

## Projections Based on Production Adjustment Scenarios

The Office's revised class filing projection of 363,000 for FY09 seems a bit optimistic insofar as it is based on the premise that the average rate of filings for the final 2/3 of FY09 will be higher than the average monthly filing rate for the first 1/3 of FY09. Also, while things may not progress exactly the same way, we still think it is useful to look at what happened in FY01 and FY02, especially in light of the Office's statement that "likelihood of severe recession is overwhelming."

If monthly filings decrease during the final 8 months of FY09 the same way they did in last 8 months of FY01, then classes filed for FY09 project out at approximately 330,596. Even if filings were to remain steady at the same rate they have averaged for the first 4 months of FY09, classes filed in FY09 would project out to approximately 342,753.

A reduction in production can come in many forms. For instance, encouraging more focus on turning around any other backlogs such as finals and SOUs, or allowing more time to focus on quality. Further, institution production adjustments for sick leave and annual leave used in excess of the models would likely also increase case inventory and improve employee morale.

1. The current adjustments planned for Q2 FY09 will have almost no effect on the number of first actions completed by EAs:

Total no. First Actions projected for Q2 (assuming 4 EAs on detail): **88,213**

Total no. First Actions projected for Q2 (adding 8 hrs. adjustment for holiday plus 2 hours for TM Open House): **85,411**

2. Adding a 10% adjustment for production will have a significant impact on the number of First Actions projected for Q2.

Total no. First Actions projected for Q2 (adding 10% reduction in production): **74,352**

3. Putting 8 EAs on detail and keeping a 10% reduction in production in place for the remainder of FY09 will keep First Actions in line with projected filings.

Total no. First Actions projected for Q3 in this scenario: **68,553**

Total no. First Actions projected for Q4 in this scenario: **78,905**

**Total no. First Actions for FY09 based on the above projections: 330,894**

Reducing the threshold number to qualify for the Production Bonus by 4% will also help to keep inventory within appropriate ranges. We do not think there is any reliable way to model what will happen when examiners change their

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behavior to try to attain an Outstanding rating, or to receive what production bonuses are available, in light of the changes already put in place by the Office. We think this is a factor that will tend to hasten the depletion of new case inventory. In light of this, we think that the number it takes to reach each level of performance must be lowered by at least 4%.

Total no. First Actions for FY09 based on additional 4% reduction in production:  
**317,623**