

**The Lawyers' Fund for Client Protection  
of the State of New York**

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**ANNUAL REPORT**

**OF THE**

**BOARD OF TRUSTEES**

**FOR**

**CALENDAR YEAR 2025**

**BOARD OF TRUSTEES**

Patricia L. Gatling, Chairman

Anthony J. Baynes

Peter A. Bellacosa

Stuart M. Cohen

Gary S. Greenberg

Lisa L. Hutchinson

Eric A. Seiff



**Submitted to the**

**Judges of the Court of Appeals**

**and the**

**State Comptroller**

**pursuant to the provisions of**

**General Order of the Court of Appeals dated November 16, 1981**

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## Introduction

This Annual Report of the Lawyers' Fund for Client Protection recaps the Fund's activities in the calendar year 2025, its 43rd year of operations.

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 Judges of the Court of Appeals. The Trustees serve renewable three-year terms as a public service without compensation.

There are over 360,000 registered lawyers in New York State. Over the 43 years of our existence, a small number of lawyers each year have been responsible for the dishonest conduct resulting in the Fund's awards. Of the 21 lawyers responsible for the client losses reimbursed by the Fund in 2025, 10 were identified for the first time.

The Trustees are grateful to Chief Judge Rowan Wilson, the Associate Judges of the Court of Appeals, the Clerk of the Court and all those in State government, judiciary and the attorney disciplinary system for their invaluable assistance to the Lawyers' Fund. The Trustees also remain proud of New York's legal profession for its financial and other support to the Lawyers' Fund. Special recognition is due those members of the bar who generously donate their time and talents in assisting claimants before the Fund as a public service, without legal fee.

## Purpose and History of Law Client Protection

The Lawyers' Fund, originally known as The Clients' Security Fund, was created by Chapter 714 of the Laws of 1981. Law client reimbursement programs had been first formed in the 1960s by bar associations in New York State. Inadequate financing led to the 1981 legislation under which the Court of Appeals and the New York court system assumed the responsibility for operating the Lawyers' Fund as a statewide client reimbursement program.

**The mission of the Lawyers' Fund, as set forth in section 468-b of the State Judiciary Law and the Trustees' Regulations, 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 the dishonest conduct of attorneys who were admitted to the practice of law in New York State. Typical losses reimbursed by the Fund include the theft of escrow deposits in real property transactions, stolen estate and trust assets, failure to distribute settlements in personal injury litigation, theft of debt collection receipts, money embezzled in investment transactions within an attorney-client relationship and the practice of law, and unearned fees paid in advance to lawyers who falsely promise to perform legal services.

Loss prevention is a vital aspect of an effective client protection program. The Trustees' loss prevention efforts include recommending changes in court rules and policies, a number of which have been instituted to improve our legal system and protect law clients, publishing materials to educate lawyers and clients and engaging in programs that assist lawyers in complying with their fiduciary and escrow obligations and detect lawyer misconduct.

## The Board of Trustees

The Court of Appeals appoints the Board of Trustees to administer the Lawyers' Fund. The Trustees serve renewable three-year terms as a public service, without compensation. Since the Fund was established in 1981, a total of 19 Trustees have served. The Board is composed of members of the bar and business and community leaders. The Fund's officers, elected by the Trustees, consist of a Chairman, Vice-Chairman and a Treasurer. The Fund's Executive Director serves as the Fund's Chief Administrative Officer and the Board's Secretary and Counsel. The Trustees currently serving are listed below.



**Patricia L. Gatling**, of Manhattan, is Chairman of the Board. She is an attorney with the Manhattan law firm Windels Marx Lane & Mittendorf, LLP. She previously served as Vice-Chairman of the Board and for 13 years as the Commissioner and Chair of the New York City Commission on Human Rights. She is a graduate of Johns Hopkins University and the University of Maryland School of Law (1982). Her current term expires on November 19, 2026.



**Stuart M. Cohen**, of Albany, is Vice-Chairman of the Board. He retired from private practice after a career during which, among other positions, he served 14 years as the Clerk of the Court of Appeals. Mr. Cohen is a graduate of Connecticut College and New York University School of Law (1979). His present term expires on November 30, 2028.



**Peter A. Bellacosa**, of Manhattan, is the Fund's Treasurer and a lawyer with the law firm Phillips Lytle, LLP. He is a graduate of Georgetown University and St. John's University School of Law (1988). His present term expires on November 30, 2027.



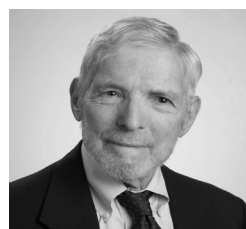
**Anthony J. Baynes**, of Williamsville, Erie County, is the founder and current Chairman of the AJ Baynes Group, a Buffalo based development and logistics company. Mr. Baynes is a graduate of Buffalo State College (1979). His present term expires on October 17, 2027.



**Gary S. Greenberg**, of Liverpool, Onondaga County, is a dentist specializing in Dental Sleep Medicine. Dr. Greenberg is a graduate of the State University of New York, Buffalo (1973), the University of Pennsylvania School of Dental Medicine (1978) and the University of Rochester School of Medicine & Dentistry (1979). His present term expires on September 15, 2027.



**Lisa L. Hutchinson**, of Nassau County, is a partner in the Farmingdale law firm Guercio & Guercio, LLP. She is a graduate of SUNY Albany and the University of Pennsylvania Law School (1995). Her present term expires on October 18, 2028.



**Eric A. Seiff**, of the Bronx, is a charter member and previous Chairman of the Board (through December 2025). He is of counsel to the Manhattan law firm Amini, L.L.C. Mr. Seiff is a graduate of Yale University and the Columbia University Law School (1958). His present term expires on November 30, 2027.

## Former Members of the Board of Trustees and Administration

Former members of the Board of Trustees include the Hon. Judith S. Kaye, former Chief Judge of the State of New York and Chief Judge of the Court of Appeals (1981-1983); Joseph Kelner of Manhattan (1981-1982); Anthony R. Palermo of Rochester (1981-1990); John F. X. Mannion of Syracuse (1981-1992); Ray W. Manuszewski of Cheektowaga (1981-2002); Theodore D. Hoffmann of Hicksville (1990 to 2002); Shirley B. Waters of Rome (1992 to 2001); Bernard F. Ashe of Delmar (1981-2008), Charles J. Hynes of Brooklyn (1982-2009); Theresa B. Mazzullo of Rochester (2002-2012), Eleanor Breitel Alter of Manhattan (1983-2013), Nancy Burner of Port Jefferson (2002-2016) and Charlotte Holstein of Syracuse (2001-2018). Frederick Miller served as the Fund's charter Executive Director and Counsel from 1982 until his retirement in July 2000. Timothy O'Sullivan served as Deputy Counsel from 1984 until 2000 and as the Fund's second Executive Director and Counsel from 2000 until his retirement in July 2018.

## In Memoriam



**Frederick Miller** served as the Fund's first Executive Director and Counsel from 1982 until his retirement in July 2000, and was instrumental in creating the framework under which the Fund has operated for more than 40 years. He was also a founding member of the National Client Protection Organization, established in 1998, which continues to serve as a resource for client protection funds across the United States and Canada. Mr. Miller passed away peacefully at home on September 29, 2025.



**Charlotte G. "Chuckie" Holstein** of Syracuse, Onondaga County, served as a Trustee from 2001 to 2017. A civic leader and community activist, she was the founder and former Executive Director of F.O.C.U.S. Greater Syracuse, a citizen-engagement nonprofit organization. As a Trustee, she was an enthusiastic and creative advocate for the Fund's outreach to the public and for sharing information about its work. Ms. Holstein passed away peacefully at home on December 2, 2025.

## Dedication



**Michael J. Knight** began his legal career with the New York Lawyers' Fund in 1990 as Assistant Counsel after graduating from Albany Law School. He was appointed Deputy Counsel in 2000 and became Executive Director and Counsel in 2018, serving in that role until his retirement in June 2025.

During his 35 years with the Fund, Michael played an immeasurable role in advancing its mission to reimburse victims of dishonest conduct in the practice of law and strengthen client protection. He helped develop and implement important regulatory initiatives, including the dishonored check reporting rule, the rule addressing missing client funds and funds held by deceased attorneys, Insurance Regulation 64 requiring payee notification, and the expansion of dishonored check reporting to include overdraft notifications.

Michael was also a frequent presenter at bar association meetings and continuing legal education programs throughout New York State, where he provided practical guidance to attorneys on escrow management and fiduciary compliance. His leadership and dedication helped establish the New York Lawyers' Fund as one of the nation's foremost client protection programs. At the national level, he served in leadership roles on the American Bar Association's Standing Committee on Client Protection and as President of the National Client Protection Organization.

The Trustees recognize and thank him for his many years of public service, his commitment to the Fund's mission, and his contributions to client protection in New York State.

## The Staff of the Lawyers' Fund

The Board of Trustees appoints the Fund's staff. In 2025, the five-member staff composed of Michael J. Knight, former Executive Director and Counsel (retired in June 2025); Gabriel Huer-tas, current Executive Director (since July 2025) and former Deputy Counsel; Denise L. Pfeffer, As-sistant Counsel; Keri Remington, Investigator; Jahnel Kaczor, Administrative Secretary; and Ashley Fitzgerald, Secretary.

**“The conduct of attorneys is not measured by how close to the edge of thin ice they skate. The measure of an attorney’s conduct is not how much clarity can be squeezed out of the strict letter of the law, but how much honor can be poured into the generous spirit of lawyer-client relationships.”**

**Matter of Cooperman, 83 N.Y.2d 465 (1994) (Bellacosa, J)**

### Special Recognition

The Board of Trustees of the Lawyer's Fund proudly recognizes the generous acts of public service displayed by the attorneys listed below who have assisted claimants in receiving awards of reim-bursement in 2025:

#### QUEENS COUNTY

Gurvinder S. Sahni, Esq.

#### SUFFOLK COUNTY

Kim B. Joyce, Esq.  
Steven Stutman, Esq.  
David Elridge, Esq.  
Gary A. Salatto, Esq.  
Afred Walendowski, Esq.

#### KINGS COUNTY

Demetrios K. Tsatis, Esq.

#### RICHMOND COUNTY

Robert E. Brown, Esq.  
Luke J. Bigelow Esq.

#### NEW YORK COUNTY

David Skaller, Esq.  
Paul A. Rubin, Esq.  
Angelo A. Giordano, Esq.  
Genci Bilali, Esq.  
Jeremy Shockett, Esq.  
Je Moon, Esq.

#### WESTCHESTER COUNTY

Nicholas Buckshaw, Esq.

#### BRONX COUNTY

Christopher Marengo, Esq.

#### NASSAU COUNTY

Oscar A. Prieto, Esq.  
Carol Ann Beal, Esq.  
Nicholas Buckshaw, Esq.  
Lucy Titone, Esq.

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## Revenue of the Lawyers' Fund

New York's legal profession financially supports the Lawyers' Fund. The biennial registration fee required of every practicing attorney in the State is the primary source of revenue for the Lawyers' Fund. Section 468-a of the Judiciary Law allots \$60 of each \$375 registration fee, or \$30 per year, to the Fund. Since April 1, 1993, additional revenue from the biennial registration fee has been made available to the Fund. The Fund's other sources of revenue include restitution, interest, judicial sanctions, contributions and unclaimed escrow deposits of missing clients and deceased attorneys held by the Fund for over five years pursuant to court rules.

**No tax dollars are used to finance the Lawyers' Fund.**

**Also, the Fund does *not* receive any revenue from the Interest on Lawyer Account (IOLA) program.**

Since 1982, the Fund has received \$263.3 million from attorney registration fees; \$24.9 million in restitution; \$7.7 million in interest income; \$4.2 million in judicial sanction revenue; and \$319,000 in contributions from lawyers and the public. The Fund annually secures appropriation authority of these non-tax revenues from the State Legislature as part of the Judiciary Budget.

As of December 31, 2025, the Trustees have approved \$277.4 million in reimbursement awards and expended \$29.2 million in operations, **with 90 cents of every dollar received over 43 years applied directly to reimbursement payments.**

The New York State Attorney General represents the Lawyers' Fund in obtaining restitution from dishonest attorneys, their estates, and third parties civilly liable for losses reimbursed by the Fund, and in other litigation. Since December 1999, the Fund has financed the cost of an Assistant Attorney General assigned exclusively to the Fund's restitution efforts. The Fund gratefully acknowledges the current professional assistance of Assistant Attorney General Kathryn J. Blake as its restitution and litigation counsel.

## Claims Process

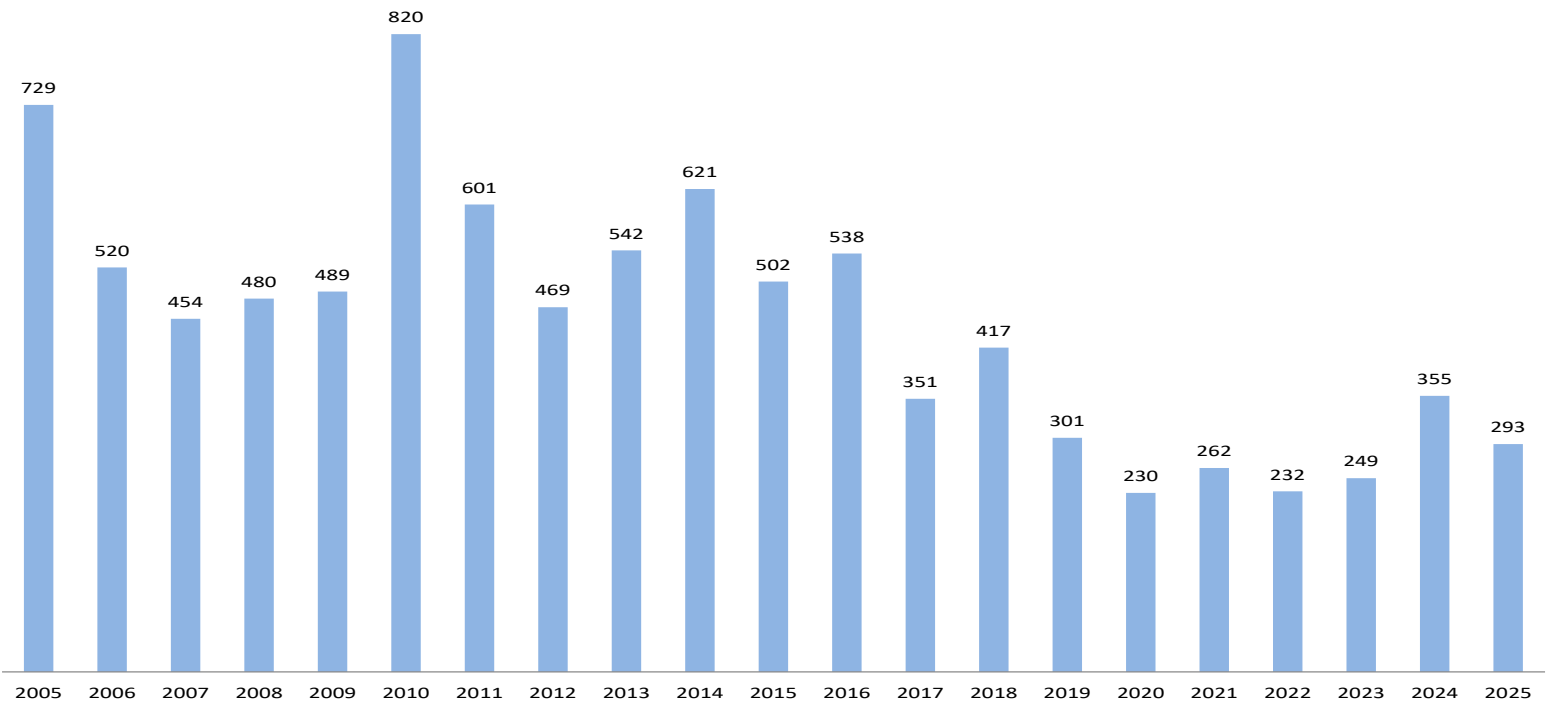
A completed application for reimbursement, with supporting documentation, must be filed with the Fund to be considered for an award. The Executive Director will dismiss a claim with a written explanation if an alleged loss does not appear to qualify for an award. Section 7200.8 (b) of the Trustees' Regulations instructs that a claimant has the responsibility to provide satisfactory evidence of an eligible loss. The Fund's staff conducts investigations into claims for reimbursement.

It is expected that written complaints be filed with the appropriate Attorney Grievance Committee and District Attorney by claimants alleging a misappropriation of money or property in the practice of law. Claimants should cooperate with any investigations by these offices. A lawyer accused of dishonest conduct is provided with notice of the claim, and given the opportunity to respond.

A claimant does not have to be represented by counsel. As a public service, lawyers in New York State generously assist claimants without charge. Claimants may wish to consult with a lawyer concerning problems or issues raised by their loss. Appellate Division rules and the Trustees' Regulations prohibit lawyers from charging or accepting legal fees for assisting claimants, except with the prior approval of the Board of Trustees. (22 NYCRR 603.24, 691.24, 806.16, 1022.35 and 22 NYCRR 7200.14).

Section 468-b of the Judiciary Law and the Trustees' Regulations provide the Trustees with the sole discretion to determine the merits of claims, set the amount of an award of reimbursement, and the terms and conditions for awards. It is the general practice of the Trustees not to render final determinations in claims until Appellate Division disciplinary proceedings or related criminal proceedings involving the accused attorney are completed. The Fund therefore coordinates its investigations of claims with those of the Attorney Grievance Committees in the four judicial departments and with relevant prosecuting agencies.

## Number of Reimbursement Claims Filed, 2005-2025



### Claims Filed

In 2025, there were 293 claims filed with the Lawyers' Fund. This represents a 17 percent decrease from 2024, when the Fund received 355 claims. The 293 filed claims in 2025 alleged \$70.4 million in losses, a 28 percent increase from the \$54.7 million in alleged losses from the previous year.

Since 1982, annual filings have ranged from a low of 230 in 1984 and 2020, to a record high of 1,128 in 1997.

Claims are classified into the following eight categories: (1) trusts and estates, (2) real property escrow funds, (3) debt collection proceeds, (4) settlements in litigation, (5) other escrow transactions, (6) unearned legal fees, (7) specified investment transactions with lawyers and (8) a miscellaneous category of "other".

In 2025, the vast majority of the 293 claims filed alleged either losses of unearned legal fees (162 claims, 55.3%) or losses of real property escrow funds (68 claims, 23.2%). Of the \$70.4 million in alleged losses in 2025, the vast majority arose from settlement transactions (\$45 million, 64%), unearned legal fees (\$6.5 million, 9%), and real property escrow losses (\$6.3 million, 9%).

### Awards of Reimbursement

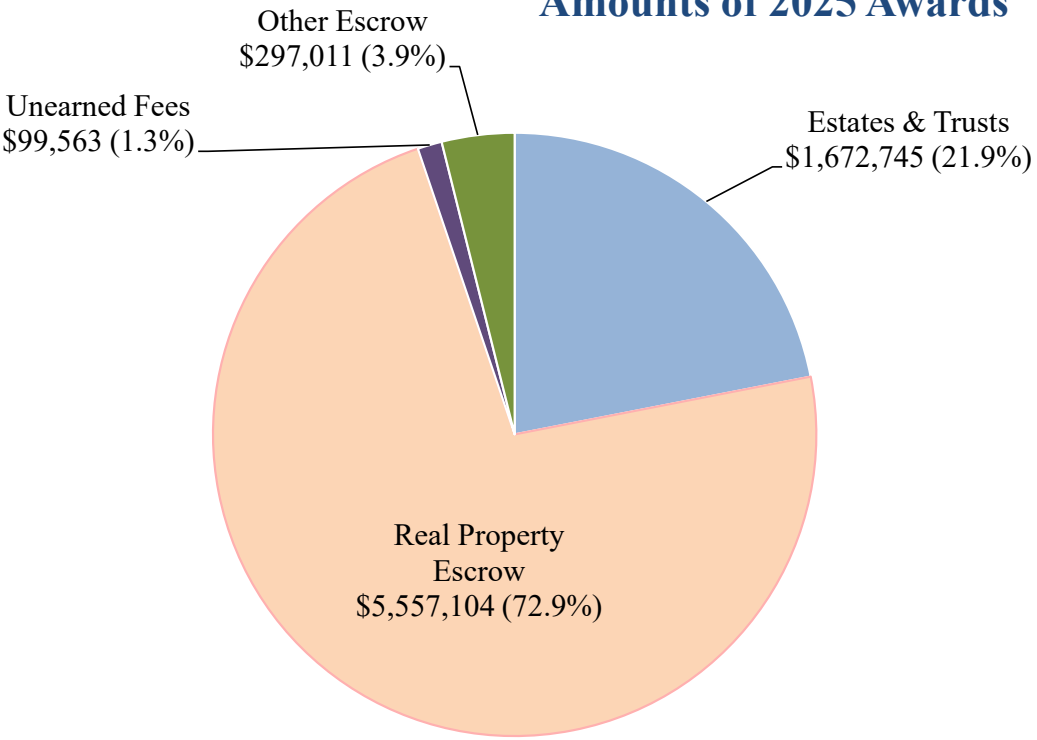
In 2025, the Trustees approved 96 awards, a 2% increase from the 94 awards granted in 2024. The awards in 2025 reimbursed a total of \$7.6 million. This payout represents a 34 percent decrease from 2024 when \$11.6 million in reimbursement was paid. The highest single-year payout was in 2015, when \$12.3 million was awarded.

In 2025, 92 of 96 awards (96%) received 100 percent reimbursement for eligible losses. Of the \$8.5 million in actual losses, \$7.6 million was reimbursed (90%). The median client loss and award in 2025 was \$30,000 down from \$60,209 in 2024. The average length of time for 93 percent of awards processed in 2025 was nine months. On average, since 1982, 92 percent of all eligible claimants have received full reimbursement for their eligible losses.

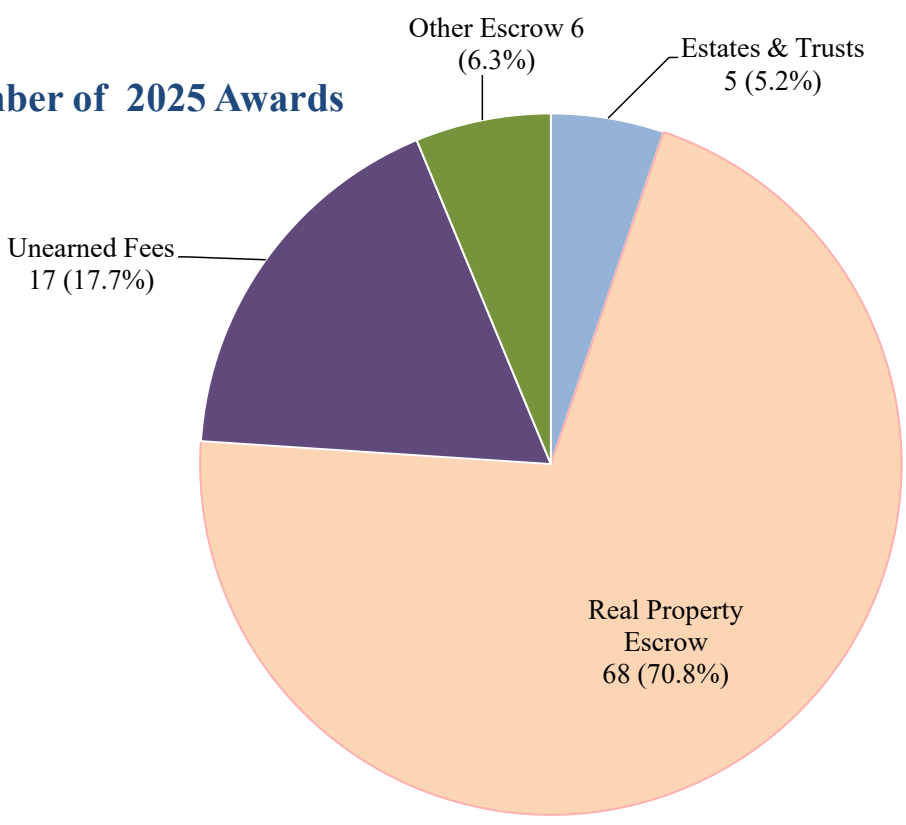
In 2025, the vast majority of awards reimbursed real property escrow losses, accounting for 68 of the 96 awards (70.8%). Unearned legal fee losses comprised the second-largest category, with 17 awards (17.7%).

By dollar amount, the largest category of awards in 2025 reimbursed real property escrow losses. Of the \$7.6 million paid out by the Trustees in 2025, \$5.6 million (72.9%) reimbursed real property escrow losses. The second largest category, by dollar amount, involved trust and estate losses. These awards totaled \$1,672,745 or 21.9 percent of the \$7.6 million reimbursed in 2025.

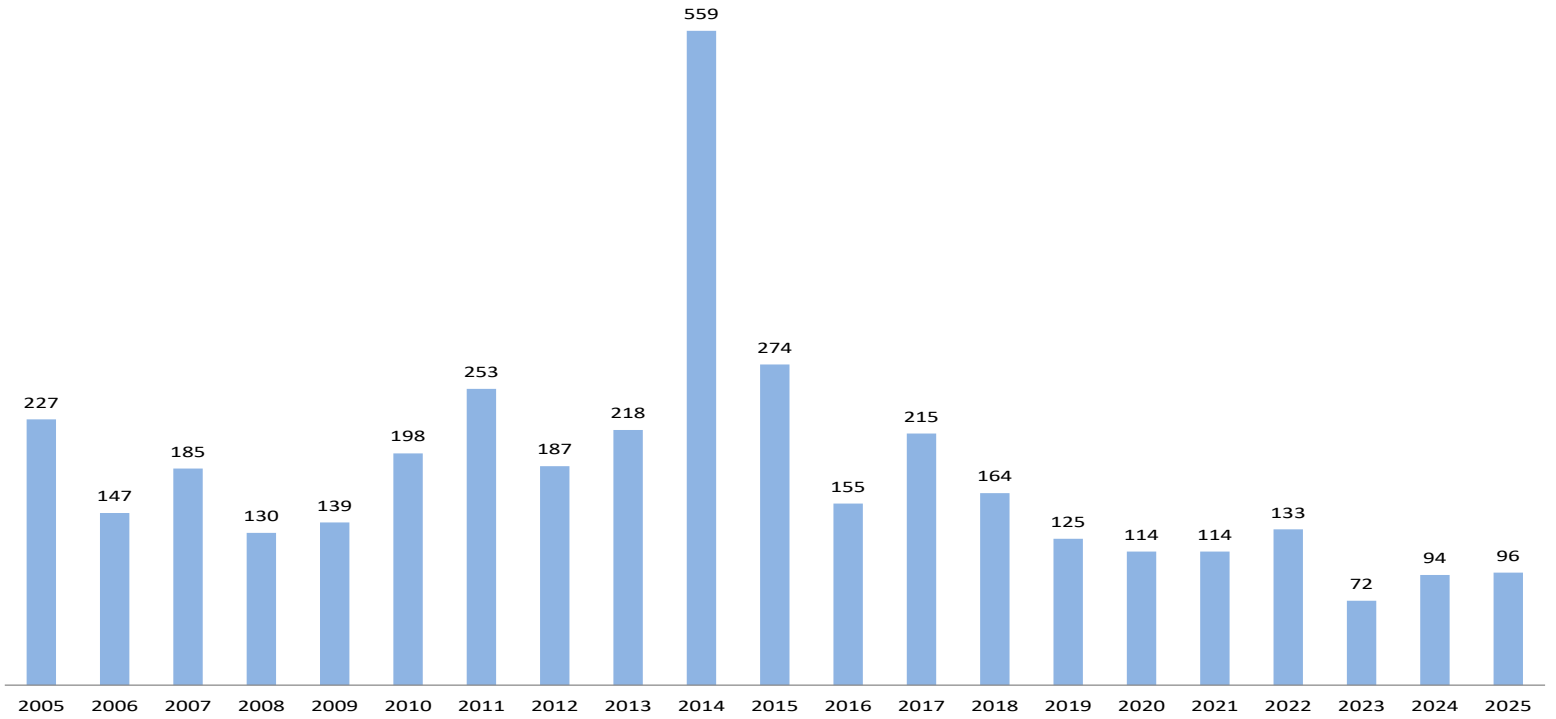
**Amounts of 2025 Awards**



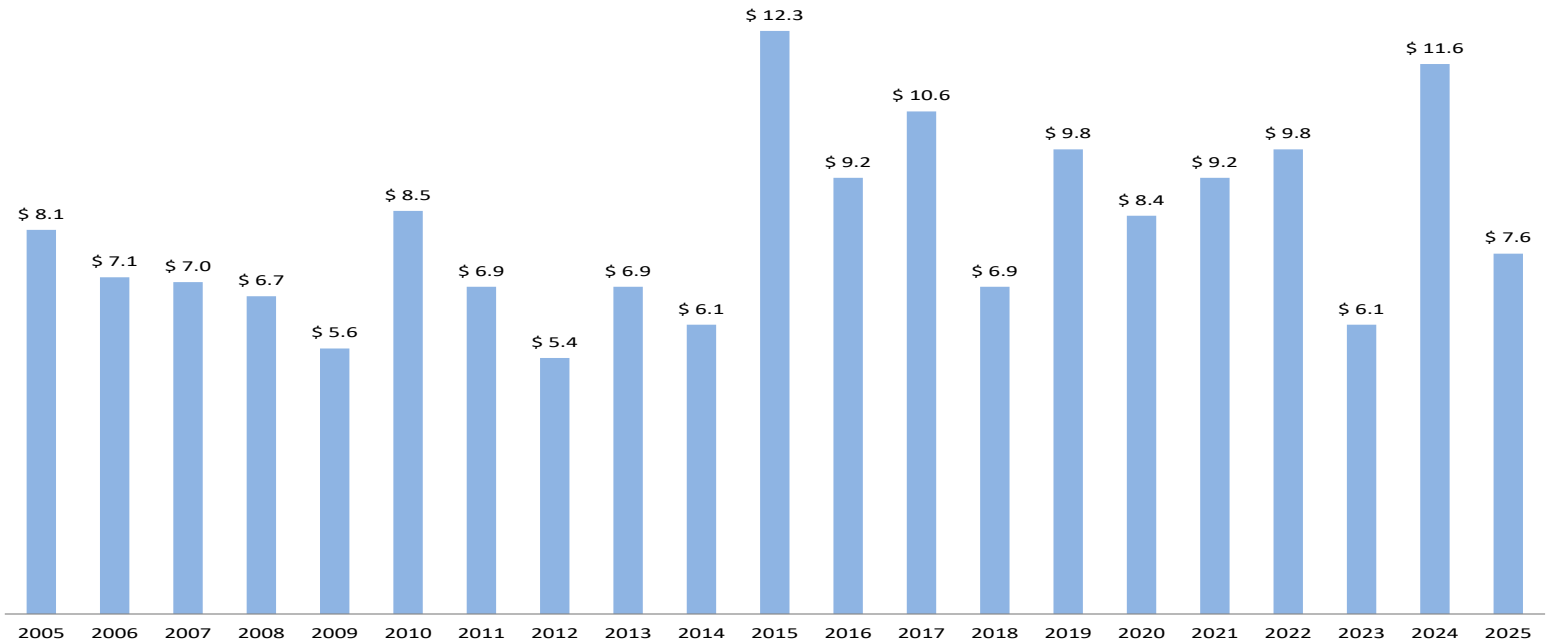
**Number of 2025 Awards**



## Number of Awards Approved from 2005-2025



## Amount of Awards Approved from 2005-2025 (In Million \$)



### Ineligible Claims

In 43 years, the Fund has rendered 21,911 determinations in claims. Of these 21,911 claims, 12,323, or 56 percent, were found to be ineligible for reimbursement. In 2025, there were 300 total dispositions, including 204 disallowed claims.

### Claims Pending as of December 31, 2025

There were 93 pending claims at the close of 2025, the same total number as at the end of the prior year.

These 93 pending claims allege total losses of \$53.1 million. The Fund’s exposure on these pending claims, adjusted to reflect the increased maximum award limit of \$450,000 (up from \$400,000) effective April 1, 2026, is \$9.1 million. This represents a 33 percent decrease from the Fund’s \$13.6 million exposure on pending claims at the end of 2024. The Fund’s balance at the close of 2025 was \$12.2 million.

**Judicial Review Litigation**

In 43 years, there have been 21,911 determinations of claims filed with the Fund. The Trustees have approved 9,588 awards of reimbursement. The remaining 12,323 claims were determined to be ineligible for failure to provide satisfactory evidence of eligible losses.

Since 1982, thirty-two claimants denied reimbursement and three former attorneys have pursued CPLR Article 78 or other proceedings in court against the Fund. All of these judicial challenges were denied or dismissed by the end of 2025.

**Lawyers Involved In 2025 Awards**

The following is a list of the 21 now suspended, disbarred or deceased lawyers responsible for the misconduct and resulting client losses reimbursed by the Fund in 2025. The number and amount of awards listed are not cumulative and do not represent awards approved from prior years. **A complete list of lawyers involved in all reimbursement awards since 1982 is available on our website: [www.nylawfund.org](http://www.nylawfund.org).**

| <u>Name</u>             | <u>Judicial District</u> | <u>#</u> | <u>Amount</u> |
|-------------------------|--------------------------|----------|---------------|
| Vincent J. Ancona       | 10                       | 2        | \$ 400,000    |
| Daniel L. Boldi         | 10                       | 26       | \$ 871,995    |
| Michael G. Diaz         | 10                       | 2        | \$ 6,878      |
| Terrance J. Dougherty   | 10                       | 18       | \$ 848,200    |
| Victor M. Feraru        | 02                       | 2        | \$ 19,000     |
| Daniel Fier             | 11                       | 1        | \$ 65,000     |
| Robert H. Fix           | 05                       | 7        | \$ 10,285     |
| Aaron M. Gavenda        | 07                       | 1        | \$ 961        |
| Albert O. Grant         | 01                       | 1        | \$ 140,735    |
| Gerald Hecht            | 09                       | 1        | \$ 400,000    |
| Frank T. Housh          | 08                       | 1        | \$ 5,000      |
| Mitchell H. Kossoff     | 01                       | 1        | \$ 187,500    |
| Rahul Manchanda         | 01                       | 4        | \$ 45,600     |
| Audrey Mars             | 10                       | 2        | \$ 101,181    |
| Marco Materassi         | 10                       | 4        | \$ 132,800    |
| Bryan A. McKenna        | 10                       | 1        | \$ 109,039    |
| Owolabi M. Salis        | 01                       | 1        | \$ 4,800      |
| Salvatore E. Strazzullo | 02                       | 16       | \$ 3,995,580  |
| Robert A. Walters       | 12                       | 1        | \$ 12,000     |
| Allen Yusufov           | 02                       | 1        | \$ 75,000     |
| Daphna Zekaria          | 01                       | 3        | \$ 194,869    |

# - refers to Number of Awards in 2025.

**Lawyers Involved in Awards**  
**1982 to 2025**

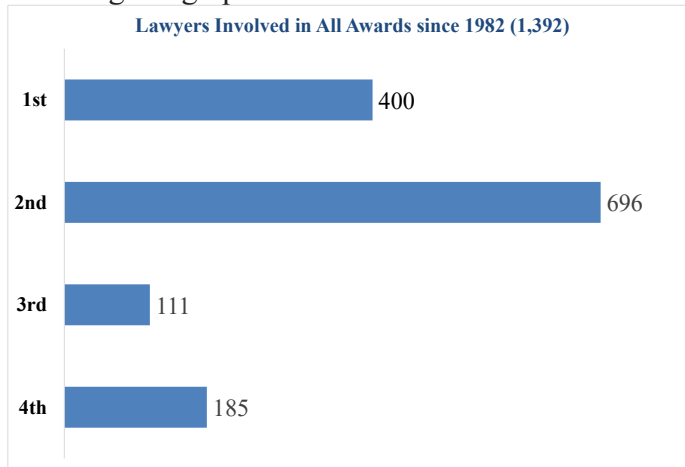
The Trustees' 43-year experience has firmly established that the overwhelming majority of lawyers in New York State are honest and caring and deserving of their law clients' trust. A tiny percentage of New York's legal profession each year is responsible for the dishonest conduct resulting in awards from the Lawyers' Fund. There are now over 360,000 registered lawyers in New York State as identified in the maps to the right.

Over the Fund's 43-year history, hundreds of thousands of attorneys have been admitted to practice in New York State, including more than 360,000 currently registered lawyers. During that time, the misconduct of 1,392 lawyers led to reimbursement awards from the Fund representing only a fraction of a percent of the legal profession overall.

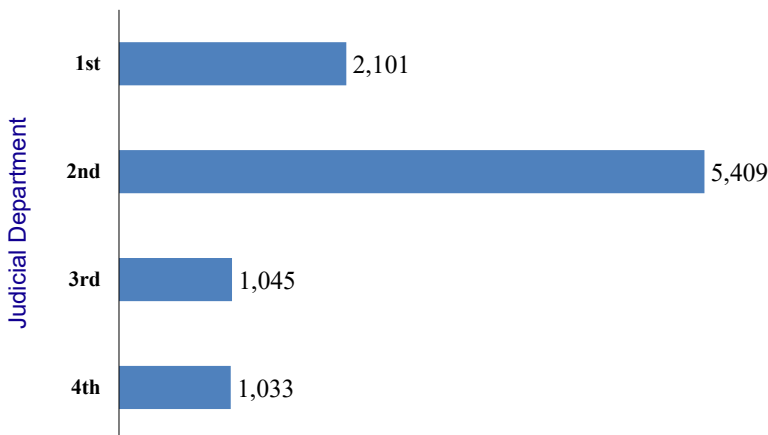
In 2025, the Trustees' 96 awards were attributable to dishonest conduct by 21 now suspended, disbarred or now deceased lawyers. Of these 21 former lawyers, 11 were respondents in awards from prior years. The names of 10 dishonest lawyers appear for the first time in 2025 awards.

**The complete list of lawyers whose dishonest conduct was the basis for all awards since 1982 is provided on the Lawyers' Fund website: [www.nylawfund.org](http://www.nylawfund.org).**

Apparent causes of misconduct are often alcohol or drug abuse and gambling. Other causes are economic pressures, mental illness and marital, professional and medical problems. The geographic distribution of these 1,392 former lawyers, and the Fund's 9,588 awards, among the State's judicial departments is represented in the following bar graphs:



**Distribution of Awards Since 1982 (9,588)**



**First Judicial Department Includes:**

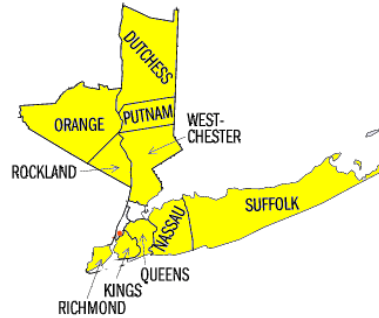
New York and Bronx Counties:



At the close of 2025 105,395 (54%) of in-state attorneys were registered in the First Judicial Department.

**Second Judicial Department Includes:**

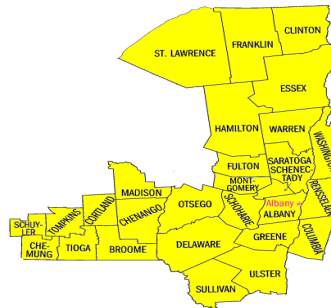
Kings, Richmond, Queens, Nassau, Suffolk, Dutchess, Orange, Putnam, Rockland and Westchester Counties:



At the close of 2025 61,340 (32%) of in-state attorneys were registered in the Second Judicial Department.

**Third Judicial Department Includes:**

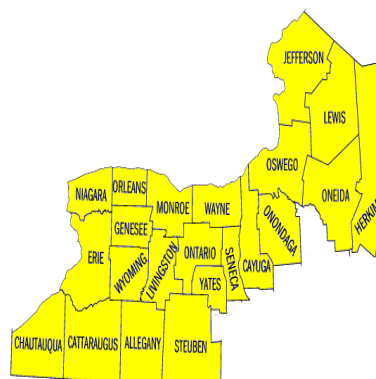
Albany, Broome, Chemung, Chenango, Clinton, Columbia, Cortland, Delaware, Essex, Franklin, Fulton, Greene, Hamilton, Madison, Montgomery, Otsego, Rensselaer, St. Lawrence, Saratoga, Schoharie, Schuyler, Sullivan, Tioga, Tompkins, Ulster, Warren and Washington Counties:



At the close of 2025 11,682 (6%) of in-state attorneys were registered in the Third Judicial Department. An additional 170,152 attorneys registered as Out of State or Out of Country.

**Fourth Judicial Department Includes:**

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



At the close of 2025 15,119 (8%) of in-state attorneys were registered in the Fourth Judicial Department.

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## **Public Information and Consumer Education**

The Trustees encourage dissemination of public information about the Fund and its activities. Responsible public information efforts promote public confidence in the integrity of the legal profession and the administration of justice in New York State.

The Fund has produced educational publications for legal consumers and members of the bar, including Know Your Escrow Rights; Know Your Escrow Rights: The Lawyers' Edition; Attorney Trust Accounts: The Video; Avoiding Grief With A Lawyer; an appendix of CLE materials; and a 2007 documentary video on the history and purpose of the Lawyers' Fund. In 2017, the Lawyers' Fund updated the Client Protection Fund Bibliography, which was donated to the National Client Protection Organization. In 2021, the Fund updated its What's a Power of Attorney? Answers for New Yorkers brochure and A Practical Guide to Attorney Trust Accounts and Record Keeping, now in its ninth edition.

These publications and additional resources are available on the Fund's website, [www.nylawfund.org](http://www.nylawfund.org), which provides frequently asked questions, Fund procedures, the Trustees' Regulations, reimbursement claim forms, recent Annual Reports, consumer publications, press releases, contact information for Attorney Grievance Committees, and a roster of client protection funds nationwide. The website also includes the Rules of Professional Conduct, the Dishonored/Overdraft Check Notice Rule, court rules and sample pleadings concerning escrow funds of missing clients and deceased attorneys, selected New York State Bar Association ethics opinions, and information about the Fund's approved CLE program and its presentations to law schools and state and local bar associations.

### **Theft of Personal Injury Settlements and Payee Notification**

One type of loss brought to the attention of the Trustees involves a dishonest lawyer settling a client's action without authority by forging the client's signature on a general release and settlement draft and converting the proceeds. The settlement would be issued without notice to the law client of the payment.

In 1988, to detect and prevent these losses, the Trustees recommended adoption of a payee notification rule codified as Insurance Department "Regulation 64", which requires liability insurers to provide law clients with written notice of payment whenever a third-party liability claim is settled for \$5,000 or more (11 NYCRR 216.9). This rule does not apply to self-insured entities or municipalities, including the City of New York; however, the Trustees recommend that the City of New York, as a self-insurer that issues numerous settlements, adopt a similar policy. Regulation 64 detects and prevents losses involving the theft of personal injury settlements. In so doing, it facilitates timely liability claims for forgery losses against banks that improperly honor forged indorsements on negotiable instruments.

New York's Regulation 64 has been approved as a Model Rule for attorney disciplinary systems by the American Bar Association. Variations of this payee notice rule have now been adopted in the Canadian Province of New Brunswick and in the following sixteen states: Arkansas, California, Connecticut, Delaware, Georgia, Hawaii, Maryland, Massachusetts, Nebraska, Nevada, New Jersey, Oregon, Pennsylvania,

### **The Dishonored Check/Overdraft Reporting Rule**

A clear indicator of the possible misuse of client funds is an overdraft or a dishonored check from an attorney's escrow account. In 1992, as a client protection measure, the Trustees recommended a version of the ABA's model overdraft reporting rule, which the Appellate Division adopted effective January 1, 1993.

The "Bounced/Overdraft Check Rule" (22 NYCRR 1200.46(b) (1), (2); Part 1300) requires that a lawyer in possession of funds belonging to another person incident to the lawyer's practice of law must maintain such funds in a special account separate from the lawyer's business, personal or other accounts.

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A separate fiduciary account must be designated as an “Attorney Special Account”, “Attorney Trust Account”, or “Attorney Escrow Account”. Lawyers must deposit client funds with banks that have agreed to report dishonored or overdrawn checks on these accounts. A list of approved banks is available on the Fund’s website at [www.nylawfund.org](http://www.nylawfund.org).

In April 2021, the Administrative Board of the Courts adopted the Trustees’ proposals to expand the Dishonored Check Reporting Rule to require notice of any overdraft on attorney special, trust or escrow accounts. The new rules also prohibit attorneys from carrying overdraft protection on attorney trust, special and escrow accounts.

Notice of the overdraft or “bounced” escrow check is mailed to the Lawyers’ Fund. If it is not withdrawn within 10 days due to bank error, the Fund forwards the notice to the appropriate attorney grievance committee for investigation. The majority of overdrafts/bounced check notices are caused by innocent mistakes in law office banking practice. In these cases, the rule serves an educational role, alerting lawyers to the accounting, banking and recordkeeping requirements of the Rules of Professional Conduct.

Since 1993, 365 lawyers who were misusing client funds have been identified by bounced check/overdraft reports, demonstrating that the Dishonored Check/Overdraft Reporting Rule is an effective loss detection and prevention device.

### **Escrow Funds of Deceased Lawyers and Missing Clients**

Rule 1.15 (e) of the Rules of Professional Conduct provides that only an attorney admitted to practice law in New York State shall be an authorized signatory on an attorney’s trust, escrow or special account. This limitation is intended to protect law clients from the misuse of their money. When a sole practitioner dies without a successor signatory, practical problems arise.

In 1994, the Appellate Division amended court rules, at the Trustees’ suggestion, to permit a Justice of the Supreme Court to designate a successor signatory for a deceased attorney’s trust, escrow or special account. Effective April 1, 2009, this Disciplinary Rule was renumbered Rule 1.15 (g) of the Rules of Professional Conduct. A court may now direct that money from a deceased attorney’s client funds account be disbursed to persons who are entitled thereto or, if not identified, to be deposited with the Lawyers’ Fund for safeguarding.

The Trustees also recommended court rules to prevent the escheat or transfer of law client escrow funds that were unclaimed or owed to missing clients to the State as abandoned property.

Rule 1.15 (f) of the Rules of Professional Conduct permits an application for a court order directing that unclaimed escrow funds or funds owed to a missing client be deposited with the Lawyers’ Fund for safeguarding and disbursement to persons entitled thereto. To prevent the depletion of nominal deposits, the Fund’s policy is to accept deposits of \$1,000 or less, owed to any one client, without a court order. See Erie County Bar Association Ethics Opinion (Jan. 15, 2004).

The Fund’s staff attempts to identify missing clients to whom these deposits should be returned. The Fund has so far successfully located 804 missing clients and returned over \$3.7 million. These court rules and sample pleadings pursuant to the rules can be found on the Fund’s website at [www.nylawfund.org](http://www.nylawfund.org) in the escrow and ethics material section.

In 2017, the Board amended section 7200.4 (a) of the Trustees’ Regulations to authorize the Trustees to utilize, for the benefit of victims, unclaimed missing client and deceased attorney escrow deposits held by the Lawyers’ Fund for over five years, and such deposits held for unknown clients, pursuant to Rules 1.15 (f) and 1.15 (g) of the Rules of Professional Conduct (22 NYCRR Part 7200.4 (a)).

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## Trustees' Recommendations

Section 468-b of the Judiciary Law and the Fund's Regulations delegate to the Trustees the statutory responsibility to maintain the integrity of the legal profession and promote public confidence in the administration of justice. To fulfill this statutory responsibility, the Trustees annually recommend changes in legal practice and policy. The Trustees propose the following measures to the judicial, legislative and bar leaders of New York State:

### **Prohibit ATM (Automated Teller Machine) Withdrawals on Escrow Attorney Trust, Special or Escrow Accounts**

**The Trustees recommend banking regulations and practices be amended to prohibit use of an ATM card to make withdrawals from attorney trust, special or escrow accounts.**

Current record keeping rules and ethics opinions permit the use of an ATM card to make deposits to attorney escrow accounts. These same rules prohibit cash withdrawals from an attorney's escrow account. Despite this prohibition, ATM cards issued for attorney escrow accounts are not currently restricted to prohibit improper cash withdrawal transactions. Given the current state of banking technology, cash withdrawal restrictions could easily be implemented for ATM cards issued on attorney fiduciary accounts and serve as an additional protection for client trust funds.

### **Interim Suspensions and Restraining Escrow Funds**

**The Trustees propose that court rules be amended to grant discretion to the Appellate Division to restrain the escrow account of a lawyer determined to be a public threat.**

Court rules in New York State allow for the temporary suspension of an attorney when there is a judicial finding that the attorney is guilty of professional misconduct immediately threatening the public interest. These rules should grant the Appellate Division discretion to restrain attorney escrow accounts of these lawyers who are identified as public threats. This measure will protect the interests of legal consumers.

### **Disbarment for Conversion**

**The Trustees again recommend a consistent, firm statewide disciplinary policy imposing disbarment for a lawyer who injures clients or others by converting escrow funds.**

Lawyers who harm their clients and others by intentionally stealing escrow funds should be disbarred. No questions or excuses. This clear, evenhanded penalty will deliver a strong message to victims, the public and lawyers about the administration of justice in our State. The Trustees are grateful to the Appellate Divisions and their disciplinary staff for including orders of restitution in disbarment proceedings involving clear cases of lawyer theft. This important use of the provisions of the Judiciary Law has proven to be beneficial to victims and the Lawyers' Fund.

### **Bar Examinations & Legal Education**

**The Trustees continue to recommend that the New York bar examination test for knowledge and competence with respect to a lawyer's fiduciary obligations to safeguard and account for law clients' money and property and that these necessary skills be reinforced in continuing legal education programs.**

The knowledge and skills for a lawyer to administer properly client trust funds as fiduciaries or escrow agents should be taught in law school and enhanced through the bar examination and New York's Continuing Legal Education program. The Trustees firmly believe that our system of legal education should prepare students and lawyers for this vital aspect of lawyering.

### **Bank Notices to Fiduciaries**

**The laws of New York should require that the named fiduciary of an estate or trust be provided with a copy of the estate's monthly bank statement.**

The Trustees' experience in claims involving the theft of estate or trust assets has shown that these types of losses can be concealed when someone other than the fiduciary controls the bank account and receives the

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monthly statements. Absent legislative action, the Trustees propose that a court rule be adopted to prohibit lawyers from depositing fiduciary monies in banking institutions that do not agree to forward copies of bank statements to named fiduciaries of estates and trusts. This rule could be patterned after the Dishonored/Overdraft Check Reporting Rule. This simple step would discourage and detect thefts.

### **Escrow Thefts in Real Property Transactions**

**The Trustees continue to encourage bar and judicial leaders to consider and adopt measures to address the recurring problem of escrow thefts in real property transactions.**

Since 1982, real property escrow thefts account for the largest dollar amount of reimbursement by the Lawyers' Fund. The Fund's Trustees have reimbursed over \$112 million for these thefts. This represents over 41% of all reimbursement from the Fund in 43 years.

In 2025, real property escrow thefts were responsible for the largest dollar amount of reimbursement by the Lawyers' Fund. Of the \$7.6 million awarded in 2025, \$5.6 million (72.9%) reimbursed realty losses. While attorneys in the First and Second Departments routinely provide counsel in residential real estate transactions, that is not the practice in the Third and Fourth Departments. First and Second Department practitioners representing sellers ordinarily receive ten percent of the purchase price for deposit into their escrow accounts, leading to the statistic that more than 97% of down payment escrow thefts in real property transactions occur in these two down state Departments.

The few lawyers responsible for these losses cause substantial harm to law clients and to the reputation of the over 360,000 registered lawyers in New York State. The Trustees continue to urge the New York State Bar Association, local bar associations and other interested parties to study and address this problem.

### **Confidentiality in Attorney Disciplinary Proceedings**

**The Trustees recommend a uniform disciplinary policy enabling a Grievance Committee to make a prompt referral to the local District Attorney when the Committee has admitted or uncontested evidence of theft by a lawyer.**

Section 90 of the State Judiciary Law provides that lawyer disciplinary proceedings shall be "deemed private and confidential", and that all "papers, records and documents" be sealed unless the court sustains the charges of misconduct filed against the respondent lawyer. The Judiciary Law now permits the Appellate Divisions, by written order, to divulge all or any part of disciplinary papers, records and documents upon a showing of good cause.

Matters involving thefts by lawyers should be referred promptly to the appropriate prosecutor's office. A Grievance Committee with admitted or uncontested evidence of larceny by a lawyer should promptly secure an Appellate Division sharing order in order to notify the District Attorney. This policy should help protect law clients and promote public confidence in our justice system.

### **Thefts by Suspended, Disbarred and Bogus Lawyers**

**The Trustees recommend a court rule to require every lawyer to endorse his or her Attorney Registration Number on each pleading the lawyer files with a court or a court agency.**

Attorney Grievance Committees lack the resources to monitor suspended or disbarred lawyers. The unauthorized and illegal practice of law is a threat to the public.

The Office of Court Administration maintains an Official Register of Attorneys which assigns to each lawyer a unique identification number. That simple endorsement will provide a cost-free and reliable opportunity for clients, adversaries, court clerks or court officials to verify the credentials of persons who represent themselves to be licensed to practice law in New York State.

The Trustees encourage criminal prosecution of those engaged in the unauthorized practice of law. This enforcement of the penal laws will deter the illegal practice of law and protect legal consumers.

The Trustees are grateful that the recently amended Rules for Attorney Disciplinary Matters now include our prior recommendation that attorneys resigning from the bar for professional misconduct be required to agree in their resignation affidavits not to accept any advance legal fees after their resignation is submitted.

## Attorney Malpractice Insurance Disclosure

**The Trustees propose that New York attorneys be required to disclose on their attorney registration statement whether they maintain or are covered by malpractice insurance.**

The Lawyers' Fund is authorized to reimburse law client losses caused by dishonest conduct in the practice of law. The Fund cannot compensate for damages due to attorney malpractice. If law clients wish protection from this type of loss they should have access to information that would allow them to choose a lawyer who maintains or is covered by malpractice insurance.

Twenty-seven states now require some form of attorney malpractice insurance disclosure. One method is to require that attorneys disclose on their biennial registration statement whether they maintain or are covered by professional liability coverage and the limits of their policy. Legal consumers can then access this information and make an informed choice when seeking legal representation. As New York admitted attorneys are now mandated to complete their biennial registration online in lieu of a paper form, addition of this simple checkbox item should be easily achieved.

### Conclusion

The Trustees remain grateful to Chief Judge Rowan Wilson, the Associate Judges of Court of Appeals, the Clerk of the Court and her staff, and the many in State government, our judiciary and the attorney disciplinary system for their invaluable assistance to the Lawyers' Fund. The Trustees also remain proud of New York's legal profession for its financial and other support to the Lawyers' Fund. Special recognition is due those members of the bar who generously donate their time and talents in assisting claimants before the Fund as a public service, without legal fee.

The Trustees' 43 years of experience has demonstrated that only the tiniest fraction of attorneys admitted to practice in New York have abused their obligation to maintain high standards of integrity when entrusted with law client money and property. These few who disgrace the legal profession cause significant harm to law clients. The Lawyers' Fund for Client Protection therefore continues to have a vital role in our justice system.

### Helpful Telephone Numbers

#### Attorney Grievance Committees

Manhattan & Bronx - (212) 401-0800  
Brooklyn, Staten Island, Queens - (718) 923-6300  
Nassau & Suffolk - (631) 231-3775  
Westchester area - (914) 824-5070  
Albany area - (518) 285-8350  
Syracuse area - (315) 401-3344  
Rochester area - (585) 530-3180  
Buffalo area - (716) 845-3630

#### NYS Office of Court Administration

Lawyer Licensing Information  
(212) 428-2800

#### NYSBA Lawyer Assistance Program

(800) 255-0569

#### NYS Department of Law (Attorney General)

##### Consumer Frauds & Protection Bureau

1-800-771-7755

##### Lawyer Referral Services

Contact your local county or city bar association, or call the New York State Bar Association in Albany at 1-800-342-3661.

#### Attorney-Client Fee Dispute Resolution Program

(877) FEES-137 (877-333-7137)

### How to Reach Us

The Lawyers' Fund for Client Protection  
119 Washington Avenue, Albany, New York 12210  
518-434-1935 or 1-800-442-FUND  
info@nylawfund.org  
www.nylawfund.org

Our website contains answers to frequently asked questions; the text of the Fund's enabling statutes, including New York State Finance Law § 97-t and Judiciary Law § 468-b; the Trustees' regulations(22 NYCRR 7200); reimbursement claim forms; annual reports; updates on Fund operations; educational publications for legal consumers and members of the bar; and press releases.

If you would like an information packet and reimbursement application mailed to you, you may submit a request through the request portal on our website, email us at info@nylawfund.org, or call either of the telephone numbers listed above.

## Statistical Tables\*

| Losses Alleged in 2025 Claims |                  |                           |                        |                              |
|-------------------------------|------------------|---------------------------|------------------------|------------------------------|
| Category of Client Loss       | Number of Claims | Percent of All Claims (#) | Amount of Loss Alleged | Percent of Loss Alleged (\$) |
| Estates & Trusts              | 11               | 3.8%                      | \$702,066              | 1.0%                         |
| Real Property Escrow          | 68               | 23.2%                     | \$6,335,492            | 9.0%                         |
| Unearned Fees                 | 162              | 55.3%                     | \$6,544,658            | 9.3%                         |
| Settlements                   | 22               | 7.5%                      | \$45,089,153           | 64%                          |
| Other Escrow                  | 12               | 4.1%                      | \$940,792              | 1.3%                         |
| Debt Collection               | 0                | 0%                        | \$0                    | 0%                           |
| Investment                    | 8                | 2.7%                      | \$10,699,848           | 15.2%                        |
| Other                         | 10               | 3.4%                      | \$129,045              | 0.2%                         |
| <b>Totals</b>                 | <b>293</b>       | <b>100%</b>               | <b>\$70,441,054</b>    | <b>100%</b>                  |

| Losses Alleged Since 1982 |                  |                           |                        |                              |
|---------------------------|------------------|---------------------------|------------------------|------------------------------|
| Category of Client Loss   | Number of Claims | Percent of All Claims (#) | Amount of Loss Alleged | Percent of Loss Alleged (\$) |
| Estates & Trusts          | 1,410            | 6.4%                      | \$159,691,990          | 11.0%                        |
| Real Property Escrow      | 4,725            | 21.5%                     | \$348,224,266          | 23.9%                        |
| Unearned Fees             | 8,290            | 37.8%                     | \$98,626,446           | 6.8%                         |
| Settlements               | 2,122            | 9.7%                      | \$174,098,229          | 12.0%                        |
| Other Escrow              | 1,791            | 8.2%                      | \$221,860,731          | 15.3%                        |
| Debt Collection           | 677              | 3.1%                      | \$4,886,977            | 0.3%                         |
| Investment                | 1,903            | 8.7%                      | \$374,420,951          | 25.7%                        |
| Other                     | 1,017            | 4.6%                      | \$72,852,287           | 5.0%                         |
| <b>Totals</b>             | <b>21,935</b>    | <b>100%</b>               | <b>\$1,454,661,877</b> | <b>100%</b>                  |

| Client Losses in 2025 Awards |                  |                           |                      |                            |                        |                                  |
|------------------------------|------------------|---------------------------|----------------------|----------------------------|------------------------|----------------------------------|
| Category of Client Loss      | Number of Awards | Percent of All Awards (#) | Amount of All Awards | Percent of All Awards (\$) | Client Losses Involved | Percent of All Losses Reimbursed |
| Estates & Trusts             | 5                | 5.2%                      | \$1,672,745          | 21.9%                      | \$2,368,636            | 70.6%                            |
| Real Property Escrow         | 68               | 70.8%                     | \$5,557,104          | 72.9%                      | \$5,797,101            | 95.9%                            |
| Unearned Fees                | 17               | 17.7%                     | \$99,563             | 1.3%                       | \$99,563               | 100%                             |
| Settlements                  | 0                | 0%                        | \$0                  | 0%                         | \$0                    | 0%                               |
| Other Escrow                 | 6                | 6.3%                      | \$297,011            | 3.9%                       | \$297,011              | 100%                             |
| Debt Collection              | 0                | 0%                        | \$0                  | 0%                         | \$0                    | 0%                               |
| Investment                   | 0                | 0%                        | \$0                  | 0%                         | \$0                    | 0%                               |
| <b>Totals</b>                | <b>96</b>        | <b>100%</b>               | <b>\$7,626,423</b>   | <b>100%</b>                | <b>\$8,562,311</b>     |                                  |

| Client Losses in All Awards Since 1982 |                  |                           |                      |                            |                        |                                  |
|--|------------------|---------------------------|----------------------|----------------------------|------------------------|----------------------------------|
| Category of Client Loss                | Number of Awards | Percent of All Awards (#) | Amount of All Awards | Percent of All Awards (\$) | Client Losses Involved | Percent of All Losses Reimbursed |
| Estates & Trusts                       | 812              | 8.5%                      | \$51,227,070         | 18.5%                      | \$74,783,185           | 68.5%                            |
| Real Property Escrow                   | 2,760            | 28.8%                     | \$118,281,891        | 42.6%                      | \$135,050,500          | 87.6%                            |
| Unearned Fees                          | 3,129            | 32.6%                     | \$9,773,765          | 3.5%                       | \$9,808,115            | 99.6%                            |
| Settlements                            | 1,144            | 11.9%                     | \$40,846,944         | 14.7%                      | \$47,759,060           | 85.5%                            |
| Other Escrow                           | 871              | 9.1%                      | \$28,499,750         | 10.3%                      | \$36,448,717           | 78.2%                            |
| Debt Collection                        | 458              | 4.8%                      | \$884,045            | 0.3%                       | \$939,045              | 94.1%                            |
| Investment                             | 414              | 4.3%                      | \$27,945,009         | 10.1%                      | \$33,826,996           | 82.6%                            |
| <b>Totals</b>                          | <b>9,588</b>     | <b>100%</b>               | <b>\$277,458,474</b> | <b>100%</b>                | <b>\$338,615,618</b>   |                                  |

*\*Please refer to [www.nylawfund.org](http://www.nylawfund.org) for additional statistical tables dating back to 1982.*