

*****Request for Proposal*****
Collections/ Subrogation Attorney
State Bar of Michigan

I. Overview

The State Bar of Michigan (hereafter called the “State Bar”) is seeking bid proposals from an attorney or legal firm to pursue Client Protection Fund subrogation collection and debt collection efforts on an independent contractor basis.

The State Bar is a unified bar operating under the supervision of the Supreme Court of the State of Michigan. It is organized as a public body corporate and is located in downtown Lansing, Michigan. The State Bar has close to 38,000 members and a budget of close to \$10 million annually. The Client Protection Fund (CFP) has a balance of over \$1 million and is used to reimburse clients whose attorneys misappropriated client funds.

The State Bar intends to engage an attorney or legal firm to provide subrogation and debt collection services beginning as early as March 2006.

II. Summary of Services Requested

These services shall include 1) pursuing subrogated collection rights against attorneys who have misappropriated client funds, 2) collecting money on general accounts receivable that remain unpaid after normal past due follow up, 3) providing information and advice on the efficacy of collection efforts on a particular matter or collection case, and 4) providing an accounting and net recoveries on a monthly basis to the State Bar for all collection activity.

The State Bar is seeking an attorney or legal firm that will work on a contingency fee basis. All services provided shall be performed in accordance with the rules and policies governing the State Bar, and within all State and Federal laws.

The proposed service fees and costs included in your proposal should address each of the next 3 years, although there will be no obligation on the State Bar to continue the services after the first year.

III. Description of the Collection Process

Client Protection Fund Subrogated Claims

- 1) The State Bar of Michigan established the Client Protection Fund to reimburse clients victimized by the few attorneys who violate the profession’s ethical standards by misappropriating funds entrusted to them.

- 2) A client makes a claim with the CPF, the claim is considered and if approved, the client signs a subrogation agreement with the State Bar, subrogating their collection rights to the State Bar up to the amount paid by the CPF.
- 3) The State Bar pursues collection efforts against the attorney, who is generally suspended or disbarred by the time the State Bar has obtained subrogation rights from the victim. Specifically, the State Bar provides the subrogation agreement to its collections/ subrogation attorney to pursue entry of judgment and collection efforts.
- 4) When an amount is collected, the collection attorney remits to the State Bar the amount collected, net a predetermined percentage for the collection expense.
- 5) The State Bar of Michigan pursues subrogated collection claims against nine suspended and/or disbarred attorneys, on average, per year. The average amount owed by the suspended/disbarred attorneys is \$11,000. The number of respondents and the amount owed, however, can exceed this average in any given year. Although claims could arise within the venue of any district or circuit court jurisdiction within the State and outside as well, generally speaking, based on past experiences, 50-70% of claims arise from southeast Michigan, 10-15 % from the west side of Michigan and other areas and 15 % from northern and mid-Michigan.

General Accounts Receivable/ Past Due Debts

- 1) After the account is unpaid for 30 days, the debtor is sent a past due notice.
- 2) After the account is unpaid for 60 days, the debtor is sent a second past due notice.
- 3) After the account is unpaid for 90 days, the debtor is sent a final past due notice, indicating the receivable will be turned over to an attorney for collection if not paid within 10 days.
- 4) The receivable is turned over to the collections attorney for follow up action.
- 5) When the collection attorney recovers the outstanding receivable, the collection attorney remits to the State Bar the amount collected, net a predetermined percentage for the collection expense.
- 6) The volume of past due debts expected to be turned over to the collection attorney is estimated to be up to \$5,000 per year.

IV. Proposal Requirements

In your proposal for collection services, please provide the following:

- 1) An overview of your firm's experience in providing collection services;
- 2) Your qualifications, including specific experience with bar associations, governmental units and not-for-profit entities;
- 3) Biographical sketches of the Principal(s) and staff who would be assigned to this activity;
- 4) The experience of the firm in bankruptcy matters.
- 5) The proposed fees and percentages of the monies collected (contingency fee), including any fees for miscellaneous expenses, for the next three years;
- 6) Payment provisions requested;
- 7) A list of client references; and
- 8) Proof of liability insurance and amount;
- 9) A statement that the collection processing services provider agrees to act as fiduciary to the State Bar for the purpose of handling monies collected on behalf of the State Bar.
- 10) A statement attesting that all information provided in your proposal to the State Bar of Michigan is true and accurate to the best of your knowledge.

V. Successful Proposal - Selection Criteria

The criteria for selection of the successful collections attorney or legal firm will include general experience, qualifications, collections track record, experience with similar organizations, the review and analysis of the services proposed, and the amount (percentage) of the services fee and any other anticipated fees or costs. Applicants must possess a strong ethical, professional and civil approach to the practice of law. Although the cost of the service will be an important factor, it will not be the only factor considered.

VI. Due Date for Proposals

Proposals should be received by **5:00 PM on Friday, March 10, 2006** at the State Bar of Michigan, 306 Townsend, Lansing, Michigan, 48933. The proposal shall be submitted in a package, with 2 copies, marked to the attention of James C. Horsch, Director of Finance

& Administration. Proposals received after that date will not be considered. The State Bar of Michigan reserves the right to accept or reject any and all submitted proposals.

VII. Notification of Successful Proposal and Questions

The State Bar of Michigan expects to notify the attorney or legal firm submitting the successful proposal no later than March 31, 2006. Selection will be made by the management of the State Bar of Michigan.

Questions regarding this proposal can be addressed to Ms. Victoria Kremski, Esq., at the contact information provided below.

Thank you in advance for your proposal for collection services.

James C. Horsch
Director of Finance & Administration
State Bar of Michigan
306 Townsend
Lansing, Michigan 48933
(517) 346-6327
jhorsch@mail.michbar.org

Victoria Kremski
Deputy Director of Professional Standards
State Bar of Michigan
306 Townsend
Lansing, Michigan 48933
(517) 346-6310
vkremski@mail.michbar.org