



Kevin McMurray
President's Message

Greetings fellow members! I find it hard to believe that

we've already closed out our first quarter of 2007. The older I get, the faster time seems to fly by. I want to say "thanks" to everyone who worked so hard to make our February "CLE & Ski" event at Deer Valley a great success. I was pleased with the attendance, and I believe the quality of the CLE was outstanding. We were very fortunate to have our Utah attorney general, Mark Shurtleff, speak to us. I look forward to meeting as many of you as possible in the coming months, as we gather for future chapter events. Our chapter board has been busy planning some great events for this year. Please make it a point to participate as often as possible. After all, your participation is what will make our chapter successful.

I've been giving a lot of thought to what meaningful message I could give that might inspire each of us to be better in-house counsel (and people in general); so much thought, that I now find myself writing this message against a very tight deadline. The thought occurred to me that I had once again succeeded in procrastinating an assignment. In light of my own folly, I think it makes sense to encourage each of us to be more proactive in our approach to lawyering and life. I remember the cliché, "An ounce of prevention is worth a pound of cure." I'd like to add that the proverbial "ounce of prevention" is

also generally less expensive and less stressful in the long run. I believe we've all been tempted to procrastinate at times, hoping that the responsibility might "go away." It is common to believe that we don't have the time or resources to tackle the issue, or we simply don't believe that the risks of our procrastination outweigh the burdens of immediate action. In the wake of the devastation caused by Hurricane Katrina, I remember hearing how many community leaders and citizens alike admitted that they knew since the 1980s that the levies around New Orleans were too weak to withstand flooding caused by a storm the magnitude of Katrina. Hindsight may be "20/20," but had city officials taken the time and money to improve the levy system over the course of twenty years, they may have been able to better protect that great city and save themselves millions of dollars in damage and priceless human suffering.

Fortunately for us, the consequences of our procrastination won't affect thousands of lives. However, the reality is that each time we put off until later an assignment that we can do today, we generally end up paying more for the final fix in terms of real money, relationships, and our own health. So, let's all make it a point to do ourselves, our families, and our corporate clients a favor by being more proactive professionals.

Best wishes!

Recruit a Member and Win a Prize—Guaranteed!

Help increase ACC's membership by participating in the ACC's Share the Wealth Membership Drive. Each time you use the Association of Corporate Counsel network, you gain valuable skills and experience only available through ACC. More members in ACC translate into improved educational opportunities, enhanced networking, increased online resources, and advancement of the profession worldwide. Each time you recruit a member, you will receive a Starbucks Card loaded with \$5.00. Recruit two or three members and win a chance to receive a portable DVD player. Recruit four or five members and receive a chance to win a digital camera. Recruit six or more members and receive a chance to win a Mac or PC valued at \$1,500 or a free ACC Annual Meeting or ACC Europe Annual Conference registration and a \$750.00 travel stipend. ACC's Share the Wealth Membership Drive ends on July 31—so don't delay, recruit today! Get more information and tips on recruiting members at www.acc.com/sharethewealth.

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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 tal-

ent? 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!

Upcoming Events

CLE Lunch & Learn—Date TBD

“Behind the Scenes of the Enron Investigation & Trial: Lessons in Corporate Governance,” by guest presenter John Hueston of Irell & Manella.

Join us for an unprecedented opportunity to hear Mr. Hueston discuss exclusive details behind the scenes of the Enron case, including how he managed to convict Kenneth Lay on each and every count. Mr. Hueston will also lead a general discussion among in-house lawyers in attendance of ways to avoid the corporate governance failures that created the climate that ultimately led to the fall of Enron and the conviction of its two top officers.

This is a CLE Luncheon you won't want to miss! This event was originally scheduled for April 17, and was cancelled due to airline mechanical problems. If you are interested in attending, please email Nalisa Dunford at nalisadunford@msn.com for more information.

Membership Event—Date TBA

SLC & Idaho

Looking For Nominations!

Our chapter will recognize four members (two from Utah and two from either Idaho, Wyoming, or Montana) who have shown great leadership and achievement through their participation and advancement of chapter causes, corporate counsel issues, and pro bono and community service projects. These are the highest chapter honors for providing distinguished service and demonstrating an ongoing commitment to the association's success. We will present the awards at our membership event. If you would like to nominate someone, please contact Nalisa Dunford at nalisadunford@msn.com.

Salt Lake National Community Service Day Event—September 2007

To benefit the Boys & Girls Clubs of greater Salt Lake and Utah Counties.

Join us for the national community service day event at Snowbird Resort this Fall where you will be able to give something back to your community! The Boys & Girls Club will be selecting a special group of kids who have earned the right to attend this event by achieving high academic goals. Our chapter and participating sponsors will host the kids at Snowbird Resort where they will be treated to a fun-filled day in the mountains. Some of the activities include a nature hike, a ride on the gondola, and of course the Alpine Slide! In addition, they will be entertained with face painting, crafts, a caricature artist, and a special take home gift bag. This is an event you and your family won't want to miss!

Boise National Community Service Day Project—October 2007

Activity TBA.

ACC Annual Meeting—Chicago, IL

Once a year, the world's corporate counsel get together for a three-day meeting to be held this year on October 29–31. It's the largest gathering of corporate counsel in the world with thousands in attendance.

SLC Lunch n' Learn—October 2007

Boise Lunch n' Learn—October 2007

CLE & SKI—January 2008

Chapter Photos

Community Service Day: Spend the Day with Members of the Boys and Girls Clubs of Utah County

Join us in September for this year's community service day at Snowbird Resort where a special group of kids will be treated to a fun-filled day in the mountains. It's an event you and your family won't want to miss!



Board Members and Contacts

President

Kevin McMurray
USANA, Inc.
801.954.7816
kevin.mcmurray@us.usana.com

Vice President

Peter Webster
Rio Tinto Services Inc.
801.238.2433
peter.webster@riotinto.com

Treasurer

Nathan Nelson
Albion Laboratories, Inc.
801.820.1122
nnelson@albion-an.com

Secretary

Katherine R. Lofft
Alliance Legal Services, LLC
435.659.1688
lofftpc@msn.com

Immediate Past President

Stanley E. Soper
Nutraceutical Corporation
435.655.6072
ssoper@nutracorp.com

Board of Directors

Janine Sarti
St. Luke's Regional Medical Center
208.381.3595
sartij@slrhc.org

Mark Beesley
In transition
801.879.4864
mbeesley@digis.net

Edwin V. Apel
Washington Group International, Inc.
208.386.5010
win.apel@wgint.com

Rashelle Perry
Merit Medical
801.208.4343
rperry@merit.com

Dawn M. Call
Management & Training Corporation
801.693.2700
dcall@mtctrains.com

Vonda Hall
Albertson's Inc.
208.395.4922
Vonda.hall@albertsons.com

Craig Hale
Xango LLC
801.753.3000
craig.hale@xango.net

Chapter Administrator

Nalisa Dunford
mountainwest@acc.com

ACC: Planning for the Future

ACC strives to be the premier association for in-house counsel and we have made significant strides towards that goal. Consider last year we crossed the 20,000 membership threshold, while averaging a net gain of 1,400 members per year for the past 5 years. The Annual Meeting has doubled in size in 5 years and we expect total attendance to surpass 3,000 people in Chicago this October. ACC Online and the *ACC Docket* provide a wealth of useful and practical information that in-house counsel can use for their professional development. In addition, the committee network continues to expand and the chapter network has never been stronger or more robust.

ACC's Strategic Plan constitutes a critical component of our success. The Board of Directors as well as chapter and committee representatives first developed this plan over 3 years ago. This January, the directors and a group of chapter and committee representatives met to assess and refine the plan based on the results of our recent member needs assessment survey. As a result, two strategic initiatives were added as initiatives for ACC to focus on in the next year or two. This plan provides the guidance and focus that is critical to our recent success and our future challenges.

Here are the major goals of the strategic plan with examples:

- Be the Voice of the In-House Bar by advancing the in-house practice of law and the professional standing of in-house attorneys. (E.g., preserve the attorney-client privilege and promote MJP reform.)
- Provide value to in-house counsel at each stage of their career through targeted resources and services. (E.g., Corporate Counsel University for new in-house attorneys and CLO Think Tanks.)
- Build a global network. (E.g., a thriving chapter in Europe and 1000 members outside the US in 60 countries.)
- Improve awareness of ACC in the in-house community while developing and expanding our brand in the legal and business communities. (Recognition in the media as the source of information about the in-house practice, including such publications as *Business Week*, *Forbes*, *USA Today* and the *Wall Street Journal*.)
- Provide more training on general business and management issues. (E.g., Executive Leadership Institute, Mini MBA Program covering financial and business issues)
- To leverage technology resources and skills. (E.g., enhance our website and expand our use of technology to deliver resources to and facilitate networking among our members.)