

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

2017



### 2017 Clients' Security Fund Committee Members

Janet Pancoast  
*Chair*  
Harvey Gruber  
*Vice-Chair*

Jeffrey Sloane  
Brigid Higgins  
Miriam Rodriguez  
Jason Stoffel  
Courtney Leverty  
Reed Werner  
Zelalem Bogale  
Dana Dwiggins  
Sadiq Pantankar

### 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."*

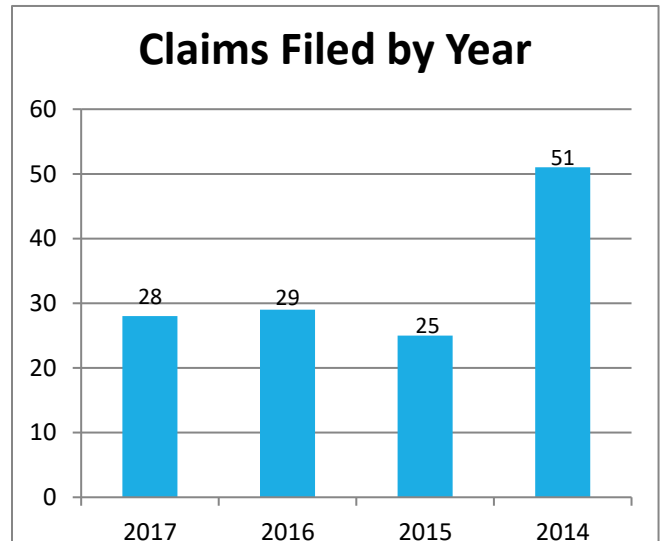
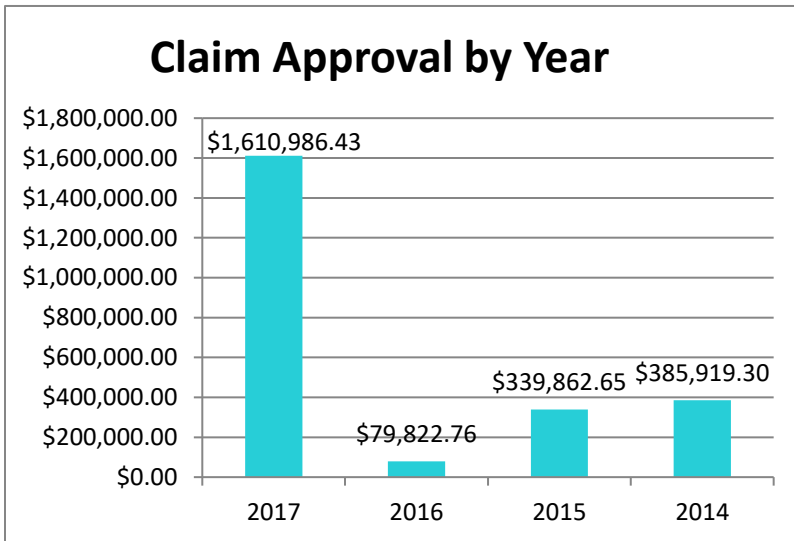
# Clients' Security Fund 2017 Annual Report

## 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 2017, the Clients' Security Fund Committee received 28 new claims. In addition, they reviewed 16 claims<sup>1</sup>, and approved 9 of those claims for reimbursement totaling \$1,610,986.43 (\$360,818.59 w/cap).

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



<sup>1</sup> 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 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 remains steady.

The Fund Reserve Policy dictates that the Committee maintains 50 percent of the total reserve fund balance each year (with a requisite minimum of approximately \$250,000). The Board deviated from this policy in 2017 to allow for the reserve to be drawn down to a minimum of \$50,000 to cover claims filed each year for the next four years. This deviation in policy was in response to the anticipated large number of claims that will be filed with the Fund over the next four years (2017-2021) regarding the dishonest conduct of former attorney, Robert Graham.

Revenue & Expenditures <sup>2</sup>	
Funding	Amount
2017 Annual Dues	\$210,155.00
2017 Pro Hac Vice Fees	\$ 82,450.00
2017 Restitution	\$ 32,163.22
2017 Donations	\$ 25.00
<b>TOTAL:</b>	<b>\$324,793.22</b>
Reimbursements	Amount
2017 Claims Paid to Date <sup>3</sup>	(\$355,818.59)

Reserve Fund	
Funding	Amount
Reserve Balance	\$330,889.51
2016 Carryover Balance	\$304,526.25
<b>2015 TOTAL:</b>	<b>\$635,415.76</b>

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

<sup>3</sup> Represents total reimbursements made after receiving subrogation agreements, not total amount approved (\$360,818.59).

## Clients' Security Fund 2017 Annual Report

### Approved Claims

In 2017, the Clients' Security Fund approved 9 claims for reimbursement totaling \$1,610,986.43 (\$360,818.59 with cap). 7 of those claims were related to just one attorney as noted in the chart below.

2017 Approved Claims			
Attorney Name	Status	Awards	Approved
Robert Graham	Disbarred	7	\$350,000.00
Patrick McDonald	Disability Inactive	1	\$5,818.59
Luke Ciciliano	Discipline Suspended	1	\$5,000.00
<b>Total:</b>			<b>\$360,818.59</b>

### 2017 Claim Breakdown

The Clients' Security Fund received 28 claims in 2017. Claims were mainly personal injury cases, where the attorney misappropriated clients' settlement funds and probate/estate/guardianship matters, where the attorney stole funds from his trust account.

Year	Claims Received	Attorneys Involved
2014	32	10
2015	19	11
2016	29	11
2017	28	12

Of the 28 claims received in 2017, the Committee approved 7 claims and denied 1 claim. The remaining 20 claims received in late 2017 and will be considered in 2018 as indicated by the chart below.

