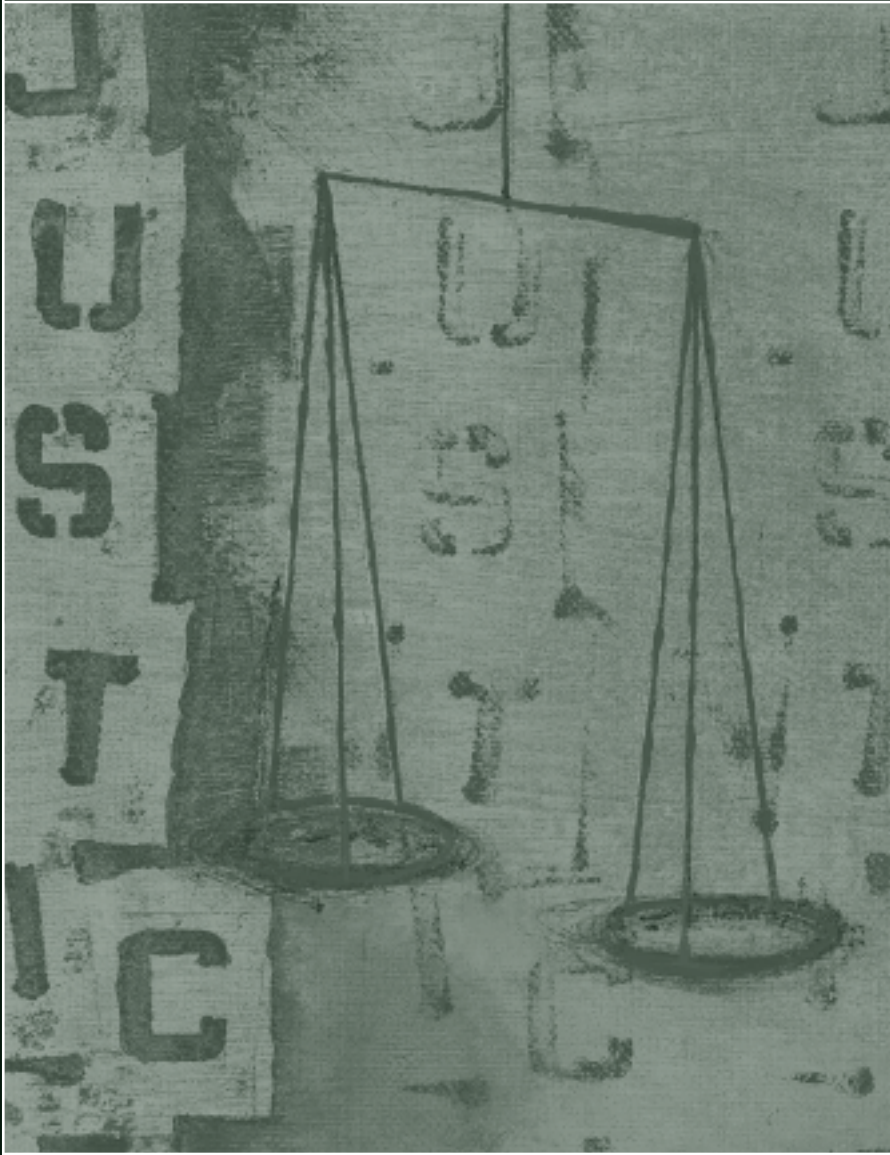


MARYLAND LEGAL SERVICES CORPORATION

JULY 1, 2004 – JUNE 30, 2005

ANNUAL REPORT



IOLTA
INTEREST ON LAWYER TRUST ACCOUNTS

“There is a need to provide equal access to the system of justice for individuals who seek redress of grievances. There is a need to continue and expand legal assistance to those who would otherwise be unable to afford adequate legal counsel.”

PREAMBLE, MARYLAND LEGAL SERVICES CORPORATION ACT



FROM THE CHAIRMAN

ABOUT MLSC

The Maryland Legal Services Corporation (MLSC) was established by the Maryland General Assembly in 1982 to raise funds and make grants to nonprofit organizations for the provision of civil legal assistance to low-income persons in Maryland. MLSC is governed by a nine-person Board of Directors appointed by the Governor of Maryland and confirmed by the Maryland Senate. One of MLSC's principal funding sources is the Interest on Lawyer Trust Accounts (IOLTA) program, also established by state legislation in 1982. Other major funding is from surcharges on court filing fees, first enacted by the Maryland General Assembly in 1998 and increased in 2004.

Dear Friends and Colleagues:

I am pleased to present the Annual Report of the Maryland Legal Services Corporation (MLSC) for the fiscal year ending June 30, 2005. Since the creation of MLSC and the Interest on Lawyer Trust Accounts (IOLTA) program in 1982, we have made grants of more than \$90 million to help provide civil legal services in more than 1.3 million legal matters for our state's low-income families.

This has been another very active and productive year for MLSC and the legal services community in our state. A robust economy during fiscal year 2005 helped stabilize IOLTA revenue, finally ending its steady decline due to low interest rates. The filing fee surcharge increase, which went into effect June 1, 2004, enabled us to increase operating grants to many existing grantees in the last half of the current year and approve funding for additional programs in the coming year. We were also able to expand the Reduced-Fee Contested Custody Representation project statewide and help legal services programs upgrade outdated telephone and computer systems.

As a result of the hard work and support of the access to justice community, FY 2005 has been a good year for legal services delivery in our state. I look forward to continuing our collaboration with members of Maryland's legal services community, as well as members of the bench, bar, General Assembly, Office of the Governor, law firms, financial institutions and many others to ensure adequate funding to meet the legal needs of our most needy citizens and make "equal justice under law" a reality for all Marylanders.

Sincerely,

A handwritten signature in cursive script, appearing to read "F. Vernon Boozer".

F. Vernon Boozer
Chairman

“When I came in for help I was devastated. My husband of 21 years left, I felt like the whole world fell apart. My lawyer helped me more than words can say. She always took time for me. She is not only a great lawyer, she is a good person.”

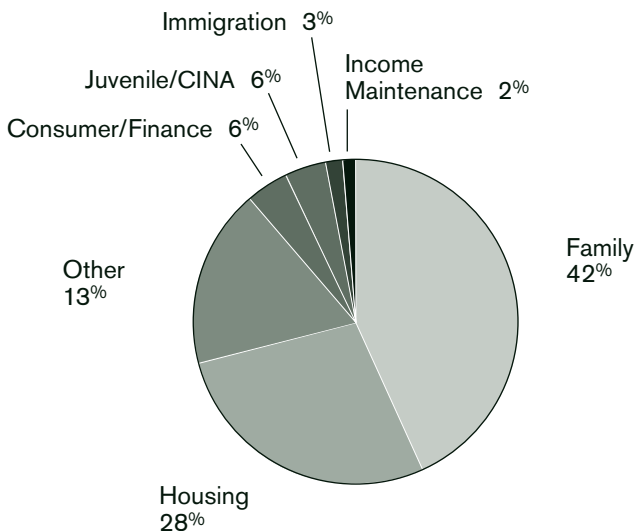
LEGAL SERVICES CLIENT

DELIVERY STATISTICS

Between July 1, 2004 and June 30, 2005, MLSC-funded legal services programs provided legal assistance to low-income clients in every jurisdiction in Maryland.

County/City of Origin	No. Cases Closed
Anne Arundel County	11,795
Baltimore City	37,268
Baltimore County	8,624
Central Maryland	6,661
Eastern Shore	5,539
Montgomery County	6,154
Prince George's County	18,252
Southern Maryland	3,727
Western Maryland	7,124
Other	2,434
Total	107,578

Types of Cases Closed in FY 2005



HIGHLIGHTS

An increase in filing fee surcharges enacted in the 2004 Maryland legislative session generated an additional \$4.7 million for grants in FY 2005 to help meet the civil legal needs of Maryland's low-income residents.

IOLTA income finally stabilized during the fiscal year due to a robust economy, bringing in over \$3.48 million. Given the steady increases in interest rates by the Federal Reserve during the past year, MLSC has renewed its efforts with financial institutions to improve net yields on IOLTA accounts.

MLSC awarded \$258,986 in supplemental operating grants to 24 grantees for the second half of FY 2005 and \$467,489 in one-time capital funding for technology improvements throughout the delivery system.

Representation in contested child custody cases through a reduced-fee model was expanded in January 2005 with \$141,404 in new grants to cover most Maryland jurisdictions.

Services to clients in FY 2005 were virtually unchanged from the previous year, with MLSC grantees providing legal assistance in 109,367 cases, directly benefiting approximately 150,000 individuals and family members.

At the close of FY 2005, MLSC committed grants totaling \$10,143,159 to 32 legal services programs for FY 2006.

ABOUT IOLTA

Attorneys routinely receive client funds to be held in trust for future use. In the case of amounts that are small or to be held for a short time, attorneys must place these nominal and short-term funds into Interest on Lawyer Trust Accounts (IOLTA). The income generated is used by the Maryland Legal Services Corporation for grants to programs which provide civil legal services to the poor.

To learn more about IOLTA, including attorney compliance reporting, an up-to-date list of Honor Roll banks and "A Guide to the IOLTA Program for Financial Institutions," visit www.mlsc.org.



CERTIFICATES OF APPRECIATION

REPRESENTATIVES OF MOST IOLTA HONOR ROLL BANKS WERE ON HAND AT MLSC'S ANNUAL AWARDS RECEPTION ON DECEMBER 5, 2005 TO RECEIVE SPECIAL RECOGNITION FOR PARTICIPATING IN THIS WORTHWHILE PROGRAM.

IOLTA HONOR ROLL

We wish to acknowledge with special appreciation financial institutions of Maryland's IOLTA Honor Roll. This initiative of the Maryland State Bar Association and MLSC recognizes financial institutions paying an annual net interest rate (gross interest minus charges) of at least 2% on all IOLTA deposits for Gold membership and at least 1.5% for Silver membership.

Attorneys are encouraged to consider these "IOLTA-friendly" institutions for their banking needs.

Gold Members

American Bank
Bay National Bank
Harbor Bank of Maryland
K Bank
Maryland Bank & Trust Co., N.A.
Maryland Permanent Bank
NBRS Financial
Provident State Bank
Sandy Spring Bank
Sovereign Bank

Silver Members

Community Banks
Mercantile Safe-Deposit & Trust
PNC Bank
Susquehanna Bank
WashingtonFirst Bank



2005 AWARD RECIPIENTS

MLSC HOSTED ITS ANNUAL AWARDS RECEPTION ON DECEMBER 5, 2005 AT THE WYNDHAM BALTIMORE INNER HARBOR HOTEL TO PRESENT AWARDS TO PERSONS AND ORGANIZATIONS THAT HAVE CONTRIBUTED SIGNIFICANTLY TO THE PROVISION OF LEGAL SERVICES TO THE POOR.

MLSC Executive Director Susan Erlichman and Chief Judge Robert M. Bell (standing, far left and far right) join award honorees Levern Blackmon, Katherine Sanzone and Paul Madden of Whiteford, Taylor & Preston (standing, L-R) and Susan Elgin and Hannah Lieberman (seated, L-R).



AWARDS

ARTHUR W. MACHEN, JR. AWARD

For a lawyer in private practice who has rendered extraordinary public service by providing legal representation to the poor or by improving the delivery of legal services in Maryland.

Susan C. Elgin - Kaufman, Ries & Elgin, P.A.

BENJAMIN L. CARDIN DISTINGUISHED SERVICE AWARD

For an outstanding public interest lawyer who regularly provides civil legal services to the poor.

Hannah E.M. Lieberman - Legal Aid Bureau

WILLIAM L. MARBURY OUTSTANDING ADVOCATE AWARD

For a non-lawyer who has demonstrated outstanding advocacy in Maryland on behalf of low-income persons.

Levern Blackmon - Public Justice Center

Katherine T. Sanzone - Bar Association of Baltimore City

HERBERT S. GARTEN PUBLIC CITIZEN AWARD

For an entity or organization that has demonstrated an extraordinary commitment to increase access to justice for the poor in Maryland.

Whiteford, Taylor & Preston LLP

CONTRIBUTORS

The Corporation is pleased to acknowledge, with special appreciation, the support of the following individuals and organizations for their generous contributions:

Patron

Law Offices of Peter G. Angelos • Fedder & Garten, P.A. • Gallagher Evelius & Jones LLP • Goodell, DeVries, Leech & Dann, LLP • Hirschel, Savitz, Parker & Hollman, P.A. • Lerch, Early & Brewer, Chartered • M&T Bank • Ober, Kaler, Grimes & Shriver • SunTrust Bank • Venable LLP • Whiteford, Taylor & Preston LLP

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The Maryland Legal Services Corporation annually awards grants to nonprofit organizations that provide civil legal services to eligible persons. MLSC funding supplements other federal, state and private sources for civil legal assistance.

MLSC approved FY 2006 grants totaling \$10,143,159 to 32 legal services providers. It awarded \$9,597,200 in operating grants, \$280,959 for reduced-fee contested custody representation projects, \$260,000 in challenge grants, and \$5,000 in one-time funding.

More information about the grant process, application deadline and descriptions of the current grant recipients is available at www.mlsc.org.

GRANTEES

Allegany Law Foundation, Inc. - \$33,221 (plus \$12,000 for reduced-fee project)	Heartly House, Inc. - \$46,910	Montgomery County Bar Foundation - \$130,730 (plus \$55,000 for reduced-fee project)
Alternative Directions, Inc. - \$160,698	Homeless Persons Representation Project - \$157,068	Pro Bono Resource Center - \$162,792
American Civil Liberties Union of Maryland - \$36,965 (plus \$5,000 one-time grant)	House of Ruth - \$290,706	Public Justice Center, Inc. - \$140,627
Asian Pacific American Legal Resource Center - \$30,000	Law Foundation of Prince George's County - \$133,834 (plus \$20,000 for reduced-fee project)	St. Ambrose Housing Aid Center, Inc. - \$105,230
Associated Catholic Charities, Baltimore - \$33,750	Legal Aid Bureau, Inc. - \$6,245,200 (plus \$250,000 Challenge Grant)	Sexual Assault Legal Institute - \$40,000
Baltimore Neighborhoods, Inc. - \$88,997	Maryland Coalition for Inclusive Education - \$30,000 (plus \$10,000 Challenge Grant)	Southern Maryland Center for Family Advocacy - \$47,182 (plus \$20,700 for reduced-fee project)
CASA of Maryland, Inc. - \$74,376	Maryland Crime Victims Resource Center, Inc. - \$93,156	University of Maryland School of Law - HIV Project - \$63,475
Catholic Charities of the Archdiocese of Washington, Inc. - \$102,000	Maryland Disability Law Center - \$523,085	Women's Law Center, Inc. - \$77,100 (plus \$50,000 for reduced-fee project)
Community Law Center, Inc. - \$50,842	Maryland Legal Assistance Network - \$220,000 (grant to Legal Aid Bureau)	YWCA of Annapolis and Anne Arundel County - \$17,000 for reduced-fee project
Domestic Violence Center of Howard County - \$28,956	Maryland Public Interest Law Project - \$40,000	
Harford County Bar Foundation, Inc. - \$41,390 (plus \$27,000 for reduced-fee project)	Maryland Volunteer Lawyers Service - \$277,819 (plus \$3,000 for litigation expense fund and \$79,259 for reduced-fee project)	
Health Education Resource Organization - \$58,466	Mid-Shore Council on Family Violence, Inc. - \$29,625	

Maryland Legal Services Corporation
Summarized Financial Information
June 30, 2005

Statements of Financial Position

ASSETS

Cash	\$1,470,507
Repurchase Agreements	1,000,000
Investments	3,467,996
Due from State	800,000
Other	37,476
Total Assets	\$6,775,979

LIABILITIES AND DEFICIT

Accounts Payable and Accrued Expenses	\$40,866
Due to State	78,939
Grant Awards Payable*	9,901,952
Total Liabilities	10,021,757
Deficit	(3,245,778)
Total Liabilities and Deficit	\$6,775,979

Statements of Activities

PUBLIC SUPPORT AND REVENUE

State of Maryland Appropriations:	
Legal Assistance	\$12,129,646
Investment Income	305,787
Other	17,300
Total Public Support and Revenue	\$12,452,733

EXPENSES

Program Services:	
Legal Assistance	11,352,880
Maryland Legal Assistance Network	45,402
Management and General	154,570
Total Expenses	\$11,552,852
Change in Net Assets from Operations	899,881
Transfer of MLAN Funds to Legal Aid Bureau	(296,227)
Unexpended Grant Funds Returned	(8,055)
Change in Net Assets	\$595,599

* The Corporation records a liability for unconditional grant awards when the awards are approved by the Board of Directors. These awards are expected to be disbursed during the fiscal year ending June 30, 2006 primarily from support and revenue received during the year.

MARYLAND LEGAL SERVICES CORPORATION

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WWW.MLSC.ORG



BOARD AND STAFF

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Reginald L. Jenkins, Vice Chairman – Montgomery County

Douglas M. Bregman, Esq., Treasurer – Montgomery County

Bedelia Commodore – Queen Anne's County

Nathaniel E. Jones, Jr., Esq. – Baltimore

Robert B. Kershaw, Esq. – Baltimore

Joyce Knox Moorehead, Esq. – Baltimore

Connie J. Koenig – Frederick County

Douglas S. Snyder, Ph.D. – Prince George's County

Susan M. Erlichman, Esq., *ex officio* Secretary and Executive Director

Harriet Robinson, Deputy Director

Sue Lentz, Finance Manager

Rebecca Parker, IOLTA Administrator