



***Client Protection Fund  
2024 Annual Report***

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## **Appendix**

- A. Consolidated Financial Statements, Year Ended December 31, 2024  
State Bar of Arizona and the Client Protection Fund of the State Bar of Arizona  
(See Appendix pages 35-38 for Fund-specific information.)

## **I. Introduction**

Supreme Court of Arizona Rule 32(d)(8) requires the State Bar of Arizona to create and maintain the Client Protection Fund (“Fund”) as an entity separate from the State Bar. A resolution authorizing the establishment of the Fund was submitted by the State Bar Board of Governors (“Board”) to the State Bar membership and approved on April 9, 1960. The Fund was created by a Declaration of Trust dated January 7, 1961, which is amended and restated by the Board as needed.

“The purpose of the Fund is to promote public confidence in the administration of justice and the integrity of the legal profession by reimbursing losses caused by the dishonest conduct of lawyers admitted and licensed or otherwise allowed to practice in Arizona, occurring in the course of the client-lawyer or fiduciary relationship between the lawyer and the claimant.” *Client Protection Fund Declaration of Trust, Rule 1(A)*.

Each year the Fund presents its Annual Report to the Supreme Court of Arizona. The period covered by this report is January 1, 2024 through December 31, 2024. The report summarizes the Fund’s activity for the year and provides general information about the Fund. Members of the Board are provided with a copy, and the report will be posted on the State Bar’s website. More specific information than what is in this report may be obtained only with the consent of the Supreme Court.

## **II. Board of Trustees**

A five-person Board of Trustees (“Trustees”), appointed by the Board, administers the Fund. Each lawyer Trustee must be an active member of the State Bar in good standing for at least ten years. The Board, in its discretion, may appoint one non-lawyer Trustee. Trustees serve five-year terms, with no more than two consecutive terms. The Trustees typically hold quarterly meetings to review claims and are not compensated for their service. Trustees serving in 2024 included:

<b>Trustee</b>	<b>Appointed</b>	<b>Reappointed</b>	<b>Term End</b>
Woodnick, Gregg, Chair (Phoenix)	07/01/19	07/01/24	06/30/29
Gerst, Matthew A., Public Trustee (Scottsdale)	07/01/15	07/01/20	06/30/25
Estavillo, Joshua L.J., Trustee (Tucson)	07/01/21		06/30/26
Hill, Clifford L., Sec/Treasurer (Prescott)	07/01/22		06/30/27
Chan, Patty, Trustee (Phoenix)	07/01/23		06/30/28

## **III. Eligible Claims**

The Trustees consider claims alleging a loss of money or property resulting from the dishonest conduct of a lawyer acting in the capacity of a lawyer or fiduciary to the claimant.

Pursuant to Rule 3(C) of the Declaration of Trust, the Trustees may not approve a claim for payment unless one of the following events has occurred with respect to the lawyer:

1. Suspension for a period longer than six months;
2. Interim suspension;
3. Disbarment;
4. Death;
5. Transfer to disability inactive status; or
6. Conviction of a felony related to the circumstances of the claim.

Even when one of the above conditions is satisfied, eligible claims may not be paid until at least six months have elapsed following the triggering event.

The maximum award is limited to \$100,000 per claimant and \$250,000 in the aggregate for all claims arising from the conduct of any one lawyer.

Claims must be filed within five (5) years from the date the claimant knew or reasonably should have known of the dishonest conduct. The Trustees retain discretion to waive this limitation period when appropriate.

#### **IV. Claims Filed in 2024**

During 2024, the Client Protection Fund received sixty-five (65) claims. Consistent with the eligibility requirements and procedural timelines set forth in the Declaration of Trust, not all claims received during the year were eligible for payment in 2024.

#### **V. Claims Paid in 2024**

Thirty (30) claims were approved and paid during 2024—nine received in 2023, and 21 received in 2024. Claims filed against the following lawyers were paid in 2024:

<b>CLAIMS FILED IN 2023—PAID IN 2024</b>				
<b>Lawyer</b>	<b>State Bar Status</b>	<b>No. of Claims</b>	<b>Amount Sought</b>	<b>Amount Paid</b>
Adams, Rick Daniel	Disbarred	1	\$ 2,796	\$ 2,797
Burkhart, Michael A.	Disbarred	1	2,450	2,450
Gregan, Maureen E.	Deceased	3	4,887	4,887
Grundy, Elvin G.	Disbarred	1	4,000	2,600
Kimerer, Michael D.	Deceased	2	15,000	15,000
Pew, Lawrence D.	Disbarred	1	6,835	3,500
<b>TOTALS</b>		<b>9</b>	<b>\$33,968</b>	<b>\$31,234</b>

<b>CLAIMS FILED IN 2024—PAID IN 2024</b>				
<b>Lawyer</b>	<b>State Bar Status</b>	<b>No. of Claims</b>	<b>Amount Sought</b>	<b>Amount Paid</b>
Forrester, Scott M.	Disbarred	1	2,480	2,480
Green, Gregory D.	Deceased	1	119,156	100,000
Grundy, III, Elvin G.	Disbarred	3	7,000	6,000
Mendoza, Joseph N.	Disbarred	1	1,000	1,000
Nolan, Todd E.	Deceased	1	13,000	11,050
Nyemba, Sally Joyce	Disbarred	4	16,745	16,745
Pew, Lawrence D.	Disbarred	1	2,000	2,000
Schneider, Gary D.	Disbarred	1	600	600
<b>TOTALS</b>		<b>13</b>	<b>\$ 161,981</b>	<b>\$ 139,875</b>

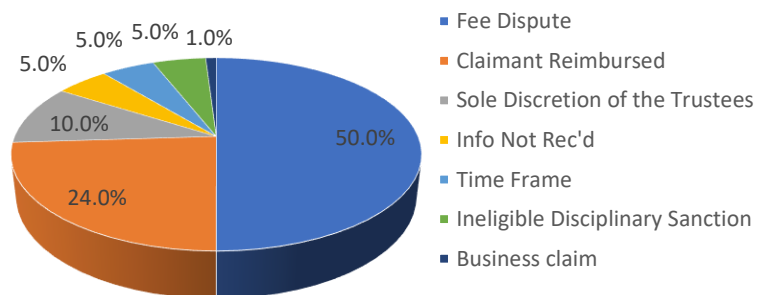
<b>TOTAL CLAIMS FILED 2023-2024 - PAID IN 2024</b>			
<b>Year</b>	<b>Claims Paid</b>	<b>Total Sought</b>	<b>Total Paid</b>
2023	9	\$ 33,968	\$ 31,234
2024	13	161,981	139,875
<b>TOTALS</b>	<b>22</b>	<b>\$ 195,949</b>	<b>\$ 171,109</b>

## **VI. Claims Denied in 2024**

The Trustees denied nineteen (19) claims in 2024, representing eighteen (18) fewer denials than in 2023. Claims were denied for the following reasons:

- The claim did not establish dishonest conduct but instead involved a fee dispute.
- The claim was withdrawn, or the claimant was reimbursed by the lawyer or another source.
- The claimant failed to provide necessary information requested during the review process.
- The claim was filed outside the applicable five-year limitation period.
- The reimbursement requested was not eligible under the terms of the Declaration of Trust.

### **CLAIM DENIAL REASONS**



**VII. Forecasting**

Eight (8) claims filed in 2024 remained pending at the end of 2024. All of those claims were completed by June 30, 2025, which is within the standard average processing time of six months. As of June 30, 2025, 22 claims have been filed, seeking a total of \$646,400 from the Fund.

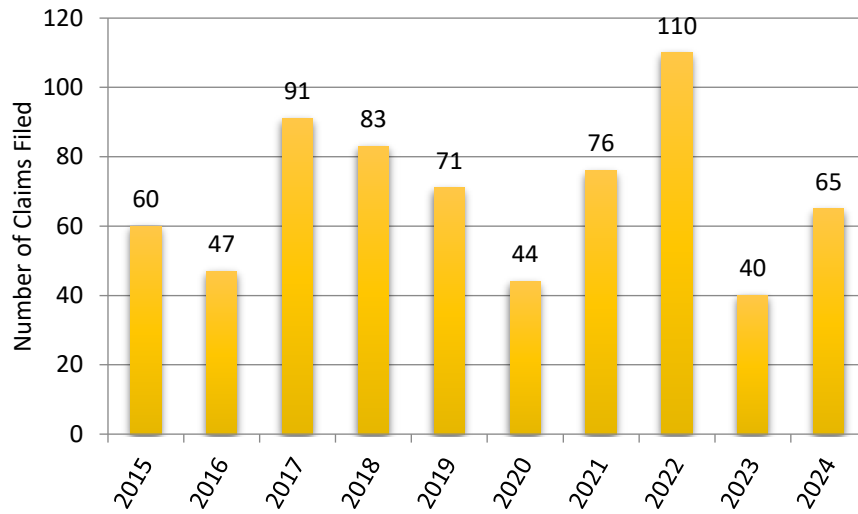
Year	Beginning Fund Balance	Claims Filed	Total Amount Sought	Claims Paid by Year Filed	Total Amount Paid	Claims Denied	Total Claims Resolved	Year End Fund Balance*	Claims Pending Year End	Claims Resolved Following Year
<b>2023</b>	\$2,251,694	40	\$1,5543,027	2021: 29	\$617,713	37	70	\$2,300,253	12	12
				2022: 4						
				Total: 33						
<b>2024</b>	\$2,300,253	65	\$231,199	2023: 9	\$171,109	19	49	\$2,706,898	28	28
				2024: 21						
				Total: 30						
<b>2025**</b>	\$2,706,898	22	\$646,400	2022: 1	\$639,240	10	N/A	N/A	N/A	N/A
				2023: 23						
				2024: 1						
				Total: 25						

\*Year end Fund balance does not only reflect claims paid. Other factors affecting the final balance include, but are not limited to: dues assessments, interest in investments, staff and operating expenses, and lawyer restitution to the Fund.

\*\*As of June 30, 2025

**VIII. Historical Claims Data**

**CLAIMS FILED BY YEAR 2015-2024**

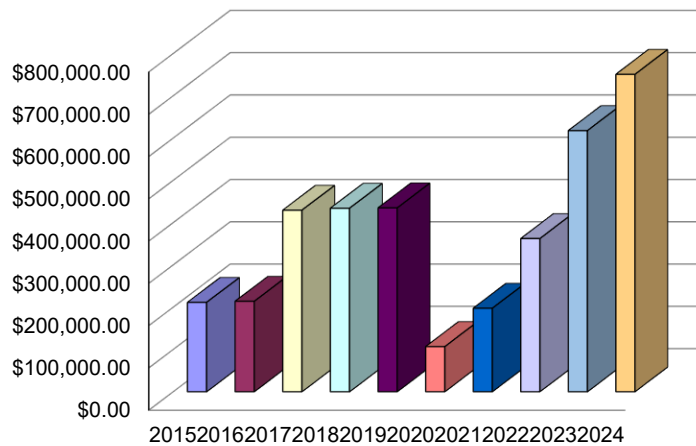


**Five-Year Snapshot by Calendar Year**

Year	Claims Filed	Claims Paid	Claims Denied	Total Amount Sought for all Claims Filed	Amount Paid by the Fund*
2020	44	18	15	\$6,391,901	\$106,793
2021	76	36	12	\$1,256,125	\$197,568
2022	110	63	28	\$1,193,060	\$362,376
2023	40	68	37	\$1,553,027	\$617,713
2024	65	30	19	\$1,568,032	\$171,109

\*Total amount paid out for all claims filed in a specific calendar year, regardless of when actually paid. Not all claims are resolved during the calendar year in which received. The aggregate of approved and denied claims, as well as the number of claims paid, do not always equal the claims filed in a given year.

**AMOUNTS PAID 2015-2024**



For the last ten (10) years, the annual average for claims paid was \$317,941.

## **IX. Types of Dishonest Conduct**

The Declaration of Trust authorizes the Trustees to consider claims arising out of a lawyer's "dishonest conduct," defined in Rule 3(D) as:

1. Wrongful acts committed by a lawyer in the nature of theft or embezzlement of money or the wrongful taking or conversion of money, property, or other things of value; or,
2. Failure to refund unearned fees received in advance as required by Rule 1.16(d) of the *Arizona Rules of Professional Conduct* (which states, "[u]pon termination of representation, a lawyer shall take steps to the extent reasonable practicable to protect a client's interests, such as ... surrendering documents and property to which the client is entitled and refunding any advance payment of a fee that has not been earned"); or,
3. A lawyer's act of intentional dishonesty or deceit that proximately leads to the loss of money or property.

Examples of the types of dishonest conduct forming the basis for claims paid in 2024 include:

### **A. Retention of Unearned Fees**

A number of claims were paid based upon the respondent lawyers keeping unearned fees. When a lawyer receives fees for work that is never performed, and fails to return the unearned fees, the Trustees may consider that conduct "dishonest." The Trustees do not resolve fee disputes, but they can pay claims where virtually no work of value was performed, such that the failure to return the unearned portion of the fee amounted to conversion or theft. These are some of the most difficult claims for the Trustees because they involve an assessment of the value of work performed by a lawyer.

### **B. Misappropriation of Clients' Money**

Some claims arose from lawyers misappropriating either settlement proceeds or other funds entrusted to them. Arizona currently does not have a third-party payee notification statute that would require entities, such as insurance carriers, to notify clients when the carrier issues a check to a lawyer. Hence, a claimant may not be aware of the misappropriation until after the lawyer cashed the check and the one-year statute of limitations to bring a forged-endorsement action against the paying financial institution has expired.

## **X. Revenue Received by the Fund**

As of December 31, 2024, the Fund had a balance of \$2,706,898 in total net assets. Payments into the Fund include: (1) the annual member assessment; (2) interest and dividend income on investments; and (3) restitution to the Fund. Revenues from these sources totaled \$549,457 in 2024.

**A. Annual Lawyer Assessment**

The Fund receives a \$20 annual assessment from each active bar member. This is not part of a member’s bar dues, but a separate assessment established by the Board with the consent of the Arizona Supreme Court, pursuant to Rule 32(c)(7) and (8). The total assessments received by the Fund in recent years were:

<b>Year</b>	<b>Annual Revenue from Assessment</b>
2020	435,390
2021	441,800
2022	446,100
2023	450,280
2024	455,710

**B. Interest and Dividends from Investments**

In 2024, the Fund earned \$69,141 in interest and dividend income from its investments, an increase from 2023. For the last ten years, interest income has averaged \$29,028 per year. A ten-year history of the Fund’s interest income is presented in the following chart:

<b>Year</b>	<b>Interest Income</b>
2015	\$8,937
2016	\$9,368
2017	\$11,898
2018	\$21,169
2019	\$32,958
2020	\$19,638
2021	\$6,286
2022	\$47,154
2023	\$63,731
2024	\$69,141

Fund investments are made in compliance with the Board’s investment policies.

### **C. Restitution to the Fund**

In 2024, the Fund received a total of \$24,605 in restitution from lawyers whose conduct resulted in claims paid by the Fund.

Pursuant to the applicable reinstatement requirements, a lawyer whose conduct has resulted in a paid claim is not eligible to seek reinstatement to active status until the Fund has been reimbursed for the amounts paid on the lawyer's behalf.

### **XI. Investments**

Effective in 2022, the Trustees engaged Vanguard Institutional Advisory Services to manage the Fund's investment portfolio. As of December 31, 2024, the fair value of the Fund's investments was \$2,496,402.

### **XII. Fund Administration**

#### **A. Administration**

Karen Oschmann, Client Protection Fund Administrator ("Administrator"), provided primary administrative support to the Trustees in 2024 in connection with the operation and oversight of the Fund. Caitlin Kelly, Legal Services Program Coordinator, provided additional administrative support. The State Bar's General Counsel, Lisa Panahi, and Chief Financial Officer, Jessica Iennarella, also provided support to the Fund during the year.

The Administrator is responsible for reviewing and investigating claims, corresponding with claimants and lawyers, preparing claim summaries and recommendations, and submitting materials to the Trustees for consideration at quarterly meetings. The Administrator also prepares meeting minutes, compiles statistical and related data, and drafts the Fund's annual report for approval by the Trustees.

Each year, the Administrator and/or Trustees may attend the American Bar Association National Forum on Client Protection and the National Client Protection Organization Workshop. These conferences bring together Fund administrators and trustees from across the United States and Canada to address issues common to client protection programs and to discuss emerging trends in the field.

Questions regarding the Fund may be directed to the Fund Administrator, Karen Oschmann, at 602-340-7286 or [karen.oschmann@staff.azbar.org](mailto:karen.oschmann@staff.azbar.org).

## B. Expenses

The Fund incurred \$144,184 in operating expenses in 2024. These expenses include, among other costs, the apportioned salaries of the General Counsel and the Fund Administrator.

Investigative services are utilized at the discretion of the Trustees when additional inquiry into claim information is warranted. The Trustees serve on a volunteer basis and receive no compensation for their service.

The chart below provides an overview of the Fund's 2024 financial activity.

<b>FINANCIAL OVERVIEW</b>	<b>2024</b>
Net assets as of 12/31/23	\$2,300,523
Revenue received in 2024	549,457
Claims paid in 2024	171,109
Operation expenses paid in 2024	144,184
Realized and Unrealized losses, net of investment expenses	172,211
Net assets as of 12/31/24	\$2,706,898

## XIII. Financial Controls

The Fund maintains a commercial crime insurance policy of \$1,000,000. The Fund also has other financial controls in place, including an annual audit by an independent auditor.

## XIV. Public Awareness

The Trustees have undertaken a variety of activities to create greater public and member awareness of the Fund:

- Information about the Fund is included in State Bar Convention materials.
- The State Bar website provides easy access to information about the Fund.
- Advertisements for the Fund are periodically placed in issues of Arizona Attorney magazine.

## XV. Comments from Claimants

- "Thank you very much...you really helped us."
- "Thank you so much for your help and kindness while we deal with this. [We] are very thankful for the benefits given from the Client Protection Fund and how you have been so responsive."
- "Thank you very much for everything that you are doing to help us."