

COPY

GENERAL SERVICES ADMINISTRATION
PROVISION OF LEGAL SERVICES COMMITTEE

LEGAL CLINIC DISCUSSION

DONALD E. SANTARELLI, CHAIRMAN

DANIEL RATHBURN, MEMBER

ROBERT E. MCCARTHY, MEMBER

GSA Auditorium
18th & F Streets, Northwest
Washington, D.C.

10:20 o'clock, A.M.
Wednesday, October 26, 1983

CAROL J. THOMAS
STENOTYPE REPORTING SERVICES, INC.
3162 MUSKET COURT
FAIRFAX, VIRGINIA 22030
273-9221 ... 273-9222

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Speakers:

Page:

Benjamin O'Steen, Esq.

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Steve McAdoo, Esq.

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Joel Hyatt, Esq.

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P R O C E E D I N G S

1
2 CHAIRMAN SANTARELLI: Ladies and gentlemen, we have
3 our panelists here and we can withhold our report on Community
4 Fellowship Programs to be made to us at this meeting until the
5 end. We might as well get on with our legal clinic discussion.

6 We have this morning Ben O'Steen, Steve McAdoo,
7 from the O'Steen Clinic in Phoenix and Joel Hyatt of the Hyatt
8 Legal Services, and I think that we may find this a useful
9 information gathering session.

10 We will hold questions until the end of the report
11 period. We will have a discussion with our panelists. We can
12 begin right away since we have started a few minutes late.

13 I thought we might start with the O'Steen group
14 and hear a little bit of the history of their organization,
15 particularly, pointed to the way in which their mechanism
16 operates. We would like to hear what the demand has been, how
17 it has grown, if any, and how they operate the clinic.

18 If you would give us a thumbnail of that, and
19 then we will ask questions as they occur to us. I assume that
20 is what you are prepared to do.

21 MR. O'STEEN: Well, we were prepared to do some-
22 thing like that. We did not know altogether what you wanted

1 to know, but we had a general idea. So, we can discuss the
2 topics you just raised.

3 I will say a few words about organization, client
4 base, demand, and how demand has been effected over the years
5 and by what, and then I will defer to Steve on the question
6 how the office operates in terms of Steve McAdoo is the
7 business manager of the firm and I am the managing partner.

8 First of all, the firm, the law firm was formed in
9 1974, in early 1974, by myself and John Bates, who was the other
10 party to the now famous Bates Supreme Court lawyered advertising
11 case.

12 Both John Bates and I had previously served as staff
13 lawyers in the local Legal Services Program in Phoenix. We
14 realized a couple of things during the course of our work with
15 the Legal Services organization in Phoenix, and that was that
16 a number of people were being turned away for service who
17 nevertheless we felt would probably not be able to find legal
18 services in the private market because their incomes were not
19 sufficiently high to enable them to devote those dollars to
20 buying that service and that the cost of service in the area
21 for most things appeared to us to be unreasonably high. That
22 was one of the things we learned. We also learned, of course,

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1 that with sufficient volume the development of a system ap-
2 proach to the practice of law could enable us to reduce the
3 cost of delivering service and pass that reduced cost along
4 in the way of fees. So, in 1974, we left our Legal Services
5 positions and opened what was then styled the "legal clinic
6 of Bates and O'Steen.

7 Over a period of several years, we spent many,
8 many hours developing these systems for efficient handling
9 of cases, and then realized that some point in time that we
10 just simply were not attracting the volume of clients necessary
11 to make those system cost justified.

12 Therefore, we at that point decided to run an ad-
13 vertisement in the local newspaper which set up the Supreme
14 Court case. In the ensuing years, the firm has changed its
15 style and personality some and, in fact, about nearly four
16 years ago, we genesised the term "legal clinic." In fact, over
17 the last several years there has been a rush on the part of ad-
18 vertising high volume law firms to abandon the use of that
19 term "legal clinic." I don't think Joel ever used that.

20 MR. HYATT: Yes, we did.

21 MR. O'STEEN: Oh, you did. In any event, the styl
22 of our practice is very much as it always was, that the vast

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1 majority of our cases in our office consist of divorce work,
2 most of it uncontested, simple non-business bankruptcies, the
3 drafting of wills, small personal injury cases, and probate
4 administration and small estates.

5 The demand for our service has increased substantial-
6 ly in recent years, largely as result of the advertising pro-
7 gram that we have. Many of the people who see us now have
8 indicated that they have never seen a lawyer before in their
9 lives. So, we are dealing with many first time users of legal
10 services and many of them, of course, have indicated that some
11 of our advertising messages such as, "free" or "low cost
12 consultations" are the things that attracted them to the firm.

13 That is in a nutshell a description of the history
14 of the firm and some information about demand. You can explore
15 that with me further by questioning if you would like.

16 I will let Steve say something now about how the
17 firm operates.

18 CHAIRMAN SANTARELLI: Let us hear that before we
19 get into some substantive questions.

20 MR. McADOO: We really attempt to streamline our
21 operations in several ways. We attempt to standardize as
22 Ben mentioned the routine services that we provide on a legal

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1 basis. The bankruptcies, uncontested divorces, wills, we set
2 up forms to do that so that we do it the same way everytime and
3 that we don't make mistakes in providing service for a client.

4 We also attempt to standardize a great deal of our
5 administrative functions in terms of timekeeping, internal
6 office organizations, financial, writing checks, et cetera.

7 We attempted to automate to a great extent. We have
8 automated word processing and data processing equipment in the
9 office. We use the data processing equipment for timekeeping
10 and bill purposes, for docket and calendar control and for
11 financial reporting.

12 Additional uses of data processing currently in-
13 volved this. I don't know if Joel has this or not, but we
14 don't at this point use that as an automated research and liti-
15 gation support, which we will be getting into.

16 Primarily, I would say that the office concept we
17 have is specialization of people. We attempt to specialize
18 attorneys and paralegals in areas of the laws so that they can
19 become very proficient and very good in a narrow area of law
20 practice, and as well we attempt to specialize administrative
21 and support people tht work in support of the paralegals and
22 lawyers.

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1 These are word processors, data processing operators,
2 administrative personnel, receptionists; those sorts of
3 people.

4 So, it is really sort of a three-prong approach to
5 the practice of law through standardization, specialization,
6 and automation.

7 CHAIRMAN SANTARELLI: Tell us something about the
8 numbers involved, both in terms of cases, volume of individuals,
9 and staff structural support.

10 How big are you and what kind of volume do you do?

11 MR. McADOO: We have 10 attorneys, currently. We
12 have each attorney carries a caseload depending on the type of
13 law he or she is practicing in, anywhere from 75 to 150 active
14 files, which is a pretty heavy caseload in comparison to other
15 styles of practice.

16 I suppose that is why these sorts of standardization
17 approaches have evolved. In order to handle that high a case-
18 load and continue to provide a good quality legal service at a
19 reasonable price, you have got to standardize what you are doing
20 and make it well organized and well-planned.

21 CHAIRMAN SANTARELLI: How do you support that kind
22 of attorney staff?

1 MR. McADOO: Our staff ratio might be probably
2 about 1.5 to 1. That is support people to attorneys. Those
3 kinds of ratios are probably foolish to pay too much attention
4 to because it depends on the style of practice.

5 Ours happens to be about 1.5 to 1. That includes
6 all the word processing, data processing, receptionists, people
7 like myself, bookkeepers, all those sort of folk lumped together
8 amount to one and a half times the number of lawyers.

9 CHAIRMAN SANTARELLI: Is the staff fungible to all
10 the lawyers or does the structure relate to a staff or to a
11 lawyer or to a specialty?

12 MR. McADOO: We have a matrix organization which the
13 staff all basically work for me. They work with the attorneys.
14 All the paralegals work for me, all the administrative people
15 work for me.

16 I basically direct them into their area of speciali-
17 zation. I direct their more or less day-to-day overall -- I
18 provide the parameters of their job. We try to structure jobs
19 so that people have a great deal of freedom, particularly, the
20 paralegals and they do a great deal of substantive work so that
21 they work on their own and with the instruction and guidance
22 of a lawyer. So that basically, we have got kind of lawyer/

1 paralegal teams. They are working together for the client.

2 In terms of their reporting the actual business
3 structure, the lawyers report to them, all the support staff
4 reports to them. So, it is sort of a matrix.

5 CHAIRMAN SANTARELLI: It sounds confusing from a
6 standard law office experience. In my world, the private prac-
7 tice, the tendency is for the paralegal to work under or at the
8 direction of a lawyer or team of lawyers in a special area.

9 That is what I am looking for. How do you structure
10 that? Does it look kust like a regular office?

11 MR. McADOO: No, it really doesn't, and it tends to
12 look confusing when it is talked about in that way, but in a
13 way my matrix management structure looks confusing.

14 It is not the old one box underneath another box,
15 but the reporting actually tends to work better, I think, than
16 a law office. The way it actually works is the paralegals,
17 for instance, we have three paralegals that work in the personal
18 injury area. They have their own files, they have involved in
19 doing the intakes when those people come in. They gather the
20 information from the client. They then introduce the client
21 to the attorney who will be seeing the case and the cases are
22 assigned to attorneys on a rotation-type basis.

1 We try to monitor caseloads and make sure we con-
2 trol caseloads by controlling which case goes to which lawyer,
3 but the file is worked up and begun by the paralegal.

4 So, if I have got a paralegal working in personal
5 injury, that paralegal may be working with any one of four
6 attorneys.

7 CHAIRMAN SANTARELLI: Who works in personal
8 injury?

9 MR. McADOO: Who works in personal injury as well
10 as in other things.

11 Our level of specialization is higher at the
12 paralegal and than is at the attorney level. The paralegals
13 are truly specialized. The lawyers are oftentimes working
14 in two or three areas of the law. It might be domestic
15 relations as well as personal injury and corporations.

16 MR. O'STEEN: We have no one to one personale
17 relationship between lawyers and staff in our office. There
18 are none.

19 CHAIRMAN SANTARELLI: That is what I wanted to
20 know.

21 MR. O'STEEN: We have a staff that consists of
22 pards and modules, including lawyers, paralegals and word

1 processing or clerical pool, and there isn't any one-on-one
2 relationship between lawyers and staff.

3 CHAIRMAN SANTARELLI: Why did you you evolve that?
4 Sheer efficiency issues?

5 MR. O'STEEN: Yes, and I can tell you it works
6 very well for us in the style of practice we do.

7 CHAIRMAN SANTARELLI: Tell us something about
8 your recruiting mechanism. Where do you get your young
9 lawyers or your lawyers? How long do they stay?

10 MR. O'STEEN: In terms of recruiting lawyers,
11 we look for lawyers who have at least two years' experience
12 in a general civil practice prior to the time they come to
13 us. Frankly, we have a number of lawyers on our staff who
14 are former legal services lawyers.

15 The background and training that they get in
16 legal services programs translates very well into what we
17 are doing, and so a number of them have that background.

18 Others are lawyers who have responded occasionally
19 to recruiting ads that we place in local newspapers where those
20 job parameters are given.

21 CHAIRMAN SANTARELLI: These are questions that
22 would equally be applicable to the Hyatt organization and

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1 structural, and I made an error in letting him make his
2 representation second so that we could direct questions
3 from the panel. So, perhaps, we could do that now.

4 Let us shift to Joel and he can tell us what his
5 structure, and then we can discuss these comparatively.

6 MR. HYATT: Thank you, Mr. Chairman. You asked
7 earlier if we were prepared to give the kinds of remarks you
8 had asked me to give. It reminds me of the story that
9 Russell Long tells about his father who came home one night
10 as, I guess, he was wanting to do.

11 He came after being out with a couple of his
12 buddies too late, and it was the middle of the night and he
13 was pretty drunk and he was going to tip-toe in and not
14 awaken his wife because he knew he would be paying for it
15 if she found out how late he came in and how drunk he was when
16 he came in.

17 He was doing fine until he tripped over a chair
18 in the bedroom and crashed with a loud thud on the floor,
19 and moments after that his wife turned on the lights and walked
20 over and was glaring down at him and he looked back up and
21 said, "Honey, I will dispense with my prepared remarks and
22 I will be glad to take questions from the floor."

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Russell Long tells the story better than I do.

CHAIRMAN SANTARELLI: I had the same kind of experience working for Sam Irvin. I just violated the principal rule of being a good chairman, but I did follow the Irvin rule which was the Uncle Charlie's mule rule. It didn't kick according to no rule.

MR. HYATT: Like Ben, I have no prepared remarks and I would be glad to talk generally in response to the questions you directed to us.

Let me start off by indicating my indebtedness to Ben O'Steen. Ben and his colleague really deserve a lot of credit from our profession and from the public for having the courage and the brilliance to bring that case up to the United States Supreme Court which led to a landmark decision.

Very few of us as lawyers ever in our career are involved in a landmark decision as Van has been involved in, one which not only brings much credit to our profession, but much more importantly, has served so well the interests of the public for convenient and affordable access to legal services. Without the ability to inform the public of firms such as Ben's, such as Hyatt Legal Services, many of these people who had never sought legal counseling before

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1 would still not be availing themselves of legal counseling
2 they need in protecting and enforcing their rights, and I
3 want to indicate my appreciation.

4 Hyatt Legal Services was founded immediately
5 after the Supreme Court decision in the Bates case. That
6 decision came down in June of 1977. I left a large corporate
7 law firm in New York City, returned to my hometown in
8 Cleveland, and in November of 1977, we opened the door of
9 the first Hyatt office.

10 Since that time, we have grown to 117 offices
11 today, with slightly over 300 attorneys practicing law in
12 17 states, plus the District of Columbia.

13 We are continuing to grow extremely rapidly. We
14 will be opening 65 new offices next year in several additional
15 new cities and states, and I think the overwhelming growth
16 that Hyatt Legal Services has experienced in just six years
17 is evidence of the enormous need which had been unmet on the p
18 of middle income people for convenient and affordable access
19 to legal counsel.

20 Our goal was and continues to be to fill that
21 unmet need by providing high quality legal services
22 conveniently, affordable, primarily, and at standard fees.

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1 The key to our conception is, first, accessibility,
2 placing law offices in major neighborhoods shopping centers
3 where middle income Americans live, keeping the office open
4 nights and Saturdays so that people won't have to miss work
5 to see an attorney, charging standard fees. That is an
6 important component of accessibility.

7 As all of you know, several ABA and American Bar
8 Foundation studies concluded that the two principal reasons
9 why such a large segment of the American public had not
10 availed itself of legal counseling were, fear of cost,
11 and secondly, lack of information as to how to locate a
12 suitable lawyer for their kind of legal problem.

13 Hyatt Legal Services addressing both of those
14 fundamental impediments after seeking legal counseling,
15 first by cutting standard services fees, thereby eliminating
16 the fear of cost and, secondly, by advertising to inform the
17 public of our availability to perform the different kinds of
18 legal services.

19 Chief challenge for us from a managerial point of
20 view is to capture economies of the scale in provision of
21 these services so that we can pass those services along to our
22 clients and make the cost of legalaccessibility as well.

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1 There are lots of ways in which economies of
2 scale are captured. Ben and Steve referred to several.
3 Developing internal expertise in areas of our practice limit-
4 ing our practice to those case types that are frequently needed
5 by clients, utilizing modern technology, computer/word
6 processing equipment so that we can produce in an efficient,
7 cost-effective way original documents tailored made to the
8 specific needs of an individual client, setting up and having
9 an infrastructure and a management system which controls the
10 quality of the services we provide and insuring the integrity
11 of the service that is provided to the client.

12 Our firm has each of its offices headed by a
13 managing attorney. Typical number of years of experience for
14 a managing attorney is eight.

15 There are typically a total of two to four
16 attorneys in each office. The managing attorneys report to
17 regional partners.

18 Each of our cities is headed by a regional
19 partner. The regional partner, in turn, reports to our firm's
20 managing partner who in turn reports to a committee of senior
21 parnters.

22 In our administrative headquarters we have all of

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1 non-legal aspects broken into the various departments of
2 marketing, recruiting department, accounting department,
3 financial planning, legal assistance department. These are
4 all centralized support services that we provide to our
5 field office and, in addition, our firm has been extremely
6 active; I think, really the pioneer in the profession in the
7 area of prepaid legal plans which are employer funded programs
8 which makes legal services a fringe benefit for employee.

9 We designed and operate the first national
10 program of that type in the sheet metal industry, collectively
11 bargained by the Sheet Metal Workers' International Union.
12 We have a number of regional and local programs such as one
13 in northeastern Ohio funded by the food industry, covering
14 8,000 employees and their families and we believe that over
15 the next five years, legal services will become the next
16 fringe benefit.

17 Our firms were active in that area. However,
18 I don't want to leave the wrong impression because as of this
19 date, prepaid legal plans represent a very small portion of
20 our firm's revenues. Potentially, I think that will be a
21 major goal in our firm's activities.

22 CHAIRMAN SANTARELLI: Let me interrupt and ask a

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1 question at that point. Do you provide the so-called prepaid
2 legal services for the corporate groups or employees by
3 contract?

4 MR. HYATT: Yes. Typically, in collective bargain-
5 ing there are two fundamental elements. In a collective
6 bargaining situation, unions will negotiate for legal
7 services as a fringe benefit.

8 Most often the employers and the union will set
9 up a trust fund and the employers will designate a trustee
10 and the union will designate a trustee. These are fiduciaries
11 who run the program.

12 Our contract is with the trust fund to provide
13 the services to eligible employees and the trust fund has its
14 own administrative apparatus to determine eligibility and what
15 have you, and we provide the services that are covered under
16 the definition and funding level of the plan; our contract
17 with the trust fund.

18 The second fundamental structure in the non-unionize
19 segment where an employer, not as a result of collective, but
20 as a result of employee benefit programs decides legal services
21 as a fringe benefit and our contract is directly with the
22 corporation and we provide services to its employees, services

1 depending on the definition of the plan, which is depending on
2 the funding level involved.

3 CHAIRMAN SANTARELLI: Have you found any examples
4 where you have replaced an existing entity providing those
5 legal services that was provided for and run by either the
6 company or a trustee group?

7 MR. HYATT: Only one such instance, a small one,
8 and this has been a problem in the development of prepaid
9 legal plans where although the concept was great, the delivery
10 mechanism was inadequate to provide the services in a
11 convenient, accessible fashion to those people who are
12 supposed to benefit from the program.

13 Historically, if you look at what has been called
14 prepaid legal plans, that has been a very big problem and
15 I think it has impeded in the five years the development of
16 the concept because so much of what has been called prepaid
17 legal plans were really very ineffective.

18 Quite candidly, our major strength at Hyatt
19 Legal Services is precisely that we are a unique delivery
20 system, both in that we are national and in the cities we
21 operate throughout the metropolitan area many offices and
22 with evening and Saturday hours so that employees don't have

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1 to miss work, meaning precisely that we now have the kind of
2 delivery system that gives to the employees who it is sup-
3 posed to benefit, since the efficacy of this thing is valuable
4 and accessible. That, I think we are renewing and rekindling
5 interest in legal services as a fringe benefit.

6 CHAIRMAN SANTARELLI: The major difference is the
7 scale and proficiency that cannot be provided by these ad hoc
8 or employee run company, or union run programs that have no
9 broader range than to serve that small group.

10 MR. HYATT: That is correct.

11 It is the embryonic stage of legal services as a
12 benefit. So many employers who have interests in that have
13 employees who are spread over wide geographic areas and we
14 have capacity to service a program such as that.

15 So, when an employer has 2,000 employees here in
16 Kansas City, 1,000 at San Francisco, 500 in Atlanta, and
17 250 in Pittsburgh, we can run that program and no one else
18 can. In the past it was always that kind of an employer that
19 simply could not start a program.

20 How in the world was he going to cover all of the
21 employees?

22 CHAIRMAN SANTARELLI: I am sorry to interrupt.

MR. HYATT: No, I was done. I will be glad to

1 take further questions. I guess I did not answer one question
2 that you addressed to Ben.

3 In terms of our client demand, it is difficult for
4 me to answer that only because we are growing so rapidly
5 and so, I am pleased to say, that every month the number
6 increases. This month Hyatt Legal Services will see in
7 excess of 15,000 new clients in our offices around the
8 country and we have, as I have already indicated, we have
9 experienced enormous growth and that growth rate continues.

10 CHAIRMAN SANTARELLI: Let us talk for a second
11 about questions that I have just asked of O'Steen & Company
12 and recruiting lawyers, do you have the same experience?

13 MR. HYATT: We have essentially a recruiting
14 department which does the recruiting for our new cities that
15 we open offices in our new cities. The process is similar to
16 the one that Ben indicated.

17 We generally advertise in Bar Association
18 journals and the legal press. We are inundated with resumes,
19 attorneys who want to be part of what we are doing, and we
20 are a high profile firm, and I think we are proceeding as
21 being on the leading edge of some very important new develop-
22 ments in the legal profession.

1 In our existing cities, our recruiting is done
2 primarily in the field, under the direction of the Regional
3 Partners with support from the centralized recruiting
4 department. There, too, we have not had a problem of
5 attracting good, experienced attorneys with prior relevant
6 experience in general practice.

7 All attorneys who do join us, regardless of their
8 length of practice, go through our own in-house program which
9 we have built from scratch and which we are very proud of.

10 We have not had a problem, to answer your next
11 question, we have not had a problem keeping attorneys. I
12 think there are a lot of reasons for that, but one significant
13 reason is because of the rapid growth of the firm. There is
14 tremendous opportunity within our firm for advancement.

15 You can start off as a staff attorney and if you
16 are good, in fairly short order you can become a Managing
17 Attorney heading up one of our offices, and if you are good,
18 in fairly short order you can become a Regional Partner
19 heading up a city.

20 We have lots of success stories such as that.

21 CHAIRMAN SANTARELLI: Tell us about the economics
22 of your experience, and this is a question we will ask of you

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1 both. Given the fact that there is an enormous disparity
2 in pricing for lawyers, we all know as members of the
3 profession the inflated prices that we call private practicing
4 lawyers are able to charge in the commercial sector which
5 sets certain standards for all young lawyers who go to law
6 school and they see this great pie and enormous entry prices
7 in the area of \$40,000 and up in New York and in Washington
8 for top graduates.

9 How do you scale down with the economics of the
10 kind of clientele? How can you afford to pay the competitive
11 price for young lawyers entering?

12 What is the dynamics of that? I mean the vast
13 number of new graduates and the competitive nature of law
14 firms to get good graduates. How does it fit?

15 MR. HYATT: Let me start by differentiating within
16 the profession. When you refer to the \$40,000 and up starting
17 salaries paid by the Wall Street firms, my first response is
18 that, if you will excuse putting it into business terms
19 rather than in professional terms, that is a different
20 industry. I have been there. That is where I started my
21 career when I came out of Yale Law School.

22 I have been there. It is a different industry.

1 We don't compete with the Wall Street law firms for Yale
2 Law School graduates.

3 Having said that, our practice is much more
4 interesting and exciting. Having said that, we can be very
5 competitive within the general practice of law.

6 That is our industry, and we can be very competi-
7 tive in our situation because of our rapid growth and the
8 key resources that is a limitation on our firm's ability to
9 grow is people.

10 So, we are always looking for able attorneys who want
11 to grow with us, particularly, who want to grow not only in
12 professional development but in the development of managerial
13 skills as well, to which interestingly enough, is something
14 that a lot of attorneys want to do. They want to add as a
15 component to their practice administrative responsibilities.

16 There is a unique opportunity in our firm to do
17 just that. We are at the starting salary level competitive
18 within the general practice.

19 Much importantly than that, we work performance.
20 Growth is not a function of chronology as it is in most law
21 firms that you are familiar with. Everyone who has been there
22 three years makes the same amount. If you have been there

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1 four years, you can anticipate a kind of set salary advance-
2 ment.

3 We reward performance and it is not tied to things
4 such as how many years of service and what have you, since
5 some attorneys, to the contrary, find that very attractive.

6 There is implicit in your question that in order
7 to make all of this possible we have to pay little. I don't
8 know where that comes from except the historical perception
9 of the profession that servicing the needs for personal
10 legal services in fairly routine and standardized areas can't
11 be done profitably.

12 That is my only explanation for why Hyatt Legal
13 Services alone, as a national law firm, is doing what it is
14 doing because most lawyers felt it was not possible, and I
15 think with solid management, sound, well structured, well
16 run systems and procedures, very carefully defined and refined
17 policies and building infrastructure as we built it, we
18 provided frankly a much higher quality service than is found
19 within the general practice community far more efficiently
20 at a cost that is substantially lower to the consumer of that
21 service and make a lot of money.

22 So, I am not sure what the problems of the profess

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1 are because we don't experience those same problems. We
2 are addressing a need of the profession thought couldn't be
3 met profitably and we are addressing it profitably.

4 CHAIRMAN SANTARELLI: The profession doesn't
5 think of itself as a standardized, routinized kind of service,
6 and that is probably the real reason for the high cost.

7 MR. HYATT: There is something to that,
8 Mr. Santarelli. There is also the fact that the incentives
9 that are traditionally built into the profession are dis-
10 incentives from the point of view of efficiency.

11 The fact that lawyers charge on the basis of how
12 much time they put into a case does not create any incentive
13 for limiting an amount of time.

14 When you have a standard fee, you have to provide
15 a high quality service efficiently. I have been in the other
16 approach. I know what those clients were paying for my time
17 and I know how much it was wasted and there was no incentive
18 to be efficient because the client was footing the bill for
19 the inefficiency.

20 Our structure is far more consistent with the
21 structures found in most other service businesses and most
22 industries. Our structure places a high premium on being cost

1 effective and that is the impediment of the legal profession
2 in terms of addressing the very large unmet needs for legal
3 counseling.

4 CHAIRMAN SANTARELLI: Do you have some comment on
5 that?

6 MR. O'STEEN: I will say briefly I couldn't agree
7 more with Joel and his observations that, first of all, there
8 is a strata within the Bar and just as we don't compete with
9 the large commercial law firms for clients, we also don't
10 compete with them for lawyers. The kind of lawyers who are
11 interested in general practice law are not interested in
12 practice at that commercial level of bar where the well
13 publicized salaries are so high.

14 We find, on the other hand, just as Joel has
15 that there is no shortage of good, highly qualified people-
16 oriented lawyers to at least meet the needs that we have
17 for lawyer personnel and the other lawyers in our area who
18 are engaged in the general practice of law as well.

19 In terms of compensation, to the extent that that
20 is something that is of interest to you, we also pay our
21 lawyers based on performance. No lawyer in our office is
22 salaried.

1 All lawyers in the office work on an incentive
2 schedule at which their incomes are tied and immediately to
3 the income that they produce for the firm and thereby produce
4 for themselves. We have a sliding scale system of lawyer
5 compensation, and for people who are highly motivated it is
6 the best motivator in the world. It motivates them to act
7 efficiently and to provide good quality client care because,
8 of course, not only does the medium income depend on clients
9 we have in the future, we have referrals for repeat business
10 that requires lawyers to provide good quality service and at
11 the same time in a very efficient way so that he or she can
12 have more time to sell some other clients on other business,
13 and lawyers are paid monthly based on the performance.

14 At about the third or fourth day of each month,
15 we complete our accounting for the prior month and pay them
16 immediately based on what income was derived in the prior
17 month.

18 We don't pay them on billable hours. We don't
19 pay them on anything other than cash in the door because
20 that is the only thing ultimately that is important in terms
21 of operating a business.

22 So that this is no incentive for lawyers to build

1 unproductive, unbillable time in our law firm. Most of the
2 work is also fixed fee work or contingency fee work, which is
3 kind of in the form of fixed fee work, also.

4 What that does, I think, in terms of an economist,
5 if I can take the liberty to use this language for a moment,
6 there is the opportunity, and this is the point that Joel
7 was addressing, there is the opportunity for what economists
8 call seller fraud, and that is when you -- and the term sounds
9 strong, but as an economist uses it, it is not quite as strong.

10 What it means in the context of legal services is
11 where lawyers charge hourly for their time, it is the
12 lawyer and not the customer who decides what kind of service
13 is going to be sold and how much of that service is sold.

14 So there is an enormous opportunity for the
15 seller of the service. In this case, the lawyer to sell too
16 much and to sell it too high, and that is the reason that we
17 as well subscribe to the approach that Joel uses and that is
18 to the extent possible all the work done in our office is
19 charged on a fixed fee basis and by using a system approach
20 to practice of law, by specializing very narrowly, by employ-
21 ing paralegal personnel, word processing personnel, we can
22 with a great degree of predictability know what the cost of

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1 that service is and reduce it to a fixed fee and make a reason-
2 able profit on the work we are doing.

3 MR. HYATT: Let me just add that while our compen-
4 sation program has the same objective as Ben's, it is struc-
5 tured differently. All of our attorneys are salaried, full
6 time salaried employees.

7 The Managing Attorney of each office has a profit
8 sharing program. The manager shares the result of the office.
9 All of our Regional Partners have a profit sharing whereby
10 they share also the results of their regions.

11 The idea is to create the same kind of incentive
12 Ben is creating. We accomplish that with a slightly
13 different --

14 CHAIRMAN SANTARELLI: Is this a bonus concept?

15 MR. HYATT: Yes; the bonus concept.

16 CHAIRMAN SANTARELLI: Your staff attorneys are
17 salaried and from the end of the year, from the profit pool
18 if there has been one, there is bonus or profit sharing
19 activity.

20 MR. HYATT: Yes. However, it is office based for
21 Managing Attorneys and it is region based for Regional
22 Partners. So that the Managing Attorney who is running a

1 successful office under that program will receive a bonus for
2 that program.

3 CHAIRMAN SANTARELLI: How about the staff?

4 MR. HYATT: Staff attorneys are salaried with no
5 profit sharing. One of the reasons for that, again, the
6 compensation package serves the organizational purposes of
7 the firm that designs it.

8 We are very growth oriented and we are growing
9 very rapidly. What we are seeking to do is bring up the
10 ranks of our firm. What we tell staff attorneys is, "You
11 have got to become Managing Attorneys."

12 That is very purposeful. We want staff attorneys
13 to become Managing Attorneys. We want Managing Attorneys
14 to become Regional Partners, and we structure the incentives
15 and encourage that motivation.

16 CHAIRMAN SANTARELLI: It is an Avon/Amway
17 approach?

18 MR. HYATT: I am not familiar with their
19 approach. I take your word for it.

20 MR. MCCARTHY: Joel, what is the ratio in your
21 organization between partners, association and staff
22 attorneys?

1 MR. HYATT: There are four senior partners. The
2 senior partners are the only proprietary partners of the
3 law firm.

4 MR. McCARTHY: Is it a partnership?

5 MR. HYATT: Yes, it is.

6 MR. McCARTHY: You have not used the corporates?

7 MR. HYATT: Yes.

8 MR. McCARTHY: You have four for your 300?

9 MR. HYATT: That is correct.

10 MR. McCARTHY: How about you, Ben?

11 What is your percentage in your firm of 10? What is your
12 percentage of partners?

13 MR. O'STEEN: We have four partners and six
14 non-partners, non-owners.

15 MR. McCARTHY: And you are a partnership, not a
16 corporation?

17 MR. O'STEEN: Yes.

18 MR. HYATT: If you were in an interview now for
19 one of our positions, we would then go ahead and explain to
20 you how a Regional Partner, while not a proprietary partner,
21 is very attractive because, a, you make no capital contribu-
22 tion. Our firm's capital contribution, it is enormous in

1 terms of the legal profession and , b, you have no risk of
2 the loss.

3 To start up any of our new regions, the losses
4 are significant. So that again to the extent that you applied
5 to our firm, traditional notions of partnerships is or
6 isn't is probably an opposite.

7 We have regional officers who make no capital
8 contribution and do not share in losses but participate and
9 share in the profit, but they are hourly employees. They
10 are generally partners in terms of general partnership law.

11 MR. McCARTHY: I wondered if of you, especially
12 you, Joel, with your larger organization, entertained the
13 corporate kind of structure which is now, I think, allowed in
14 most states.

15 MR. HYATT: Yes. It requires a complicated
16 answer, two-part answer. First, the regulatory framework
17 that enables a law firm such as us to engage in a multi-
18 state practice of law has many quirks in it. One of those
19 quirks is that on state-by-state analysis many states
20 provide for a multi-state practice of law in the partnership
21 form; not in the corporate form.

22 So whereas in a given state a law firm can

1 incorporate itself and practice as a corporation, when it
2 tries to cross lines and practice in another state in that
3 form, it becomes very difficult, and for a lot of states
4 impossible, whereas a partnership can engage in a multi-state
5 practice of law that is expressly provided for in the
6 Code of Professional Responsibility in the states in which we
7 practice. That is one level of response.

8 The second level response is that Hyatt Legal
9 Services has a contractual relationship with Block Management
10 Company which is a subsidiary of H. R. Block. Block Management
11 provides our law firms with a broad range of administrative,
12 marketing, and real estate functions; those things that don't
13 constitute a practice of law.

14 Law firms hire lawyers, train lawyers, supervise
15 lawyers, represent clients, practice law. So that it is a
16 different level of response to what you are asking.

17 You are talking more about legal structure, but
18 in our situation a lot of the non-legal aspects of this
19 endeavor are provided to us from the contractual relationships
20 of the management services company.

21 MR. MCCARTHY: I feel that you have explained that
22 you are really not competing with the old line type of law

1 firm. You have created a new block or niche and your economies
2 of scale make it successful.

3 I also think that probably differentiates from
4 the question asked by Don on the salary structure and also
5 your answer about the inefficiencies, but you are talking
6 about apples and oranges, really.

7 Maybe the nature of the problem of employees,
8 to quote a law firm on Wall Street, does by its on difficulty
9 in providing an answer build these inefficiencies and there
10 is more time and investigative things and you cannot give
11 your client an answer overnight.

12 MR. HYATT: You are absolutely right.

13 CHAIRMAN SANTARELLI: Standardized practice.

14 MR. McCARTHY: That is correct. So there is
15 really no competition. However, it seems to me somewhere
16 along the way you would have competition in getting good,
17 young lawyers. The way you overcome that is by your incentive
18 plan, by being competitive in your wage structures.

19 MR. HYATT: By having fund practice.

20 MR. McCARTHY: And with the idea that you become
21 a Regional Manager in five years. I guess you do not at this
22 particular juncture, you have not expanded, I gather, from

1 your start of how much years ago in this. You still have a
2 one city office; is that correct?

3 MR. O'STEEN: Yes, we have. In fact, our
4 organizational framework is a little different. Our practice
5 philosophy is a little different from Joel's. For instance,
6 we have an office, one sort of centralized, not downtown but
7 sort of up town law office in a garden style convenient
8 office building with 10 lawyers in it and the all the support
9 staff in that office.

10 One of the things that is very clear is that
11 certain office efficiencies can be obtained better with that
12 level of size than they can, for instance, having five lawyers,
13 five two-lawyer offices.

14 What you give up, of course, is a certain level of
15 accessibility in terms of lawyer/client community. What you
16 achieve in our view, is a higher level of efficiency of
17 operation with offices that size.

18 Now we have ultimate growth plans that would
19 include growing in pads of about 10 or 12 lawyers in the
20 Phoenix, maybe ultimately throughout the state, but we will
21 never have the kind of accessible organizational framework
22 that Joel has.

1 MR. HYATT: That is why we get along so well.

2 MR. O'STEEN: We do not compete with each other
3 as well. In addition, there are other differences between
4 his firm and mine.

5 We do a substantial amount of personal injury
6 work. I understand Joel does not do a great deal of that.
7 We also attempted a couple of years ago to extend our client
8 base to include some commercial work, including commercial
9 litigation and, in fact, I brought lawyers on the staff who
10 had experience in that area specifically to develop that
11 area of law, and we have been about the business of doing
12 it the last three-and-a-half years, with some successful,
13 I might report.

14 In fact, we have taken some small business
15 clients away from the larger commercial firms in Phoenix and
16 we are now serving them, and I believe, quite well. We have
17 not lost anything.

18 I am not sure that was responsive, but the point
19 I wanted to make is that there are differences between Joel's
20 and mine in terms of --

21 CHAIRMAN SANTARELLI: How do you handle a contin-
22 gent fee? What is your contingent fee for your personal

1 injury work fee structure?

2 MR. O'STEEN; Except for some group legal
3 services clients, that we also have, we also have some legal
4 services programs with employee units in the Phoenix area.
5 With the exception of those clients, it looks like everyone
6 else's, we have a one-third contingent fee on personal
7 injury and we have high efficiency systems for handling the
8 work.

9 So one of the things that is somewhat peculiar,
10 I suppose, about our personal injury practice is that while
11 we have been fortunate enough to have a fairly high volume
12 of clients for that kind of work, we found the advertising
13 that we did to generate that business produced mostly small
14 cases, and the kind of cases that many, many negligence
15 lawyers in our area would not want to handle anyway at any
16 reasonable contingent fee because the cases are simply too
17 small.

18 So in order to service those clients at all and
19 even with the contingent, it is necessary to develop very
20 efficient systems for handling the clients, which we have.

21 CHAIRMAN SANTARELLI: As part of this presentation
22 would you be good enough to share for the record afterwards

1
2 your fee schedule? Show us that you have published those
3 as public information. We would like to see that.

4 MR. O'STEEN: We will be very happy to do that.

5 CHAIRMAN SANTARELLI: Thank you.

6 Do you have any questions?

7 MR. RATHBURN: Directed to you, Mr. Hyatt, and
8 Mr. O'Steen, what have you found to be the most efficient
9 method for screening potential clients?

10 MR. O'STEEN: I think Steve would be the best
11 person to answer that.

12 MR. McADOO: When an individual calls, first of
13 all, usually the inquiries or telephone inquiries are referred
14 to a paraprofessional that can best address that individual
15 client's request.

16 Primarily what they would do is set up an appointment
17 for the individual to come in and see a lawyer. When the
18 individual comes in and sees a lawyer that practices in that
19 area, whatever it is, they fill out a confidential client
20 information sheet on themselves while they wait in our
21 reception area.

22 It gives them the personal information, name and

1 address, the kind of thing everybody needs to gather for
2 a file.

3 Secondly, they would need to move into a more
4 specialized intake phase where the paralegal would meet them
5 in the reception area, take them back to a private office
6 or interview, whichever they have, and fill out a very
7 specific intake related to bankruptcy, related domestic
8 relations, related to personal injury, whatever the type of
9 matter that they have, and that particular intake sheet gives
10 the attorney all of the specific information related to that
11 kind of matter.

12 At that point then the paralegal would take the
13 client in, introduce them to the lawyer, the lawyer now has
14 all the information he needs, both personal and specific
15 about the matter so that he does not spend an hour going over
16 that with the client.

17 He knows he has got it. He knows he has it in
18 the right format. They simply then talk about what the
19 matter involves, sort of explaining the legal process to the
20 client, discussing fees, that sort of thing so that the
21 lawyer/client contact is greatly limited and we think in-
22 efficiency is there in the form of attorney/client time.

1 That is kind of a general explanation.

2 MR. McCARTHY: Does the client have any choice of
3 attorneys? Is there any selectability of the client
4 when he comes in?

5 MR. McADOO: A great deal of our business is
6 through client referral or second visits from a client. When
7 they ask for a specific attorney, they get that attorney.
8 If they do not ask for a specific and have not been referred
9 to a specific attorney, it is done on a rotational basis for
10 the attorneys that we allow to practice in certain areas
11 of the law.

12 So, it done on a rotational basis.

13 MR. McCARTHY: Is there any switching of attorneys
14 after the client has been assigned one? Is there flexibility
15 allowing them to exercise some judgment after they have
16 been assigned an attorney?

17 MR. McADOO: Generally, it doesn't occur, but
18 there is a mechanism to do that. For instance, I have a
19 partner who is operating as a certified criminal specialist
20 and personal injury work, and that is all he does now. He
21 has a great referral base out there.

22 He has people who come to him and want a divorce,

1 done, want to have a will done. He will meet with them
2 because they want to see him, and what he will do is probably
3 direct them to one of the other partners who handles that
4 type of work.

5 If the client is real resistant to that, of
6 course, he won't do it. He will probably go ahead and do
7 the service himself, but by and large we have taught everybody
8 how to do that in an effective way so that the client does
9 not feel there is anything wrong with that and say, "I have
10 got a partner who is very good in that area. Let me introduce
11 you to him or her."

12 There is some of that, but by and large, I would
13 say it doesn't happen very often. Maybe five percent of the
14 time or something like that.

15 MR. O'STEEN: It is rare that once a client
16 gets to our office they want to change attorneys. The only
17 reason they don't want to do that is they are unhappy with
18 the attorney they were with. If he did a good job in hiring
19 those attorneys in the first place, a good job in selecting
20 them, you have very few problems of that nature.

21 Occasionally, it occurs, but we frequently allow
22 clients to move to another lawyer in the firm if the client

1 chooses. There is no reason not to do that.

2 CHAIRMAN SANTARELLI: You talked earlier that
3 the main attraction of the client base is the advertising
4 program. What does your advertising program and what per-
5 centage of you budget is spent in the advertising?

6 MR. O'STEEN: Do you want to do that?

7 MR. McADOO: Why don't you tell them what the
8 thrust is?

9 MR. O'STEEN: Our advertising program consists
10 entirely of yellow pages and television advertising. We
11 don't do anything else.

12 We found television is the most effective medium
13 for selling lawyer services and that the yellow pages is
14 very good essentially as a back up medium to that television
15 campaign.

16 Our philosophy is try to develop long term
17 name and recognition in the community that we serve and then
18 when someone realizes he or she needs a lawyer, they go to
19 the yellow pages and find one. The yellow pages is good,
20 supportive advertising for the television work that we do.

21 Our television messages include specific messages
22 about divorce and domestic relations problems, about credit

1 problems which really is frankly a bankruptcy spot, personal
2 injury, and then we have a general message saying that we
3 are a full service lawyer and provide an assortment of legal
4 services, so if you need someone to look out for your best
5 interest, please call us.

6 That is the general advertising. Steve can talk
7 more about budget.

8 MR. McADOO: Approximately 20 percent of our
9 operating budget this year is advertising. It is probably
10 second only to salaries on our income statement. It is the
11 productivity of our advertising. It should be pointed out
12 it does yeild a large percentage of our business, something
13 like a third, but we get an equal percentage from repeat
14 or referral business.

15 So we have discovered, I think, over time that
16 both elements of attracting new clients to the firm through
17 advertising as well as making sure that we take care of the
18 people we see so that they will refer them back, they both
19 play a large part in our marketing philosophy.

20 CHAIRMAN SANTARELLI: Mr. Hyatt, what is your
21 experience?

22 MR. HYATT: Our marketing program is very similar

1 to that which Ben just described, consisting also of televi-
2 sion and yellow pages and providing the kind of information
3 that Ben was discussing.

4 It is really very low keyed ads designed to
5 inform the public of our availability, of providing certain
6 kinds of services and to do so in a convenient format and
7 at standard, reasonable fees.

8 As a percentage of our budget overall, our
9 advertising is a smaller percent than the one Steve indicated
10 the O'Steen firm is currently operating with. However, I
11 suspect the reason for that is that in our new cities the
12 percentage of our firm's revenues, the advertising, is a
13 much larger percentage, and in our established cities it is
14 a much smaller percentage.

15 That is very good news. Over time we can
16 advertise less and certainly as a percentage of the firm's
17 revenues over time is continually a decreasing percentage.
18 The firm's overall average is a smaller percentage than the
19 O'Steen's.

20 CHAIRMAN SANTARELLI: Obviously, our interest
21 here is seeing programs that are somehow comparable to what
22 we do and find in the legal services end in government.

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1 More, we are looking at contrasting and perhaps informative
2 systems.

3 Naturally, the clientele we have the most ex-
4 perience with is at the bottom end of the economic spectrum.
5 Some of them obviously totally impecunious, poverty level
6 people who cannot afford any legal service and who are
7 benefitted by other legal programs.

8 What is your experience at the lower end of your
9 spectrum and how do you screen cases and what are your
10 minimum requirements? Screening clients; not cases.

11 MR. HYATT: Well, we don't screen clients. We do
12 screen cases. Our practice is limited to --

13 CHAIRMAN SANTARELLI: Paying clients.

14 MR. HYATT: Our practice is limited to caseloads,
15 for starters. Our fees for providing services within those
16 case types are standard. We don't qualify our clients.

17 if someone is able to pay us more, we don't charge
18 them more, and if someone who can't pay our fees, we don't
19 provide the service to them.

20 Of course, the result of what we are doing is
21 that legal services are being made far more widely available,
22 which is to say because so many of our clients tell us if

1 there wasn't a Hyatt office they would have gone without. Our
2 fees are substantially lower than those prevalent in the
3 legal profession and, therefore, making legal services
4 available by virtue of the fees being affordable to a much
5 broader segment of the public.

6 Our clientele is characterized as middle income.
7 That is a wide-ranging socio-economic group. It starts with
8 those people who are not poor enough to qualify for government
9 funded legal aid and it goes fairly high up in terms of
10 economic strata, certainly stopping short of those who have
11 always used the traditional law firms that have served the
12 affluent.

13 I would characterize that, frankly, as being wider
14 than we anticipated and probably 70 percent of the socio-
15 economic grouping in our country that is denominated as being
16 middle income.

17 We do see clients who qualify for government funded
18 legal aid and who are coming to use for various reasons.
19 Sometimes there is wait, long waiting periods before their
20 case can be handled.

21 That has happened on occasion, but we don't
22 qualify our client.

1 What the traditional general practitioner does,
2 by the way, it is a notion of when the clients walks in with
3 a very nice coat and very nice suit that determines the very
4 nice fee. There is all kinds of cross subsidization because
5 the flip side is a general practitioner often provides
6 services for little or no fee or at least for the prospect
7 of receiving ultimately little or no fee, and the next client
8 comes in the door that he or she sees is likely to pay a
9 very good fee, the attorney remembers Mrs. Smith who he
10 is working for little or no fee and there is a cross subsidi-
11 zation going on, but we explain to our clients that you are
12 paying a fair fee for the service we are providing and you
13 are neither subsidizing some other client who is paying less
14 for the service, nor being subsidized by some client paying
15 more.

16 Our clients understand that instinctively, just as
17 for example, they understand the firm's policy on payment in
18 advance. We do not incur the expense of a billing system
19 which is a large administrative expense.

20 We do not have the risk of non-collection of fees,
21 which most practitioners have to build into their fee
22 structure. The notion that they might not getting it all when

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1 they send the final bill. All that is eliminated. That
2 enables us to have standard fees that are reasonable, that
3 are lower, and our clients readily understand the reasons
4 for those policies and readily understand that those policies
5 are what is enabling us to provide the legal services at
6 fees substantially below the prevailing rate.

7 MR. McCARTHY: Do any of your attorneys provide
8 pro bono service either on their own or as some type of
9 firm policy?

10 MR. HYATT: I will honestly tell you that our
11 own self-perception is we are the largest pro bono law firm
12 in the history of the world.

13 Of those 15,000 new clients that we saw last
14 month, that we will be seeing this month, for the majority
15 of them, they would not be receiving legal services but for
16 the existence of our law firm. That is what they tell us.

17 In that respect, we consider ourselves very much
18 a public service law firm.

19 Beyond that, of course, we both allow and encourag
20 our lawyers to be involved in all kinds of professional
21 endeavors, some of which includes traditionahly denominated
22 pro bono services.

1 MR. McCARTHY: Ben, how would you answer that
2 question?

3 MR. O'STEEN: We also encourage, but don't require
4 our lawyers to involve themselves in pro bono work. Frankly,
5 our working relationship with them is one of independent
6 contractor.

7 So, we are not in a position to attach too many
8 requirements to their attachment or affiliation with us,
9 although we do encourage and I personally do that. In
10 addition to what we generally sort of think of as pro bono
11 legal service work, our firm also occasionally takes on
12 some major complex litigation probably analogous to what is
13 called impact work, I believe.

14 In the legal service organizations, for instance,
15 a couple of years ago an illegal and abusive automobile
16 towing practice that was going on in this city really on the
17 part of all of the automobile towing companies and we brought
18 a class action lawsuit to correct that problem.

19 Imminently, we are going to file a major class
20 action lawsuit against most of the banking institutions in
21 Arizona over a credit practice that is illegal.

22 So, we engage in both what I might describe as

1 mall pro bono work for individual clients and we occasionally
2 take on larger, more complexed cases, as well, in which fees
3 either are realistically not obtainable at all or at least
4 there is a great deal of risk associated with obtaining
5 the fee at the conclusion of the case.

6 MR. McCARTHY: I was interested in your back-
7 ground. You did have experience with the Legal Services
8 Corporation and it was funded by this organization then,
9 or are you one of the recipients?

10 MR. O'STEEN: The organization that I worked for,
11 Mr. McCarthy, was funded by this organization's predecessor.
12 I think it was HEW or OEO.

13 It was a legal services program which is the
14 principal legal services delivery in the Phoenix area now.
15 My first job out of law school was with that organization.
16 I also clerked with several legal services programs which
17 you also fund, including BNA and the Navahoe Reservation.

18 MR. McCARTHY: Do you feel that experience led
19 you into your present organization?

20 MR. O'STEEN: Directly, absolutely.

21 MR. McCARTHY: This kind of a broad question, is
22 your organization such that could satisfy the requirements

1 that this organization attempts to fill?

2 MR. O'STEEN: I am not sure I understand the
3 question.

4 MR. McCARTHY: The clientele's request for
5 services under the Legal Services Corporation which you are
6 familiar, would your present firm be able to satisfy those
7 requirements; your organizational structure?

8 MR. O'STEEN: Would our firm be in a position to
9 deliver legal services to the poor client population of
10 Phoenix in certain areas in certain types of cases?

11 MR. McCARTHY: Yes.

12 MR. O'STEEN: Well, there are clearly some things.
13 Having been a Legal Services myself, there are clearly some
14 things that we do now that are perfectly parallel to the kind
15 of things we did in legal services organization in Phoenix.

16 There are other kinds of problems which frankly
17 just simply can't be handled effectively, and I think Joel
18 will probably agree with this, can't be handled effectively
19 at any reasonable price in the context of a private law firm.

20 For instance, we tried for a very long time to
21 make landlord/tenant work more profitable, to make it pay for
22 itself, at least so the firm could handle it.

1 Also, consumer cases where used cars break down
2 or small appliances purchased from a retailer don't do what
3 they are supposed to do. We found over an extended period of
4 time in trying to make those cases pay that they simply could
5 not and so we have kept our limitations now.

6 We will offer people advice, but we won't open a
7 file. We won't do substantive work on cases in those areas
8 because they can't pay.

9 That is not to say, however, that they don't come
10 in sufficient numbers that assistance could not be set up
11 to handle those cases very economically if there were a fund-
12 ing source for handling cases.

13 CHAIRMAN SANTARELLI: The parallel or the example
14 must be prepaid legal services programs for corporations
15 since they are paying the cost not particularly relative to
16 a fixed fee schedule and they expect a full range of services
17 you deliver in those packages, in those plans.

18 MR. O'STEEN: Well, there are a variety of programs
19 and some of them have very restricted limitations on the kinds
20 of service that you can get in particular areas.

21 Joel can address his more directly. Frankly, our
22 group legal services plan are really nothing more than a

1 discount off of the already low fee structure that we offer
2 clients in the general population.

3 CHAIRMAN SANTARELLI: In your experience, you
4 don't operate anything differently than prepaid than you do
5 to your present clientele?

6 MR. O'STEEN: We have no schedule of benefits,
7 no. Conversely, they pay us not to belong to the plan. It
8 is simply group services plan.

9 For the benefit of having a relationship with a
10 large group of people we are willing to offer additional
11 discount, offer these fees to other clients for the same
12 service. They pay us nothing to belong to the plan.

13 We absorb the administrative costs of the plan
14 and we offer additional discount.

15 Joel's plan is a little more different and he can
16 give you the details on that. I know many of the plans I
17 have seen which incorporate the legal benefit for which some
18 premium or fee is paid still have very severe limitations on
19 the categories of cases that can be handled on the maximum
20 benefit allowable for a particular kind of case.

21 CHAIRMAN SANTARELLI: Joel, would you fill us in
22 on that?

1 MR. HYATT: Sure. Our program, our structure,
2 is very differently than Ben's in that there are true prepaid
3 legal services programs. They have carefully defined legal
4 services benefits.

5 The kind of case types that are covered under a
6 prepaid legal plan depends on funding level, but what is
7 covered is very carefully specified so that if an employee
8 wants to have a will, that is a covered benefit under all of
9 our programs.

10 If an employee is sued by his or her next door
11 neighbor over a dog bite, that is not covered any of our
12 programs.

13 The point being that these are very carefully
14 actuarially derived programs which make available, once again,
15 the frequently need legal service and provide to employees
16 for complete representation for those services that are
17 covered under the program.

18 CHAIRMAN SANTARELLI: Is landlord/tenant dispute
19 a covered item right now?

20 MR. HYATT: Yes; under many of our programs, yes.

21 CHAIRMAN SANTARELLI: How do you limit the benefit
22 in that case?

1 MR. HYATT: We don't. If it is covered, it is
2 covered through and including trial, if necessary, full
3 eviction defense, if that is what is involved.

4 CHAIRMAN SANTARELLI: There is a way to handle
5 landlord benefit in the categories without relating it to a
6 precise fee schedule. That is by a prepaid plan which is
7 fungibly covered by the overall premium and/or fee?

8 MR. HYATT: Yes, that is correct, but it over-
9 states the case, at least, in that the pricing of the prepaid
10 plans ultimately is derived from a notion of the average
11 cost of providing a certain case type and the amount of usage
12 that will be anticipated in the program.

13 We bear the risk of over-usage and you price
14 that, the bearing of that risk, into your cost of programming.
15 But, it does ultimately derive down to a view as to what it
16 cost to provide services for a landlord/tenant.

17 CHAIRMAN SANTARELLI: What I am trying to find a
18 record for is the fact that although we talk actuarial pre-
19 dictability, it never reaches any possible degree of accuracy
20 as it would in life expectancy actuarially activity, which is
21 higher in the legal services area where you have too many
22 variables.

1 MR. HYATT: It certainly does not reach that
2 level of certainty. I think more because at this point and
3 time the data bases are there, but not because what you may
4 be thinking and that is that again within the legal profession
5 there is so little understanding as to cost of providing a
6 particular kind of service.

7 In our firm, those services we provide, we are
8 continually refining our understanding of what it is costing
9 us to provide it on a case-by-case basis.

10 CHAIRMAN SANTARELLI: Undoubtedly.

11 MR. HYATT: That is right. So we can continually
12 refine what we charge public for providing service and what
13 we use as our data base in arriving at our cost for employer-
14 funded programs.

15 So that is very, very important in terms of our
16 law firm development to understanding what is involved in
17 serving a client in connection with whether it is a landlord/
18 tenant, bankruptcy, or divorce, or a will, and what have you.

19 CHAIRMAN SANTARELLI: Before we leave the panel
20 questions, one last little area we would like to explore, and
21 that is give us some exemplary profiles of your typical client
22 problem?

1 MR. HYATT: Well, I understand that to be a
2 question as to what kind of cases do we handle.

3 CHAIRMAN SANTARELLI: Examples, profile.

4 MR. HYATT: What do you mean by profile?

5 CHAIRMAN SANTARELLI: If you have a landlord/
6 tenant dispute, what is the dispute usually and what is the
7 duration and problematic resolution of it? What does it
8 look like? What does a typical case look like that you have?

9 MR. HYATT: In which case type area?

10 CHAIRMAN SANTARELLI: Landlord/tenant.

11 MR. HYATT: I could guess at or create a profile
12 for you. I am uncomfortable doing so because, first, I
13 personally never practiced any landlord/tenant in our firm
14 and, secondly, I know very little landlord/tenant law and,
15 unfortunately, I am very far removed from the practice in our
16 firm today.

17 So, although I could create a scenario which I
18 would guess is fairly close to accurate, I am reluctant to
19 do so.

20 CHAIRMAN SANTARELLI: Could you give me any
21 profile examples of your typical clients from your recollec-
22 tion?

1 MR. HYATT: Landlord and tenant, I can't, but I
2 am sure in the divorce area, I think, far more typical a
3 profile than is believe within the legal profession is the
4 situation where a couple seeks to terminate their marriage
5 and seeks to do so essentially amicably.

6 They are going to go separate ways, they have
7 already decided who is going to stay in the apartment and who
8 is going to leave it. They have already decided who is going
9 to keep the car and continue to make the payments and who is
10 going to walk away from it.

11 They have essentially decided the terms of divi-
12 sion of personal property and they need basically legal
13 counseling and legal representation.

14 Often if there are children, they need to know
15 the parameters of the law, what is generally expected by way
16 of support payments, what is generally expected by way of
17 alimony, what do I have a right to expect in my particular
18 case, what will the court approve or impose.

19 They seek to have the thing not become more
20 tramatic than necessary. That is our typical client as opposed
21 to the commonly held perception that there is this enormous
22 battle of longstanding duration.

1 Our perspective on that is that that is an
2 accurate profile among the property class where the marital
3 estate is extensive, the assets are very great.

4 I guess I do the divorce lawyers who say they
5 have never seen uncontested divorce and never seen that didn't
6 have terribly drawn battle. That pretty well may be correct
7 among the property class.

8 It is not a correct generalization of a working
9 clientele, working people as they seek to terminate their
10 marriage.

11 I don't know if that is responsive to what you
12 wanted.

13 CHAIRMAN SANTARELLI: Close.

14 MR. McADOO: There is a point I would like to make
15 on a previous question. I think the question was posed, "Can
16 your firms or these type of firms provide the services that
17 are currently being provided by the Legal Services
18 Corporation."

19 It is difficult to answer because what came back
20 at you was, "I guess it depends on whether that type of work
21 could be done profitably through some prepaid mechanism or
22 something like that."

1 There is a very different element that needs to
2 be a part of that answer. It doesn't just come down to from
3 our perspective can it be done and done well and profitably.
4 There is a whole different element of business strategy which
5 says do you want to do it, whether it can be done profitably
6 or not.

7 For example, in Joel's organization, they don't
8 do personal injury work. We do. It is profitable. Why
9 doesn't he do it? He has chosen not to do it.

10 He does landlord/tenant work under the group legal
11 services plan. We don't. It is profitable. That is why he
12 does it, but we chose not to do it.

13 Our business strategy, our planning management
14 strategy tell us who we want to serve and why we want to serve
15 them.

16 That effects where we are going to locate our
17 offices, how we are going to staff those offices, how those
18 offices are going to look, how we are going to hire attorneys,
19 what kind of styles they are going to have, what kind of
20 languages we want to speak, et cetera.

21 In the same way the analogy on the other side
22 is that Sears does not really try to serve everybody and they

1 go after that market and try to serve them very well, but
2 they are not trying to take people from Brooks Brothers,
3 probably, in buying their clothing.

4 They recognize you go for a slice of pie from the
5 business standpoint. I think that is important to mention.

6 It doesn't always come down to dollars and cents
7 and can be done profitably. It comes to business strategy,
8 marketing strategy, and who you want to serve.

9 It is not just anybody that can pay you a profit.

10 MR. McCARTHY: Joel made a comment that some of
11 his offices have had an experience of clients of this
12 corporation going over and crossing over and using the
13 private enterprise source. Have you had a similar experience?

14 MR. O'STEEN: Exactly, and for some of the
15 same reasons Joel mentioned; waiting periods were too long in
16 the Legal Services office.

17 Frankly, I know this from my experience as a
18 Legal Services Staff Attorney. We used to have occasions
19 when clients would be angry with us over something that
20 they would threaten to go downtown and hire a real lawyer,
21 and I think that might be an unhappy, incorrect assertion on
22 some part of the client base among the poor that they may

1 get better service from a lawyer they go downtown and hire
2 as opposed to Legal Services Corporation.

3 As I said, that is emphatically not the case,
4 but that is a certain view of that. The point is, in any
5 event, we also draw a very broad socio-economic group all
6 the way from poor people who are eligible for legal services
7 all the way up to small business owners who are frankly
8 multimillionaires and in many cases have complexed commercial
9 legal matters.

10 MR. McCARTHY: Joel answered the question as to
11 price structure and he said they subsidize none, and you don't
12 pay for subsidization. Is that the same policy in your firm,
13 or do you have a flexible schedule?

14 MR. O'STEEN: No. We also have a fixed schedule
15 of fees for most of the services we provide. Those fees are among
16 the lowest charged in our community and we also do not have
17 any cross subsidization in that regard.

18 I can tell you that as a general rule given the
19 pricing structure that we have, if we were to eliminate personal
20 injury from the mix, I am not sure that the fixed fees we
21 charge for certain routine matters would remain the same.

22 MR. McCARTHY: They all contingency, I guess, your

1 personal injury?

2 MR. O'STEEN: Yes. And quite frankly, we do
3 rely on the fact that many first time users of the legal
4 services who come to us for such things as wills and domestic
5 problems will come back or refer others in the future for
6 personal injury work which is clearly the most profitable
7 work we do in our office.

8 The return in investment in that area is great.

9 CHAIRMAN SANTARELLI: You did not answer the
10 question directed to you with reference to caseloads for your
11 lawyers. I think Ben told us 150 cases per lawyer. What is
12 yours?

13 MR. HYATT: Our active cases for lawyers are
14 probably considerably larger than that. I think the active
15 files are only 65 active files for lawyers; in that range.

16 It is smaller than the caseload of a typical
17 Legal Services Corporation attorney, as we understand it
18 from them.

19 MR. O'STEEN: Incidentally, I might add that the
20 only reasons those numbers are possible in our office, I
21 think it was the top end of that range.

22 Steve it was about 75 to 150 and it varies from

1 time to time.

2 The only reason it is possible is that it is very
3 support from paralegal personnel who assume enormous responsi-
4 bility from certain routine files and even certain of them
5 have specific job duties for some of our more complexed
6 cases that enable a lawyer to spend less time on the file
7 and thereby handle more files and handle them well.

8 CHAIRMAN SANTARELLI: Dan, do you have any
9 questions?

10 MR. RATHBURN: I wonder if Mr. Hyatt could give us
11 some kind of monitor mechanism on the caseloads.

12 MR. HYATT: Absolutely. The key to be able to
13 sustain the kind of growth in our experience is a system of
14 controls and we have very well developed systems of controls.

15 Of course, it starts with the recruiting process
16 and the training process. Even before that, it starts with
17 a law practice that is limited to frequently the case cuts
18 where we can develop the internal expertise and training in
19 those areas and continually improve our ability in those
20 areas.

21 It includes the factor of computerization and
22 central assistance departments that drafts centrally the

1 generic documents that exist in a computer library and are
2 available to every attorney in each office.

3 There is a quality control mechanism. It includes
4 some of the things Van talked about where you have client
5 data sheets that tie to attorney work sheets that tie to the
6 generic documents in the computer library. All of those
7 creating checklists along the way which are very good
8 quality controls.

9 Of course, it ends with a semiannual review of
10 each and every attorney, which is a quality review and con-
11 sists along the way of continuing education programs in our
12 own in-house efforts to develop our practice in the areas
13 in which we practice.

14 CHAIRMAN SANTARELLI: Do you have some comments
15 on that?

16 MR. O'STEEN: My answer would be almost exactly
17 the same. Our systems are very identical in that aspect with
18 those of Joel's.

19 CHAIRMAN SANTARELLI: Substantive aspects are
20 a big problem in typical law firms. Substantive monitoring
21 of the quality of legal services don't loom as large as yours
22 because of the standardization aspect.

1 MR. HYATT: Not exactly. That is correct, but
2 it, I think, tends to underestimate the important quality
3 control aspect of having an attorney work sheet for the
4 creation of a will that is tied to a generic document in a
5 computer library.

6 What that ensures is that when an attorney is
7 drafting a letter for a client, there is no aspect of the
8 estate planning involved. There is no aspect of the drafting
9 involved that can be overlooked.

10 So that, typically, when a general practitioner
11 sits down in a nice comfortable setting with a client and
12 says, "Now, tell me what your complaints are." Now you
13 are running all kinds of risks. When he reaches into the
14 drawer and pulls out of the desk a standard form that was
15 used for the last will and marks it up or what have you.

16 There are cracks along the way that lots of things
17 can fall into. What our system ensures is there is no area
18 involved in --

19 CHAIRMAN SANTARELLI: With better check lists?

20 MR. HYATT: With better check lists, absolutely
21 right, and the check lists ties to what the word processor
22 does in creating the document because the same thing happens

1 on the computer screen there.

2 If the legal assistant that is doing the actual
3 production of the documents comes across the broad substantive
4 category and is not told by the attorney work sheet what is
5 in there, she is going find out. I mean there are all kinds
6 of checks and balances along the way that make sure when we
7 write a will for a client, in the process of counseling or
8 presentation and drafting, all substantive areas that need
9 to be addressed have been addressed.

10 MR. O'STEEN: I might add to that, also, in
11 addition to the check lists that we also devise, information
12 sheets, check lists, that are monitored both by legal person-
13 nel and lawyers who are working on the case, we found that
14 the use of printed forms is not only a very good cost saving
15 device in our managing office, in other words, we can produce
16 the forms in many cases faster than we can use the word
17 processing equipment in our office to produce documents.

18 So in many cases in spite of that equipment in
19 what we described as the real bread and butter areas of
20 practice, and I am talking bankruptcy and divorce because those
21 are the number two areas in which we work, we use printed
22 forms extensively.

1 That is exactly the point that Joel made with
2 regard to good information sheets and check lists and that
3 is when there is a box on a form to either be checked or
4 left unchecked and a blank to be filled out. You simply
5 can't disregard it.

6 It has to be dealt with. So when someone comes
7 to the space on a form in the preparation of it or in the
8 review of the printed form, for instance, that deals with
9 the question what to do in a divorce case, what to do what
10 the party's life insurance, for instance, whether it will
11 be maintained for the benefit of the children or not.

12 That is something that cannot be overlooked
13 which very well could be overlooked in more conventional
14 practice where those printed forms were not used or systems
15 were not established.

16 Printed forms are an enormously good quality
17 control mechanism.

18 MR. HYATT: Ben and I must be listening to each
19 other's speech. That is the exact speech I used with regard
20 to previously existing life insurance policies.

21 In our case, we have in the generic documents
22 that exist in the computer library, when you stop and think

1 about how many things a couple can decide to do with an exist-
2 ing life insurance policy, you can decide on the remarriage
3 of either party, the policy's beneficiary can be changed.
4 We have standard paragraphs that can be drafted and in the
5 computer for those five or six things.

6 If the couple is, in fact, choosing one of those,
7 it is already drafted and it will be called by the attorney's
8 indicating such on the attorney work sheet.

9 This is the advantage, I think to the computeriza-
10 tion and a disadvantage to printed form, although I am sure
11 Ben has some similar unmechanized way to deal with these
12 realities. In those situations where the couple is choosing
13 to do something with that previously existing life insurance
14 policy that isn't one of the five or six things that 95
15 percent of the couples choose, for example, they are going
16 to change the beneficiary of the dog, Fido, I can tell you
17 that is not in our computer library, but then the attorney
18 drafts the original and submits it along with the attorney
19 work sheets, submits a tape that he or she has dictated indi-
20 cating what changes to the generic paragraphs that exist
21 in the computer library.

22 All of this is a process of creating, in this case,

1 a separation agreement that is the principal in a divorce
2 proceeding. Creating a separation agreement first, that
3 is specifically designed, it is tailored made, drafted to
4 the needs of a particular client at the same time as it
5 addresses all of the substantive that must be addressed in
6 a separation agreement and does so in a quality control
7 fashion.

8 CHAIRMAN SANTARELLI: Let us turn to another
9 subject for just a moment before we open it up to the public,
10 and that is a delicate question. How do each of you fit into
11 the legal community in terms of any tensions or relationships
12 at one end of the spectrum with the government-sponsored
13 legal services community and at the other end of what I will
14 call the organized Bar, and I don't mean by that the private
15 practitioners of your town in their private capacity, but
16 in their organized Bar Association, Bar regulatory capacity?

17 I see those as two ends of the spectrum.

18 MR. HYATT: Let me answer that first and I will
19 turn mechanism over to Ben. Ben is one of the most prestigious
20 lawyers I know and he fits in prestigiously.

21 It is a broad question and our firm is -- well,
22 you have identified a couple of different segments within the
legal profession. Specifically, you have identified the

1 Legal Services Corporation and those people that we are close
2 with that are deeply involved in that, seeing what we are
3 doing as making legal services available to a different
4 segment in our society, but one that had been equally dis-
5 enfranchised previously.

6 Legal services to the poor would simply be unavail-
7 able but for government funding. I have often said that
8 unless the legal profession, as the private sector, addressed
9 the needs for access to legal services on the part of middle
10 income people, ultimately there would be a demand of the
11 government to address the problems created by that lack of
12 access, and we are filling that need in a private sector
13 setting and receive lots of support from our local colleagues
14 in the legal services community who are providing services
15 to the poor.

16 Within the organized Bar that you preferred to --

17 CHAIRMAN SANTARELLI: In other words, they will
18 refer up to you people they don't feel are qualified for
19 their standards, their system; that is, economic standards?

20 MR. HYATT: Yes, yes. We don't have any formal
21 relationships where that takes place. I don't think that
22 would be appropriate at either end. But we know that happens

1 quite a bit. Absolute; no question about that.

2 As to the organized Bar, by and large, at the
3 ABA level we receive substantial support. Ben and I both
4 have been very much involved and I became involved reluctantly.

5 I have viewed the profession as having been
6 opposed to every new, important development in the legal
7 profession in the last 20 years and felt it unfair for them
8 to try to preempt some credit for the important new things
9 that are now taking place.

10 I was asked by Reese Smith when he was president
11 of ABA to address the National Conference of Bar Presidents,
12 which as you know, is a group of over 300 former and state,
13 local and national law presidents. He wanted me to address
14 them on the new developments in the legal profession and
15 what their implications are for the profession and the public,
16 and I said to him just a few years back. I said, "Reese,
17 I think you are asking the wrong guy to give that speech."

18 He said, "That is why I am asking you." I did
19 give it and did several other things for Reese and his
20 successor, president of the ABA, and we now receive a good
21 deal of support.

22 I think that there has been movement in the

1 regulatory environment for a new model of code of professional
2 responsibility. It certainly is a different code than
3 previously existed and it certainly different than the 1965
4 version.

5 So, I think the regulatory environment has become
6 more and inviting. There still are impediments to the develop-
7 ment of new legal systems that will make legal services more
8 available and more accessible; and the Bar continues to have
9 what I must categorize as "anti-competitive regulations."

10 But having said that, all I can say is most lawyers
11 that I meet tell me that they think that what we are doing
12 is terrific or either they thought of it 40 years ago or
13 they wished they had thought of it 40 years ago.

14 CHAIRMAN SANTARELLI: Relationships with the
15 local organized Bar as opposed to the ABA?

16 MR. HYATT: We don't have a lot of relationships
17 with the local Bars. I can tell you in our earlier years
18 whenever we entered a new city, we were always told, "You
19 are going to be in trouble there."

20 Toledo is different, Pittsburgh is different,
21 Philadelphia is different, Denver is different. They are not
22 going to allow you what you are doing.

1 We have always done our thing and done it in our
2 way. Although we never picked a fight, we make it clear we
3 never walk away from one.

4 I am pleased to say that in the 17 states and
5 District of Columbia, where we practice, there has been only
6 two occasions where that has even been necessary, and that
7 is to make clear that we don't walk away from a fight and,
8 by and large, in all the states in which we practice we have
9 not had a problem.

10 In those where we have had a problem, it has been
11 a concern on the part of the local Bars that we are taking
12 business away from their members, and when that concern
13 manifests itself, nothing more than a trade association looking
14 out for its members and as long as Bar Associations are
15 willing, and as they aren't to say that that is how they are
16 acting at that point, I don't have any problem with it.

17 That is what trade associations are for. What is
18 terribly troubling is when a local Bar Association contends
19 what it concerned about is the public interest and is acting
20 in their regard when what it is doing is something terribly
21 anti-competitive and not at all in the interest of the public,
22 and then they are talking about hypocrisy.

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1 You see that from time to time with the local
2 Bars, but we have never let any of that get into the way of
3 what we are doing and, frankly, our concern is much more
4 with what the public's response to Hyatt Legal Services
5 rather a professional.

6 I am delighted to have attained status within
7 the profession that we have attained, but that wasn't our
8 goal. Our goal was to attain the response within the public
9 at large that we have attained. The public response has
10 been overwhelming to us.

11 CHAIRMAN SANTARELLI: Your experience would not
12 be as numerous, but would you care to join?

13 MR. O'STEEN: Precisely, because our practice is
14 more conventional. It is very good to maintain relationships
15 with the local Bar as well as Legal Services people.

16 Frankly, my roots are Legal Services, my sympathies
17 are there, and will continue be all the time. Our relation-
18 ships there are quite good, I think, and continue to be.

19 I moved from when I organized a Bar five or six
20 years to someone who seems to be sought now by organized
21 Bar Associations in an assortment of ways.

22 I am Chairperson of the American Bar Association

1 Special Committee Delivery of Legal Services, I am a member
2 of the State Bar of Arizona Committee on Legal Services, as
3 well as the State Bar of Arizona Standing Committee on
4 Advertising, and generally have very good relationships with
5 my colleagues and Bar.

6 CHAIRMAN SANTARELLI: Any more?

7 MR. O'STEEN: The thrust of your question might
8 have been something else.

9 CHAIRMAN SANTARELLI: I am looking for sensitivity.

10 MR. O'STEEN: Surely, after awhile when the
11 Bates decision was working its way to the Supreme Court and
12 shortly afterwards, of course, there was a tremendous amount
13 of resistance and generally hostility toward those of us who
14 were playing prominent roles in that case, and very quickly
15 afterwards that most of it disappeared.

16 I think my experience now is what Joel's has
17 been and that is that there seems to be little resistance.
18 Most of it has evaporated in the last six years.

19 After all, lawyers get used to changed times after
20 the period. I will tell you an experience briefly about a
21 young lawyer who moved to Phoenix who met me and he said, "I
22 didn't understand what the hub-bub was all about surrounding

1 your case because lawyers in Michigan have always advertised."

2 So, there is a whole new group of lawyers out
3 there that don't even remember the case.

4 CHAIRMAN SANTARELLI: That is always stunning to
5 me in Washington. I saw a man recently, a new member of
6 Congress and his staff, and I told them they were called to
7 reopen and he had never heard the word before.

8 Thank you very much from the panel.

9 Let us open a few questions from our friends and
10 visitors if they have anything they would like to address.

11 (No response)

12 CHAIRMAN SANTARELLI: Is there anything from our
13 staff that was uncovered that would illuminate your further
14 study of this matter?

15 Please?

16 MR. DAVIS: I have one question. What is the
17 profile of the average lawyer that you have? I am speaking
18 specifically of Hyatt Legal Services. I have seen a couple
19 of your ads here locally.

20 MR. HYATT: Average years of experience would be
21 five in the general practice. Some of our attorneys' previous
22 experience has been with Legal Services Corporation. If not,

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1 it has sometimes been with governmental agencies like Public
2 Defender services, prosecutor officers, many of them come
3 from prior private general practice.

4 Average age of our attorneys is early thirties.
5 Beyond that, I can't generalize it. They come from a wide
6 range of socio-economic backgrounds.

7 Do you have anything more specific you would like?

8 MR. DAVIS: No. That answers my question.

9 MR. McCARTHY: I have a question. From what
10 Steve mentioned, I assume you had given thought to expansion
11 programs, I gathered, from your marketing research and that
12 type of thing.

13 So, my question is one that you may have con-
14 sidered. I know you must have. That is, what population
15 base do you use when you open a new office, and I have a
16 second question, too, that you might think about. Does your
17 service contemplate servicing totally rural areas?

18 MR. HYATT: That is an excellent question. Our
19 service right now, I will answer in reverse order. It does
20 not go to rural areas and it is not presently contemplated
21 to do so. That is related to the first question.

22 Right now we are opening offices in the major

1 metropolitan areas in the United States, the essentially 30
2 top metropolitan areas and we only have a couple of areas that
3 are not in the top 30, but they are close to that and that
4 is because they are in Ohio. Toledo and Dayton, and by
5 large, they are in the top 30.

6 We do not know the answer to your question. We
7 intend to find out at some point, and that is, how small a
8 city can Hyatt Legal Services operate in successfully.

9 What kind of demographic space, we don't know that
10 because we have not tested the smaller range. There are a
11 lot other things we don't know.

12 If you had asked me two or three years ago whether
13 I thought there could be nine offices in Cleveland and in
14 the Cleveland metropolitan market, I would have said, "Gee,
15 I really doubt that. I expect there could be six."

16 To date, we have nine. Some of them have three
17 attorneys, some of them are four attorneys per office. They
18 are still growing rapidly.

19 Can we have 10 or 11? We are going to find out
20 by trying it and then at some point, we try whether you can
21 have an office in Mansfield, Ohio or Ashtabula, Ohio. We
22 simply do not know.

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1 The need for what we are doing is enormous. We
2 are expanding what we know how to do well and over time
3 testing the parameters within which we can operate.

4 We just don't know.

5 MR. McCARTHY: Do you have any thoughts,
6 Mr. O'steen?

7 MR. McADOO: Frankly, we don't know much about
8 the demographics or size of the metropolitan areas we practice
9 in. We just don't have that much experience.

10 We know a little about Phoenix, but not anywhere
11 near what Joel has. They are different metroplitan areas.

12 MR. McCARTHY: You have never done a profile?

13 MR. HYATT: We have done a lot of market research
14 as well as quantitative analysis. We did a major study with
15 the Lou Harris organization in 1980, and our own data base
16 now does not support some of those conclusions.

17 For example, that study led us to believe you can
18 place offices 20 or 25 minutes apart in a metropolitan area
19 and still be very accessible to people because were indicating
20 in the study how far they will be willing to drive.

21 Now, it is three years later, and we have a much
22 larger data base in terms of our actual operations and where

1 our clients live in relationship to where our offices are
2 located and we find that people might say in a poll that they
3 would be willing to drive a half an hour away, but indeed they
4 drive a half an hour.

5 It is only a matter of, again, we are only six
6 years old. We are building knowledge as we go on and we know
7 that we want to very seriously address the notion of accessi-
8 bility.

9 We can't offices that are a half an hour apart
10 because we are going to miss a lot of people who just won't
11 go to that effort or aren't able to access one of our offices.

12 I mean I can sit here and tell you we know a lot
13 more today than we knew yesterday, but we are going to know
14 more and more tomorrow.

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1 MR. O'STEEN: Our experience is a little different
2 from that. I don't know why, but we draw, for instance, very
3 well from the greater Phoenix Metropolitan Area.

4 MR. HYATT: But you don't know what you lose.

5 MR. O'STEEN: That is the point I was making; I
6 don't know what we are not getting.

7 MR. HYATT: Cleveland being a very good example, we
8 had an office with a tremendous client demand and had grown
9 to four attorneys, and there was a question whether in
10 another area fifteen minutes away in a major shopping center
11 area we should open an office or will that just draw from the
12 one we have got.

13 Here we have this extremely successful office and
14 we didn't want to hurt it and we had to realize where these
15 people were coming from. Indeed, they were coming from out
16 here. They were coming from a far lesser extent than they
17 were coming from right here and we went ahead and opened the
18 office. Of course, they are both thriving now.

19 So, you don't know what you are not getting until
20 you develop the data for doing what you want to find out.

21 MR. O'STEEN: This is absolutely true. But the one
22 experience we have had, that frankly seemed to surprise us a bit,

1 is that we seem to draw almost as much from the middle income
2 neighborhOods great distances from our office than we do the
3 middle income neighborhoods that are nearby.

4 MR. HYATT: That is because we are not in Phoenix
5 to take those people from you.

6 CHAIRMAN SANTARELLI: In the West people like to
7 drive.

8 MR. O'STEEN: We also want a presence in those
9 areas as well and intend to have it, but we are going to do it
10 with a different growth, with a different plan than Joel.

11 For instance, there is a legal clinic operation in
12 Phoenix that if I can fairly characterize it by saying it is
13 not like Joel's in terms of its organizational framework, it
14 has 10 offices in the Metropolitan Phoenix Area comprised of
15 lawyer offices that range from two to five lawyers, and they
16 blanketed the city.

17 They have a very aggressive marketing program, and
18 notwithstanding that and their greater accessibility in many
19 areas of the City than we have, we still seem to draw very well
20 from those areas, but ultimately we are going to have, as I
21 said, some presence in those areas as well.

22 CHAIRMAN SANTARELLI: Thank you very much. It has

1 been very enlightening to learn how private enterprise has
2 fulfilled a need we have all recognized for a long time and
3 it is begun being fulfilled.

4 Thank you.

5 MR. HYATT: Thank you all.

6 MR. MCCARTHY: It was most enlightening to us. I
7 am sure it will be very useful.

8 CHAIRMAN SANTARELLI: I would like to ask if we can
9 further draw upon your expertise by telephone call or letter.

10 MR. O'STEEN: We will be happy.

11 (Thereupon, at approximately 12:05 o'clock,
12 p.m., the proceedings were adjourned.)

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