

The Client Protection Webb*

A Publication of the National
Client Protection Organization

June, 2016

WELCOME TO PHILADELPHIA

★ WE'RE GLAD YOU'RE HERE! ★



*By Kathryn J. Peifer, NCPO
President-Elect & Executive
Director of the Pennsylvania
Lawyers' Fund for Client
Security*

On behalf of the Board and Staff of the Pennsylvania Lawyers Fund for Client Security, I would like to welcome all attendees of the American Bar Association's Forum on Client Protection to Philadelphia, the City of Brotherly Love. The City offers a multitude of historical sites, museums, and a plethora of establishments where

cheese steaks and adult beverages may be consumed. Of course, a ball game at Citizens Bank Park to watch the Phillies play the great American pastime is also a great way to experience Philadelphia.

The ABA's Forum is packed with sessions discussing current topics of interest to the client protection community. NCPO's annual membership meeting will be held Friday morning, June 3, 2016. We hope to see everyone there to discuss the membership's thoughts on the future of NCPO and how NCPO may provide benefits and support to its members. We need your input if NCPO is to grow and continue to be a relevant source of information for its members and the client protection community. We also hope to see you Friday evening at

Maggiano's for dinner. NCPO's dinner is always a wonderful networking and social event. Please join us for Italian cuisine and lots of laughter.

Again, welcome to Philadelphia. We hope you find the Forum to be informative and your stay in Philadelphia to be an enjoyable experience.

Please Join Us -

NCPO is on the front lines of the effort to insure that client protection funds in the U.S. and Canada are able to right the wrongs of the few, and restore the faith of law clients in the legal profession. If you're not already a member – please join us. For more information, contact Kathy Peifer at kpeifer@palawfund.com

“Thanks for the Memories”

By Michael J. Knight, *NCPO*
President, Deputy Counsel, NY
Lawyers' Fund for Client Protection

Let me begin my last President's message by expressing my sincere gratitude for the opportunity to serve the NCPO! As a charter member of NCPO, I have always been amazed at the outstanding caliber of professionals in our organization who share their time and talents to better the field of client protection.

I would like to thank outgoing Regional Vice-Presidents Michael Harmon (AR) and Margrett George (BC) for their dedicated service in improving communication in and among client protection funds. I would like to thank Timothy O'Sullivan (NY) who is stepping down as NCPO Treasurer after 12 years, for his unwavering fidelity and attention to NCPO's finances. Finally, I would like to thank outgoing President-Emeritus, Mike Miyahira (HI) who has continued to provide

thoughtful and constructive guidance to NCPO and its many initiatives over the past two years.

With the 2016 Annual Meeting of NCPO, we have experienced a growth in



membership. NCPO continues to play a significant role in partnership with the ABA Standing Committee on Client Protection, both as a liaison organization, and as a participant in ABA Consultations. We have met nearly all of our Strategic Plan goals. NCPO has been sought out by member and non-member States alike to contribute its expertise towards local client protection initiatives.

We enjoyed a tremendously

successful workshop in Arkansas and look forward to an equally productive workshop event in Detroit, Michigan in September. In 2016, NCPO is also happily celebrating the 10th Anniversary of the NCPO Standards for Evaluating Client Protection Funds (2006).

Looking forward, NCPO's future is bright. President-Elect, Kathy Peifer (PA) is so very talented and attuned to the goals of NCPO and the client protection community at large. It has truly been an honor to serve with her these last two years. She has done an outstanding job involving our Regional Vice Presidents. And while this newsletter precedes elections at our Annual Meeting, I am confident of the direction NCPO is heading with an outstanding slate of candidates for 2016-2017!

In closing, thank you again for the opportunity and thank you for being part of NCPO!

Why not stay a while?

If you are extending your stay in Philadelphia, <http://historicphiladelphia.org>, provides some suggestions on sites, events, and ways to spend your hard-earned money in the Keystone State. The web site for the Philadelphia Loews Hotel, <https://www.loewshotels.com/philadelphia-hotel/>, the location of the Forum, also has information on Philadelphia attractions. A short cab ride from the Lowes Hotel, or a 1.5 mile walk, is the Eastern State Penitentiary. Known for its grand architecture and strict discipline, this was the world's first true "penitentiary," a prison designed to inspire penitence, or true regret, in the hearts of convicts. Tours of this penitentiary are given daily.

For more information visit <http://www.easternstate.org/>. For information about the schedule for the Philadelphia Phillies, as well as purchasing tickets, visit <http://philadelphia.phillies.mlb.com/>.

Funds in Motion – News from the Front Lines

Following is some of the news affecting client protection. Please let us know what's going on in your jurisdiction. Submissions can be made to newsletter editor Mike McCormick at Michael.McCormick@judiciary.state.nj.us.

In **Colorado**, Terry Malcom was sentenced to 18 years in prison for embezzling \$1.1 million from water districts he ran for more than 350 rural communities. Malcom got the job after his release from prison in **Nebraska**, where he had been convicted of stealing \$2.7 million from his law clients' estate and trust accounts. One of his former clients said Malcom "was the most fantastic liar there ever was."



The Nebraska Fund was only able to pay about \$1,400 to each of Malcom's victims, some of whom had lost as much as \$1.4 million. Some angry victims refused the Fund's check.

Malcom's case prompted the Nebraska State Bar Association to increase its Fund's per claimant maximum to \$100,000, and to raise the Fund's reserve from \$75,000 to \$500,000.

In **Connecticut**, Peter M. Clark, 58, was sentenced to 45 months in federal prison for stealing close to \$2 million from the Estate of Miriam Strong. Clark served as the executor, and stole money intended for a scholarship fund and to purchase books for the town library.



The Connecticut Fund has reimbursed the estate in full, and was named as the beneficiary of Clark's court-ordered restitution.

In **Florida**, disbarred attorney Julie Kronhaus has been sued by her own husband, who alleges he is one of at least eight former clients from



whom Kronhaus stole more than \$2 million. The clients include the mother of a severely disabled child, a widow and her teenage son, several small business owners and a Baltimore lawyer.

Dr. Kronhaus (a cardiologist who has not filed for divorce) alleged that his wife forged his signature to a \$900,000 mortgage on their 6,500 square foot Seminole County home.

Claims have been filed by at least three of Mrs. Kronhaus' former clients with the Florida Fund and are pending.

In **New York**, Joseph C. Levine, 67, was found to be unfit and denied a taxi driver's license by the NYC Taxi and Limousine Commission.



Levine was disbarred in 2008 after he admitted stealing more than \$430,000 from his law clients to cover his own gambling debts. At the time of his taxi driver application, Levine still owed the New York Fund over \$300,000 in restitution.

Levine appealed the Commission's decision, and said he wanted to drive a cab because he could work on the weekends and thought he could do a good job. "I think I would make pretty good money," Levine said. "I know the city really well." His appeal was denied.

In **New Jersey**, Louis A. Capazzi, Jr., 50, was sentenced to three years in state prison after pleading guilty to stealing over \$1.3 million from his clients. Capazzi was also ordered to make full restitution to the New Jersey Fund for all of the claims -- 82 to date -- paid on his behalf.



The Law Society of **Scotland** paid the equivalent of \$1.25 million to two homebuyers, 13 years after they were victimized by a solicitor who led a scheme which vested title to the buyers' home in another Scottish businessman. The homeowners were evicted in 2007 when they learned for the first time that they were not the title owners through the businessman's bankruptcy proceedings. Solicitor Russell Taylor falsified the deeds to the flats, and was struck from



the roll of Scottish Solicitors in 2010 for “systematic, disgraceful and dishonourable” conduct. He escaped criminal prosecution, however, which the Sheriff Principal said “foundered on a technicality” involving electronic versions of the fraudulent documents.

The Law Society subsequently paid the homeowners the current market value of the properties, and reimbursed the claimants' litigation costs incurred as a result of the solicitor's dishonest conduct.

See You in September.....

Don't forget to mark your calendars to attend NCPO's **Fall Workshop**, scheduled for **September 26 – 27, 2016** in **Detroit**. Hosted by the **State Bar of Michigan Client Protection Fund** in the **Detroit Marriott at Renaissance Center**, the workshop is an opportunity to compare notes on the latest in client protection. Sessions are designed to “compare and contrast” practices, trends, and challenges in different jurisdictions so that those in the field can best serve the profession and public. The workshop is also a great opportunity to network with Funds from across the U.S. and Canada. To register, visit the NCPO website at www.ncpo.org. Grants are available from NCPO for Funds which would like to attend, but do not have the resources to do so. Contact NCPO President Kathy Peifer at kpeifer@palawfund.com for more information.



**The Client Protection Webb is published in memory of Gilbert A. Webb, Esq., who served as Assistant Client Protection Counsel for the American Bar Association's Center for Professional Responsibility. Mr. Webb was dedicated to protecting the welfare of clients victimized by their attorneys and served as an editor of the ABA's first client protection newsletter. Submissions to the Webb are always welcome. Please send them to the editor, Mike McCormick at Michael.McCormick@njcourts.gov.*

