



# THE STATE BAR OF CALIFORNIA

FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

TEL (415) 538-2200

## MEMORANDUM

**DATE:** October 22, 2014  
**TO:** Board of Trustees  
**FROM:** Christine Wong, Finance Director  
**SUBJECT:** Status of Applications Activities – Client Security Fund  
For the Year Ended September 30, 2014

Attached for your review are a series of reports for the applications activity within the Client Security Fund for the quarter ended September 30, 2014. These reports include:

- Applications Activity for the quarter ended September 30, 2014
- Applications Aging Report
- Cumulative Applications Aging Report
- 24 Month Rolling Average of Applications Paid
- Analysis of New Applications Paid, Rejected or Withdrawn

As of September 30, a total of 1,254 new applications in the amount of \$16.9 million were filed in 2014. The number of applications filed is down by 25.7% compared to 1,688 applications filed last year. The application amount increased by \$0.9 million, or 5.6% compared to \$16.0 million filed as of September 30, 2013.

Total applications processed for the third quarter ended September 30, 2014 are 1,857 for approximately \$19.8 million. Total payouts for the reported quarter are \$6.6 million, down by \$1.8 million compared to last year. Total application pending for processing as of September 30, 2014 is 5,739 applications in the amount of \$48.1 million, and for the same period in 2013, there were 6,890 pending applications in the amount of \$53.7 million. Number of applications pending for processing for the reported quarter is down by 1,151 or 16.7% compared to last year. This is a result of a Board's decision in 2013 to devote additional financial resources to mitigate the pending application waiting time.

For this report, the Office of Finance estimated the application payout amount based on a rolling average of 24 month historical applications payout ratio, currently 37.31%. Total applications outstanding as of September 30, 2014 are 5,739 for \$48.1 million. Applying the rolling average applications payout ratio to the outstanding application amounts, the estimated application

payout as of September 30, 2014 are \$17.9 million, a decreased of \$7.4 million or 29.5% compared to \$25.4 million last year.

As of September 30, 2014, cash and investments available for applications reimbursement are approximately \$5.0 million. Estimated application payout for the reported quarter is \$17.9 million, which exceeds the cash and investment available by \$12.9 million.

If you have any questions or would like additional information, please contact Christine Wong at [Christine.wong@calbar.ca.gov](mailto:Christine.wong@calbar.ca.gov).

THE STATE BAR OF CALIFORNIA  
CLIENT SECURITY FUND  
STATUS ON APPLICATIONS ACTIVITIES

September 30, 2014

YEAR TO DATE ACTIVITIES

	#	\$1 - 2500	#	\$2,501 - 5,000	#	\$5,001 - 10,000	#	\$10,001 - 25,000	#	\$25,001 - 49,999	#	\$50,000	#	\$50,001 - 100,000	#	TOTAL
Prior Years' Applications	1,550	\$2,878,674.31	3,077	\$11,529,381.55	915	\$6,436,738.36	434	\$6,965,627.51	126	\$4,311,235.87	86	\$4,460,000.00	154	\$14,403,808.97	6,342	\$50,985,466.57
New Applications '14	286	\$485,423.79	459	\$1,732,697.91	212	\$1,540,485.87	140	\$2,370,380.50	51	\$1,867,032.47	39	\$1,950,000.00	67	\$6,972,471.50	1,254	\$16,918,492.04
Paid Applications '14	(235)	(\$415,683.79)	(438)	(\$1,535,893.24)	(138)	(\$883,139.03)	(93)	(\$1,142,537.61)	(27)	(\$667,750.44)	(9)	(\$521,497.46)	(17)	(\$1,466,671.91)	(957)	(\$6,633,173.48)
Rejected Applications '14	(8)	(\$28,354.07)	(14)	(\$130,721.69)	(11)	(\$248,771.60)	(27)	(\$820,928.94)	(6)	(\$424,462.44)	(5)	(\$385,702.54)	(13)	(\$1,389,211.16)	(84)	(\$3,428,152.44)
Withdrawn Applications '14	(240)	(\$416,116.98)	(281)	(\$993,402.09)	(116)	(\$897,519.26)	(84)	(\$1,376,952.75)	(22)	(\$796,431.43)	(43)	(\$2,150,000.00)	(30)	(\$3,120,130.08)	(816)	(\$9,750,552.59)
Applications Outstanding	1,353	<u>\$2,503,943.26</u>	2,803	<u>\$10,602,062.44</u>	862	<u>\$5,947,794.34</u>	370	<u>\$5,995,588.71</u>	122	<u>\$4,289,624.03</u>	68	<u>\$3,352,800.00</u>	161	<u>\$15,400,267.32</u>	5,739	<u>\$48,092,080.10</u>
New applications % to total	22.81%	2.87%	36.60%	10.24%	16.91%	9.11%	11.16%	14.01%	4.07%	11.04%	3.11%	11.53%	5.34%	41.21%	100.00%	100.00%
Applications paid % to total	24.56%	6.27%	45.77%	23.15%	14.42%	13.31%	9.72%	17.22%	2.82%	10.07%	0.94%	7.86%	1.78%	22.11%	100.00%	100.00%
Applications rejected or withdrawn % to total	27.56%	3.37%	32.78%	8.53%	14.11%	8.70%	12.33%	16.68%	3.11%	9.26%	5.33%	19.24%	4.78%	34.22%	100.00%	100.00%
Applications outstanding % to total	23.58%	5.21%	48.84%	22.05%	15.02%	12.37%	6.45%	12.47%	2.13%	8.92%	1.18%	6.97%	2.81%	32.02%	100.00%	100.00%

THE STATE BAR OF CALIFORNIA  
CLIENT SECURITY FUND  
APPLICATIONS AGING REPORT

As of September 2014

(By Year)

Year Application Filed	#	Gross Applications Prior Year	#	Current Year	#	Applications Paid	#	Applications Rejected or Withdrawn	#	Total Applications Processed	#	Applications Outstanding
2007	1	50,000.00			0	0.00	(1)	(50,000.00)	(1)	(50,000.00)	0	0.00
2008	2	51,605.00			0	0.00	(1)	(50,000.00)	(1)	(50,000.00)	1	1,605.00
2009	451	1,470,856.76			(2)	(6,795.00)	(16)	(80,906.94)	(18)	(87,701.94)	433	1,383,154.82
2010	858	3,476,689.72			(102)	(501,720.87)	(89)	(651,084.59)	(191)	(1,152,805.46)	667	2,323,884.26
2011	1406	9,864,227.86			(275)	(2,114,123.97)	(184)	(2,104,113.11)	(459)	(4,218,237.08)	947	5,645,990.78
2012	1768	16,319,165.64			(376)	(2,978,614.02)	(191)	(2,331,080.78)	(567)	(5,309,694.80)	1201	11,009,470.84
2013	1,856	19,752,921.59			(186)	(959,211.45)	(237)	(4,536,044.77)	(423)	(5,495,256.22)	1433	14,257,665.37
2014		-	1,254	\$16,918,492.04	(16)	(72,708.17)	(181)	(3,375,474.84)	(197)	(3,448,183.01)	1057	13,470,309.03
TOTAL	6342	50,985,466.57	1254	16,918,492.04	(957)	(6,633,173.48)	(900)	(13,178,705.03)	(1,857)	(19,811,878.51)	5739	48,092,080.10
Average		\$8,039		\$13,492		\$6,931		\$14,643		\$10,669		\$8,380

Estimated Application Payout Ratio: 37.31%  
Estimated Application Payout \$17,943,155

THE STATE BAR OF CALIFORNIA  
CLIENT SECURITY FUND  
CUMULATIVE APPLICATIONS AGING REPORT

As of September 30, 2014

(Cumulative)  
YEAR TO DATE

Year Application Filed	#	Gross Applications Prior Years	#	Current Year	#	Applications Paid	#	Applications Rejected or Withdrawn	#	Total Applications Processed	#	Applications Outstanding
2007 Only	1	50,000.00			0	-	(1)	(50,000.00)	(1)	(50,000.00)	0	0.00
2007-2008	3	101,605.00			0	-	(2)	(100,000.00)	(2)	(100,000.00)	1	1,605.00
2007-2009	454	1,572,461.76			(2)	(6,795.00)	(18)	(180,906.94)	(20)	(187,701.94)	434	1,384,759.82
2007-2010	1,312	5,049,151.48			(104)	(508,515.87)	(107)	(831,991.53)	(211)	(1,340,507.40)	1,101	3,708,644.08
2007-2011	2,718	14,913,379.34			(379)	(2,622,639.84)	(291)	(2,936,104.64)	(670)	(5,558,744.48)	2,048	9,354,634.86
2007-2012	4,486	31,232,544.98			(755)	(5,601,253.86)	(482)	(5,267,185.42)	(1,237)	(10,868,439.28)	3,249	20,364,105.70
2007-2013	6,342	50,985,466.57			(941)	(6,560,465.31)	(719)	(9,803,230.19)	(1,660)	(16,363,695.50)	4,682	34,621,771.07
2007-2014			1,254	\$16,918,492.04	(957)	(6,633,173.48)	(900)	(13,178,705.03)	(1,857)	(19,811,878.51)	5,739	48,092,080.10

Applications Pending on September 30, 2014      **5,739**  
Net Asset in Client Security Fund :  
    As of                      12/31/2013    **5,575,542**  
    As of                      9/30/2014    5,052,605

\*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

Period of: Oct 12 through Sept 14

Month Covered	PAID APPLICATIONS		REJECTED/ WITHDRAWN APPLICATIONS		TOTAL PROCESSED
	Amount	Mo. Avg. Payout Ratio	Amount	% To Total	Amount
OCT 12	558,062	51.29%	529,948	48.71%	1,088,010
NOV 12	877,692	43.03%	1,162,110	56.97%	2,039,802
DEC 12	564,631	31.89%	1,206,037	68.11%	1,770,668
JAN 13	1,031,345	71.72%	406,678	28.28%	1,438,023
FEB 13	337,007	35.17%	621,082	64.83%	958,089
MAR 13	411,985	22.26%	1,438,752	77.74%	1,850,737
APR 13	884,482	46.56%	1,015,172	53.44%	1,899,654
MAY 13	293,856	18.49%	1,295,106	81.51%	1,588,962
JUN 13	671,429	36.28%	1,179,476	63.72%	1,850,905
JUL 13	2,469,803	60.85%	1,588,756	39.15%	4,058,559
AUG 13	1,931,300	60.18%	1,278,079	39.82%	3,209,379
Sept 13	399,005	34.94%	742,967	65.06%	1,141,972
Oct 13	1,025,871	30.18%	2,373,042	69.82%	3,398,913
Nov 13	460,576	34.55%	872,343	65.45%	1,332,919
Dec 13	1,137,692	21.34%	4,192,663	78.66%	5,330,355
Jan 14	0	0.00%	969,609	100.00%	969,609
Feb 14	1,340,384	33.46%	2,665,390	66.54%	4,005,774
Mar 14	384,500	21.70%	1,387,129	78.30%	1,771,629
Apr 14	758,265	33.21%	1,525,322	66.79%	2,283,587
May 14	1,230,402	72.16%	474,684	27.84%	1,705,086
Jun 14	1,070,085	43.82%	1,372,138	56.18%	2,442,224
July 14	606,045	27.83%	1,571,864	72.17%	2,177,909
Aug 14	940,626	32.47%	1,956,177	67.53%	2,896,803
Sept 14	302,866	19.42%	1,256,392	80.58%	1,559,258
	<b><u>19,687,910</u></b>		<b><u>33,080,916</u></b>		<b><u>52,768,826</u></b>

**24 Month Rolling Average: 37.31%**

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

September 30, 2014

	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>
Beginning Balance	6,261	6,114	5,829
Add: Reinstated Applications			
New Applications	197	130	109
Less: Paid / Rejected or Withdrawn	166	221	199
TOTAL	6,292	6,023	5,739
APPLICATIONS OUTSTANDING			
AMT.	49,066,024	48,639,635	48,092,080
# Of Active Attorneys			
	181,002	181,410	182,651
Cost Per Active Attorney	\$271	\$268	\$263

	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>
ESTIMATED APPLICATIONS LIAB.			
Applications Payout Ratio	39.53%	39.43%	37.31%
Estimated Application Amount *	\$19,395,799	\$19,178,608	\$17,943,155
# of Active Attorneys	181,002	181,410	\$182,651
Cost per Active Attorney	\$107	\$106	\$98

APPLICATION ACTIVITIES IN %:

NEW APPLICATIONS - YTD	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>
1 - 2,500	3.39%	3.11%	2.87%
2,501 - 5,000	14.92%	11.97%	10.24%
5,001 - 10,000	10.13%	9.94%	9.11%
10,001 - 25,000	13.65%	14.76%	14.01%
25,001 - 49,999	8.29%	11.32%	11.04%
50,000	24.70%	13.17%	11.53%
50,001 - 100,000	24.93%	35.73%	41.21%
APPLICATIONS PAID - YTD	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>
1 - 2,500	6.92%	6.22%	6.27%
2,501 - 5,000	22.42%	23.49%	23.15%
5,001 - 10,000	10.68%	13.57%	13.31%
10,001 - 25,000	13.67%	15.79%	17.22%
25,001 - 49,999	10.78%	10.00%	10.07%
50,000	9.07%	4.32%	7.86%
50,001 - 100,000	26.45%	26.61%	22.11%
REJ./WDRAWN - YTD	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>
1 - 2,500	2.45%	3.24%	3.37%
2,501 - 5,000	7.02%	8.07%	8.53%
5,001 - 10,000	5.85%	7.39%	8.70%
10,001 - 25,000	8.79%	13.80%	16.68%
25,001 - 49,999	8.30%	9.07%	9.26%
50,000	34.66%	23.71%	19.24%
50,001 - 100,000	32.93%	34.71%	34.22%
APPLICATIONS O/S-CUM. - YTD	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>
1 - 2,500	5.69%	5.45%	5.21%
2,501 - 5,000	23.55%	22.69%	22.05%
5,001 - 10,000	13.22%	12.87%	12.37%
10,001 - 25,000	14.16%	13.73%	12.47%
25,001 - 49,999	8.45%	8.88%	8.92%
50,000	7.55%	7.30%	6.97%
50,001 - 100,000	27.38%	29.08%	32.02%
NET ASSET, END OF PERIOD	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>
	\$10,505,269	\$7,298,918	\$5,052,605

\*Based upon 24 month rolling weighted average of applications paid ratio (See page 4)