

STERLING & ASSOCIATES LAW GROUP

Excellence in Legal Practice Since 1995

QUARTERLY FINANCIAL REPORT

Q3 2023 (July 1, 2023 - September 30, 2023)

EXECUTIVE SUMMARY

Strong Q3 performance with revenue growth of 12.3% year-over-year, driven by significant M&A activity and complex litigation matters. Net income increased 15.7% compared to Q3 2022.

\$18.7M

Total Revenue

\$4.2M

Net Income

22.5%

Net Margin

REVENUE BY PRACTICE AREA

Practice Area	Q3 2023 Revenue	Q3 2022 Revenue	YoY Growth	% of Total
Corporate Law & M&A	\$6,850,000	\$5,920,000	15.7%	36.6%
Commercial Litigation	\$5,240,000	\$4,980,000	5.2%	28.0%
Employment Law	\$2,180,000	\$1,950,000	11.8%	11.7%
Real Estate & Construction	\$1,870,000	\$1,720,000	8.7%	10.0%
Intellectual Property	\$1,420,000	\$1,280,000	10.9%	7.6%
Other Practice Areas	\$1,140,000	\$1,010,000	12.9%	6.1%
TOTAL REVENUE	\$18,700,000	\$16,860,000	10.9%	100.0%

ATTORNEY PRODUCTIVITY & BILLING

Attorney Level	Number of Attorneys	Avg. Billable Hours	Avg. Billing Rate	Total Revenue
Senior Partners	8	625	\$1,275	\$6,375,000
Partners	12	588	\$985	\$6,950,000
Senior Associates	18	542	\$675	\$6,580,000
Associates	25	515	\$495	\$6,370,000
TOTAL	63	542	\$858	\$26,275,000

Note: Total revenue includes origination credits, premium rates, and other billing arrangements

COMPREHENSIVE INCOME STATEMENT

INCOME STATEMENT	Q3 2023	Q3 2022	YoY Change
REVENUE	\$18,700,000	\$16,860,000	10.9%
Legal Services	\$17,820,000	\$16,105,000	10.7%
Consulting & Other	\$880,000	\$755,000	16.6%
OPERATING EXPENSES	\$13,680,000	\$12,450,000	9.9%
Attorney Compensation	\$9,350,000	\$8,520,000	9.7%
Staff Compensation	\$1,870,000	\$1,690,000	10.7%
Benefits & Payroll Taxes	\$1,240,000	\$1,120,000	10.7%
Office Rent & Utilities	\$520,000	\$485,000	7.2%
Professional Development	\$180,000	\$155,000	16.1%
Technology & Research	\$285,000	\$260,000	9.6%
Marketing & Business Development	\$135,000	\$125,000	8.0%
Other Operating Expenses	\$100,000	\$95,000	5.3%
OPERATING INCOME	\$5,020,000	\$4,410,000	13.8%
Interest Income	\$95,000	\$42,000	126.2%
Interest Expense	(\$35,000)	(\$48,000)	27.1%
Other Income	\$15,000	\$18,000	(16.7%)
INCOME BEFORE TAXES	\$5,095,000	\$4,422,000	15.2%
Income Tax Expense	(\$895,000)	(\$785,000)	14.0%
NET INCOME	\$4,200,000	\$3,637,000	15.5%

KEY PERFORMANCE INDICATORS

Metric	Q3 2023	Q3 2022	Industry Benchmark
Revenue Per Lawyer (quarterly)	\$296,800	\$275,400	\$285,000
Average Billable Hours per Attorney	542	528	525
Average Billing Rate	\$858	\$795	\$780
Collection Rate	96.8%	95.2%	94.5%
Overhead Rate	73.1%	73.8%	75.0%
Net Profit Margin	22.5%	21.6%	18.5%

BALANCE SHEET SUMMARY

BALANCE SHEET (as of Sept 30)	2023	2022	Change
ASSETS	\$28,450,000	\$24,780,000	14.8%
Cash and Cash Equivalents	\$8,920,000	\$6,450,000	38.3%
Accounts Receivable	\$12,850,000	\$11,240,000	14.3%
Work in Process	\$3,420,000	\$3,180,000	7.5%
Property & Equipment (net)	\$2,140,000	\$2,380,000	(10.1%)
Other Assets	\$1,120,000	\$1,530,000	(26.8%)
LIABILITIES & EQUITY	\$28,450,000	\$24,780,000	14.8%
Accounts Payable	\$1,450,000	\$1,280,000	13.3%
Accrued Liabilities	\$3,850,000	\$3,420,000	12.6%
Long-term Debt	\$1,200,000	\$1,680,000	(28.6%)
Partners' Equity	\$21,950,000	\$18,400,000	19.3%

OUTLOOK & STRATEGIC INITIATIVES

Q4 2023 Projections

- **Revenue Target:** \$19.5M - \$20.2M (anticipated seasonal uptick in corporate transactions)
- **Major Transactions:** 3 significant M&A deals scheduled to close (combined value \$8.2B)
- **New Practice Areas:** Expansion into ESG compliance and cryptocurrency regulation
- **Attorney Recruitment:** 5 lateral hires planned, including 2 senior associates in IP law

Strategic Growth Initiatives

- **Technology Investment:** \$2.1M approved for AI-powered legal research and document review platforms
- **Client Diversification:** Targeting mid-market companies to reduce dependency on Fortune 500 clients
- **International Expansion:** Partnership discussions with London and Singapore law firms
- **Alternative Fee Arrangements:** Implementing value-based billing for 15% of engagements

Sterling & Associates Law Group | Sterling Tower, 47th Floor | New York, NY 10017

This confidential financial report is prepared for internal management use and contains forward-looking statements subject to risks and uncertainties.

Report prepared by: Chief Financial Officer | Date: October 15, 2023