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OFFICE OF THE ATTORNEY GENERAL
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DIVISION OF SOCIAL JUSTICE
CHARITIES BUREAU

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November 21, 2017

Guy Petrillo, Esq.
Petrillo Klein & Boxer LLP
655 Third Avenue, 22nd Floor
New York, New York 10017

Re: Investigation of Yisroel Schulman

Dear Mr. Petrillo:

This Letter Agreement (the "Letter Agreement") is between the Office of the Attorney General of the State of New York ("OAG" or "Attorney General") and the New York Legal Assistance Group ("NYLAG"), a section 501(c)(3) exempt Not-for-Profit Charitable Corporation formed under the laws of New York in 1989. NYLAG has been registered with the OAG since 1991, and is subject to the oversight of the OAG.

I. INTRODUCTION

OAG conducted an investigation of Yisroel Schulman (the "Schulman Investigation"), the former President and Attorney-in-Charge of NYLAG, pursuant to Section 8-1.4 of the Estates, Powers, and Trusts Law ("EPTL"), Sections 63(12) and 172 of the Executive Law and Section 112 of the Not-For Profit Corporation Law ("N-PCL"). The OAG has filed a complaint against Schulman (the "Complaint") and Schulman and the OAG have reached a settlement of the OAG's claims and the parties have filed a stipulation of settlement with the Court (the "Settlement Agreement"). Schulman admits in the Settlement Agreement that, among other things, he breached his fiduciary duties to NYLAG. He has agreed to a five-year ban on future service as a director or officer of a not-for-profit. Schulman has also agreed to pay $150,000 to compensate NYLAG in part for the costs it has incurred in connection with the Schulman Investigation and related proceedings.

As set forth in more detail in the Complaint, the Schulman Investigation found that over a a 15-year period, Schulman executed a series of financial transactions that included his improper and secret use of NYLAG's Interest On Lawyer Account ("IOLA") accounts to divert funds and his imprudent "investment" of millions of dollars of NYLAG's charitable assets in donor-advised funds ("DAFs") at FJC: A Foundation for Philanthropic Funds ("FJC"). The transfer of certain NYLAG assets to donor-advised funds and similar accounts at FJC for investment purposes was imprudent because NYLAG gave up legal ownership of the assets when they were tranferred into

FJC accounts. NYLAG's audited financial statements for fiscal years prior to 2011 and regulatory filings incorporating such audited financial statements did not reflect the assets transferred to FJC, which were material. In addition, FJC, which became the owner of the assets in the DAFs it sponsored, did not have adequate controls in place to ensure that the assets were used solely for NYLAG's purposes.

The Complaint also sets forth that Schulman took advantage of FJC's lack of controls and improperly transferred NYLAG's charitable assets from DAFs at FJC to organizations that he controlled and, in certain instances, thereafter to himself. The Schulman Investigation found that Schulman reaped personal financial benefits from the transactions and used the transactions to enhance his reputation and standing in his community.

The Schulman Investigation revealed that Schulman, in the course of his misconduct, made material omissions to the Board about the accounts at FJC and his use of the IOLA account. He was able to engage in wrongdoing without detection, in part, through such omissions and through exploitation of weaknesses in NYLAG's investment policies and internal controls.

In connection with the Schulman Investigation, OAG conducted a limited review of various aspects of NYLAG's administration, operations, policies and procedures, as well as the NYLAG Board's oversight, as related to Schulman's activities. NYLAG and its officers and directors fully cooperated with OAG throughout the Schulman Investigation, including by sharing with the OAG the forensic analysis that the Board obtained as part of the internal investigation that NYLAG conducted (discussed further in Point II, below).

The OAG's review found: (i) that Schulman's use of the IOLA account was not actively monitored by NYLAG, (ii) that, on Schulman's recommendation, NYLAG's Board approved of the transfer of NYLAG charitable assets to certain DAFs sponsored by FJC for "investment purposes," which, as set forth above, was imprudent; (iii) that the NYLAG Board was not told by Schulman of other accounts at FJC that Schulman opened and solely controlled and to which Schulman transferred NYLAG charitable assets by and through his misuse of the IOLA account, among other means; and (iv) that NYLAG's audited financial statements for fiscal years prior to 2011 and regulatory filings incorporating such audited financial statements were misleading because they did not reflect the assets transferred to FJC, which were material.

Neither the Schulman Investigation nor the NYLAG limited review has found any evidence that NYLAG's directors or officers were aware of Schulman's diversions of NYLAG's charitable assets or knowingly facilitated Schulman's improper transactions from accounts at FJC or the IOLA account.

II. NYLAG'S RESPONSE TO DISCOVERY OF SCHULMAN'S MISCONDUCT

In early 2015, NYLAG received a grand jury subpoena relating to, among other things, Schulman and DAFs at FJC. The NYLAG Board of Directors (the "NYLAG Board") promptly retained outside counsel and commenced an internal investigation. The NYLAG Board also immediately suspended Schulman and shortly thereafter demanded and received Schulman's resignation from NYLAG in February 2015. After Schulman's departure, the NYLAG Board continued its internal investigation, which included engaging a forensic auditor to review and report on the relevant transactions. The NYLAG Board provided a copy of the forensic audit report to OAG to assist the office in the Schulman Investigation.

During the pendency of the Schulman Investigation, the NYLAG Board instituted various remedial measures, including making personnel additions and changes, entering into a corrective

action plan with government funders and adopting enhanced policies and procedures, to further ensure the proper administration of charitable assets entrusted to its care. In particular, NYLAG:

1. Hired a new President and Attorney-in-Charge;
2. Hired a new Chief Financial Officer;
3. Created a new General Counsel position and promoted one of its attorneys to that position;
4. Created and filled a new Chief Operating Officer position and reassigned personnel in the finance and accounting departments;
5. Adopted a corrective action plan (a copy of which is attached hereto as Exhibit A) to address concerns raised by governmental funders;
6. Revised, updated and adopted the policies, procedures and governance documents listed below. NYLAG provided copies to the OAG for its review during the pendency of the Schulman Investigation and incorporated the OAG's requests to modify certain of such policies before final adoption (hereinafter the "Enhanced Policies", copies of which are attached hereto):
   a. By-laws, dated June 29, 2017 (Exhibit B);
   b. Bank Account Opening Policy, dated September 24, 2015;
   c. Whistleblower Policy, dated September 14, 2017 (Exhibit C);
   d. Conflict of Interest Policy, dated September 14, 2017 (Exhibit D);
   e. Procurement Policy, dated December 2015 (Exhibit E);
   f. Investment Policy (which, when revised in final form, will prohibit the use of DAFs and similar accounts as investment vehicles), dated March 3, 2016 (Exhibit F);
   g. Audit Committee Charter, dated September 14, 2017 (Exhibit G);
   h. Document Retention and Destruction Policy, effective as revised September 2016 (Exhibit H); and
   i. Report of the Corporate Governance Committee (Exhibit I).
7. Adopted a Finance Procedures Manual in September 2015, current revised version dated September 24, 2017.

III. RELIEF

IT IS HEREBY UNDERSTOOD AND AGREED, between OAG and NYLAG that:

Maintenance of the Enhanced Policies

1. NYLAG will maintain the Enhanced Policies listed in II.6. above in place for three (3) years following the Effective Date of this Letter Agreement unless it gives written notice to the OAG of any proposed changes to the Enhanced Policies, other than ministerial changes, and provides the OAG with an opportunity to object to any such proposed changes. In the event the OAG objects to any proposed changes, the proposed changes shall not take effect, provided, however that the OAG shall not object to any reasonable changes to the Enhanced Policies. With respect to the Finance Procedures Manual (listed in II.7 above), which OAG has reviewed, the requirements of this paragraph shall not apply to amendments to the Manual that do not materially affect financial controls.

Board Training, Term Limits and Other Oversight Obligations

2. Within ninety (90) days of the Effective Date of this Letter Agreement, NYLAG will provide OAG with a NYLAG Board membership statement of principles ("Statement") memorializing NYLAG's expectations of its directors, including the obligation to attend training concerning and to comply with all legal obligations and NYLAG's policies and procedures (including, but not limited to, its conflict of interest policy and corresponding reporting obligations), attendance expectations at Board meetings (which shall be subject to exigency, as determined by the Officers of the Board), committee participation expectations and contribution expectations.

3. To the extent not provided for in NYLAG's current by-laws or other governance documents, within ninety (90) days of the Effective Date of this Letter, NYLAG shall adopt and impose:

(a) reasonable term limits concerning: (i) officer positions on the NYLAG Board; and (ii) membership on the NYLAG Audit Committee and NYLAG Investment Committee;

(b) written requirements for annual reviews of NYLAG's officers, including but not limited to, its President and Attorney-in-Charge; and

(c) a policy requiring quarterly reports to NYLAG's Audit Committee concerning the activity in NYLAG's IOLA account(s).

Oversight/Monitoring and Cooperation

4. NYLAG shall retain all records relating to its obligations hereunder until at least six (6) years from the date of this Agreement. During that time, NYLAG shall, upon thirty (30) days' written notice from the OAG, provide all documentation and information necessary for OAG to verify compliance with this Letter Agreement.

5. NYLAG shall fully and promptly cooperate with the OAG with respect to any investigation by the Attorney General, and related proceedings and actions, of any person or entity, including but not limited to Schulman. This includes, without limitation, NYLAG's using its best efforts to ensure that its officers, directors, employees, and agents fully and promptly cooperate with any such investigation and related proceedings and actions.

Additional Terms

6. The OAG hereby accepts the commitments made by NYLAG under this Letter Agreement and, subject to NYLAG's satisfactory compliance with the terms set forth herein, including but not limited to NYLAG's compliance with its obligations after the Effective Date of this Letter Agreement, OAG agrees, without action, to close its review of NYLAG's practices and procedures arising out of the facts and circumstances of the Schulman Investigation.

7. The OAG has agreed to the terms of this Letter Agreement based on, among other things, representations by NYLAG and the OAG's own factual investigation. NYLAG represents that all representations made to the OAG by NYLAG, its employees, directors, officers and agents, or that were made to the OAG by counsel, have been made in good faith and

were and are truthful to the best of their knowledge, information and belief. To the extent that any material representations are later found to be inaccurate or misleading, this Letter Agreement is voidable by the OAG in its sole discretion.

8. No representation, inducement, promise, understanding, condition, or warranty not set forth in this Letter Agreement has been made to or relied upon by either of the parties hereto in entering into this Letter Agreement.

9. The parties recognize and acknowledge that each party hereto is represented by counsel and has received independent legal advice with respect to the advisability of signing this Letter Agreement.

10. NYLAG agrees that it shall not take any action or make any statement denying, directly or indirectly, the propriety of this Letter Agreement or expressing the view that this Letter Agreement is without factual basis. Nothing in this paragraph affects either party's (i) testimonial obligations or (ii) right to take legal or factual positions in defense of litigation or other legal proceedings to which OAG is not a party.

11. This Letter Agreement may not be amended except by an instrument in writing signed on behalf of all parties to this Letter Agreement, provided, however, that, to the extent applicable, any obligations hereunder that solely affect one individual and the OAG may be amended by an instrument in writing signed on behalf of the affected individual and the OAG.

12. This Letter Agreement shall be binding on and inure to the benefit of the parties to this Letter Agreement and their respective successors and assigns, provided that no party, other than the OAG, may assign, delegate, or otherwise transfer any of its rights or obligations under this Letter Agreement without the prior written consent of OAG.

13. If a court of competent jurisdiction shall determine that NYLAG shall have breached this Letter Agreement, the party so breaching shall pay to the OAG the cost, if any, of such determination and of enforcing this Letter Agreement, including without limitation legal fees, expenses, and court costs.

14. In the event that any one or more of the provisions contained in this Letter Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability, in the sole discretion of the OAG, shall not affect any other provision of this Letter Agreement.

15. To the extent not already provided under this Letter Agreement, NYLAG upon request by the OAG, shall provide all documentation and information necessary for the OAG to verify compliance with this Letter Agreement.

Communications:

16. All notices, reports, requests, and other communications pursuant to this Letter Agreement shall be in writing and shall, unless expressly provided otherwise herein, be given by hand delivery; express courier; or electronic mail at an address designated in writing by the recipient, followed by postage prepaid mail, and shall be addressed as follows:

If to NYLAG, to:

Guy Petrillo, Esq.
Petrillo Klein & Boxer LLP
655 Third Avenue, 22nd Floor
New York, New York 10017
gpetrillo@pkbllp.com

In the event that Mr. Petrillo is no longer representing NYLAG, the Attorney General may provide any notices or other communications directly to NYLAG, Attention: President and Attorney-in-Charge, unless the Attorney General is notified, pursuant to his paragraph, that new counsel has been appointed.

If to the OAG, to:

Emily Stern and
Steven Shiffman
Charities Bureau
120 Broadway, 3rd Floor
New York, NY 10271
emily.stern@ag.ny.gov
steven.shiffman@ag.ny.gov

or in his/her absence, to the person holding the title of Bureau Chief of the Charities Bureau in the Office of the Attorney General.

17. Acceptance of this Letter Agreement by the OAG shall not be deemed approval by the OAG of any of the practices or procedures referenced herein or that were the subject of the Investigation, and NYLAG agrees that it shall not make any representation to the contrary.

18. This Letter Agreement may be executed in counterparts, each of which shall be deemed an original and all or which taken together shall constitute one and the same agreement. Delivery by facsimile or electronic transmission in portable document format (PDF) of an executed counterpart of this Letter Agreement is as effective as delivery of an originally executed counterpart of this Letter Agreement.

19. Execution of this Letter Agreement by the OAG shall not be construed as waiving any rights the OAG has under New York law.

20. The effective date of this Letter Agreement shall be November 21, 2017 (the "Effective Date").

Please acknowledge your agreement and acceptance of the terms specified in this Letter Agreement by signing below and returning the signed copy to me.

Sincerely,

James Sheehan
Chief, Charities Bureau

Accepted and Agreed to this
___ day of _____, 2017

NEW YORK LEGAL ASSISTANCE GROUP, INC.

By: Abby S. Milstein
Chair of the Board of Directors

By: Jill L. Rosenberg
Secretary of the Board of Directors

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Chief, Charities Bureau

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21st day of November, 2017

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