, phase, or set.

Budgeted Fees: $0.00				Prev. Spending	Remaining	% Spent
⊟ Litigation	2000000 USD			$0.00	$2,000,000.00	0 %
⊟ Assessment	750000 USD			$0.00	$750,000.00	0 %
L100 - Case Assess., Dev. & Admin.		175000 USD per matter	per line	$0.00	$175,000.00	0 %
L110 - Fact Investigation/Dev.		175000 USD per matter	per line	$0.00	$175,000.00	0 %
L120 - Analysis/Strategy		170000 USD per matter	per line	$0.00	$170,000.00	0 %
L130 - Experts/Consultants		50000 USD per matter	per line	$0.00	$50,000.00	0 %
L140 - Document/File Management		50000 USD per matter	per line	$0.00	$50,000.00	0 %
L150 - Budgeting		50000 USD per matter	per line	$0.00	$50,000.00	0 %
L160 - Settlement/Non-Binding ADR		30000 USD per matter	per line	$0.00	$30,000.00	0 %
L190 - Other Case Assess., Dev. & Admin.		50000 USD per matter	per line	$0.00	$50,000.00	0 %

Task code alerts allow your firms to bill their normal hourly rates while providing flexibility into the granularity of detail regarding flat fees. If you will have many matters where you will be using the same limits, you can create pre-configured task code alerts to your matters to add efficiency and save time. Task code alerts will not be valuable to your company where you do are setting your flat fee at the matter level rather than by individual task and you do not require task level detail on your invoicing. From a firm perspective, billing is simplified if they are submitting single line item invoices without task level detail.

Default task code alerts can be turned on in at the matter template level or edited/added within individual matters via editing Matter Options. If you are enabling task code alerts, the best practice is to turn them on for all types of task codes that are required on the matter.



If you would like to set-up pre-configured task code alerts, you can do so within **System Setup** using the **Pre-configured Task Code Alerts** menu item. You can then add pre-configured task code alerts to your matters using bulk update or by enter the **Matter Options** within each matter and editing the Firm Assignment Task Code Alert field.

Performance-Based Arrangements: Success-Based Fee/Holdbacks

Success-based fees provide firms with incentives for extraordinary results by paying a premium after matter closure. Where you negotiate a holdback arrangement with your firm, you retain a portion of all fees received that will be paid out at matter resolution dependent on the firm achieving certain conditions.

Success-based fees are used in conjunction with holdback arrangements and they have the same system functionality within Legal Tracker. In any performance-based arrangement, you will note the arrangement type and then the percentage of fees that your company pays prior to matter resolution.

If you would like to set a performance-based fee arrangement for a matter in Tracker:

1. Enter the **Matters** button.
2. Enter an existing matter and then click on the **Firms** tab. If the matter has not yet been created, create that matter first and then enter the **Firms** tab within that matter.
3. Click Edit on the right-hand side of the screen next across from the name of the firm that has agreed to the performance-based arrangement.
4. Select the 'Performance-Based Success Fee/Holdback' selection from the Fee Arrangement selection in Tracker.
5. You will then enter the percentage amount for fees your company will pay prior to resolution. For example, if you have an arrangement with a 20% holdback, you will enter 80% in the 'Percentage of fees paid prior to resolution' field.

When firms invoice you, generally using their standard hourly rates, Tracker will reduce each invoice amount by the holdback percentage prior to sending the invoice to AP. If you have accruals enabled, the holdback amounts will continue to be accrued for until matter resolution. At matter closure, the matter closure form will contain the percentage of the holdback amount that your company will pay based on firm performance and that amount will be sent to AP for payment.

IP Fixed Fee

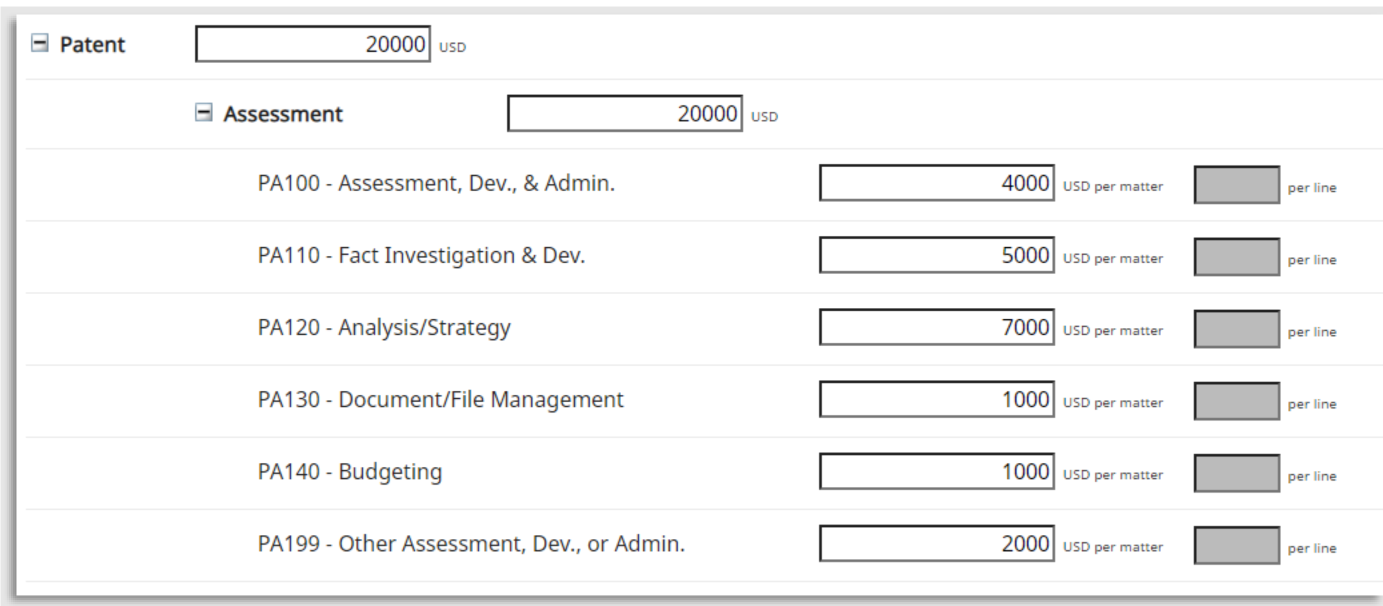
With an IP fee schedule, the company agrees to pay the law firm an agreed upon fee for tasks related to routine IP filings (e.g. trademark application).

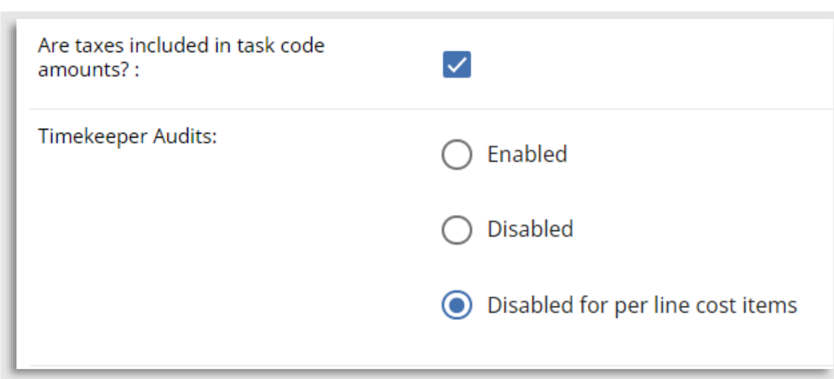
To accomplish this, companies should utilize the task code alert and pre-configured task code alert functionality.

Create a pre-configured task code alert set by doing the following:

1. Go to **Setup > Pre-configured Task Code Alerts**
2. Click **Add** from the **Actions** menu**.** The **Add Pre-configured Task Code Alerts** window displays**.**
3. Complete the necessary fields. For field definitions, see Pre-configured Task Code Alerts**.**
4. Click **Save & Close** from the **Actions** menu**.**

Note: if the task will be performed more than one time per matter, use the **per line** amount. You can disable Timekeeper Audits for per line cost items in the **Matter Options** within the matter.





Standard hourly rates

When parties agree to bill standard hourly rates on a matter, or all matters, the firm will bill their retail rate. To accomplish this, select “Standard hourly rates” for the firm fee arrangement.

Additional Fee Arrangements: Volume Discount

Volume discount arrangements are a type of alternative fee arrangement. Companies negotiate a volume discount with a firm, where the more the company spends with the firm, the bigger the company's discount. Typically, a company will have volume discount arrangements with only a small subset of its firms (i.e., those that can handle a large volume of work).

For each firm's volume discount arrangement, discounts are set for each dollar range "tier." The firm's approved fees are calculated to determine the tier, then the relevant discount for that tier is applied to the invoice's fees.

Company System Administrators can click on **Setup**, then click on **Volume Discounts** link under Invoicing, Budget, & Financial Setup, to enable volume discounts system-wide and determine the action the system will take: either Tracker will auto-reduce the invoices to automatically apply the discount, or Tracker will merely warn invoice approvers and recommend a discount (the firm would include the discount and Tracker compares the firm's invoice-level adjustment to what Tracker determines the discount to be based on the firm's configuration).

Once Volume Discounts are enabled system-wide, Company System Administrators can edit a firm's profile to use volume discounts with that firm and configure the volume discount arrangement. When configuring the volume discount arrangement for a firm, the Company System Administrator should have the following information at-hand:

- Whether the calculation period to determine the firm's approved fees is Standard (set start date and end date) or Rolling (preceding 12 months). If Standard, you'll need to know the start date and end date. See below for more information about the calculation periods and calculation logic.
- Whether you want to display the volume discount arrangement to firm users with access to firm profile information. (Note: Approved fees to-date (subject to volume discount calculation) will be exposed only to firm users [and company users] who have all-matter access.)
- Effective Date of the arrangement: when the arrangement will be applied to invoices posted by the firm.
- Tiers: how many tiers, the discount rate per tier, and the spend range per tier.

Tier	Discount Rate	Spend Range	
1	2 %	$0.00 - $100,000.00	Delete
2	4 %	$100,000.00 - $300,000.00	Delete
3	6 %	$300,000.00 - $500,000.00	Delete

Additional Fee Arrangements: Contingency Fee

When companies enter into an arrangement where the firm is only paid if its outside counsel recovers money from the opposing party. Generally, the fee paid is a percentage of the amount recovered by the firm.

A contingency is considered an Additional Fee arrangement in Tracker, meaning that you will first need to establish a primary fee arrangement on matters where a contingency is also being used. There is no systemic functionality to this arrangement, it is mostly used as a note in the system to remind your users that the firm will likely not invoice fees until the resolution of the entire matter.

If you would like to set a capped contingent arrangement for a matter in Tracker:

1. Enter the **Matters** button.
2. Enter an existing matter and then click on the **Firms** tab. If the matter has not yet been created, create that matter first and then enter the **Firms** tab within that matter.
3. Click Edit on the right-hand side of the screen next across from the name of the firm that has agreed to the contingency.
4. Provide a primary arrangement, often Standard Hourly Rates or Discounted Hourly Rates for this arrangement.
5. Under **Additional Fee Arrangements** select Contingency from the dropdown menu.
6. Select **Save & Close** under the **Actions** menu

Your firms should not invoice for fees until the conclusion of the matter and their invoice will likely contain only a single invoice-level adjustment line item for the percentage of the amount recovered.

Additional Fee Arrangements: Portfolios

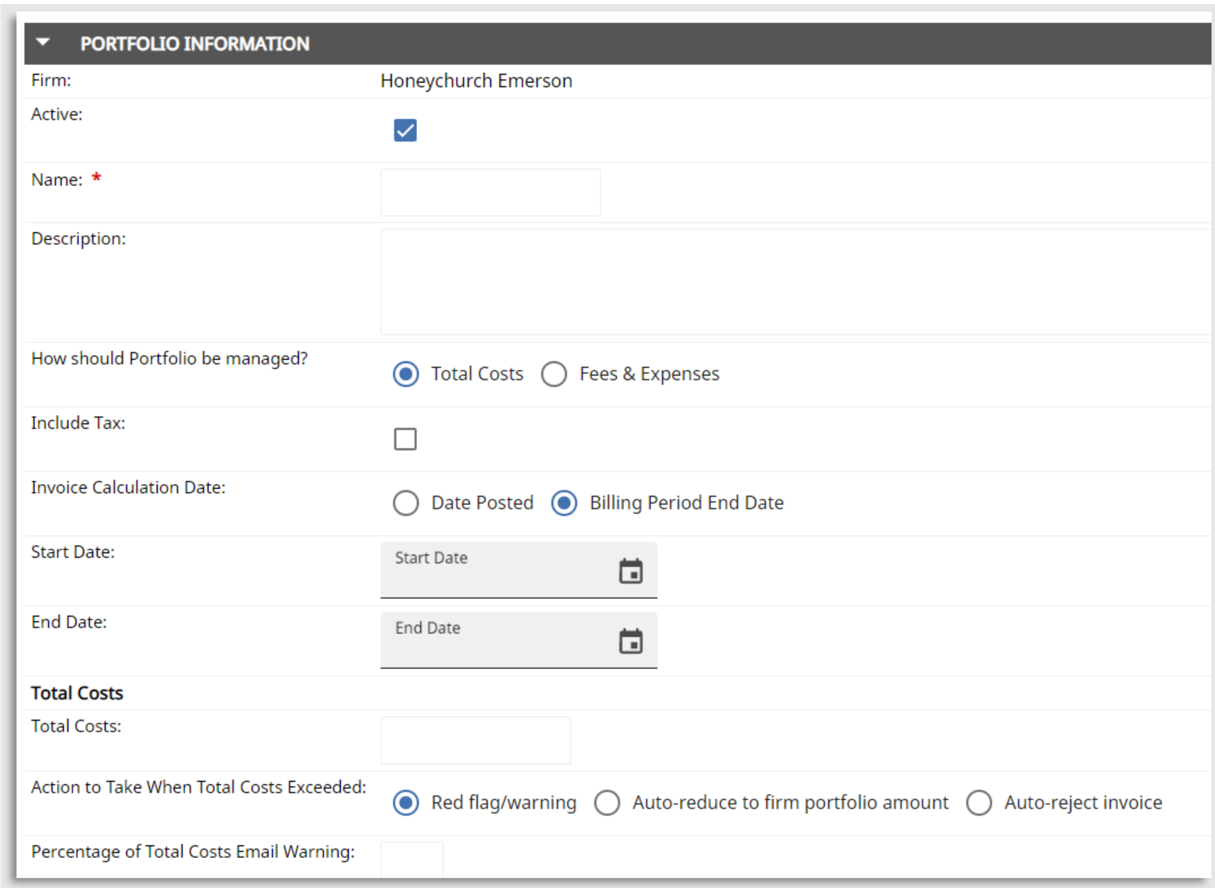
Portfolio arrangements allow for your company to set a single spending limit several matters. This functionality is useful where a firm has agreed to a single capped amount for work on multiple matters. This arrangement will not be useful where the firm has agreed for limitations on individual matters rather than on the collective work for a portfolio of matters.

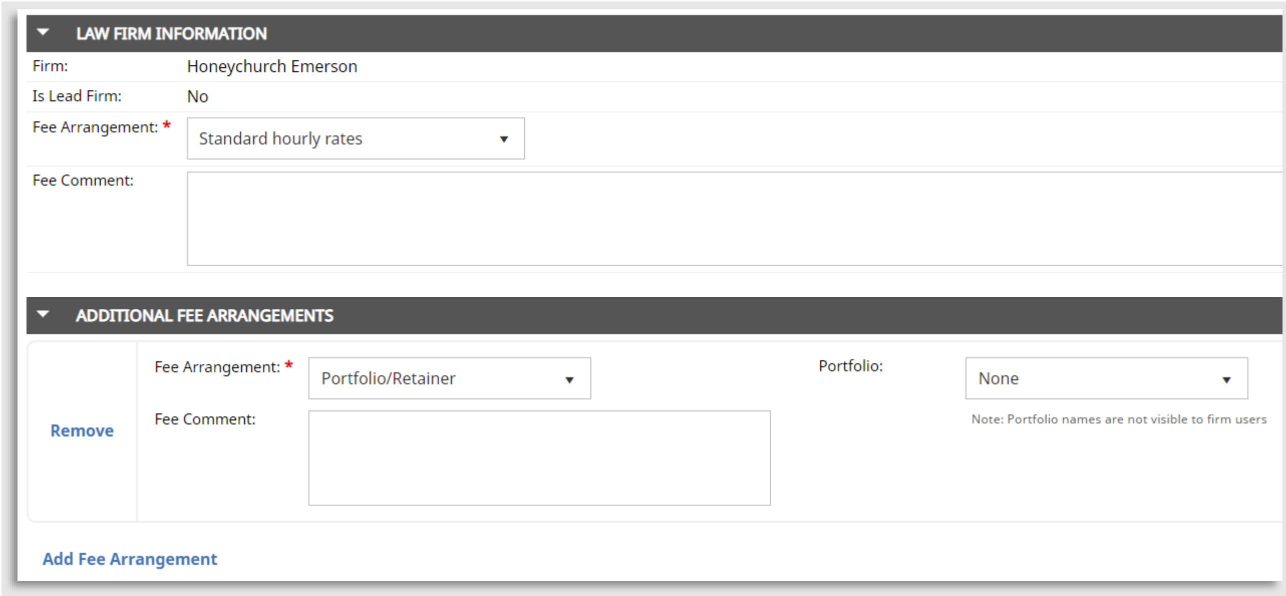
To set up a firm portfolio arrangement you can follow these steps:

1. Enter the **Users** button
2. Enter the **Firms** tab
3. Click on the name of the firm that requires a portfolio arrangement
4. Edit the firm profile of the matter via the **Actions** menu
5. Under the Firm Portfolio heading click on +Add
6. You will then be able to set the options for the Portfolio, including whether to set a join cap for all amounts or separate caps for fees and expenses, and whether to include tax in the calculation for the portfolio.
7. **Save & Close** under Actions when complete

You will then add individual matters to the portfolio arrangement that you created. To add a matter to a firm's portfolio arrangement:

1. Enter the **Matters** button.
2. Enter an existing matter and then click on the **Firms** tab. If the matter has not yet been created, create that matter first and then enter the Firms tab within that matter.
3. Click Edit on the right-hand side of the screen next across from the name of the firm that has agreed to the portfolio arrangement fee.
4. Select the appropriate option from the Fee Arrangement selector.
5. Click Add under Additional Arrangements and select Portfolio Retainer.
6. Choose the appropriate portfolio from the list
7. Save & Close under **Actions**.




LAW FIRM INFORMATION
Firm:
Honeychurch Emerson
Is Lead Firm:
No
Fee Arrangement: *
Standard hourly rates
Fee Comment:
ADDITIONAL FEE ARRANGEMENTS
Remove
Fee Arrangement: *
Portfolio/Retainer
Fee Comment:
Portfolio:
None
Note: Portfolio names are not visible to firm users
Add Fee Arrangement

Additional Fee Arrangements: Prepayment & Speedy-Pay Discounts

Prepayment is payment in advance of services being provided. Speedy-pay discount is a percentage reduction in fees for paying firms faster than standard payment terms. Both arrangements allow for lower cost by either prepaying or paying sooner. Both parties may benefit from this arrangement, as law firms may be anxious to reflect higher revenues.

As both prepayment and speedy-pay discounts are additional (or “secondary”) fee arrangements, additional Tracker functionality such as timekeeper rate review and/or volume discounts, etc. must be applied in order to implement and reflect their usage. For example, while clients can report on matters under which speedy-pay discounts are utilized, many clients leverage the volume discount option to automatically realize the speedy-pay discount. We recommend reaching out to Tracker Support or your Client Success Manager to discuss the workflow options available.

LEARNING CENTER LINKS

Alternative Fee Arrangements | Overview

Getting Started with AFAs

Working with Fee Upload Files

Creating a Matter with the Enhanced AFA Workflow

Creating a Firm Portfolio

Managing AFAs with Task Codes