David Bott (Bott & Co.) and James Hunt (Allied Irish Bank)

- Changes to Solicitors Practices
  - Stability was starting to errode
  - Partnership failure meant
    - Loss of face in their local area
    - Loss of house/possessions
    - Possible sanction from practice
  - LLP made some change to this
    - Insulated Partners from failure
  - More firms go bankrupt on the way out of recession than the way in
  - Legal Week report & comments about how law firms need to be structured
- Nervous Bankers
  - Bankers want to be "better informed" than ever before
  - A worked up example based on real data
    - EBITDA, Capital, Partners, Bank Debt
    - Showed a backup in WIP
  - EBITDA is the money available before :-
    - Interest costs
    - Loan capital repayments
    - Changes in working capital
    - Capital expenditure
    - Tax
    - Drawings
  - Bankers want to see working capital INCREASE
  - How do you get to payout retiring partners with not enough capital?
- Other issues
  - With external capital, you cannot "under draw".
  - You have to lose people if you are not hitting your targets
  - You might have to go backwards to go forwards
  - You might try a rent review now with your landlord
  - Does a Blue Chip client pay you less than others?
  - Turnover is vanity, profit is sanity, cash is reality
- Suggestions
  - All departments should have fee income targets
  - 5 year plans for Partner retirements
  - No gearing over 100% of EBITDA
  - Minimum capital levels per Partner
  - Start sending accounts to the bank once per month
- Bott & Co.
  - Set up in 2001
  - ABS-type structure from the beginning
  - One lawyer + two non-lawyers
  - Added a Non Exec Chairman
  - ABS application on 4-Jan-2012
  - 24-Sep-2012 said "yes" i.e. 9 months later
  - Are about to go to a Limited Company (needs a new ABS application)
    - 5-10 days to fill in the form
    - 28 days later after submitting, was told it was the wrong form
  - Were given 6 months notice to leave their bank
  - Then went to LLoyds
- History
  - Lawyers were pillars of the community
  - Accountancy
    - Enron!!!
    - Brought down Arthur Anderson
    - RSM Tenon suffered through growth
  - Banking
    - Financial crisis
    - Lehman Brothers
    - Co-Op Banking Group struggling with capital reserves
  - Law firms
    - Cobbetts
    - Halliwells
    - Blakemores
    - Atteys
    - Challinors
  - Closer scrutiny now by the banks

Courtesy of http://www.conscious.co.uk