

“Law Department Cost Control Methods Are Starting to Take Hold,” according to the 2009 Hildebrandt Law Department Survey.

SOMERSET, N.J., October 12, 2009 – Hildebrandt, the legal profession’s premier consulting firm, today announced the release of its 2009 Law Department Survey. The 2009 Survey achieved an all-time high in participation, reflecting the strong interest of General Counsel and law department managers in benchmarking with peer organizations.

This year, the Hildebrandt Survey included 231 participants representing 21 industries and 22% of the companies on the Fortune 500 list. Over 30% of the companies have revenues at or above the Fortune 500 level. This includes companies that are privately held or based outside the United States.

The 2009 Survey reports 2007 and 2008 data and is most reflective of the period leading into the economic downturn which began in mid-September 2008. “The Hildebrandt Survey results demonstrate that law departments are reacting to the current economic slowdown,” stated Jonathan Bellis, who chairs the Hildebrandt Law Department Consulting practice. Bellis continued: “Looking back on my 25 years of consulting with law departments and managing this survey, there have certainly been periods of economic difficulty and increased cost pressures on law departments. But this time, more fundamental changes are taking hold in the management and operation of law departments and law firms, and in the relationship between the two.” Lauren Chung, the Survey Editor, added: “Now more than ever, cost control is a strong management imperative for law departments. The 2009 Survey previews changes in the way law departments operate, especially with regard to reducing and managing inside and outside costs.” Ms. Chung cited 2009 Survey results showing “signs of cutbacks in spending and staffing compared to prior years, a dramatically reduced rate of increase in attorney compensation, and adoption of a wide range of cost control strategies.” The Survey provides comprehensive data on legal spending, staffing, organization, compensation, and management practices. In addition to these data elements, the 2009 Survey contains valuable new information on cost management practices that law departments are adopting in response to the economic downturn.

The Hildebrandt Survey is unique among law department surveys in its continuity (based on over 20 years of survey experience), focus on larger law departments (2/3 of Survey participants are Fortune 1000 companies), orientation towards global as well as U.S. law departments, and emphasis on data consistency and rigorous quality control procedures.

Law Department Spending

The 2009 Survey shows an overall increase in total legal spending. However, compared to the 2008 Survey, the rate of increase in total legal spending in the U.S. has remained the same. Total legal spending increased by 5% in

the United States (US) and by 4% worldwide (WW) between 2007 and 2008. The median total legal spending is \$24 million (US) and \$27 million (WW). On a per billion dollar basis, the median company spends \$4 million (US) and \$3.6 (WW) on total legal spending.

Inside legal spending rose by 3% in the US and on a WW basis. The median inside legal spending is \$9 million (US) and \$11 million (WW). Outside counsel spending grew by 4% (US) and by 6% (WW). The median outside counsel spending is \$13 million (US) and \$15 million (WW).

Legal Staffing

The median company reports 22 lawyers in the US and 30 lawyers WW. The median number of total law department staff (including lawyers and all non-attorney staff) is 45 (US) and 57 (WW).

On a worldwide basis, approximately 18% of the participants anticipate that the number of lawyers will decrease, while 30% expect an increase – reflecting a cost reduction strategy of bringing more work inside that had been performed by outside counsel.

Outside Counsel Management

The percentage of companies reporting some level of convergence activity (i.e., reducing the number of outside counsel, typically through request for proposal and competitive procurement processes) has been stable over the past two Survey years. Over half (56%) of the participants indicated that they are engaged in convergence activities. Among this group, 41% have completed, 42% are in progress, and 16% are planning a convergence program.

For the first time in many years of tracking the issue, the Survey shows an increasing number of law departments adopting or expressing interest in alternative billing arrangements. Companies anticipate that a larger portion of their outside counsel fees will be subject to alternative fees in 2009. In 2008, 33% of the companies indicated that alternative billing arrangements represented 11% or more of their total outside counsel spending. In 2009, 46% of the companies anticipate that alternative billing arrangements will represent 11% or more of their total outside counsel spending.

Nearly a third of the companies expect a decrease in the number of law firms they will use in the U.S. Only 8% plan to increase the number of firms engaged.

Forecast for Legal Services

Another area of interest to inside counsel as well as law firms is the demand for legal services. 42% of companies predict an increase in demand for Bankruptcy services. Other areas with significant forecasted increases in demand included: Regulatory (38%), Employment & Labor (37%), Contracts/Commercial (36%), and International (35%).

Compensation

The average increase in base salary for the in-house attorney was 3%, down from 5% reported in the 2008 Survey. The average base salary is \$179,000, up slightly from \$174,000 shown in the 2008 Survey. The average increase in total cash compensation (base salary plus cash bonus) for all attorney levels is 3%, down from 8% reported in the 2008 Survey. The average total cash compensation is \$229,000, down from \$236,000 stated in the 2008

Survey. The largest impact on total cash compensation has been a decrease in cash bonus.

Total compensation (base salary, cash bonus, and value of long-term incentives) increased an average of 4% among all lawyer levels. The average increase in the 2008 Survey was 10%. The average total compensation for all attorneys is \$285,000, down from \$312,000 reported in the 2008 Survey.

To obtain the full results of the Survey, visit www.lawdepartmentsurvey.com <<http://www.lawdepartmentsurvey.com/>> .