



The Lawyers' Fund for Client Protection

of the State of New York

Highlights from the 2018 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 2018, the 36th year of the operations of the Lawyers' Fund.

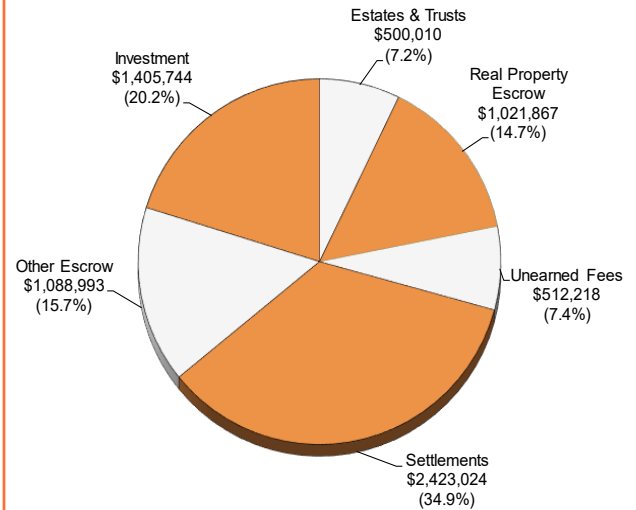
The Lawyers' Fund is an independent public trust, financed by New York's legal profession, that reimburses law clients for financial losses caused by dishonest conduct in the practice of law. No other profession provides such protection to its clients. The Lawyers' Fund is administered by a Board of Trustees appointed by the Court of Appeals. The Trustees serve renewable three-year terms as a public service without compensation.

The Trustees' experience over 36 years has proven that the overwhelming majority of lawyers in New York State are honest and caring and deserving of their clients' trust. Since the Fund's inception in 1982, a small number of former lawyers each year have been responsible for the dishonest conduct resulting in the Fund's awards. In 2018, 64 now suspended, disbarred or deceased lawyers were responsible for the client losses reimbursed by the Fund. Of these 64 former lawyers, 30 appear for the first time in the Fund's awards. There are over 325,000 registered lawyers in New York State.

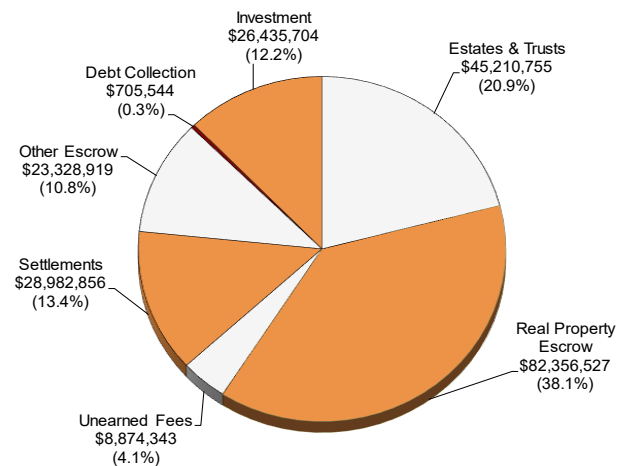
In 2018, the Trustees approved 164 awards providing \$6.9 million in total reimbursement to eligible law clients for losses caused by the dishonest conduct of former New York State lawyers. The Lawyers' Fund is able to reimburse up to \$400,000 per law client loss. All but four eligible law clients received 100 percent reimbursement for their losses in 2018.

The Trustees remain grateful to Chief Judge Janet DiFiore, the Judges of the Court of Appeals, the Clerk of the Court and his staff, all those in State government, our judiciary, District Attorney's offices and the attorney disciplinary system for their continued assistance to the Lawyers' Fund. The Trustees also wish to thank the State Attorney General's Office which so ably assists the Lawyers' Fund in restitution and other litigation. The Trustees appreciate the financial and other support the Lawyers' Fund receives from New York's legal profession. Special recognition is due those members of the bar who generously donate their time and talents in assisting claimants before the Fund as a public service, without legal fee.

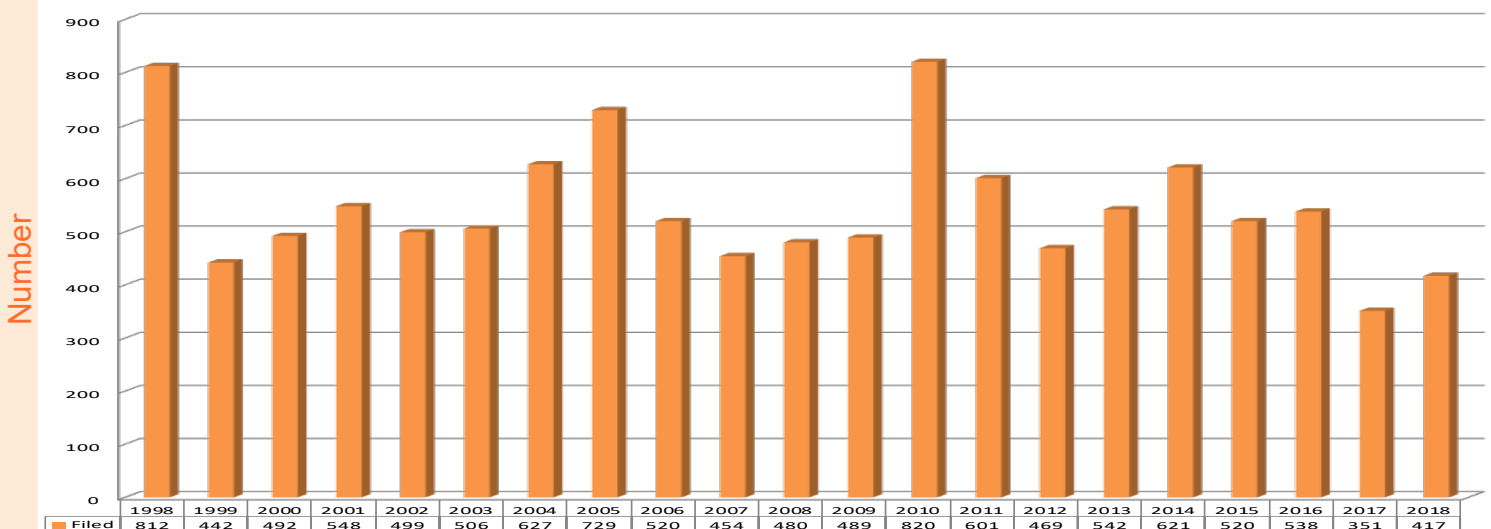
Amount of 2018 Awards By Type of Theft: \$6.9 Million



Amount of Awards Since 1982 By Type of Theft : \$215.9 Million



Number of Reimbursement Claims Filed, 1998 - 2018 (Total Number of Reimbursement Claims Filed Since 1982: 20,000)



The Fund's Statutory Authority and the Trustees' Regulations

The Lawyers' Fund was established by Section 97-t of the State Finance Law. This statute also provides for the management of the Fund's assets as a special revenue fund by the State Comptroller. Section 468-b of the Judiciary Law governs the administration of the Fund and provides the Trustees with full authority to administer the Fund, subject to the general supervisory authority of the Court of Appeals.

The Trustees' Regulations for administration and claims procedures are published in Title 22 of the Official Compilation of Codes, Rules and Regulations of the State of New York (22 NYCRR Part 7200).

Purpose of Law Client Protection and Trustees' Recommendations

The mission of the Lawyers' Fund is to protect law clients from dishonest conduct in the practice of law, maintain the integrity and protect the good name of the legal profession, and promote public confidence in the administration of justice in New York State. The Fund's primary focus is the reimbursement of client losses caused by dishonest conduct in the practice of law. The Trustees also fulfill the Fund's mission by recommending changes in legal practice and policy. The full text of the Trustees' Recommendations is published in the complete 2018 Annual Report, which is available on our website at www.nylawfund.org.

"Thank you very much from the bottom of my heart for your kind consideration."
Message from a claimant, 2018

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. However, these reports have identified upwards of 310 lawyers who had misused escrow funds.

Court rules designate the Lawyers' Fund the 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 identify these clients to enable the return of their money to them. As of December 31, 2018, staff successfully located 533 missing clients and restored \$1.6 million to them. This court rule and sample pleadings pursuant to this rule can be found on the Fund's website at www.nylawfund.org in the escrow and ethics material section.

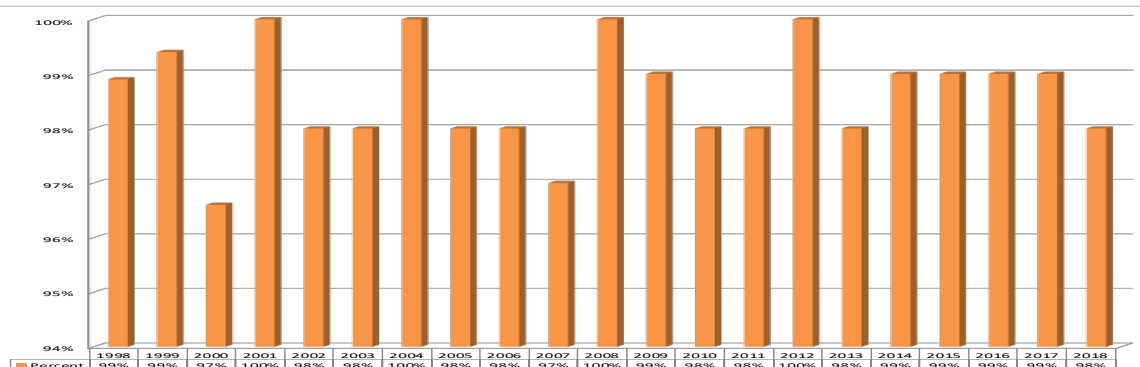
The Fund's internet site is a source of detailed information about the Fund and helpful advice for consumers and the legal community. The site contains frequently asked questions on the Fund and its procedures; the Trustees' Regulations; reimbursement claim forms; recent Annual Reports; consumer publications; and press releases.

Claims Received and Processed

In 2018, 417 claims were filed with the Lawyers' Fund, a 19 percent increase from 2017. These filed claims included 220 (52.8%) claims seeking reimbursement of unearned legal fees and 79 claims (18.9%) alleging losses in personal injury settlements. The largest alleged losses (\$9.9 million) involved personal injury settlements. The second largest alleged losses involved real property transactions (\$3.7 million).

The Trustees approved 164 awards in 2018. The dollar amount reimbursed totaled \$6.9 million. The median loss and award was \$6,000. Because the Fund is able to return up to \$400,000 on a single loss, in 2018, all but four eligible claimants received full reimbursement of their loss. By category, awards in 2018 reimbursing unearned retainer fees comprised the largest number of awards. Of the 164 awards in 2018, 91 (55.5%) reimbursed unearned retainer fees. The second largest category of awards by number was personal injury settlements with 32 awards, or 19.5 percent of the 164 total awards. By dollar amount, personal injury settlement was the the largest category of awards, reimbursing \$2.4 million or 34.9 percent of the Fund's total payout. Investment thefts were second with \$1.4 million in awards or 20.2 percent of the \$6.9 million reimbursed in 2018. Since 1982, the Fund has rendered 19,858 determinations in claims. Of these, 11,018, or 55 percent, were deemed ineligible for reimbursement.

Percent of Eligible Claimants Receiving Full Reimbursement 1998-2018



Lawyers Involved in Awards, 1982 to 2018

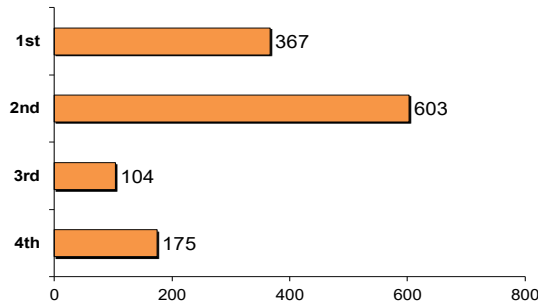
In 36 years, 1,249 former members of the bar have been responsible for the 8,840 awards granted by the Fund. A complete list of these former lawyers is available on the Fund's website www.nylawfund.org. There are over 325,000 registered lawyers in New York State. The Trustees' awards in 2018 were attributable to dishonest conduct by 64 now suspended, disbarred or deceased lawyers. Of these 64 former lawyers, 34 were already identified in awards from prior years and the names of 30 dishonest lawyers appear for the first time in 2018 awards.

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

The geographic distribution of these 1,249 former lawyers, and the Fund's 8,840 awards, among the state's judicial departments is represented in the bar graphs to the right:

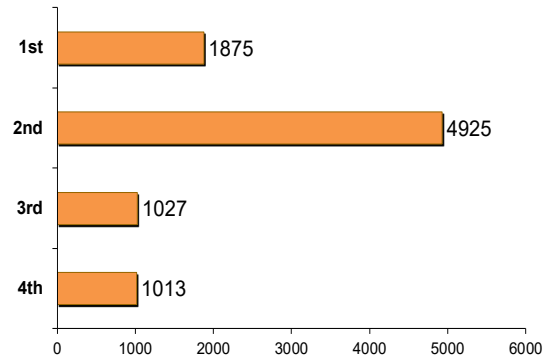
Lawyers Involved in All Awards Since 1982

Judicial Department



Distribution of Awards Since 1982

Judicial Department



First Judicial Department

New York and Bronx Counties

Second Judicial Department

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

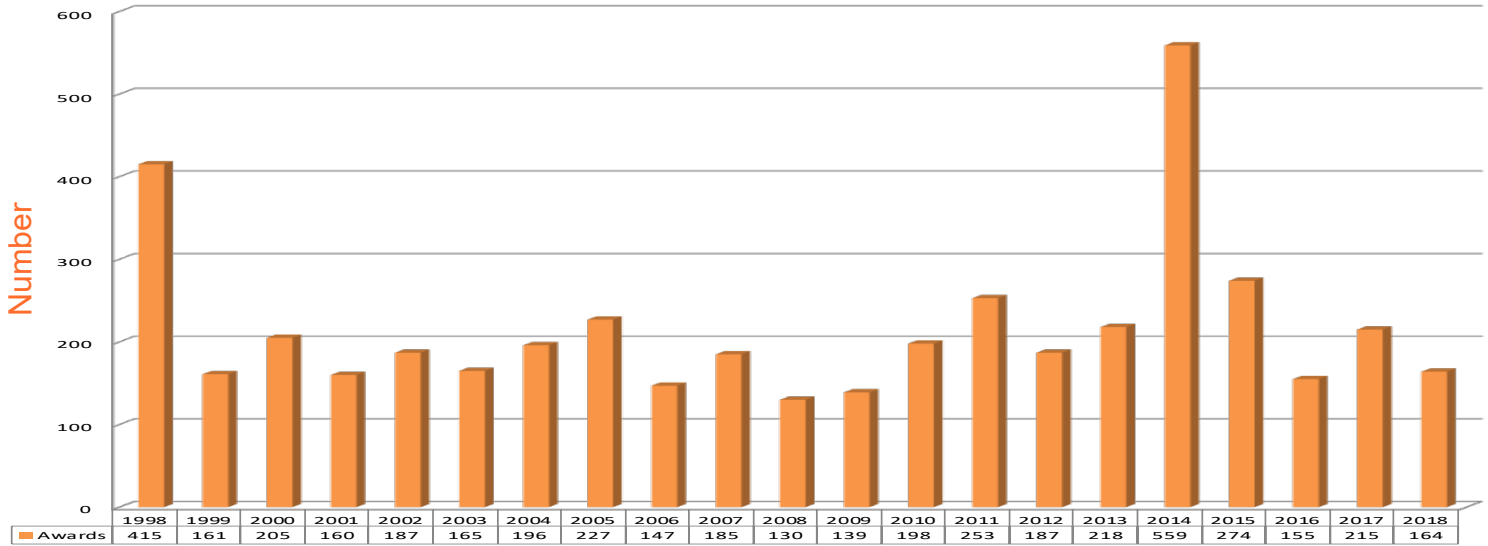
Third Judicial Department

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

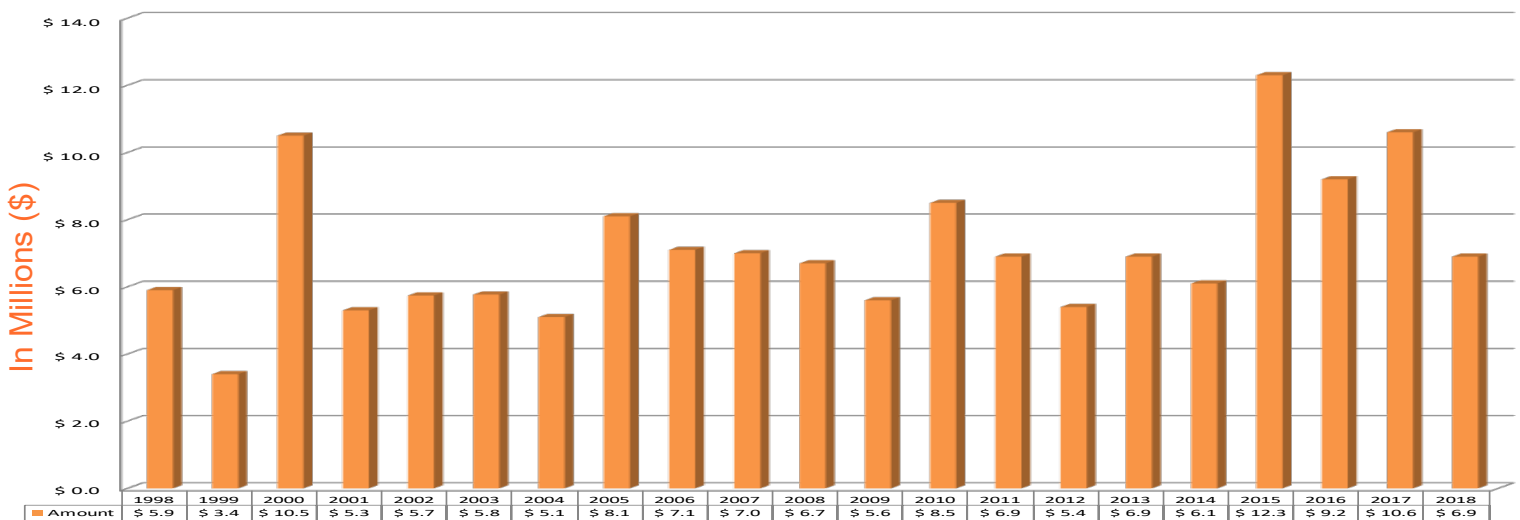
Fourth Judicial Department

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

Number of Awards Approved From 1998-2018 (Total Number of Awards Approved Since 1982: 8,676)

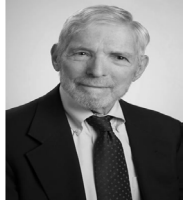


Amount of Awards Approved From 1998-2018 (In Millions \$) (Total Amount of Awards Approved Since 1982: \$208.9 Million)



The Board of Trustees

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 Michael J. Knight, Executive Director and Counsel; Gabriel Huertas, Assistant Counsel; Keri Cleveland, Investigator, Jahnel Kaczor, Administrative Secretary and Harriett Tremblay, Secretary.



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



Patricia L. Gatling, of Manhattan, is the Vice-Chairman of the Fund and an attorney with the Manhattan law firm of Windels Marx Lane & Mittendorf, LLP. She also served 13 years as the Commissioner and Chair of the New York City Commission on Human Rights.



Peter A. Bellacosa of Manhattan is the Fund's Treasurer and a partner with the law firm of Phillips Lytle, LLP.



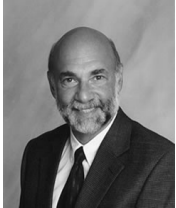
Anthony J. Baynes, of Erie County, is the founder and current Chairman of the AJ Baynes Group, a Buffalo based development and logistics company.



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.



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



Dr. Gary S. Greenberg, of Liverpool, Onondaga County, is a dentist specializing in Dental Sleep Medicine.

Former members of the Board of Trustees include the Hon. Judith S. Kaye, former Chief Judge of the State of New York (1981-1983); Joseph Kelner, Esq. of Manhattan (1981-1982); Anthony R. Palermo, Esq. of Rochester (1981-1990); John F. X. Mannion of Syracuse (1981-1992); Ray W. Manuszewski of Cheektowaga (1981-2002); Theodore D. Hoffmann, Esq. of Hicksville (1990-2002); Shirley B. Waters of Rome (1992-2001); Bernard F. Ashe, Esq. of Albany (1981-2008); Hon. Charles J. Hynes, former Kings County District Attorney (1982-2009); Theresa B. Mazzullo of Rochester (2002-2012); Eleanor B. Alter, Esq. of Manhattan (1985-2013), Nancy Burner of Port Jefferson (2002-2016) and Charlotte G. Holstein of Syracuse (2001-2018) Frederick Miller served as the Fund's first Executive Director and Counsel from 1982 through his retirement in July 2000. Timothy O'Sullivan served as Executive Director and Counsel from 2000 through his retirement in July 2018.

Revenue of the Lawyers' Fund

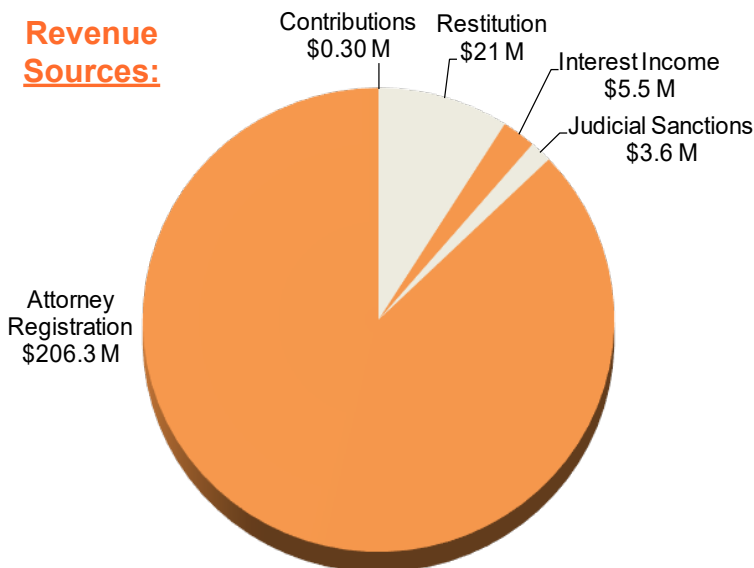
The biennial attorney registration fee required of every practicing attorney is the Fund's principal source of revenue. Section 468-a of the Judiciary Law allots \$60 of each \$375 registration fee to the Lawyers' Fund. Since April 1, 1993, additional revenue from the biennial registration fee has been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

The Lawyers' Fund does not receive any revenue from the Interest on Lawyer Account (IOLA) program. Also, the Fund does not receive any tax dollars.

The Fund's other sources of revenue include restitution, interest, sanctions and contributions. Since 1982, the Fund has received \$206.3 million from attorney registration fees; \$21 million in restitution; \$5.5 million in interest income; \$3.6 million in judicial sanction revenue; and \$313,000 in contributions from lawyers and the public. Revenues also include unclaimed missing client and deceased attorney escrow deposits held by the Fund for over five years pursuant to court rules. 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:

