



# The Lawyers' Fund for Client Protection

of the State of New York

## Highlights from the 2015 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 2015.

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. 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.

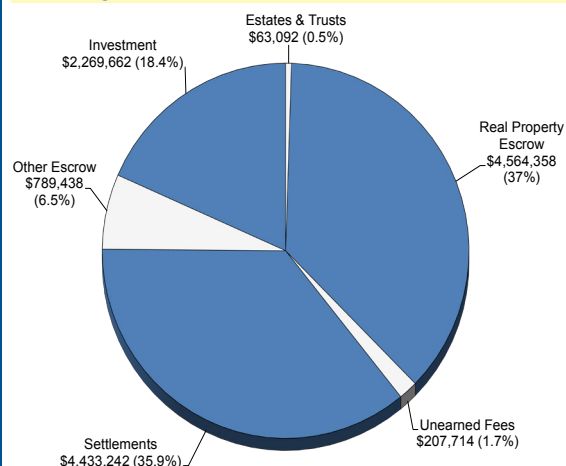
The Trustees' experience has firmly established that the overwhelming majority of lawyers in New York State are honest and caring and deserving of their clients' trust. Since the Fund's inception in 1982, a small number of former lawyers each year have been responsible for the dishonest conduct resulting in the Fund's awards. In 2015, 51 now suspended, disbarred or deceased lawyers were responsible for the client losses reimbursed by the Fund. Of these 51 former lawyers, 37 appear for the first time in the Fund's awards. There are over 300,000 registered lawyers in New York.

In 2015, the Trustees approved 274 awards providing \$12.3 million in total reimbursement to eligible law clients for losses caused by dishonest conduct of 51 former New York State attorneys. This is the largest single-year payout in the Fund's history. All but four eligible law clients received 100 percent reimbursement for their losses in 2015. Since 1982, the Trustees have granted 8,306 awards totaling \$189 million.

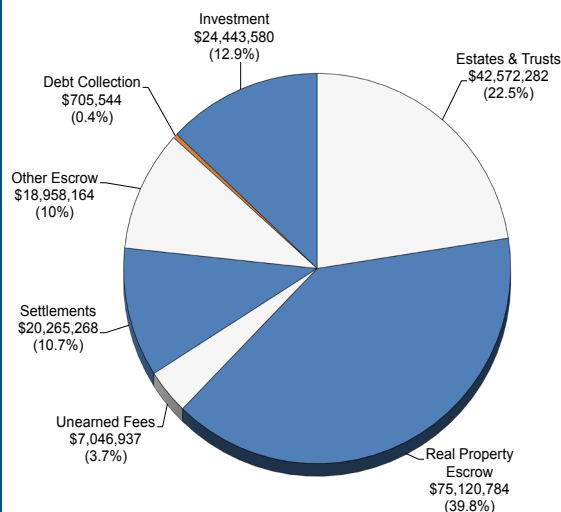
Effective January 1, 2015, the Fund's maximum award was increased from \$300,000 to \$400,000. This increase resulted in the additional payout of \$934,004 to 13 law clients receiving awards from the Fund in 2015.

The Trustees remain grateful to the Court of Appeals, former Chief Judge Jonathan Lippman, and all those in State government, our judiciary and the attorney disciplinary system for their continued assistance to the Lawyers' Fund. The Trustees are also 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.

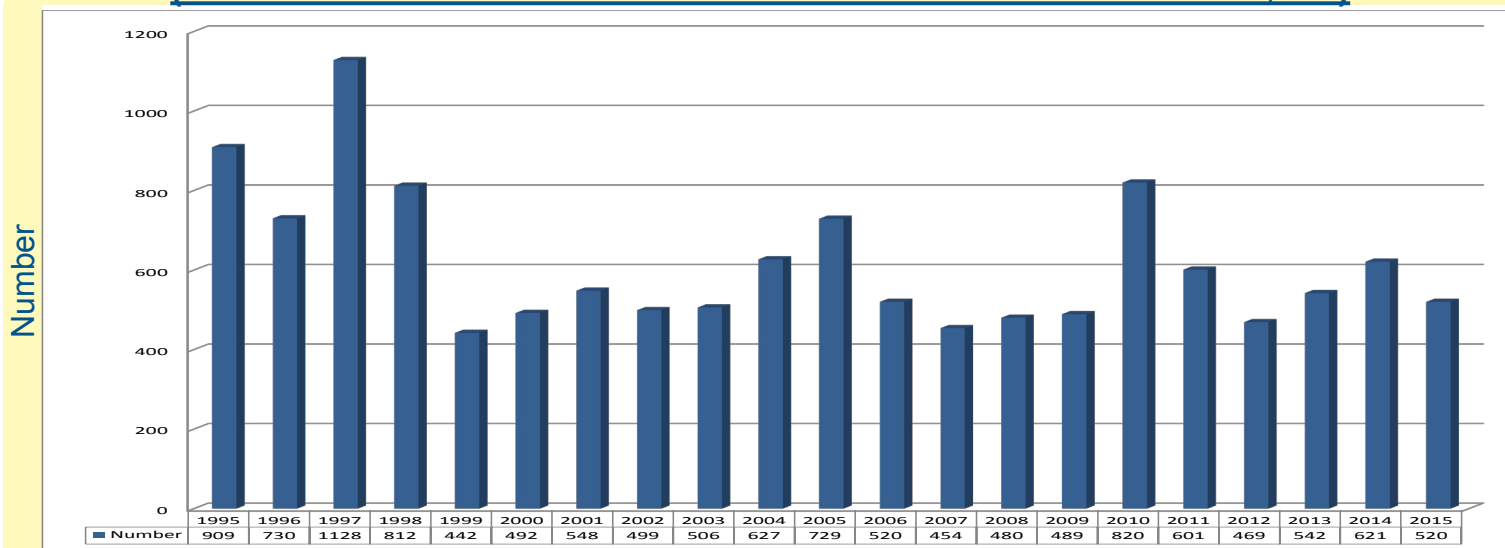
### Amount of 2015 Awards By Misconduct : \$12.3 Million



### Amount of Awards Since 1982 By Misconduct : \$189.1 Million



### Number of Reimbursement Claims Filed, 1995 - 2015 (Total Number of Reimbursement Claims Filed Since 1982: 18,694)



## The Fund's Statutory Authority and the Trustees' Regulations

The Lawyers' 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.). There were two amendments to the Trustees' Regulations which were both effective January 1, 2015. Section 7200.9 (a) of the Trustees' Regulations was amended to codify the policy that claimants are required to file disciplinary and criminal complaints against lawyers accused of dishonest conduct. Section 7200.13 (a) of the Trustees' Regulations was also amended to increase the Fund's maximum award from \$300,000 to \$400,000.

**"We would like to express our sincere gratitude to the Trustees of the Lawyers' Fund. It is a great comfort knowing that there is an agency where such grievances can be heard."**  
**Message from a claimant, 2015**

## 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 279 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, 2015, staff successfully located 362 missing clients and restored \$847,443 to them. This court rule and sample pleadings pursuant to this rule can be found on the Fund's website at [www.nylawfund.org](http://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.



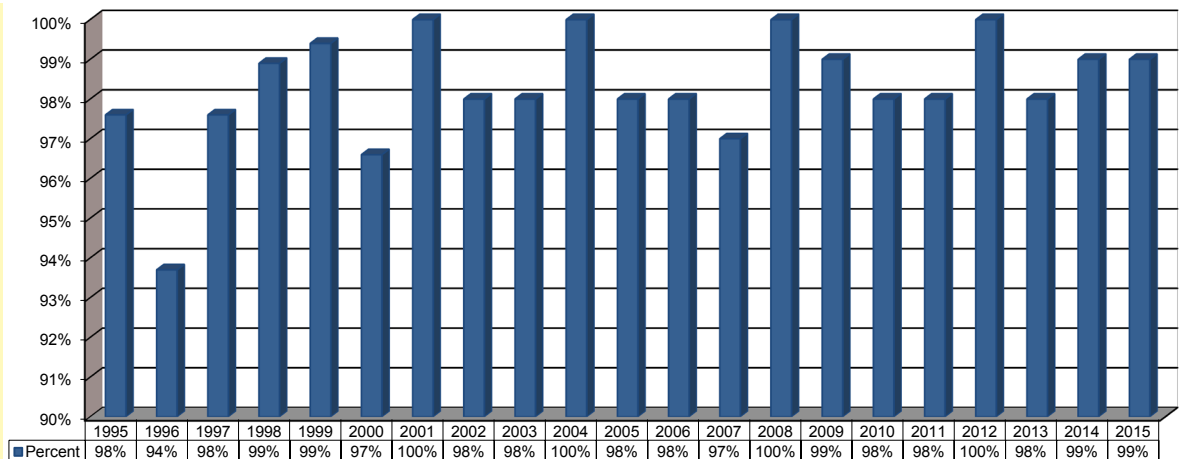
## Claims Received and Processed

In 2015, 520 claims were filed with the Fund, a decrease of 16 percent from 2014. These filed claims included 203 (40.4%) claims seeking reimbursement of legal fees and 127 (25.3%) claims involving personal injury settlements. The largest alleged losses (\$11.9 million) involved real property escrows. The second largest alleged losses (\$9.3 million) involved personal injury settlements.

The Trustees approved 274 awards in 2015. The dollar amount reimbursed totaled \$12.3 million, and ranged between \$170 and \$400,000. The median loss and award was \$11,500. In 2015, all but four eligible claimants received full reimbursement of their loss. By category, awards in 2015 reimbursing personal injury settlements comprised the largest number of awards. Of the 274 awards, 136 (49.6%) reimbursed personal injury settlements. The second largest category of awards by number were 53 unearned legal fee awards which constituted 19.3 percent of the 274 awards granted. Awards in 2015 reimbursing losses involving real property escrow losses were the largest dollar amount (\$4.6 million) and accounted for 37 percent of the Fund's total payout. Personal injury settlement claims were second with \$4.4 million in awards or 35.9 percent of all money reimbursed in 2015. Since 1982, final determinations have been reached in 18,259 claims: 8,306 (45%) were found to qualify for reimbursement and 9,953 (55%) were determined to be ineligible.

In February 2015, Chief Judge Lippman established the Commission on Statewide Attorney Discipline (COSAD) to review New York's attorney disciplinary system. The Trustees welcome the Court system's adoption, effective July 1, 2016, of uniform statewide rules to govern New York's attorney disciplinary process, one of the primary recommendations of COSAD. The Trustees encourage the implementation of COSAD's other recommendations for a Coordinator of Attorney Discipline and a Statewide Advisory Board on Attorney Discipline to further the desirable goals of uniformity and efficiency in New York's attorney disciplinary system and promote public confidence in that system. The full text of all the Trustees' Recommendations are published in the complete 2015 Annual Report which is available on our website at [www.nylawfund.org](http://www.nylawfund.org).

### Percent of Eligible Claimants Receiving Full Reimbursement 1995-2015



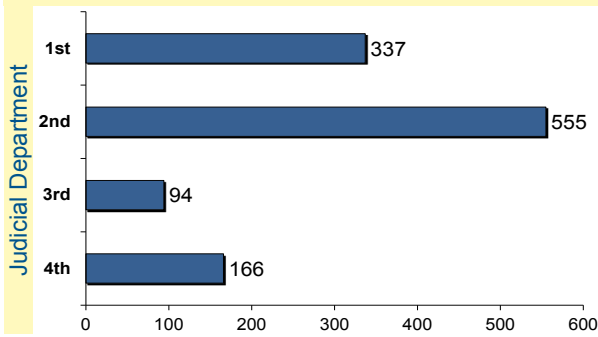
## Lawyers Involved in Awards, 1982 to 2015

In 33 years, 1,152 former members of the bar have been responsible for the 8,306 awards granted by the Fund. A complete list of these former lawyers is available on the Fund's website [www.nylawfund.org](http://www.nylawfund.org). There are over 300,000 registered lawyers in New York State. The Trustees' awards in 2015 were attributable to dishonest conduct by 51 now suspended, disbarred or deceased lawyers. Of these 51 former lawyers, 14 were respondents in awards from prior years and the names of 37 dishonest lawyers appear for the first time in 2015 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 1,152 former lawyers, and the Fund's 8,306 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

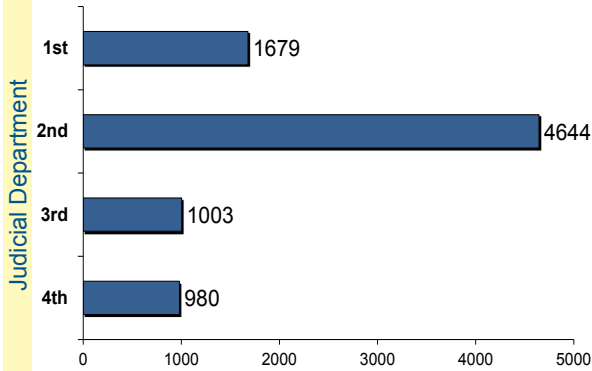
### Third Judicial Department

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

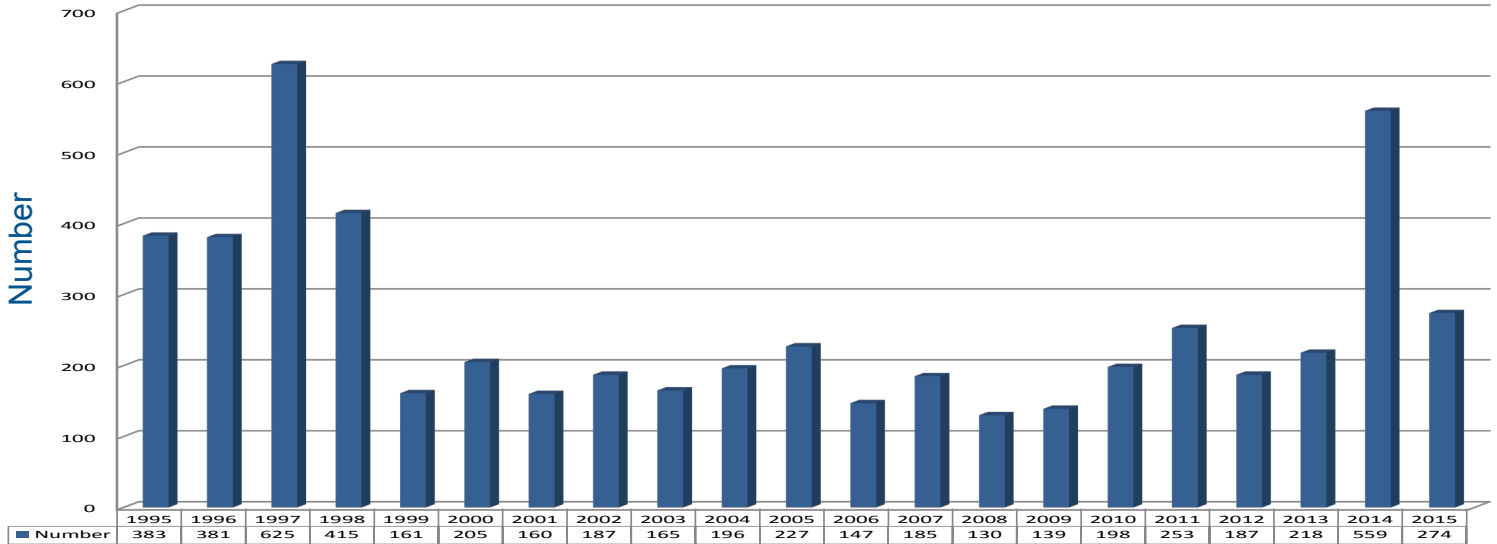
### Fourth Judicial Department

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

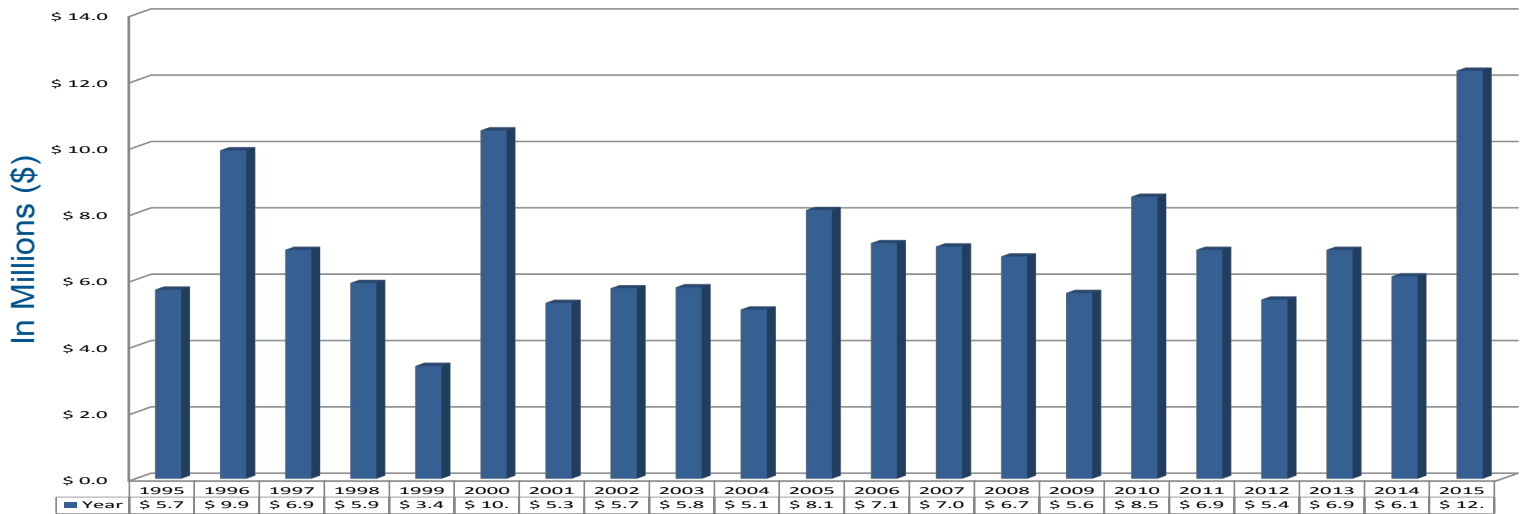
### Distribution of Awards Since 1982



## Number of Awards Approved From 1995-2015 (Total Number of Awards Approved Since 1982: 8,306)



## Amount of Awards Approved From 1995-2015 (In Millions \$) (Total Amount of Awards Approved Since 1982: \$189.1 Million)



## The Board of Trustees



**Eric A. Seiff** of the Bronx is Chairman of the Board. Mr. Seiff is of counsel to the Manhattan law firm of Storch, Amini & Munves, P.C.



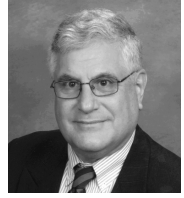
**Nancy Burner** of Suffolk County, is the Vice-Chairman of the Fund and the founding partner of Nancy Burner & Associates, P.C., in Setauket, Westhampton Beach and New York City.



**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, served 13 years as the Commissioner and Chair of the New York City Commission on Human Rights and as the New York State Deputy Secretary of Civil 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.

**"Thank you so very much for all of your thoughtful assistance and for granting of such relief in this matter. My faith in the legal system and the benevolence of [all attorneys in New York State] is summarily restored. I am now removed from harm's way and am most sincerely appreciative."**

Message from a Claimant, 2015

## Revenue of the Lawyers' Fund

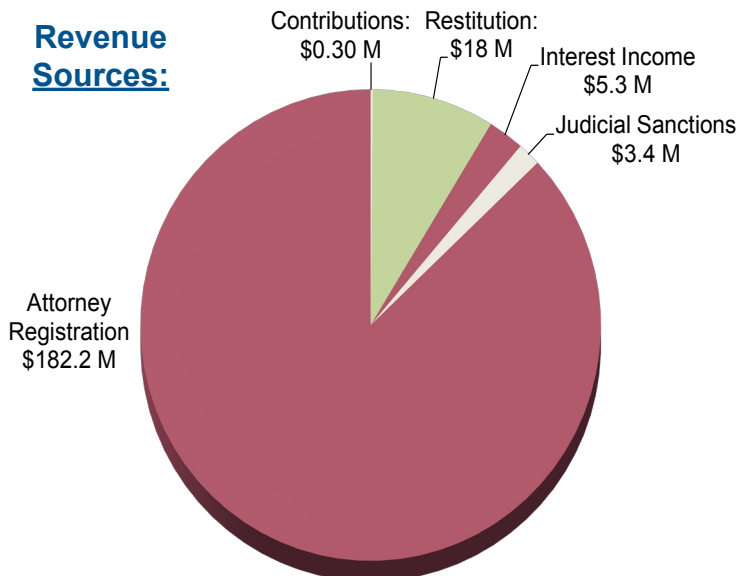
The biennial attorney registration fee required of every practicing attorney is the Fund's principal source of revenue. Section 468-a of the Judiciary Law allots \$60 of each \$375 registration fee to the Lawyers' Fund. Since April 1, 1993, additional revenue from the biennial registration fee has been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

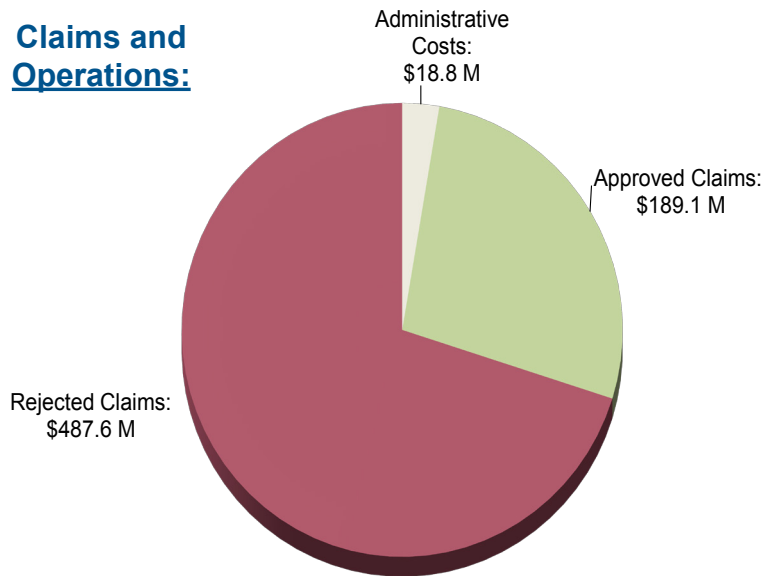
Other sources of revenue for the Fund include restitution, interest, sanctions and contributions. Since 1982, the Fund has received \$182.2 million from attorney registration fees; \$18 million in restitution; \$5.3 million in interest income; \$3.4 million in judicial sanction revenue; and \$303,000 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