

Our Chapter's Tenth Birthday Party

Wow! We're Ten Year's Old!

As an early days' participant in Baltimore ACC chapter events, it is hard for me to believe that we are celebrating the tenth anniversary of the chapter this year. In honor of that milestone, we are planning a grand celebration. We anticipate the celebration to take place this September (place and precise date to be announced). We will be inviting many of our chapter's founders to the event and asking them to say a word or two or contribute to an anniversary slideshow.

We do have questions for you regarding this event:

- Would you like to help us in the planning?
- Would you bring your spouse to this event if it was held at a nice locale and others were bringing their spouses?
- Do you have any photos or other memorabilia that we can use at the event and/or post on our website?

Please contact me at 717.227.3338 or email me at ldurbin@arglobal.com.

We will be providing more updates in the coming months. Happy anniversary!

Golf/Spa Outing

It's almost here! The 6th Annual Golf/Spa Scholarship Outing will be held on Monday, June 4. You should already have an e-mail with an invitation. If you need another copy, just go to www.accbaltimore.com and click on the "2007 Golf/Spa

Event" tab on the left side of the page. The RSVP deadline is the middle of May, so don't miss it! We will once again be holding the event at the Greystone Golf Club and the About Faces Day Spa and Salon in Timonium. There are a couple of changes for this year, including the addition of a new recipient of scholarship funding—Community Law In Action (CLIA). CLIA is a very exciting organization that is working with youth in Baltimore to open up possibilities for them in the legal profession by working with schools on curriculum and fostering mentoring and internship opportunities with legal professionals. Stay tuned for more information on this organization and on how ACC can help them. In addition, we will be joined by our colleagues from the WMACCA and Central PA Chapters for the golf and reception! We are thrilled to offer some limited openings to our in-house colleagues. Enjoy the extra networking opportunities.

Don't forget that there are prizes for the first registrant for each of the golf and the spa event, so send in those registration forms early! We also rank spa appointment preferences by the order in which the registration form was submitted, so it helps to get it in early. As always, questions about the event can go to Maureen Dry at 410.361.8635 or mdry@vertisinc.com. We hope to see you there!

Summer Shadow Program

In 2006, we received a grant from the Minority Corporate Counsel Association to

further diversity in the in-house environment. We used the funds to continue a summer shadow program for minority law students that we started in 2005. The local law schools identified minority law students with a demonstrated financial need, an interest in corporate/business law, and an interest in shadowing in-house attorneys during the summer of 2006. We then matched the five students with ACC Baltimore members from 12 in-house law departments. We were able to make arrangements for the students to spend one day each with three different in-house lawyers. The program gave the students a chance to see the kind of work that an in-house lawyer does, and to learn a bit about a few different companies and industries. At the same time, the program provided good networking contacts for the students.

We received very positive feedback from the law schools, and the students and ACC Baltimore members who participated in our program. For more information, please contact Chris Rahl at crahl@provbank.com.

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Viva la Revolution?

By Susan Hackett, Senior Vice President and General Counsel, ACC

Am I the only one who sees the pink elephant dancing in the room? I'm still waiting for the in-house counsel community to rise up and protest, but the silence is deafening. What's going on out there? Many of the top-tier law firms announced their most recent round of first-year associate pay hikes, and though the legal press reports one major firm after another following suit, there's been surprising little action in response from the in-house bar. Disgust? Sure. But no hint of the revolution that I thought was coming. In-house counsel of the world: Who's managing your legal spending—you or the firms?

Let's do the math. Be conservative and say that an average employer pays about one-third of an employee's pay on top of their salary in order to offer benefits (such as paid vacation/sick time, health, life, disability insurance, retirement or 401K-type contributions, etc.). The newly announced first year salary level of \$160,000 plus \$50,000 in benefits takes us to a total of \$210,000. Then there's overhead, including a portion of the law firm's high-market rent, top-notch administrative support, computer, library, other office technologies, and the art-filled lobby. So let's add another \$100,000 on top of the previous \$210,000, and for the sake of keeping it simple, let's say that our highly recruited first year associate is now costing the firm \$300,000 year. Every associate will get this hike, even the not so competitively recruited ones get it.

That doesn't even take into account the cost of the cocktail-cruising summer associate program, the firm's high-power recruitment, or the cost of attrition. For every 10 of those really expensive first years less than half will make it to partnership and profitability before they're either pushed out or run screaming from the building.

Then, there's the added bonus that the majority of big firms operate on a lockstep salary system for associates, so a raise for the first-rung associates necessitates a corresponding \$15,000/year increase (at least)

for every other successive class. This way, the natives won't feel bad that the least experienced workers who've labored a shorter time are making more than them. Let's say, conservatively, that the \$300,000 cost of a first year associate, when combined with the very real costs of attrition and recruiting, brings us to a nice "blended" rate of about \$400,000/year in costs.

Who's paying for this? Do you think that when the decision is made to up first-year salaries that the partnership votes to take less money to pay for it? Or do you think that the associates will be expected to "earn their keep?" The latter is a nicer way of saying that clients will be billed for the overworked first-year associates' time and efforts, and the associates will be expected to perform the feat of billing more than anyone thinks they're worth. Both clients and associates lose.

I'm having so much fun with the math, I think I'll keep going.

If you assume that every one of those associates will bill 2,000 hours that can actually be invoiced to a client (as opposed to a certain amount of time that will be billed, but written off as non-collectable for pro bono, incompetence, client objections, learning curve, you name it), that means that their 2,000 hours will have to be billed at an average of \$200 per hour in order to reach the break even point. We all know that firms don't charge associate rates to break even. Large firms bill up to \$400 per hour for these newcomers.

Perhaps a few of those new-to-the-profession associates are so smart or have amazing previous experience, making them worth every dime of \$200+ per hour, and perhaps every one of their 2,000 hours billed is actually providing efficient and meaningful value to the clients they serve. But perhaps the vast number of those hired—smart, hardworking, and deserving as they are—are worth nowhere near \$200 per hour.

Do you remember how much you knew or what your functional worth was the first

day you entered the workforce to take your first "real" job? I remember feeling incredibly incompetent and very confused that I'd not learned any of the stuff that I needed in private practice during my summer work, or in law school. Indeed, law school may teach students how to think like a lawyer, but it does very little to produce graduates who are capable of providing valuable and efficient legal services right out of the box. And that's okay, the value of a lawyer is something that's learned and earned over time with hard experience. But clients are expected to pay for it from day one, since firms don't seem to think it's their cross to bear, and I don't see associates volunteering to do internships until their services are worth what they're charging for them either. Most attorneys in the corporate bar are willing to pay for entry level associates working under supervision; it's how it's done...but at a rate that within the last five years was reserved for only the most experienced partners? Come on.

Sanity check: You can hire an incredibly smart and experienced partner-level lawyer in the next town over from New York or DC or Chicago or LA who bills at \$250 hour, and who can do the same work with a better result in half the time. That lawyer is very likely a refugee from the big firm and every bit as smart. Let's not forget about those nice folks in India or Iowa or ConsultantLand, or about your favorite vendors who will do the work for even less.

Sanity check: The members of the federal judiciary, who we hope will be composed of the best in our profession, and who must be attracted to engage in public service on the bench at the pinnacle of their careers, are paid less than these new first-years. Most of these newbies will make more in their first year than an associate justice of the US Supreme Court. Our underpaid judiciary is not the fault of large law firm associates, but it's a sign of how out of whack the law firm world's artificial pricing structure is.

Sanity check: Most new associates spend their time—as they should—learning the ropes by doing legal drudgery: endless,

painstaking research; document review and shuffling through terabytes of discovery material; making necessary appearances and filings in courts; writing form contracts and pleadings; and hopefully learning their craft at the elbows of their seniors who have the experience necessary to bill \$500 per hour and more for their time and counsel.

Associate apprenticeship is necessary and supervision of those on the learning curve is professionally mandated by every state's legal regulations, but billing for the time of the supervising lawyer and the learning associate is part of a time-honored legal tradition that often amounts to double-billing. Those in the non-law-firm vending community who can expertly perform a variety of the services performed by first-years at a third of the price are gaining ground and expanding their business lines daily. Why not hire a legal research company or a team of ediscovery consultants to do document work, or another in-house paralegal to do the routine and repetitive contracts and pleadings work? I hear of more and more in-house counsel who: 1) won't pay for entry level associates any more—they are "out-lawed" in the retention letter, 2) mandate that their firms work with vendors on some of the less exciting aspects of the case or matter that can be severed and done for a fraction of the firm's costs, and 3) give increasing amounts of work to a couple of savvy law firms who've started creating and offering those alliances with preferred out-sourcers so that they can be more efficient.

Sanity check: Many of the best and brightest students graduating from school today say that they don't want to work the hours or make the sacrifices that their senior partners did when they entered the profession. But they'll take the money, thank you. They'll still apply for the jobs in firms where they know that they're expected to put their lives on hold in perpetuity in order to earn the salary and have an eventual shot at a seven-figure income. And their partners, unable to get over their own frustrations, will continue to demand the same rituals of crazy hours that caused their pain.

Sanity check: Who says that firms that are paying these rates will recruit the best talent? Skyrocketing salaries and the need to

bleed revenues from the resulting associate classes will do more to prevent these firms from hiring anything other than driven and "pedigreed" applicants, even though that may not be the only kind of talent that clients want. Perhaps what clients actually want is not the editor of the law review from one of the 25 "top 10" law schools in the country. Perhaps they want talent more broadly defined: experienced, diverse, and with life experiences beyond those normally held by the majority of "highly-pedigreed" graduates. Maybe clients want lawyers with a more developed ethical compass to work on their complex corporate-quagmire problems. Maybe clients are more interested in graduates with a pronounced passion for public service, or who communicate really well with juries, or who—dare I say it?—are actually satisfied with their jobs because they work in a more balanced work environment. There are plenty of bright lawyers who are actually a pleasure to work with because they are happy, and their lives are a bit more balanced with a mix of work and non-work activities and interests. Some of them might be in that rarified air of graduates who get the \$160,000 per year (read: \$400,000) offer; a great many of those people work elsewhere, though, and don't carry the baggage or the price tag of large law firm life.

Every study out there says it over and over: You don't get more—indeed, you get less—from folks who are working at surge capacity 24/7/365. Those workers are less and less productive and more and more inefficient. The business model of hourly billing in firms exacerbates the problem by encouraging work to be done in greater quantity, rather than with greater efficiency.

So who will stop the madness? Are we going to wait until firms announce in 2009 that the class of 2010 will be offered \$180,000? Will that finally be enough? Or have you reached the end of your rope now?

The corporate legal community needs to stand up and exercise its not inconsiderable influence. You and your clients are being overcharged for legal work in the largest firms. Do something about it. Tell your firms that charge too much that you

won't pay increased rates, and that you don't want any of those nice new associates (or their increasingly expensive senior associate colleagues) billing to your account unless the firm can quantify why it is that they'll provide more value to you as the client than a partner in a less expensive firm, or an expert legal service vendor/consultant. Ask why, if the top 20 recruits in the nation need this much, it is that firms can't just give a raise to them, rather than to every associate in the firm's pool? Explain to them that they're killing the practice of law by driving associates into the ground, and that you're not going to help them do it.

Then go out and hire from the abundant pool of talent in less expensive places, whether it be smaller firm lawyers, or lawyers working outside the confines of the really big cities. Let your expensive firms' management know that while you'll miss their high quality work, they've just got it wrong and you won't be forced to pay for their continued lack of business principal and judgment. Remind them that in spite of what they tell themselves and you everyday, there's quality legal service to be had at a fraction of the cost. After all, most of those large firm's mid-level and experienced associates will be secretly interviewing for jobs in your legal department or these alleged "second" and "third" tier firms as soon as they realize that the cycle of pain at the most prestigious firms just won't stop. We all know they'll be willing to take half the pay in order to earn the privilege of working somewhere they're valued for more than the number of hours they bill, but rather lauded for the high quality legal services they're bright enough to provide.

What can ACC do to support you on this matter? We're considering the alternatives and would like to hear your views. Let me know by emailing me at hackett@acc.com. After all, my bill to you is only \$225 per year if you're eligible for membership!

Virtual Board Meetings?



Keeping your board members informed via the web is more than just scheduling meetings through email. That's why there's CSC Virtual BoardroomSM - a new Compliance and Governance solution from CSC. Those responsible for corporate governance and the broad transparency requirements of Sarbanes-Oxley will now have access to a private and secure on-line workspace to support your corporate board and committee meetings. With CSC, your corporate entity information is already integrated into the boardroom so it's ready when you are. *Now that's reality!*

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Check Out Our Chapter Website

Did you know that First Mariner Bank is looking for a deputy general counsel? You would, if you were checking our ACC Baltimore Chapter website regularly! We have a handy new shortcut to the chapter's website—www.accbaltimore.com. Join us there to:

- Get the latest info on upcoming programs;
- Get copies of materials distributed at prior programs;
- Find job listings in our area from ACC's In-house Jobline;
- Read comprehensive analyses of Anna Nicole Smith-related litigation (OK, calm down, just wanted to see if you were paying attention);
- Find links to our sponsors;
- Read the latest chapter newsletter; and
- Read the latest spine-tingling message from our chapter president.

If there's anything else you'd like to see on our website, please contact Andy Lapayowker at alapayowker@crowncentral.com.

Upcoming Programs

May 15	Are We Really Through With This Employee: Waivers and Releases in Severance Agreements
June 4	Golf/Spa Event
June 27	The Life of In-House Counsel in the Era of "Best Practices"
October 9	What's Keeping the GC Awake at Night?
November 15	Best Practices in Protecting Your Online Brand
December 5	General Membership Lunch

Welcome New Members

We wish to welcome the following new members who have joined our chapter recently:

Daniel Alexander, PEAK Technologies, Inc.

John Bathon, ARINC, Incorporated

J. Steven Fayer, Cecil Bank

Dana Fidazzo, Fieldstone Investment Corporation

James Humphries, Bechtel National, Inc.

Scott Johnson, U.S. Foodservice, Inc.

Charles Kasky, Maryland Association of Realtors

Aaron Marshall, Northrop Grumman Corp.

Douglas Price, Bechtel National, Inc.

Richard Sinkfield, Laureate Education, Inc

Christopher Smith, Manekin, LLC

Tim Staley, Bechtel National, Inc.

Andre Walters, Bobcats Basketball, LLC