

THE STATE BAR OF CALIFORNIA

FINANCE

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MEMORANDUM

DATE: September 3, 2010
TO: Board of Governors
FROM: The Office of Finance
SUBJECT: Second Quarter 2010 Financial Statements – Financial Highlights

Attached for your review are the 2010 second quarter financial statements for the State Bar of California. The statements include:

- Attachment 1 – Assets, Liabilities & Net Assets – All Funds
- Attachment 2 – Assets, Liabilities & Net Assets – General Fund
- Attachment 3 – Assets, Liabilities & Net Assets – Restricted Funds
- Attachment 4 – Revenue, Expenses and Changes in Net Assets – All Funds
- Attachment 5 – Revenue, Expenses and Changes in Net Assets – General Fund
- Attachment 6 – Revenue, Expenses and Changes in Net Assets – Restricted Funds
- Attachment 7 – Budget to Actual Comparison – General Fund
- Attachment 8 – Budget to Actual Comparison – General Fund Expenses by Function

Statement of Assets, Liabilities & Net Assets:

This statement reports the Bar's assets, liabilities and net assets. For the quarter ended June 30, 2010, the Bar's total assets are \$167.2 million, liabilities are \$17.8 million, and net assets are \$149.4 million. The Bar's total assets increased by \$0.3 million compared to the same period in the prior year. The increase is primarily the result of a \$4.4 million increase in grants and other receivables, partially offset by the amortization of the Executive Staff Retirement Health Benefit net asset of \$2.8 million, and normal depreciation on capital assets of \$1.4 million.

The Bar's cash balance is up by \$13.8 million from \$59.5 million to \$73.3 million compared to June 2009. The increase in cash balance is offset by the decline in investments of \$13.4 million. These changes reflect a switch in investment allocation to achieve higher returns by maximizing

the Bar's investments with the California Local Agency Investment Fund (LAIF). At the beginning of fiscal year 2010, LAIF raised the investment limit from \$40 million to \$50 million, and during the first two quarters of fiscal year 2010, additional cash flows from matured securities were invested in LAIF. LAIF investments are classified as cash equivalents for financial statement purposes and accordingly are recorded in the cash line item. The invested balance for the reported quarter is \$49.8 million, representing approximately 40.2% of total cash and investments.

The Bar's total liabilities for the reported quarter are \$17.8 million, up by \$4.9 million compared to the second quarter in the prior year. The increase is due primarily to the Client Security Fund ("CSF") claims liability as a result of increased claims filed related to loan modification fraud. Accrued CSF claims liability as of June 30, 2010 is \$12 million, up by \$6 million or 100% compared to the same period in the prior year. The claims liability accrual is calculated based on a rolling 24 month historical claims payout ratio of 38.02% applied against total claims submitted and outstanding of \$31.7 million, as of June 30 2010.

The General Fund, the Bar's largest operating fund, has assets of \$40.1 million, liabilities of \$4 million and net assets of \$36.1 million. The General Fund's total assets decreased by \$3 million compared to 2009 due to an increase in interfund payables to other funds.

The General Fund's total liabilities declined by \$1.3 million compared to quarter ended June 30, 2009. The change is primarily the result of a decrease in accounts payable due to the timing of vendor payments compared to the same period in the prior year.

Statement of Revenue, Expenses and Changes in Net Assets – Comparison to 2009 Second Quarter Actual Results

This statement reports the Bar's revenues, expenses, excess (deficit) of revenues over expenses and changes in net assets. For the second quarter ended June 30, 2010, the Bar's total revenues (operating and non-operating) are \$108.6 million, and expenses are \$58.2 million, resulting in a surplus of \$50.4 million. It should be noted, however, that this surplus results from the fact that virtually all of the Bar's membership fee revenue is received by the first half of the year.

Total operating revenue for all programs through June 30, 2010 is \$107.7, an increase of \$4.4 million over the same period in 2009. This increase is the result of grant revenue recognized on an accrual basis in the same accounting period when the corresponding grant expenses were distributed to the sub-grantee in the Equal Access Fund program. The change in grant revenue is consistent with the \$3.9 million increase in grant expenses reported in this quarter of fiscal year 2010.

The General Fund's total operating revenue is \$58.9 million for the reported quarter, down by \$0.2 million compared to the \$59.1 million for the same period in 2009. Of significance are the \$.3 million decline in membership fees and the \$.3 million decline in CalBar Journal advertising revenue. The variance in membership fees is due to the delay in billing for the 2010 member fees that was required as the result of the 2010 fee bill veto. Total membership fee revenue is expected

to exceed 2009 once all payments are received in the third quarter. CalBar Journal advertising revenue is not expected to rebound to the 2009 level. With the transition away from the print version of the Journal, advertising revenue has significantly declined.

The General Fund's total operating expense for the quarter ended June 30, 2010 is \$31.8 million compared to \$30.5 million last year. A significant portion of the \$1.3 million increase is due to the one time transfer of \$1.2 million from the General Fund to the Building Fund to pay for roof repairs and waterproofing for the San Francisco building. The \$.7 million decrease in Governance costs results from a change in the way in which building costs are charged to General Fund departments. The \$.7 million decrease in Communications primarily results from the savings of production costs associated with eliminating the print version of the CalBar Journal.

Budget to Actual Comparison – General Fund

Each quarter, a budget to actual comparison report for the General Fund is prepared. This statement is designed to provide the Board with information about how the actual performance of the General Fund's revenues and expenses compares with anticipated (budgeted) results. The report includes a quarterly budget comparison as well as year to date and prior year comparison.

For the second quarter ended June 30, 2010, the General Fund's total revenue reflects an unfavorable variance of \$1.7 million as a result of the decline in membership fees and decrease in investment income. Membership fee revenues for the reported quarter came in at \$57.1 million, unfavorable to year-to-date budget by \$1.2 million, due primarily to the change of billing cycle deadline from end of June in 2009 to end of August in 2010. This unfavorable variance will be corrected as additional fees are recorded in the third quarter. The membership fee revenue is expected to remain in line with the annual budget for full year 2010. The General Fund's investment income of \$0.1 million for fiscal year-to-date was unfavorable to budget by \$0.3 million. This variance primarily resulted from lower short-term interest rates. The weighted average effective interest rate is down to 0.69 percent for the reported quarter, compared to 1.67 percent for the same period in the prior year.

General Fund actual expenses for the reported quarter totaled \$31.9 million, favorable to year to date budget by \$2.5 million. This positive variance is generated by lower than budgeted General and Administrative Expenses for all programs. General Fund actual net operating surplus at the end of the second quarter 2010 is \$27.1 million, favorable to the year-to-date budget by \$0.8 million.

The State Bar of California
Statement of Assets, Liabilities and Net Assets - All Funds
As of June 30, 2010

Attachment 1

	General Fund	Restricted Funds	Fixed Asset Fund	YTD Total All Funds June-10	YTD Total All Funds June-09	Change
ASSETS						
Cash	72,500,164	781,086	-	73,281,250	59,482,654	13,798,596
Accounts Receivable (net of allowances)	-	5,948,413	-	5,948,413	1,473,697	4,474,716
Interfund Receivable/Payable	(83,465,452)	83,465,452	-	-	-	-
Capital Assets (net of depreciation)	-	14,075,635	18,576,302	32,651,937	34,085,892	(1,433,955)
Investments	50,627,350	-	-	50,627,350	64,072,672	(13,445,322)
OPEB Investment	-	4,074,286	-	4,074,286	6,874,247	(2,799,961)
Other Assets	481,511	99,571	-	581,082	869,409	(288,327)
TOTAL ASSETS	40,143,573	108,444,443	18,576,302	167,164,318	166,858,571	305,747
LIABILITIES AND NET ASSETS						
Accounts Payable and Accrued Liabilities	3,392,686	13,658,530	-	17,051,216	12,102,106	4,949,110
Unearned Fees Collected in Advance	-	14,926	-	14,926	9,521	5,405
Grants Payable	-	49,090	-	49,090	6,660	42,430
Accrued Postretirement Benefits	593,676	94,505	-	688,181	774,681	(86,500)
TOTAL LIABILITIES	3,986,362	13,817,051	-	17,803,413	12,892,968	4,910,445
NET ASSETS						
Net Assets at Beginning of Year	9,017,768	70,975,133	18,943,145	98,936,046	105,233,898	(6,297,852)
Current Operating Excess/(Deficit)	27,139,443	23,753,790	(468,374)	50,424,859	48,731,705	1,693,154
Transfer of Fixed Assets to Fixed Assets Fund	-	(101,531)	101,531	-	-	-
TOTAL NET ASSETS	36,157,211	94,627,392	18,576,302	149,360,905	153,965,603	(4,604,698)
TOTAL LIABILITIES & NET ASSETS	40,143,573	108,444,443	18,576,302	167,164,318	166,858,571	305,747

The State Bar of California
Statement of Assets, Liabilities and Net Assets - General Fund
As of June 30, 2010

Attachment 2

	<u>Year to Date Total June-10</u>	<u>Year to Date Total June-09</u>	<u>Change</u>
ASSETS			
Cash	72,500,164	59,482,604	13,017,560
Accounts Receivable (net of allowances)	-	-	-
Interfund Receivable/Payable	(83,465,452)	(81,125,708)	(2,339,744)
Investments	50,627,350	64,072,672	(13,445,322)
Other Assets	481,511	739,138	(257,627)
TOTAL ASSETS	<u><u>40,143,573</u></u>	<u><u>43,168,706</u></u>	<u><u>(3,025,133)</u></u>
LIABILITIES AND NET ASSETS			
Accounts Payable and Accrued Liabilities	3,392,686	4,507,200	(1,114,514)
Unearned Fees Collected in Advance	-	-	-
Accrued Postretirement Benefits	593,676	774,681	(181,005)
TOTAL LIABILITIES	<u><u>3,986,362</u></u>	<u><u>5,281,881</u></u>	<u><u>(1,295,519)</u></u>
NET ASSETS			
Net Assets at Beginning of Year	9,017,768	9,009,533	8,235
Current Operating Excess/(Deficit)	27,139,443	28,877,292	(1,737,849)
Transfer of Fixed Assets to Fixed Assets Fund	-	-	-
TOTAL NET ASSETS	<u><u>36,157,211</u></u>	<u><u>37,886,825</u></u>	<u><u>(1,729,614)</u></u>
TOTAL LIABILITIES & NET ASSETS	<u><u>40,143,573</u></u>	<u><u>43,168,706</u></u>	<u><u>(3,025,133)</u></u>

The State Bar of California
Statement of Assets, Liabilities and Net Assets - Restricted Funds
As of June 30, 2010

Attachment 3
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	Admissions	Annual Meeting	Benefit Reserve	Building	Building Special Assessment	Certification Activity	Client Security	Discipline	Education Foundation	Elimination of Bias	Equal Access	Grants	Info Tech Special Assess	Total A-I
ASSETS														
Cash	50	-	781,036	-	-	-	-	-	-	-	-	-	-	781,086
Accounts Receivable (net of allowances)	1,393	-	-	19,500	-	-	-	-	-	-	5,242,408	112	-	5,263,413
Interfund Receivable/Payable	8,313,747	299,155	4,108,365	3,757,599	3,958,884	3,213,294	16,661,042	1,149,428	(406,505)	1,605,600	(1,269,282)	156,750	3,529,055	45,077,132
Capital Assets (net of depreciation)	-	-	-	14,075,635	-	-	-	-	-	-	-	-	-	14,075,635
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OPEB Assets	-	-	4,074,286	-	-	-	-	-	-	-	-	-	-	4,074,286
Other Assets	37,840	-	-	-	-	-	-	-	-	-	-	-	-	37,840
TOTAL ASSETS	8,353,030	299,155	8,963,687	17,852,734	3,958,884	3,213,294	16,661,042	1,149,428	(406,505)	1,605,600	3,973,126	156,862	3,529,055	69,309,392
LIABILITIES AND NET ASSETS														
Accounts Payable and Accrued Liabilities	314,875	18,654	-	107,233	-	-	12,118,274	-	-	35,138	-	-	-	12,594,174
Unearned Fees Collected in Advance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants Payable	-	-	-	-	-	-	-	-	-	-	49,090	-	-	49,090
Accrued Postretirement Benefits	-	-	94,505	-	-	-	-	-	-	-	-	-	-	94,505
Obligations under Debt Agreements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	314,875	18,654	94,505	107,233	-	-	12,118,274	-	-	35,138	49,090	-	-	12,737,769
NET ASSETS														
Net Assets at Beginning of Year	1,730,015	374,204	8,856,584	16,028,972	1,999,763	3,203,390	2,678,965	1,145,903	-	1,142,903	4,246,089	156,605	1,928,828	43,492,221
Current Operating Excess/(Deficit)	6,308,140	(93,703)	12,598	1,716,529	1,959,121	9,904	1,863,803	3,525	(406,505)	427,559	(322,053)	257	1,600,227	13,079,402
Transfer of Fixed Assets to Fixed Assets Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL NET ASSETS	8,038,155	280,501	8,869,182	17,745,501	3,958,884	3,213,294	4,542,768	1,149,428	(406,505)	1,570,462	3,924,036	156,862	3,529,055	56,571,623
TOTAL LIABILITIES & NET ASSETS	8,353,030	299,155	8,963,687	17,852,734	3,958,884	3,213,294	16,661,042	1,149,428	(406,505)	1,605,600	3,973,126	156,862	3,529,055	69,309,392

The State Bar of California
Statement of Assets, Liabilities and Net Assets - Restricted Funds
As of June 30, 2010

Attachment 3
Page 2 of 2

	Justice Gap	Lawyers Assistance Program	Legal Education & Development	Legal Services Trust	Legal Specialization	Legislative Activities	Public Protection	Sections	Support & Administration	Technology Improvement	Total J-T	Total A-I	All Restricted Funds
ASSETS													
Cash	-	-	-	-	-	-	-	-	-	-	-	781,086	781,086
Accounts Receivable (net of allowances)	-	-	-	685,000	-	-	-	-	-	-	685,000	5,263,413	5,948,413
Interfund Receivable/Payable	790,766	2,226,238	1,747,075	10,445,216	2,063,194	1,623,461	6,434,512	10,034,407	2,894,954	128,497	38,388,320	45,077,132	83,465,452
Capital Assets (net of depreciation)	-	-	-	-	-	-	-	-	-	-	-	14,075,635	14,075,635
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-
OPEB Investments	-	-	-	-	-	-	-	-	-	-	-	4,074,286	4,074,286
Other Assets	-	-	-	-	-	-	-	-	61,731	-	61,731	37,840	99,571
TOTAL ASSETS	790,766	2,226,238	1,747,075	11,130,216	2,063,194	1,623,461	6,434,512	10,034,407	2,956,685	128,497	39,135,051	69,309,392	108,444,443
LIABILITIES AND NET ASSETS													
Accounts Payable and Accrued Liabilities	-	53,749	5,487	62,206	15,489	33,499	-	105,708	788,218	-	1,064,356	12,594,174	13,658,530
Unearned Fees Collected in Advance	-	-	-	-	-	-	-	14,926	-	-	14,926	-	14,926
Grants Payable	-	-	-	-	-	-	-	-	-	-	-	49,090	49,090
Accrued Postretirement Benefits	-	-	-	-	-	-	-	-	-	-	-	94,505	94,505
Obligations under Debt Agreements	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	53,749	5,487	62,206	15,489	33,499	-	120,634	788,218	-	1,079,282	12,737,769	13,817,051
NET ASSETS													
Net Assets at Beginning of Year	57,834	1,463,944	1,337,819	8,343,862	1,838,804	1,161,860	6,414,780	6,631,945	22,493	209,571	27,482,912	43,492,221	70,975,133
Current Operating Excess/(Deficit)	732,932	708,545	403,769	2,724,148	208,901	428,102	19,732	3,281,828	2,177,375	(10,944)	10,674,388	13,079,402	23,753,790
Transfer of Fixed Assets to Fixed Assets Fund	-	-	-	-	-	-	-	-	(31,401)	(70,130)	(101,531)	-	(101,531)
TOTAL NET ASSETS	790,766	2,172,489	1,741,588	11,068,010	2,047,705	1,589,962	6,434,512	9,913,773	2,168,467	128,497	38,055,769	56,571,623	94,627,392
TOTAL LIABILITIES & NET ASSETS	790,766	2,226,238	1,747,075	11,130,216	2,063,194	1,623,461	6,434,512	10,034,407	2,956,685	128,497	39,135,051	69,309,392	108,444,443

The State Bar of California
Statement of Revenue, Expenses and Changes in Net Assets - All Funds
For the Six Months Ending June 30, 2010

Attachment 4

	General Fund	Restricted Funds	Fixed Asset Fund	Interfund Elimination	Total All Funds Year to Date Jun-10	Total All Funds Year to Date Jun-09	Change	Percentage Change
OPERATING REVENUES:								
Membership Fees, Voluntary Contributions	57,074,228	14,457,135	-	-	71,531,363	71,678,194	(146,831)	-0.20%
Convention Income	-	229,840	-	-	229,840	172,984	56,856	32.87%
Law Corporation Registration Fees	621,255	-	-	-	621,255	625,199	(3,944)	-0.63%
Continuing Legal Education Fees	329,047	11,400	-	-	340,447	691,970	(351,523)	-50.80%
Law Practices Sections Fees	4,800	4,677,430	-	-	4,682,230	4,702,461	(20,231)	-0.43%
Grant Revenue	10,000	6,583,000	-	-	6,593,000	2,523,772	4,069,228	161.24%
Trust Account Revenue	-	3,340,030	-	-	3,340,030	3,474,474	(134,444)	-3.87%
EAF AB 145 Filing Fee Revenue	-	1,895,602	-	-	1,895,602	1,049,453	846,149	80.63%
Examination Application Fees	-	14,170,093	-	-	14,170,093	13,595,226	574,867	4.23%
MJP Fees	353,890	-	-	-	353,890	349,441	4,449	1.27%
Legal Specialization Fees	-	872,364	-	-	872,364	1,021,010	(148,646)	-14.56%
Seminar/Workshop Revenue	-	423,934	-	-	423,934	625,107	(201,173)	-32.18%
CalBar Journal Revenue	114,345	16,940	-	-	131,285	488,918	(357,633)	-73.15%
Other Revenue	328,520	2,188,083	-	-	2,516,603	2,275,159	241,444	10.61%
Interfund Transfer in from General Fund	-	1,230,000	-	(1,230,000)	-	-	-	0.00%
Interfund Transaction-Revenue	52,009	34,080	-	(86,089)	-	62,783	(62,783)	0.00%
Total Operating Revenue	58,888,094	50,129,931	-	(1,316,089)	107,701,936	103,336,151	4,365,785	4.22%
OPERATING EXPENSES:								
Discipline and Adjudication	25,582,774	-	-	-	25,582,774	24,948,446	634,328	2.54%
Grant Expenses	-	8,609,353	-	-	8,609,353	4,676,271	3,933,082	84.11%
Administration of Justice	375,817	-	-	-	375,817	425,167	(49,350)	-11.61%
Governance	937,575	-	-	-	937,575	1,607,292	(669,717)	-41.67%
Administration of the Profession	1,671,564	-	-	-	1,671,564	2,009,242	(337,678)	-16.81%
Program Development	765,879	-	-	-	765,879	718,431	47,448	6.60%
Communications	715,807	-	-	-	715,807	1,401,340	(685,533)	-48.92%
Examination costs and administration	-	8,375,216	-	-	8,375,216	7,989,504	385,712	4.83%
Claims (net of reimbursements)	-	4,143,610	-	-	4,143,610	2,264,374	1,879,236	82.99%
Law Practices (Sections)	-	1,989,787	-	-	1,989,787	2,109,036	(119,249)	-5.65%
General and Administrative costs	-	4,071,018	468,375	-	4,539,393	7,854,380	(3,314,987)	-42.21%
Non Departmental	518,936	-	-	-	518,936	(75,751)	594,687	-785.05%
Interfund Transfer out to Bldg. Fund	1,230,000	-	-	(1,230,000)	-	-	-	0.00%
Interfund Transaction-Expense	52,024	34,065	-	(86,089)	-	62,783	(62,783)	0.00%
Total Operating Expenses	31,850,376	27,223,049	468,375	(1,316,089)	58,225,711	55,990,515	2,235,196	3.99%
OPERATING INCOME/(LOSS)	27,037,718	22,906,882	(468,375)	-	49,476,225	47,345,636	2,130,589	4.50%
NON-OPERATING REVENUE:								
Investment Income	101,725	356,969	-	-	458,694	776,716	(318,022)	-40.94%
Rental Income	-	489,939	-	-	489,939	609,352	(119,413)	-19.60%
Total Non-Operating Revenue	101,725	846,908	-	-	948,633	1,386,068	(437,435)	-31.56%
EXCESS/ (DEFICIT) OF REVENUES OVER EXPENSES	27,139,443	23,753,790	(468,375)	-	50,424,858	48,731,705	1,693,153	3.47%
CHANGES IN NET ASSETS:								
Net Assets at beginning of year	9,017,768	70,975,133	18,943,145	-	98,936,046	105,233,898	(6,297,852)	-5.98%
Transfers of Fixed Assets to Fixed Asset Fund	-	(101,531)	101,531	-	-	-	-	0.00%
NET ASSETS AS OF JUNE 30, 2010	36,157,211	94,627,392	18,576,301	-	149,360,904	153,965,603	(4,604,699)	-2.99%

The State Bar of California
Statement of Revenue, Expenses and Changes in Net Assets - General Fund
For the Six Months Ending June 30, 2010

Attachment 5

	Year to Date June-10	Year to Date June-09	Change
OPERATING REVENUES			
Membership Fee, Voluntary Contributions and Attorney Applications	57,074,228	57,422,453	(348,225)
Law Corporation Registration Fees	621,255	-	621,255
Continuing Legal Education Fees	329,047	543,320	(214,273)
Seminar/Workshop Revenue	4,800	7,528	(2,728)
CalBar Journal Revenue	114,345	423,918	(309,573)
MJP Fees	353,890	349,440	4,450
Grant Revenue	10,000	9,500	500
Other Revenue	328,520	336,450	(7,930)
Interfund Transaction-Revenue	52,009	35,790	16,219
Total Operating Revenue	58,888,094	59,128,399	(240,305)
OPERATING EXPENSES:			
Discipline & Adjudication	25,582,774	24,970,350	612,424
Administration of Justice	375,817	425,167	(49,350)
Governance	937,575	1,608,043	(670,468)
Administration of the Profession	1,671,564	1,485,356	186,208
Program Development	765,879	723,460	42,419
Communications	715,807	1,401,340	(685,533)
Non Departmental	518,936	(103,664)	622,600
Interfund Transfer out to Bldg. Fund	1,230,000	-	1,230,000
Interfund Transaction-Expense	52,024	27,913	24,111
Total Operating Expenses	31,850,376	30,537,965	1,312,411
OPERATING INCOME/(LOSS)	27,037,718	28,590,434	(1,552,716)
NON-OPERATING REVENUE			
Investment Income	101,725	286,858	(185,133)
Total Non-Operating Revenue	101,725	286,858	(185,133)
EXCESS/(DEFICIT) OF REVENUES OVER EXPENSES	27,139,443	28,877,292	(1,737,849)
NET ASSETS			
Net Assets at beginning of year	9,017,768	9,009,533	8,235
NET ASSETS AS OF JUNE 30, 2010	36,157,211	37,886,825	(1,729,614)

The State Bar of California
Statement of Revenue, Expenses and Changes in Net Assets - Restricted Funds
For the Six Months Ending June 30, 2010

Attachment 6
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	Admissions	Annual Meeting	Benefit Reserve	Building	Building Special Assessment	Certification Activities	Client Security	Discipline	Education Foundation	Elimination of Bias	Equal Access	Grants	Info Tech Special Assess	Total A-I
REVENUE														
Membership Fees & Voluntary Dues	-	-	-	2,272	1,970,487	-	6,797,233	-	-	771,680	-	-	1,608,512	11,150,184
Investment Income	143,271	1,163	12,598	7,832	8,993	9,904	43,729	3,525	(253)	4,365	8,379	-	8,252	251,758
Convention Income	-	117,335	-	-	-	-	-	-	112,505	-	-	-	-	229,840
Law Corporation Registration Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Continuing Legal Education Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Law Practices (Sections) Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental Income	-	-	-	482,454	-	-	-	-	-	-	-	-	-	482,454
Grant Revenue	-	-	-	-	-	-	-	-	-	-	6,572,000	6,000	-	6,578,000
Trust Account Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EAF AB145 Filing Fee Revenue	-	-	-	-	-	-	-	-	-	-	1,895,602	-	-	1,895,602
Application Fees	14,170,093	-	-	-	-	-	-	-	-	-	-	-	-	14,170,093
Legal Specialization Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Seminar/Workshop Revenue	-	-	-	-	-	-	-	-	398,289	-	-	-	-	398,289
Advertising Revenue	-	-	-	-	-	-	-	-	14,140	-	-	-	-	14,140
Commission Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Revenue	371,207	4,060	-	409,608	-	-	5,600	-	68,743	-	-	-	-	859,218
Interfund Transfers	-	-	-	1,230,000	-	-	-	-	-	-	-	-	-	1,230,000
Interfund Transaction-Revenue	-	16,400	-	-	1,100	-	4,070	-	10,175	-	-	-	990	32,735
TOTAL REVENUE	14,684,571	138,958	12,598	2,132,166	1,980,580	9,904	6,850,632	3,525	603,599	776,045	8,475,981	6,000	1,617,754	37,292,313
EXPENSES														
Grants	-	-	-	-	-	-	-	-	-	-	8,616,013	-	-	8,616,013
Administration of the Profession	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Examination Costs and Administration	8,375,216	-	-	-	-	-	-	-	-	-	-	-	-	8,375,216
Claims (net of reimbursement)	-	-	-	-	-	-	4,143,610	-	-	-	-	-	-	4,143,610
Law Practices (Sections)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General and Administrative	-	232,661	-	415,637	21,459	-	842,019	-	1,010,104	348,371	182,021	5,743	17,527	3,075,542
Interfund Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interfund Transaction-Expense	1,215	-	-	-	-	-	1,200	-	-	115	-	-	-	2,530
TOTAL EXPENSES	8,376,431	232,661	-	415,637	21,459	-	4,986,829	-	1,010,104	348,486	8,798,034	5,743	17,527	24,212,911
EXCESS/(DEFICIT) OF REVENUES OVER EXPENSES	6,308,140	(93,703)	12,598	1,716,529	1,959,121	9,904	1,863,803	3,525	(406,505)	427,559	(322,053)	257	1,600,227	13,079,402
CHANGES IN NET ASSETS														
Net Assets at beginning of year	1,730,015	374,204	8,856,584	16,028,972	1,999,763	3,203,390	2,678,965	1,145,903	-	1,142,903	4,246,089	156,605	1,928,828	43,492,221
Transfers of Fixed Assets to Fixed Assets Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NET ASSETS AS OF JUNE 30, 2010	8,038,155	280,501	8,869,182	17,745,501	3,958,884	3,213,294	4,542,768	1,149,428	(406,505)	1,570,462	3,924,036	156,862	3,529,055	56,571,623

The State Bar of California
Statement of Revenue, Expenses and Changes in Net Assets - Restricted Funds
For the Six Months Ending June 30, 2010

Attachment 6
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	Justice Gap	Lawyer Assistance	Legal Education & Development	Legal Services Trust	Legal Specialization	Legislative Activities	Public Protection	Sections	Support & Administration	Technology Improvement	Total J-T	Total A-I	Total Restricted Funds
REVENUE													
Membership Fees & Voluntary Dues	731,844	1,821,757	-	-	-	753,350	-	-	-	-	3,306,951	11,150,184	14,457,135
Investment Income	1,238	6,086	4,406	32,392	6,212	4,422	19,732	26,187	3,999	537	105,211	251,758	356,969
Convention Income	-	-	-	-	-	-	-	-	-	-	-	229,840	229,840
Law Corporation Registration Fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Continuing Legal Education Revenue	-	-	-	-	11,400	-	-	-	-	-	11,400	-	11,400
Law Practices (Sections) Revenue	-	-	-	-	-	-	-	4,677,430	-	-	4,677,430	-	4,677,430
Rental Income	-	-	-	-	-	7,485	-	-	-	-	7,485	482,454	489,939
Grant Revenue	-	-	-	-	-	-	-	5,000	-	-	5,000	6,578,000	6,583,000
LSTF Trust Account Revenue	-	-	-	3,340,030	-	-	-	-	-	-	3,340,030	-	3,340,030
EAF AB145 Filing Fee Revenue	-	-	-	-	-	-	-	-	-	-	-	1,895,602	1,895,602
Application Fees	-	-	-	-	-	-	-	-	-	-	-	14,170,093	14,170,093
Legal Specialization Fees	-	-	-	-	872,364	-	-	-	-	-	872,364	-	872,364
Seminar/Workshop Revenue	-	1,350	-	-	-	-	-	24,295	-	-	25,645	398,289	423,934
Advertising Revenue	800	-	-	-	-	-	-	2,000	-	-	2,800	14,140	16,940
Commission Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Revenue	-	-	777,952	401	858	9,510	-	537,078	3,066	-	1,328,865	859,218	2,188,083
Interfund Transfers	-	-	-	-	-	-	-	-	-	-	-	1,230,000	1,230,000
Interfund Transaction-Revenue	-	1,045	-	-	300	-	-	-	-	-	1,345	32,735	34,080
TOTAL REVENUE	733,882	1,830,238	782,358	3,372,823	891,134	774,767	19,732	5,271,990	7,065	537	13,684,526	37,292,313	50,976,839
EXPENSES													
Grants	-	-	-	(6,660)	-	-	-	-	-	-	(6,660)	8,616,013	8,609,353
Administration of the Profession	-	-	-	-	-	-	-	-	-	-	-	-	-
Examination costs and Administration	-	-	-	-	-	-	-	-	-	-	-	8,375,216	8,375,216
Claims (net of reimbursement)	-	-	-	-	-	-	-	-	-	-	-	4,143,610	4,143,610
Law Practices (Sections)	-	-	-	-	-	-	-	1,989,787	-	-	1,989,787	-	1,989,787
General and Administrative	950	1,120,293	356,589	655,220	679,233	345,965	-	-	(2,174,255)	11,481	995,476	3,075,542	4,071,018
Interfund Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Interfund Transaction-Expense	-	1,400	22,000	115	3,000	700	-	375	3,945	-	31,535	2,530	34,065
TOTAL EXPENSES	950	1,121,693	378,589	648,675	682,233	346,665	-	1,990,162	(2,170,310)	11,481	3,010,138	24,212,911	27,223,049
EXCESS/(DEFICIT) OF REVENUES OVER EXPENSES	732,932	708,545	403,769	2,724,148	208,901	428,102	19,732	3,281,828	2,177,375	(10,944)	10,674,388	13,079,402	23,753,790
CHANGES IN NET ASSETS													
Net Assets at beginning of year	57,834	1,463,944	1,337,819	8,343,862	1,838,804	1,161,860	6,414,780	6,631,945	22,493	209,571	27,482,912	43,492,221	70,975,133
Transfers of Fixed Assets to Fixed Assets Fund	-	-	-	-	-	-	-	-	(31,401)	(70,130)	(101,531)	-	(101,531)
NET ASSETS AS OF JUNE 30, 2010	790,766	2,172,489	1,741,588	11,068,010	2,047,705	1,589,962	6,434,512	9,913,773	2,168,467	128,497	38,055,769	56,571,623	94,627,392

The State Bar of California
Budget to Actual Comparison-General Fund
For the Six Months Ending June 30, 2010

Attachment 7

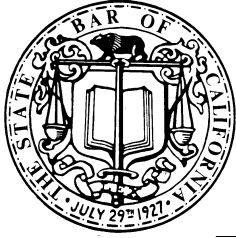
	Current Quarter Actual	Current Quarter Budget	Variance Favorable (Unfavorable)	Jun-10 Year to Date Actual	Jun-10 Year to Date Budget	Variance Favorable (Unfavorable)	Jun-09 Prior Year to Date Actual	Inc./.(Dec.) From Prior Year	2010 Annual Budget
REVENUE									
Membership Fees	3,883,842	407,808	3,476,034	57,074,228	58,301,458	(1,227,230)	57,422,453	(348,225)	59,390,157
Investment Income	59,925	205,308	(145,383)	101,725	410,616	(308,891)	286,858	(185,133)	821,237
Convention Income	-	117	(117)	-	234	(234)	-	-	468
Law Corp Registration Fees	211,089	182,181	28,908	621,255	364,362	256,893	-	621,255	728,747
CalBar Journal Revenue	16,250	103,878	(87,628)	114,345	207,756	(93,411)	423,918	(309,573)	415,530
Continuing Legal Education	195,131	342,687	(147,556)	329,047	685,374	(356,327)	543,320	(214,273)	1,370,769
Seminar/Workshop Revenue	4,800	16,008	(11,208)	4,800	32,016	(27,216)	7,528	(2,728)	64,055
MJP Fees	34,239	68,763	(34,524)	353,890	137,526	216,364	349,440	4,450	2,000
Grant Revenue	10,000	675	9,325	10,000	1,350	8,650	9,500	500	2,704
Other Revenue	204,353	153,687	50,666	328,520	307,374	21,146	336,450	(7,930)	614,830
Transfer In From Other Funds	-	124,998	(124,998)	-	249,996	(249,996)	-	-	500,000
Interfund Transaction-Revenue	16,925	4,878	12,047	52,009	9,756	42,253	35,790	16,219	19,525
TOTAL REVENUE	4,636,554	1,610,988	3,025,566	58,989,819	60,707,818	(1,717,999)	59,415,257	(425,438)	63,930,022
EXPENSES									
Discipline	13,586,030	14,477,417	891,387	25,582,774	27,325,712	1,742,938	24,970,350	612,424	54,550,772
Administration of Justice	213,861	226,379	12,518	375,817	436,349	60,532	425,167	(49,350)	872,635
Governance	483,080	548,123	65,043	937,575	1,041,035	103,460	1,608,043	(670,468)	2,071,391
Administration of the Profession	818,928	881,752	62,824	1,671,564	1,674,025	2,461	1,485,356	186,208	3,345,016
Program Development	408,580	473,956	65,376	765,879	900,676	134,797	723,460	42,419	1,801,282
Communications	292,859	604,085	311,226	715,807	1,167,722	451,915	1,401,340	(685,533)	2,334,390
Non Departmental	244,224	295,082	50,858	518,936	594,419	75,483	(103,664)	622,600	1,194,152
Interfund Transfer out to Bldg. Fund	-	-	-	1,230,000	1,230,000	-	-	1,230,000	1,230,000
Interfund Transaction-Expense	16,365	-	(16,365)	52,024	-	(52,024)	27,913	24,111	-
TOTAL EXPENSES	16,063,927	17,506,794	1,442,867	31,850,376	34,369,938	2,519,562	30,537,965	1,312,411	67,399,638
NET OPERATING SURPLUS/(DEFICIT)	(11,427,373)	(15,895,806)	4,468,433	27,139,443	26,337,880	801,563	28,877,292	(1,737,849)	(3,469,616)

The State Bar of California
Budget to Actual Comparison - General Fund
Expenses by Function
For the Six Months Ending June 30, 2010

	Current Quarter Actual	Current Quarter Budget	Variance Favorable (Unfavorable)	Jun-10 Year to Date Actual	Jun-10 Year to Date Budget	Variance Favorable (Unfavorable)	Jun-09 Prior Year to Date Actual	Inc./(Dec.) From Prior Year	2010 Annual Budget
EXPENSES BY FUNCTION									
Enforcement									
Trial Counsel - Administration	188,780	430,241	241,461	146,794	797,616	650,822	300,392	(153,598)	1,581,468
Trial Unit - San Francisco	948,922	958,189	9,267	1,845,780	1,933,934	88,154	3,827,077	(1,981,297)	3,609,976
Trial Unit - Los Angeles	1,664,987	1,666,374	1,387	3,153,954	3,172,774	18,820	8,040,819	(4,886,865)	6,263,969
Intake- LA	1,302,556	1,403,482	100,926	2,511,668	2,581,894	70,226	2,423,011	88,657	5,274,249
Central Administration Unit	1,584,526	1,762,529	178,003	2,994,351	3,147,514	153,163	3,235,174	(240,823)	6,683,343
Quality Assurance	-	-	-	-	-	-	-	-	-
Abandoned Cases/UPL	465,807	554,211	88,404	1,003,311	1,106,081	102,770	648,477	354,834	2,087,333
Admin Support-SF	383,807	427,023	43,216	723,809	790,979	67,170	-	723,809	1,617,755
Audit & Review	306,139	316,930	10,791	582,262	596,950	14,688	-	582,262	1,189,486
Investigation-LA	2,337,217	2,300,628	(36,589)	4,316,204	4,357,636	41,432	-	4,316,204	8,663,430
Investigation-SF	703,264	733,011	29,747	1,306,309	1,407,428	101,119	-	1,306,309	2,755,892
Probation Unit	268,849	281,172	12,323	506,692	529,170	22,478	437,491	69,201	1,056,697
Total Enforcement	10,154,854	10,833,790	678,936	19,091,134	20,421,976	1,330,842	18,912,441	178,693	40,783,598
State Bar Court									
Presiding & Review Judges	202,752	204,272	1,520	381,908	384,293	2,385	350,313	31,595	764,154
Hearing Judges	405,077	427,990	22,913	787,638	806,203	18,565	729,836	57,802	1,595,439
Judicial Recruitment	10,013	7,737	(2,276)	13,412	15,474	2,062	101	13,311	31,000
SBC Executive Committee	-	-	-	-	-	-	4	(4)	-
SBC - Sr. Executive	186,455	211,347	24,892	355,843	402,393	46,550	667,551	(311,708)	801,884
SBC - Sr. Executive Projects	-	9,423	9,423	-	18,846	18,846	344	(344)	37,701
Hearing/Administration - San Francisco	362,931	380,678	17,747	692,683	721,787	29,104	649,583	43,100	1,442,626
Hearing Counsel - LA/SF	453,865	463,976	10,111	861,964	876,632	14,668	761,923	100,041	1,745,890
Review Counsel/Clerk	381,922	411,867	29,945	720,895	778,725	57,830	627,741	93,154	1,554,104
SBC Reporter	2,589	15,036	12,447	2,640	30,072	27,432	13,021	(10,381)	60,175
Hearing/Effectuation/Administration	569,874	593,159	23,285	1,078,884	1,126,049	47,165	922,633	156,251	2,250,475
Total State Bar Court	2,575,478	2,725,485	150,007	4,895,867	5,160,474	264,607	4,723,050	172,817	10,283,448
Mandatory Fee Arbitration									
Mandatory Fee Arbitration	202,490	220,790	18,300	379,668	416,591	36,923	320,911	58,757	832,951
Mandatory Fee Arbitration Committee	4,453	7,119	2,666	5,765	14,238	8,473	6,811	(1,046)	28,495
Agreement with Local Bar Associations	15,048	17,499	2,451	15,048	34,998	19,950	26,640	(11,592)	70,000
Total Mandatory Fee Arbitration	221,991	245,408	23,417	400,481	465,827	65,346	354,362	46,119	931,446
Professional Competence									
Discipline Cost Collections	1,087	37,494	36,407	6,362	74,988	68,626	7,716	(1,354)	150,030
Lawyers' Personal Assistance	-	-	-	-	-	-	-	-	-
Publications	15,942	4,803	(11,139)	18,164	9,606	(8,558)	2,912	15,252	19,256
Professional Responsibility and Conduct	550,878	562,484	11,606	1,041,236	1,056,935	15,699	896,345	144,891	2,111,033
COPRAC - Publications	16,872	12,237	(4,635)	22,435	24,474	2,039	25,647	(3,212)	49,008
Compendium on Professional Responsibility	7,982	6,993	(989)	12,442	13,986	1,544	524	11,918	28,013
Rules Revision Committee	40,946	48,723	7,777	94,653	97,446	2,793	47,353	47,300	194,940
Total Professional Competence	633,707	672,734	39,027	1,195,292	1,277,435	82,143	980,497	214,795	2,552,280
TOTAL DISCIPLINE	13,586,030	14,477,417	891,387	25,582,774	27,325,712	1,742,938	24,970,350	612,424	54,550,772

The State Bar of California
Budget to Actual Comparison - General Fund
Expenses by Function
For the Six Months Ending June 30, 2010

	Current Quarter Actual	Current Quarter Budget	Variance Favorable (Unfavorable)	Jun-10 Year to Date Actual	Jun-10 Year to Date Budget	Variance Favorable (Unfavorable)	Jun-09 Prior Year to Date Actual	Inc./(Dec.) From Prior Year	2010 Annual Budget
EXPENSES BY FUNCTION									
Administration of Justice									
Judicial Evaluations	213,861	225,551	11,690	375,817	434,693	58,876	425,167	(49,350)	869,318
Attorney Civility Task Force	-	828	828	-	1,656	1,656	-	-	3,317
Sustainability Task Force	-	-	-	-	-	-	-	-	-
Total Administration of Justice	213,861	226,379	12,518	375,817	436,349	60,532	425,167	(49,350)	872,635
Governance									
Executive Director	158,443	159,235	792	297,438	298,825	1,387	71,208	226,230	591,017
Deputy Executive Director	197,745	195,013	(2,732)	371,403	367,261	(4,142)	169,594	201,809	730,376
Board of Governors	41,833	123,024	81,191	131,589	239,448	107,859	1,332,559	(1,200,970)	478,960
Elections	56,385	21,651	(34,734)	65,064	42,300	(22,764)	25,810	39,254	84,632
Appointments Administration	28,674	49,200	20,526	72,081	93,201	21,120	8,872	63,209	186,406
Total Governance	483,080	548,123	65,043	937,575	1,041,035	103,460	1,608,043	(670,468)	2,071,391
Administration of the Profession									
Member Records & Certification	327	-	(327)	506	-	(506)	802	(296)	-
Member Services-Senior Executive	123,750	148,650	24,900	240,298	280,431	40,133	187,213	53,085	558,815
Member Services Center	683,677	718,993	35,316	1,407,454	1,366,891	(40,563)	1,234,355	173,099	2,732,775
Child and Family Support	12,455	14,109	1,654	23,062	26,703	3,641	6,289	16,773	53,426
Multijurisdictional Practice	(1,281)	-	1,281	244	-	(244)	56,697	(56,453)	-
Total Administration of the Profession	818,928	881,752	62,824	1,671,564	1,674,025	2,461	1,485,356	186,208	3,345,016
Program Development									
Program Development	254,931	279,596	24,665	480,752	530,111	49,359	370,863	109,889	1,060,029
California Young Lawyers Association	45,089	58,784	13,695	84,716	111,794	27,078	65,645	19,071	223,599
Program Development Project	-	21,978	21,978	-	43,956	43,956	64	(64)	87,996
Access to Justice	104,670	107,739	3,069	195,551	203,097	7,546	277,287	(81,736)	406,179
Committee on Delivery of Legal Services	3,890	5,859	1,969	4,860	11,718	6,858	9,601	(4,741)	23,479
Total Program Development	408,580	473,956	65,376	765,879	900,676	134,797	723,460	42,419	1,801,282
COMMUNICATIONS									
Media & Information Services	180,195	312,862	132,667	335,367	596,977	261,610	474,486	(139,119)	1,192,899
Calif. Bar Journal	112,664	291,223	178,559	380,440	570,745	190,305	926,854	(546,414)	1,141,491
Total Communications	292,859	604,085	311,226	715,807	1,167,722	451,915	1,401,340	(685,533)	2,334,390
NON DEPARTMENTAL									
	244,224	295,082	50,858	518,936	594,419	75,483	(103,664)	622,600	1,194,152
INTERFUND TRANSFER-OUT TO BUILDING FUND	-	-	-	1,230,000	1,230,000	-	-	1,230,000	1,230,000
INTERFUND TRANSACTION - EXPENSE	16,365	-	(16,365)	52,024	-	(52,024)	27,913	24,111	-
SUBTOTAL THIS PAGE	2,477,897	3,029,377	551,480	6,267,602	7,044,226	776,624	5,567,615	699,987	12,848,866
TOTAL DISCIPLINE FROM PAGE 1	13,586,030	14,477,417	891,387	25,582,774	27,325,712	1,742,938	24,970,350	612,424	54,550,772
TOTAL GENERAL FUND EXPENSE BY FUNCTION	16,063,927	17,506,794	1,442,867	31,850,376	34,369,938	2,519,562	30,537,965	1,312,411	67,399,638



**THE STATE BAR
OF CALIFORNIA**

FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

TEL (415) 538-2200

MEMORANDUM

DATE: September 3, 2010
TO: Board of Governors
FROM: The Office of Finance
SUBJECT: Quarterly Investment Report as of June 30, 2010

Attached is the quarterly investment report for the State Bar of California as of June 30, 2010. The report is presented in a format that conforms to the investment policy adopted by the Board of Governors in May 2005. As of the end of June, the market value of the State Bar's investment portfolio totaled \$100.6 million.

The time-weighted average rate of return of the investment portfolio for the reported quarter is 0.69%, compared to 1.67% for the same period in the prior year. Actual investment earnings decreased approximately 40% from \$776,716 at the second quarter in 2009 to \$458,694 for the reported quarter in 2010. This decrease is due primarily to lower short-term interest rates and duration-shortening actions taken to protect the portfolio from interest rate risk associated with longer term investments.

**The State Bar of California
Investment Report Summary
June 30, 2010**

<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:				
- Corporate Bonds	1,046,150	1,024,170	1.02%	5.20%
- Government Bonds	49,680,240	49,241,809	48.97%	0.72%
- Common Stock-Metlife Inc.	110,863	110,863	0.11%	N.A
- Interest Receivable	-	250,508	0.25%	N.A
Subtotal-Securities, Bonds and Notes	<u>50,837,254</u>	<u>50,627,351</u>	<u>50.35%</u>	
Local Agency Investment Fund	49,776,162	49,926,627	49.65%	0.56%
Subtotal-Other Investments	<u>49,776,162</u>	<u>49,926,627</u>	<u>49.65%</u>	
Grand Total	<u>100,613,416</u>	<u>100,553,978</u>	<u>100%</u>	0.69%

Unrealized Gain/(Loss)-Securities, Bonds and Notes:

Market Value of Portfolio	50,376,843
Original Cost of Portfolio	<u>50,837,254</u>
Unrealized Gain/(Loss):	<u><u>(460,411)</u></u>

State Bar of California
Investment Report - Wells Fargo Custody Account
Balance as of Jun 30, 2010

<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>*Yield</u>	<u>Trade/Purchase Date</u>	<u>Maturity Date</u>
CITIGROUP INC	172967BC4	AA	Corporate Bonds	1,000,000	1,046,150	1,024,170	29,431	(21,980)	5.20%	01/25/07	01/18/11
TL CORP BONDS AND NOTES:				1,000,000	1,046,150	1,024,170	29,431	(21,980)	5.20%		
FED HOME MTG CORP M-T NOTE	3128X4DQ1	AAA	Government Agency	1,541,000	1,612,425	1,541,909	33,709	(70,516)	1.19%	02/05/09	07/06/10
FED HOME LN BK	3133XT6D3	AAA	Government Agency	2,000,000	2,003,940	2,001,260	10,906	(2,680)	1.16%	02/25/09	07/30/10
FED HOME MTG CORP M-T NOTE	3128X4FK2	AAA	Government Agency	1,000,000	1,051,560	1,004,670	18,736	(46,890)	1.16%	02/25/09	08/09/10
FED HOME LN BK	3133XTTQ9	AAA	Government Agency	2,000,000	1,999,500	2,001,880	4,394	2,380	0.72%	06/12/09	09/08/10
FED FARM CREDIT BK	31331GPQ6	AAA	Government Agency	2,000,000	2,000,580	2,003,760	7,778	3,180	1.23%	03/09/09	09/09/10
FED HOME LN BK	3133XGLE2	AAA	Government Agency	2,000,000	2,119,400	2,020,000	31,604	(99,400)	1.34%	02/03/09	09/10/10
FED FARM CREDIT BK	31331XE40	AAA	Government Agency	3,000,000	3,192,690	3,029,070	47,250	(163,620)	1.25%	01/26/09	09/13/10
FED HOME LN MTG CORP	3128X4QK0	AAA	Government Agency	1,500,000	1,593,390	1,520,460	15,208	(72,930)	1.33%	01/27/09	10/18/10
FED HOME LN BK	3133XVL90	AAA	Government Agency	3,000,000	3,004,350	3,001,890	2,363	(2,460)	0.21%	03/18/10	10/28/10
FED HOME LN BK	3133XV5G2	AAA	Government Agency	3,000,000	3,007,530	3,004,680	95	(2,850)	0.25%	03/15/10	12/29/10
FED HOME LN BK	3133XUBV4	AAA	Government Agency	3,000,000	3,015,720	3,006,570	11,807	(9,150)	0.27%	03/09/10	01/20/11
FED FARM CREDIT BK	31331JCY7	AAA	Government Agency	2,000,000	2,002,000	1,999,380	2,917	(2,620)	0.24%	03/01/10	02/11/11
FED FARM CREDIT BK	31331JCY7	AAA	Government Agency	2,000,000	2,000,700	1,999,380	2,917	(1,320)	0.31%	03/09/10	02/11/11
FED HOME MTG CORP M-T NOTE	3137EABZ1	AAA	Government Agency	2,000,000	2,025,580	2,020,000	5,868	(5,580)	0.44%	03/25/10	04/26/11
FED HOME LN BK	3133XTJ64	AAA	Government Agency	2,000,000	1,998,640	2,016,260	3,438	17,620	1.41%	06/12/09	05/16/11
FED HOME LN BK	31331YQ45	AAA	Government Agency	1,500,000	1,545,225	1,535,625	5,513	(9,600)	0.51%	03/25/10	05/19/11
FED FARM CREDIT BK	31331GXR5	AAA	Government Agency	3,000,000	2,987,040	3,019,680	2,204	32,640	1.37%	06/09/09	06/08/11
FED HOME LN BK	3133XVTL5	AAA	Government Agency	2,000,000	2,005,860	2,004,380	1,322	(1,480)	0.44%	04/08/10	05/27/11
FED HOME LN BK	3133XXUB1	AAA	Government Agency	2,000,000	2,000,280	1,999,380	1,979	(900)	0.36%	04/08/10	03/25/11
FED HOME LN BK	3133XXEL7	AAA	Government Agency	3,000,000	2,998,800	2,997,180	2,604	(1,620)	0.30%	05/11/10	02/25/11
FED HOME LN BK	3133XYMV4	AAA	Government Agency	2,500,000	2,506,900	2,507,825	1,667	925	0.61%	06/11/10	12/01/11
FED FARM CREDIT BK	31331JFT5	AAA	Government Agency	3,000,000	3,008,130	3,006,570	6,800	(1,560)	0.45%	06/23/10	09/01/11
TOTAL GOVERNMENT BONDS AND NOTES:				49,041,000	49,680,240	49,241,809	221,078	(438,431)	0.72%		
TOTAL FIXED INCOME INVESTMENT HELD BY WELLS FARGO:				50,041,000	50,726,390	50,265,979	250,508	(460,411)			
METLIFE INC	59156R108	N/A	Common Stock	-	-	110,863	-	110,863			N/A
TL Common Stock:				-	-	110,863	-	110,863			
TOTAL INVESTMENT HELD BY WELLS FARGO:				50,041,000	50,726,390	50,376,843	250,508	(349,548)	-		

Wells Fargo Custody Total Assets [Mkt Value (incl MetLife) + Interest Receivable]:

50,627,351



THE STATE BAR OF CALIFORNIA

FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

TEL (415) 538-2200

MEMORANDUM

DATE: September 3, 2010
TO: Board of Governors
FROM: The Office of Finance
SUBJECT: Status of Claims Activities – Client Security Fund
Through the Quarter Ended June 30, 2010

Each quarter, the Office of Finance prepares a series of reports to evaluate the financial condition of the Client Security Fund. These reports include:

- Claims Activity for the quarter ended June 30, 2010
- Claims Aging Report
- Cumulative Claims Aging Report
- 24 Month Rolling Average of Claims Paid
- Analysis of New Claims Paid, Rejected or Withdrawn

Through the end of June, 2,371 new claims in the amount of \$12.8 million were filed. By comparison, 609 claims in the amount of \$7 million were filed through the second quarter of 2009. Both the number of claims and claim amounts filed in the past twelve months has significantly increased - 289% and 83%, respectively - due in large part to new claims related to loan modification fraud.

On a cash basis, total claims paid through the second quarter of fiscal year 2010 are approximately \$1.1 million. Cash and investments available to pay future claims expenses are \$16.7 million as of June 30, 2010. An actuarial study performed by Milliman in July of this year estimates that this cash balance will be sufficient to fund claims through 2019.

For financial statement purposes, the Office of Finance accrues a liability based on a rolling 24 month historical claims payout ratio, currently 38.02%. As of June 30, 2010 total claims submitted and outstanding are \$31.7 million. Based on this payout ratio, Finance has recorded a claims liability of approximately \$12 million in the June financial statements.

THE STATE BAR OF CALIFORNIA
 CLIENT SECURITY FUND
 STATUS ON CLAIMS ACTIVITIES

June 30, 2010

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' Claims	995	\$1,596,259.99	1,235	\$4,303,778.48	347	\$2,573,533.46	188	\$3,140,215.64	73	\$2,477,378.61	157	\$7,889,400.00	2	\$200,000.00	2,997	\$22,180,566.18
New Claims '10	800	\$1,400,245.47	1,147	\$3,925,475.79	245	\$1,733,398.16	95	\$1,553,032.69	39	\$1,406,515.65	32	\$1,600,000.00	13	\$1,183,500.00	2,371	\$12,802,167.76
Paid Claims '10	(30)	(\$57,075.00)	(29)	(\$108,386.75)	(14)	(\$93,263.78)	(9)	(\$123,013.33)	(3)	(\$55,440.67)	(13)	(\$636,433.00)	0	\$0.00	(98)	(\$1,073,612.53)
Rejected Claims '10	(1)	(\$6,709.00)	(1)	(\$11,570.00)	(4)	(\$45,845.33)	(3)	(\$85,382.41)	(1)	(\$78,321.33)	(7)	(\$402,967.00)	(1)	(\$100,000.00)	(18)	(\$730,795.07)
Withdrawn Claims '10	(16)	(\$22,611.46)	(21)	(\$83,919.70)	(13)	(\$100,545.00)	(17)	(\$298,860.69)	(5)	(\$156,033.06)	(17)	(\$850,000.00)	0	\$0.00	(89)	(\$1,511,969.91)
Claims Outstanding	1,748	<u>\$2,910,110.00</u>	2,331	<u>\$8,025,377.82</u>	561	<u>\$4,067,277.51</u>	254	<u>\$4,185,991.90</u>	103	<u>\$3,594,099.20</u>	152	<u>\$7,600,000.00</u>	14	<u>\$1,283,500.00</u>	5,163	<u>\$31,666,356.43</u>
New claims % to total	33.74%	10.94%	48.38%	30.66%	10.33%	13.54%	4.01%	12.13%	1.64%	10.99%	0.00%	12.50%	0.55%	9.24%	98.65%	100.00%
Claims paid % to total	30.61%	5.32%	29.59%	10.10%	14.29%	8.69%	9.18%	11.46%	3.06%	5.16%	13.27%	59.28%	0.00%	0.00%	100.00%	100.00%
Claims rejected or withdrawn % to total	15.89%	1.31%	20.56%	4.26%	15.89%	6.53%	18.69%	17.13%	5.61%	10.45%	22.43%	55.87%	0.93%	4.46%	100.00%	100.00%
Claims outstanding % to total	33.86%	9.19%	45.15%	25.34%	10.87%	12.84%	4.92%	13.22%	1.99%	11.35%	2.94%	24.00%	0.27%	4.05%	100.00%	100.00%

**THE STATE BAR OF CALIFORNIA
CLIENT SECURITY FUND
CLAIMS AGING REPORT**

As of June 30, 2010

(By Year)

Year Claim Filed	Gross Claims Prior Year		Current Year		Claims Paid		Claims Rejected or Withdrawn		Total Claims Processed		Claims Outstanding	
	#	AMOUNT	#	AMOUNT	#	AMOUNT	#	AMOUNT	#	AMOUNT	#	AMOUNT
2004	1	50,000.00			0	0.00	0	0.00	0	0.00	1	50,000.00
2005	6	210,868.72			(2)	(44,000.00)	(1)	(75,000.00)	(3)	(119,000.00)	3	91,868.72
2006	34	593,294.90			(3)	(52,850.00)	(6)	(100,701.70)	(9)	(153,551.70)	25	439,743.20
2007	120	2,097,111.34			(11)	(173,336.11)	(12)	(238,752.00)	(23)	(412,088.11)	97	1,685,023.23
2008	217	3,890,142.89			(26)	(189,662.67)	(13)	(297,056.18)	(39)	(486,718.85)	178	3,403,424.04
2009	2619	15,339,148.33			(53)	(605,908.75)	(55)	(1,237,734.14)	(108)	(1,843,642.89)	2511	13,495,505.44
2010			2371	12,802,167.76	(3)	(7,855.00)	(20)	(293,520.96)	(23)	(301,375.96)	2348	12,500,791.80
TOTAL	2997	22,180,566.18	2371	12,802,167.76	(98)	(1,073,612.53)	(107)	(2,242,764.98)	(205)	(3,316,377.51)	5163	31,666,356.43
Average		\$7,401		\$5,399		\$10,955		\$20,960		\$16,177		\$6,133

Estimated Claim Payout Ratio: **38.02%**
Estimated Claim Liability: **\$12,039,549**

**THE STATE BAR OF CALIFORNIA
CLIENT SECURITY FUND
CUMULATIVE CLAIMS AGING REPORT**

As of June 30, 2010

(Cumulative)

YEAR TO DATE

Year Claim Filed	Gross Claims Prior Years		Current Year		Claims Paid		Claims Rejected or Withdrawn		Total Claims Processed		Claims Outstanding	
	#	AMOUNT	#	AMOUNT	#	AMOUNT	#	AMOUNT	#	AMOUNT	#	AMOUNT
2004 Only	1	50,000.00			0	-	0	0.00	0	0.00	1	50,000.00
2004-2005	7	260,868.72			(2)	(44,000.00)	(1)	(75,000.00)	(3)	(119,000.00)	4	141,868.72
2004-2006	41	854,163.62			(5)	(96,850.00)	(7)	(175,701.70)	(12)	(272,551.70)	29	581,611.92
2004-2007	161	2,951,274.96			(16)	(270,186.11)	(19)	(414,453.70)	(35)	(684,639.81)	126	2,266,635.15
2004-2008	378	6,841,417.85			(42)	(459,848.78)	(32)	(711,509.88)	(74)	(1,171,358.66)	304	5,670,059.19
2004-2009	2,997	22,180,566.18			(95)	(1,065,757.53)	(87)	(1,949,244.02)	(182)	(3,015,001.55)	2,815	19,165,564.63
2004-2010			2,371	12,802,167.76	(98)	(1,073,612.53)	(107)	(2,242,764.98)	(205)	(3,316,377.51)	5,163	31,666,356.43
Claims Pending on June 30, 2010				5,163								
Net Asset in Client Security Fund :												
	As of	12/31/2009		2,678,821								
	As of	6/30/2010		4,542,768								

*The number of rejected claims only reflects those claims that were 100% rejected or withdrawn.

**THE STATE BAR OF CALIFORNIA
CLIENT SECURITY FUND**

**24 MONTH ROLLING AVERAGE
OF CLAIMS PAID RATIO**

Period of: JUL.08 through JUN.10

PAID CLAIMS

Month Covered	Amount	Mo. Ave. Payout Ratio	24 Mo. Rolling Average	Cumulative Paid Total
JUL.08	636,186	43.28%		636,186
AUG.08	299,932	28.67%		936,118
SEP.08	626,516	46.72%		1,562,634
OCT.08	380,744	50.26%		1,943,378
NOV.08	78,814	19.99%		2,022,192
DEC.08	945,674	43.44%		2,967,866
JAN.09	11,380	42.73%		2,979,246
FEB.09	7,410	1.74%		2,986,656
MAR.09	154,885	20.16%		3,141,541
APR.09	398,024	42.07%		3,539,565
MAY.09	287,574	40.71%		3,827,139
JUN.09	504,153	44.37%		4,331,292
JUL.09	349,652	26.92%		4,680,944
AUG.09	77,845	19.17%		4,758,789
SEPT.09	284,251	44.90%		5,043,040
OCT.09	671,289	62.88%		5,714,329
NOV.09	218,385	28.56%		5,932,714
DEC.09	497,104	47.27%		6,429,818
JAN.10	2,500	1.42%		6,432,318
FEB.10	106,392	15.62%		6,538,710
MAR.10	162,881	31.55%		6,701,591
APR.10	158,270	43.87%		6,859,861
MAY10	334,727	33.60%		7,194,588
JUN.10	308,843	52.70%		7,503,431

7,503,431

38.02%

THE STATE BAR OF CALIFORNIA
 CLIENT SECURITY FUND
 ANALYSIS OF NEW CLAIMS PAID, REJECTED
 OR WITHDRAWN, ESTIMATED
 CLAIMS LIABILITY PER ACTIVE
 ATTORNEY

June 30, 2010

	<u>1st Qtr</u>	<u>2nd Qtr.</u>
Beginning Balance	2997	4416
Add: Reinstated Claims		
New Claims	1514	857
Less: Paid / Rejected or Withdrawn	95	110
TOTAL	4416	5163
CLAIMS OUTSTANDING AMT.	28,017,614	31,666,356
# Of Active Attorneys	168,378	167,993
Cost Per Active Attorney	\$166	\$188
 ESTIMATED CLAIMS LIAB.		
Claims Payout Ratio	38.07%	38.02%
Estimated Claim Amount *	\$10,666,306	\$12,039,549
# of Active Attorneys	168,378	167,993
Cost per Active Attorney	\$63	\$72
 CLAIM ACTIVITIES IN %:		
 NEW CLAIMS - YTD		
1 - 2,500	12.61%	10.94%
2,501 - 5,000	35.54%	30.66%
5,001 - 10,000	13.38%	13.54%
10,001 - 25,000	10.59%	12.13%
25,001 - 49,999	10.75%	10.99%
50,000	8.27%	12.50%
50,001 - 100,000	8.85%	9.24%
 CLAIMS PAID - YTD		
1 - 2,500	10.05%	5.32%
2,501 - 5,000	18.43%	10.10%
5,001 - 10,000	18.09%	8.69%
10,001 - 25,000	14.63%	11.46%
25,001 - 49,999	20.40%	5.16%
50,000	18.40%	59.28%
50,001 - 100,000	0.00%	0.00%
 REJ./WDRAWN - YTD		
1 - 2,500	1.25%	1.31%
2,501 - 5,000	3.34%	4.26%
5,001 - 10,000	8.33%	6.53%
10,001 - 25,000	24.04%	17.13%
25,001 - 49,999	17.64%	10.45%
50,000	45.39%	55.87%
50,001 - 100,000	0.00%	4.46%
 CLAIMS O/S-CUM. - YTD		
1 - 2,500	8.81%	9.19%
2,501 - 5,000	24.24%	25.34%
5,001 - 10,000	12.15%	12.84%
10,001 - 25,000	12.86%	13.22%
25,001 - 49,999	10.73%	11.35%
50,000	28.20%	24.00%
50,001 - 100,000	3.00%	4.05%
 NET ASSET, END OF PERIOD	\$6,564,564	\$4,542,768

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