

**YOUR LAW FIRM
AS A SALABLE
ASSET**



THE “TYPICAL” LAWYERS

Lawyer 1



“You can’t sell a law firm. It’s not legal or ethical!”

Lawyer 2



“I don’t have anything to sell!
It’s just a bunch of clients and referral sources.”

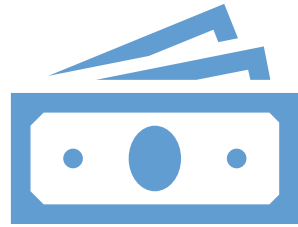


MODEL RULE 1.17 (FL BAR RULE 4-1.17)

- Henry Drinker, “A lawyer’s practice and good will may not be offered for sale” (*Legal Ethics* 161, 1953).
- Model Rule 1.17, *Sale of Law Practice*, was adopted by the ABA House of Delegates in February 1990.
- Most states have version of Rule 1.17, *including Florida* (4-1.17)



IT'S ALL ABOUT THE INTANGIBLES



\$15.7 Billion

How much Salesforce is set pay
to acquire Tableau Software



-\$208 Million

Tableau's net income for 2018-
2019 *combined*





FUNDAMENTAL
ASSUMPTION #1

- Your practice is a *business that provides legal services*



**FUNDAMENTAL
ASSUMPTION #2**

- **Consistently profitable and properly operated business are salable, if their owners have an exit strategy in place.**



**FUNDAMENTAL
ASSUMPTION #2**

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BUT only 15% of businesses listed for sale ***ACTUALLY*** sell.

**HOW DO YOU
GET YOUR FIRM
INTO THE 15%
THAT SELL?**

GETTING INTO THE “SWEET 15”

What are the assets of a “business that provides legal services”?

Who would buy your firm?

What drives or kills a law firm’s value?

What does the actual sale look like?

How do the Bar Rules impact the sale?

How can starting succession planning early let you turn your law firm into a salable asset?



WHAT IS A LAW FIRM *BUSINESS?*

- An organization of people, systems and tools that engages clients, creates value for them, and pays the owners a *profit* for their *risks*.

THE ASSETS OF YOUR LAW FIRM BUSINESS



TANGIBLE ASSETS



**INTANGIBLE
ASSETS**



HUMAN CAPITAL



THE ASSETS OF YOUR LAW FIRM BUSINESS



Furniture, Fixtures & Equipment

Desks
Computers
Dusty Law Books



Office Leasehold



Intellectual Property

Systems
Trade Name
Know How



Marketing Operation

Mailing list



Goodwill

Clients
Referral Sources
Community Trust



TWO TYPES OF BUYERS



Investment Buyer

Future income

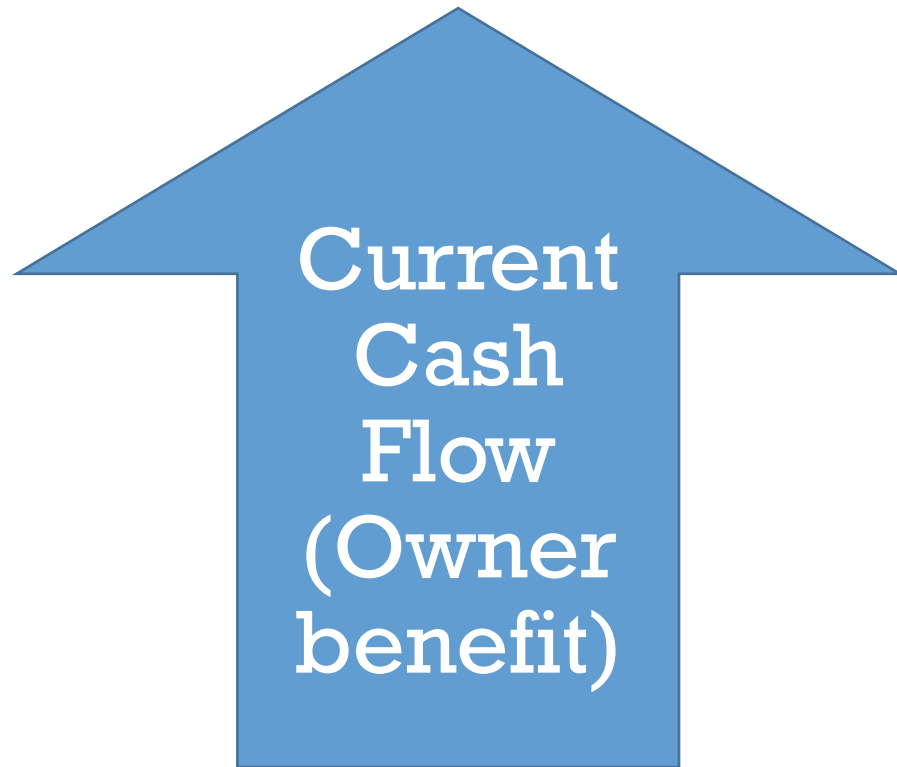


Strategic Buyer

Leverage seller's assets in existing business



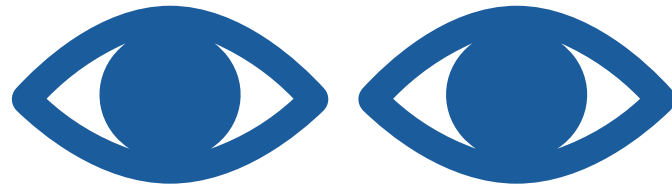
WHAT DETERMINES “SALABILITY”?



VS.



WHAT DETERMINES “SALABILITY”?



**Always take the
buyer's perspective**



WHAT MAKES A LAW FIRM “SALABLE”?

- A buyer can step into your practice and continue to generate the income you would have received if you remained the owner.

KEY LAW FIRM VALUE DRIVERS



**Consistent Net
Cash Flow**



**Excellent Financial
Records**



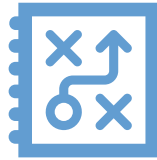
**Seller's Willingness
or Ability to Work to
Transition**



Tradenname



KEY LAW FIRM VALUE DRIVERS



Written Systems

Marketing

Intake

Case management



The Herd

Database of current and previous clients, referral sources, community leaders

E-newsletters and printed newsletters

(Rule 4-7.18)



Team Approach

Focus on tasks that *only you* can do

Hire and train the *right* people



TOP 4 VALUE DESTROYERS



Undocumented Systems

One person knows everything, everything dies with one person



Unreliable Financial Performance



Playing the Hero

Don't be the only thing that keeps your firm alive



Getting Burnt Out

Failure to plan is planning to fail



15-POINT FIRM SALABILITY CHECKLIST

bit.ly/firm-checklist



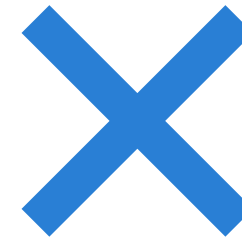
**ETHICAL ISSUES
IN YOUR LAW
FIRM SALE**

WHAT IS AND ISN'T A "SALE"?



Is

Practice area
Entire firm



Isn't

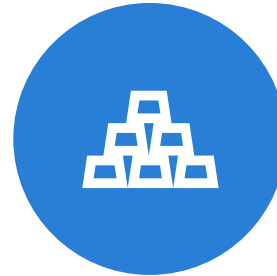
Withdrawing partners
Bona fide retirement



WHAT DOES THE SALE LOOK LIKE?



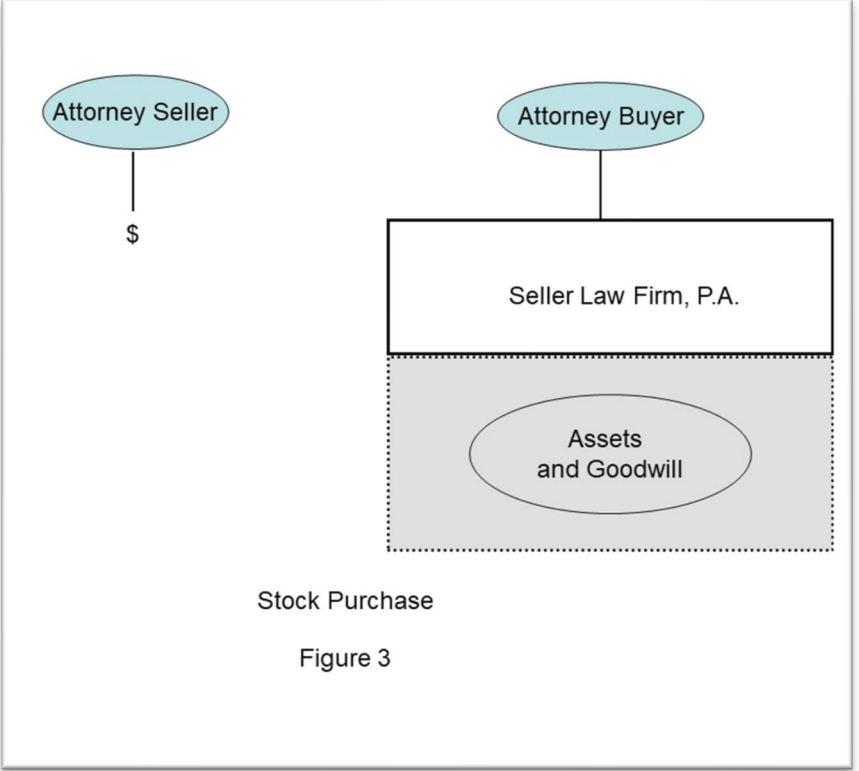
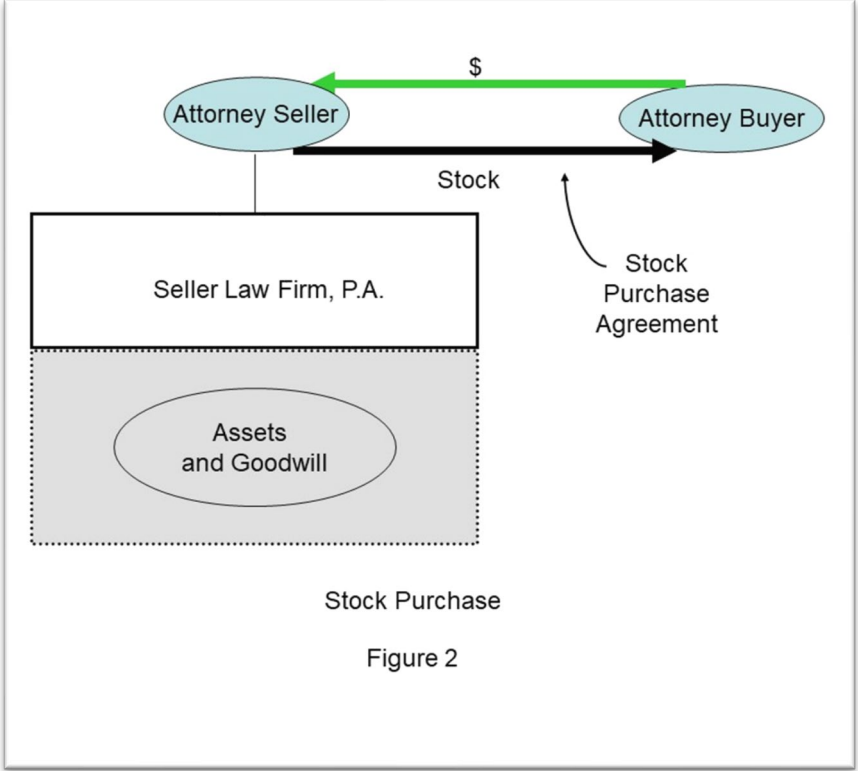
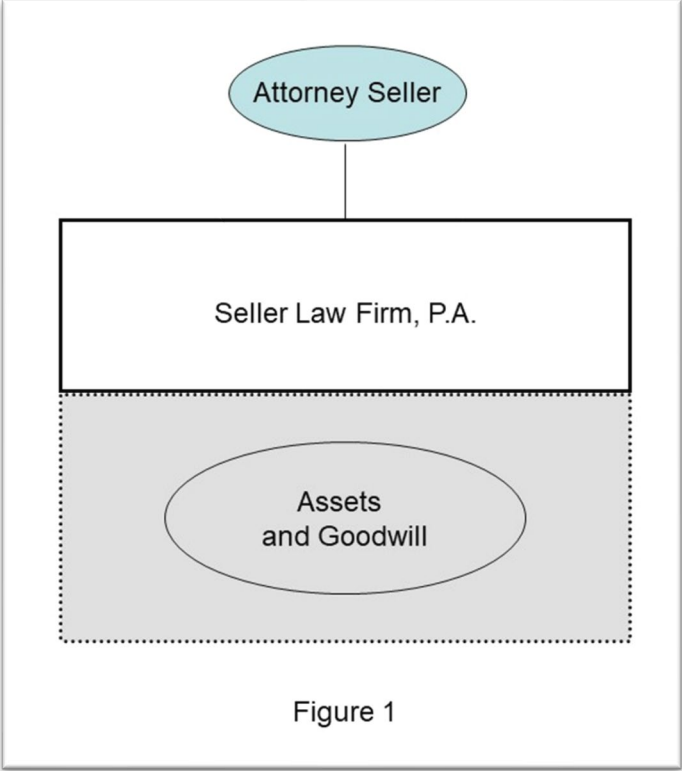
Stock (equity) Sale



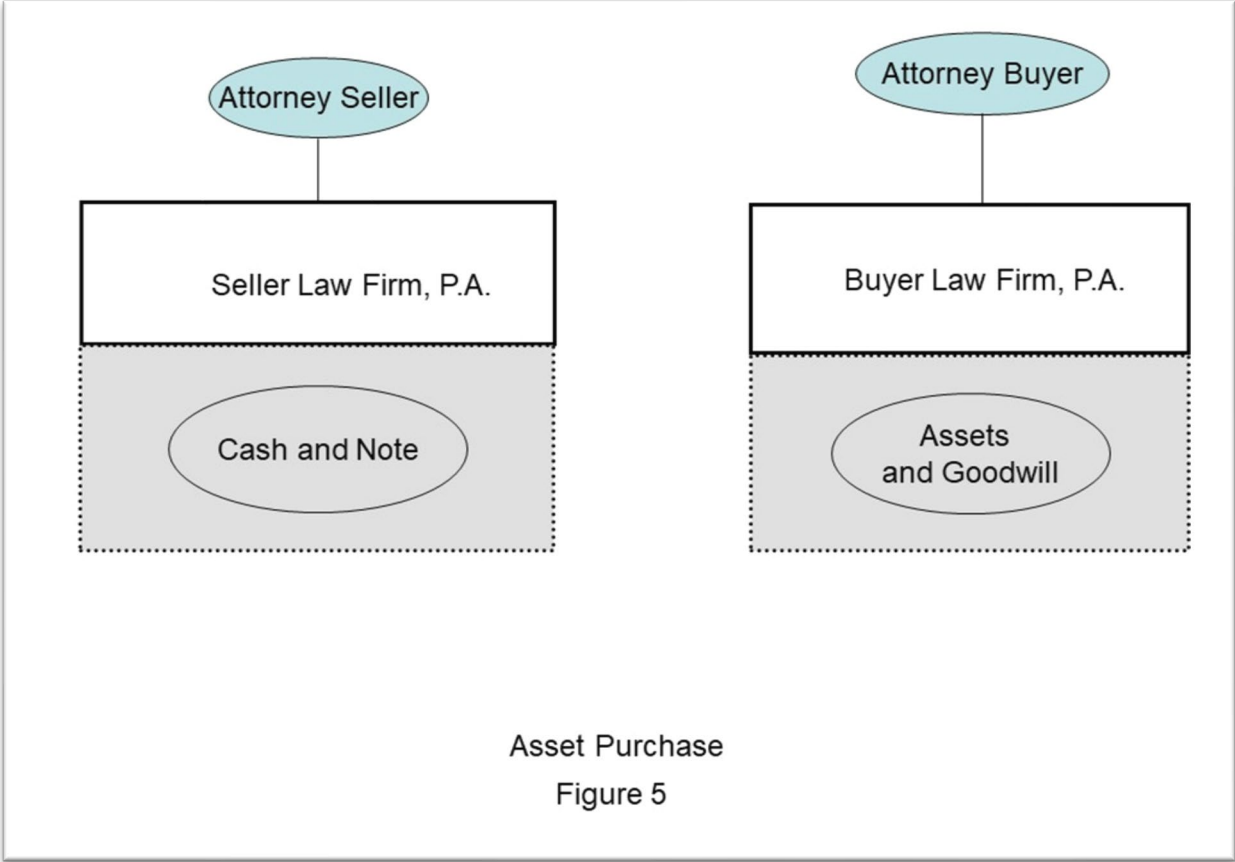
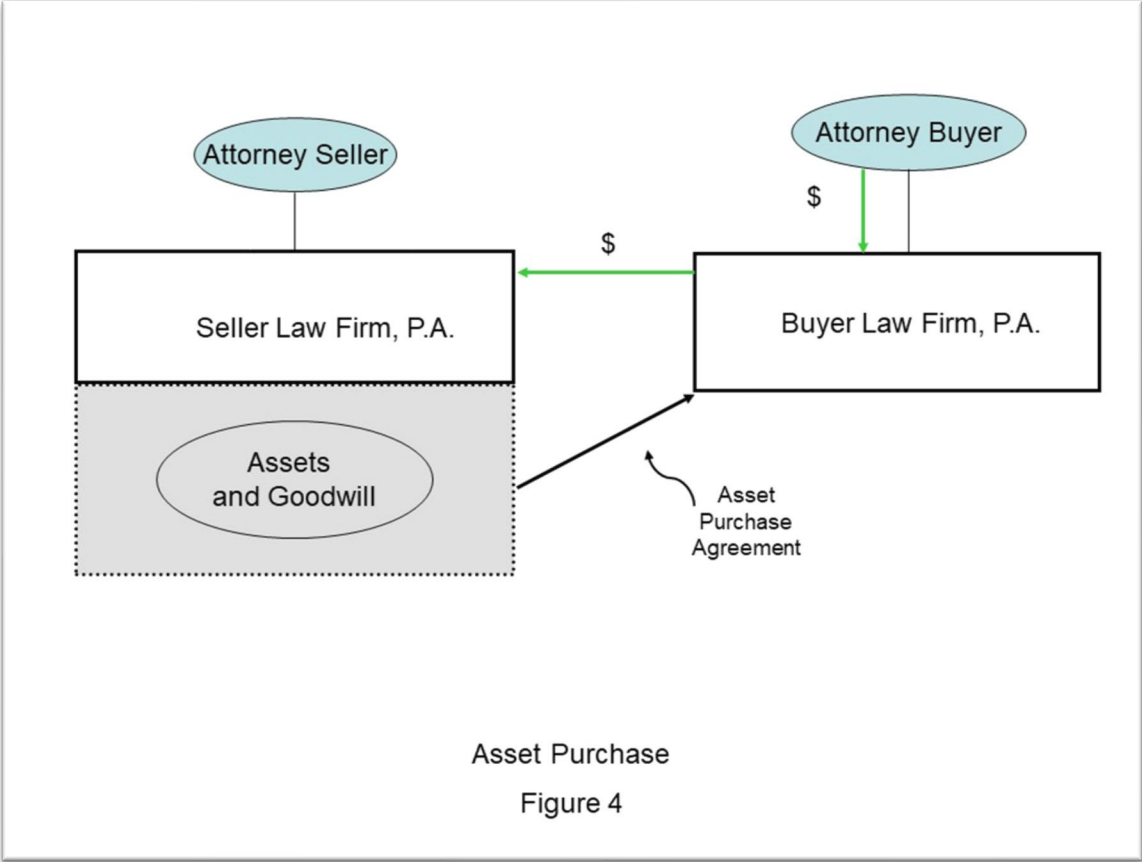
Asset Sale



STOCK (EQUITY) SALE STRUCTURE



ASSET SALE STRUCTURE



KNOW THE RULES: EXTERNAL SALE

- Rule 4-1.17: "Law firm sale"
- Rule 4-1.6: Confidentiality
- Rule 4-1.5: Sharing of legal fees
- Rule 4-1.16: Withdrawal
- Rule 4-5.6: Lawyer non-competes
- Rule 5-1.1: Trust accounts

Pre-closing
notice to
clients

Purchase
price and sale
structure

Due diligence
and
confidentiality

Goodwill
transfer

Staying on
after the sale

Prof. liability
insurance



PRE-CLOSING CLIENT NOTICES



At least 30-days prior to closing



Proposed sale and right to retain other counsel



Certified mail, return receipt requested



Consent presumed if no objection within 30 days



PRE-CLOSING CLIENT NOTICES: *ISSUES*



No Response?

Court has to OK pending litigation

Have to *exclude* all other matters from sale

(Rule 4-1.16)



Timing

Buyer could back out



Client Records

Who *is* and *isn't* a client?

How easy would it be for you to give notice?



DUE DILIGENCE AND CONFIDENTIALITY



**Conduct due diligence *on the buyer*
for competence and conflicts**

Rule 4-1.1

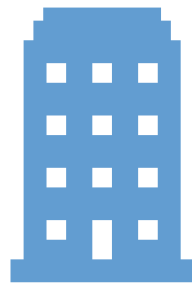


**Protect client confidentiality during
buyer due diligence**

Rule 4-1.6



SHARING LEGAL FEES (RULE 4-1.5)



Lawyers in same firm

Of Counsel relationship allows sharing

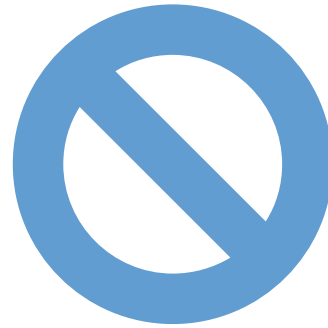


Lawyers in different firms

Special set of rules apply



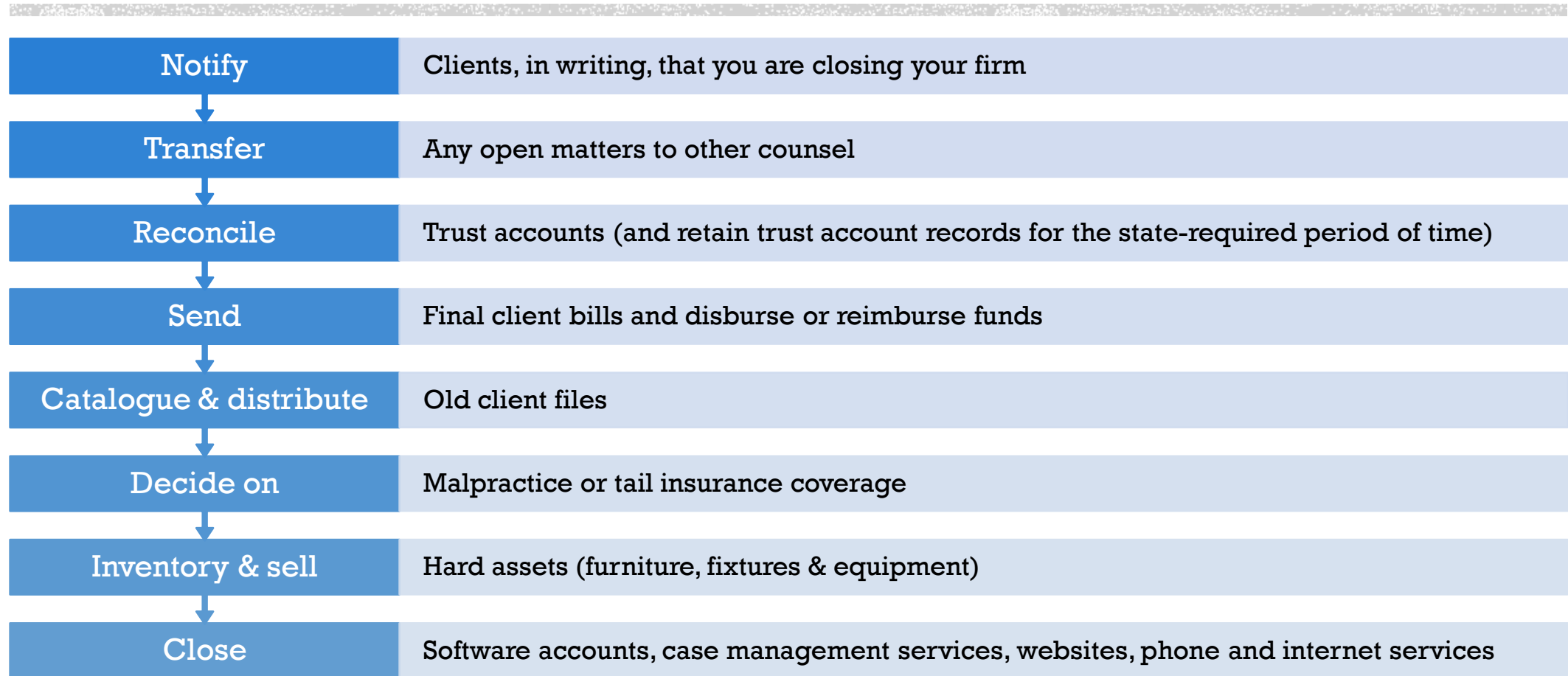
NONCOMPETE AGREEMENTS



Restriction on practice of law allowed
in special circumstances (Rule 4-5.6)



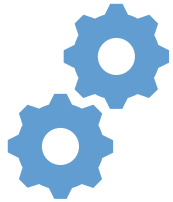
CLOSE DOWN OR CASH OUT?



CLOSE DOWN OR CASH OUT?



3 FIRM SALABILITY BOOSTERS



Intake and case management systems

Buyer can pick up where you left off with little to no downtime in production



Client databases

Relationships with previous clients (i.e. goodwill) make up much of your firm's value



Marketing materials

Gives confidence to a buyer that the firm's business will not suddenly drop off once you leave the firm



HELPFUL LINKS



Law Firm Salability Checklist

bit.ly/firm-checklist



Florida Bar Rules & Your Four Exit Strategies

bit.ly/rules-and-exits



Download *Guide to Selling Your Florida Law Practice*

bit.ly/law-firm-sale



**QUESTIONS OR
COMMENTS?**