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Our next Lunch and Learn program will be held on June 12. Fredrikson & Byron is our sponsor and Cynthia Moyer and Laurie Miller will speak on The Top Ten Things Every Corporate Counsel Needs to Know About New Rules for Electronic Discovery. The Program Committee is busy working on future programs as well so mark your calendars for Lunch and Learns on October 2 and December 12.

From our Career Management Committee:

The Career Management Committee (CMC) is tasked not only with assisting those attorneys in job transition and providing ways to network generally to advance careers, but also with helping members build skills and competencies for career enhancement. In 2007, the CMC started out the year with a fun, exciting event we called Get Connected! Sponsored by Dorsey & Whitney, this event was a rousing success—all the more telling of us hearty Minnesotans since it was held in the evening in the middle of January and was attended by over 60 people. Our Second Annual Get Connected event will be held sometime in January 2008 and will be sponsored by Gray Plant Mooty. Meanwhile we are busy planning more social events as well as additional breakfast seminar opportunities.

From our Practice Group Committee:

Yes, there is such a thing as a free lunch. Our practice group lunches have been restructured into the Corporate Generalist Group and the Employment Group. Each of these practice groups has met once this year and will meet one more time. Mark your calendars: September 19, for the Corporate Generalist Group and November 14, for the Employment Group (topics TBD). After a short presentation of a relevant topic, look forward to lively discussion with your colleagues. The lunches are held at the Olive Garden in St. Louis Park and are a great way to share ideas, benchmark, network, etc. Look for email notices closer to the dates. Remember, the lunch is FREE and the company superb!

We understand that your time is valuable so we strive to offer chapter events which make the best use of that scarce resource. I hope to see you at one or more of our programs in 2007!



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Teresa Johnson President's Message

I am pleased and excited to have taken on the role of president of the Minnesota Chapter of the Association of Corporate Counsel (MNACCA). It is truly a privilege to work with all of you in creating a vibrant in-house legal community in Minnesota.

I want to acknowledge the many contributions of Catherine Janik, our past president. Under her able leadership during the past two years we have grown chapter membership from 300 to 475 members, enhanced our administration by hiring chapter administrator Betsy Handlson, published our first membership directory, and added tremendous new initiatives through the generosity and participation of our sponsors and the hard work of our committees. Catherine, who will remain on the board, will also serve as the interim chair of the Career Management Committee, replacing Anne Baker who resigned as chair due to other commitments. We also owe a debt of thanks to three outstanding MNACCA members who are leaving the board, but who will surely remain active in the chapter: Bonnie Bennett, board member since 2001, and president from 2003 to 2005; Dani Deering, board member since 2002; and Anne Baker, board member since 2004, and chair of the Career Management Program for the past two years.

So, what is in store for 2007–2008? Later on in this letter, I will tell you what we have on tap. But, first I would also like to ask some questions of each of you. Do you derive value from MNACCA? If so, why? If not, why not? What would you like to get from your chapter? Would you like more social opportunities with other members? Do you just want to get CLE credits? Are we hitting the topic areas of interest to you? Are the events and locations relevant and convenient? Would you enjoy the opportunity to serve on a committee or working group for the chapter so that you could meet other in-house counsel and possibly develop deeper relationships? Drop me a line any time or call or write to Betsy Handlson with your ideas. (All of our e-mail addresses are on the reverse side of this newsletter.) We are conducting strategic planning for the chapter this summer and want your feedback to make this your chapter in every way!

Of course, we have many programs and events planned for 2007, and you can get more information about them on our website at www.acc.com/chapters/minn.php. Just click on the link for the Minnesota Chapter to get all the latest news. Here is a brief overview of upcoming events:

From our Program Committee:

We hope you enjoyed our 7th Annual General Counsel Forum and dinner on May 1. Held at the Grand Hotel in downtown Minneapolis, this program featured a panel of three outstanding GCs from prominent Minnesota corporations: Steve Euler of Cargill Incorporated, John Junek of Ameriprise Financial, Inc., and Heidi Hoard of Tennant Company. With over 100 attorneys in attendance, this was our biggest event ever. The GCs shared their valuable



GC Panelists Heidi Hoard, Tennant Co., and Steve Euler, Cargill, Inc.

insights on topics ranging from managing an international law department to enhancing law department diversity. It was invaluable to get a peak inside these leading companies and to learn about their legal functions and initiatives. The dinner and wine were delicious, the networking opportunities were fantastic, and everyone received a beautiful coffee table book from our sponsor, the law firm of Lindquist and Vennum. Look for pictures of all our smiling faces on the MNACCA website, also courtesy of Lindquist and Vennum.

continued on page 4

Viva la Revolution?2, 3

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 corre-

sponding \$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!