



The State Bar *of California*

OPEN SESSION

AGENDA ITEM

54-142 NOVEMBER 2019

FINANCE COMMITTEE III.F

DATE: November 6, 2019

TO: Members, Finance Committee
Members, Board of Trustees

FROM: John Adams, Chief Financial Officer

SUBJECT: Q3 Financial Statement Report, Investment Report, and Client Security Fund Report

EXECUTIVE SUMMARY

In adherence with the Board of Trustees Policy Manual, Section 5.2.1, the Office of Finance has prepared the accompanying financial reports (unaudited) for the 3rd quarter ended September 30, 2019 for the Board's review. For the 3rd quarter, the financial report consists of three separate reports: Financial Statements, Investment Report, and Client Security Fund Report.

BACKGROUND

To increase transparency and to ensure public confidence in the operations of the State Bar at all levels, the Office of Finance prepares timely quarterly statements that show the financial condition of the State Bar, investments held by the State Bar, and the activity occurring in the Client Security Fund. The Finance Committee is responsible for reviewing quarterly reports prepared by the Office of Finance.

DISCUSSION

The Financial Report for the 3rd quarter ended September 30, 2019 is composed of multiple attachments, including: the 3rd Quarter Financial Statements, the Investment Report ending as of September 30, 2019, and the 3rd Quarter Client Security Fund Report. This agenda item is also on the consent agenda for the Board's November 14, 2019 meeting.

FISCAL/PERSONNEL IMPACT

None

RULE AMENDMENTS

None

BOARD OF TRUSTEES POLICY MANUAL AMENDMENTS

None

STRATEGIC PLAN GOALS & OBJECTIVES

Goal: None - compliance

RECOMMENDATIONS

The Finance Committee recommends that the Board of Trustees approve the following resolution:

RESOLVED, that the Board of Trustees approve the 2019 3rd Quarter Financial Report in the form this day before the Board, for the three months ended September 30, 2019, as certified by the Chief Financial Officer, and on file with the San Francisco office of the State Bar.

ATTACHMENT(S) LIST

- A.** Financial Statements as of September 30, 2019
- B.** Investment Report for the Third Quarter Ended September 30, 2019
- C.** Client Security Fund Report for the Third Quarter Ended September 30, 2019



The State Bar of California

OFFICE OF FINANCE

ATTACHMENT A

Date: November 6, 2019

To: Members, Finance Committee
Members, Board of Trustees

From: John Adams, Chief Financial Officer

Subject: 3rd Quarter 2019 Financial Statements

This memo outlines the State Bar's third quarter operating results and fiscal position as of September 30, 2019, with information and comparative analysis regarding revenue, expenses, net surplus, assets, liabilities and net position.

Financial Highlights

The table below summarizes highlights of the financial statements:

Table 1. Financial Highlights for Year-to-Date Through September 30, 2019

ASSETS AND LIABILITIES: YEAR OVER YEAR COMPARISON					
Financial Statement Category	September 30, 2019 (in \$M)	September 30, 2018 (in \$M)	Changes (in \$M)	Changes (in %)	Refer to Attachment
Total Assets	\$288.3	\$269.9	\$18.4	6.8%	4&5
Cash & Investments	143.5	132.7	10.8	8.1%	4&5
Deferred Outflows of Resources	14.6	24.6	-10	-40.6%	4&5
Total Liabilities	105.8	106.7	-0.9	-0.9%	4&5
Deferred Inflows of Resources	10.9	2.3	8.6	371.8%	4&5
Net Pension Liabilities	59.4	73.7	-14.3	-19.4%	4&5
Loans Payable	22.9	25.4	-2.5	-9.8%	4&5
Net Position	182.6	163.1	19.4	11.9%	4&5

Assets

The State Bar's total assets consist of cash, investments, accounts receivable, capital assets, OPEB plan asset and deferred outflows of resources. Total assets increased by \$18.4 million, from \$269.9 million at September 30, 2018 to \$288.3 million at September 30, 2019. Net position (total assets minus total liabilities) at September 30, 2019 was \$182.6 million, an increase of \$19.4 million compared to \$163.1 million in the prior year.

Liabilities

The State Bar's total liabilities consist of accounts payable to vendors, unearned fees collected in advance, grants payable, net pension liabilities, the deferred inflows of resources related to pension, loans payable, and employee vacation and sick leave accruals. As of September 30, 2019, the State Bar's total liabilities were \$105.8 million, down by \$1 million compared to \$106.7 million at the third quarter of 2018. This decrease is due primarily to a decrease in pension liabilities and loans payable. Pension liabilities and deferred inflows of resources changed due to updated estimates of pension assets and liabilities from our actuaries.

Net Position

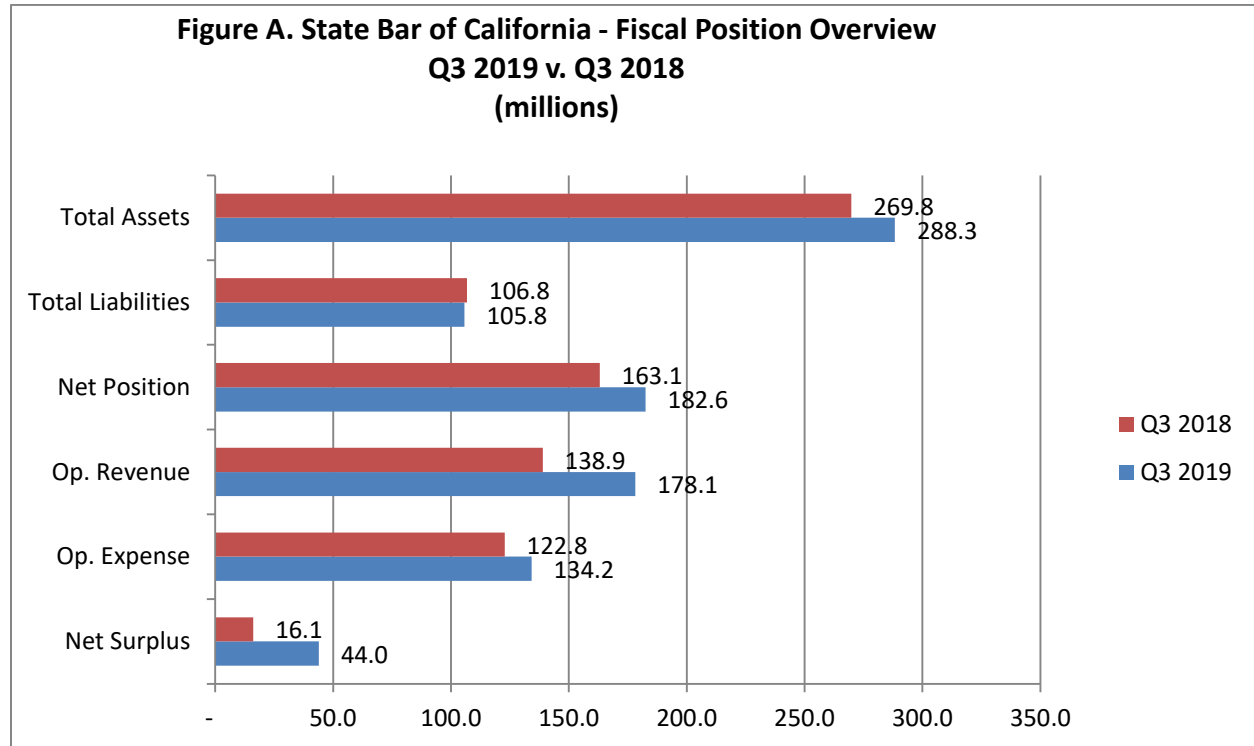
Net position consists of restricted and unrestricted net position and investment in capital assets. The State Bar's total net position (total assets – total liabilities) as of September 30, 2019 was \$182.6 million, up by \$19.4 million or 11.9 percent compared to \$163.1 million last year.

Year-to-date through September 30, 2019, operating revenues were \$178.1 million, 32.7 percent better than the budget of \$134.2 million. Total operating expenses were \$134.2 million, at 95.8 percent of the \$140.0 million budget.

The table below provides budget to actual comparisons for select revenues and business units:

OPERATING REVENUE AND EXPENSES: ACTUAL TO BUDGET COMPARISON					
Financial Statement Category	2019 Q3 Actual (in \$M)	2019 Q3 Budget (in \$M)	Variance (in \$M)	Variance (in %)	Refer to Attachment
Operating Revenue	178.1	134.2	43.9	32.7%	1,2,3
Licensing Fees & Donations	85.3	86.7	-1.4	-1.7%	1,2,3
Operating Expenses	134.2	140.0	-5.8	-4.2%	1,2,3
General & Administrative	11.2	13.9	-2.7	-19.4%	1,2,3
Chief Trial Counsel	36.3	40.0	-3.7	-9.2%	1,2,3
Client Security Fund	7.1	6.4	0.7	10.9%	1,2,3
Admissions	16.2	16.2	0.0	0.0%	1,2,3
Grant Expenses	40.4	40.3	0.1	0.0%	1,2,3

Figure A. below summarizes the State Bar's financial position at the end of the third quarter of 2019, compared to the third quarter of 2018.



See attachments 1 and 2 for more detailed comparisons of the State Bar's financial position at September 30, 2018 versus September 30, 2019.¹

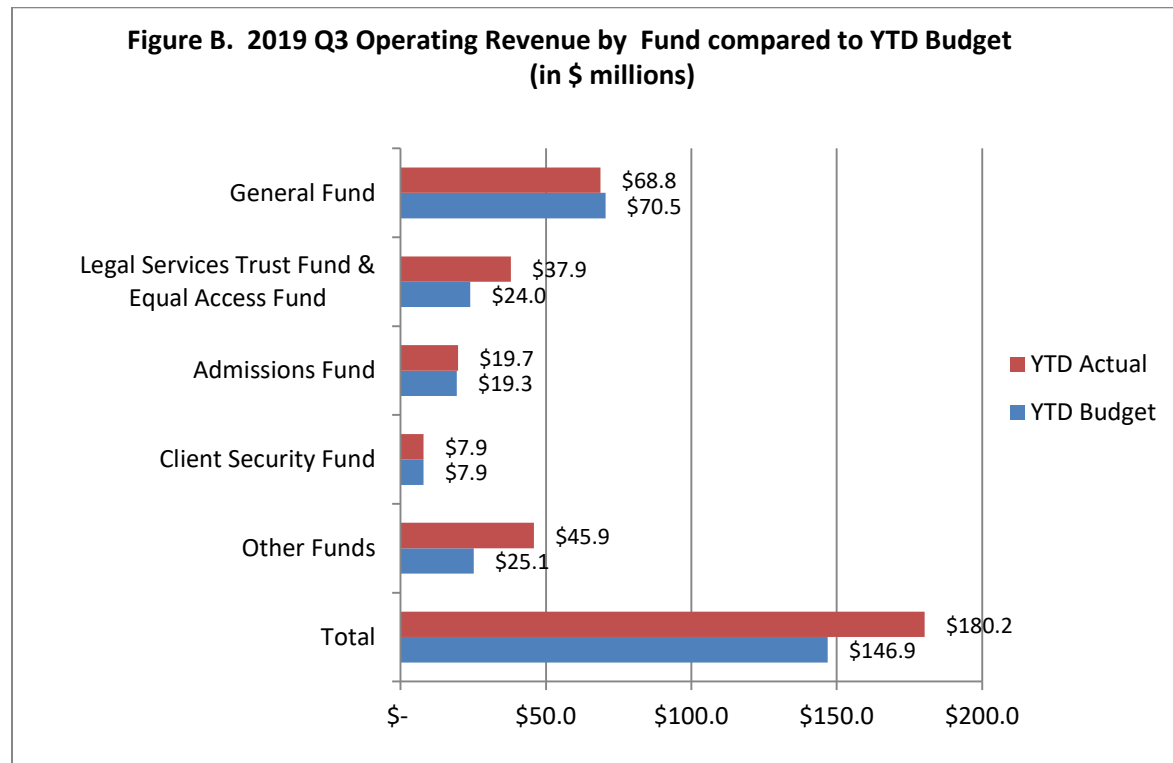
Revenue

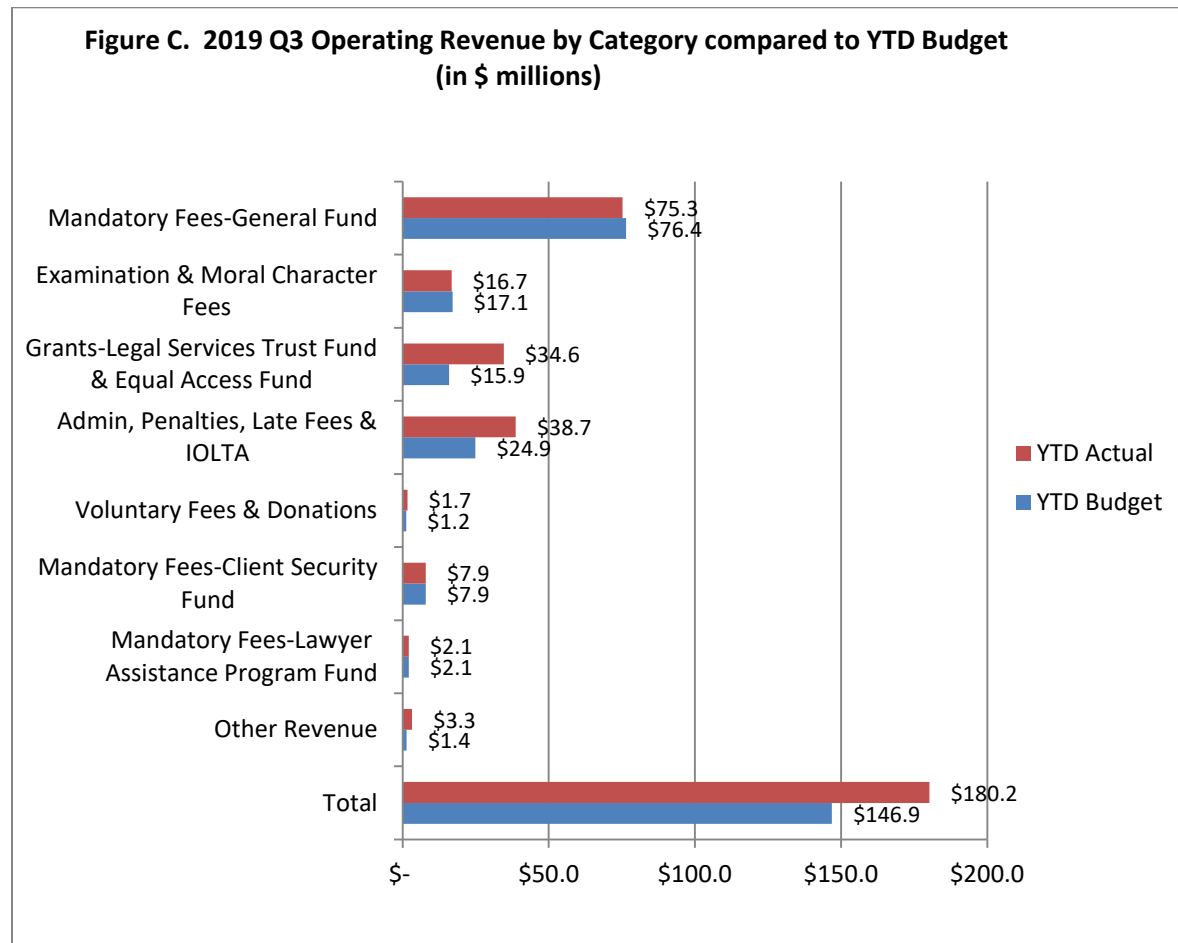
Figures B and C compare budget to actuals for operating revenue, with Figure B presenting at the fund level and Figure C by revenue category. Overall, total revenue totaled \$180.2 million for the third quarter of 2019, \$33.3 million more than the budgeted total revenue of \$146.9 million.

The primary reason for this variance is that the Legal Services Trust Fund is earning higher than anticipated interest rates on Trust Fund monies.

See attachment 3 for a comparison of actuals for both operating revenue and operating expenses in the 2019 third quarter versus 2018 third quarter.

¹ note that totals for Figures and Attachments may vary depending on whether total revenue/expense is displayed as opposed to operating revenues and expense. See attachment 1, which displays operating and non-operating items, whereas Figure B below shows total revenue, to include both operating and non-operating.





NonOperating Revenue

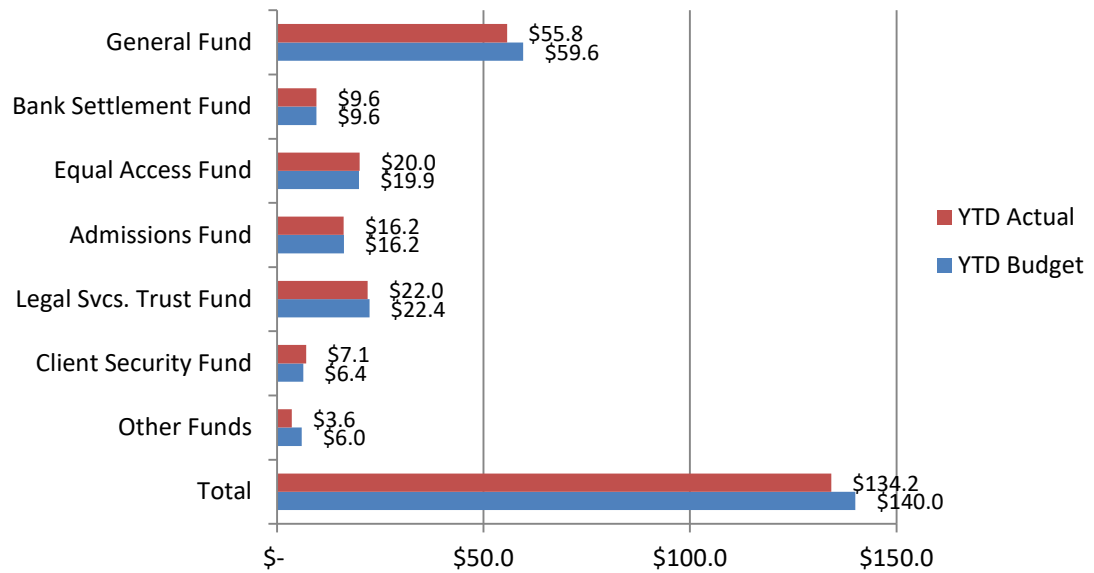
Nonoperating revenue consists of investment income, rental income and interest expense on loans. Investment income for Q3 2019 is \$3.5 million, \$2.5 million over budget.

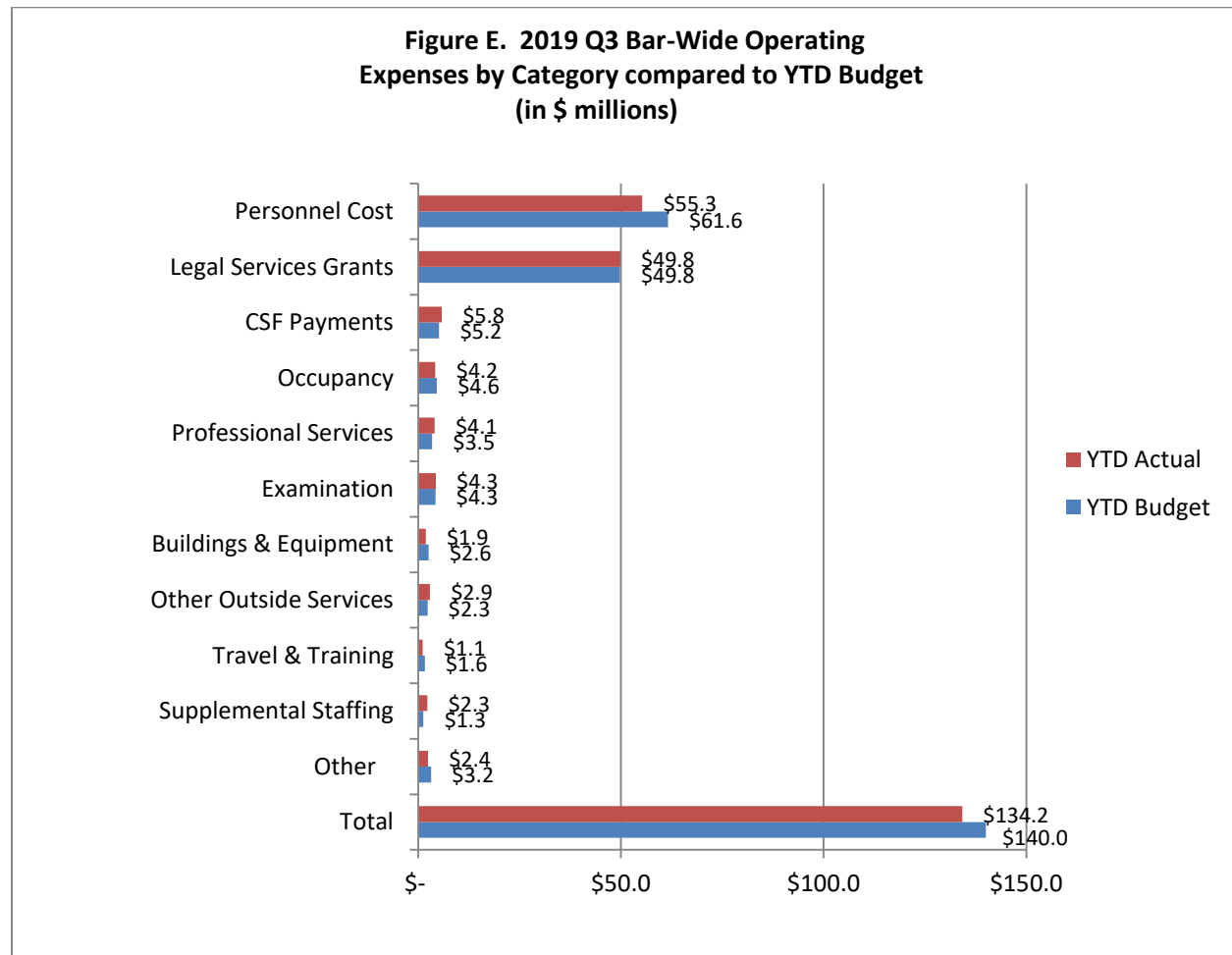
Expenses

The State Bar's third quarter 2019 operating expenses were \$134.2 million, compared to the budget of \$140.0 million. This variance includes \$2.7 million for Chief Trial Counsel, primarily due to vacancies. The 2019 budget for Chief Trial Counsel includes 256 positions, but the monthly average filled has been close to 240 for the first nine months.

Figures D and E summarize the State Bar's 2019 year-to-date operating expenses by fund, and by category, compared to the budget.

**Figure D. 2019 Q3 Bar-Wide Operating
Expenses by Fund compared to YTD Budget**





Attachments:

- Attachment 1 – Operating Revenue, Operating Expenses and Changes in Net Position (State Bar Wide)
- Attachment 2 – Operating Revenue, Operating Expenses and Changes in Net Position (Non General Funds)
- Attachment 3 – Variances Year-over-Year for Operating Revenue, Operating Expenses and Changes in Net Position (State Bar Wide)
- Attachment 4 – Assets, Liabilities & Net Position (State Bar-Wide)
- Attachment 5 – Assets, Liabilities & Net Position (Nongeneral Funds)

The State Bar of California Statement of Revenue, Expenses and Changes in Net Position - Bar Wide
For the Nine Months Ending September 30, 2019 – Attachment 1

	General Fund	Other Funds	2019 Actual	2018 Actual	Variance- 2018 Actual vs 2019 Actual	2019 Budget	Variance-2019 Actual vs Budget
REVENUES							
Affinity Insurance Revenue	\$ 1,765,318	\$ -	\$ 1,765,318	\$1,227,134	\$ 538,184	\$ 496,400	\$ 1,268,918
Continuing Legal Education Fees	786,086	16,648	802,734	\$765,663	37,071	783,000	19,734
EAF AB 145 Filing Fee Revenue	-	10,319,802	10,319,802	\$3,304,748	7,015,054	4,881,700	5,438,102
Exam Application & Moral Character Fees	-	17,864,480	17,864,480	\$18,764,641	(900,161)	18,237,800	(373,320)
Grant Revenue	-	24,280,454	24,280,454	\$9,181,400	15,099,054	11,034,650	13,245,804
Law Corporation Registration Fees	1,054,388	-	1,054,388	\$864,783	189,605	1,134,800	(80,412)
Legal Specialization Fees	-	2,152,379	2,152,379	\$2,084,494	67,885	1,887,800	264,579
Licensing Fees and Donations	66,303,555	18,950,548	85,254,102	\$86,871,799	(1,617,697)	86,700,200	(1,446,098)
Multi-Jurisdictional Practice Fees	-	836,810	836,810	\$694,214	142,596	665,200	171,610
Other Revenue	723,811	1,509,159	2,232,970	\$3,907,974	(1,675,004)	3,208,600	(975,630)
Seminar/Workshop Revenue	45,055	2,554	47,609	\$36,741	10,868	48,200	(591)
Trust Account Revenue	-	31,523,577	31,523,577	\$11,260,714	20,262,863	17,819,800	13,703,777
Total Operating Revenue	\$ 70,678,211	\$ 107,456,410	\$ 178,134,622	\$ 138,964,304	\$ 39,170,318	\$ 146,898,150	\$ 31,236,472
EXPENSES							
Access & Inclusion	\$ 1,314,381	\$ -	\$ 1,314,381	\$ 964,330	\$ 350,051	\$ 1,377,600	\$ (63,219)
Admissions	-	16,170,446	16,170,446	14,837,627	1,332,819	16,209,600	(39,154)
Attorney Regulation and Consumer Resources	4,180,359	-	4,180,359	3,648,383	531,976	4,522,900	(342,541)
Chief Trial Counsel	36,272,104	-	36,272,104	33,123,021	3,149,083	38,977,400	(2,705,296)
Client Security Fund	-	7,079,994	7,079,994	7,007,630	72,364	6,353,700	726,294
Commission on Access to Justice	2,838	-	2,838	10,550	(7,712)	13,500	(10,662)
Communications	576,529	-	576,529	533,657	42,872	697,700	(121,171)
General and Administrative	(1,898,445)	13,128,436	11,229,990	10,995,600	234,390	13,886,100	(2,656,110)
Governance	2,321,959	-	2,321,959	2,783,065	(461,106)	2,380,800	(58,841)
Grant Expenses	-	40,364,625	40,364,625	34,912,537	5,452,088	40,348,100	16,525

The State Bar of California Statement of Revenue, Expenses and Changes in Net Position - Bar Wide
For the Nine Months Ending September 30, 2019 – Attachment 1

Judicial Evaluation	248,280	-	248,280	525,164	(276,884)	384,400	(136,120)
Lawyer Assistance Program	-	1,572,142	1,572,142	1,457,641	114,501	1,488,800	83,342
Mandatory Fee Arbitration	36,073	-	36,073	150,505	(114,432)	82,400	(46,327)
Probation	1,212,960	-	1,212,960	1,038,232	174,728	1,221,400	(8,440)
Professional Competence	2,170,510	-	2,170,510	1,867,627	302,883	2,631,200	(460,690)
State Bar Court	9,427,864	-	9,427,864	8,952,528	475,336	9,452,500	(24,636)
Total Operating Expenses	\$ 55,865,411	\$ 78,315,643	\$ 134,181,054	\$ 122,808,097	\$ 11,372,957	\$ 140,028,100	\$ (5,847,046)
OPERATING INCOME/(LOSS)	\$ 14,812,800	\$ 29,140,768	\$ 43,953,568	\$ 16,156,207	\$ 27,797,361	\$ 6,870,050	\$ 37,083,518
NON-OPERATING							
Investment Income	\$ 1,652,467	\$ 1,893,465	\$ 3,545,931	\$ 2,460,274	\$ 1,085,657	\$ 1,057,956	\$ 2,487,975
Rental Income	2,079,426	-	2,079,426	-	2,079,426	2,232,700	(153,274)
Interest Expense on Loan	(527,835)	(258,820)	(786,655)	(862,746)	76,091	(776,500)	(10,155)
Total Non-Operating	\$ 3,204,057	\$ 1,634,645	\$ 4,838,702	\$ 1,597,528	\$ 3,241,174	\$ 2,514,156	\$ 2,324,546
INCOME/(LOSS) BEFORE TRANSFERS	\$ 18,016,858	\$ 30,775,412	\$ 48,792,270	\$ 17,753,736	\$ 31,038,535	\$ 9,384,206	\$ 39,408,064
Interfund Allocation - LA	-	-	-	-	-	-	-
Interfund Transcations Expenses	(54,495)	(3,426)	(57,921)	(48,940)	(8,981)	-	(57,921)
Trsf In From Justice Gap Fund	-	(2,750,000)	(2,750,000)	-	(2,750,000)	-	(2,750,000)
Transfers In - Other	-	-	-	(3,584,711)	3,584,711	(100,000)	100,000
Transfers Out - Other	-	2,750,000	2,750,000	3,584,711	(834,711)	75,100	2,674,900
Interfund Transaction-Revenue	54,831	3,090	57,921	48,940	8,981	-	57,921
CHANGE IN NET POSITION	\$ 18,017,194	\$ 30,775,076	\$ 48,792,270	\$ 17,753,736	\$ 31,038,535	\$ 9,359,306	\$ 39,432,964
Net Position at beginning of year	60,851,487	72,927,260	133,778,747	145,389,713	(11,610,966)	133,778,747	
NET POSITION AT SEPTEMBER 30	\$ 78,868,681	\$ 103,702,337	\$ 182,571,017	\$ 163,143,449	\$ 19,427,569	\$ 143,138,053	

The State Bar of California Statement of Revenue, Expenses and Changes in Net Position - Non General Funds
For the Nine Months Ending September 30, 2019

	Admissions	Bank Settlement	Client Security	Elimination of Bias	Equal Access	Grants	Info Tech Special Access	Justice Gap	Lawyers Assistance Program	Legal Services Trust	Legal Specialization	Legislative Activities	SF Tenant Improvement	Total Other Funds
REVENUES														
Continuing Legal Education Fees	\$ 600	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,048	\$ -	\$ -	\$ 16,648
EAF AB 145 Filing Fee Revenue	-	-	-	-	10,319,802	-	-	-	-	-	-	-	-	10,319,802
Exam Application & Moral Character Fees	17,864,480	-	-	-	-	-	-	-	-	-	-	-	-	17,864,480
Grant Revenue	-	-	-	-	24,144,204	136,250	-	-	-	-	-	-	-	24,280,454
Legal Specialization Fees	-	-	-	-	-	-	-	-	-	-	2,152,379	-	-	2,152,379
Licensing Fees and Donations	-	-	7,924,727	312,608	-	-	-	1,660,246	2,079,778	6,243,682	-	729,505	-	18,950,548
Multi-Jurisdictional Practice Fees	836,810	-	-	-	-	-	-	-	-	-	-	-	-	836,810
Other Revenue	1,025,898	-	4,675	-	308,860	-	-	-	-	157,253	12,473	-	-	1,509,159
Seminar/Workshop Revenue	-	-	-	2,554	-	-	-	-	-	-	-	-	-	2,554
Trust Account Revenue	-	-	-	-	-	-	-	-	-	31,523,577	-	-	-	31,523,577
Total Operating Revenues	19,727,787	-	7,929,402	315,162	34,772,866	136,250	-	1,660,246	2,079,778	37,924,513	2,180,900	729,505	-	107,456,410
EXPENSES														
Admissions	16,170,446	-	-	-	-	-	-	-	-	-	-	-	-	16,170,446
Client Security Fund	-	-	7,079,994	-	-	-	-	-	-	-	-	-	-	7,079,994
General and Administrative	-	9,563,459	-	87,932	277,706	428,351	-	5,200	-	1,354,407	912,770	498,612	-	13,128,436
Grant Expenses	-	-	-	-	19,767,325	-	-	-	-	20,597,300	-	-	-	40,364,625
Lawyer Assistance Program	-	-	-	-	-	-	-	-	1,572,142	-	-	-	-	1,572,142
Total Operating Expenses	16,170,446	9,563,459	7,079,994	87,932	20,045,031	428,351	-	5,200	1,572,142	21,951,707	912,770	498,612	-	78,315,643
NON-OPERATING REVENUE														
Investment Income	345,222	490,258	108,257	8,161	38,600	-	6,632	88,848	101,526	561,139	107,866	17,994	18,962	1,893,465
Rental Income	-	-	-	-	-	-	-	-	-	-	-	-	(258,820)	(258,820)
Total Non-Operating Revenue	345,222	490,258	108,257	8,161	38,600	-	6,632	88,848	101,526	561,139	107,866	17,994	(239,858)	1,634,645
INCOME/(LOSS) BEFORE TRANSFERS	3,902,564	(9,073,200)	957,665	235,391	14,766,436	(292,101)	6,632	1,743,894	609,162	16,533,945	1,375,996	248,887	(239,858)	30,775,413
TRANSFERS IN/OUT	(1,451)	-	3,278	-	-	-	-	(2,750,000)	1,250	2,750,000	(3,030)	(383)	-	(336)
CHANGE IN NET POSITION	3,901,113	(9,073,200)	960,943	235,391	14,766,436	(292,101)	6,632	(1,006,106)	610,412	19,283,945	1,372,966	248,504	(239,858)	30,775,077
Net Position at beginning of year	8,150,263	29,766,767	487,121	131,856	2,762,219	469,453	-	4,101,410	3,568,711	19,981,176	3,410,988	386,961	(289,665)	72,927,260
NET POSITION AT SEPTEMBER 30, 2019	\$ 12,051,376	\$ 20,693,567	\$ 1,448,064	\$ 367,247	\$ 17,528,655	\$ 177,352	\$ 6,632	\$ 3,095,304	\$ 4,179,123	\$ 39,265,121	\$ 4,783,954	\$ 635,465	\$ (529,523)	\$ 103,702,337

**The State Bar of California Revenue, Expenses and Changes in Net Position - Bar Wide For the Nine
Months Ending September 30, 2019**

	2019 Actual	2018 Actual	Variance (2019 v. 2018)	Percent Change
OPERATING REVENUES				
Affinity Insurance Revenue	\$ 1,765,318	\$ 1,227,134	\$ 538,184	44%
Continuing Legal Education Fees	802,734	765,663	37,071	5%
EAF AB 145 Filing Fee Revenue	10,319,802	3,304,748	7,015,054	212%
Exam Application & Moral Character Fees	17,864,480	18,764,641	(900,161)	-5%
Grant Revenue	24,280,454	9,181,400	15,099,054	164%
Law Corporation Registration Fees	1,054,388	864,783	189,605	22%
Legal Specialization Fees	2,152,379	2,084,494	67,885	3%
Licensing Fees and Donations	85,254,102	86,871,799	(1,617,697)	-2%
Multi-Jurisdictional Practice Fees	836,810	694,214	142,596	21%
Other Revenue	2,232,970	3,907,974	(1,675,004)	-43%
Seminar/Workshop Revenue	47,609	36,741	10,868	30%
Trust Account Revenue	31,523,577	11,260,714	20,262,863	180%
Total Operating Revenues	<u>\$ 178,134,622</u>	<u>\$ 138,964,304</u>	<u>\$ 39,170,318</u>	<u>28%</u>
OPERATING EXPENSES				
Access & Inclusion	\$ 1,314,381	\$ 964,330	\$ 350,051	36%
Admissions	16,170,446	14,837,627	1,332,819	9%
Attorney Regulation and Consumer Resources	4,180,359	3,648,383	531,976	15%
Chief Trial Counsel	36,272,104	33,123,021	3,149,083	10%
Client Security Fund	7,079,994	7,007,630	72,364	1%
Commission on Access to Justice	2,838	10,550	(7,712)	-73%
Communications	576,529	533,657	42,872	8%
General and Administrative	11,229,990	10,995,600	234,390	2%
Governance	2,321,959	2,783,065	(461,106)	-17%
Grant Expenses	40,364,625	34,912,537	5,452,088	16%
Judicial Evaluation	248,280	525,164	(276,884)	-53%
Lawyer Assistance Program	1,572,142	1,457,641	114,501	8%
Mandatory Fee Arbitration	36,073	150,505	(114,432)	-76%
Probation	1,212,960	1,038,232	174,728	17%
Professional Competence	2,170,510	1,867,627	302,883	16%
State Bar Court	9,427,864	8,952,528	475,336	5%
Total Operating Expenses	<u>\$ 134,181,054</u>	<u>\$ 122,808,097</u>	<u>\$ 11,372,957</u>	<u>9%</u>
OPERATING INCOME/(LOSS)	\$ 43,953,568	\$ 16,156,207	\$ 27,797,361	172%
NON-OPERATING REVENUE				
Investment Income	3,545,931	2,460,274	1,085,657	44%
Rental Income	2,079,426	-	2,079,426	0%
Interest Expense on Loan	(786,655)	(862,746)	76,091	-9%
Total Non-Operating Revenue	<u>\$ 4,838,702</u>	<u>\$ 1,597,528</u>	<u>\$ 3,241,174</u>	<u>203%</u>
CHANGE IN NET POSITION	\$ 48,792,270	17,753,736	\$ 31,038,535	0%
Net Position at start of year	133,778,747	145,389,713	(11,610,966)	0%
NET POSITION AT SEPTEMBER 30	<u>\$ 182,571,017</u>	<u>\$ 163,143,449</u>	<u>\$ 19,427,569</u>	<u>12%</u>

The State Bar of California
Statement of Assets, Liabilities and Net Position - Bar Wide
As of September 30, 2019

	General Fund	Total Other Funds	September 2019 Balance	September 2018 Balance	Variance
ASSETS AND DEFERRED OUTFLOWS					
Cash	\$ 76,940,004	\$ 2,495,000	\$ 79,435,004	\$ 33,123,568	\$ 46,311,436
Investments	64,044,342	-	64,044,342	99,625,028	(35,580,686)
Accounts Receivable (net of allowances)	9,292,033	7,409,441	16,701,474	3,503,735	13,197,739
Interfund Rec(Pay)	(102,864,930)	102,864,930	-	-	-
Capital Assets (net of depreciation)	99,048,487	4,815,550	103,864,037	94,410,624	9,453,413
OPEB Investments	8,463,975	-	8,463,975	12,648,222	(4,184,247)
Other Assets	1,117,024	95,270	1,212,294	1,998,290	(785,996)
Deferred Outflows	14,602,756	-	14,602,756	24,566,049	(9,963,293)
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 170,643,691	\$ 117,680,191	\$ 288,323,882	\$ 269,875,516	\$ 18,448,366
LIABILITIES AND DEFERRED INFLOWS					
Accounts Payable and Accrued Liabilities	\$ 5,280,408	\$ 6,863,289	\$ 12,143,697	\$ 5,335,663	\$ 6,808,034
Unearned Income	425,752	-	425,752	-	425,752
Loan Payable	15,851,748	7,090,316	22,942,064	25,427,429	(2,485,365)
Pension Liability	59,363,071	-	59,363,071	73,663,079	(14,300,008)
Deferred Inflows	10,878,281	-	10,878,281	2,305,896	8,572,385
TOTAL LIABILITIES AND DEFERRED INFLOWS	91,799,260	13,953,605	105,752,865	106,732,067	(979,202)
NET POSITION					
Net Position at Beginning of Year	60,851,487	72,927,260	133,778,747	145,389,713	(11,610,966)
Change in Net Position	17,992,944	30,799,326	48,792,270	17,753,736	31,038,534
TOTAL NET POSITION	78,844,431	103,726,586	182,571,017	163,143,449	19,427,568
TOTAL LIABILITIES & NET POSITION Total	\$ 170,643,691	\$ 117,680,191	\$ 288,323,882	\$ 269,875,516	\$ 18,448,366

The State Bar of California
Statement of Assets, Liabilities and Net Position - Non-General Funds
as of September 30, 2019

	Client Security	Elimination of Bias	Equal Access	Info Tech Special Access	Justice Gap Fund	Lawyer Assist Program	Legislative Activities	Legal Services Trust	Legal Specialization	Bank Settlement	Admissions	Grants	SF Tenant Improvement	TOTAL
ASSETS AND DEFERRED OUTFLOWS														
Cash	-	-	-	-	-	-	-	-	-	-	-	-	\$ 2,495,000	\$ 2,495,000
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable (net of allowances)	-	-	\$ 7,371,878	-	-	-	-	\$ 37,563	-	-	-	-	-	7,409,441
Interfund Rec(Pay)	\$ 1,699,769	\$ 367,247	16,146,188	\$ 6,632	\$ 3,095,304	\$ 4,238,539	\$ 668,344	39,015,310	\$ 4,791,409	\$ 20,693,569	\$ 12,677,591	\$ 184,873	(719,846)	102,864,930
Capital Assets (net of depreciation)	-	-	-	-	-	-	-	-	-	-	-	-	4,815,551	4,815,550
OPEB Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	14,967	-	-	-	-	80,303	-	-	95,270
Deferred Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS Total	\$1,699,769	\$367,247	\$23,518,066	\$6,632	\$3,095,304	\$4,253,505	\$668,344	\$39,052,872	\$4,791,409	\$20,693,569	\$12,757,895	\$184,873	\$6,590,705	\$117,680,191
LIABILITIES & DEFERRED INFLOWS														
Accounts Payable and Accrued Liabilities	\$251,241	-	\$5,730,775	-	-	\$77,857	\$8,629	\$46,386	\$5,064	-	\$706,519	\$6,905	\$29,912	\$6,863,289
Unearned Income	-	-	-	-	-	-	-	-	-	-	-	-	-	\$0
Loan Payable	-	-	-	-	-	-	-	-	-	-	-	-	7,090,316	7,090,316
Pension Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	\$0
Deferred Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-	\$0
TOTAL LIABILITIES & DEFERRED INFLOWS	251,241	-	5,730,775	-	-	77,857	8,629	46,386	5,064	-	706,519	6,905	7,120,228	\$13,953,605
NET POSITION														
Net Position at Beginning of Year	487,141	131,856	3,020,856	-	4,101,410	3,568,711	386,961	19,722,542	3,410,348	29,766,769	8,150,263	470,069	(289,665)	72,927,260
Change in Net Position	961,387	235,391	14,766,436	6,632	(1,006,106)	606,938	272,754	19,283,945	1,375,996	(9,073,200)	3,901,113	(292,101)	(239,858)	30,799,326
TOTAL NET POSITION	1,448,528	367,247	17,787,291	6,632	3,095,304	4,175,649	659,715	39,006,486	4,786,344	20,693,569	12,051,376	177,968	(529,523)	103,726,586
TOTAL LIABILITIES & NET POSITION	\$1,699,769	\$367,247	\$23,518,066	\$6,632	\$3,095,304	\$4,253,505	\$668,344	\$39,052,872	\$4,791,409	\$20,693,569	\$12,757,895	\$184,873	\$6,590,705	\$117,680,191



The State Bar of California

OFFICE OF FINANCE

ATTACHMENT B

Date: November 6, 2019

To: Members, Finance Committee
Members, Board of Trustees

From: John Adams, Chief Financial Officer

Subject: Investment Report for the 3rd Quarter Ended September 30, 2019

Attached is the quarterly Investment Report for the State Bar of California as of September 30, 2019. The report is presented in a format that conforms to the investment policy adopted by the Board of Trustees. The State Bar's investment portfolio consists of fixed income securities and deposits with Wells Fargo Bank and with the State Treasurer's Local Agency Investment Fund (LAIF). As of September 30, 2019, the market value of the investment portfolio was \$134.5 million compared to \$99.6 million as of September 30, 2018.

This increase is due to:

1. Trust Account (IOLTA) revenue exceeding expenses to date by \$19.2 million, this is the result of increased interest rates paid on trust accounts.
2. Equal Access revenues are exceeding expenses by \$14.8 million as of September 30, this is just a timing difference for grant revenue and expenses.

The quarterly rate of return of the investment portfolio for this quarter is 2.44 percent. Interest rates are slightly higher in comparison to prior year, the quarterly interest rate on deposits in the LAIF increased from 2.16 percent for the quarter ended September 30, 2018 to 2.33 percent for the quarter ended September 30, 2019. For the fiscal year, actual investment earnings increased from \$1.77 million in 2018 to \$2.96 million.

The State Bar's investment strategy is to purchase bonds and hold them until maturity to realize the full value of the investment. Unrealized gains or losses in the portfolio would only be recognized if a security was sold before maturity. Temporary price changes or market value fluctuations in the portfolio of held-to-maturity securities are recorded in the State Bar's quarterly financials.

**The State Bar of California
Investment Report Summary
September 30, 2019**

<u>Asset Group</u>	<u>Original Cost</u>	<u>Market Value</u>	<u>Portfolio Percentage</u>	<u>Weighted Average Yield</u>
Wells Fargo Custody Account:				
- Government Bonds	\$ 43,609,414	\$ 44,120,253	32.8%	2.40%
- Corporate Bonds	18,612,426	19,010,221	14.1%	2.35%
- Common Stock-Metlife Inc.	-	149,227	0.1%	n/a
Subtotal-Securities, Bonds and Notes	62,221,840	63,279,701	47.0%	
Interest Receivable		300,887	0.2%	n/a
Local Agency Investment Fund	64,914,987	64,914,987	48.3%	2.33%
Fidelity Money Market	6,007,946	6,007,946	4.5%	
Total	\$ 133,144,772	\$ 134,503,520	100.0%	2.44%

Unrealized Gain/(Loss):

Market Value of Portfolio -Securities, Bonds and Notes	\$ 63,279,701
Original Cost of Portfolio -Securities, Bonds and Notes	62,221,840
Unrealized Gain/(Loss)	<u>\$ 1,057,861</u>

Investment Month End Report - Wells Fargo Custody Account**Balance as of Sept 30, 2019**

<u>Issuer</u>	<u>CUSIP #</u>	<u>S&P Rating</u>	<u>Type</u>	<u>Par Value</u>	<u>Cost</u>	<u>Mkt Value</u>	<u>Interest Receivable</u>	<u>Unrealized Gain/(Loss)</u>	<u>Market Yield</u>	<u>Purchase Date</u>	<u>Maturity Date</u>
STATE OF CALIFORNIA	13063DAD0	AA-	Municipal Bond	\$ 3,035,000	2,993,269	3,073,332	35,919	80,063	2.37%	02/28/18	04/01/22
FED NATL MTG ASSN	313586RC5	AA	Government Agency	\$ 3,000,000	2,952,900	2,998,440	-	45,540	2.46%	02/22/19	10/09/19
FANNIE MAE (FNMA)	3135G0R39	AA+	Government Agency	\$ 3,125,000	3,068,959	3,123,125	13,628	54,166	1.00%	02/28/18	10/24/19
FED HOME LN BK	3130AFVC8	AA+	Government Agency	\$ 3,000,000	3,000,594	3,007,260	10,417	6,666	2.50%	02/14/19	02/11/20
FED FARM CREDIT BANK	3133EJCN7	AA+	Government Agency	\$ 3,125,000	3,117,269	3,127,719	8,445	10,450	2.07%	02/28/18	02/14/20
FED HOME LN BANK	313383HU8	AA+	Government Agency	\$ 3,125,000	3,091,484	3,122,781	16,558	31,297	1.75%	02/28/18	06/12/20
FED HOME LN BANK	313370US5	AA+	Government Agency	\$ 3,125,000	3,171,513	3,154,594	4,991	(16,919)	2.88%	02/28/18	09/11/20
FED HOME LN BK	3130ADUY6	AA+	Government Agency	\$ 3,000,000	3,007,116	3,017,430	2,042	10,314	2.45%	04/04/18	09/21/20
FED HOME LN BK	3130ADW32	AA+	Government Agency	\$ 3,500,000	3,506,636	3,520,860	715	14,224	2.45%	04/13/18	09/28/20
FED HOME LN BK	3130ADXP2	AA+	Government Agency	\$ 3,000,000	3,005,430	3,017,760	35,117	12,330	2.45%	04/04/18	10/09/20
FREDDIE MAC (FHLMC)	3134GBC83	AA+	Government Agency	\$ 3,125,000	3,064,844	3,127,188	19,227	62,344	2.49%	02/28/18	06/14/22
FED HOME LN MTG CORP	3134GBA69	AA+	Government Agency	\$ 3,000,000	2,978,490	3,059,430	10,292	80,940	2.38%	04/04/18	08/09/22
FED HOME LN BK	313383WD9	AA+	Government Agency	\$ 6,500,000	6,650,911	6,770,335	12,413	119,425	3.13%	04/04/18	09/09/22
TOTAL FEDERAL BONDS AND NOTES:				43,660,000.00	43,609,414	44,120,253	169,764	510,839	2.40%		
MICROSOFT CORP	594918AH7	AAA	Corporate Bond	\$ 3,125,000	3,169,647	3,160,406	46,875	(9,241)	3.00%	02/28/18	10/01/20
APPLE INC	037833BS8	AA+	Corporate Bond	\$ 3,125,000	3,093,869	3,139,219	7,422	45,350	2.25%	02/28/18	02/23/21
CHEVRON CORP.	166764BG4	AA-	Corporate Bond	\$ 3,125,000	3,071,041	3,137,063	24,609	66,022	2.10%	02/28/18	05/16/21
MICROSOFT CORP	594918BP8	AAA	Corporate Bond	\$ 3,125,000	3,016,372	3,111,906	7,131	95,534	1.55%	02/28/18	08/08/21
APPLE INC	037833BF6	AA+	Corporate Bond	\$ 3,215,000	3,201,015	3,288,077	33,275	87,062	2.70%	02/28/18	05/13/22
TOYOTA MOTOR CREDIT CO	89236TEC5	AA-	Corporate Bond	\$ 1,500,000	1,452,690	1,509,030	2,060	56,340	2.15%	02/28/18	09/08/22
TOYOTA MOTOR CREDIT CO	89236TEL5	AA-	Corporate Bond	\$ 1,625,000	1,607,793	1,664,520	9,750	56,727	2.70%	02/28/18	01/11/23
TOTAL CORPORATE BONDS :				18,840,000	18,612,426	19,010,221	131,123	397,795	2.35%		
BRIGHTHOUSE FINANCIAL IN	10922N103	N/A	Common Stock	-	-	10,765	-	10,765			
METLIFE INC	59156R108	N/A	Common Stock	-	-	138,462	-	138,462			
TOTAL COMMON STOCKS:				-	-	149,227	-	149,227			
TOTAL INVESTMENT HELD BY WELLS FARGO:				62,500,000	62,221,840	63,279,701	300,887	1,057,861			



The State Bar of California

OFFICE OF FINANCE

ATTACHMENT C

Date: November 6, 2019

To: Members, Finance Committee
Members, Board of Trustees

From: John Adams, Chief Financial Officer

Subject: Client Security Fund Report for the 3rd Quarter Ended September 30, 2019

Attached for your review are a series of reports for the applications activity within the Client Security Fund for the quarter ended September 30, 2019. These reports include:

- Status on Applications Activity for the quarter ended September 30, 2019
- Applications Aging Report
- Cumulative Applications Aging Report
- 24 Month Rolling Average of Applications Paid out Ratio
- Analysis of New Applications Paid, Rejected or Withdrawn

As of September 30, a total of 631 new applications in the amount of \$13.5 million were filed. The number of applications filed decreased by 22.0 percent compared to 809 applications filed last year. The application amount decreased by \$6.6 million, or 32.9 percent compared to \$20.1 million filed in 2018.

For the quarter ended September 30, 2019, total applications processed are 1,047 for approximately \$16.4 million. Total payouts for 2019 are \$5.9 million, increased by \$0.2 million compared to \$5.7 million last year. Total applications pending for processing as of September 30, 2019 are 2,475 in the amount of \$49.2 million, and for the same period in 2018, there were 3,064 pending applications in the amount of \$54.2 million.

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 38.56 percent. Total applications outstanding as of September 30, 2019 are 2,475 for \$49.2 million. Applying the rolling average applications payout ratio to the outstanding application amounts, the estimated application payout as of September 30, 2019 is \$19.0 million and there is a decreased of \$1.3

million or 6.4 percent compared to \$20.3 million last year. As of September 30, 2019, cash and investments available for applications reimbursement in the CSF are approximately \$1.4 million compared to \$4.4 million last year.

Key indicators for the CSF application process as of September 30, 2019 and 2018 are shown below:

Key Indicator Descriptions	2019 Q3	2018 Q3	Attachment
New Applications Received # / \$ (in million)	631/\$13.5	809/\$20.1	1
Total Applications Processed # / \$ (in million)	1,047/\$16.4	1,176/\$17.8	2
% of Paid Applications in # to total in process ¹	17.1%	15.2%	1
% of Paid Applications in \$ to total in process ²	8.9%	7.9%	1
Total Payouts \$ (in million)	\$5.9	\$5.7	2
Total Applications Pending for Processing # / \$ (in million)	2,475/\$49.2	3,064/\$54.2	2
24-month Rolling Average Payout Ratio	38.56%	37.48%	4
Estimated CSF Application Liabilities (in million)	\$19.0	\$20.3	2
Net Assets as of June 30 (in million)	\$1.5	\$4.4	3

¹ # of total in process represents pending application from prior year plus additional application filed in current fiscal year.

² \$ of total in process represents total application amount pending for processing from prior year plus additional applications filed in current fiscal year.

THE STATE BAR OF CALIFORNIA
CLIENT SECURITY FUND
STATUS ON APPLICATIONS ACTIVITIES
SEPTEMBER 30, 2019
YEAR TO DATE ACTIVITIES

	<u>\$1 - 2,500</u>		<u>\$2,501 - 5,000</u>		<u>\$5,001 - 10,000</u>		<u>\$10,001 - 25,000</u>		<u>\$25,001 - 49,999</u>		<u>\$50,000</u>		<u>\$50,001 - 100,000</u>		<u>TOTAL</u>		(A)	(B)
	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount		
Prior Years' Applications	482	854,858	947	3,590,269	549	4,248,435	406	6,899,215	145	5,121,010	38	1,646,175	324	29,756,683	2,891	52,116,645		
New Applications	154	246,777	133	525,167	118	877,092	85	1,408,970	38	1,370,179	8	400,000	95	8,657,152	631	13,485,337		
Paid Applications	(103)	(190,600)	(229)	(696,960)	(117)	(898,000)	(94)	(1,282,430)	(22)	(573,319)	(9)	(463,721)	(28)	(1,755,782)	(602)	(5,860,812)	17.1%	8.9%
Rejected Applications	(8)	(19,953)	(12)	(173,109)	(15)	(269,657)	(16)	(521,569)	(8)	(447,929)	(6)	(378,654)	(26)	(3,322,195)	(91)	(5,133,066)	2.6%	7.8%
Withdrawn Applications	(79)	(125,864)	(123)	(468,852)	(60)	(442,657)	(43)	(723,974)	(12)	(389,337)	(2)	(100,000)	(35)	(3,179,999)	(354)	(5,430,683)	10.1%	8.3%
Applications Outstanding	446	\$ 765,218	716	\$ 2,776,515	475	\$ 3,515,213	338	\$ 5,780,212	141	\$ 5,080,604	29	\$ 1,103,800	330	\$ 30,155,859	2,475	\$ 49,177,421		
New applications % to total	24.41%	1.83%	21.08%	3.89%	18.70%	6.50%	13.47%	10.45%	6.02%	10.16%	1.27%	2.97%	15.06%	64.20%	100.00%	100.00%		
Applications paid % to total	17.11%	3.25%	38.04%	11.89%	19.44%	15.32%	15.61%	21.88%	3.65%	9.78%	1.50%	7.91%	4.65%	29.96%	100.00%	100.00%		
Applications rejected or withdrawn % to total	19.55%	1.38%	30.34%	6.08%	16.85%	6.74%	13.26%	11.79%	4.49%	7.93%	1.80%	4.53%	13.71%	61.55%	100.00%	100.00%		
Applications outstanding % to total	18.02%	1.56%	28.93%	5.65%	19.19%	7.15%	13.66%	11.75%	5.70%	10.33%	1.17%	2.24%	13.33%	61.32%	100.00%	100.00%		

(A) % of # of paid applications, rejected applications and withdrawn applications to # of total applications in process in 2019 Q3.

(B) % of paid applications, rejected applications and withdrawn applications in \$ to the total applications \$ in process in 2019 Q3.

THE STATE BAR OF CALIFORNIA

Attachment 2

CLIENT SECURITY FUND

APPLICATIONS AGING REPORT

AS OF SEPTEMBER 30, 2019

<u>Year</u>								<u>Applications Rejected or</u>					
<u>Application</u>		<u>Gross Applications Prior Year</u>		<u>Current Year</u>		<u>Applications Paid</u>		<u>Withdrawn</u>		<u>Total Applications Processed</u>		<u>Applications Outstanding</u>	
<u>Filed</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>
2011		10	243,319			(1)	(100,000)	(8)	(118,119)	(9)	(218,119)	1	25,200
2012		32	466,106			(1)	(45,000)	(13)	(248,490)	(14)	(293,490)	18	172,616
2013		89	1,371,647			(11)	(538,135)	(28)	(493,140)	(39)	(1,031,275)	50	340,372
2014		290	2,875,160			(20)	(439,183)	(20)	(881,517)	(40)	(1,320,700)	250	1,554,460
2015		232	3,983,375			(61)	(692,378)	(64)	(2,084,409)	(125)	(2,776,787)	107	1,206,588
2016		809	12,421,458			(475)	(3,684,617)	(111)	(2,684,581)	(586)	(6,369,198)	223	6,052,260
2017		657	12,244,848			(13)	(98,428)	(15)	(271,318)	(28)	(369,746)	629	11,875,102
2018		772	18,510,732			(13)	(141,029)	(109)	(2,113,293)	(122)	(2,254,322)	650	16,256,410
2019				631	13,485,337	(7)	(122,043)	(77)	(1,668,881)	(84)	(1,790,924)	547	11,694,413
TOTAL		2,891	52,116,645	631	13,485,337	(602)	(5,860,813)	(445)	(10,563,748)	(1,047)	(16,424,561)	2,475	49,177,421

Applications Outstanding **49,177,421**

Estimated Application Payout Ratio **38.56%**

Estimated Application Payouts **\$18,961,393**

THE STATE BAR OF CALIFORNIA

Attachment 3

CLIENT SECURITY FUND

CUMULATIVE APPLICATIONS AGING REPORT

AS OF SEPTEMBER 30, 2019

Year Application Filed	Gross Applications		Applications									
	Prior Years		Current Year		Applications Paid		Rejected and Withdrawn		Total Applications Processed		Applications Outstanding	
	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount
2010-2011	10	243,319			(1)	(100,000)	(8)	(118,119)	(9)	(218,119)	1	25,200
2010-2012	42	709,425			(2)	(145,000)	(21)	(366,609)	(23)	(511,609)	19	197,816
2010-2013	131	2,081,072			(13)	(683,135)	(49)	(859,749)	(62)	(1,542,884)	69	538,188
2010-2014	421	4,956,232			(33)	(1,122,318)	(69)	(1,741,266)	(102)	(2,863,584)	319	2,092,648
2010-2015	653	8,939,607			(94)	(1,814,696)	(133)	(3,825,675)	(227)	(5,640,371)	426	3,299,236
2010-2016	1,462	21,361,065			(569)	(5,499,313)	(244)	(6,510,256)	(813)	(12,009,569)	649	9,351,496
2010-2017	2,119	33,605,913			(582)	(5,597,741)	(259)	(6,781,574)	(841)	(12,379,315)	1,278	21,226,598
2010-2018	2,891	52,116,645			(595)	(5,738,770)	(368)	(8,894,867)	(963)	(14,633,637)	1,928	37,483,008
2010-2019			631	13,485,337	(602)	(5,860,813)	(445)	(10,563,748)	(1,047)	(16,424,561)	2,475	49,177,421
	2,891	52,116,645	631	13,485,337	(602)	(5,860,813)	(445)	(10,563,748)	(1,047)	(16,424,561)	2,475	49,177,421

Net Asset in Client Security Fund:

As of 9/30/2019 **\$ 1,448,528**

THE STATE BAR OF CALIFORNIA
 CLIENT SECURITY FUND
 24 MONTH ROLLING AVERAGE APPLICATIONS PAIDOUT RATIO
 OCT 2017 THROUGH JUNE 2019

Attachment 4

Month Covered	<u>PAID APPLICATIONS</u>		<u>REJECTED/ WITHDRAWN APPLICATIONS</u>	<u>PROCESSED</u>
	Amount	Monthly Average Payout Ratio	Amount	Amount
Oct17	964,259	40.61%	1,410,095	2,374,354
Nov17	1,663,556	74.56%	567,737	2,231,293
Dec17	3,000	0.93%	319,999	322,999
Jan18	779,798	55.03%	637,128	1,416,926
Feb18	730,370	33.45%	2,350,278	3,080,648
Mar18	307,896	15.34%	1,707,335	2,015,231
Apr18	486,908	30.10%	1,135,316	1,622,223
May18	555,611	21.38%	2,043,237	2,598,848
June18	1,084,605	65.34%	575,374	1,659,979
July18	233,352	15.31%	1,290,696	1,524,048
Aug18	843,046	35.92%	1,503,880	2,346,926
Sep18	651,994	41.59%	915,793	1,567,787
Oct18	1,822,797	58.99%	1,266,955	3,089,752
Nov18	989,509	40.05%	1,481,305	2,470,815
Dec18	674,954	65.13%	361,308	1,036,263
Jan19	502,309	25.50%	1,467,298	1,969,607
Feb19	502,898	32.61%	1,039,394	1,542,292
Mar19	746,987	43.70%	962,516	1,709,503
Apr19	813,969	36.35%	1,425,378	2,239,347
May19	619,336	22.52%	2,130,501	2,749,837
June19	580,329	55.54%	464,556	1,044,885
July19	942,256	34.23%	1,810,774	2,753,030
Aug19	818,478	61.82%	505,507	1,323,985
Sep19	334,251	30.61%	757,824	1,092,075
Total:	<u>17,652,468</u>		Total: <u>28,130,185</u>	<u>45,782,652</u>

24 Month Rolling Average PaidOut Ratio: 38.56%

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

Attachment 5

SEPTEMBER 30, 2019

	<u>1ST QTR</u>	<u>2ND QTR</u>	<u>3RD QTR</u>
Beginning Balance	2,891	2,779	2,532
Add: Reinstated Applications and New Applications	200	204	227
Less: Paid / Rejected or Withdrawn	312	451	284
TOTAL	2,779	2,532	2,475
APPLICATIONS OUTSTANDING AMT.	50,764,910	48,781,776	49,177,421
# Of Active Attorneys	189,644	190,187	189,874
Cost Per Active Attorney	\$268	\$256	\$259
ESTIMATED APPLICATIONS LIAB.			
Applications Payout Ratio	38.24%	38.96%	38.56%
Estimated Application Amount *	\$19,412,502	\$19,005,380	\$18,961,392
# of Active Attorneys	189,644	190,187	189,874
Cost per Active Attorney	\$102	\$100	\$100
APPLICATION ACTIVITIES IN %:			
NEW APPLICATIONS - YTD			
1 - 2,500	1.60%	2.00%	1.83%
2,501 - 5,000	3.99%	4.09%	3.89%
5,001 - 10,000	6.93%	6.94%	6.50%
10,001 - 25,000	11.54%	12.30%	10.45%
25,001 - 49,999	10.84%	10.71%	10.16%
50,000	1.18%	3.07%	2.97%
50,001 - 100,000	63.91%	60.90%	64.20%
APPLICATIONS PAID - YTD			
1 - 2,500	3.81%	3.53%	3.25%
2,501 - 5,000	11.63%	15.94%	11.89%
5,001 - 10,000	10.93%	13.81%	15.32%
10,001 - 25,000	18.18%	20.59%	21.88%
25,001 - 49,999	16.24%	11.82%	9.78%
50,000	10.15%	6.94%	7.91%
50,001 - 100,000	29.07%	27.38%	29.96%
REJ./WDRAWN - YTD			
1 - 2,500	1.24%	1.24%	1.38%
2,501 - 5,000	4.79%	6.30%	6.08%
5,001 - 10,000	6.72%	6.11%	6.74%
10,001 - 25,000	10.09%	11.24%	11.79%
25,001 - 49,999	9.76%	7.55%	7.93%
50,000	6.04%	3.69%	4.53%
50,001 - 100,000	61.37%	63.87%	61.55%
APPLICATIONS O/S-CUM. - YTD			
1 - 2,500	1.57%	1.59%	1.56%
2,501 - 5,000	6.68%	5.84%	5.65%
5,001 - 10,000	7.72%	7.47%	7.15%
10,001 - 25,000	13.17%	12.85%	11.75%
25,001 - 49,999	9.76%	10.22%	10.33%
50,000	2.57%	2.78%	2.24%
50,001 - 100,000	58.54%	59.26%	61.32%
NET ASSET, END OF PERIOD	\$ 6,117,221	\$ 3,884,102	\$ 1,448,528
PROJECTED NET ASSETS	\$ (13,295,281)	\$ (15,121,278)	\$ (17,512,864)

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