

LawFirmKPI Survey Report
2013 - 2014 Comparison
Sample Law Firm LLP

The data contained in this report is for example purposes only and does not tie out to any participant nor will results presented in the Summary Chart on page 6 agree with the Findings from Page 7 on.

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Executive Summary

We are pleased to provide you with the results of the 2014 LawFirmKPI Survey. This report is focused on law firms that define themselves as small or mid-sized, specialty boutiques and regional firms.

The report is designed to provide Canadian law firms with industry information in order to benchmark their own performance against the performance of other similar size firms.

Looking Ahead

Looking ahead we see three major themes for you to consider in the context of your own firm.

Innovation is critical to future success, however, absent thoughtful design of the business aspects of the firm can be innovation run amok.

Profitability requires that you understand your work costs before you set fees (flat, alternative or otherwise) as well as review current work to see what is profitable (and you could do more of) and what is not.

Compensation challenges as a result of new pricing and working models. In order to succeed, firms must figure out what your cost per lawyer is before you set compensation.

Methodology

Each participating firm was:

- Provided with a unique login and password to access the system.
- Responsible for gathering and inputting their data at www.LawFirmKPISurvey.com.
- Responsible for the accuracy of the data submitted.

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- Reviewed the data for reasonableness.
- Has not taken any steps to verify the accuracy of the data submitted by the participating firms beyond reviewing the data for reasonableness.
- Calculated the KPI's that appear in this report using the data submitted.

Metrics & Measures

In the Findings section of the report we provide the following metrics for the group as well as the KPI result specific to the participating firm:

- **Weakest** – this is the worst metric for the KPI by any participating firm in the survey.
- **Median** – this is the exact midpoint of the range of the calculated results by the group for the KPI.
- **Average** – this is the mathematical average of the group for the KPI.
- **Strongest** – this is the best metric for the KPI by any participating firm in the survey.

The report also includes information on the major expense categories as a percentage of total fee billings. In the Expenses, **Lowest** and **Highest** more accurately reflect the results without making any value judgment as to what is the most appropriate level of expenditure.

Demographics of Respondents

The following table has been included to provide you with the demographics of the firms who have participated in this survey. We would expect the number of respondents will increase as the value of the survey gains prominence over time.

Year Of Review	Country	Province/State	Number of Firms	Number of Lawyers
2013	Canada	Alberta	4	268
	Canada	British Columbia	3	74
	Canada	Nova Scotia	1	24
	Canada	Ontario	4	173
	Canada	Saskatchewan	1	21
			Total	13
2014	Canada		2	41
	Canada	Alberta	2	149
	Canada	British Columbia	1	15
	Canada	Nova Scotia	1	29
	Canada	Ontario	2	58
	Canada	Saskatchewan	1	29
			Total	9

Demographics

2013	Number of Associates	219
	Number of Firms	13
	Number of Offices	30
	Number of Partners	306
	Number of Staff	614
	Number of Total Timekeepers	728
2014	Number of Associates	134
	Number of Firms	9
	Number of Offices	14
	Number of Partners	165
	Number of Staff	319
	Number of Total Timekeepers	438

Summary Chart

We have provided the following Comparative Year over Year Summary Chart of a sample of the KPI included in this survey.

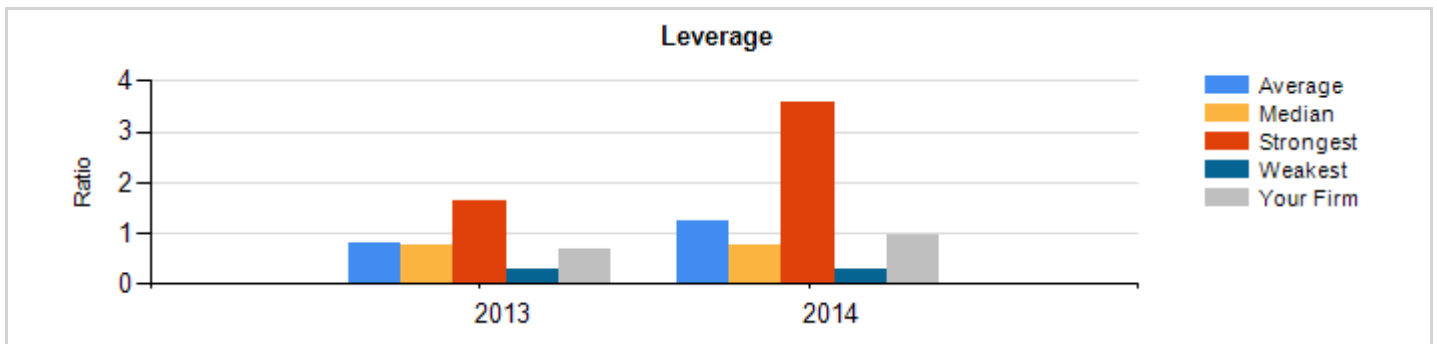
KPI	Average		Median		Strongest		Weakest		Your Firm	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Leverage	0.80	1.25	0.76	0.76	1.63	3.58	0.29	0.29	0.29	0.97
Percentage of Partners Hours	46.08 %	41.89 %	36.00 %	36.00 %	31.00 %	29.00 %	69.00 %	68.00 %	66.00 %	39.00 %
Unbilled Days	71.81	76.36	56.83	56.83	3.65	5.36	147.08	190.18	77.00	144.10
Uncollected Days	79.84	85.94	66.32	66.32	37.01	49.90	117.18	143.33	91.55	49.90
Billable Hours per Associate	1,318.27	1,255.01	1,214.62	1,214.62	1,702.70	1,611.74	725.43	736.43	1,200.73	1,214.62
Billable Hours per Partner	1,273.49	1,374.18	1,268.98	1,268.98	1,626.21	1,666.05	1,029.68	1,109.90	1,029.68	1,268.98
Billings per Associate	\$278,334.00	\$280,147.79	\$260,295.15	\$260,295.15	\$388,086.69	\$399,114.69	\$113,941.38	\$162,160.51	\$222,998.82	\$260,295.15
Billings per Partner	\$547,922.98	\$499,245.05	\$449,070.86	\$449,070.86	\$921,267.14	\$684,023.69	\$312,754.03	\$328,737.05	\$384,901.69	\$633,925.28
Average Worked Rate - Associates	\$250.72	\$238.36	\$231.86	\$231.86	\$377.00	\$300.08	\$183.02	\$173.44	\$247.34	\$300.08
Average Worked Rate - Partners	\$409.75	\$357.71	\$369.59	\$369.59	\$740.90	\$481.66	\$203.69	\$125.23	\$365.83	\$481.66
Average Billed Rate - Associates	\$224.70	\$224.17	\$210.01	\$210.01	\$274.23	\$288.61	\$152.50	\$131.03	\$267.73	\$236.86
Average Billed Rate - Partners	\$411.85	\$376.25	\$376.94	\$376.94	\$663.09	\$493.20	\$288.03	\$219.45	\$332.44	\$468.36
Ratio of Averaged Billed to Average Worked Rate - Partners	102.46 %	115.78 %	98.00 %	98.00 %	141.00 %	256.00 %	88.00 %	79.00 %	91.00 %	97.00 %
Ratio of Averaged Billed to Average Worked Rate - Associates	89.85 %	94.11 %	91.00 %	91.00 %	108.00 %	116.00 %	68.00 %	76.00 %	108.00 %	79.00 %
Average Net Overhead	\$181,485.52	\$187,937.29	\$123,920.56	\$123,920.56	\$95,808.39	\$56,017.26	\$307,437.99	\$463,083.34	\$125,711.21	\$278,812.90
Net Income as a Percentage of Revenue	41.62 %	36.78 %	32.00 %	32.00 %	60.00 %	58.00 %	32.00 %	15.00 %	43.00 %	29.00 %
Revenue per Matter	\$4,224.60	\$5,168.01	\$3,902.82	\$3,902.82	\$9,589.66	\$9,514.64	\$961.87	\$1,733.41	\$2,322.85	\$9,087.08
Revenue per Square Foot	\$539.86	\$571.87	\$490.05	\$490.05	\$952.28	\$990.26	\$311.59	\$423.73	\$540.78	\$544.73
Revenue per Employee	\$364,372.47	\$323,250.98	\$325,419.94	\$325,419.94	\$628,190.87	\$410,793.98	\$220,426.48	\$240,439.49	\$321,262.14	\$371,539.02

Findings

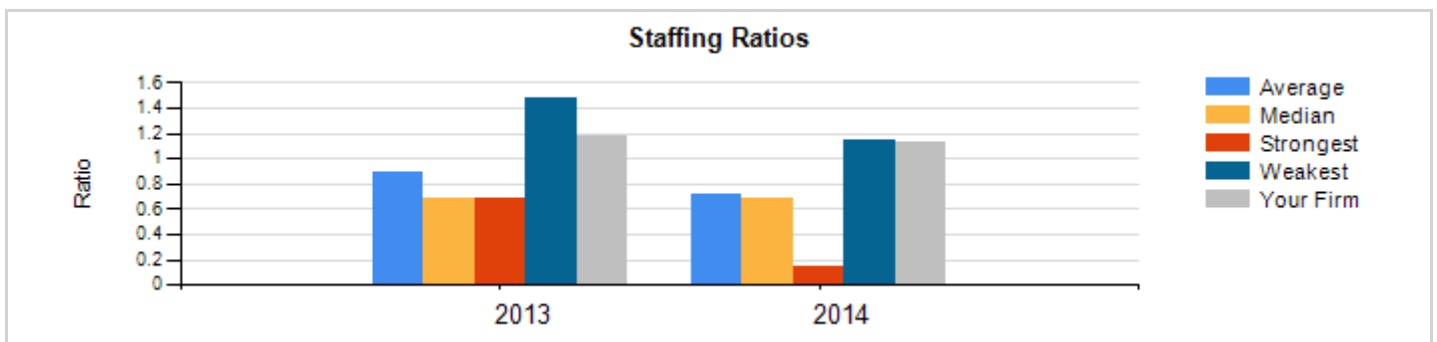
Key Performance Indicators are benchmarks which allow a firm to measure their performance against others. Firms should measure the importance of any single KPI according to the firm's business goals and growth strategy. No one KPI is indicative of "success" but evaluating your performance as compared to others or, to your own year over year, can assist firms in evaluating the success of the strategies they have adopted to achieve their goals.

Leverage

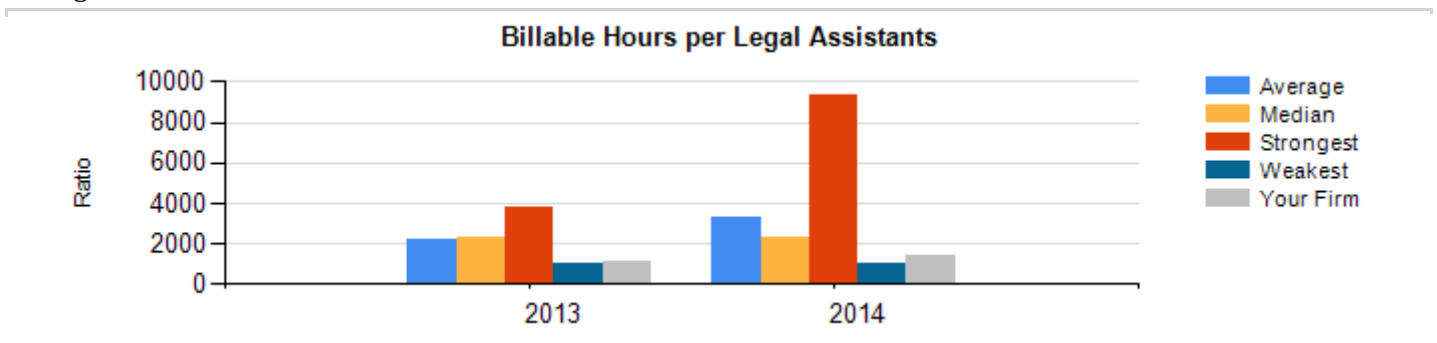
Leverage – is the ratio of Associates to Partners for the year that measures leverage, one of the important levers of profitability.



Staffing Ratios – this is the ratio of total staff positions to the total number of timekeepers which includes Associates, Partners Counsel, paralegals, staff lawyers and Articled Clerks.

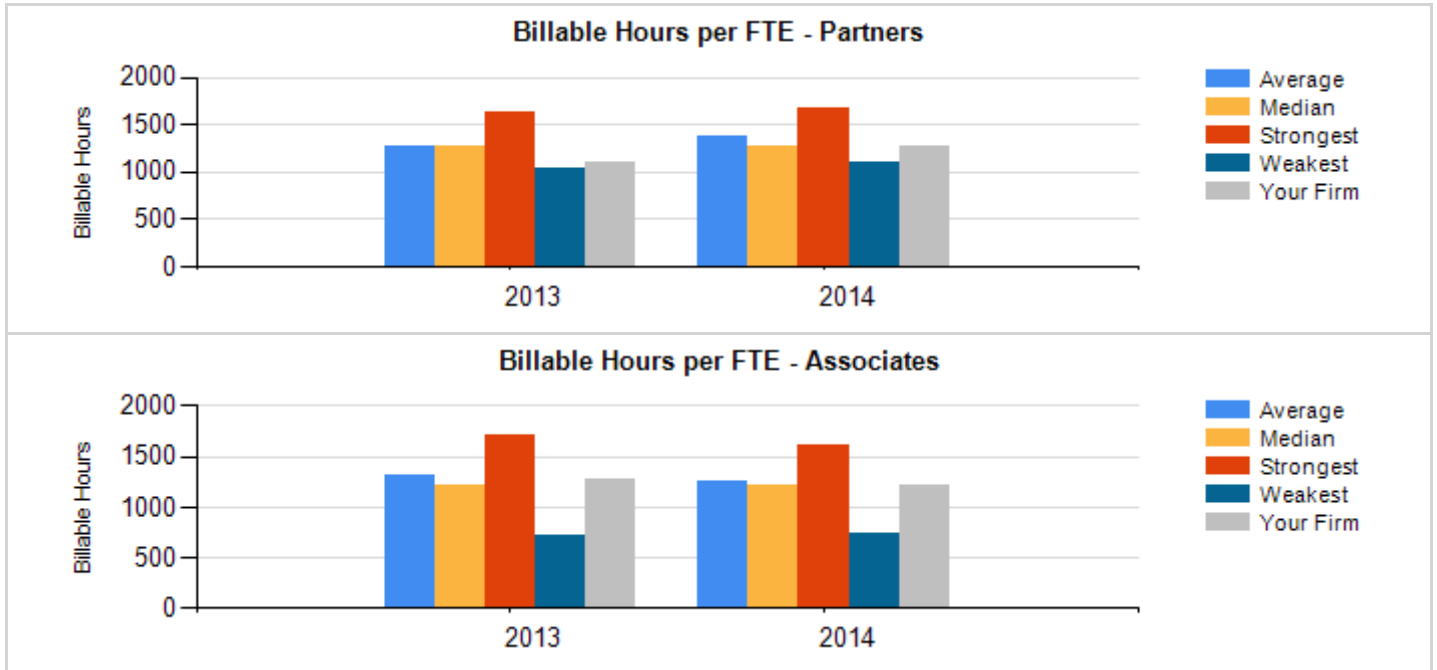


Billable Hours per Legal Assistant – this is the ratio of the total billable hours for all timekeepers to the number of Legal Assistants.

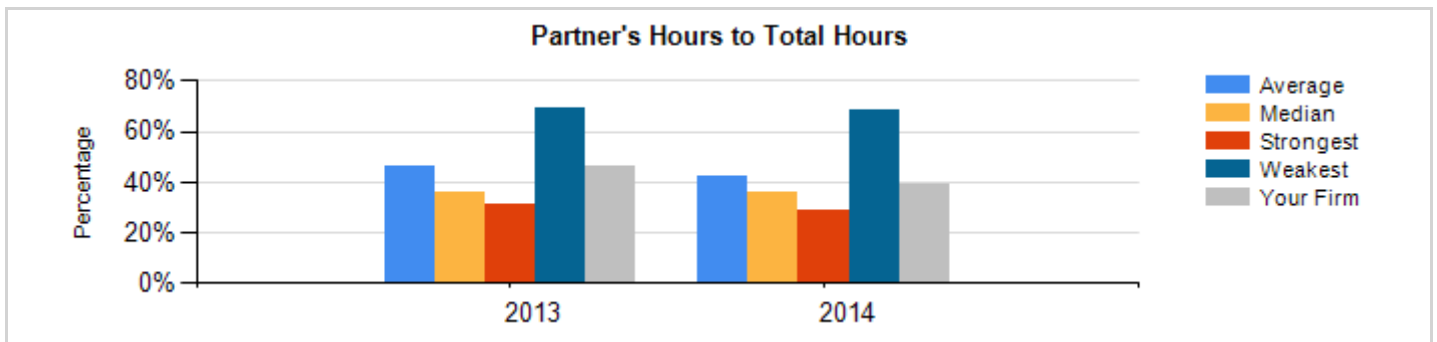


Productivity

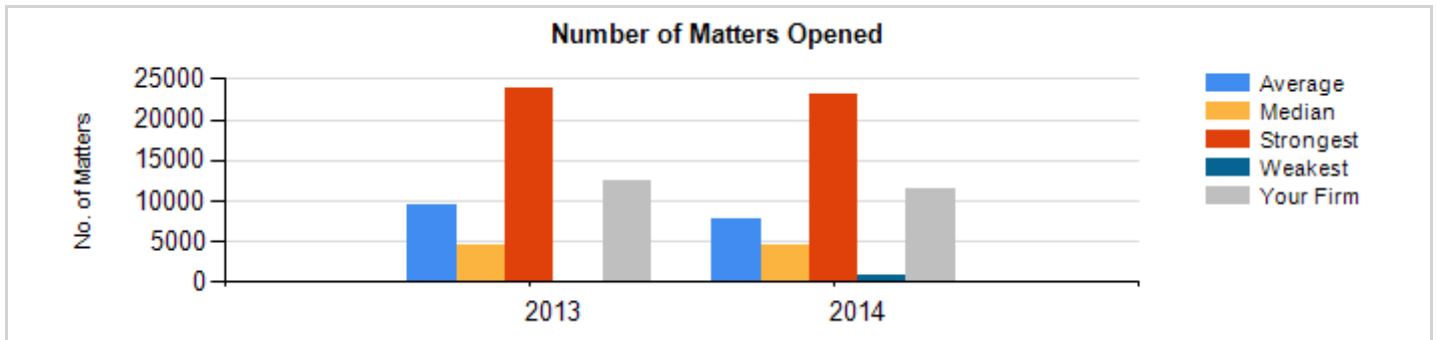
Billable Hours per FTE – is an indicator of utilization, another lever of profitability. It is the gross number of billable hours worked by Associates and Partners divided by the number of full time equivalents in that particular category.



Partners' Hours to Total Hours – is the ratio of Partners' billable hours to total billable hours.

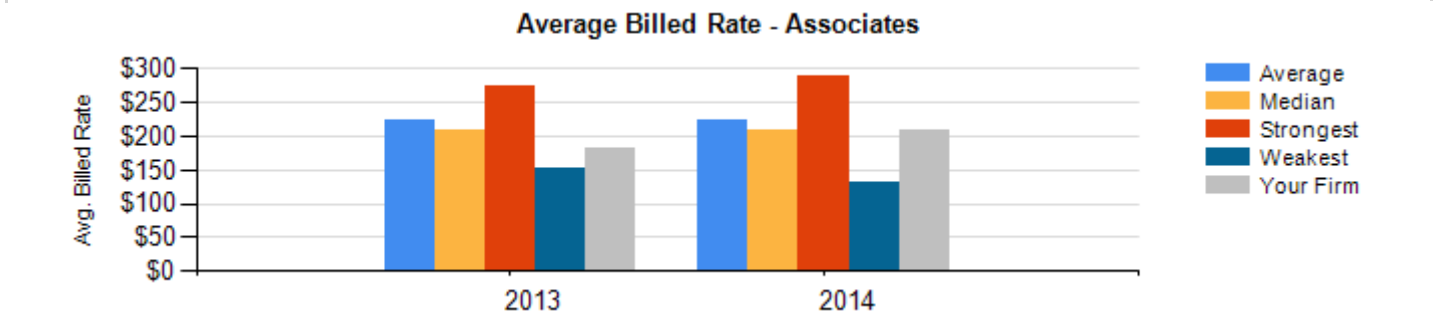
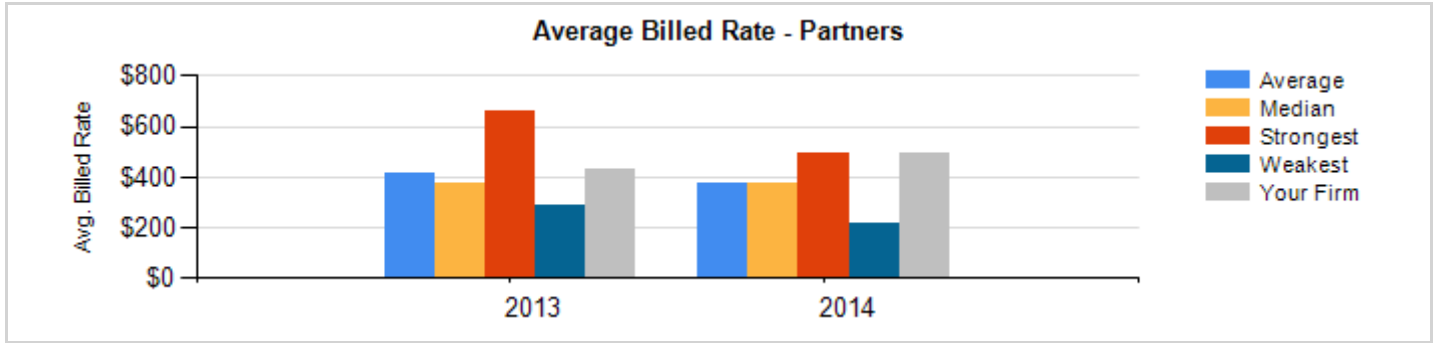


Number of Matters Opened – is the number of new matters opened for year.

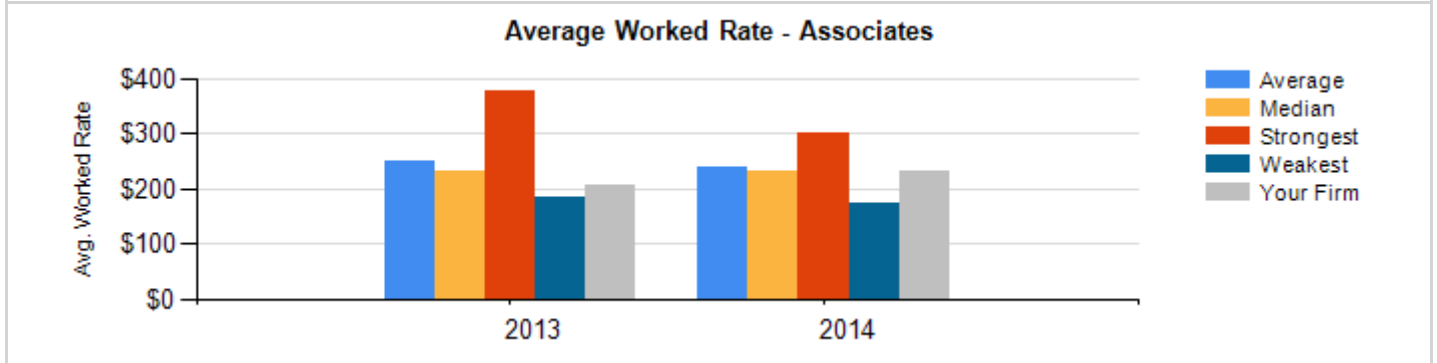
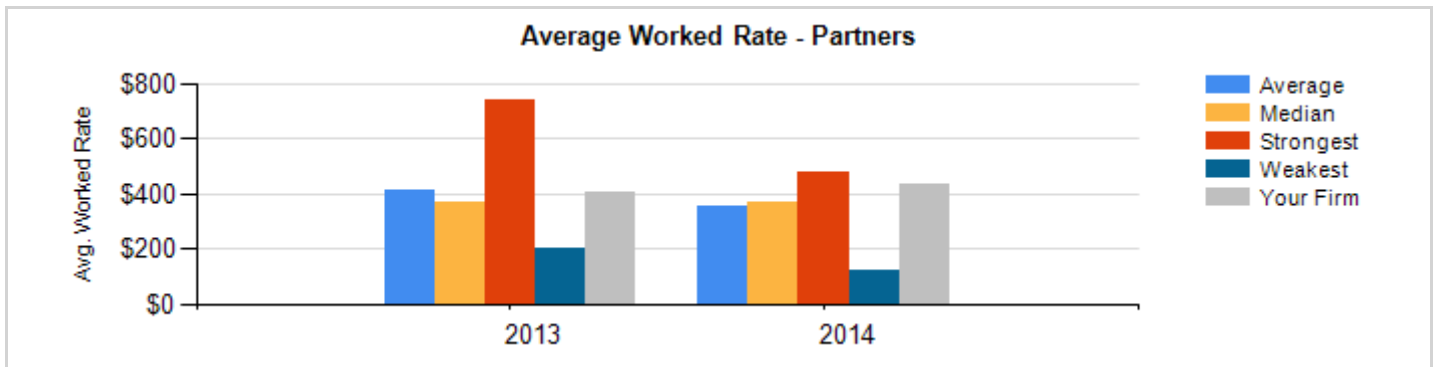


Revenue

Average Billed Rate (expressed in \$) – is the gross value of time billed for a timekeeping category as divided by the related hours. © LawFirmKPI, Inc. 2013

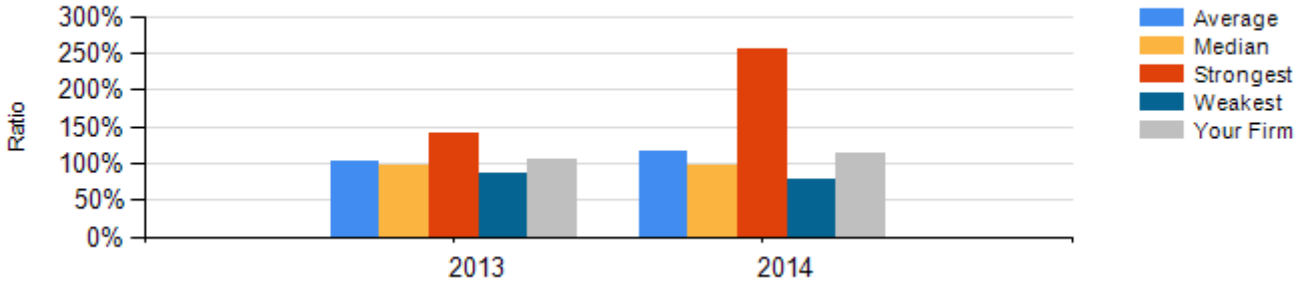


Average Worked Rate (expressed in \$) – is the gross value of time worked for a timekeeping category as entered into work-in-progress divided by the related hours entered.

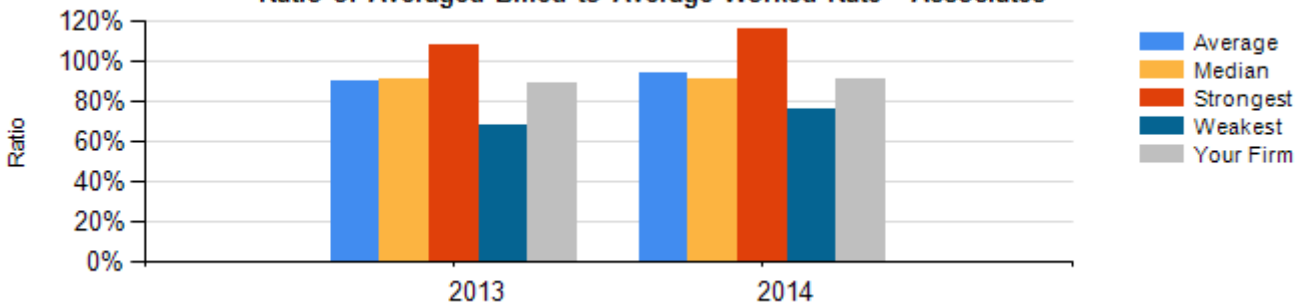


Ratio of Averaged Billed to Average Worked Rate (expressed in %) – is the ratio of the average billed hourly rate for a timekeeping category to the average worked hourly rate. This can assist in extrapolating what the likely impact will be on billed fees of potential rate increases.

Ratio of Averaged Billed to Average Worked Rate - Partners

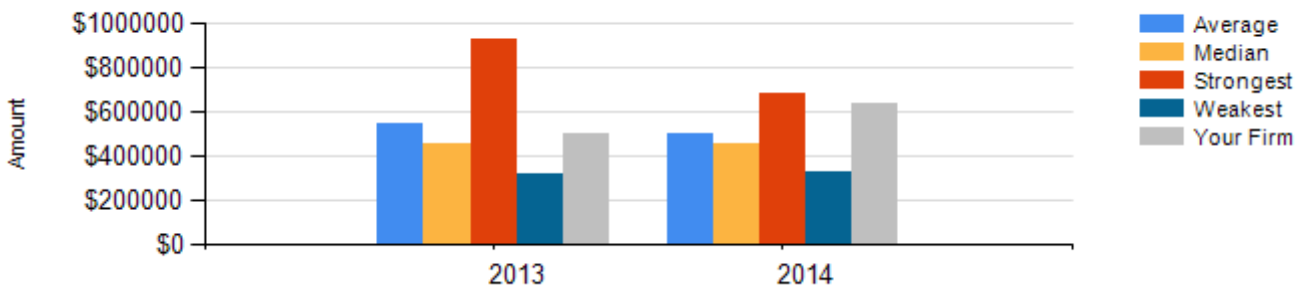


Ratio of Averaged Billed to Average Worked Rate - Associates

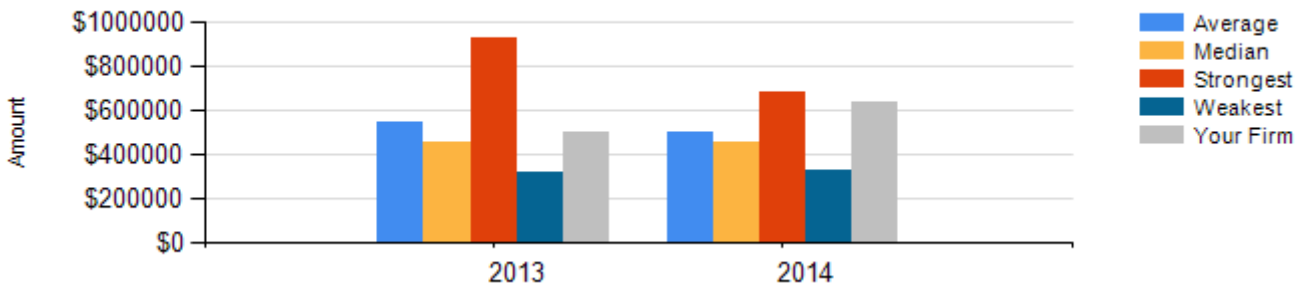


Billings per FTE (expressed in \$) – is the gross amount of fee billings by lawyers or timekeepers in a particular category divided by the number of full time equivalents in that particular category.

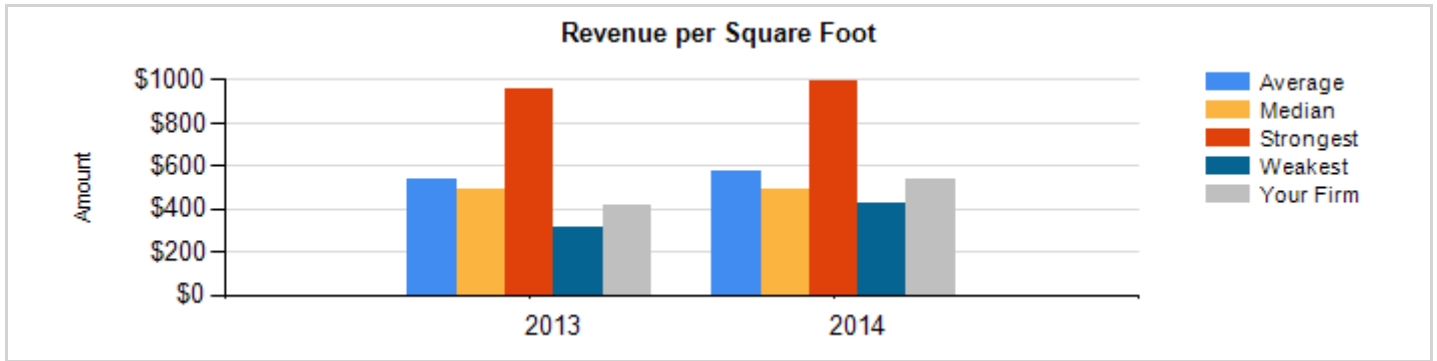
Billings per FTE - Partners



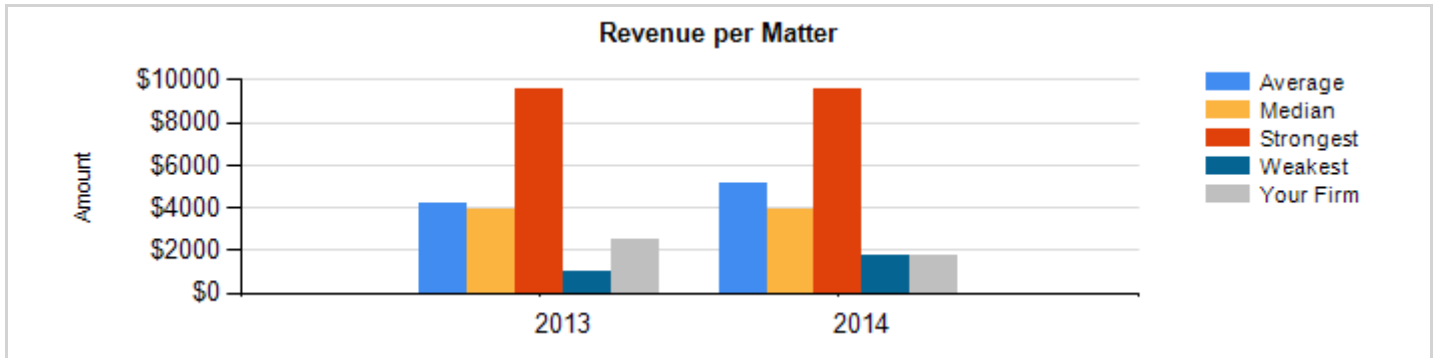
Billings per FTE - Associates



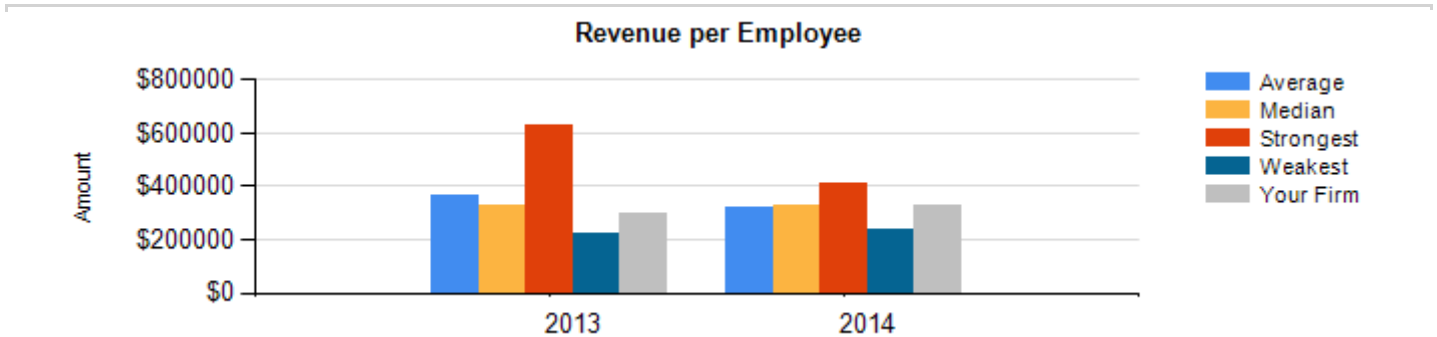
Revenue per Square Foot – is the gross amount of fees billed by all timekeepers divided by the total square footage of office space leased by the firm



Revenue per Matter – is the gross amount of fees billed by all timekeepers divided by the number of matters billed in the year.

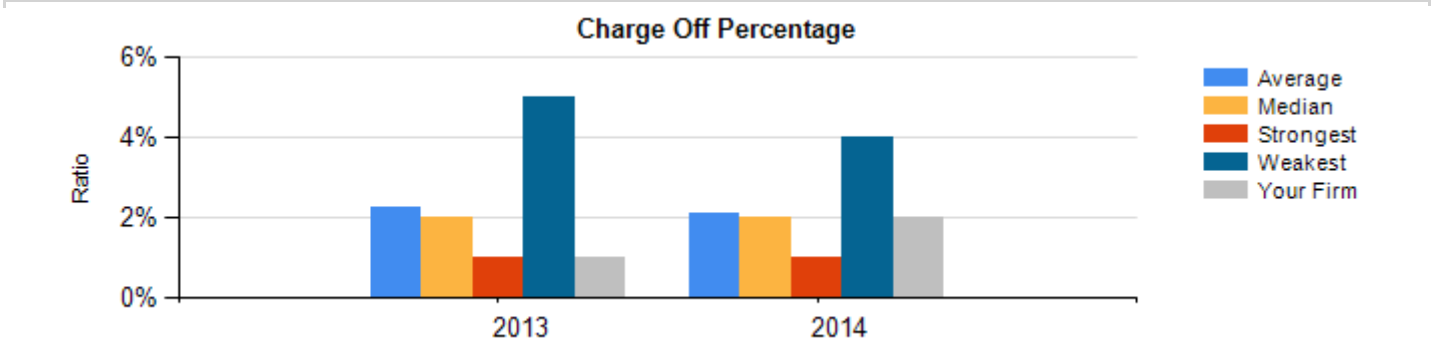


Revenue per Employee – this is the gross amount of fees billed by all timekeepers divided by the sum of all full time equivalents excluding partners.

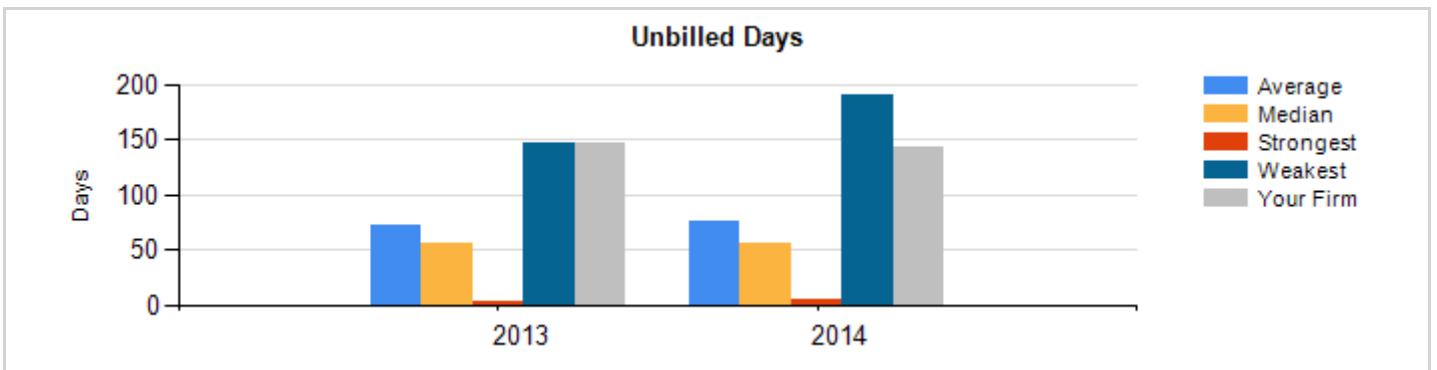


Financial

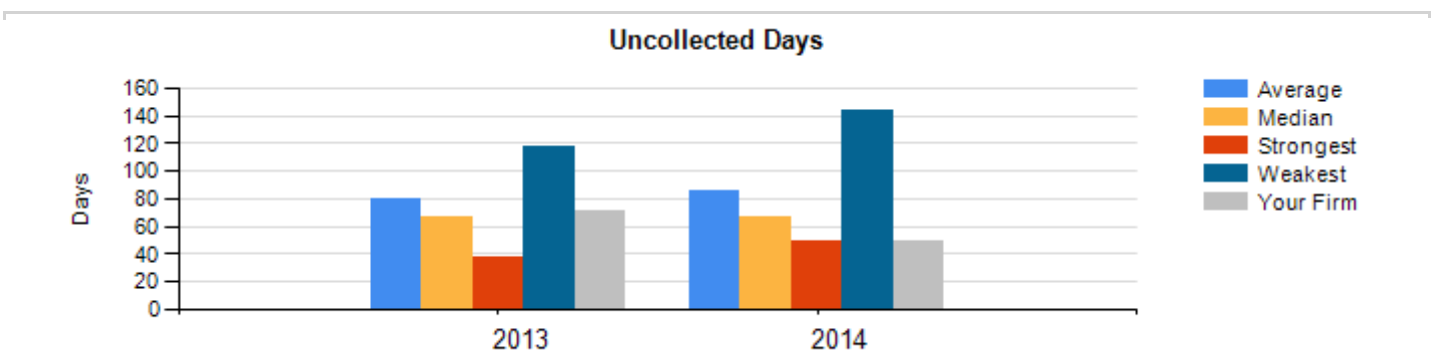
Charge Off Percentage (%) – is the ratio of the amount of billings written off as uncollectible as a percentage of the fees billed for the year.



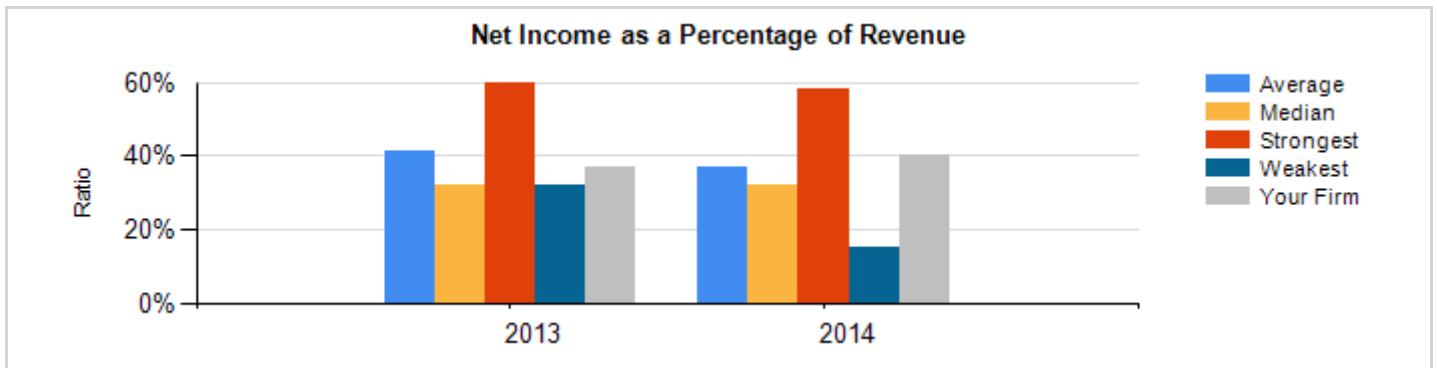
Unbilled Days – measures the length of time it takes you to bill the work you do. It is the ratio of the fee portion of unbilled work-in-progress to the average fee billings for the past 12 months.



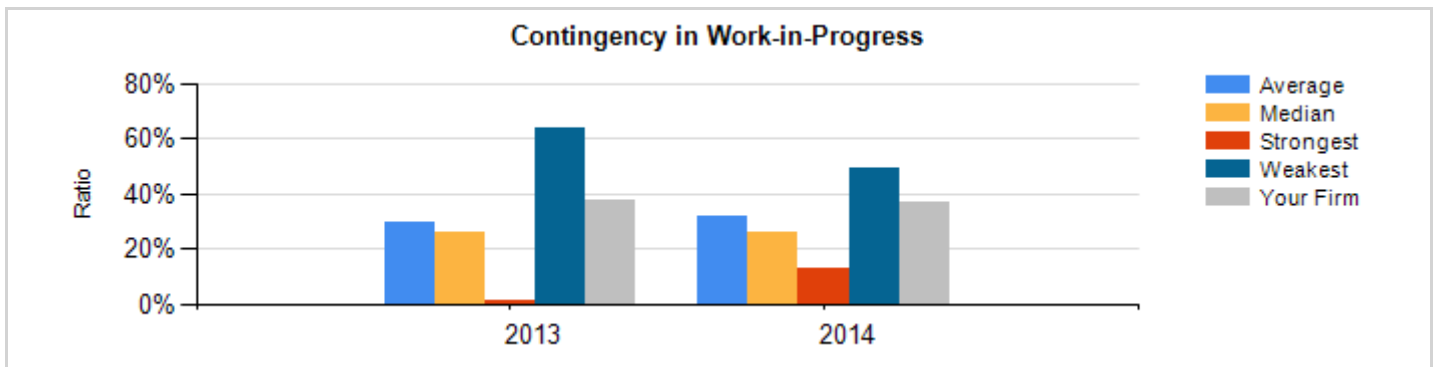
Uncollected Days – is the ratio of the fee portion of accounts receivable to the average fee billings for the year or the length of time it takes to collect your accounts after they are rendered.



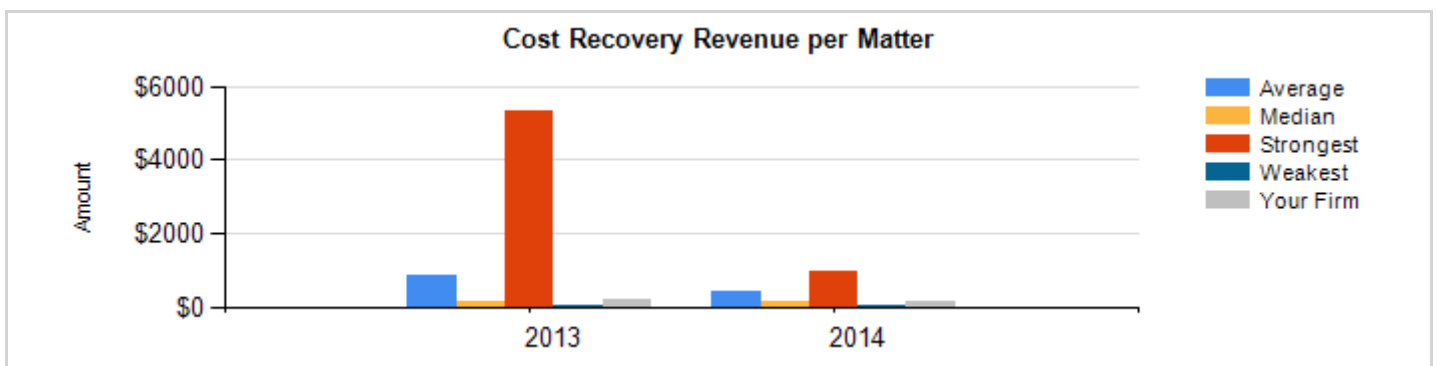
Net Income as a Percentage of Revenue (*expressed in %*) – the ratio of the Firm’s net income (income prior to any distributions to partners) divided by the total fee billings of all time keepers.



Contingency in Work-in-Progress (*expressed in %*) – is the ratio of the work-in-progress that is being handled on a contingency fee arrangement to the total work-in-progress.

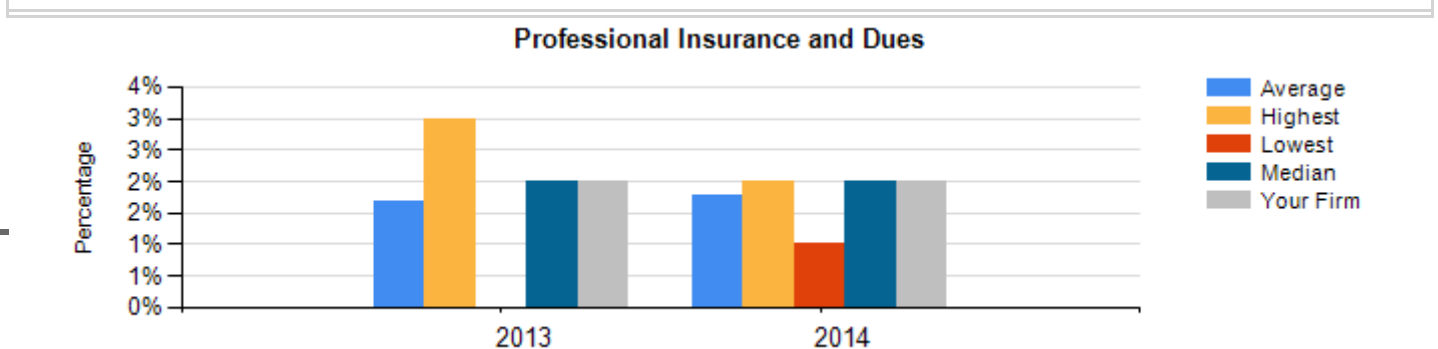
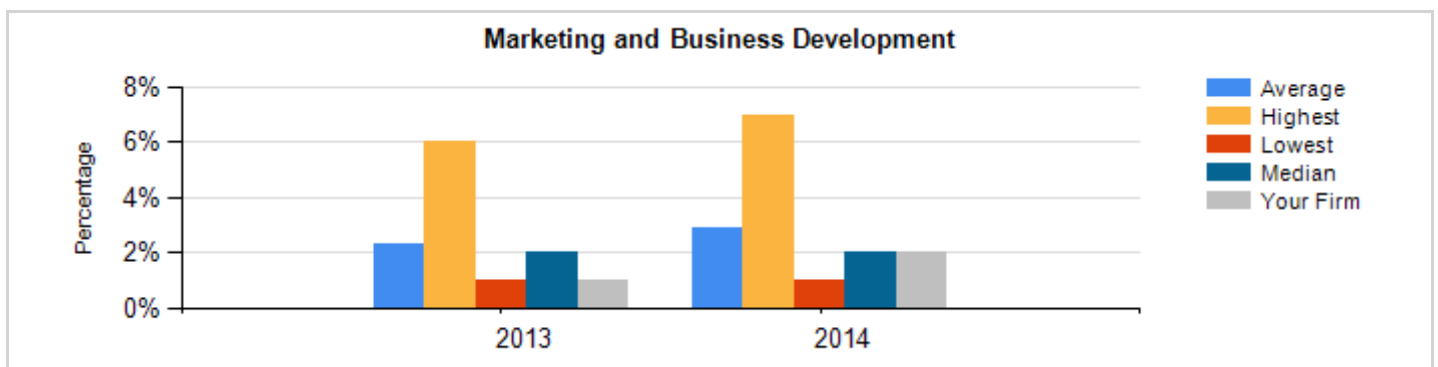
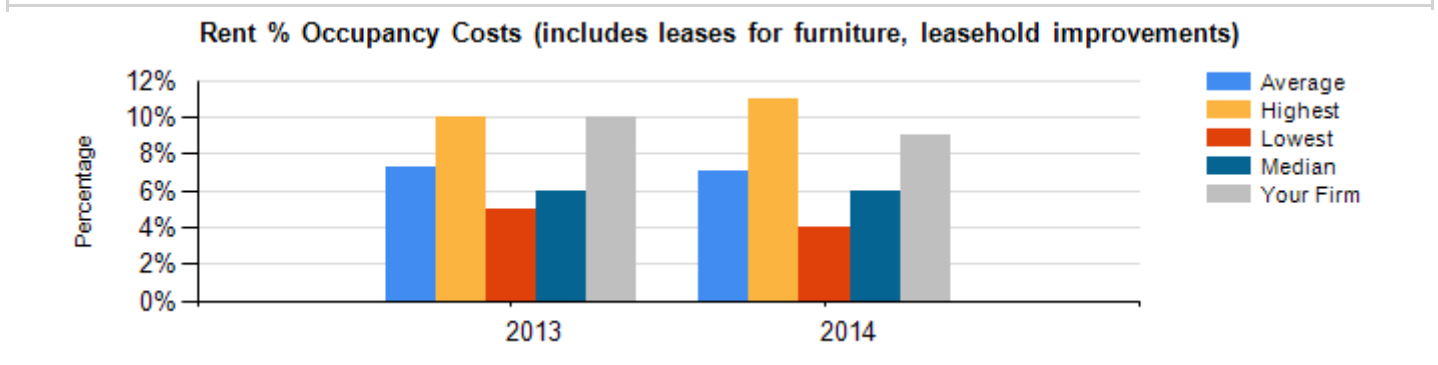
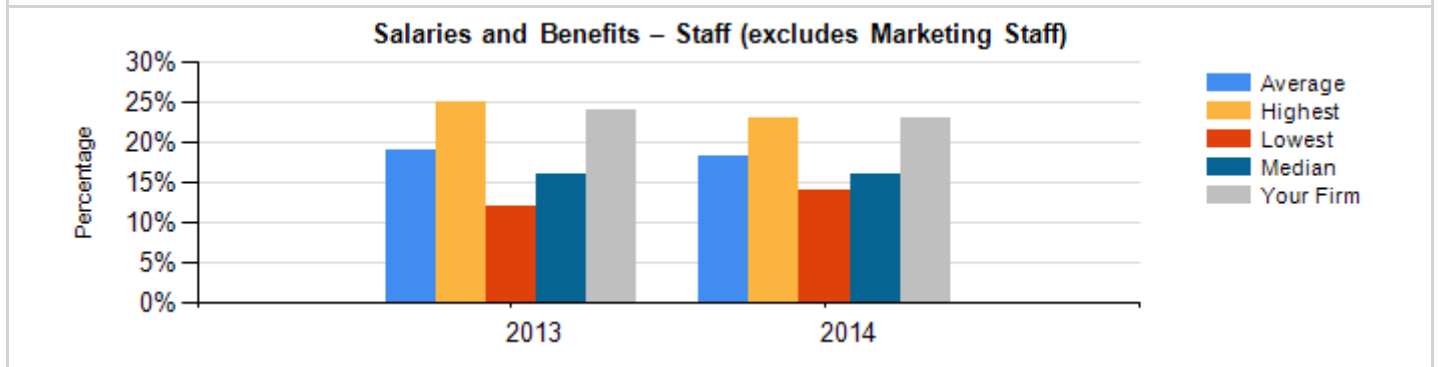
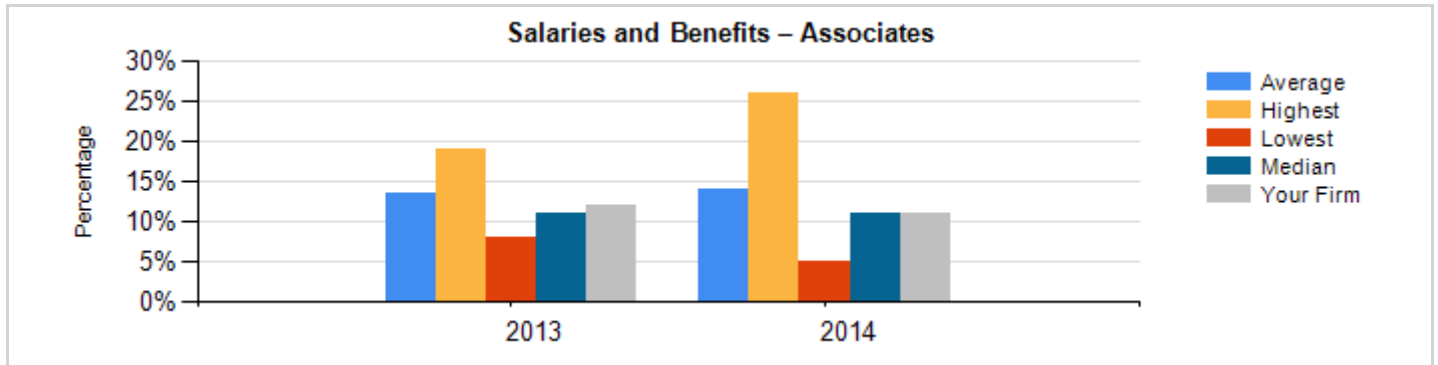


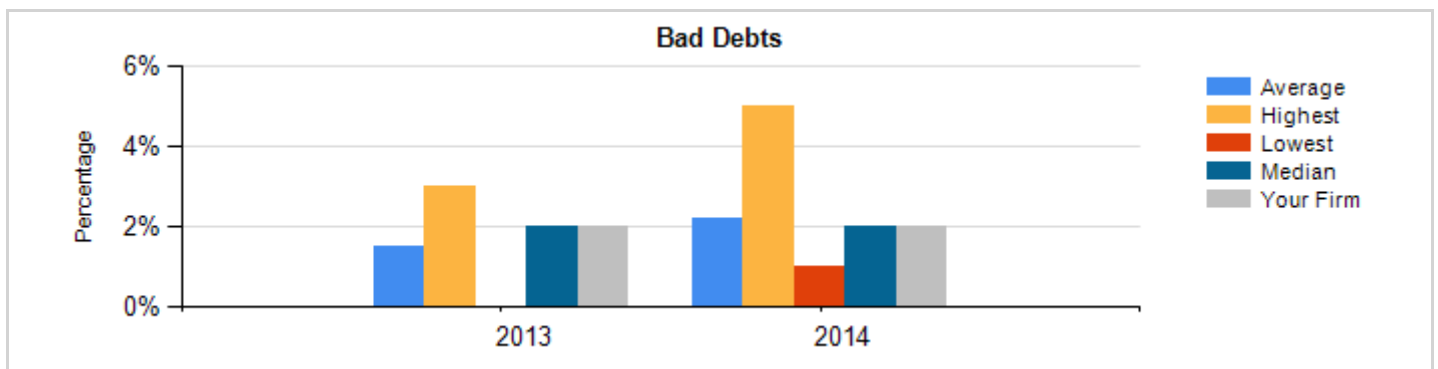
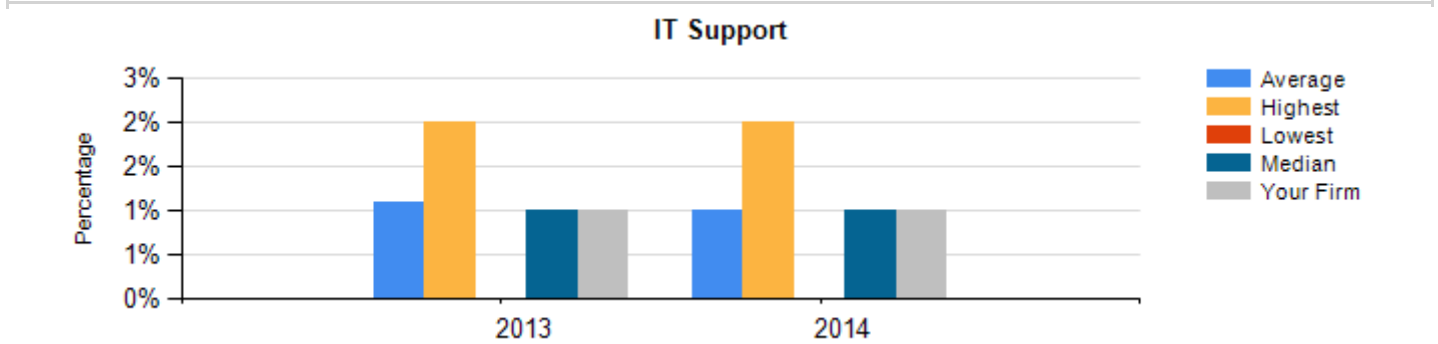
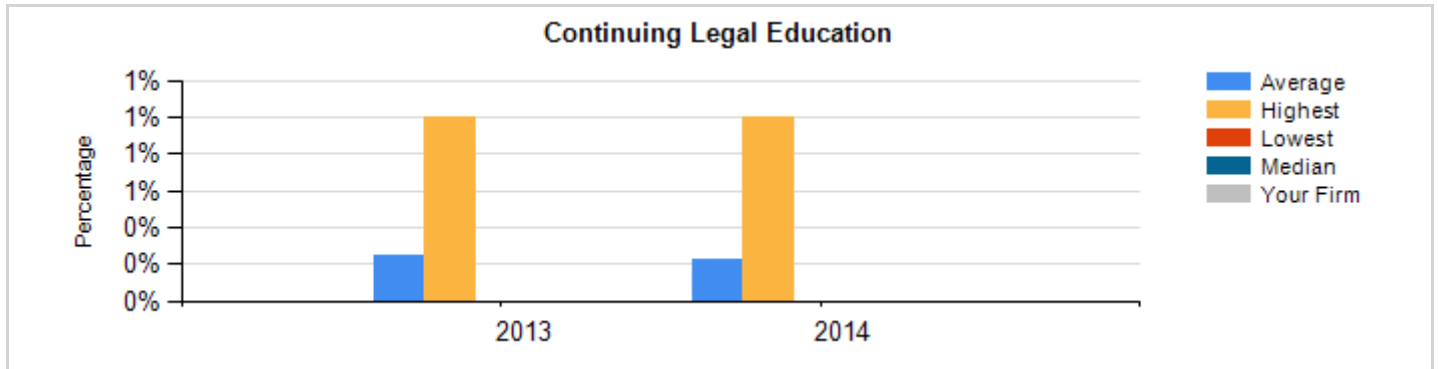
Cost Recovery Revenue per Matter (*expressed in \$*) – is the total amount of internal costs billed to clients divided by the total number of matters billed.

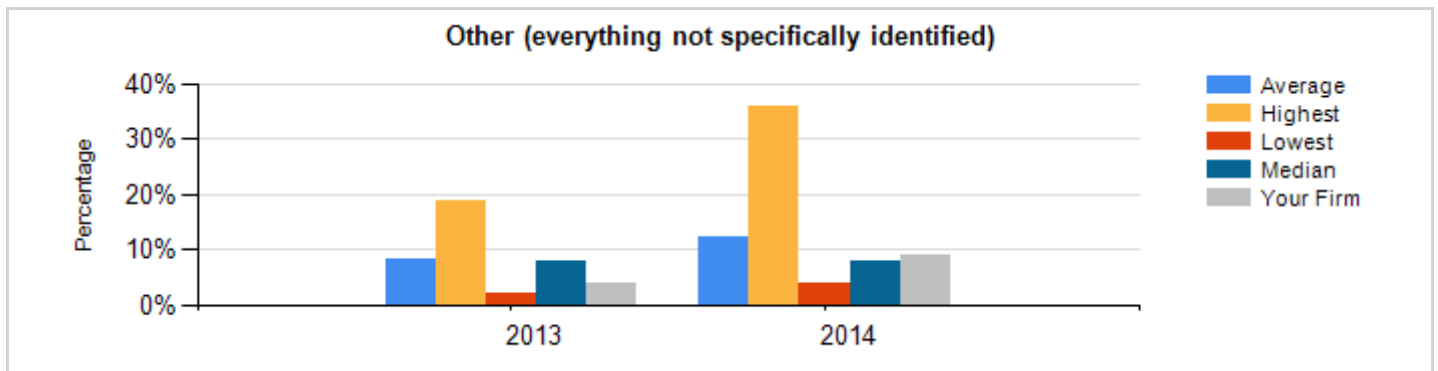
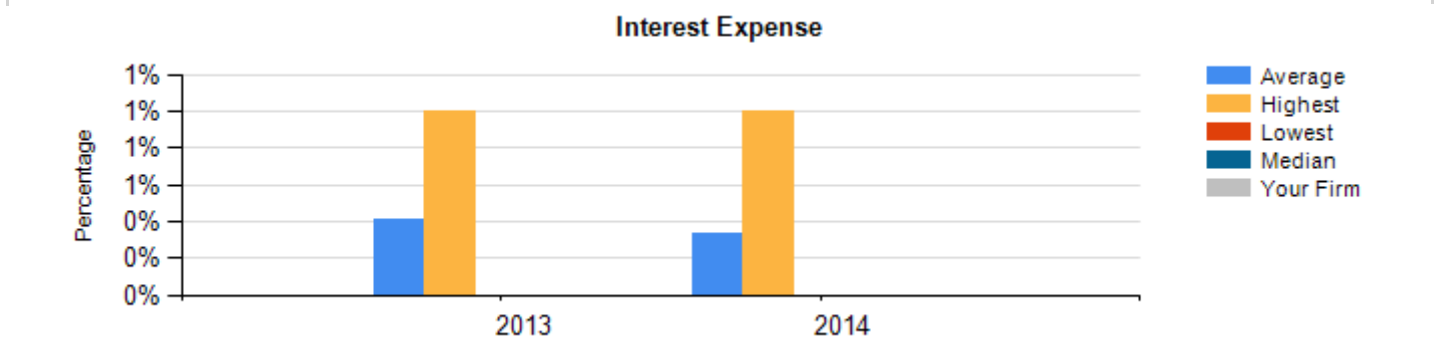
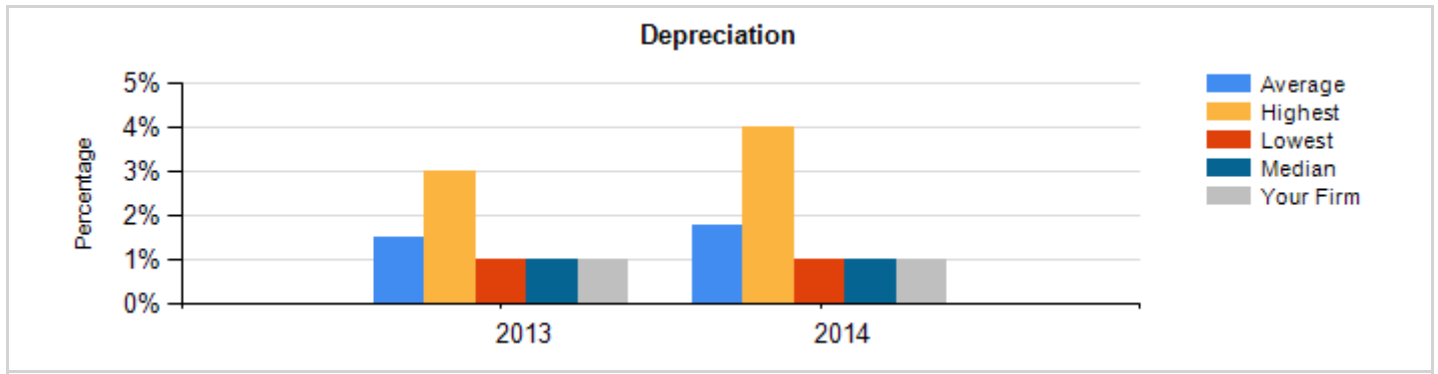


Expenses

Overhead Expenses (expressed in %) – each expense item is expressed as a percentage of total revenue for the year.

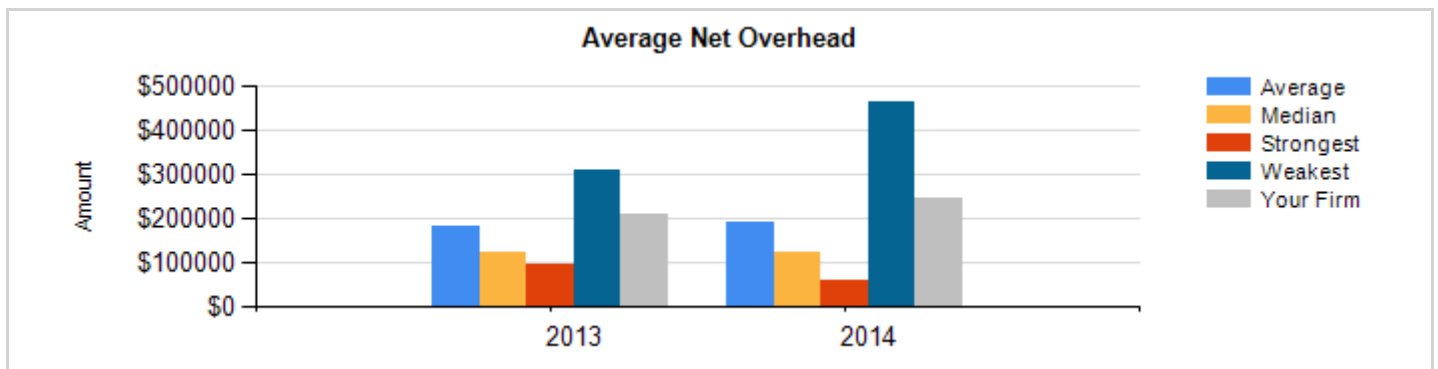






Average Net Overhead

This is net expenses (total expense minus billings of all non-partner timekeepers) divided by the number of Partner FTEs (Equity and Non-Equity combined). This is the net cost each partner must cover before any profits are generated. (*expressed in \$*).



Note to the Reader

Not all KPI will be of equal importance to all firms and we suggest that you focus on the specific KPIs that measure your progress towards goals set by your firm. Further, we suggest that you view the details of your results to get a complete picture of how your firm performs against the group.

Measuring KPIs are no substitute for common sense and the exercise of good judgment. Rather, KPIs are measurable inputs to be used by the management and leadership of the firm to assist with business decisions.

Thank you for participating in the 2014 Survey. Should you have any questions, please don't hesitate to contact any member of the LawFirmKPI team.

We look forward to your future participation and we hope that this process provides you with valuable information.

LawFirmKPI, Inc.

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