



# **THE STATE BAR OF CALIFORNIA**

180 HOWARD STREET, SAN FRANCISCO, CA 94105-1639

**FINANCE**

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## **M E M O R A N D U M**

**DATE:** February 20, 2014  
**TO:** Board of Trustees  
**FROM:** Christine Wong, Finance Director  
**SUBJECT:** Status of Applications Activities – Client Security Fund  
For the Year Ended December 31, 2013

Attached for your review are a series of reports for the applications activity within the Client Security Fund for the year ended December 31, 2013. These reports include:

- Applications Activity for the year ended December 31, 2013
- Applications Aging Report
- Cumulative Applications Aging Report
- 24 Month Rolling Average of Applications Paid
- Analysis of New Applications Paid, Rejected or Withdrawn
- Ten-Year Comparison 2004 - 2013

For the year ended December 31, 2013, a total of 2,228 new applications in the amount of \$24.2 million were filed. The number of applications filed in 2013 is down by 19.5% compared to 2,767 applications filed in 2012, and the application amount decreased by \$0.8 million, or 3.2% compared to \$25 million filed in 2012.

Total application payouts for 2013 are approximately \$11 million. For this report, the Office of Finance estimates the application payout based on a rolling average of 24 month historical applications payout ratio, currently 41.60%. Total applications outstanding as of December 31, 2013 are 6,342 applications for \$51.9 million, slightly down by \$3.6 million or 6.5% compared to \$55.5 million last year. Applying the rolling average applications payout ratio to the outstanding application amount, the estimated application payout as of December 31, 2013 are \$21.6 million, a decrease of \$5.1 million or 19% compared to \$26.7 million last year.

As of December 31, 2013, cash and investments available for applications payouts are approximately \$5.6 million. Estimated payout for all outstanding applications is \$21.9 million which exceeds the cash and investments available by \$16.3 million.

**THE STATE BAR OF CALIFORNIA  
CLIENT SECURITY FUND  
STATUS ON APPLICATIONS ACTIVITIES  
DECEMBER 31, 2013  
YEAR TO DATE ACTIVITIES**

	<b>\$1 - 2500</b>		<b>\$2,501 - 5,000</b>		<b>\$5,001 - 10,000</b>		<b>\$10,001 - 25,000</b>	
	#	Amount	#	Amount	#	Amount	#	Amount
<b>Prior Years' Applications</b>	2,067	\$3,826,889.79	3,750	\$13,869,108.31	1,081	\$7,613,268.05	517	\$8,075,024.45
<b>New Applications '13</b>	532	\$919,635.78	897	\$3,397,022.90	398	\$2,840,081.70	207	\$3,372,943.55
<b>Paid Applications '13</b>	(551)	(\$1,023,003.13)	(918)	(\$3,203,154.35)	(314)	(\$2,008,557.26)	(141)	(\$1,895,834.47)
<b>Rejected Applications '13</b>	(17)	(\$50,708.12)	(14)	(\$182,931.34)	(10)	(\$301,395.22)	(7)	(\$400,166.35)
<b>Withdrawn Applications '13</b>	(481)	(\$815,708.81)	(638)	(\$2,375,115.24)	(240)	(\$1,727,239.29)	(142)	(\$2,246,269.18)
<b>Applications Outstanding</b>	1,550	\$2,857,105.51	3,077	\$11,504,930.28	915	\$6,416,157.98	434	\$6,905,698.00
<b>New applications % to total</b>	23.88%	3.80%	40.26%	14.03%	17.86%	11.73%	9.29%	13.93%
<b>Applications paid % to total</b>	27.56%	9.25%	45.92%	28.98%	15.71%	18.17%	7.05%	17.15%
<b>Applications rejected or withdrawn % to total</b>	29.50%	5.10%	38.63%	15.04%	14.81%	11.93%	8.83%	15.56%
<b>Applications outstanding % to total</b>	24.44%	5.50%	48.52%	22.16%	14.43%	12.36%	6.84%	13.30%

	<b>\$25,001 - 49,999</b>		<b>\$2,501 - 5,000</b>		<b>\$5,001 - 10,000</b>		<b>\$10,001 - 25,000</b>	
	#	Amount	#	Amount	#	Amount	#	Amount
<b>Prior Years' Applications</b>	155	\$5,257,096.87	100	\$5,050,000.00	131	\$12,070,644.81	7,801	\$55,762,032.28
<b>New Applications '13</b>	62	\$2,145,059.17	40	\$2,000,000.00	92	\$9,530,669.77	2,228	\$24,205,412.87
<b>Paid Applications '13</b>	(41)	(\$1,200,196.81)	(13)	(\$413,308.66)	(21)	(\$1,310,297.59)	(1,999)	(\$11,054,352.27)
<b>Rejected Applications '13</b>	(9)	(\$500,625.62)	(6)	(\$586,691.34)	(5)	(\$1,073,677.74)	(68)	(\$3,096,195.73)
<b>Withdrawn Applications '13</b>	(41)	(\$1,390,097.74)	(41)	(\$2,050,000.00)	(37)	(\$3,303,490.28)	(1,620)	(\$13,907,920.54)
<b>Applications Outstanding</b>	126	\$4,311,235.87	80	\$4,000,000.00	160	\$15,913,848.97	6,342	\$51,908,976.61
<b>New applications % to total</b>	2.78%	8.86%	1.80%	8.26%	4.13%	39.37%	100.00%	100.00%
<b>Applications paid % to total</b>	2.05%	10.86%	0.65%	3.74%	1.05%	11.85%	100.00%	100.00%
<b>Applications rejected or withdrawn % to total</b>	2.96%	11.12%	2.78%	15.51%	2.49%	25.74%	100.00%	100.00%
<b>Applications outstanding % to total</b>	1.99%	8.31%	1.26%	7.71%	2.52%	30.66%	100.00%	100.00%

**THE STATE BAR OF CALIFORNIA  
CLIENT SECURITY FUND  
APPLICATIONS AGING REPORT  
AS OF DECEMBER 31, 2013**

Year Application Filed	Gross Applications Prior Year		Current Year		Applications Paid		Applications Rejected or Withdrawn		Total Applications Processed		Applications Outstanding	
	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount
2007	5	141,000.00			(3)	(60,856.00)	(1)	(30,144.00)	(4)	(91,000.00)	1	50,000.00
2008	12	333,440.00			(6)	(55,000.00)	(4)	(226,835.00)	(10)	(281,835.00)	2	51,605.00
2009	552	2,162,756.65			(65)	(355,101.03)	(36)	(336,798.86)	(101)	(691,899.89)	451	1,470,856.76
2010	1755	9,026,462.61			(431)	(1,901,390.76)	(466)	(3,650,327.13)	(897)	(5,551,717.89)	858	3,474,744.72
2011	2782	19,608,168.64			(845)	(4,648,407.72)	(531)	(5,237,447.40)	(1,376)	(9,885,855.12)	1406	9,722,313.52
2012	2695	24,490,204.38			(470)	(3,322,845.04)	(457)	(5,119,025.55)	(927)	(8,441,870.59)	1768	16,048,333.79
2013			2228	24,205,412.87	(179)	(710,751.72)	(193)	(2,403,538.33)	(372)	(3,114,290.05)	1856	21,091,122.82
<b>TOTAL</b>	<b>7801</b>	<b>55,762,032.28</b>	<b>2228</b>	<b>24,205,412.87</b>	<b>(1,999)</b>	<b>(11,054,352.27)</b>	<b>(1,688.00)</b>	<b>(17,004,116.27)</b>	<b>(3,687.00)</b>	<b>(28,058,468.54)</b>	<b>6,342.00</b>	<b>51,908,976.61</b>
<b>Average</b>		\$7,148		\$10,864		\$5,530		\$10,074		\$7,610		\$8,185

Estimated Application Payout Ratio: **41.60%**  
Estimated Application Payouts: **\$21,594,434**

**THE STATE BAR OF CALIFORNIA  
CLIENT SECURITY FUND  
CUMULATIVE APPLICATIONS AGING REPORT  
AS OF DECEMBER 31, 2013**

Year Application Filed	Gross Applications Prior Years		Current Year		Applications Paid		Applications Rejected or Withdrawn		Total Applications Processed		Applications Outstanding	
	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount
2007 Only	5	141,000.00			-3	-60,856.00	-1	-30,144.00	-4	-91,000.00	1	50,000.00
2007-2008	17	474,440.00			-9	-115,856.00	-5	-256,979.00	-14	-372,835.00	3	101,605.00
2007-2009	569	2,637,196.65			-74	-470,957.03	-41	-593,777.86	-115	-1,064,734.89	454	1,572,461.76
2007-2010	2324	11,663,659.26			-505	-2,372,347.79	-507	-4,244,104.99	-1012	-6,616,452.78	1312	5,047,206.48
2007-2011	5106	31,271,827.90			-1350	-7,020,755.51	-1038	-9,481,552.39	-2388	-16,502,307.90	2718	14,769,520.00
2007-2012	7801	55,762,032.28			-1820	-10,343,600.55	-1495	-14,600,577.94	-3315	-24,944,178.49	4486	30,817,853.79
2007-2012	7801	55,762,032.28			-1820	-10,343,600.55	-1495	-14,600,577.94	-3315	-24,944,178.49	4486	30,817,853.79
2007-2013			<b>2,228</b>	<b>24,205,412.87</b>	<b>-1999</b>	<b>-11,054,352.27</b>	<b>-1688</b>	<b>-17,004,116.27</b>	<b>-3687</b>	<b>-28,058,468.54</b>	<b>6342</b>	<b>51,908,976.61</b>

Applications Pending on 12/31/2013: **6,342**

Net Asset in Client Security Fund:

As of 12/31/2012: **11,105,023**  
As of 12/31/2013: **5,575,542**

\*The number of rejected applications only reflects those applications that were 100% rejected or withdrawn.

**THE STATE BAR OF CALIFORNIA  
CLIENT SECURITY FUND  
24 MONTH ROLLING AVERAGE OF APPLICATIONS PAID RATIO  
JANUARY 2012 THROUGH DECEMBER 2013**

Month Covered	PAID APPLICATIONS				REJECTED / WITHDRAWN APPLICATIONS				PROCESSED	
	Amount	Monthly Average Payout Ratio	24 Month Rolling Average	Cumulative Paid Total	Amount	Cumulative Rejected / Withdrawn Total	Percentage to Total		Amount	Cumulative Total Amount Total Percentage
JAN 12	587,741	52.12%		8,407,594	540,009	8,187,340	47.88%	1,127,750	16,594,934	100.00%
FEB 12	67,900	10.41%		8,475,494	584,169	8,771,509	89.59%	652,069	17,247,003	100.00%
MAR 12	307,446	39.24%		8,782,940	476,026	9,247,535	60.76%	783,472	18,030,475	100.00%
APR 12	693,812	53.80%		9,476,752	595,700	9,843,235	46.20%	1,289,512	19,319,987	100.00%
MAY 12	529,604	48.96%		10,006,356	552,045	10,395,280	51.04%	1,081,649	20,401,636	100.00%
JUN 12	750,405	62.97%		10,756,761	441,270	10,836,550	37.03%	1,191,675	21,593,311	100.00%
JUL 12	460,277	32.57%		11,217,038	952,733	11,789,283	67.43%	1,413,010	23,006,321	100.00%
AUG 12	836,902	50.78%		12,053,940	811,045	12,600,328	49.22%	1,647,947	24,654,268	100.00%
SEPT 12	636,173	67.37%		12,690,113	308,130	12,908,458	32.63%	944,303	25,598,571	100.00%
OCT 12	558,062	51.29%		13,248,175	529,948	13,438,406	48.71%	1,088,010	26,686,581	100.00%
NOV 12	877,692	43.03%		14,125,867	1,162,110	14,600,516	56.97%	2,039,802	28,726,383	100.00%
DEC 12	564,631	31.89%		14,690,498	1,206,037	15,806,553	68.11%	1,770,668	30,497,051	100.00%
JAN 13	1,031,345	71.72%		15,721,843	406,678	16,213,231	28.28%	1,438,023	31,935,074	100.00%
FEB 13	337,007	35.17%		16,058,850	621,082	16,834,313	64.83%	958,089	32,893,163	100.00%
MAR 13	411,985	22.26%		16,470,835	1,438,752	18,273,065	77.74%	1,850,737	34,743,900	100.00%
APR 13	884,482	46.56%		17,355,317	1,015,172	19,288,237	53.44%	1,899,654	36,643,554	100.00%
MAY 13	293,856	18.49%		17,649,173	1,295,106	20,583,343	81.51%	1,588,962	38,232,516	100.00%
JUN 13	671,429	36.28%		18,320,602	1,179,476	21,762,819	63.72%	1,850,905	40,083,421	100.00%
JUL 13	2,469,803	60.85%		20,790,405	1,588,756	23,351,575	39.15%	4,058,559	44,141,980	100.00%
AUG 13	1,931,300	60.18%		22,721,705	1,278,079	24,629,654	39.82%	3,209,379	47,351,359	100.00%
Sept 13	399,005	34.94%		23,120,710	742,967	25,372,621	65.06%	1,141,972	48,493,331	100.00%
Oct 13	1,025,871	30.18%		24,146,581	2,373,042	27,745,663	69.82%	3,398,913	51,892,244	100.00%
Nov 13	460,576	34.55%		24,607,157	872,343	28,618,006	65.45%	1,332,919	53,225,163	100.00%
Dec 13	1,137,692	21.34%		25,744,849	4,192,663	32,810,669	78.66%	5,330,355	58,555,519	100.00%
TOTAL	17,924,996		41.60%		25,163,338			43,088,335		

**THE STATE BAR OF CALIFORNIA  
CLIENT SECURITY FUND  
ANALYSIS OF NEW APPLICATIONS PAID, REJECTED OR WITHDRAWN,  
ESTIMATED APPLICATIONS PAYOUT PER ACTIVE ATTORNEY**

**DECEMBER 31, 2013**

	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>
Beginning Balance	7,801	7,737	7,426	6,890
Add: Reinstated Applications				
New Applications	491	488	709	540
Less: Paid / Rejected or Withdrawn	555	799	1,245	1,088
TOTAL	7,737	7,426	6,890	6,342
APPLICATIONS OUTSTANDING AMT.	\$56,201,693	\$55,715,223	\$53,744,781	\$51,908,977
# of Active Attorneys	177,767	178,213	179,133	182,259
Cost Per Active Attorney	\$316	\$313	\$300	\$285
ESTIMATED APPLICATIONS LIAB.				
Applications Payout Ratio	47.85%	46.15%	47.21%	41.60%
Estimated Application Amount*	\$26,892,510	\$25,712,575	\$25,387,074	\$21,594,434
# of Active Attorneys	177,767	178,213	179,133	182,259
Cost per Active Attorney	\$151	\$144	\$142	\$118

**APPLICATION ACTIVITIES IN %:**

**NEW APPLICATIONS – YTD**

	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>
1 - 2,500	4.86%	4.51%	4.36%	3.80%
2,501 - 5,000	13.92%	14.91%	16.33%	14.03%
5,001 - 10,000	11.75%	12.06%	13.21%	11.73%
10,001 - 25,000	18.35%	16.59%	15.51%	13.93%
25,001 - 49,999	11.70%	11.81%	10.78%	8.86%
50,000	4.08%	6.20%	8.11%	8.26%
50,001 - 100,000	35.35%	33.92%	31.70%	39.37%

**APPLICATIONS PAID – YTD**

	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>
1 - 2,500	6.75%	8.34%	9.57%	9.25%
2,501 - 5,000	26.67%	28.40%	30.06%	28.98%
5,001 - 10,000	11.27%	18.38%	18.77%	18.17%
10,001 - 25,000	14.37%	12.55%	13.71%	17.15%
25,001 - 49,999	4.02%	6.26%	12.11%	10.86%
50,000	1.69%	6.03%	3.87%	3.74%
50,001 - 100,000	35.25%	20.04%	11.91%	11.85%

**REJECTED / WITHDRAWN – YTD**

	<b><u>1st Qtr</u></b>	<b><u>2nd Qtr</u></b>	<b><u>3rd Qtr</u></b>	<b><u>4th Qtr</u></b>
1 - 2,500	3.97%	5.86%	5.49%	5.10%
2,501 - 5,000	26.62%	22.21%	18.69%	15.04%
5,001 - 10,000	13.64%	12.80%	12.90%	11.93%
10,001 - 25,000	11.47%	13.46%	14.39%	15.56%
25,001 - 49,999	14.78%	8.34%	10.53%	11.12%
50,000	10.95%	18.15%	13.31%	15.51%
50,001 - 100,000	18.58%	19.18%	24.70%	25.74%

**APPLICATIONS APPLICATIONS O/S - CUM. – YTD**

	<b><u>1st Qtr</u></b>	<b><u>2nd Qtr</u></b>	<b><u>3rd Qtr</u></b>	<b><u>4th Qtr</u></b>
1 - 2,500	6.78%	6.43%	5.92%	5.50%
2,501 - 5,000	23.74%	23.14%	22.62%	22.16%
5,001 - 10,000	13.58%	13.17%	12.85%	12.36%
10,001 - 25,000	14.98%	15.09%	14.93%	13.30%
25,001 - 49,999	9.58%	10.18%	9.22%	8.31%
50,000	8.72%	7.81%	8.83%	7.71%
50,001 - 100,000	22.61%	24.18%	25.64%	30.66%

	<b><u>1st Qtr</u></b>	<b><u>2nd Qtr</u></b>	<b><u>3rd Qtr</u></b>	<b><u>4th Qtr</u></b>
NET ASSET, END OF PERIOD	\$ 16,040,194	\$13,661,448	\$8,687,255	\$5,575,542

\*Based upon 24 month rolling weighted average of applications paid ratio (See page 5)

**THE STATE BAR OF CALIFORNIA  
CLIENT SECURITY FUND  
TEN YEARS COMPARISON  
2003-2013**

	2003		2004		2005		2006		2007		2008	
	# of Applications	Amount	# of Applications	Amount	# of Applications	Amount	# of Applications	Amount	# of Applications	Amount	# of Applications	Amount
Applications outstanding, begin of year	770	10,157,007	759	8,548,576	858	9,956,622	787	10,396,199	797	9,579,525	787	11,811,143
Prior year's outstanding application adjustment	(2)	55,611	(13)	109,900	(3)	90,040	(2)	241,984	-	69,048	-	107,497
New Applications	1,200	12,221,905	1,321	13,681,482	1,318	11,558,645	1,314	10,916,591	1,013	12,927,446	825	
<b>Total Applications</b>	<b>1,968</b>	<b>22,434,523</b>	<b>2,067</b>	<b>22,339,958</b>	<b>2,173</b>	<b>21,605,307</b>	<b>2,099</b>	<b>1,554,774</b>	<b>1,810</b>	<b>22,576,019</b>	<b>1,612</b>	<b>23,200,084</b>
Less: Processed Applications:												
Paid	701	\$5,859,620	746	5,681,455	982	4,648,584	943	5,299,061	607	4,352,110	479	4,638,272
Rejected	39	2,585,959	39	1,701,671	50	2,535,698	24	1,799,629	42	2,066,308	57	2,196,878
Withdrawn	469	5,440,368	424	5,000,210	354	4,024,826	335	4,876,559	374	4,346,458	366	4,502,033
<b>Total Processed Applications</b>	<b>1,209</b>	<b>13,885,947</b>	<b>1,209</b>	<b>12,383,336</b>	<b>1,386</b>	<b>11,209,108</b>	<b>1,302</b>	<b>11,975,249</b>	<b>1,023</b>	<b>10,764,876</b>	<b>902</b>	<b>11,337,183</b>
Applications outstanding, end of year	759	8,548,576	858	9,956,622	787	10,396,199	797	9,579,525	787	11,811,143	710	11,871,541
Applications outstanding inc./(dec.) over beginning balance	(11)	(1,608,431)	99	1,408,046	(71)	439,577	10	(816,674)	(10)	2,231,618	(77)	60,398
Applications payout ratio		45.26%		43.88%		43.79%		42.86%		42.45%		40.68%
Est. applications payouts		\$3,869,086		\$4,368,966		\$4,552,496		\$4,105,784		\$5,013,830		\$4,829,343
Net Assets, end of year		\$4,303,609		\$2,229,455		\$1,479,897		\$2,325,593		\$2,990,889		\$4,304,519
Net Assets, end of year – cash basis		8,172,695		6,598,421		6,032,393		6,431,377		8,004,719		9,133,862
Estimated Decrease/(Increase) in Application Payouts:		620,311		(499,880)		(183,530)		446,712		(908,046)		184,487



	2009		2010		2011		2012		2013	
	# of Applications	Amount	# of Applications	Amount	# of Applications	Amount	# of Applications	Amount	# of Applications	Amount
Applications outstanding, begin of year	710	11,871,541	2,997	22,124,850	6,112	34,513,647	7,345	45,327,104	7,801	55,518,550
Prior year's outstanding application adjustment	-	15,532	-	100,260	-	194,064	-	108,564		243,483
New Applications	3,028	19,469,661	3,875	23,231,936	3,411	26,086,578	2,767	25,112,748	2,228	24,205,412
<b>Total Applications</b>	3,738	31,356,734	6,872	45,457,046	9,523	60,794,289	10,112	70,548,416	10,029	79,967,444
Less: Processed Applications:										
Paid	378	3,461,950	267	3,331,124	1,534	7,819,854	1,466	6,870,643	1,999	11,054,352
Rejected	52	1,930,226	138	2,869,032	54	2,585,888	112	3,092,632	68	3,096,196
Withdrawn	311	3,839,708	355	4,743,243	590	5,061,443	733	5,066,591	1,620	13,907,920
<b>Total Processed Applications</b>	741	9,231,884	760	10,943,399	2,178	15,467,185	2,311	15,029,866	3,687	28,058,468
Applications outstanding, end of year	2,997	22,124,850	6,112	34,513,647	7,345	45,327,104	7,801	55,518,550	6,342	51,908,976
Applications outstanding inc./(dec.) over beginning balance	2,287	10,253,309	3,115	12,388,797	1,233	10,813,457	456	10,191,446	(1,459)	(3,609,574)
Applications payout ratio		39.38%		33.67%		42.22%		48.17%		41.60%
Est. applications payouts		\$8,712,766		\$11,620,745		\$19,137,103		\$26,743,285		\$21,594,434
Net Assets, end of year		\$2,678,965		\$2,322,315		(\$7,215,281)		(\$15,638,262)		\$5,575,542
Net Assets, end of year – cash basis		11,391,731		13,943,060		11,921,822		11,105,023		27,169,976
Estimated Decrease/(Increase) in Application Payouts:		(3,883,423)		(2,907,979)		(7,516,358)		(7,606,182)		5,148,851