



**ARTHURANDERSEN**

Business Consulting

# Association of General Counsel 2000 Law Department Compensation Survey

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# Stock Option Compensation

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- Black-Scholes Calculation
  - Fair Market Value
- Long Term Incentive
- Data Categories
  - Identify positions receiving stock option awards
  - Date on which the stock options were granted
  - Number of stock options granted
  - Exercise, or strike, price of the stock option
  - Contractual life of the stock option
  - Stock option vesting schedule



## Data Inputs

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- Exercise price of the option,
- Fair market value of the underlying stock on the date of grant,
- Risk-free interest rate,
- Expected life of the option,
- Expected volatility of the stock price, and
- Expected dividends on the underlying stock.



## Impact of Changes\* to Black Scholes Inputs

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<b>Increase In:</b>	<b>Impact on Option Value:</b>
↑ Exercise Price	-
↑ FMV of Stock	+
↑ Risk-Free Interest Rate	+
↑ Option Term	+
↑ Stock Price Volatility	+
↑ Dividend Yield	-

\* Provided that only one input changes and all other inputs remain the same



## Use of LTI

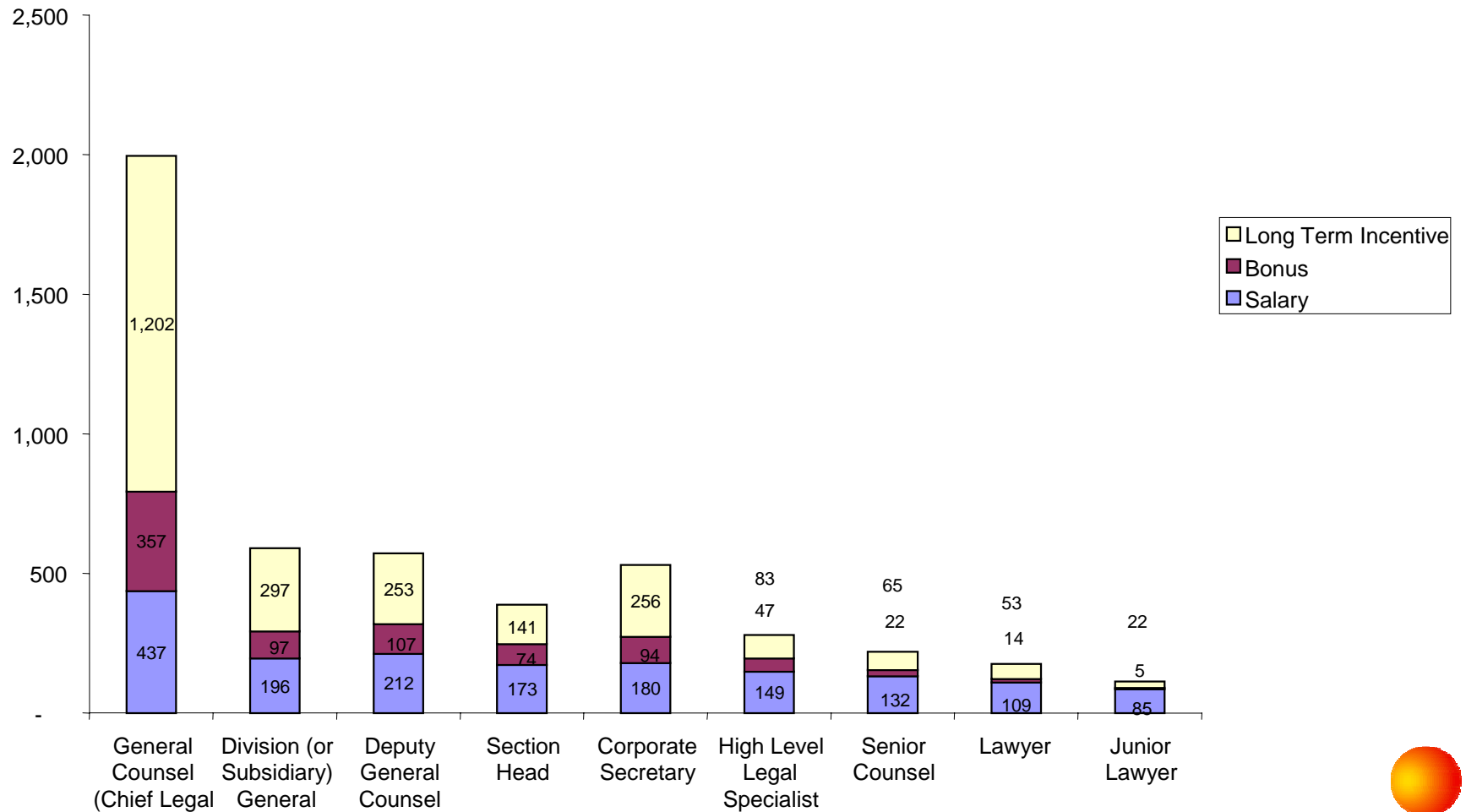
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- Identifying the positions that receive stock options.
- Understanding the comparisons of stock option compensation where relevant (e.g. industry comparisons).
- Understanding the impact of stock options on total compensation.

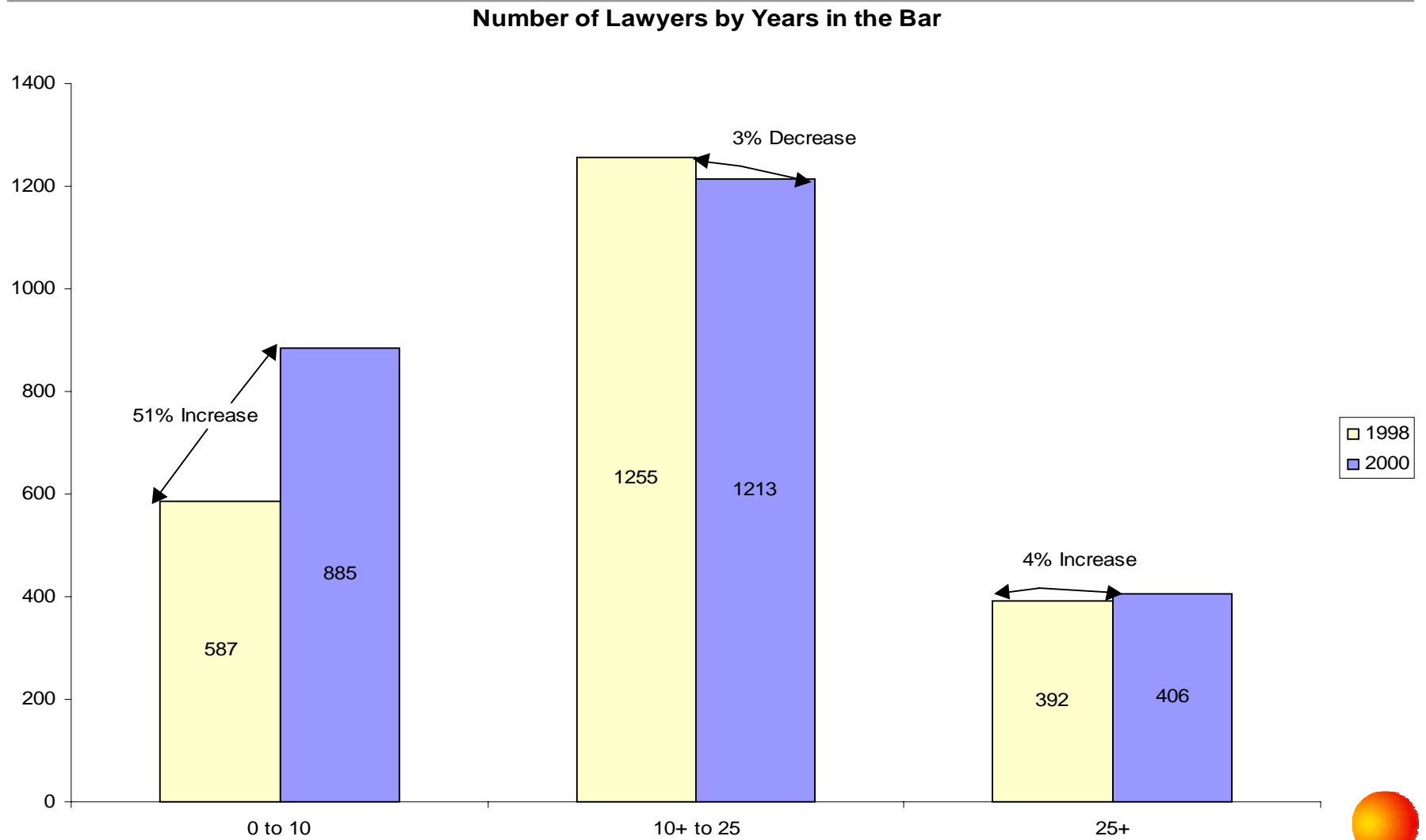


# Salary + Bonus + LTI by Position

2000 Average Salary + Bonus + Long Term Incentive by Position  
(in thousands of dollars)



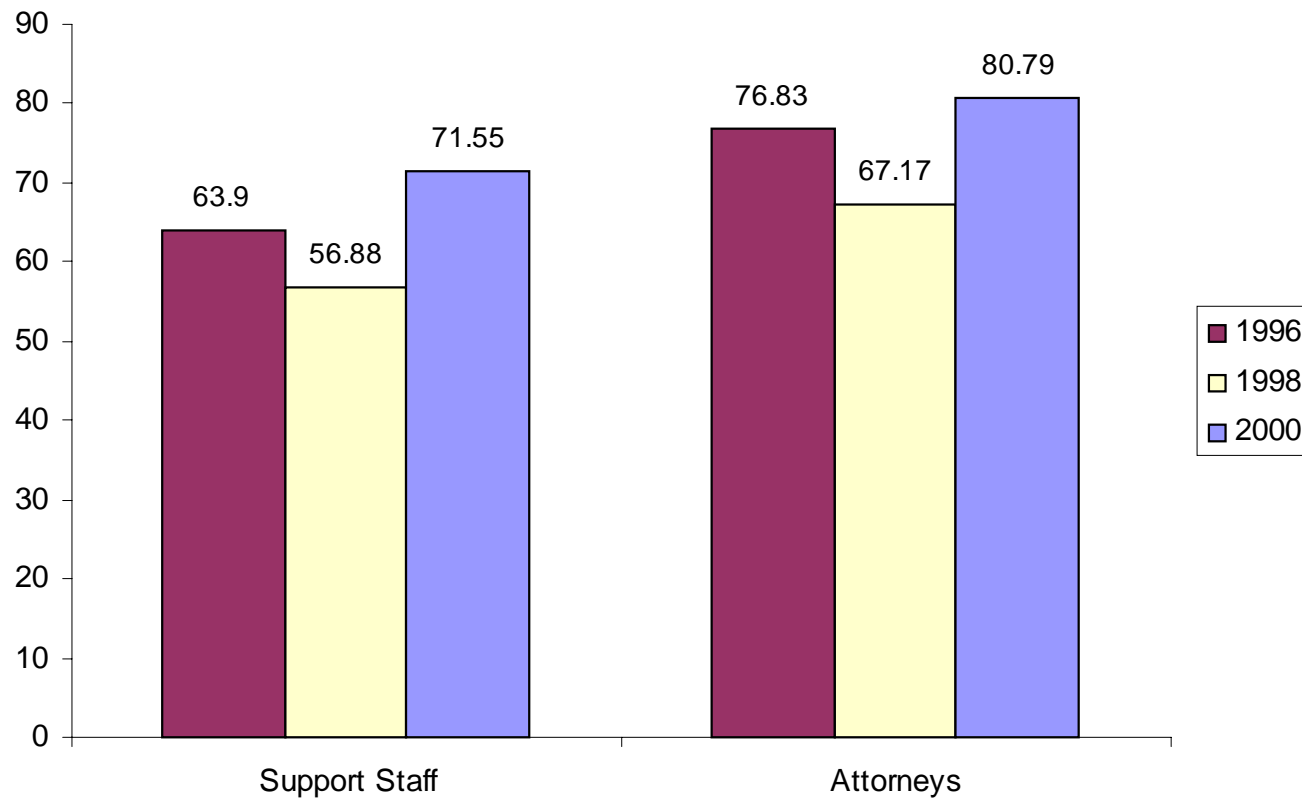
# Increase in Lawyers by Years Admitted to Bar



# Average Support Staff and Attorneys

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**Exhibit**  
**Average Support Staff and Attorneys**

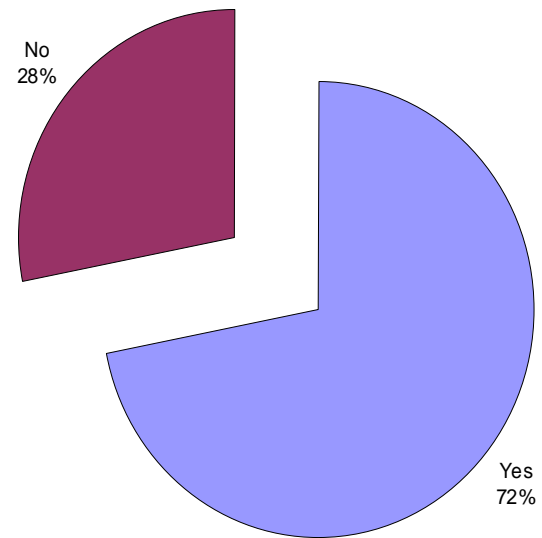




# Dual Career Path

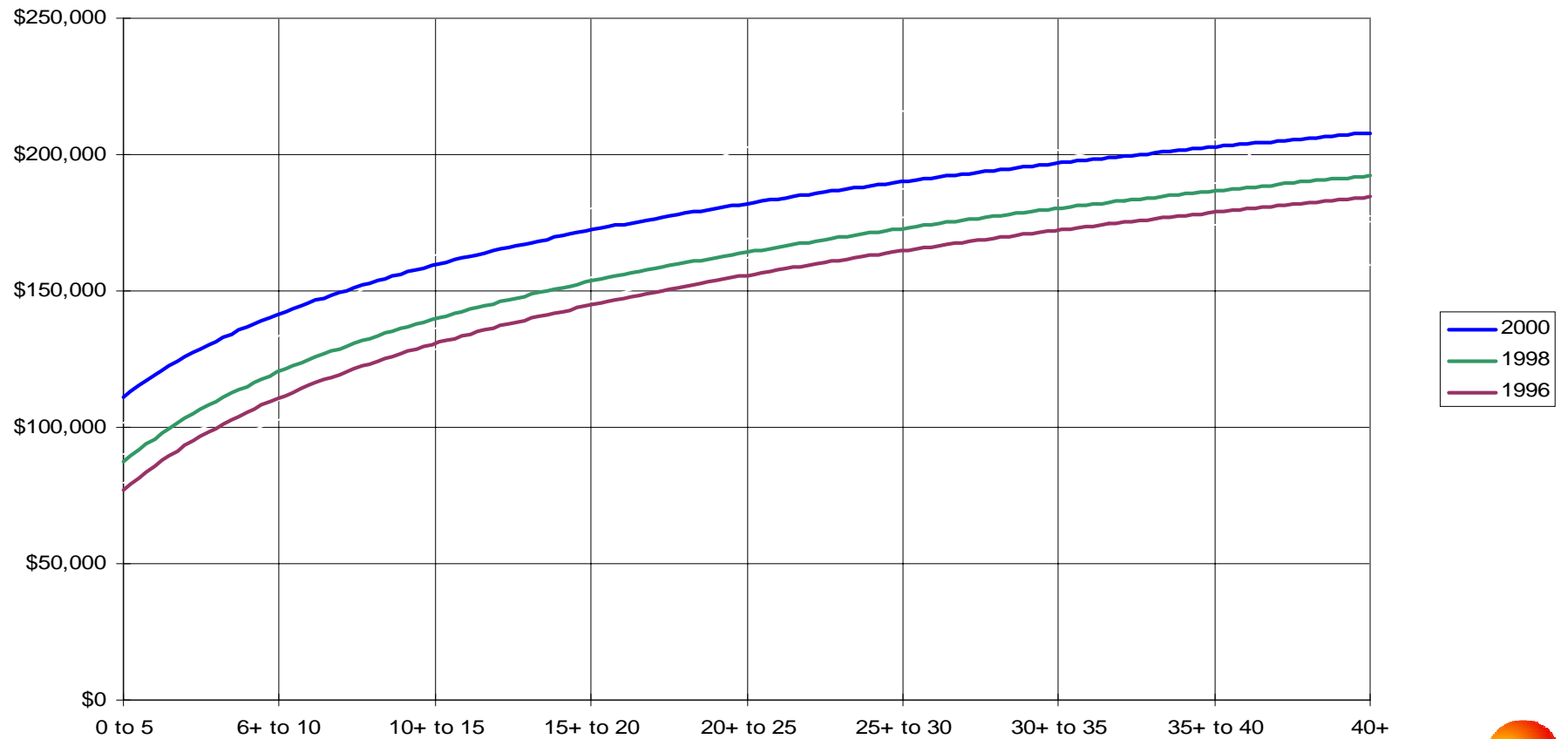
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Question: Does your department offer a dual career path?  
2000



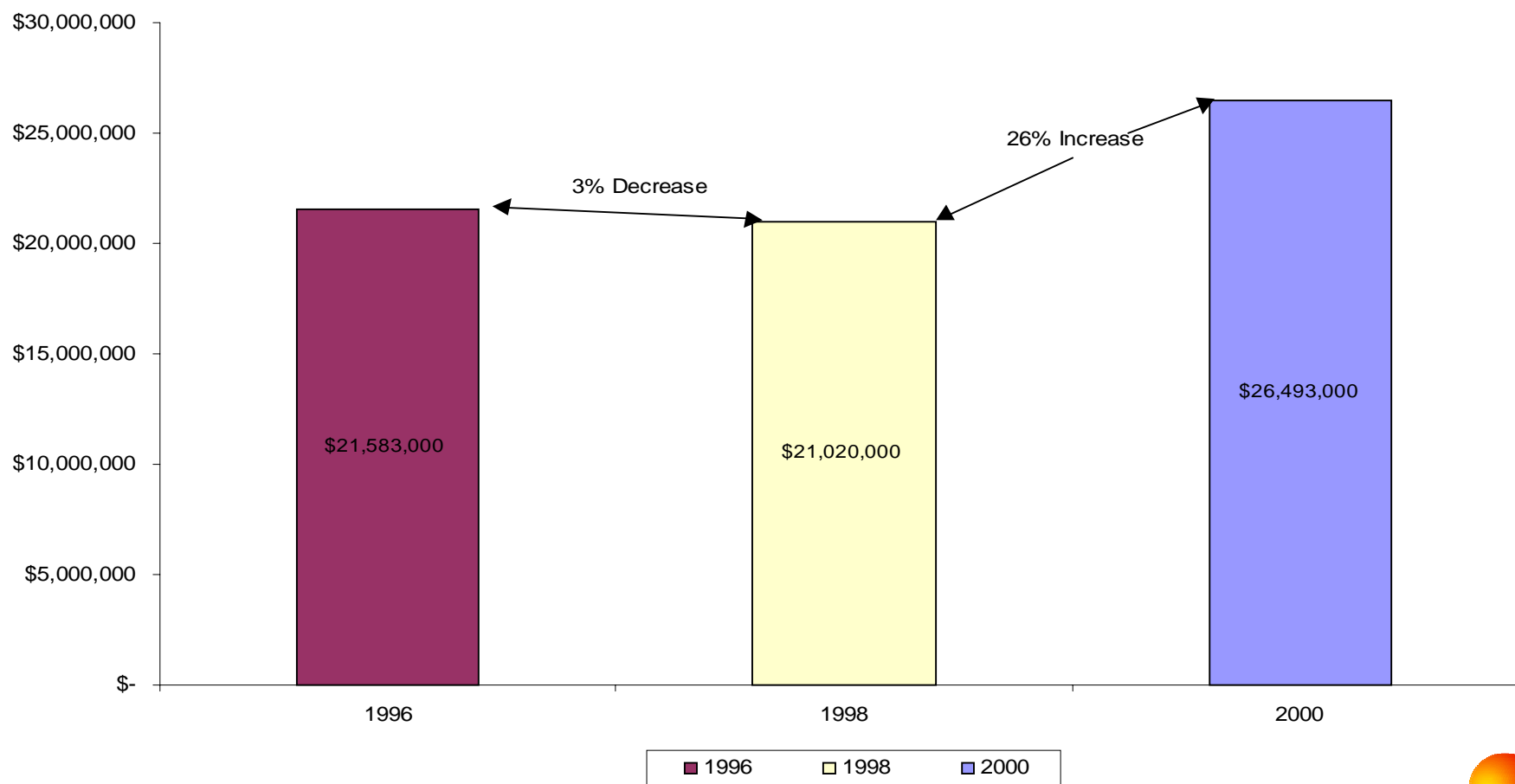
# Compensation Curve

**Compensation Curve (Salary + Bonus)  
by Years Since Admitted to the Bar  
2000 Median Compared to 1998 and 1996  
(Lawyers only; Excludes GC)**



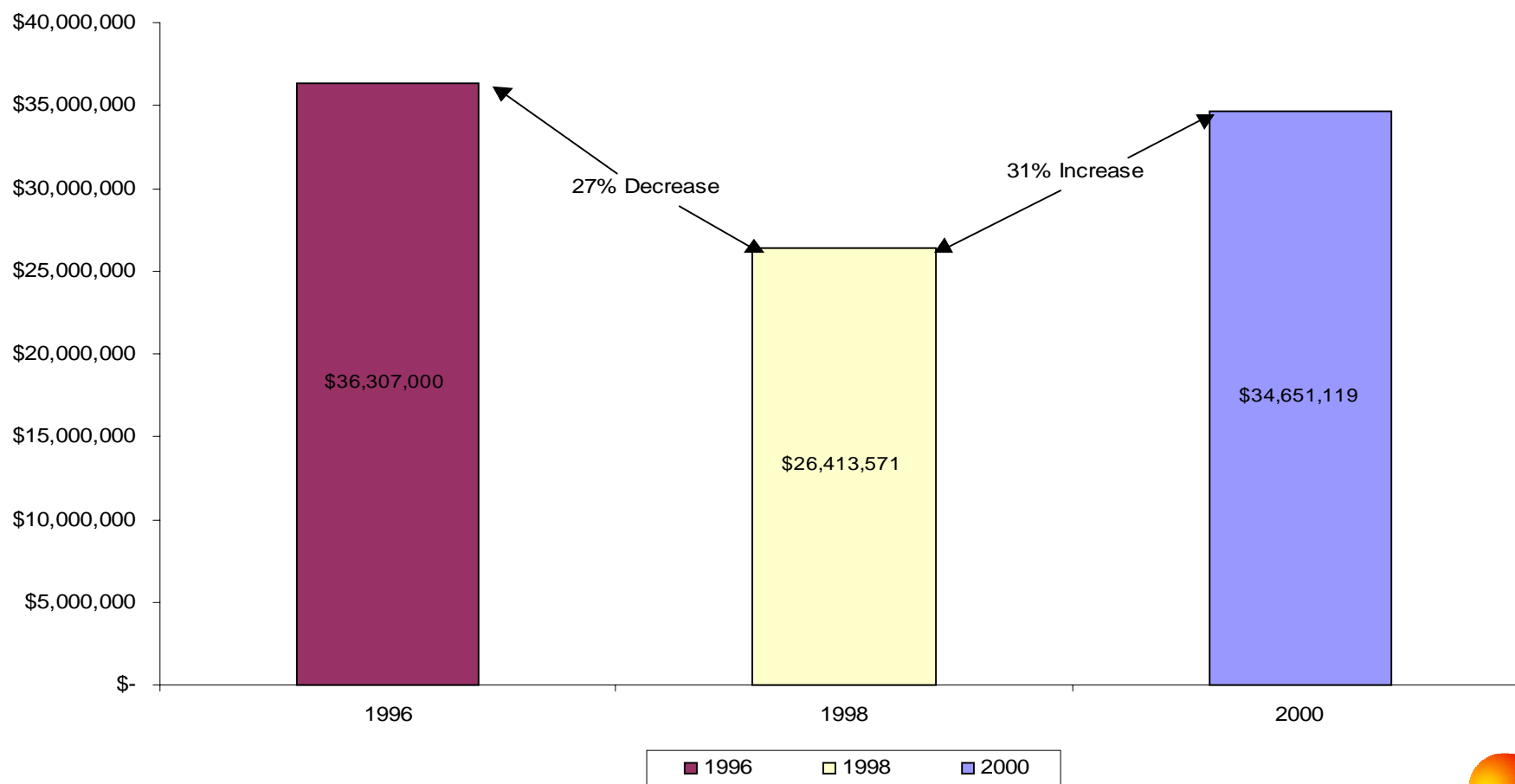
# Total Inside Legal Costs Comparison

Total US Inside Legal Spending  
(Median)



# Total Outside Legal Costs Comparison

Total US Outside Legal Spending  
(Median)



# Total Legal Costs Comparison

Total US Legal Spending  
(Median)

