



Legal Fee Lending Solutions

Fund More Cases with Tax-Free Capital

Pinnacle Financial Partners and Advocap Insurance offer an innovative strategy that allows law firms to defer income tax on structured legal fees while enjoying the benefit of liquidity from customized loan structures.

HOW DOES IT WORK?

- Lawsuit proceeds, including amounts owed to the attorney, are transferred as per the settlement agreement.
- Proceeds are held until a structured legal fee design is selected.
- Attorney funds are then transferred to the assignment company, with the agreement that periodic payments will be made to the attorney.
- The assignment company will fund this payment obligation by purchasing an annuity contract issued by Independent Life Insurance Company.
- Pinnacle Bank, a Tennessee state-chartered bank and wholly owned subsidiary of Pinnacle Financial Partners, Inc., may lend to the attorney an amount that can be fully repaid, with interest, using the guaranteed portion of the annuity payments.*
- The attorney will agree to an irrevocable assignment of the annuity payments to the assignment company, with binding instructions to pay the guaranteed portion of each periodic payment to Pinnacle Bank to satisfy debt service obligations.
- Any excess earnings credited from the annuity payments can be paid directly to the attorney.
- Per the opinion from Wood LLP, the attorney will not incur current income tax on the full amount of the deferred fee. Instead, they will report the annual income benefits from the annuity contract as ordinary income only in the years in which they are received.
- The tax liability can be spread over the duration of the structured legal fee contract, allowing the attorney to use tax strategies and planning in the future while putting more funds to work in their practice now.
- The loan repayment structure from Pinnacle Bank will mirror the annuity payment stream, thereby creating an automatic repayment of the loan.
- Loan to value ratio for auto approval would be capped at 70% of the total of annuity premium.

LEGAL DISCLAIMER

These materials were created to provide an overview of certain aspects Legal Fee Lending Solutions. The information provided herein does not, and is not intended to, constitute legal or tax advice; instead, all information is for general informational purposes only, information contained herein is subject to change and may not constitute the most up-to-date information. It is recommended that you contact your attorney and/or tax professional to obtain advice with respect to any particular legal or tax matter, and you should not act or refrain from acting on the basis of information contained herein without first seeking advice from your attorney and/or tax professional only, your individual attorney or tax professional can provide assurances that the information contained herein - and your interpretation of it - is applicable or appropriate to your particular situation. All liability with respect to actions taken or not taken based on the contents hereof are hereby expressly disclaimed, the content herein is provided "as is;" no representations are made that the content is error-free.

*All loans subject to credit approval.

Insurance

Not FDIC Insured	Not Bank Guaranteed	May Lose Value
Not Guaranteed by Any Government Agency		Not a Bank Deposit



CLIENT DOCUMENT CHECKLIST

FIRM DOCUMENTS

- ☐ Last three (3) years firm balance sheet
- ☐ Last three (3) years P&L
- ☐ Current year YTD financial statement
- ☐ Last three (3) years firm tax returns
- ☐ Entity/Organizational documents
- ☐ Main business address if different from tax return
- ☐ Beneficial ownership Form
- ☐ Certified copy of Driver's License for all listed on beneficial ownership Form
- ☐ Borrowing resolution (if firm is borrower)

SETTLEMENT OR CASE DOCUMENTS

- ☐ Copy of File-Stamped Complaint
- ☐ Copy of Settlement Agreement and Release between claimant and defendant(s) including any addendum
- ☐ iStructure Statement of Understanding
- ☐ Assignment Agreement and Release
- ☐ Acknowledgement and Hold Harmless Agreement
- ☐ Signed and dated QSF Trust Agreement
- ☐ File Stamped Order approving QSF
- ☐ Release between QSF and Payee

PERSONAL DOCUMENTS

- ☐ Current Personal Financial Statement (PFS)
- ☐ Last 3 years personal tax returns
- ☐ Certified copy of Driver's License
- ☐ Home address if different than Driver's License
- ☐ Social Security number if not on tax returns
- ☐ Preferred email address
- ☐ Preferred telephone number
- ☐ Contingent Payee Designation Form
- ☐ Direct Deposit Form
- ☐ Payment Schedule
- ☐ Independent Life Structured Settlement Information Form
- ☐ iStructure Locked-In Plan
- ☐ W-9

**Additional documentation may be requested.*



PROCEDURE STEPS

STEP 1: Prior to structuring and executing the settlement agreement and receiving your fees, consult with a structured settlement professional for proper structure sequence.

STEP 2: Settlement Agreement will specify that payor (defendant, QSF, insurance company) will pay your fee by making a series of periodic payments.

STEP 3: Settlement Agreement will require payor to assign the periodic payment obligation to the assignment company.

STEP 4: Payor will transfer a lump sum payment (attorney fee) to the assignment company equal to the amount of fees being deferred.

STEP 5: The assignment company will purchase an annuity from Independent Life Insurance Company. You will select appropriate maturity of the annuity.

STEP 6: No sooner than 90 days from the issuance of the annuity, Pinnacle Bank, a Tennessee state chartered bank, will extend a loan to you that matches the term of the annuity. The advance amount may approximate up to 70%* of the annuity amount.

STEP 7: The assignment company will instruct Independent Life Insurance Company to direct annuity payments to Pinnacle Bank to cover debt service of loan.

STEP 8: Loan will be fully retired from monthly annuity payments paid to Pinnacle Bank.

**Actual amount to be advanced will be determined by loan rate and term.*