



PERFORMANCE PER HOUR ANALYSIS

Performance Per Hour Analysis

It is hard to argue that higher billing rates don't result in higher profits. However, not every attorney can bill at high hourly rates. Also, most attorneys today are trying to find ways to practice profitability in a tight billing rate environment.

Whether a firm uses hourly or non-hourly billing methods, there is an underlying cost structure that can be evaluated and often improved. While a simple cost per hour analysis using firm or group totals is easy enough to prepare, it will provide limited insight. (For anyone interested in the limitations of averaging, I recommend reading [The End of Average](#) by Todd Rose.)

To allow for maximum flexibility in practice mix, we prefer evaluating profit per hour at several micro levels. We also believe it is essential for firms to compensate partners based on the income they contribute and to empower partners to regulate their costs. Consider the following example:

PRACTICE DETAIL	Cost Allocation Method	Business Practice (P1)	Litigation Practice (P2)	Insurance Defense Practice (P3)
Billing Method	Complex	Fixed by transaction type	Hourly	Hourly
Billing Rates		NA	\$375-\$225-\$125	\$225-\$195-\$95
Staffing				
Partners		1	1	1
Associates		1	1	4
Paralegals		.9		.1
Secretaries		1	1	2

There are several different ways to consider profit per hour including:

- **By timekeeper,**
- **By section,**
- **By timekeeper type, and**
- **By client and matter.**

The most difficult part of analyzing profit per hour relates to the allocation of cost. Specifically allocating timekeeper compensation and benefits and secretarial costs is easy to accomplish. Allocating the remaining overhead is much harder.

Many firms use estimates based on an even apportionment to all lawyers. Some firms try to recognize the difference in overhead use by apportioning it on a graduated scale (rough justice approach), with partners receiving the most and paralegals receiving the least.

Firms that require a finer measurement may use a combination of specific and estimated allocations for all expense categories. Systems that provide enhanced accuracy and transparency are more likely to be seen as credible, which will support quicker adoption by the partners. Since we believe the effort to create a well-designed cost accounting system and cost allocation process is worth it, we have created our example using this type of method.

Lastly, firms that compensate based on profitability may want to consider a more detailed approach to cost allocation.

Consider the following cost approach used in our example.

Partner Payroll	No partner payroll was assessed. Results were viewed in terms of return per hour. Some firms use a standard cost method to assign an amount per hour as a partner timekeeper cost. The benefit of this approach will be discussed in our next post.
Timekeeper Payroll and Related	Direct allocation to each timekeeper.
Secretarial Payroll and Overhead Costs	Direct allocation to each lawyer based on sharing agreements.
Administrative Payroll and Overhead Costs	Allocated based on billable hours by section.
Facility Costs	Allocated based on space usage standards. For example, average partner office, average associate office, average paralegal, average secretarial and average administrative space.
Equipment and Practice Aids	Combination of specific allocations, per seat costs for IT and general allocations.
Marketing and Business Development	Combination of specific allocation at the activity level and general allocations at the firm level.
CLE and Training Costs	Combination of specific allocations at the activity level and general allocations at the firm level.
General and Administrative Costs	Combination of specific allocations when identifiable (E.g. Malpractice) and general allocations based on applicable use.

If you would like to see the detailed allocations methodology used in this example, please see the worksheets on our website: **See worksheets.**

Using this cost allocation methodology yields the following schedule of costs per timekeeper. As we wanted to create a dynamic example, we have included a few other factors:

- Associate 3 (A3) and Paralegal (2) work remotely and do not have assigned offices.
- Practice 1 bills on a fixed fee basis, but keeps track of time
- This sample firm is assumed to have good cost accounting systems and can specifically track business development, CLE, Training, Library and other costs.
- IT is assumed be cloud based or per seat costs are easily identifiable
- Contract CFO, HR, and Accounting all work remotely and have no need for dedicated office space.

The two schedules presented below include a revenue allocation by timekeeper and originator, and a cost allocation by timekeeper and by practice group.

Revenue Allocation Timekeeper and Practice Group

The sample practice areas include a fixed fee practice, a small practice, and a leveraged practice. Included in column 3 of the first grid are the revenue amounts generated per hour.

	REVENUE ALLOCATION-TIMEKEEPER			REVENUE ALLOCATION-ORIGINATOR			
	Client Hours	Revenue Credit	Collected Rate	Practice 1	Practice 2	Practice 3	Total
				1,250,000	900,000	2,750,000	4,900,000
Partner 1	2,100	600,000	285.71			600,000	600,000
Partner 2	1,800	650,000	361.11	650,000			650,000
Partner 3	1,700	475,000	279.41		475,000		475,000
Sub-total	5,600	1,725,000	308.04	650,000	475,000	600,000	1,725,000
Associate 1	2,300	505,000	219.57			505,000	505,000
Associate 2	2,050	450,000	219.51			450,000	450,000
Associate 3	1,825	375,000	205.48			375,000	375,000
Associate 4	1,950	440,000	225.64	440,000			440,000
Associate 5	2,200	485,000	220.45			485,000	485,000
Associate 6	2,150	425,000	197.67		425,000		425,000
Sub-total	12,475	2,680,000	214.83	440,000	425,000	1,815,000	2,680,000
Paralegal 1	1,700	180,000	105.88	160,000		20,000	180,000
Paralegal 2	1,600	160,000	100.00			160,000	160,000
Paralegal 3	1,585	155,000	97.79			155,000	155,000
Sub-total	4,885	495,000	101.33	160,000	-	335,000	495,000
Total	22,960	4,900,000	213.41	1,250,000	900,000	2,750,000	4,900,000

Cost Allocation by Timekeeper

As indicated earlier, a quality cost allocation system allows a firm to evaluate the components affecting the profitability of each timekeeper, section, and ultimately client. Compare the results in the table below.

TIMEKEEPER COST RECAP												
P1	P2	P3	A1	A2	A3	A4	A5	A6	PL1	PL2	PL3	TOTAL
-	-	-	181,125	136,563	136,275	120,750	146,625	130,813	78,000	79,500	76,200	1,085,850
71,173	45,579	43,087	23,724	29,877	29,877	30,782	45,579	43,087	-	-	-	362,765
25,235	25,235	25,235	18,926	18,926	18,926	18,926	18,926	18,926	6,309	6,309	6,309	208,191
37,452	37,452	37,452	28,089	28,089	-	28,089	28,089	28,089	9,363	-	9,363	271,529
16,542	15,567	15,967	16,542	16,542	16,542	15,567	16,542	15,967	11,842	11,842	11,842	181,300
37,333	13,333	48,333	6,633	5,833	7,333	5,533	7,033	5,633	3,333	3,333	3,333	147,000
5,629	4,629	6,629	4,629	3,129	2,829	1,629	2,529	2,129	879	979	1,129	36,750
18,027	16,712	20,667	11,833	11,833	11,833	11,833	11,833	11,833	4,401	4,401	4,401	139,610
211,392	158,507	197,371	291,502	250,792	223,615	233,110	277,157	256,477	114,128	106,364	112,578	2,432,994
2100	1800	1700	2300	2050	1825	1950	2200	2150	1700	1600	1585	41,035
101	88	116	127	122	123	120	126	119	67	66	71	59
286	361	279	220	220	205	226	220	198	106	100	98	213
101	88	116	127	122	123	120	126	119	67	66	71	59
185	273	163	93	97	83	106	94	78	39	34	27	154
185	273	163										

Client service hours are synonymous with billable hours in an hourly practice.

Notice the comparison of revenue earned per hour and cost per hour. In this model, partner payroll costs are set at zero and partner timekeeping receipts are viewed as a contribution to profit for the working timekeeper. These profit contributions would then flow through to the partners' compensation system.

Firms that pay partners separately for timekeeper contributions could insert those amounts for partner payroll costs. In this analysis, Partner 2 (P2) has the best return per hour worked. P2 has the highest billing rate and is also more cost efficient than Partner 1 (P1) and Partner 3 (P3). P2, however, has the lowest timekeeper hours and gross dollar contributions. The same type of analysis is applicable to all timekeepers.

Assuming the relationship between billing rates and demand is inelastic and billable hours are at or near maximum, a firm would be forced to look for other efficiencies to create profit. Comparative cost analysis at these micro levels can yield material cost saving opportunities.

It has been my experience that the very exercise of creating these data is enough to spur some level of improvement. Tie compensation to these data (profitability) and the pace of change becomes rapid.

Cost Per Hour Comparison by Practice

Building a comprehensive data set will enable the creation of several different comparisons. Consider the following cost and revenue per hour analysis with line item detail for each practice.

Practice 1

Combining the returns per hour worked for all of the timekeepers in Practice 1 indicates an aggregate return of \$406 per hour. P2 for example now has the data to consider if \$133 per hour (\$406-\$273) is a fair reward for business origination, supervision, and training. A good compensation system will recognize fully these results in partner pay.

In terms of percentage margins, Practice 1 is returning 47% and 25% on associate and paralegal time respectively. A comparison of line item paralegal costs per hour in P1 and P2 and P3 indicates a potential billing rate and hours worked issue more so than a cost issue. Several other comparisons can be made making these data even more useful.

PRACTICE 1			
	P2 CPH	A4 CPH	PL1 CPH
Payroll and Related		61.92	45.88
Total secretarial costs	25.32	15.79	-
Admin PR and Related	14.02	9.71	3.71
Facility	20.81	14.40	5.51
Equipment and Practice Aids	8.65	7.98	6.97
Marketing/ Bus. Dev.	7.41	2.84	1.96
CLE and Training Costs	2.57	0.84	0.52
General and Admin.	9.28	6.07	2.59
Total	88.06	119.54	67.13
Client Service Hours	1,800	1,950	1,513
Per hour cost	88.06	119.54	67.13
Revenue per hour	361.11	225.64	94.24
Cost per hour	88.06	119.54	67.13
Net Profit per hour	273	106	27
Return per hour worked	273	106	27
Return per hour	406		

Practice 2

Practice 2 is returning only \$242 per hour, with \$163 coming from P3's efforts and \$78 coming from A6's. Comparing A6's salary cost per hour to those of Practice 2 and Practice 3 indicates that A6's hourly pay is the lowest of all associates.

P3 has the lowest billing rate per hour, least personal billable hours, and has only one additional revenue contributor. Practice 2's marketing costs are substantially higher than Practice 1 and 3's, which may be indicative of a young and building practice. It is important to consider the non-economic or strategic components accompanying a result before fully weighing an interim profit per hour analysis.

PRACTICE 2		
	P3 CPH	A6 CPH
Payroll and Related		60.84
Total secretarial costs	25.35	20.04
Admin PR and Related	14.84	8.80
Facility	22.03	13.06
Equipment and Practice Aids	9.39	7.43
Marketing/ Bus. Dev.	28.43	2.62
CLE and Training Costs	3.90	0.99
General and Admin.	12.16	5.50
Total	116.10	119.29
Client Service Hours	1,700	2,150
Per hour cost	116.10	119.29
Revenue per hour	279.41	197.67
Cost per hour	116.10	119.29
Net Profit per hour	163	78
Return per hour worked	163	78
Return per hour	242	

Practice 3

Practice 3 is returning \$663 per hour, with only \$185 per hour attributable to Partner 1's time. Practice 3 also benefits from A 3 and PL 1 working remotely and not being subject to an office space allocation.

In some firms, this can be controversial, but if this example were an actual practice and the remote attorney and paralegal were delivering the indicated results, it would be foolish to allocate overhead to these positions arbitrarily.

As law firm's look for ways to reduce costs and keep highly productive individuals, creative work arrangements can be a profitable option. Practice 3 has hit critical mass and is returning profits at or more than 40% on all associates and between 27-37% on Paralegals. P1's personal return per hour is at the median for this firm, and the profit on the leverage more than compensates for P3's the lower hourly billing rate.

Comparing the salary costs of Practice 3 to those in Practice 2 and Practice1 indicates that Practice 3's compensation costs per hour are higher in most instances, which is mostly attributable to bonus costs related to higher billable hours for A1, A2, and A5 (see sample worksheets). In this example, Practice 3 can tailor its cost structure to its economic drivers.

PRACTICE 3								
	P1 CPH	A1 CPH	A2 CPH	A3 CPH	A5 CPH	PL 1 CPH	PL 2 CPH	PL3 CPH
Payroll and Related		78.75	66.62	74.67	66.65	45.88	49.69	48.08
Total secretarial costs	33.89	10.31	14.57	16.37	20.72	-	-	-
Admin PR and Related	12.02	8.23	9.23	10.37	8.60	3.71	3.94	3.98
Facility	17.83	12.21	13.70	-	12.77	5.51	-	5.91
Equipment and Practice Aids	7.88	7.19	8.07	9.06	7.52	6.97	7.40	7.47
Marketing/ Bus. Dev.	17.78	2.88	2.85	4.02	3.20	1.96	2.08	2.10
CLE and Training Costs	2.68	2.01	1.53	1.55	1.15	0.52	0.61	0.71
General and Admin.	8.58	5.14	5.77	6.48	5.38	2.59	2.75	2.78
	101	126.74	122.34	122.53	114.00	67.13	66.48	71.03
Client Service Hours	2,100	2,300	2,050	1,825	2,200	187	1600	1585
Per hour cost	101	127	122	123	114	67	66	71
Revenue per hour	286	220	220	205	220	106	100	98
Cost per hour	101	127	122	123	114	67	66	71
Net Profit per hour	185	93	97	83	106	39	34	27
Return per hour worked	185	93	97	83	106	39	34	27
						Return per hour		663

Ultimately tying compensation to profits contributed allows these three very different practices to coexist in the same firm with each having the opportunity to practice efficiently and be rewarded accordingly

As mentioned earlier, performance per hour data supported by a quality cost allocation system enables measuring performance in several ways. Consider the following performance per hour by associate comparison:

	ASSOCIATE COST PER HOUR						
	A1 CPH	A2 CPH	A3 CPH	A4 CPH	A5 CPH	A6 CPH	TOTAL
Payroll and Related	78.75	66.62	74.67	61.92	66.65	60.84	68.31
Total secretarial costs	10.31	14.57	16.37	15.79	20.72	20.04	16.27
Admin PR and Related	8.23	9.23	10.37	9.71	8.60	8.80	9.10
Facility	12.21	13.70	-	14.40	12.77	13.06	11.26
Equipment and Practice Aids	7.19	8.07	9.06	7.98	7.52	7.43	7.83
Marketing/ Bus. Dev.	2.88	2.85	4.02	2.84	3.20	2.62	3.05
CLE and Training Costs	2.01	1.53	1.55	0.84	1.15	0.99	1.35
General and Admin.	5.14	5.77	6.48	6.07	5.38	5.50	5.69
	126.74	122.34	122.53	119.54	114.00	119.29	122.86
Client Service Hours	2,300	2,050	1,825	1,950	2,200	2,150	
Per hour cost	126.74	122.34	122.53	119.54	114.00	119.29	
	-	-	-	-	-	-	
Revenue per hour	219.57	219.51	205.48	225.64	220.45	197.67	
Cost per hour	126.74	122.34	122.53	119.54	114.00	119.29	
Net Profit per hour	93	97	83	106	106	78	
Return per hour worked	93	97	83	106	106	78	
	Return per hour						564

These data quickly indicate where improvement opportunities exist. Peer comparisons on a line item basis provide insights based on real examples occurring within the same firm.

Outside benchmarks, while useful when reliable, are subject to interpretation, inconsistent cost groupings, and varied practice areas.

Developing these data internally enables a firm to create unique best practices, which could lead to a market advantage.

WORKSHEETS



TIMEKEEPER PAYROLL AND RELATED

TIMEKEEPER COST RECAP																			
	P1	P2	P3	P- TOTAL	P CPH	A1	A2	A3	A4	A5	A6	A- TOTAL	A-CPH	PL1	PL2	PL3	PL- TOTAL	PL-CPH	TOTAL
Payroll and Related	-	-	-	-	-	181,125	136,563	136,275	120,750	146,625	130,813	852,150	68.31	78,000	79,500	76,200	233,700	47.84	1,085,850
Total secretarial costs	71,173	45,579	43,087	159,839	29	23,724	29,877	29,877	30,782	45,579	43,087	202,926	16.27	-	-	-	-	-	362,765
Admin PR and Related	25,235	25,235	25,235	75,706	14	18,926	18,926	18,926	18,926	18,926	18,926	113,559	9.10	6,309	6,309	6,309	18,926	3.87	208,191
Facility	37,452	37,452	37,452	112,357	20	28,089	28,089	-	28,089	28,089	28,089	140,446	11.26	9,363	-	9,363	18,726	3.83	271,529
Equipment and Practice Aids	16,542	15,567	15,967	48,075	9	16,542	16,542	16,542	15,567	16,542	15,967	97,700	7.83	11,842	11,842	11,842	35,525	7.27	181,300
Marketing/ Bus. Dev.	37,333	13,333	48,333	99,000	18	6,633	5,833	7,333	5,533	7,033	5,633	38,000	3.05	3,333	3,333	3,333	10,000	2.05	147,000
CLE and Training Costs	5,629	4,629	6,629	16,888	3	4,629	3,129	2,829	1,629	2,529	2,129	16,875	1.35	879	979	1,129	2,988	0.61	36,750
General and Admin.	18,027	16,712	20,667	55,406	10	11,833	11,833	11,833	11,833	11,833	11,833	70,999	5.69	4,401	4,401	4,401	13,204	2.70	139,610
Total	211,392	158,507	197,371	567,270	101	291,502	250,792	223,615	233,110	277,157	256,477	1,532,654	123	114,128	106,364	112,578	333,070	68	2,432,994
Client Service Hours	2100	1800	1700	5600		2300	2050	1825	1950	2200	2150	12,475		1700	1600	1585	4885		41,035
Per hour cost	101	88	116	101		127	122	123	120	126	119	123		67	66	71	68		59
Revenue per hour	286	361	279			220	220	205	226	220	198			106	100	98			213
Cost per hour	101	88	116			127	122	123	120	126	119			67	66	71			59
Net Profit per hour	185	273	163			93	97	83	106	94	78			39	34	27			154
Return per hour worked	185	273	163																

TIMEKEEPER PAYROLL AND RELATED

REVENUE ALLOCATION-TIMEKEEPER				REVENUE ALLOCATION-ORIGINATOR				HOURS ALLOCATION-ORIGINATOR			
	Client Hours	Revenue Credit	Collected Rate	Practice 1	Practice 2	Practice 3	Total	Practice 1	Practice 2	Practice 3	Total
Partner 1	2,100	600,000	285.71	1,250,000	900,000	2,750,000	4,900,000	1,250,000	900,000	2,750,000	4,900,000
Partner 2	1,800	650,000	361.11			600,000	600,000			2,100	2,100
Partner 3	1,700	475,000	279.41	650,000			650,000	1,800			1,800
Sub-total	5,600	1,725,000	308.04		475,000		475,000		1,700		1,700
				650,000	475,000	600,000	1,725,000	1,800	1,700	2,100	5,600
Associate 1	2,300	505,000	219.57			505,000	505,000			2,300	2,300
Associate 2	2,050	450,000	219.51			450,000	450,000			2,050	2,050
Associate 3	1,825	375,000	205.48			375,000	375,000			1,825	1,825
Associate 4	1,950	440,000	225.64	440,000			440,000	1,950			1,950
Associate 5	2,200	485,000	220.45			485,000	485,000			2,200	2,200
Associate 6	2,150	425,000	197.67		425,000		425,000		2,150		2,150
Sub-total	12,475	2,680,000	214.83	440,000	425,000	1,815,000	2,680,000	1,950	2,150	8,375	12,475
Paralegal 1	1,700	180,000	105.88	160,000		20,000	180,000	1,513		187	1,700
Paralegal 2	1,600	160,000	100.00			160,000	160,000			1,600	1,600
Paralegal 3	1,585	155,000	97.79			155,000	155,000			1,585	1,585
Sub-total	4,885	495,000	101.33	160,000	-	335,000	495,000	1,513	-	3,372	4,885
Total	22,960	4,900,000	213.41	1,250,000	900,000	2,750,000	4,900,000	5,263	3,850	13,847	22,960
OH ALLOC		22.92%	16.77%	60.31%	100.00%						

TIMEKEEPER PAYROLL AND RELATED

PAYROLL COST PER HOUR (PRCPH) CALCULATION

Timekeeper	FTE	Salary	Bonus	Total Comp	Benefits	Loaded PR	Legal Hours	PR CPH
Partner 1	1						2,100	
Partner 2	1						1,800	
Partner 3	1						1,700	
	3	-	-	-	-	-	5,600	

					15%			
Associate 1	1	135,000	22,500	157,500	23,625	181,125	2,300	78.75
Associate 2	1	115,000	3,750	118,750	17,813	136,563	2,050	66.62
Associate 3	1	118,500	-	118,500	17,775	136,275	1,825	74.67
Associate 4	1	105,000	-	105,000	15,750	120,750	1,950	61.92
Associate 5	1	112,500	15,000	127,500	19,125	146,625	2,200	66.65
Associate 6	1	102,500	11,250	113,750	17,063	130,813	2,150	60.84
Sub-total	6	688,500	52,500	741,000	111,150	852,150	12,475	68.31

					20%			
Paralegal 1	1	60,000	5,000	65,000	13,000	78,000	1,700	45.88
Paralegal 2	1	62,500	3,750	66,250	13,250	79,500	1,600	49.69
Paralegal 3	1	63,500	-	63,500	12,700	76,200	1,585	48.08
Sub-total	3	186,000	8,750	194,750	38,950	233,700	4,885	47.84

Total	12	874,500	61,250	935,750	150,100	1,085,850	17,360	62.55
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					20%			
Secretary 1	1	59,000	2,269	61,269	12,254	73,523	12,475	5.89
Secretary 2	1	55,000	2,115	57,115	11,423	68,538	12,475	5.49
Secretary 3	1	62,000	2,385	64,385	12,877	77,262	12,475	6.19
Secretary 4	1	58,500	2,250	60,750	12,150	72,900	12,475	5.84
	4	234,500	9,019	243,519	48,704	292,223	12,475	23.42

		Salary	Bonus	Total Comp	Benefits	Loaded PR	Total LH	CPH
Administrative					20%			
Billing/Accounting	1	48,000	4,800	52,800	10,560	63,360	22,960	2.76
Receptionist	1	33,000	3,300	36,300	7,260	43,560	22,960	1.90
Contract CFO	0	42,000		42,000		42,000	22,960	1.83
Contract CPA (close)	0	12,000		12,000		12,000	22,960	0.52
Contract HR	0	12,000		12,000		12,000	22,960	0.52
	2	147,000		155,100	17,820	172,920	22,960	7.53

SECRETARIAL COSTS

SECRETARIAL COST ALLOCATION

	1	2	3	4	Total
	91,158	86,174	94,897	90,535	362,765
					-
	91,158	86,174	94,897	90,535	362,765
Partner 1			0.75		
Partner 2	0.5				
Partner 3		0.5			
Sub-total					
Associate 1			0.25		
Associate 2				0.33	
Associate 3				0.33	
Associate 4				0.34	
Associate 5	0.5				
Associate 6		0.5			
Paralegal 1					
Paralegal 2					
Paralegal 3					
Total	1	1	1	1	
Partner 1	-	-	71,173	-	71,173
Partner 2	45,579	-	-	-	45,579
Partner 3	-	43,087	-	-	43,087
Sub-total	45,579	43,087	71,173	-	159,839
Associate 1	-	-	23,724	-	23,724
Associate 2	-	-	-	29,877	29,877
Associate 3	-	-	-	29,877	29,877
Associate 4	-	-	-	30,782	30,782
Associate 5	45,579	-	-	-	45,579
Associate 6	-	43,087	-	-	43,087
Sub-total	45,579	43,087	23,724	90,535	202,926
Paralegal 1	-	-	-	-	-
Paralegal 2	-	-	-	-	-
Paralegal 3	-	-	-	-	-
Sub-total	-	-	-	-	-
Total	91,158	86,174	94,897	90,535	362,765

ADMINISTRATIVE COSTS

ADMINISTRATIVE COST ALLOCATION		
	General	Total
Partner 1	25,235	25,235
Partner 2	25,235	25,235
Partner 3	25,235	25,235
Sub-total	75,706	75,706
Associate 1	18,926	18,926
Associate 2	18,926	18,926
Associate 3	18,926	18,926
Associate 4	18,926	18,926
Associate 5	18,926	18,926
Associate 6	18,926	18,926
Sub-total	113,559	113,559
Paralegal 1	6,309	6,309
Paralegal 2	6,309	6,309
Paralegal 3	6,309	6,309
Sub-total	18,926	18,926
Total	208,191	208,191

ADMINISTRATIVE COSTS

ADMINISTRATIVE PAYROLL COST ALLOCATION

		<u>Salary</u>	<u>Bonus</u>	<u>Total Comp</u>	<u>Benefits</u>	<u>Other</u>	<u>Total Admin</u>
<u>Administrative</u>					20%		
Billing/Accounting	1	48,000	4,800	52,800	10,560	17,635	80,995
Receptionist	1	33,000	3,300	36,300	7,260	17,635	61,195
Contract CFO	0	42,000		42,000			42,000
Contract CPA (close)	0	12,000		12,000			12,000
Contract HR	0	12,000		12,000			12,000
	2	147,000		155,100	17,820	35,271	208,191

FACILITY COSTS

FACILITY COSTS ALLOCATION					
Method	Rent Per Head	Utilities Allocated	Insurance Specific	R & Maint Specifc	Total
	93%	2%	4%	1.50%	100%
	273,420	4,410	11,760	4,410	294,000
	Table 10	Table 10	Table 10	Table 10	
Partner 1	34,831	562	1,498	562	37,452
Partner 2	34,831	562	1,498	562	37,452
Partner 3	34,831	562	1,498	562	37,452
Sub-total	104,492	1,685	4,494	1,685	112,357
Associate 1	26,123	421	1,124	421.34	28,089
Associate 2	26,123	421	1,124	421.34	28,089
Associate 3	-	-	-	-	-
Associate 4	26,123	421	1,124	421.34	28,089
Associate 5	26,123	421	1,124	421.34	28,089
Associate 6	26,123	421	1,124	421.34	28,089
Sub-total	130,615	2,107	5,618	2,107	140,446
Paralegal 1	8,708	140	375	140	9,363
Paralegal 2	-	-	-	-	-
Paralegal 3	8,708	140	375	140	9,363
Sub-total	17,415	281	749	281	18,726
Secretary 1	3,483	56	150	56	3,745
Secretary 2	3,483	56	150	56	3,745
Secretary 3	3,483	56	150	56	3,745
Secretary 4	3,483	56	150	56	3,745
Sub-total	13,932	225	599	225	14,981
Administrative					
Billing/Accounting	3,483	56	150	56	3,745
Receptionist	3,483	56	150	56	3,745
Contract CFO					
Contract CPA (close)					
Contract HR					
Sub-total	6,966	112	300	112	7,490
Total	273,420	4,410	11,760	4,410	294,000

EQUIPMENT AND PRACTICE AIDS COST ALLOCATION RECAP

Method	Section	<u>Equipment</u>		<u>IT Support</u>	<u>Subscriptions</u>	<u>Books/Pubs</u>	<u>Tele</u>	<u>On Line</u>		<u>Total</u>
		<u>Rental</u>	<u>Postage</u>	<u>(Per Seat)</u>				<u>Research</u>	<u>Other</u>	
		Per Head	Allocated	Specific	Specifc	Specific	Allocated	Allocated	Allocated	
		Table 2	Table 2	Table 2	Specific	Specific	Table 2	Table 3	Table 2	
		32%	1%	41%	13%	3%	2%	6%	2%	100%
		78,400	2,450	100,450	31,850	7,350	4,900	14,700	4,900	245,000
Partner 1	P3	4,356	136	5,581	4,000	700	272	1,225	272	16,542
Partner 2	P1	4,356	136	5,581	3,000	725	272	1,225	272	15,567
Partner 3	P2	4,356	136	5,581	2,925	1,200	272	1,225	272	15,967
Sub-total		13,067	408	16,742	9,925	2,625	817	3,675	817	48,075
Associate 1	P3	4,356	136	5,581	4,000	700	272	1,225	272	16,542
Associate 2	P3	4,356	136	5,581	4,000	700	272	1,225	272	16,542
Associate 3	P3	4,356	136	5,581	4,000	700	272	1,225	272	16,542
Associate 4	P1	4,356	136	5,581	3,000	725	272	1,225	272	15,567
Associate 5	P3	4,356	136	5,581	4,000	700	272	1,225	272	16,542
Associate 6	P2	4,356	136	5,581	2,925	1,200	272	1,225	272	15,967
Sub-total		26,133	817	33,483	21,925	4,725	1,633	7,350	1,633	97,700
Paralegal 1	P1	4,356	136	5,581			272	1,225	272	11,842
Paralegal 2	P3	4,356	136	5,581			272	1,225	272	11,842
Paralegal 3	P3	4,356	136	5,581			272	1,225	272	11,842
Sub-total		13,067	408	16,742	-	-	817	3,675	817	35,525
Secretary 1	P1	4,356	136	5,581			272		272	10,617
Secretary 2	P2	4,356	136	5,581			272		272	10,617
Secretary 3	P3	4,356	136	5,581			272		272	10,617
Secretary 4	P3	4,356	136	5,581			272		272	10,617
Sub-total		17,422	544	22,322	-	-	1,089	-	1,089	42,467
<u>Administrative</u>										
Billing/Accounting	A1	4,356	136	5,581			272		272	10,617
Receptionist	A2	4,356	136	5,581			272		272	10,617
Contract CFO	A3	-	-	-			-		-	-
Conract CPA (close)	A4	-	-	-			-		-	-
Contract HR	A5	-	-	-			-		-	-
Sub-total		8,711	272	11,161	-	-	544	-	544	21,233
Total		78,400	2,450	100,450	31,850	7,350	4,900	14,700	4,900	245,000

MARKETING/BUSINESS DEVELOPMENT

MARKETING/BUSINESS DEVELOPMENT ALLOCATION

Marketing for benefit of the firm **40,000**

	<u>Specific</u>	<u>General</u>	<u>Total</u>
	Table 3		
Partner 1	34,000	3,333	37,333
Partner 2	10,000	3,333	13,333
Partner 3	45,000	3,333	48,333
Sub-total	89,000	10,000	99,000
Associate 1	3,300	3,333	6,633
Associate 2	2,500	3,333	5,833
Associate 3	4,000	3,333	7,333
Associate 4	2,200	3,333	5,533
Associate 5	3,700	3,333	7,033
Associate 6	2,300	3,333	5,633
Sub-total	18,000	20,000	38,000
Paralegal 1		3,333	3,333
Paralegal 2		3,333	3,333
Paralegal 3		3,333	3,333
Sub-total	-	10,000	10,000
Total	107,000	40,000	147,000

CLE AND TRAINING COSTS

CLE AND TRAINING COSTS			
	Firm Training	7,550	
	<u>Specific</u>	<u>General</u>	<u>Total</u>
		<u>Table 3</u>	
Partner 1	5,000	629	5,629
Partner 2	4,000	629	4,629
Partner 3	6,000	629	6,629
Sub-total	15,000	1,888	16,888
Associate 1	4,000	629	4,629
Associate 2	2,500	629	3,129
Associate 3	2,200	629	2,829
Associate 4	1,000	629	1,629
Associate 5	1,900	629	2,529
Associate 6	1,500	629	2,129
Sub-total	13,100	3,775	16,875
Paralegal 1	250	629	879
Paralegal 2	350	629	979
Paralegal 3	500	629	1,129
Sub-total	1,100	1,888	2,988
Total	29,200	7,550	36,750

Section		GENERAL AND ADMINISTRATIVE COST ANALYSIS														
Method		Kitchen	Parking	CC WO	Office Supplies	Bank Charges	Taxes Licenses	Contrib. - Charitable	Employee Meals	Travel	Mal-practice	Account ing	Prof Fees	Interest	Emp Functions	Total
	159,250	2%	1%	1.00%	11%	2%	8%	3%	7%	1%	42%	7%	2%	11.5%	2%	100%
		3,185	796	1,593	17,518	3,185	12,740	4,778	11,148	1,593	66,885	11,148	3,185	18,314	3,185	159,250
Method		Table 2	Table 3	Specific	Table 2	Table 2	Table 3	Table 2	Table 2	Table 2	Table 4	Table 2	Table 2	Specific	Table 2	
Partner 1	P3	177	66	700	973	177	1,062	265	619	88	7,432	619	177	5,494	177	18,027
Partner 2	P1	177	66	300	973	177	1,062	265	619	88	7,432	619	177	4,578	177	16,712
Partner 3	P2	177	66	593	973	177	1,062	265	619	88	7,432	619	177	8,241	177	20,667
Sub-total		531	199	1,593	2,920	531	3,185	796	1,858	265	22,295	1,858	531	18,314	531	55,406
Associate 1	P3	177	66		973	177	1,062	265	619	88	7,432	619	177		177	11,833
Associate 2	P3	177	66		973	177	1,062	265	619	88	7,432	619	177		177	11,833
Associate 3	P3	177	66		973	177	1,062	265	619	88	7,432	619	177		177	11,833
Associate 4	P1	177	66		973	177	1,062	265	619	88	7,432	619	177		177	11,833
Associate 5	P3	177	66		973	177	1,062	265	619	88	7,432	619	177		177	11,833
Associate 6	P2	177	66		973	177	1,062	265	619	88	7,432	619	177		177	11,833
Sub-total		1,062	398	-	5,839	1,062	6,370	1,593	3,716	531	44,590	3,716	1,062	-	1,062	70,999
Paralegal 1	P1	177	66		973	177	1,062	265	619	88		619	177		177	4,401
Paralegal 2	P3	177	66		973	177	1,062	265	619	88		619	177		177	4,401
Paralegal 3	P3	177	66		973	177	1,062	265	619	88		619	177		177	4,401
Sub-total		531	199	-	2,920	531	3,185	796	1,858	265	-	1,858	531	-	531	13,204
Secretary 1	P1	177			973	177		265	619	88		619	177		177	3,273
Secretary 2	P2	177			973	177		265	619	88		619	177		177	3,273
Secretary 3	P3	177			973	177		265	619	88		619	177		177	3,273
Secretary 4	P3	177			973	177		265	619	88		619	177		177	3,273
Sub-total		708	-	-	3,893	708	-	1,062	2,477	354	-	2,477	708	-	708	13,094
Administrative																
Billing/																
Accounting	A1	177			973	177		265	619	88		619	177		177	3,273
Receptionist	A2	177			973	177		265	619	88		619	177		177	3,273
Contract CFO	A3	-														-
Contract CPA																
(close)	A4	-														-
Contract HR	A5	-														-
Sub-total		354	-	-	1,946	354	-	531	1,239	177	-	1,239	354	-	354	6,547
Total		3,185	796	1,593	17,518	3,185	12,740	4,778	11,148	1,593	66,885	11,148	3,185	18,314	3,185	159,251

FTE TABLE										
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>
<u>Partners</u>										
Partner 1	1	1	1	1	1					1
Partner 2	1	1	1	1	1					1
Partner 3	1	1	1	1	1					1
	3	3	3	3	3	-	-	-	-	3
<u>Associates</u>										
Associate	1	1	1	1		1				1
Associate	1	1	1	1		1				1
Associate	1	1	1	1		1				-
Associate	1	1	1	1		1				1
Associate	1	1	1	1		1				1
Associate	1	1	1	1		1				1
Sub-total	6	6	6	6	-	6	-	-	-	5
<u>Paralegals</u>										
Paralegal	1	1	1				1			1
Paralegal	1	1	1				1			-
Paralegal	1	1	1				1			1
Sub-total	3	3	3	-	-	-	3	-	-	2
Total	12	12	12	9	3	6	3	-	-	10
<u>Secretaries</u>										
Secretary	1	1						1		1
Secretary	1	1						1		1
Secretary	1	1						1		1
Secretary	1	1						1		1
Sub-total	4	4	-	-	-	-	-	4	-	4
<u>Administrative</u>										
Billing/Accounting		1							1	1
Receptionist	1	1							1	1
Contract CFO	1									
Contract CPA										
Contract HR	1									
Sub-total	5	2	-	-	-	-	-	-	2	2
Total	21	18	12	9	3	6	3	4	2	16

1	ALL TIMEKEEPERS, STAFF AND CONTRACTORS					
	<u>GROSS</u>	<u>ADJ. FACTOR</u>	<u>ADJ. FTE</u>	<u>TYPE SHARE</u>	<u>EACH</u>	
Partners	3	1	3	14.29%	4.76%	
Associates	6	1	6	28.57%	4.76%	
Paralegals	3	1	3	14.29%	4.76%	
Sec	4	1	4	19.05%	4.76%	
Admin	5	1	5	23.81%	4.76%	
Sub-total	21		21	100%		

2	ALL TIMEKEEPERS AND STAFF (no contractors)					
	<u>GROSS</u>	<u>ADJ. FACTOR</u>	<u>ADJ. FTE</u>	<u>TYPE SHARE</u>	<u>EACH</u>	
Partners	3	1	3	17%	5.56%	
Associates	6	1	6	33%	5.56%	
Paralegals	3	1	3	17%	5.56%	
Sec	4	1	4	22%	5.56%	
Admin	2	1	2	11%	5.56%	
Sub-total	18		18	100%		

3	ALL TIMEKEEPERS ONLY					
	<u>GROSS</u>	<u>ADJ. FACTOR</u>	<u>ADJ. FTE</u>	<u>TYPE SHARE</u>	<u>EACH</u>	
Partners	3	1	3	25%	8.33%	
Associates	6	1	6	50%	8.33%	
Paralegals	3	1	3	25%	8.33%	
Sub-total	12		12	100%		

4	ATTORNEYS ONLY					
	<u>GROSS</u>	<u>ADJ. FACTOR</u>	<u>ADJ. FTE</u>	<u>TYPE SHARE</u>	<u>EACH</u>	
Partners	3	1	3	33%	11.11%	
Associates	6	1	6	67%	11.11%	
Sub-total	9		9	100%		

5	PARTNERS ONLY					
	<u>GROSS</u>	<u>ADJ. FACTOR</u>	<u>ADJ. FTE</u>	<u>TYPE SHARE</u>	<u>EACH</u>	
Partners	3	1	3	100%	33.33%	
Sub-total	3		3	100%		

6	ASSOCIATES ONLY					
	<u>GROSS</u>	<u>ADJ. FACTOR</u>	<u>ADJ. FTE</u>	<u>TYPE SHARE</u>	<u>EACH</u>	
Associates	6	1	6	100%	16.67%	
Sub-total	6		6	100%		

7	PARALEGALS ONLY					
	<u>GROSS</u>	<u>ADJ. FACTOR</u>	<u>ADJ. FTE</u>	<u>TYPE SHARE</u>	<u>EACH</u>	
Paralegals	3	1	3	100%	33.33%	
Sub-total	3		3	100%		

8	PARALEGALS ONLY					
	<u>GROSS</u>	<u>ADJ. FACTOR</u>	<u>ADJ. FTE</u>	<u>TYPE SHARE</u>	<u>EACH</u>	
Secretaries	4	1	4	100%	25.00%	
Sub-total	4		4	100%		

9	ADMINISTRATIVE ONLY					
		<u>GROSS</u>	<u>ADJ. FACTOR</u>	<u>ADJ. FTE</u>	<u>TYPE SHARE</u>	<u>EACH</u>
	Administrative	2	1	2	100%	50.00%
	Sub-total	2		2	100%	
10	ALL TIMEKEEPERS AND STAFF ADJUSTED FOR SPACE USE					
		<u>GROSS</u>	<u>ADJ. FACTOR</u>	<u>ADJ. FTE</u>	<u>TYPE SHARE</u>	<u>EACH</u>
	Partners	3	1	3	38%	12.74%
	Associates	5	0.75	3.75	48%	9.55%
	Paralegals	2	0.25	0.5	6%	3.18%
	Sec	4	0.1	0.4	5%	1.27%
	Admin	2	0.1	0.2	3%	1.27%
	Sub-total	16		7.85	100%	
11	ADJUSTED PAYROLL ALLOCATION FOR USE					
		<u>GROSS</u>	<u>ADJ. FACTOR</u>	<u>ADJ. FTE</u>	<u>TYPE SHARE</u>	<u>EACH</u>
	Partners	3	1	3	36%	12.12%
	Associates	6	0.75	4.5	55%	9.09%
	Paralegals	3	0.25	0.75	9%	3.03%
	Sec					
	Admin					
	Sub-total	12		8.25	100%	