

Building a Great Business Plan for Your New Law Practice

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INTRODUCTION

WHY YOU NEED A GREAT BUSINESS PLAN

“Opportunities multiply as they are seized.” –Sun Tzu

Yes, the economy is tough. But did you know that many small law firms are thriving? They are doing well both organizationally and financially. In fact, there is a new trend in the practice of law. The old partnership model is being replaced by the solo practice. The partnership model for law firms came out of the idea that “two heads are better than one, and several heads are better than two.” Today, two heads are not always better than one and several heads might be a few too many.

More and more lawyers are finding that sole practice has loads of advantages and that using the right tools brings success and profits. Today, solo owners go beyond being simply sole practitioners. They are building firms with fifteen or more attorneys and even more staff members.

While, every law practice starts with an idea, and many start with great ideas, not all law practices succeed. The challenge is to build a law firm that does more than solve the clients’ problems. And, the challenge is more than building a profitable law practice. The ultimate challenge is to build a law practice that you love.

If you are going to succeed by building your ideal law practice, you must know where you are starting, where you want to be, and how you will get there. To do that, you need a clear, well-defined, guide.

That guide is your business plan. Think of the plan as your law practice's Global Positioning System. In fact, if you are serious about reaching your long-term goals, your business plan is the best tool that you can have.

The business plan describes your practice in detail. It defines how you will operate, your marketing strategies, the nature of your competition, and your financial structure.

The problem with business plans is that sometimes they become larger-than-life. If you open any book on how-to-start-your-own-business, it seems that the business plan is the equivalent of the Talisman of Penultimate Truth – an artifact that will allow you to fulfill your ultimate destiny. <http://www.comicvine.com/swordquest-earthquest/37-110020>.

Conventional wisdom will lead you to believe that your business plan is supposed to be the panacea for all of your business matters. And, like the Talisman of Penultimate Truth, the ideal business plan is nearly impossible to achieve.

Well, if the true business plan is as mythical as the Talisman of Penultimate Truth, why bother? In the words of Dwight D. Eisenhower, “[I]n preparing for battle I have always found that plans *are* useless, but planning is indispensable.” The same holds true for your law practice, the business planning process is essential. It forces you to take the time to envision your entire practice, from the type of entity you will use, to the type of building you will occupy, to the kind of printers you will buy. You will determine exactly how much you need to collect in order to pay your bills, and you will figure out what events will signal the end of the road.

The resulting written business plan will be useful for two reasons. It describes the fundamentals of your business idea and it provides the financial data to show that you will make good money. It should also address all of the major elements of the firm's

operation, outline its specific goals and objectives, and show which strategies and tactics are necessary to reach those goals.

Whether or not you need to raise money to start your venture, preparing financial forecasts is essential. The process of making financial projections for your business, including estimated start-up costs, break-even analysis, profit and loss forecasts, and a cash flow projection will help you decide if your law firm is worth starting or if you need to re-structure your foundation assumptions.

A well-constructed business plan dramatically increases your odds of succeeding and it helps you make money from the start by:

- Providing an estimate of start-up costs and how much you will need to finance or invest;
- Showing lenders why they should fund your firm;
- Helping define your market and your market share;
- Helping you to compete by defining your competition's weaknesses; and,
- Identifying problems before they become disasters.

In short, the business plan shows where your firm starts, where it is going, and how it will get there. A good business plan will show you that starting your own law firm is the right thing to do – or not.

CHAPTER ONE

IS THIS FOR YOU?

Success starts with commitment. If you are going to be a sole practitioner, you need to promise yourself that you will make a full commitment to the process of building your business plan. If you are going to be part of a multi-practitioner firm, each member must make the commitment. In this type of firm, business plans should be designed for the firm, for each practice group, and for the individual attorneys.

Before you reserve the conference room, take some time to examine yourself. Is starting your own practice right for you? Are you ready?

The fact that you passed the Bar exam does not mean that you are cut out to open and manage your own law practice. Running a practice requires entrepreneurial skills in addition to legal skills. If you like the idea of having a sign inscribed “The Buck Stops Here” on your desk, then starting your own practice could be the best decision you ever made. Even so, proper preparation is essential to your success.

As you consider stepping out on your own, give careful consideration to all of the unique factors involved in running a law practice. Use your common sense and logic as you move through the decision-making process. Talk to other lawyers, and use other professionals, including accountants, business consultants, and technical consultants to help you.

The first step in the business planning process is to examine your reasons for wanting to start your own practice. If you are striking out on your own for the wrong reasons,

all of the precise planning in the world won't ensure that you'll make a successful transition to your own practice. Here are some of the wrong reasons:

- I'm sick and tired of my current job.
- I'm being forced to make a change.
- Anything would be better than what I'm doing now.
- My present job is not meeting my demands for pay, status, responsibility, or prestige.
- If only I were working on my own I would be happy.
- I'm scared to death of making a change but I'm going to do it anyway.

And, here are some of the right reasons:

- I know my strengths and my weaknesses and I have a clear vision of my future.
- I have established my priorities and I have set reasonable professional and financial goals.
- The risks of starting my own practice are acceptable.
- I am self-motivated and I manage my time wisely.
- I am determined to devote the time and effort necessary to reach my goals.

As you consider whether taking that leap of faith and opening your own law practice is for you, take stock of yourself. In general, entrepreneurs (and, yes, you are an entrepreneur) are inspired to start their business by one of several factors such as education, previous experience, personal interests, or identification of an un-met need.

Why are you starting your practice? Write it down.

Now, Use Worksheet #1 to help you identify areas where you might be at risk. Be brutally honest with yourself. Remember – this is your career and you are putting it at stake.

Once you've decided that starting your own practice is the right thing to do, and once you are committed to going out on your own, it is time to start developing your plan.

But, how do you build a great business plan?

A great business plan follows fairly standard guidelines for both form and content, and there are three main parts to it. They are: the business concept, your prospective clients, and Operations and Finance.

The first is the business concept. This section contains your executive summary, your description of the nature of your law firm, your firm's structure, your particular areas of practice, and how you will make your firm successful.

In the second section you describe and analyze the firm's prospective clients. That is: who they are, where they are, and why they need your services. You will also describe the competition and how you plan to beat it.

The operations and finance section is the last section. It will show how you plan to run your business on a day-to-day basis, your projected income and cash flow statement, the projected balance sheet, and other financial data, including a break-even analysis. Usually you will need good spreadsheet software and the help of an accountant to complete this section.

You will break the three general categories down further in your business plan like this:

- The Business Concept
 - The executive summary (which you will write last);
 - Your law firm's description;
 - Firm Structure;
 - Practice Areas;
 - Strategy for Success;
- Prospective Clients
 - Market strategy;
 - Competitive analysis;
- Operations and Finance
 - Operations;
 - Technology;
 - Management;
 - Financial data.

Of course, you'll add a cover, a title page, and a table of contents. Even if you staple your business plan together rather than having it bound, protect your business plan with a strong cover and back page. Make the cover attractive. Include your practice logo if you have one, the name of your practice, and your practice address.

If anyone else will read your business plan, you need a neat, attractive title page that will attract attention and give the reader the best first impression of your practice. Be sure to include the Practice Logo (if you have one); the name of your practice; your practice address; the complete telephone number; the email address; the Web address; the names, titles, addresses, and telephone numbers of the principals, the names of the authors, the number of the copy (1 of 5, for example); and, a confidentiality statement.

The Title page is usually divided in thirds. The top third contains your logo, practice name, phone number, email address, and web address. The center section contains the information about the principal attorneys. The bottom third contains the remainder of the information.

Include the date that your plan was issued to show the reader that it is up to date. Lenders like to know that they are dealing with fresh information. They also like to know that the Plan is a collaboration of two or more of the principals. This lets them know that the key members of the practice are actively involved in its development.

Keep track of how many copies you print, and keep a log that tells you who has received each copy, when they received it, and their contact information. If you are seeking financing, keeping this log will help you follow up on your loan applications. And, it helps you keep track of who has access to all of the confidential information that

your Plan contains. The Confidentiality Statement is a statement that expresses your expectation of privacy and it is a good way to put your readers on notice that you are serious about maintaining privacy.

If your business plan is more than three pages, you need a Table of Contents. A well-organized Table of Contents will help your readers find the information that they want quickly. More importantly, it will help you find what you need when you need it.

Since you will prepare the Table of Contents after your Plan is complete, you can use the headings from the Body of the Plan to develop the Table of Contents. Be sure to use enough detail so that any reader can find the key sections quickly and accurately. If your Business Plan is complex you may have many subsections in the Table, or you might have a simple plan that includes only the key topics in the Table. In any case, be sure to include:

- Executive Summary
- Practice Definition
- Marketing Plan
- Organizational Plan
- Financials
- Supporting Documents

Whether you are seeking funding, or hoping to engage a new partner, your plan must grab the reader's attention and hold it. It may take you five months to complete your business plan. Unfortunately, your reader may only give it five minutes. The key aspects of your plan must stand out even to the most casual reader. An experienced business plan reader will spend about five minutes looking at: First: your Executive

Summary; Second: your Financials; Third: your Management section; and, finally: your Exit strategy. And, an experienced reader will have questions like these in mind:

- Is the basic practice concept solid?
- Is potential client base large enough?
- Are the financial projections solid?
- Is (are) the principal attorney(s) qualified?
- Will the practice show a profit?

You have five minutes to prove to your reader that the answer to each of those questions is “yes.”

CHAPTER SUMMARY

If you are determined, organized, self-motivated, and you love being a leader, then starting your own law practice can be the opportunity of a lifetime. To make the most of that opportunity, take the time to plan your business carefully and to write a thorough description of your practice in a formal business plan. The well-written business plan will show that your practice concept is solid, that your market is well defined and that your chances of success are excellent.

CHAPTER TWO

THE FIRST SECTION OF YOUR PLAN

THE EXECUTIVE SUMMARY

The Executive Summary is the most important part of your business plan. Frankly, it may be the only part of your plan that anyone reads. The Executive Summary gives a very brief, but complete view of how your practice will work. Because it is a concise, precise, condensation of your entire plan, you must write it only after you have given every aspect of your new practice comprehensive consideration. Your Executive Summary is written last, but read first.

Since these materials are designed to help you build your law practice's business plan step-by-step, the complete chapter on writing your Executive Summary appears at the end of this book.

CHAPTER THREE

THE SECOND SECTION OF YOUR PLAN

IDENTIFY YOUR PRACTICE

Just Exactly Who Are You?

Times have changed. The practice of law is highly competitive and the market is volatile. Your law practice might have the most elegant office in the city, but if your practice doesn't solve a particular problem, or meet a particular need, no one will hire you and your practice will fail. You need to create a plan that addresses not only your start-up needs – but also the long-term needs of your practice. Now is the time to develop the strategies that will support the overall successful performance of your practice and that will keep you satisfied as well.

There are a number of factors that are fundamental to business success and they are the factors that should guide you as you build your plan. They are:

- The soundness of your basic business concept;
- Your understanding of the market;
- Maintaining a reliable business focus and solid strategic business position;
- Good management practices;
- Hiring, motivating and retaining excellent employees;
- Maintaining the highest integrity;
- Continuing financial control; and,
- Changing and adapting over time.

There is no substitute for a well-designed business plan. It is your blueprint for a successful practice.

Your business plan gives you the foundation for good external and internal decision-making. It will showcase management's capabilities and illustrate your practice's

potential to those on the outside. Internally, it will allow you identify problems before they start. And, a good business plan will help you make the most of future opportunities.

WHAT IS YOUR BASIC BUSINESS CONCEPT?

Every successful business is founded on at least one of the following elements:

- Something new;
- Something better:
- A new or underserved market;
- A new delivery system;
- Increased integration.

And, any one of those factors can form the foundation of a new law practice.

- Something new. Yours might be the first law practice in town to offer services for divorcing non-traditional families.
- Something better. Perhaps you will offer a more efficient way to complete trademark applications;
- An underserved market. Your practice might address the needs of a particular ethnic community;
- A new delivery system. Your practice could offer 24/7 internet communication for clients;
- Increased integration. Your practice might offer both plaintiff's tort litigation and special needs planning services.

If your new practice offers more than one of these elements, you increase your chance of success. As you complete Worksheet #2, think about how your practice will address the factors above and be sure to make it strong in at least one of the key elements.

Next, do your research. Start by writing down a general statement about the need that your law firm will satisfy. For example: "There is a substantial need for a law firm that addresses the problems of small retail businesses in Boston."

Make a list of questions that come to mind. Such as:

- How many law firms serve Boston's small retailers?
- How large are those firms?
- What services do they provide?
- How profitable are those firms?
- Are their clients generally satisfied with the service those firms provide?
- Is there more business than those firms can handle?
- What are the economic trends that affect retail business?
- What are the legal trends that affect retail business?
- What are the demographic trends in Boston?

Now, look for answers. You will find plenty of information on the Internet. You may also wish to use a paid research service. To find other answers you will need to talk to other attorneys, accountants, and to potential clients. Remember to look for trends and patterns as well as for specific details.

Keep track of your research and the answers you find. Organize your notes, ideas, contacts, and brainstorming carefully. It is best to make an individual file for each topic. Just as when you are researching a legal issue, keep track of your sources as you go. The last thing you want is information that you cannot verify.

As you gather information, remember to evaluate the data. At times you may find that you have more information than you can use.

- Use the most recent data that you can find. Two-year-old information is old information and it probably won't be applicable anymore;
- Give the most reliable source the most weight;
- Integrate information from one source to another, but make sure that the data is from the same time period and that it is consistent;
- Use the most conservative figures. If your worst-case projections show that your firm will be profitable, then you know you have a good chance of success.

One good thing about the research process is that you will meet people who can help you later. You will interview potential clients, suppliers, resources, and advisors.

Keep track of each person you meet, where they are located, how to reach them, and other key information so that it will be easy to locate and use later on.

The process of making your business plan is actually more valuable than the final plan itself. Developing your business plan is a critical learning process, and the more you learn the more you may change your plan. The planning process allows you to identify all of the key issues that need to be addressed before you open your doors.

Now is the time to ask some hard questions:

- Is there a real market for the services you want to provide?
- Is there too much competition?
- What is the real financial picture?
- Does your new practice have a chance?

The next step is to do a hard evaluation of your business concept using the information that you have compiled. Use Worksheet #3.

If necessary, ask more questions, do more research, and go back over it again.

Once you are satisfied that your new practice does have a chance, you should have enough information to describe your practice. Compile your answers from the worksheet into several concise, well-written paragraphs.

SUMMARY

Louis Pasteur said, "Fortune favors the prepared mind." The business planning process is your opportunity to prepare your mind to start and run a successful law practice. Producing your business plan is not merely a writing assignment, and

purchasing an off-the-shelf product will not help you. This process gives you an amazing opportunity to understand your market and to understand exactly what your practice will do. The steps in your process include laying out your concept, gathering information, assessing that information and, finally, refocusing your basic business concept. An honest examination of your business concept increases your chances of success.

DEFINE YOUR PRACTICE

You have established your practice's basic concept. Now define your practice. Before you address the more complicated aspects of your practice such as your sales and marketing strategy or your technology plan, give the reader the basic information about your practice such as the entity you will use, the identities of the key individuals, your location, and immediate goals.

Some activities – such as choosing a name for your practice -- may take quite a bit of time. Keep in mind that while there are restrictions on the name you can choose for your practice, there are still many options, and once you've chosen a name, you should stick with it. Other activities may take very little time at all, but may be key factors to your success. Use Worksheet #4 to define your practice.

SUMMARY

By making a precise description of your business concept and taking the time to define your practice, you have established the foundation for a solid business plan. Each succeeding aspect of your business plan will be bounded by your business concept and your business definition.

CHAPTER FOUR
THE THIRD SECTION
YOUR CLIENTS
WHAT IS YOUR MARKET?

A great idea is not enough. You need a market. Enough people have to be ready, willing, and able to pay for your services. Otherwise you won't have a practice. You need a market. Begin by figuring out whether there is enough demand for your services.

First, know your industry. In law school, we are trained to view ourselves as professionals, to believe that our practice is something far different from a common "industry". But, in fact, a law firm is simply another form of business and our field – the practice of law – is another type of industry. Therefore, it is essential to know our industry. To be successful, you must know your industry inside and out. That is, you must know your practice areas and how they fit into the big picture.

Most legal practice areas have a life cycle, or market cycle. In other words, there are times when there is a great need for lawyers skilled in a given practice area, but eventually that need will change, or be eliminated completely. The industry's stage in its market cycle is critical and it depends on a number of factors including, its growth rate, market share, competition, market stability and pricing patterns. Knowing the life cycle of the market is important so that you can determine your direction and your strategies. For each stage in the life cycle of a practice there are certain, appropriate strategies.

Determine your practice area's life cycle. Start by writing a paragraph on the history and evolution of your particular areas of practice. For example:

The practice area is intellectual property and our firm will focus on a subset of that industry, trademark registration for small retail businesses. As recently as ten years ago, trademark registration was something that a small retail business rarely considered. As long as no other store in town had the same name, there was no need to go to the time and expense of registering a trademark. Retail Internet sales have changed all that. Now, a small retail crafts store in northeastern Massachusetts may find that its primary competitor is located in Miami, Florida, and that the competitor has copied the Massachusetts store's logo and trademark. The need for trademark registration and brand protection is growing for the area's small retail businesses.

Second, know your clients. You must know who your clients are, what they want, how they act, and what they can afford if you are going to be able to figure out how to meet their needs. This means doing a market analysis. A market analysis is not a marketing plan. The analysis helps you to identify your clients and learn to understand them. The marketing plan shows how you will reach the potential clients that you have identified.

Start by making a broad description of your target market. Include everyone who might potentially use your services. Then narrow your description by defining a set of specific characteristics by which you define your market.

Continuing with our focus on retail business clients in Boston's Back Bay, the target market might be described as: "New and existing retail operations with no more than five initial participants, beginning or existing internet presence, active advertising plan, time sensitive, ages 30 to 50, with an available budget of \$10,000 to \$50,000.

Use these criteria to make sure that the definition of your target market is useful:

- Use specifics to show what the potential clients have in common.
- Make sure the specifics relate to the buying decision.
- The target market must be large enough to sustain your practice.
- The size and the definition must give you an affordable way to reach your potential clients.

After you've defined your target market, evaluate its size and its trends.

DEMOGRAPHICS

You will identify your potential clients by determining their common characteristics. In other words, by studying their demographics – the various characteristics of the market that you hope to serve. Understanding the common characteristics of your market is critical if you are going to establish a reliable cash flow. Complete Worksheet #5 to build your understanding of the unique characteristics of your target market.

GEOGRAPHIC DESCRIPTION

Give your readers a concrete definition of the geographic area that you will serve. Tell your readers whether you will serve a neighborhood, a city, a county, a state, the nation, or a section of the international market.

Pay attention to the density of your area. Density is important when you consider your ability to compete against existing practices. Two lawyers might be too many for a small rural town, while there might be plenty of business for two lawyers in the same building in a larger suburb. If your clients will be coming to your office indicate whether your office will be located in a business district, industrial area, or perhaps a residential neighborhood. Complete Worksheet #6.

STYLE DESCRIPTION

Your target clients will have a particular lifestyle or business-style. What are their interests? What are their concerns? How do they relate to their families and their employees? Do some research to identify your potential clients' lifestyles and business-styles. Where do they shop? What publications do they read? What television channels do they watch? Do they listen to the radio? Imagine how your clients spend their entire week and try to relate to them. This will allow you to be more responsive to their needs and it will give you an idea of how to approach your marketing. Complete Worksheet #7 to define your clients' style.

PSYCHOLOGICAL FACTORS

Your market analysis should include an investigation of the psychological factors that will be common to your clients. These variables, in the world of marketing, demographics, opinion research, and social research, are called IAO Variables (Interests, Attitudes, and Opinions.) These psychological components will affect your clients' buying decisions. Even your business clients will have certain common psychological factors. Your business clients might view themselves as being on the cutting edge of their industry, or build their company on the highest fiscal responsibility. Knowing this can help you be more successful. Some categories of psychographic factors used in market segmentation include: Social class, Lifestyle, Behavior, Opinions, and Values. On Worksheet #8 add the IAO variables (for Interests, Attitudes, and Opinions) of your particular target clients.

BUYING PATTERNS

Some law practices build relationships with their clients that last for generations. Others complete only one project for each client. To ensure your best chance of success, you must understand the nature of your practice areas and whether your clients are likely to retain you again and again, or whether you must have a constant stream of new clients to survive. Complete Worksheet # 9 to solidify your understanding of your clients' purchasing patterns.

BUYING SENSITIVITY

Every client is influenced by key factors when selecting legal services. They may be motivated by a sense of panic (just arrested or a sudden death), or they may be shopping for a firm that offers the lowest price for incorporation services. Every client knows that tradeoffs will be part of their buying decision, such as retaining a firm farther out in the suburbs to find a lower price. However, there are always some factors that your clients are unwilling to give up. Knowing your potential clients' sensitivity to various buying factors can help you define your marketing strategy more precisely. Complete Worksheet #10 and rate the factors that influence your potential clients' buying decisions.

MARKET SIZE AND TRENDS

You know that your client base must be large enough to sustain your practice. It also must be large enough to allow your practice to grow to a size that will bring you a comfortable return on your investment. However, did you know that there are problems with markets that are too large? Very large markets attract large well-

financed competitors -- competitors who can out-advertise and out-market you. While you do not need to do a detailed scientific study to identify the size of your potential market, you should do enough research so that you feel comfortable that there are enough potential clients in your area. This is particularly important if you plan to start your practice in a rural or resort area. Start with the nearby city and town governments, the Chamber of Commerce, and local real estate brokers. They will be able to provide you with the basic demographic data.

Take time to evaluate the trends that may affect your practice. Changes in the law will have a continuing impact on every practice and every client base. However, your practice will also be affected by many other trends such as changes in the population, the economy, the arrival or dissolution of business competitors, and even social factors.

STRATEGIC OPPORTUNITIES

Now that you've analyzed the nature and size of your market, and the trends you expect, identify your strategic opportunities. What services can you offer that will allow you to make the most of your market? List them. Use WORKSHEET #11 to summarize your Target Market Description. You might include more detailed information from your market research in an Appendix to your Plan.

SUMMARY

Knowing your target market is an essential part of developing your practice's services and of forecasting your collections and expenses. Identifying the opportunities and the limitations of the market will help you to manage your expectations, and will reassure potential investors.

KNOW YOUR COMPETITION

Face It. The practice of law is highly competitive. “The great bulk of law business of the City is done by a comparatively small number of lawyers – probably 100 or 150. After these, the next 500 or 600 on the list have a practice ranging from very fair to a barely self-supporting basis, and after that a very few would be found who make a living at the law.”

Five hundred to six hundred competitors – just in Boston! How on earth will you make it? That news is bad enough, the worse news is that the quote comes from the New York Times article “Boston Lawyers. How Many There Are And Some Of Those Who Get The Big Fees” from August 14, 1886. Just imagine how much more competitive the law business is 122 years later.

Making an honest evaluation of your competition is essential if you are going to plan a practice that will succeed. Knowing your competition will help you distinguish your practice from theirs and it will help you find opportunities in the legal field. More importantly, analyzing your competition will tell you more about what your potential clients want. And, knowing what clients want is critical to your success.

As you build your competitive analysis, remember to stay focused on what matters. If you plan to have a practice that handles only plaintiff’s bodily injury cases, don’t spend time learning about the intellectual property practices in your neighborhood. Prepare your competitive analysis by identifying: 1) who are your major competitors? 2) What is the basis of the competition? And, 3) how do your services compare?

WHO ARE YOUR COMPETITORS?

"Carefully compare the opposing army with your own, so that you may know where strength is superabundant and where it is deficient." - Sun-Tzu

Do your research. Start your search on the Internet. Find out which practices provide the kind of services that you plan to provide. Read all about them.

- Start with their websites.
 - How does it look?
 - What is the format?
 - Evaluate the content.
 - What practice areas do they highlight?
 - Who are the attorneys?
 - Read their bios
 - Note their strengths
- Broaden your web search
 - How well recognized are they?
 - Super Lawyers?
 - Avvo rating?
 - Martindale AV rating?
 - What are their publications?
- Where do they advertise
 - Local publications
 - Online
 - Radio
 - Television/Cable
- Figure out what they do best
- Determine their weaknesses
- Identify what they don't do.

How do you compare?

It is easy to think that your firm is superior to your competitors because you will offer better client service than the others, but you need to know far more about your own practice to build an effective comparison.

Use Worksheet #12 to compare your practice with your competitors. It is best to evaluate your respective positions in your internal operations and in client preferences. The Worksheet is divided into two portions, "Customer Perception" and "Operations." Start with "Customer Perception." Look at each variable and assign it a number in the "Maximum Points" column (1 being the lowest, and 10 being the highest) that is representative of its importance. For example, if your target market is made up of families that are attempting to obtain MassHealth coverage for long term care, price sensitivity might rate a 10 on the worksheet. Next, rate your competitors' success in tailoring their practices to respond to these sensitivities and then rate your ability to do the same. Use the same technique with the "Operations" section of the Worksheet. Rate the importance of each variable and then compare yourself to the competition. When you have finished Parts A and B, answer the questions in Part C to crystallize your own perceptions of your competitive advantages.

SUMMARY

If you are going to compete successfully, you must know your competitors. You must have a strong sense of what they offer, and what you offer that is better. Know how your clients perceive your competition, know how your clients perceive you. Understand their internal resources, and make an accurate assessment of your own. Keep your eyes open – competition always gets more intense and new competitors enter the market every day.

SALES AND ADVERTISING

You've identified your target market and you've evaluated your competitors. You know how your practice compares and you've identified your strengths. The Sales and Advertising section of your business plan allows you to identify the specific techniques you will use to show your strengths to prospects and turn them into clients.

Unlike other businesses, lawyers are limited in the types of sales and advertising tools that they can use. The Appendix contains the relevant provisions from the Massachusetts Rules of Professional Conduct that you should be sure to consult before you embark on any sales or advertising campaign. Preparing your advertising and sales plan takes a number of steps. In fact, it is a mirror of your entire business plan. You will set goals, establish strategies, plan actions steps, and allow for review.

The primary goals of a sales and advertising plan are:

- 1) To build a strong identity;
- 2) To build a strong client base; and,
- 3) To build continuously increasing collections.

Your practice's sales and advertising plan will be made up of the three major components; Advertising, Promotions, and Sales.

ADVERTISING

Either John Wanamaker (who is considered to be the father of modern advertising) or William Lever (one of the original Lever Brothers), said, "Half the money I spend on advertising is wasted; the trouble is, I don't know which half." You advertise when you pay to have your message delivered to the public through any given medium.

Lawyers use seemingly endless means of advertising including, billboards, flyers, bus

stop benches, magazines, newspapers, sides of buses, and even supermarket receipts. Attorneys also advertise on broadcast and cable television, on the radio, and on the Internet. Establishing a solid advertising and sales plan is the first step toward making sure that you don't end up wasting half of the hard-earned money that you spend on advertising.

PROMOTION

Promotional activities supplement your advertising and they support the development of your "brand." It is the process of "spreading the word" about your practice.

Promotional activities for attorneys include establishing memberships in bar associations and other organizations that are related to your practice's areas of concentration, obtaining leadership positions in those associations, delivering presentations and participating in seminars, writing and publishing articles, and teaching or lecturing. Each of these activities gives you to opportunity to showcase your expertise and to establish yourself as a competent practitioner.

SALES

Yes, attorneys sell their services. Every person you meet is a prospective client, and to turn a prospect into a client you must make a sale. However, selling legal services is very different from selling consumer products. Usually, the sales conversations that occur between an attorney and a prospective client are considered to be a variety of the "consultative selling" technique.

Consultative selling is based on a dialogue between the potential client and the salesperson, and it is far more collaborative than more traditional means of selling.

According to *AskOxford.com*, the word dialogue is derived from the Greek word *dialogos*, from *dialegesthai*, which means “converse with”.

http://www.askoxford.com/concise_oed/dialogue?view=uk. Conversing with the prospective client about his needs before presenting information about the firm’s legal expertise is the key to a successful consultative sale.

The attorney’s initial conversation with a possible client is the prospecting phase of the sale, and it is the best time for the attorney to learn about the possible client’s needs and wants. The attorney uses carefully tailored questions and pays careful attention to the prospective client’s answers and other factors, such as body language, to make an accurate determination of the prospective client’s needs. Then the attorney presents detailed advice on how the practice will work to solve the client’s problems in an efficient and cost-effective manner.

Cross-selling and up-selling are two other common sales techniques that you can use to improve your practice’s collections. Up-selling is a simple cuing technique that allows you to present upgrades or add-ons to the client’s services. For example, you might suggest that your client consider filing a Declaration of Homestead when he purchases a new residence, or completing a Health Care Proxy along with a simple Will.

Cross-selling is the process of suggesting other services to your existing clients to extend their relationship with your practice. For example, while you are preparing your client to purchase a home and record the Declaration of Homestead that you up-

sold, you might suggest that your client create an estate plan to ensure that the newly purchased home does not get caught up in a long probate process in the future.

To write your Advertising and Sales Plan, begin by allocating a budget. While there are no strict guidelines for a law practice's advertising and sales budget, expect to set aside between 3% and 5% of your projected gross revenue. Determine what portion of this budget you will use for each type of external activity. Research the various types of media in your market area to determine the costs and advantages of each approach. Depending on the size of your budget, you may also wish to use the services of a marketing consultant to help you develop and execute your advertising and sales plan. There are marketing consultants who work exclusively with law practices, and who can help you make the most accurate determination of how to focus your advertising and sales efforts in order to achieve the best results. Next, use Worksheet #13 to establish your advertising and sales plan.

SUMMARY

Your advertising and sales plan is the foundation of your practice's income. To stay in business you have to have a continual stream of new business. Take the time to learn about the best ways to promote, advertise, and sell your services. Build your plan carefully, and be sure to review it frequently to be sure that it is working for you.

CHAPTER FIVE
THE FOURTH SECTION
OPERATIONS AND FINANCE
OPERATIONAL REQUIREMENTS

“ Plans are only good intentions unless they immediately degenerate into hard work.”
Peter Drucker

How will your law practice actually operate? Where will your office be? Who will answer the phone? How many computers will you need? What time is lunch? You will use the Operations section of your business plan to explain how your law firm will run on a day-to-day basis. This is a critical part of your business plan that often receives the least attention. However, planning for these mundane details can often be the difference between success and failure. Never take any activity in your practice for granted. Each step in the operation is important and should be evaluated, planned, and improved. The planning you do now will result in improved collections and profits once your law practice is up and running.

While you do need to plan every minute detail of your practice's operations before you start, you should only include a brief description of the operational requirements in your formal business plan, especially if you are seeking outside funding. If you are starting your first practice, it makes sense to write a separate operations and procedures manual that you keep in-house and provide a summary of the key points in your formal

business plan. Your written plan should show what distinguishes your practice from others. Emphasize your cost and time efficiency, the problems that you have overcome, and what gives you a competitive advantage.

WHAT TO INCLUDE IN THE OPERATIONS SECTION

Limit the topics that you write in your Operations Section to the issues that are essential to your success, those that distinguish you from your competitors, and those that show how you overcome a distinct weakness in similar firms. But, before you write your Operations section, think about every aspect of your daily practice that you will need to address.

FACILITIES

Your Location

You have to work somewhere, and location can be the most critical factor in your success. Clients expect the location and look of a law practice to reflect the type and quality of service that they will receive. While you might do most of your work at the kitchen table, you will need to have a special place to meet clients that gives them a sense of confidence. Think carefully about transportation, parking, your proximity to suppliers and support services, and the distance between you and your competitors.

Once you have found the right location, the way your actual office looks and functions is important as well. Is it accessible? Well lit? Clean? Attractively and comfortably furnished?

After you've found the right neighborhood, a great building, and just the right office space, obtaining the right lease is critical. If you are lucky, you might find a long-term,

low-rent lease in a desirable area. In a new lease, you will need to negotiate a number of details such as free rent during the first few months before you open, ownership of leasehold improvements, and the amount of notice required before renewal and termination. Keep in mind that you should re-evaluate your location about every two years to make sure that it still meets your needs. A good measure for determining how much space you will need is to assume that three lawyers plus conference, kitchen and reception requires about 2500 square feet with 600-700 additional square feet for each attorney. Also keep in mind that it takes about six months to find a new location and to re-locate. Every time you move, your clients will have to re-adjust and you may experience a downturn in collections for several months after each move. Therefore, it makes good business sense to choose an initial location that will suit you for more than just a year or two.

Geography

Describe the neighborhood and the type of facility. Is this shared space in a downtown setting, or an office space in your home? List the square footage and how it is allocated (work area, conference space, secretarial, library, etc.) Include the access to parking, transportation, courts, and key support services (printing, messenger, etc.)

Lease

Before you write this section of your Business Plan, be sure you understand the key lease terms and how they affect you. Know the length and the term of the lease. Learn how the rent is structured, such as straight rent, rent plus a percentage of sales, or a "triple net" lease. Watch out for CAM charges (common area and maintenance), required general liability insurance, annual utility assessments, special maintenance

and repair assessments, cleaning fees, extra parking fees, signage charges, after-hours utility access, security service charges, and extra fees for waste disposal.

Certain landlords have restrictions on hours of operation. Can you sublet? If you are planning to expand during the term of your lease, subleasing to other lawyers can be a good way to put the extra space to use before you need it. Be specific in the sublease agreement so you don't get stuck.

Landlords will often make concessions on many lease terms, so ask for them.

Liability is a key issue in negotiating a lease. So, be sure that you understand your landlord's insurance requirements, and that you scrutinize the liability provisions in the lease. Also avoid a personal guarantee if at all possible. If you must sign a guarantee limit your liability to the actual leasing costs – or be credited with each month's paid rent against the guarantee amount. Do not ever agree to a landlord's lien.

Worksheet # 14 asks the key questions that you will need to consider as you choose a location, and Worksheet #15 helps you establish your priorities for location, size, and the aspects of your office location.

Improvements

Explain the improvements that you will need to make to make the space work for you.

It is very rare that a business can simply move into a space without making improvements. You may have to construct walls, install bathrooms, add electrical and communications services and wiring, and finish floors. State whether you or the landlord will pay for the improvements. Use Worksheet #16 to establish the leasehold improvements you will need to make.

Utilities/Maintenance

Be sure to calculate and list the costs for electricity, gas, and water. Who is responsible for maintaining the HVAC system? Don't forget the costs of janitorial, trash-removal and snow plowing. Outline the carrying costs for your communications systems as well.

Key Factors

In this section, you should describe those factors about your facilities that you believe will have the greatest influence on your success. Do you have really favorable lease terms? Are you located in a prime market area? Is your address particularly prestigious? This is the time to emphasize the positive.

PRODUCTION

Yes, a law firm has a production process. Every letter, memorandum, brief, or application must be "produced." Take a look at each stage in the current preparation of your products. How will you improve on that production process in your new practice?

Think about how you use your work force now. Are you a lone wolf or do you use a team approach? Will it make sense to create an internship program to support your research and memorandum process rather than to hire a paralegal? Can you use a document production house such as CopyCop or do you need to hire a secretary? What other tasks can you outsource? How will you manage your discovery process? Now is the time to establish your quality standards. Poor quality can be

the death of any practice. Whether you will work alone or in a group of 25, standardize your quality requirements before you begin.

STAFFING

Employment costs can be the biggest expenses of a law practice because everything we do is labor intensive. Be careful not to underestimate your staffing needs, and be sure to reflect the true costs of maintaining that staff in your financial section.

How many people do you need? Even if you are starting a sole practice, give careful consideration to whether you will be able to manage all of the aspects of your practice on your own. Be hard on yourself. If your checkbook has not been balanced since your first day of college, it is folly to expect that you will be able to manage your practice's finances and client funds responsibilities on your own. If you still have not figured out "mail merge" then it is unlikely that you'll be able to stay on top of your client communications.

Take time to look at other law practices and see how they handle their staffing needs then, plan your staffing to meet your needs, reflect your strengths, and support your weaknesses. Use Worksheet # 17 to consolidate your plans and establish a staffing budget.

EQUIPMENT AND FURNITURE

If clients will be coming to your office, its appearance is a key component in the formation of your client's opinion about you. The appearance of your office should reflect the essence of your practice. Selecting the right equipment and furniture is a critical part of establishing your practice's identity and in building your clients'

confidence in your services. As you did with your sales and advertising section, be careful as you establish your budget for your equipment and furniture. Shop carefully, and shop wisely. Use Worksheet #18 as a Furniture and Equipment Schedule. Be sure to list all of the furniture and equipment that you will need and specify the payment or lease obligations.

SUPPLIES

Pens, pencils, paper clips, envelopes, paper towels, copy paper, the list seems endless. The last thing you need is to be spending your free time wandering the aisles of Staples trying to find the right kind of window envelope. Establish a solid supply list, and shop for suppliers who meet your needs before you start. Allocate time to inventory your supplies and build-in a regular procedure for re-ordering before you run out.

Also consider the other suppliers that you will need. Do you have a relationship with a stenographer service? Do you need one? Who will do your title examinations? Asset searches?

Take the time to find suppliers who will meet your needs and who will fit your budget. Be careful to avoid shopping solely based on price. You need to work with suppliers who understand your needs and who want to make the most of your business. Take time to make a complete supplier list using Worksheet #19 and determine which supplier will meet your needs for each product.

CUSTOMER SERVICE

Will you call your clients back the same day that they call you, or will you call within two days? How often will you initiate contact with your clients during a case? How will your staff answer the telephone? Will you accept weekend appointments? All of these are customer service questions, and your answer to these questions and others will determine your practice's particular customer service style. It is best to establish your customer service policies before you begin. Otherwise the inconsistencies that your clients experience may well drive them away.

RESEARCH AND DEVELOPMENT

Yes, law practices need research and development too. Just like real sharks, law practices must move forward or they will die. You must stay abreast of changes in the law and ahead of changes in your client base. When you write your Operations Section take time to plan how every member of your practice will maintain a solid awareness of developments and changes in the law and how your practice will adapt to those changes and the effects they have on your clients.

Other questions for research and development include:

- What can you do to improve or update the legal services that you offer?
- What additional services can you provide to support your main focus?
- How can you penetrate new markets?
- How will you maintain your knowledge of developments in the law?

TECHNOLOGY PLAN

Once upon a time, law office technology consisted of a typewriter and some carbon paper. Today, technology is the heart of effective office operations. Effective technology planning is not an option – it is a requirement. Begin with a technology assessment.

That is, figure out what you need and why you need it. If you are going to work with other attorneys, then they should be involved in the assessment process as well. And, your assessment process should follow a consistent pattern, that way you may find that one piece of information leads to other, critical, information. You do not necessarily need to hire a consultant to conduct your Technology Assessment, but if you know absolutely nothing about technology, or if you know just enough to be dangerous, then hiring an outsider is a good idea. The consultant's job in that case is to collect the information and then present it along with recommendations and the costs.

To make a valuable technology assessment, think about every aspect of the technology that your practice will use. This should include hardware, computer software, networking, communications and staffing. Once you have made your assessment, you can move to developing your practice's strategic technology plan.

Set Up a Table or a Spreadsheet for Your Assessment.

The first page -- Software Assessment

Divide the software that your practice will need into these categories:

Desktop Operating System(s)
Core Software Applications
Accounting Applications
Substantive Software Applications
Legal Research Applications
Utility Applications

If you are going to be working with others, keep in mind the criteria you have for standardization and what skill sets people will need to operate the software that you choose. If you are hoping to use some software that you already have, make a table that shows the software that you have and its licensing status. Indicate whether the software you have will run from a desktop or a server.

The second page – Hardware Assessment.

Start with servers and consider CPU capacity & speed, RAM, hard drives and RAID configurations, backup configurations (separate tape backups or an "all in one" solution) and backup strategies (daily complete backups, incremental or differential backups).

The third page -- Computers, Notebooks, Printers

Knowing what you need for desktop and notebook computers is essential to your technology plan. This page of your table or spreadsheet should show your needs for CPU & speed, RAM, Hard Drive, and Monitor and Size. Establish your minimum configuration and be sure that the minimum configuration will be sufficient for your practice's needs. Watch out for the impulse to use notebook computers. While they can be convenient, there are also disadvantages. Using notebook computers means that you will need to learn how to make file transfers to and from your server, how to dial in to the server from remote locations, and how to access the Internet from outside the office. The biggest concern about using a notebook computer is the chance that it will be lost or stolen. What will you do if your notebook is stolen along with every single client's confidential information?

The fourth page – the Networking Assessment

Really, making a network assessment isn't that hard. The important things are what you want to see on your desk, how the information gets there, how the information is sent elsewhere, and how fast the system works. You also want to make sure that your network doesn't go down when you need it most. A stable network is one that hardly ever goes down and that has maintenance performed at scheduled, not unexpected, times. Consider how your server will be set up and connected. Think about how you want the cables and wires to run, what hubs you will need, and what switches will be appropriate. You may well be able to use a hub that just routes the signal on the computer network – a passive hub. If you are going to work with a larger group of people, you may need a managed hub.

The fifth page -- Communications Assessment

Communications is part of your technology plan, so you'll want to give thorough consideration to the various communications techniques and tools that you will need for email, remote dial-in, and your Internet connection at the very least. Don't forget to think about your firewall needs. Having access to your practice's computer when you are out of the office can be a tremendous benefit. Finally, don't forget to plan for virus protection.

Think about Training

Assess your own skills, and everyone else's then make a plan for obtaining the training that each person needs so that your technology can do its best work for you.

Finally – Think about Technology Staffing

Can you, or must you, handle all of your practice's technology issues in addition to everything else, or should you hire someone? If your new practice will have more than twenty users, you should have one full time IT staff person. Otherwise, make sure you plan for reliable consultants who can provide the service that you need when you need it.

When you've completed your assessment of your technology needs, you can begin to develop your technology plan. Your technology plan will allow you to plan how your technology will contribute to your profitability, and it will establish a budget and an implementation schedule. Planning your technology in advance will prevent you from spending extra money when you don't have to.

As you make your technology plan, keep in mind that there are more costs to technology than just the price you pay from the vendor. There are plenty of hidden costs that include installation, maintenance, training, support and replacement parts, just to name a few. You should also keep in mind how your technology will help you to be more productive and efficient, and that there is a Return On Investment for your technology purchases.

Build your technology plan by answering these questions:

Cost	Benefit
Will the technology require me to hire IT staff?	How will the technology help me serve my clients?
How much time will my staff (or I) spend maintaining and supporting the technology?	How will the technology improve productivity?
Are there continuing license fees or support fees that I will have to pay?	Will this hardware reduce my long-term hardware costs?
What kind of ongoing training will I need?	Will this technology (for example LCD monitors) reduce my utility costs?
What kind of bandwidth do I need and how much will it cost?	
How much will I have to spend on hardware?	
How much will I have to spend on software?	
Should we consider shareware?	
What kind of utility costs will there be? Will I have to upgrade the HVAC system, the electrical panel, or will we need new outlets?	

How often will we have to replace things?	

Once you have answered these questions in light of your initial tech assessment, you are ready to build your shopping list and incorporate your technology budget into your financial projections.

FINANCIAL CONTROL

How will your practice handle money? Many law firms run into trouble simply because they do not send out bills on time. Others waste countless dollars on processing charges, late fees, and additional interest because they don't have a standard procedure for paying their bills.

Set up your financial information procedures now. Some key procedures include:

- A conflict of interest verification system;
- Time Standards and statutes of limitations monitoring;
- A fee schedule;
- Fee agreements;
- Billing procedures and schedules;
- Delinquent account procedures;
- Bookkeeping software;
- Tax filing processes;
- IOLTA account;
- Client funds isolation and security; and,
- Safeguards against theft.

Use Worksheet #20 to outline your Financial Control Section.

DISASTER PLANNING

Your practice will face emergencies. Anything can happen from something small like a power surge to a fire or natural disaster that wipes out your entire office. Now is the time to plan for the worst. If you plan to practice alone, it is critical to arrange for another attorney to take care of your clients if you cannot. Make a written agreement with another attorney who you trust and respect to handle your clients and your cases if you are incapacitated. Make plans so that your bills will be paid, checks will be deposited, and payroll will go out if you cannot do it.

Make a plan to keep your data and client information safe. Set up data backups and offsite storage. Set up procedures so that you can stay in touch with your clients, your co-workers, and your employees during emergencies. And, make sure that you are more than adequately insured.

There are several critical types of insurance, in addition to health insurance, that you should consider for your law practice. They are, lawyer malpractice insurance, disability insurance, workers compensation insurance, general liability insurance, and umbrella coverage.

Malpractice Coverage

This may shock you: there is no requirement in Massachusetts that lawyers have malpractice insurance coverage. However, you are required to disclose whether or not you have malpractice insurance when you register with the Board of Bar Overseers and the information you provide is shown when an individual searches for your registration information on the Board of Bar Overseers website.

If you are starting a solo practice, your initial response to hearing the cost of a malpractice insurance premium might cause you to considering practicing without it. Moreover, depending on your areas of practice, such as Intellectual Property, you may have to search a bit to find a company that will cover you. However, it is extremely risky to practice without this means of protecting your assets, your livelihood, and yourself.

Disability Insurance

As you are building your Business Plan, consider what you will do if you become disabled and cannot work for a prolonged period of time. Frequently, the safest course of action is to purchase disability insurance. While no disability policy will replace all of your income for the entire length of your disability, it can supplement up to 80% of your income for a set number of years or until you reach retirement age. Shop carefully for your disability policy because they vary greatly. And, keep in mind that the plans with lower premiums may not be worth much at all because they have such strict definitions of disability that it can be virtually impossible to collect any benefits.

Workers' Compensation Insurance

If you have employees, Massachusetts requires you to carry Workers Compensation insurance, which will provide medical and disability coverage for any employee who suffers a work related injury or illness whether or not it was caused by employer negligence.

General Liability Insurance Package Policy

Often referred to as a Business Owners Policy (BOP), a General Liability package policy protects your company in the event that a client is injured on your premises or if you or

one of your employees injures someone or damages property at a client's location. The General Liability coverage on a business liability insurance policy also meets your landlord's requirement that you carry business premises liability insurance.

Umbrella Liability Insurance

Umbrella Liability, otherwise known as Excess Liability, insurance will give you coverage for any claims that exceed the amount of your General Liability policy. You may also wish to use your Umbrella Liability policy to add coverage on a commercial auto policy or the employer's liability coverage on your Worker's Compensation policy.

SUMMARY

Making a detailed analysis of the myriad aspects of running your practice on a daily basis now will pay-off every day from the first day of your new practice. Now is the time to find ways to make your practice efficient, strong, and ready-for-anything.

MANAGEMENT

The Commander stands for the virtues of wisdom, sincerity, benevolence, courage and strictness. Sun-Tzu

The Management Structure

You must have a strong management structure if your practice is to succeed. The type of management you choose will vary with the type of practice that you establish. However, the management of any practice has three distinct aspects. They are planning, organizing, and controlling the activities that will bring your practice to its goals. Even if you are a firm of one, you still must (1) plan, (2) organize and (3) control your activities every day.

Planning: It is so easy to get completely wrapped up in the “lawyer-ing” required in your practice that you find yourself running entirely on impulse with no supplies in the closet, a stack of un-deposited checks on your desk, and a pile of bills marked “past due!” You must take time, scheduled time, structured time, to establish guidelines and to set specific measurable goals and priorities. Evaluate all of your obligations and goals. Note whether you are on schedule, ahead of schedule, or behind schedule. Then adjust your goals and your priorities.

Organizing: You’ve established your goals and your priorities. Now figure out what activities must be completed and when they must be completed so that you will reach your goals according to the priorities you set. Whether you are a practice of one, or you have a staff of twenty, you must motivate everyone to reach the practice’s goals. To be effective, reduce your plans to a series of activities and develop a coordinated schedule to keep your practice on track.

Controlling: Do not confuse your responsibility to control the events in your practice with controlling your employees. An effective manager uses coaching techniques to encourage the staff to perform according to expectations and schedule. Nevertheless, someone must be ultimately responsible for ensuring that deadlines are met and that the clients are happy. According to Dwight D. Eisenhower, “[l]eadership is the art of getting someone else to do something you want done because he wants to do it.”

To establish your effective management structure:

First: Establish Your Management Objectives: Clearly define the objective for management responsibility in your practice. These usually break down into four key

categories: Marketing and Sales, Finance, Administration and IT, and Operations (the actual practice of law.)

Second: Describe Your Management Team: (don't forget operations and finance and marketing). Your management team should be designed to ensure that the Firm performs the required planning, organizing, and controlling of all functions, such as marketing, operations, or finance that have been evaluated as necessary from the decisions made to this point in the process. Of course, your management team might be very small – it might just be you. Even so, take some time to describe the skills you have and that you will develop so that you can be effective in your practice.

Third: Describe Management Responsibilities: Be clear as you and the other managers determine exactly who is responsible for which outcomes.

Fourth: Define Necessary Management Qualifications: If you will be working with others who have management responsibilities, determine exactly which skills are necessary. Then, select the individuals who have the necessary skills to help you reach your goals.

Fifth: Management Compensation: These figures will become part of your financial estimates. Before you decide how and what types of compensation each manager will receive, do some research to determine what compensation managers in similar positions receive and how that compensation is structured. Then determine how you will pay your managers so that you have the best opportunity to attract the people with the skills that your practice needs.

Now: Make Your Organizational Chart: Your organization chart should show the various areas of management responsibility and identify the people who have

management responsibility and those who report to them. Even if you are the only attorney in your practice and you hire a part-time secretary and a student intern, you should make a chart, describe everyone's responsibilities, and review it with your staff frequently to ensure that the appropriate person has the right responsibilities. Complete Worksheet #21 as your Organizational Chart.

DEVELOPMENT – PROGRESS MARKERS AND YOUR EXIT PLAN

So, if your business plan is your road map, what good is it if it doesn't show you the landmarks along the way? How will you know when to turn? How will you know when you've reached your destination? Like a good road map, a good business plan sets out various progress markers so that you know you are on track.

Now is the time to set up the specific means you will use to judge the progress of your practice. If you are looking for financing, or if you are financing yourself, this is the time to acknowledge the risks that you face. Experienced lenders expect to see acknowledgement of the risks that are measured against clearly established goals.

You and your investors should understand that progress takes time and risk is a part of running any business – especially a law practice.

Start with your Goals.

Review the Worksheets you completed in Chapter One. It is important that the goals that you establish for your practice are consistent with the goals you have for yourself. Otherwise, the conflicts between your personal goals and your practice goals will make success on either level impossible. If you intend to practice on your own, and it is

important for you to have plenty of time with your family and to take several weeks of vacation each year, it is not realistic to expect to have annual billings of 3000 hours.

Take some time to establish a clear vision of what you want your practice to be. Then, put that vision into words. It might be very specific like “Collections of \$400,000 by the end of year two.” Or it might be more general, such as “I’d like to be known for providing caring and reliable legal services.” The vision that you have should form the basis for your progress markers so that you can grow into your vision. Think about which of these visions you have for your practice and for yourself:

- Niche Specialist. You want to establish a small, profitable practice that does only one thing and does it well.
- Leader In The Profession: You want your name to be well known and respected and you want to dominate your competitors in collections.
- Master of Opportunity. You want to make the most of legal trends to establish quick rewards.
- Steady Performer. You want to maintain a stable profit and earn a steady, comfortable income for yourself.

How will you reach your goals? Simply working hard and closing each case that comes your way will not be sufficient to provide financial success. As the practice manager – even if you are managing a practice of one -- you must focus on using the appropriate means to help your reach your goals. Some of the strategies you can use are:

Penetrate the Market
Promote Yourself
Develop A Repeat Client Base
Expand Your Practice
Focus Your Services
Diversify

Once you've determined what strategies you will use, set your priorities. If you decide that your key strategies are to promote yourself and develop a repeat client base, then a priority for the use of your time and money will be marketing. If, you decide that you want to diversify by purchasing or merging with another small practice, your priority will be to accumulate resources so that you can make the purchase. While you will not include the list of priorities in your final business plan, establishing them and maintaining them will be a critical tool for your practice. Knowing what is most important is critical to helping you make wise business decisions.

Now use Worksheet #22 to put your personal vision and practice goals all together.

What Have You Done So Far?

While you might be starting in practice for the very first time, but you may already have an impressive history. By relating your past history, you will inspire your reader's confidence in your ability to set and reach goals in your law practice. You will also show the commitment you've made to this new practice by writing down the goals that you met already in setting up your new practice.

Record what you've achieved so far on Worksheet #23. Consider adding these accomplishments to your Executive Summary.

How Will You Mark Your Progress?

Running a law practice is an all-consuming effort and it is easy to lose sight of your accomplishments when you're facing discovery deadlines and weekly payroll obligations. Making a progress list will remind you that you are making progress, and it

will help you remember what else it is you need to do if you are to reach your long-term goals.

Your progress list should be made up of the specific things you intend to accomplish and when you expect to accomplish them. Be specific. Instead of writing “bring in enough money to pay my bills as soon as possible,” write, “I will collect \$237,000 by the end of year 2.”

Be sure to address the risks that your practice faces in your Business Plan. If you are seeking financing, the lender will want to see that you’ve made a realistic assessment of the risks you face. If you are financing yourself, it is important to be aware of the pitfalls that you face and to incorporate them into your written plan.

Worksheet # 24 will help you establish a progress list and to identify your risk factors.

Exit Plan

Every race has a finish line. Every business has a life span. For most new entrepreneurs, not only those who are embarking on their first law practice, planning an end to the business before it starts seems very strange indeed. However, it is very rare today that anyone holds only one job a lifetime. Even with your own law practice you might decide to change your career path at some point – perhaps by going into teaching, or becoming in-house counsel. Finally, you may well maintain your own law practice until you retire. Therefore, you need to figure out how you will leave the business. You need to know how you will liquidate it.

Make your ultimate goals just as clear in your own mind as your first year’s goals. If you are smart, your ultimate goals will be the ones that truly guide the operation of your

practice. For example, if you hope to move to an in-house counsel position, you must model your own practice areas to make your skills attractive to a future employer. If you are controlled only by your short-term goals, you may find yourself forever “putting out fires” rather than managing a successful practice.

Here’s a look at some of the more popular exit strategies:

Three Exit Approaches for Long-Term Involvement

- **Run It To The End:** This can work especially well in small practices or solo operations. In the years before you plan to exit, reduce the number of long-term clients you serve, increase your personal salary and pay yourself bonuses. Make sure you are on track to settle any remaining cases, resolve remaining debt, and then you can simply close the doors and liquidate any remaining assets.
- **Pass It To A Family Member:** If you have a child or other relative who practices law, you can transfer the practice as you gradually reduce your own involvement.
- **Sell Out:** This works particularly well in law practices. When you are ready to retire, you can sell your equity to the existing partners, or to a new employee who is eligible for partnership. You leave the firm cleanly, plus you gain the earnings from the sale.

Two Exit Approaches for Short-Term Involvement

- **Merge:** Sometimes, two practices can create more value as one firm. If you believe such an opportunity exists for your firm, then a merger may be a good exit strategy. If you’re looking to leave entirely, then the merger would likely call for the head of the other involved practice to stay on. If you don’t want to relinquish all involvement, consider staying on in an advisory, or of counsel, role.
- **Sell Out:** Selling outright can also allow for an easy exit. If you wish, you can take the money from the sale and sever yourself from the practice. You may also negotiate for equity in the buying firm, allowing you to earn dividends afterwards — it clearly is in your interest to ensure your firm is a good fit for the buyer and therefore more likely to prosper.

The way you set up and manage your practice will have an effect on the types of exit strategies that are available to you. So, take some time to think about these questions:

- How will you finance your practice? When you plan your exit you must allow for the pay off or transfer of your practice's debt.
- What kind of market do you expect for your type of practice? If your market is very narrow or specialized, it may be difficult to find a complimentary firm for a merger.
- How big does your practice need to be to maximize its value? A practice that is operating at peak efficiency is a better prospect for an outright sale or a merger.
- Do you expect to stay on for a period of time? If so, you will need to consider the personalities of your successors.
- If you plan to pass the practice to a family member or younger associate, who will that be? Does the successor you have in mind have the right personality to run the practice that you worked so hard to build?
- How will you train your successor? Proper training increases your successor's chances for prosperity.
- Will your successor be ready to take over when you are ready to leave? The worst thing that can happen is that your successor will be unable to make the most of the opportunity you provided.
- When will you need to begin the transition?

Your answers to those questions will affect some of the major decisions that you will make at the beginning of your practice including:

- Your business entity;
- Tax issues; and
- The source, type, and amount of capital that you will need.

Exit Planning for your law practice has some particular aspects that you must address.

As you plan, be sure to consult the Rules of Professional Conduct.

Rule 1.16 (b) Change Cannot Have A Material Adverse Effect On Your Clients

You must have a comprehensive plan for an orderly transition and you must provide adequate notice to your clients. This is particularly challenging for sole practitioners and attorneys who merely share space with other lawyers.

First: Identify all of your client matters. Make a chart and be sure to include all of the critical dates and performance requirements.

Second: Determine how much time is necessary so that each client has enough notice to obtain new counsel. Make sure that all of your clients' critical deadlines are covered during the transition period.

Third: Notify your clients. In writing by certified and first class mail as well as in person. The written notice must state clearly that the client is entitled to select his own new counsel and that the client's file will be delivered to the client's successor attorney, or that the file will be made available to the client. The type of notice that is usually used states that the files will be available in the lawyer's office, or at another location where they will be readily available to the client until they go to a storage facility. If any files are not delivered to successor counsel or to the client, then they must be retained or discarded as permitted and where permitted

Fourth: Obtain leave to withdraw from any courts and tribunals that are involved.

See, D.C. Crane, Talking Trash-Recycled, MBA Lawyers Journal, Sept. 2001.

Rule 1.15 (a) Account For and Return Unearned Retainers or Advances.

When you return or deliver a file to your former client, you must also account for any unearned retainers or advances, or other funds that the client paid to you. You also must return any other funds that you are holding on behalf of the client. You may return the funds directly to the client or pay the funds as the client directs. You will also have to make alternative arrangements for any escrow funds that you are holding for your clients or third persons. Be careful to account precisely and, it is best practice to review that accounting with the client and obtain the client's approval of the final payment or disbursements. If you cannot locate the client, you may have to pay the funds into court for them or to the Commonwealth under the laws of escheat. You must retain records of all of these transactions for six years after the final distribution and termination of the representation.

Maintain Confidentiality

A lawyer must be careful to keep client information confidential throughout this process. Files may not be delivered to anyone but the client without the client's consent. Unless the client has given consent to the lawyer to disclose information to prospective new counsel, the exiting lawyer cannot provide another lawyer or law firm selected by the exiting lawyer with information about the matter or permit access to the file. If files are to be left with anyone other than the lawyer's staff to be held for delivery to clients, care must be taken that the files are held in a secure manner so that persons other than the lawyer's staff do not have access to confidential client information.

Mind Your Insurance

While Massachusetts does not require attorneys to carry professional liability insurance, having it is a smart business decision. Be sure to consult with a competent broker and even your own attorney, before deciding whether and how to extend your professional liability coverage after you leave your practice.

Your professional liability insurance is established on a "claims made" basis. A "claims-made" policy requires that the claim be presented to the insurance company during the policy period. So, if you let your policy expire, you will not have any coverage if a former client sues you. Often, the best decision for your former clients and for yourself is to purchase "tail" coverage to protect against claims not known about at the end of the policy period.

Notify the BBO

Before you head to your new office, you must notify the Board of Bar Overseers of your new address. If you are leaving the practice of law, be sure that you notify the BBO of your new address and that you request inactive status. The last thing that you want is to find that you've been administratively suspended under S.J.C. Rule 4:02 because you failed to file an annual registration statement. See, R. Geller and S. Straus Weissberg, "Dues and Don'ts", [MBA Lawyers Journal](#), Jan. 2002. This information can also be used by the Board to help clients get in touch with you in certain situations.

If You Merge or Sell Your Practice There Are Special Requirements

Rule 1.17(b) allows you to sell your practice to another lawyer or law firm. However, you must sell the entire practice. Of course, you must notify all of your clients of the sale and that notice must include any changes in the terms of the fee agreement. The same rules regarding the client's right to retain other counsel and to take possession of the file apply to the sale of your practice as to the close of your practice. However, under Rule 1.17(c), if the client does not take any action, object to the transfer, or take possession of the file within ninety days of receipt of the notice, then assent to the transfer of the file to the new practice is presumed. You must also follow all of the rules regarding transfer of funds, confidentiality, and protection of the client's interest.

Of course, the sale or transfer of your practice affects work in progress especially when the fee for services due to the departing attorney cannot be determined at the end of the representation. The most common situation where this applies is when the work is being done on a contingency fee basis.

To avoid a fee dispute between the two lawyers after the funds have been collected, the client, the departing attorney, and the new attorney should agree – in writing-- exactly how any fees that are collected and become due will be divided between the two lawyers.

When you pay careful attention to the Rules of Professional Conduct and the requirements of the Board of Bar Overseers, you help ensure that you can move on to your next life adventure without having the worst details of your old practice coming back to haunt you.

Now that you've focused your goals, defined your progress markers and planned a graceful exit, use Worksheet #25 to summarize your development plan.

SUMMARY

Use the Development Plan Summary to write your Development Plan now. Use your Progress Markers Chart to give yourself a clear timetable for your growth and to establish a set of objective standards for measuring your progress. Describe your risks so that you can avoid critical mistakes and plan to overcome obstacles. Explain your exit plan to help you and those who read your plan focus on reaching the ultimate goal.

CHAPTER SIX
THE FIFTH SECTION
FINANCIAL ESTIMATES

Oh Dear. Numbers. Let's face it. If you were good at numbers you would have become a Plastic Surgeon and you'd be lifting and tucking the entire Baby Boom for cash up front rather than struggling along in the practice of law. But, really, numbers are no big deal, nor should they be the primary motivation for starting your own law practice. According to Donald Trump, "Money was never a big motivation for me, except as a way to keep score. The real excitement is playing the game." So, think of your financial estimates, and the accounting that you will do during the life of your practice, as simply a way of keeping score. The score reflects the business decisions that you make as you play the game.

Keeping score is why your financial estimates play such a key function in your business plan. They show whether your plan for your practice. Resist the urge to "get the financials over with" and write them first. It might seem easier to make a realistic financial plan and then fit the nature and operation of your firm to the financials. Unfortunately, practices designed that way usually do not work. You need to have a thorough understanding of all of the other elements of your planned practice before you can apply the numbers. However, once you have worked out your financials, you may find that you need to go back and modify other aspects of your plan so that you can operate profitably.

As you have used the Worksheets to develop your Business Plan, you have developed many of the key components of your financial estimates, and you will refer back to those worksheets as you work your way through this chapter.

Your financial statements contain four elements. The elements are:

1. The balance sheet. This shows what your practice is worth.
2. The income statement will show whether your practice is profitable.
3. The cash flow statement will illustrate whether your income is sufficient to pay your bills.
4. The sources and uses statement shows where you will obtain the money that you need and how you will allocate it.
5. The assumptions sheet explains the hypothetical basics that you used to build your forecasts.

Since you are embarking on a new adventure, your financial statements will be “pro forma” financial statements. In other words your financial statements are going to be based on a number of hypothetical situations and they will contain a number of assessments. http://www.investorwords.com/3889/pro_forma.html. If you are looking for a loan, or if you are hoping to attract partners who will invest in the venture be sure to label your figures as pro forma or as estimates.

Your financial estimates should emphasize your firm’s objectives (for example, is your firm profit oriented, or are you focused on limiting risk?) They should also serve to measure your firm’s performance and help you reach your goals for costs, profit ratios, timeliness, and even the quality of work that you do.

There are six key guidelines for developing your financial statements. They are:

1. Use a good accountant.
2. Choose the right accounting method. You have a choice of using a cash basis or an accrual bases. Usually a cash basis is the best choice for a small law practice.
3. Stick to the standards. Use standard forms and software. Don’t make things up.
4. Be conservative. Making the most optimistic projections for income and the most advantageous estimates for expenditures will just set you up for failure.

- Almost everyone makes less during their first years in practice than they hope, and almost everyone spends more during the first years than they expect.
5. Be honest. You will have to justify your numbers to someone at some time – if only to yourself.
 6. Be consistent. Use the same assumptions and decisions for all of your financial estimates. Otherwise the estimates will be of no help to anyone.

Develop your financial estimates one step at a time.

Step One: The Forecasted Balance Sheet – This shows how much your practice is worth. A balance sheet shows your assets, your liabilities and your net worth. If you have not started your practice yet, it will all be projected, so be sure to use solid reasoning. Use Worksheet # 26 to make your pro forma Balance sheet.

Step Two: Create a forecasted income statement. Your income statement is also called a Profit and Loss Statement and it shows how much money your practice will make after you account for all of your expenses. Unlike the balance sheet, it does not show what your company is worth. And, it does not show how money flows in and out of your practice as a cash flow statement does.

You build your income statement from the top down. Start by recording your projected collections. Then, line by line, deduct your practice's expenses. Be careful to include all of your costs such as, salaries, employee benefits, office supplies, marketing, travel, meals and entertainment, insurance, maintenance, communications costs, filing fees, annual license fees, and your own professional services such as marketing consultants and accountants. In addition, you should account for depreciation and amortization as expenses.

If you have ever completed a Schedule C with your annual tax return, the income sheet will be very familiar to you.

Use Worksheet #27 to develop your first year's income statement. Since this is a first year's statement, document your income and expenses on a monthly basis. Then move to a quarterly basis for the next two years, and to an annual basis after five years.

Step Three: Plan Your Cash Flow – This is your budget.

Whether you read the U.S. Business Association's statistics, or USA Today, you are probably very well aware that only about 2/3 of small businesses that start survive the first two years and that less than half survive beyond the first five years. The biggest contributor to those failures is simply the lack of cash flow. In other words, the businesses do not bring in enough money to cover their bills as they come due.

Strangely enough, your business might be losing money but still worth a great deal if it owns valuable property. And, you might be profitable but on the brink of closing your doors because your income is erratic while your accounts payable are due every thirty days.

To increase your chances of surviving well beyond five years in your own practice, you must establish a solid estimated cash flow statement before you start, then maintain accurate cash flow records and review them frequently throughout the life of your practice. That way, you will be able to structure your practice so that the money is collected in time to pay the bills that are due.

Your practice's cash flow statement is actually your practice's budget. It shows what you expect to collect and when you expect to collect it. It also shows what you must spend to pay bills and debts, and when they are due. Really, creating a pro forma cash flow statement is not that difficult even if you have never run a business before. If you

had a paper route to earn spending money when you were a kid, or if you saved your allowance to buy a special toy, you have experience developing a budget. Use those skills, along with Worksheet # 28 to build your practice's pro forma cash flow statement.

Step Four: Explain Your Sources and Uses of Cash

You will need money to start your practice. You may need a little money, you may need a lot of money, but you will need money. And, you will need money for different purposes. Before you can identify your sources of cash, you must identify your capital needs. What, indeed, are your capital needs?

First, you will need working capital. Working capital is the money you need every month to pay your regular bills. Ordinarily, you should have at least enough money to pay your bills for one full year even if your firm does not collect a single dollar from a case. Working capital is repaid from your ordinary collections.

You may also need growth capital. As your practice matures, you may find yourself able to generate revenue and profits but unable to generate enough cash to fund a major acquisitions or an expansion. Growth capital is usually repaid over a short (several year) period. When you apply for growth capital you will be expected to show how the money will be used to increase your business profits and that those profits will be sufficient to re-pay the loan.

Equity Capital is otherwise known as stock. Your ability to use stock in a law practice is limited to the confines of the Professional Corporation. However, partnership interests can be used in a similar fashion. Equity capital is used for permanent needs.

Once you've identified the types of capital that you need, consider the possible sources of that money. There are three different general sources that are commonly used to finance a law practice.

Sources of Funds.

Owner Financing. Ask yourself whether you really need additional funds to start your practice or can you simply change the way you manage money that you already have? Are you willing to risk your assets for your new venture? If you are not willing or able to put your own assets at risk, then look to another source for your start up funds.

Friends and Family. It can be much easier and faster, and less expensive to obtain a loan from a friend or a family member, but the emotional costs can be very high. Even one late payment can make your Thanksgiving gathering very uncomfortable. What if your endeavor fails and you cannot repay the loan? Applying for and receiving a traditional loan can be more expensive, time consuming, and difficult, but your family and friends will not be affected by the ups and downs of your business.

Debt Capital (Financial Institutions). If you cannot finance the practice yourself, and you decide not to look to friends or family, the next source of financing is a traditional lending institution. The bank or finance company will want to see a completed business plan, but the loan officer will be less interested in your personal exit plan than in the institution's exit – that is the final repayment of the loan along with the interest and any fees. They want to make sure that the practice will generate sufficient cash flow to ensure timely payments. Be prepared to make a personal guarantee and to provide additional collateral (such as a lien on your house.)

Uses of Funds.

Once you've identified the types of funds you need, and where you will find them, detail how you expect to use those funds. If you are seeking debt capital, your lender will want to know that you have made careful plans for the loans you will receive. Lenders also want to see the other sources that you have for cash and whether you have contributed your own money. Use Worksheet #29 to identify your Capital Needs as well as your sources and uses of funds.

Step Five: Write down the assumptions that you used. ‘

Your financial estimates are useless unless they are based on facts and decisions. For example, if you have estimated a certain amount of collections for your first year, you should be able to show that the market will support that amount of business, that you will be able to secure the appropriate percentage of that market, and that you will be able to collect the fees due from the business generated. Make your assumption sheet clear and concise, don't include detailed descriptions or explanations. Worksheet #30 will help you establish an assumption sheet.

SUMMARY

Your financial section will consist mostly of the pro forma financial statement that you created. Those forms are:

1. The balance sheet
2. The income statement
3. The cash flow statement
4. The sources and uses statement
5. The assumptions

Get professional help when you set up these statements and be sure to establish good financial procedures at the start. Finally, remember that the numbers are your way to keep score, so make a habit of reviewing your scorecard frequently.

CHAPTER SEVEN
THE LAST SECTION THAT YOU WRITE
THE FIRST SECTION THAT THE READER SEES
YOUR EXECUTIVE SUMMARY

The first section of your plan is the Executive Summary. The executive summary is the first section of your business plan that will be read by potential lenders. If your executive summary is poorly written, it may be the only part of your business plan that the lender reads. Therefore, be sure to take the time to write a vibrant executive summary that describes the firm, accurately identifies your firm's stage of development, explains its strategic direction, clearly shows the firm's market and its marketing plan, discusses the background of the principal attorneys, and defines its revenue and profit expectations. Remember -- the Executive Summary is your only chance to make a superlative first impression. To build an effective Executive Summary, use the following steps:

STEP 1	Brief Identity of Your Practice
STEP 2	State Your Mission
STEP 2	Describe Where You Have Been
STEP 3	Determine Where You Are Now
STEP 4	Outline Where You Are Going
STEP 5	Include Financial Statements

Writing a brief identity of your practice is easy. Just state the basic information, who you are, where you are located, etc. The next step is to tackle the Mission Statement.

How Do I Write A Mission Statement?

In the world of corporate business planning, it seems that the Mission Statement has become larger than life, and virtually useless. Companies spend countless hours developing mission statements that are nothing more than stale strings of bland words that mean nothing.

What is your quest? What is the essence of your desire to start your own law practice? What is your reason for being? That is your mission statement. Make it strong. Make it loud. Make it clear. Repeat it over and over. Let it be what starts you going in the morning, and what gives you satisfaction at the end of the day.

This is the sentence or two that will tell your clients, your employees, your suppliers, your bankers, and the community what you are all about. Your Mission Statement should be one simple statement in plain English that explains why your law firm exists and what you will accomplish. Your Mission Statement should:

- State your purpose in a way that inspires commitment, innovation, and support;
- Describe what you do;
- Motivate everyone who is connected to your firm;
- Be utterly free of jargon;
- Be easy to understand;
- Be convincing; and,
- Be short enough so that everyone can remember it.

To focus your thoughts before writing your mission statement, use Worksheet # 31.

Once you've completed the worksheet, resist the urge to turn the process of writing your mission statement into a group effort of mass drudgery and argument. Get comfortable, clear the table, turn off the phone, close your eyes and think.

- Why am I starting this firm?
- What do I want – for myself, my family, for my clients?
- What do I stand for?
- What exactly will I do?
- Why am I different from everyone else?
- Why does my law practice make the community a better place?

Now, open your eyes and write down the essence of your quest. That is your Mission Statement.

If your practice will be breaking new ground, or if you have a particularly impressive background on which you will build your practice, you should consider using a narrative style for your Executive Summary. Your narration gives you the opportunity to convey a sense of excitement to your reader, to show your excitement and enthusiasm – as long as you are careful not to exaggerate.

The narrative Executive Summary focuses primarily on the basic business concept of your practice and its distinctive features rather than giving each basic aspect of your business plan equal attention. It gives you the opportunity to be more personal. You can excite the reader and set the scene for your new practice by focusing on the factors that led you to set out on your own.

Use Worksheet # 32 to build a Narrative Executive Summary.

If you are starting your own practice for the first time, or if your practice will be more traditional in nature, consider using a synopsis style for your Executive Summary. While the synopsis style is less interesting to read than a narrative Executive Summary, it is more straightforward and, if you are looking for financing, it presents your financing needs right up front. When you write a synopsis style Executive Summary, you simply state the conclusion that you drew in each section giving all of the aspects of your Business Plan equal weight.

To Write A Synopsis Style Summary, complete Worksheet 33.

When you have completed both Worksheets, decide which style works best for you and complete your Executive Summary.

SUMMARY

The Executive Summary gives a clear, bold, and compelling condensation of the contents of your business plan. Whether or not you are seeking outside funds, it is often the only part of the Business Plan that an outsider reads. That is why you write it last, but place it first.

LAW PRACTICE BUSINESS PLAN OUTLINE

- A. Business Concept
 - a. Executive Summary
 - b. Nature of the Firm
 - i. Basic Business Concept
 - ii. Practice Definition
 - c. Structure
 - d. Areas of Practice
 - e. Strategy for Success
- B. Prospective Clients
 - a. Target Market Description
 - b. Competitive Analysis
 - c. Sales and Advertising Plan
- C. Operations and Finance
 - a. Operations
 - i. Facilities
 - ii. Key Factors
 - iii. Staffing
 - b. Technology
 - c. Management
 - d. Development, Progress Markers and Exit Plan
 - e. Finance
 - i. Balance Sheet
 - ii. Income Sheet
 - iii. Cash Flow
 - iv. Sources and Uses of Funds
 - v. Assumptions
- D. Appendix

WORKSHEETS

WORKSHEET #1

IS THIS FOR YOU?

Use this worksheet to assess your risks.

Why did you go to law school?
What field of law interests you the most?
What do you like most about your personal life?
What do you like least about your personal life?
If you have been employed, think about: What do you like best about your work life? What do you like least about your work life?
If you have held leadership positions in the past, think about: Do you like being a leader? What do you like most about being a leader? What do you like least about being a leader?
If you have not held a leadership position, think about: Are you a risk taker? Do you enjoy having responsibility?

Describe your ideal work life five years from now.
Describe your ideal personal life five years from now.
How has your work life (or school life) affected your family life? Good things: Bad things: Which has had the greater influence, the good things or the bad things?
How much money do you want to be making in five years?
When do you plan to retire?
What percentage of your current annual income do you expect to need when you retire?
Is your priority your family or your career?
Do you see yourself more as a businessperson or as a lawyer?
Do you plan to obtain more formal education?
Do you want to run for public office?

Do you plan to become a judge?
How much time off do you need each week?
How do you like to spend your time off?
What are your travel dreams for the next five years?
How is your current health?
What are your health risks?
What are your fitness goals?
What are your relationship goals for the next five years?
Do you want to start a family in the next five years?
If you have children, how old are they?
What are your plans for their college?
What are your dreams?
How do you want to make your "mark" on society?

PART II

WHAT MAKES YOU TICK?

Circle the answer that describes you best

- A. How are you motivated?
- i. I'm self-winding. Nobody has to tell me to get going.
 - ii. I can keep going if someone else gets me started.
 - iii. I do best with regular supervision.
- B. How do you feel about other people?
- i. I can get along with almost anybody.
 - ii. I'm not comfortable with strangers but I get along fine with my friends.
 - iii. In general, I would rather do without people.
- C. Are you a leader?
- i. I can get most people to go along with my ideas.
 - ii. I will take charge if I have to, but I would rather not.
 - iii. I would rather let someone else take charge.
- D. How well do you organize?
- i. I like to have a plan for everything.
 - ii. I generally set up the basics and then wing it.
 - iii. I generally just take things as they come -- things will work out.
- E. How's your work stamina?
- i. I keep going and going and going...
 - ii. I will work hard if it is interesting, but I get tired if I'm bored.
 - iii. What's in it for me? When's lunch?
- F. Can you stick with it?
- i. If I make up my mind to do something, I won't let anything stop me.
 - ii. I usually finish what I start if it all goes well.
 - iii. If it doesn't go well right away, I tend to give up.
- G. How's your energy?
- i. I never get run down.
 - ii. I have enough energy for most things as long as I get enough rest in between.
 - iii. I generally run out of energy sooner than most people.

Total number of "i" answers = [] low risk factors
Total number of "ii" answers = [] medium low risk factors
Total number of "iii" answers = [] high risk factors

Look at your results. If you have circled "i" more than the other numbers, it looks like you have what it takes to run your own law practice. If you circled "ii" more than the others, then consider joining forces whose strengths compliment yours. And, if "iii" was your favorite answer, you should re-consider going into practice for yourself – even with a strong partner.

PART II
ARE YOU READY FOR THE FINANCIAL RISKS OF A NEW PRACTICE?

Many law practices, like other small businesses, fail simply because they don't have enough money set aside to survive the natural ups and downs of cash flow. The last thing in the world that you want to have to worry about when an unexpected financial disaster happens is how you will pay your regular personal and office bills. To reduce your risk of failure, you need to have enough cash and credit available to keep your practice afloat during lean times. The following questions help identify your current financial risk factors.

Circle the answer that describes you best

- A. How many months of potential living and operating expenses do you have in savings?
- i. More than 6 months.
 - ii. 4 – 6 months.
 - iii. Less than 3 months.
- B. What is the average monthly balance you carry on credit cards (personal and business)?
- i. \$0 all bills paid in full each month.
 - ii. Less than the equivalent of one month's gross income.
 - iii. More than the equivalent of one month's gross income.
- C. What percentage of monthly income do you spend on home mortgage or rent?
- i. Less than 20%
 - ii. 20% to 30%
 - iii. More than 30%
- D. What percentage of total annual family income is used to pay mortgage and consumer debt?
- i. Less than 30%
 - ii. 30% to 40%.
 - iii. More than 40%
- E. Last year, did you have to pay the IRS, get a large refund check or break even?
- i. Broke even.
 - ii. Received large refund.
 - iii. Had to pay a significant additional amount.
- F. Do you have an individual health insurance policy?
- i. I am covered on someone else's policy.
 - ii. Yes.
 - iii. No.

- G. Do you have life insurance to protect dependents?
- i. I have no dependents
 - ii. Yes, I have a policy that is equal to one or more times my annual salary
 - iii. No, I have dependents and no life insurance.
- H. What percentage of your income do you put in a tax-deferred retirement plan, including Keogh, SEP-IRA's, 403(b)s, 401(k)s and others?
- i. A fixed percent per month up to the maximum allowed by law.
 - ii. Some but not on a regular basis.
 - iii. Nothing.
- I. In addition to your retirement savings, what percentage of your income are you saving each month?
- i. More than 10%
 - ii. 6% to 10%
 - iii. Less than 5%
- J. What type of records do you keep for you business and personal expenses?
- i. Good records on an automated system, reconciled monthly.
 - ii. Average accountability, reconciled quarterly.
 - iii. Poor records, "best guess" annual reconciliation.
- K. What is your personal opinion of your ability to support yourself in a independent law practice?
- i. I've evaluated the risks and am certain that I can support myself.
 - ii. I am concerned by balancing the risks, I believe that this is a good opportunity to give it my best shot.
 - iii. I have no idea, but the worst that can happen is I'll be broke in a few months and will have to get a job.

Total number of "i" answers = [] low risk factors
 Total number of "ii" answers = [] medium low risk factors
 Total number of "iii" answers = [] high risk factors

If you answered "i" most of the time, you are probably in a good financial position to sustain your practice during tough times.

If your answers included a mix of all three factors, consider changing your strategy to minimize your risk factors.

If you have more than two high risk factors, you may not be in a financial position to start your own law practice. Attorneys with a mix of high, medium and low risk factors should consider modifying their high and medium risk factors before opening their own practice.

PART IV

Your Personal Vision Statement

Now that you've taken some time to get to know yourself, write your personal vision statement using these questions as a guide.

1. What makes me unique?
2. What is my purpose in life?
3. What do I want to do with my life?
4. What are my core values and principles?

And, Write Your Personal Action Plan.

- Where am I?
- Where am I going?
- How will I get there?
- How will I know when I've arrived?

WORKSHEET #2

YOUR BASIC PRACTICE CONCEPT

Use this Worksheet to outline your practice concept as you see it now.

Will you serve individuals or businesses?
What segment of the community will you serve? (People who are injured? Start-up companies? Those accused of a crime?)
What will you do for them? (Litigate? Establish business entities? Solve tax problems?)
What practice areas will you cover?
What is your overall marketing and sales strategy?
Which firms are your competitors?
What are your competitive advantages?

How will you offer better client service than your competitors do?

What new practice methods will you use?

What is your location?

What are your geographic area's underserved markets?

What kind of accessibility will you provide?

WORKSHEET #3

WILL IT WORK?

Use this Worksheet to evaluate your business concept.

How economically healthy is your sector of the legal field?
How sensitive is your area of the legal field to economic fluctuations?
Is (are) your practice area(s) changing rapidly?
Are the forecasts for practice growth in your area(s) positive?
Is your service unique? If so, how? If not, what makes you special?
Is your market clearly defined?
Is it large enough to support your practice?
Can you afford to reach your market?
Is your market growing?
Is the market ready for you? Why?

Do your potential clients have strong ties to your competitors?
What factors are likely to affect your market?
How strong is your competition?
Do a few firms dominate your market?
Could your competitors with deep pockets drive you out?
How easy will it be to gain a foothold?
What barriers will limit your future competition?
Will personnel be hard to find?
What financial problems do you anticipate?

WORKSHEET #4

PRACTICE DESCRIPTION FORM

Use this Worksheet to define your practice.

Name:
Legal Name:
Domain Name:
Founding Date:
Legal Form:
Sole Proprietorship
Common Law Partnership
P.C.
LLP
LLC
State of Establishment:
Owners, Partners or Members:

Management/Leadership:
Principal Attorney, Managing Partner(s) or Manager(s):
Other Key Management Personnel:
Initial Number of Employees:
Location:
Place of Business:
Mailing Address:
Geographic Area Served:
Other:
Immediate Goals:
Progress of Current Plans:

WORKSHEET #5

DEMOGRAPHICS OF YOUR TARGET MARKET

Use this Worksheet to describe the unique characteristics of your target market.

Consumer	Business
Age Range	Industries
Income Range	Sector
Sex	Years in Business
Occupation	Annual Revenues
Marital Status	Number of Employees
Family Size	Number of Branches
Ethnic Group	Company Ownership
Level of Education	Other
Assets	Other
Other	Other

WORKSHEET #6

GEOGRAPHY

Use this Worksheet to define the density of the geographic area you will serve.

Practice Address
Description of Practice Location (Office high-rise, strip, business district, etc.)
Density of Area (Urban, rural, etc.)
Area Served (City, Region, etc.)
Climate Conditions if applicable
Population of practice location
Population of target region
Number of competing law practices in target region

WORKSHEET #7

STYLE

Use this Worksheet to define your clients' style.

Consumer	Business
Age	Type of Business
Stage of Life	Business State
Income	Public Image
Assets	Income
Leisure Choices	Management Style
Television Shows Watched	Employee Relations
Religion	Workforce Type
Political Affiliations	Community Activities
Type of Vehicles Owned	Political Affiliations
Major Concerns	Business Pressures
Other	Other

WORKSHEET #8

IAO VARIABLES

Use this Worksheet to identify your clients' interests, attitudes and opinions.

Consumer	Business
Social Class	Position in Industry
Lifestyle	Major Sources of Influence
Behavior	Fiscal Strategy
Opinions	Innovation
Values	Technology

WORKSHEET #9

BUYING PATTERNS

Use this Worksheet to record your clients' purchasing patterns. Use one sheet for each type of service.

Type of Service (bodily injury claim, estate plan, etc.)
Reason for first engagement?
How does client learn of services?
Length of time to make purchasing decision?
How does the service benefit the client?
Is there a need for repeat services?
Do you provide collateral services? Which ones?
Cost to client?
Method of Payment?
Special Considerations?

WORKSHEET #10

BUYING SENSITIVITY

Use this Worksheet to rate the factors that influence your clients.

Factor	High	Medium	Low	Not At All
Location				
Office Appearance				
Attorney Notoriety				
Attorney Experience				
Size of Practice				
Attorney Personality				
Reputation of Practice				
Personality				
Response Time				
Client Involvement in Project				
Other				
Other				
Other				

WORKSHEET #11

TARGET MARKET DESCRIPTION

Use this Worksheet to summarize your target market's characteristics.

Market Description:
Market Size:
Market Trends:
Limitations:
Opportunities:

WORKSHEET #12
Part A

VARIABLES – CUSTOMER PERCEPTION

Now compare your practice with your competitors. It is best to evaluate your respective positions in your internal operations and in client preferences. Look at each variable and assign it a number in the “Maximum Points” column (1 being the lowest, and 10 being the highest) that is representative of its importance. For example, if your target market is families who are attempting to obtain MassHealth coverage for long term care, price sensitivity might rate a 10 on the worksheet. Next rate your competitors and then rate yourself.

Variable	Maximum Points	Your Practice	Competitor #1	Competitor #2	Competitor #3
Location					
Price					
Payment Options					
Variety of Services					
Attorney/Practice Recognition					
Attorney/Practice Experience					
Results					
Adjunct Services					
Other					
Other					
Other					
Total Points					

WORKSHEET #12
Part B

VARIABLES – OPERATIONS

Variable	Maximum Points	Your Practice	Competitor #1	Competitor #2	Competitor #3
Marketing Budget/Resources					
Experience/Competence					
Operational Efficiency					
Practice Area Breadth					
Flexibility					
Personnel					
Innovation					
Other					
Other					
Other					
Total Points					

WORKSHEET #12
Part C

YOUR COMPETITIVE SNAPSHOT

Use this Worksheet to focus the critical advantages of your practice.

Describe your practice to a stranger in 20 seconds.
How do other lawyers describe you?
How do your clients and former clients describe you?
What do you believe are your special strengths?
What are your individual weaknesses?
What are your weaknesses in your practice area?

Describe your practice's culture.

Describe your practice's character.

Describe the best work you have done so far.

Describe the worst work you have done so far.

In what practice area can you become an expert?

What industry of economic sectors provide the most potential for your practice's growth?

What are the economic issues that affect your existing or potential clients?

WORKSHEET #13

ADVERTISING AND SALES PLAN

Use this Worksheet to determine promotional techniques.

• Memberships			
Name of Association or Organization	Purpose	Section	Date to Join By

• Leadership positions in associations and organizations			
Name of Association or Organization	Position	Qualifications	Target Date

• Seminars and Presentations			
Name of Association or Organization	Type/Topic of Seminar/Presentation	Qualifications	Target Audience

• Articles			
Name of Publication	Contact Info	Name of Article/Length	Deadline Date

• Advertising				
Media	Priority	Frequency	Reach	Budget

• Sales				
Client Development Activities				
Type of Entertainment or Activity	Clients/Company Name	Contact	Date	Budget
Client Retention Activities				
Type of Activity	Clients/Company Name	Contact	Date	Budget

Mailings				
Type of Mailing	Clients/Company Name	Contact Address	Date	Budget
Visits to client locations				
Client/Company Name	Contact/Address	Purpose	Date	Practice Personnel
Visits to prospect and Referral Locations				
Individual/Company Name	Contact/Address	Source	Date	Practice Personnel
Up-Selling and Cross-Selling				
Type of Initial Transaction	Up-Sell Service	Cross-Sell Service	Frequency	Practice Personnel

WORKSHEET #14

LEASING CONSIDERATIONS

Before you sign a lease there are at least 40 things that you should consider.

Location:

Do you need to be near the courthouse?

Do you need to be near certain clients?

Do you need to be near your house?

Do you need to be near a law library?

Do you need a prestige location?

Do you need to minimize overhead by finding a lower-cost location?

Do you need to be near public transportation?

Do you need to be near private parking?

Do you need to be in the suburbs?

Do you need to be near other lawyers?

Do you need high visibility and drive-by traffic?

Size:

How many lawyers will you have?

How much staff will you have?

How much growth do you anticipate in the next 3-5 years?

Do you need a conference room?

How much room do you need for your own office?

Do you need a reception area?

Do you need a kitchen?

Do you need a separate library space?

Do you need on-site file storage?

Do you need a copy center or document production area?

Do you need a private bathroom?

How many window offices do you need?

Term:

Is this the first time you've rented commercial space in your own name?

Are you ready for a 3-5 year commitment?

Would you be more comfortable trying an "office suite" at first?

Does your growth plan require you to keep the lease term short?

Have you shopped at least 3 other locations to compare lease terms?

What will the landlord allow for mid-term reduction or expansion of space?

Have you considered sub-leasing from another law firm?

Expansion:

Does your target space have at least one more office?

Is there available adjacent space in your building?

Is it better to risk being crowded than to take on additional overhead?

Can you get a lease clause that allows you to move into other space in the building if you need to expand?

WORKSHEET #15

OFFICE SPACE PRIORITIES

Use this worksheet to establish your priorities for your office space.

Priorities for Location				
1	2	3	4	5
Priorities for Size				
1	2	3	4	5
Priorities for Lease Term				
1	2	3	4	5
Priorities for Client Access (Public Transportation, Parking, Handicapped Access etc.)				
1	2	3	4	5
Other				
1	2	3	4	5
Other				
1	2	3	4	5

WORKSHEET #16

OFFICE IMPROVEMENTS

Establish priorities for your necessary office improvements on this Worksheet.

Interior Structure (Walls, ceiling, floor, etc.)				
1	2	3	4	5
Electrical				
1	2	3	4	5
Plumbing				
1	2	3	4	5
HVAC				
1	2	3	4	5
Other				
1	2	3	4	5
Other				
1	2	3	4	5

WORKSHEET #17

STAFFING REQUIREMENTS

Use this Worksheet to evaluate the staff that you will need and to establish a staffing budget.

Administrative				
Job Description (secretary, file clerk, etc.)	Status (full time, part time, outsource)	Projected engagement date	Cost	Pay period (weekly, annual, episodic)

Financial				
Job Description (bookkeeper, accountant, etc.)	Status (full time, part time, outsource)	Projected engagement date	Cost	Pay period (weekly, annual, episodic)

Legal				
Job Description (paralegal, clerk, intern, associate, etc.)	Status (full time, part time, outsource)	Projected engagement date	Cost	Pay period (weekly, annual, episodic)

Marketing/IT				
Job Description (Name, Model number, etc.)	Status (full time, part time, outsource)	Projected engagement date	Cost	Pay period (weekly, annual, episodic)

WORKSHEET #20
FINANCIAL CONTROL

Use this Worksheet to establish your financial controls.

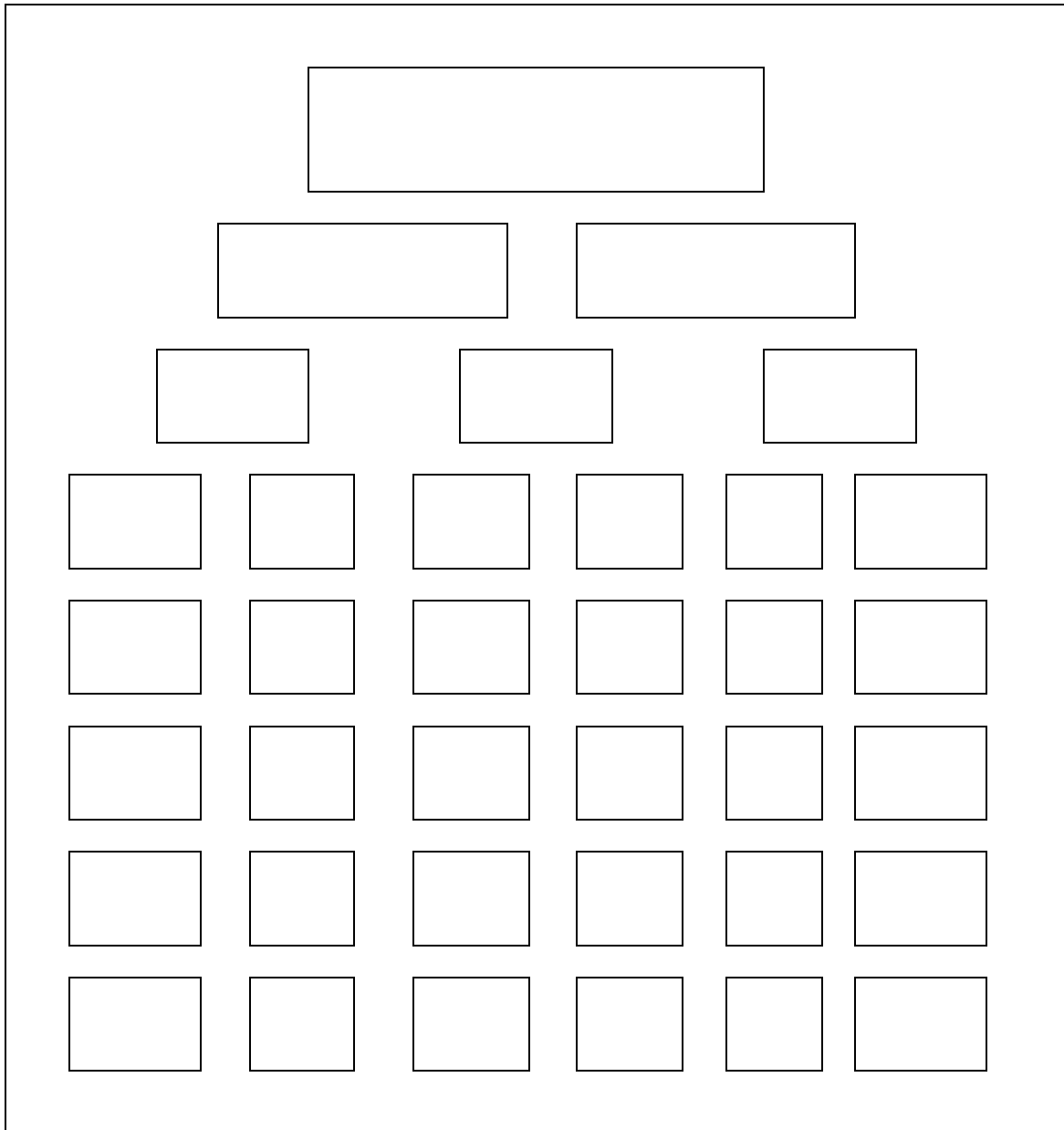
Who has the primary responsibility for designing your practice's financial controls?			
Who has the primary responsibility for enforcing your practice's financial controls?			
Who else is involved in the financial control process?			
What financial software will you use?			
What computer security methods will you use?			
Define your fee agreements and fee schedules:			
Hourly	Contingency	Flat Fee	Other
Will you accept credit cards? Which ones? Which credit card processing service will you use?			
Will you charge interest on delinquent accounts?			
What is your procedure for collecting delinquent accounts?			
Who makes decisions on variations in billing procedure?			
Will you use a payroll service? Which one?			
Who is responsible for accounts payable?			
Who has power of signature on checks?			

What is your policy on paying outstanding bills?			
Pay when received	Pay when due	Pay in 30 days	Other
Who makes decisions on variations in payment procedures?			
Describe your conflict of interest verification system.			
Define your time standards and statute of limitations monitoring systems.			
Where have you established your IOLTA account?			
What are your IOLTA account verification procedures?			
What other clients' funds isolation and security methods will you use?			
How will you protect against theft?			
What reports will you produce to show ongoing financial status?			
How often will you produce those reports?			
Who will review those reports?			
What are your tax preparation and filing procedures?			

WORKSHEET #21

YOUR ORGANIZATIONAL CHART

Use this Worksheet to figure out who reports to whom and why.



WORKSHEET #22

PERSONAL VISION, PRACTICE GOALS

Use this Worksheet to match your personal vision to your practice goals.

Write Your Practice's Mission Statement:				
Write Your Personal Vision Statement (Worksheet #1, Part IV):				
What is your top practice goal? Niche Specialist Leader in the Profession Master of Opportunity Steady Performer				
Identify Your Strategies				
1	2	3	4	5
Set Your Priorities for Strategy #1				
1	2	3	4	5
Set Your Priorities for Strategy #2				
1	2	3	4	5
Set Your Priorities for Strategy #3				
1	2	3	4	5
Set Your Priorities for Strategy #4				
1	2	3	4	5
Set Your Priorities for Strategy #5				
1	2	3	4	5

WORKSHEET #23

WHAT HAVE I DONE?

Use this Worksheet to summarize your accomplishments.

Personal Accomplishments			
Education	Publication	Civic/Political	Charitable

Professional Accomplishments				
Positions	Promotions	Awards	Notoriety	Other

Practice Accomplishments		
Write each goal that you have met and when you met it.		
Event	Specifics	Date
Lawyer Team Identified		
Entity Selected		
Lease Signed		
First Client Engaged		
First Case Completed		

WORKSHEET #25

DEVELOPMENT PLAN

Use this Worksheet to define the development of your practice from beginning to end.

Describe your goals for your practice over the next five years: Consider your estimated collections, number of repeat clients, number of employees, etc.

Describe the strategies you will use to reach those goals:

What is your plan for the expenditure of funds?

What are the major risks your practice faces?

What is your exit plan?

WORKSHEET #26

SAMPLE LAW PRACTICE BALANCE SHEET

Use this Worksheet to create your pro forma balance sheet.

Assets		
Cash	\$ _____	
Accounts receivable	\$ _____	
Short-term loans	\$ _____	
Prepaid expenses	\$ _____	
Long-term loans	\$ _____	
Land	\$ _____	
Buildings	\$ _____	
Improvements	\$ _____	
Equipment	\$ _____	
Furniture	\$ _____	
Vehicles	\$ _____	
Other Assets	\$ _____	
TOTAL ASSETS		\$ _____
Liabilities		
Accounts payable	\$ _____	
Short-term notes payable	\$ _____	
Interest payable	\$ _____	
Taxes payable	\$ _____	
Long-term notes payable	\$ _____	
TOTAL LIABILITIES		\$ _____
<u>Capital or Owner's Equity</u>		
Stock	\$ _____	
Retained earnings	\$ _____	
TOTAL CAPITAL or OWNER'S EQUITY		\$ _____
(Total Assets will always equal Total Liabilities plus Total Capital)		

WORKSHEET #27

SAMPLE INCOME STATEMENT

Use this Worksheet to create your pro forma income statement.

Revenue:		
Gross Collections		\$0.00
Less: Allowances		<u>\$0.00</u>
Net Sales:		\$0.00
Expenses	\$0.00	
Advertising	\$0.00	
Amortization	\$0.00	
Bad Debts	\$0.00	
Bank Charges	\$0.00	
Charitable Contributions	\$0.00	
Commissions	\$0.00	
Contract Labor	\$0.00	
Credit Card Fees	\$0.00	
Delivery Expenses	\$0.00	
Depreciation	\$0.00	
Dues and Subscriptions	\$0.00	
Insurance	\$0.00	
Interest	\$0.00	
Maintenance	\$0.00	
Miscellaneous	\$0.00	
Office Expenses	\$0.00	
Operating Supplies	\$0.00	
Payroll Taxes	\$0.00	
Permits and Licenses	\$0.00	
Postage	\$0.00	
Professional Fees	\$0.00	
Property Taxes	\$0.00	
Rent	\$0.00	
Repairs	\$0.00	
Telephone	\$0.00	
Travel	\$0.00	
Utilities	\$0.00	
Vehicle Expenses	\$0.00	
Wages	\$0.00	
Total Expenses	<u>\$0.00</u>	
Net Operating Income		<u>\$0.00</u>
Gain (Loss) on Sale of Assets	\$0.00	
Interest Income	<u>\$0.00</u>	
Total Other Income		<u>\$0.00</u>

WORKSHEET #28

CASH FLOW

Use this Worksheet to plan your cash flow.

	[Month]	[Month]	[Month]	[Month]	[Month]	[Month]	Total
Beginning Cash Balance	\$0	\$0.	\$0.	\$0.	\$0.	\$0.	\$0
Cash Inflows (Income):							
Accts. Rec. Collections							0
Loan Proceeds							0
Current Collections							0
Other:							0
Total Cash Inflows	\$0	\$0.	\$0.	\$0.	\$0.	\$0.	\$0
Available Cash Balance	\$0	\$0.	\$0.	\$0.	\$0.	\$0.	\$0
Cash Outflows (Expenses):							
Advertising							0
Bank Service Charges							0
Credit Card Fees							0
Delivery							0
Filing Fees							0
Health Insurance							0
Insurance							0
Interest							0
Miscellaneous							0
Office							0
Payroll							0
Payroll Taxes							0
Professional Fees							0
Rent or Lease							0
Subscriptions & Dues							0
Supplies							0
Taxes & Licenses							0
Utilities & Telephone							0
Other:							0
Subtotal	\$0	\$0.	\$0.	\$0.	\$0.	\$0.	\$0
Other Cash Outflows:							

WORKSHEET #29

CAPITAL NEEDS, SOURCES AND USES

Use this Worksheet to determine your needs for capital.

What are your needs for working capital?		
Type	Amount	Date Required

What are your needs for growth capital?		
Type	Amount	Date Required

What are your needs for equity capital?		
Type	Amount	Date Required

Describe your sources of funds:

Owner Investment:	
Owner Name	Amount

Owner Financing:			
Name	Amount	Debt Term	Equity?

Other Private Financing		
Name	Amount	Terms

Use of Funds
Capital Expenditures:
Purchase of Property
Leasehold Improvements
Equipment/Furniture
Other
Working Capital:
Supplies
Staff
Marketing
Other
Debt Retirement
Cash Reserve

WORKSHEET #30

ASSUMPTIONS

The figures of the practice's financial forms are based on the following assumptions:

Collections:			
Type	Year 1	Year 2	Year 3
Hourly			
Flat Fee			
Contingent			
Other			
Totals			

What is the expected increase in rates/fees for each year?
Describe the assumptions for total payroll in the financial forms.
Are there any key attorney or management positions to be added? When?
What is the projected gross profit margin?
Are there any major changes in costs projected that will affect gross profit margin?
What is the timing and cost of key projected expenses?
Facilities?
Major Capital Purchases
Major Marketing Expenses

Other considerations

Are there any loans projected to be added or retired?

What interest rates are assumed?

Describe any other major assumptions used in creating our projections, such as adding partners, etc.

WORKSHEET #31

MISSION STATEMENT OUTLINE

Use this Worksheet to outline your practice's objectives.

Explain your practice's philosophy about:
The types of legal services that you offer.
The quality of the legal services that you offer.
The price of the legal services that you offer.
Your relationship to your clients.
Your management style and relationship to your employees.
Your work environment.
How your practice relates to the rest of the legal community.
Your goals for growth.
Your goals for profitability.
Other goals such as community involvement, the environment, etc.
What is the essence of my Quest?

WORKSHEET #32

NARRATIVE STYLE EXECUTIVE SUMMARY

Use this Worksheet to write a narrative style executive summary.

Describe How Your Practice is Organized, Its State of Development, Type of Entity, and Mission Statement.
What is your Practice Concept?
What is the Market Opportunity?
What makes your practice Distinctive?
What is your Competitive Advantage?
Who are the Principals?
What are your Goals for Success? How will you reach them, and what is your Measure for Success?
Financials: How Much Do You Need and When Will You Pay It Back?

WORKSHEET #33

SYNOPSIS EXECUTIVE SUMMARY

Use this Worksheet to compose your synopsis executive summary.

Company Description: Name, type of practice, location, etc.
Mission Statement:
Goals:
Stage of Development:
Practice Areas:
Target Market:
Competitors:
Your Competitive Advantages:
Sales and Advertising Strategy:

Management:
Operations:
Financials:
Funds Applied For:
Progress Markers:
Exit Strategy:

APPENDIX

Sample Plan #1

LOPEZ LAW FIRM

Business Plan for the Period Starting January 1, 2005

John Lopez, Esquire

83 Oak Street, Springfield, Massachusetts 01111

413-555-1111

Jlopez@lopezlaw.com

Lopezlaw.com

Copy 2 of 6

Executive Summary

Business Description

The Lopez Law Firm is a new law practice located in Springfield, Massachusetts, specializing in legal services for small and medium sized Hispanic businesses. Primary services will include entity selection, trade secret, trademark and copyright protection, strategic planning, tax representation, benefits representation, tax advice seminars and workshops. Our mission is to provide our clients with business services that help them become more successful and to become a leader in providing legal services to small and medium sized Hispanic businesses.

To keep our overhead costs low, The Lopez Law Firm will be located in the home of John Lopez. The home is equipped with a computer, fax machine and photocopier.

Ownership and Management

The Lopez Law Firm is a solo practice, owned by John Lopez. As the business expands the firm may develop strategic alliances with other law practices. John Lopez is a licensed attorney and a member of the American Bar Association. He has a Bachelor's Degree from the University of Puerto Rico in Business Administration, a second Bachelor's degree from the University of Massachusetts, in Legal Studies, a Masters in Business Administration from the Harvard Business School and a Juris Doctor degree from the University of Connecticut. John Lopez was most recently an equity partner at Smith and Smith, Counselors at Law, in Springfield.

The Lopez Law Firm will initially have only one employee, John Lopez. Additional staff support will be obtained on a subcontract basis. Secretarial service will be contracted out as required to TempServ company in Springfield.

Key Initiatives and Objectives

The Lopez Law Firm is currently in the process of obtaining a bank loan for \$30,000 to finance the start up of the business. Our key objective during the first 12 months of operation is to develop a profitable legal practice. To do this, a strong client base will be developed through networking with local business leaders and business associations, affiliating with small business loan divisions of the local banks, and holding seminars and workshops. During the first four months of operations eight small business seminars and four small business workshops will be developed.

Marketing Opportunities

Due to high overhead costs, Smith and Smith, Springfield's largest law firm, recently restructured to focus more on large corporate and government clients. This meant the elimination of their small business division. Large law firms such as Smith and Smith typically target larger businesses and government contracts; thus creating an opportunity for smaller law firms such as The Lopez Law Firm to provide small and medium sized businesses with affordable legal services. Moreover, the number of Hispanic-owned small businesses in Springfield has doubled in the last ten years and the trend is projected to continue.

There are currently no other firms that specialize in this type of legal services located within the region. John Lopez left Smith and Smith to continue to provide small and medium sized businesses with much needed affordable legal services.

Competitive Advantages

The key competitive advantages of The Lopez Law Firm are the small business experience and expertise of John Lopez as well as the relatively low overhead costs compared to competitive law firms. John Lopez is a former resident of Puerto Rico, with extensive legal experience for small and medium sized Hispanic businesses.

Overhead costs are comparatively low because The Lopez Law Firm will be based at the home of John Lopez and labor costs will be low as there are no other full time employees.

Marketing Strategy

Our target markets will be small and medium sized new and existing, Hispanic-owned or operated businesses in the surrounding region. The Lopez Law Firm will market its services by placing an ad in the yellow pages, listing with all local business and industry associations, developing a brochure to be distributed to lending institutions and clients, becoming an active member of a number of business and consulting associations, networking with the local business community, and developing workshops and seminars for small businesses. Our seminars and workshops will be used to promote our other legal services. Attendees will be able to pick up our brochure and ask any questions regarding the services we provide. The brochure will outline The Lopez Law Firm's services and fee structure. The brochure will also highlight the past experience and level of expertise of John Lopez. The brochures will be distributed at our workshops and seminars, to lending institutions, associations, key business leaders, and to potential clients.

The Lopez Law Firm will not do much advertising except for placing an ad in the local yellow pages and developing a web site to be launched in January, 2006. John Lopez will join local business associations to maintain contacts in the business community as well as to stay well informed about the business issues that are important to local businesses.

Summary of Financial Projections

The revenues of The Lopez Law Firm are projected to increase from \$121,770 in 2005 to \$181,170 by 2007. Revenues will see strong growth of 22% annually as the practice grows and expands. The Cost of Sales are 55% including total wages (including subcontractors) at 45% and goods and materials at 10%. The Net Income is projected to increase from \$12,330 in 2005 to \$17,279 in 2007. Since this is an unincorporated solo practice all profits will be taxed at the prevailing personal tax rates.

Confidentiality and Recognition of Risks

Confidentiality Clause

The information included in this business plan is strictly confidential and is supplied on the understanding that it will not be disclosed to third parties without the written consent of John Lopez.

Recognition of Risk

The business plan represents our best estimate of the future of The Lopez Law Firm. It should be recognized that not all of major risks can be predicted or avoided and few business plans are free of errors of omission or commission. Therefore, investors should be aware that this business has inherent risks that should be evaluated prior to any investment.

Business Overview

Business History

Lopez Law is a law practice that is scheduled to begin operations on January 1, 2005. Lopez Law will be a sole proprietorship, owned by John Lopez. John Lopez left the large law firm of Smith and Smith to specialize in consulting to small and medium sized Hispanic-owned businesses. Large law firms such as Smith and Smith typically target larger businesses and government contracts creating an opportunity for Lopez Law to provide small and medium sized Hispanic-owned businesses with affordable legal services.

Vision and Mission Statement

Our mission is to become a leader in small business legal services by providing our clients with business services that help them become more successful.

Objectives

Our primary objectives over the next year are to:

- Obtain a bank loan of \$30,000 to cover the start up costs and initial operating costs for The Lopez Law Firm.
- Generate one new client contract a month by networking with key industry leaders and local lending institutions, conducting seminars and workshops for small and medium sized Hispanic-owned or operated businesses, and joining key business and industry associations.
- Generate a net profit of \$12,000 in the first year by developing a strong client base and keeping overhead costs to a minimum.
- Develop and conduct eight business seminars and four business workshops that meet the needs of the local Hispanic business community.

Ownership

Lopez Law is a sole proprietorship, owned by John Lopez. As the business expands, strategic alliances may be formed with other companies.

Location and Facilities

To keep our overhead costs low, The Lopez Law Firm will be located in the home of John Lopez. The home, located at 1875 Wilson Street in Springfield, is equipped with a computer, broadband internet connection, fax machine and photocopier. Secretarial service will be contracted out as required to TempServ Company in Springfield. Where possible, all meetings and presentations will be held at the client's location. If this is not feasible, the company has arranged to rent the boardroom of a local law firm as required. Presentation equipment such as overhead projectors and liquid crystal display (LCD) units will be rented from Holyoke Community College.

Any sub-contractors hired for specific projects will not work in our office but will work from their own offices. This will greatly reduce our overhead costs allowing us to price our services competitively. As The Lopez Law Firm grows, consideration will be given to acquiring office space.

Products and Services

Description of Products and Services

The primary types of services we will provide include entity selection, trade secret, trademark and copyright protection, strategic planning, tax representation, benefits representation, tax advice, litigation, seminars and workshops.

We will offer seminars to small and medium sized Hispanic-owned or operated businesses. The seminars will focus on key legal issues for small and medium sized operators such as employee benefits, intellectual property protection, etc. Attendance will vary but should average 20 to 30 people each.

The workshops will be developed to help small and medium sized businesses identify and avoid key legal pitfalls. This service is currently unavailable in the area. Workshops will be held in the evenings and on weekends making it easier for busy operators to attend.

Key Features of the Products and Services

The Lopez Law Firm will specialize in small and medium sized firms. While other law firms in the region offer small and medium sized businesses legal services, none specialize in this area. With today's unpredictable political and economic environments, it is increasingly difficult for entrepreneurs to successfully start new businesses and for existing small and medium sized businesses to remain profitable. Our services will differ from our competitors in that The Lopez Law Firm will offer creative, innovative, and effective legal solutions to business problems. Too many law firms try to develop standard models to solve key legal problems. Lopez Law realizes that business problems have a variety of solutions; what may be right for one business would not necessarily meet the needs of another business.

Production of Products and Services

Initially subcontractors will be hired as needed to work on specific projects. Subcontractors will be hired based on their area of expertise and experience. Due to office space limitations, sub contractors will work out of their own offices and will be linked directly to our office via e-mail and the Internet. Within the next three years, full time associate and administrative staff will be hired.

While all documents, pleadings, and reports will be produced and edited by John Lopez, the physical reports will be formatted, printed and bound by TempServ, a local secretarial agency in Springfield. Should the company take on any other full time employees, consideration will be given to leasing office space in the Springfield area.

Future Products and Services

We will continually expand our services based on industry trends and changing client needs. We will also get feedback from clients and seminar attendees on what is needed for future seminars and workshops.

Comparative Advantages in Production

Our comparative advantages in production are our low overhead and labor costs. Lopez Law does not have to pay for under utilized staff or facilities. We also have an advantage in that we can pick the most qualified sub- contractors for each project. The sub- contractors will be picked based on their expertise. This allows us to draw from a larger labor pool and skill set. Sub-contractors will be hired as needed which means that during down times our firm is not over staffed.

Industry Overview

Market Research

To fully understand the market we are targeting we talked to local business leaders, the Small Business Association, the Chamber of Commerce, the local economic development office, and all small business lending departments at the local banks. In addition, we read local newspaper and journal articles, and collected industry statistics.

Size of the Industry

There are 100 business law firms in Hampden County; there are 34 business law firms in the Springfield area alone. While there is some overlap in the types of services provided, most firms have developed their own market niches. Firms tend to become well known and recognized for their skills in a specific area such as employee benefits, tax, litigation, or intellectual property.

Key Product Segments

Legal practice is a very diverse industry. There are hundreds of different services that lawyers provide to all industries and industry sectors.

Key Market Segments

Key market segments vary by legal specialty. The key markets for business legal services are corporations, professional practices, and sole proprietorships. The total size of these markets is unknown because they are continually changing and there are no accurate tracking mechanisms in place to accurately determine how much these market segments spend on legal services annually.

Purchase Process and Buying Criteria

The buying process for legal services varies by type of client and by type of service. Businesses find and choose law firms using several methods.

1. Referral

Businesses find lawyers through their lending institutions, business or industry associations, friends or colleagues, and the yellow pages. Businesses contact these law firms to obtain proposals and price quotes for the required services. A law firm is chosen based on the needs of the client such as price, quality of proposal, as well as the reputation, past experience and level of expertise of the practice.

2. Request for Proposal

Businesses requiring legal services sometimes distribute a "Request for Proposal" to a number of firms for specific projects. These firms submit proposals for the projects they wish to bid on by outlining the scope of the work, the methodology, a work plan and price

quote. These proposals are evaluated based on a predetermined set of criteria developed by the client. The proposal evaluation criteria varies by project and by client but usually includes price, quality of proposal, and the reputation, past experience and level of expertise of the firm.

Legal services are usually purchased by start up businesses or by small and medium sized businesses requiring financing, commercializing a new product, or entering new markets. These businesses seek assistance from their lending institutions, industry and business associations, or directly from law firms.

Description of Industry Participants

Law firms are divided into large firms with more than 100 employees, medium sized firms with 20 to 100 employees and small firms with less than 20 employees. The majority (66%) of lawyers in Hampden County are employed at large firms, 6% and medium sized firms and 28% at small firms according to a recent Industry report. Small firms typically have less than 10 employees.

Key Industry Trends

The legal industry is growing for two key reasons. One is that demand for legal services is increasing as companies downsize and contract out work that was historically done in-house. Corporate downsizing has also resulted in many managers being laid off. It is difficult for many of these people to find similar employment and as a result, many of these managers start their own businesses and will require specialized legal services to improve their chances of success. Therefore corporate downsizing has resulted in an increase both in the supply of, and demand for, legal services. The number of business starts in Springfield has risen 10% annually over the last several years. Approximately 100 new businesses will be started in the area in 2005. This trend is projected to continue for at least another 5 years.

Industry Outlook

With the continued economic and political uncertainty in this area, the demand for legal services to small and medium Hispanic-owned businesses

While the number of business starts has increased so have the number of bankruptcies. Approximately seven out of 10 new businesses will fail within the first two years of operation, primarily due to poor entity selection and tax planning.

Marketing Strategy

Target Markets

Our target markets will be small and medium sized new and existing Hispanic-owned or operated businesses in the surrounding region. We will also submit proposals in response to any Request for Proposals we receive.

Description of Key Competitors

There are a total of 34 law firms in Springfield, Massachusetts that provide small business services. Only 14 of these law practices offer services similar to The Lopez Law Firm. None of the 14 offers legal services specifically designed for the Hispanic-owned business, nor do any of the lawyers speak fluent Spanish. The other 20 consulting firms in the region specialize in other areas of law.

There are four large law firms that offer legal services to small and medium sized businesses. However, these large firms cannot cost effectively service this market due to high overhead and labor costs. Small and medium sized businesses usually cannot afford the high hourly fees charged by these firms. Business from this target market does not represent a significant portion of the revenues generated by these four large firms which all specialize in other areas of the law.

Analysis of Competitive Position

The Lopez Law Firm will be the only law practice in the region specializing in providing legal services to small and medium sized Hispanic-owned or operated businesses. The Lopez Law Firm has a competitive advantage in this area due to the excellent legal experience of John Lopez.

However, as a new practice, it may take time to establish a strong client base and develop a reputation as a small business specialist. Attorney Lopez already has an excellent reputation in this area and Smith and Smith, his former employer, will redirect any of this type of business to Attorney Lopez's new firm.

Pricing Strategy

The Lopez Law Firm services will be priced competitively with other small law firms. Typically the fees charged by small firms are much lower than those charged by the large firms due to lower overhead costs. Our fees will be based on several factors including the time and resources needed to complete a project, overhead costs, and the fees charged by other competitive consulting firms. Our hourly rates average \$200.00 per hour compared to \$300.00 per hour for the large consulting firms. Our hourly fees will remain the same for all projects. However, total project costs will vary depending on the time needed to complete the project as well as the direct expenses incurred as part of the project.

Promotion Strategy

The Lopez Law Firm will market its services by placing an ad in the yellow pages, listing with all local business and industry associations, developing a brochure to be distributed to lending institutions and clients, becoming an active member of a number of business and consulting associations, networking with the local business community, and developing small business workshops and seminars.

1. Workshops/Seminars. Our seminars and workshops will be used to promote our other legal services. Attendees will be able to pick up our corporate brochure and ask any questions regarding the services we provide.
2. Corporate brochure. We will develop a corporate brochure outlining our services and fee structure. The brochure will also highlight our past experience and level of expertise. The brochures will be distributed at our workshops and seminars, distributed to lending institutions, associations, key business leaders, and to potential clients.
3. Advertising. Lopez Law will not do much advertising except for placing an ad in the local yellow pages. Within the next year, we will develop our own Internet site highlighting our expertise and services.

4. Networking. Lopez Law will join local business associations in order to maintain contacts in the business community as well as to stay well informed about the issues that are important to local businesses.

Distribution Strategy

Distribution is not an issue for law firms. Reports and other documents will be couriered, e-mailed, faxed or mailed directly to the appropriate recipient as appropriate.

Management and Staffing

Organizational Structure

Lopez Law is a sole proprietorship that will be run and managed by the owner, John Lopez. All administrative and accounting duties will be contracted out. Any additional staff required will be obtained on a subcontract basis.

Management Team

John Lopez is a Massachusetts licensed attorney, and a member of the American Bar Association. He has a Bachelor's Degree from the University of Puerto Rico in Business Administration, a second Bachelor's degree from the University of Massachusetts, in Legal Studies, a Masters in Business Administration from the Harvard Business School and a Juris Doctor degree from the University of Connecticut. John Lopez was most recently an equity partner at Smith and Smith, Counselors at Law, in Springfield. John Lopez has been a lawyer for 15 years with Smith and Smith, specializing in small and medium sized businesses.

John Lopez's resume is attached at the end of this business plan

Staffing

No full time staff will be hired at The Lopez Law Firm for at least three years. Any additional staff required to complete client contracts will be hired on a subcontract basis in order to keep labor costs low.

Labor Market Issues

There is no shortage of qualified attorneys in the area who work on a subcontract basis for a number of law firms. However, timing can be a problem in that it may be difficult to find attorneys with a specific type of expertise who have time available when needed.

Risks

Market Risks

Increased competition for small business clients and the potential entry of large firms into small business legal representation in Springfield poses some degree of market risk. To develop and maintain a reasonable market share we will give our clients expert and timely legal services at competitive prices. Our long term goal is to expand our operations so that we become the leading small business law firm for Hispanic businesses in the region.

Other Risks

There are several other risks that could affect our operations including cyclical cash flow problems and liability issues. Law firms can experience cash flow problems because the

industry is project driven. Projects can last for several months and clients can take 30 to 60 days after completion of their projects to pay the invoice. To avoid this situation, our firm will ask for 40% of the project price at the beginning of a project, and will bill clients for all hourly and out-of-pocket expenses every month.

The other major risk facing law firms is professional liability or the risk of being sued by a client. Consultants can be sued both for breach of contract and tort liability. Lopez Law has Professional Liability Insurance as protection in the event of a lawsuit. Lopez Law will also operate in a professional manner, minimizing the risk of a lawsuit.

Implementation Plan

Implementation Activities and Dates

Within the next several months The Lopez Law Firm will undertake the following activities:

1. John Lopez is in the process of obtaining a bank loan for \$10,000 to start up Lopez Law.
2. Documents for seminar and workshops will be developed.
3. A corporate brochure will be developed within the first two weeks to be distributed to potential clients and local business leaders and resources

Financial Plan

Discussion of Projected Net Income

Revenue is projected to increase from \$121,770 in 2005 to \$181,170 by 2007. Revenues will see strong growth of 22% annually as the business grows and expands. Cost of Sales are \$66,480 in Year 1, which projects to a total of 55% of revenues, including wages at 45% and goods and materials at 10%.

Sales and Marketing expenses average 10% of Net Sales. Sales and Marketing expenses include advertising, a corporate brochure, seminar and workshop materials, other expenses such as networking and client lunches. Property and Utilities expenses average 14% of Net Sales including telephone and utilities, and other expenses such as the office furniture and computer lease expenses. Operations, and Banking and Other expenses average 3% to 4% of Net Sales. Operations expenses include supplies, repairs and maintenance, vehicle and travel expenses, and licences and permits. Banking and Other expenses include bank charges, accounting and legal fees, and insurance.

Net Income is projected to increase from \$12,330 in 1998 to \$17,280 in 2000. Federal and state income taxes are calculated at 22.84% of net income before taxes

Discussion of Monthly Cash Flow Statement

Without a bank loan, it will take The Lopez Law Firm six months to generate a positive cash flow. The operating loan of \$10,000 ensures that The Lopez Law Firm will not need any additional operating loans during the first twelve months to maintain a positive monthly cash balance.

Discussion of Projected Annual Cash Flow

Providing The Lopez Law Firm achieves their revenue projections no additional operating loans will be need in years two and three. This will lead to increases in ending cash balances in both Year 2 and 3.

Discussion of Pro-Forma Balance Sheet

With no loans payable in Years 2 and 3 of operations, the cash position and the amount of retained earnings will increase each year. All liabilities will be paid as they are due.

Discussion of Business Ratios

Due to The Lopez Law Firm's billing structure, the average collection period for accounts receivable will be low compared to other law practices. Profit margins are consistent from year to year and are comparable to other practices with less than \$500,000 in annual revenue. Debt to net worth is inconsequential as the practice will be debt free after Month 8 of operations.

Note 1: Revenue Assumptions

a. Our Revenue projections by product and by month for the first year are:

Year 1	Clients	Seminars	Workshops	Bad Debt	Total
Month 1	0	0	0	0	0
Month 2	0	1,750	0	-18	1,732
Month 3	5,000	0	4,500	-95	9,405
Month 4	5,000	1,750	0	-68	6,682
Month 5	10,000	0	4,500	-145	14,355
Month 6	10,000	1,750	0	-118	11,632
Month 7	15,000	0	4,500	-195	19,305
Month 8	15,000	1,750	0	-168	16,582
Month 9	10,000	0	4,500	-145	14,355
Month 10	10,000	1,750	0	-118	11,632
Month 11	5,000	0	4,500	-95	9,405
Month 12	5,000	1,750	0	-68	6,682
Total	\$90,000	\$10,500	\$22,500	-\$1,233	\$121,767

b. Our revenue projections by product for Years 2 and 3 are:

	Clients	Seminars	Workshops	Bad Debt	Total
Year 2	110,000	15,000	25,000	-1,500	148,500
Year 3	135,000	20,000	28,000	-1,830	181,170

Note 2: Assumptions Regarding the Collection of Sales Revenue

a. We assume that the percent of our sales which are collected: in the month they are made; in the month following; in two months; and in three months are:

Current Month	40%
In the Following Month	50%
In Two Months	10%
In Three Months	%
Total	100%

b. Based on these assumptions we have projected how much we will collect from our sales in each month. The following table also identifies any adjustments we may have made to these figures.

Year 1	Projected Collections	Adjustment	Revised Estimate
Month 1	0		0
Month 2	693		693
Month 3	4,628		4,628
Month 4	7,549		7,549
Month 5	10,024		10,024
Month 6	12,499		12,499
Month 7	14,974		14,974
Month 8	17,449		17,449
Month 9	15,964		15,964
Month 10	13,489		13,489
Month 11	11,014		11,014
Month 12	8,539		8,539
Total	\$116,822	\$0	\$116,822

c. Not all of our sales in the first year will be collected during that year. Based on the assumptions shown above our Accounts Receivable at the end of Year 1 will be:

\$4,945

d. We assume that our Accounts Receivable at the end of Years 2 and 3 will be:

Year 2 \$7,000

Year 3 \$8,000

Note 3: Cost of Sales Assumptions

a. Our assumptions regarding the amount that we will pay each month in Year 1 for Cost of Sales items is listed below. These figures show up on our cash flow statements.

Year 1	Production Wages	Goods & Materials *****	Total
Month 1			0
Month 2	800	170	970
Month 3	4,200	940	5,140
Month 4	3,000	650	3,650
Month 5	6,400	1,400	7,800
Month 6	5,200	1,200	6,400
Month 7	8,600	1,900	10,500
Month 8	7,400	1,700	9,100
Month 9	6,300	1,400	7,700
Month 10	5,200	1,200	6,400
Month 11	4,200	950	5,150
Month 12	3,000	670	3,670
Total	\$54,300	\$12,180	\$66,480

b. Our assumptions regarding the amount that we will pay in Years 2 and 3 for Cost of Sales items are listed below. These figures show up on our annual Cash Flow Statement.

	Production Wages	Goods & Materials *****	Total
Year 2	66,825	15,000	81,825
Year 3	81,526	19,000	100,526

c. (Apart from what we have already paid for) There may be additional Cost of Sales services which we have received but we won't have paid for yet. We estimate the amount that we will owe (have as an Account Payable) for Cost of Sales items at the end of each year will be:

Year	Cost of Sales Payable
Beginning Balance	0
Year 1	0
Year 2	0
Year 3	0

d. We have calculated our Cost of Sales expenses, based on these assumptions. These figures (which show up on our Income Statement) are shown in both dollar values and as a percent of our projected revenues.

Cost of Sales	\$	%
Year 1	66,480	55%
Year 2	81,825	55%
Year 3	100,526	55%

Sample Plan #2

LOPEZ LAW ASSOCIATES P.C.

Business Plan for the Period Starting January 2009

John Lopez, Esquire

Max Lopez, Esquire

1411 Main Street

Springfield, Massachusetts 01111

413-555-1111

JLopez@lopezlaw.com

MLopez@lopezlaw.com

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Copy 3 of 10

October 17, 2008

Business Plan for the period Starting January 1, 2009

Executive Summary

Business Description

Lopez Law Associates PC is a new law practice located in Springfield, Massachusetts, specializing in legal services for members of the Springfield, Massachusetts Hispanic community, and their families, in the areas of motor vehicle tort, products liability, intentional torts, and medical malpractice.

Lopez Law has been established as a Professional Corporation, with attorneys John Lopez and his son, Max Lopez, as the shareholders and sole employees. John Lopez left the large law firm of Smith and Smith to specialize in representing members of the Hispanic community. Large firms such as Smith and Smith do not focus their litigation efforts on this section of the population, which provides a unique opportunity for Lopez Law to provide its neighbors with outstanding legal litigation services.

Ownership and Management

The Lopez Law Associates PC is a Professional Corporation, the shareholders and sole employees are John Lopez and his son, Max Lopez. As the business expands the firm may develop strategic alliances with other law practices. John Lopez is a licensed attorney and a member of the American Bar Association. He has a Bachelor's Degree from the University of Puerto Rico in Spanish literature, a second Bachelor's degree from the University of Massachusetts, in Legal Studies, a Masters in Public Health from the Harvard Univeristy and a Juris Doctor degree from the University of Connecticut. John Lopez was most recently an equity partner at Smith and Smith, Counselors at Law, in Springfield. Max Lopez is a licensed attorney and member of the American Bar Association. He has a Bachelor's Degree from Middlebury College, and a Juris Doctor degree from Boston College.

Additional staff support will be obtained on a subcontract basis. Secretarial service will be contracted out as required to TempServ company in Springfield.

Key Initiatives and Objectives

The Lopez Law Associates PC is currently in the process of obtaining a bank loan for \$30,000 to finance the start up of the business. Our key objective during the first 12 months of operation is to develop a profitable legal practice. To do this, a strong client base will be developed through networking with local medical providers, establishing relationships with community organizations and associations, holding seminars and workshops, and conducting informational radio and cable television broadcasts.

Marketing Opportunities

Due to high overhead costs, Smith and Smith, Springfield's largest law firm, recently restructured to focus more on large corporate and government clients rather than plaintiffs' litigation. This meant the elimination of their plaintiff litigation division; thus creating an opportunity for smaller law firms such as The Lopez Law Associates PC to provide plaintiffs' legal services. Moreover, the number of Hispanic citizens in Springfield has doubled in the last ten years and the trend is projected to continue.

There are currently no other firms that specialize in this type of legal services located within the region. John Lopez left Smith and Smith to continue to provide his community with plaintiffs' personal injury litigation services.

Competitive Advantages

The key competitive advantages of The Lopez Law Associates PC are the litigation experience and expertise of John Lopez as well as the relatively low overhead costs compared to competitive law firms. John Lopez is a former resident of Puerto Rico, with extensive trial and negotiation experience.

Overhead costs are comparatively low because The Lopez Law Associates PC will be based at the home of John Lopez and labor costs will be low as he and Attorney Max Lopez will be the only full time employees.

Marketing Strategy

Our target markets will be injured individuals and their families in the Hispanic community. Lopez Law will market its services by placing an ad in the Yellow Pages, developing a brochure to be distributed to medical service providers and their patients, becoming active members in a number of community associations, networking with the local community and Bar associations, developing workshops and seminars, and by conducting instructional programs on the local Hispanic radio and cable television stations. Lopez Law Associates PC will develop a web site to be launched in March 2009. John Lopez and Max Lopez will join local business associations to maintain contacts in the business community as well as to stay well informed about the business issues that are important to local businesses.

Summary of Financial Projections

The revenues of The Lopez Law Associates PC are projected to increase from \$121,770 in 2005 to \$181,170 by 2007. Revenues will see strong growth of 22% annually as the practice grows and expands. The Cost of Sales are 55% including total wages (including subcontractors) at 45% and goods and materials at 10%. The Net Income is projected to increase from \$12,330 in 2005 to \$17,279 in 2007. Since this is an unincorporated solo practice all profits will be taxed at the prevailing personal tax rates.

Confidentiality and Recognition of Risks

Confidentiality Clause

The information included in this business plan is strictly confidential and is supplied on the understanding that it will not be disclosed to third parties without the written consent of John Lopez and Max Lopez.

Recognition of Risk

The business plan represents our best estimate of the future of The Lopez Law Associates PC. It should be recognized that not all of major risks can be predicted or avoided and few business plans are free of errors of omission or commission. Therefore, investors should be aware that this business has inherent risks that should be evaluated prior to any investment.

Business Overview

Business History

Lopez Law Associates P.C. is a law practice that is scheduled to begin operations on January 1, 2009. Lopez Law will be a Professional Corporation with John and his son, Max, serving as the shareholders and sole employees. John Lopez left the large law firm of Smith and Smith to specialize in representing members of the Hispanic community. Large law firms such as Smith and Smith do not focus their litigation efforts on this section of the Springfield population, which provides a unique opportunity for Lopez Law to provide the Hispanic community with outstanding legal services for its members who have been injured.

Vision and Mission Statement

Our mission is to give outstanding plaintiffs' litigation legal services to members of the Hispanic community in Springfield.

Objectives

Our primary objectives over the next year are to:

- Obtain a bank loan of \$30,000 to cover the start up costs and initial operating costs for The Lopez Law Associates PC.
- Generate ten new client contracts a month by networking with medical professionals and local community organizations, conducting seminars and workshops for individuals, joining key community and legal associations, launching an interactive web site, and conducting informational programs on Hispanic radio and cable television stations.
- Generate a net profit of \$12,000 in the first year by developing a strong client base and keeping overhead costs to a minimum.
- Develop and conduct eight seminars and four workshops that meet the needs of the local Hispanic community.

Ownership

Lopez Law is a Professional Corporation, owned by John Lopez and Max Lopez. As the business expands, strategic alliances may be formed with other law firms.

Location and Facilities

To keep our overhead costs low, The Lopez Law Associates PC will be located in the home of John Lopez. The home, located at 1875 Wilson Street in Springfield, has a home office facility with a separate entrance and parking area. The office space has a reception area, two offices, and conference space. It is equipped with computers, broadband connection, fax machine and photocopier. If additional space is required, the practice has arranged to rent the conference room at Smith and Smith. Secretarial service will be contracted out as required to TempServ company in Springfield. Additional equipment such as projectors and liquid crystal display (LCD) units will be rented from Holyoke Community College.

Any sub-contractors hired for specific projects will not work in our office but will work from their own offices. This will greatly reduce our overhead costs allowing us to price

our services competitively. As The Lopez Law Associates PC grows, consideration will be given to acquiring office space.

Products and Services

Description of Products and Services

The primary types of services we will provide include pre-suit and trial representation in the areas of motor vehicle tort, products liability, intentional tort, and medical malpractice.

Key Features of the Products and Services

While other law firms in the region offer personal injury litigation, none specialize in representing the Hispanic population of this area.

Production of Products and Services

Initially subcontractors will be hired as needed to work on specific projects. Subcontractors will be hired based on their area of expertise and experience. Due to office space limitations, sub contractors will work out of their own offices and will be linked directly to our office via e-mail and the Internet. Within the next three years, full time associate and administrative staff will be hired.

While all documents, pleadings, and reports will be produced and edited by John or Max Lopez, the physical documents will be formatted, printed and bound by TempServ, a local secretarial agency in Springfield. Should the company take on any other full time employees, consideration will be given to leasing office space in the Springfield area.

Future Products and Services

We will continually expand our services based on legal and community trends and changing client needs.

Comparative Advantages in Production

Our comparative advantages in production are our low overhead and labor costs. Lopez Law does not have to pay for under utilized staff or facilities. We also have an advantage in that we can pick the most qualified sub- contractors for each project. The sub-contractors will be picked based on their expertise. This allows us to draw from a larger labor pool and skill set. Sub-contractors will be hired as needed which means that during down times our firm is not over staffed.

Industry Overview

Market Research

To fully understand the market we are targeting we talked to local business leaders, the American Medical Association, the Chamber of Commerce, the local economic development office, and the Massachusetts and Springfield Bar Associations. In addition, we read local newspaper and journal articles, and collected industry statistics.

Size of the Industry

There are 100 business law firms in Hampden County; there are 34 business law firms in the Springfield area alone. While there is some overlap in the types of services provided, most firms have developed their own market niches. Firms tend to become well known and recognized for their skills in a specific area.

Key Product Segments

The practice of plaintiffs' personal injury litigation is very diverse. There are many different services that lawyers provide to all industries and industry sectors.

Key Market Segments

Key market segments vary by legal specialty. The key markets for plaintiffs' litigation representation are: motor vehicle accidents, premises liability, intentional torts, products liability, wrongful death, and medical malpractice. The total size of these markets is unknown because they are continually changing and there are no accurate tracking mechanisms in place to determine accurately how much these market segments spend on legal services annually.

Purchase Process and Buying Criteria

The buying process for personal injury legal services tends to be made very quickly under tragic circumstances. Therefore, Lopez Law will focus on building high visibility in the community.

Description of Industry Participants

Law firms are divided into large firms with more than 100 employees, medium sized firms with 20 to 100 employees and small firms with less than 20 employees. The majority (66%) of lawyers in Hampden County are employed at large firms, 6% and medium sized firms and 28% at small firms according to a recent Industry report. Small firms typically have less than 10 employees.

Key Industry Trends

Personal injury litigation has been a steadily growing area of the law for the past forty years. This growth is directly tied to growth in the area's population and in its industrial and construction employment base. The Springfield area has experienced very rapid growth in industrial and construction employment, as well as strong growth in the general population. A rise in the number of automobile accidents per capita is directly tied to the poor condition of the state and federal highways in the area, which have not been targeted for improvement under the incoming administration. The Hispanic population in Springfield has been growing at a rate of 10% annually for the past five years and this trend is projected to continue for the next ten years.

Industry Outlook

Changes in the laws regarding medical malpractice, products liability, and driver liability, which favor recovery for injured parties will result in continued growth in plaintiffs' representation.

Marketing Strategy

Target Markets

Our target markets will be injured individuals and their families in the Hispanic population of the surrounding region.

Description of Key Competitors

There are a total of 34 law firms in Springfield, Massachusetts that provide litigation services. Only 14 of these law practices offer services similar to The Lopez Law Associates PC. None of the 14 offers legal services specifically designed for the Hispanic community, nor do any of the lawyers speak fluent Spanish. The other 20 consulting firms in the region specialize in other areas of law.

There are four large law firms that offer litigation services to plaintiffs. However, these large firms cannot cost effectively service this market due to high overhead and labor costs. Business from this target market does not represent a significant portion of the revenues generated by these four large firms which all specialize in other areas of the law.

Analysis of Competitive Position

The Lopez Law Associates PC will be the only law practice in the region specializing in providing legal services to plaintiffs in Springfield's Hispanic population. The Lopez Law Associates PC has a competitive advantage in this area due to the excellent legal experience of John Lopez.

However, as a new practice, it may take time to establish a strong client base and develop a reputation as a small business specialist. Attorney Lopez already has an excellent reputation in this area and Smith and Smith, his former employer, will redirect any of this type of business to Attorney Lopez's new firm.

Pricing Strategy

Lopez Law Associates PC will price its services on a contingency basis consistent with the standards applied by the Board of Bar Overseers and the Massachusetts Supreme Judicial Court.

Promotion Strategy

The Lopez Law Associates PC will market its services by placing an ad in the yellow pages, developing an interactive web site, developing a brochure to be distributed to the area's medical professionals, becoming an active member of a number of business and community associations, networking with the local community and Bar Associations, and developing workshops and seminars for individuals, as well as presenting informational programs on the regions Hispanic radio and cable television stations.

Distribution Strategy

Distribution is not an issue for law firms. Reports and other documents will be couriered, e-mailed, faxed or mailed directly to the appropriate recipient as appropriate.

Management and Staffing

Organizational Structure

Lopez Law is a Professional Corporation that will be run and managed by the shareholders, John Lopez and Max Lopez. All administrative and accounting duties will be contracted out. Any additional staff required will be obtained on a subcontract basis.

Management Team

John Lopez is a Massachusetts licensed attorney, and a member of the American Bar Association. He has a Bachelor's Degree from the University of Puerto Rico in Spanish literature, a second Bachelor's degree from the University of Massachusetts, in Legal Studies, a Masters in Public Health from Harvard University and a Juris Doctor degree from the University of Connecticut. John Lopez was most recently an equity partner at Smith and Smith, Counselors at Law, in Springfield. John Lopez has been a lawyer for 15 years with Smith and Smith, specializing in litigation.

Max Lopez is a licensed attorney and a member of the American Bar Association and the Massachusetts Bar Association. He has a Bachelor's degree from Middlebury College and a Juris Doctor degree from Boston College. After five years of practicing law in Miami, Max decided to return to his hometown to work with his father.

The principals' resumes are attached at the end of this business plan

Staffing

No full time staff will be hired at The Lopez Law Associates PC for at least three years. Any additional staff required to complete client cases will be hired on a subcontract basis in order to keep labor costs low.

Labor Market Issues

There is no shortage of qualified attorneys in the area who work on a subcontract basis for a number of law firms. However, timing can be a problem in that it may be difficult to find attorneys with a specific type of expertise who have time available when needed.

Risks

Market Risks

Increased competition for litigation clients and the potential entry of large firms into plaintiffs' legal representation in Springfield poses some degree of market risk. To

develop and maintain a reasonable market share we will give our clients expert and timely legal services. Our long-term goal is to expand our operations so that we become the leading plaintiff litigation law firm in the region.

Other Risks

There are several other risks that could affect our operations including cyclical cash flow problems and liability issues. Litigation law firms can experience cash flow problems because the industry is award driven. Cases can last for several years and defendants can take 90 to 180 days after final verdict to pay the judgment.

The other major risk facing law firms is professional liability or the risk of being sued by a client. Attorneys can be sued both for breach of contract and tort liability. Lopez Law has Professional Liability Insurance as protection in the event of a lawsuit. Lopez Law will also operate in a professional manner, minimizing the risk of a lawsuit.

Implementation Plan

Implementation Activities and Dates

Within the next several months The Lopez Law Associates PC will undertake the following activities:

1. John Lopez is in the process of obtaining a bank loan for \$10,000 to start up Lopez Law.
2. Documents and presentations for seminars, workshops and radio and television programs will be developed.
3. A brochure will be developed within the first two weeks to be distributed to medical professionals and resources.
4. An interactive web site will be developed and launched.

Financial Plan

Discussion of Projected Net Income

Revenue is projected to increase from \$121,770 in 2005 to \$181,170 by 2007. Revenues will see strong growth of 22% annually as the business grows and expands. Cost of Sales are \$66,480 in Year 1, which projects to a total of 55% of revenues, including wages at 45% and goods and materials at 10%.

Sales and Marketing expenses average 10% of Net Sales. Sales and Marketing expenses include advertising, a corporate brochure, seminar and workshop materials, other expenses such as networking and entertainment. Property and Utilities expenses average 14% of Net Sales including telephone and utilities, and other expenses such as the office furniture and computer lease expenses. Operations, and Banking and Other expenses average 3% to 4% of Net Sales. Operations expenses include supplies, repairs and maintenance, vehicle and travel expenses, and licenses and permits. Banking and Other expenses include bank charges, accounting and legal fees, and insurance.

Net Income is projected to increase from \$12,330 in 1998 to \$17,280 in 2000. Federal and state income taxes are calculated at 22.84% of net income before taxes

Discussion of Monthly Cash Flow Statement

Without a bank loan, it will take The Lopez Law Associates PC six months to generate a positive cash flow. The operating loan of \$10,000 ensures that The Lopez Law Associates PC will not need any additional operating loans during the first twelve months to maintain a positive monthly cash balance.

Discussion of Projected Annual Cash Flow

Providing The Lopez Law Associates PC achieves their revenue projections no additional operating loans will be need in years two and three. This will lead to increases in ending cash balances in both Year 2 and 3.

Discussion of Pro-Forma Balance Sheet

With no loans payable in Years 2 and 3 of operations, the cash position and the amount of retained earnings will increase each year. All liabilities will be paid as they are due.

Discussion of Business Ratios

Due to The Lopez Law Associates PC's billing structure, the average collection period for accounts receivable will be long compared to other law practices. However, profit margins consistently increase from year to year and are comparable to other practices with less than \$500,000 in annual revenue. Debt to net worth is inconsequential as the practice will be debt free after Month 8 of operations.

Note 1: Revenue Assumptions

a. Our Revenue projections by product and by month for the first year are:

Year 1	Motor Veh	Prod Liab	Med Mal	Bad Debt	Total
Month 1	0	0	0	0	0
Month 2	0	1,750	0	-18	1,732
Month 3	5,000	0	4,500	-95	9,405
Month 4	5,000	1,750	0	-68	6,682
Month 5	10,000	0	4,500	-145	14,355
Month 6	10,000	1,750	0	-118	11,632
Month 7	15,000	0	4,500	-195	19,305
Month 8	15,000	1,750	0	-168	16,582
Month 9	10,000	0	4,500	-145	14,355
Month 10	10,000	1,750	0	-118	11,632
Month 11	5,000	0	4,500	-95	9,405
Month 12	5,000	1,750	0	-68	6,682
Total	\$90,000	\$10,500	\$22,500	\$1,233	\$121,767

b. Our revenue projections by product for Years 2 and 3 are:

	MV	PL	MM	Bad Debt	Total
Year 2	110,000	15,000	25,000	-1,500	148,500
Year 3	135,000	20,000	28,000	-1,830	181,170

Note 2: Assumptions Regarding the Collection of Sales Revenue

a. We assume that the percent of our sales which are collected: in the month they are made; in the month following; in two months; and in three months are:

Current Month	40%
In the Following Month	50%
In Two Months	10%
In Three Months	%
Total	100%

b. Based on these assumptions we have projected how much we will collect from our sales in each month. The following table also identifies any adjustments we may have made to these figures.

Year 1	Projected Collections	Adjustment	Revised Estimate
Month 1	0		0
Month 2	693		693
Month 3	4,628		4,628
Month 4	7,549		7,549
Month 5	10,024		10,024
Month 6	12,499		12,499
Month 7	14,974		14,974
Month 8	17,449		17,449
Month 9	15,964		15,964
Month 10	13,489		13,489
Month 11	11,014		11,014
Month 12	8,539		8,539
Total	\$116,822	\$0	\$116,822

c. Not all of our sales in the first year will be collected during that year. Based on the assumptions shown above our Accounts Receivable at the end of Year 1 will be:

\$4,945

d. We assume that our Accounts Receivable at the end of Years 2 and 3 will be:

Year 2 \$7,000

Year 3 \$8,000

Note 3: Cost of Sales Assumptions

a. Our assumptions regarding the amount that we will pay each month in Year 1 for Cost of Sales items is listed below. These figures show up on our cash flow statements.

Year 1	Production Wages	Goods & Materials *****	Total
Month 1			0
Month 2	800	170	970
Month 3	4,200	940	5,140
Month 4	3,000	650	3,650
Month 5	6,400	1,400	7,800
Month 6	5,200	1,200	6,400
Month 7	8,600	1,900	10,500
Month 8	7,400	1,700	9,100
Month 9	6,300	1,400	7,700
Month 10	5,200	1,200	6,400
Month 11	4,200	950	5,150
Month 12	3,000	670	3,670
Total	\$54,300	\$12,180	\$66,480

b. Our assumptions regarding the amount that we will pay in Years 2 and 3 for Cost of Sales items are listed below. These figures show up on our annual Cash Flow Statement.

	Production Wages	Goods & Materials *****	Total
Year 2	66,825	15,000	81,825
Year 3	81,526	19,000	100,526

c. (Apart from what we have already paid for) There may be additional Cost of Sales services which we have received but we won't have paid for yet. We estimate the amount that we will owe (have as an Account Payable) for Cost of Sales items at the end of each year will be:

Year	Cost of Sales Payable
Beginning Balance	0
Year 1	0
Year 2	0
Year 3	0

d. We have calculated our Cost of Sales expenses, based on these assumptions. These figures (which show up on our Income Statement) are shown in both dollar values and as a percent of our projected revenues.

Cost of Sales	\$	%
Year 1	66,480	55%
Year 2	81,825	55%
Year 3	100,526	55%

**RULE 3:07
MASSACHUSETTS RULES OF PROFESSIONAL CONDUCT**

INFORMATION ABOUT LEGAL SERVICES

RULE 7.1 COMMUNICATIONS CONCERNING A LAWYER'S SERVICES

A lawyer shall not make a false or misleading communication about the lawyer or the lawyer's services. A communication is false or misleading if it contains a material misrepresentation of fact or law, or omits a fact necessary to make the statement considered as a whole not materially misleading.

RULE 7.2 ADVERTISING

(a) Subject to the requirements of Rule 7.1, a lawyer may advertise services through public media, such as a telephone directory, legal directory including an electronic or computer-accessed directory, newspaper or other periodical, outdoor advertising, radio or television, or through written communication not involving solicitation prohibited in Rule 7.3.

(b) A copy or recording of an advertisement or written communication shall be kept for two years after its last dissemination along with a record of when and where it was used.

(c) A lawyer shall not give anything of value to a person for recommending the lawyer's services, except that a lawyer may:

(1) pay the reasonable costs of advertisements or communications permitted by this Rule;

(2) pay the usual charges of a not-for-profit lawyer referral service or legal service organization;

(3) pay for a law practice in accordance with Rule 1.17; and

(4) pay referral fees permitted by Rule 1.5(e);

(5) share a statutory fee award or court-approved settlement in lieu thereof with a qualified legal assistance organization in accordance with Rule 5.4(a)(4).

(d) Any communication made pursuant to this rule shall include the name of the lawyer, group of lawyers, or firm responsible for its content.

RULE 7.3 SOLICITATION OF PROFESSIONAL EMPLOYMENT

(a) In soliciting professional employment, a lawyer shall not coerce or harass a prospective client and shall not make a false or misleading communication.

(b) A lawyer shall not solicit professional employment if:

(1) the lawyer knows or reasonably should know that the physical, mental, or emotional state of the prospective client is such that there is a substantial potential that the person cannot exercise reasonable judgment in employing a lawyer, provided, however, that this prohibition shall not apply to solicitation not for a fee; or

(2) the prospective client has made known to the lawyer a desire not to be solicited.

(c) Except as provided in paragraph (e), a lawyer shall not solicit professional employment for a fee from a prospective client known to be in need of legal services in a particular matter by written communication, including audio or video cassette or other electronic communication, unless the lawyer retains a copy of such communication for two years.

(d) Except as provided in paragraph (e), a lawyer shall not solicit professional employment for a fee from a prospective client in person or by personal communication by telephone, electronic device, or otherwise.

(e) The following communications shall be exempt from the provisions of paragraphs (c) and (d) above:

(1) communications to members of the bar of any state or jurisdiction;

(2) communications to individuals who are

(A) the grandparents of the lawyer or the lawyer's spouse,

(B) descendants of the grandparents of the lawyer or the lawyer's spouse, or

(C) the spouse of any of the foregoing persons;

(3) communications to prospective clients with whom the lawyer had a prior attorney-client relationship; and

(4) communications with (i) organizations, including non-profit and government entities, in connection with the activities of such organizations, and (ii) with persons engaged in trade or commerce as defined in G.L. c. 93A, §1(b), in connection with such persons' trade or commerce.

(f) A lawyer shall not give anything of value to any person or organization to solicit professional employment for the lawyer from a prospective client. However, this rule does not prohibit a lawyer or a partner or associate or any other lawyer affiliated with the lawyer or the lawyer's firm from requesting referrals from a lawyer referral service operated, sponsored, or approved by a bar association or from cooperating with any other qualified legal assistance organization. Such requests for referrals or cooperation may include a sharing of fee awards as provided in Rule 5.4(a)(4).

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