



THE STATE BAR OF CALIFORNIA

FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

TEL (415) 538-2200

MEMORANDUM

DATE: February 24, 2015
TO: Board of Trustees
FROM: Christine Wong, Finance Director
SUBJECT: Status of Applications Activities – Client Security Fund
For the Year Ended December 31, 2014

Attached for your review are a series of reports for the applications activity within the Client Security Fund for the quarter ended December 31, 2014. These reports include:

- Applications Activity for the quarter ended December 31, 2014
- 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- Analysis of New Applications Paid, Rejected or Withdrawn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 2005-2014

As of December 31, a total of 1,554 new applications in the amount of \$20.8 million were filed in 2014. The number of applications filed is down by 30.3% compared to 2,228 applications filed last year. The application amount decreased by \$2.0 million, or 0.9% compared to \$22.8 million filed as of December 31, 2013.

Total applications processed for year ended December 31, 2014 are 2,222 for approximately \$25.3 million. Total payouts for the year are \$9.0 million, down by \$2.0 million compared to last year. Total application pending for processing as of December 31, 2014 is 5,674 applications in the amount of \$46.7 million, and for the same period in 2013, there were 6,342 pending applications in the amount of \$50.5 million. Number of applications pending for processing for the year end of 2014 is down by 668 or 10.5% 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 37.68%. Total applications outstanding as of December 31, 2014 are 5,674 for \$46.7 million. Applying the rolling average

applications payout ratio to the outstanding application amounts, the estimated application payout as of December 31, 2014 are \$17.6 million, a decreased of \$3.4 million or 16.2% compared to \$21.0 million last year.

As of December 31, 2014, cash and investments available for applications reimbursement are approximately \$2.2 million. Estimated application payout for the reported quarter is \$17.6 million, which exceeds the cash and investment available by \$15.4 million.

If you have any questions or would like additional information, please contact Christine Wong at Christine.wong@calbar.ca.gov.

**THE STATE BAR OF CALIFORNIA
CLIENT SECURITY FUND
STATUS ON APPLICATIONS ACTIVITIES
DECEMBER 31, 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	
	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount
Prior Years' Applications	1550	2,900,738.31	3077	11,531,532.55	915	6,437,338.36	434	6,967,756.51	126	4,318,735.87	86	4,460,000.00	154	14,509,308.97	6342	51,125,410.57
New Applications '13	362	606,742.42	557	2,101,409.25	257	1,863,158.68	188	3,173,779.32	60	2,174,504.46	45	2,250,000.00	85	8,672,471.50	1554	20,842,065.63
Paid Applications '13	(301)	(548,645.36)	(487)	(1,713,151.94)	(167)	(1,035,618.13)	(123)	(1,542,217.07)	(33)	(888,404.71)	(10)	(546,497.46)	(31)	(2,756,851.73)	(1152)	(9,031,386.40)
Rejected Applications '13	(11)	(37,499.25)	(23)	(172,184.69)	(17)	(349,673.88)	(29)	(933,369.37)	(7)	(483,129.11)	(12)	(760,702.54)	(17)	(1,839,062.36)	(116)	(4,575,621.20)
Withdrawn Applications '13	(283)	(485,893.48)	(324)	(1,160,542.70)	(130)	(1,000,137.51)	(104)	(1,691,916.75)	(26)	(938,784.14)	(46)	(2,300,000.00)	(41)	(4,079,475.08)	(954)	(11,656,749.66)
Applications Outstanding	1,317	2,435,443	2,800	10,587,062	858	5,915,068	366	5,974,033	120	4,182,922	63	3,102,800	150	14,506,391	5,674	46,703,719
New applications % to total	23.29%	2.91%	35.84%	10.08%	16.54%	8.94%	12.10%	15.23%	3.86%	10.43%	2.90%	10.80%	5.47%	41.61%	100.00%	100.00%
Applications paid % to total	26.13%	6.07%	42.27%	18.97%	14.50%	11.47%	10.68%	17.08%	2.86%	9.84%	0.87%	6.05%	2.69%	30.53%	100.00%	100.00%
Applications rejected or withdrawn % to total	27.48%	3.22%	32.43%	8.21%	13.74%	8.32%	12.43%	16.17%	3.08%	8.76%	5.42%	18.86%	5.42%	36.46%	100.00%	100.00%
Applications outstanding % to total	23.21%	5.21%	49.35%	22.67%	15.12%	12.67%	6.45%	12.79%	2.11%	8.96%	1.11%	6.64%	2.64%	31.06%	100.00%	100.00%

**THE STATE BAR OF CALIFORNIA
CLIENT SECURITY FUND
APPLICATIONS AGING REPORT
AS OF DECEMBER 31, 2014**

<u>Year Application Filed</u>	<u>Gross Applications Prior Year</u>		<u>Current Year</u>		<u>Applications Paid</u>		<u>Applications Rejected or Withdrawn</u>		<u>Total Applications Processed</u>		<u>Applications Outstanding</u>	
	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>
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			(3)	(6,490.00)	(17)	(84,551.94)	(20)	(91,041.94)	431	1,379,814.82
2010	858	3,476,939.72			(108)	(520,362.50)	(91)	(664,229.96)	(199)	(1,184,592.46)	659	2,292,347.26
2011	1,406	9,864,290.86			(291)	(2,213,384.91)	(197)	(2,209,885.32)	(488)	(4,423,270.23)	918	5,441,020.63
2012	1,768	16,448,135.64			(454)	(4,783,006.25)	(213)	(3,000,763.47)	(667)	(7,783,769.72)	1101	8,664,365.92
2013	1,856	19,763,582.59			(272)	(1,348,753.11)	(294)	(5,362,103.29)	(566)	(6,710,856.40)	1290	13,052,726.19
2014			1,554	20,842,065.63	(24)	(159,389.63)	(256)	(4,810,836.88)	(280)	(4,970,226.51)	1274	15,871,839.12
TOTAL	6,342	51,125,410.57	1,554	20,842,065.63	(1,152)	(9,031,386.40)	(1,070)	(16,232,370.86)	(2,222)	(25,263,757.26)	5,674	46,703,718.94

Average	\$8,061	\$13,412	\$7,840	\$15,170	\$11,370	\$8,231
----------------	---------	----------	---------	----------	----------	---------

Estimated Application Payout Ratio: **37.68%**

Estimated Application Payouts: **\$17,597,589**

**THE STATE BAR OF CALIFORNIA
CLIENT SECURITY FUND
CUMULATIVE APPLICATIONS AGING REPORT
AS OF DECEMBER 31, 2014**

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	1	50,000.00			0	0.00	(1)	(50,000.00)	(1)	(50,000.00)	0	0.00
2007-2008	3	101,605.00			0	0.00	(2)	(100,000.00)	(2)	(100,000.00)	1	1,605.00
2007-2009	454	1,572,461.76			(3)	(6,490.00)	(19)	(184,551.94)	(22)	(191,041.94)	432	1,381,419.82
2007-2010	1312	5,049,401.48			(111)	(526,852.50)	(110)	(848,781.90)	(221)	(1,375,634.40)	1091	3,673,767.08
2007-2011	2718	14,913,692.34			(402)	(2,740,237.41)	(307)	(3,058,667.22)	(709)	(5,798,904.63)	2009	9,114,787.71
2007-2012	4486	31,361,827.98			(856)	(7,523,243.66)	(520)	(6,059,430.69)	(1376)	(13,582,674.35)	3110	17,779,153.63
2007-2013	6342	51,125,410.57			(1128)	(8,871,996.77)	(814)	(11,421,533.98)	(1942)	(20,293,530.75)	4400	30,831,879.82
2007-2014			1,554	20,842,065.63	(1152)	(9,031,386.40)	(1070)	(16,232,370.86)	(2222)	(25,263,757.26)	5674	46,703,718.94

Applications Pending on 12/31/2014 **5,674**
 Net Asset in Client Security Fund:
 As of 12/31/2014 2,216,561

*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 APPLICATIONS PAID OUT RATIO
JANUARY 2013 THROUGH DECEMBER 2014**

Month Covered	PAID APPLICATIONS		REJECTED/ WITHDRAWN	PROCESSED
	Amount	Montly Average Payout Ratio	APPLICATIONS Amount	
JAN 13	1,031,345	71.72%	406,678	1,438,023
FEB 13	337,007	35.17%	621,082	958,089
MAR 13	411,985	22.26%	1,438,752	1,850,737
APR 13	884,482	46.56%	1,015,172	1,899,654
MAY 13	293,856	18.49%	1,295,106	1,588,962
JUN 13	671,429	36.28%	1,179,476	1,850,905
JUL 13	2,469,803	60.85%	1,588,756	4,058,559
AUG 13	1,931,300	60.18%	1,278,079	3,209,379
Sept 13	399,005	34.94%	742,967	1,141,972
Oct 13	1,025,871	30.18%	2,373,042	3,398,913
Nov 13	460,576	34.55%	872,343	1,332,919
Dec 13	1,137,692	21.34%	4,192,663	5,330,355
Jan 14	0	0.00%	969,609	969,609
Feb 14	1,340,384	33.46%	2,665,390	4,005,774
Mar 14	384,500	21.70%	1,387,129	1,771,629
Apr 14	758,265	33.21%	1,525,322	2,283,587
May 14	1,230,402	72.36%	469,884	1,700,286
Jun 14	1,070,085	43.82%	1,372,138	2,442,224
July 14	606,045	27.83%	1,571,864	2,177,909
Aug 14	940,626	32.47%	1,956,177	2,896,803
Sept 14	302,866	19.42%	1,256,392	1,559,257
Oct 14	813,687	37.73%	1,342,922	2,156,609
Nov 14	155,599	14.28%	933,993	1,089,592
Dec 14	1,428,927	65.09%	766,551	2,195,478
	<u>20,085,737</u>		<u>33,221,487</u>	<u>53,307,224</u>

24 Month Rolling Average PaidOut Ratio: 37.68%

**THE STATE BAR OF CALIFORNIA
CLIENT SECURITY FUND
ANALYSIS OF NEW APPLICATIONS PAID, REJECTED
OR WITHDRAWN, ESTIMATED
APPLICATIONS PAYOUTS PER ACTIVE ATTORNEY
December 31, 2014**

	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>
Beginning Balance	6,342	6,292	6,023	5,738
Add: Reinstated Applications				
New Applications	478	426	350	300
Less: Paid / Rejected or				
Withdrawn	528	695	635	364
TOTAL	6,292	6,023	5,738	5,674
APPLICATIONS OUTSTANDING	\$49,066,024	\$48,639,635	\$48,092,080	\$46,703,719
AMT.				
# Of Active Attorneys	181,002	181,410	182,651	182,963
Cost Per Active Attorney	\$271	\$268	\$263	\$255
ESTIMATED APPLICATIONS LIAB.				
Applications Payout Ratio	39.53%	39.63%	37.31%	37.68%
Estimated Application Amount *	\$19,395,799	\$19,178,608	\$17,943,155	\$17,597,961
# of Active Attorneys	181,002	181,410	182,651	182,963
Cost per Active Attorney	\$107	\$106	\$98	\$96
APPLICATION ACTIVITIES IN %:				
NEW APPLICATIONS - YTD				
1 - 2,500	3.39%	3.11%	2.87%	2.91%
2,501 - 5,000	14.92%	11.97%	10.24%	10.08%
5,001 - 10,000	10.13%	9.94%	9.11%	8.94%
10,001 - 25,000	13.65%	14.76%	14.01%	15.23%
25,001 - 49,999	8.29%	11.32%	11.04%	10.43%
50,000	24.70%	13.17%	11.53%	10.80%
2,501 - 5,000	24.93%	35.73%	41.21%	41.61%
APPLICATIONS PAID - YTD				
1 - 2,500	6.92%	6.22%	6.27%	6.07%
	22.42%	23.49%	23.15%	18.97%
5,001 - 10,000	10.68%	13.57%	13.31%	11.47%
10,001 - 25,000	13.67%	15.79%	17.22%	17.08%
25,001 - 49,999	10.78%	10.00%	10.07%	9.84%
50,000	9.07%	4.32%	7.86%	6.05%
50,001 - 100,000	26.45%	26.61%	22.11%	30.53%
REJ./WDRAWN - YTD				
1 - 2,500	2.45%	3.24%	3.37%	3.22%
2,501 - 5,000	7.02%	8.07%	8.53%	8.21%
5,001 - 10,000	5.85%	7.39%	8.70%	8.32%
10,001 - 25,000	8.79%	13.80%	16.68%	16.17%
25,001 - 49,999	8.30%	9.07%	9.26%	8.76%
50,000	34.66%	23.71%	19.24%	18.86%
50,001 - 100,000	32.93%	34.71%	34.22%	36.46%
APPLICATIONS O/S-CUM. - YTD				
1 - 2,500	5.69%	5.45%	5.21%	5.21%
2,501 - 5,000	23.55%	22.69%	22.05%	22.67%
5,001 - 10,000	13.22%	12.87%	12.37%	12.67%
10,001 - 25,000	14.16%	13.73%	12.47%	12.79%
25,001 - 49,999	8.45%	8.88%	8.92%	8.96%
50,000	7.55%	7.30%	6.97%	6.64%
50,001 - 100,000	27.38%	29.08%	32.02%	31.06%
NET ASSET, END OF PERIOD	\$ 10,505,269	\$7,298,918	\$5,052,605	\$2,216,561
	(8,890,530)	(11,879,690)	(12,890,550)	(15,381,400)

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

State Bar of California
Client Security Fund
Ten Years Comparison
2004-2014

	2005		2006		2007		2008		2009		2010		2011		2012		2013		2014	
	Applications	Amount	Applications	Amount	Applications	Amount	Applications	Amount	Applications	Amount	Applications	Amount	Applications	Amount	Applications	Amount	Applications	Amount	Applications	Amount
Applications outstanding, begin of year	858	9,956,622	787	10,396,199	797	9,579,525	787	11,811,143	710	11,871,541	2,997	22,124,850	6,112	34,513,647	7,345	45,327,104	7,801	55,518,550	6,342	50,528,936
Prior year's outstanding application adjustment	(3)	90,040	(2)	241,984	-	69,048	-	107,497	-	15,532	-	100,260	-	194,064	-	108,564		243,483		596,474
New Applications	1,318	11,558,645	1,314	10,916,591	1,013	12,927,446	825	11,290,084	3,028	19,469,661	3,875	23,231,936	3,411	26,086,578	2,767	25,112,748	2,228	22,825,372	1,554	20,842,066
TOTAL APPLICATIONS	2,173	21,605,307	2,099	21,554,774	1,810	22,576,019	1,612	23,208,724	3,738	31,356,734	6,872	45,457,046	9,523	60,794,289	10,112	70,548,416	10,029	78,587,404	7,896	71,967,476
Less: Processed Applications:																				
Paid	982	4,648,584	943	5,299,061	607	4,352,110	479	4,638,272	378	3,461,950	267	3,331,124	1,534	7,819,854	1,466	6,870,643	1,999	11,054,352	1,152	9,031,386
Rejected	50	2,535,698	24	1,799,629	42	2,066,308	57	2,196,878	52	1,930,226	138	2,869,032	54	2,585,888	112	3,092,632	68	3,096,196	116	4,575,621
Withdrawn	354	4,024,826	335	4,876,559	374	4,346,458	366	4,502,033	311	3,839,708	355	4,743,243	590	5,061,443	733	5,066,591	1,620	13,907,920	954	11,656,750
TOTAL PROCESSED APPLICATIONS	1,386	11,209,108	1,302	11,975,249	1,023	10,764,876	902	11,337,183	741	9,231,884	760	10,943,399	2,178	15,467,185	2,311	15,029,866	3,687	28,058,468	2,222	25,263,757
Applications outstanding, end of year	787	10,396,199	797	9,579,525	787	11,811,143	710	11,871,541	2,997	22,124,850	6,112	34,513,647	7,345	45,327,104	7,801	55,518,550	6,342	50,528,936	5,674	46,703,719
Applications outstanding inc./(dec.) over beginning balance	(71)	439,577	10	(816,674)	(10)	2,231,618	(77)	60,398	2,287	10,253,309	3,115	12,388,797	1,233	10,813,457	456	10,191,446	(1,459)	(4,989,614)	(668)	(3,825,217)
Applications payout ratio	43.79%		42.86%		42.45%		40.68%		39.38%		33.67%		42.22%		48.17%		41.60%		37.68%	
Est. applications payouts	\$4,552,496		\$4,105,784		\$5,013,830		\$4,829,343		\$8,712,766		\$11,620,745		\$19,137,103		\$26,743,285		\$21,020,037		\$17,597,961	
Net Assets, end of year	\$1,479,897		\$2,325,593		\$2,990,889		\$4,304,519		\$2,678,965		\$2,322,315		(\$7,215,281)		(\$15,638,262)		(\$15,444,495)		(\$15,381,400)	
Net Assets., end of year - cash basis	6,032,393		6,431,377		8,004,719		9,133,862		11,391,731		13,943,060		11,921,822		11,105,023		5,575,542		2,216,561	
Estimated Decrease/(Increase) in Application Payouts:	(183,530)		446,711		(908,046)		184,487		(3,883,423)		(2,907,979)		(7,516,358)		(7,606,182)		5,723,248		3,422,076	