



The Lawyers' Fund for Client Protection

of the State of New York

Highlights from the 2014 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 2014.

The Lawyers' Fund is an independent public trust, financed by New York's legal profession, which reimburses law clients for financial losses caused by dishonest conduct in the practice of law. The legal profession is alone in providing such protection to its clients.

The Trustees' experience over 32 years has clearly established that the overwhelming majority of New York's lawyers are honest and caring and deserving of their clients' trust. A small number of former lawyers continue to be responsible for the dishonest conduct resulting in the Fund's awards. In 2014, 69 now suspended, disbarred or deceased lawyers were responsible for the client losses reimbursed by the Fund. Of these 69 former lawyers, 39 appear for the first time in the Fund's awards. There are over 297,000 registered lawyers in New York State.

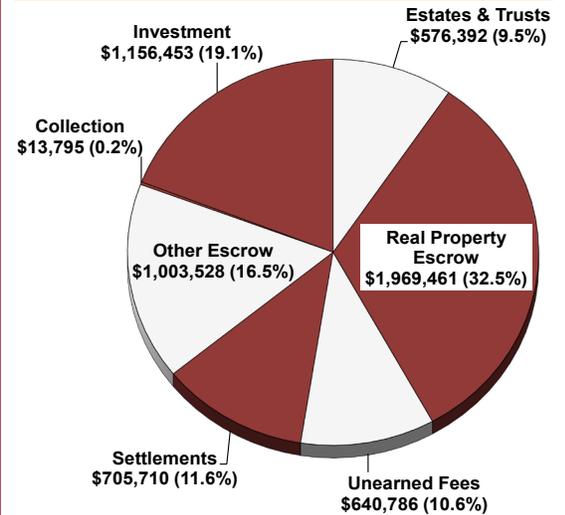
In 2014, the Trustees approved 559 awards reimbursing a total of \$6.1 million to eligible law clients for losses caused by dishonest conduct of attorneys in New York State. Of these 559 awards, 405 (72%) involved one former lawyer. All but three eligible law clients received 100 percent reimbursement for their loss in 2014. Since 1982, the Trustees have granted 8,032 awards totaling \$176.8 million.

The Trustees are pleased to announce that in 2014 the Fund's maximum award was increased from \$300,000 to \$400,000, effective January 1, 2015. The New York Fund now provides the greatest protection among the Nation's client fund programs.

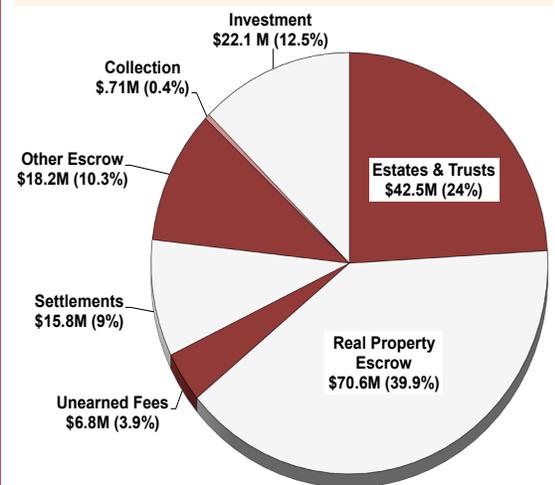
The Trustees remain indebted to our colleagues in public service for their invaluable assistance and support to the Lawyers' Fund. Special thanks is again extended to Chief Judge Jonathan Lippman and the Court of Appeals; the Office of Court Administration; the staffs of New York's Attorney Grievance Committees; the Attorney General and his assistants; District Attorneys statewide and their prosecutors; and the Office of the State Comptroller.

The Trustees remain proud of New York's legal profession, and grateful for the financial and other support lawyers in New York State provide to the Lawyers' Fund and its client protection program. Each year, members of the bar generously assist claimants before the Fund as a public service, without legal fee.

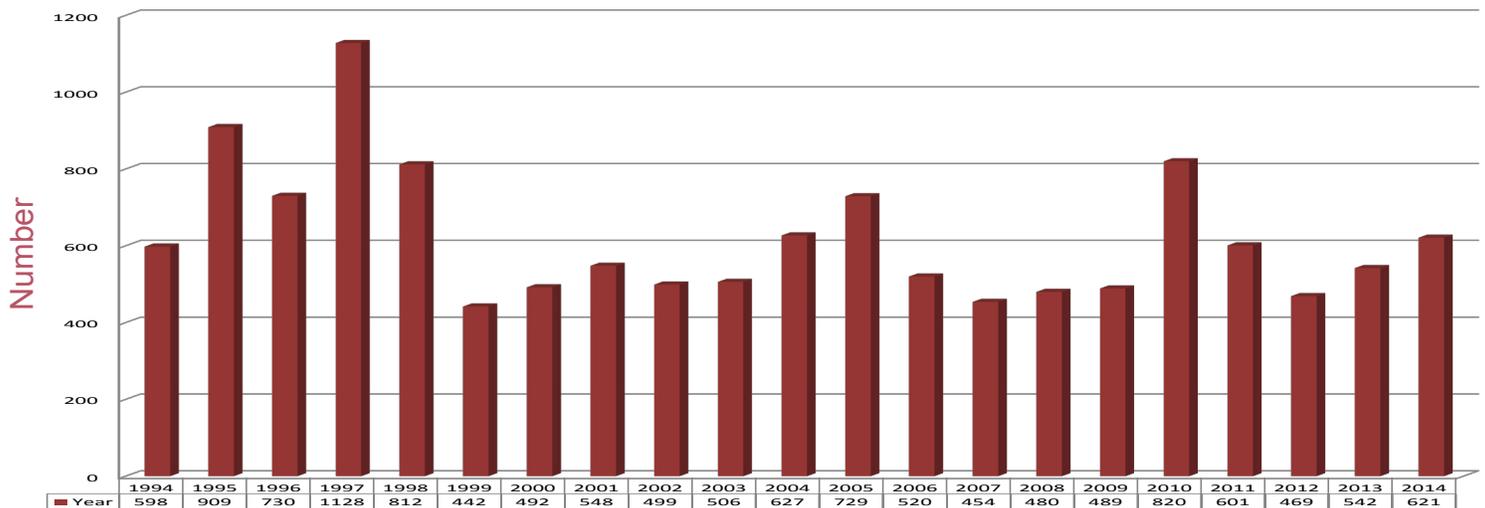
Amount of 2014 Awards By Misconduct : \$6.1 Million



Amount of Awards Since 1982 By Misconduct : \$176.8 Million



Number of Reimbursement Claims Filed, 1994 - 2014 (Total Number of Reimbursement Claims Filed Since 1982: 18,192)



The Fund's Statutory Authority and the Trustees' Regulations

The Fund was established by Section 97-t of the State Finance Law. This statute also provides for the management of the Fund's assets as a special revenue fund by the State Comptroller. Section 468-b of the Judiciary Law governs the administration of the Fund and provides the Trustees with full authority to administer the Fund, subject to the general supervisory authority of the Court of Appeals.

The Trustees' Regulations for administration and claims procedures are published in Title 22 of the Official Compilation of Codes, Rules and Regulations of the State of New York (22 NYCRR Part 7200, et seq.). In 2014, the Trustees adopted two amendments to their Regulations which were both effective January 1, 2015. These amendments increased the Fund's maximum award limit to \$400,000 and codified the policy that claimants are required to file disciplinary and criminal complaints against lawyers accused of dishonest conduct.

"I want to take the time to say I really appreciate all you have done. You don't know how much this means to me. The Lawyers' Fund has never given up."
Message from a Claimant, 2014.

Court Programs & Public Information

The Dishonored Check Notice Rule is a client protection device instituted at the request of the Fund's Trustees. Under the court rules for this program, the Lawyers' Fund acts as a statewide clearing house for reports of bounced checks on attorney trust, special and escrow accounts. The majority of bounced check notices result from innocent mistakes in law office banking practices. These reports though have identified upwards of 276 lawyers who had misused escrow funds.

Court rules designate the Lawyers' Fund as a 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 locate these clients to return these monies. As of December 31, 2014, staff successfully located 278 missing clients and restored \$709,473 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.

Claims Received and Processed

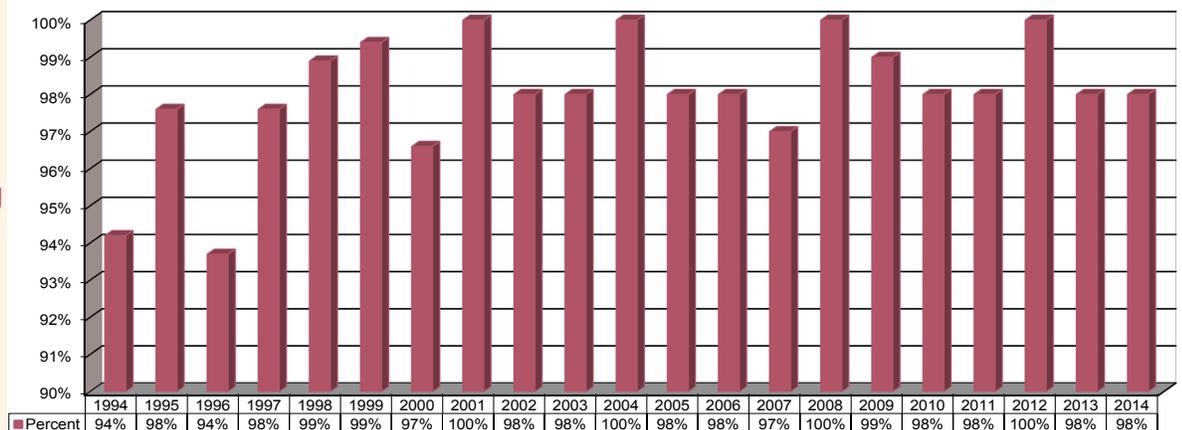
In 2014, 621 claims were filed with the Fund, an increase of 15 percent from 2013. These filed claims included 345 (55.6%) claims seeking reimbursement of legal fees and 133 (21.4%) claims involving personal injury settlements. The largest alleged losses (\$44.9 million) involved investment transactions. The second largest alleged losses (\$15.9 million) involved personal injury settlements.

The Trustees approved 559 awards in 2014. One lawyer was responsible for 405 (72%) of these awards. The dollar amount reimbursed totaled \$6.1 million, and ranged between \$1 and \$300,000. The median loss and award was \$1,086. In 2014, all but three eligible claimants received full reimbursement of their loss.

By category, awards in 2014 reimbursing unearned legal fees comprised the largest number of awards. Of the 559 awards, 484 (86.6%) reimbursed unearned legal fees. The second largest category of awards by number were 31 real estate awards which constituted 5.5 percent of the 559 awards granted. Awards in 2014 reimbursing losses involving real property escrow losses were the largest dollar amount (\$1.9 million) and accounted for 32.5 percent of the Fund's total payout. Investment claims were second with \$1.2 million in awards or 19.1 percent of all money reimbursed in 2014. Since 1982, final determinations have been reached in 17,720 claims: 8,032 (45%) were found to qualify for reimbursement and 9,688 (55%) were determined to be ineligible.

The Trustees are concerned about the increasing claims to the Fund involving lawyer fraud in home loan modification scams and the resulting losses suffered by vulnerable home owners defrauded of advance legal fees in this type of fraud. The Trustees recommend that new legislation be enacted to prohibit lawyers from accepting advance legal fees in home loan modifications in order to prevent these losses from occurring. The full text of all the Trustees' Recommendations are published in the complete 2014 Annual Report which is available on our website at www.nylawfund.org.

Percent of Eligible Claimants Receiving Full Reimbursement 1994-2014



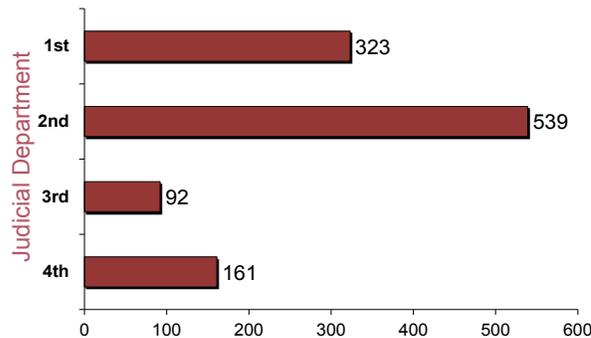
Lawyers Involved in Awards, 1982 to 2014

In 32 years, 1,115 former members of the bar have been responsible for the 8,032 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 297,000 registered lawyers in New York State. The Trustees' awards in 2014 were attributable to dishonest conduct by 69 now suspended, disbarred or deceased lawyers. Of these 69 former lawyers, 30 were respondents in awards from prior years and the names of 39 dishonest lawyers appear for the first time in 2014 awards.

Most thefts involve sole practitioners, the majority of whom are male and middle-aged. The apparent causes of misconduct by these lawyers are often traced to alcohol or drug abuse. Other causes are economic pressures, mental illness, marital, professional and medical problems, and gambling activity.

The geographic distribution of these 1,115 former lawyers, and the Fund's 8,032 awards, among the state's judicial departments is represented in the bar graphs to the right:

Lawyers Involved in All 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

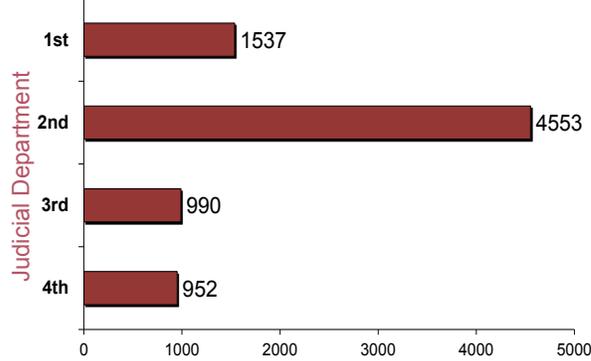
Third Judicial Department

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

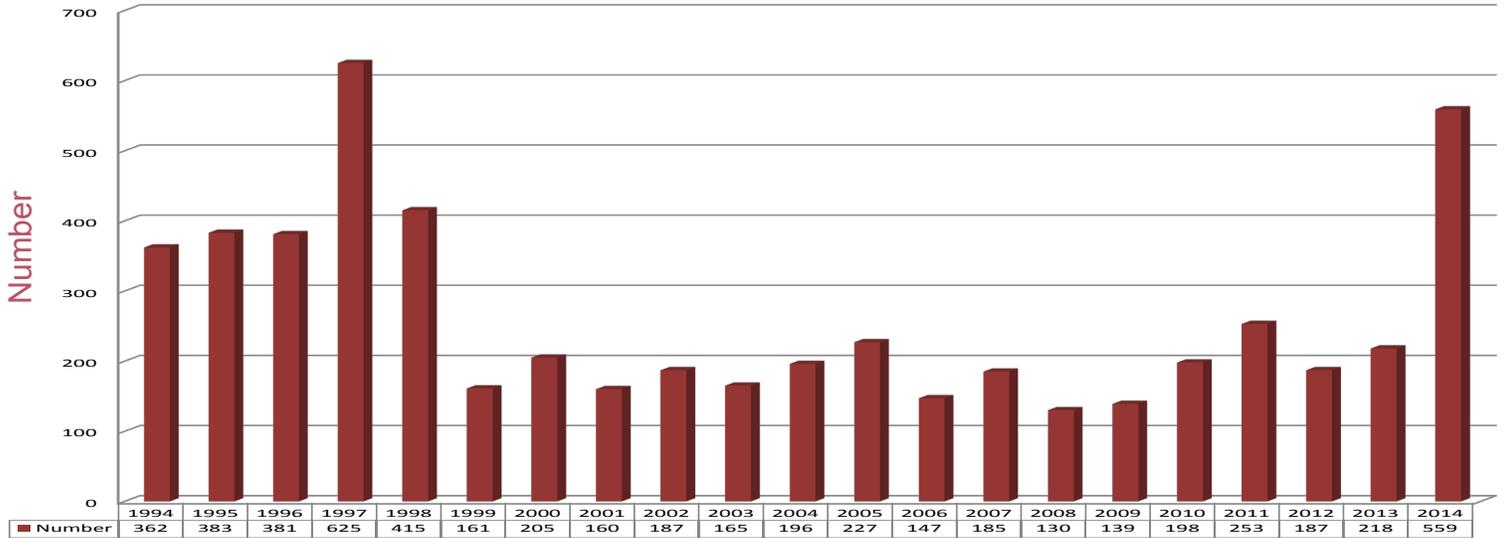
Fourth Judicial Department

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

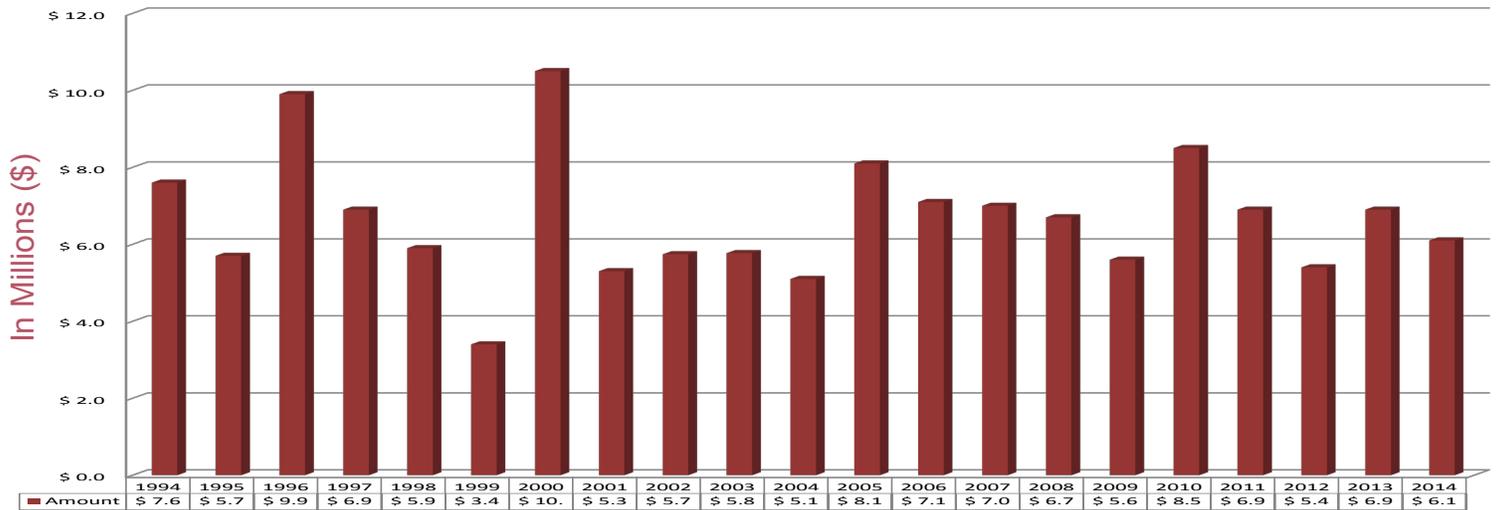
Distribution of Awards Since 1982



Number of Awards Approved From 1994-2014 (Total Number of Awards Approved Since 1982: 8,032)



Amount of Awards Approved From 1994-2014 (In Millions \$) (Total Amount of Awards Approved Since 1982: \$176.8 Million)



The Board of Trustees



Eric A. Seiff of the Bronx is Chairman of the Board. Mr. Seiff is a partner in the Manhattan law firm of Scoppetta, Seiff, Kretz & Abercrombie.



Nancy Burner of Suffolk County, is the Vice-Chairman of the Fund and the founding partner of Nancy Burner & Associates, P.C., in Setauket, Westhampton Beach and New York City.



Peter A. Bellacosa of Manhattan is the Fund's Treasurer and a partner in the litigation group of the Kirkland & Ellis law firm.



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 a former Clerk of the Court of Appeals and is currently a sole practitioner in Rensselaer concentrating on appellate matters.



Patricia L. Gatling, of Manhattan, is the Commissioner and Chair of the New York City Commission on Human Rights.



Charlotte G. Holstein of Syracuse is a civic leader, founder and Executive Director of F.O.C.U.S. Greater Syracuse, a community interest group.

Former members of the Board of Trustees include the Hon. Judith S. Kaye, former Chief Judge of the State of New York (1981-1983); Joseph Kelner, Esq. of Manhattan (1981-1982); Anthony R. Palermo, Esq. of Rochester (1981-1990); John F. X. Mannion of Syracuse (1981-1992); Ray W. Manuszewski of Cheektowaga (1981-2002); Theodore D. Hoffmann, Esq. of Hicksville (1990 to 2002); Shirley B. Waters of Rome (1992 to 2001); Bernard F. Ashe, Esq. of Albany (1981-2008); Hon. Charles J. Hynes, former Kings County District Attorney (1982-2009); Theresa B. Mazzullo of Rochester (2002-2012) and Eleanor B. Alter, Esq. of Manhattan (1985-2013).

The Lawyers' Fund is administered by a Board of Trustees who are 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 Timothy J. O'Sullivan, Executive Director and Counsel; Michael J. Knight, Deputy Counsel; Jahnel Kaczor, Administrative Secretary; Ray Wood, Investigator, and Harriett Tremblay, Secretary.

“Words cannot express how grateful we are to you....for all the effort you all put into resolving our case. It brings back faith that not all lawyers are dishonest, but those that are honest are here to serve the public and their cause.”
Message from a Claimant, 2014

Revenue of the Lawyers' Fund

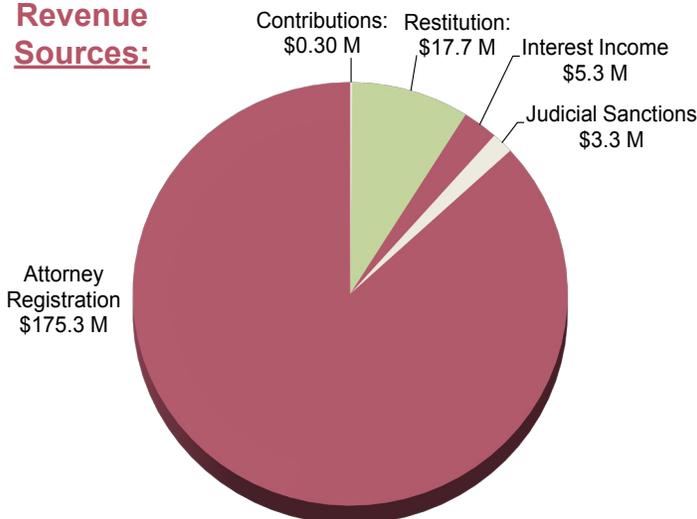
The biennial attorney registration fee required of every practicing attorney is the Fund's principal source of revenue. Section 468-a of the Judiciary Law allots \$60 of each \$375 registration fee to the Lawyers' Fund. Since April 1, 1993, additional revenue from the biennial registration fee has been made available to the Fund.

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

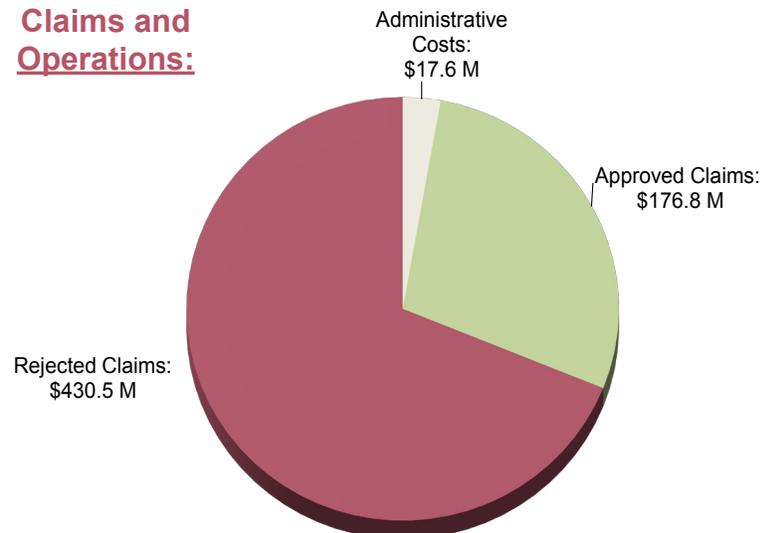
Other sources of revenue for the Fund include restitution, interest, sanctions and contributions. Since 1982, the Fund has received \$175.3 million from attorney registration fees; \$17.7 million in restitution; \$5.3 million in interest income; \$3.3 million in judicial sanction revenue; and \$303,000 in contributions from lawyers and the public. The Fund's revenues are annually appropriated to the Board of Trustees by the State Legislature as one component of the Judiciary Budget.

The Fund's Finances Since 1982

Revenue Sources:



Claims and Operations:



The Lawyers' Fund for Client Protection

119 Washington Avenue, Albany, New York 12210 518/434-1935 or 1-800-442-FUND

www.nylawfund.org