



ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION  
of the  
SUPREME COURT OF ILLINOIS

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Chicago  
April 30, 1998

To the Honorable, the Chief Justice  
and Justices of the Supreme Court  
of Illinois

The annual report of the Attorney Registration and Disciplinary Commission for 1997 is submitted to the Court, to the members of the Bar of Illinois, and to the public in accordance with Supreme Court Rule 751.

The report is a statement of activities of the Commission for calendar year 1997 and an accounting and audit of the monies received and expended during the twelve-month period which ended December 31, 1997.

Respectfully submitted,

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Benedict Schwarz II, Commissioners

Mary Robinson, Administrator

## I. Registration Report

The 1997 Master Roll of Attorneys contained the names of 70,415 attorneys as of October 31, 1997, after which date the Commission began the 1998 registration process. Therefore, this total does not include the 1,793 attorneys who first took their oath of office in November or December 1997. The total number of attorneys licensed to practice law in Illinois for 1997 reflects an increase of approximately 2% over 1996 and an overall increase of 162% since 1975, as shown in Chart A.

**Chart A: Illinois Attorney Population 1975-1997**

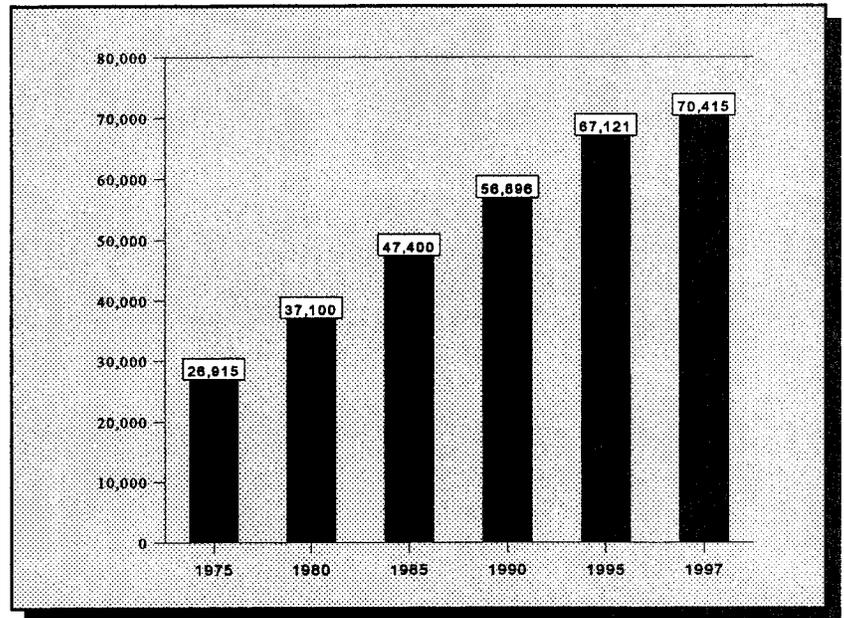
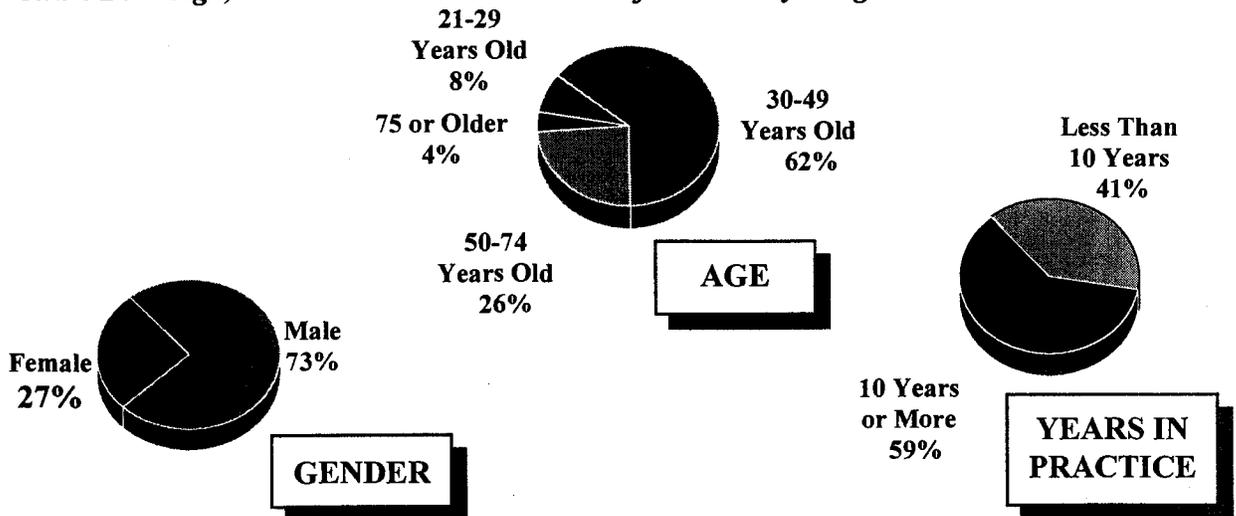


Chart B shows further demographic information for attorneys registered in 1997 and Chart C shows the breakdown by the registration categories set forth in Rule 756. The number of female lawyers continues to reflect an increase of approximately 1% each year since 1992, when the demographics for the Illinois attorney population first were reported.

**Chart B: Age, Gender and Years in Practice for Attorneys Registered in 1997**



**Chart C: Registration Categories for 1997**

<u>Category</u>	<u>Number of Attorneys</u>
Admitted between January 1, 1996 and October 31, 1997 .....	2,795
Admitted between January 1, 1994 and December 31, 1995 .....	4,744
Admitted before January 1, 1994 .....	49,279
Serving military duty .....	285
Serving as judge .....	902
Birthday before December 31, 1921 .....	2,430
Foreign legal consultant .....	2
Neither practice, nor reside, nor are employed in Illinois .....	<u>9,978</u>
Total attorneys active and currently registered .....	<u>70,415</u>
Removed from the Master Roll (Arrears, Deceased, Inactive and Disciplined Attorneys) ...	1,138

In addition to the 9,978 attorneys who pay a reduced fee because they neither practice nor reside nor are employed in the state, another 6,785 attorneys report a business address outside Illinois but register to be able to practice in Illinois. Those 16,763 attorneys are not included in Charts D and E.

Charts D and E show the distribution by Judicial Circuit and by County of the 53,652 registered attorneys who report a principal business address in Illinois. Counties with 100 or more lawyers showing the largest increases in 1997 are: Jackson (7%), Will (6%), Lake (6%), McLean (5%), Winnebago (4%), and McHenry (3%). Twenty-four counties showed a decrease in the number of attorneys in 1997. Thirty counties remained the same.

**Chart D: Registration By Judicial Districts for 1997**

	1993	1994	1995	1996	1997		1993	1994	1995	1996	1997
<b>First District</b>						<b>Fourth District</b>					
Cook County .....	35,140	35,704	36,158	37,302	38,017	5th Circuit .....	288	285	270	266	271
<b>Second District</b>						6th Circuit .....	776	786	807	806	814
15th Circuit .....	189	189	191	193	203	7th Circuit .....	1120	1129	1151	1169	1183
16th Circuit .....	984	1009	1045	1059	1066	8th Circuit .....	186	192	189	193	194
17th Circuit .....	647	661	671	676	696	11th Circuit .....	469	471	482	500	521
18th Circuit .....	2763	2858	3051	3111	3158	<b>Total .....</b>	<b>2839</b>	<b>2863</b>	<b>2899</b>	<b>2934</b>	<b>2983</b>
19th Circuit .....	2182	2304	2491	2539	2680	<b>Fifth District</b>					
<b>Total .....</b>	<b>6765</b>	<b>7021</b>	<b>7449</b>	<b>7578</b>	<b>7803</b>	1st Circuit .....	377	386	392	396	412
<b>Third District</b>						2nd Circuit .....	290	281	291	296	299
9th Circuit .....	202	201	207	210	204	3rd Circuit .....	515	485	494	503	502
10th Circuit .....	796	816	831	855	847	4th Circuit .....	249	253	260	255	267
12th Circuit .....	508	525	555	566	601	20th Circuit .....	744	692	710	728	737
13th Circuit .....	299	299	308	311	318	<b>Total .....</b>	<b>2175</b>	<b>2097</b>	<b>2147</b>	<b>2178</b>	<b>2217</b>
14th Circuit .....	501	507	506	503	506	<b>Grand</b>					
21st Circuit .....	152	156	152	152	156	Total .....	49,377	50,189	51,212	52,589	53,652
<b>Total .....</b>	<b>2458</b>	<b>2504</b>	<b>2559</b>	<b>2597</b>	<b>2632</b>						

**Chart E: Registered Attorneys by County**

Principal Office	Number of Attorneys		Principal Office	Number of Attorneys		Principal Office	Number of Attorneys	
	1996	1997		1996	1997		1996	1997
Adams	114	115	Hardin	6	7	Morgan	51	51
Alexander	12	11	Henderson	9	8	Moultrie	17	17
Bond	12	12	Henry	51	50	Ogle	51	52
Boone	37	34	Iroquois	29	30	Peoria	698	698
Brown	8	8	Jackson	192	206	Perry	23	23
Bureau	44	44	Jasper	5	5	Piatt	23	22
Calhoun	5	5	Jefferson	100	99	Pike	10	9
Carroll	16	16	Jersey	17	17	Pope	4	3
Cass	12	11	Jo Daviess	31	33	Pulaski	8	8
Champaign	492	500	Johnson	7	8	Putnam	8	8
Christian	45	47	Kane	846	856	Randolph	26	25
Clark	14	14	Kankakee	123	126	Richland	26	25
Clay	15	15	Kendall	47	47	Rock Island	363	363
Clinton	22	23	Knox	63	64	Saline	37	39
Coles	93	99	Lake	2113	2240	Sangamon	1036	1048
Cook	37302	38017	LaSalle	208	211	Schuyler	13	12
Crawford	19	19	Lawrence	20	19	Scott	6	6
Cumberland	6	7	Lee	36	39	Shelby	19	18
DeKalb	166	163	Livingston	49	50	St. Clair	627	639
DeWitt	24	23	Logan	32	33	Stark	10	10
Douglas	17	17	Macon	233	235	Stephenson	59	63
Du Page	3111	3158	Macon	233	235	Tazewell	123	115
Edgar	33	29	Macoupin	45	46	Union	25	24
Edwards	5	5	Madison	491	490	Vermillion	120	122
Effingham	42	46	Marion	53	54	Wabash	19	18
Fayette	16	18	Marshall	16	16	Warren	30	25
Ford	17	17	Mason	16	17	Washington	15	15
Franklin	57	60	Massac	18	18	Wayne	13	15
Fulton	42	44	McDonough	46	43	White	14	15
Gallatin	6	6	McHenry	426	440	Whiteside	76	80
Greene	14	15	McLean	381	400	Will	566	601
Grundy	59	63	Menard	15	17	Williamson	93	95
Hamilton	11	11	Mercer	13	13	Winnebago	639	662
Hancock	20	20	Monroe	37	35	Woodford	21	21
			Montgomery	38	41			

**II. Report on Disciplinary Matters and Non-Disciplinary Action Affecting Attorney Status**

**A. Investigations**

During 1997, the Commission docketed 6,293 investigations, a decrease of 8% from the 6,801 investigations docketed in 1996, and the lowest number of investigations docketed since 1988 (see Chart 14). Those 6,293 investigations involved charges against 4,173 different attorneys. This means that about 6% of the registered attorneys became the subject of an investigation in 1997, a figure which is consistent over the past several years. Nearly a quarter of the 4,173 attorneys were the subject of more than one investigation, as shown above.

Number of Investigations	Number of Attorneys
1	3,232
2	584
3	192
4	78
5 or more	87

Gender:	Years in Practice
Female 16%	Less than 10 years 23%
Male 84%	10 years or more 77%

Charts 1 and 2 below report the classification of investigations docketed in 1997, based on an initial assessment of the nature of the misconduct alleged, if any, and the type of legal context in which the facts apparently arose. Chart 1 reflects that the most frequent areas of a grievance are: neglect of the client's cause, failure to communicate with the client, fraudulent or deceptive activity, excessive fees and incompetence.

Consistent with prior years, the top areas of practice most likely to lead to a grievance of attorney misconduct are: criminal law, domestic relations, tort and real estate, as shown in Chart 2.

**Chart 1: Classification of Charges Docketed in 1997 by Violation Alleged**

<i>Type of Misconduct</i>	<i>Number*</i>	<i>Type of Misconduct</i>	<i>Number*</i>
Neglect .....	1,856	Threatening criminal prosecution or disciplinary proceedings to gain advantage in a civil matter .....	57
Failing to communicate with client, including failing to communicate the basis of a fee .....	1,232	Improper trial conduct, including suppressing evidence where there is a duty to reveal .....	54
Fraudulent or deceptive activity, including lying to clients, knowing use of false evidence or making a misrepresentation to a tribunal .....	897	Failing to preserve client confidences or secrets .....	50
Excessive fees, including failing to refund unearned fees .....	780	Avoiding in bad faith the repayment of an educational loan guaranteed by a governmental entity .....	45
Incompetence .....	544	Improper communications with a party known to be represented by counsel .....	41
Improper management of client or third party funds, including commingling, conversion, failing to promptly pay litigation costs or client creditors, or issuing N.S.F. checks .....	459	Failing to pay tax obligation in bad faith .....	31
Not abiding by a client's decision concerning the representation or taking unauthorized action on the client's behalf .....	406	Prosecutorial misconduct .....	23
Conflict of interest, including improperly entering into business transactions with clients .....	340	Improper division of legal fees .....	17
Failing to treat others with courtesy .....	204	Improper <i>ex parte</i> communication .....	13
Failing to properly withdraw from representation, including failing to return client files or documents .....	202	Failing to supervise subordinates .....	13
Conduct prejudicial to the administration of justice, including conduct which is the subject of a contempt finding or court sanction .....	189	Failing to report lawyer misconduct .....	13
Filing frivolous or non-meritorious claims or pleadings .....	177	Failing to register .....	11
Criminal activity, including criminal convictions, counseling illegal conduct, public corruption .....	105	Incapacity due to chemical addiction or mental condition .....	9
Aiding or engaging in the unauthorized practice of law .....	93	Failing to comply with Rule 764 .....	5
Improper commercial speech, including inappropriate written and oral solicitation .....	75	Improper communications with or harassment of jurors .....	2
		Failing to pay child support in bad faith .....	3
		Failing to report judicial misconduct .....	2
		No misconduct alleged, including approximately 319 prisoner complaints where an appellate review of issues would be more appropriate .....	1,202

\* Totals exceed the number of charges docketed in 1997 because in many charges more than one type of misconduct is alleged.

**Chart 2: Classification of Charges Docketed in 1997 by Area of Law**

<i>Area of Law</i>	<i>Number*</i>
Criminal/Quasi-Criminal .....	1,066
Domestic Relations .....	1,065
Tort (Personal Injury/Property damage) .....	940
Real Estate/Landlord-Tenant .....	496
Workers' Compensation .....	328
Probate .....	327
Contract .....	309
Bankruptcy .....	149
Civil Rights .....	131
Corporate Matters .....	118
Immigration .....	74
Debt Collection .....	73
Criminal Conduct/Conviction .....	69
Local Government Problems .....	52
Tax .....	31
Adoption .....	28
Patent and Trademark .....	18
Social Security .....	17
Professional Discipline .....	6
Mental Health .....	5
No misconduct alleged .....	1,202
Other .....	51

\* Totals exceeds the number of charges docketed because in many charges more than one area of law is involved.

If an investigation fails to reveal sufficiently serious, provable misconduct, the Administrator will close the investigation. If an investigation produces evidence of serious misconduct, the case is referred to the Inquiry Board. The Inquiry Board operates in panels of three, composed of two attorneys and one nonlawyer, all appointed by the Commission. An Inquiry Board has authority to vote a formal complaint if it finds evidence to support a charge, to close an investigation if it does not so find, or to defer the investigation and place an attorney on supervision under the direction of the panel pursuant to Commission Rule 108. The Administrator cannot pursue

formal charges without authorization by an Inquiry Board panel.

Comparatively few investigations result in the filing of formal charges. Charts 3 and 4 show the number of investigations docketed and terminated during 1997, and the type of action which terminated the investigations.

**Chart 3: Investigations Docketed**

Year	Pending January 1st	Docketed During Year	Concluded During Year	Pending December 31st
1994	2,954	6,567	6,729	2,792
1995	2,792	6,505	6,845	2,452
1996	2,452	6,801	6,686	2,567
1997	2,567	6,293	6,643	2,217

**Chart 4: Action Concluding Investigations in 1997**

<b>Concluded by Administrator:</b>	
Closed after initial review .....	1,202
Closed after investigation .....	5,018
<b>Concluded by Inquiry:</b>	
Closed after panel review .....	77
Complaint or impairment petition voted .....	342
Closed upon completion of conditions of Rule 108 supervision .....	4
<b>Total .....</b>	<b><u>6,643</u></b>

## B. Hearing Matters

Once an Inquiry Board panel authorizes the filing of charges, a formal complaint setting forth all allegations of misconduct pending against the attorney is filed, and the matter proceeds before the Hearing Board. The Hearing Board functions much like a trial court in a civil case and is comprised of three panel members, two lawyers and one nonlawyer, appointed by the Commission. Upon filing and service of the complaint, the case becomes public. In addition to complaints alleging misconduct filed pursuant to Supreme Court Rule 753, and complaints alleging conviction of a criminal offense under Rule 761, the Hearing Board also entertains petitions for reinstatement pursuant to Rule 767, petitions for transfer to inactive status because of impairment pursuant to Rule 758, and petitions for restoration to active status pursuant to Rule 759.

Chart 5 shows the activity before the Hearing Board in 1997. The number of disciplinary complaints filed in 1997 was 121, the same number filed in 1996. The Hearing Board concluded 131 cases during 1997 as compared with 82 cases concluded in 1996.

**Chart 5: Matters Before the Hearing Board in 1997**

Cases Pending on January 1, 1997 .....	129
<b>New Cases Filed in 1997:</b>	
<i>Disciplinary Complaints Filed: *</i>	
▶ Rule 753, 761(d) .....	121
<i>Reinstatement Petitions Filed:</i>	
▶ Rule 767 .....	3
<i>Petitions Alleging Impairment: *</i>	
▶ Rule 758 .....	2
<i>Contested Restoration Petitions:</i>	
▶ Rule 759 .....	3
<b>Total New Cases .....</b>	<b>129</b>
<b>Cases Concluded During 1997 .....</b>	<b>131</b>
<b>Cases Pending December 31, 1997 .....</b>	<b>127</b>
* The number of cases filed at Hearing is significantly lower than the number of matters voted by Inquiry because multiple investigations against a particular attorney in which an Inquiry Board has voted a complaint are consolidated into a single complaint for purposes of filings at Hearing.	

The chart here shows the years in practice of the lawyers who are the subject of a formal complaint filed in 1997. The number of formal complaints filed against attorneys in practice for fewer than ten years continues to be growing. Of the 121 disciplinary complaints filed in 1997, 23% were filed against lawyers less than ten years in practice, an 8% increase over 1996.

**Number of Complaints filed in 1997: ..... 121**

<i>Respondent's Years in Practice</i>	<i>Number of Complaints</i>	<i>Percentage</i>
Less than 5 years .....	10	8%
Between 5 and 10 years .....	18	15%
10 or more years .....	93	77%

Charts 6A and 6B show the types of misconduct alleged in the 121 disciplinary complaints filed during 1997 and the areas of practice in which the alleged misconduct arose. In large part, the categories most frequently seen in formal complaints track the categories most frequently seen in the initial charges, as reported in Charts 1 and 2.

**Chart 6A: Types of Misconduct Alleged in Complaints Filed Before Hearing Board in 1997**

<i>Type of Misconduct</i>	<i>Number of cases*</i>	<i>% of cases filed*</i>	<i>Type of Misconduct</i>	<i>Number of cases*</i>	<i>% of cases filed*</i>
Neglect/lack of diligence .....	50	41%	Not abiding by client's decision or taking unauthorized action on client's behalf .....	10	8%
Of the 50 cases where neglect was charged, the neglect was accompanied by at least one of the following:			Improper withdrawal from employment without court approval or avoiding prejudice to client .....	9	7%
Misrepresentation to client .....	28		Misrepresentation to third persons .....	9	7%
Failure to return unearned fees .....	22		Pursuing or filing of frivolous or non-meritorious claims or pleadings .....	4	3%
Improper handling of funds .....	49	40%	Practicing despite failure to register .....	3	2%
Failing to communicate with client .....	48	40%	Incompetence .....	2	2%
Fraudulent or deceptive activity .....	47	39%	Improper division of legal fees .....	2	2%
Criminal conduct by the lawyer .....	33	27%	Failure to reveal confidence to prevent death or serious bodily harm .....	2	2%
False statement or failure to respond in bar admission or disciplinary matter .....	23	19%	Violating client privilege .....	1	1%
Falsifying evidence or making false statements to tribunal .....	18	15%	Improper communication with represented party .....	1	1%
Conflict of interest .....	13	11%	Improper commercial speech, including inappropriate written or oral solicitation .....	1	1%
Arising from business transactions with client .....	2		Aiding in unauthorized practice of law by a nonlawyer .....	1	1%
Representing clients with conflicting interests .....	4		Threatening criminal or disciplinary charges to gain an advantage in a civil suit .....	1	1%
Arising from a representation inconsistent with the lawyer's own interests .....	7		Failure to supervise nonlawyer employees .....	1	1%
Excessive or unauthorized fees .....	13	11%	Improper delegation to outside counsel .....	1	1%
Practicing in jurisdiction not authorized .....	11	9%			

\* Totals exceed 121 cases and 100% because most complaints allege more than one type of misconduct.

**Chart 6B: Area of Law Involved in Complaints Filed Before Hearing Board in 1997**

<u>Area of Law</u>	<u>Number of cases</u>	<u>% of cases filed *</u>	<u>Area of Law</u>	<u>Number of cases</u>	<u>% of cases filed *</u>
Domestic Relations	33	27%	Debt Collection	8	7%
Criminal Conduct by Lawyer	33	27%	Corporate Matters	5	4%
Tort	32	26%	Civil Rights	3	2%
Real Estate	15	12%	Tax	3	2%
Probate	14	12%	Patent and Trademark	2	2%
Contract	13	11%	Adoption	1	1%
Criminal	12	10%	Immigration	1	1%
Labor Relations	10	8%	Local Government Problems	1	1%
Bankruptcy	8	7%			

\* Totals exceed 121 cases and 100% because many complaints allege several counts of misconduct arising in different areas of practice.

Chart 7 shows the type of action by which the Hearing Board concluded the 131 cases terminated during 1997.

**Chart 7: Actions Taken by Hearing Board in Matters Terminated in 1997**

<b>A. Disciplinary Cases: Rules 753 &amp; 761(d)</b>	
Case stayed; transferred to inactive status	1
Recommendation of dismissal or discharge	6
Recommendation of discipline	44
Cases closed by administration of a reprimand to respondent	16
Cases closed by filing of petition for disbarment on consent	23
Cases closed by filing of petition for other discipline on consent	22
<b>Total Disciplinary Cases</b>	<b>119</b>
<b>B. Reinstatement Petitions: Rule 767</b>	
Recommend petition be allowed	3
Recommend petition be denied	0
Petition withdrawn before hearing	4
<b>Total Rule 767 Petitions</b>	<b>7</b>
<b>C. Impairment Cases: Rule 758</b>	
Recommend transfer to inactive status	1
Recommend active status with conditions	2
<b>Total Rule 758 Petitions</b>	<b>3</b>
<b>D. Restoration Cases: Rule 759</b>	
Restored to active status	1
Petition withdrawn before Hearing	1
<b>Total Restoration Cases</b>	<b>2</b>
<b>Total Matters Terminated</b>	<b>131</b>

**C. Matters Filed Before the Review Board**

Chart 8 shows activity at the Review Board during 1997.

**Chart 8: Trend of Matters in the Review Board in 1997**

Cases pending on January 1, 1997	10
<b>Cases filed during 1997:</b>	
Exceptions filed by Administrator	12
Exceptions filed by Respondent	19
Exceptions filed by both	1
<b>Total</b>	<b>32</b>
<b>Cases decided in 1997:</b>	
Hearing Board affirmed	12
Hearing Board reversed as to findings or sanction	6
Notice of exceptions stricken	6
<b>Total</b>	<b>24</b>
Cases pending December 31, 1997	18

**D. Supreme Court - Disciplinary Cases**

Only the Supreme Court has authority to sanction attorneys for misconduct, except for a Board reprimand which can be imposed in a disciplinary case without order of the Court by either the Hearing or Review Board.

In 1997, the Hearing Board administered 16 reprimands (see Chart 7). Other than Board reprimands, the Hearing Board and Review Board reports are recommendations to the Supreme Court.

During 1997, the Court entered 117 sanctions against 116 attorneys, as compared to 115 sanctions against 114 lawyers the prior year. Chart 9 reflects the nature of the orders entered.

**Chart 9: Disciplinary Sanctions Ordered by the Supreme Court in 1997**

Disbarment .....	56
Suspension .....	41 *
Censure .....	9
Probation .....	10
Reprimand .....	1
<b>Total .....</b>	<b>117</b>

\* In addition to the 41 suspensions ordered as final sanctions in cases, the Court also ordered 14 interim suspensions during 1997, as reported in Chart 12G and 12J.

Of the 117 sanctions entered by the Supreme Court, 58 were entered pursuant to consent petitions. Thirty-five of the 56 disbarments were disbarments on consent.

Chart 10 provides demographic information on the 116 attorneys sanctioned by the Supreme Court during 1997, as well as the 16 attorneys who were reprimanded by the Hearing Board in 1997. As was true in prior years, the vast majority of attorneys sanctioned during 1997 have practiced more than 10 years; all are over 30 years old; and most are male. However, the number of attorneys less than 10 years in practice accounted for 17% of all disciplined attorneys, continuing a trend first noted in 1996 when this number doubled over 1995. Also, the number of female attorneys disciplined increased from 6% to 11% in 1997, a probable reflection of the increased female attorney population. Chart 11 tracks the type of misconduct that led to the sanction orders entered in 1997.

**Chart 10: Profile of Attorneys Disciplined in 1997**

<b>Years in Practice:</b>	
Less than 10 years .....	17%
10 years or more .....	83%
<b>Age:</b>	
30 - 49 years old .....	51%
50 - 74 years old .....	49%
<b>Gender:</b>	
Female .....	11%
Male .....	89%

**County of Practice**

County	Number Disciplined	County	Number Disciplined
Cook .....	74	DeKalb .....	1
Out-of-State .....	23	Iroquois .....	1
DuPage .....	11	Kane .....	1
Winnebago .....	3	McHenry .....	1
Lake .....	3	Mercer .....	1
McLean .....	3	Montgomery .....	1
St. Clair .....	2	Rock Island .....	1
Peoria .....	2	Sangamon .....	1
Adams .....	1	Will .....	1
Coles .....	1		

Of the 132 attorneys disciplined by the Supreme Court or reprimanded by the Hearing Board in 1997, 16 or about 12%, had been disciplined in the past. Of those 16 attorneys, 11 were disbarred in 1997.

**Recidivism Rate**

Disbarred .....	11
4 years suspension .....	1
1 year suspension and until further order of the Court .....	1
6 months suspension and until further order of the Court .....	2
Hearing Board reprimand .....	1
<b>Total .....</b>	<b>16</b>

Chart 11: *Misconduct Committed by the 132 Lawyers Sanctioned in 1997 \**

<u>Types of Misconduct</u>	<u>Number of Cases in Which Type of Misconduct Was Sanctioned</u>			
	<u>Disbarment</u>	<u>Suspension**</u>	<u>Censure</u>	<u>Reprimand</u>
<b>Total Number of Cases:</b>	<b><u>56</u></b>	<b><u>51</u></b>	<b><u>9</u></b>	<b><u>17</u></b>
Improper management of client or third party funds, including commingling and conversion	27	23	3	1
Neglect or lack of diligence	18	22	3	3
Fraudulent or deceptive activity	9	4	0	2
Criminal conduct by the lawyer	13	7	2	3
Failing to communicate with client, including failing to communicate basis of a fee	17	25	4	3
Incompetence	11	12	3	0
Fee violations, including failing to refund unearned fees	12	7	2	2
Failure to cooperate with or false statement to the ARDC	12	11	0	0
Improper business transaction with client	2	3	1	0
Improper fee division with nonlawyer	1	0	0	5
Not abiding by a client's decision concerning the representation or taking unauthorized action on the client's behalf	2	4	0	0
Improper withdrawal	3	3	0	0
Aiding in the unauthorized practice of law by a lawyer not licensed in Illinois	0	1	0	0
Unauthorized practice by a lawyer	3	1	0	0
Conflict of interest	3	7	0	1
Failure to supervise nonlawyer employees	0	1	1	0
Failure to comply with Rule 764	1	0	0	0
Failure to report discipline in another jurisdiction	1	1	0	0
Improper solicitation	0	1	0	0
Failure to preserve client confidences	1	3	0	0
Failure to return client file or documents	0	0	1	0
Filing frivolous or non-meritorious claims or pleadings	1	0	0	0
Misrepresentation to a tribunal	2	5	0	1
Misrepresentation to clients or third persons	0	6	2	2
Threatening criminal prosecution or disciplinary proceedings to gain an advantage in a civil matter	0	0	1	1
Improper delegation to outside counsel	0	1	0	0
Practice after failure to register	0	1	0	0
Improper trial conduct	2	4	0	2

\* Totals exceed 133 cases because in most cases more than one type of misconduct is found.  
 \*\*Includes suspensions stayed by probation.

Disciplinary cases reach the Court in several ways. Chart 12 reflects the actions taken by the Supreme Court in disciplinary matters in varying procedural contexts in which those matters are presented.

**Chart 12: Orders Entered by Supreme Court in Disciplinary Cases in 1997**

<b>A. <u>Motions for disbarment on consent: Rule 762(a)</u></b>		<b>F. <u>Petitions relating to enforcement of subpoenas: Rule 754</u></b>	
Allowed .....	35	Motion to quash subpoena allowed .....	2
Denied .....	<u>0</u>	Motion to quash subpoena denied .....	3
Total .....	35	Motion to terminate enforcement proceedings allowed .....	<u>1</u>
<b>B. <u>Petitions for discipline on consent: Rule 762(b)</u></b>		Total .....	
Allowed:			6
Suspended .....	15		
Suspension stayed in part, probation ordered .....	3		
Suspension stayed in its entirety, probation ordered .....	1		
Censured .....	<u>4</u>		
Total .....	23		
Denied .....	<u>2</u>		
Total .....	25		
<b>C. <u>Petitions for leave to file exceptions to report and recommendation of Review Board: Rule 753(e)(1) and 761</u></b>		<b>G. <u>Petitions for interim suspension due to conviction of a crime: Rule 761(b)</u></b>	
Allowed, briefs and oral arguments ordered .....	0	Rule enforced and lawyer suspended .....	7
Allowed, and different sanctions imposed without briefs .....	3	Petition for rule denied .....	1
Denied .....	<u>10</u>	Rule discharged by imposition of final order of discipline .....	<u>2</u>
Total .....	13	Total .....	10
<b>D. <u>Motions to approve and confirm report of Review Board: Rule 753(e)(6)</u></b>		<b>H. <u>Petitions for reciprocal discipline: Rule 763</u></b>	
Allowed .....	3	Allowed .....	19
Denied .....	<u>0</u>	Denied .....	<u>0</u>
Total .....	3	Total .....	19
<b>E. <u>Motions to approve and confirm report of Hearing Board: Rule 753(d)(2)</u></b>		<b>I. <u>Petitions for reinstatement: Rule 767</u></b>	
Allowed .....	23	Referred to Hearing Board .....	3
Denied .....	<u>0</u>	Allowed after hearing .....	1
Total .....	23	Denied after hearing .....	0
		Withdrawn before hearing .....	3
		Withdrawn after hearing .....	<u>1</u>
		Total .....	8
		<b>J. <u>Petitions for interim suspension: Rule 774</u></b>	
		Rule enforced and lawyer suspended .....	7
		Petition for rule denied .....	0
		Rule discharged by imposition of final order of discipline .....	<u>1</u>
		Total .....	8

### E. Supreme Court - Non-Disciplinary Action

In addition to activity in disciplinary cases, the Supreme Court entertains pleadings in non-disciplinary matters that affect an attorney's status. Chart 13 reflects the orders entered in such cases during 1997, including 567 requests for transfer to inactive status under Rule 770.

**Chart 13: Non-Disciplinary Actions by the Supreme Court**

<b>A. Rule 770</b>		
Voluntary motions for transfer to inactive status:		
Allowed		566
Withdrawn		<u>1</u>
<i>Total</i>		567
<b>B. Rule 759</b>		
Petition for restoration to active status:		
Allowed		82
Denied		0
Referred to Hearing Board		3
Petition to terminate conditions of practice allowed		<u>1</u>
<i>Total</i>		86
<b>C. Rules 757 and 758</b>		
Petitions for involuntary transfer to inactive status due to mental disability or substance addiction:		
Allowed		0
Denied		<u>0</u>
<i>Total</i>		0
<b>D. Rule 752</b>		
Petition by complainant to require Administrator to further investigate charges or expedite proceedings:		
Allowed		0
Denied		<u>26</u>
<i>Total</i>		26
<b>E. Rule 383</b>		
Motion for Supervisory order:		
Allowed		0
Denied		<u>4</u>
<i>Total</i>		4

**Chart 14: A Comparison 1986-1997**

	Number of Registered Attorneys	Investigations Docketed <sub>1</sub>	Investigations Docketed Per Attorney <sub>2</sub>	Closure By Administrator No Misconduct Alleged	Closure By Administrator After Investigation	Closure By Inquiry After Investigation	Complaint Voted By Inquiry Board
1986	49,177	4,535	est. 5,335	223	2,846	1,094	219
1987	50,635	4,886	est. 5,748	765	4,542	1,275	229
1988	52,611	4,945	est. 5,817	910	4,369	1,167	214
1989	54,866	5,822	est. 6,849	818	5,552	1,266	343
1990	56,896	6,489	est. 7,634	1,023	5,254	1,410	349
1991	58,953	5,969	est. 7,022	608	5,701	839	325
1992	61,107	6,291	7,338	889	5,210	473	277
1993	63,328		6,345	974	5,422	137	241
1994	65,163		6,567	1,224	5,125	133	247
1995	67,121		6,505	1,359	5,134	73	277
1996	68,819		6,801	1,364	4,946	76	300
1997	70,415		6,293	1,202	5,018	81	342

1 This figure represents the number of complaints received, whether or not they included charges against more than one attorney as reported through 1992.

2 This column represents the number of complaints received counting a separate investigation for each attorney named in each complaint, a tracking method commenced in 1992.

	Matters Filed With Hearing Board	Matters Filed With Review Board	Matters Filed With Supreme Court <sub>3</sub>	Sanctions Ordered By Court
1986	120	49	228	86
1987	103	40	463	103
1988	75	32	390	112
1989	89	23	791	132
1990	105	23	578	100
1991	127	25	604	78
1992	122	37	560	89
1993	106	44	593	114
1994	115	35	869	109
1995	113	35	916	148
1996	129	22	891	115
1997	129	32	869	117

3 The data reported in this column represents both disciplinary and non-disciplinary matters filed with the Court.

### III. ARDC Programs

#### A. Client Protection Program

The Client Protection Program, created by the Illinois Supreme Court in 1994 under Rule 780, paid claims totaling \$348,000 in 1997, to clients who lost money or property due to the dishonest conduct of attorneys holding an Illinois license. The program may reimburse losses of up to \$10,000 for each client. The majority of claims involve sums less than \$10,000. The program does not cover losses resulting from professional negligence or malpractice and does not consider claims involving contractual disputes or personal loans to an attorney. Awards are made out of the Disciplinary Fund. The rules governing the administration of the program are contained in Commission Rules 501 through 512.

	1994	1995	1996	1997
Claims submitted	213*	152	197	267
Claims concluded:				
• approvals	40	108	122	104
• denials	26	80	73	93
Amount approved	\$162,111	\$455,000	\$509,669	\$348,000
Number of lawyers	29	49	53	48

\* This figure includes the 55 claims originally filed with the now-dissolved Client Security Fund.

#### Summary of Claims Approved

<b>Type of Misconduct:</b>	
Failure to refund unearned fees	69
Conversion	29
Conversion/forged endorsement	1
Improper loans from clients	3
Accepting fee when not authorized to practice law	2
<b>Area of Law:</b>	
Domestic relations	29
Criminal/quasi criminal	15
Real estate	12
Tort	11
Immigration	10
Probate	7
Debt collection	7
Loans	3
Contract	3
Tax	3
Civil rights	1
Labor relations	1
Property Damage	1
Corporate	1

#### B. Ethics Inquiry Program

The Commission's Ethics Inquiry Program is a telephone inquiry line that allows Illinois attorneys and members of the public to call for help in resolving hypothetical questions about ethical dilemmas, the Illinois Rules of Professional Conduct and the Rules of the Commission. No legal opinion or binding advisory opinion is given.

Since the Ethics Inquiry Program began two years ago, the Program continues to receive over 2,200 calls each year from attorneys. This figure does not include calls received from nonlawyers. The most common subjects of inquiry are:

- ◆ Duty to report professional misconduct
- ◆ Client trust accounts
- ◆ Lawyer's assertion of retaining lien on client file
- ◆ Revealing client fraud/perjury
- ◆ Conflicts:
  - former client
  - lawyer's own interest
- ◆ Advertising:
  - professional designation
  - targeted mailing

A brochure describing the program can be obtained by calling the ARDC in Chicago.

#### C. Education

##### *Illinois Professional Responsibility Institute - Professionalism Seminar*

Since November 1996, the Commission has sponsored a quarterly seminar on law office management issues and ethical obligations for lawyers who are required to attend as part of their disciplinary sanctions or who attend voluntarily because they have an identified need for training in these areas.

The seminar was created in cooperation with members from the Chicago Bar Association, Illinois State Bar Association and Cook County Bar Association, to further the Commission's

efforts to develop preventive and remedial programs for attorneys on relevant ethics issues. The *Professionalism Seminar* is taught mostly by select, volunteer practicing Illinois attorneys. Any attorney interested in learning more about the Institute or the *Professionalism Seminar*, may call Mary F. Andreoni, Administrative Counsel, ARDC, Chicago.

#### ***ARDC Compiled Professional Responsibility Decisions and Rules on CD-ROM***

The Commission continues to publish on a bi-annual basis the *ARDC Compiled Professional Responsibility Decisions and Rules on CD-ROM*, a compilation of disciplinary decisions issued by the Hearing and Review Boards of the Commission, as well as a collection of published Illinois Supreme Court opinions discussing legal ethics issues arising under Illinois law, the 1990 Rules of Professional Conduct, and its predecessor, the 1980 Code of Professional Responsibility (with Committee Commentary). Anyone interested in buying a copy (\$20.00, plus tax) can call the ARDC and request an order form or can buy it directly from the CBA Shop, 321 S. Plymouth Court, Chicago, IL 60604, (312) 554-2000.

#### ***Speeches and Presentations and Articles***

The Commission continued its efforts to familiarize attorneys with the ethics rules and concerns by having its legal staff make more than 100 presentations to bar associations, law firms, law schools, continuing legal education seminars and civic groups. Any group interested in having a Commission representative speak to their group, may call Mary F. Andreoni, Administrative Counsel, ARDC, Chicago.

Also, Commission lawyers published a number of articles that appeared in bar association journals and newsletters on various topics of interests to the legal profession.

## ***IV. Developments During 1997***

### ***A. Court Appointments***

#### ***ARDC Commissioners***

*Commissioner David M. Hartigan ends term as Chairman of Commissioners*

In 1997, Commissioner David M. Hartigan finished his term as Chairman of the Commission. Commissioner Hartigan will continue to serve as a Commissioner. He was appointed to the Commission in 1988, and he had served as Chair since 1994. Under his administration, the Commission implemented a number of measures to increase the Commission's ability to efficiently handle disciplinary cases and instituted a number of preventive programs that address non-disciplinary complaints.

*Appointment of Commissioner Jay H. Janssen as Chairman*

Effective January 1, 1998, Jay H. Janssen, a Peoria lawyer, was appointed by the Court to a three-year term as Chairman of the Commission. Mr. Janssen, who has served as a Commissioner since November 1995, concentrates his practice in the areas of personal injury, workers' compensation, medical malpractice and products liability litigation.

#### ***Review Board***

*Retirement of Timothy R. Neubauer*

On December 31, 1997, Timothy R. Neubauer, a civil trial and general practice lawyer from Mount Vernon, retired from his position on the Review Board. Mr. Neubauer was appointed to the Review Board in 1990. He received his undergraduate degree from the University of Arizona and his law degree from Southern Illinois University in 1977.

### *Appointment of Melissa A. Chapman Rheinecker*

Effective January 1, 1998, Melissa A. Chapman Rheinecker of Granite City, Illinois, was appointed by the Court to serve on the Review Board, to replace Timothy R. Neubauer. She received her undergraduate degree from Southern Illinois University and her J.D., in 1983, from St. Louis University School of Law. Ms. Rheinecker is a partner in the Granite City firm of Morris B. Chapman & Associates, Ltd., concentrating in the area of medical malpractice.

### ***V. Financial Report***

The Commission engaged the services of Thomas Havey, LLP, Certified Public Accountants, to conduct an independent audit as required by Rule 751(e)(7). The audited financial statements for the year ended December 31, 1997, are attached.

Among other factors, the statements show that expenses for 1997 exceeded revenues generated by annual fees and miscellaneous income. (Page 3) The deficit of \$1,157,663 was funded from the operating reserve. This is the third year where expenses exceeded revenues, requiring expenditures from the reserve to fund operations. Nevertheless, the Commission predicts that the reserve, shown by these statements to amount to about \$4.8 million at the end of 1997, will continue to fund operations through 1999, so that a fee structure designed to last three years has been extended for more than ten years.

The present annual fee structure (\$140 for lawyers admitted to practice for more than 3 years, \$70 for lawyers admitted to practice between 1 and 3 years, and \$35 for lawyers who neither practice, reside, nor are employed in Illinois) was adopted in 1988, effective for the 1989 registration year. Prior to 1989, the annual fee had been raised five times since the 1973 inception of the Attorney Registration and Disciplinary Commission. Those raises occurred in 1977, 1983, and then in three consecutive

years, 1985, 1986, and 1987. For 1987, the annual fees assessed were \$100 for lawyers admitted for more than 3 years, \$50 for lawyers admitted between 1 and 3 years, and \$25 for lawyers who neither reside, practice nor are employed in Illinois.

The Commission's submission to the Court in support of the 1989 increase to the present \$140/\$70/\$35 fee structure predicted that the increase would allow the Commission to implement expansion plans necessary to address a backlog in the caseload and pay for operations at the expanded level for three years, through 1991. Several factors combined to extend the viability of that fee structure well beyond the predictions. They include difficulties the Commission experienced in negotiating expansion of office space, with resulting delays in expanding staff and related expenses; high interest returns on the unexpended funds during the early years of the present fee structure; excellent conditions in the Chicago real estate market once the Commission decided to move the Chicago office; and greater numbers of new lawyers admitted over the ten years than had been predicted.

During the ten years of the present fee structure, the Commission did, as planned, expand staff by about a third, with about half the additional positions being attorneys. The goal of bringing the investigative caseload current has been met for the routine files. National standards suggest concluding routine matters within six months, and the Commission Intake staff now conclude all but a few percent of the several thousand investigative files handled each year within four months. The backlog of files involving more complex and more serious allegations remains a challenge which will require significant resources in the coming years.

A number of other expenses not foreseen in 1989 have been absorbed under the current fee. Those include adding several education programs, including the Professionalism Seminar, the Ethics Inquiry Program, and the publications and

presentations described above, which the Commission believes have contributed to decreasing the number of grievances filed against Illinois lawyers. In addition, both the Chicago and Springfield offices were moved, computer functions have been brought up to date, and systems necessary to share a data base of Illinois lawyers with the Clerk of the Supreme Court have been implemented.

Of particular fiscal significance was the 1994 establishment of the Client Protection Program to reimburse clients for losses caused by dishonest lawyers. By directive of Supreme Court Rule 780

adopted that year, eligible claims are to be paid from the Disciplinary Fund. The Commission has paid \$1,474,780 in claims during the four years of the Program's operation, in addition to funding the costs of operating the program, all from a budget supported by the annual fees set in 1989.

The Commission recognizes that at the present fee structure, the reserve will be fully exhausted before the end of the year 2000, with a resulting shortfall of about \$2 million for that year assuming operations and programs continue at present funding levels. The Commission will study various options before making a proposal for a course of action to the Court.



THOMAS  
HAVEY  
LLP

REPORT OF INDEPENDENT AUDITORS

Commissioners and Administrator of  
Attorney Registration and  
Disciplinary Commission of the  
Supreme Court of Illinois  
Chicago, Illinois

We have audited the accompanying statement of financial position of Attorney Registration and Disciplinary Commission of the Supreme Court of Illinois as of December 31, 1997, and the related statements of activities and of cash flows for the year then ended. These financial statements are the responsibility of the Commission. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Attorney Registration and Disciplinary Commission of the Supreme Court of Illinois as of December 31, 1997, and the results of its activities and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

*Thomas Havey LLP*

February 26, 1998

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

311 N. LA SALLE STREET • SUITE 4200 • CHICAGO, IL 60602 • 312.368.0500 • 312.368.0746 FAX

ATTORNEY REGISTRATION AND  
DISCIPLINARY COMMISSION OF  
THE SUPREME COURT OF ILLINOIS

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 1997

<b>Revenues:</b>	
Attorney registration fees and charges earned	\$ 7,683,537
Investment income (Note 4):	
Increase in fair value of investments:	
Sold during the year	9,501
Held at year end	65,415
	<u>74,916</u>
Interest income	641,072
Total investment income	<u>715,988</u>
Cost reimbursements collected	136,319
Miscellaneous income	19,844
Total revenues	<u>8,555,688</u>
<b>Expenses (Note 3):</b>	
Salaries and related expenses	5,873,746
Travel	102,991
Postretirement benefits	57,988
Library and continuing education	146,898
General	1,730,811
Computer	367,189
Other	724,501
Client protection program	321,628
Depreciation	383,280
Loss on disposal of fixed assets	4,319
Total expenses	<u>9,713,351</u>
(Decrease) in net assets	(1,157,663)
Unrestricted net assets:	
Beginning of year	<u>5,916,940</u>
End of year	<u>\$ 4,759,277</u>

See accompanying notes to financial statements.

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ATTORNEY REGISTRATION AND  
DISCIPLINARY COMMISSION OF  
THE SUPREME COURT OF ILLINOIS

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 1997

ASSETS

<b>Current assets:</b>	
Cash and cash equivalents (Note 2)	\$ 365,166
Short-term investments (Note 4)	8,625,777
Accounts receivable - other than fees (Note 10)	14,778
Accrued interest receivable	179,155
Prepaid expenses and inventory	76,394
Total current assets	<u>9,261,270</u>
<b>Noncurrent assets:</b>	
Long-term investments (Note 4)	3,692,700
Fixed assets - net of accumulated depreciation (Note 5)	827,402
Total noncurrent assets	<u>4,520,102</u>
Total assets	<u>\$ 13,781,372</u>

LIABILITIES AND NET ASSETS

<b>Current liabilities:</b>	
Accounts payable and other accruals	\$ 250,738
Accrued compensated absences	168,653
Deferred fees	5,403,144
Reinstatement deposits	3,000
Total current liabilities	<u>5,825,535</u>
<b>Long-term liabilities:</b>	
Accrued medicare replacement funding (Note 8)	522,459
Deferred rent expense	2,674,101
Total long-term liabilities	<u>3,196,560</u>
Total liabilities	9,022,095
Net assets - unrestricted	<u>4,759,277</u>
Total liabilities and net assets	<u>\$ 13,781,372</u>

See accompanying notes to financial statements.

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ATTORNEY REGISTRATION AND  
DISCIPLINARY COMMISSION OF  
THE SUPREME COURT OF ILLINOIS

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 1997

<b>Cash flows from operating activities:</b>	
(Decrease) in net assets	\$ (1,157,663)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:	
(Increase) in market value of investments:	
Sold during the year	(9,501)
Held at year end	(65,415)
Depreciation	383,280
Loss on disposition of fixed assets	4,319
(Increase) decrease in assets:	
Accounts and accrued interest receivable	566
Prepaid expenses and inventory	(4,115)
Increase (decrease) in liabilities:	
Accounts payable and other accruals	(119,880)
Deferred fees	88,121
Reinstatement deposits	(1,000)
Postretirement benefits	57,888
Deferred rent expense	(4,647)
Net cash (used in) operating activities	<u>(827,947)</u>
<b>Cash flows from investing activities:</b>	
Acquisition of fixed assets:	
Computer and related equipment	(192,052)
Office furniture and equipment	(128,226)
Library	(6,148)
Leasehold improvements	(2,897)
Purchases of investments	(10,207,946)
Sales of investments - at cost	11,393,830
Net cash provided by investing activities	<u>858,561</u>
Net increase in cash and cash equivalents	30,614
Cash and cash equivalents:	
Beginning of year	<u>334,552</u>
End of year	<u>\$ 365,166</u>

See accompanying notes to financial statements.

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**ATTORNEY REGISTRATION AND  
DISCIPLINARY COMMISSION OF  
THE SUPREME COURT OF ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 1997**

**Note 1. General Purpose Description**

The Commission was appointed by the Illinois Supreme Court under Rules 751 through 756 of the Court effective February 1, 1973 and subsequent additional rules and amendments. The purpose of the Commission and the Office of the Administrator is to maintain the Master Roll of Attorneys and to investigate and prosecute claims against Illinois attorneys whose conduct might tend to defeat the administration of justice or bring the Court or the legal profession into disrepute.

On August 9, 1983 the Illinois Supreme Court adopted Rule 773 effective October 1, 1983. The rule provided that an attorney-respondent could be responsible for paying the costs incurred in proceedings which led to the imposition of a disciplinary sanction.

On October 13, 1989 Rule 773 was amended effective immediately. Attorney-respondents have a duty to pay costs involved in the enforcement of certain Supreme Court rules; costs incurred to compel witness testimony where the lawyer has not cooperated with Commission proceedings; and, costs incurred to obtain records from a financial institution when the institution's production followed a lawyer's failure to provide records.

On October 20, 1989 the Supreme Court adopted Rule 769 effective November 1, 1989. Every attorney has a duty to retain all financial records related to the attorney's practice for a period of not less than seven years.

On March 28, 1994 the Illinois Supreme Court adopted Rule 780 establishing the Client Protection Program to reimburse claimants for losses caused by the dishonest conduct of Illinois lawyers. Pursuant to section (d) of the rule, the Commission annually allocates an amount of money to pay these claims.

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**ATTORNEY REGISTRATION AND  
DISCIPLINARY COMMISSION OF  
THE SUPREME COURT OF ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 1997**

**Note 2. Summary of Significant Accounting Policies (continued)**

**d. Fixed Assets**

Fixed assets are stated at cost. Depreciation and amortization are provided over the estimated useful lives of the assets or asset groups principally on the straight-line method. Upon disposal of assets, gains or losses are included in current income. Leasehold improvements are amortized over the lease period.

The estimated useful lives of the fixed assets are as follows:

Computer and related equipment	3 years
Office furniture and equipment	5 years
Library	7 years
Leasehold improvement	7 or 15 years

**e. Accrued Compensated Absences**

The Commission's vacation policy provides time off for full-time salaried employees based on each employee's years of service which are computed from each employee's anniversary date of employment. Employees are not permitted to carry over vacation time from year to year without written approval from the Commission Administrator. An accrual is included in the financial statements representing vacation time earned but unused at December 31, 1997 along with its related retirement contribution.

**f. Deferred Fees**

Deferred fees represent the annual registration fees received prior to year end which relate to the subsequent calendar year.

**g. Deferred Rent Expense**

Deferred rent expense consists of a combination of "free rent" and a lease incentive payment received from the landlord. These rent deferrals and incentive payment are being amortized over the life of the lease on a straight-line basis.

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**ATTORNEY REGISTRATION AND  
DISCIPLINARY COMMISSION OF  
THE SUPREME COURT OF ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 1997**

**Note 2. Summary of Significant Accounting Policies**

**a. Basis of Presentation**

The accompanying financial statements reflect the financial position and activities of the Commission. The Commission has adopted the provisions of Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations* (FASB 117). In accordance with FASB 117 net assets are classified as unrestricted, temporarily restricted or permanently restricted. Net assets are generally reported as unrestricted unless assets are received from donors with explicit stipulations that limit the use of the asset for the reporting period. The Commission has no temporarily or permanently restricted net assets.

**b. Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash and cash equivalents include all deposits in checking and savings accounts. Money market accounts and cash balances held in investment trust accounts are not considered cash equivalents since the Commission intends to reinvest these funds.

**c. Investments**

Investments are stated at fair value which generally represents quoted market value as of the last business day of the year. Investments in money market accounts are carried at cost which approximates market value. Bond premiums or discounts are not amortized.

Effective January 1, 1996 the Commission adopted the provisions of Statement of Financial Accounting Standards No. 124, *Accounting for Certain Investments held by Not-for-Profit Organizations*, which requires investments in debt securities to be reported at fair value.

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**ATTORNEY REGISTRATION AND  
DISCIPLINARY COMMISSION OF  
THE SUPREME COURT OF ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 1997**

**Note 2. Summary of Significant Accounting Policies (continued)**

**h. Income Taxes**

The Commission is a tax-exempt organization as determined by the Internal Revenue Service under Section 501(c)(6) of the Internal Revenue Code.

**i. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the Commission to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results may differ from those estimates.

**Note 3. Functional Expenditures by Object**

An analysis of the Commission's functional expenses by object is as follows:

	Registration and Discipline	Client Protection	Administration and Support	Total
Salaries and related expenses	\$ 4,796,555	\$ 100,486	\$ 976,705	\$ 5,873,746
Travel	81,626	1,029	20,336	102,991
Postretirement benefits	47,365	1,001	9,622	57,988
Library and continuing education	120,797	2,492	23,609	146,898
General	1,435,526	28,193	267,092	1,730,811
Computer	301,949	6,229	59,011	367,189
Other	688,174	6,918	29,409	724,501
Client protection program	-	321,628	-	321,628
Depreciation	315,180	6,502	61,598	383,280
Loss on disposal of fixed assets	3,552	73	694	4,319
<b>Total</b>	<b>\$ 7,790,724</b>	<b>\$ 474,551</b>	<b>\$ 1,448,076</b>	<b>\$ 9,713,351</b>

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ATTORNEY REGISTRATION AND  
DISCIPLINARY COMMISSION OF  
THE SUPREME COURT OF ILLINOIS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997

Note 4. Investments

All investment transactions are handled by the Trust Department of the First America Bank - Springfield, N.A. and are held in safekeeping at the bank. Investments consist of the following:

	Cost	Market
U.S. Treasury notes and bills	\$ 11,441,300	\$ 11,470,740
Money market funds	847,737	847,737
Total	<u>\$ 12,289,037</u>	<u>\$ 12,318,477</u>

Short-term investments are readily liquid investments that mature within one year. Long-term investments are holdings with maturities in excess of one year.

Note 5. Fixed Assets

Changes in the fixed assets are as follows:

	Balance			Balance 12-31-97
	1-1-97	Acquisitions	Dispositions	
Computer and related equipment	\$ 967,670	\$ 192,051	\$ 44,436	\$ 1,115,285
Office furniture and equipment	1,443,501	126,226	35,068	1,534,659
Library	65,350	6,148	-	71,498
Leasehold improvements	110,208	2,897	-	113,105
	<u>2,586,729</u>	<u>\$ 327,322</u>	<u>\$ 79,504</u>	<u>2,834,547</u>
Less accumulated depreciation and amortization	1,699,051	\$ 383,280	\$ 75,186	2,007,145
Total	<u>\$ 887,678</u>			<u>\$ 827,402</u>

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ATTORNEY REGISTRATION AND  
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997

Note 6. Collection of Fees

The Commission is funded by an annual registration fee assessed on Illinois attorneys. The annual fee for the subsequent year is billed on November 1 and is due January 1. The annual fee is sent directly by registering attorneys to a lock box located at the U.S. Post Office in Springfield, Illinois. The lock box is under the sole supervision of First America Bank - Springfield, N.A. The contents of the lock box are accounted for solely by the bank and all receipts are deposited to the Commission's account. An accounting for these funds is sent regularly to the Commission's registration department for processing and comparison with the registration and billing records.

Note 7. Lease and Maintenance Commitments

The Commission leases its Chicago and Springfield offices under operating lease agreements. The terms of the Chicago office lease which began in May 1993 are for 15 years and provide for a minimum annual base rent plus related taxes and operating expenses. In addition the lease provides a period of 32 months "free rent" with the first rent payment made on January 1, 1997. Pursuant to the lease, the landlord advanced a sum equal to the present value of estimated taxes and operating costs for the 32 month period and the Commission made monthly payments for actual tax and operating cost assessments during that period. This amount and the value of the "free rent" is included in deferred rent.

The terms of the Springfield office lease which began in November 1995 are for 7 years and provide for a minimum annual rent. The lease gives the Commission the option to renew the lease for another 7 year period.

Rent expense under all lease agreements was \$1,131,114 in 1997.

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ATTORNEY REGISTRATION AND  
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THE SUPREME COURT OF ILLINOIS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997

Note 7. Lease and Maintenance Commitments (continued)

Future minimum lease payments including estimated liability for taxes and operating expenses relating to lease agreements in excess of one year are:

Year	Springfield	Chicago	Total
1998	\$ 69,875	\$ 1,063,444	\$ 1,133,319
1999	71,966	1,075,689	1,147,655
2000	74,126	1,115,413	1,189,539
2001	76,348	1,156,746	1,233,094
2002	65,208	1,199,890	1,265,098
Remaining	-	7,420,802	7,420,802
Total	<u>\$ 357,523</u>	<u>\$ 13,031,984</u>	<u>\$ 13,389,507</u>

Note 8. Medicare Replacement Reserve Trust

On August 9, 1985 the Commission formed a trust to replace the medicare coverage lost by its employees at that time when the Social Security Administration ruled the Commission was ineligible for benefits.

In a prior year the Commission committed to pay the future cost of medicare premiums for former employees meeting certain criteria who were employed by the Commission before March 31, 1986. Furthermore, the Commission agreed to pay eligible former employees reimbursement credits for supplemental medical and hospitalization insurance coverage beginning at age 65.

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ATTORNEY REGISTRATION AND  
DISCIPLINARY COMMISSION OF  
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997

Note 8. Medicare Replacement Reserve Trust (continued)

The Commission records the liability connected with the previously described commitment in accordance with Statement of Financial Accounting Standards No. 106, *Employers' Accounting for Postretirement Benefits Other than Pensions* (FASB 106).

The Commission engages the services of an actuary to compute the liability every other year.

A summary of actuarial assumptions and methods are as follows:

Measurement date:  
July 1, 1997

Actuarial cost method:  
Projected unit credit method

Actuarial assumptions:  
Mortality - 1983 GAM Table  
Discount rate - 7.50% per annum; compounded annually  
Expected return on assets - 7.50%  
Retirement will occur between age 55 and 65

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ATTORNEY REGISTRATION AND  
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997

Note 8. Medicare Replacement Reserve Trust (continued)

Actuarial valuation:

Net periodic postretirement benefit cost:	
Service cost	\$ 30,891
Interest cost	36,273
Expected return on assets	(35,461)
Amortization of transition asset	-
Total	<u>\$ 31,703</u>
Accumulated postretirement benefit obligations:	
Current retirees	\$ 24,188
Current employees:	
Fully eligible	99,909
Not fully eligible	<u>364,780</u>
Subtotal as of July 1, 1997 actuarial valuation	488,877
Estimated service costs July 1, 1997 through December 31, 1997	15,446
Estimated interest costs July 1, 1997 through December 31, 1997	<u>18,136</u>
Total	<u>\$ 522,459</u>

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ATTORNEY REGISTRATION AND  
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997

Note 8. Medicare Replacement Reserve Trust (continued)

The Commission maintains a separate trust for the medicare replacement reserve. This trust is funded on a current basis. The Trust Fund is included in these financial statements. The Trust Fund assets at fair value as of December 31, 1997 are as follows:

Accrued interest receivable	\$ 7,689
Money market account	(203)
U.S. Treasury notes	<u>516,177</u>
Total Plan assets at fair value	<u>\$ 523,663</u>

The liability will increase or decrease in future years due to changes in eligible employees, benefits paid and possible changes in assumptions based on experience factors.

Note 9. Employee Benefit Plan

On October 15, 1977 the Commission established a defined contribution retirement plan and trust for the benefit of all eligible employees. The plan and trust was effective January 1, 1977 and required both employee and Commission contributions.

Effective January 1, 1985 the plan was amended and restated to improve retirement benefits based on the decision of the Social Security Administration that employees of the Commission are not covered by Social Security benefits. Employee contributions are no longer permitted under the plan.

The Commission contributes 18% of compensation for eligible employees which totaled \$801,665 in 1997. The Commission also pays the administrative expenses of the plan which totaled \$33,318 in 1997.

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ATTORNEY REGISTRATION AND  
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997

Note 10. Cost Reimbursement Revenue

The Commission receives cost reimbursements for investigative and disciplinary costs from disciplined attorneys. Cost reimbursement is billed at the time that discipline is imposed by the Illinois Supreme Court, but may not be a total reimbursement of or match the period in which the investigative disciplinary costs were incurred. To collect the cost reimbursements, the Commission invoices attorney-respondents. Beginning in November 1995 the Commission has regularly sought entry of judgments by the Court with interest at the rate charged by the State of Illinois (9% at December 31, 1997), for all invoices not paid within 30 days of the initial billing. The Commission has also established payment plans for disciplined attorneys.

Although collectibility has been enhanced by the Commission's judgment procedures, the Commission cannot reasonably estimate the collectibility of the cost reimbursements at this time. Whether the Commission can fully collect all cost reimbursements is dependent upon the disciplined attorneys' ability to pay and the current economic environment. Therefore, the Commission records cost reimbursements as revenue under the cost recovery method when the reimbursements are received. The Commission collected \$136,319 in such cost reimbursements in 1997. The Commission had identified approximately \$409,000 in additional amounts that remain unpaid by attorney-respondents at December 31, 1997.

Note 11. Litigation

Various complaints and actions were filed against the Commission in 1997. Several of these matters have been dismissed. Those pending are not perceived as presenting any serious prospect of negative financial consequences.

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