

INVESTING IN *the* LSBA



2001 LSBA Annual Report

Supplement to *Louisiana Bar Journal* December 2001

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2001 Annual Report

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President
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Cover Art: The Louisiana Bar Center, New Orleans, La.

Immediate Past President's REPORT



By E. Phelps Gay

MISSION ACCOMPLISHED

“Acting as one, the members of the legal profession constitute a powerful force to further the improvement of the legal system, its courts and its practitioners.”

In Matter of State Bar of Wisconsin, 169 Wis.2d 21, 485 N.W.2d 225, 226 (1992).

That's the premise. According to the Articles of Incorporation, our “objects and purposes” are to regulate the practice of law, advance the science of jurisprudence, promote the administration of justice, uphold the honor of the courts and of the profession of law, encourage cordial intercourse among its members, and, generally, to promote the welfare of the profession in the state.

Are we carrying out our mission? Having toiled in the field of Bar service for a good long time, and having had the privilege of serving as your president during the 2000-01 term, my answer is: You bet.

Regulate the Practice: This past year, the Bar continued its historic role of working closely with the Supreme Court in formulating our Rules of Professional Conduct. The LSBA Ethics 2000 Committee, chaired by Harry Hardin of New Orleans, not only monitored and debated the far-reaching proposals put forth by the ABA Ethics 2000 Commission, it conveyed its suggestions and concerns to ABA leaders as they put those proposals in final form. On critical issues such as when disclosure of confidential information should be permitted, whether fee agreements should be in writing, whether “screening” should be allowed to avoid conflicts of interest, and, yes, whether sex with clients should be proscribed, our Bar's voice is being heard.

Once the ABA process has run its course (possibly in February 2002), individual states will begin considering the new Model Rules for adoption — or not. Here in Louisiana, thanks to the work of the Ethics 2000 Committee, we are well

ahead of the curve.

In the meantime, we proposed amendments to Rules 1.15 (b) (relating to the safekeeping of client property) and 1.16 (d) (relating to the return of client files). These proposals passed the LSBA House of Delegates in January 2001, were submitted to the Louisiana Supreme Court, approved as written, and are now law.

Uphold the Honor of the Profession: During the fall of 2000, over a span of seven days, the LSBA Professionalism and Quality of Life Committee organized and carried out not one but four law school professionalism orientation programs, designed to impress upon new students the importance of professionalism to their future work. This was a textbook example of the Supreme Court and the organized Bar working together for the benefit of the profession. At each school, remarks were delivered by a Supreme Court justice and a Bar leader, after which students got together with volunteer judges and lawyers to discuss interesting hypotheticals composed by the committee. For his tireless work in inaugurating this program, we owe a debt of gratitude to committee Chair Jim George of Baton Rouge.

Promote the Administration of Justice: Wouldn't it be nice if we had more uniform rules of court? Can't we take the mass of differing local rules from our 40-plus judicial districts and put them together in an easier-to-use format? Well, I can report that the Court Rules Committee, established in 1997 as a joint project of the Bar and the Judicial Council of the Supreme Court, has finished its work. On Oct. 30, 2001, Susie Morgan of Shreveport, the committee's conscientious and undoubtedly exhausted chair, submitted the final proposal to the justices of the Supreme Court.

As with all such undertakings, involving countless details and not a few constituencies to please, there will be questions and issues to address as we go forward, but I am hopeful that the committee's proposal will be looked upon favorably, and that the ultimate winner will be the ad-

ministration of justice in our courts.

Speaking of which, the LSBA Family Courts Committee, chaired by Randy Fuerst of Lake Charles, worked diligently last year to formulate a Model Plan of Unified Family Courts. Here again, this was a multi-year effort by dedicated volunteers to come up with a model approach to resolving family legal disputes. Adopted by the House of Delegates in June, the Model Plan contains recommendations on issues such as separate courts or divisions for handling family and juvenile matters, mediation services, mental health professionals, supervised visitation centers, hearing officers, education programs for children and the like. It is “out there” for consideration by individual judicial districts.

Promote the Welfare of the Profession: When I took office in June 2000, I thought we could use a well-thought-out “disaster response” plan, something to guide us when a major “event” occurs. In recent years, we have seen what can happen when lawyers and claims personnel converge on the scene of a major accident. The result, in terms of improper solicitation and inappropriate settlement overtures to grieving victims, is not always pretty, and, in the process, the profession takes a public relations beating.

Into the breach stepped our Public Information Committee, chaired by U.S. Magistrate Judge Jay Wilkinson. Under Jay’s leadership, and with outstanding assistance from this year’s chair, Tim Maragos of Lafayette, the committee surveyed the plans in effect in other states, analyzed constitutional and conflicts-of-interest issues, coordinated with the LSBA Young Lawyers Section and came up with a balanced and reasonable Disaster Response and Relief Plan for the Bar. This was presented to the House of Delegates in January 2001 and unanimously approved.

Advance the Science of Jurisprudence: This somewhat highfalutin’ phrase may come from another era, but under this rubric permit me to mention two events which occurred last year of which I am particularly proud.

One is the publication of a book: *Louisiana Professional Responsibility Law and Practice*. Authored by Professor Dane S. Ciolino of Loyola Law School, it is an exceptionally readable and well-organized compilation and annotation of our Rules of Professional Conduct. Past president Charlie Weems has called it “an extraordinary and indispensable reference tool for the Louisiana lawyer” and a welcome addition to every lawyer’s and judge’s credenza. As usual, Charlie is right.

The other event, less well-known but perhaps just as important, took place last spring when we sponsored a Section Chair conference in Lafayette. Designed to refocus and reinvigorate the substantive sections of the Bar, the conference brought together leaders from every corner of the state. These volunteers often operate “below radar,” but they are the ones who are “advancing the science of jurisprudence” with their newsletters, CLE programs, suggestions for legislative reform and con-

tributions to “Recent Developments,” the most-read section of the *Bar Journal*. Credit for this lively and productive event goes to conference chairs, Mike McKay of Baton Rouge and Jim McClelland of Franklin.

I could go on . . . to talk about our Model Law Firm Pro Bono Policy, our re-energized Legislation Committee (Monica Surprenant), our Multijurisdictional Practice Committee (Larry Shea), our Practice Assistance and Improvement Committee (Lila Tritico Hogan), improvements to the Annual Meeting (encouraging “cordial intercourse” among our members), the good work of our Access to Justice Committee in coordinating the delivery of legal services to the poor, and a slew of other matters, but no doubt I’ve already overstayed my welcome.

Permit me to wind up, uncharacteristically for a Bar leader, by mentioning something which did *not* reach a successful conclusion during my term. I refer to client protection. Unfortunately, there are lawyers in our midst — not many, but a few — who steal clients’ money. In addition to bringing down on these betrayers of our profession the hammer of discipline, we need to join with other states in finding a way to compensate their victims. Most states have adopted a method of funding their client protection programs, usually through a modest annual assessment. We have never done so, with the result that currently we cannot provide meaningful relief to those who truly deserve it.

This past year, Frank Neuner of Lafayette chaired a study committee which undertook a top-to-bottom review of our program. The committee met with an ABA consultation team, pored over a wealth of literature, surveyed the programs in other states, and came up with a bold proposal to fund client protection in Louisiana. It involved a mix of voluntary contributions, use of current reserves and an assessment of attorneys over a period of a few years in order to build a fund from which claims might be paid.

During a good debate on the floor of the House of Delegates this past June, tough questions were asked and some delegates had reservations. As sometimes happens when a bold proposal is initially put forward, there was a motion to table so that the subject could be further reviewed and perhaps presented again. The motion passed.

But I tip my hat to Frank Neuner and his committee for their courage in raising a difficult and important issue. Client protection remains a problem to which we need to find a workable solution. In time, I have no doubt we will.

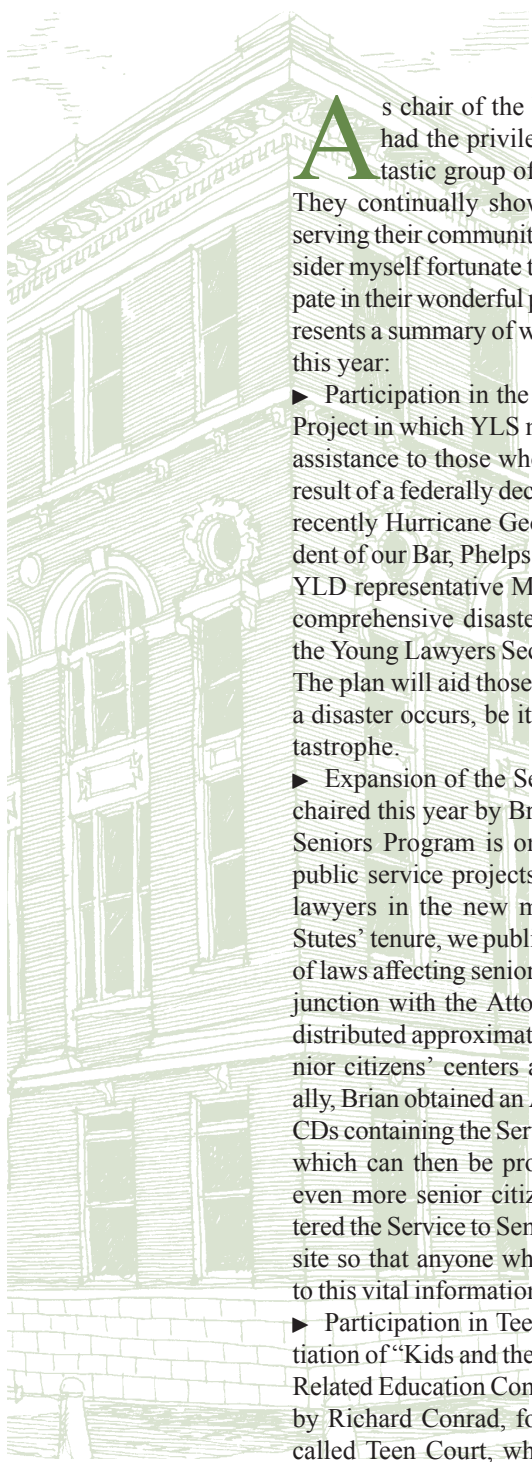
Let me end (mercifully) by saying thank you for the opportunity to serve. I enjoyed it tremendously, and I hope I managed to do some good along the way. As we go forward, I can assure you we are in excellent (truthfully, better) hands with talented leaders like Mike Rubin and Larry Feldman. My thanks to them, the Board of Governors, the House of Delegates, the committee and section volunteers, our wonderful Bar staff led by Executive Director Loretta Topey, and again to all of you for your kindness and support.

Young Lawyers Section Chair's
REPORT



By Anne P. Birdsong

YLS ACCOMPLISHMENTS



As chair of the Young Lawyers Section, I had the privilege of working with a fantastic group of volunteer young lawyers. They continually showed selfless dedication to serving their communities and the Bar itself. I consider myself fortunate to have been able to participate in their wonderful projects. The following represents a summary of what the YLS accomplished this year:

- ▶ Participation in the Disaster Legal Assistance Project in which YLS members provide free legal assistance to those who have suffered a loss as a result of a federally declared natural disaster, most recently Hurricane Georges. This year, the president of our Bar, Phelps Gay, along with our ABA/YLD representative Monique Svenson, drafted a comprehensive disaster response plan, in which the Young Lawyers Section plays an integral part. The plan will aid those around the state whenever a disaster occurs, be it a natural or manmade catastrophe.
- ▶ Expansion of the Service to Seniors Program, chaired this year by Brian Barber. The Service to Seniors Program is one of the most significant public service projects undertaken by Louisiana lawyers in the new millennium. During Rusty Stutes' tenure, we published a 100-page handbook of laws affecting senior citizens. This year, in conjunction with the Attorney General's Office, we distributed approximately 2,000 handbooks to senior citizens' centers across the state. Additionally, Brian obtained an ABA grant this year to burn CDs containing the Service to Seniors Handbooks, which can then be provided to and accessed by even more senior citizens' centers. We also entered the Service to Seniors Handbook on our Web site so that anyone who logs on can have access to this vital information.
- ▶ Participation in Teen Court programs and initiation of "Kids and the Law." This year, our Law-Related Education Committee, which was chaired by Richard Conrad, focused on aiding a project called Teen Court, which is a diversionary pro-

gram for first-time juvenile misdemeanor offenders. These teens are defended, prosecuted and judged by other high school students and are given a constructive sentence of community service, letters of apology and curfew. In exchange, they are given a clear record if they successfully complete the program. In addition to aiding these programs across the state, Richard obtained an ABA grant to publish a pamphlet entitled "Kids and the Law" which provides children and their parents with a glossary of legal terms and explains how laws apply directly to children.

- ▶ Sponsorship of the One Billable Hour Project, chaired by Beau Sylvester. Attorneys donate the monetary equivalent of one billable hour to a charity of their choice. This year, we raised more than \$5,000 for charities across Louisiana.
- ▶ Education of student citizens about our legal system. This year, Justin Homes, Dona Renegar, Kathy Ragusa and Bob Noel were all instrumental in our high school mock trial program. The mock trial competition is held every year in memory of Judge Richard Ware, who was completely dedicated to this program. For the 2001 competition, the problem asked students to assume Dr. Weiss, the assassin of Huey Long, survived. They were assigned the task of prosecuting or defending him. Judges from across the state sat as judges for the state competition and the very impressive team from Pineville High School won this year. We were fortunate to have Judge Cannizzaro of the Orleans Parish Criminal District Court present the award to Pineville. We also held a law school mock trial competition, this year chaired by Greg LaCour. Loyola University Law School won the competition. Additionally, we sponsored the high school essay contest, chaired by Richard Gallagher, in which students were asked to submit an essay on the topic "Should Voluntary Prayer Be Allowed in Public School?" We received more than 1,000 submissions for this contest.
- ▶ Sponsorship of programs for the benefit of the

members of the Bar and particularly new practitioners. In this vein, we sponsored the annual Bridging the Gap seminar, chaired by Joel Babineaux. It is a two-day seminar that precedes new admittees being sworn into the Bar where they learn the “nuts and bolts” of beginning a law practice. We also have a Mentor Program, chaired by Celeste Gauthier, where lawyers who have been practicing for less than three years are paired up with lawyers who have been out for at least seven years for the purpose of guiding the young lawyers on practical and ethical issues. For CLE, the Young Lawyers Section sponsors a Professional Development Seminar, this year chaired by Ron Ward, which is a free continuing legal education seminar offered in Baton Rouge. We had a record 186 attendees.

► Sponsorship of programs at state law schools. This year, we sponsored a new program called “Interviewing Tips” where hiring coordinators from various firms provided law students at Tulane and Loyola with tips on how to interview for a clerkship and associate positions. This program was chaired by Amanda Bradley and covered everything from dos and don’ts when conducting a job search to a résumé checklist.

► Recognition of outstanding young lawyers in our state who have made valuable contributions with pro bono work, community service and professionalism. Our Awards Committee, chaired by Pamela Carter, helped us find and reward these lawyers, spe-

cifically Outstanding Young Lawyer, C. Kevin Hayes; Michaelle P. Wynne Professionalism Award, James D. Hollier; Pro Bono Award, Kimberly A. Manuel; and Bat P. Sullivan Chair’s Award, Justin H. Homes.

► Recognition of local affiliates for their Bar and community service projects. Billy Loftin chaired this program, which recognizes worthwhile efforts by our local young lawyers sections to improve the Bar and their community. This year, the Lafayette Young Lawyers Association Speakers’ Luncheon received the Service to the Bar Award and the Lafayette Young Lawyers Association Law and Civic Education Program Youth Empowerment Summit received the Service to the Public Award.

► Continuation of the YLS Web site. The YLS Web site, chaired by Robert Broussard, provides information on all our projects and serves as one of the most complete listings anywhere of legal research links for the benefit of Louisiana lawyers.

As a final note, I would like to thank the 2000-01 Young Lawyers Section officers, representatives, committee chairs, committee members and volunteers statewide whose efforts and hard work made this year so successful.

During the 2001-02 Bar year, the YLS will be directed by the outstanding leadership of Jennifer Gary, Stacy Auzenne and Monique Svenson, who will serve as chair, chair-elect and secretary, respectively.

Financial

INDEPENDENT AUDITOR'S REPORT



Board of Governors

Louisiana State Bar Association

New Orleans, Louisiana

We have audited the accompanying statements of financial position of the Louisiana State Bar Association as of June 30, 2001 and 2000, the related statement of activities for the year ended June 30, 2001, and statements of cash flows for the years ended June 30, 2001 and 2000. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana State Bar Association as of June 30, 2001 and 2000, the changes in its net assets for the year ended June 30, 2001, and its cash flows for the years ended June 30, 2001 and 2000, in conformity with accounting principles generally accepted in the United States of America.

The statement of activities includes certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2000, from which the summarized information was derived.

Bourgeois Bennett, L.L.C.

Bourgeois Bennett, L.L.C.
Certified Public Accountants
New Orleans, Louisiana
September 21, 2001

Exhibit A
 STATEMENTS OF FINANCIAL POSITION
 Louisiana State Bar Association
 June 30, 2001
 (with comparative totals for June 30, 2000)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2001 Totals</u>	<u>2000 Totals</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 1,312,490	\$ 1,134,422	\$ 2,446,912	\$ 2,235,327
Investments	3,155,990	199,852	3,355,842	3,294,792
Receivables	17,743	23,158	40,901	40,304
Accrued interest receivable	33,669	-	33,669	40,508
Prepaid expenses	<u>70,640</u>	<u>-</u>	<u>70,640</u>	<u>62,654</u>
Total current assets	<u>4,590,532</u>	<u>1,357,432</u>	<u>5,947,964</u>	<u>5,673,585</u>
Property and Equipment				
Furniture and equipment	652,602	2,996	655,598	610,943
Less accumulated depreciation	<u>436,430</u>	<u>300</u>	<u>436,730</u>	<u>398,039</u>
Net property and equipment	<u>216,172</u>	<u>2,696</u>	<u>218,868</u>	<u>212,904</u>
Totals	<u>\$ 4,806,704</u>	<u>\$ 1,360,128</u>	<u>\$ 6,166,832</u>	<u>\$ 5,886,489</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Unearned revenue	\$ 945,775	\$ -	\$ 945,775	\$ 960,953
Accounts payable and accrued expenses	<u>183,129</u>	<u>181,002</u>	<u>364,131</u>	<u>282,631</u>
Total current liabilities	<u>1,128,904</u>	<u>181,002</u>	<u>1,309,906</u>	<u>1,243,584</u>
Net Assets				
Unrestricted	3,677,800	-	3,677,800	3,493,314
Temporarily restricted	<u>-</u>	<u>1,179,126</u>	<u>1,179,126</u>	<u>1,149,591</u>
Total net assets	<u>3,677,800</u>	<u>1,179,126</u>	<u>4,856,926</u>	<u>4,642,905</u>
Totals	<u>\$ 4,806,704</u>	<u>\$ 1,360,128</u>	<u>\$ 6,166,832</u>	<u>\$ 5,886,489</u>

See accompanying notes to financial statements.

Exhibit A-1
 SCHEDULES OF TEMPORARILY RESTRICTED NET ASSETS
 Louisiana State Bar Association
 June 30, 2001
 (with comparative totals for June 30, 2000)

	2001	2000
Access to Justice Program Project Grants	\$ 1,243	\$ 8,129
Access to Justice	-	-
ADA Accommodations Fund	149,967	118,016
Annual Meeting Fund	42,121	45,384
Building Maintenance Fund	6,727	20,844
Clients' Protection Fund	41,850	70,676
Legal Malpractice Insurance Trust	238,275	223,979
Legal Specialization Fund	166,981	165,190
Tax Specialization Account	55,756	53,610
Young Lawyers Section - Grant Fund	7,026	6,168
Young Lawyers Section, Bridging the Gap	22,894	28,142
Sections:		
Alternative Dispute Resolution	42,165	34,010
Antitrust and Trade Regulation Law	6,746	6,420
Bench and Bar	3,074	2,467
Bill of Rights	930	977
Civil Law and Litigation	50,248	45,996
Consumer Protection and Bankruptcy Law	23,322	21,412
Corporation and Business Law	66,917	59,376
Criminal Law	11,039	9,855
Environmental Law	8,689	6,931
Family Law	10,989	4,834
Fidelity, Surety, and Construction Law	12,823	13,051
Francophone	68	100
Governmental and Public Law	17,668	13,977
Health Law	3,745	2,747
Insurance, Negligence, Compensation and Admiralty Law	16,823	33,518
Intellectual Property	13,293	10,078
International Law	5,851	5,206
Labor and Employment Law	7,955	6,801
Mineral Law	36,075	33,057
Minority Involvement	4,046	1,756
Sole Practitioners and Small Firms	9,423	8,036
Taxation	46,317	47,588
Trusts, Estate, Probate and Immovable Property Law	48,080	41,260
	<u>\$ 1,179,126</u>	<u>\$ 1,149,591</u>

See accompanying notes to financial statements.

Exhibit B
STATEMENT OF ACTIVITIES
Louisiana State Bar Association
For the year ended June 30, 2001
(with summarized information for the year ended June 30, 2000)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2001 Totals</u>	<u>2000 Totals</u>
Support, Revenue, Gains and Reclassifications				
Membership dues	\$ 1,666,180	\$ 175,897	\$ 1,842,077	\$ 1,812,920
Member contributions	-	4,075	4,075	1,663
Penalties	20,550	1,000	21,550	26,550
Examination, accreditation and reinstatement fees	369,764	54,050	423,814	437,846
Investment income	232,614	46,027	278,641	241,552
Gain (loss) on investments	43,840	-	43,840	(16,923)
Gain (loss) on fixed assets	(150)	-	(150)	-
Royalties	91,638	-	91,638	85,018
Advertising	158,173	-	158,173	158,164
Web site advertising	7,551	-	7,551	7,158
Seminars, conferences and luncheons	706,125	239,348	945,473	816,699
Sales of membership labels	48,787	-	48,787	39,189
Sublease income	81,421	-	81,421	81,421
Fees and administrative services:				
Disciplinary assessment processing	61,047	-	61,047	53,270
Annual meeting	7,590	-	7,590	5,920
Alternative Dispute Resolution	3,211	-	3,211	2,814
Tax refunds	-	-	-	2,124
Contributions	-	79,519	79,519	153,872
Net assets released from restrictions	668,830	(668,830)	-	-
Reclassifications	(98,449)	98,449	-	-
Total support, revenue, gains and reclassifications	<u>4,068,722</u>	<u>29,535</u>	<u>4,098,257</u>	<u>3,909,257</u>
Expenses				
For officials, sections, and committees:				
Travel and per diem	193,224	-	193,224	189,785
Seminars, conferences and luncheons	449,531	-	449,531	385,127
Supplies, awards and gifts	246,414	-	246,414	312,844
Telephone	27,583	-	27,583	25,249
Administering exams	100,136	-	100,136	122,358
Publication costs of Louisiana				
Bar Journal and Bar Briefs	240,024	-	240,024	226,837
Practice Assistance Program	296,448	-	296,448	146,513
Stationery, printing and postage	412,067	-	412,067	336,307
Scholarships	5,750	-	5,750	3,496
Claims paid	85,029	-	85,029	14,315
Depreciation	300	-	300	-
Miscellaneous	61,705	-	61,705	36,899
Total officials, sections, and committees	<u>2,118,211</u>	<u>-</u>	<u>2,118,211</u>	<u>1,799,730</u>
General expense:				
Staff compensation	860,145	-	860,145	789,321
Accounting services	14,125	-	14,125	13,661
Retirement plans	51,249	-	51,249	51,302
Insurance	86,992	-	86,992	79,313
Equipment and computer rental and maintenance	108,245	-	108,245	122,189
Office supplies	26,053	-	26,053	35,171
Payroll taxes	53,204	-	53,204	49,303
Stationery, printing and postage	43,943	-	43,943	45,756
Rent and office maintenance	355,711	-	355,711	332,948
Telephone	45,167	-	45,167	45,766
Travel and per diem and meetings	14,248	-	14,248	13,992
Automobile allowance and parking	21,059	-	21,059	20,782
Depreciation	54,053	-	54,053	51,310
Loss on abandoned software costs	-	-	-	102,640
Royalties	4,031	-	4,031	-
Miscellaneous	27,800	-	27,800	23,155
Total general expense	<u>1,766,025</u>	<u>-</u>	<u>1,766,025</u>	<u>1,776,609</u>
Total expense	<u>3,884,236</u>	<u>-</u>	<u>3,884,236</u>	<u>3,576,339</u>
Change in Net Assets	184,486	29,535	214,021	332,918
Net Assets				
Beginning of year	3,493,314	1,149,591	4,642,905	4,309,987
End of year	<u>\$ 3,677,800</u>	<u>\$ 1,179,126</u>	<u>\$ 4,856,926</u>	<u>\$ 4,642,905</u>

See accompanying notes to financial statements.

Exhibit C
 STATEMENTS OF CASH FLOWS
 Louisiana State Bar Association
 For the year ended June 30, 2001
 (with comparative totals for the year ended June 30, 2000)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2001 Totals</u>	<u>2000 Totals</u>
Cash Flows From Operating Activities				
Change in net assets	\$ 184,486	\$ 29,535	\$ 214,021	\$ 332,918
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation	54,053	300	54,353	51,310
(Gain)/Loss on investments	(43,840)	-	(43,840)	16,923
Loss on abandoned software costs	-	-	-	102,640
Loss on sale of furniture and equipment	150	-	150	-
(Increase) decrease in receivables	1,866	(2,463)	(597)	68,978
(Increase) decrease in accrued interest	6,839	-	6,839	(4,003)
(Increase) in prepaid expenses	(7,986)	-	(7,986)	5,011
Increase (decrease) in unearned revenue	(15,178)	-	(15,178)	66,983
Increase in accounts payable and accrued expenses	<u>12,538</u>	<u>68,962</u>	<u>81,500</u>	<u>30,167</u>
Net cash provided by operating activities	<u>192,928</u>	<u>96,334</u>	<u>289,262</u>	<u>670,927</u>
Cash Flows From Investing Activities				
Purchase of investments	(3,640,272)	(150,000)	(3,790,272)	(4,608,653)
Proceeds from sale of investments	3,773,062	-	3,773,062	4,503,217
Proceeds from sale of furniture and equipment	900	-	900	-
Purchases of furniture and equipment	<u>(58,371)</u>	<u>(2,996)</u>	<u>(61,367)</u>	<u>(98,227)</u>
Net cash provided by (used in) investing activities	<u>75,319</u>	<u>(152,996)</u>	<u>(77,677)</u>	<u>(203,663)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	268,247	(56,662)	211,585	467,264
Cash and Cash Equivalents				
Beginning of year	<u>1,044,243</u>	<u>1,191,084</u>	<u>2,235,327</u>	<u>1,768,063</u>
End of year	<u>\$ 1,312,490</u>	<u>\$ 1,134,422</u>	<u>\$ 2,446,912</u>	<u>\$ 2,235,327</u>

See accompanying notes to financial statements.

Exhibit D

NOTES TO FINANCIAL STATEMENTS

Louisiana State Bar Association
June 30, 2001 and 2000

Note 1 — Nature of Activities

The objects and purposes of Louisiana State Bar Association (the Association) is to regulate the practice of law, advance the science of jurisprudence, promote the administration of justice, uphold the honor of the Courts and the profession of law, encourage cordial intercourse among its members, and generally, to promote the welfare of the profession in the State. The Association is self-governing and its membership is comprised of all persons who are now, or may hereafter be, licensed to practice in the state of Louisiana.

Note 2 — Summary of Significant Accounting Policies

a) Organization and Income Taxes

Louisiana State Bar Association is a nonprofit corporation organized under the laws of the State of Louisiana (R.S. 37:211). The Association is exempt from Federal income tax under Section 501(c)(6) of the Internal Revenue Code, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the code. Net operating profits from unrelated business income are subject to Federal income tax.

b) Basis of Accounting

The financial statements of the Association are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

c) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

d) Investments

Investments are carried at fair market value, based on quoted market prices.

e) Property and Equipment

The Association records all property and equipment acquisitions at cost. Depreciation is determined using the straight-line method and is intended to allocate the cost of the assets over their estimated useful lives.

f) Unearned Revenue

Unearned revenue consists of dues for the following year received in advance and registration fees received as of year-end for seminars to be held in the following year.

g) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid investments in money market funds to be cash equivalents.



Note 2 — Summary of Significant Accounting Policies (continued)

h) Donated Services

A portion of the Association's functions, including educational activities and publications, is conducted by unpaid volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria recognition.

i) Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The Association maintains its accounting records using separate funds to account for specific assets, liabilities, and transactions as follows:

► **Unrestricted Net Assets** — Receives membership dues and other revenues and expends funds for the general operation of the Association. This fund accounts for all activities other than those specifically authorized to be conducted from the various temporarily restricted funds.

► **Temporarily Restricted Net Assets** — Receives membership dues, conference fees and other revenues which are to be expended and accounted for by the following specific accounts: Access to Justice Program Project Grants, Access to Justice, ADA Accommodations, Annual Meeting, Building Maintenance, Clients' Protection Fund, Legal Malpractice Insurance Trust, Legal Specialization, Tax Specialization, Young Lawyers Section Grant Fund, Young Lawyers Section, Bridging the Gap, and each of the other Section accounts created by the House of Delegates.

The Association does not have any permanently restricted net assets.

Note 3 — Concentration of Credit Risk

The Association maintains its cash balances and certificates of deposits at several financial institutions located in New Orleans, Louisiana. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. As of June 30, 2001, uninsured balances totaled approximately \$1,439,000.



Note 4 — Investments

Investments are summarized as follows:

	June 30, 2001		June 30, 2000	
	Cost	Market	Cost	Market
United States				
Treasury Bills	\$ 887,780	\$ 887,780	\$1,025,777	\$1,025,777
United States				
Treasury Notes	522,129	533,823	547,196	541,279
United States				
Treasury Bonds	99,947	103,031	123,150	121,733
Certificates of Deposit	1,180,015	1,180,015	1,182,718	1,182,718
Federal Mortgage Bonds	630,504	651,193	430,504	423,285
	<u>\$3,320,375</u>	<u>\$3,355,842</u>	<u>\$3,309,345</u>	<u>\$3,294,792</u>
		<u>Cost</u>	<u>Market Value</u>	Excess (Deficit) of Market Over Cost
Balance at June 30, 2001		<u>\$3,320,375</u>	<u>\$3,355,842</u>	\$ 35,467
Balance at June 30, 2000		<u>\$3,309,345</u>	<u>\$3,294,792</u>	(14,553)
Unrealized gain on investments				50,020
Realized loss for the year				(6,180)
Net gain for the year				<u>\$ 43,840</u>
		<u>Cost</u>	<u>Market Value</u>	Excess (Deficit) of Market Over Cost
Balance at June 30, 2000		<u>\$3,309,345</u>	<u>\$3,294,792</u>	\$ (14,553)
Balance at June 30, 1999		<u>\$3,221,765</u>	<u>\$3,206,279</u>	(15,486)
Unrealized gain on investments				933
Realized loss for the year				(17,856)
Net loss for the year				<u>\$ (16,923)</u>



Note 5—Lease Commitment

The Association, as lessee, has a noncancelable operating lease agreement with the Louisiana Bar Foundation for office facilities known as the “Louisiana Bar Center.” This lease agreement is recorded on the books of the Association as an operating lease.

As presently amended, the “Bar Center” lease provides for (1) a primary term of 200 months which expires on Dec. 31, 2005 and (2) successive five-year renewal options for a maximum lease term of 99 years. Also, effective Oct. 1, 1994, an interim letter of agreement reduced the rent to be paid by the Association to the Louisiana Bar Foundation to \$17,510 per month plus operating expenses which average approximately \$12,000 per month. This amount is to be adjusted annually such that the rental payments equal the amount necessary to amortize outstanding debt obligations related to the “Bar Center.” As a result, beginning with the July 1996 rent payment, payments increased to \$17,642 per month plus operating expenses. Rent expense (excluding operating expenses) was \$211,708 for each of the years ended June 30, 2001 and 2000.

The following is a schedule by years of approximate future minimum rental payments (including operating expenses) required under the above-mentioned noncancelable operating lease as of June 30, 2001:

Years Ending June 30,	Amount
2002	\$ 356,000
2003	356,000
2004	356,000
2005	356,000
2006	<u>178,000</u>
Total	<u>\$1,602,000</u>

Office space not used by the Association is subleased to the Louisiana Bar Foundation, New Orleans Pro Bono Project, and Judiciary Commission of Louisiana. The New Orleans Pro Bono Project sublease is considered a month-to-month rental. Rental payments under this sublease are \$1,383 per month. The Judiciary Commission of Louisiana sublease was extended for an additional three-year period expiring on June 30, 2002. Rental payments under this sublease are \$2,625 per month. The Louisiana Bar Foundation has not executed a sublease agreement and is considered a month-to-month rental. Sublease rental income totaled \$81,421 for the years ended June 30, 2001 and 2000.

Under the terms of an interim letter of agreement dated Oct. 1, 1994, it was agreed that any rent paid by the Association to the Foundation in excess of market value since the inception of the lease in May 1989 was considered to be prepaid rent. After repayment of building-related debt by the Foundation, this prepaid rent will be used to reduce the rental payments by the Association to the Foundation. Also, as part of the agreement, the Foundation eliminated all cumulative and current overhead charges (totaling approximately \$184,000) related to the Foundation’s operation and maintenance of the building which were previously reimbursable by the Association.

As of June 30, 2001, prepaid rent related to this interim letter of agreement totaled \$870,592. Management of the Association has concluded that this amount should not be recorded as an asset of the Association because of the uncertainty of when the benefit will be realized.

Finally, as part of this agreement, the Foundation provided the Association with \$50,000 in cash to pay for extraordinary building expenses. The Foundation also provided the Association with an additional \$50,000, the use of which is unrestricted.

Note 6—Retirement Plans

The Association has a money purchase pension plan which covers all full-time employees who meet certain eligibility requirements. Benefits are fully vested. The Association’s funding policy is to make annual contributions to the plan equal to 10 percent of the basic salary of each eligible employee. During the years ended June 30, 2001 and 2000, the Association contributed \$51,249 and \$51,302, respectively.

Effective Jan. 1, 1998, the Association adopted a new defined contribution plan covering substantially all employees who meet certain eligibility requirements. The Plan is a profit-sharing plan with a cash or deferred arrangement. The Association did not contribute to this plan during the years ended June 30, 2001 or 2000.

President's REPORT



By Michael H. Rubin

WHERE THE BAR IS HEADING

Phelps Gay's report more than adequately details how the Bar is engaged in activities that further the Bar's objects and purposes. Therefore, it is appropriate to reflect on how many people are engaged in Bar projects and where the Bar is heading.

The Efforts of All

All of our 26 committees and 25 sections, composed of more than 7,000 lawyers who volunteer their time and effort, work hard to achieve goals and objectives not only for their members but for each of us, and we all benefit, whether it is through:

- ▶ the camaraderie of meeting others from around the state in non-adversarial settings;
- ▶ enhancing the status of the profession via the media, events for journalists and the lay public, and community action projects;
- ▶ publications;
- ▶ CLE presentations;
- ▶ working with the courts;
- ▶ helping solo and small-firm practitioners;
- ▶ assisting those who need legal assistance but who cannot afford it;
- ▶ assisting lawyers and their staffs who may have alcohol or drug abuse problems;
- ▶ providing lawyers with ethical advice (which will be enhanced through this year's hiring of an ethics counsel in the Bar office);
- ▶ helping students and teachers learn about their legal rights; or
- ▶ monitoring the Bar's insurance programs.

Through these and other projects far too numerous to mention, lawyers of the Louisiana State Bar Association toil diligently, without asking for any recognition for themselves, but only out of a professional sense of duty to assist others. These unsung heroes and heroines of the Bar are deserving, however, of public commendation for their efforts, and that is why the Crystal Gavel Awards have been created. More than 15 awards will be

given out to lawyers and judges around the state, and we welcome your nominations of potential honorees.

Benefits for the Public

A new project this year — the Statewide Lawyer Referral Service — will benefit the public. A joint effort of the Louisiana State Bar Association and the Baton Rouge Bar Association, the Statewide Lawyer Referral Service will not supplant any local service but will rather serve only those areas of the state where there is no bar-sponsored service. A free enrollment period is now underway and, if you're in an area that does not have a local bar-sponsored service, you'll shortly be getting a letter giving you all the details. If you're interested in starting a bar-sponsored service, contact the Bar office and we'll be pleased to help you set one up.

Surrounded by a Sea of Common Law

Louisiana is a civil law island in a country whose legal history is the common law, but Louisiana shares many of these same issues with Quebec, Canada, a civilian jurisdiction which also has a Civil Code and operates in a common law country. Members of the Louisiana and the bars of both Quebec and Montreal have many similar concerns, and the Louisiana State Bar is working with the officials of these Canadian bars to put on a joint conference on the problems of being civilian lawyers in a common law country. The first event will be held in Montreal in the fall of 2002, and planning for the program is underway now. Future meetings will alternate between Louisiana and Montreal every two years.

Where to Look

Information on all of the Bar's activities and projects can be found on our newly remodeled Web site, *LSBA.org*. Whether you're looking for committee or section information, research help, legal links or the latest news of interest to the Bar, it's all on our Web page. The Web page continues to be enhanced and, in the next few months, you'll be able to find any lawyer in Louisiana by going to the Bar's Web page. All of this is being done in-house by the Bar, which now has its own Webmaster.

Continuity and Progress

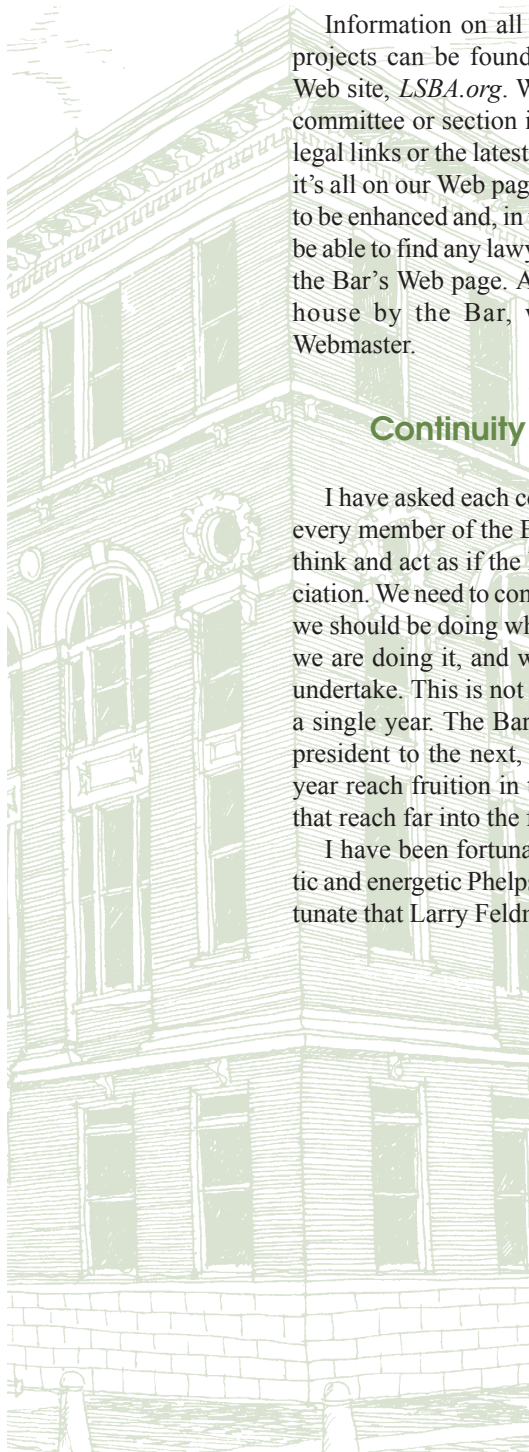
I have asked each committee, each section and every member of the Board of Governors to both think and act as if the Bar were a voluntary association. We need to constantly re-evaluate whether we should be doing what we are doing in the way we are doing it, and what new things we should undertake. This is not a question that can occupy a single year. The Bar is a continuum, from one president to the next, and projects begun in one year reach fruition in the next and carry benefits that reach far into the future.

I have been fortunate to follow the enthusiastic and energetic Phelps Gay, and I am equally fortunate that Larry Feldman will take over as presi-

dent in June 2002. None of us, however, whether as officers, members of the Board or House of Delegates, or members of committees and sections, could even begin to achieve our goals without the dedication of our Bar staff. We have one of the lowest staff-to-lawyer ratios of any Bar association in the country; yet, our staff continually receives the highest marks from their peers and are recognized as being the tops in their fields. Our Executive Director Loretta Topey is instrumental in the success of the Bar.

The most important ingredient, however, in whatever success the Bar may yet achieve rests with you. The Bar is not just for those in big firms in big cities. A total of 55 percent of all members of the Louisiana State Bar Association (regardless of where they live or whether they are employed by the government, by the courts, by political bodies or by corporations) practice in firms of five or less; almost 70 percent of all lawyers in private practice within the state are in firms of five or less. No, the Bar is not just for big-firm lawyers. The vast bulk of our Bar is composed of solo practitioners and those in small firms.

Therefore, regardless of where you live, regardless of the size of your practice, your actions make a difference. Your views make a difference. Your participation in committees and sections make a difference. I welcome your input, your suggestions and your collaboration to make the law and the legal system relevant to our members and to society.



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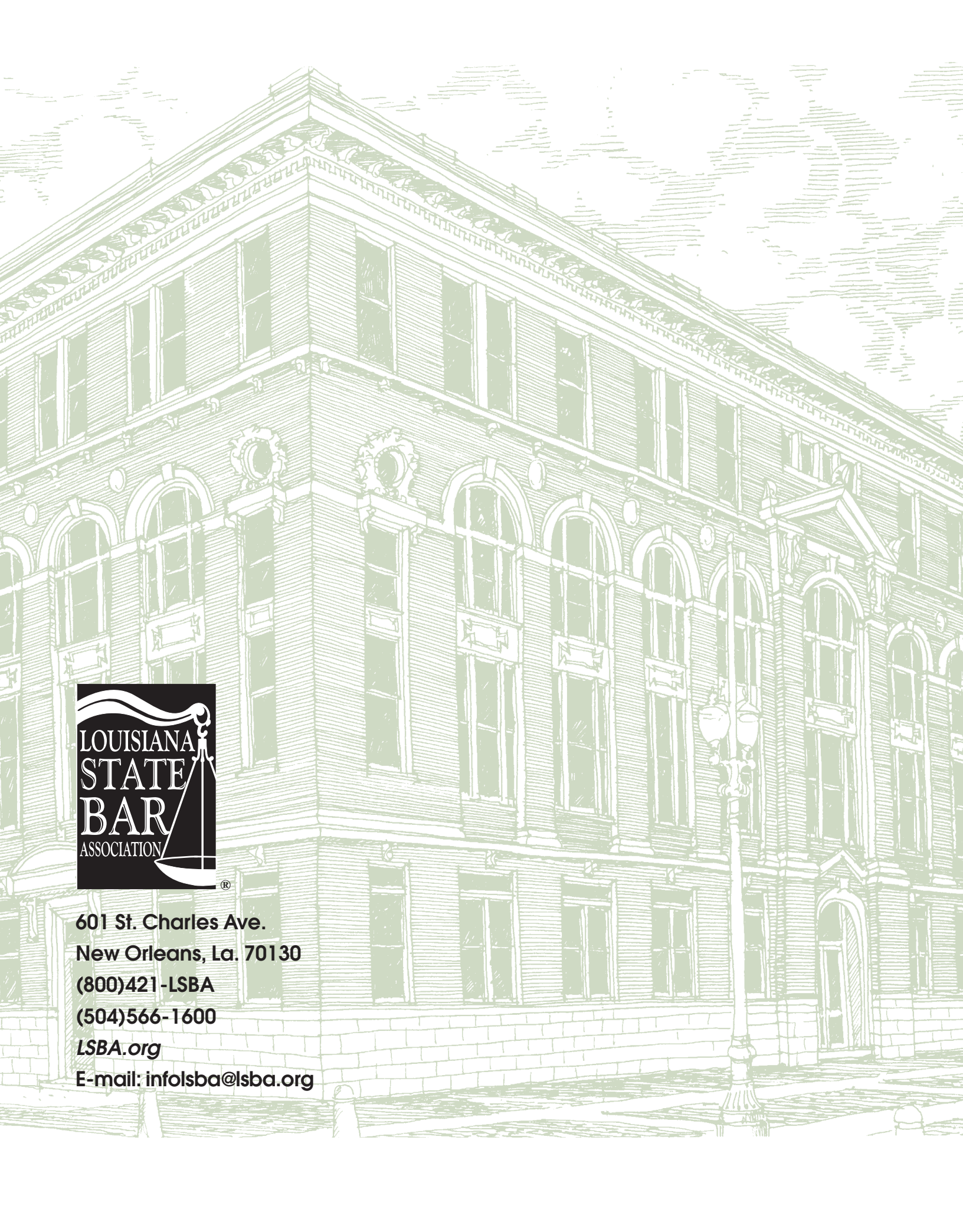
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Vacant

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601 St. Charles Ave.
New Orleans, La. 70130
(800)421-LSBA
(504)566-1600
LSBA.org
E-mail: infolsba@lsba.org