



The Lawyers' Fund for Client Protection

of the State of New York

Highlights from the 2010 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 2010.

The Lawyers' Fund is an independent public trust, financed by New York's legal profession, which reimburses law clients for financial losses caused by dishonest conduct in the practice of law. No other profession provides such protection to its clients.

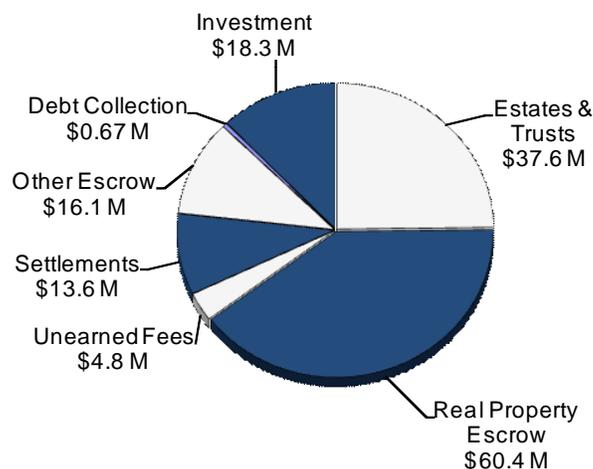
There are 262,000 registered lawyers in New York State. The Trustees' experience over 28 years has clearly established that the overwhelming majority of New York's lawyers are honest and caring and deserving of their clients' trust. In 2010, as in every year since the Fund's inception in 1982, only a small number of former lawyers are responsible for the dishonest conduct resulting in the Fund's awards. In 2010, 47 now suspended, disbarred or deceased lawyers were responsible for the client losses reimbursed by the Fund. Of these 47 former lawyers, 31 appear for the first time in the Fund's awards.

In 2010, the Trustees approved 198 awards reimbursing a total of \$8.5 million to eligible law clients for losses caused by dishonest conduct of attorneys in New York State. All but four eligible law clients received 100 per cent reimbursement for their loss in 2010. Since 1982, the Trustees have now granted 6,815 awards totaling \$151.4 million.

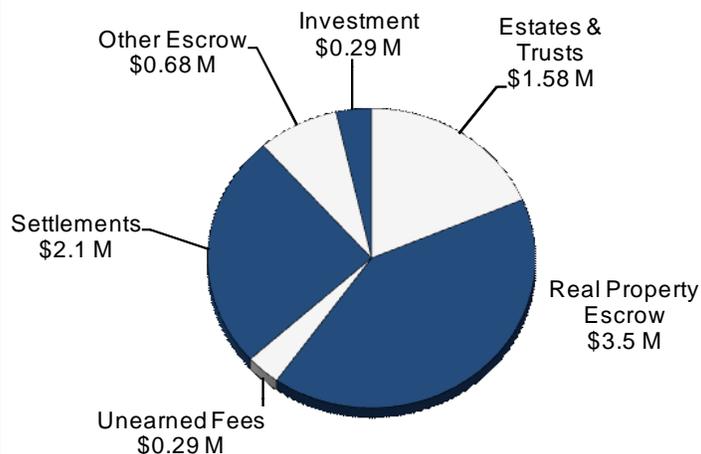
The Trustees are proud of New York's legal profession, and grateful for the financial and other support lawyers in New York State provide to the Lawyers' Fund and its client protection program. Each year, members of the bar generously donate their time and talents and assist claimants before the Fund as a public service, without legal fee.

The Trustees also wish to give special recognition to their colleague and dear friend, Eleanor B. Alter, for her wise guidance and strong leadership as the Fund's Chairman since 1985. In 2010, Mrs. Alter completed her current term as the Fund's Chairman. She will continue to serve with the Fund as a Trustee due to her reappointment by the Court of Appeals in December 2010 to another three-year term of office. The Trustees elected from their membership Eric A. Seiff of Manhattan to succeed Mrs. Alter as the Fund's Chairman.

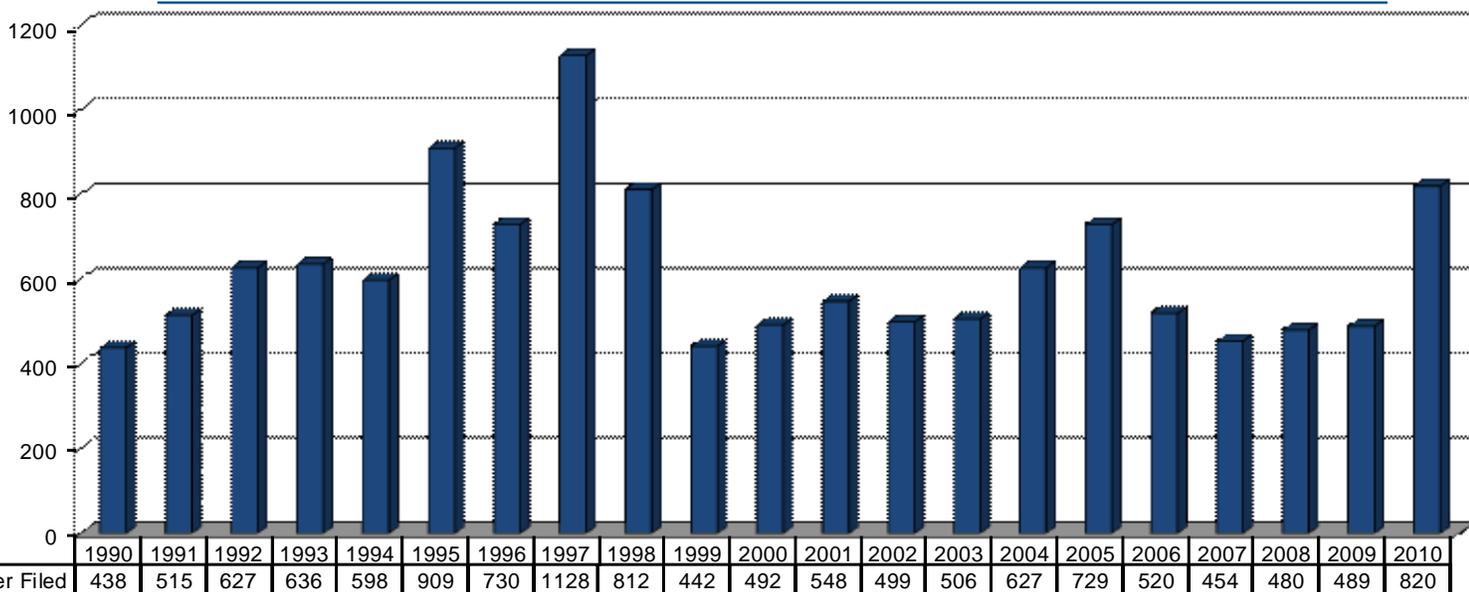
Amount of Awards Since 1982 By Misconduct : \$151.4 Million



Amount of 2010 Awards By Misconduct : \$8.5 Million



Number of Reimbursement Claims Filed, 1990 - 2010 (Total Number of Reimbursement Claims Filed Since 1982: 15,959)



Court Programs & Public Information

The Dishonored Check Notice Rule is a client protection device instituted at the request of the Fund's Trustees. Under the court rules for this program, the Lawyers' Fund acts as a statewide clearing house for reports of bounced checks on attorney trust, special and escrow accounts. The majority of bounced check notices result from innocent mistakes in law office banking practices. These reports though have identified upwards of 243 lawyers who had misused escrow funds.

Court rules designate the Lawyers' Fund as a depository for money owed to missing law clients and escrow beneficiaries. 22 NYCRR Part 1200 (Rule 1.15 (f)). Deposits of \$1,000 or less will be accepted without court order in order to prevent the depletion of nominal deposits. The Fund's staff attempts to locate these clients to return these monies. As of December 31, 2010, a total of 1,701 deposits totaling \$3.7 million were received by the Fund. Staff successfully located 178 missing clients and restored \$521,661.

The Fund's internet site at www.nylawfund.org 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.

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

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

"I just wanted to thank you so much for pursuing this matter on my behalf. In a climate of such distrust and bureaucratic game-playing, to encounter an organization with integrity is heart-warming. Thank you for performing such a noble and worthwhile endeavor. You bring comfort to many people who have been wronged in an extreme time of vulnerability."
Message from a claimant, 2010

Claims Received and Processed

In 2010, 820 claims were filed with the Fund, an increase of 67 percent from 2009. In 2010, there were 236 (28.8%) claims seeking reimbursement of legal fees and an identical number of claims involving real property escrows. The largest reported losses (\$29 million) involved investment transactions. The second largest reported losses (\$17.4 million) involved alleged real estate losses.

The Trustees approved 198 awards in 2010, with documented losses of \$9.3 million. Awards totaled \$8.5 million, and ranged between \$179 and \$300,000. The median loss and award was \$12,962. All awards since 1982 involve actual client and escrow losses of \$189.7 million. In 2010, 98 percent of eligible claimants received full reimbursement of their loss.

Of the 198 awards in 2010, losses in real estate transactions was the largest category of awards in both number (75) and dollar amount (\$3.5 million). In 2010, 38 percent of the awards approved, and 41 percent of the amount of reimbursement provided, involved thefts of real property escrows. **Only 24 former lawyers were responsible for the 75 real estate awards. Of these 24 former lawyers, 15 were from the Second Judicial Department. It is important to note that there are over 51,000 registered lawyers in the Second Judicial Department.**

Since 1982, final determinations have been reached in 15,167 claims: 6,815 (45%) were found to qualify for reimbursement and 8,352 (55%) were determined to be ineligible.

The Trustees remain concerned about the continuing problem of lawyer theft of real estate escrow funds. In 2010, the Trustees reviewed the Fund's experience with real property losses over a seven-year period from 2004 to 2010. This analysis reflects that real estate losses are concentrated in the Second Judicial Department. During this period, 404 of the 561 awards (72 percent) reimbursing real estate losses were caused by lawyers in the Second Judicial Department. These 404 real estate awards totaled \$18.3 million (67 percent) of the \$27.4 million paid out by the Fund.

Realty Awards, 2004-2010 - By Judicial Department

	2004	2005	2006	2007	2008	2009	2010	Totals	
Number	1st JD	8	10	8	24	24	14	6	94
	2nd JD	83	88	47	42	32	53	59	404
	3rd JD	8	2	1	1	3	2	6	23
	4th JD	1	16	6	6	4	3	4	40
	Totals	100	116	62	73	63	72	75	561
	2004	2005	2006	2007	2008	2009	2010	Totals	
Amount	1st JD	\$902,550	\$496,600	\$237,617	\$1,494,754	\$2,377,536	\$750,303	\$704,701	\$6,964,061
	2nd JD	\$2,643,180	\$4,090,277	\$2,669,763	\$1,565,684	\$2,693,672	\$2,750,313	\$1,918,473	\$18,331,362
	3rd JD	\$101,291	\$28,755	\$9,100	\$13,955	\$58,374	\$8,278	\$814,896	\$1,034,649
	4th JD	\$4,000	\$675,729	\$41,769	\$47,348	\$63,947	\$220,977	\$56,678	\$1,110,448
	Totals	\$3,651,021	\$5,291,361	\$2,958,249	\$3,121,741	\$5,193,529	\$3,729,871	\$3,496,758	\$27,440,520

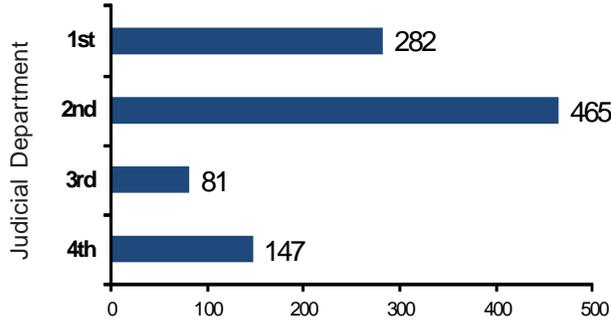
Lawyers Involved in Awards, 1982 to 2010

In 28 years, only 975 former members of the bar have been responsible for the 6,815 awards granted by the Fund. A complete list of these former lawyers is available on the Fund's website www.nylawfund.org. There are now 262,000 registered lawyers in New York State. The Trustees' awards in 2010 were attributable to dishonest conduct by 47 now suspended, disbarred or deceased lawyers. Of these 47 former lawyers, 16 were respondents in awards from prior years and the names of 31 dishonest lawyers appear for the first time in 2010 awards.

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

The geographic distribution of these 975 former lawyers, and the Fund's 6,815 awards, among the state's judicial departments is represented in the bar graphs to the right:

Lawyers Involved in All Awards Since 1982



First Judicial Department

New York and Bronx County

Second Judicial Department

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

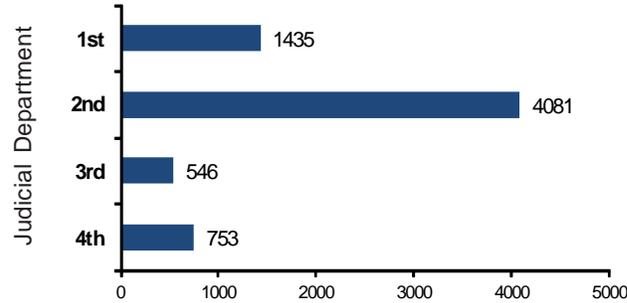
Third Judicial Department

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

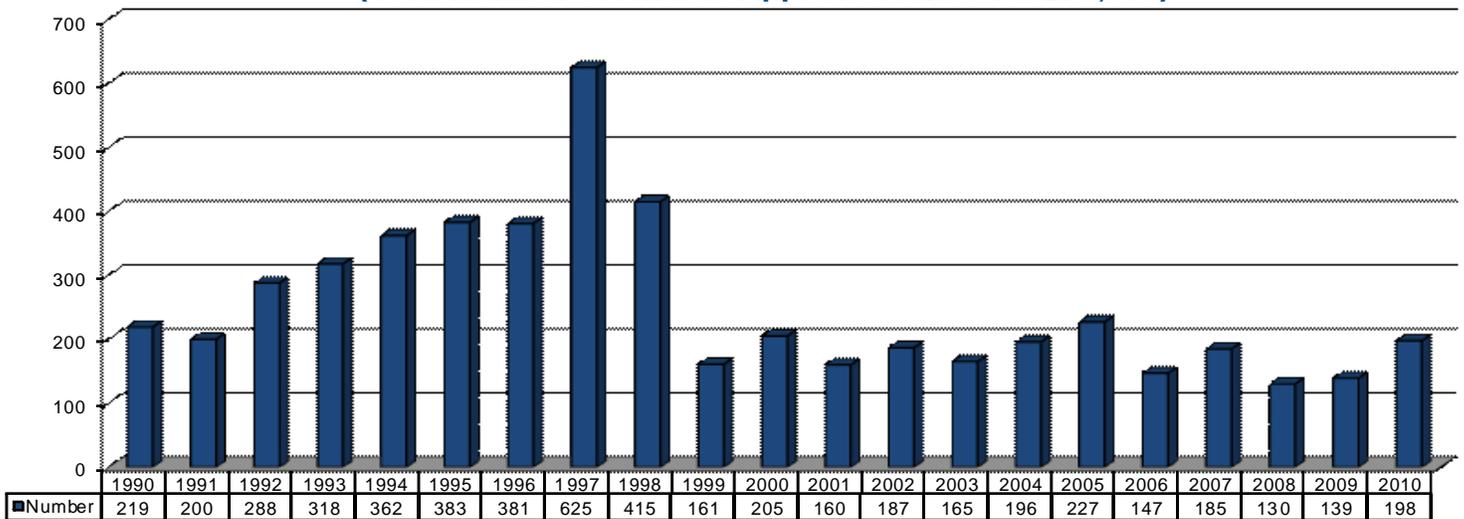
Fourth Judicial Department

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

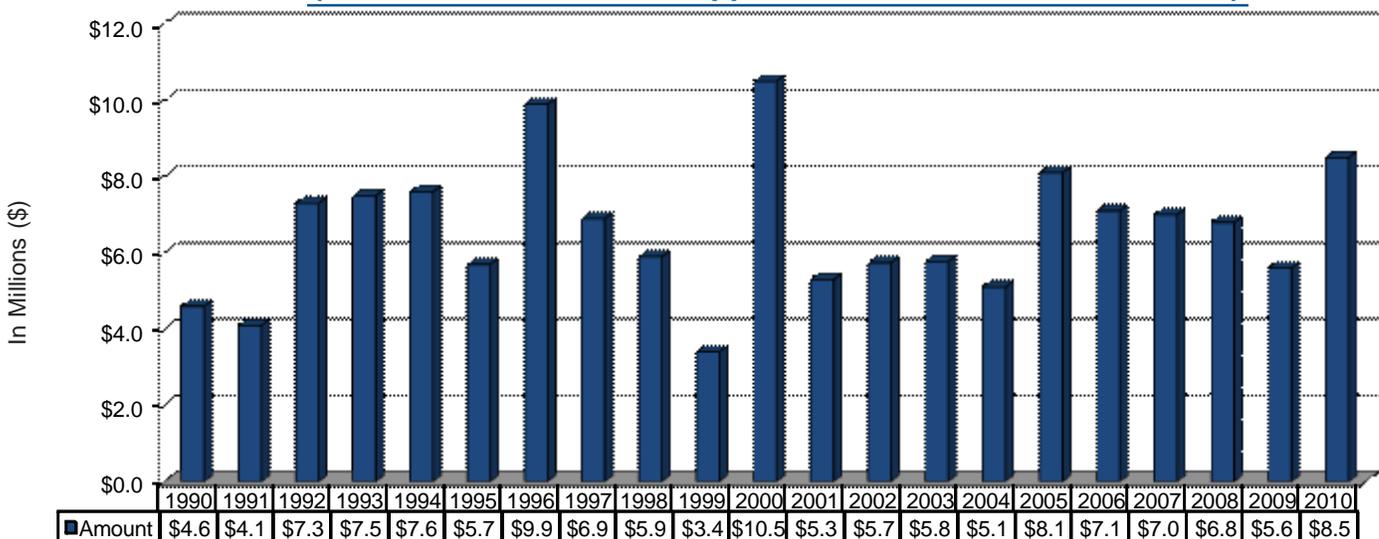
Distribution of Awards Since 1982



Number of Awards Approved From 1990-2010 (Total Number of Awards Approved Since 1982: 6,815)



Amount of Awards Approved From 1990-2010 (In Millions \$) (Total Amount of Awards Approved Since 1982: \$151.4 Million)



The Board of Trustees



Eric A. Seiff of the Bronx is Chairman of the Board. Mr. Seiff is a partner in the Manhattan law firm of Scoppetta, Seiff, Kretz & Abercrombie.



Nancy Burner of Suffolk County, is the Vice-Chairman of the Fund and the founding partner of Nancy Burner & Associate, P.C., in Setauket and Westhampton Beach.



Eleanor Breitel Alter of Manhattan is a partner in the Manhattan law firm of Kasowitz, Benson, Torres & Friedman.



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.



Peter A. Bellacosa of Manhattan is a partner in the litigation group of the Kirkland & Ellis law firm.



Theresa B. Mazzullo of Rochester, Monroe County, is the Fund's Treasurer and the CEO of Excell Partners, a state supported seed venture capital fund.



Patricia L. Gatling, of Manhattan, is the Commissioner and Chair of the New York City Commission on Human Rights.

Former members of the Board of Trustees include the Hon. Judith S. Kaye, former Chief Judge of the State of New York (1981-1983); Joseph Kelner, Esq. of Manhattan (1981-1982); Anthony R. Palermo, Esq. of Rochester (1981-1990); John F. X. Mannion of Syracuse (1981-1992); Ray W. Manuszewski of Cheektowaga (1981-2002); Theodore D. Hoffmann of Hicksville (1990 to 2002); Shirley B. Waters of Rome (1992 to 2001); Bernard F. Ashe of Albany (1981-2008) and Hon. Charles J. Hynes, Kings County District Attorney (1982-2009).

The Lawyers' Fund is administered by a Board of Trustees who are appointed by the Court of Appeals. Since 1981, the Board has been composed of five members of the bar and two business and community leaders.

The Trustees serve renewable three-year terms. They receive no compensation for their services.

The Fund's office is located in Albany. The Trustees are assisted by a five-member staff composed of Timothy J. O'Sullivan, Executive Director and Counsel; Michael J. Knight, Deputy Counsel; Jahnel Hall-Worthen, Administrative Secretary; Ray Wood, Investigator, and Harriett Tremblay, Secretary.

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

Revenue of the Lawyers' Fund

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

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

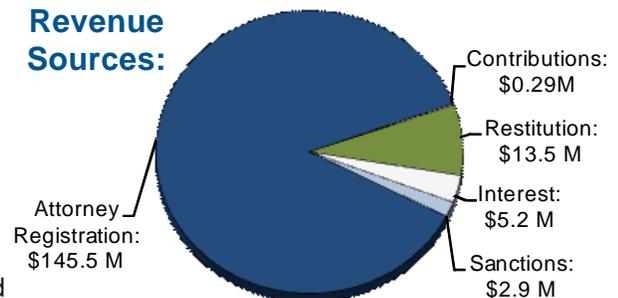
Other sources of revenue for the Fund include restitution, interest, sanctions and contributions. Since 1982, the Fund has received \$145.5 million from attorney registration fees; \$13.5 million in restitution; \$5.2 million in interest income; \$2.9 million in judicial sanction revenue; and \$296,000 in contributions from lawyers and the public. The Fund's revenues are annually appropriated to the Board of Trustees by the State Legislature as one component of the Judiciary Budget.

"Thank you again for the diligent investigation and for your courtesy and cooperation throughout this process. It says a whole lot for the New York Bar that it has been able to assemble and devote the necessary resources to cover losses like this. I can certainly assure you that I do not question registration fees....after experiencing firsthand what collective planning and action can do to make clients whole."

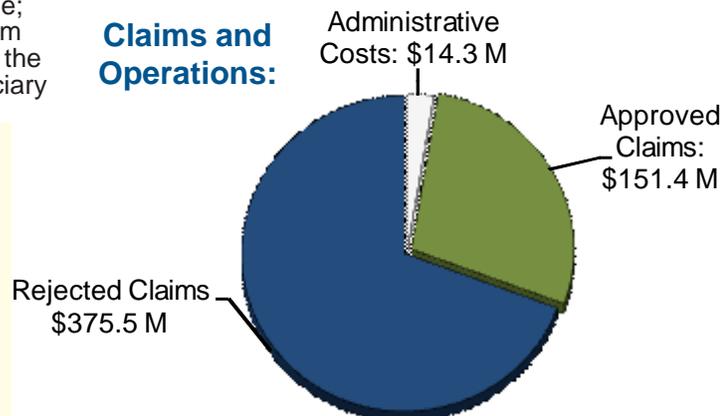
Message from a Claimant's Attorney, 2010.

The Fund's Finances Since 1982

Revenue Sources:



Claims and Operations:



Recommended Changes in Legal Practice and Policy

Each year, the Trustees recommend changes in legal practice and policy in fulfillment of their statutory responsibility to maintain the integrity of the legal profession and promote public confidence in the administration of justice. The full text of these recommendations can be found in our complete annual report posted at <http://www.nylawfund.org>.

The Lawyers' Fund for Client Protection

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www.nylawfund.org