



The Lawyers' Fund for Client Protection

of the State of New York

Highlights from the 2016 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 2016.

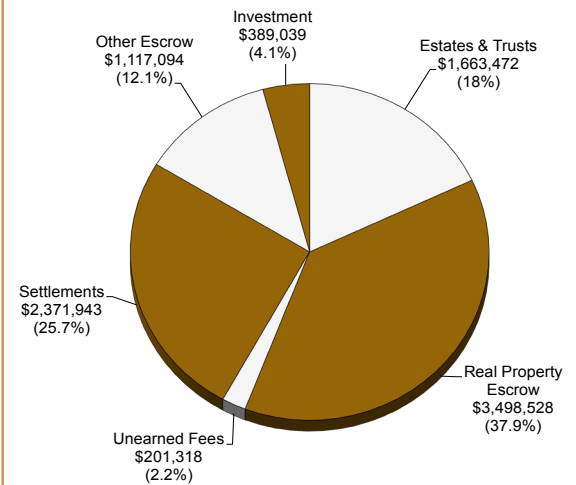
The Lawyers' Fund is an independent public trust, financed by New York's legal profession, which reimburses law clients for financial losses caused by dishonest conduct in the practice of law. No other profession provides such protection to its clients. The Lawyers' Fund is administered by a Board of 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 2016, 48 now suspended, disbarred or deceased lawyers were responsible for the client losses reimbursed by the Fund. Of these 48 former lawyers, 20 appear for the first time in the Fund's awards. There are over 311,000 registered lawyers in New York.

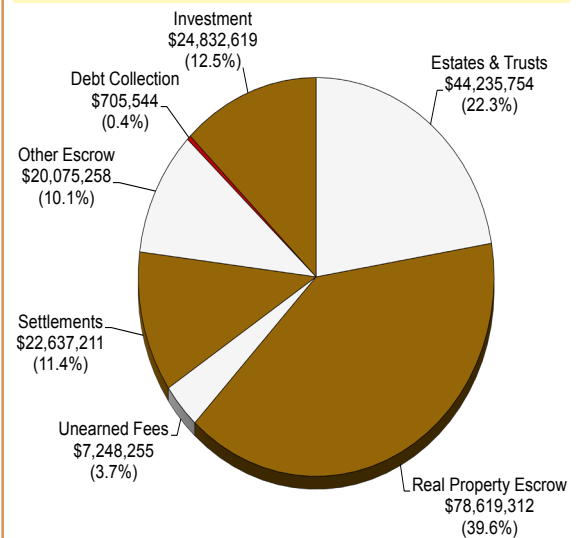
In 2016, the Trustees approved 155 awards providing \$9.2 million in total reimbursement to eligible law clients for losses caused by dishonest conduct of 48 former New York State attorneys. This is the third largest single-year payout in the Fund's history. All but two eligible law clients received 100 percent reimbursement for their losses in 2016. Since 1982, the Trustees have granted 8,461 awards totaling \$198.4 million.

The Trustees remain grateful to the Court of Appeals, Chief Judge Janet DiFiore, 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.

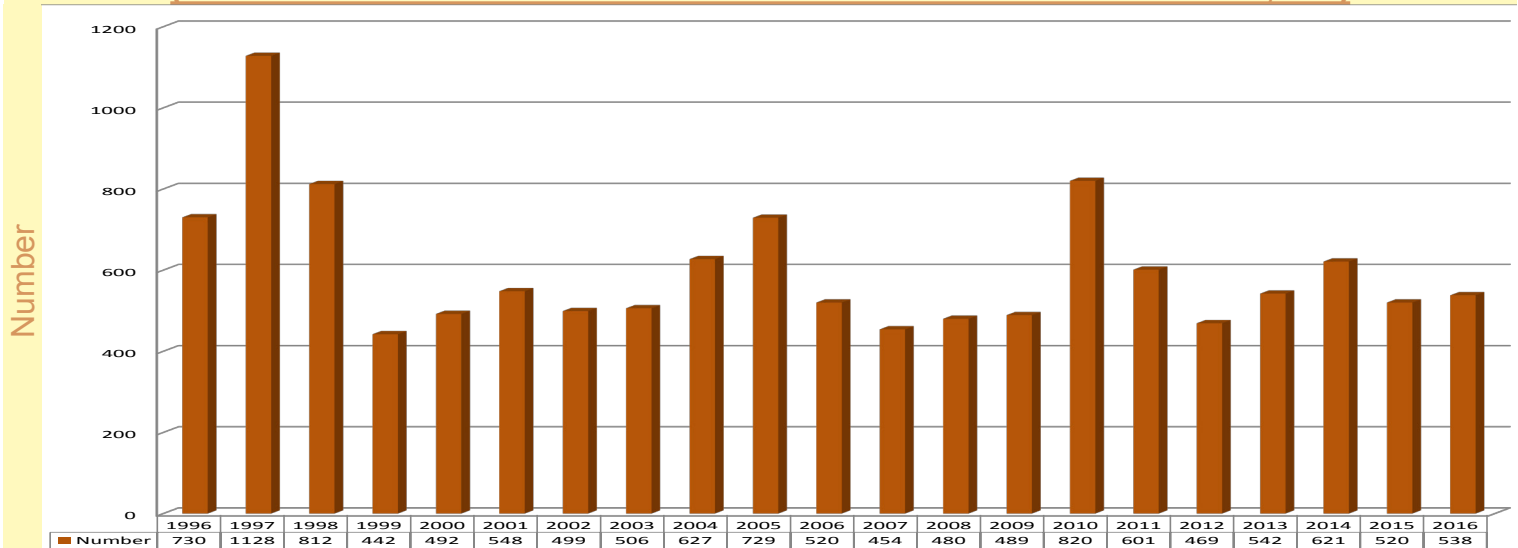
Amount of 2016 Awards By Misconduct : \$9.2 Million



Amount of Awards Since 1982 By Misconduct : \$198.4 Million



Number of Reimbursement Claims Filed, 1996 - 2016 (Total Number of Reimbursement Claims Filed Since 1982: 19,232)



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.).

"On behalf of my family and I, we wish to express our deepest gratitude to you and your organization...we really do appreciate that we will be receiving back the money that we had lost. We're very pleased that this matter will come to a close and we can't thank you enough."

Message from a claimant, 2016



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 286 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, 2016, staff successfully located 392 missing clients and restored \$1.3 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.

Purpose of Law Client Protection and Trustees' Recommendations

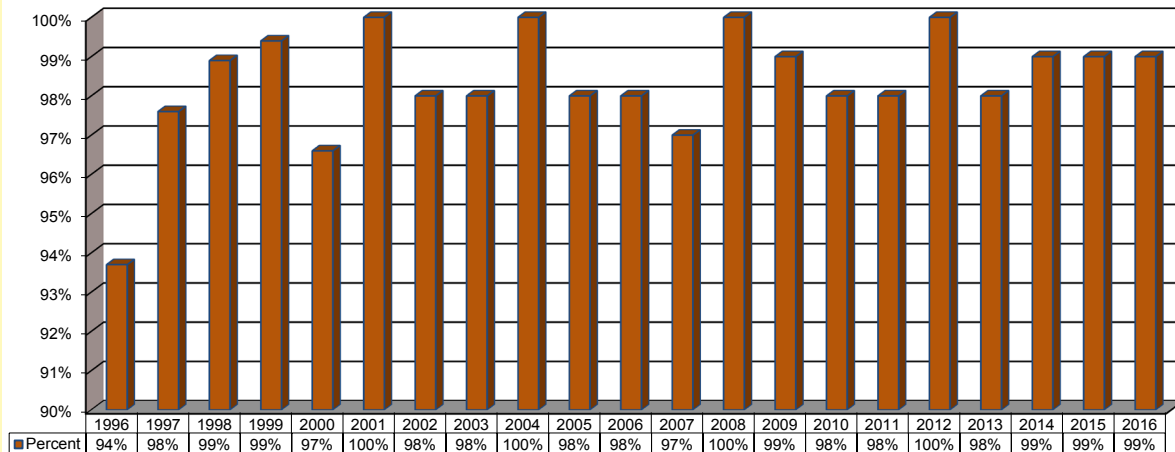
The mission of the Lawyers' Fund is to maintain the integrity and protect the good name of the legal profession, protect law clients from dishonest conduct in the practice of law, and promote public confidence in the administration of justice in New York State. The Fund's primary focus is the reimbursement 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 2016 Annual Report which is available on our website at www.nylawfund.org. New recommendations in 2016 include expansion of the Dishonored Check Reporting Rule to require that banks also provide the Lawyers' Fund with notice of any overdraft on attorney special, trust or escrow accounts, as well as prohibiting overdraft protection on these client funds fiduciary accounts.

Claims Received and Processed

In 2016, 538 claims were filed with the Fund, an increase of three percent from 2015. These filed claims included 188 (34.9%) claims seeking reimbursement of legal fees and 124 (23.0%) claims involving personal injury settlements. The largest alleged losses (\$12 million) involved real property escrows. The second largest alleged losses (\$10.3 million) involved personal injury settlements.

The Trustees approved 155 awards in 2016. The dollar amount reimbursed totaled \$9.2 million, and ranged between \$70 and \$400,000. The median loss and award was \$12,822. In 2016, all but two eligible claimants received full reimbursement of their loss. By category, awards in 2016 reimbursing personal injury settlements comprised the largest number of awards. Of the 155 awards, 51 (37.9%) reimbursed personal injury settlements. The second largest category of awards by number were 39 un-earned legal fee awards which constituted 25.2 percent of the 155 awards granted. Awards in 2016 reimbursing losses involving real property escrow losses were the largest dollar amount (\$3.5 million) and accounted for 38 percent of the Fund's total payout. Personal injury settlement claims were second with \$2.4 million in awards or 25.7 percent of all money reimbursed in 2016. Since 1982, final determinations have been reached in 18,838 claims: 8,461 (45%) were found to qualify for reimbursement and 10,377 (55%) were determined to be ineligible.

Percent of Eligible Claimants Receiving Full Reimbursement 1996-2016



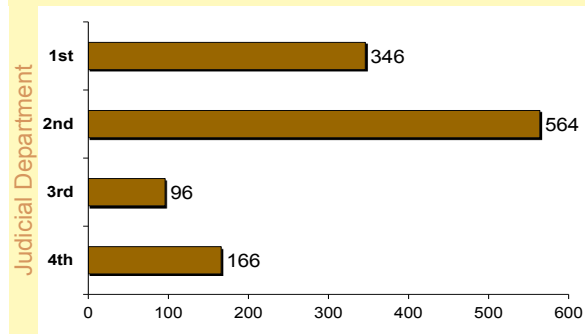
Lawyers Involved in Awards, 1982 to 2016

In 34 years, 1,172 former members of the bar have been responsible for the 8,461 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 311,000 registered lawyers in New York State. The Trustees' awards in 2016 were attributable to dishonest conduct by 48 now suspended, disbarred or deceased lawyers. Of these 48 former lawyers, 28 were respondents in awards from prior years and the names of 20 dishonest lawyers appear for the first time in 2016 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 1,172 former lawyers, and the Fund's 8,461 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

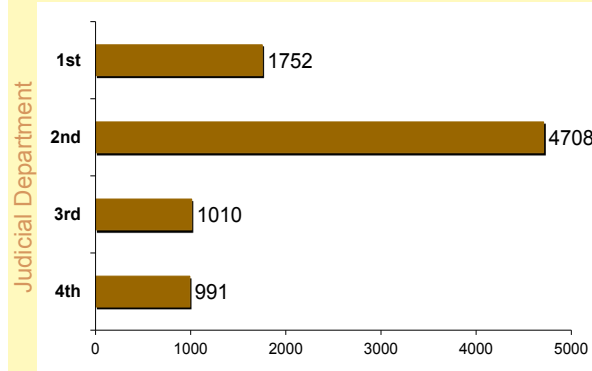
Third Judicial Department

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

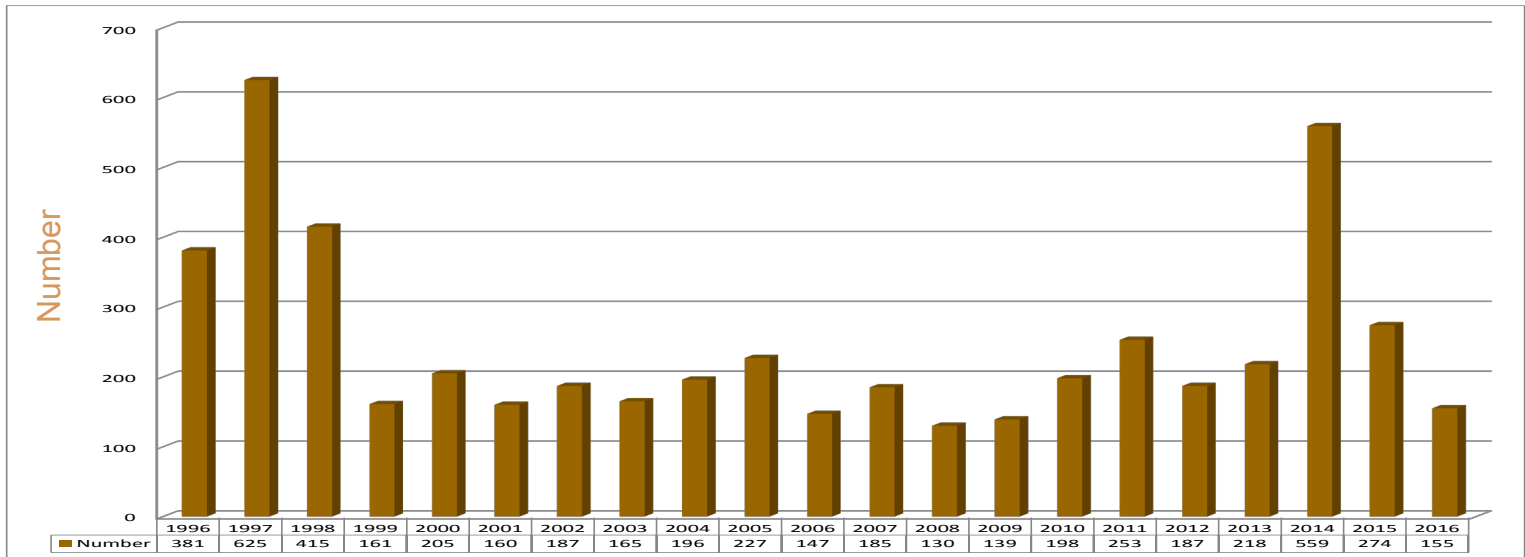
Fourth Judicial Department

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

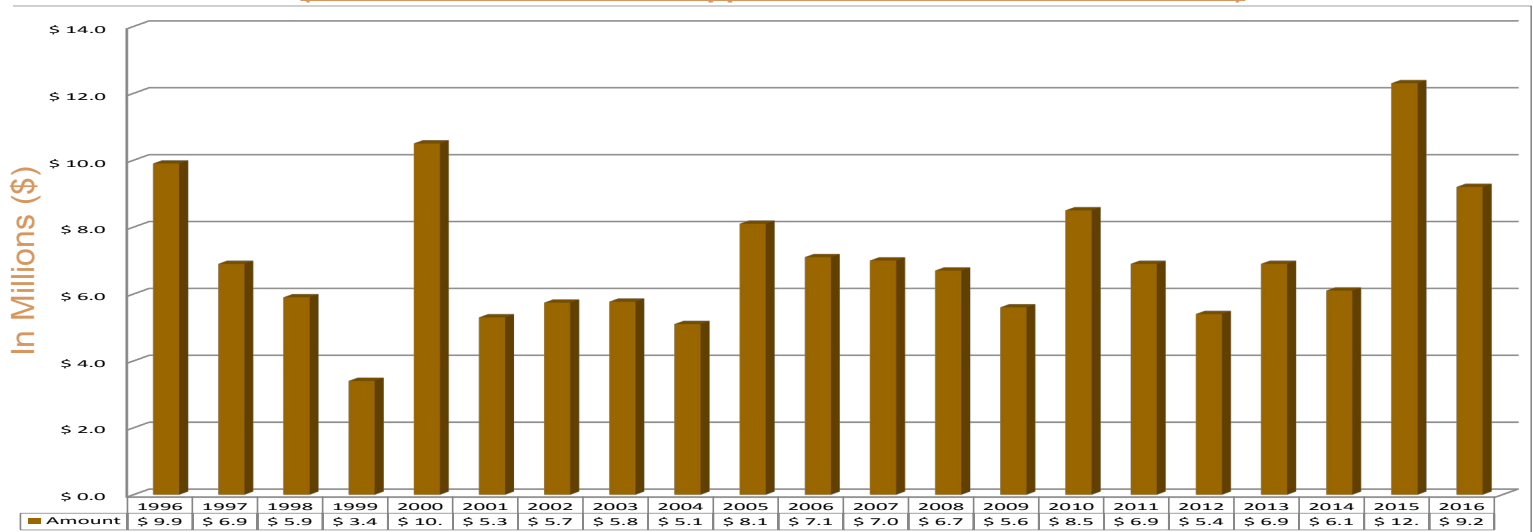
Distribution of Awards Since 1982



Number of Awards Approved From 1996-2016 (Total Number of Awards Approved Since 1982: 8,461)



Amount of Awards Approved From 1996-2016 (In Millions \$) (Total Amount of Awards Approved Since 1982: \$198.4 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 P.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 & Wittendorf, LLP. She also served 13 years as the Commissioner and Chair of the New York City Commission on Human Rights.

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.



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.

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.



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.



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

"I would like to express my sincere gratitude to you. I agree with you that the overwhelming majority of lawyers are honest and caring and deserve trust."

Message from a claimant, 2016



Charlotte G. Holstein of Syracuse is a civic leader, founder and Executive Director of F.O.C.U.S. Greater Syracuse, a citizen engagement non-profit organization.

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); Eleanor B. Alter, Esq. of Manhattan (1985-2013) and Nancy Burner of Port Jefferson (2002-2016). Frederick Miller served as the Fund's charter Executive Director and Counsel from 1982 through his retirement in July 2000.

Revenue of the Lawyers' Fund

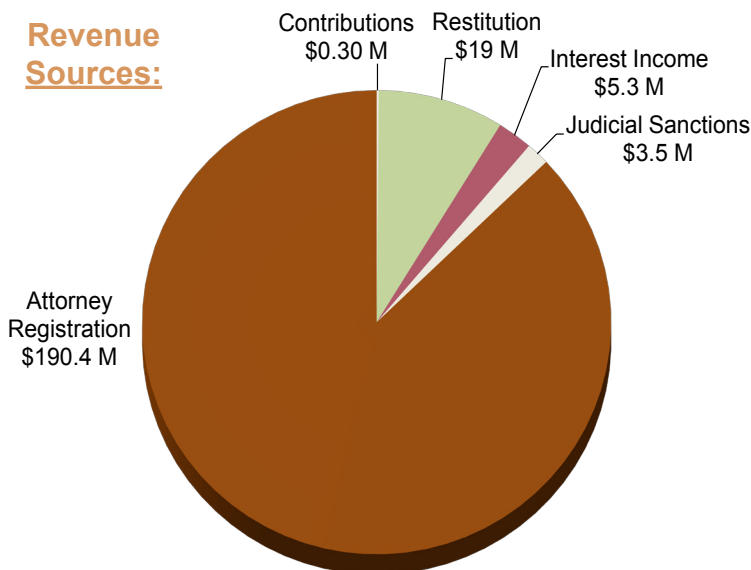
The biennial attorney registration fee required of every practicing attorney is the Fund's principal source of revenue. Section 468-a of the Judiciary Law allots \$60 of each \$375 registration fee to the Lawyers' Fund. Since April 1, 1993, additional revenue from the biennial registration fee has been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

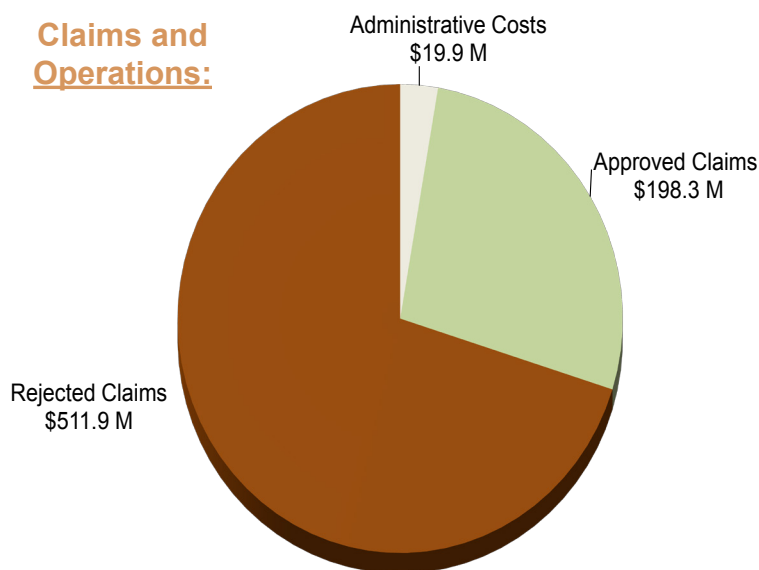
Other sources of revenue for the Fund include restitution, interest, sanctions and contributions. Since 1982, the Fund has received \$190.4 million from attorney registration fees; \$19 million in restitution; \$5.3 million in interest income; \$3.5 million in judicial sanction revenue; and \$307,000 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