

CLIENTS' PROTECTION FUND

H. Victor Millner Jr., 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 fourteen-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, 2004, with a cash balance of \$3,235,339. The Virginia State Bar Council authorized a transfer of \$250,000 to the fund as part of the bar's 2004–2005 operating budget. Interest income for the 2004–2005 fiscal year totaled \$125,848. The fund received restitutions from attorney general's collections, debt setoff and individual restitutions in the amount of \$16,223. As of June 30, 2005, the cash balance in the fund was \$3,346,421. 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, 2004, thirty-three claims were pending from the previous fiscal year. One hundred fifty-two new claims were received during the year, and one closed claim originally filed in FY 2003 was reopened. The total amount paid during 2004–2005 was \$299,520, representing eighty-six claims. Fifty-eight claims were denied and one claim was withdrawn by the petitioner. Forty-one claims were pending as of June 30, 2005.

The board began the 2004–2005 fiscal year with six new board members. They are Michael L. AtLee from Hampton, Barry J. Dorans of Virginia Beach, Stephen K. Gallagher of Alexandria, Robert P. Skoff of Prince William, Anthony J. Nicolo of Portsmouth and Robert L. Bailey (lay member) of Newport News. During the year, Fred A. Rowlett resigned from the board and was replaced by Tony M. Hutchinson of Bristol. Our board and the bar lost a dedicated member, John F. Lanham. His untimely death occurred a few weeks before he would have assumed the chairmanship of the board.

At the direction of the Supreme Court of Virginia, the bar hired an actuary to review the financial status of the fund. The recommendation from the actuaries is that the fund should be closer to nine million dollars in order to generate sufficient interest income with which to pay the potential future claims. The report was forwarded to the Court for review.

The fund continued to work with an increased workload during the year, and the board members are to be commended for the extra time required to investigate the large volume of claims on the docket during fiscal year 2004–2005. The board experienced a 50 percent turnover this year; however, the new and continuing board members shared in the work load and accomplished a tremendous amount of work in completing the investigations on 145 out of 186 petitions.

