

**ANNUAL REPORT  
OF THE  
MINNESOTA  
CLIENT SECURITY BOARD**

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July 2003

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**I. YEAR IN REVIEW**

Rule 1.10, Minnesota Rules of the Client Security Board (MRCSB), provides:

At least once a year and at such other times as the Supreme Court may order, the Board shall file with the Court a written report reviewing in detail the administration of the fund, its operation, its assets and liabilities.

This sixteenth annual report of the Minnesota Client Security Board covers the Board's fiscal year, FY2003, which began July 1, 2002, and ended on June 30, 2003. Highlights from the past year include:

**Overview.** The Client Security Board met six times this past year under the leadership of this year's

Chair Richard Diamond. The Board faced a comparatively quiet year in terms of claims, both in number and amount, with many of the claims being unearned retainer claims of relatively smaller amounts. Twenty-four of the 27 approved claims were either repayment of an unearned retainer or unused cost advance. These claims ranged in amount from as little as \$264 to a high of \$5,100. Fourteen of the claims were paid against one suspended attorney, Steven Soronow, whose practice was primarily in the area of immigration law.

Larger claims were paid arising out of fraud or theft situations against disbarred attorneys Murray Klane and Steve Samborski. Each of these attorneys was criminally prosecuted by the United States Attorney. The Client Security Board has paid 23 victims of Mr. Samborski a total of \$231,829.50 in the past two years. Although it was not particularly publicized, by the time of Mr. Samborski's conviction and sentencing, all of the victims identified in the federal indictment had been repaid in full by the Board. Thus the Board will become the recipient of any repayments by Samborski under his criminal restitution order.

Due to the slightly smaller claims load, the Board also took the opportunity to review certain Board policies and procedures, a regular periodic necessity to ensure that the rules and decisions of the Board remain consistent and fair. This process will continue in the coming year to the extent possible.

**New Director, New Home.** In August 2002, Client Security Board and Lawyers Board Director Edward Cleary was appointed by the governor to the district court bench. The Supreme Court appointed a search committee to help seek a new director for the Client Security Board and the Office of Lawyers Professional Responsibility (OLPR). Martin Cole was named Acting Director. In December 2002, the Court appointed Kenneth Jorgensen as Director. Mr. Jorgensen previously was First Assistant Director for the Office of Lawyers Professional Responsibility. Although not previously associated directly with the Client Security Board, nevertheless based upon his prior position he is very familiar with the workings of this Board.

Also in August 2002, the Office of Lawyer Professional Responsibility moved to new offices in the Landmark Towers in downtown St. Paul.<sup>Ftn 1</sup> Since the OLPR provides staff for the Client Security Board, its offices moved as well. Staff reports that the new offices are excellent. Board meetings will most likely continue to be held at the Minnesota Judicial Center.

**Statistics.** The Client Security Board paid 27 claims this year, in the total amount of \$140,271.88 (*see* Appendix 1, A. 1-2).<sup>Ftn 2</sup> Thirty-six (36) new claims were filed this past year. Twenty-four (24) claims were carried-over from the previous year. As noted, 27 claims were approved for payment, 20 claims were denied and one claim was withdrawn after being paid by the attorney. Thus, at the end of June 2003, only 12 claims against 11 lawyers remain pending before the Board, and

seven of those remaining claims have related disciplinary or civil proceedings pending, completion of which the Board is awaiting prior to being able to resolve the claim.

Overall, after sixteen years of paying claims, the Board has now paid \$4.37-million on 382 claims against 106 lawyers (*see* Appendix 4, A. 5-7).

## II. THE CLIENT SECURITY BOARD AND ITS PROCEDURES

**Board Members.** As of June 30, 2003, the following individuals served on the Board (*see* Appendix 3;

A. 4):

<u>Name</u>	<u>City</u>	<u>Term Expires</u>
Richard I. Diamond, Chair	Minnetonka	June 30, 2003 (second term)
Gary G. Fuchs	Eagan	June 30, 2005 (first term)
Judith A. Pinke	Minneapolis	June 30, 2004 (second term)
Michael T. Rengel	Fergus Falls	June 30, 2004 (first term)
Sally DeLaitre Sawyer	Minneapolis	June 30, 2005 (first term)
John S. Watson	Minneapolis	June 30, 2003 (first term)
Margaret J. Westin	Minneapolis	June 30, 2005 (second term)

Richard Diamond was elected and served as the Board's Chair for the past year, and has now completed his second and final term on the Board. Mr. Diamond has always been a strong advocate for the claimant's point of view in resolving claims, a position he effectively combined with his leadership role this year. Pursuant to the Board's present policy of selecting the most senior lawyer member as its Chair, the Board chose Margaret Westin as its new Chair for the upcoming year at its most recent meeting. Ms. Westin has served on the Board for four years.

Two new Board members were appointed this past year: Gary Fuchs, an attorney from Eagan, and Sally DeLaitre Sawyer, a public member from Minneapolis. Both have fit well with the collegial approach that the Board attempts to foster in its meetings.

Mr. Diamond was an appointee of the Supreme Court. A new Board member should be appointed by the Court shortly. The Minnesota State Bar Association (MSBA) nominates three of the attorney members; currently Ms. Westin, John Watson and Michael Rengel. Mr. Watson is eligible and expected to be appointed for a second three-year term on the Board. Sally DeLaitre Sawyer and Judith Pinke are the Board's two non-lawyer members.

Justice James Gilbert is the Board's liaison justice on the Supreme Court. He attended the Board's most recent meeting and made a presentation to departing Board Chair Richard Diamond.

**Funding and Budget Procedures.** All active lawyers in Minnesota paid \$17 per year to support the Fund through the end of this current fiscal year. In 1998, the Supreme Court recommended parameters for

the fund of \$1.5-million and \$2.5-million, with the Board to report to the Court if the fund drops below or exceeds these figures. The Board presently projects a year-end balance in excess of the \$2.5-million amount, and projects a balance of near \$2.9-million after FY2004. Because of the Fund's health, last year the Board recommended to the Supreme Court that the assessment in favor of the Board could be lowered to \$12 per year per attorney starting with fiscal year 2004. This lower amount will slow the growth of the Fund and, absent a major defalcation crisis, the Fund balance should remain stable for the next few years, as income and expenditures will be roughly equal.

The Board does not handle any funds directly nor the investment of the Fund. The assessment is collected through the Office of Attorney Registration and placed into a segregated fund within the State Treasury. This past year the assessment generated approximately \$341,000. The Board also received approximately \$59,000 in interest income and approximately \$25,000 in restitution payments from lawyers on whose behalf claims have been paid.

With the reduced assessment, the Board anticipates total income from all sources this coming year of approximately \$343,000. The Board has budgeted \$204,600 in total expenditures for next year. Based upon the information presently available to the Board concerning pending claims or known potential claims, \$150,000 has been budgeted for claims payment next year, slightly more than the current year's total. Just less than \$50,000 has been budgeted for staff services, travel for up to two Board members to attend a national conference on client protection,<sup>Ftn 3</sup> supplies and any additional enhancements to the Board's computer database.

**Administration.** The Office of Lawyers Professional Responsibility provides staff services to the Client Security Board. As noted above, in December 2002 Ken Jorgensen became the Director of the Office of Lawyers Professional Responsibility and the Client Security Board. Assistant Director Martin Cole will continue to handle most daily operations for the Board. Mr. Cole also serves as a director-at-large of the National Client Protection Organization (NCPO), and this year completed two terms as a member of the ABA's Advisory Commission on Client Protection Funds.

Following each meeting, the Board issues a press release pursuant to the Board's policy. The Board posts its press releases on the Board's Internet website<sup>Ftn 4</sup> as well, in the hopes that the public better will be able to obtain information about the Board's activities. The site also contains answers to frequently asked questions (FAQ), the Board's rules, claim form, staff directory, a copy of the latest annual report and an updated list of attorneys against whom claims have been paid, similar to that at Appendix 4 (A. 5-7). The site also has links to articles written about the Client Security Board.

The Minnesota Attorney General provides legal services to the Client Security Board in enforcing its subrogation rights against attorneys on whose behalf the Board has paid claims, or against any third persons from whom payments may be legally obtained. Attorney David Flowers is the Board's current attorney. He and Legal Assistant Laura Kelly provide outstanding representation for the Board. The Board pays no attorney's fees for this representation, but is responsible for direct costs of collection efforts and litigation. The final amount expected to be recovered this year is \$24,500. The Board has budgeted this coming year to recover approximately \$37,800.

Also as a part of the collection process, the Board may forward matters to the Minnesota Collection Enterprise (MCE), an agency created to assist government agencies in their collection work. Although the Attorney General continues to handle most matters for the Board that are to be contested, or that appear capable of prompt resolution, other matters are now referred to MCE to pursue.

**Claims Procedure.** Claims are initiated by submitting the claim to the Director's Office on forms approved by the Board. Claimants are provided the forms and a brochure to help explain the process. The claim form, and copies of the Board's rules are also available via the Internet at the Board's website. The respondent attorney is provided an opportunity to respond in writing, although frequently no response is received. The Board also has access to all lawyer disciplinary files, from which considerable information is often obtained.

The rules provide that claimants are expected to pursue reasonably available civil remedies. In order to avoid hardship and provide prompt claim resolution and payment, the Board occasionally exercises its discretion by waiving this requirement when it is already known that the Attorney General will be pursuing litigation against the attorney under the Board's subrogation rights. One recurring situation where direct claimant efforts are appropriate is when the dishonesty involves forged instruments that were honored by a financial institution.

In most cases, attorney disciplinary proceedings will have been completed before any Client Security payment is made. The Board generally relies upon findings made in related lawyer disciplinary action concerning misappropriation, or in related civil or criminal cases whenever possible.

If a claim is denied, the claimant is notified in writing of the Board's determination and reasoning. The claimant has the right to request reconsideration and a discretionary meeting with the Board, so that all claimants have a full opportunity to present the merits of their claim.

### III. GOALS AND OBJECTIVES

As it does in most years, the Board will have a new Chair this year. Less frequently, the Board also

has a new Director. Such changes in leadership have not signaled wholesale changes in the past, and are not expected to do so this coming year. The Fund's principal goal, as always, is to provide as close to 100% payment to 100% of the valid claims, subject to the Board's maximum payment of \$150,000. Prompt resolution of claims following disciplinary or criminal proceedings is the other major goal for the Board every year.

Dated: July 8, 2003.

Respectfully submitted,

RICHARD I. DIAMOND, CHAIR  
MINNESOTA CLIENT SECURITY BOARD

Dated: July 10, 2003.

KENNETH L. JORGENSEN, DIRECTOR  
MINNESOTA CLIENT SECURITY BOARD

## Footnotes \_\_\_\_\_

<sup>1/</sup>The new address is: Minnesota Client Security Board, 1500 Landmark Towers, 345 St. Peter Street, St. Paul, MN 55102-1218. The Board's telephone numbers have not changed.

<sup>2/</sup>Claims were paid against the following attorneys in the following amounts:

Murray Klane - 1 claim	\$ 94,647
Steven Soronow - 13 claims	20,850
Steve Samborski - 2 claims	8,035
Richard Meshbeshier - 2 claims	5,500
Loren Barta - 1 claim	5,000
Thomas Brudvig - 3 claims	2,625
George Kadinger - 2 claims	1,500
Steven Soronow & Deborah Weber - 1 claim	1,300
William Kaszynski - 1 claim	550
James Hanvik - 1 claim	264

<sup>3/</sup> This past year, the Supreme Court implemented a ban on out-of-state travel for non-essential activities. Therefore, no one attended any conferences on behalf of the Board.

<sup>4/</sup>The Client Security Board's internet address is: [www.courts.state.mn.us/csb/csb.html](http://www.courts.state.mn.us/csb/csb.html).

## APPENDIX

### Appendix 1 Reimbursements And Losses Claimed

### Appendix 2

#### CLIENT SECURITY FUND FINANCIAL HISTORY

Fiscal Year	Contribution by Bar	Investment Income	Restitution	Number of Claims Paid	Amt. Paid to Claimants	Other Expenses	Balance Year End
1989	93,318	79,049	0	21	236,016	24,068	876,791
1990	79,350	70,952	768	25	260,561	22,884	744,416
1991	137,851	66,264	39,249	23	235,316	28,905	723,559

1992	328,954	52,748	14,302	28	150,180	30,490	938,893
1993	353,560	49,156	12,104	16	200,681	33,170	1,119,862
1994	369,320	47,244	9,830	24	123,600	24,538	1,398,118
1995	349,424	85,075	37,075	14	62,421	25,471	1,781,800
1996	368,450	82,630	31,361	22	705,524	35,427	1,523,290
1997	375,730	94,547	23,797	12	103,073	27,207	1,887,084
1998	255,762	119,276	25,217	35	341,984	40,481	1,904,874
1999	325,207	118,078	200,416	42	413,231	35,575	2,099,769
2000	328,746	121,970	45,783	23	481,187	50,814	2,064,267
2001	333,805	134,507	80,028	14	99,073	61,436	2,452,098
2002	342,067	89,230	75,961	38	330,117	58,390	2,570,849

### Appendix 3

#### **Minnesota Client Security Board Members 1987-2003**

##### CHAIRS

Melvin I. Orenstein	Minneapolis	1987-1993
Nancy L. Vollertsen	Rochester	1993-1995
Bailey W. Blethen	Mankato	1995-1997
Kim Buechel Mesun	St. Paul	1997-1999
Daniel L. Bowles	Edina	1999-2000
Daniel L. Rust	Crookston	2000-2001
Timothy J. Kuntz	South St. Paul	2001-2002
Richard I. Diamond	Minnetonka	2002-2003

##### BOARD MEMBERS

*Sister Mary Madonna Ashton	St. Paul	1992-1998
Bailey W. Blethen	Mankato	1991-1997
Daniel L. Bowles	Edina	1994-2000
*Sandra Brown	Minnetonka	1990-1996
Kim Buechel Mesun	St. Paul	1993-1999
Richard I. Diamond	Minnetonka	1997-2003
Gary G. Fuchs	Eagan	2002-
Gilbert W. Harries	Duluth	1987-1991
*Jean L. King	St. Paul	1987-1992
Timothy J. Kuntz	South St. Paul	1996-2002
Earle F. Kyle IV	Minneapolis	1993-1996
*Beverly K. McKinnell	St. Paul	1996-2002
Melvin I. Orenstein	Minneapolis	1987-1993
*Constance S. Otis	St. Paul	1987-1990
*Judith A. Pinke	Minneapolis	1998-
Michael T. Rengel	Fergus Falls	2001-
Daniel L. Rust	Crookston	1995-2001
Warren R. Sagstuen	Minneapolis	2000
*Sally D. Sawyer	Minneapolis	2002-

Ronald B. Sieloff	St. Paul	1987-1994
James B. Vessey	Minneapolis	1987-1993
Nancy L. Vollertsen	Rochester	1987-1995
John S. Watson	Minneapolis	2000-
Margaret L. Westin	Minneapolis	1999-

\*Public Members

**Appendix 4****2003 CLAIMS PAID PER ATTORNEY**

Attorney	Number of Claims Paid	Total of Claims Paid	Disciplinary Action	City of Practice
Anderson, Harold W. E.	2	\$39,258.97	Disbarred	Grand Forks ND
Andrew, John M.	2	\$100,000.00	Disbarred	Shoreview
Barta, Loren M.	3	\$8,947.93	Suspended	Prior Lake
Batdorf, Richard K.	1	\$50,000.00	Disbarred	Minneapolis
Benson, John T.	1	\$50,000.00	Disbarred	St. Paul
Bieter, Thomas	2	\$1,500.00	Disability	Duluth
Brehmer, David L.	7	\$7,656.25	Disbarred	Bloomington
Brudvig, Thomas M.	3	\$2,625.00	Suspended	Roseville
Campbell, Dyan L.	5	\$2,953.53	Suspended	North St. Paul
Carpenter, Gregory A.	1	\$1,000.00	Suspended	Minneapolis
Chacon, Jeanne T.	1	\$700.00	Disbarred	Shakopee
Cohen, Sr., Edward M.	1	\$2,245.83	Disbarred	St. Louis Park
Crissey, Heidi	1	\$3,000.00	Suspended	Stillwater
Danna, Anthony A.	3	\$81,625.00	Disbarred	St. Paul
Davis, Daniel A.	3	\$44,486.66	Disbarred	Edina
Day, Richard G.	2	\$1,000.00	Suspended	Edina
Douglas, Bruce C. Deceased	11	\$225,309.60	None	Edina
Dovolis, Helen A.	15	\$68,317.19	Disbarred	Minneapolis
Dygert, Robert W.	3	\$70,491.00	Disbarred	Minneapolis
Erickson, Bruce E.	2	\$1,995.00	Suspended	Winona
Feldman, John H.	2	\$12,954.00	Disbarred	Minneapolis
Flanagan, John J.	6	\$113,626.59	Disbarred	St. Paul
French, Rodney M.	6	\$4,062.50	Suspended	Minneapolis
Getty, Paris DonRay	5	\$24,278.00	Disbarred	St. Paul
Goldstein, Robert Mark	4	\$11,173.40	Disbarred	St. Paul
Gomsrud, Richard G.	1	\$700.00	Suspended	St. Paul
Graham, Timothy E.	3	\$6,257.98	Disbarred	Rochester
Grzybek, John E.	1	\$750.00	Disbarred	St. Paul
Gurstel, Norman K.	33	\$147,270.05	Disbarred	Edina
Hanvik, James T.	1	\$264.00	Suspended	Minneapolis
Harp, Reynaud L.	2	\$3,702.00	Disbarred	St. Paul
Heikens, Steven G.	2	\$12,800.00	Reinstated	Minneapolis
Heikkila, Neil D.	2	\$90,916.82	Disbarred	Hopkins
Hendricksen, Harald F.	2	\$17,875.00	Suspended	Annandale
Henke, David E.	1	\$1,000.00	Suspended	Spring Lake Park
Hollender, R. Fred Deceased	1	\$2,227.74	None	Minneapolis
Hunter, James W.	5	\$21,900.00	Disbarred	Minneapolis
Isaacs, Clark F.	1	\$535.78	Disbarred	St. Paul
Johnson, Richard W.	2	\$9,362.00	Disbarred	Red Wing



Johnson, Ronald J. Deceased	1	\$7,196.71	Disbarred	Hopkins
George M. Kadinger	2	\$1,500.00	Suspended	St. Paul
William P. Kaszynski	1	\$550.00	Disbarred	St. Paul
Kinnunen, Steven J.	1	\$500.00	Suspended	Minneapolis
Klane, Murray R.	1	\$94,647.88	Disbarred	Minnetonka
LaChapelle, Arthur W.	2	\$18,400.00	Disbarred	St. Paul
Ladd, William L.	13	\$49,542.60	Disbarred	Minneapolis
Larsen, Dean D.	1	\$40,000.00	Disbarred	Eden Prairie
Leino, Stanley J.	6	\$9,921.06	Suspended	Scandia
Levenstein, Eli C.	1	\$368.00	Suspended	Minneapolis
Logan, Diana Smith	3	\$560.00	Suspended	Minneapolis
Magadance, Pamela M.	1	\$585.00		St. Paul
Maresh, Thomas F.	1	\$6,500.00	Disbarred	Eden Prairie
Marshall, Gary L.	7	\$24,170.00	Disbarred	Hoffman
McCarthy, Justin H.	2	\$58,679.24	Disbarred	St. Louis Park
McGrath, F. Patrick	1	\$1,128.00	Suspended	St. Paul
McNabb, Gerald	13	\$169,349.24	Disbarred	St. Paul
Merlin, Carol Sue	1	\$500.00	Suspended	Minneapolis
Meshbesh, Richard M. Deceased	2	\$5,500.00	None	Minnetonka
Moe, Carlton E.	1	\$89,325.52	Disbarred	West St. Paul
Morgeson, Sr., Dennis John Wyant, Bruce P.	8	\$547,922.67	Disability	Edina
Mose, William G.	2	\$400.00	Suspended	Bloomington
Murphy, Gerald W.	9	\$4,980.99	Disbarred	Duluth
Olsen, Lawrence E.	1	\$50,000.00	Disbarred	Bloomington
Orlins, Peter I.	11	\$419,843.39	Disbarred	Richfield
Ornstein, Mitchell R.	1	\$919.75	Suspended	Minneapolis
Ostfield, Benjamin J.	3	\$15,297.72	Disbarred	Minneapolis
Ostroot, Timothy V.	1	\$1,200.00	Disbarred	Champlin
Palm, Dennis Lee	2	\$4,080.00	Disability/Inactive	Little Canada
Pang, Gary Y.	3	\$6,323.00	Disbarred	Minneapolis
Pearson, Kenneth R.	2	\$39,000.00	Disbarred	Golden Valley
Pegg, J. C.	1	\$2,500.00	Reprimanded	Owatonna
Ploetz, John W.	2	\$108,494.71	Disbarred	St Paul
Plowman, George E. Deceased	4	\$81,144.77	Disbarred	Prior Lake
Polt, Thomas M.	3	\$17,082.02	Disbarred	Eyota
Pucel, Cherylyn T.	1	\$3,500.00	Suspended	Minneapolis
Pyles, David A.	1	\$16,450.00	Reinstated	Bloomington
Ramler, George C.	1	\$1,500.00	Disbarred	Chanhausen
Randall, Michael H.	2	\$4,708.00	Disbarred	Brooklyn Center
Rothstein, Morry N.	3	\$7,500.00	Disbarred	Minneapolis
Ruttger III, Max J. Deceased	1	\$25,678.15	Disbarred	Brainerd
Samborski, Steve C.	23	\$231,829.50	Disbarred	Minnetonka
Sampson, Mark A.	20	\$404,742.04	Disbarred	Fridley
Scott, John O. Deceased	2	\$57,821.34	None	Perham
Seiler, Victor P. Deceased	1	\$2,810.77	None	Minneapolis
Sheffey, Ralph E.	1	\$5,000.00	Suspended	Rochester
Simonet, William B.	5	\$50,411.56	Disbarred	Stillwater
Simonson, Paul L.	1	\$2,360.23	Disbarred	Minneapolis
Singer, Michael G.	1	\$63,000.00	Suspended	Minneapolis
Skonnord, James T.	5	\$2,349.26	Reinstated	St. Paul
Smith, Glenn L.	3	\$139,391.05	Disbarred	Edina
Soderberg, James W.	1	\$557.87	Suspended	Winona
Soronow, Steven F.	13	\$20,850.00	Suspended	Minneapolis

Soronow, Steven F. and Weber, Deborah A.	1	\$1,300		Minneapolis
Stockman, William L.	1	\$25,000.00	Disbarred	Duluth
Strid, Dennis W.	1	\$1,197.00	Reinstated	Minneapolis
Sullivan, Kevin P. Deceased	1	\$200.00	Suspended	Elk River
Swerine, Brian A.	8	\$23,645.40	Disbarred	Brainerd
Thompson, Joel R.	2	\$6,160.00	Suspended	Detroit Lakes
Ulstad, Bjorn Deceased	1	\$2,500.00	None	St. Paul
Vaught, Samuel M.	1	\$18,568.30	Suspended	St. Paul
Vinitsky, Richard S. Deceased	2	\$20,000.00	Disability	St. Paul
Walker Jr., Samuel	5	\$19,945.00	Disbarred	St. Paul
Weems, Mark T.	7	\$70,901.64	Disbarred	Shoreview
Wheat, Donald A.	3	\$37,841.70	Disbarred	Eagan
Wyant, Bruce P.			Disbarred	<i>see Morgeson</i>
Wylde, John R. Deceased	1	\$3,775.00	None	Minneapolis
<b>Total Respondents 106</b>	<b>382</b>	<b>\$4,372,890.72</b>		

[Link to Client Security Board Homepage](http://www.courts.state.mn.us/csb/csb03ar.html)