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Battle Contingencies

Author Michael Swanson's *How David Beats Goliath* is a must-read for any lawyer who works on contingent-fee cases. Swanson, a senior executive in the law firm finance industry, takes complicated financial and accounting principles and breaks them down into easy-to-understand concepts the lawyer can use in practice. If you handle cases on contingent fees, this book shows the real-life dilemmas you may face against a more financially secure opponent. Swanson explains, in a straightforward way, how to maintain your firm's cash flow and how to level the playing field against your opponents.

The book is filled with useful technical information. Swanson begins with an overview of the financial realities that accompany contingent-fee work, including difficulties securing the capital that is necessary to finance cases. And the obstacles are many. Attorneys in a contingent-fee firm cannot sell stock even though their opponents can. Unlike their competition, they can't enter into profit sharing with nonlawyers, they can't produce much in the form of tangible assets, and they don't have accounts receivable that a bank would recognize. But these obstacles can be overcome, Swanson says, by having a comprehensive strategic plan. A well-capitalized law firm in sound financial shape can get the best possible result in the courtroom—a point that the author stresses as the most important goal.

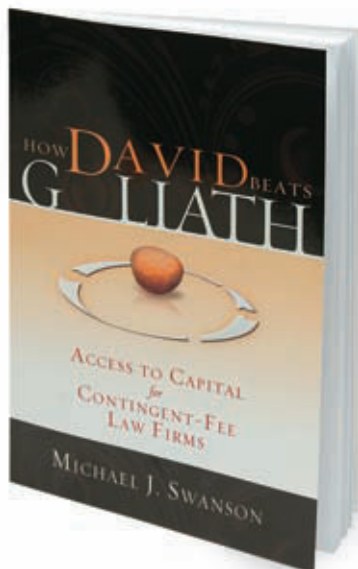
Swanson defines and explains basic accounting concepts such as capital, assets, balance sheets, income statements, and the need to understand the "time value" of money. He even supplies a list of the top financial mistakes a contingent-fee law firm can make and analyzes the sources lawyers should use to finance their cases.

Swanson ranks these sources from the most to least expensive: fee sharing, contingent lenders, appeal funding, settlement funding, finance company, loans, credit cards, partners' cash, vendor financing, bank lines of credit, and loans with interest pass-through. Passing the costs of borrowing from a third-party lender through the law firm to the case, Swanson explains, can be one of the least expensive ways to access capital.

Applying these principles as a guide for handling financial transactions, the author emphasizes that the most important result of smart capital management for a contingent-fee firm is to provide the best possible result for the law firm's clients—and the firm's financial security.

The process of securing financial stability for a contingent-fee firm can be stressful, but Swanson's book shows the way. Contingent-fee lawyers will learn a great deal about their practice from reading this book. If Swanson's strategy is applied faithfully, lawyers may lessen their worries about financing their cases, so they can concentrate more on the cases themselves. ■

Douglass F. Noland practices law in his own firm in Liberty, Mo.



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How David Beats Goliath

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