
2006

CHIEF LEGAL OFFICER SURVEY

The Opinions of Chief Legal Officers on Issues of Importance

Conducted by

Altman Weil, Inc.

LexisNexis® Martindale-Hubbell®

SECTION 1

BACKGROUND & OBJECTIVES

Background & Objectives

For the seventh year in a row, Altman Weil, Inc. has surveyed Chief Legal Officers (CLOs), this year in partnership with LexisNexis® Martindale-Hubbell®. The purpose of these surveys is to:

- 1) Capture current thinking of Chief Legal Officers.
- 2) Compare CLOs' year-to-year answers and changes in thinking, including three-year trend data when available.
- 3) Share the results of the tabulated surveys with the legal profession, enabling both corporate law departments and law firms to benefit from the surveys.

Participation

One hundred sixty-five Chief Legal Officers provided responses for the October 2006 survey. The survey responses were tabulated and analyzed. Section 2 includes a summary of the results. Section 3 provides demographic data on survey participants.

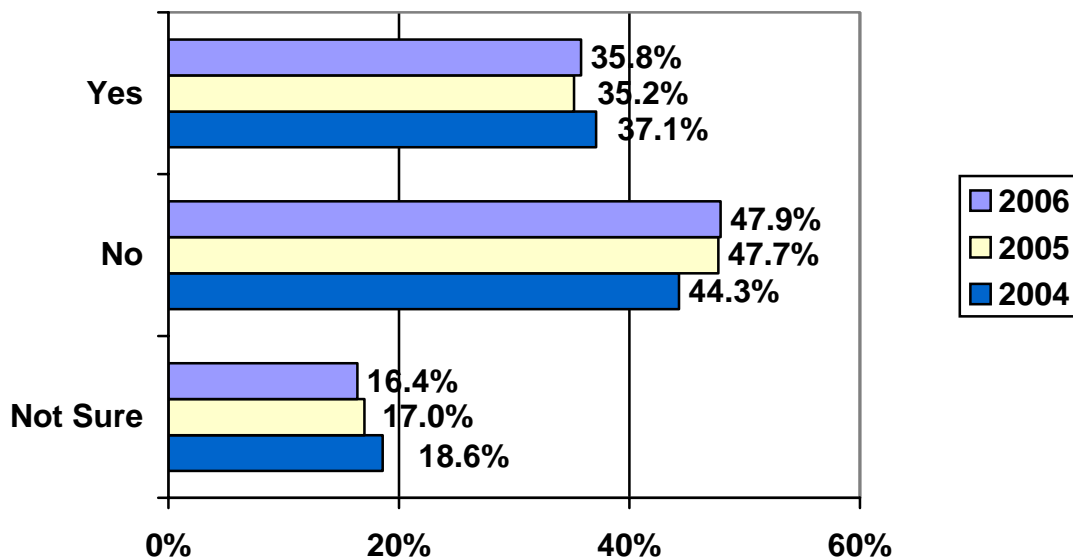
SECTION 2

SUMMARY OF RESULTS

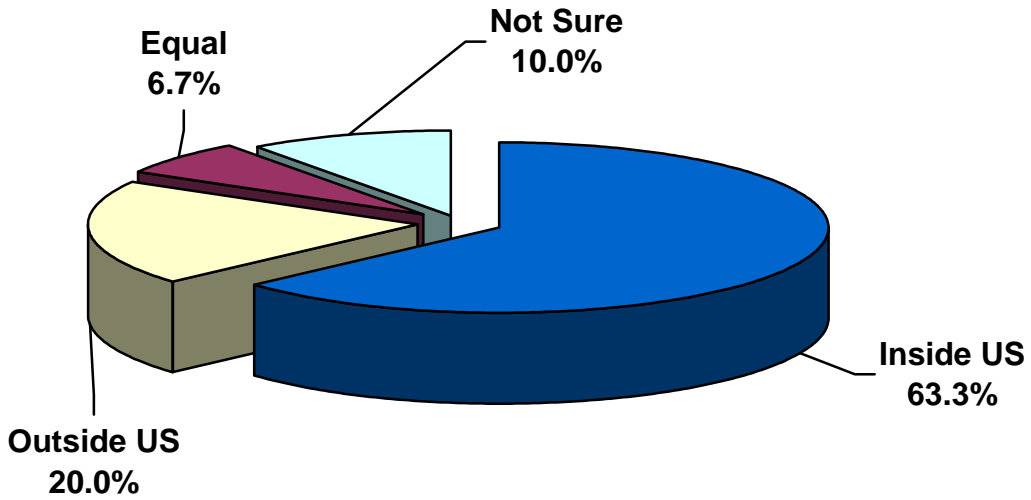
Summary of Results

The results of the survey follow. Each question is presented and the tabulated results of the survey follow each question. Where identical or similar questions were asked in prior CLO Surveys, a comparison and analysis is presented. Some answers are represented in charts and graphs while others are provided in text format.

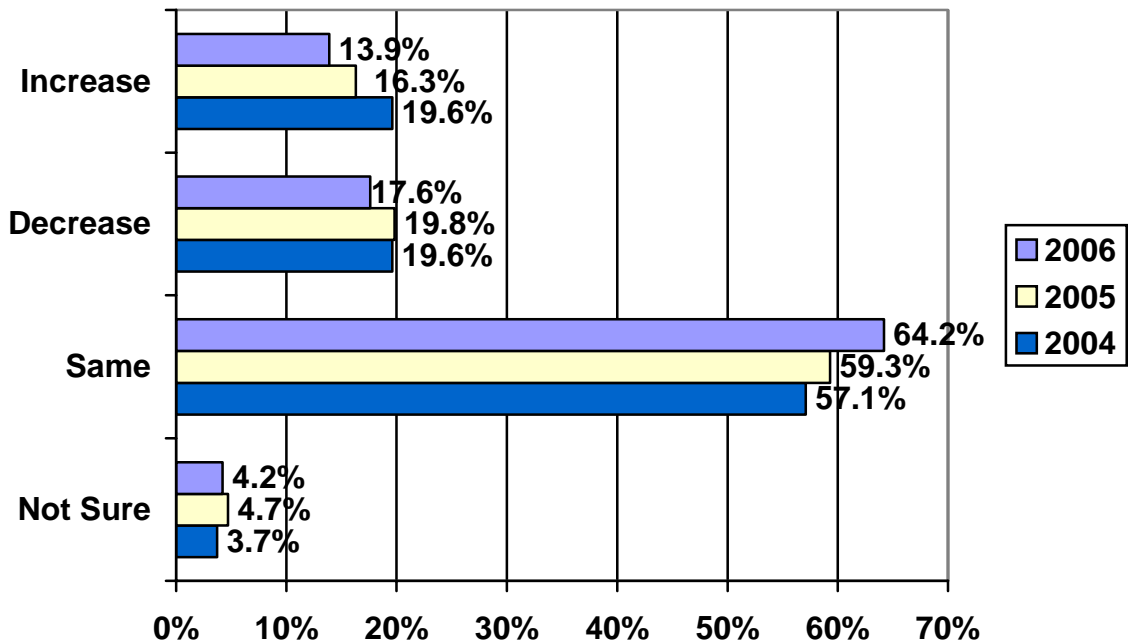
- 1. Within the next 12 months, do you plan to extend your in-house legal capabilities by hiring additional lawyers?*



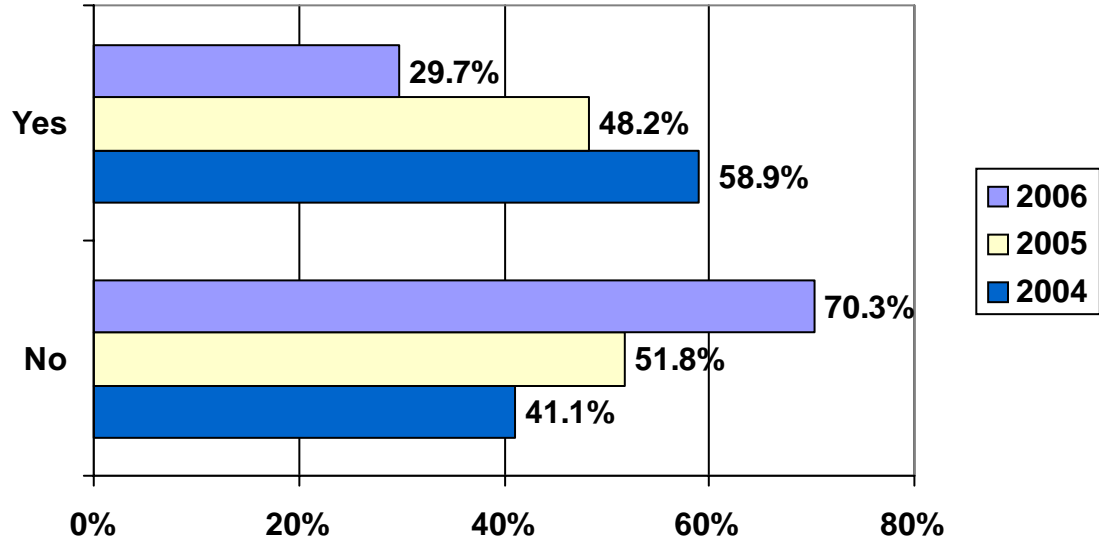
1a. If yes, will you see greater hiring within the U.S. or outside the U.S.?



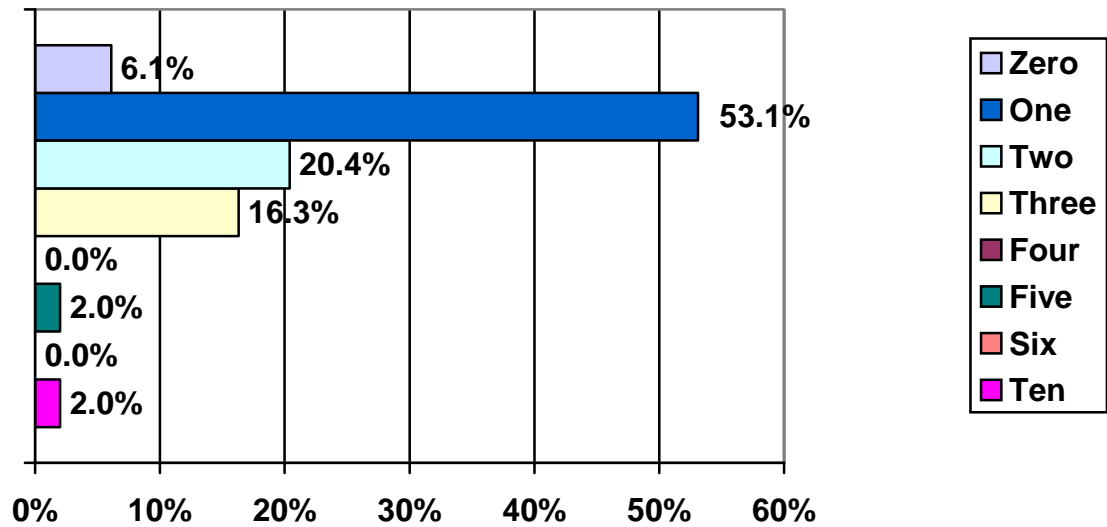
2. Within the next 12 months, do you plan to increase or decrease your use of outside counsel?



3. Have you fired or are you considering firing, one of your law firms this year?



3a. If yes, how many firms?



3b. Top four reasons for firing outside counsel:

1. Mishandling one or more critical matters.
2. Poor quality of legal work.
3. Lack of responsiveness.
4. Cost management issues (fees and/or expenses).

4. What steps have outside counsel taken to improve the working relationship with your Law Department?

Responses listed in order of frequency — with representative comments:

1. Communication

- Regular, non-billable meetings to discuss needs / status of pending projects.
- Assigning a contact partner to ensure effective communication.
- Requests for feedback on performance and in-person visits.
- More real-time communication, less time devoted to unnecessary steps.

2. Fees / Billing

- Our outside firms have provided us with alternative billing arrangements, rate concessions and rate freezes.
- Revised billing practices, working more proactively with inside counsel to reduce unnecessary costs.
- Prepared understandable budgets for complex matters.
- More detailed billing, allowing us to track better what work is being done.

3. Little / Nothing

- None – one firm is in danger of being fired.
- Not many – they don't seem to get it still!
- Very few... all initiatives have been driven by us.

4. Partnering / Understanding our business

- Getting to know our needs better and providing the right solutions for them.
- More collaborative contacts.
- One firm flew to our headquarters to meet counsel & prime senior managers.
- Periodic, no-charge conferences for understanding the business better.

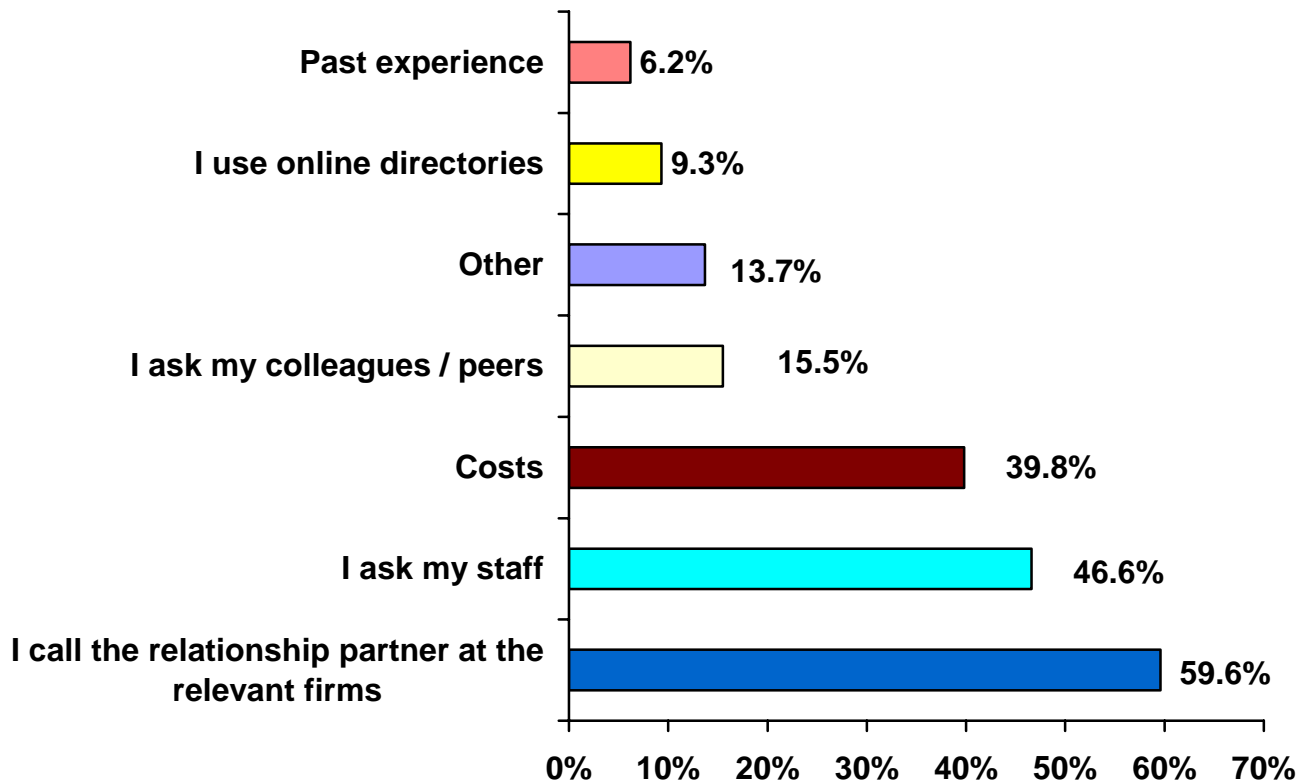
5. (tie) Staffing

- Personal attention by head of department.
- More attention given to staffing fit and responsiveness.
- Responsive to requests pertaining to who and how many attorneys work on each matter.

5. (tie) Training

- Offering gratis CLE, gratis compliance presentations for management.
- Internal firm seminars on topics of mutual interest.

5. How do you make a choice when selecting between similarly qualified outside counsel on your preferred provider lists?

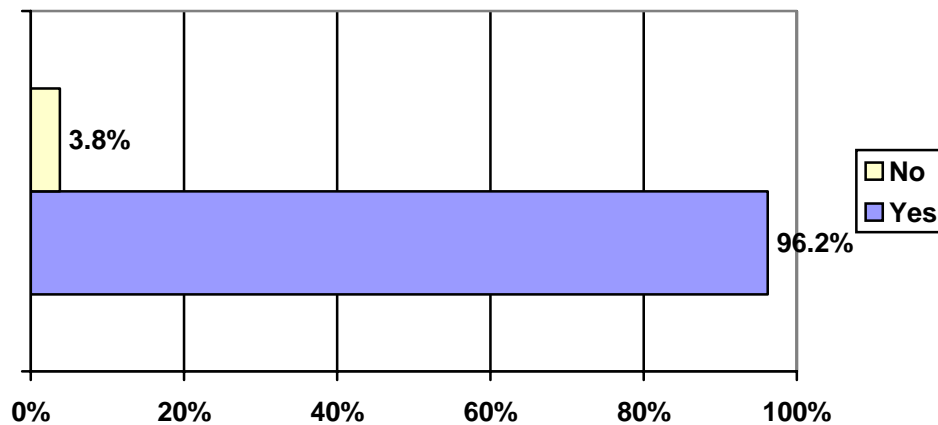


Note: Multiple responses, does not total 100%

5a. Other responses include:

- Diversity.
- Personal chemistry.
- Location.
- Beauty contests.
- We don't use preferred provider lists.

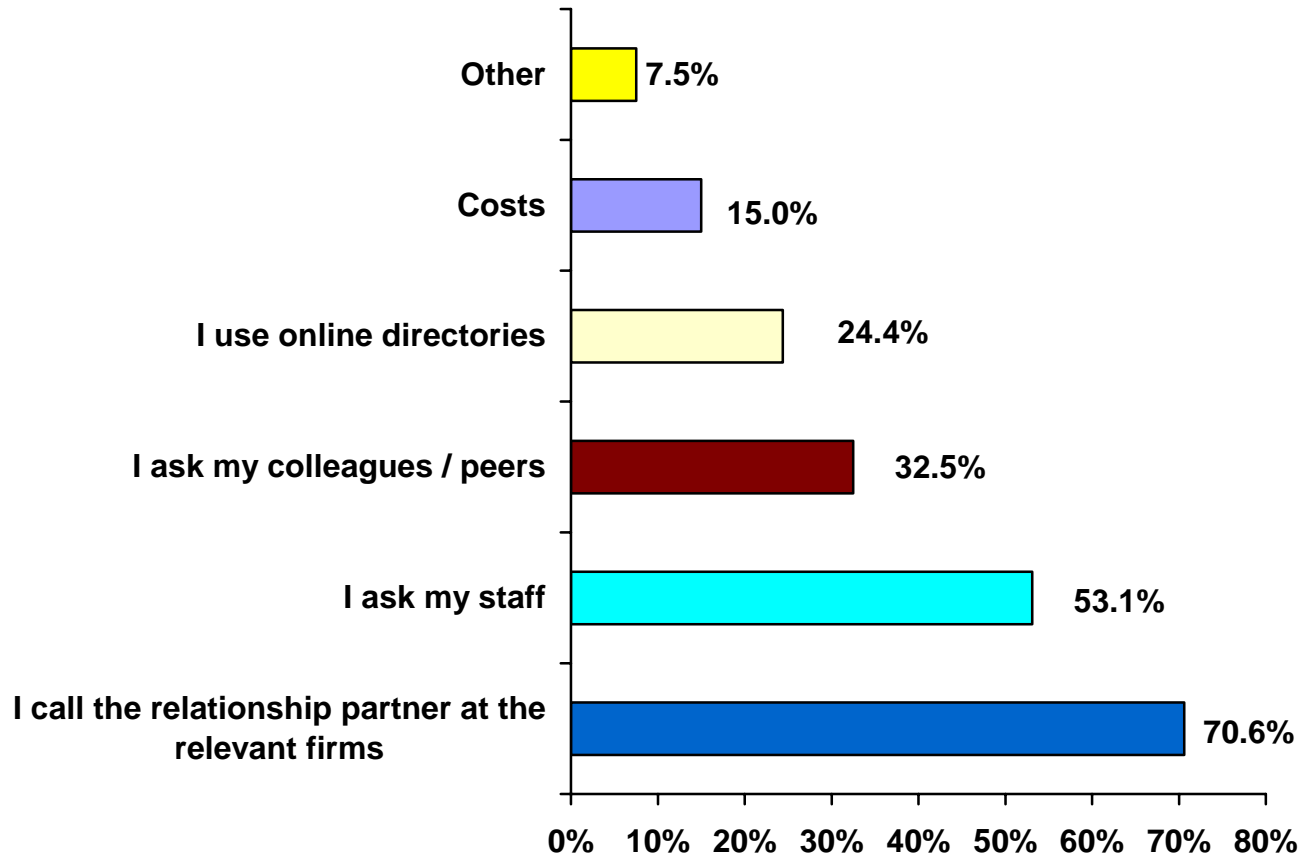
5b. Are you satisfied with the way the selection process is working?



5c. Representative comments:

- We have a preferred provider program so that usually our firm selection decisions are relatively straightforward.
- We need to do more in terms of narrowing our number of firms in given geographies and by subject matter.
- We struggle constantly with outside counsel on cost issues and relationship issues even with all the selection processes that we have used and continue to use. We are very frustrated currently with outside counsel.

6. *When you have a new matter requiring a new area of expertise, how do you identify which preferred provider can best handle the matter?*

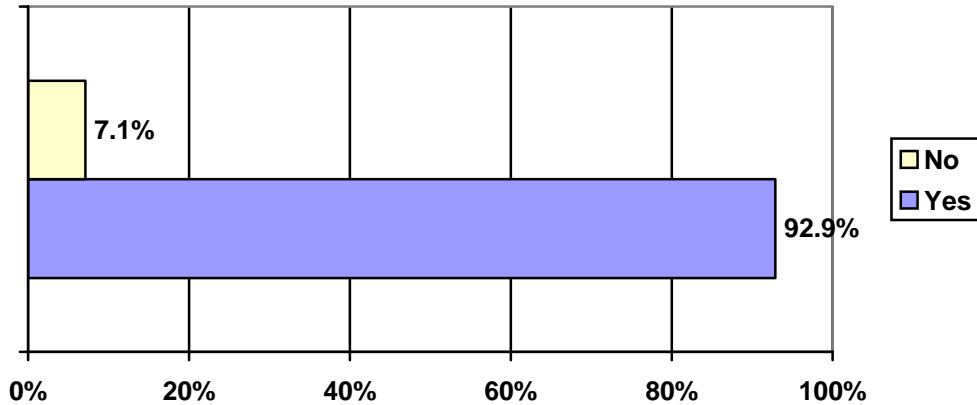


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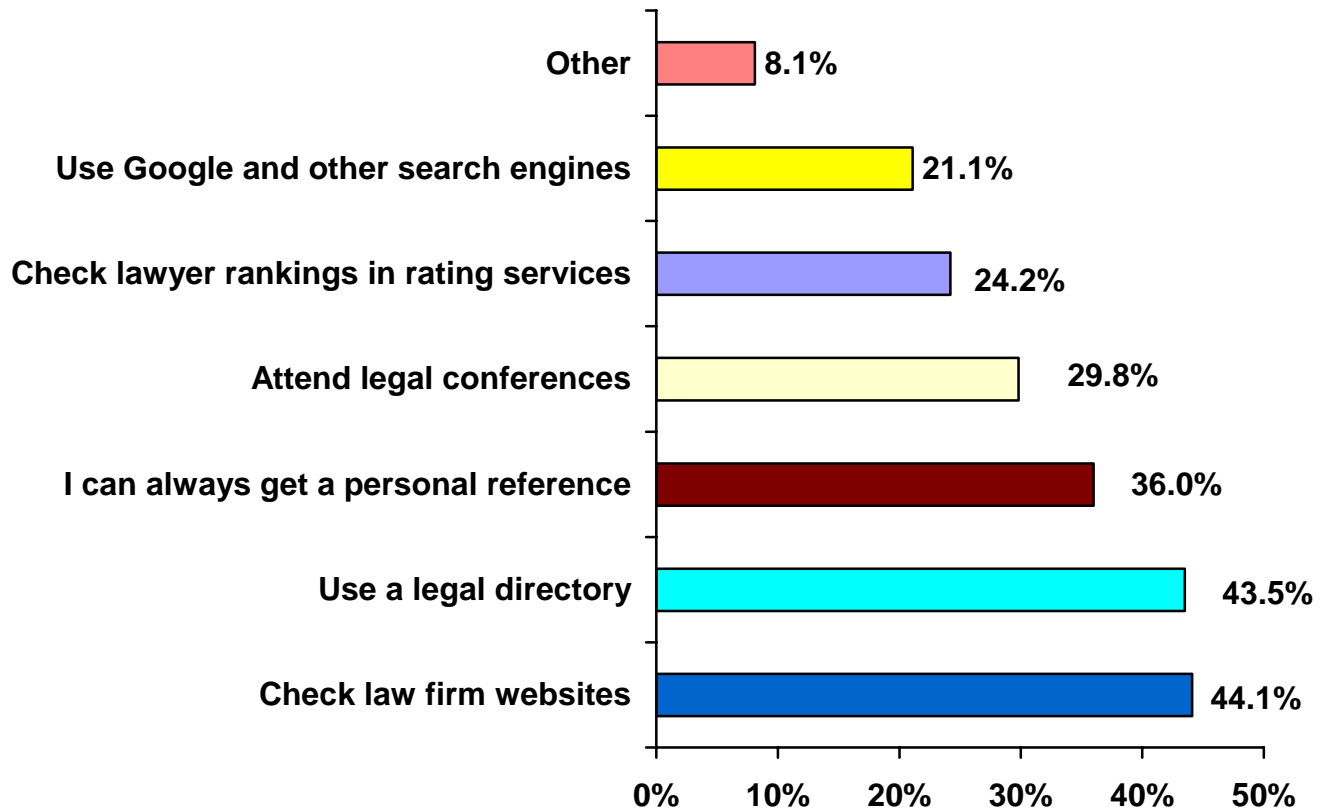
6a. *Other responses include:*

- Diversity.
- Expertise.
- Beauty contests.

6b. Are you satisfied with the way the selection process is working?



7. What is your preferred method of securing new outside counsel when you do not have a personal reference?

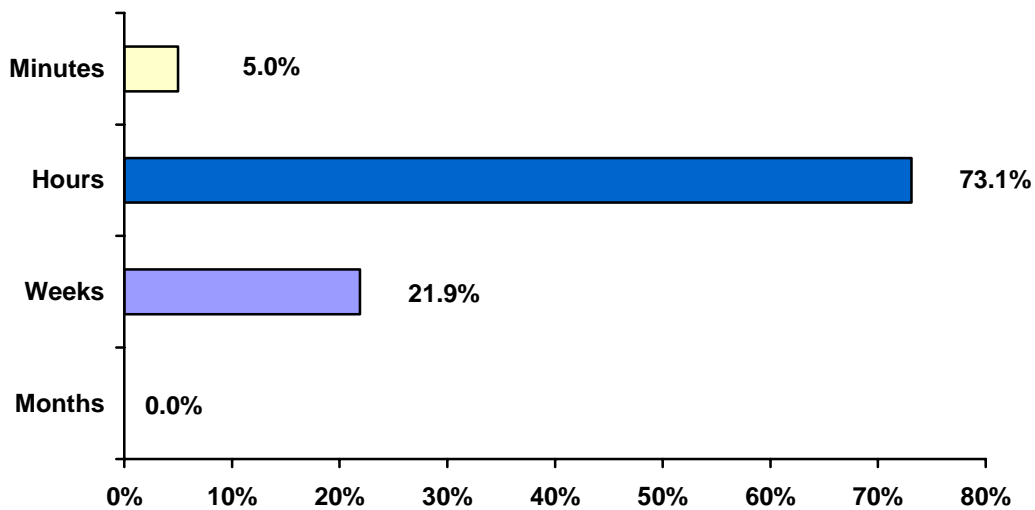


Note: Multiple responses, does not total 100%

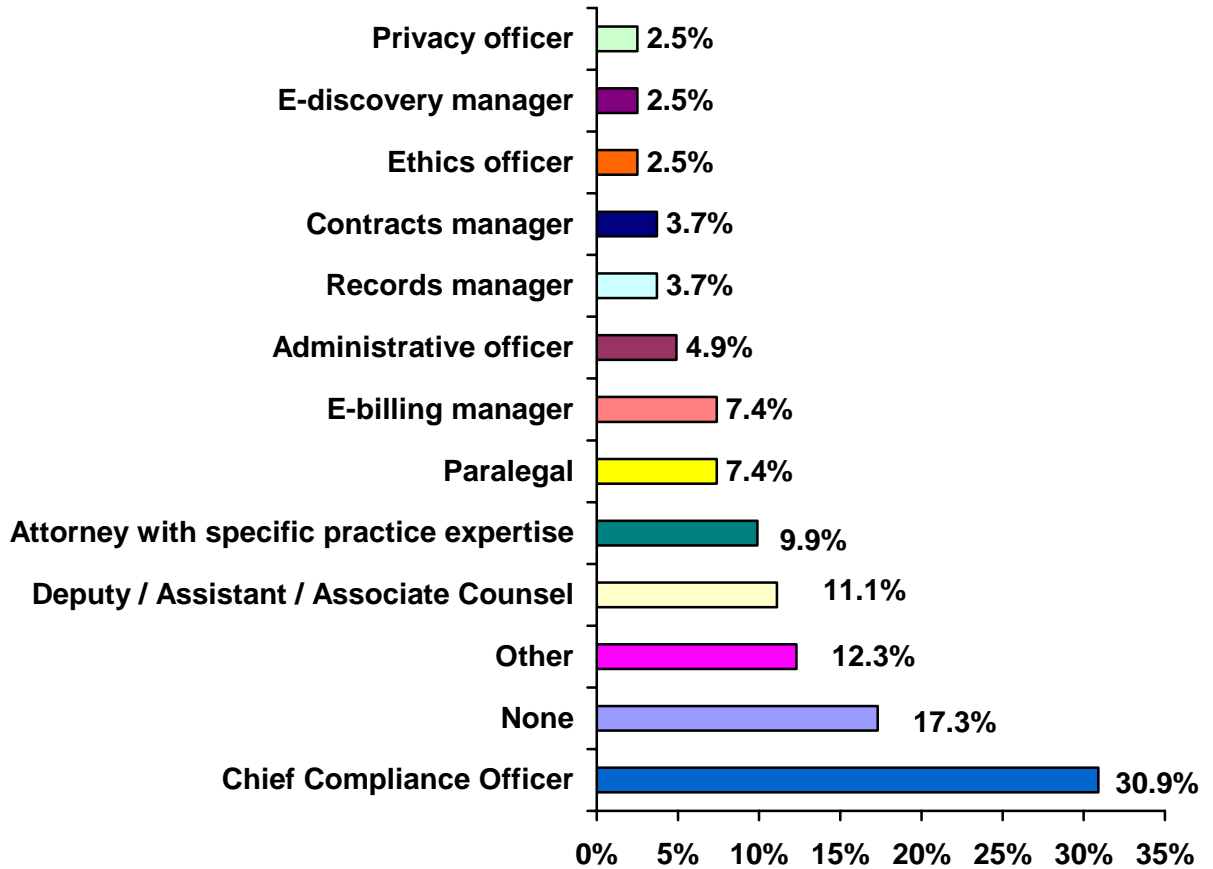
7a. Other responses include:

- Law firm networks.
- Reputation.
- Contact local business and legal associations.
- Contact attorneys who have authored articles or addressed conferences.

8. How long does it take you to find a new outside counsel when you do not have a personal reference?



9. *What completely new positions have you added to your Law Department in the past two to three years?*



Note: Multiple responses, does not total 100%

9a. *Other responses include:*

- Information security officer.
- IP manager.
- Governance coordinator.
- Patent agent.

10. If you had the resources to create a completely new role to fill a current need or one you see on the horizon, on what would that role focus?

1. Compliance.
2. Specific practice specialty.
3. (tie) General legal support.
3. (tie) Administrative management.
3. (tie) Litigation / Risk management.

11. For the next three to five years, what is your greatest long-term (over the horizon) concern?

Top responses in order of frequency — with representative comments:

1. **Compliance**

- Compliance programs including document retention and e-discovery and employee training.
- Compliance with the increasing number of federal, state, local and foreign laws that apply to our worldwide business.
- Satisfying the increasing demands of regulatory compliance (SOX, etc.) with the same resources.
- That regulatory/compliance requirements become so burdensome as to affect our efficiency and ability to take on new projects.

2. **Limited resources**

- Maintaining the current level of service to my clients despite the additional work being given to this department.
- Ability to match legal resources to increasingly specialized business needs.
- Doing more with less.

3. **Litigation**

- Increased litigation putting increased pressure on the department budget and creating increased exposure for my client.
- Growth of litigation, in particular class actions.

4. **Costs**

- Controlling costs as company's activities become more complex.
- Controlling costs while expanding into numerous states.
- Continued escalation in litigation and outside counsel costs.
- Demands to reduce internal costs, with increasing legal risks and issues.

5. **Staff development and retention**

- Retaining talent in an essentially pyramid organization where not everyone can be GC.
- Inability to pay appropriate salaries to retain staff.
- Retaining key talent.
- Providing upward career paths for my lawyers.

6. **Business-focused goals**

- My concerns are more business-oriented than legal department-oriented.
- Profitability.
- Growth of the company.

7. **E-Discovery / Records management**

- Electronic document discovery.
- Records retention.

8. **Other**

- Protection of intellectual property.
- Cost benefit of in-house vs. outside counsel.
- Specialization will overtake generalist.

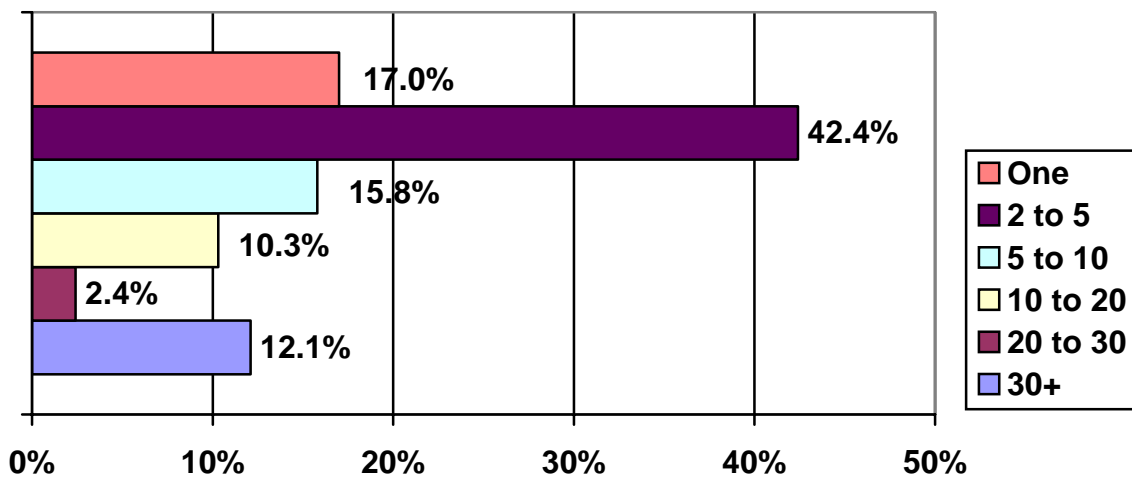
SECTION 3

SURVEY DEMOGRAPHICS

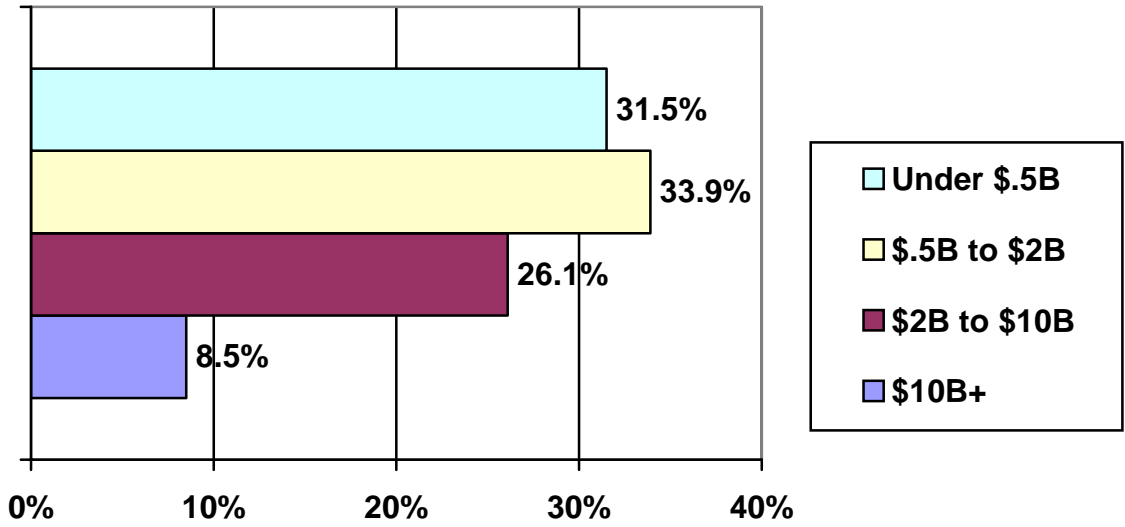
Survey Demographics

Following are the Survey demographics, which describe the responding Chief Legal Officers and their law departments.

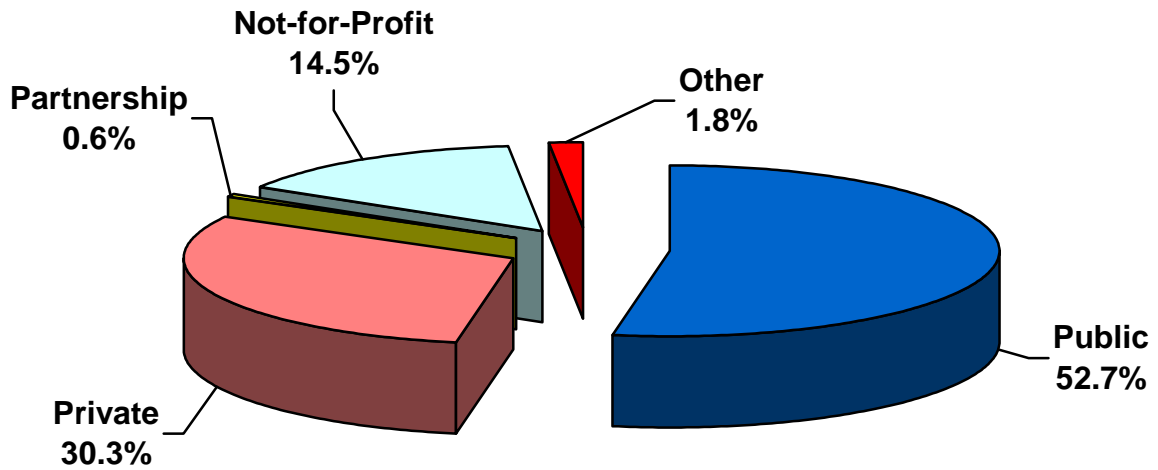
1. *How many in-house attorneys are in your department (in all locations)?*



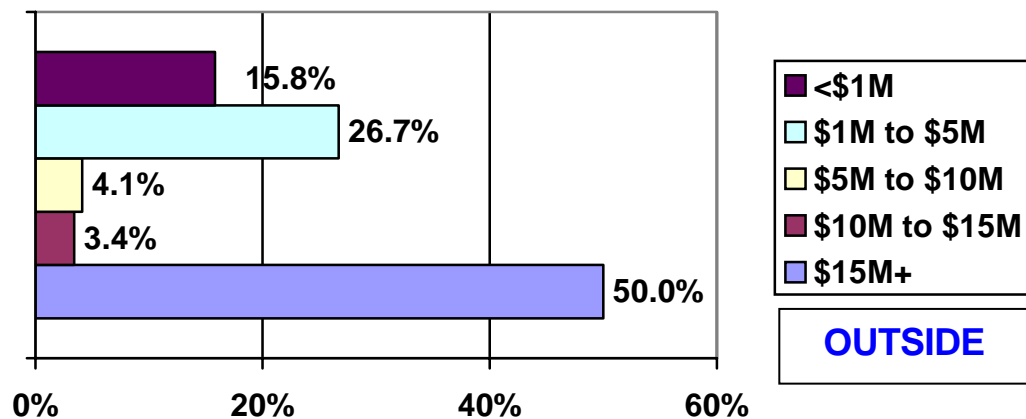
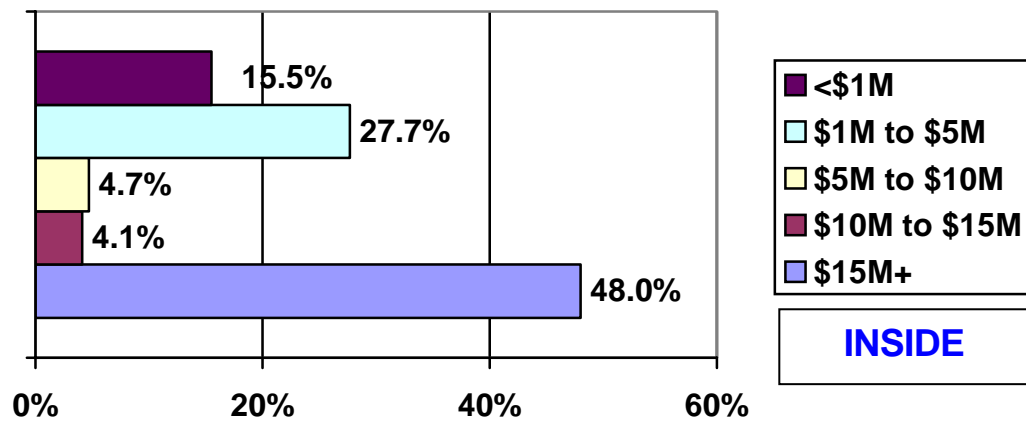
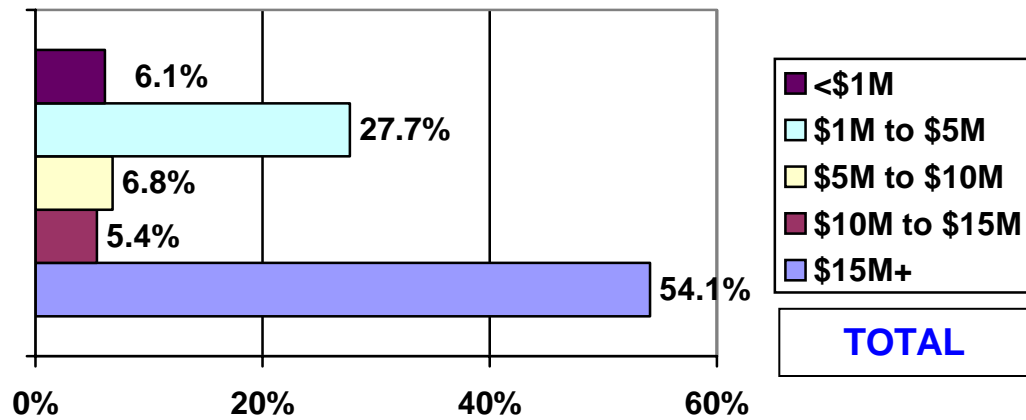
2. What are your organization's annual revenues?



3. Is your organization:



4. What is the size of your 2006 Law Department budget in U.S. dollars (Total; Inside; and, Outside)?



SECTION 4

ABOUT ALTMAN WEIL

About Altman Weil, Inc.

Altman Weil provides management consulting services exclusively to legal organizations. Our clients include law firms, corporate and government law departments and legal vendors of all sizes and types throughout North America, the U.K. and abroad.

We offer a full range of consulting services, a vast menu of valuable publications and some of the most impressive credentials in the industry.

Consulting Services

- Strategy
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- Practice Management
- Management and Governance
- Compensation
- Marketing and Business Development
- Client Surveys
- Law Firm Finance
- Leadership Development and Performance Management
- Paralegals and Paralegal Programs
- Retreats
- Corporate Law Departments
- Government Law Departments
- Executive Search Services
- Market Research
- Custom Surveys and Benchmarking
- Training Programs
- Legal Vendor Advisory Services

Publications

Our surveys are the industry standard and are often utilized in courtroom expert testimony:

- *Survey of Law Firm Economics* (published annually)
- *The Law Department Metrics Benchmarking Survey* (published annually in partnership with LexisNexis Martindale-Hubbell)
- *The Law Department Compensation Benchmarking Survey* (published annually in partnership with LexisNexis Martindale-Hubbell)

Contact Altman Weil

Contact Altman Weil, Inc. at info@altmanweil.com, visit our website at www.altmanweil.com, or call (610) 886-2000 to learn more about our services.

SECTION 5

ABOUT LEXISNEXIS® MARTINDALE-HUBBELL®

About LexisNexis and LexisNexis Martindale-Hubbell

LexisNexis® (www.lexisnexis.com) is a leading provider of information and services solutions, including its flagship Web-based Lexis® and Nexis® research services, to a wide range of professionals in the legal, risk management, corporate, government, law enforcement, accounting and academic markets. A member of Reed Elsevier Group plc [NYSE: ENL; NYSE: RUK] (www.reedelsevier.com), LexisNexis serves customers in 100 countries with 13,000 employees worldwide.

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For more information, go to www.martindale.com, email Kelly Newcomb at kelly.newcomb@lexisnexis.com or call (908) 665-6728.