NEW JERSEY LAWYERS' FUND
FOR CLIENT PROTECTION

(Formerly Clients' Security Fund of the Bar of New Jersey)

Rules and Regulations
As Amended Through February 5, 2008

1. General Statement

These Rules and Regulations have been adopted pursuant to Rule1:28-1(d) of the Rules Governing the New Jersey Courts. They provide for the administration of the New Jersey Lawyers' Fund for Client Protection (the "Fund"), the procedures for the presentation, consideration and payment of claims and the exercise of the trustees' investment powers.

2. Organization of Trustees

2.1 Organization Meeting: The Trustees shall hold an organization meeting in January of each year at such time and place as the incumbent chair or vice chair shall specify. At the organization meeting the Trustees shall elect a chair, a vice chair, and a treasurer to serve until the next organization meeting and shall appoint a secretary who need not be a Trustee.

2.2 Duties of Officers:

(a) The chair shall preside at all meetings of the Trustees and generally coordinate and supervise the administration of the Fund.

(b) If the chair is absent or otherwise unable to serve, the vice chair shall undertake the duties of the chair.

(c) The treasurer shall have custody of the monies and other assets of the Fund, receive all payments to the Fund, make disbursement from the Fund authorized by the Trustees, invest the monies of the Fund in the manner authorized by the Trustees, cause an annual audit to be made of the Fund, maintain appropriate records and file such tax or information returns as may be required of the Fund. Each year immediately after the organization meeting, the Treasurer shall obtain and file with the secretary, a bond in an amount specified by the Trustees at the organization meeting.
(d) The secretary shall prepare minutes of each meeting of the Trustees and shall preserve the original records (other than financial records) of the Trustees, including a separate file for each claim for all claims for reimbursement filed with the Fund. The secretary shall assemble and keep current a list, file or other convenient record of the name, address and date of plenary admission of each member of the Bar of New Jersey. The secretary shall note in the record of attorneys the names of those who do not intend to engage in the practice of law in any calendar year.

2.3 Payments to the Fund: Payment to the Fund shall be made each year by all members of the Bar of the State of New Jersey except:

(1) newly admitted attorneys during the calendar year in which they obtain full plenary admission and for the next succeeding calendar year;
(2) attorneys who have been admitted to practice in New Jersey for 50 years or more;
(3) attorneys on full-time active duty with the armed forces VISTA or Peace Corps, and not engaging in any way in private practice;
(4) attorneys retired completely from the practice of law.

Attorneys claiming exemption on either of the first two grounds shall be considered in all respects active members of the New Jersey Bar. Those claiming exemption on either of the other two grounds shall be considered in all respects inactive. If an inactive member desires to become active in order to practice law in New Jersey, he or she may change status by payment of the applicable fee for the calendar year at issue. An attorney in an exempt category who prefers to maintain active status may do so by payment of the annual fee. The applicable fee must be paid for the entire year unless the ground for exemption continues for the entire year, with the following exception:

If a change to inactive status is accomplished before January 31 of a new calendar year, a claim for exemption will be granted for the entire year.

An attorney who ceases to be exempt shall promptly make payment to the Fund for the year during which his or her exemption ends.

Prior to February 1st in each year the secretary shall notify the members of the Bar of New Jersey that the annual fee is payable to the Fund by each such member unless he or she is exempt from payment under the provisions of Rule 1:28 or of this paragraph. The secretary may issue such reminders as the Trustees deem appropriate; however, no further notification shall be required to be given to those attorneys whose names have been on the Fund's ineligible list for a period of five consecutive years. Prior to June 1st in each year, the Trustees of the Fund shall report to the Supreme Court the names and addresses of attorneys who have refused to comply with the provisions of R.1:28 and of these Rules and Regulations.
2.4 **Investment of the Fund:** The money paid into the Fund may, upon authorization by the Trustees, be invested in any of the following ways: (i) in bonds, notes, or other securities of or guaranteed by the United States or of federal agencies; (ii) in bonds, notes, or other securities of or guaranteed by the State of New Jersey or of agencies of the State of New Jersey; (iii) in insured interest-bearing accounts or certificates of any bank, trust company, savings bank or savings and loan association; and (iv) in an amount not to exceed $2 million or 20% of the Fund's balance, in the New Jersey State Cash Management Fund.

3. **Claims for Reimbursement.**

3.1 **Filing Claims:**

(a) Claims for reimbursement from the Fund shall be submitted to the secretary in writing under oath. Each claimant will be requested to submit an original and one copy of the claim. The original claim shall become a part of the official records of the Fund.

(b) Each claim shall set forth all pertinent facts and information required to establish eligibility under Rule 1:28-3(a).

(c) The Trustees may request a claimant to submit supplemental information, and they may hold such conferences or hearings as they deem necessary.

3.2 **Consideration of Claims:**

(a) In authorizing payment of claims, the Trustees shall not award to any one claimant more than $15,000 for claims arising on or before January 1, 1979; $25,000 for claims arising between January 2, 1979 and January 1, 1986; $50,000 for claims arising between January 2, 1986 and January 1, 1989; $200,000 for claims arising between January 2, 1989 and January 1, 1996; $250,000 for claims arising after January 1, 1996; and $400,000 for claims arising after January 1, 2007; and shall not award more than $1,500,000 in the aggregate on account of claims arising out of the conduct of any one attorney. The aggregate maximum shall apply net of any subrogation receipts recovered on account.

(b) Upon consideration of a claim, the Trustees may allow or disallow the claim or defer acting pending the receipt of further information or pending the occurrence of further events. The Trustees shall not allow a claim where there is a collateral source, such as a fidelity bond, for the reimbursement of the claim, and except in cases of extreme hardship the trustees shall not allow a claim until the claimant has pursued all other sources of recovery available to him or her.

(c) No claim allowed by the Trustees shall be paid until the claimant has executed such instruments, taken such action, or entered into such agreements as the Trustees shall require.
(d) The Trustees will consider for payment only those claims arising out of an attorney-client or fiduciary relationship. Investment advice given by the claimant's attorney, although such advice may result in loss of the claimant's monies, is not in and of itself a ground for seeking reimbursement from the Fund. Claims arising out of investments may be considered for payment, however, when the attorney is in the possession of the claimant's monies that he or she has obtained by virtue of an attorney-client or fiduciary relationship with the claimant, when the attorney advises the claimant to permit him or her to invest those monies in a business or other venture, and the attorney then converts the claimant's monies. In no event will interest on such investments be reimbursable. All payments on the investment, representing principal or interest received by the claimant, will be deducted from the claimant's initial investment in order to determine, for Fund purposes, the valid amount of the claim.

4. Effective Date, Implementation and Amendments.

4.1 Effective Date: These Rules and Regulations shall become effective upon their approval by the Supreme Court.

4.2 Temporary Methods and Procedures: Pending full implementation of these Rules and Regulations, the Trustees may authorize such temporary methods of operation and procedures as may be necessary or desirable for the investment and administration of the Fund.

4.3 Amendment: These Rules and Regulations may be amended by a vote of at least four of the Trustees and approval of the amendment by the Supreme Court.

Note: Adopted by the Trustees, January 23, 1969 and approved by the Supreme Court, February 13, 1969. Revised by the Trustees, March 13, 1970; approved by the Supreme Court, April 28, 1970. Regulation 2.3, Subsection (ii), amended by the Trustees, April 8, 1971; approved by the Supreme Court, June 1, 1971. Regulation 2.3 amended by the Trustees, June 16, 1972; approved by the Supreme Court, July 14, 1972. Regulation 3.2, Subsection (a), amended by the Trustees, April 11, 1973; approved by the Supreme Court, May 16, 1973. Regulations 2.3 and 3.2 revised by the Trustees, October 23, 1975; approved by the Supreme Court, December 9, 1978, for claims arising after January 1, 1979. Regulation 2.3 [final paragraph] amended by the Trustees, September 14, 1978; approved by the Supreme Court, November 21, 1978. Regulation 3.2 subsection (a) amended by the Trustees, December 20, 1984; approved by the Supreme Court, June 23, 1987, for claims arising after January 1, 1986 and amended by the Trustees July 3, 1989; approved by the Supreme Court, February 20, 1990, for claims arising after January 1, 1989. Name change approved by Supreme Court effective January 1, 1991. Regulation 2.1 amended, 2.2(b) added, 2.3(2) deleted, 2.4 amended, 3.1(a) amended, 3.2(c) and (d) amended, by the Trustees May 21, 1991; approved by the Supreme Court June 6, 1991. Regulation 3.2 (a) amended by the Trustees January 3, 1996; approved by the Supreme Court March 18, 1996. Regulation 3.2(a) amended as to the effect of subrogation receipts on the aggregate maximum by the Trustees, November 16, 2000; approved by the Supreme Court, March 27, 2002. Regulation 2.4 amended to permit limited investment of the Fund's reserve in the State's Cash Management Fund by the Trustees, March 23, 2005; approved by the Supreme Court, May 2, 2005. Regulation 3.2 subsection (a) amended by the Trustees, March 20, 2007; approved by the Supreme Court, February 5, 2008, for claims arising after January 1, 2007.