

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 2011**



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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“It is a pleasure to know that the contributions made to the Fund can reassure our clients of the integrity of the legal profession and that the actions of one attorney do not reflect the integrity of the rest.”
Message from a Claimant’s Attorney, 2011

Introduction

This Annual Report of the Lawyers' Fund for Client Protection focuses on the Fund's activities in calendar year 2011.

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 Board of Trustees are appointed by the Court of Appeals to administer the Lawyers' Fund. The Trustees serve renewable three-year terms as a public service without compensation.

The Trustees' experience over 29 years has firmly established that the overwhelming majority of lawyers in New York State are honest and caring and deserving of their clients' trust. In 2011, as in every year since the Fund's inception in 1982, a small number of former lawyers are responsible for the dishonest conduct resulting in the Fund's awards. In 2011, 46 now suspended, disbarred or deceased lawyers were responsible for the client losses reimbursed by the Fund. There are over 271,000 registered lawyers in New York. Of these 46 former lawyers, 26 appear for the first time in the Fund's awards.

In 2011, the Trustees approved 253 awards providing \$6.9 million in total reimbursement 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 losses in 2011.

Since 1982, the Trustees have granted 7,068 awards totaling \$158.3 million.

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. Members of the bar continue to generously donate their time and talents in assisting claimants before the Fund as a public service, without legal fee.

“I wanted to take this opportunity to thank you for assisting me in recuperating (my money)...I understand that (my former lawyer) and his actions are in no way a reflection on those who serve to protect and represent clients such as myself in the future”.
Message from a claimant, 2011

History and Purpose of Law Client Protection

Law client reimbursement programs were first formed by bar associations in New York State in the 1960's. Inadequate financing caused these associations to appeal to the Court of Appeals and the New York court system which assumed the responsibility for operating a statewide client reimbursement program.

The Lawyers' Fund, originally known as The Clients' Security Fund, was created by Chapter 714 of the Laws of 1981, effective June 1, 1981. The Fund is an independent public trust administered by a Board of Trustees appointed by the Court of Appeals. The Fund's mission as set forth in section 468-b of the State Judiciary Law and the Trustees' Regulations 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 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, estate and trust assets, settlements in personal injury litigation, 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 their legal services.

In an effort to prevent losses, the Trustees also publish materials to educate lawyers and clients; engage in programs to assist lawyers in complying with their fiduciary and escrow obligations; and recommend court rules intended to improve our legal system and protect law clients.

Revenue of the Lawyers' Fund

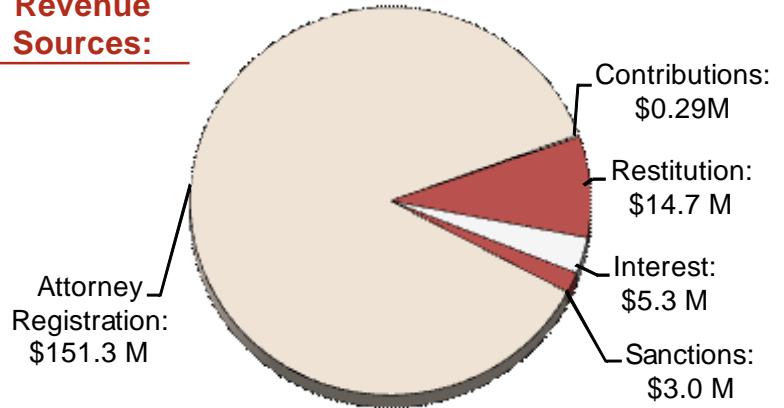
New York State's lawyers financially support the Lawyers' Fund. The biennial attorney registration fee required of every practicing attorney in the State is the primary source of revenue for the Lawyers' Fund. Section 468-a of the Judiciary Law allots \$60 of each \$375 registration fee to the Fund.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

No tax dollars are used to finance the Lawyers' Fund. The Fund also does not receive any revenue from the Interest on Lawyer Account (IOLA) program.

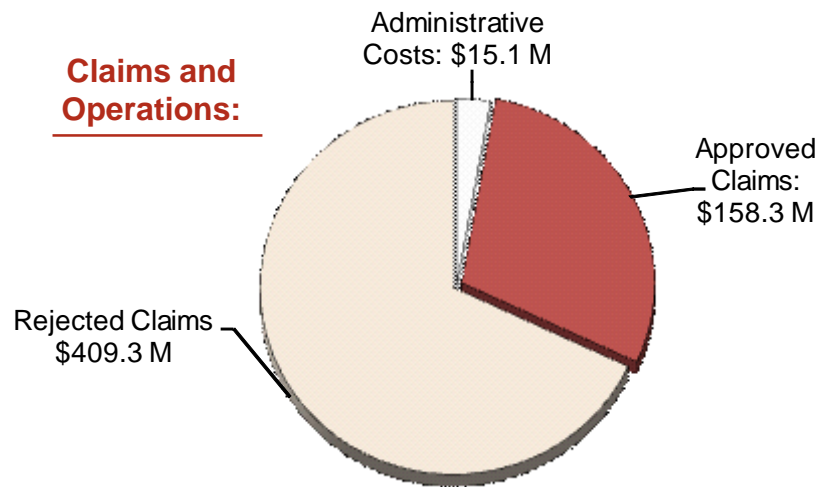
Other sources of revenue for the Fund include restitution, interest, sanctions and contributions. Since 1982, the Fund has received \$151.3 million from attorney registration fees; \$14.7 million in restitution; \$5.3 million in interest income; \$3.0 million in judicial sanction revenue; and \$298,000 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 portion of the Judiciary Budget.

The Fund's Finances Since 1982

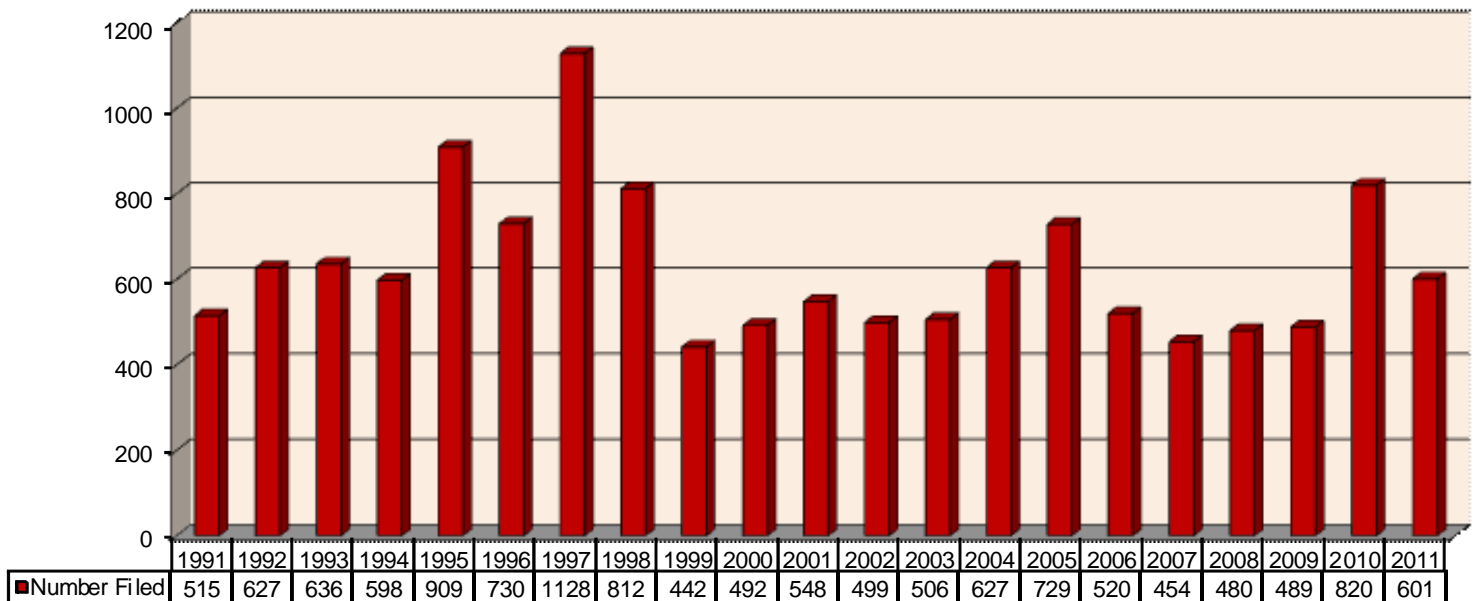
Revenue Sources:



Claims and Operations:



Number of Reimbursement Claims Filed, 1991 - 2011 (Total Number of Reimbursement Claims Filed Since 1982: 16,560)



Special Recognition

THE BOARD OF TRUSTEES OF THE LAWYERS' FUND PROUDLY RECOGNIZES THE GENEROUS ACT OF PUBLIC SERVICE DISPLAYED BY THE ATTORNEYS LISTED BELOW WHO HAVE ASSISTED CLAIMANTS IN RECEIVING AWARDS OF REIMBURSEMENT IN 2011:

ERIE COUNTY

Paul A. Bender, Esq.
Leonard Berkowitz, Esq.
Gordon M. Brown, Esq.
William H. Daetsch, Esq.
Dean M. Drew, Esq.
Timothy J. Flynn, Esq.
Tracy S. Harrienger, Esq.
Richard S. Juda, Jr., Esq.
John A. Sheehan, Esq.

NASSAU COUNTY

Lance D. Clarke, Esq.
Jeffrey C. Daniels, Esq.
Jeffrey D. Herman, Esq.
Joseph L. Hunsberger, Esq.
Richard L. Hutchinson, Esq.
Vincent M. Lentini, Esq.
John Jaye Markos, Esq.
Eugene R. Moramarco, Esq.
Danielle B. Notaro, Esq.
Timothy P. Quinn, Esq.
Karen Schwartz-Sidrane, Esq.
Stephen Seltzer, Esq.
Bruce Yukelson, Esq.

NEW YORK COUNTY

Joel Bernstein, Esq.
Lisa Breier Urban, Esq.
William Ng King, Esq.
Herbert Kramer, Esq.
Christian R. Oliver, Esq.
Evan D. Van Leer-Greenberg, Esq.
Christopher R. Whent, Esq.

ONONDAGA COUNTY

Mary Lannon Fangio, Esq.

ORANGE COUNTY

Mary Patricia Papini Guidetti, Esq.

QUEENS COUNTY

Raj Maddiwar, Esq.

RICHMOND COUNTY

Raymond A. Fasano, Esq.

SUFFOLK COUNTY

Paul R. Ades, Esq.
Cathleen Benedetto, Esq.
Patrick B. Fife, Esq.
Lynne M. Gordon, Esq.
Ronald J. LaVita, Esq.
Christopher P. McGuire, Esq.
John E. Messinetti, Jr., Esq.
Anthony M. Parlatore, Esq.
David B. Prokop, Esq.
Michael R. Strauss, Esq.

SULLIVAN COUNTY

Gary D. Silver, Esq.

TOMPKINS COUNTY

Robert J. Clune, Esq.

“The conduct of attorneys is not measured by how close to the edge of thin ice they skate. The 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)



Lawyers Fund for Client Protection
of the State of New York

CERTIFICATE OF APPRECIATION

PRESENTED TO

New York's Legal Profession

For public service on behalf of the administration of justice, the protection of law clients and the integrity of the legal profession in the State of New York, meriting the appreciation and respect of the Board of Trustees of the Lawyers Fund for Client Protection.

PRESENTED ON

Timothy O'Sullivan

Executive Director



Eric A. Seiff

Chairman of the Board of Trustees

The Board of Trustees

The Board of Trustees are appointed by the Court of Appeals to administer the Lawyers' Fund. The Trustees serve renewable three-year terms as a public service without compensation. Since December 1, 1981, the Board has been composed of five members of the bar and two 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 Trustee currently serving are listed below.



Eric A. Seiff of the Bronx was elected Chairman of the Board in 2010. He is a partner in the Manhattan law firm of Scopetta, Seiff, Kretz & Abercrombie. Mr. Seiff is a graduate of Yale University and the Columbia University Law School (1958). Mr. Seiff is a charter member of the Board. His present term expires on November 30, 2015.



Nancy Burner of Suffolk County, is the Vice-Chairman of the Board and is the founding partner of Nancy Burner & Associates.,P.C., an estate planning, trusts and estates, and elder law firm in Setauket and Westhampton Beach. She is a graduate of the State University at Stony Brook and Hofstra University School of Law (1988). She was first appointed in 2002. Her present term expires on December 10, 2014.



Eleanor Breitel Alter of Manhattan served as Chairman of the Board of Trustees from 1985 through 2010. She is a partner in the Manhattan law firm of Kasowitz, Benson, Torres & Friedman. Mrs. Alter is a graduate of the University of Michigan and the Columbia University Law School (1964). She was first appointed in 1983. Her present term expires on November 30, 2013.



Theresa B. Mazzullo of Rochester, Monroe County, is the CEO of Excell Partners, Incorporated, a state supported seed venture capital fund. Mrs. Mazzullo, the Fund's Treasurer, is a graduate of Spring Hill College and Stonier Graduate School of Banking (1994). She was first appointed in 2002. Her present term expires on December 10, 2014.



Peter A. Bellacosa of Manhattan is a partner in the litigation group of the Kirkland & Ellis law firm. He is a graduate of Georgetown University (1985) and St. John's University School of Law (1988). He was first appointed to the Board of Trustees in 2009. His present term expires on December 31, 2012.



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. She is a graduate of Brockport State University (1946) and the 1998 recipient of an honorary degree, Doctor of Humane Letters, from LeMoyne College in Syracuse. She was first appointed in 2001. Her present term expires on November 30, 2013.



Patricia L. Gatling, of Manhattan, is 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). She was first appointed in 2008. Her current term expires on November 19, 2014.

Former Members of the Board of Trustees

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. Mannon 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, Esq. of Delmar (1981-2008) and Charles J. Hynes, Esq. of Brooklyn (1982-2009).

The Staff of the Lawyers' Fund

The Fund's staff is appointed by the Board of Trustees. In 2011, the staff consisted of Timothy J. O'Sullivan, Executive Director and Counsel; Michael J. Knight, Deputy Counsel; Ray Wood, Investigator; Jahnel Hall-Worthen, Administrative Secretary; and Harriett Tremblay, Secretary.



*Timothy J.
O'Sullivan*



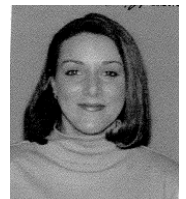
*Michael J.
Knight*



Ray Wood



*Jahnel Hall-
Worthen*



*Harriett
Tremblay*

The Fund's Statutory Authority and the Trustees' Regulations

Section 97-t of the State Finance Law established the Lawyers' Fund. 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.). The Appendix includes section 97-t of the State Finance Law, section 468-b of the Judiciary Law and the Trustees' Regulations.

Revenue, Awards and Disbursements

Since 1982, the Fund has received total revenue of \$174.5 million. As of December 31, 2011, the Trustees have approved a total of \$158.3 million in reimbursement awards. The Fund's administration cost in 2011 was \$831,000. In 29 years of operations, 91 cents out of every \$1 in revenue received has been directly applied towards the payment of awards of reimbursement. At the close of 2011, the Fund held \$3.8 million in revenue in the state treasury.

**"I am relieved to have this situation behind me and grateful to the Lawyers' Fund for the courtesies afforded me in regard to bringing this case to an end."
Message from a claimant, 2011.**

Restitution Revenue and Litigation

Since 1982, the Fund has recovered a total of \$14.7 million in restitution from dishonest attorneys, their estates, and third parties civilly liable for losses reimbursed by the Fund.

The Lawyers' Fund is represented by the New York State Attorney General's Office in restitution and other litigation. Since December 1999, the Fund has financed the payroll expense of an Assistant Attorney General assigned exclusively to the Fund's restitution litigation.

Since 2001, Assistant Attorney General Richard L. Rodgers has served as the Fund's restitution counsel. Mr. Rodgers also defends the Fund in Article 78 proceedings. The Trustees and staff are grateful to Mr. Rodgers for his dedicated and talented service to the Lawyers' Fund.

In 2011, the Lawyers' Fund was assisted in restitution litigation by Assistant Attorneys General John V. Cremo, Eric Bieber, Kathryn Blake, Henry Collins, Norman Fivel and Stephen M. Nagle and Assistant Solicitor General Robert C. Weisz and Deputy Solicitor General Andrew Bing. In Article 78 proceedings, the Fund was defended and assisted by Assistant Attorney Generals Roberta L. Martin and Charles J. Quackenbush. The Trustees are greatly indebted to these dedicated professionals for their skillful representation.

Public Information and Consumer Education

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

Educational publications by the Fund for legal consumers and members of the bar have included editions of *Know Your Escrow Rights*; *Know Your Escrow Rights: The Lawyers' Edition*; *Attorney Trust Accounts: The Video*; *What's A Power of Attorney? Answers for New Yorkers*; *Avoiding Grief With A Lawyer : A Practical Guide*; and an *Appendix of CLE Materials*. A documentary video on the history and purpose of the Lawyers' Fund was produced in 2007 in recognition of the Fund's 25th anniversary. In 2009, the Trustees published an updated edition of *A Practical Guide to Attorney Trust Accounts and Record Keeping*.

The Fund's website at www.nylawfund.org includes frequently asked questions, Fund procedures, the Trustees' Regulations, reimbursement claim forms, recent Annual Reports, consumer publications and press releases, addresses and telephone numbers of Attorney Grievance Committees, and a roster of client protection funds nationwide. The Fund's website also includes ethics and escrow materials such as the Rules of Professional Conduct, the Dishonored Check Notice Rule, a list of approved banking institutions, court rules and sample pleadings concerning escrow funds of missing clients and deceased attorneys, and selected New York State Bar Association ethics opinions.

Another area of education for legal consumers which is of interest to the Trustees is requiring attorneys to disclose whether or not they maintain malpractice insurance. Twenty-five states now require some form of attorney malpractice insurance disclosure. One possible method is to require that attorneys disclose on their biennial registration statement whether they maintain 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.

Processing Applications for Reimbursement

To be considered for reimbursement, a law client must file with the Fund a completed application form along with documentation supporting the alleged loss. The Executive Director will dismiss a claim with a written explanation if an alleged loss does not appear to be qualify for an award. The Fund's staff will conduct any necessary investigation of a claim for reimbursement.

Claimants alleging a misappropriation of money or property in the practice of law must report their losses to the appropriate Attorney Grievance Committee and District Attorney and cooperate with these agencies in their investigations. Notice of a claim, and the opportunity to respond, is provided to lawyers accused of dishonest conduct.

A claimant with the Fund does not have to be represented by counsel. Claimants may wish to consult with a lawyer concerning problems or other issues raised by their loss. As a public service, lawyers in New York State generously assist claimants with the Fund, without legal fee. 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. (See, 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. The Trustees do not render final determinations in claims until Appellate Division disciplinary proceedings and 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 criminal prosecutors.

Judicial Review of Rejected Claims

In 29 years, 15,730 determinations have been rendered in claims filed with the Fund. The Trustees have approved 7,068 awards of reimbursement. The remaining 8,662 claims were determined to be ineligible for failure to provide satisfactory evidence of eligible losses. Since 1982, only sixteen claimants denied reimbursement have pursued Article 78 or other proceedings against the Fund. Fifteen of these judicial challenges were dismissed after the courts held that there was a rational basis for the Trustees' denials in the claims. At the close of 2011, one action against the Fund remained pending.

In Matter of Scala, No. 1486-2011 (Sup. Ct., Albany Co. 2011), the Article 78 proceeding against the Fund was dismissed in 2011. The Court held that there was a rational basis for the Fund's dismissal of the claim seeking reimbursement of legal fees. The Court stated that fee disputes do not constitute a misappropriation of client money and are therefore not reimbursable by the Fund.

The Dishonored Check Reporting Rule

Possible misuse of client funds may be indicated by an attorney's dishonored escrow account check. To protect law clients, the Trustees recommended a version of the ABA's model overdraft reporting rule which was implemented by court rule in New York State by the Appellate Divisions effective January 1, 1993.

The "Bounced 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. These separate fiduciary accounts must be designated as an "Attorney Special Account", "Attorney Trust Account", or "Attorney Escrow Account". Lawyers may only deposit client funds with banks which have agreed to report dishonored checks on these accounts. A list of approved banks is available on the Fund's website at www.nylawfund.org.

A "bounced" escrow check is mailed to the Lawyers' Fund. If not withdrawn within 10 days due to bank error, the Fund forwards the notice to the appropriate attorney disciplinary committee for investigation. The majority of 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.

The Dishonored Check Reporting Rule has proven to be an effective loss prevention and detection device. Since 1993, bounced check reports have identified and led to the discipline of approximately 254 lawyers for misusing client funds.

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. Practical problems arise when a sole practitioner dies without a successor signatory.

In 1994, at the Trustees' suggestion, the Appellate Divisions amended court rules 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 as Rule 1.15 (g) of the new 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 deposited with the Lawyers' Fund for safeguarding.

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

Rule 1.15 (f) of the new Rules of Professional Conduct provides that an application can be made 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 without a court order.

The Fund's staff attempts to locate missing clients to return these deposits. As of December 31, 2011, 1,897 deposits totaling \$3.9 million in escrow funds unclaimed or owed to missing clients were received by the Fund. The Fund's staff has so far successfully located 194 missing clients and returned to them \$541,285.

These court rules and sample pleadings pursuant to these rules can be found on the Fund's website at www.nylawfund.org in the escrow and ethics material section.

Losses in Investment Transactions

In establishing the Fund, the State Legislature made clear that reimbursement was intended for losses arising within an attorney-client relationship and the practice of law. Section 468-b of the Judiciary Law defines "dishonest conduct" as the misappropriation or wilful misapplication of **clients'** (emphasis supplied) money, securities, or other property by an attorney. Therefore, losses caused by a lawyer's breach of fiduciary obligations outside an attorney-client relationship and the practice of law are not eligible for reimbursement.

Claims involving investment and loan transactions with lawyers are carefully reviewed by the Trustees. In 1984, the Trustees adopted the following policy guidelines in order to fully explain the eligibility of claims involving these types of losses:

"The Trustees will consider for payment only those claims arising out of an attorney-client relationship. Investment advice given by the claimant's attorney, although such advice may result in the loss of claimant's money, is not, in and of itself, a ground for seeking reimbursement from the Fund."

Claims arising out of investments may be considered for payment, however, when the attorney is in the possession of the claimant's money, which the attorney has obtained by virtue of an attorney-client relationship with the claimant, when the attorney advises the claimant to invest the money in a business or other venture, and the attorney then misappropriates the claimant's money.

Ordinarily, interest on investments will not be reimbursed. Unless a claimant establishes otherwise, all payments received on an investment will be considered to be return of principal and will be deducted from the claimant's initial investment with the attorney in order to determine, for Fund purposes, the claimant's reimbursable loss."

The Trustees also apply a "but for" test in evaluating claims alleging investment losses. Under this test, a loss is eligible if the Board finds that the loss would not have occurred "but for" dishonest conduct within an attorney-client relationship. Since 1982, 1,609 claims have been filed with the Fund alleging \$210.8 million in losses from investment transactions with lawyers. The Trustees approved awards in only 364 of these claims providing total reimbursement of \$19.7 million.

Legal Fee Claims

Since 1982, the largest single category of claims filed with the Fund (35%) seek reimbursement of legal fees.

The Fund has no authority to settle fee disputes, or to compensate for alleged negligence, malpractice, or dissatisfaction with legal services. To qualify for a refund of a legal fee, a claimant must provide satisfactory evidence of dishonest conduct. Section 7200.8 (e)(1) of the Trustees' Regulations provides that dishonest conduct in legal fee claims includes an attorney's misrepresentation, or false promise, to provide legal services in exchange for an advance fee.

**"I want to express my gratitude to the Lawyers' Fund for Client Protection for the decision they have reached in this matter. It restores one's faith to know that justice has prevailed."
Message from a claimant, 2011**

Theft of Personal Injury Settlements and Payee Notification

A dishonest lawyer may settle 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 of payment to the law client.

In 1988, to detect and prevent these losses, the Trustees recommended the adoption of a payee notification rule codified as Insurance Department "Regulation 64" notice. This requires liability insurers and their agents 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). Regulation 64 detects and prevents losses involving the theft of personal injury settlements and shifts liability for forgery losses to 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 other fourteen states: California, Connecticut, Delaware, Georgia, Hawaii, Kansas, Maryland, Massachusetts, Nebraska, Nevada, New Jersey, Pennsylvania, Rhode Island and Texas.

Thefts in Real Property Transactions

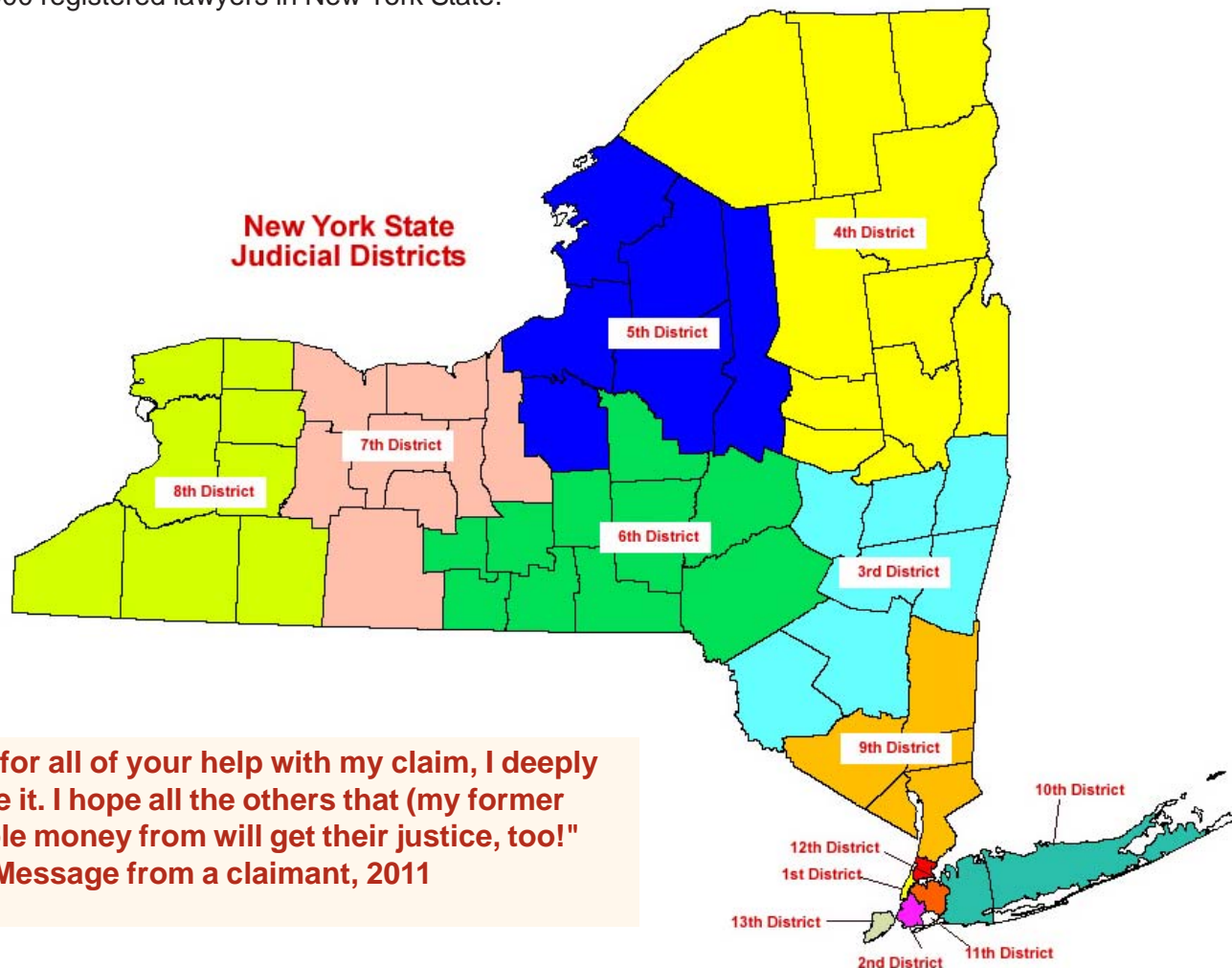
The problem of lawyer theft of real estate escrow funds continues to be a major concern for the Trustees. Since 1982, real estate escrow losses are the largest single category of awards from the Fund in both the number of awards approved and amount of reimbursement provided. In 29 years, 31 percent of 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 2,171 awards totaling \$63.9 million for real property losses.

In 2011, real estate awards accounted for 95 of the 253 awards, or 38 percent of all awards. This percentage of awards is identical to 2010 when there were 198 total awards which included 75 real estate awards. The 95 real estate awards in 2011 represented the second largest category of awards by number.

In 2011, real estate awards accounted for \$3.6 million of the \$6.9 million total payout by the Fund for all awards. This \$3.6 million dollar payout represents 52 percent of the total amount reimbursed by the Fund in 2011. This is the largest category of awards by amount in 2011. This \$3.6 million payout is nearly identical to the payout in 2010 when realty awards comprised \$3.5 million of the total \$8.5 million reimbursed or 41 percent of the total payout for that year.

A lawyer's theft of a purchaser's down payment in the sale of residential property has historically constituted the majority of these real estate losses. In 2011, 56 (59 percent) of the 95 real estate awards involved the theft of a real estate down payment. Of the \$3.6 million payout in 2011 for realty losses, \$838,000 (23 percent) reimbursed losses from thefts of down payments.

A total of 22 former lawyers were responsible for the 95 real estate awards in 2011 totaling \$3.6 million. The 56 awards reimbursing thefts of down payment escrows were attributable to 12 now disbarred or deceased attorneys. There are over 271,000 registered lawyers in New York State.



**“Thank you for all of your help with my claim, I deeply appreciate it. I hope all the others that (my former lawyer) stole money from will get their justice, too!”
Message from a claimant, 2011**

In 2011, the Trustees analyzed the Fund's claims experience with real property losses from 1995 to 2010. This analysis showed that for this 15-year period, awards involving real estate losses and down payment thefts were concentrated in the Tenth Judicial District.

The Trustees hosted a conference in 2011 to discuss the Fund's experience with real estate escrow losses. In attendance were representatives of the District Attorneys and Bar Associations of Nassau and Suffolk Counties, the New York State Bar Association's Task Force on Attorney Escrow Accounts, the Attorney Disciplinary System, and Touro Law School. The Trustees look forward to continuing these collaborative efforts to analyze and address lawyer theft of real estate escrows and down payments.

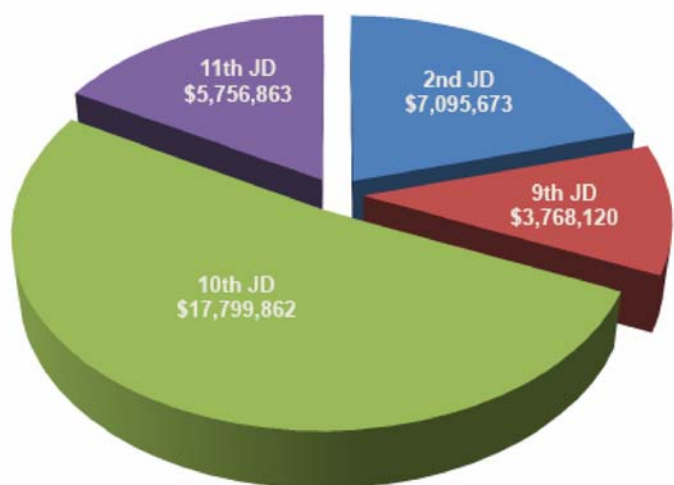
Realty Awards, 1995-2011 - By Judicial Department

Dept't	Number of Awards	%	Amount of Awards	%
1st	230	16.9%	\$12,961,484	25.9%
2nd	1,036	76.1%	\$34,420,518	68.7%
3rd	33	2.4%	\$1,373,121	2.7%
4th	62	4.6%	\$1,353,890	2.7%
Totals	1,361	100%	\$50,109,013	100%

Realty Awards, 1995-2011 - By Judicial District

District	Number of Awards	%	Amount of Awards	%
1st	205	15.1%	\$12,545,484	25.0%
12th	25	1.8%	\$416,000	0.8%
2nd	206	15.1%	\$7,095,673	14.2%
9th	80	5.9%	\$3,768,120	7.5%
10th	479	35.2%	\$17,799,862	35.5%
11th	271	19.9%	\$5,756,863	11.5%
13th	0	0.0%	\$0	0.0%
3rd	16	1.2%	\$163,162	0.3%
4th	16	1.2%	\$1,200,859	2.4%
6th	1	0.1%	\$9,100	0.0%
5th	7	0.5%	\$204,035	0.4%
7th	27	2.0%	\$819,286	1.6%
8th	28	2.1%	\$330,569	0.7%
Totals	1,361	100%	\$50,109,013	100%

**Amount of Realty Awards 1995-2011
Within the Second Judicial Department
\$34.4 Million**



Claims Filed and Processed

Claims Filed in 2011

In 2011, there were 601 claims filed with the Lawyers' Fund. This represents a 27 percent decrease from 2010 when the Fund received 820 claims. The 601 filed claims in 2011 alleged \$51.8 million in losses, a 42 percent decrease in alleged losses from the previous year.

Claims Filed, 1982 to 2011

Since 1982, 16,560 claims have been filed with the Lawyers' Fund alleging \$713 million in total losses. Annual filings have ranged from a low of 230 in 1984 to a record high of 1,128 in 1997.

Claims Filed by Category of Loss in 2011

Claims to the Lawyers' Fund 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) investment transactions with lawyers; and (8) a miscellaneous category of "other" for other claims.

In 2011, of the 601 filed claims, 252 (41.9%) claims sought reimbursement of legal fees. There were 187 claims (31%) alleging losses of real property escrows.

Of the \$51.8 million in alleged losses in 2011, \$17.5 million were alleged real property losses. This represents 33.9% of all alleged losses. Filed claims in 2011 involving investment transactions alleged \$17.1 million in losses, or 33.1 percent of alleged losses.

Claims Filed by Category of Loss, 1982 to 2011

Since 1982, by category, the largest number of filed claims have sought reimbursement of legal fees. In 29 years, 5,784 claims have been filed alleging unearned legal fees. These legal fee claims account for 35 percent of all filed claims. The second largest category of filed claims alleges losses in real property transactions. The Fund has received 3,711 real property claims comprising approximately 23 percent of all filed claims.

Since 1982, the largest alleged dollar losses in filed claims were in claims alleging losses from investment transactions with lawyers. Investment claims alleged losses of \$210.9 million or 29.6 percent of all alleged losses in filed claims. Real property claims were second with alleged losses of \$183 million constituting 26 per-

cent of all alleged losses. The third largest category of alleged losses involve alleged thefts from estates and trusts. These claims have alleged \$105 million in losses or 14.8 percent of all alleged losses.

Awards of Reimbursement in 2011

In 2011, the Trustees approved 253 awards. This represents a 28 percent increase from 2010 when 198 awards were granted. The awards in 2011 reimbursed a total of \$6.9 million. This payout represents a 19 percent decrease from 2010 when \$8.5 million in reimbursement was paid out by the Fund. In 2011, all but five claimants received 100 percent reimbursement for their eligible loss. The median client loss and award in 2011 was \$5,000, down from \$12,962 from the prior year.

Awards of Reimbursement, 1982 to 2011

Since 1982, the Trustees have approved 7,068 awards of reimbursement totaling \$158.3 million. On average, since 1982, 94 percent of all eligible claimants have received full reimbursement for their eligible loss. Since 2001, 99 percent of eligible claimants were fully reimbursed by the Lawyers' Fund.

Awards by Category of Loss in 2011

In 2011, the largest category of awards by the number of awards reimbursed unearned legal fees. Of the 253 awards in 2011, 101 (40%) reimbursed unearned legal fees. One former lawyer was responsible for 73 (72%) of these 101 legal fee awards. The second largest category of awards by the number of awards in 2011 was real property escrows with 95 awards, or 38 percent of the 253 total awards.

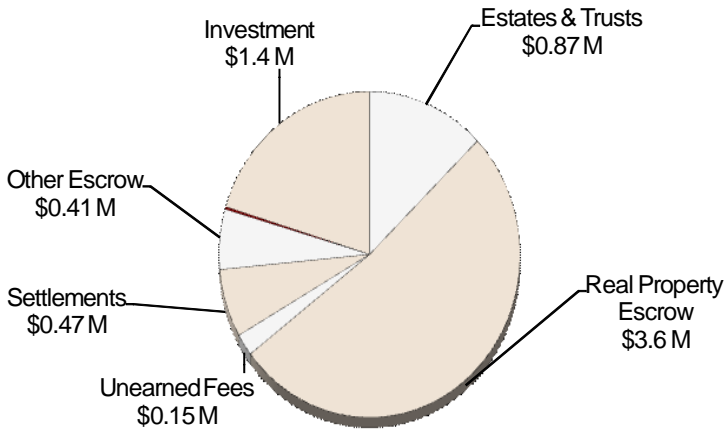
By dollar amount, the largest category of awards in 2011 reimbursed real property escrow losses. Of the \$6.9 million paid out by the Trustees in 2011, \$3.6 million (52%) reimbursed real property escrow losses. The second largest category of awards in 2011 by dollar amount involved investment losses. These awards totaled \$1.4 million which is 20 percent of the \$6.9 million reimbursed in 2011.

"This is just a letter of great thanks. The money that was reimbursed was an answer to prayer. This money will help us so much!! All we can say is thank you for doing such a wonderful service"
Message from a claimant, 2011

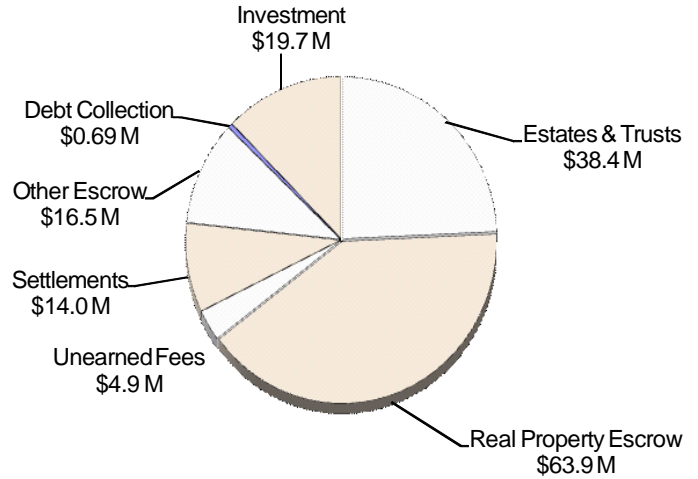
Awards by Category of Loss, 1982 to 2011

By category since 1982, the largest number of awards approved are for real property escrows. Real property escrow awards total 2,171 or 31 percent of all awards. The second largest category of awards reimbursed unearned legal fees. Since 1982, there have been 2,053 legal fee awards comprising 29 percent of all awards. Since 1982, by dollar amount, awards reimbursing real property losses represent the largest payout by the Fund. Real property awards total \$63.9 million, or 40 percent of all reimbursement awards. The second largest dollar amount of awards involve thefts from estates and trusts. These awards total \$38.4 million or 24.3 percent of all awards.

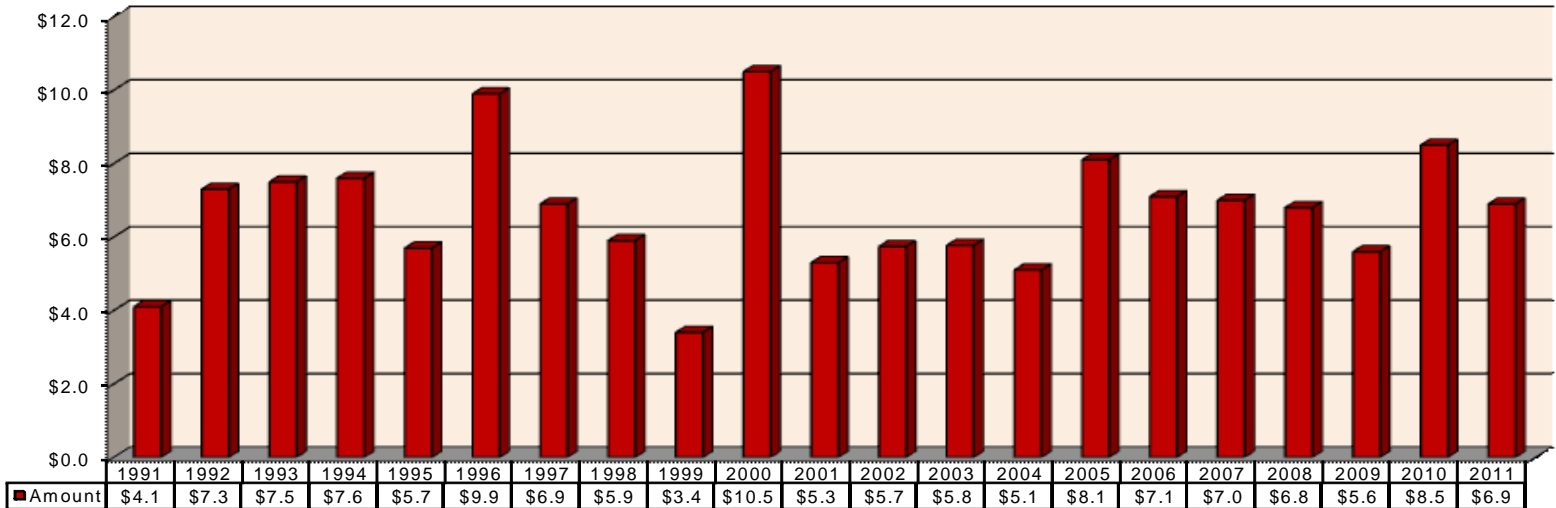
Amount of 2011 Awards By Misconduct : \$6.9 Million



Amount of Awards Since 1982 By Misconduct : \$158.3 Million



Amount of Awards Approved From 1991-2011 (In Millions \$) (Total Awards Approved Since 1982: \$158.3 Million)



Ineligible Claims Since 1982

In 29 years, the Fund has rendered 15,730 determinations in claims. Of these 15,730 claims, 8,662 or 55 percent, were found to be ineligible for reimbursement.

Claims Pending as of December 31, 2011

There were 883 pending claims at the close of 2011. This is an increase of 31 claims from the 852 claims which were pending at the end of the prior year. Of the 883 pending claims, 378, nearly 57 percent, involve one law firm whose attorneys are also involved in pending federal criminal proceedings.

These 883 pending claims allege total losses of \$81.1 million. The Fund's exposure on these pending claims, adjusted for the \$300,000 maximum limit on awards, is \$40.9 million. This represents a 4 percent decrease in the Fund's exposure on pending claims from the end of 2010. Only seven lawyers account for 41 percent of the Fund's \$40.9 million exposure on pending claims.

Lawyers Involved in Awards 1982 to 2011

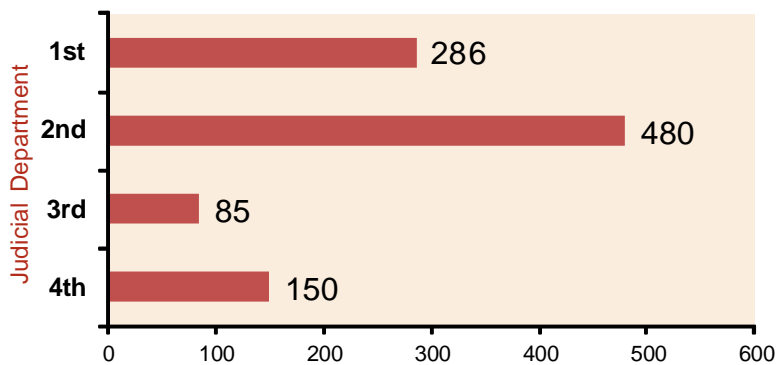
The Trustees' experience over 29 years has firmly established that the overwhelming majority of lawyers in New York State are honest and caring and deserving of their law clients' trust.

Each year, only a tiny percentage of the bar's membership is responsible for dishonest conduct resulting in awards from the Lawyers' Fund. There are now over 271,000 registered lawyers in New York State. In 29 years, 1,001 former lawyers have caused the 7,068 awards granted by the Fund. In 2011, the Trustees' 253 awards were attributable to dishonest conduct by 46 now suspended, disbarred or deceased lawyers. Of these 46 former lawyers, 20 were respondents in awards from prior years. The names of 26 dishonest lawyers appear for the first time in 2011 awards.

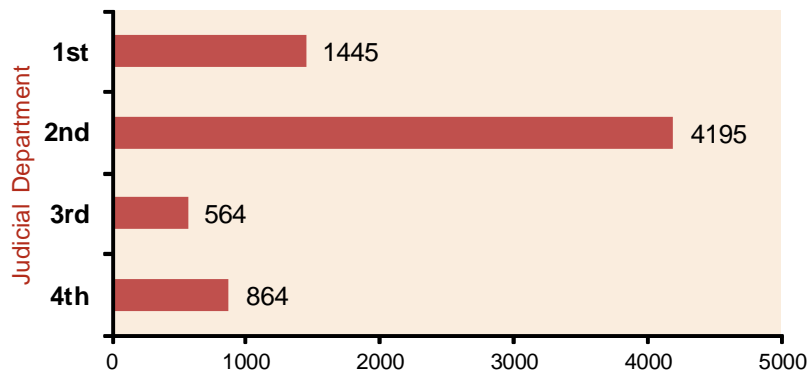
A list of lawyers involved in awards in 2011 is provided in the Appendix. The complete list of lawyers involved in all awards since 1982 is provided on the Lawyers' Fund website: www.nylawfund.org.

Most losses involve sole practitioners, the majority of which are male and middle-aged. Apparent causes of misconduct are often traced to alcohol or drug abuse and gambling. Other causes are economic pressures, mental illness, marital, professional and medical problems. The geographic distribution of these 1,001 former lawyers, and the Fund's 7,068 awards, among the state's judicial departments is represented in the following bar graphs:

Lawyers Involved in All Awards Since 1982



Distribution of Awards Since 1982



First Judicial Department Includes:

New York and Bronx County



Second Judicial Department Includes:

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



Third Judicial Department Includes:

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 Includes:

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



Recommendations

The Trustees have a statutory responsibility to maintain the integrity of the legal profession and promote public confidence in the administration of justice. To fulfill this responsibility, the Trustees annually recommend changes in legal practice and policy.

Escrow Thefts in Real Property Transactions

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

In 2011, real estate escrow thefts were responsible for the largest dollar amount of reimbursement by the Lawyers' Fund. Of the \$6.9 million awarded in 2011, \$3.6 million (51.8%) reimbursed realty losses. The 253 total awards in 2011 included 95 (38%) awards for lawyers' thefts of real property escrows.

Since 1982, the Trustees have paid 2,171 awards totaling over \$63 million for real estate escrow thefts. These totals constitute 31 percent of the number of all awards and over 40 percent of the amount of all awards from the Fund in 29 years.

It is clear that these realty losses are caused by a tiny percentage of New York's legal profession. In 2011, 22 former lawyers were responsible for the 95 awards reimbursing real estate escrows thefts. Sixty-nine (69) of these awards (73%) were from the Tenth Judicial District. Of the 95 realty awards, 56 involved the theft of a realty down payment. Twelve (12) former lawyers caused these 56 down payment thefts. Seven (7) of these lawyers were from the Tenth Judicial District. These few disgraced lawyers cause substantial harm to legal consumers and to the reputation of the over 271,000 registered lawyers in New York State. The Trustees urge the New York State Bar Association, local bar associations and other interested parties to study and address this problem.

Escrow Accounts of Suspended and Disbarred Lawyers

The Trustees recommend the enactment of clear and precise court rules directing a suspended or disbarred lawyer to transfer client funds and property and prohibiting further use of attorney escrow accounts.

Present court rules in New York make no specific provision for the transfer or protection of law client escrow funds and property in possession of members of the bar who are suspended or disbarred for professional misconduct. The Trustees are concerned that law client assets are not adequately safeguarded when it is clear that they may be in danger if left under the control of a lawyer who has lost his or her license to practice law for serious misconduct.

Interim Suspensions and Restraining Escrow Funds

The Trustees propose that court rules be augmented by granting discretion to the Appellate Divisions to restrain attorney escrow accounts of lawyers who are 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 require the Appellate Divisions to restrain attorney escrow accounts of these lawyers who are found to be a public threat. 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 by converting escrow funds.

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.

Recommendations (Cont'd)

Confidentiality in Attorney Disciplinary Proceedings

The Trustees recommend a uniform disciplinary policy that a Disciplinary Committee will 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.

Lawyers who steal should be criminally prosecuted. A Disciplinary 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.

Business Transactions with Lawyers and Conflict of Interest Rules

The Trustees recommend that court rules be amended in order to educate law clients about the conflict of interest limitations on lawyers involved in business transactions with their clients.

The Lawyers' Fund has experienced a dramatic increase in claims for reimbursement alleging losses from the theft of monies entrusted to lawyers in investment transactions. Rule 1.8 of the Rules of Professional Conduct prohibits an attorney from entering a business transaction with a client due to a conflict of interest. Such business transactions are permitted though if specific safeguards are observed. The lawyer must provide a client with written terms of the transaction, written advice to seek independent counsel, and obtain the client's written, informed consent to the transaction which includes the lawyer's interest in the matter.

Legal consumers need to be made aware of these conflict of interest safeguards designed for their protection. This can be accomplished by amendments to court rules for the Statement of Client's Rights, the Matrimonial Rules and Written Letter of Engagement Rule which will alert law clients to these conflict of interest limitations.

Bank Notices to Fiduciaries

The laws of New York should require that the named fiduciary for 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 monthly bank statements. Absent legislative action, the Trustees propose 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 legal fiduciaries of estates and trusts. This rule could be patterned after the Dishonored Check Reporting Rule. This simple step would discourage and detect thefts.

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 necessary knowledge and skills to properly administer 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.

Recommendations (Cont'd)

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.

The unauthorized practice of law is a misdemeanor crime under New York's penal laws but is seldom prosecuted. Attorney disciplinary committees lack the resources to monitor suspended or disbarred lawyers. These shortcomings in law enforcement encourage the illegal practice of law and exploitation of 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 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 also support legislation to authorize the state attorney general to pursue criminal prosecutions for the unauthorized practice of law. This additional enforcement of the penal laws will serve to protect the public and deter the illegal practice of law.

The Trustees also propose that the attorney disciplinary committees require that an attorney resigning from the bar due to professional misconduct must agree in their resignation affidavit to not accept any advance legal fees once they submit their resignation.

Multijurisdictional Practice and Pro Hac Vice Rules

The Trustees recommend that any changes in court rules which permit out-of-state attorneys to practice law in New York State also require payment of the attorney registration fee required of New York attorneys so that they will contribute financially to our State's disciplinary system and the Lawyers' Fund.

Bar leaders in New York State are considering multijurisdictional practice of law and whether lawyers should be granted the privilege to practice in states where they are not admitted to the bar. The Trustees are concerned about the impact multijurisdictional practice of law will have on legal consumers, the Lawyers' Fund and our disciplinary system. It is only equitable that out-of-state attorneys authorized to practice law here share in the responsibilities all New York attorneys bear in our justice system.

Conclusion

The overwhelming majority of New York's lawyers are honest and caring for their law clients and maintain the highest standards of integrity when entrusted with law client money and property. The Trustees' experience has demonstrated that a small number of lawyers continue to be responsible for a persistent problem of dishonest conduct in the practice of law. These few can cause significant harm to law clients and the legal profession. It is therefore imperative that New York State have a well-financed and responsive Lawyers' Fund as part of our system of justice.

The Trustees wish to publicly recognize the invaluable support and assistance the Lawyers' Fund receives from our colleagues in public service. Our special thanks is again extended to the Court of Appeals; the Office of Court Administration; the staffs of New York's Attorney Grievance Committees; the Attorney General and his assistants; District Attorneys statewide and their prosecutors; and the Office of the State Comptroller. The New York Lawyers' Fund is one of our nation's leading client protection programs due in large part to the support and professionalism of these dedicated public servants.

***"Thank you for your help. I am truly grateful to you and the Fund for the resolution of this matter. This is definitely a big relief for me, because, as I stated previously, this is my life savings."
Message from a claimant, 2011.***

Trustees Regulations (22 NYCRR 7200, et seq.)

7200.1 Purpose of fund. The purpose of the Lawyers' Fund for Client Protection is to promote public confidence in the administration of justice and the integrity of the legal profession by reimbursing losses caused by the dishonest conduct of attorneys admitted and licensed to practice law in the courts of New York State.

7200.2 Organization. (a) The fund shall be administered by a board of trustees appointed by the Court of Appeals of the State of New York.

(b) The board of trustees shall consist of seven members. Of the trustees first appointed, three shall be appointed for terms of three years, two for a term of two years, and two for a term of one year. As each term expires, each new appointment shall be for a term of three years.

(c) The trustees shall serve without compensation, but shall be entitled to receive their actual and necessary expenses incurred in the discharge of their duties.

(d) The trustees shall from time to time elect from their membership a chairman, vice-chairman, treasurer and such additional officers as they deem necessary or appropriate.

(e) The trustees shall retain an executive director to serve as the chief administrative officer of the fund.

7200.3 Meetings. (a) The trustees shall meet at least four times each year at such locations, or in such manner, as the chairman shall designate. Special meetings may be called by the chairman, and shall be called by the chairman upon the request of at least two trustees. Special meetings may be conducted by telephone conference. The chairman shall provide reasonable notice of all meetings.

(b) Four trustees shall constitute a quorum. A majority of the trustees present at any meeting of the board may exercise any power held by the trustees, except as otherwise provided in this Part.

7200.4 Powers of trustees. In the exercise of the authority granted the trustees, the trustees have the power to:

(a) receive, hold, manage and distribute 50 per centum of the monies collected pursuant to the provisions of section 468-a of the Judiciary Law and such other monies as may be credited or otherwise transferred from any other fund or source, pursuant to law, including voluntary contributions together with any interest accrued thereon. All deposits of such revenues not otherwise required for the payment of claims shall be secured and invested as required by the provisions of section 97-t of the State Finance Law;

(b) adopt regulations for the administration of the fund and procedures for the presentation, determination and payment of claims, including the establishment of a maximum limitation for awards to claimants;

(c) investigate claims for reimbursement of losses as the trustees deem appropriate using staff and other available resources;

(d) coordinate and cooperate with the Appellate Divisions of the Supreme Court in the investigation of claims;

(e) examine witnesses and, in accordance with the Provisions of the Civil Practice Law and Rules and the regulations of the trustees, administer oaths or affirmations and issue subpoenas;

(f) hold such hearings, interviews or informal meetings as the trustees deem appropriate;

(g) determine, in the trustees' sole discretion, the merits of claims presented for reimbursement, the amount of reimbursement to be awarded, the terms under which reimbursement shall be made and the order of payment;

(h) prosecute claims for restitution to which the fund may be entitled;

(i) engage in studies and programs for client protection and prevention of dishonest conduct in the practice of law;

(j) employ and at pleasure remove employees, legal counsel, agents and consultants, and fix their compensation within the amounts made available therefor;

(k) furnish the Court of Appeals with such reports and audits as the court may require; and

(l) perform all other acts necessary or proper for the fulfillment of the purposes of the fund and its effective administration.

7200.5 Duties of officers. (a) The chairman shall preside at all meetings of the trustees, generally supervise the administration of the fund, and exercise such other functions and duties that the trustees may assign or delegate, or that are customary to the office of chairman.

(b) The vice-chairman shall assume the duties of chairman in the absence or disability of the chairman.

(c) The treasurer shall maintain the financial records of the fund and, jointly with the chairman, certify vouchers of the fund that authorize the State Comptroller to make payments to claimants.

(d) The executive director shall assist the trustees, supervise the implementation of regulations and policies of the trustees, coordinate the investigation of claims and prepare reports thereon, supervise staff, serve as secretary at meetings, and fulfill such other duties as may be assigned or delegated by the chairman or the trustees.

7200.6 Conflict of interest. A trustee with a past or present relationship with a claimant or the attorney whose alleged conduct is the subject of the claim shall disclose such a relationship to the trustees and, if the trustees deem appropriate, that the trustee shall not participate in any proceeding relating to such claim.

7200.7 Reports (a) On or before the first day of April each year, the trustees shall prepare an annual report of the activities and operations of the fund during the preceding year. The report shall be transmitted to the Court of Appeals, the Governor, the Legislature and the State Comptroller.

Trustees Regulations (22 NYCRR 7200, et seq.)

(b) The trustees may also issue periodic reports to the public concerning the activities and procedures of the fund.

7200.8 Eligible claims. (a) The trustees shall consider claims for reimbursement of losses caused by the dishonest conduct of attorneys admitted to practice in New York State, provided that:

(1) the dishonest conduct alleged in the claim constituted the wrongful taking of money, securities or other property belonging to a law client or other person who entrusted it with an attorney admitted to the practice of law in New York State;

(2) the dishonest conduct occurred in the practice of law by an attorney admitted to practice law in New York State;

(3) there is, in the trustees' discretion, a sufficient nexus between the dishonest conduct alleged in the claim and the practice of law in New York State;

(4) the claim is made directly by the client or other person, or their representative;

(5) the loss occurred or was discovered on or after June 1, 1981; and

(6) unless the trustees decide otherwise, the attorney has been suspended or removed from practice, is dead, or the attorney's whereabouts cannot be determined.

(b) The claimant shall have the responsibility to provide satisfactory evidence of an eligible loss.

(c) For the purposes of this section, "dishonest conduct" shall include the misappropriation or wilful misapplication of money, securities or property in the practice of law, and unlawful acts in the nature of theft, larceny, embezzlement, fraud or conversion.

(d) Losses not eligible for reimbursement include damages resulting from an attorney's negligence, malpractice or neglect; losses incurred by government agencies; losses incurred by financial institutions; losses incurred by business organizations having twenty or more employees; and losses arising from financial transactions with attorneys that do not occur within an attorney-client relationship and the practice of law.

(e) (1) In a loss resulting from an attorney's refusal or failure to refund an unearned legal fee as required by the Lawyer's Code of Professional Responsibility, "dishonest conduct" shall include an attorney's misrepresentation, or false promise, to provide legal services to a law client in exchange for the advance payment of a legal fee.

(2) An attorney's failure to perform or complete a legal engagement shall not constitute, in itself, evidence of misrepresentation, false promise or dishonest conduct.

(3) Reimbursement of a legal fee may be allowed only if: (i) the attorney provided no legal services to the client in the engagement; or (ii) the legal services that the attorney actually provided were, in the trustees' judgment, minimal or insignificant; or (iii) the claim is supported by a determination of a court, a fee conciliation bureau, or an accounting acceptable to the trustees that establishes that the client is owed a refund of a legal fee. No award

reimbursing a legal fee shall exceed the actual fee that the client paid the attorney.

(4) In the event that a client is provided equivalent legal services by another attorney without cost to the client, the legal fee paid to the predecessor attorney will not be eligible for reimbursement, except in extraordinary circumstances.

7200.9 Filing claims. (a) Claims for reimbursement from the fund shall be written and verified. The fund shall provide an official claim form which shall require the following information: the name and address of the claimant; the name and last-known address of the attorney who is alleged to have committed a dishonest act; the terms of the attorney's professional engagement for the claimant; the amount of the loss incurred; the date of the loss or the period of time when the loss occurred; the place and manner in which the loss occurred; the date and manner in which the claimant discovered the loss; a description of what steps the claimant has taken to recover the loss from the attorney or any other source; and whether there are other sources, such as insurance, fidelity bonds or surety agreements, to reimburse the claimant's loss. The trustees may require a claimant to submit additional information that may be necessary to determine a claim.

(b) The fund shall promptly acknowledge receipt of the claim, which shall be assigned a claim number.

(c) A claim shall be filed with the fund within two years after the following dates, whichever is later:

(1) the date when the alleged dishonest conduct occurred; or

(2) the date when such dishonest conduct was first discovered.

(d) The trustees, in their discretion, may permit the late filing of claims upon a showing that compliance with the time limitations of this section may cause undue hardship or result in an injustice.

(e) In the discretion of the trustees, a claim shall be deemed filed when any writing specifying the claim is received by the fund, a bar association, an attorney grievance committee, or a police or other government agency.

7200.10 Processing claims. (a) Whenever it appears that a claim is not eligible for reimbursement pursuant to these regulations, the claimant shall be advised of the reasons why the claim is not eligible for reimbursement, and that unless additional facts to support eligibility are submitted to the fund within 30 days, the claim shall be dismissed.

(b) All claims that are eligible for reimbursement from the fund shall be investigated in such manner as the trustees deem appropriate. The trustees shall be furnished a written report of each investigation.

(c) The appropriate Appellate Division of the Supreme Court shall be requested to assist the trustees, to the extent the court deems appropriate, in the investigation of claims for reimbursement from the fund.

(d) A certified copy of an order disciplining an attorney for the same act of conduct alleged in a claim, or a final judgment imposing civil or criminal liability therefor, shall, for the

Trustees Regulations (22 NYCRR 7200, et seq.)

purpose of these regulations, be evidence that the attorney committed such act.

(e) Upon receipt of the investigation report, the trustees shall determine whether to conduct additional investigation. If the attorney whose alleged conduct gave rise to the claim has not been previously notified of the claim, a copy shall be provided the attorney. The attorney shall be invited to respond to the claim within 20 days.

(f) The trustees may request that testimony be presented to complete the record. Upon request, the claimant and the attorney, or their respective representatives, shall be given an opportunity to be heard.

(g) The trustees shall determine, in their sole discretion, whether a claim merits reimbursement from the fund and the amount, time, manner of its payment and the conditions upon which payment shall be made. The award of a claim shall require the affirmative vote of at least four trustees.

(h) Unless the trustees direct otherwise, no claim shall be awarded during the pendency of a disciplinary proceeding involving the same act of conduct that is alleged in the claim.

(i) In the exercise of their discretion in determining claims, the trustees shall consider, together with such other factors as they deem appropriate:

(1) the amount of money available and likely to become available to the fund for the payment of claims, and the size and number of claims that have been or are likely to be presented;

(2) the amount of the claimant's loss as compared with the amount of losses sustained by other claimants who may merit reimbursement from the fund;

(3) the degree of hardship suffered by the claimant as a result of the loss;

(4) any conduct of the claimant that contributed to the loss; and

(5) the existence of other sources to reimburse the claimant's loss, such as insurance, fidelity bonds or surety agreements.

(j) Written notice of the trustees' determination shall be provided the claimant and the attorney whose alleged conduct gave rise to the claim, or their representatives.

7200.11 Reconsideration of claims. A claimant who is denied reimbursement in whole or in part may request that the trustees reconsider the claim by filing an application with the fund no later than 30 days following receipt of the trustees' determination. If a claimant fails to request reconsideration, or the original determination of the trustees is confirmed, the trustees' determination shall be final.

7200.12 Legal right to payment from fund. No person or organization shall have any legal right to payment from the fund as a claimant, third-party beneficiary or otherwise.

7200.13 Payment of awards. (a) Claimants shall be reimbursed for losses in amounts to be determined by the trustees. No award shall exceed \$300,000.

(b) Awards shall not include interest. Attorneys' fees and other incidental and out-of-pocket expenses shall not be reimbursed by the fund. Additional taxes, interest, late charges and similar penalties finally incurred by a claimant as the direct result of an attorney's misappropriation may be eligible for reimbursement in the discretion of the trustees. The investigation report in a claim which involves such an element of loss shall contain an estimate of the amount of such loss and a recommendation whether the loss merits reimbursement from the fund. Unless the trustees determine otherwise, payment thereof may be processed as a supplemental award of reimbursement without further action by the trustees, provided the claimant provides proof of loss within six months following the trustees' approval of the underlying claim. The executive director shall report quarterly to the trustees on the payment of all supplemental awards during the preceding quarter.

(c) No claim for reimbursement shall be paid until the claimant transfers to the fund, in such form as the trustees shall authorize, the claimant's rights against the attorney whose dishonest conduct caused the claimant's loss and any other person or entity who may be liable for the claimant's loss.

(d) Payment of claims shall be made in such amounts and at such times as the trustees deem appropriate and may be paid in lump-sum or installment amounts.

(e) If a claimant is a minor or an incompetent, the award may be paid to a parent, guardian, committee or the attorney of the claimant, on the behalf of and for the benefit of the claimant.

(f) All payments of awards of reimbursement from the fund shall be made by the State Comptroller on vouchers certified by the chairman and the treasurer.

7200.14 Representation by counsel. (a) A claimant and the attorney whose alleged conduct resulted in the claim shall have the right to be represented by an attorney.

(b) In accordance with the rules of the Appellate Divisions of the Supreme Court, no attorney who assists a claimant process a claim with the fund shall charge or accept compensation for those services, without the prior written approval of the trustees. No fee applications by attorneys, including public officers and court-appointed fiduciaries, shall be approved by the trustees absent a showing of extraordinary circumstances.

7200.15 Confidentiality. (a) Except as otherwise provided, all claims and proceedings and the records relating thereto shall be sealed and confidential.

(b) All information provided by an Appellate Division of the Supreme Court shall remain sealed and confidential to the extent required by section 90 of the Judiciary Law.

(c) The trustees' final determination awarding reimbursement of a claim, and the facts relating to the claimant's loss, shall be a public record.

(d) An attorney whose alleged conduct gave rise to the claim may waive confidentiality.

Trustees Regulations (22 NYCRR 7200, et seq.)

(e) This section shall not be construed to deny access to information by the Court of Appeals, and Appellate Division of the Supreme Court, or to any court of competent jurisdiction in a judicial review proceeding.

7200.16 Amendment of regulations. New regulations may be adopted, and any regulation may be amended or repealed by the trustees at any regular or special meeting, provided that notice of the proposed adoption, amendment or repeal has been given to all trustees at least seven days before the meeting. New regulations, amendments and repeals shall be published in the State Register. Copies of all regulations shall be made available to the public at all offices of the fund.

7200.17 Construction of regulations. These regulations shall be liberally construed to accomplish the objectives of the fund and the policies of the trustees.

Helpful Telephone Numbers

Attorney Grievance & Disciplinary 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) 471-1835
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)



Lawyers Involved In 2011 Awards

The following is a list of the 46 now suspended, disbarred or deceased lawyers responsible for the misconduct and resulting client losses reimbursed by the Fund in 2011. The number and amount of awards listed are not cumulative and may 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.**

<u>Name</u>	<u>JD</u>	<u>#</u>	<u>Amount</u>
Nat John Azznara	09	1	\$ 4,151
Robert Barry	05	1	\$ 950
Kenneth P. Bernas	08	24	\$ 696,931
Marc A. Bernstein	01	1	\$ 300,000
Frederick Bittner, Jr.	09	2	\$ 34,715
F. Daniel Blizzard	09	1	\$ 13,650
Lawrence Buscemi	10	20	\$ 201,634
Donna A. Campbell	09	1	\$ 194,606
Anthony C. Casamassima	10	2	\$ 11,917
Christopher J. Chadick	05	73	\$ 74,931
David Dale	08	1	\$ 2,515
Yvonne DeBenedetto	10	5	\$ 391,539
Linda M. Dieterich	10	8	\$ 100,500
Augustine A. Diji	01	1	\$ 52,345
David A. Ehrlich	03	1	\$ 2,500
Scevia Storr Ellis	11	2	\$ 61,476
Jimmie L. Engram	12	1	\$ 3,500
James Falletta	11	3	\$ 60,000
Eric S. Finger	10	18	\$ 102,225
Richard F. Gluszk	10	2	\$ 353,500
Mark E. Gold	09	1	\$ 200,000
Michael V. Hanrahan	10	1	\$ 7,500
Craig S. Heller	10	2	\$ 15,500
Matthew S. Hogan	04	4	\$ 10,300
Bryan J. Holzberg	10	1	\$ 1,500
Jay H. Korn	10	22	\$2,572,908
Alexander Z. Landy	02	1	\$ 18,206
Martin K. Lang	10	1	\$ 3,287
Alvin E. Leonard	01	1	\$ 2,276
John D. Lewis	02	2	\$ 51,250
Michael P. Marmor	05	5	\$ 159,491
Joseph W. Mezey	03	5	\$ 43,419
Bruce K. Mogavero	09	4	\$ 169,703
Stuart R. Moshell	10	2	\$ 150,000
Thomas E. O'Bryan	05	3	\$ 1,405
Nathan G. Ostroff	08	1	\$ 839
Raymond G. Perez	09	1	\$ 45,000
Alexander B. Perry	03	5	\$ 10,520
Samuel Racer	01	1	\$ 53,500
Patrick M. Reidy	04	2	\$ 305,971
Andrew L. Schwab	01	4	\$ 146,512
Charles D. Tolbert	07	3	\$ 33,672
Kevin P. Wheatley	04	2	\$ 600
Thomas E. Wynne	02	1	\$ 22,604
Alan H. Young	02	1	\$ 149,000
Marc A. Ziogiannis	10	9	\$ 47,175

Statistical Tables

All Losses Reported Since 1982					Losses Reported in 2011 Claims				
Category of Client Loss	Number of Claims	Percent of All Claims	Amount of Loss Alleged	Percent of All Losses	Category of Client Loss	Number of Claims	Percent of All Claims	Amount of Loss Alleged	Percent of All Losses
Estates & Trusts	1,130	6.8%	\$105,763,590	14.8%	Estates & Trusts	27	4.5%	\$3,765,263	7.3%
Real Property Escrow	3,711	22.5%	\$183,129,740	25.7%	Real Property Escrow	187	31.1%	\$17,584,741	33.9%
Unearned Fees	5,784	35.0%	\$47,023,233	6.6%	Unearned Fees	252	41.9%	\$3,859,421	7.4%
Settlements	1,208	7.3%	\$52,251,118	7.3%	Settlements	45	7.5%	\$4,138,204	8.0%
Other Escrow	1,538	9.3%	\$62,740,203	8.8%	Other Escrow	28	4.7%	\$2,972,816	5.7%
Debt Collection	656	4.0%	\$3,573,094	0.5%	Debt Collection	5	0.8%	\$564,250	1.1%
Investment	1,609	9.7%	\$210,860,805	29.6%	Investment	46	7.7%	\$17,162,934	33.1%
Other	892	5.4%	\$47,713,995	6.7%	Other	11	1.8%	\$1,771,889	3.4%
Totals	16,528	100%	\$713,055,995	100%	Totals	601	100%	\$51,818,518	100%

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	715	10.1%	\$38,442,096	24.3%	\$60,150,533	63.9%
Real Property Escrow	2,171	30.7%	\$63,953,175	40.4%	\$71,192,391	89.8%
Unearned Fees	2,053	29.0%	\$4,956,221	3.1%	\$4,982,321	99.5%
Settlements	600	8.5%	\$14,022,616	8.9%	\$14,719,313	95.3%
Other Escrow	714	10.1%	\$16,527,114	10.4%	\$23,293,361	71.0%
Debt Collection	451	6.4%	\$690,349	0.4%	\$745,349	92.6%
Investment	364	5.1%	\$19,726,798	12.5%	\$23,564,285	80.3%
Totals	7,068	100%	\$158,318,369	100%	\$199,647,553	

Client Losses in 2011 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	6	2.4%	\$876,160	12.7%	\$976,160	89.8%
Real Property Escrow	95	37.6%	\$3,567,617	51.8%	\$6,545,593	54.5%
Unearned Fees	101	39.9%	\$151,383	2.2%	\$151,383	100%
Settlements	20	7.9%	\$466,820	6.8%	\$466,820	100%
Other Escrow	19	7.5%	\$410,546	6.0%	\$410,546	100%
Debt Collection	1	0.4%	\$16,836	0.2%	\$16,836	100%
Investment	11	4.3%	\$1,396,361	20.3%	\$1,419,886	98.3%
Totals	253	100%	\$6,885,723	100%	\$9,987,224	

“We have just received a check from your Fund, and realized why we are so proud to be Americans. Your group does wonderful things for people, such as us. You and your group should have a feeling of accomplishment and pride in what you do. We’ll never forget this action you have taken for the rest of our lives. To take funds from a trusting person is unforgiveable; to return these funds is really a miracle.”

Message from a Claimant, 2010

Statistical Tables

Claims Activity Since 1982															
	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Claims Filed	534	375	230	332	341	311	351	486	438	515	627	636	598	909	730
Losses Alleged (In Millions \$)	\$3.2	\$5.4	\$6.1	\$5.3	\$5.1	\$5.7	\$10.8	\$14.1	\$15.8	\$28.3	\$25.2	\$25.4	\$25.5	\$36.8	\$29.9
Claims Approved	1	494	130	183	178	159	202	177	219	200	288	318	362	383	381
Actual Losses (In Millions \$)	\$0.1	\$1.5	\$1.9	\$2.5	\$1.3	\$2.0	\$3.8	\$6.3	\$4.8	\$5.8	\$13.5	\$12.4	\$10.4	\$8.9	\$13.7
Awards (In Millions \$)	\$0	\$0.7	\$0.9	\$1.3	\$1.1	\$1.9	\$2.8	\$3.8	\$4.6	\$4.1	\$7.3	\$7.5	\$7.6	\$5.7	\$9.9
Lawyers Involved	1	13	26	43	26	24	36	26	38	44	38	52	45	60	38
% Losses Reimbursed	50%	46%	46%	52%	85%	95%	74%	60%	96%	71%	54%	60%	73%	64%	72%
% Client Fully Reimbursed	0	74%	65%	39%	91%	99%	99%	98%	96%	94%	95%	94%	94%	98%	94%
Claims Disallowed	33	201	105	73	164	120	119	169	186	360	253	384	247	366	439
Total Dispositions	34	695	235	256	342	279	321	346	405	560	540	702	610	749	820
Claims Pending Dec. 31	500	180	175	251	250	282	312	452	485	440	526	460	449	609	579
Losses Alleged in Pending Claims (In Millions \$)	\$2.9	\$4.6	\$7.4	\$8.5	\$9.5	\$10.2	\$15.3	\$18.0	\$23.9	\$32.0	\$30.1	\$24.2	\$27.3	\$43.5	\$46.9
Exposure on Pending Claims (In Millions \$)	\$1.7	\$1.6	\$2.3	\$2.7	\$3.5	\$5.2	\$6.3	\$9.8	\$15.1	\$14.9	\$16.0	\$13.9	\$15.2	\$24.4	\$25.1
Fund Balance (In Millions \$)	\$1.8	\$1.4	\$2.1	\$1.3	\$4.4	\$3.3	\$5.1	\$4.2	\$3.6	\$2.8	\$3.4	\$1.8	\$2.4	\$3.4	\$2.5

Statistical Tables

Claims Activity Since 1982																
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Totals
Claims Filed	1,128	812	442	492	548	499	506	627	729	520	454	480	489	820	601	16,560
Losses Alleged (In Millions \$)	\$40.8	\$24.3	\$15.9	\$20.5	\$22.6	\$21.8	\$17.4	\$26.7	\$28.1	\$18.6	\$31.8	\$43.7	\$40.6	\$89.4	\$51.8	\$713
Claims Approved	625	415	161	205	160	187	165	196	227	147	185	130	139	198	253	7,068
Actual Losses (In Millions \$)	\$9.1	\$6.8	\$3.7	\$14.2	\$5.3	\$5.9	\$5.8	\$5.1	\$8.6	\$7.3	\$7.1	\$6.8	\$5.8	\$9.3	\$9.8	\$199.5
Awards (In Millions \$)	\$6.9	\$5.9	\$3.4	\$10.5	\$5.3	\$5.7	\$5.8	\$5.1	\$8.1	\$7.1	\$7.0	\$6.8	\$5.6	\$8.5	\$6.9	\$158.3
Lawyers Involved	39	29	28	49	28	28	37	26	32	35	44	23	36	31	26	1,001
% Losses Reimbursed	76%	87%	92%	74%	100%	98%	99%	100%	94%	98%	98%	100%	97%	96%	69%	
% Client Fully Reimbursed	98%	99%	99%	97%	100%	98%	98%	100%	98%	98%	97%	100%	99%	98%	98%	
Claims Disallowed	620	522	383	329	383	281	338	323	327	284	307	351	257	428	310	8,662
Total Dispositions	1,245	937	544	534	543	468	503	519	554	431	492	481	396	626	563	15,730
Claims Pending Dec. 31	462	337	235	193	198	229	232	340	515	604	566	565	658	852	883	
Losses Alleged in Pending Claims (In Millions \$)	\$46.6	\$18.0	\$16.1	\$10.2	\$11.1	\$13.7	\$14.6	\$20.7	\$17.5	\$17.8	\$15.7	\$30.9	\$38.8	\$82.3	\$81.1	
Exposure on Pending Claims (In Millions \$)	\$17.4	\$11.3	\$11.6	\$8.3	\$9.2	\$10.2	\$10.3	\$15.1	\$13.9	\$14.8	\$14.1	\$21.7	\$27.1	\$42.7	\$40.9	
Fund Balance (In Millions \$)	\$2.1	\$6.6	\$6.3	\$3.4	\$4.1	\$5.4	\$5.5	\$8.1	\$5.4	\$7.0	\$3.5	\$5.0	\$4.5	\$5.7	\$3.8	

NY Judiciary Law Sec. 468-b

§§ 468-b. Clients' security fund of the state of New York.

1. The court of appeals shall appoint a board of trustees to administer the lawyers' fund for client protection of the state of New York established pursuant to section ninety-seven-t of the state finance law. Such board shall consist of seven members. Of the trustees first appointed, three shall be appointed for a term of three years; two for a term of two years; and two for a term of one year. As each such term expires, each new appointment shall be for a term of three years. The court of appeals may require such reports or audits of the board as it shall from time to time deem to be necessary or desirable.
2. The board shall have the power to receive, hold, manage and distribute the funds collected hereunder for the purpose of maintaining the integrity and protecting the good name of the legal profession by reimbursing, in the discretion of the trustees to the extent they may deem proper and reasonable, losses caused by the dishonest conduct of attorneys admitted to practice in this state. For purposes of this section, the term "dishonest conduct" shall mean misappropriation or wilful misapplication of clients' money, securities, or other property, by an attorney admitted to practice in this state.
3. The board of trustees shall adopt regulations for the administration of the lawyers' fund for client protection of the state of New York and the procedures for presentation, consideration, allowance and payment of claims, including the establishment of a maximum limitation for awards to claimants.
4. The board of trustees shall have the sole discretion to determine the merits of claims presented for reimbursement, the amount of such reimbursement and the terms under which such reimbursement shall be made. Such terms of reimbursement shall require that the claimant execute such instruments, take such action or enter into such agreements as the board of trustees shall require, including assignments, subrogation agreements and promises to cooperate with the board of trustees in making claims against the attorney whose dishonest conduct resulted in the claim.
5. The board of trustees shall serve without compensation but shall be entitled to receive their actual and necessary expenses incurred in the discharge of their duties.
6. The board of trustees may employ and at pleasure remove such personnel as it may deem necessary for the performance of its functions and fix their compensation within the amounts made available therefor.
7. The board of trustees shall be considered employees of the state for the purpose of section seventeen of the public officers law.
8. All payments from the lawyers' fund for client protection of the state of New York shall be made by the state comptroller upon certification and authorization of the board of trustees of said fund.
9. Acceptance of an award of reimbursement from the lawyers' fund for client protection shall, to the extent of such award, (a) subrogate the fund to any right or cause of action that accrued to the claimant as a consequence of the dishonest conduct that resulted in the claimant's award and (b) create a lien in favor of the fund that shall attach to any money asset that is designated to be paid to the claimant from, or on behalf of, the attorney who caused the claimant's loss. If the fund fully reimburses the claimant's loss, as determined by the board of trustees, the lien shall be in the amount of the fund's award. If the claimant's loss exceeds the fund's award, the lien shall not extend to the claimant's right to recover additional restitution from the attorney for the claimant's unreimbursed loss. In the event of a recovery by the fund, a claimant shall be entitled to any money recovered in excess of the fund's award of reimbursement to the claimant.

NY State Finance Law Sec. 97-t

§§ 97-t. Lawyers' fund for client protection of the state of New York.

1. There is hereby established in the custody of the state comptroller a special fund to be known as the "lawyers' fund for clients protection of the state of New York".
2. The full amount of the allocable portion of the biennial registration fee collected pursuant to the provisions of section four hundred sixty-eight-a of the judiciary law and such other monies as may be credited or otherwise transferred from any other fund or source, pursuant to law, including voluntary contributions, together with any interest accrued thereon, shall be deposited to the credit of the lawyers' fund for client protection of the state of New York. All deposits of such revenues not otherwise required for the payment of claims as hereinafter prescribed shall be secured by obligations of the United States or of the state having a market value equal at all times to the amount of such deposits and all banks and trust companies are authorized to give security for such deposits. Any such revenues in such fund, may be invested in obligations of the United States or of the state, or in obligations the principal and interest on which are guaranteed by the United States or by the state.



The Lawyers' Fund For Client Protection

Of the State of New York

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Our Mission:

To protect legal consumers from dishonest conduct in the practice of law, **to preserve** the integrity of the bar, **to safeguard** the good name of lawyers for their honesty in handling client money, **to promote** public confidence in the administration of justice in the Empire State.

Click for our 25th Anniversary Video!

You may increase the size of the screen in your browser.)
(Presented in Windows Media Player (.wmv) format.)

[This short video, with an introduction by former Chief Judge Judith S. Kaye, provides the history and purpose of the Lawyers' Fund. The video includes interviews with Fund Trustees and law client victims.](#)

The Lawyers' Fund for Client Protection

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APPLICATION FOR REIMBURSEMENT FRONT

APPLICATION FOR REIMBURSEMENT BACK