

Fee Arrangements



HOUTHOFF

Content

- ▶ Introduction
- ▶ Five Steps to Pricing Alignment
- ▶ Economics of Fee Arrangements

L Time-based Arrangements

- ▶ Standard Hourly Rates
- ▶ Blended Hourly Rates
- ▶ Capped Fee

€ Budget-based Arrangements

- ▶ Collaring Arrangement (Min/Max)
- ▶ Collaring Arrangement (Fixed Fee)
- ▶ Fixed Fee
- ▶ Portfolio/Retainer

↗ Performance-based Arrangements

- ▶ Fee Holdback
- ▶ Win Fee/Loss Discount

★ Loyalty-based Arrangements

- ▶ Volume Discount



Introduction

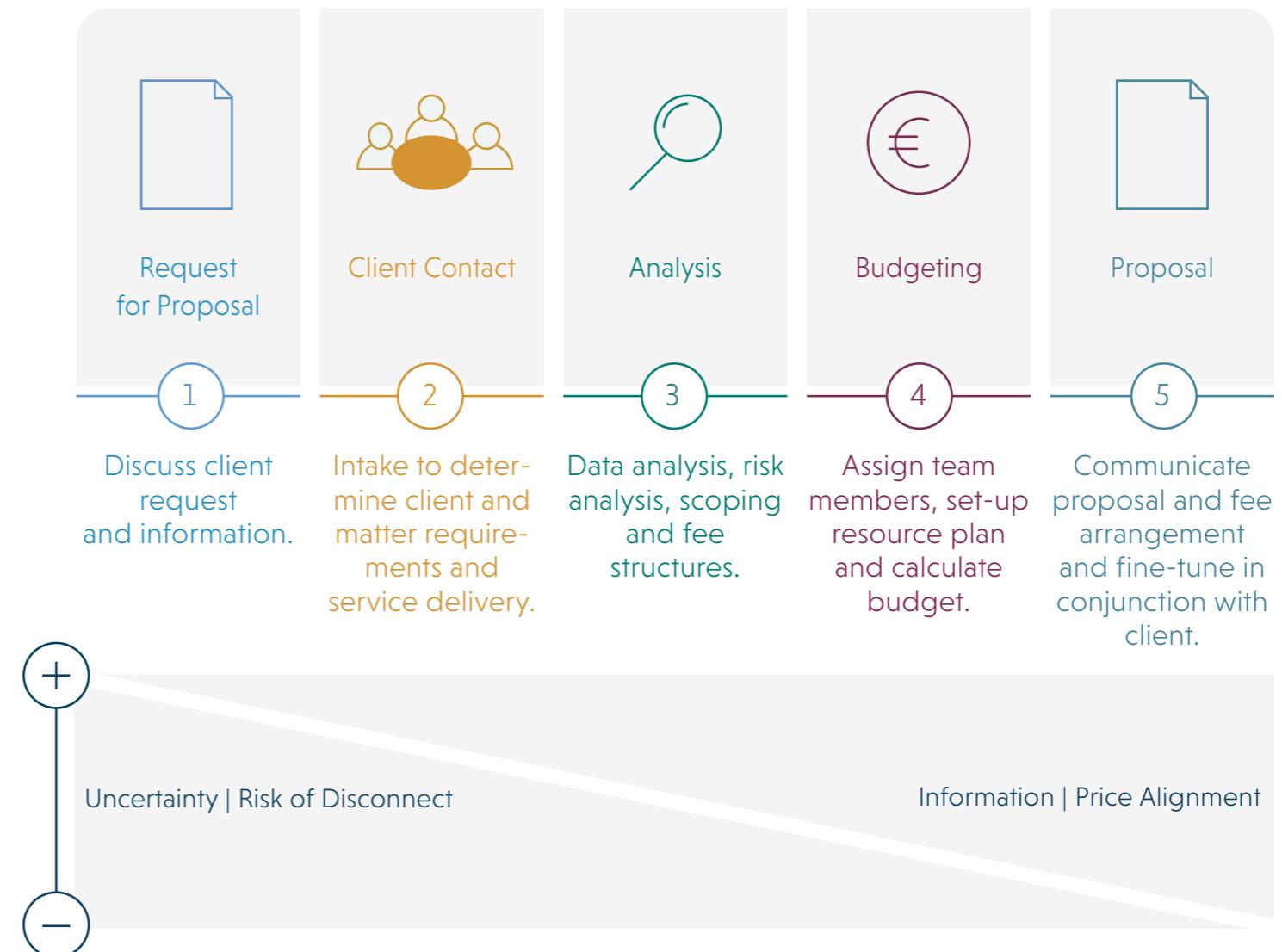
Houthoff offers a wide range of fee arrangements. Any arrangement can be tailor-made for specific circumstances, based on legal spend and the amount of work that is expected. Examples of our arrangements are included in this brochure.

Choosing an appropriate fee arrangement is a collaborative pricing process between client and firm. One client may prefer the price certainty of a fixed fee with a well-defined scope, other clients may still prefer regular hourly rates.

In any type of engagement there should be alignment between price, value and relationship. To work towards this alignment, we use a five step approach from initial contact to the final proposal. Each step adds more information and mutual understanding into the pricing process to craft a realistic budget proposal. This is achieved by determining the scope of work and ultimately choosing the most suitable pricing arrangement.

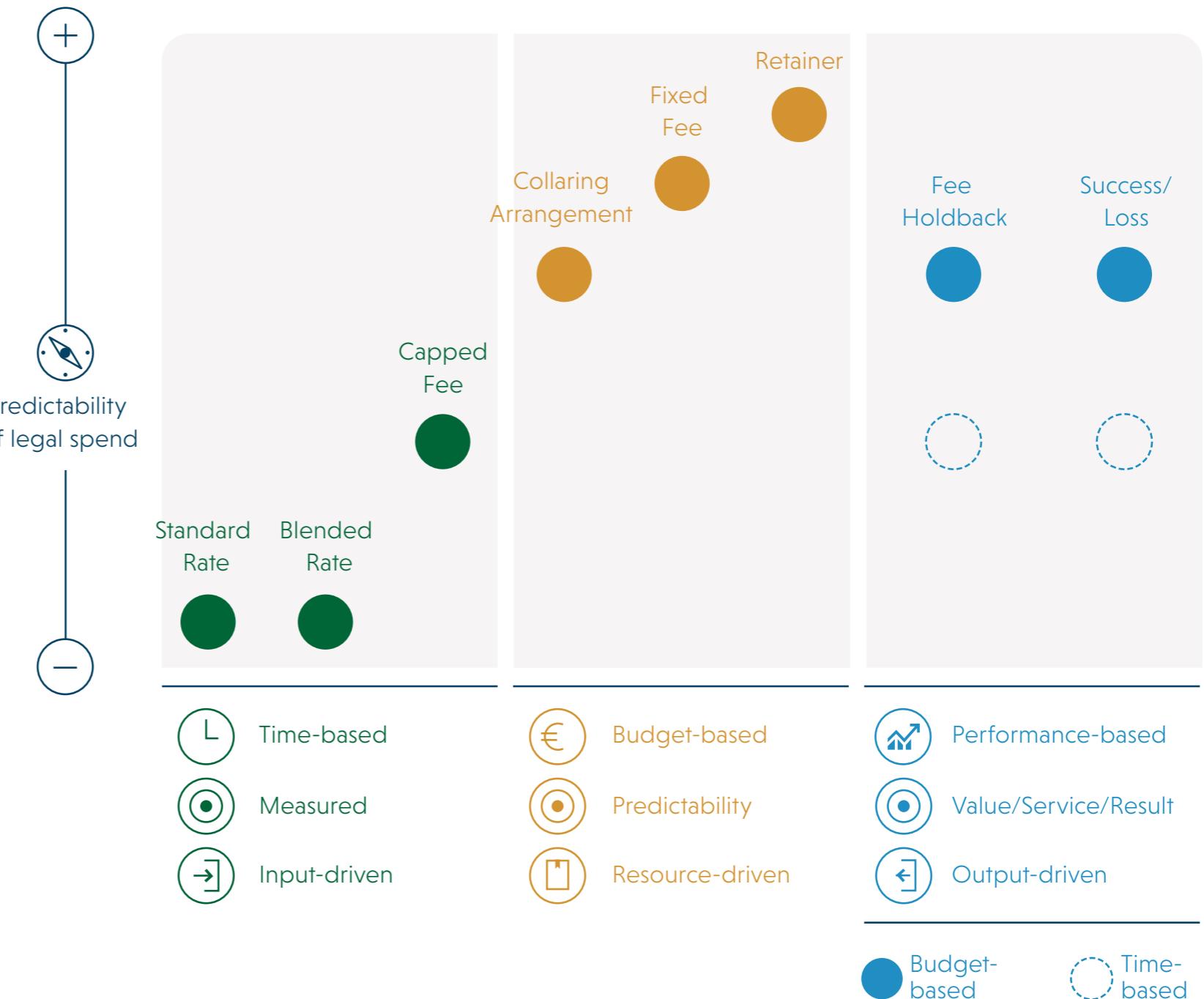
Five Steps to Pricing Alignment

Houthoff has extensive experience with all types of fee arrangements. Any arrangement can be tailor-made for specific circumstances, based on legal spend and the amount of work that is expected. Some examples of our arrangements are listed in the following pages.

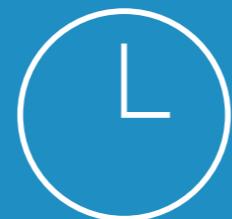


Economics of Fee Arrangements

Each fee arrangement has its own underlying principles and mechanism. Understanding the principles helps to craft the fee arrangement that fits best with the task at hand and the specific preferences and business goals of the client. Some clients may prefer the cost certainty of fixed fees, while other clients are more comfortable with hourly rates. Each fee arrangement puts forth different service delivery criteria which may lead to distinct choices in how services are delivered. Clients should align their choice of fee arrangement with the service criteria that are most important to them. In every case, we consider high-quality advice, transparency and efficiency to be a given.



Time-based Fees





Time-based Fees Overview

Standard Hourly Rates

Supports maximum effort to handle the matter. Doesn't eliminate risk of unpredictable legal costs.



Blended Hourly Rates

A blended rate is a flat rate for all lawyers working on a matter, regardless of each lawyer's level of experience or individual billing rate. The legal spend will not fluctuate depending on internal staffing decisions by the law firm. A blended rate provides an incentive to staff work more cost-effectively.



Capped Fee

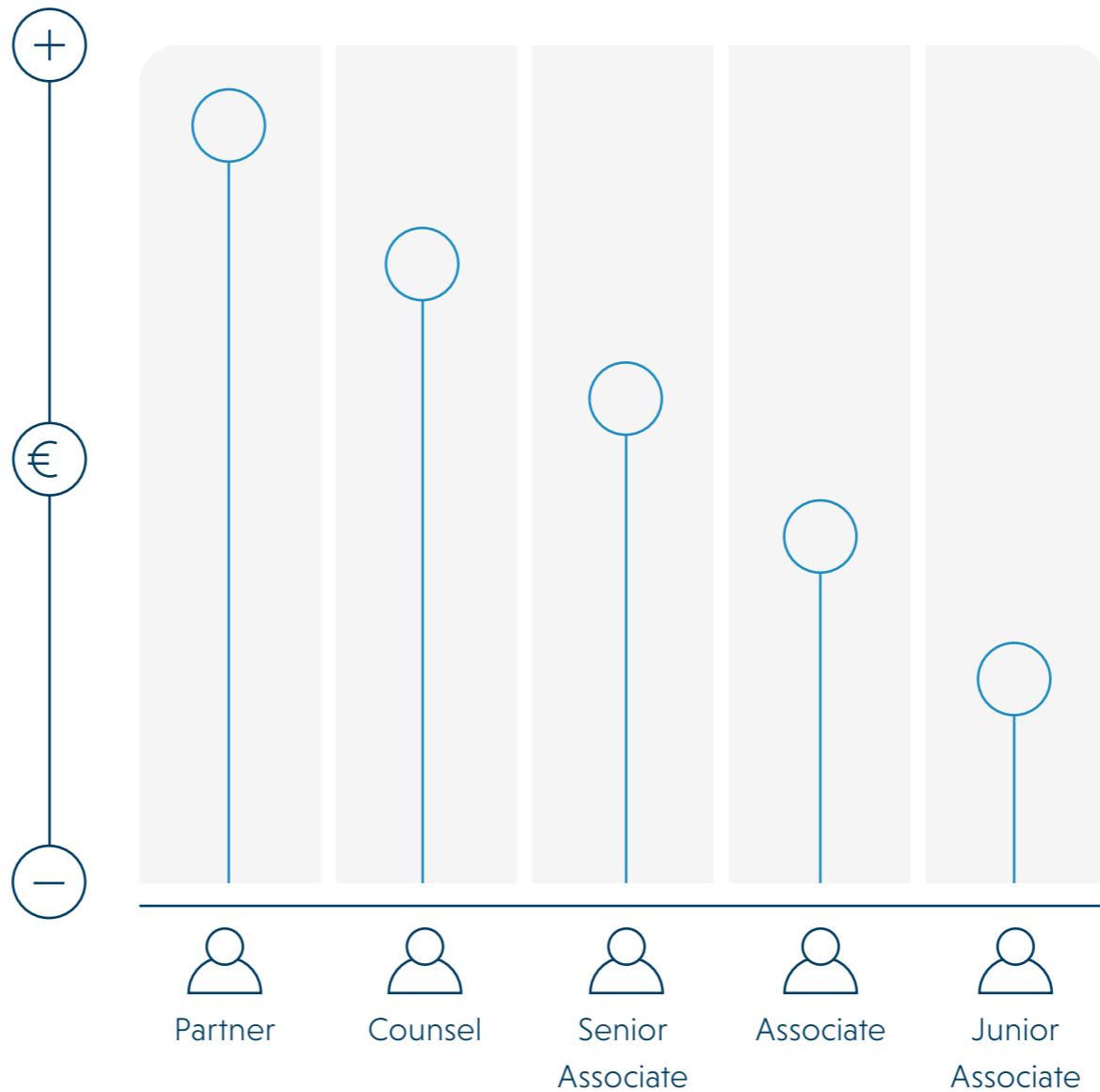
A fee cap provides the client with the certainty of the maximum legal spend on the matter. The law firm assumes the financial risk of cost overrun.





Standard Hourly Rate

Standard hourly rates, regular or discounted, still form the default way of billing legal services. Standard hourly rates are typically used in sophisticated matters with novel or cutting-edge issues that require highly-specialised expertise, such as highly bespoke work or "bet-the-company" cases and where the scope of work is highly dynamic. Standard hourly rates support maximum effort to handle the matter. Standard hourly rates entail a risk of unpredictable legal costs.





Blended Hourly Rate

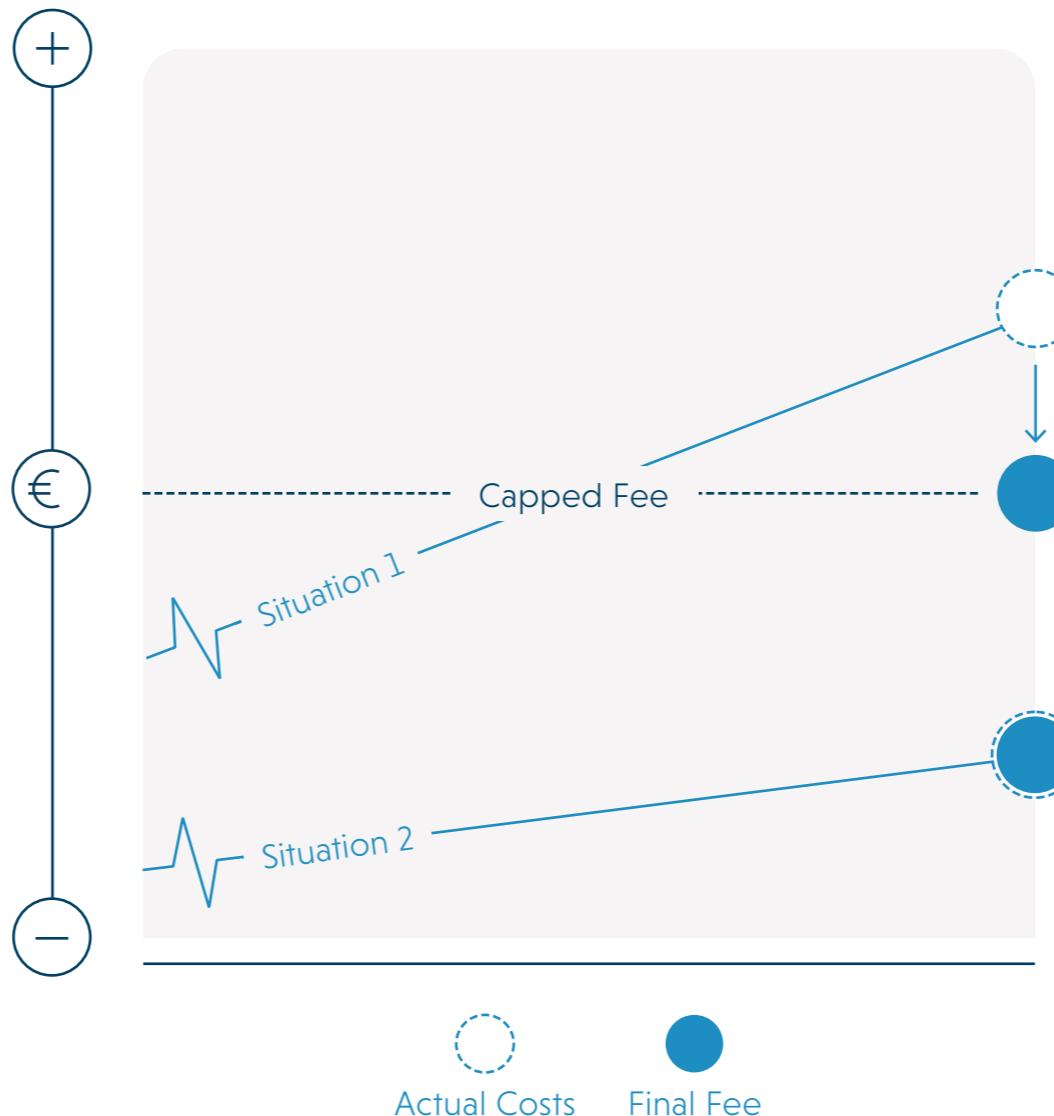
A blended rate is a flat rate for all lawyers working on a matter, regardless of each lawyer's level of experience or individual billing rate. A blended rate is most suited for matters where the client prefers that the legal spend doesn't fluctuate depending on internal staffing decisions by the firm. A blended rate is also an incentive to use resources more cost-effectively.





Capped Fee

A fee cap provides the client with the certainty of the maximum legal spend on the matter. The law firm assumes the financial risk of cost overrun. A fee cap essentially is an hourly based arrangement. The client is only charged for actual time spent. However, if the fees exceed the cap, the client will not be billed more than the cap. The fee cap is used in matters where the client is most comfortable with the hourly rate billing model but favours greater predictability.



Budget-based Fees





Budget-based Fees Overview

Collaring Arrangement

A collaring arrangement is used to mitigate the risk of under-budgeting or over-budgeting. One type is the min/max collar. A collar is set around the fixed price. If the work is completed below the budget but within the collar, the savings are shared by the firm and the client. If the work is completed above the budget and within the collar, the firm provides a discount on the cost overrun. The second type is the collar fixed fee. If the fees fall within the collar, the fixed fee applies. If the fees are for less or more than anticipated, the client and the firm share in the upside and downside risk for fees outside the collar.



Fixed Fee

A fixed fee sets a fixed price for a single matter, phase, task or an entire portfolio of matters. Fixed fees eliminate the risk of unpredictable legal costs due to expected or unexpected fluctuations in the amount of time required to handle the matter. It eliminates the risk of unpredictable legal costs and provides an incentive to invest in efficiency.



Portfolio/Retainer

Portfolio fixed fees, also called retainer, can be used to diversify the risk of under-budgeting or over-budgeting for single matters.

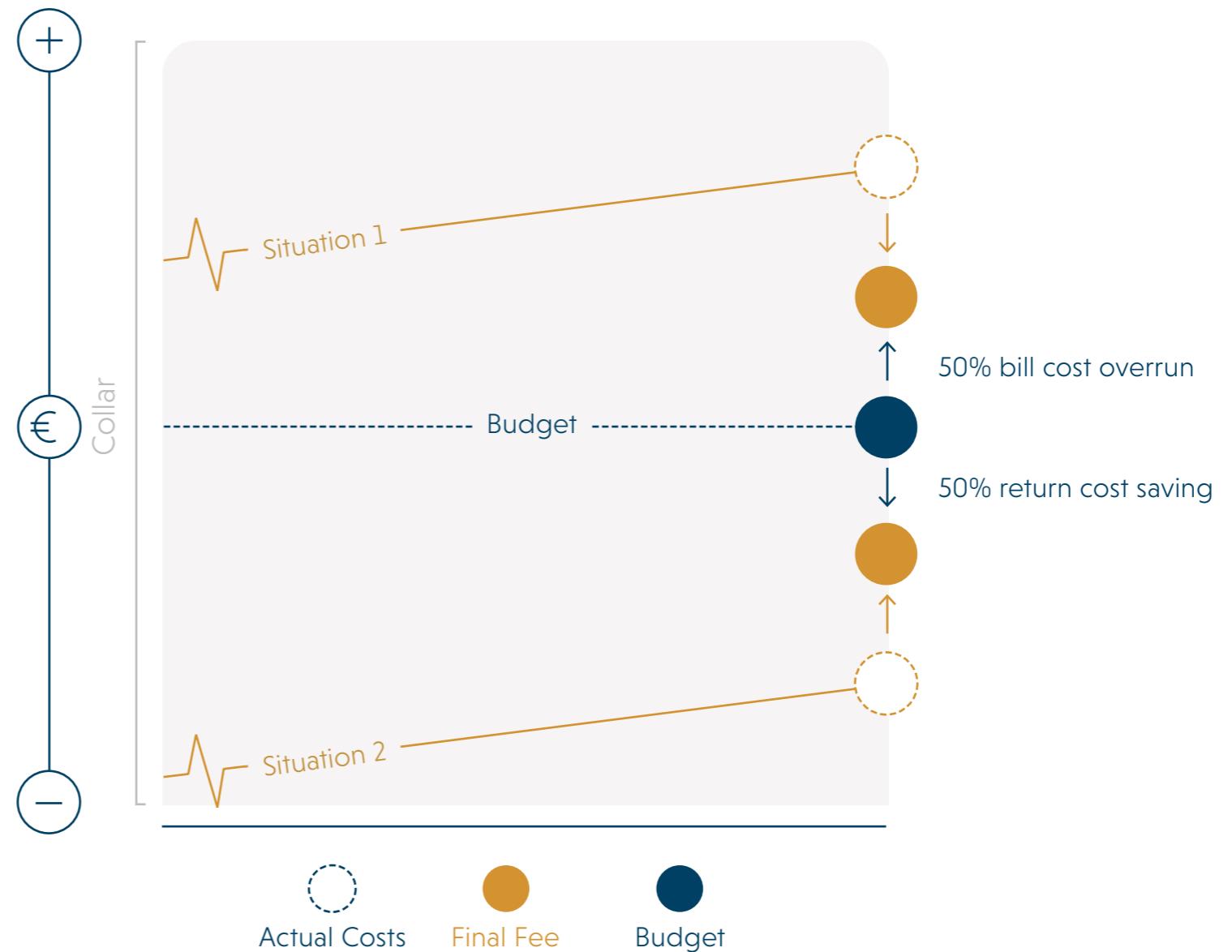




Collaring Arrangement (Min/Max)

A collaring arrangement is used to mitigate the risk of under-budgeting or over-budgeting.

One type is the min/max collar. A collar range is set around the fixed price. If the work is completed below the budget and within the collar, the savings are shared by the firm and the client. If the work is completed above the budget and within the collar, the firm provides a discount on the cost-overtime. The min/max collar is used in situations where the amount of work is relatively predictable and provides an incentive to work cost-efficiently.

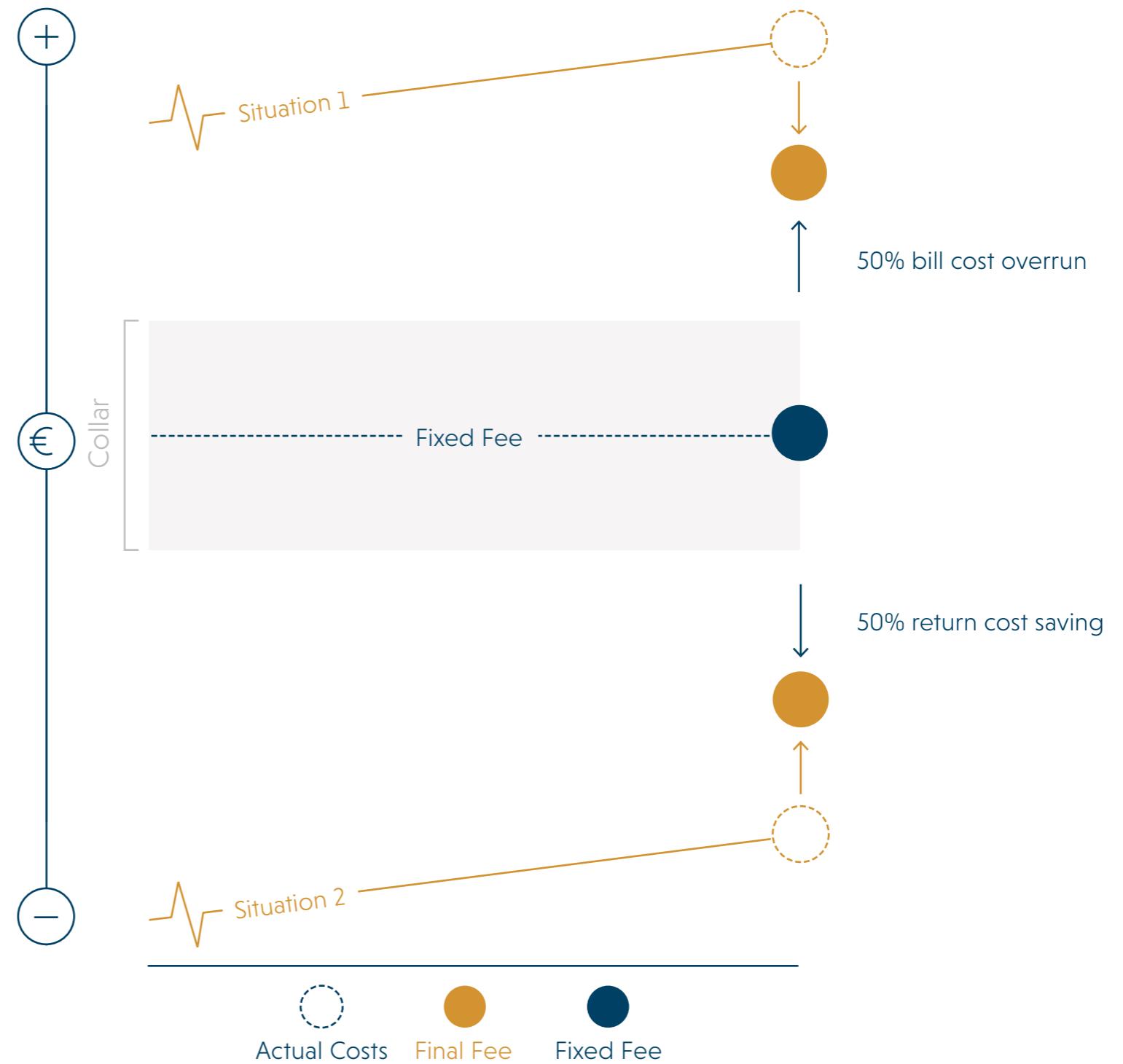




Collaring Arrangement (Fixed Fee)

A collaring arrangement is used to mitigate the risk of under-budgeting or over-budgeting.

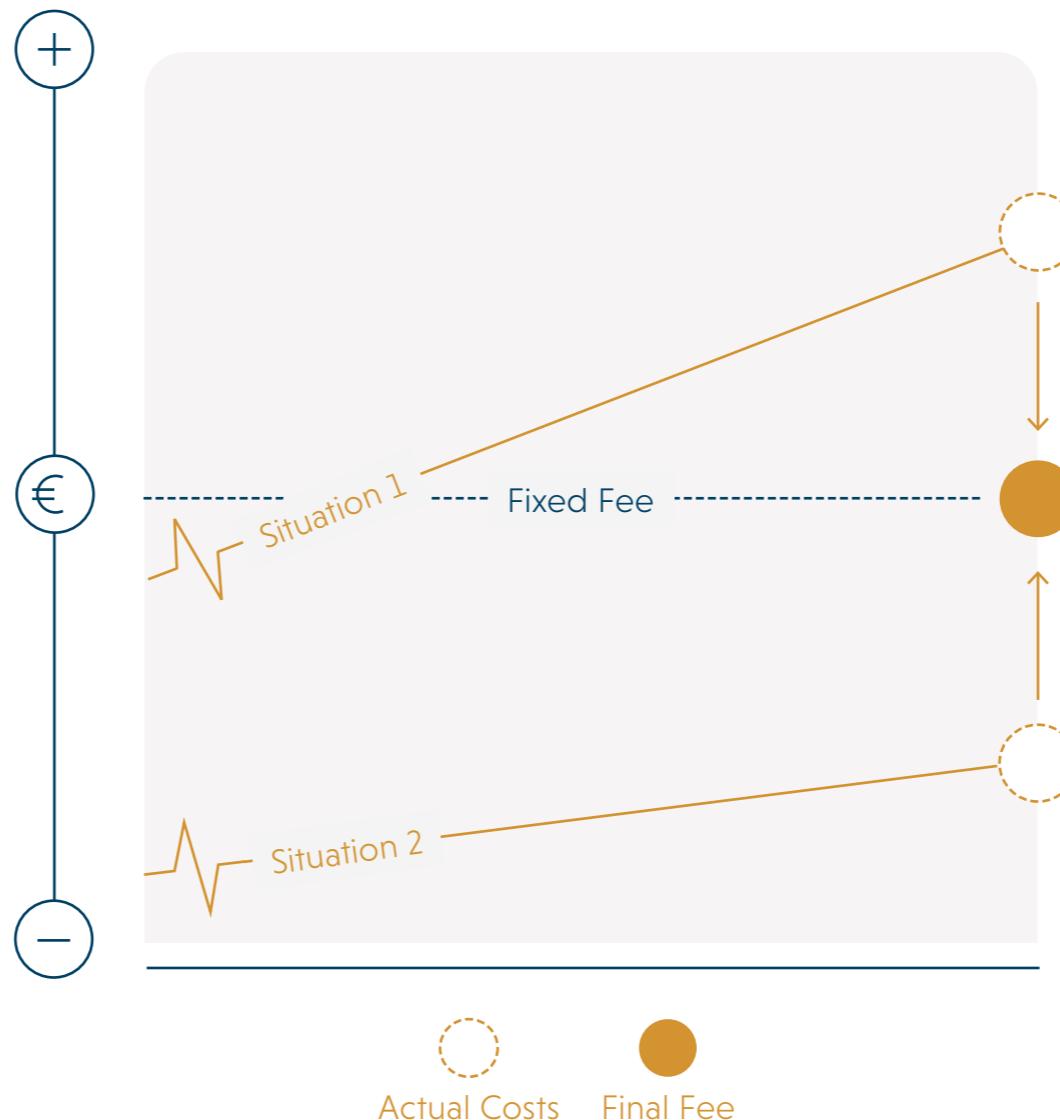
The second type is the collared fixed fee. If the fees fall within the collar, the fixed fee applies. If the fees are far less or far more than anticipated, the client and the firm share in the upside and downside risk for fees outside the collar. The collared fixed fee is most suited for matters with a fairly manageable scope of work, but where some uncertain interdependencies might heavily impact the amount of work.





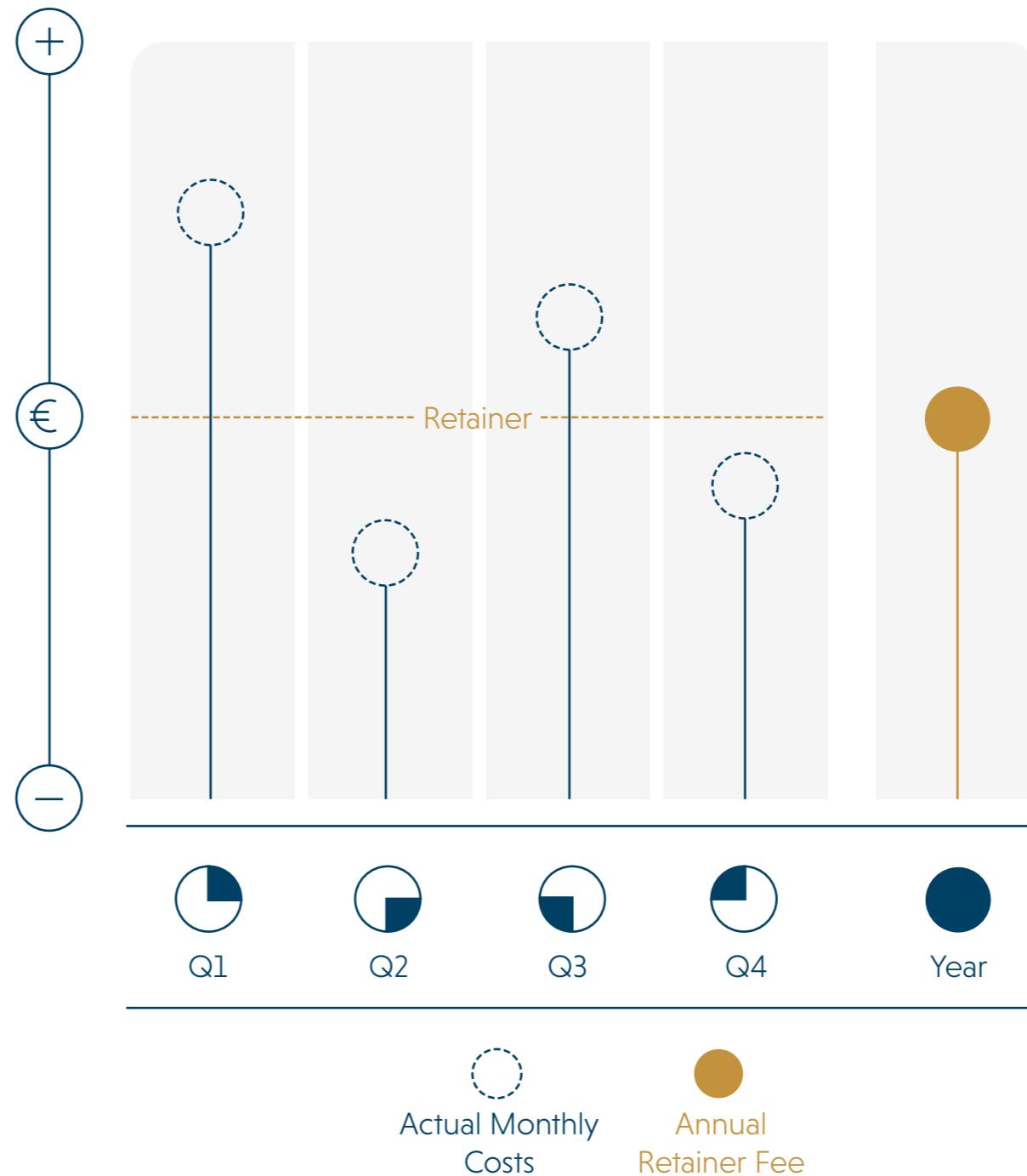
Fixed Fee

A fixed fee sets a fixed price for a single matter, phase, task or an entire portfolio of matters. Fixed fees eliminate the risk of unpredictable legal costs due to expected or unexpected fluctuations in the amount of time required to handle the matter. Fixed fees provide an incentive to invest in efficiency. A fixed fee is most suited for matters where the legal and organisational complexity is fairly predictable and the variables can be controlled. Fixed fees are less suited for matters where the scope of work cannot be sufficiently determined beforehand.



€ Portfolio/Retainer

Portfolio fixed fees, also called retainers, can be used to diversify the risk of under-budgeting or over-budgeting for single matters.



Performance-based Fees





Performance-based Fees Overview

Fee Holdback

The fee holdback is a conditional discount. The firm is paid a portion of its fees up front, but has a portion withheld that is contingent upon success in the matter, the value delivered or the quality of service provided.



Win Fee/Loss discount

If a matter does not proceed beyond a certain stage or does not have the desired outcome, the client receives a discount. Equally, if the matter is concluded successfully, the firm shares in the success and receives a success fee. The success/loss fee is well-suited for matters where the client needs the best possible result, but is under pressure to minimise the total cost and to align cost and result.

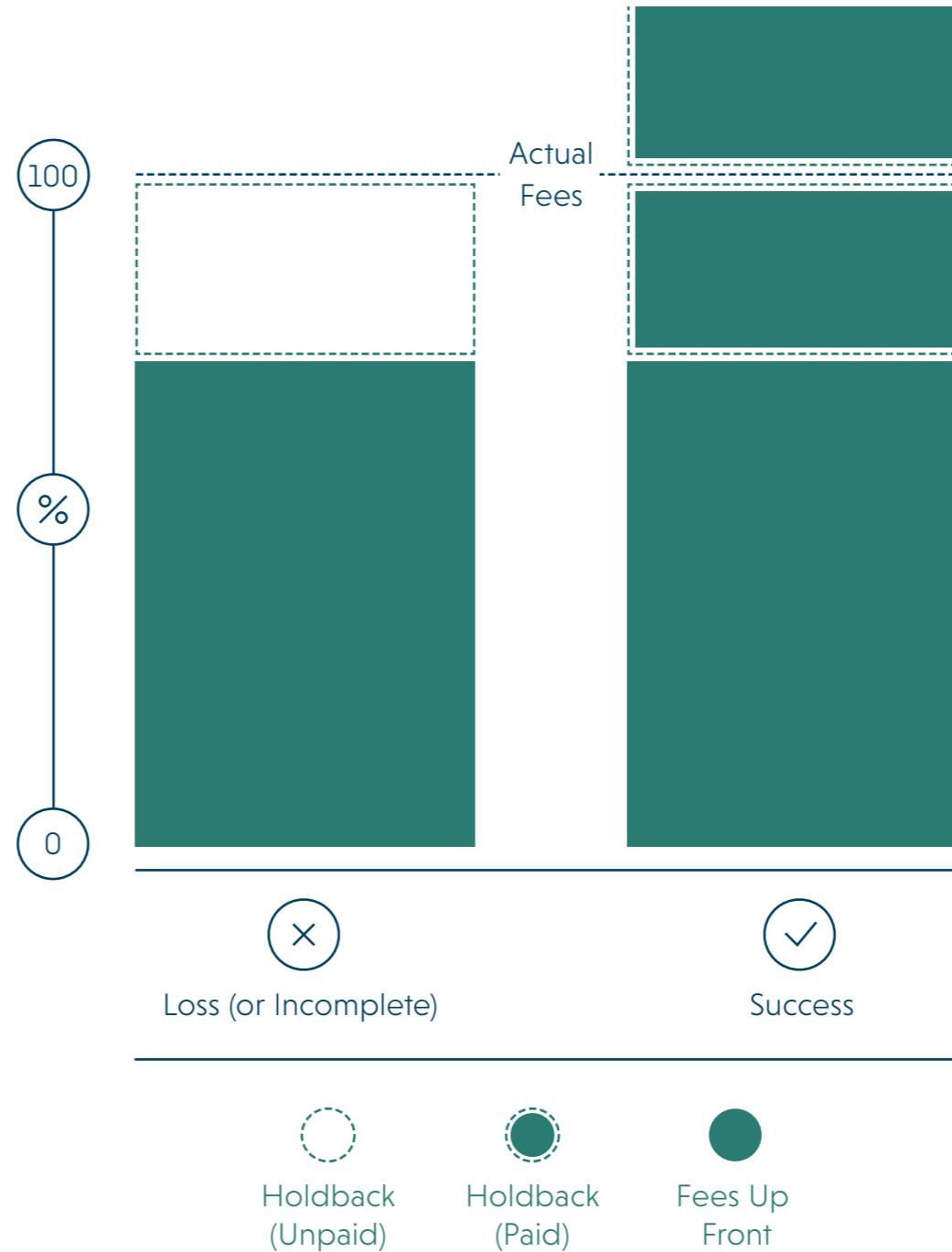




Fee Holdback

The firm is paid a portion of its fees up front, but has a portion withheld.

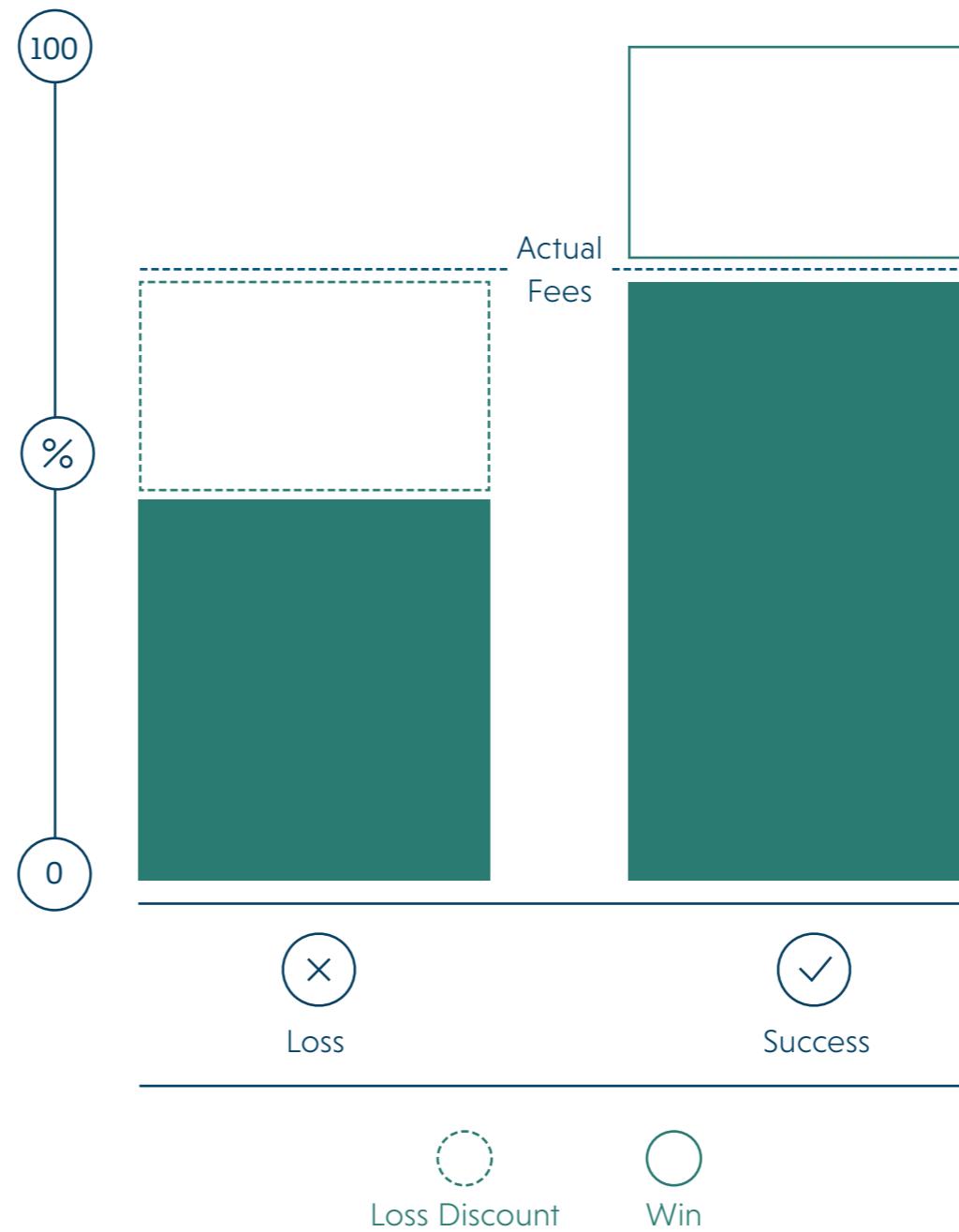
Payment of the holdback, or a multiple of the holdback, is contingent on success in the matter, valve delivered or the quality of service provided. From time to time, the client and the firm evaluate the services provided, and whether the fee holdback shall be invoiced or not.





Win Fee/Loss Discount

If a matter does not proceed beyond a certain stage or does not have the desired outcome, the client receives a discount. Equally, if the matter is concluded successfully, the firm shares in the success and receives a success fee. The success/loss fee is well-suited for matters where the client needs the best possible result, but is under pressure to minimise the total cost and to align cost and result.



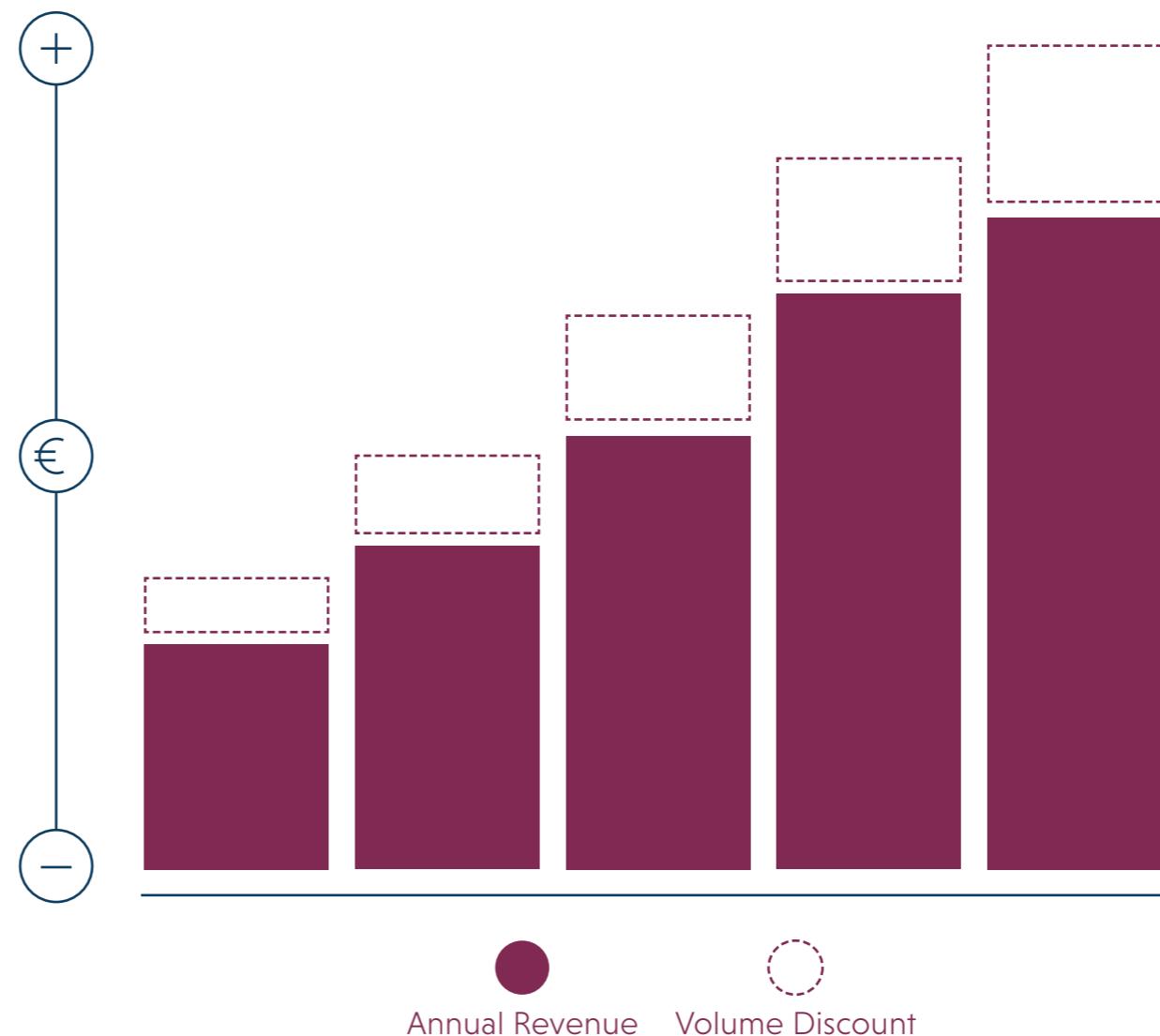
Loyalty-based Fees

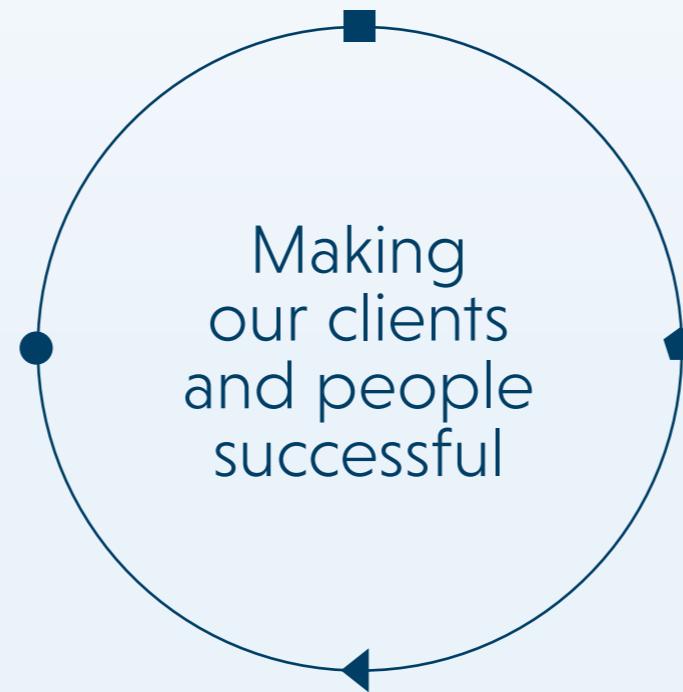




Volume Discount

A volume discount is an example of a loyalty-based fee arrangement. Based on the volume of work the client receives a discount on the fees or on the hourly rates. Volume discounts are often tiered. The discount increases if more services are provided.





We are Houthoff – an independent full-service Dutch law firm.
We have leading practices in, among other areas, Corporate/M&A,
Litigation & Arbitration, Real Estate and Restructuring & Insolvency.