

# ALTERNATIVE FEE ARRANGEMENTS

## DELIVERING VALUE TO OUR CLIENTS

At Paul Hastings we have partnered with our clients to develop risk-sharing solutions and alternative fee arrangements to help them address some of today's most pressing business challenges. Alternative fee arrangements can provide greater fee predictability and better value in appropriate matters by focusing on results and efficiency, often without being based directly on the time expended.

Paul Hastings has embraced the changes occurring in the legal market and the manner in which our clients do business, and we are prepared to partner with our clients to meet their objectives. In this regard, we have developed a proprietary Matter Management System that allows us to successfully budget, manage, and execute alternative fee arrangements.

Each situation is different, and we collaborate with clients to develop tailored alternative fee arrangements to provide the best value and result. Here are some examples of programs we have successfully employed:

### LEGAL RISK SHARING AND HYBRID ARRANGEMENTS

#### *Performance-Based Success Fee/Holdback*

- Typically used with hourly and fixed fee arrangements, a portion of the client's fees is placed into a separate account or held back.
- Upon reaching predetermined benchmarks determined in collaboration with the client, fees may be disbursed to the firm, refunded to the client, or divided between them. If Paul Hastings achieves a successful measurable result, it may receive a multiple of the holdback.
- Depending on the nature and extent of the success, the client may further provide a discretionary bonus.
- We work with the client to establish a set of performance metrics, an appropriate holdback, and circumstances in which a multiple will be applied to the holdback. These types of arrangements can promote creative lawyering and encourage us to be more collaborative with our clients.

#### *Partial Contingency Fees*

- An arrangement in which Paul Hastings receives a portion of its hourly rate plus a percentage of any recoveries in a lawsuit.
- Aligns the financial interests of the firm and its clients while also reducing the costs of litigation.
- Generally used in plaintiff cases seeking monetary relief, but can also be used for defendants where the level of damages avoided determines the amount of the contingency.

### FIXED ARRANGEMENTS

#### *Periodic Flat Fee*

- Value-based fixed fee is created and then split into equal payments for a predetermined period (e.g., quarterly, monthly, etc.).
- This structure typically incorporates the concept of a "look back," which allows for a cooperative reassessment of the fixed fee due to unexpected developments.
- Encourages transparency and predictability.

### *Portfolio Fixed Fee with Periodic Adjustments*

- An efficient way to handle large portfolios of work for a value-based fixed fee.
- Allows for periodic adjustments if additional unexpected work arises.
- Incorporates the concept of a “look back,” which allows for a cooperative reassessment of the fixed fee due to unexpected developments.
- By handling a group of cases in a particular area, Paul Hastings gains a unique ability to handle matters efficiently and help clients reduce overarching legal risks and problems. It also enables both the firm and the client to better manage the fee risk of individual outliers where the assumptions about the scope of the work may be off.

### *Phased Fixed Fee with Collar*

- Based on hourly fees subject to a case budget and a collar (a range above and below the budget). If the fees are less than the lower collar, outside counsel receives a bonus. If the fees are higher than the upper collar, the client receives a discount from the regular hourly rate.
- The collar can be adjusted for each phase of the litigation to account for varying degrees of predictability.
- Encourages risk sharing and efficiency while promoting greater collaboration.

## **OTHER ARRANGEMENTS**

### *Multiple-Matter-Based Relationship Incentives*

- An incentive in exchange for the client’s willingness to work with us in an area in which we have not yet provided significant service to the client.

### *Volume Discounts*

- A sliding scale discount on rates based on the volume of legal work, with higher discounts for higher volumes of fees collected.

### *On-Site Legal Expertise*

- A flexible arrangement in which a legal team member is stationed at your offices for a set period of time (e.g., three months, one day per week) to offer dedicated support.
- Forms a true partnership in which our teams collaborate and strategize in the same environment.

### *Blended Hourly Rates*

- Establish blended rates for specific titles or one rate for all lawyers who work on a client’s matter irrespective of seniority.

*For more information, please contact your Paul Hastings lawyer.*

