



The Lawyers' Fund for Client Protection

of the State of New York

Highlights from the 2020 Annual Report of the Board of Trustees

This Annual Report of the Lawyers' Fund for Client Protection focuses on the Fund's activities in calendar year 2020, the 38th year of operations of the Lawyers' Fund. The Lawyers' Fund is an independent public trust, financed by New York's legal profession, that reimburses law clients for financial losses caused by dishonest conduct in the practice of law. No other profession provides such protection to its clients. The Lawyers' Fund is administered by a Board of Trustees appointed by the Court of Appeals. The Trustees serve renewable three-year terms as a public service without compensation.

There are 338,000 registered lawyers in New York State. Over the 38 years of our existence, a small number of former lawyers each year have been responsible for the dishonest conduct resulting in the Fund's awards. In 2020, 46 now suspended, disbarred or deceased lawyers were responsible for the client losses reimbursed by the Fund. In 2020, the Trustees approved 114 awards providing \$8.4 million in total reimbursement to eligible law clients for losses caused by the dishonest conduct of former New York State lawyers. The Lawyers' Fund is able to reimburse up to \$400,000 per law client loss.

Purpose of Law Client Protection and Trustees' Recommendations

The mission of the Lawyers' Fund is to protect law clients from dishonest conduct in the practice of law, maintain the integrity and protect the good name of the legal profession, and promote public confidence in the administration of justice in New York State. The Fund's primary focus is the reimbursement of client losses caused by dishonest conduct in the practice of law. The Trustees also fulfill the Fund's mission by recommending changes in legal practice and policy. The full text of the Trustees' Recommendations is published in the complete 2020 Annual Report, which is available on our website at www.nylawfund.org.

Court Programs & Public Information

The Dishonored Check Notice Rule is a client protection device instituted at the request of the Fund's Trustees. The Lawyers' Fund acts as a statewide clearing house for reports of bounced checks on attorney trust, special and escrow accounts. The majority of these notices result from innocent mistakes in law office banking practices. These reports have identified upwards of 320 lawyers who had misused escrow funds. In 2020, the Administrative Board of the Courts approved the Trustees' proposal to expand the Rule to include notice of overdrafts on reportable accounts, prohibit attorneys from carrying overdraft protection on client funds accounts and from linking personal accounts to attorney trust, special or escrow accounts. The effective date of the rule change has not been finalized.

Court rules designate the Lawyers' Fund the depository for money owed to missing law clients and escrow beneficiaries. 22 NYCRR Part 1200 (Rule 1.15 (f)). Deposits of \$1,000 or less will be accepted without court order in order to prevent the depletion of nominal deposits. The Fund's staff attempts to identify these clients to enable the return of their money to them. As of December 31, 2020, staff successfully located 685 missing clients and restored \$1.95 million to them. This court rule and sample pleadings pursuant to this rule can be found on the Fund's website at www.nylawfund.org in the escrow and ethics material section. The Fund's internet site is a source of detailed information about the Fund and helpful advice for consumers and the legal community. The site contains frequently asked questions on the Fund and its procedures; the Trustees' Regulations; reimbursement claim forms; recent Annual Reports; consumer publications; and press releases.

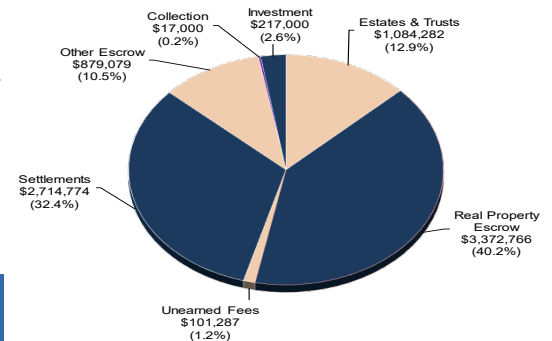
Revenue of the Lawyers' Fund

The biennial attorney registration fee required of every practicing attorney is the Fund's principal source of revenue. Section 468-a of the Judiciary Law allots \$60 of each \$375 registration fee to the Lawyers' Fund. Of the more than \$230 million reimbursed by the Fund to victimized clients, the overwhelming source of that money comes from this modest registration fee.

The Lawyers' Fund does not receive any revenue from the IOLA (Interest on Lawyer Account) program. Also, the Fund does not receive any tax dollars.

The Fund's other sources of revenue include restitution, interest, sanctions and contributions. Since 1982, the Fund has received \$221 million from attorney registration fees; \$22.2 million in restitution; \$5.8 million in interest income; \$3.9 million in judicial sanction revenue; and \$318,000 in contributions from lawyers and the public. Revenues also include unclaimed missing client and deceased attorney escrow deposits held by the Fund for over five years pursuant to court rules. The Fund's revenues are annually appropriated to the Board of Trustees by the State Legislature as one portion of the Judiciary Budget.

Amount of 2020 Awards By Type of Theft: \$8.4 Million



Claims Received and Processed

In 2020, 230 claims were filed with the Lawyers' Fund, a 24 percent decrease from 2019. These filed claims included 97 (42.2%) claims seeking reimbursement of unearned legal fees and 50 claims (21.7%) alleging losses in stolen personal injury settlements. The largest alleged losses (\$4.7 million) involved real property escrow thefts. The second largest alleged losses involved stolen personal injury settlements (\$3.9 million).

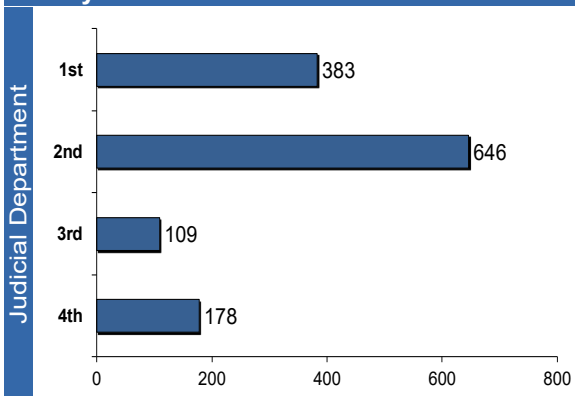
The Trustees approved 114 awards in 2020. The dollar amount reimbursed totaled \$8.4 million. The median loss and award was \$20,000. Because the Fund is able to return up to \$400,000 on a single loss, in 2020, all but three eligible claimants received full reimbursement of their losses. By category, awards in 2020 reimbursing personal injury settlements comprised the largest number of awards (35 awards or 30.7%). The second largest category of awards by number was real property escrow (34 awards, or 29.8%). By dollar amount, real property escrow thefts were the largest category of awards (\$3.4 million or 40.2%) of the Fund's total payout. Personal injury settlements were second with \$2.7 million in awards (32.4%). Since 1982, the Fund has rendered 20,495 determinations in claims. Of these, 11,416, or 56 percent, were deemed ineligible for reimbursement.

Lawyers Involved in Awards, 1982 to 2020

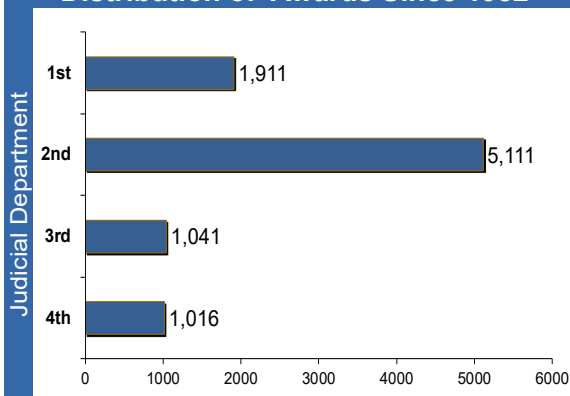
In 38 years, 1,316 former members of the bar have been responsible for the 9,079 awards granted by the Fund. A complete list of these former lawyers is available on the Fund's website www.nylawfund.org. There are over 338,000 registered lawyers in New York State. The Trustees' awards in 2020 were attributable to dishonest conduct by 46 now suspended, disbarred or deceased lawyers.

The geographic distribution of these 1,316 former lawyers, and the Fund's 9,079 awards, among the state's judicial departments is represented in the bar graphs below:

Lawyers Involved in All Awards Since 1982



Distribution of Awards Since 1982



First Judicial Department

New York and Bronx Counties

Second Judicial Department

Kings, Richmond, Queens, Nassau, Suffolk, Dutchess, Orange, Putnam, Rockland and Westchester Counties

Third Judicial Department

Albany, Broome, Chemung, Chenango, Clinton, Columbia, Cortland, Delaware, Essex, Franklin, Fulton, Greene, Hamilton, Madison, Montgomery, Otsego, Rensselaer, St. Lawrence, Saratoga, Schenectady, Schoharie, Schuyler, Sullivan, Tioga, Tompkins, Ulster, Warren and Washington Counties

Fourth Judicial Department

Jefferson, Herkimer, Lewis, Oneida, Onondaga, Oswego, Cayuga, Livingston, Monroe, Ontario, Seneca, Steuben, Wayne, Yates, Allegany, Cattaraugus, Chatauga, Erie, Genesee, Niagara, Orleans and Wyoming Counties

The Board of Trustees

The Lawyers' Fund is administered by a Board of Trustees appointed by the Court of Appeals. Since 1981, the Board has been composed of five members of the bar and two business and community leaders. The Trustees serve renewable three-year terms. They receive no compensation for their services. The Fund's office is located in Albany. The Trustees are assisted by a five-member staff composed of Michael J. Knight, Executive Director and Counsel; Gabriel Huertas, Assistant Counsel; Keri Cleveland, Investigator, Jahnel Kaczor, Administrative Secretary and Harriett Tremblay, Secretary.



Eric A. Seiff of the Bronx is Chairman of the Board. Mr. Seiff is of counsel to the Manhattan law firm of Amini L.L.C.



Patricia L. Gatling, of Manhattan, is the Vice-Chairman of the Fund and an attorney with the Manhattan law firm of Windels Marx Lane & Mittendorf, LLP. She also served 13 years as the Commissioner and Chair of the New York City Commission on Human Rights.



Peter A. Bellacosa of Manhattan is the Fund's Treasurer and a partner with the law firm of Phillips Lytle, LLP.



Anthony J. Baynes, of Erie County, is the founder and current Chairman of the AJ Baynes Group, a Buffalo based development and logistics company.



Stuart M. Cohen of Rensselaer is retired from private practice after a career during which, among other positions, he served 14 years as the Clerk of the Court of Appeals.



Lisa L. Hutchinson, of Nassau County, is a partner in the Farmingdale law firm of Guerccio & Guerccio, LLP.



Dr. Gary S. Greenberg, of Liverpool, Onondaga County, is a dentist specializing in Dental Sleep Medicine.

The Lawyers' Fund for Client Protection

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www.nylawfund.org

