

In the rare event that an attorney misappropriates client funds, leaving him or her without recourse, the Clients' Security Fund can help. Drawing from a fund supported by the State Bar of Nevada, clients may be eligible for reimbursement of up to \$50,000. This report outlines the Clients' Security Fund Committee's efforts to make clients whole and in so doing, promote the honor and integrity of the profession.



Clients' Security Fund Annual Report

2015



**2015 Clients'
Security Fund
Committee Members**

Janet Pancoast
Chair
Harvey Gruber
Vice-Chair

Eva G. Cisneros
Jeffrey Sloane
Brigid Higgins
Miriam Rodriguez
Jason Stoffel
Courtney Leverty
Reed Werner
Zelalem Bogale
Kirk Jacobson

**Clients' Security
Fund Staff**

Theresa Freeman
Programs Manager

Fund Establishment

The State Bar of Nevada's Clients' Security Fund (Fund) was established in 1970 to reimburse clients for losses sustained when a lawyer betrays a client's trust and misappropriates the client's funds through defalcation or other dishonest acts. As such, the Fund helps the State Bar of Nevada to fulfill several of the Bar's enumerated purposes, including: improving the administration of justice; upholding the honor, integrity, professionalism and dignity of the profession of law; applying its knowledge and experience in the field of law to the promotion of the public good; enhancing the professional competence and ethical conduct of members of the Bar; and seeking fulfillment of the obligations of the legal profession in the courts and in the community.

To some, the Clients' Security Fund can be seen as the Bar's single most public relations function for the State Bar. It provides a source of recovery for those members of the public who have suffered a loss at the hands of dishonest State Bar licensees.

Supreme Court Rule 86.5(1)

"Establishment. The board of governors shall maintain, from dues paid by members of the state bar, voluntary contributions and any other sources which may become available, a clients' security fund for the purpose of providing reimbursement, in whole or in part, as a matter of grace and not of right, to persons who have sustained loss by reason of a dishonest act of a member of the state bar, acting in his capacity as an attorney and counselor at law, in the nature of defalcation or embezzlement of money or the wrongful taking or conversion of money, property or other things of value, and shall provide for the administration of such fund. The board of governors is authorized to invest such funds as is provided for in paragraph 11 of Rule 86."

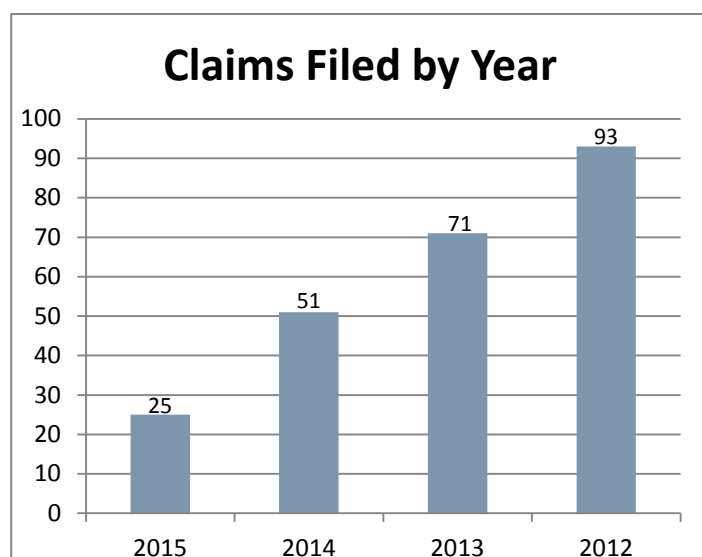
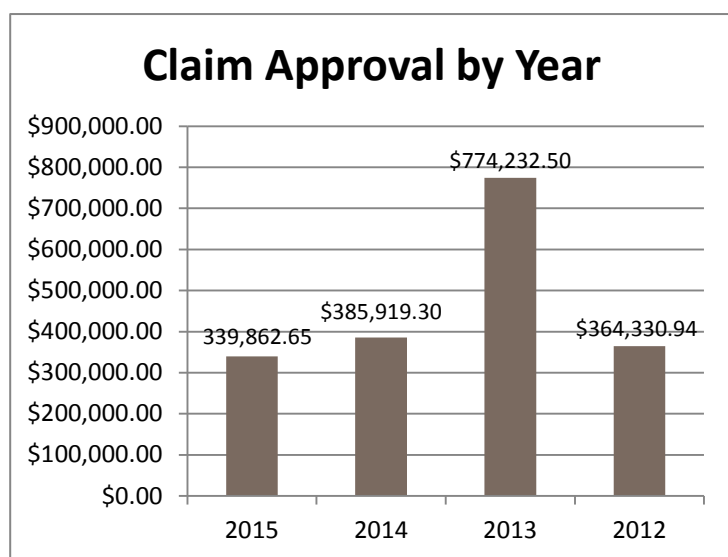
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Fund Overview

The Clients' Security Fund Committee is comprised of 12 members, including two lay members, who investigate claims. The Committee meets twice a year to discuss claims and determine whether reimbursement can be made to the clients. Approved claims may be reimbursed up to \$50,000 per claimant.

In order to qualify for reimbursement from the Clients' Security Fund, there must be an act of theft which occurred within an attorney-client relationship that involves an attorney no longer practicing due to suspension, disbarment, death or incapacitation. In 2015, the Clients' Security Fund Committee reviewed 25 such claims¹, and they approved 16 claims for reimbursement totaling \$339,862.65.

As demonstrated by the two charts below, the number of claims reviewed and amounts approved by the Committee vary from year to year.



¹ Includes claims filed, but not resolved in previous years.

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Funding

The Clients' Security Fund receives its revenue primarily through four sources: 1) a dedicated portion of every licensed attorney's annual dues; 2) a portion of SCR 42 pro hac vice application and licensing fees; 3) donations to the Fund; and 4) restitution from attorneys on whose behalf claims have been paid.

Additionally, the Fund continues to work with the Clark County District Attorney's Office to pursue restitution to the Fund in cases where criminal action is taken against an attorney for theft. The Fund has worked with the Office of Bar Counsel to seek reimbursement to the Fund from suspended or disbarred attorneys as a condition of their reinstatement. As a result of these efforts, restitution payments to the Fund remain steady.

The Fund Reserve Policy dictates that the Committee maintains 50 percent of the total reserve fund balance each year. This policy has helped to insure the stability of the Fund in the case of a catastrophic claims year.

Revenue & Expenditures ²	
Funding	Amount
2015 Annual Dues	\$197,500.00
2015 Pro Hac Vice Fees	\$ 64,868.00
2015 Restitution	\$ 34,934.95
2015 Donations	\$ 2,980.00
TOTAL:	\$300,282.95
Reimbursements	Amount
2015 Claims Paid to Date ³	(\$214,443.52)

Reserve Fund	
Funding	Amount
Reserve Balance	\$136,952.30
2014 Carryover Balance	\$113,814.64
2015 TOTAL:	\$250,766.94

² 100% of all Fund expenditures are related to claim reimbursement. Committee and staff overhead, salaries, etc. are supported through the State Bar of Nevada.

³ Represents total reimbursements made after receiving subrogation agreements, not total amount approved (\$339,862.65).

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Approved Claims

Last year, the Clients' Security Fund approved 16 claims for reimbursement related to 10 attorneys as noted in the chart below.

Highlights Include:

A finding capped at \$50,000 for misappropriation of funds from a family following a settlement against a nursing home following the death of their father.

A finding against a suspended attorney for nearly \$45,000. The attorney failed to provide her client with the funds from a settlement in a personal injury case.

An attorney, who subsequently died, who dispersed funds from a personal injury settlement to an estate into his personal accounts from his IOLTA account.

2015 Approved Claims			
Attorney Name	Status	Awards	Approved
Marina Kolias	Discipline Suspended	3	\$127,956.81
Barry Levinson	Discipline Suspended - Now Deceased	3	\$132,556.23
Jorge Sanchez	Deceased	1	\$2,274.00
C. Andrew Wariner	Disbarred	2	\$16,280.00
John Cereso	Deceased	2	\$46,150.61
James Parsa	Discipline Suspended	1	\$975.00
Lynn Shoen	Discipline Suspended	1	\$270.00
Theodore Gamboa	Deceased	1	\$5,000.00
Gerry Zobrist	Disbarred	1	\$3,500.00
Curtis Cannon	Disability Inactive	1	\$4,900.00
		Total:	\$339,862.65

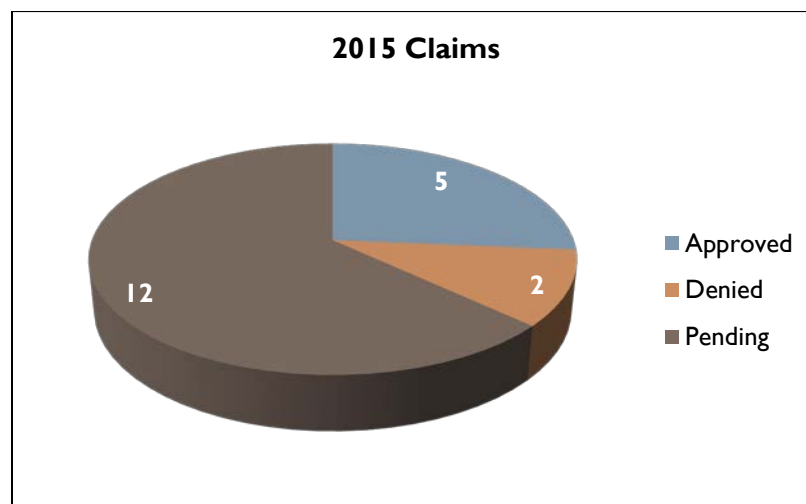
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2015 Claim Breakdown

The Clients' Security Fund received 19 claims in 2015. Claims were a mix of personal injury cases, where the attorney misappropriated clients' settlement funds, and either bankruptcy, loan modification or divorce cases where the attorney took attorney's fees but did no work.

Year	Claims Received	Attorneys Involved
2012	92	16
2013	71	20
2014	32	10
2015	19	11

Of the 19 claims received in 2015, the Committee approved five claims and denied two claims. The remaining 12 claims were received after the final Committee meeting for 2015 and are pending consideration in 2016:



The number of claims has been on a downward trend since the height of the mortgage crisis, which also coincided with a number of highly publicized issues of attorney wrong-doing that brought many more claims.

The size of the awards has increased as the number of claims has decreased.