

**From:** Vaughan, Keith  
**Sent:** Tuesday, April 14, 2009 4:52 PM  
**To:** WCSR Attorneys; WCSR Staff  
**Subject:** \*\*\*Confidential\*\*\*  
**Sensitivity:** Private

**On Behalf of the FMC:**

**The purpose of this email is to share with all of you several actions that we are taking and our reasons for doing so.**

**Law firms today face enormous economic challenges. Our firm has been adapting to these circumstances for more than 18 months in a deliberate, disciplined way, addressing each new development as it arose. We have refocused our strategic plan, established minimum performance standards for all attorneys and paralegals, implemented a series of expense reductions, and undertaken a variety of efforts to respond to clients' demands for lower costs and more efficient service delivery. We are pleased with both the firm's efforts and the results.**

**The world of large law firms, however, has changed forever. Clients are increasingly focused on managing the costs of all legal matters and have developed a variety of tools to accomplish this objective. In many instances, price will control the decision of which of several competing law firms will be hired. Successful firms will be those who continuously strive to improve efficiencies and find ways to minimize costs without reducing the overall quality of the services they provide. That of course means that firms will need fewer, but more highly skilled and trained personnel at all levels. Simply stated, like the business world in general, law firms must be able to do more with less.**

**Womble Carlyle will not only survive but in fact thrive in the new world. We have a strong culture, a clear and attainable vision, an infrastructure for client development and talent development that is the envy of many firms, very strong attorneys in key practice areas, a position of pre-eminence in one of the fastest growing areas of the country and a special sense of teamwork. But we must be willing to make the kinds of transformational changes that are necessary for success.**

**The FMC has undertaken an exhaustive review of our cost structure, with the following key principles in mind:**

1. The focus should be on transforming the firm for the long term, not the 2009 budget year (although most certainly any implemented cost reduction efforts will positively impact 2009).
2. Our efforts should be in the context of our strategic plan, mission and vision.
3. The cost reductions cannot jeopardize our ability to deliver high quality legal services and pursue work from new and existing clients.
4. Any cost reduction program must be consistent with our firm culture, especially the "safe harbor."

Basically, there are three broad areas of law firm expenses: (1) personnel, (2) occupancy and (3) operational. The first two are the most significant in dollar terms, by far.

The program we are implementing has these features:

1. We are reducing our operating expenses for Calendar Year 2009 by more than \$5 million. Some of the programs are very important, but waiting until next year to implement them appears to be the better course of action for the present. In particular, given the importance of our people to our organization, we wanted to be sure that we have trimmed from our budget all expenses that are not immediately necessary before making those adjustments that involve personnel directly. Eliminating these expenses is a "short-term" fix only. They impact 2009, but cannot be eliminated again in the following years. In fact, because many are important on a long-term basis, they are likely to be re-introduced to the budget in the future.
2. Last year, we took several significant steps to reduce our occupancy costs – exercising our option to "give back" space in some locations and subleasing space in others. We are presently undertaking a complete review of occupancy costs to be certain that we have minimized our expenses in this area and to determine what our likely needs might be in a new world where people can work from a variety of locations.
3. We have decided to eliminate a number of positions in the firm and are in the process of notifying the affected individuals. Essentially, we used the principles outlined earlier to determine what jobs are necessary to serve clients and accomplish the goals of the firm, eliminating those positions that are not essential to meet these objectives. These actions impact only some of our offices and only a few individuals in those offices. Of course, for the affected individuals, the action is significant, and we truly regret that these decisions were necessary. Each will receive an appropriate severance package and our support in their efforts to secure

a new position. We wish them only the best in their future endeavors. Apart from these actions, we do not anticipate further personnel reductions in the near future.

4. We are reducing the salaries of many of our attorneys and paralegals. As indicated above, in the "new world" of large firms legal fees for transactional and litigation work will be basically flat or declining. At the same time, a large number of lawyers and paralegals who are the victims of dissolutions/layoffs are seeking work. The result is significant downward pressure on salaries of lawyers and paralegals, the converse of the pressures that led to the sharp increase in salaries in recent years. We frankly believe that, from a market perspective, salaries of these groups are on average at least 10% higher than they should be. Accordingly, a 10% across the board reduction in salaries of salaried timekeepers will become effective April 15, subject to several exceptions: (1) those whose work is exceptional and who meet both billable hours and profitability metrics will receive smaller reductions or no reduction; (2) those whose work is significantly off the standards will receive reductions greater than 10%; (3) those hired in the last 4 months will generally receive no reduction; and (4) paralegals working in our ancillary services organizations will receive no reductions because their compensation is consistent with the market. First and second year associates' salaries will be reduced approximately 10%, and associates joining the firm in the Fall will be advised that their salaries will be reduced accordingly. Having changed the basic salary structure to reflect market conditions and current levels of performance, the firm will be better positioned to reward attorneys and paralegals with bonuses and salary increases as appropriate.

We recognize that some of these actions will not be popular. We ask you, however, to reflect on what is occurring in the marketplace and the transformational changes that must be made if we are to be successful both now and in the future. Law firms may vary in their approach to the challenges of the new world, but all who wish to excel must make fundamental changes. The earlier we make these changes, the greater will be our opportunities for success.

Throughout its history, this firm has addressed changes in the legal marketplace with innovative approaches that were sometimes unique and frequently on the "cutting edge." That entrepreneurial spirit will be fundamental to our success in the future. It is indeed why we believe that, notwithstanding the current economic turmoil, for Womble Carlyle "the best is yet to be."