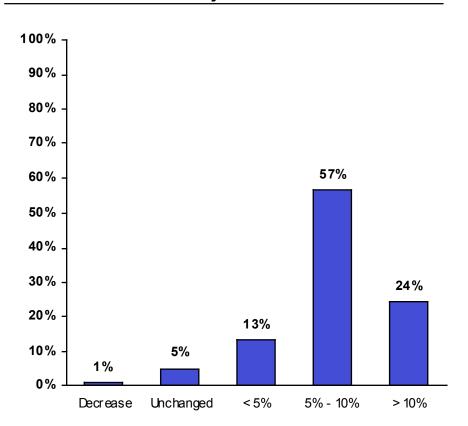


## **Profit Expectation**

# Over 75% of respondents believe 2007 profits will grow at 10% or less, below the growth levels seen in the 2001-2006 period

#### **Level of Projected Growth**



#### **Additional Observations**

### **Expected Primary Drivers of Net Income**

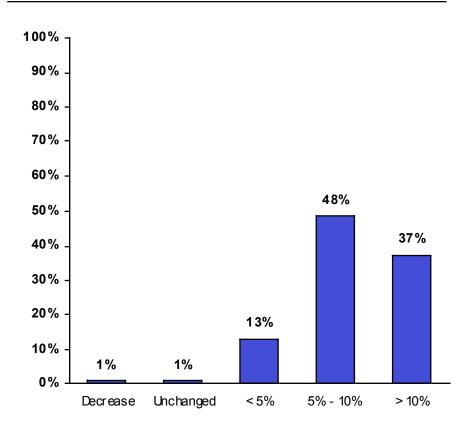
- 73% of respondents predict a pick-up in gross hours will drive income growth
- 14% of respondents think discounting pressure will strongly impact profit growth
- 11% cite changes in their expense base



## **Revenue Expectation**

# Respondents were generally more bullish about revenue as more than one third predicted over 10% growth





#### **Additional Observations**

## **Revenue Insights**

• The majority expectation of revenue growth in the 5% - 10% range is in line with the 01/05 CAGR for revenue of 9.8%



# **Expense Expectation**

## Over half the respondents project expense growth in the 5-10% range



### 100% 90% 80% 70% 60% 54% **50%** 40% 26% 30% 16% 20% 10% -2% 1% 0% Decrease Unchanged < 5% 5% - 10% > 10%

#### **Additional Observations**

## **Expense Insights**

- 91% of respondents expect lawyer salary and benefit expenses to be the primary driver of expenses upward in 2007
- 25% of MPs believe non-lawyer salary expenses will also be a contributor to 2007's higher expense base
- 23% of respondents feel that occupancy expenses will contribute to the inflation of 2007 total expenses

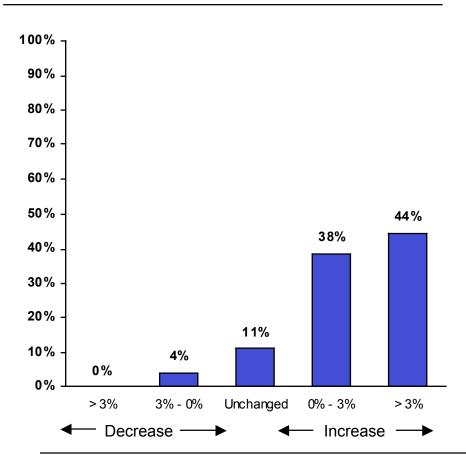


# **Demand Expectation**

# Almost half the respondents project strong growth in gross hours (i.e., demand)



#### **Additional Observations**



### **Demand Insights**

 73% of respondents consider an increase in their firm's total billable hours to be one of the primary drivers of revenue

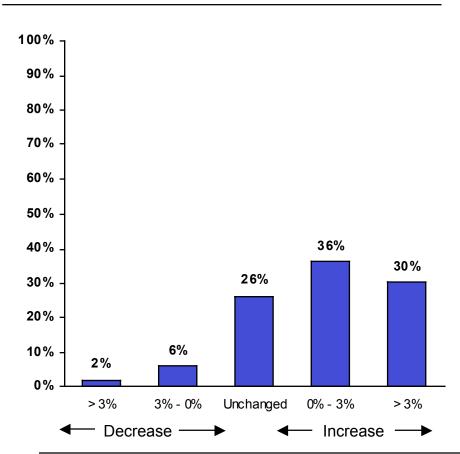


# **Equity Partner Growth Expectation**

# Over one third of respondents project no growth or a decline in their firms' equity partner ranks



#### **Additional Observations**



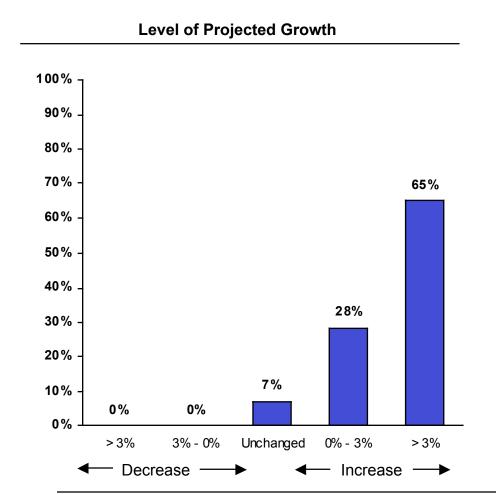
## **Equity Partner FTE Insights**

 The responses suggest that the 2006 equity partner growth rate may be lower than for 2007



## **Associate Growth Expectation**

# With two thirds of respondents projecting over 3% growth in associates, leverage should increase



#### **Additional Observations**

### **Associate Insights**

Anecdotally, we are seeing significant growth in the size of incoming classes