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Jim: Alright, so let's get started, I had a hearing in Sherman, I drove out there to go in front of the judge, he said, "did y'all fully brief it? I said, "no your Honor we haven't fully briefed it." "Well why don't you brief it and send me briefs next Friday?" That's how long the hearing was so then I turned around and the opposing counsel was a young attorney and said "hey you want to come see my offices?" which is right near the square so what do you do in a situation?

Jim: Might as well right? I drove two hours and went to check it out. He shows me his offices and he's in these offices with about nine lawyers. He's got a desk in a partner's office that is a quarter the size of this room, so I realize that he's not working with very much. and then they have this room where they open, I open the door and it's this long room that just has all these paper files! And they were, they're four stories . stacked four high ladders and there's a girl working there typing away at the computer and then looking around with files on her, she's in charge of all the files. Now I am paperless so I got cold sweats and sat when I was in there because my OCD just made me so nervous. I asked why they couldn't find the file but he gave me a bunch of information on the case. He told me what their strengths and weaknesses were, and it was worth going and talking with them for half an hour. He is a nice guy and that was my Sherman hearing.

I am going to show my finances right from the beginning. So it's my profit and loss as of today and my fee income through October 21 is \$537,000. I also have referral income that's mailbox money mostly from Francisco about \$73,000 and I have rental income of \$34k. Now the rental income is deceptive because I was leasing an office and then they were paying me rent and if you look further down on my expenses you see the lease is \$34,001. So they were in essence paying with their subleases paying me for this income up top so the way I look at that as I look at that rental income is a wash against the expense. So my total net is about \$650k, right now I have settlements out that cannot clear by the end of the year for about another \$200, \$250 so that's right rough of what I am going to make gross.

Jim: You have control, you have to report right? So there are a lot of lawyers who believe that if you wait until January 1 to distribute it out of the trust account then you have to declare it on the previous year's income, right? It is called top door money or you hold your checks in the top drawer till January 1 because that way you get the benefit of the income at the end. If I held that \$200,000 and kept it as income or kept it off my income statement it doesn't show in 2017. I don't have to pay \$60,000 in taxes on that to \$200,000 until the end of... until April 15th of 2019! I get to use that money for a year.

Jim: When do you earn it? Do you earn it when it comes out of trust right? Because if it is not yours when it's in trust, but I will tell you that many lawyers in December hold their money, most lawyers have really small incomes in December because they hold it till January. I probably will not do that because I want to clear it out. But that is generally what my income is. Now here's the expenses; I pay an accountant and a bookkeeper. It is about \$7500, \$6000 of that was for the CPA firm, normally I pay about \$3000 but I got a new CPA who's a little more expensive but is better. Advertising, most of that goes to the website that we do and then \$100 to EVO and that's it, but I put it all under advertising. Computer expense; \$25,000, \$20,000 of that is the move, we moved and so now we are in the new place and so that's a one-time expense but if you notice it comes off against my income I want it to come off against my income anything I can put against this income. If you remember, Francisco said last week, "I don't want to know the guy that has \$10 million on the bottom line of his tax returns. I want the guy that has \$0 on the bottom of his tax return because he does not pay any taxes". So you want as many expenses here as you can possibly get that relate to your life right? Fran refers me to the \$73,000 referral income I bet \$65,000-\$70,000 of that was Francisco. So it's a legitimate expense to have your client develop where that is, so use that blue credit card, the card for your firm when you go and do something that relates to your business. Copy release which sucks is at \$6750, copy releases are just I can't get past him Fran still thinks by and I still think, I still think lease. Insurance, health insurance, that's my health insurance. It is \$5400, health insurance is expensive. We talked about that last week. Lease in the office we talked about, legal library that includes my Lexus subscription it includes anything I can any books anything like that about \$6000, this is the big one right here for this your office expense \$72,000 about 60,000-\$65,000 of that is for the move I just dumped everything I could in office expense for the move so I could write it off against here, against the firm.

Jim: The big expense for me is payroll which is \$238,000, now out of this you look at I pay \$63,000 in payroll taxes, if you don't pay your payroll taxes if you did it yourself and you held back money and then just decided you want to use this money for yourself instead of paying Uncle Sam. That's call 941 if you don't pay your payroll taxes and they come after you they can come after you personally, not just your entity but any officers and directors of the corporation. So these payroll taxes have got to be paid! Out of this total payroll \$238,861 I will show you something, so what I show bottom line is \$161,000 net income, I wish it was less but that's what I show.

In previous years in the early 2010's 2011 I didn't take any payroll for myself, can any of you explain why you'd want to take a distribution as opposed to payroll? Why would you want a distribution from your company as opposed to taking money out as payroll?

Jim: It is half of it you have to pay as the employer pays half the employee pays half the self-employment tax, so you can say 7.65% by getting distribution. Now the IRS is caught up on this right? And they say; if we don't see generally that your payroll and your salary is about 50% of what you're taking out in distributions we are going to find that there's trouble. So if you're making \$200,000 a year we expect a \$100,000 of that to be payroll and a \$100,000 can be distributed. So you save the 7.65% self-employment tax about \$7000 by doing a distribution.

Jim: Okay, so my payroll for myself is \$180,000 a year so right now through October 15th I would say I am about \$140,000 so of that \$238,000 about \$140,000 of it is me. So now you are looking at \$140,000

on payroll and \$160,000 net income so I am \$300,000, do you all see that? That's how you do the math to figure out how I'm doing so that's about right \$140,000-\$160,000. If I blow out the rest of the year and end up you know making another extra \$100,000 or \$150,000 by the end of the year and my net income goes up to \$300,000, I would have defensible position with the IRS because I would say, "look I made all this money at the end of the year I was doing the right thing and just got good at the end" does make sense? But there are some tricks in here, this employee benefit expense is \$33,000 since 2005. When Mary started with me I have been paying her tuition Mary on the 13 year plan. She started with community college and then got an Associate's degree you know and then got a technical something and now she's in going to four years school. I paid her tuition the whole time. And she was my only employee so I had a tuition reimbursement program.

Jim: I am not that aggressive in my taxes but if they want to come fight over \$1700 automobile expense I will be happy to talk to you about it. I am not being dishonest on anything that I do. Insurance; you know as the family goes through the insurance so you get that so you had to pay that anyways. When you go client development you are going to go places so you are going to pay that anyways. When you are going to have a car so you can run it through and get it deductible. The Internet is aggressive too, but all a lot of the things that you are going to have or you are going to have regardless in your life and so if you can get it to go against your income that is one of the advantages of having a small firm. When the credit card comes in at the end of the month I go through each charge and I categorize it and then I enter it into the system on the category. I will look at it and say that is an office expense, that is internet service, and it sometimes it is so personal expense and I just write a personal check to the credit card company, I just accidentally put something personal on there and so I write a personal check and then I just take it in out it in the QuickBooks that way.

So since I have been practicing in 2002, I have not earned very many K. I had a client that paid a lot of our hourly, but I had few point less cases and I had one that hit an offer of \$700,000. My fee was \$280,000. I will never forget recommending my client to get a structure and he said, "no" I made him sign something saying not to get a structured settlement. I gave him a check for \$222,000 and he was back in my office nine months later. He was broke.

So but that was what started me on my way. Since I have opened my firm I have never made less than \$200,000 a year, just been very fortunate. So that's what we got to this year, yes?

Male in crowd: you have to take that distribution?

Jim: yes, because I am an S Corp, and so it flows through and I zero it out at the end of the year, it is kind of scary you get to the end of the year. I have got my \$50,000 cushion in a separate money market account. I start every year with \$15,000 but your payroll is \$15,000. My expenses as you are pretty massive and so it is scary. On January 8th you got to have some income coming in right away because you start at \$0, this goes all these all the revenue goes to \$0 at the beginning of every year, yes?

Female in crowd: As your firm is so expensive, what kind of firm service do you have because at the bottom you cannot save more than \$9000?

Jim: I pay for everybody's cell phone in the office. I pay my cell phone. I pay all the phones you know, pay Michael's cell phone because he is an employee. I think those are expensive and then we pay about

\$500 a month for our phone system because we have about many phones. If I really wanted to go through this and spent two or three days chopping it down I could probably chop \$30,000 or \$40,000.

Jim: But as you can see people are the most expensive. That's where your costs are and I've added another attorney so that number is just going to go up. I made a conscious decision that I don't need to make a bunch of money right now. I need people there to help so that I have a better quality of life. So I could wipe out \$100,000-\$150,000 in payroll expenses pretty easy and run my firm but my life would suck! When I did the math today just to check myself I am at about 48% of revenue against expense which is high. I don't like to be like that, in 2015 I was at 32%. Last year I was in the mid to high 30s.

Female in crowd: How much of that did you learn on your own and how much of that you're your accountant says where you need to spend or not spend?

Jim: 95% I learn on my own, no one ever told me any of this stuff. No one ever showed me this in school. So this is the spreadsheet that I keep because I like to see how things are going. At the beginning of each month I take the clients out and I fill in the spreadsheet next to each client as to what their bill was. So this is my big client, the Paxton Company, I bill them \$9300 bucks so that month. If you look at the middle column at the beginning of every year I go back and find that people haven't paid me how much they owe. I had \$741 that was due for the whole for my outstanding bills for the previous year.

Male in crowd: for the whole year?

Jim: for the whole year.

Male in crowd: that is pretty impressive.

Jim: That's because of the spreadsheet. In January I collected \$57415, so I billed \$13400 but as you can see if these contingency fees are collected right here and that's why I got to \$57000. So the next month I billed \$9400 and I collected \$34,000 and the next month I billed \$9000 and I collected \$60,000. You see there's a \$16,000 chunk here there is a \$33,000 chunk there... you know those are things that all the other things keep the lights on. In the \$11 and the \$33 those are the big ones right? Those are the nice pieces that you get in.

Jim: If you billed the first of every month you can go back and see what happened the previous month. If you keep track of it, then May 1st comes and you say, "where's the payment on the bill?" and they always come back and say, "oh I'm sorry it's late or there's an issue." But by May 15th if I don't have that payment from an April bill I know I have a troubled client. At least I'm only 45 days with a bad client and not a hundred days in or six months in. I had a lady call me today, another attorney. She's \$40,000 into a client and she wants me to represent her in suing the client. I said, "why do you need me?" she said, "because I don't know what I'm doing." This system here keeps me from getting \$40,000 into a client.

Male in crowd: Do you have to set that aside your own personal savings in case something happens?

Jim: So I have three lines of credit that are \$100,000 each that I pay \$150 per each line to have. I have another \$3000 backup for the firm that I could get into, but I have not even dug into. My wife always kids me that; I wish I would tell her that I have plan A,B,C indeed to pay certain things and we never get past plan A, right?

Jim: but I do have plan A,B,C and D. I have different pots of money that are out there, some more liquid than others that I can get to if I need to in case of an emergency. But I'm not going to let myself get in a situation where I'm \$100,000 in the hole. If I am a \$100,000 in the hole, it's my fault and I'm not running my firm right and that's when I got to start cutting people. That is when I got to start cutting expenses. That's like looking in the mirror and saying, "why are you not working hard enough" that is not me. Rather than dip into my family's personal savings, something is going on with me in running my firm that I'm starting to lose that money. If you all get into that situation and you're starting to run a practice and you are suddenly \$50,000 in the whole you got to go; what am I doing? In the beginning it's going to be hard and you are going to struggle and it's going to be difficult to see the light but eventually it will start rolling. If it's not starting to roll and you're really not getting it and you are a year into it and it's really starting to struggle, you have to figure out if there is something wrong with your business model.

Male in crowd: What would your expert witness cost?

Jim: You don't get to write it off against them. I had an income of \$159,000 right? So you would expect my bank account to be \$174,000. It would be the \$159,000+ the \$15 that I start out with every year. That's what the book says it should be. But it is \$100,000, why is it \$100,000? Because I have spent \$75,000 this year on client expenses that I cannot put on that QuickBooks sheet. So I fund all of my case expenses out of my income. So I had a \$7000 expert fee that I paid this week that will not be expensed until I get that case settled. Right now I'm writing about \$200,000 in expenses. When the settlement comes I get reimbursed on those expenses. They're not income because I have not expensed it. It's Just free money back to me which I love.

Male in crowd: So it is in there separately where you keep tracking?

Jim: QuickBooks has a separate report for me that I can print out that shows all the expenses I have in each case. I will print it out at the end of the year and if the cases die for whatever reason and I have like \$300 or \$600 in it. I'll write it off so that it can be right off as an expensive client expense at year-end so it goes against my income. That's what my bookkeeper does for me. She will send me those statements usually December 15th to go through.

Jim: Three years four years is the longest case I have, so it's about three years of expenses for cases. We talked about the cashier scam and I want to show you a typical scam email that I get we will go to finances and this kind of relates the finances. "Dear attorney, I'd like to know if your office handles breaches of contract cases related to business law and litigation." This is a scam. Here's another one; this lady came in Joan Trainer. She sent it through our website and she says, " Our company is listing your firm's legal systems to handle breach of contract cases" So you look at it and this is a real person, this is a

real website, you see that. But if you look at her email, it's spelled 'recipharm' . This is 'reci' totally different website and totally different email. I almost got taken today on Facebook saying that it said Facebookmail.com and I was and it said, " your Facebook needs to be updated" and it had all tabs to click on and I almost clicked on it. My whole system probably would've been ransomed by somebody but it was completely fake, they are getting really good at it but I wanted to show you some of the scams.

Male in crowd: Do you ever use cash to pay for things that go to buy?

Jim: no.

Male in crowd: Because I feel like if I have to pay actual cash it is harder and I really think about; do I really want to buy this?

Jim: I look at my business credit card with a 30% discount, so I pay everything I can on that blue card as long as it relates to that. Why pay 100% cash when I can pay 30% on the other. Alright let's go back to Feinberg; he believes in you having three accounts: a personal account, a business account and a trust account. I just wrote my 12,500th check for my operating account that I signed. I signed everyone on them. There's days I write 10-12 checks for expenses, medical records. Renee gets me medical records and he sends me these bills that are \$42 and \$92. I write my own checks, and I run through QuickBooks. Why do I do that?

Jim: Y'all heard of the office managers? Taking hundreds of thousands of dollars? It's real simple: they set up an ABC company and they start charging it into the office expense area. You saw that office expense that had \$75,000 in the bill they will send out \$1000 to ABC Corporation that's in their name. They go ahead and deposit that check and when they come when you come and go, "hey what is that ABC Corporation?" or if you look at that closely most lawyers don't they will say, " well that is for cleaning" or "that was a copier issue."

Male in crowd: we are talking about financing and request a medical records thing is pretty important, we request electronic copy of records and a lot of times I send a request saying electronic copy and they will give me a bunch of paper, and in doing so they will charge per page and I call them on saying, "hey you got to look at my request and so I requested it so I need you to charge or send me an invoice for what I requested" because they made that copy I want them to charge over a \$100. Plus a processing fee plus all that, so the statute says that if you request electronic medical records they have to give you an electronic form. What they are trying to do is send you a paper and charge you per copy. So we have one case with 80300 pages of medical records and they try to sense a bill for \$1000-\$2000 when all they can charge for us is the CD which is the \$100, you got to know that, right? So I've educated Renée and he knows that when he comes to me with a \$500 or a \$1000 bill on a medical records request I am going to go, " Renee what about you know..." Watch out so other bank accounts can be savings which I have in my money market. I told you all about payroll but I think you use a payroll service. I use paychecks and there's ADP that we talked about the 941's watch out for people laundering money.

Female in crowd: I have a real quick question, so a friend of mine partnering in a small firm and his partner died 2 months ago and he told me that he had to take \$60000 out of his personal checking account to cover the expenses because he didn't have access to I guess the firm. Is it not a terrible partnership agreement or is that common?

Jim: If he had made the bank accounts with right of survivorship, than there would be any issue meaning that if they were to check that off and said, “if cease partners and if this partner passed away than the other partner can come sign the checks” they would had no problem, but the other partner either didn't have a will and went to probate or just got tied up in that he couldn't use the account froze the account. That's why you have that joint venture agreement that I was talking about and you have to have that signatory if you are the person in charge you have to have signatory on your account. There are office managers that rip people off all the time. It is like checking the cutting scheme right. It starts at \$10 it goes to \$20 it goes to \$100 and next thing you know there is \$50,000-\$100,000.

Monitoring money; so a guy comes in with a \$10, in cash and ask you as a criminal lawyer to go ahead and put that in trust for him and he comes back the next day and says,” oh I need it back” and you write a firm check to him, you have just laundered his money. You just made his money clean. There are really bad lawyers who do that for living but that's illegal but that's what you need to watch out for. There's all kinds of issues with that, just don't take the money in the first place.

You just got to be really careful, but I guess this one right here sign your own checks, right? I use several banks. I don't just choose one because the FDIC has limits on what can be recovered and I went through 2008 when they cut off all my lines of credit. Even though I wasn't using them, that's the only time in 15 years that they said; your lines of credit cannot be used anymore. Because they wanted them off their books and they needed to have that money free. 2008 was a scary time. It was a really scary time and people forget about that. Sign all your checks; sign all your checks. He says; get business from your banker, Henry's given me a little bit of business but I don't think that's a good piece of advice.

Trust accounts I think I told you the suicide story? So the guy got into his trust account the attorney very well know attorney and he ended up having to go in front of the judge and he killed himself the weekend before, don't mess with your trust accounts that is not your money, if you learn anything this fall semester and I know teachers say that all the time—but that's one that I would really like you to get across; is don't touch the trust money it's not your money until you earn it. It looks really you know there's times I have \$500,000-\$600,000 in my trust account. I don't even think I look at my operating account number, a trust account money is somebody else's money. I use different color checks for my trust account. As you saw I reconcile everything. One monthly when I do a settlement. I always go to the settlement disbursement, but always pay the client first then the vendors, then the medical providers, then the co-counsel, then my expenses, and then finally my fees. I have told you we have made matters before involving hundreds of dollars and I just eat it because I have already represented everyday else what they are going to get paid.

We do a power of attorney so that clients can go ahead and sign off the power of attorney to us and when we settle, they do not have to travel to sign the checks and I sign on their behalf.

So here are the things you got to do when you open your firm; you got to set up a banking relationship go find a bank or two, you got to open your accounts, your operating account, you order your checks, you get your deposit, you learn how to pay your bills, you learn how to pay your vendors, and you learn if you're in plaintiff practice how to distribute settlement moneys. Those are the things you have to do when you start your firm.

You only have to learn how to pay a bill one time and then you know how to do it through your software. Once you learn these things once you only have to learn them once, which makes it easy. I have a little issue that when I go I deposit in the bank and I'll accidentally deposit on QuickBooks. My bookkeeper will come back at the end of the month and she would go "why do you have an extra \$150,000 operating in QuickBooks?" and I would go, "oh I messed up" So that's why I have someone look over my books because I always make silly mistakes like that. So when you set up your case management software this is kind of tricky right? I have time matters and I use QuickBooks and there's a link between time matters in QuickBooks and it's difficult to set up. We have a lady named Karen Schwartz. She's out of New York and she's the best in the country at setting up time matters. I didn't know the first thing about QuickBooks when I started my firm, I did not know anything about it so Karen taught me. You can learn but she'll tell you how to set up things on your printer, she will tell you how to do checks, she will walk you through everything on that, get a stamp for your checks something you can stamp and deposit it so we have a stamp that we had made. I have a check scanner at my desk from Chase so I go online, click on all the stuff, run the check through and I do not have to go to the bank every day, save me a bunch of time and I do online banking.

I will just pay bills as they come in and I pay them that day if I'm in the office. As I walk out of the office today I have zero paper on my desk and I had zero emails and all my bills have been paid. If I can I would walk out every day with that done. I know exactly where I stand, if you let them pile up you have problems. That goes through your personal life too, when I get home I go to the mailbox and look for the bills and while I am changing I open my Chase app and I pay my bills, shred them and I am done. We do not have bills lying around, we don't wait until the end of the month, we just pay them as they are coming in. Now if you are starting out and you've got financial cash flow issues then there are certain reasons to hold off. I understand that but when you get into a position and you all get into the position where you're financially successful at your stuff when it comes in.

Male in crowd: Do you have something that watches your internet browser and tells you at the end of the day like how much time you spent on actual websites?

Jim: Why do you want to do that? That to me is so boring because I mean when I get on a topic I will go off and I will get distracted but I know how much time I spent on my clients deal, so I don't want somebody tracking on how much time at the end of the day that I spent on MSN or ESPN or something like that. I'm on the 25 five rule, I don't know if you're this way and maybe for the bar you got to start thinking about it I go hard for 25 minutes and I'll take five minutes off, I'll look at the birds and now I got this nice view I will look at the birds I will look at the trees I will look at you know the buildings out there I get my focus away from it. I may go to MSN or some like that to look at what's going on but I am trying and get my mind away from it for five minutes and now I will go back hard for 25 minutes and for the bar exam my eyesight I ended up having contacts at the bar exams because all I did was focus on that stuff for eight hours a day I didn't give myself any breaks because I thought; that's what you had to do but that was stupid wrong way of doing it. You got to turn off your email notifications, you got to turn off all that other stuff so you don't have anything distracting you. On my iPad, my big iPad I have no notifications at all.

The only thing I get is the phone call, Francisco called me while we are here and Ann called me while we are here, right? So they both called me and I look and I can see that is the only thing that distracts me, you all get it?

There was a story back in the 1980s. Texas lawyer Fulbright and Jaworski were charging \$18. Now they built this client a 1/2 million dollars and I guarantee that \$100,000-\$150,000 was padded but the client doesn't know what the legal fees should be for doing looking at documents, or traveling to the courthouse or drafting a motion for summary judgment response but they sure know what an orange juice costs, and they knew what that costs. I do not bill any expenses to my client except the actual filing fees or the actual fees that I get from different places for doing things so filing, fees, deposition costs that's it and I'll probably eat \$1000-\$2000 a year in those expenses but I get paid, my bills get paid. Don't feel stupid expenses to the client.

Mail; bills touch your mail one time, your mail comes in you either if it is the bill you pay it if it's of pleading or something to with the case you scan it and shred it. If it is junk mail you throw it away, Alright, I will show you a few more forms. This is a bill that is a standard type of bill that I use; so this is my bill, I took out the client information, drafted and sent an email to opposing counsel and this was on a noncompete case. We were trying to dissuade the other side from going ahead and filing a non compete lawsuit, so I did this long email. I show the client before I do it and I send it out. We accept credit cards, the client goes ahead and gives us a credit card for \$1000 but the credit card company takes its 2.9% and so what Co. shows up in my trust account is \$964.85, so what do you do?

Female in crowd: processing fees in operating account and put the full amount in trust.

Jim: So you pay the processing fees and they just do it automatically for you?

Female in crowd: yes.

Jim: That's nice!

Jim: I can do it myself. I go into my operation and deposit into my trust, so that \$35.15 is a separate QuickBooks entry that I did transfer the money. I physically went online to my bank and transferred \$35.15 out of my operating account and into my trust account, it is a pain in the ass, billing \$250 an hour and I'm doing this stuff here, but you gotta do it every time. You got it right or else your finances are not right and your client does not need to be punished. They gave you \$1000 they did not give you \$964, do you all get it? So I sent this one out on October 1st and on October 2nd I sent it out and took my \$150 out. I got \$150 that day and let the client know there's \$850.

Male in crowd: so you are eating 2.9?

Jim: Yep.

Male in crowd: what does that come out to a year?

Jim: Very little, I think I could go back to my PNL and the bank service charges are less than \$600, that is like as we do not take a lot of credit cards but it can add up right?

Female in crowd: yes. big time.

Jim: How much do you think you guys got a lot?

Female in crowd: right now we averaged about \$700-\$800 a month in processing fees.

Jim: yeah. There is no way around it.

Female in the crowd: so it must be

Female in crowd: all of ours is trust.

Jim: But you gotta have it right?

Female in crowd: yes.

Jim: And then at the end of the month you bill out your trust and then you go ahead and pay yourself well theoretically at the end of the month but you bill out of trust and yourself, so you got your money when you are doing your work.

Female in crowd: that is funny.

Jim: So there are a few times you don't do it right, because that's when you get in trouble. Here is a contingency fee contract that we use, I will show you a few forms, so it's really a simple contract and this is the key that we charge 40% right here and then it talks about that we are going to take out all these expenses on top of the 40% and it is just a couple of pages along I just had one today just real simple contract, yeah?

Male in crowd: how do you know if your forms are good, how do you if the contingency is enough, how do you if it is too long too short...?

Jim: You know you saw Tobin's right? Were you in when Steve Tobin came in, the guy who had seven pages in his contract? Anyway Steve Tobin has a seven-page engagement letter and I look at it and go, "oh crap you know I am missing all kinds of stuff" I look at a lot of other people's contracts to see what they have. That's one way I do it like Michael Watt's world. This is where my form came from. He does a lot of business but you really just need to have the basics in there and I think you covered the rest of stuff to cover your ass. Years ago people were putting arbitration clauses in their employment agreements and they were found to be invalid because the client doesn't have an attorney advising them as to whether or not they should enter or not. An arbitration clause and so some people get fancy with their contracts and start putting arbitration clauses in it. and it bit them in the butt so for me it's just a simple 40% expenses and that's it and I've never had an issue but there may be a time bomb in here that I miss about think so.

There's also CLE's on it they will have form on the CLE and you go on to any Texas bar CLE you can go on and look at engagement letters and engagement and fee contracts and they have tons of forms. So if you get nervous go and look at those and that will give you and then if you ultimately the best way to do it is if you feel like maybe I'm missing something and you have malpractice insurance send it to your malpractice care, and have them say, "am I missing something here?" real simple contract you all see it?

Here is a settlement disbursement sheet. It is an actual settlement disbursement sheet but I took stuff. It was actually I'll tell you why it wasn't. It was actually now this was the first draft that we changed it but I will tell you. \$150,000 settlement attorney's fees is \$60,000, the expenses were only \$1500 which is great, these are the medical expenses one of them was reduced from \$3000 down to \$15,000 which was a great job by Mary, we have a hospital, critical care unit, physician group, ambulance, ambulances never reduce their fees by the way just in case you want to know, doctor so your medical bills are \$36,000 that means the client gets \$51,555.94 you get them to get here and sign it and you a separate sheet that allows a power of attorney which says that they agree to this and allow you to sign the check on this.

Male in crowd: what would that look like just roughly like what...?

Jim: well \$60,000 and \$51555.94 you add those two up and divide it by two.

Male in crowd: so you just make it two...?

Jim: Yeah right down the middle. And then you just go to less attorney fees 40% you put reduced to and you just say what the percentage is 36.7% 32.8% whatever it is, yeah?

Male in crowd: can you as I see and you mentioned that you reduced medical expenses, do you call at the hospital and say, "hey this extra why are you charging these?"

Jim: Okay so yeah and it is much more complicated than that right now.

Male in crowd: really?

Jim: Yeah, there is litigation of Supreme Court about reasonable necessary medical bills, there is litigation about the liens with the hospital, there's litigation with what is you know Medicare rates, what's reasonable it's really hard five years ago we call them and they reduced 50% no problem, now it's just a real whip, so to have someone who can do this well which we do. My paralegal Mary is good at it so, sometimes clients get in the, way sometimes they do it themselves and they screw things up, when a client calls up and says ABC Hospital, "hey I guess I'm getting \$60,000 out of this why do not you guys hurry up" and the hospital call you up and go, "wait is she getting \$60,000 I thought they were only getting \$51,000" or "I thought they were only getting \$42,000" because we will hold off on doing the split until the end, yeah?

Male in crowd: But how do you approach that, so if you are getting a \$100,000 MRI scan you say, "You know what they are charging, down street they are charging \$50,000 I don't know what the point it"?"

Jim: There are a couple of ways to approach. If it's a lien then you got trouble right, you got to pay it. You can negotiate. There are fraudulent liens out there. Now they can get a lien if the person is not admitted to the hospital at least that's the plaintiff's position. So we consume fraudulent liens. There's all kinds of things you can assume to be saying. That's not really necessary and therefore you have a fraudulent lien on here and because you have a fraudulent lien not only do you lose your bill but you pay us \$10,000 as a punishment and you pay attorneys fees.

Male in crowd: yeah so that one is alright.

Jim: No that was alright but now they have hired law firms and law firms are kicking back at us, so it is adding flow in this and this just one little entry right here is a whole world of litigation right now!

Female in crowd: If she was not able to get that hospital balance down with the client...

Jim: So the hospital is going to do something that's fair now there is a statute out there which says that; if it's like a subrogation interest from an insurance company. I will try to make it as simple as possible because it does get complicated, but let's say Edna insurance this was paid by Edna insurance okay, the law says that you split it. The client gets 1/3 the hospital bills get a 1/3 and we get a 1/3 okay? There's exceptions to that like for the liens and stuff but that's the general rule so you go to the hospital and you say, "look there statutes out there and it says you get a 1/3 at most and oh by the way we got these other bills here to, so by statute can you reduce it and they will listen to us right?"

So this is a letter I have got to write to ABC Hospital the advantage in this case was there was one insurance policy \$150,000 . My client had a severely injured head as you can see \$322,000 in expenses he was hurt badly! The other side died, the local lawyer and I said and you got I said, "You have a death case I have a severely injured case what do you want to do?" and he said, "you just want to recommend to our clients that we split, is that litigating?" and our clients both accepted. So now we have \$150,000 because that's the only insurance policy that's out there, we have \$322,000 in medical expenses, the settlement was really easy to get but where you make your money for your client is right here. I just told somebody I had

a case last week for the adjuster at an insurance adjuster in Michigan and I said, "my problem is not settling cases my problem is with everybody with their hands out after I settle the case" child support; child support is nasty! They want all the money that you get for your client, right? You got liens from hospitals, you got doctors, you got ambulances everybody wants a piece of your fee. Medicare and Medicaid are the worst! If you pay with the hospital lien or Medicare and Medicaid if you pay that without paying them not only is your client responsible as an attorney a personal response for paying that back. So hey Mr. Medicare will you please go ahead tell me how much I owe? Sure we will let you know in eight weeks.

Jim: Serious. So here you got your client waiting on \$60000 for 8 weeks to hear back from Medicare, and they will write you back and they will say, "our first offer is X"

Jim: [Laughs] and you write them back 8 more weeks. That's the hard part. You can do this type of disbursement sheet for every case you have, you all get it? Here is a standard letter fee agreement. You know how Tobin had seven pages you all saw his handout, it says this is how much it's going to be, it's between us. I'll get a \$2500 retainer. I'll be \$250 an hour. I'll send you something at the end of the month. If you're dissatisfied this is the thing you have to put in your fee agreements by State Bar requirement or you have to have something out on your front your office saying that; if you have a complaint here's the number you can call. I just assume put in here as opposed to having something in my office that says that. And if your terms reflect our agreement please sign here that is how long mine is, I'm just not a firm believer in having long ones Tobin's great, right? He has got everything on it, everything under the sun.

Male in crowd: So you said you are absolutely paperless right?

Jim: less paper not paperless.

Male in crowd: okay, so when they sign it you keep scanning it and keep a hard copy of it.

Jim: No, I shred them.

Male in crowd: shred them, okay.

Jim: Here is you co-counsel disclosure; this is if you refer case out, this will confirm that the other attorney and you are going to represent somebody with respect to personal injuries, is agreed the fees will be 50-50 and this will not increase the clients fees in anyway simple as that co-counsel agreement but you gotta have that in addition to your contingency fee agreement if you're going to do work with another attorney.

Any other forms, nope, alright. Alright, what I would like to do at the very end so I am talking generally about personal investing, just a little bit about what you do okay you go through all this stuff like you saw my income statement and I get \$160,000 at the end of the year right? And I pay Uncle Sam the \$50,000 or whatever and I end up with \$100,000 and that's what's left over for me for Jim at the end of the year, what do you do with that money? My friend is a pilot for Delta, he just says, "oh we do with our profit we just spent until it's all gone" and invest it in places till it's all gone right? He's in a really bad investment right now and he's dying.

There's good debt and there is bad debt; bad debt is a brand-new Porsche. Why is that bad debt?

Jim: depreciating asset! I know you know that sucks right? Everything you ever want, that is terrible, my office in theory is good debt.

Male in crowd: good debt.

Jim: Because I'm having an asset that is maintaining its value can kick off income if I rent offices in it, it has value to it, if you put enough into it down payment you have equity going from the beginning you keep building up equity, don't get the differentiating good and bad debt? I teach my boys that all the time. I'm a believer that you never invest as a minority owner in a close business. That's where I've lost more money than anything else, you have no control over the business, you can't sell the shares you got hooked into something that someone talked you into, just don't do it, you know what I am saying? A friend of mine said he wants to get involved in a restaurant; we will each own 20%, \$25,000 down no way! 6 months later he is a rich guy and he comes back to me bitching about the restaurant. I said, "You knew you were throwing that \$25,000 away I told you, you were", right? Don't invest in those businesses that you don't control.

Warren Buffet; anything is legal for a buck, doesn't have to be all law if you can figure something else outside out outside of law to make money writing an app something like that do it, if you could figure out a way to make money do it! You only hear about the good stock stories, my brother made \$2 million on stocks my other brother made \$2 million on stocks, they made that money based on what I told them about the company, they said, " Jim the reason why this isn't going is because there is a \$50 million judgment against the company, I said, "how much insurance they have?" he said \$20 million" I said, " they are going to sell for \$20 million the stock will go way up if you do that" I said, "yeah but I don't want to invest in it and they invested in it both my brothers made \$2 million in that investment and I didn't but they've lost a ton of money since then, so you hear the \$2 million story all the time but you won't hear how they lost a million so somebody tells you, "oh I made investment in this great stock" remember there's two stocks that they invested and that they did terrible that they're not telling you about, don't get jealous and don't get envious of it.

I talked about the life insurance holder's term: invest in yourself, you're doing it right now you are investing in yourself, you are what is going to make the money for you down the road. Invest yourself financially, invest in yourself spiritually, invest in yourself physically. Every workout that you do everything that you do you are investing in yourself that's what you want to do, nutrition is critically important special enough for y'all, watch what you eat, it makes a huge difference, be really careful on what you eat what you drink, watch your calorie intake, find out how it works. I use the lose it out if I'm in trouble if I start gaining weight that tells me makes me count my calories that helps for me, you have to got to find out what get your blood sugar under control if your blood sugar is too high or too low. You got to know you got to sense it you will be down, you feel like, "why am I down get some food in you that works nutrition is critical! Exercise and nutrition are extremely important.

[Audio ends]