



# 2011 Law Firm Statistical Survey (LFSS)

## Data Form Instructions

**Final Due Date:** *April 13, 2012*

**Report Distribution Date:** *May 31, 2012*

*Meaningful survey results are dependent upon survey participants providing comparable information. Therefore, we ask that all participants follow these instructions to the fullest possible extent.*

***New in 2011-** In addition to the core profitability and operational metrics offered annually, the 2011 LFSS has continued its incorporation of “**Hot Topics**” that have been expressed by participants as important areas influencing their firm’s growth in the current economy. This year we’ve expanded our Technology Information to include aspects of utilizing Personal Digital Assistants (PDAs) and Social Media.*

*Benchmarking information on the Detailed Expense Worksheets will once again be provided. This additional benchmarking capability enables participants to drill-down into expense components that may be viewed as out-of-line.*

*A data extraction software application is available at no cost to all firms using Elite or Aderant/CMS time and billing systems. Developed in conjunction with our alliance partner, LexisNexis-Redwood Analytics, this application is the **preferred method** for collecting data for submission to the Survey. Law Firms submitting individual office data must use our standard data collection spreadsheet.*

*Please review and specify your comparison group selections within the Comparison Group Listing, which is available for download on the PwC Survey website at [www.pwc.com/lfsurveys](http://www.pwc.com/lfsurveys).*

*Send your completed data submission along with your report selections via email to: [pwc.law.firm.survey@us.pwc.com](mailto:pwc.law.firm.survey@us.pwc.com).*

*Survey results will be distributed electronically on or before May 31, 2012. If you have any questions, please contact a Survey Staff member at (703) 918-3077 or via email at [pwc.law.firm.survey@us.pwc.com](mailto:pwc.law.firm.survey@us.pwc.com).*



## Recommendations for Participating in the 2011 Law Firm Statistical Survey

- ❑ Follow the Survey Instructions to the fullest possible extent in order to provide meaningful and comparable information.
- ❑ Utilize the Data Extraction Tool, the preferred method for collecting data for submission to the LFSS. This tool is available for download at [www.pwc.com/lfsurveys](http://www.pwc.com/lfsurveys).
- ❑ Retain a copy of all completed materials sent to the Survey Staff for reference during the follow-up quality review process.
- ❑ Select relevant comparison groups for your Total Firm and Individual Offices for the best use of your final reports. The Survey Staff is available to assist you with your comparison group selections.
- ❑ Participate in upcoming Survey webcasts that address the Benefits to Participation, Selecting Comparison Groups and Interpreting Survey Reports.
- ❑ Contact the Survey Staff with any questions by calling the Survey Hotline at (703) 918-3077 or via E-mail at [pwc.law.firm.survey@us.pwc.com](mailto:pwc.law.firm.survey@us.pwc.com).



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## General Information

### NEW in 2011

As a direct result of Survey participant feedback, the 2011 LFSS offers the following changes:

- Technology Information has been expanded to include aspects of utilizing Personal Digital Assistants (PDAs) and Social Media.

### Benefits to Participation

The PwC *Law Firm Statistical Survey* (LFSS) has provided law firms with key financial and operational benchmarking data since 1957. Annual survey results allow firms to better understand their own **infrastructure** and, as such, assess their **market position** so that they may work toward gaining a **competitive advantage**. Law Firm Survey participants receive the following benefits to participation:

- A comprehensive view of the **key operational metrics** used by law firms - Profitability, Cost Management, Leveraging, Cash Management, and Capitalization.
- In addition to expanding our Technology Information, the "**Hot Topics**", communicated by law firm leaders as necessary to meet today's growing challenges, again include:
  - Client Concentration
  - Bank Borrowings & Credit Lines
  - Alternative Fee Arrangements (AFAs)
  - New Partner Capital Buy-In
  - Treatment of Non-Equity Partners
- **Office-specific benchmarks** that provide a valuable measure in managing the changing face of your business.
- **Four distinct audience-specific reports** that include two boardroom style reports with high-level reporting trends and two detailed reports intended for the CFO/Controller.
- **Access to over 700 distinct comparison groups** categorized by firm or office size, location, your individual peers, or other requested criteria.
- **Comparisons to a strong participation base** that last year included many of the largest, most profitable law firms.



- An automated and **streamlined data collection tool** that makes the Survey easy to complete and guarantees that all general ledger mappings from your firm to the expense classifications within the Survey will be preserved for future use.
- A **thorough data review and validation** process that ensures the comparability, accuracy, and integrity of the published results of the LFSS.
- Survey reporting that is **compliant** with all current **antitrust laws**.
- Security measures that maintain **participant anonymity** and **data security**.

### Participation Disclaimer

The benchmarking information contained within the PwC LFSS Reports comply with recommendations made by outside counsel during their annual review of the Surveys relative to current antitrust issues. While we are confident that the data supporting the Surveys have been properly summarized, no opinion is expressed regarding the fairness of the results.

The PwC Law Firm Surveys results are highly confidential. They are intended for the internal business management of participating law firms, and to support internal benchmarking and decision-making. As such, all data contained in the reports are to be made available only to partners and designated employees of your firm, and should not be made available to any third parties.

PwC does not condone the use of this data by participants in a court of law or any public forum that would either make the information available to non-participants or identify or expose participating law firms to other participants or non-participants.

### Data Submission Options for Firms Submitting *Total Firm Data*

Participants submitting 'Total Firm' data (in aggregate) have the following *two* options for submitting data to the 2011 LFSS:

- The **Data Extraction** software application was developed in conjunction with our alliance partner, LexisNexis-Redwood Analytics. This option is the ***preferred method*** for collecting data, and consists of a stand-alone, client application that can be run on any PC at your firm.

Your firm must have Elite or Aderant/CMS time and billing systems running on a Microsoft SQL Server in order to use this application. There is no additional cost associated with using the data extraction tool. A key advantage to using this data submission option is that all general ledger mappings from your firm to the expense classifications in the Survey will be preserved for use in future Survey releases.

*The Data Extraction application can be downloaded directly to your PC from the website <http://www.lexisnexis.com/redwood-analytics/pwc/surveys>.*



*Participants submitting individual office data can not use the data extraction software.*

*IMPORTANT: All data extracted from this tool will reside on your firm's PC and at no time will any member of LexisNexis-Redwood Analytics have access to your individual firm's data. In addition, the completed data submission will be sent directly to a PwC Law Firm Survey Staff member electronically.*

- The **Data Form** is a spreadsheet-based alternative data collection tool which can be used for submitting your data to PwC.
- To better ensure consistency in reporting expense values, and to allow us to provide an additional level of expense benchmarking, the Detailed Expense Worksheets are included within the Data Form. These Worksheets identify the specific components which should be included for each expense category.

The Data Form provides roll-up capabilities from the Detailed Expense Worksheets directly into the corresponding expense values.

*The Data Form can be accessed and downloaded from our Survey website at [www.pwc.com/lfsurveys](http://www.pwc.com/lfsurveys).*

### **Data Submission Options for Firms Submitting Individual Office Data**

We strongly encourage, but do not require, all Multi-Office participants to submit data for significant individual offices (greater than ten attorneys in a domestic office or greater than three attorneys in an international office). **Our special pricing incentive – one free comparison group report – is provided for each individual office submission.** Individual office reporting will allow firm management to make more informed decisions affecting every location in which your firm practices.

Please identify the individual offices your firm will be submitting on Data Form 1. Refer to the instructions on page 7 or more information on this topic.

*At this time, our data extraction software application is not available for participants choosing to submit individual office data.*

*We recognize that many participants will be submitting only Total Firm information with their LFSS submission, but providing office-level data for the Billing Rate & Associate Salary Survey<sup>plus</sup> (BRASS<sup>plus</sup>). This reporting difference across Surveys is acceptable; however, participants will need to address this issue when selecting comparison groups.*



## Important Dates

### **Final Due Date: April 13, 2012**

Guaranteed inclusion in the Survey results.

*Data submitted after May 15th is considered late and is not guaranteed for inclusion in the group statistics.*

### **Report Distribution Date: On or before May 31, 2012**

## Payment Policy

Please review and enter your report selections in the Comparison Group Listing (see Ordering Comparison Group Reports below). Please return the Comparison Group Listing and your completed Data Form to a Survey Staff member at [pwc.law.firm.survey@us.pwc.com](mailto:pwc.law.firm.survey@us.pwc.com).

**Retain copies of all materials for your records.** Upon receipt of your completed Data Form and Comparison Group Listing, an invoice for your firm's participation fee will be produced and mailed to the appropriate representative at your firm. Please do not prepay your participation fees, as applicable sales tax may apply.

## Participation Fee Schedule

All participants in the 2011 LFSS will receive a base participation fee of **\$1,750** that includes **one comparison group**. All additional comparison groups will be billed at **\$350** each.

*For multi-office firms submitting individual office information, **one complimentary report** is offered for each individual office submitted.*

### **Custom Comparison Groups:**

Participants can choose to create custom comparison groups (comprised of peer firms or other criteria), provided the criterion for participation in the group adheres to all current antitrust laws. The surcharge for any custom comparison group ordered is \$100 each.

### **'Report Export' Spreadsheet:**

Participants can choose to order a spreadsheet (in .xls format) that will consist of a 'data export' of the comparison group statistics provided in the Final Reports *ordered*. The group statistics from each comparison group ordered by the firm will be displayed as a separate worksheet within the spreadsheet. Your firm's data will also be included in a separate worksheet.

The cost for this supplementary spreadsheet, regardless of the number of comparison groups ordered, is \$350.



*This reporting option **does not** include individual firm data for the participants in the comparison group; it will only contain the individual firm data for the firm ordering the comparison group.*

## Ordering Comparison Group Reports

Please review the list of anticipated comparison groups offered this year within the Comparison Group Listing. Participants can choose from a wide range of standard comparison groups. Please note that your firm does not need to be a member of the group to select it and see your values presented and ranked against the group.

In addition, participants can choose to create custom comparison groups based on a list of their peers, provided the criterion for participation in the group adheres to all current antitrust laws. If your firm would like to 'customize' a group, please indicate that your report is 'custom' and clearly document the participation criterion (or list of peer firms) for inclusion in the comparison group.

Please remember to indicate if you would also like to order a 'Report Export' Spreadsheet.

*A member of our Survey Team will be contacting all participants to review and finalize their report order. If you need assistance prior to our initial call, please do not hesitate to contact a Survey Staff member at (703) 918-3077.*

Participants can order comparison groups by one of the following three methods:

1. List your comparison group choices, utilizing exact group titles based on the comparison groups detailed in the Comparison Group Listing, in a note accompanying your Data Form. Please include any custom comparison group requests or your order for the 'Report Export' Spreadsheet. Email your note to the Survey Staff at [pwc.law.firm.survey@us.pwc.com](mailto:pwc.law.firm.survey@us.pwc.com).
2. Use the Comparison Group Listing to indicate your report selections for each type of report by adhering to the instructions at the top of each page. Remember to also indicate any custom comparison group requests or your order for the 'Report Export' Spreadsheet. Attach the completed document to an email and send it to the Survey Staff at [pwc.law.firm.survey@us.pwc.com](mailto:pwc.law.firm.survey@us.pwc.com).
3. Within the Comparison Group Listing, choose from the easy selection options found in the section entitled, "How to Submit Your Firm's Comparison Group Selections". Attach the document to an email and send it to the Survey Staff at [pwc.law.firm.survey@us.pwc.com](mailto:pwc.law.firm.survey@us.pwc.com).

## Webcasts

The following three distinct webcasts will be offered to all participants (or prospective participants):



- **'Overview of the LFSS' Webcast:** Designed to provide an overview of the benefits to participating in this Survey.
- **'Understanding the Comparison Group Offerings' Webcast:** Designed to provide participants with a better understanding of the different types of comparison groups that are available.
- **'Review of the LFSS Reports' Webcast:** Designed to walk-through four of the standard Survey reports participants receive to showcase the multitude of statistics provided to our participants.

A separate email invitation will be sent approximately a week to 10 days prior to each scheduled webcast date. The invitation will include any instructions needed to attend. We ask that all law firms RSVP to the webcasts. Please note that each participant's identity will be anonymous to the other participants joining the webcasts.

## General Information about the Data Forms

### I. Expense Worksheets

The Detailed Expense Worksheets are incorporated into the LFSS Data Form. Participants must enter the detailed expense components into the Worksheets provided with the Data Form.

The values reported on the Worksheets will 'roll-up' to the correct field within the Data Form. If your firm is unable or unwilling to provide all of the detailed expense components, a line item is provided on the Worksheet for entering an overriding total value for the corresponding expense.

Please refer to the additional comments placed within the fields of the Data Form or included on the Data Form cover.

The Data Form provides the following two reports containing preliminary Survey results for your firm:

- ***Averages Report*** – A summary of average compensation by staff classification.
- ***Expenses on a Per Lawyer Basis Report*** – A summary of operations on a per lawyer basis.

### II. Form and Line Number References on the Worksheets

The form and line numbers (e.g., Form 5, Line 1) are used in data entry and in compiling the Survey results. References to these form and line numbers are included in the instructions and worksheets in instances when reconciliations or carrying information from one line to another line on the data forms are required.



### III. Data Formatting Requirements

The type of data required varies from form to form. Specific data formatting instructions are noted at the top of each respective Data Form.

### IV. Prior Years' Information

Prior year data is not provided within this year's Data Form. If your firm is a new participant and would like to submit prior year information, please contact a Survey Staff member. Prior year LFSS participants that need to change their historical information should contact the Survey Staff to request a copy of their prior data.

### V. Types of Data Submissions

The Law Firm Statistical Survey supports the following two types of data submissions:

- Single Office Firms or Multi-Office Firms submitting aggregate Total Firm data only
- Multi-Office Firms submitting individual office data
  - Multi-Office Firms submitting data for less than 16 individual offices
  - Multi-Office Firms submitting data for between 16 and 30 individual offices

#### Single Office Firms or Multi-Office Firms submitting aggregate Total Firm data only

Record your four-digit PwC assigned Firm ID Number (if known) and the complete firm name at the top of Form 1. Provide the office information utilizing the "Total Firm" line. On all subsequent data forms, record your firm's data in the "Total Firm" column.

#### Multi-Office Firms submitting individual office data

We strongly encourage, but do not require, all Multi-Office participants to submit data for significant individual offices (greater than 10 attorneys in a domestic office or greater than 3 attorneys in an international office). Data submissions for smaller offices are also welcome.

Record your four-digit PwC assigned Firm ID Number (if known) and the complete firm name at the top of Form 1. Add all locations in which your firm currently maintains offices, including offices whose data will not be reported to the Survey. On all subsequent data forms, record your firm's data in the "Total Firm" column and your office data in the appropriate columns. Refer to Form 1 to determine the office assigned to each column label (Office 1, Office 2, Office 3, etc.).

*We recognize that many participants will be providing only Total Firm information with their LFSS data submission, but providing office-level information for the Billing Rate & Associate Salary Survey<sup>plus</sup> (BRASS<sup>plus</sup>). This reporting difference across Surveys is acceptable; however, participants will need to address this issue when selecting comparison groups.*

### Recording Revenue and Expenses for Individual Offices of Multi-Office Firms

REVENUE, or fees collected for legal services, should be based on the office location of each timekeeper who provided the services.

DIRECT EXPENSES, such as compensation paid to the Associates and Administrative staff, should be based on the assigned office. Other direct expenses—occupancy, office operating



expenses, information systems, professional activities, communications, reference materials—related to the operation of an office, should be directly assigned to that office location.

*For Survey purposes, client disbursements written-off are to be recorded in the office where the disbursement occurred.*

INDIRECT EXPENSES (FIRMWIDE OVERHEAD), such as staff, office space, and expenses associated with the administrative management of the firm, or a central accounting department that supports all offices but is resident in one central location, should be reported to the Survey under the reporting methodology described below:

**Report Firmwide Overhead as a separate Cost Center (i.e., record data in a manner similar to a non-revenue generating office which represents the portion of each expense account attributable to Firmwide operations). A “Firmwide” column is provided on the data form for use in recording these costs.**

Firmwide staff is typically located in one office of Multi-Office firms. For Survey purposes, these staff should be considered (and recorded) as firmwide personnel, if possible, rather than as staff assigned to the office where they are located.

**Report Firmwide Overhead as a Separate Cost Center**

Firmwide Overhead Expenses are recorded as a cost center, and are reported to the Survey in the Firmwide Overhead column.

Each office’s data includes only revenue generated at the office, expenses directly incurred by the office, and staff assigned to the office.

**EXAMPLE:** In the following abbreviated Profit/Loss statement from the Survey (Form 6), the Firmwide Overhead column includes the expenses associated with the cost center and the Allocated Overhead Expenses. The Total Firm column includes all expenses, including Firmwide Overhead Expenses. Therefore, for any given expense category, the cross-casted total of the individual offices plus the Firmwide Overhead Expense will equal the Total Firm value.

This example firm has a Cost Center that incurred expenses totaling \$420,000.

	Office 1	Office 2	Office 3	Firmwide Overhead	Total Firm
Gross Fees	3,000	2,500	2,000		7,500
Employee Costs	1,000	750	500	250	2,500
Other Expenses	1,750	1,000	800	150	3,700
Allocated Overhead					
Total Expenses	2,750	1,750	1,300	400	6,200
Other Charges	75	50	10	20	155
Direct Contribution	175	700	690		1,145



For reporting purposes, the Survey's programs will allocate Firmwide Overhead Expenses to the individual offices at the individual account level. Allocation is based on the overhead allocation percentage value provided for each office listed on Form 1 of the Data Form.

### **Supplemental Data Submissions**

**All participants must submit actual data in conformance with the Survey instructions.** Participants may elect to submit alternate data that either does not represent actual financial operating results, or which is based on an accounting method that does not conform to the Survey's requirements. This option allows participants to obtain reports that are prepared using alternative internal accounting methods. Specific examples are extraordinary income or expenses that are eliminated to achieve better comparisons.

**Supplemental data is never included in our group statistics.**

A supplemental data submission also allows participants to evaluate the financial ramifications of operational decisions in a planning model fashion (e.g., How would a change in leverage influence Net Income per Partner?).

Firms wishing to submit a supplemental set of data should contact the Survey Staff at (703) 918-3077. The charge for an alternate data submission is \$1,500.

### **General Comparability Issues**

#### **Partnership v. Professional Corporation**

If your firm is a professional corporation, please note the special instructions incorporated within these Instructions. Adjustments need to be made in the areas of shareholders' salaries (page 23), taxes (page 28), employee benefits (page 29), and capital (page 42).

#### **Cash v. Accrued Basis of Accounting**

A limited number of firms record (for financial statement purposes) fees when billed, rather than when collected. Since the majority of Survey participants report only fees collected (i.e., on the cash basis of accounting), firms recording fee income when billed must adjust their fee amounts to reflect only fees collected during the fiscal year. Correspondingly, expenses should be those paid, not incurred.

#### **Prepaid Expenses**

Even though we require a cash basis method of accounting, significant prepaid expenses should be excluded when submitting data.

#### **Staff Classifications**

Staff classifications cannot be made from job titles alone. Do not assume the Survey's defined characteristics/responsibilities for a specific staff classification match the characteristics/responsibilities of your staff members. If they do not match, participants should reclassify staff to meet Survey definitions.

### **Antitrust Compliance Policy**

The PwC Law Firm Statistical Survey is reviewed annually by outside counsel to ensure compliance with current antitrust regulations.



# Form 1

## *Firm Reporting Information*

Form 1 contains general information regarding your law firm. Record your four-digit PwC issued Firm ID Number (if known) and the complete firm name at the top of the form.

*The Firm Contact information is collected on the BRASS<sup>plus</sup> detail data form, which is the second step in the participation process. Therefore, all contact information from the LFSS has been removed from Form 1.*

*If your firm has different contacts for each participating Survey, please include the names of the additional contacts with your data form transmission.*

### **Office Information**

Individual office information is required on this form. Add all locations in which your firm currently maintains offices, including offices whose data will not be reported to the Survey. Offices that will be reported to the Survey should appear first in the listing.

For each office submitted to the Survey, please provide the office size in square feet (exclude any sub-leased space). Indicate the office(s) for which data will be submitted to the Survey with a "Yes" in the "Data Reported" column.

*We encourage Multi-Office firms to submit data for all domestic offices and international offices having 3 or more attorneys.*

*One complimentary comparison group is provided for each individual office for which data is submitted.*

*The sum of the percentage values entered in the Overhead Reporting column must equal 100%.*

*Additional information regarding how to submit individual office information can be found on page 7 of these Instructions.*



## Form 2

### *Timekeeper Staffing & Utilization Information*

#### **Timekeeper Headcount Information**

Use Form 2 to record fiscal year 2011 headcount information for each timekeeper classification listed.

*Report all values to the nearest tenth.*

*Since firms use different job titles for similar staff, categorize staff according to job content rather than strictly by the title used. A listing of the job definitions by timekeeper classification is included on the following pages.*

**Because statistics based on per-person calculations are predominant throughout the Survey final reports, it is imperative that all participants provide an accurate count based on annual full-time equivalents.**

Report the **annual average** full-time equivalent (fte) number of timekeepers in each category. For example, two employees each working 50% of the time during the year equal one full-time equivalent. In the example, 50% can represent working half days for the entire year or working full-time for one-half of the year.

**Adjust the fte value for any employees on sabbatical, leave of absence, or paternity/maternity leave to reflect the actual period of time working during the year.**

An annual average full-time equivalent can be established by averaging periodic staff totals within the year.



## Job Definitions for Legal Staff

### 1. Equity Partners

In the Survey, the terms “Partner” and “Shareholder” are used interchangeably. Include as Partners only active Partners or Shareholders of the firm. Note that Equity and Non-Equity Partners are separated in the staffing tables. For the definition of Non-Equity Partners, see below.

Although certain active Partners may have fewer chargeable hours (because of administrative, recruiting, or other non-billable responsibilities) they should, nonetheless, be classified as active full-time Partners.

There may be additional participants in net income of the firm (e.g., Of Counsel, retired Partners and/or their estates) who are not active Partners and accordingly they should be excluded from the Equity Partner staffing tables. Their compensation and benefits should be reported (if appropriate) under “Payments to Of Counsel and Former/Inactive Partners” on Form 6, Line 6.

Inactive Partners and Partners on sabbaticals or extended leave should not be included in the active partner headcount. Their compensation should be reported on Form 6, Line 6, “Payments to Of Counsel and Former/Inactive Partners”.

#### **Additional information requested for Equity Partners:**

- Attorney Turnover Information – Form 8, Lines 1-5

### 2. Non-Equity Partners

Non-Equity Partners are attorneys admitted to the partnership from Associate status or laterally from an external organization who meet the following criteria:

- They are considered to be Partners according to applicable tax regulations.
- Within the firm, they are considered to be members of a Partner class designated as Non-Equity, Junior, non-participating, etc.
- There is a substantive difference in the treatment of these Partners relative to Equity Partners. Evidence of such a difference might include being compensated on a salary or fixed basis, not having a vote in policy matters decided by the partnership, or not yet having a permanent capital contribution requirement.

A future change in status (including admission to the Equity Partnership) is considered likely for at least some of these Non-Equity Partners.

#### **Additional information requested for Non-Equity Partners:**

- Compensation – Form 6, Line 9
- Attorney Turnover Information – Form 8, Lines 6-10

### 3. Associates

Associates are non-Partner level attorneys, or law school graduates who are members of the bar, who normally perform legal services on behalf of clients, and who are on the partner track. Do not classify as Associates lawyers not performing legal services or non-lawyer (staff) employees even though they may perform some legal services. Also do not classify Of



Counsel attorneys as Associates unless your firm uses the title Of Counsel for an Associate equivalent class of attorneys.

If Associates participate in fee income of the firm, that amount of participation should be classified as Associate compensation.

Summer Associates and law students hired on a temporary or part-time basis should be included in the Law Clerks & Trust Accountants category and not as Associates.

**Additional information requested for Associates:**

- Compensation – Form 5, Line 1
- Attorney Turnover Information – Form 8, Lines 11-25

**4. Senior Attorneys**

Senior Attorneys are attorneys who are typically characterized by one of the following descriptions:

- An experienced attorney who has been placed in a position that is beyond the Associate track, but not yet at the Partner level (an interim step before Partner).
- An experienced lateral attorney who can anticipate admission to the partnership in the near future.
- An experienced attorney who is no longer on the partner track and is not a likely candidate for a future change in status, but who continues to perform complex and non-routine legal services on behalf of clients.
- An experienced attorney who has a high degree of expertise in a specific legal area and is expected to produce a high level of billable hours.

**Additional information requested for Senior Attorneys:**

- Compensation – Form 5, Line 1
- Attorney Turnover Information – Form 8, Lines 11-25

**5. Staff Attorneys**

Staff Attorneys are non-Partner level attorneys, or law school graduates who will shortly become members of the bar, who normally perform legal services on behalf of clients, but who are typically NOT on a partner track. Other characteristics of Staff Attorneys may include:

- Work assignments/matters that can be characterized as more routine or less complex.
- Lower compensation than similarly tenured Associates or Senior Attorneys.
- Limited chance for a future change in status.

**Additional information requested for Staff Attorneys:**

- Compensation – Form 5, Line 1



## **6. Of Counsel**

The staff classification Of Counsel has many different applications among law firms. For Survey purposes, Of Counsel attorneys are attorneys whose status with the firm is typically one of the following:

- A retiring Partner or a retired Partner who retains a position of authority within the firm, but who does not continue to bill at the rate of full time attorneys.
- An attorney who previously held a high profile position in industry or government and is not expected to produce a high level of billable hours.

If your firm uses the Of Counsel title for attorneys and their role in your firm does not match the Survey's definitions for Of Counsel, they should be reassigned to one of the Survey's other attorney categories (Equity Partner, Non-Equity Partner, Associate, Senior Attorney or Staff Attorney) that best fits each situation.

### **Additional information requested for Of Counsel:**

- Compensation & Benefits – Form 6, Line 6

## **7. Total Legal Staff**

The sum of all attorneys reported on a full-time equivalent basis.

## **Job Definitions for Non-Legal Timekeepers**

## **8. Lobbyists**

Lobbyists are individuals who receive compensation for the purpose of acting directly to affect legislation or a rule. They are paid comparably to Associates or Junior Partners. They may have legal training but are not practicing in the legal arena.

### **Additional information requested for Lobbyists:**

- Compensation – Form 5, Line 2

## **9. Specialists**

Specialists are staff members who provide a service or a non-legal expertise for the firm. They generate revenue with billable hours and are paid comparably to Associates or Junior Partners. They may have legal training but are not practicing in the legal arena.

### **Additional information requested for Specialists:**

- Compensation – Form 5, Line 3

## **10. Litigation Support**

Litigation support staff collects, analyzes, investigates and produces data-related documents for litigation cases.

### **Additional information requested for Litigation Support:**

- Compensation – Form 5, Line 4



### **11. Patent Agents**

Patent agents are staff members whose responsibility includes obtaining and protecting the intellectual property rights of clients.

#### **Additional information requested for Patent Agents:**

- Compensation – Form 5, Line 5

### **12. Paralegals**

Paralegals are not Attorneys, Law Clerks or Case Clerks, but are staff whose service is of a specialized legal nature that could be billed to clients (generally on an hourly basis). Staff members with other job titles whose primary responsibility is to perform chargeable client service (usually on an hourly basis) should be categorized as Paralegals.

*In prior Survey releases, these timekeepers were referred to as Legal Assistants.*

#### **Additional information requested for Paralegals:**

- Compensation – Form 5, Line 6

### **13. Case Clerks**

Case Clerks, also referred to as Document Clerks, are employees who are under the direct supervision of Paralegals or Attorneys. A Case Clerk performs such tasks as document numbering and alphabetizing, labeling folders, filing and any other task that does not require substantive knowledge of the transaction or litigation.

#### **Additional information requested for Case Clerks:**

- Compensation – Form 5, Line 7

### **14. Law Clerks and Trust Accountants**

Law Clerks include law students employed during the school year on a part-time basis to perform legal services that may or may not be billed. Law students employed on a full-time or part-time basis during the summer months to perform similar legal services (frequently referred to as Summer Associates) are also considered Law Clerks.

Trust Accountants include fiduciary, estates, and other accounting or clerical staff who are involved in the administration of the firm's estates and trusts practice, but who may not charge for their time on an hourly basis. For Gross Fees purposes, Trust Accountant work is considered "legal related professional services." Any related recoveries should be included as fees regardless of the manner billed.

#### **Additional information requested for Law Clerks and Trust Accountants**

- Compensation – Form 5, Line 8



## Timekeeper Chargeable Hours

Use Form 2 to record fiscal year 2011 chargeable hours information for each group of timekeepers listed.

*Report all values in whole numbers.*

*A majority of the detailed chargeable hours information can be found in the Billing Rate & Associate Salary Survey<sup>plus</sup> (BRASS<sup>plus</sup>). Therefore, this statistic will only be reported on a high-level basis in the LFSS.*

*Chargeable hours are collected on an individual timekeeper basis in the BRASS<sup>plus</sup> Survey, which enables participants to benchmark on a more local and practice group level.*

*Total Chargeable hours should be the sum of **all** timekeeper billable hours during 2011 and not the sum of the select attorney chargeable hours requested on this form.*

### **Equity Partner, Non-Equity Partner, Associate & Total Chargeable Hours**

On Line 15, record the chargeable hours for Equity Partners. On Line 16, record the chargeable hours for the Non-Equity Partners. On Line 17, record the chargeable hours for the Associates (excluding Senior and Staff Attorneys). On Line 18, provide the Total Chargeable Hours for the firm.

Chargeable hours should include all time charged as client work whether billed or not billed.

Do not include in the chargeable hours:

- Pro bono work.
- Work for employees of the firm (unless billed).
- Work that is never expected to be billed.
- Firm management.



# Form 3

## *Administrative Support Staff Headcount & Compensation Information*

Use Form 3 to record headcount and compensation for your Administrative Support Staff for Fiscal Year 2011.

*Report headcount values to the nearest tenth. Report all compensation values in thousands of dollars.*

*Aggregate compensation amounts should generally equal the gross income reported on IRS form W-2.*

*Any client reimbursement of support staff costs (straight time or overtime) should be included in Gross Fees.*

### **Job Definitions for Administrative Support Departments**

#### **1-2. Administrative Management**

Administrative Management staff includes all support employees who generally work in the office of the Executive Director and support the firm's management (e.g., Chief Strategy Officer, Chief Diversity Officer, Office and Diversity Managers, Practice Group Managers, Director of Strategic Business Operations etc.).

*Please record all Directors of each individual support function described below with the specific function, and not under Administrative Management.*

*Business managers that support individual practice or office leaders of the firm should be included in this department.*

#### **3-4. Secretarial**

In addition to full-time Legal Secretaries, this category should include personnel performing stenographic or typing tasks who are not part of a central work processing staff.

#### **5-6. Word Processing**

Word processing staff consists of employees who are part of a central word processing department or whose responsibilities are primarily to operate word processing equipment.

#### **7-8. Professional Staff Recruiting**

Professional Staff Recruiting staff includes those employees who assist with the recruitment of professional staff (Attorneys and Paralegals); includes, but is not limited to, the recruiting of professional staff through campus and summer programs. He/she may have personnel-related responsibilities for existing professional staff.



*This category should only be used by firms with staff members dedicated solely to the recruitment of professionals.*

#### **9-10. Human Resources/Personnel**

Include here all employees who assist with recruitment, human resource services, non-attorney technical training, employee benefits, and salary determinations. Personnel Assistants should be included here unless their primary responsibilities involve the recruitment of professional staff, in which case they should be included on Lines 7 – 8.

*Please include all headcount and related compensation of the payroll staff with the Finance/Accounting function.*

#### **11-12. Professional Development**

Include here all employees who manage or assist with the professional growth, training and development of attorneys.

*This function was introduced in the 2008 LFSS. In prior Survey releases these individuals were included in the Human Resources function.*

#### **13-14. Finance/Accounting**

This category includes both staff in the financial and central accounting departments and those located elsewhere within the firm whose functions are predominantly bookkeeping or billing (if centralized). Include staff involved with all aspects of financial accounting and reporting and staff responsible for bookkeeping, payroll and the billing/collection functions of the firm.

#### **15-16. Information Systems (I.S.)**

The I.S. staff are responsible for supporting all aspects of the automated systems, including data processing, word processing, telecommunications, litigation support, knowledge management, systems procedures, security, upgrades, networks, workstations and help desk, software and user training, and IT project management.

#### **17-18. Library/Information Services**

This category includes Library Supervisors, Librarians, Library Clerks and Library Research Assistants who provide research and information support to all of the professionals in the firm and maintain the firm's law library and other related resources.

#### **19-20. Marketing**

This classification includes staff whose responsibilities relate to the business development, public relations, communications and client retention activities of the firm.

#### **21-22. Business Intake & Conflicts**

Include here all employees who are responsible for reviewing all new business to determine if there are any client conflicts.

*This function was introduced in the 2008 LFSS. In prior Survey releases these individuals were included in the Administrative Management function.*



**23-24. Other Support Staff**

This category contains staff that include Receptionists, Telephone staff, File and Records Management Clerks, Mail Clerks, Messengers, Reproduction Clerks, Maintenance staff, Food Service staff, Procurement and Travel staff, etc.

**25-26. Total Administrative Support Staff**

Record the Administrative Support Staff headcount and compensation totals from Lines 1- 24.



# Form 4

## *Administrative Managers Compensation Information*

Record on Form 4 the Administrative Managers' and Departmental Supervisors' base salaries as of 1/1/12 and bonus amounts awarded for the year ending 12/31/11.

*Report all values to the nearest dollar.*

*Include only those managers employed by the firm on January 1, 2012.*

*Record the amount of the bonus awarded for the year ending 12/31/11, even if it was paid in another accounting period.*

*Part-time employees should be excluded.*

*In the event that your firm has two or more Directors in a specific category, submit the average base salary of the individuals.*

For each Manager category, please include annualized base salaries only. To the extent bonuses are of a recurring nature, and everyone in a given category of employees receives them, bonuses should be annualized regardless of whether they were of a fixed amount or if different amounts were paid to employees within a category.

The following are examples of recurring bonuses, which should be included with base salaries in determining the range:

- Bonuses that are given after a specified duration of employment.
- Bonuses paid to a particular staff category every year.

### **Job Definitions for Administrative Managers**

#### **1. Executive Director/Administrator**

An Executive Director/Administrator (also CEO or Director of Administration) is defined as the employee responsible for the management of all or most of the non-legal departments of the firm. Typically, an Administrator would report to the Managing Partner or the management committee of the firm. With the possible exception of highly decentralized, Multi-Office firms, a firm would normally have only one Administrator.

#### **2. Director of Finance/Accounting**

The Director of Finance/Accounting is responsible for the management of all financial operations, including all aspects of financial accounting and reporting, budgeting, cash management and banking relationships.



### **3. Chief Information Officer/C.I.O.**

The C.I.O. is the person responsible for information technology and computer systems that support strategic goals. The C.I.O. is generally viewed in many law firms as a key contributor in formulating strategic goals. In many law cases, the C.I.O. reports directly to the Chief Executive Officer.

### **4. Director of Information Systems (I.S.)**

The Director of I.S. is responsible for analyzing, planning and managing all aspects of the automated systems, including data processing, word processing, telecommunications, litigation support, systems procedures, security, upgrades, networks, workstations and help desk, software and user training, and IT project management.

### **5. Director of Human Resources (H.R.)/Personnel**

The Director of H.R./Personnel is responsible for recruiting/hiring, salary determinations, benefits administration, training and development, employee relations and governmental compliance.

### **6. Director of Library/Information Services**

The Director of Library/Information Services is responsible for research and information support to all of the professionals in the firm.

### **7-8. Director of Marketing and Director of Practice/Business Development**

These Directors are responsible for the business development, public relations, communications and client retention activities of the firm.

### **9. Director of Professional Staff Recruiting (P.S.R.)**

A Professional Staff Recruiting Director is a non-legal employee whose primary duty is to administer the recruitment of professional staff (Attorneys and Paralegals); includes but is not limited to the recruiting of professional staff through campus and summer programs. He/she may also have personnel management responsibilities for existing professional staff.

### **10. Director of Office Facilities**

The Director of Office Facilities is a non-legal employee who is responsible for all office services functions, including purchasing, reception services, mail, messenger services, facilities management, telecommunications, food services and reprographics.

### **11. Controller**

The Controller is responsible for the internal accounting function and the preparation of income and expense budgets, financial plans, and forecasts of capital expenditures/cash flows. The Controller typically reports to the Director of Finance (if present in the firm organization chart). Otherwise, he/she reports to the Administrator, Managing Partner, or management committee.

### **12. Office & Departmental Supervisors**

On Lines 12 through 29, provide the high and low salary values as of 1/1/12, and high and low bonus values for the year 2011 for all managers/supervisors in each administrative department. For categories that contain only one employee, list that employee's base salary and bonus amount as both the high and low end of the range.



**13. Administrative Manager's & Department Supervisor's Compensation  
Information on Final Reports**

Please respond "Yes" to Lines 30 and 31 only if you wish to suppress the designated compensation information from your final results.



## Form 5

### *Operating Expense Summary*

#### **Non-Partner Employee Costs**

Use Lines 1-8 on Form 5 to report compensation information, including salaries, bonuses, and other items that normally are included on IRS W-2 forms as gross compensation. Compensation should be presented on a fiscal-year basis and should not include fees for temporary (non-payroll) employees. **Fees paid to temporary help agencies** for obtaining support staff should be included on Line 11 (Other Employee Costs).

*Report all values in thousands of dollars.*

*Do not annualize the compensation of part-time staff, recent hires, or terminations.*

*Many of the values on this Form are being carried-forward from the corresponding Worksheets (F5, WS). Therefore, if you need to make a change to a value on a field that is being carried-forward, you must refer back to the Worksheet source.*

*You may find it useful to complete the staffing table on Form 2 along with the timekeeper compensation data.*

Since firms use different job titles for similar staff, categorize staff according to job content rather than strictly by the title used. For example, a salaried Partner with no voting rights may be referred to as a Non-Equity Partner in some firms or as an Of Counsel in others. For Survey purposes, this individual is a Non-Equity Partner.

#### **Shareholders' Salaries and Bonuses (Professional Corporations only)**

Shareholders' compensation is not considered a compensation expense for purposes of the Survey. This is to ensure comparability between partnerships and corporations. (Keep in mind that the sum of shareholders salaries, plus undistributed earnings before taxes, is essentially equivalent to partnership net income.)



## **Job Definitions for Timekeepers**

### **1. Associates, Senior and Staff Attorneys**

#### **Associates**

Associates are non-Partner level attorneys, or law school graduates who will shortly become members of the bar, who normally perform legal services on behalf of clients, and who are on the Partner track. Do not classify as Associates lawyers that are not performing legal services or non-lawyer (staff) employees even though they may perform some legal services. Also do not classify Of Counsel attorneys as Associates unless your firm uses the title Of Counsel for an Associate equivalent class of attorneys.

If Associates participate in fee income of the firm, that amount of participation should be classified as Associate compensation.

**Summer Associates** and law students hired on a temporary or part-time basis should be included in the Law Clerks & Trust Accountants category and not as Associates.

#### **Senior Attorneys**

Senior Attorneys are attorneys who are typically characterized by one of the following descriptions:

- An experienced attorney who has been placed in a position that is beyond the Associate track, but not yet at the Partner level (an interim step before Partner).
- An experienced lateral attorney who can anticipate admission to the partnership in the near future.
- An experienced attorney who is no longer on the Partner track and is not a likely candidate for a future change in status, but who continues to perform complex and non-routine legal services on behalf of clients.
- An experienced attorney who has a high degree of expertise in a specific legal area and is expected to produce a high level of billable hours.

#### **Staff Attorneys**

Staff Attorneys are non-Partner level attorneys, or law school graduates who will shortly become members of the bar, who normally perform legal services on behalf of clients, but who are typically NOT on a Partner track. Other characteristics of Staff Attorneys may include:

- Work assignments/matters that can be characterized as more routine or less complex.
- Lower compensation than similarly tenured Associates or Senior Attorneys.
- Limited chance for a future change in status.

### **2. Lobbyists**

Lobbyists are individuals who receive compensation for the purpose of acting directly to affect legislation or a rule. They are paid comparably to Associates or Junior Partners. They may have legal training but are not practicing in the legal arena.



### **3. Specialists**

Specialists are staff members who provide a service or a non-legal expertise for the firm. They generate revenue with billable hours and are paid comparably to Associates or Junior Partners. They may have legal training but are not practicing in the legal arena.

### **4. Litigation Support**

Litigation support staff collects, analyzes, investigates and produces data-related documents for litigation cases.

### **5. Patent Agents**

Patent agents are staff members whose responsibility includes obtaining and protecting the intellectual property rights of clients.

### **6. Paralegals**

Paralegals are not Attorneys or Law Clerks, but are staff whose service is of a specialized legal nature that could be billed to clients (generally on an hourly basis). Staff members with other job titles whose primary responsibility is to perform chargeable client services (usually on an hourly basis) should be categorized as Paralegals.

### **7. Case Clerks**

Case Clerks, also referred to as Document Clerks, are employees who are under the direct supervision of Paralegals or Attorneys. A Case Clerk performs such tasks as document numbering and alphabetizing, labeling folders, filing and any other task that does not require substantive knowledge of the transaction or litigation.

### **8. Law Clerks/Trust Accountants**

Law Clerks include law students employed during the school year on a part-time basis to perform legal services that may or may not be billed. Law students employed on a full-time or part-time basis during the summer months to perform similar legal services (frequently referred to as **Summer Associates**) are also considered Law Clerks.

Trust Accountants include fiduciary, estates, and other accounting or clerical staff who are involved in the administration of the firm's estates and trusts practice, but who may not charge for their time on an hourly basis. For Gross Fees purposes, Trust Accountant work is considered "legal related professional services." Any related recoveries should be included as fees regardless of the manner billed.

### **9. Total Administrative Support Staff Compensation**

Total Administrative Support Staff compensation includes the compensation costs of all non-Partner timekeepers and all Administrative Support Staff.

*A detailed summary of expenses included in Total Administrative Support Staff Compensation Costs is captured on Form 3, Lines 1- 24. This value is being carried forward from Form 3, Line 26.*

### **10. Total Compensation Costs**

The sum of Lines 1 – 9.



### 11. Other Employee Costs

Other Employee Costs include the detailed expenses listed in the Worksheets for Form 5, Line 11. Exclude any benefits payments to or on behalf of shareholders in a professional corporation to ensure comparability with participating partnerships.

*Expenses associated with temporary help have been further delineated into the areas of Information Technology, Accounting/Finance, Human Resources/Marketing and Other.*

### 12. Total Employee Costs

The sum of Lines 10 and 11.

## Other Operating Costs

Deduct from the expense totals on Lines 13 - 24 any client reimbursement of hard and soft disbursements (as defined below):

#### Recoveries of Hard and Soft Disbursements

*Hard Disbursements (or “Out-of-Pocket” Costs) represent disbursements, typically made by attorneys and staff on behalf of clients, which are charged to clients by way of personal expense accounts. These disbursements include, but are not limited to, travel and court recorder expenses. In many firms, such costs are included in a Receivable from Clients account and are never actually charged to an expense account. If your firm does expense these costs, deduct the reimbursement amount as indicated in the corresponding tables on the Worksheets.*

*Soft Disbursements are those incurred within the firm, such as photocopying and long distance telephone charges, which are frequently billed to clients. Such costs, simply by their nature, are initially charged to firm expense accounts, then applied on a memo basis, to the various client accounts. Within the Worksheets, deduct the reimbursement for soft disbursements from the expense category.*

*See page 46 for further information on disbursements*

### 13. Occupancy

Occupancy Expenses should comprise the net cost for all **firm-occupied office space** (including, but not limited to, rent, depreciation, and interest on related mortgages). This category should also include maintenance and upkeep for rented or owned premises that are not occupied by the firm. (See Occupancy expenses contained on the Worksheet for Form 5, Line 13).

### 14. Office Operating Expenses

In a general sense, this classification, rather than Miscellaneous, should function as the “catch-all” account for capturing the multitude of costs that are incurred in the day-to-day operations of your firm. Therefore, the “Other” lines on the Worksheet for Form 5, Line 14, should be used more liberally than might be the case with the other tables found in the Worksheets. A judgment should be made, however, before an item is classified here to be sure that the cost would not better fit in Occupancy, Professional Activities, or some other



specific expense classification. (See Office Operating expenses contained on the Worksheet for Form 5, Line 14).

*Please exclude all IS-related costs from this expense category and classify them within Line 15, Information Systems.*

*Expenses for travel, meals and accommodations, related to Professional Activities (Line 16) or Professional Staff Recruiting (Line 18), should be classified in their respective categories.*

### **15. Information Systems**

Information Systems (IS) includes all expenses incurred in support of the Information Systems function. (See Information System expenses contained in the Worksheet for Form 5, Line 15).

*Exclude all telecommunications expenses as they are captured under Communications.*

*PDA costs are now collected under the 'Communications' expense category on Form 5, Line 21.*

### **16. Professional Activities**

Professional Activities should include all expenses incurred by attorneys relating to their professional, educational, and firm activities. (See Professional Activities expenses contained in the Worksheet for Form 5, Line 16).

### **17. Marketing**

Marketing expenses should include costs related to the practice/business development and client retention activities of the firm. (See Marketing expenses contained on the Worksheet for Form 5, Line 17).

### **18. Professional Staff Recruiting**

Professional Staff Recruiting should include costs related to the recruitment and hiring of legal staff. Costs related to the hiring of non-legal staff should be included in "Office Operating Expenses," Line 14. (See Professional Staff Recruiting expenses contained on the Worksheet for Form 5, Line 18).

### **19. Professional Liability Insurance**

Professional Liability Insurance should include the net cost (typically premiums less any refunds) for protecting the firm and its attorneys against damages arising from claims of malpractice, negligence or incompetence.

### **20. Other Insurance & Taxes**

Insurance should include only policies under which the firm as a whole is the beneficiary. (See Other Insurance and Taxes contained on the Worksheet for Form 5, Line 20).

Costs of insurance policies under which firm employees are individual beneficiaries, particularly worker's compensation and life and medical coverage, should be included in Other Employee Costs, Line 11. Settlement claims paid for professional and non-professional



matters not covered by insurance policies should be included as Non-Operating Charges (Form 6, Line 7).

Taxes should exclude federal income taxes paid by professional corporations in order to ensure comparability with partnerships. Accordingly, income taxes paid by professional corporations should be added back to net income to avoid inconsistencies in net income comparisons.

*Professional corporations should recalculate such taxes, as needed, for full comparability with partnerships.*

*Exception – Select cities have profit-related local taxes that are levied against partnerships. These taxes should only be reported under the new expense classification on the worksheets for Form 5, Line 20.*

Exclude taxes reported elsewhere on this form, such as:

- Mandatory employment taxes, which are included with Other Employee Costs.
- Occupancy and real estate taxes, which are included with Occupancy expenses.

## **21. Communications**

The Communications expense category should include all service and equipment costs from external communications systems. It should also include any related to internal (firm-owned) communications systems. (See Communications expenses contained on the Worksheet for Form 5, Line 21).

*PDA device costs should now be included in this expense category and under the line item "Professional Digital Assistant (PDA) costs". They were previously included under the 'Information Systems' expense.*

## **22. Reference Materials**

Reference Material expenses should contain all costs of both internal and external sources of legal research utilized in the firm's on-going services to clients. (See Reference Materials expenses contained on the Worksheet for Form 5, Line 22).

## **23. Professional Services**

This category should contain costs of outside professional services that benefit the firm as a whole or its employees. Costs of professional services rendered on behalf of firm clients (typically in conjunction with firm legal service to those clients) should be treated as a reduction of Gross Fees (see Gross Fees contained on the Worksheet for Form 6, Item 1), but only if the recovery was included in Gross Fees. (See Professional Services expenses contained on the Worksheet for Form 5, Line 23).

## **24. Client Disbursements Written-Off & Miscellaneous**

Client Disbursements Written-Off should include only amounts in Unbilled and Billed Client (Hard) Disbursements Receivable that have been determined to be uncollectible. Do not include in this category legal fees, unbilled or billed, which have been determined to be uncollectible. Such 'write-offs' or 'under realizations' of legal fees are technically not expenses to most law firms under the cost basis of accounting.



Miscellaneous should include only those costs incurred which are so extraordinary to the firm's normal operations that they do not easily fit into one of the Survey's more specific expense classifications. (See the corresponding Worksheet for Form 5, Line 24).

**25. Total Other Expenses**

Enter here the sum of Lines 13 through 24.

**Non-Partner Discretionary Benefits & Payroll Taxes Information**

*Please report all percentage values to the nearest tenth.*

**Note: The percentage values reported on Lines 26 and 27 multiplied by the respective compensation of the Non-Partner timekeepers and Support Staff must be less than or equal to the value reported on Form 5, Line 11 – Other Employee Costs.**

Record on Lines 26 and 27, the *percentage of compensation* associated with your firm's Discretionary Employee Benefit Programs (i.e., benefits not mandated by law) and Mandatory Employee Benefits (i.e., benefits mandated by law) that the firm provides to the staff listed.

Discretionary Employee Benefits include life and medical insurance, pension plan payments, retirement payments and other perquisites of employment with your firm.

Mandatory Employee Benefits (i.e., benefits mandated by law) includes Social Security taxes, unemployment insurance, worker's compensation, and any other applicable payroll taxes.

Note that payments into pension plans (including IRA, KEOUGH and 401(k) plans) should include contributions paid by the firm on behalf of employees (not those resulting from payroll withholding). Other retirement costs, if any, related to employees should also be included in this category.



# Form 6

## *Financial Summary & Client Concentration*

### **Financial Summary**

Form 6 captures a summary of income and expense data for the firm.

*Report all values in thousands of dollars.*

*Select values from this form are being carried-forward from the corresponding Worksheets (F6, WS). Therefore, if you need to make a change to a value on a field that is being carried-forward, you must refer back to the Worksheet source.*

#### **1. Gross Fees**

Include in Gross Fees only the following amounts collected during your firm's fiscal year:

- Fees from clients for legal services (include retainers, if not capitalized).
- Fees for legal related professional services (e.g., fiduciary commissions, probate fees).
- Income from outside professional activities of the legal staff (e.g., directors' fees, and honorariums).
- Recoveries from clients for services of other timekeepers (e.g., secretarial or word processing time).

Do not include in Gross Fees:

- Recoveries of hard disbursements (client disbursements) for non-personnel expenses, such as travel and court recorder expenses. These costs should be netted against the applicable expense account to which the disbursements were initially charged.
- Rental, interest or other investment income (see Occupancy Expenses and Other Non-Operating Charges in the Worksheet for Form 6 for classification of rental and investment income).
- Reimbursement of out-of-pocket expenses.

*(See the corresponding Worksheet for Form 6, Line 1).*



## **2. Total Employee Costs**

Total Employee Costs include the compensation costs (including salaries, bonuses, discretionary and mandatory employee benefits) of all non-Partner timekeepers and all Administrative Support Staff. Temporary support staff expenses and non-partner employee parking allowances are also included.

*A detailed summary of expenses included in Total Employee Costs is captured on Form 5, Lines 1 through 9. This value cannot be edited, as the value is being carried forward from Form 5, Line 12.*

## **3. Total Other Expenses**

Total Other Expenses include all non-compensation expenses associated with the operations of the firm.

*A detailed summary of expenses included in Total Other Expenses is captured on Form 5, Lines 13 through 24. This value cannot be edited, as the value is being carried forward from Form 5, Line 25.*

## **4. Total Operating Expenses**

Total Operating Expenses is the sum of Total Employee Costs (Line 2) and Total Other Expenses (Line 3).

## **5. Operating Income**

Subtract Total Operating Expenses (Line 4) from Gross Fees (Line 1) to arrive at Operating Income.

## **6. Payments to Of Counsel and Former/Inactive Partners**

Former/Inactive Partners are individuals who are no longer rendering legal services on the firm's behalf (by way of retirement or withdrawal) but who are still receiving payments from the firm. However, for Survey purposes also include the compensation benefits of Inactive Partners and Partners on sabbaticals or extended leave. This expense category should not include distributions of partner capital, as capital distributions are technically not expenses of the firm.

The staff classification Of Counsel has many different applications among law firms. For Survey purposes, Of Counsel attorneys are attorneys whose status with the firm is typically one of the following:

- A retiring Partner or a retired Partner who retains a position of authority within the firm, but who does not continue to bill at the rate of full time attorneys.
- An attorney who previously held a high profile position in industry or government and is not expected to produce a high level of billable hours.



If your firm uses the Of Counsel title for attorneys and their role in your firm does not match the Survey's definitions for Of Counsel, they should be re-assigned to one of the Survey's other attorney categories (Equity Partner, Non-Equity Partner, Associate, Senior Attorney or Staff Attorney) that best fits each situation.

Include all payments to the Former Partners and Of Counsel as well as all related costs (mandatory and discretionary benefits, perks, etc.) incurred by the firm on behalf of these individuals.

(See the corresponding Worksheet for Form 6, Line 6).

### **7. Non-Operating Charges and Credits**

Non-Operating Charges and Credits are expenses and income not directly related to the law practice of the firm. These typically include interest expense and investment income, and any political or charitable contributions made by the firm.

*Non-Partner attorney ex-patriot expenses should be included on this line.*

*Money paid as part of a judgment against your firm, or for individuals within your firm, should be included on this line.*

*Expenses that are related to non-partner attorney cost of living adjustments should be included on this line.*

*Do not include retirement plan payments on behalf of active Partners. These plan payments are excluded from the Survey for better comparability.*

(See the corresponding Worksheet for Form 6, Line 7).

### **8. Net Income (All Partners)**

*When recording data for an individual office of a Multi-Office firm, Net Income is synonymous with either Net Contribution to Profits or Direct Contribution to Profits.*

Subtract Payments to Of Counsel and Former/Inactive Partners (Line 6) and Non-Operating Charges (add if credits, Line 7) from Operating Income (Line 5) to arrive at Net Income (Line 8).

### **9. Non-Equity Partner Compensation**

Provide the total compensation costs of all Non-Equity Partners in the firm, including salaries (draws), bonuses, and other related costs that are deducted from net income on behalf of Non-Equity Partners prior to calculating the profits that are distributable to the Equity Partners.

Other related costs refer to the mandatory and discretionary benefits and perks of those Non-Equity Partners that, for tax purposes, are considered employees of the firm and receive a Wage and Tax Statement, Form W-2. Otherwise, the amount entered on this line should be the Non-Equity Partners' share of the partnership's income, as well as their allocated shares of deductions and credits as reported on their Schedule K-1.

*For Professional Corporations, Non-Equity Partner Compensation will include mandatory and discretionary benefits, and other perks.*



Non-Equity Partners are those attorneys admitted to partnership from Associate status or laterally from an external organization who meet the following criteria:

- They are considered to be Partners according to applicable tax regulations.
- Within the firm, they are considered to be members of a partner class designated as Non-Equity, junior, non-participating, etc.
- There exists a substantive difference in the treatment of these Partners relative to Equity Partners. Evidence of such a difference might include being compensated on a salary or fixed basis, not having a vote in policy matters decided by the partnership or not yet having a full permanent capital contribution requirement.

A future change in status (including admission to the Equity Partnership) is considered likely for at least some of these Non-Equity Partners.

#### **10. Net Income Distributable to Equity Partners**

To arrive at Net Income Distributable to Equity Partners, subtract Non-Equity Partner Compensation (Line 9) from Net Income – All Partners (Line 8).

### **Client Concentration**

*The Client Concentration Information included on Lines 11 - 24 is one of the "Hot Topics" included again this year.*

Lines 11 - 16 on Form 6 request the percentage of 2011 revenue generated by clients with collections in the following six bands:

- Greater than \$10 million
- Between \$5 million and \$10 million
- Between \$1 million and \$5 million
- Between \$501 thousand and \$1 million
- Between \$100 thousand and \$500 thousand
- Less than \$100 thousand

*The total of Lines 11-16 should equal 100%.*

*Exclude all contingency fees collected during 2011.*

*A single client is defined as a legal entity (including all subsidiaries).*

*Revenue percentages should be calculated on a 'cash' basis.*

Lines 18 - 23 on Form 6 request the actual number of clients with revenue in the following six bands:

- Greater than \$10 million
- Between \$5 million and \$10 million
- Between \$1 million and \$5 million
- Between \$501 thousand and \$1 million
- Between \$100 thousand and \$500 thousand



- Less than \$100 thousand

*Line 24 should equal the total number of clients served by your firm.*

*Exclude all clients with contingency fees collected during 2011.*

*A single client is defined as a legal entity (including all subsidiaries).*

*Revenue should be calculated on a 'cash' basis.*



# Form 7

## *Cash Management*

*Report months invested and realization percentages to the nearest tenth.*

*For comparability purposes, please refer to the corresponding tables that follow to calculate values presented on this Form.*

*The supporting Worksheets for calculating statistics included on this Form are included in the pages to follow.*

### **Months Invested**

Use the top portion of Form 7 to record information concerning your firm's unbilled time charges (unbilled fees) and outstanding receivables (billed fees) at fiscal mid-year and year-end.

Note that unbilled time charges should be computed net of retainer and on-account payments. All contingency work is included.

### **Realization**

Use Lines 7 – 8 to record your firm's realization of time charges to bills (Work-in-Process Realization) and of bills to cash collections (Accounts Receivable Realization). Since internal methods of calculating realization rates will vary, we ask that all participants use the corresponding instructions and tables in the Worksheet contained within this Data Form to calculate realization rates for Survey purposes. These calculations should reflect fees for time charges only and not client disbursements.

### **Aging Summary of Accounts Receivable/Work-in-Process**

Distribute the firm's inventory of Accounts Receivable (Billed Fees) and Work-in-Process (Unbilled Fees) at fiscal year end into the ranges (number of days held in inventory) displayed on the data form. Allowances for doubtful accounts should be included in the "Reserve" detail of Lines 14 and 21. Exclude all contingency work from this data.

*Report all values in thousands of dollars.*

*If your firm's financial reporting system does not report, or cannot restate receivables and work-in-process according to the aging ranges used in the Survey, please leave this section blank.*



**Form 7 – Worksheets for Computing Investment in Client Services**

The basis for computing chargeable time, unbilled time and outstanding receivables can be either hours or dollars. It is imperative that the selected basis be used consistently in Steps 1-3 (see the corresponding table below) to arrive at a meaningful “number of months” result. To achieve this consistency you may find it necessary in one of the steps to convert hours into dollars or dollars into hours using a weighted average billing rate.

<b>Number of Months of Unbilled Time Charges</b> <b>Number of Months of Outstanding Receivables</b> <b>Number of Months of Total Investment in Client Services</b>	<b>2011</b>
<b>Step 1: Compute average chargeable time per month, as follows:</b>	
Record total chargeable time for the year (must be a dollar equivalent if a dollar basis is used in Steps 2 and 3).	
Divide by 12 to obtain average chargeable time per month. (A)	(A)
<b>Step 2: Compute # of months of unbilled time charges as follows:</b>	
Record unbilled chargeable time (Work-in-Process) at mid-year.	
Divide by the average chargeable time per month (A, above) to arrive at number of months of unbilled time at mid-year (B) <i>Carry to Form 7, Line 1</i>	(B)
Record unbilled chargeable time (Work-in-Process) at FYE.	
Divide by the average chargeable time per month (A, above) to arrive at number of months of unbilled time at FYE. (C) <i>Carry to Form 7, Line 2</i>	(C)
<b>Step 3: Compute # of months of outstanding receivables as follows:</b>	
Record accounts receivable (billed fees only) outstanding at mid-year.	
Divide by the dollar value of average chargeable time per month (A, above) to arrive at number of months of billed time at mid-year. (D) <i>Carry to Form 7, Line 3</i>	(D)
Record accounts receivable (billed fees only) outstanding at FYE.	
Divide by the dollar value of average chargeable time per month (A, above) to arrive at number of months of billed time at FYE. <i>Carry to Form 7, Line 4</i>	(E)
<b>Step 4.</b>	
Compute number of months of total investment in client services at mid-year by adding number of months of unbilled charges (B, above) and number of months of outstanding receivables (D, above). <i>Carry to Form 7, Line 5</i>	*
Compute number of months of total investment in client services at FYE by adding number of months of unbilled charges (C, above) and number of months of outstanding receivables (E, above). <i>Carry to Form 7, Line 6</i>	*



**Form 7 – Worksheets for Computing Realization Rates**

**Accounts Receivable Realization Rate**

**Accounts Receivable Written-Off (A)**

The portion of accounts receivable that was deemed uncollectible and written off the accounts receivable records during the 12-month period. Write-offs may pertain to bills issued during a prior accounting period.

**Accounts Receivable Collected (B)**

The portion of accounts receivable that was collected over the same 12-month period. These collected receivables may pertain to bills issued during a prior accounting period.

<b>Accounts Receivable Realization Rate (Billed Fees Only)</b>	<b>2011</b>
Accounts Receivable written-off (12-month period)	(A)
Accounts Receivable collected (12-month period)	(B)
Accounts Receivable (Write-Off) percentage (A / [A + B])	(C) %
Realization Rate (Form 14) 100% - (C) (Report to nearest tenth) <i>Carry to Form 7, Line 7</i>	%

**Work In Process Realization Rate**

The Work-in-Process realization rate should be based on work that has the potential to be billed. Do not include *pro bono* work.

**Work-in-Process Balance at Prior Year End (A)**

The total value of unbilled time charges at the end of the prior accounting period.

**Standard Value of Current Year’s Chargeable Time (B)**

The hours worked by all timekeepers during the period, valued at the billing rates used when the time was charged.

We acknowledge that some participants assign multiple billing rates to each timekeeper. Ideally, this calculation is based on the highest non-premium rate available for each timekeeper. However, the “standard” rate for a given client or matter may not always be the highest non-premium rate available.

**Actual Value of Current Year’s Billings (C)**

This amount is the total of all billed work and reflects all billing adjustments made during the accounting period.



**Work-in-Process Balance at Current Year End (D)**

The total value of unbilled time charges at the end of the current accounting period.

Work-in-Process realization includes contingency work that has a high probability of settlement and collection within the next accounting period.

<b>Work-in-Process Realization Rate (Unbilled Fees Only)</b>	<b>2011</b>
Work-in-Process Balance at prior year end	(A)
<b>PLUS</b> Standard Value of current year's chargeable time	(B)
<b>LESS</b> Actual Value of current year's billings	(C)
<b>LESS</b> Work-in-Process Balance at current year end	(D)
<b>EQUALS</b> Value of Unbilled time Written-Off	(E)
Work-in-Process Write-Off Percentage (E / [C + E])	(F) %
Realization Rate (Form 6) 100% - (F) (Report to nearest tenth) <i>Carry to Form 7, Line 8</i>	%



# Form 8

## *Attorney Turnover Information*

Use Form 8 to record information on Equity Partner, Non-Equity Partner, Associate and Senior Attorney turnover (additions and reductions) during the past fiscal year.

*Report headcount values for the group of attorneys indicated.*

*To respond to the growing shift to a two-tiered partnership, we updated the partner admissions fields to break-out the admissions to non-equity or equity partnership. Participants are not required to make adjustments to historical fields.*

### **Equity Partners – (Lines 1 – 5)**

Include only Equity Partner additions/reductions, which occurred during the fiscal year. Associates and/or Senior Attorneys who became Equity Partners in 2011 should be included on Lines 16 or 17, depending on how they joined your firm. These new Equity Partners should not be included on Line 1.

### **Equity Partners admitted who were not previously employed by your firm**

Equity Partners who were admitted to the partnership on their initial dates of hire with your firm (i.e., laterally hired Equity Partners). These new Equity Partners came from outside of your firm through another law firm, government or in-house counsel.

### **Equity Partners admitted who were Non-Equity Partners with your firm**

Those Equity Partners who were admitted to the partnership and were formerly Non-Equity Partners at your firm. These new Equity Partners could have come from outside of your firm, but were initially brought into your firm as a Non-Equity Partner (for at least one year).

### **Equity Partners who retired**

Those Equity Partners who, upon reaching any retirement age recognized by your firm (early, mandatory, regular, etc.), chose to end their active career with your firm and, if eligible and available, began receiving their due benefits from the firm's retirement program for Equity Partners. These Equity Partners are not expected to practice law with another law firm or business entity. However, they may continue in an Of Counsel capacity or other substantially reduced role with your firm.

### **Equity Partners who were terminated or withdrew**

Those Equity Partners who left your firm prior to reaching retirement age. It is anticipated that these Equity Partners are likely to be employed by another law firm or business entity.

### **Equity Partners Intra-Firm transfers**

This line is intended only for Multi-Office participants that are reporting data for two or more individual offices and addresses additions and reductions due to the reassignment or transfer of Equity Partners from office to office within a firm. Enter a transfer as a “-1” (minus 1) in the originating office and as a “+1” (plus 1) in the new office on this line.



**Non-Equity Partners – (Lines 6 – 10)**

Include only Non-Equity partnership additions/reductions, which occurred during the fiscal year. Associates and/or Senior Attorneys at your firm who became Non-Equity Partners in 2011 should be included on Lines 18 or 19, depending on how they joined your firm.

**Non-Equity Partners admitted who were not previously employed by your firm**

Non-Equity Partners who were admitted to the partnership on their dates of hire with your firm (i.e., laterally hired Non-Equity Partners).

**Non-Equity Partners admitted who were Equity Partners with your firm**

Those Non-Equity Partners who were admitted to the partnership and were formerly Equity Partners at your firm. These new Non-Equity Partners could have come from outside of your firm, but were initially brought into your firm as an Equity Partner (for at least one year).

**Non-Equity Partners who retired**

Those Non-Equity Partners who, upon reaching any retirement age recognized by your firm (early, mandatory, regular, etc.), chose to end their active career with your firm and, if eligible and available, began receiving their due benefits from the firm's retirement program for Non-Equity Partners. These Non-Equity Partners are not expected to practice law with another law firm or business entity. However, they may continue in an Of Counsel capacity or other substantially reduced role with your firm.

**Non-Equity Partners who were terminated or withdrew**

Those Non-Equity Partners who left your firm prior to reaching retirement age. It is anticipated that these Non-Equity Partners are likely to be employed by another law firm or business entity.

**Non-Equity Partners Intra-Firm transfers**

This line is intended only for Multi-Office participants that are reporting data for two or more individual offices and addresses additions and reductions due to the reassignment or transfer of Non-Equity Partners from office to office within a firm. Enter a transfer as a "-1" (minus 1) in the originating office and as a "+1" (plus 1) in the new office on this line.

**Associates and Senior Attorneys**

Fill in the number of Associates and Senior Attorneys at the end of the previous fiscal year on Line 11.

The number of Associates meeting the indicated addition/reduction criteria should be entered on Lines 12 through 24. Note that these lines should contain Associate and Senior Attorney (collectively referred to as "Associates" hereafter) activity only during the indicated year. Do not include Staff Attorneys, Summer Associates (Summer Law Clerks), attorneys hired on a temporary/contractual basis, Of Counsel, or Non-Equity Partners.

**Direct Hires from Law School**

Associate hires for which employment with your firm is their first experience practicing law. Do not include Associates with legal experience from a prior law firm, law department or government employment subsequent to law school (see Lateral Hires).

**Associate Lateral Hires**

Associate hires with legal experience from a prior law firm, law department or government employment subsequent to law school.



**Changes in Status - Additions**

An addition in the Associate or Senior Attorney class due to the promotion or reclassification of a Staff Attorney.

**Admissions to the Partnership**

Associate reductions due to the election of Associates to the Partnership.

Record the number of Associates promoted to Equity Partner who were Direct Hires from Law School on Line 16, and the number who were Lateral Hires on Line 17.

Record the number of Associates promoted to Non-Equity Partner who were Direct Hires from Law School on Line 18, and the number who were Lateral Hires on Line 19.

**Associate Terminations**

Associate reductions that involve either dismissals made by the firm or departures (Associates who leave of their own free will).

**Changes in Status - Reductions**

A reduction in the Associate or Senior Attorney class due to a staff reclassification.

**Associate Intra-Firm transfers**

This line is intended only for Multi-Office participants that are reporting data for two or more individual offices and addresses additions and reductions due to the reassignment or transfer of Associates from office to office within a firm. Enter a transfer as a “-1” (minus 1) in the originating office and as a “+1” (plus 1) in the new office on this line.



# Form 9

## *Firm Financing & Professional Liability Insurance (PLI)*

### Capital & Debt Information

Lines 1 - 9 on Form 9 request information regarding capital balances at fiscal year end, and debt balances at periodic times during the year.

*Report all values in thousands of dollars; report percentages to the nearest tenth.*

*Recognizing that most law firms' borrowings fluctuate throughout the year, we ask that each firm report the 'minimum' debt levels during fiscal year 2011 for each reporting entity submitted.*

### Permanent Capital Information

#### **1. Total Capital Balance at Fiscal Year-End**

Record here capital amounts contributed by partners as recorded in the firm's records at fiscal year end. Permanent capital can consist of a mixture of actual out-of-pocket contributions made by partners and undistributed firm earnings to be held indefinitely. Do not include property assets. Do not include undistributed earnings that are to be distributed at a predetermined point in the next few months, (i.e., a planned deferral of income distribution). Such amounts do not represent ongoing financing of a firm's operations and accordingly are not considered to be permanent capital. If you do not require permanent capital contributions, leave this line blank. **If you do require permanent capital contributions and your balance is "0" at fiscal year end, please input "0."**

If your firm offers a payment plan to ease the capital requirement burden for a new Partner, for Survey purposes your Permanent Capital should include only the principal payments made against these notes. Our focus is on cash contributions to the capital account.

Professional Corporations should determine shareholder capital balances on a cash basis to the shareholders. Capital balances should consist of the shareholders' cost of all common and preferred stock purchased, increases to paid-in capital, as well as retained earnings that will be held for working capital purposes for at least one year.

#### **2. Interest Rate Paid on Capital**

Please indicate, to the nearest tenth, the interest rate paid on the capital held in individual partner accounts during the fiscal year. If your interest rate is tied to the prime rate (variable), use the prime rate as of December 31, 2011. If interest was not paid on partner capital accounts, leave this line blank.



## Debt Information

### 4-9. Short Term and Long Term Debt Information

Record here the minimum and maximum levels of all borrowings during the year from banks and/or other lending institutions used to finance firm operations (typically short-term debt for working capital needs and long-term debt for fixed asset financing). Short-term debt is considered any debt that will be due in the coming year (e.g., working capital). **Include in these amounts any debt associated with capitalized lease obligations.** Do not include contributions or loans from Partners in this category. If you do not use short term and/or long term debt, leave the line blank.

### Bank Borrowings & Lines of Credit

Please provide the requested information on Lines 10 – 17 pertaining to your firm's borrowings and lines of credit with banks or other financial institutions.

*This section is one of the "Hot Topics" featured again this year.*

*Please report all values as of 12/31/2011.*

*All dollar values should be reported in thousands and the interest rates should be reported to the nearest tenth.*

*On question number 17, please only include capital leases.*

### Professional Liability Insurance

Please provide the requested information on Lines 18 – 21 pertaining to your firm's Professional Liability Insurance coverage for protecting your firm and its attorneys against damages arising from claims of malpractice, negligence or incompetence.

*Please report all values in thousands.*

*On Line 19, please provide the coverage amount, and not the annual premium cost.*



# Form 10

## *Outsourcing & Cost Recovery*

### **Expense Recovery**

Use Lines 1 through 14 to summarize your firm's standard charges to clients for each service listed. If possible, also include the Recovery Percentage for each by dividing the amount recovered from clients by the total cost of the direct expenses for providing the service. Record the recovery percentage values to the nearest tenth. **Exclude indirect costs such as operator compensation and occupancy cost allocations.**

#### **Copying/Printing/Scanning (Lines 1 - 3)**

Record the standard per-page cost (black/white and color) billed to clients for photocopying expense recovery. Input the values to the nearest hundredth. If you do not bill on a per-page basis, leave this line blank.

#### **Facsimile (Line 4 & 5)**

Record the standard per-page cost billed to clients for document telecopying (transmission only). Input the values to the nearest hundredth. If you do not bill on a per-page basis, leave this line blank.

#### **Long Distance Telephone (Line 6 & 7)**

Record the standard percentage mark-up that your firm applies to each long distance phone call that is billed to a client. Input values to the nearest tenth. If you do not mark up this expense, but rather bill the estimated cost of this expense enter a "0." If you do not bill the clients at all, leave the corresponding percentage mark-up line blank.

#### **Overnight Mail (Line 8 & 9)**

Record the standard percentage mark-up that your firm applies to each item of overnight mail that is billed to a client. Input values to the nearest tenth. If you do not mark up this expense, but rather bill the estimated cost of this expense enter a "0." If you do not bill the clients at all, leave the corresponding percentage mark-up line blank.

#### **Automated Legal Research (Line 10 & 11)**

Record the standard percentage mark-up that your firm applies to automated legal research. Input values to the nearest tenth. If you do not mark up this expense, but rather bill the estimated cost of this expense enter a "0." If you do not bill the clients at all, leave the corresponding percentage mark-up line blank.

#### **Messenger - Percent Mark-up (Line 12)**

Record the standard percentage mark-up that your firm applies to messenger services and is billed to a client. Input values to the nearest tenth. If you do not mark up this expense, enter a "0." If you do not use messengers or you do not bill on a percentage mark-up basis, leave this line blank.



**Client Meals and Entertainment - Recovery Percentage (Line 13)**

Record the recovery percentage for the client meals and entertainment billed to the client. Input values to the nearest tenth.

**Secretarial/Admin. Staff Overtime - Recovery Percentage (Line 14)**

Record the recovery percentage for secretarial and administrative staff overtime billed to the client. Input values to the nearest tenth.

**Client Disbursements (billed and unbilled)**

Use Lines 15 through 17 to record information regarding “hard” Client Disbursements or Out-of-Pocket expenses that represent cash outlays by the firm on behalf of clients. This type of disbursement is typically associated with services related to a client’s matter, such as travel expenses and court recorder fees.

See the following page for further definitions of hard and soft disbursements.

**Total out-of-pocket expenses incurred (Line 15)**

All out-of-pocket expenses incurred on behalf of clients during 2011, regardless of whether or not they were billed.

**Unrecovered out-of-pocket expenses (Line 16)**

All out-of-pocket expenses not collected at 12/31/2011, regardless of whether or not they were billed.

**Write-offs less any subsequent recoveries (Line 17)**

The net of all client out-of-pocket expenses that were deemed uncollectible and written off less any subsequent recoveries of prior write-offs in 2011.

**Outsourced Support Services Expenses**

On Lines 18 – 22, please report **in thousands of dollars** the expenses incurred for outsourcing support services in your firm. If no support services are outsourced, leave this section blank.

*An Outsourced Support Service is a contractual obligation with an outside vendor to staff and support a specific function within the firm.*



## Establishment of a Consistent Treatment for Client Disbursements

**A. "Hard" disbursements** (i.e., those client disbursements sometimes referred to as "Out-of-Pocket" costs, such as travel and court recorder expenses) are typically classified as receivables when incurred and/or billed. When collected, the receivable is accordingly reduced (no impact on Survey expense data) or when determined to be uncollectable, the applicable amount is charged to firm expense as a write-off (Form 5, Line 24). "Hard" disbursements are not frequently billed on a cost-plus basis. The small number of participants who do bill "hard" disbursements on a cost-plus basis should include the related "income" or "gain" as a Non-Operating Credit (Form 6, Line 7) to avoid creating inconsistencies in Gross Fees comparisons. For "hard" type disbursements initially charged to an expense account, participants should treat the recovery of such disbursements in a manner similar to that for "soft" type disbursements, as described below.

**B. "Soft" disbursements** (i.e., those costs which are more integrated with on-going firm operating costs, such as photocopying and long-distance charges) are typically charged to an expense account when incurred (vs. recorded as a receivable). Recoveries of "soft" disbursements are typically treated in two different manners. There are recoveries that represent regular personnel costs (e.g., secretarial compensation) that are billed on an hourly basis (billing rate x hours). These are typically included in Gross Fees. Otherwise, recoveries of personnel costs not billed frequently and on an hourly basis (e.g., messenger service billed on a "per-trip" basis) and recoveries of non-personnel costs (e.g., photocopying) are typically offset against the expense account initially charged. This appears to be the case even when such disbursements are billed and collected on a cost-plus basis. Some firms view this second type of "soft" cost as "out-of-pocket."

If your firm includes in Gross Fees any client disbursement recoveries that are not personnel costs billed on an hourly basis, deduct these amounts from the office operating expense accounts to which the disbursements were originally charged. Any "soft" disbursements initially treated as receivables should be offset against the related receivables as in the case with "hard" type disbursements.



# Form 11

## *Alternative Fee Arrangements*

Form 11 collects data on a variety of topics related to your firm's use of alternative fee arrangements (AFAs).

### **Alternative Fee Arrangements (AFAs) (Lines 1 – 8)**

Please indicate your response from the selections outlined within each question.

*The Alternative Fee Arrangements (AFAs) information included on Lines 1 - 8 is a "Hot Topic" featured again this year.*



# Form 12

## *Technology Information*

New this year, Form 12 was expanded to collect data on a number of technology topics.

### **Personal Digital Assistant (PDAs) (Lines 1 – 3)**

Please indicate your responses to Lines 1 - 3 regarding wireless e-mail devices, technical support and financial responsibility for PDAs from the selections outlined.

### **Social Media and Client Interaction (Lines 4 – 10)**

Please provide your responses to Lines 4 - 10 as appropriate regarding social networking sites, technology, extranet/deal rooms, and e-mobility applications.

*Responses should be reported as they pertain to your firm's utilization of social media for business purposes.*

*Do not respond to questions in this section as they would pertain to the individual personal use of your firm's employees.*

### **Capital Expenditures and Leasehold Values for Technology (Lines 11 – 12)**

Please enter the capitalized and/or leasehold values associated with your firm's Information System functions. The Leasehold value is the present value of the firm's total commitment, through the end of the lease, for equipment and/or software acquired or obtained under the lease agreement.

*Lines 11 - 12, values should be reported in thousands.*

### **Technology Outsourcing (Line 13)**

Please respond regarding any work outsourced in 2011 within the areas indicated.



# Form 13

## *Partner Management*

### **Partner Capital Buy-In**

*The Partner Capital Buy-in Information included on Lines 1 - 4 is one of the "Hot Topics" featured again this year.*

Lines 1 - 4 on Form 13 collects data on the firm's methodology for determining and collecting capital for new partner admissions. The questions are distinguished based on how the attorney was admitted to the partnership - e.g., laterally or organically.

A Lateral partner is someone who was admitted to the partnership on their initial date of hire with your firm. These new partners came from outside of your firm through another law firm, government or in-house counsel.

An Organic partner is someone who was admitted to the partnership who was previously a Non-Equity Partner or an Associate/Senior Attorney with your firm.

If your firm requires Non-Equity Partners to contribute capital and the determination for the amount is different than for a new Equity Partner, please respond to each question relative to a new Equity Partner (and not for a Non-Equity Partner calculation).

### **Treatment of Non-Equity Partners**

*The Treatment of Non-Equity Partners Information included on Lines 5 - 9 is one of the "Hot Topics" featured again this year.*

*If your firm has a single-tier partnership, please omit this section.*

Lines 5 - 9 on Form 13 collects data on the firm's treatment of the Non-Equity Partner classification.

For Question 5, calculate the ratio only for those Non-Equity Partners who were with your firm for the entire one-year period. The ratio should be submitted as a decimal. For example, if your highest compensated Non-Equity Partner earns \$800,000 and the lowest compensated Non-Equity Partner earns \$200,000, the value submitted should be 4.0.

For Question 6, the average compensation should include any bonus or profit share received. Only include newly promoted Non-Equity Partners. Exclude any anomalous compensation values (e.g., a new lateral Non-Equity Partner that is expected to be promoted to Equity Partner in the near future).

*Lines 7 - 9, report percentage values to the nearest tenth.*



## Frequently Asked Questions

Outlined below is a quick guide that responds to the frequently asked questions our Survey Staff receives about participation in the LFSS.

Question	Response
How long does it take to complete the data form?	At the most, about three days – depending on your firm’s financial systems.
Where do I record Photocopying Expenses?	Place these expenses under Office Operating Expenses, Form 5. Separate items such as maintenance, repairs, outside reproduction services, supplies, etc. should be placed under the detailed line items.
Where do I record Paralegal CLE, association dues, seminars, etc.?	Place paralegals with administrative expenses under Office Operating Expenses, Form 5, and not with the attorneys under Professional Activities or Professional Staff Recruiting.
What Square Footage information is required?	Only provide the square footage for those offices submitted to the Survey.
Does Form 2 now exclude those individuals who are not employees of the Firm, referred to as "Contract Timekeepers" in the past? If so, are they excluded from the hours section also, even in total hours for the Firm?	Exclude contract timekeeper headcount, net their compensation costs against Gross Fees (Form 6), and include their hours under Total Chargeable Hours (Form 2). We are not calculating/displaying an average hours per lawyer, so this will not skew the data.
What is the definition of Median?	The definition of median as it pertains to our surveys is: The middle value in a group of values arranged in order of size. Where no one middle value exists, the median is the average of the two middle values. The data in the Group Median column will not, in most instances, foot to the total median value.
Where do I record the Director of Legal Assistants and the assistant?	Place them under 'Other' on Form 3 - Administrative Support.
Would I place a person who does collections under Finance/Accounting or Administration?	Please place under Finance/Accounting - Form 3, Lines 13 & 14.
Where does interest paid to partners on partner loans go?	Place under 'Interest on loans to fund working capital needs', Form 6, Line 7 - Non-Operating Charges & Credits.
How should we handle firm meeting costs of our marketing department?	Place under Office Operating Expenses, Form 5.
What category should settlement costs be included in? These are for errors or issues from various prior years that we pay out to remedy a situation or problem.	Settlement costs would go under Non-Operating Charges & Credits on Form 6. Please include under the 'Other' category on the worksheet.
Are contract and temporary attorneys to be included in the FTE's on Form 2?	Please exclude the contract and temporary attorneys from the headcount values on Form 2. The compensation for these folks should be netted against Gross Fees on Form 6.
We have a Community Affairs department which identifies community service opportunities for the firm, such as feeding the homeless and Habitat for Humanity projects. In the past we have included this group in Administrative Management, but now think that Other Support Staff would be more appropriate.	Please include the group under Administrative Management if the group reports to the Executive Director, or office manager.
Do I include both contingent & non-contingent hours in the chargeable hours numbers?	Yes.



Question	Response
Where do I place an individual who was a shareholder last year and has since been demoted to associate?	Enter him under Partners Who Withdrew and also under Changes in Status on Form 8.
On Form 10 should we be entering all contract fees paid to our outside vendor or are we supposed to break out only the labor costs of the individuals working in the copy center/mail room?	Please include all costs, and not just the labor costs.
Should all participants include all taxes (as an expense) that were paid for doing business in select geographic locations?	Yes.
Where do I place depreciation for carpeting?	Please place this item under Occupancy Expense, Form 5, Worksheet Line 4 or 7.
Where would moving expenses within an office go, such as an office renovation process where expenses are incurred to move furniture, etc.?	Please place these expenses under Occupancy Expense, Form 5, Worksheet Line 10.
Where would meals / entertainment relating to an office holiday or summer party (non-client related) be recorded?	Under Office Operating Costs, Form 5, Worksheet Line 15.
What about miscellaneous travel, lodging, meals & entertainment relating to marketing. Should this be in the "Other" worksheet line under Marketing?	Place under Marketing Expenses, Form 5, Worksheet Line 12.
On Form 6, the non-equity partner compensation is included on Line 9, but it is also with Line 2. Is this correct?	The benefits for all partners (equity and non-equity) should not be included in Other Employee Costs. Please include the non-equity partner benefits with their compensation, and exclude the equity partner benefits altogether.
On Form 3, where do you include "Trainers" who provide orientation to new personnel, as well as offer software application classes	Please place these staff members under the IS department.
Where do we classify Legal Secretaries, under Admin or Litigation Support?	Please place Legal Secretaries under Admin.
Is Form 8 - Attorney turnover information based on headcount or FTE count?	It is based on headcount and, as such, all values should be reported to the whole number.
Do we exclude both federal and state tax?	Exclude federal tax, but include state taxes on Form 5
Where do we classify disability compensation and reimbursement?	Please place on Form 5, Line 11.
What is Local Profit-Related Taxes	Local profit related taxes are only in select cities and are assessed on the profits of the firm. One city where this occurs is Philadelphia.
Some of the departments in our firm are centralized and so there is normally just one senior supervisor position who oversees all the offices before the supervisors positions in some of the offices. Hence, for the Office and Departmental Supervisors section in Form 4 of the LFSS, should I provide the senior supervisor's comp as the highest and one of the manager's as the lowest?	Yes, this is correct.
On Form 10, if the firm doesn't mark up the expense, they should enter '0', and then, since they don't have a recovery %, is it blank or '0'?	Please leave blank.
On Form 4, there are several individual Admin Manager who have not received their 2011 review, so they have not received their raise or bonus yet. How should this be handled? Should I reflect their 2011 salary & 2010 bonus, paid in 2011? Also, how about people who share job responsibilities across the job definitions?	Please exclude these individuals from Form 4.



## Help

Please contact the Law Firm Survey Staff if any questions arise concerning your participation in the Survey.

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