

## REPORTS OF SPECIAL BOARDS

### CLIENTS' PROTECTION FUND

*J. Nicholas Klein III, chair*

The Clients' Protection Fund was established in 1976 to make monetary awards to persons who have suffered financial losses due to the dishonest conduct of Virginia lawyers. The fund is operated by a 14-member board appointed by the Virginia State Bar Council. The board has lay and lawyer members. Board members investigate all petitions from clients for payments from the fund, and the board discusses and acts on each petition.

The fund began the fiscal year on July 1, 2003, with a cash balance of \$2,787,251. The Virginia State Bar Council approved a budget amendment to transfer \$500,000 to the fund during the year. Interest income for the 2003–2004 fiscal year totaled \$142,255. The fund received restitutions from the Virginia Attorney General's collections, debt set-off and individual restitutions in the amount of \$32,504. A donation of \$478 was also received. As of June 30, 2004, the cash balance in the fund was \$3,234,714. Pursuant to the rules governing the Clients' Protection Fund, all funds are invested in certificates of deposit, U.S. Government securities and federal agency securities.

As of July 1, 2003, forty-nine claims were pending from the previous fiscal year. One hundred eighteen new claims were received during the year. The total amount paid during 2003–2004 was \$227,699 representing seventy-two claims. Sixty-one claims were denied and one claim was withdrawn by the petitioner. Thirty-three claims were pending as of June 30, 2004.

The board began the 2003–04 fiscal year with two new board members: Laurie L. Dolson of Fairfax and J. Steven Grist of Lexington. During the year, two board members resigned due to additional commitments which prevented them from devoting the required time to the board. They were Arthur V. Shaheen and Jerry W. Ham, both from Richmond. Cary A. Ralston was appointed in February to replace Mr. Shaheen, the Third Disciplinary District representative. The lay member position vacated by Mr. Ham will be filled by the nominating committee effective July 1, 2004.

The subcommittee that was appointed in the spring of 2003 to review the revised American Bar Association Model Rules for Client Protection and to determine if the Virginia State Bar rules needed to be changed, completed its work in September. The board agreed on a number of changes to the rules and recommended these to the VSB Council in October. The council approved all of the recommendations proposed by the board.

The Clients' Protection Fund Board continues to deal with an increasing workload and the board members are to be commended for the extra effort required to investigate the large volume of claims on their docket during fiscal year.

