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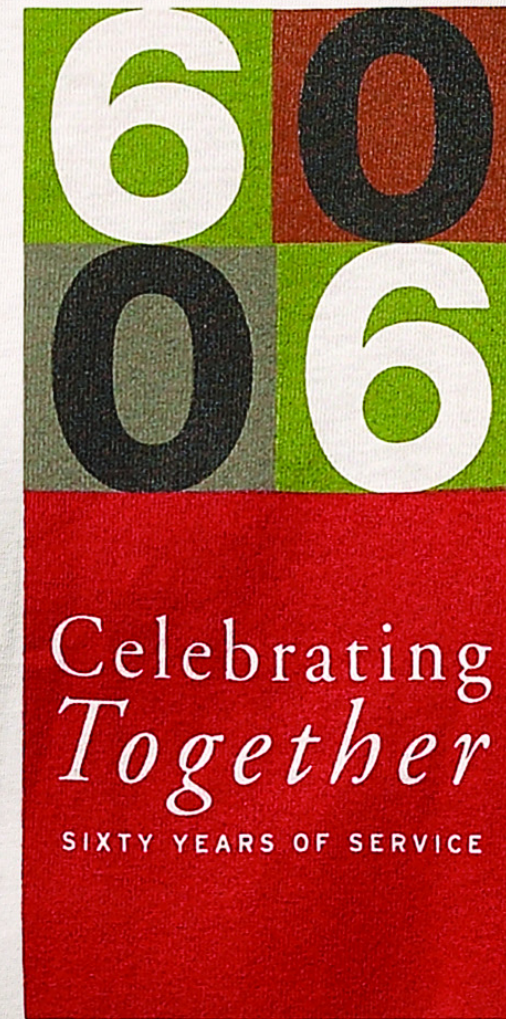
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2006 YEAR IN REVIEW
GRAVES, DOUGHERTY, HEARON & MOODY

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We have included in this report descriptions of successful client representations, strategies or outcomes in matters, including transactional and adversarial proceedings. The results obtained were dependent on the facts of the particular matters described. Results will differ if based on different facts. Not all members of the firm are Certified by the Texas Board of Legal Specialization.



Graves Dougherty Lawyers and Staff, 2006

Celebrating Together

SIXTY YEARS OF SERVICE

For the lawyers and staff of Graves Dougherty Hearon Moody, the firm's sixtieth anniversary was an occasion for honoring, and celebrating together with, those who dedicate every day to making the community a better place. Each month in 2006, volunteers from the firm participated in a different project for community organizations throughout the Austin area. In doing so, they carried on the spirit of giving back that has been a hallmark of the firm since it was founded in 1946. We dedicate this annual review of the firm to those groups and their good works. You'll learn more about them and the work they do in the pages that follow.

From delivering meals to those in need, to serving on the boards of charitable and educational organizations, to handling pro bono cases, Graves Dougherty's lawyers and staff have demonstrated a deep commitment to community, both individually and as a firm, for generation after generation. In 2006, we were pleased to welcome a new generation of young lawyers to the firm. We'll introduce them to you in these pages as well.

We are proud of all those who took part in community projects this year and who show their caring for the community in so many ways, every year. And we are deeply grateful to all the organizations that have afforded us the privilege to serve.

January

You may not realize it, but Meals on Wheels is about so much more than delivering nearly 2,000 hot meals in the Austin area each day. It's also about serving those in need in many other ways, from doing minor home repairs for clients who can't, to making regular



calls to check on homebound folks. Just ask the volunteers from Graves Dougherty who took part in the organization's winter yard clean-up.

Meals on Wheels organized the event to rake yards for elderly and disabled homeowners. Graves Dougherty supplied 16 volunteers. They set out with 70 yard bags and filled up every single one.

"We arrived at this nice elderly lady's house, took a look around, and thought it was going to be a piece of cake," says Teri Moneysmith, who works in Graves Dougherty's accounting department, "but we ended up using 40 of our bags there! We were tired, but the lady was so excited."

Graves Dougherty volunteers also regularly deliver meals for the organization every Thursday. One of them is legal secretary Donna Smith. She's been a Meals on Wheels volunteer since joining the firm in 1999. "Anything that helps keep people in their own homes is a good thing," says Donna, "and I want to help be sure it's a resource our community maintains."



Graves Dougherty cleans up for Meals on Wheels.



"I love knowing that we're doing something that makes a difference in someone's life."

—Elizabeth Selvera, Volunteer



In other January news, the firm named Orlesia Hawkins a shareholder in the firm and welcomed Chris Newsom as Of Counsel.

February

They say it's not whether you win or lose, but how you play the game. And that's surely the case with the annual Bowl for Kids' Sake bowl-a-thon benefiting Big Brothers Big Sisters of Central Texas. Teams of five bowlers from businesses, civic clubs and other organizations in the Austin area



It's a fact: Young people who participate in the Big Brothers Big Sisters mentoring program are 75% less likely to drop out of school than those who don't.

raise thousands of dollars by collecting pledges from friends and associates supporting their participation in the event. And that makes Big Brothers Big Sisters the big winner.

Big Brothers Big Sisters serves more than 1,300 children across Central Texas, working to help them reach their potential through professionally supported, one-on-one relationships. Bowl for Kids' Sake has been an important source of fundraising for the organization since 1983, making it possible to match more kids with caring, committed mentors.



Graves Dougherty has been involved in supporting the group for more than 20 years.

"The firm has supported Big Brothers Big Sisters for years, since long before I came here," says attorney Peter Cesaro, "and I'm honored to continue Graves Dougherty's involvement with the organization."

Cesaro bowled with one of eight teams from the firm who participated in the event. "It's bad bowling, but good times," he laughs, "and all for a good cause."



A History of Service: Pro Bono Work

Graves Dougherty is well-known in the community for its longtime commitment to pro bono work, earning recognition from the Austin Bar Association for its work as a firm as well as for the individual efforts of attorney Ben Vaughan. The firm is such a leader in this area that the Austin Bar Association and the State Bar of Texas have created awards named for founding partner J. Chrys Dougherty, as a tribute to his commitment to pro bono and community work.

March

27 volunteers, 600 pounds of rice and beans, and a whole lot of Ziploc bags: Those were the ingredients for a Graves Dougherty project supporting Caritas of Austin, which helps people with basic needs during times of crisis. The volunteers worked in the Caritas food pantry assembling packages of rice and beans,



along with cooking instructions, and preparing them to be distributed to needy families in Austin.

Caritas of Austin is one of Travis County's largest non-governmental sources of assistance for people in need. The organization helps in myriad ways: providing rent and utility assistance for those faced with losing their housing; hot meals to those who are hungry; take-home groceries for those struggling to feed their families; and food, shelter, clothing and support for newly arrived refugees.

"We have had significant support from Graves Dougherty," says Beth Atherton, executive director, "in ways as routine as serving food in our kitchen, and as creative as finding innovative ways to involve their friends, peers, and colleagues in their efforts. They live their mission of community service in all they do."

"Graves Dougherty lawyers and staff live their mission of community service in all they do."

—Beth Atherton
Executive Director, Caritas

In 2003, Caritas of Austin was the beneficiary of Graves Dougherty's annual Engaging Conversations fundraising event.



Graves Dougherty volunteers in the Caritas food pantry.

Did you know?

More than 20,000 people benefited from Caritas of Austin programs in 2006.

82% of the Caritas budget directly benefits those in need.

Caritas has been a part of the Austin community since 1964.

The name "Caritas" is derived from the Latin word for love.



April

It's easy to take the natural beauty of the Town Lake Trail for granted, but the truth is that it takes a lot of arduous work, much of it done by volunteers, to keep it that way. Lawyers and staff from Graves Dougherty pitched in on an especially tough challenge last year, clearing a massive grove of overgrown bamboo.



Volunteers are essential to maintaining the Town Lake Trail.

"They went at it like rabid pandas," according to Jim Phillips of Bamboo Specialists, who supervised the project for the Town Lake Trail Foundation. "This was hard, dirty work, and they wouldn't even take a break. Not knowing who was who, I couldn't tell the difference between shareholders, associates,

"They came wanting to make a big difference, and they made a huge difference."

—Jim Phillips, Bamboo Specialists

accountants or administrative staff. They were all real pros."



"There were a lot of jobs to do," remembers Teri Moneysmith, who has worked in Graves Dougherty's accounting department since 1976. "Mine was to take this sharp curved knife and strip the limbs off the bamboo that other people had cut down. Then I'd toss the bamboo sticks behind me for yet another group to stack for hauling."

Graves Dougherty helped launch the Town Lake Trail Foundation in 2003, drafting the by-laws and articles of incorporation on a pro bono basis and assisting the group in attaining its non-profit status.

A History of Service: Texas Appleseed

As part of the firm's commitment to serving others, founding partner J. Chrys Dougherty played an instrumental role in founding Texas Appleseed, a non-profit organization that promotes justice for all Texans. Texas Appleseed marshals the talents and pro bono resources of the Texas legal community to overcome barriers to social and economic justice for the most vulnerable among us, including children and the indigent.

May



Graduates Venessa Rodriguez and Daisy Lopez worked at Graves Dougherty as part of an innovative work study program.

When Venessa Rodriguez and Daisy Lopez graduated from high school in May, it was cause for celebration at Graves Dougherty. The two young women worked at the firm during their high school years as part of the Corporate Work Study Program of San Juan Diego Catholic High School. As members of the Class of 2006, they were in the first graduating class of seniors at the school.

All San Juan Diego students participate in the Corporate Work Study Program, earning the majority of their tuition and also earning valuable

professional experience in the corporate world. Four students

share one job at each business that participates in the program.

"In most cases, students work in a different place every year, but Venessa and Daisy stayed with us throughout their high school careers, so we were especially proud to see them graduate," notes Kathleen Harrison, the Graves Dougherty staff member who supervises the students. "All the students are well-mannered, self-sufficient professionals. It's amazing that some of them are only in ninth grade."

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The mission of San Juan Diego Catholic High School is to develop the mind, heart and soul of our community.



- High school graduates, on the average, earn \$9,245 more per year than those who did not graduate.
- In today's workplace, only 40% of adults who dropped out of high school are employed,
- One of the 10 best practices for improving high

school graduation rates is creating partnerships with employers and colleges.

- Good news: The latest available Census Bureau statistics show that more U.S. residents than ever – 84.6% - have high school and college diplomas.

June



Hurricane Katrina devastated hundreds of thousands of people on the Gulf Coast – but perhaps none more than the children who lost their homes and loved ones to the storm. The Austin



Founded in 1983, the Austin Children's Museum is dedicated to inspiring children and the adults in their lives to experience the joy of learning through the power of constructive play.

Children's Museum reached out in support by hosting children who fled to Austin from the storm and giving them a chance to be kids again after going through so much.

Lawyers and staff from Graves Dougherty joined in by volunteering at craft stations and helping children make pinwheels, airplanes and whirlybirds, and to create masterpieces of spin art.

"We had the pleasure of helping provide a few hours of fun for children

that had been displaced by the hurricane," says Elizabeth Selvera, a file clerk in Graves

Dougherty's corporate

practice for more than seven years. "At first, I thought it might be hard to try to help kids who had lost so very much, but it's amazing how resilient they can be. I was proud to be able to make even a small difference in their lives."

Graves Dougherty volunteers in the Kids Zone.



July

For most people, finding a pleasant place to call home is enormously gratifying, once all the little challenges – signing the lease, connecting the utilities and so forth – are taken care of. But what may seem like minor inconveniences to most can be major obstacles for some. That's where the New Milestones Foundation comes in. The foundation works with the Austin-Travis County MHMR Center to help provide housing and related services for MHMR clients who are affected by mental illness. With the foundation's help, they can more easily negotiate the challenges of independent living.

Kinney House is a small apartment complex that's owned and operated by the New Milestones Foundation.

Volunteers from Graves Dougherty pitched in on a landscaping project at the complex, working with some of the residents to come up with a nice design and then planting new bushes and trees on the grounds.

With a little luck and a lot of water, the lovely landscaping will enhance the surroundings at Kinney House for years to come.



“Working alongside my co-workers and the lawyers on community projects is really nice. We have so many people volunteering at these events that we sometimes get things done in half the amount of time we're allocated.”

—Nancy Fennell, Volunteer



In July, Thomas Queen, Debbie Ramirez and Chris Trickey were named shareholders in the firm.

August

When the children's literacy advocates at Reading Is Fundamental of Austin began to gear up for their annual fall Read-a-Thon fundraiser, more than 20 Graves Dougherty lawyers and staff were on hand to help. They volunteered an evening after work to assemble 3,000 pledge packets to be sent home with students all across Austin.

“Funds raised through the Read-a-Thon enable RIF of Austin to buy books for low-income children in elementary school,” explains Orlesia Hawkins, Graves Dougherty shareholder. She has served on the RIF board of directors for six years.



RIF of Austin has been leading the charge for children's literacy in the area since 1974. Their mission says it all: to give books to Austin children to motivate them to become lifelong readers, and to teach parents effective ways to share books with their children.

Reading Is Fundamental shares the joy of reading with Austin's children.



In August, the firm welcomed Matt Powers, Melissa Garcia and Drew Harris as associates.

Many hands made light work of the pledge-packet assembly project for Reading Is Fundamental of Austin.



September

The Capital Area Food Bank of Central Texas has been busy the last couple of years, to say the least: Speeding down to the Gulf Coast with donations and supplies after Hurricane Katrina; serving the evacuees in Austin, well into 2006; and keeping up with local community needs all the while. The timing couldn't have been better for Graves Dougherty to volunteer at the food bank, to conduct a food drive for the organization, and to choose it as the beneficiary of this year's Engaging Conversations fundraising event.



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"The money raised by Engaging Conversations paid for more than 250,000 meals," says Michael Guerra, chief operating officer of the food bank. "But more important than that, the event introduced us to new people and groups who are interested in supporting us over the long term."

"Engaging Conversations afforded us the opportunity to forge relationships with donors we might never have known otherwise."

—Michael Guerra, COO
Capital Area Food Bank of Central Texas

Graves Dougherty attorney Debbie Ramirez has served on the board of directors of the food bank since 2004. As treasurer in 2005, 2006, she provided fiscal oversight when the organization was dealing with significant financial contributions and mobilizing unprecedented resources to meet the needs of Katrina's victims. "It was a challenge to make sure policies and procedures were in place to put those resources to use for disaster relief as quickly as possible," explains Debbie. "You could say we were fortunate to have that kind of problem."



Graves Dougherty volunteers helped process 6,000 pounds of food in September.



A Graves Dougherty tradition since 2000, Engaging Conversations places guests around dinner tables hosted by some of the most accomplished and intriguing people in the country, with the entire event benefiting a different charitable organization each year.

October

Business and economics may not sound like standard components of the elementary-school curriculum. But the Junior Achievement Elementary School Program is changing that, by introducing students from kindergarten through fifth grade to the concept and principles of free enterprise. Five lawyers from Graves Dougherty volunteered for the program in 2006.

"I taught six classes to fifth-graders at Brooke Elementary, and the students were terrific," says attorney Thomas Queen. "I focused on different types of business entities, what it takes to be an entrepreneur and ethics."

Thomas joined Michelle Alcalá, Orlesia Hawkins, Mary Keeney and Debbie Ramirez in going into fourth- and fifth-grade classrooms to teach students about business and economics at the national, state and regional levels.

Junior Achievement relies on classroom volunteers to provide children with positive adult role models who can show them how to build self-confidence, develop skills and find success in the free enterprise system. Junior Achievement is a national organization whose school programs reach out to students in elementary, middle and high school. The Austin office serves 12,000 students annually in eight area school districts.

Graves Dougherty attorney Paul Saenz has been on the board of Junior Achievement since 2001.



About Junior Achievement

MISSION

To ensure that every child has a fundamental understanding of the free enterprise system

PURPOSE

To educate and inspire young people to value free enterprise, business and economics to improve the quality of their lives



Senior U.S. Circuit Judge for the Fifth Circuit William Garwood spoke at the October unveiling of partner Bob Hearon's portrait. In 1959, Judge Garwood was the sixth lawyer to join Graves Dougherty. He practiced law with the firm until he was appointed to the judiciary.

November

For serious garage sale-goers, the Settlement Home for Children's Annual Charity Garage Sale is a can't-miss event, with donated merchandise from individuals and businesses all over Central Texas filling the Palmer Events Center. It's an Austin tradition that draws over 15,000 shoppers each year. And it's all to benefit the Home and its mission of caring for troubled children and their families.

Thanks to merchandise donations, monetary sponsorships and volunteer staffing, the Home receives 100% of the net proceeds from the sale. A team of



volunteers from Graves Dougherty pitched in last year to set up, maintain and staff a number of tables at the event.

Of course, all that hard work has its rewards. "I had so much fun that before I knew it, my time was up," says volunteer Elizabeth Selvera.

"I could have kicked myself for not buying some of the items myself!"

"Community commitment is so much more than people writing checks. It's people being involved in every way."

Not a problem for volunteer Teri Moneysmith. "Of course we had to go shop afterwards!" she says. "At my table, we all had our eye on different things while we were working."

The 2006 sale raised over \$500,000 for the Home.

—Donna Smith, volunteer



Graves Dougherty volunteers helped set up and staff the Settlement Home's Annual Charity Garage Sale.

A History of Service: Terry Bray

Attorney Terry Bray is an exemplar of the Graves Dougherty commitment to community. He has served on the board of Vision Austin 2010 since 1996, currently as chair of its executive committee, and serves on the executive committee of the Austin Area Research Organization. From the 1960s through the 1990s, he was active in at least a dozen other organizations, serving on the boards of eight of them.



December



Coats for Kids makes sure children get the coats they need to stay warm all winter.



For more than 20 years, the Junior League of Austin's annual Coats for Kids campaign has been doing everything possible to make sure that Central Texas children will stay warm each winter. That means collecting thousands of donated coats from individuals and businesses in the Austin area; preparing them for distribution; and, finally, welcoming children and their families from throughout the Austin area to the Palmer Events Center on distribution day.

Lawyers and staff from Graves Dougherty have long been a part of this tradition. This year, they dedicated an evening to helping sort donated coats, categorizing them by size and culling out damaged merchandise. Many returned on distribution day to assist families in finding just the right sizes and styles for their children.

Graves Dougherty staffer Nancy Fennell's daughters grew up volunteering at Coats for Kids. "They've been coming with me to help out for years," she says. "They were just kids themselves when we started – now Alissa is 23 and Nicole is 20."

Coats for Kids is a joint project of the Junior League of Austin, Jack Brown Cleaners, KASE 101 and KVUE-TV.



This holiday season, the GDHM Singers serenaded seniors and sang to children at Austin nursing homes and a day care center – putting everyone in the holiday spirit.

The firm's sixtieth anniversary was not only an occasion to celebrate those organizations who work tirelessly for the community, but also an opportunity to renew our commitment to them. We look forward to serving them for many years to come.