



The Lawyers' Fund for Client Protection

of the State of New York

Highlights from the 2013 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 2013.

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.

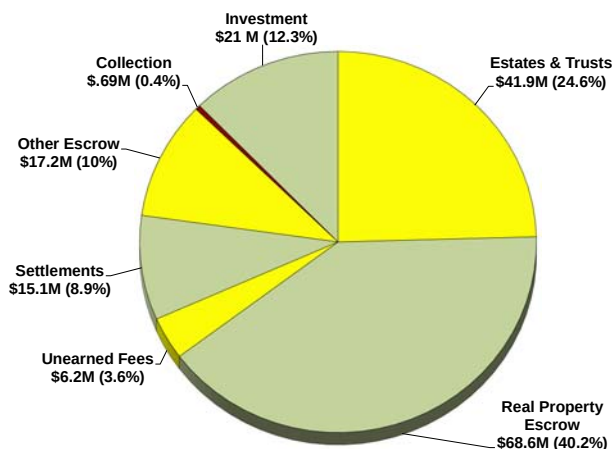
There are over 289,000 registered lawyers in New York State. The Trustees' experience over 31 years has clearly established that the overwhelming majority of New York's lawyers are honest and caring and deserving of their clients' trust. In 2013, as in every year since the Fund's inception in 1982, a small number of former lawyers were responsible for the dishonest conduct resulting in the Fund's awards. In 2013, 68 now suspended, disbarred or deceased lawyers were responsible for the client losses reimbursed by the Fund. Of these 68 lawyers, 44 appear for the first time in the Fund's awards.

In 2013, the Trustees approved 218 awards reimbursing a total of \$6.9 million to eligible law clients for losses caused by dishonest conduct of attorneys in New York State. All but five eligible law clients received 100 per cent reimbursement for their loss in 2013. Since 1982, the Trustees have granted 7,473 awards totaling \$170.7 million.

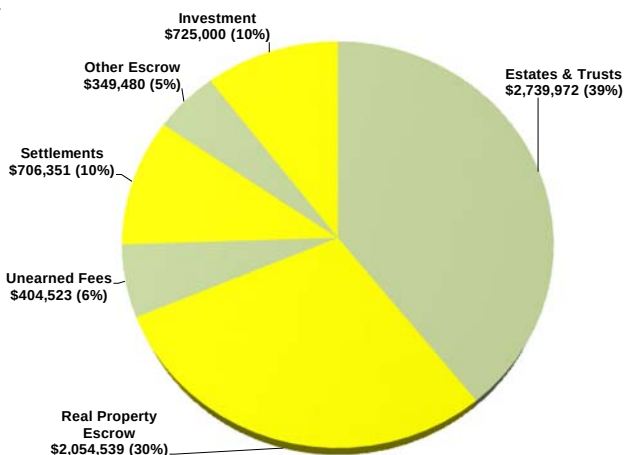
The Trustees wish to publicly recognize the invaluable assistance the Lawyers' Fund continues to receive from our colleagues in public service. Our special thanks is again extended to Chief Judge Jonathan Lippman and the Court of Appeals; the Office of Court Administration; the staffs of New York's Attorney Grievance Committees; the Attorney General and his assistants; District Attorneys statewide and their staffs; 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 donate their time and talents and assist claimants before the Fund as a public service, without legal fee.

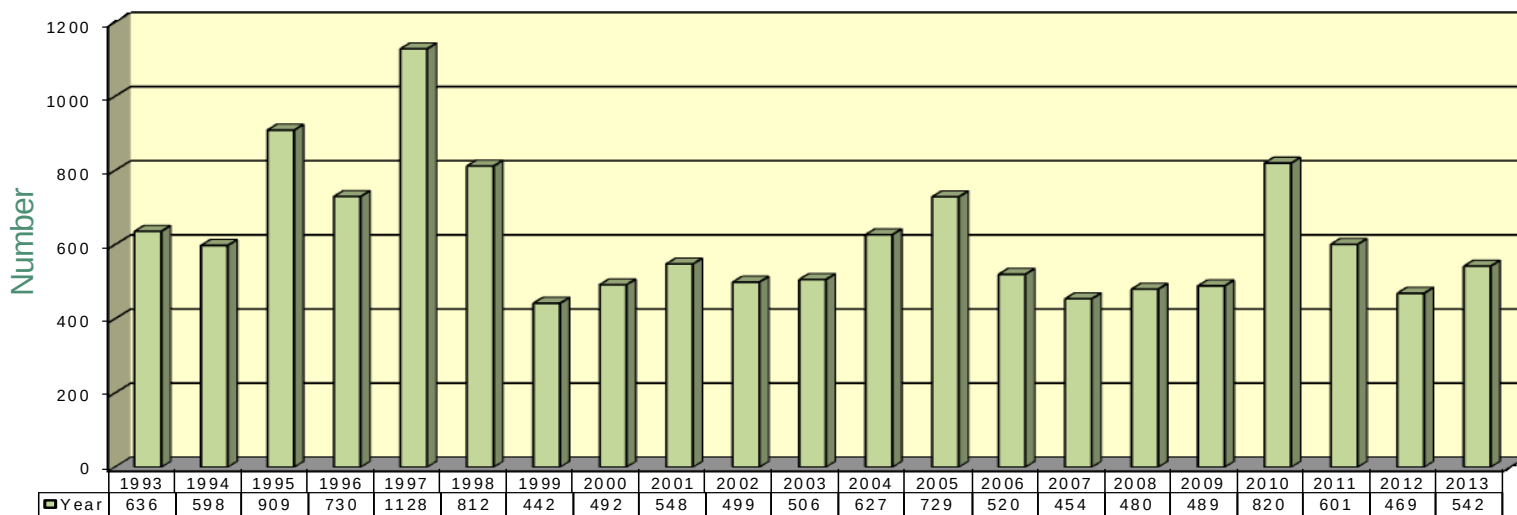
Amount of Awards Since 1982 By Misconduct : \$170.7 Million



Amount of 2013 Awards By Misconduct : \$6.9 Million



Number of Reimbursement Claims Filed, 1993 - 2013 (Total Number of Reimbursement Claims Filed Since 1982: 17,571)



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 2013, the Trustees amended their Regulations to reflect the recent adoption of the Rules of Professional Conduct in place of the Lawyer's Code of Professional Responsibility.

**"Thank you so much for resolving the problem with my mother's estate...you have most assuredly restored my faith in the legal system...Please accept my sincere gratitude and appreciation for your kind assistance in this matter."
Message from a Claimant, 2013.**

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. Since 1993, these reports though have identified upwards of 266 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, 2013, staff successfully located 230 missing clients and restored \$650,949 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 2013, 542 claims were filed with the Fund, an increase of 16 percent from 2012. These filed claims included 311 (57%) claims seeking reimbursement of legal fees and 75 (14%) claims involving real property escrows. The largest alleged losses (\$14.9 million) involved real property escrows. The second largest alleged losses (\$9.9 million) involved investment transactions.

The Trustees approved 218 awards in 2013, with documented losses of \$7.5 million. Awards totaled \$6.9 million, and ranged between \$200 and \$300,000. The median loss and award was \$6,000. In 2013, all but five eligible claimants received full reimbursement of their loss.

Realty Awards, 1995-2013 - By Judicial Department

By category, awards in 2013 reimbursing unearned legal fees comprised the largest number of awards. Of the 218 awards, 103 (47%) reimbursed unearned legal fees. The second largest category of awards by number were the 54 real estate awards which constituted 25 percent of the 218 awards granted.

Dep't	Number of Awards	%	Amount of Awards	%
1st	239	16.2%	\$13,532,754	24.7%
2nd	1,129	76.6%	\$37,972,083	69.4%
3rd	40	2.7%	\$1,573,735	2.9%
4th	67	4.5%	\$1,664,231	3.0%
Totals	1,475	100%	\$54,742,803	100%

Awards in 2013 reimbursing losses involving estates and trusts were the largest dollar amount (\$2.7 million) and accounted for 39 percent of the Fund's total payout. Real property escrows were second with \$2 million in awards or 29 percent of all money reimbursed in 2013. There were 54 real estate awards in 2013 due to dishonest conduct by twenty-nine former lawyers. Of these 29 former lawyers, 21 were from the Second Judicial Department. There are over 54,000 registered lawyers in the Second Judicial Department. Since 1982, final determinations have been reached in 16,810 claims: 7,473 (45%) were found to qualify for reimbursement and 9,337 (55%) were determined to be ineligible.

A major concern for the Trustees continues to be the problem of lawyer theft of real estate escrow funds. Since 1982, real estate escrow losses are the largest single category of awards from the Fund in both the number of awards approved and amount of reimbursement provided. In 31 years, 30 percent of the number of all awards from the Fund and 40 percent of all money paid out by the Fund have reimbursed real estate escrow losses. Since 1982, the Trustees have approved 2,285 awards totaling \$68.6 million for real property losses. **The Trustees look forward to continuing collaborative efforts with bar leaders to analyze and address lawyer theft of real estate escrows and down payments.**

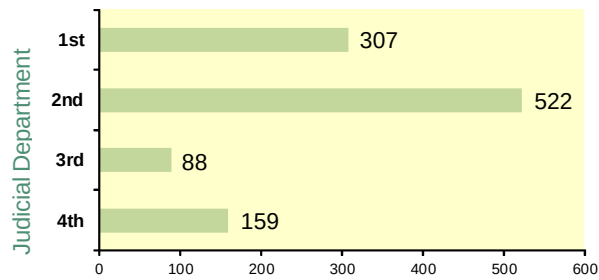
Lawyers Involved in Awards, 1982 to 2012

In 31 years, 1,076 former members of the bar have been responsible for the 7,473 awards granted by the Fund. A complete list is available on the Fund's website www.nylawfund.org. There are over 289,000 registered lawyers in New York State and a much larger pool of admitted lawyers over 31 years. The Trustees' awards in 2013 were attributable to dishonest conduct by 68 now suspended, disbarred or deceased lawyers. Of these 68 lawyers, 24 were respondents in awards from prior years and the names of 44 dishonest lawyers appear for the first time in 2013 awards.

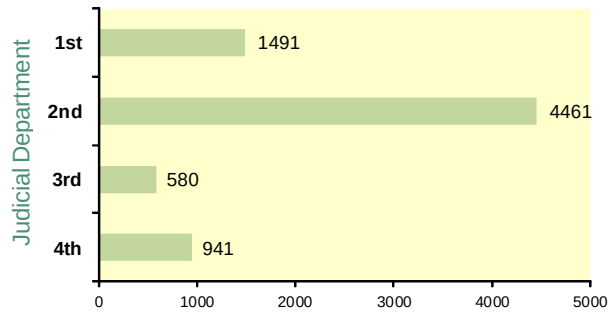
Most thefts involve sole practitioners, the majority of which are male and middle-aged. The apparent causes of misconduct by these lawyers are often traced to alcohol or drug abuse. Other causes are economic pressures, mental illness, marital, professional and medical problems, and gambling activity.

The geographic distribution of these 1,076 former lawyers, and the Fund's 7,473 awards, among the state's judicial departments is represented in the bar graphs to the right:

Lawyers Involved in All Awards Since 1982



Distribution of Awards Since 1982



First Judicial Department

New York and Bronx County

Second Judicial Department

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

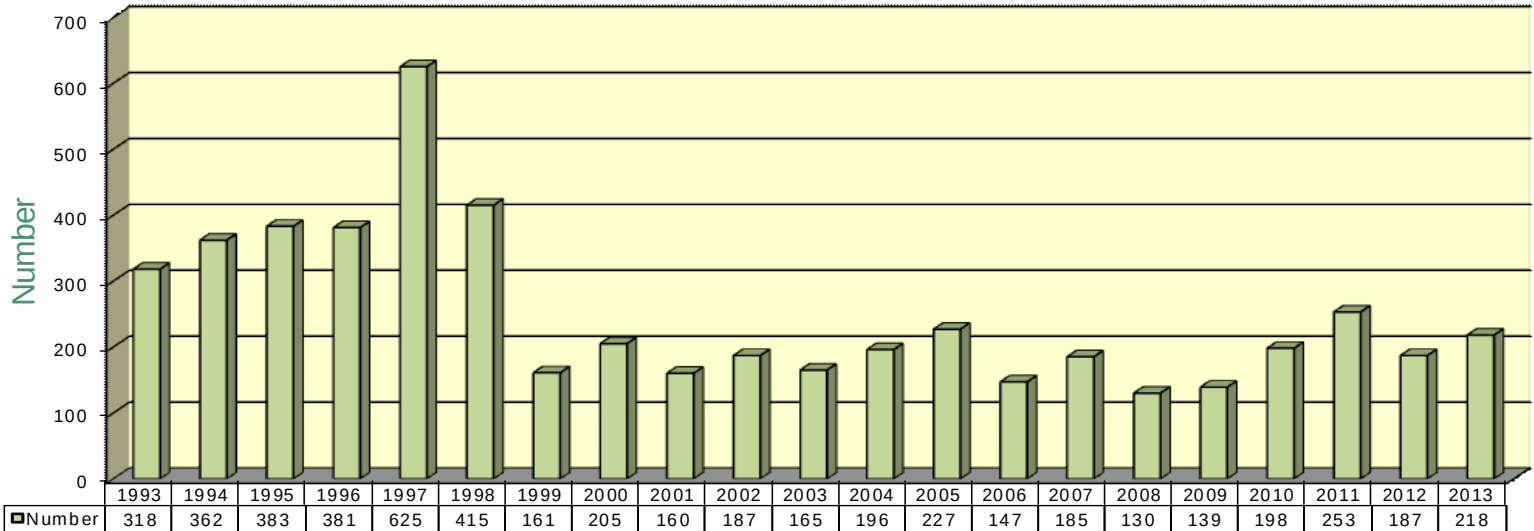
Third Judicial Department

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

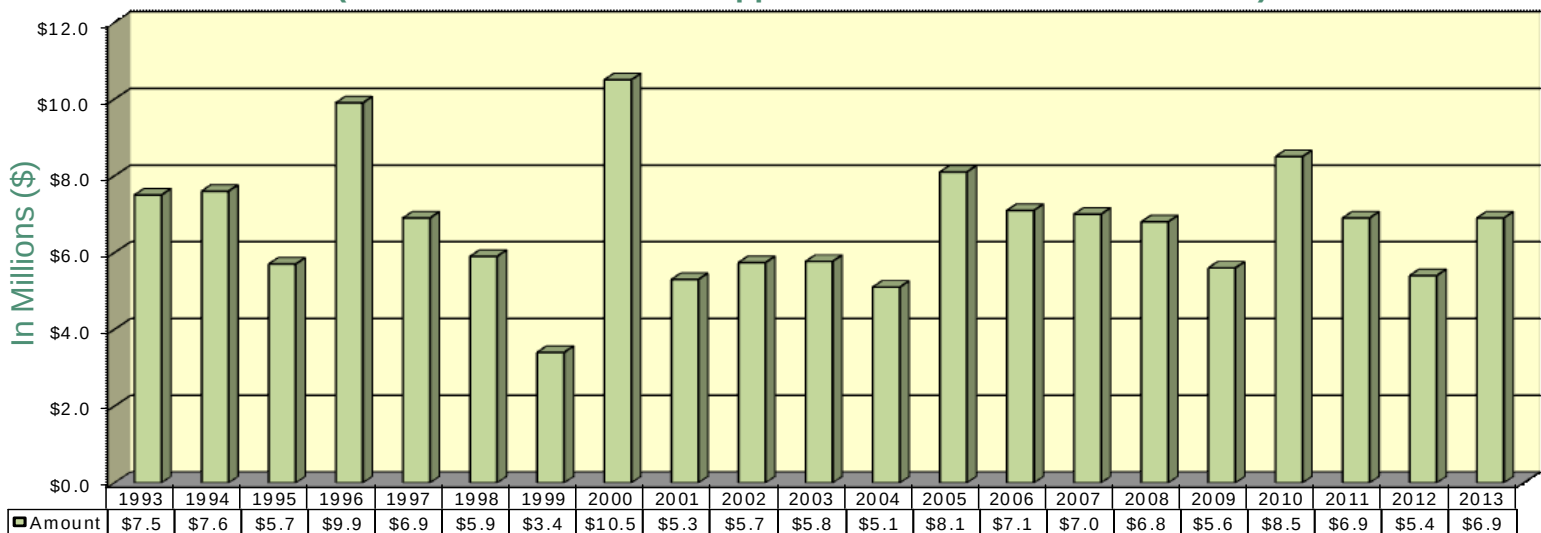
Fourth Judicial Department

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

Number of Awards Approved From 1993-2013 (Total Number of Awards Approved Since 1982: 7,473)



Amount of Awards Approved From 1993-2013 (In Millions \$) (Total Amount of Awards Approved Since 1982: \$170.7 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 and Westhampton Beach.



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 of Hicksville (1990 to 2002); Shirley B. Waters of Rome (1992 to 2001); Bernard F. Ashe 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.

As one of the smallest of state agencies, the Fund relies greatly upon the support and kindness of colleagues in public service. The Trustees acknowledge our special appreciation to the Court of Appeals; the staffs of the Attorney Grievance Committees and District Attorneys' Offices; the Office of Court Administration; the Attorney General's Office and the Office of the State Comptroller.

Revenue of the Lawyers' Fund

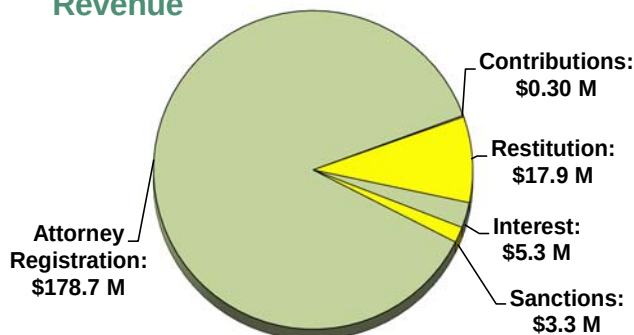
The biennial attorney registration fee required of every practicing attorney is the Fund's principal source of revenue. Section 468-a of the Judiciary Law allots \$60 of each \$375 registration fee to the Lawyers' Fund. Since April 1, 1993, additional revenue from the biennial registration fee has been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

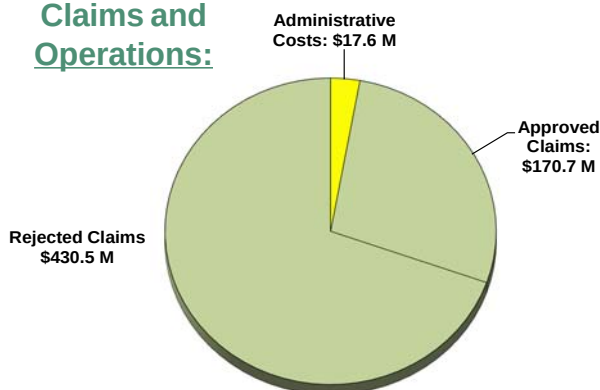
Other sources of revenue for the Fund include restitution, interest, sanctions and contributions. Since 1982, the Fund has received \$178.7 million from attorney registration fees; \$17.9 million in restitution; \$5.3 million in interest income; \$3.3 million in judicial sanction revenue; and \$301,000 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



Claims and Operations:



DEDICATION



Hon. Eleanor Breitel Alter

We are honored to dedicate this Annual Report to Eleanor Breitel Alter who, in 2013, completed 30 years of exemplary public service as a Trustee with the Lawyers' Fund for Client Protection.

Eleanor's leadership as Chairman of the Lawyers' Fund for 25 years established the New York Fund as one of our nation's pre-eminent client protection programs.

For all those in public service, Eleanor has been an inspiration and role model. We remain indebted to Eleanor and forever grateful and thankful for her time with us.

"I am supremely grateful for the consideration you gave my claim and for the prompt manner in which you arranged reimbursement. It's good to know that your organization exists and that it helps restore confidence in the legal profession."
Message from a Claimant, 2013

The Lawyers' Fund for Client Protection

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

www.nylawfund.org