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ALTERNATIVE FEE ARRANGEMENT EXAMPLES* FOR BUSINESS DISPUTES

TYPE OF FEE ARRANGEMENT	HOW FEE ARRANGEMENT WORKS	BENEFIT TO CLIENT
	REPRESENTING A PLAINTIFF	
Hourly	Client pays lawyer agreed upon hourly rates. This can be a blended rate so client agrees to pay fixed hourly rate no matter the attorney that works on matter.	This is the traditional attorney-client fee arrangement. If detailed budgets and assumptions (which are important) are worked on with client and client appreciates the efficiency and advice of the lawyer and is invested in the process, this can be the right arrangement.
Partial Contingency	The attorney takes a reduced hourly rate or an agreed-upon monthly rate in consideration for a percentage of the outcome (that is less than the percentage in pure contingency arrangement). For example, if the attorney's standard hourly rate is $300-$350/hour, the attorney may agree to a fixed hourly rate of $235/hour (or a fixed monthly rate of $8,000 per month) in consideration of 20% of the outcome.	The client pays a reduced hourly rate which will ultimately reduce the costs of the dispute. This rate reduction puts partial risk on the attorney since he/she is not getting his/her full hourly rate; hence, the attorney is invested in achieving a positive outcome to make up the rate differential.
Pure Contingency	The attorney takes the dispute based on a percentage of the outcome. If the percentage is 40%, the attorney gets 40% of the outcome. If the outcome if $500,000, the attorney gets $200,000.	The client pays no hourly rate to the attorney so the attorney bears all of the risk regarding getting paid for his/her work. As a result of this risk, the attorney is heavily invested in a positive outcome since he/she is getting a larger percentage of the outcome. This is a benefit to a client that may not have the resources to truly fund the dispute.
Fixed Monthly Amount (with or without a partial contingency)	Instead of client worrying about hourly rates and the number of hours worked, the client simply agrees to pay attorney an agreed-upon monthly amount regardless of the amount of hours the attorney works in the month. The attorney then gets a contingency based on the agreed-upon successful parameters associated with the outcome of the dispute. For example, client and attorney agree on fixed monthly amount of $8,000 with a partial contingency of 20% of the outcome.	The client budgets the fixed monthly amount and it is an amount that fits within the client's budget. This way the client knows exactly the monthly amount it will expend on attorney's fees. Based on the fixed monthly amount, the attorney may forecast numerous months that the fees will exceed the fixed monthly amount; thus, there is the potential for risk borne by the attorney. The client, however, knows that the attorney is invested in working within the fixed monthly parameters and the outcome.
Fixed Rates Based on Phases or Tasks (with or without a contingency)	Client agrees to pay attorney a fixed rate for each predetermined phase or task regardless of the hourly rate or number of hours. Depending on the predetermined fixed phase or task, this type of arrangement can come with a contingency based on the ultimate outcome. For example, the client and attorney may agree on predetermined rate for discovery phase of $85,000. Or, client and attorney may agree on predetermined rate for the deposition "X" at $4,500 no matter the length of deposition and preparation time.	The client budgets the fixed amounts for each phase or task in a dispute and the client and attorney can agree in advance on what constitutes a phase or task. This way the client knows exactly the monthly amount it will expend on attorney's fees for a given phase or task. This may be accompanied with a partial contingency based on the fixed amounts. The client, however, knows that attorney is invested in working within the fixed parameters and the outcome.
Hourly with Shared Savings	Client and lawyer agree on a not-to-exceed budget. If fees are less than the not-to-exceed budget than lawyer gets to share in the savings. For example, if the not-to-exceed budget is $300,000 and case gets resolved for $200,000 the client agrees to give the lawyer a percentage of that savings. This can also be tied to a performance metric so that bonus or savings is tied to outcome.	The client is on board with the budget on the frontend and is willing to reward the lawyer for his/her efficiency if the outcome can be achieved for less than the budget. Also, if the budget is wrong, the risk of that budget falls on the lawyer.
	REPRESENTING A DEFENDANT	
Hourly	Client pays lawyer agreed upon hourly rates. This can be a blended rate so client agrees to pay fixed hourly rate no matter the attorney that works on matter.	This is the traditional attorney-client fee arrangement. If detailed budgets and assumptions (which are important) are worked on with client and client appreciates the efficiency and advice of the lawyer and is invested in the process, this can be the right arrangement.
Success Fee	Client agrees to pay lawyer a bonus or success fee based on outcome, but this can be accomplished numerous ways:	
Holdback with a Multiplier	Client agrees to hold back a percentage of hourly rate (e.g., 20%) based on outcome of matter as determined between client and attorney. For example, if attorney's hourly rate is $300, client holds back 20% of each hour ($60/hour) to be paid to lawyer if dispute is resolved within certain parameters. However, for this to work from the attorney's perspective, there needs to be a multiplier added to the holdback portion if the case reaches the agreed-upon parameter or parameters. If case gets resolved within certain parameters, client pays the holdback portion plus a multiplier to reward the success. For example, assume case gets resolved within successful parameters and at end of case there is holdback of $40,000 representing a holdback of 20% of the hourly rates. The attorney and client also agreed that attorney would get multiplier of 1.85 of holdback amount if case got resolved within successful parameters. This means client would pay lawyer 74,000 based on successful outcome ($40,000 holdback amount x 1.85 multiplier).	The client holds back money from the lawyer (e.g., retainage) so it knows the lawyer is invested in the outcome of the defense and achieving an outcome that is within the defined successful parameters to the client. This allows the client to control the cost of the defense so the attorney is motivated to achieve the outcome.
Reduced Hourly Rate with a Success Fee	Instead of a holdback, client agrees to pay a reduced hourly rate plus a success fee, which could be a percentage based on the delta of what client is being sued for and the ultimate outcome (or other parameters as determined between the lawyer and client). For example, if client is being sued for $1M client agrees to pay lawyer flat rate of $240/hour (irrespective of lawyer's standard hourly rate) plus a success fee of 30% between $1M and ultimate outcome. If outcome is that client pays $600,000, then client pays lawyer 30% of the $400,000 delta or $120,000 as a success fee. Alternatively, the success fee can be that attorney gets paid different stated amounts if matter gets resolved between certain parameters (e.g., attorney gets $150,000 if case gets resolved for between $300,000 and $450,000, $200,000 if gets resolved for under $300,000, etc.).	The client knows the attorney is invested in the outcome of the defense and achieving an outcome that is within the defined successful parameters to the client since the attorney gets a bonus based on the outcome. This allows the client to control the cost of the defense so the attorney is motivated to achieve the outcome.
Fixed Monthly Amount with a Success Fee	Instead of client worrying about hourly rates and the number of hours worked, the client simply agrees to pay attorney an agreed-upon monthly amount regardless of the amount of hours the attorney works in the month. The attorney then gets a success fee, similar to the above, based on the agreed-upon successful parameters associated with the outcome of the dispute.	The client budgets the fixed monthly amount and it is an amount that fits within the client's budget. This way the client knows exactly the monthly amount it will expend on attorney's fees. Based on the fixed monthly amount, the attorney may only want to do this with a success fee since the attorney may forecast numerous months that the fees will exceed the fixed monthly amount; thus, there is the potential for risk borne by the attorney. The client, however, knows that the attorney is invested in working within the fixed monthly parameters and the outcome.
Not-to-Exceed Monthly Amount with a Multiplier	Client agrees to pay lawyer standard hourly rates that are capped each month. Any monthly overage can be deemed the holdback portion where lawyer gets a multiplier of this amount based on successful parameters associated with the outcome of this dispute. For example, lawyer agrees not to exceed $8,000 per month in fees. If lawyer incurs less than $8,000 in fees than client only pays the actual incurred fees. If lawyer incurs $15,000 fees in a month, client only pays the $8,000 in fees with the balance ($7,000) representing the holdback portion based on successful outcome. Alternatively, any overage in a month can be rolled into a subsequent month as long as the not-to-exceed monthly amount is not exceeded. Based on the outcome, the client agrees to pay the delta between the not-to-exceed monthly amounts and the actual fees incurred with a multiplier. For example, let's assume not to exceed amount was $8,000 and outcome was reached in month 15. Client has paid the attorney $120,000. But, assume the attorney incurred $160,000 in fees. Client would owe the attorney $40,000 based on successful outcome plus a multiplier.	The client budgets the fixed monthly amount and it is an amount that fits within the client's budget. This way the client knows exactly the monthly amount it will expend on attorney's fees, but the client is only paying those fees incurred up to that fixed amount. Thus, the attorney bears the risk of any amount in excess of the not-to-exceed amount. Based on this risk, the client pays the attorney a success fee since it knows the attorney is motivated in the outcome.
Fixed Rates Based on Phases or Tasks (with or without a Success Fee)	Client agrees to pay attorney a fixed rate for each predetermined phase or task regardless of the hourly rate or number of hours. Depending on the predetermined fixed phase or task, this type of arrangement can come with a success fee based on the ultimate outcome.	The client budgets the fixed amounts for each phase in a dispute and the client and attorney can agree in advance on what constitutes a phase. This way the client knows exactly the monthly amount it will expend on attorney's fees for a given phase. This may be accompanied with a partial contingency based on the fixed amounts. The client, however, knows that attorney is invested in working within the fixed parameters.
Hourly with Shared Savings	Client and lawyer agree on a budget or a not-to-exceed budget. If fees are less than budget than lawyer gets to share in the savings. For example, if budget is $300,000 and case gets resolved for $200,000 the client agrees to give the lawyer a percentage of that savings or a bonus. This can also be tied to a performance metric so that bonus or savings is tied to outcome.	The client is on board with the budget on the frontend and is willing to reward the lawyer for his/her efficiency if the outcome can be achieved for less than the budget. Also, if the budget that is agreed to is a not-to-exceed budget, the risk of that budget falls on the lawyer.
Fixed Rates Based on Phases or Tasks (with or without a contingency)	Client agrees to pay attorney a fixed rate for each predetermined phase or task regardless of the hourly rate or number of hours. Depending on the predetermined fixed phase or task, this type of arrangement can come with a success fee based on the ultimate outcome.	The client budgets the fixed amounts for each phase or task in a dispute and the client and attorney can agree in advance on what constitutes a phase or task. This way the client knows exactly the monthly amount it will expend on attorney's fees for a given phase or task. This may be accompanied with a success fee based on the fixed amounts. The client, however, knows that attorney is invested in working within the fixed parameters and in the ultimate outcome.

*The examples identified above are only examples. There is NO one-size-fits all model. Alternative fee arrangements are intended to be creative and beneficial to both the client and attorney based on the nature of the dispute and objective of the client. The key is for the client to trust the advice and suggestions of the lawyer to ensure the fee arrangement provides value to both the client and lawyer. There are many times where an alternative fee arrangement is entered into after the client commits to pay the attorney "X" so that the lawyer can get familiar with the issues in the dispute so that the alternative fee arrangement can be discussed based on this familiarity. The client can factor in the committed "X" into the alternative fee arrangement plus gets the value of certain work product generated by the attorney based on the attorney's initial investment into the issues.

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