



ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
of the
SUPREME COURT OF ILLINOIS

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Chicago
April 28, 2011

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 2010 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 2010 and an accounting and audit of the monies received and expended during the twelve-month period that ended December 31, 2010.

Respectfully submitted,

R. Michael Henderson, Chairperson
Joan Myers Eagle, Vice-Chairperson
Derrick K. Baker
John R. Carroll
Brian McFadden
James R. Mendillo
David F. Rolewick, Commissioners

Jerome Larkin, Administrator

2010 Annual Report of the ARDC

I. Educational and Outreach Programs

The ARDC continues to provide professional responsibility training and ethics seminars to the profession and the public. The inclusion of an MCLE requirement for Illinois lawyers and the adoption of the new Rules of Professional Conduct have brought added focus and efforts on educating members of the Illinois bar on their ethical duties. Following the adoption of the new Rules of Professional Conduct on July 1, 2009, the ARDC undertook increased statewide efforts to educate Illinois lawyers regarding these changes prior to the new Rules' effective date of January 1, 2010. Those efforts included sponsoring MCLE accredited seminars, providing Commission lawyers and staff as speakers at hundreds of seminars across the state, operating an ethics hotline and issuing publications that serve as a resource for Illinois lawyers seeking to comply with their ethical duties.

A. MCLE Accredited Seminars Sponsored by the Commission

In 2010, the ARDC, as an accredited MCLE provider in Illinois, produced a recorded webcast entitled *Professional Responsibility Roundtable: A Discussion of the New Lawyer Ethics Rules in Illinois* to further educate Illinois lawyers about the new Illinois Rules of Professional Conduct, which took effect on January 1, 2010. Posted to the ARDC website in May 2010, more than 4,000 lawyers have had the opportunity to hear Justice Anne Burke give the Supreme Court's perspective on the adoption of the new Rules as well as listen to an in-depth panel discussion by ethics experts about the more significant changes to the Rules. Lawyers were able to earn two hours of ethics and professionalism MCLE credit without charge. This webcast was a follow-up to the earlier October 2009 ARDC webcast presented prior to the effective date of the new Rules. With opening remarks by Justice Thomas R. Fitzgerald, the webcast entitled, *What the New Rules of Professional Conduct Will Mean for Your Practice* has been viewed in 2010 alone by more than 2,000 lawyers for two hours of free MCLE credit.

As part of the ARDC's efforts to provide lawyers with opportunities to earn ethics and professionalism MCLE credit at no cost, the ARDC also plans to post in 2011 two new, recorded MCLE webcasts on its website. The first would be a two-hour webcast on the ethical obligations in selling, closing and leaving a law practice, to be made available in Spring 2011. The other webcast would be the *ARDC Professionalism Seminar*. The *ARDC Professionalism Seminar* has been presented for lawyers who have become involved in disciplinary proceedings since 1995 and is taught by a select faculty of distinguished lawyers and other professionals. The seminar focuses on the Rules of Professional Conduct and its practical day-to-day application in operating a law office and in resolving the common ethical dilemmas faced by all lawyers. The *Professionalism Seminar* is accredited for four hours of MCLE credit.

B. Speaking Engagements

An important part of the ARDC's outreach efforts has been to offer experienced presenters to speak to lawyer and citizen groups. In 2010, 23 ARDC Commissioners and staff members made 195 presentations to bar associations, government agencies, law firms, and other organizations. Presentations were made to 32 different county and regional bar associations in every area of the state. While many of the programs focused on the new Rules, others addressed a variety of issues related to lawyer regulation and issues faced by practitioners. As a result of these efforts, many lawyers had the opportunity to meet with members of the ARDC to pose questions about the new Rules. Attendees typically earned MCLE professional responsibility/ethics credit.

C. Ethics Inquiry Program

The Commission's Ethics Inquiry Program, a telephone inquiry resource, continues to serve Illinois attorneys each year who are seeking help in resolving ethical dilemmas. The goal of the Program is to help lawyers understand their professional obligations and assist them in resolving important issues in their practice. The Program provides lawyers with information about professional responsibility law, legal precedent, bar association ethics opinions, law review articles and practical guidelines; the Program does not provide legal advice or a binding advisory opinion. In the last few years, the Program has experienced a significant increase in the number of calls received. In 2010, staff lawyers responded to 4,606 inquiries, an 11% increase over 2009 and a more than 40% increase since 2006. Questions about a lawyer's mandatory duty to report lawyer or judicial misconduct under Rule 8.3 of the Illinois Rules of Professional Conduct continues to be the greatest area of inquiry posed to the Commission's Ethics Inquiry Program (*see* discussion on Lawyer Reports on Page 31). The top 10 subjects of inquiry during 2010 included:

<u>Subject of Inquiry</u>	<u># of calls</u>
Duty to report misconduct.....	417
Maintaining client confidences.....	277
Conflicts (Former client).....	187
Conflicts (Multiple representation).....	165
Handling client trust accounts	157
Multi-jurisdictional practice of law	144
Termination of representation	110
Conflicts (Lawyer's own interest)	109
Communication with represented persons.....	107
Retention/ownership of client files	97
Registration.....	86

Lawyers with inquiries are requested to present their questions in the hypothetical form, and callers may remain anonymous if they so choose, although no record is made of the identity of the caller or the substance of the specific inquiry or response. To make an inquiry, please call the Commission offices in Chicago (312-565-2600) or Springfield (217-522-6838). Additional information about the Program can be obtained at: www.iardc.org/ethics.html.

D. Publications

Each year the Commission publishes and distributes free of charge thousands of copies of the rules governing Illinois lawyers as well as *The Client Trust Account Handbook*, which details a lawyer's duties under Rule 1.15. The Commission has two publications containing the new Rules: *Illinois Rules of Professional Conduct of 2010*, a 120-page booklet containing the new Rules, comments and a topical index; and *Rules Governing the Legal Profession and Judiciary in Illinois*, a 200-page booklet which contains all the rules regulating the legal profession in Illinois, including the Illinois Code of Judicial Conduct and Illinois Supreme Court Rules on admission and discipline. More than 20,000 printed copies of the new Rules booklets have been distributed to lawyers in 2010, in addition to publishing the new Rules on the ARDC website.

The Commission's *The Client Trust Account Handbook*, was republished in January 2010, with new Rule 1.15 and the amendment to the rule dealing with advanced fees. This is the sixth edition of the *Handbook* and the Commission has distributed more than 100,000 copies to lawyers and law schools since its first publication in 1994.

The foregoing publications are available on the ARDC website (www.iardc.org) and in printed

format. To request a printed copy of any publication, please e-mail newrules@iadc.org with your name and mailing address or call the ARDC Chicago office at 312-565-2600 (or toll free at 800-826-8625) or the ARDC Springfield office at 217-522-6838 (or toll free at 800-252-8048).

E. Commission Website

The ARDC website (www.iadc.org), first launched in October 2001, continues to be a source of information regarding all aspects of the regulation of the legal profession in Illinois and recent developments affecting Illinois lawyers. The site attracts up to 93,000 visits each month, and in 2010 visitors totaled more than 1.2 million.

In addition, more than 62,000 lawyers took advantage of the online registration program for the 2011 registration year. The percentage of lawyers who registered online increased significantly from 37% in 2009 to 70% for the 2011 registration year, due in large part to improvements that were made to the online registration process. The most visited feature is the Lawyer Search function, which was used over 2 million times last year, enabling visitors to search the Master Roll for certain basic public registration information, including principal address and public disciplinary information about Illinois lawyers. The site also includes information about the ARDC investigative process and how to request an investigation, a schedule of public hearings and arguments on public disciplinary matters pending before the Hearing and Review Boards, and a searchable database of disciplinary decisions issued by the Supreme Court and reports filed by the disciplinary boards. Also available on the site is information about the Client Protection Program and claim forms as well as information about the Ethics Inquiry Program, and links to other legal ethics research sites.

II. Registration Report

A. Master Roll Demographics

The 2010 Master Roll of Attorneys for the state of Illinois numbered 86,657 attorneys, as of October 31, 2010. After that date, the Commission began the 2011 registration process, so that the total reported as of October 31, 2010 does not include the 2,117 attorneys who first took their oath of office in November or December 2010. The 2010 legal population in Illinois increased by 2.2% over 2009, the largest one-year increase in the Illinois lawyer population since 2005, continuing a trend of increases each year since 2001. *See Chart 25A, at Page 30.* Some of this increase can be attributed to a 14% decrease in the number of lawyers electing retirement status in 2010 versus 2009. *See Chart 7 on Page 15.* Chart 1 shows the demographics for the lawyer population in 2010.

Chart 1: Age, Gender and Years in Practice for Attorneys Registered in 2010

Gender	
Female	36%
Male.....	64%
Years in Practice	
Fewer than 5 years.....	16%
Between 5 and 10 years	17%
Between 10 and 20 years	26%
Between 20 and 30 years	22%
30 years or more	19%
Age	
21-29 years old.....	7%
30-49 years old.....	51%
50-74 years old.....	40%
75 years old or older	2%

Chart 2 provides the breakdown by the registration categories set forth in Supreme Court Rule 756.

Chart 2: Registration Categories for 2010

<u>Category</u>	<u>Number of Attorneys</u>
Admitted between January 1, 2009, and October 31, 2010.....	3,208
Admitted between January 1, 2007, and December 31, 2008.....	5,410
Admitted before January 1, 2007.....	63,499
Serving active military duty.....	301
Serving as judge or judicial clerk.....	1,597
Birthday before December 31, 1934.....	1,335
In-House Counsel under Rule 716.....	416
Foreign Legal Consultant under Rule 713.....	16
Legal Service Program Counsel under Rule 717.....	7
Pro Bono Authorization under Rule 756(j).....	24
Inactive status.....	<u>10,844</u>
Total attorneys currently registered	86,657

Charts 3 and 4 show the distribution by judicial district, circuit and county of the 63,638 registered active and inactive attorneys who reported a principal address in Illinois. The distribution of the attorney population in Illinois did not significantly change in 2010. Of the 102 counties, 37 counties experienced a slight increase in the number of attorneys from 2009, 34 experienced a slight decrease and 31 remained the same. The First District (Cook County) experienced the largest increase in 2010 at 2.3% and the other four districts remained the same.

Chart 3: Registration by Judicial Districts: 2006-2010

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>		<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
First District											
Cook County.....	42,142	43,026	43,761	43,653	44,668						
Second District						Fourth District					
15 th Circuit.....	200	203	205	200	195	5 th Circuit.....	257	247	249	252	250
16 th Circuit.....	1,325	1,360	1,380	1,423	1,426	6 th Circuit.....	860	853	851	857	854
17 th Circuit.....	761	782	794	807	806	7 th Circuit.....	1,230	1,244	1,240	1,256	1,253
18 th Circuit.....	3,952	4,015	4,075	4,142	4,185	8 th Circuit.....	198	190	197	188	192
19 th Circuit.....	<u>3,383</u>	*2,919	*2,987	3,014	3,087	11 th Circuit.....	<u>643</u>	<u>643</u>	<u>662</u>	<u>649</u>	<u>659</u>
22 nd Circuit	---*	<u>564</u>	<u>577</u>	<u>561</u>	<u>578</u>	Total	3,188	3,177	3,199	3,202	3,208
Total	9,621	9,843	10,018	10,147	10,277	Fifth District					
Third District						1 st Circuit.....	440	444	448	453	449
9 th Circuit.....	198	198	191	187	189	2 nd Circuit.....	296	288	291	288	296
10 th Circuit.....	896	894	911	930	911	3 rd Circuit.....	725	714	703	689	696
12 th Circuit.....	866	887	913	926	949	4 th Circuit.....	244	241	238	241	245
13 th Circuit.....	320	316	327	323	324	20 th Circuit.....	<u>764</u>	<u>785</u>	<u>783</u>	<u>780</u>	<u>779</u>
14 th Circuit.....	514	500	503	506	495	Total	2,469	2,472	2,463	2,451	2,465
21 st Circuit.....	<u>156</u>	<u>153</u>	<u>156</u>	<u>149</u>	<u>152</u>	Grand Total	60,370	61,466	62,442	62,474	63,638
Total	2,950	2,948	3,001	3,021	3,020						

* **Note:** Effective December 4, 2006, McHenry County parted from the 19th Judicial Circuit to form the 22nd Judicial Circuit of Illinois when the Illinois legislature amended the Circuit Courts Act, 705 ILCS 35/1.

Another 23,019 attorneys reported an address outside Illinois but registered as either active (65%) and able to practice under the auspices of their Illinois license or inactive (35%). The number of lawyers reporting an address outside of Illinois continues to increase each year, now accounting for 27% of all lawyers with an Illinois license, a 1% increase over 2009. Those 23,019 attorneys with an out-of-state principal address are not included in Charts 3 and 4.

Chart 4: Registered Active and Inactive Attorneys by County for 2009-2010

Principal Office	Number of Attorneys		Principal Office	Number of Attorneys		Principal Office	Number of Attorneys	
	2009	2010		2009	2010		2009	2010
Adams	122	127	Hardin	4	4	Morgan	40	38
Alexander	8	8	Henderson	5	5	Moultrie	12	12
Bond	11	11	Henry	48	49	Ogle	46	48
Boone	51	52	Iroquois	23	23	Peoria	799	777
Brown	10	10	Jackson	210	208	Perry	20	19
Bureau	38	37	Jasper	6	7	Piatt	25	25
Calhoun	5	5	Jefferson	107	114	Pike	10	9
Carroll	15	12	Jersey	16	16	Pope	6	5
Cass	10	10	Jo Daviess	36	34	Pulaski	4	5
Champaign	552	549	Johnson	9	9	Putnam	7	9
Christian	37	39	Kane	1,146	1,149	Randolph	27	26
Clark	12	11	Kankakee	126	129	Richland	24	24
Clay	15	14	Kendall	94	97	Rock Island	369	360
Clinton	26	26	Knox	60	62	Saline	39	44
Coles	102	106	Lake	3,014	3,086	Sangamon	1,140	1,140
Cook	43,653	44,668	LaSalle	215	215	Schuyler	9	9
Crawford	21	23	Lawrence	17	15	Scott	7	5
Cumberland	10	9	Lee	43	39	Shelby	17	17
DeKalb	183	180	Livingston	43	43	St. Clair	677	682
DeWitt	16	19	Logan	31	32	Stark	8	8
Douglas	24	21	Macon	228	228	Stephenson	60	62
DuPage	4,142	4,185	Macoupin	37	37	Tazewell	105	106
Edgar	18	18	Madison	678	685	Union	26	25
Edwards	6	5	Marion	47	47	Vermilion	110	106
Effingham	47	47	Marshall	11	11	Wabash	13	14
Fayette	18	20	Mason	11	12	Warren	20	21
Ford	13	15	Massac	14	15	Washington	20	19
Franklin	54	59	McDonough	43	42	Wayne	14	12
Fulton	42	42	McHenry	561	579	White	13	12
Gallatin	6	6	McLean	537	545	Whiteside	79	77
Greene	16	17	Menard	11	10	Will	926	949
Grundy	70	72	Mercer	10	9	Williamson	137	130
Hamilton	9	9	Monroe	36	33	Winnebago	756	753
Hancock	17	17	Montgomery	28	28	Woodford	25	24

B. Mandatory Disclosures in Annual Registration

Since 2007, lawyers must provide *pro bono*, trust account and malpractice insurance reports during the annual registration process as required by Supreme Court Rule 756. Pursuant to Supreme Court Rule 756(g), a lawyer is not registered if the lawyer fails to provide any of this information. The information reported by individual attorneys concerning voluntary *pro bono* service and trust accounts is confidential under Supreme Court Rule 766 and is not reported as part of a lawyer's individual listing under Lawyer Search on the ARDC website (www.iardc.org). However, malpractice insurance information is shown in the Lawyer Search section of the ARDC website along with each lawyer's public registration information. The aggregate reports received for the 2010 registration year regarding *pro bono* activities, trust accounts and malpractice insurance are presented below.

1. Report on Pro Bono Activities in 2010 Registration

Under Supreme Court Rule 756(f), Illinois lawyers are required to report voluntary *pro bono* service and monetary contributions on their registration form. While *pro bono* service and contributions are voluntary, the required report serves as an annual reminder to Illinois lawyers that *pro bono* legal service is an integral part of lawyers' professionalism. See IRPC (2010), Preamble, Comment [6A]. Despite a weak economy, there was a significant increase in the number of lawyers providing *pro bono* legal services, the aggregate hours of services and monetary contributions. For the lawyers registered for 2010,

29,276, attorneys indicated that they had provided *pro bono* legal services, as defined by Rule 756, a 7.6% increase over 2009. Those lawyers reported a total of 2,328,770 *pro bono* legal service hours, an increase of 6% over 2009, including 1,238,967 hours of legal service provided directly to persons of limited means, an increase of 11%. The number of lawyers making monetary contributions to legal aid organizations increased by 6% with the aggregate contribution amount up by 2.4%.

57,381 attorneys indicated that they had not provided *pro bono* legal services, 9,344 of whom indicated that they were prohibited from providing *pro bono* legal services because of their employment.

Chart 5A provides a four-year breakdown of the *pro bono* hours reported under Rule 756. The reported information does not include hours that legal service or government lawyers provide as part of their employment.

Chart 5A: Report on Pro Bono Hours (2007-2010)

	2007	2008	2009	2010
Type of <i>Pro Bono</i> Services	Service Hours	Service Hours	Service Hours	Service Hours
Legal services to persons of limited means	1,100,323	1,102,907	1,113,778	1,238,967
Legal services to enumerated organizations designed to address needs of persons of limited means	325,088	301,680	375,260	365,371
Legal services to enumerated organizations in furtherance of their purposes	637,128	714,308	660,022	673,051
Training intended to benefit legal service organizations or lawyers providing <i>pro bono</i> services	58,715	73,450	47,981	51,381
TOTAL:	2,121,254	2,192,345	2,197,041	2,328,770

Chart 5B provides a breakdown of monetary contributions for the same four-year period. In 2010, 14,985 lawyers reported that they made contributions to organizations that provide legal services to persons of limited means, an increase of nearly 6% over 2009. The amount contributed in 2010, \$15,266,660, increased by 2.4% over 2009. The reported information does not include the \$42 portion of the registration fee paid by most active status lawyers and remitted to the Lawyers Trust Fund, which distributes grants to programs providing legal assistance in civil matters to low-income Illinois residents. From the 2010 registration year, \$2,712,446 was remitted to the Lawyers Trust Fund. A total of \$20,568,956.00 has been remitted to the Lawyers Trust Fund since the 2003 registration year, the first year the ARDC began collection and remittance of this fee as provided in Supreme Court Rules 751(e)(6) and 756(a)(1).

Chart 5B: Monetary Contributions to Pro Bono Service Organizations (2007-2010)

	2007	2008	2009	2010
Amount Contributed	\$17,615,482	\$14,779,088	\$14,901,582	\$15,266,660
Number of lawyers who made contributions	12,637	13,929	14,156	14,985

2. Report on Trust Accounts in 2010 Registration

Supreme Court Rule 756(d) requires all Illinois lawyers to disclose whether they or their law firm maintained a trust account during the preceding year and to disclose whether the trust account was an IOLTA (Interest on Lawyer Trust Account) trust account, as defined in Rule 1.15(f) of the Rules of Professional Conduct. If a lawyer did not maintain a trust account, the lawyer is required to disclose why no trust account was maintained. Chart 6A sets forth the responses received from the 86,657 lawyers who were registered for 2010. Fifty-one percent of the lawyers reported that they or their law firms maintained a trust account sometime during the preceding 12 months. Of those who reported that they or their law firm did not maintain a trust account, nearly half explained that they were prohibited from an outside practice, because of their full-time employment in a corporation or governmental agency.

Chart 6A: Trust Account Disclosure Reports in 2010 Registration

A. Lawyers with Trust Accounts:	44,330
80.3% with IOLTA trust accounts	
19.7% with non-IOLTA trust accounts	
B. Lawyers without Trust Accounts:	42,327
Full-time employee of corporation or governmental agency (including courts) with no outside practice	23,514
Not engaged in the practice of law.....	10,582
Engaged in private practice of law (to any extent), but firm handles no client or third party funds	8,231

3. Report on Malpractice Insurance

Supreme Court Rule 756(e) requires Illinois lawyers to report whether they carry malpractice insurance coverage and, if so, the dates of coverage. Only sitting judges or magistrates who are exempt from paying a registration fee are exempt from this reporting requirement. The Rule does not require Illinois lawyers to carry malpractice insurance in order to practice law based upon their Illinois license. Chart 6B shows the aggregate number and percentage of lawyers who carry malpractice insurance as reported during the registration process. In 2010, 52.8% of all lawyers reported that they have malpractice insurance, representing a 0.6% decrease from 2009.

Chart 6B: Malpractice Disclosure Reports: 2005-2010

Lawyer Malpractice Insurance	2005	2006	2007	2008	2009	2010
Yes	41,767 (51.9%)	42,445 (51.8%)	44,203 (53.7%)	45,278 (53.9%)	45,498 (53.7%)	45,757 (52.8%)
No	38,716 (48.1%)	39,461 (48.2%)	37,364 (46.3%)	38,630 (46.1%)	39,279 (46.3%)	40,900 (47.2%)

4. MCLE Compliance

Chart 7 shows the number of lawyers who were removed from the Master Roll for the 2005 through 2010 registration years. Starting with the 2009 registration year, lawyers for the first time were removed from the Master Roll for failure to report compliance with the general MCLE requirements. Of the more than 52,000 lawyers with last names beginning from A through M, only 680 lawyers were removed in January 2009, a total of 1.3% as reported in the *2008 Annual Report* (see Page 4). The second reporting group of approximately 35,000 lawyers with last names beginning from N through Z were required to report MCLE compliance by July 31, 2009. In January 2010, 369 active and inactive status lawyers or .09% of the second reporting group were removed by the ARDC for non-compliance. Also removed in January 2010 were 26 newly admitted lawyers who failed to comply with the MCLE Basic Skills course requirement set forth in Supreme Court Rule 793. On January 15, 2011, the ARDC removed 509 active and inactive status lawyers who did not report compliance with MCLE requirements. This covered all attorneys with a last name between the letters A through M. Also, removed were nine newly admitted lawyers for failure to comply with the Basic Skills course requirement.

Chart 7 shows the trend of removals from the Master Roll between 2006 and 2010.

Chart 7: Attorney Removals from the Master Roll: 2006 – 2010 Registration Years

Reason for Removal	2006	2007	2008	2009	2010
Unregistered	1,372	429	961	1,132	1,034
Deceased	274	648	373	322	307
Retired	521	847	901	996	970
Disciplined	55	60	45	44	77
MCLE General Non-Compliance				680*	369
MCLE Basic Skills Non-Compliance			8**	52	26
Total	2,222	1,984	2,288	3,226	2,783

* 2008 was the first year for reporting MCLE General Compliance hours

**2007 was the first year for reporting MCLE Basic Skills hours

III. Report on Disciplinary and Non-Disciplinary Matters

A. Investigations Initiated in 2010

During 2010, the Commission docketed 5,617 investigations, a 3.7% decrease as compared to the number of investigations docketed in 2009, the lowest number of docketed investigations since 1992.¹ Those 5,617 investigations involved charges against 4,016 different attorneys, representing about 4.6% of all registered attorneys. About 22% of these 4,016 attorneys were the subject of more than one investigation docketed in 2010, as shown in Chart 8.

Chart 8: Investigations Docketed in 2010

<i>Investigations per Attorney</i>	<i>Number of Attorneys</i>
1	3,149
2	568
3	183
4	54
5 or more.....	<u>62</u>
	Total: 4,016
<i>Gender</i>	<i>Years in Practice</i>
Female	Fewer than 10 years....
Male.....	10 years or more.....
	23% 18%
	77% 82%

Charts 9 and 10 report the classification of investigations docketed in 2010, 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 9 reflects that the top three most frequent areas of a grievance make up nearly 75% of all grievances and are typically related to client-attorney relations: neglect of the client's cause (38%); failure to communicate with the client (21%); and fraudulent or deceptive conduct, including lying to clients (15%).

¹ In 1992, the method for tracking investigations was changed to count each lawyer named in each investigation as a separate investigation.

Chart 9: Classification of Charges Docketed in 2010 by Violation Alleged

<i>Type of Misconduct</i>	<i>Number*</i>	<i>Type of Misconduct</i>	<i>Number*</i>
Neglect	2,152	Practicing in a jurisdiction where not authorized	48
Failing to communicate with client, including failing to communicate the basis of a fee	1,167	Failing to preserve client confidences or secrets	46
Fraudulent or deceptive activity, including lying to clients, knowing use of false evidence or making a misrepresentation to a tribunal or non-client	853	Aiding in the unauthorized practice of law	43
Improper management of client or third party funds, including commingling, conversion, failing to promptly pay litigation costs or client creditors or issuing NSF checks	335	Failing to supervise subordinates	38
Conduct prejudicial to the administration of justice, including conduct that is the subject of a contempt finding or court sanction	331	Threatening criminal prosecution or disciplinary proceedings to gain advantage in a civil matter	28
Filing frivolous or non-meritorious claims or pleadings	349	Failing to report misconduct of another lawyer or judge	19
Failing to properly withdraw from representation, including failing to return client files or documents	259	Bad faith avoidance of a student loan	16
Excessive or improper fees, including failing to refund unearned fees	259	Practicing after failing to register	13
Conflict of Interest:	250	Inducing/assisting another to violate the Rules	12
Rule 1.7: Concurrent conflicts	165	Incapacity due to chemical addiction or mental condition	10
Rule 1.8(a) Improper business transaction with client	14	Improper division of legal fees/partnership with nonlawyer	9
Rule 1.8(b) Improper acquisition of publication rights	3	Investigation of bar applicant	8
Rule 1.8(c) Improper preparation of instrument benefiting lawyer	4	Improper <i>ex parte</i> communication with judge or juror	8
Rule 1.8(d) Financial assistance to client	5	False statements about a judge, jud. candidate or public official ...	4
Rule 1.8(e) Improper aggregate settlement for multiple clients	3	Improper employment where lawyer may become a witness	3
Rule 1.8(h) Improper limitation on client's right to go to ARDC	2	Improper extrajudicial statement	2
Rule 1.8(i) Improper propriety interest	2	Sexual harassment/abuse or violation of law prohibiting discrimination	2
Rule 1.8(j) Improper sexual relations with client	6	Failing to report discipline in another jurisdiction	2
Rule 1.9: Successive conflicts	35	Abuse of public office to obtain advantage for client	2
Rule 1.10: Imputed conflict	6	Assisting a judge in conduct that violates the judicial code	2
Rule 1.11 Former government lawyer	4	Failure to pay taxes	1
Rule 1.13: Conflict representing organizational client	1	False statements in a bar admission or disciplinary matter	1
Improper trial conduct, including using means to embarrass, delay or burden another or suppressing evidence where there is a duty to reveal	145	Failing to preserve information of prospective client	1
Criminal activity, including criminal convictions, counseling illegal conduct or public corruption	142	Failing to comply with Rule 764	1
Failing to provide competent representation	142	Failing to maintain an appropriate attorney-client relationship with disabled client	1
Prosecutorial misconduct	99	False statement about judge or jud. candidate	1
Not abiding by a client's decision concerning the representation or taking unauthorized action on the client's behalf	79	Judicial candidate's violation of Judicial Code	1
Improper commercial speech, including inappropriate written or oral solicitation	68	No misconduct alleged	266
Improper communications with a party known to be represented by counsel or with unrepresented party	62		

*Totals exceed the number of requests for investigations docketed in 2010 because in many requests more than one type of misconduct is alleged.

Consistent with prior years, the top subject areas most likely to lead to a grievance of attorney misconduct are criminal law, domestic relations, tort, and real estate, as shown in Chart 10.

Chart 10: Classification of Charges Docketed in 2010 by Subject Area

<i>Area of Law</i>	<i>Number</i>
Criminal/Quasi-Criminal.....	1,374
Domestic Relations.....	837
Tort (Personal Injury/Property Damage).....	521
Real Estate/Landlord-Tenant.....	468
Probate.....	298
Labor Relations/Workers'Comp.....	241
Contract.....	248
Bankruptcy.....	192
Debt Collection.....	142
Immigration.....	111
Civil Rights.....	95
Corporate Matters.....	86
Local Government Problems.....	48
Tax.....	25
Patent and Trademark.....	20
Social Security.....	8
Mental Health.....	5
Adoption.....	3
No Area of Law Identified:	
Criminal Conduct/Conviction of Attorney.....	93
Personal misconduct.....	19
Other.....	49
Undeterminable.....	165

B. Investigations Concluded in 2010

If an investigation does not 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, unless the matter is filed directly with the Supreme Court under Rules 757, 758, 761, 762(a), or 763. The Inquiry Board operates in panels of three, composed of two attorneys and one nonlawyer, all appointed by the Commission. An Inquiry Board panel has authority to vote a formal complaint if it finds sufficient evidence to support a charge, to close an investigation if it does not so find, or to 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.

About 5% of investigations concluded in 2010 resulted in the filing of formal charges. Charts 11 and 12 show the number of investigations docketed and terminated during 2006 to 2010, and the type of actions that terminated the investigations in 2010.

Chart 11: Investigations Docketed: 2006-2010

Year	Pending January 1st	Docketed During Year	Concluded During Year	Pending December 31st
2006	1,841	5,801	5,746	1,896
2007	1,896	5,988	6,070	1,814
2008	1,814	5,897	6,127	1,584
2009	1,584	5,834	5,551	1,867
2010	1,867	5,617	5,626	1,858

Chart 12: Investigations Concluded in 2010

Concluded by the Administrator:	
Closed after initial review.....	1,354 (No misconduct alleged)
Closed after investigation.....	3,914
Filed at Supreme Court pursuant to Supreme Court Rules 757, 758(b), 761, 762(a), 763 and 774.....	36
Concluded by the Inquiry Board: 322	
Closed after panel review.....	50
Complaint or impairment petition voted...	271
Closed upon completion of conditions of Rule 108 supervision.....	1
Total.....	5,626

1. Timeliness of Investigations Concluded in 2010

Of the 5,626 investigations concluded in 2010, 5,304 were concluded by the Administrator. Charts 13A through C show the average number of days that the 5,304 investigations concluded in 2010 were pending before either being closed or filed in a formal action. In keeping with the Commission's policy that disciplinary matters be handled expeditiously, codified in Commission Rule 1, Charts 13A through C show the time periods required to conclude investigations. Chart 13A shows that 1,355, or 24%, of the 5,626 investigations concluded in 2010 were closed after an initial review of the complainant's concerns. Ninety-six percent of these 1,355 investigations were concluded within 60 days of the docketing of the grievance. The six staff lawyers who make up the Intake division of the Administrator's staff review most incoming grievances and perform the initial inquiry into the facts to determine whether the written submissions from complainants, read liberally, describe some misconduct by a lawyer. Generally, closures made after an initial review are completed without asking the lawyer to respond, although the lawyer and complainant are typically apprised of the determination.

Chart 13A

1,355 Investigations Closed After Initial Review in 2010			
<i>Average Number of Days Pending Prior to Closure:</i>			
Fewer than 10 days	10 - 20 days	21 - 60 days	More than 60 days
1,041 (76.8)%	77 (5.7)%	184 (13.6)%	53 (3.9)%

In the remaining 4,271 investigations closed in 2010 by the Administrator, the staff determined that an investigation was warranted, and, in most cases, these investigations began with a letter from Intake counsel to the lawyer named in the grievance, enclosing a copy of the complainant's submission and asking the lawyer to submit a written response. The lawyer's written response was usually forwarded for comment to the complainant, and the file was reviewed by Intake counsel after the complainant's reply was received or past due. If, at that stage, the submissions and any back-up documentation obtained demonstrated that the lawyer did not violate professional conduct rules, or at least that a violation could not be proved, Intake counsel closed the file. If counsel determined that further investigation was warranted, the file was reassigned to Litigation counsel who primarily handles investigations that require more extensive investigation or are more likely to lead to formal proceedings.

Chart 13B shows that for the 4,271 investigations closed after a determination to conduct an investigation was made, 2,653, or 62%, were closed by Intake counsel, with 96% of those closed within 90 days of receipt. Chart 13C indicates that 1,264 or 38% were closed by Litigation counsel. 50% of the files referred to Litigation counsel were closed within six months, notwithstanding the fact that investigations at this level are more extensive and time consuming, in order to determine if the filing of formal action is warranted based on the evidence produced during the investigation. How long it takes before an investigation is resolved is influenced by whether the lawyer has addressed all concerns raised during the investigation, whether other sources are cooperating with the ARDC's requests for information, the complexity of the issues, and the amount of information and documents that ARDC counsel must review.

Chart 13B

2,653 Investigations Concluded in 2010 by the Intake Staff After Investigation			
<i>Average Number of Days Pending Prior to Closure:</i>			
Fewer than 90 days	Between 90 to 180 days	Between 180 - 365 days	More than 365 days
76%	20%	3%	1%

Chart 13C

1,264 Investigations Concluded in 2010 by the Litigation Staff After Investigation			
<i>Average Number of Days Pending Prior to Closure:</i>			
Fewer than 90 days	Between 90 - 180 days	Between 180 - 365 days	More than 365 days
24%	26%	29%	21%

C. Hearing Board 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 a panel of the Hearing Board. The Hearing Board functions much like a trial court in a civil case, and each panel is comprised of three members, two lawyers and one nonlawyer, appointed by the Commission. The Commission has hired an adjudication staff separate from the Administrator's office to provide legal assistance to the Hearing Board. Upon filing and service of the complaint, the case becomes public. The panel chair presides over pre-hearing matters. 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 14 shows the activity before the Hearing Board in 2010. There were 122 cases added to the Hearing Board's docket in 2010, an 11% decrease from 2009. Of those, 111 were initiated by the filing of a new disciplinary complaint.

Chart 14: Matters Before the Hearing Board in 2010

Cases Pending on January 1, 2010	172
Cases Filed or Reassigned in 2010:	
<i>Disciplinary Complaints Filed:</i> *	
➤ Rules 753, 761(d).....	111
<i>Reinstatement Petitions Filed:</i>	
➤ Rule 767.....	6
<i>Petition for Disability Inactive Status Filed:</i>	
➤ Rule 757	3
<i>Remanded by Supreme Court after denial of petition for discipline on consent</i>	2
Total New Cases Filed or Reassigned	122
Cases Concluded During 2010	115
Cases Pending December 31, 2010	179
* 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 the Inquiry Board has voted a complaint are consolidated into a single complaint for purposes of filing at the Hearing Board.	

Chart 15 shows the demographics of the 111 lawyers who were the subject of a formal complaint in 2010.

Chart 15: Profile of Lawyers Charged in Disciplinary Complaints Filed in 2010

Years in Practice	# of Complaints Filed	% of Complaints Filed	% of Lawyer Population
Fewer than 5	3.....	3%.....	16%
Between 5 and 10	17.....	15%.....	17%
Between 10 and 20	34.....	31%.....	26%
Between 20 and 30	28.....	25%.....	22%
30 or more.....	29.....	26%.....	19%
Age:			
21-29 years old.....	0.....	0%.....	7%
30-49 years old.....	52.....	47%.....	51%
50-74 years old.....	57.....	51%.....	40%
75 or more years old	2.....	2%.....	2%
Gender:			
Female	14.....	13%.....	36%
Male	97.....	87%.....	64%

Chart 16 shows the types of misconduct alleged in the 111 disciplinary complaints filed during 2010, and Chart 17 indicates the areas of practice in which the alleged misconduct arose. The allegations of fraudulent or deceptive activity, failure to communicate and neglect of a client's case, most frequently seen in initial charges as reported in Charts 9 and 10, are also among the most frequently charged in formal complaints.

Chart 16: Types of Misconduct Alleged in Complaints Filed Before Hearing Board in 2010

<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>
Fraudulent or deceptive activity	59.....	53%	Improper withdrawal from employment without court approval or avoiding prejudice to client	7.....	6%
Failure to communicate with client	32.....	29%	Improper commercial speech, including improper direct solicitation.....	7.....	6%
Neglect/lack of diligence	32.....	29%	Excessive or unauthorized fees.....	6.....	5%
In many cases where neglect was charged, the neglect was accompanied by one or both of the following:			Misrepresentation to third persons.....	6.....	5%
Misrepresentation to client	18.....		Failure to provide competent representation... 5.....	5.....	5%
Failure to return unearned fees.....	11.....		Unauthorized practice after failure to register 5.....	5.....	5%
Improper handling of trust funds.....	27.....	24%	Unauthorized practice after MCLE removal... 5.....	5.....	5%
Conflict of interest.....	22.....	20%	Assisting client in criminal/fraudulent conduct.....	3.....	3%
Rule 1.7: concurrent conflicts	14.....		Breach of client confidences	3.....	3%
Rule 1.8(a): improper business transaction with client.....	1.....		Inducing/assisting another to violate rules.....	2.....	2%
Rule 1.8(c): improper instrument benefiting the lawyer	1.....		Bad faith avoidance of student loan	1.....	1%
Rule 1.8(d): improper financial assistance to client.....	3.....		Failure to supervise employees.....	1.....	1%
Rule 1.9: successive conflicts.....	3.....		Improper threat of criminal or disciplinary prosecution	1.....	1%
Criminal conduct/conviction of lawyer.....	20.....	18%	Prosecutorial misconduct	1.....	1%
False statement or failure to respond in bar admission or disciplinary matter	18.....	16%	Practicing in a jurisdiction without authority.. 1.....	1.....	1%
Pursuing/filing frivolous or non-meritorious claims or pleadings.....	10.....	9%	Assisted a disbarred lawyer in the unauthorized practice of law	1.....	1%
Offering false evidence or making false statements to tribunal.....	8.....	7%			
Not abiding by client's decision or taking unauthorized action on client's behalf	8.....	7%			

* Totals exceed 111 disciplinary cases and 100% because most complaints allege more than one type of misconduct.

Chart 17: Subject Area Involved in Complaints Filed Before Hearing Board in 2010

<i>Subject Area</i>	<i>Number of Cases*</i>	<i>% of Cases Filed*</i>	<i>Subject Area</i>	<i>Number of Cases*</i>	<i>% of Cases Filed*</i>
Tort	18	16%	Criminal.....	6.....	5%
Probate	15	14%	Bankruptcy.....	3.....	3%
Deceptive, threatening or offensive conduct not arising out of a legal representation.....	15	14%	Debt Collection	3.....	3%
Real Estate.....	13	12%	Civil Rights.....	2.....	2%
Contract.....	11	9%	Corporate Matters.....	1.....	1%
Domestic Relations	10	9%	Immigration	1.....	1%
Criminal Conduct/Conviction	7	6%	Patent/Trademark	1.....	1%
WorkersøComp/Labor Relations	7	6%			

*Totals exceed 111 disciplinary complaints and 100% because many complaints allege several counts of misconduct arising in different areas of practice.

Chart 18 shows the type of action by which the Hearing Board concluded 111 disciplinary cases and four reinstatement petitions during 2010.

Chart 18: Actions Taken by Hearing Board in Matters Terminated in 2010

A. Disciplinary Cases: Rules 753 & 761(d)	
Recommendation of discipline after hearing ..	49
Case closed by filing of petition for discipline on consent other than disbarment.....	44
Case closed by filing of motion for disbarment on consent.....	6
Case closed by administration of a reprimand to respondent.....	7
Recommendation of dismissal after hearing.....	2
Complaint dismissed without prejudice	1
Case closed by death of respondent	1
Case closed by filing of petition for transfer on consent to disability inactive status	<u>1</u>
Total Disciplinary Cases	111
B. Reinstatement Petitions: Rule 767	
Recommendation of Petition denied	2
Petition withdrawn.....	2
Total Matters Terminated	115

Of the 111 disciplinary cases concluded by the Hearing Board in 2010, 45% were closed by the filing in the Supreme Court of a pleading as an agreed matter for discipline on consent, 35% proceeded as contested hearings and 20% were conducted as default hearings because the

lawyer-respondent did not appear and was not represented by counsel.

D. Review Board Matters

Once the Hearing Board files its report in a case, either party may file a notice of exceptions to the Review Board, which serves as an appellate tribunal. The Review Board is assisted by a legal staff hired by the Commission that is separate from the Administratorø office and the Hearing Boardø adjudication staff. Chart 19 shows activity at the Review Board during 2010.

Chart 19: Actions Taken by the Review Board in 2010

Cases pending on January 1, 2010	28
Cases filed during 2010:	
Exceptions filed by Respondent	16
Exceptions filed by Administrator	10
Exceptions filed by both	<u>1</u>
Total.....	27
Cases decided in 2010:	
Hearing Board reversed on findings and/or sanction	17
Hearing Board affirmed	12
Notice of exceptions stricken	<u>2</u>
Notice of exceptions withdrawn	1
Total.....	32
Cases pending December 31, 2010	23

E. Supreme Court Matters

1. Disciplinary Cases

The Supreme Court has sole authority to sanction attorneys for misconduct, except for a reprimand, which can be imposed in a disciplinary case without order of the Court by either the Hearing or Review Board. In 2010, the Court entered 148 sanctions against the same number of lawyers, the highest number of disciplinary sanctions entered by the Court since 2005. Chart 20 reflects the nature of the orders entered.

Chart 20: Disciplinary Sanctions Ordered by the Supreme Court in 2010

Disbarment.....	41
Suspension	74*
Probation.....	15
Censure.....	15
Reprimand.....	3
Total	148

*In addition to the 74 suspensions, the Court also ordered 11 interim suspensions, as reported in Chart 22 at (F) and (J).

Charts 21A and 21B provide demographic information on the 148 lawyers disciplined by the Court and seven lawyers reprimanded by the Hearing Board in 2010. See Chart 18. Other than Board reprimands, the Hearing and Review Board issue reports that include recommendations to the Supreme Court for disposition.

Chart 21A: County of Practice of Lawyers Disciplined in 2010

County	Number Disciplined	County	Number Disciplined
Cook.....	67	Henry.....	1
Out-of-State	49	Jackson	1
DuPage.....	7	Logan	1
Kane.....	5	Ogle.....	1
McLean	3	Randolph	1
Jefferson	2	Rock Island	1
Lake	2	Sangamon	1
LaSalle	2	Vermilion.....	1
McHenry	2	Fulton	1
Madison.....	2	Union.....	1
Will.....	2		
Winnebago	2		

Chart 21B: Profile of Lawyers Disciplined in 2010

Years in Practice	# of Lawyers Discipline	% of Lawyers Disciplined	% of Lawyer Population
Fewer than 5	2	1%	16%
Between 5 and 10	13	8%	17%
Between 10 and 20	40	26%	26%
Between 20 and 30	43	28%	22%
30 or more	57	37%	19%
Age:			
21-29 years old	0	0%	7%
30-49 years old	52	33%	51%
50-74 years old	99	63%	40%
75 or more years old	4	4%	2%
Gender:			
Female	16	10%	36%
Male	139	90%	64%

Disciplinary cases reach the Court in several ways. Chart 22 reflects the disciplinary actions taken by the Supreme Court in the varying procedural contexts in which those matters are presented. There were a record number of lawyers disciplined on a reciprocal basis (33), as provided in Supreme Court Rule 763, because they had been disciplined in another jurisdiction where they also held a license in addition to their Illinois license. In those cases, the lawyer is subject to the same or comparable discipline in Illinois. The matters are presented directly to the Court upon petition, typically without Hearing Board involvement. In addition, the Court allowed 14 consent disbarments on motions filed directly in the Court. The remainder of final disciplinary orders arose from matters initiated by the filing of an action before the Hearing Board. 71% of the Court's orders in these original disciplinary actions involved consent petitions approved by the Hearing Board (44) or an agreed submission of the Report of the Hearing Board (27).

Chart 22: Orders Entered by Supreme Court in Disciplinary Cases in 2010

<p>A. <u>Motions for disbarment on consent: Rule 762(a)</u> Allowed..... 14 Denied without prejudice 0 Total 14</p>	<p>D. <u>Motions to approve and confirm report of Review Board: Rule 753(e)(6)</u> Allowed..... 7 Denied 0 Total..... 7</p>
<p>B. <u>Petitions for discipline on consent: Rule 762(b)</u> Allowed: Suspension..... 20 Suspension stayed in part, probation ordered 7 Suspension stayed in its entirety, probation ordered 4 Censure 13 Total..... 44 Denied..... 2 Total 46</p>	<p>E. <u>Motions to approve and confirm report of Hearing Board: Rule 753(d)(2)</u> Allowed..... 27 Denied..... 0 Total..... 27</p>
<p>C. <u>Petitions for leave to file exceptions to report and recommendation of Review Board: Rules 753(e)(1) and 761</u> Allowed and more discipline imposed than recommended by Review Board..... 10 Denied; dismissal as recommended by Review Board 0 Denied and same discipline imposed as recommended by Review Board 9 Allowed and same discipline imposed as recommended by Review Board 2 Allowed and less discipline imposed as recommended by Review Board 1 Total..... 22</p>	<p>F. <u>Petitions for interim suspension due to conviction of a crime: Rule 761(b)</u> Rule enforced and lawyer suspended 6 Rule discharged 0 Total 6</p>
	<p>G. <u>Petitions for reciprocal discipline: Rule 763</u> Allowed..... 33 Denied..... 0 Total 33</p>
	<p>H. <u>Petitions for reinstatement: Rule 767</u> Allowed with conditions 3 Denied 3 Petition withdrawn..... 3 Remanded to Hearing Board..... 1 Total 10</p>
	<p>I. <u>Motions to revoke probation: Rule 772</u> Allowed, probation revoked and respondent suspended 1 Denied 0 Total 1</p>
	<p>J. <u>Petitions for interim suspension: Rule 774</u> Rule enforced and lawyer suspended 5 Rule discharged 5 Total 10</p>

Chart 23 tracks the type of misconduct that led to the 155 sanctions entered in 2010, 148 by the Court and seven Hearing Board reprimands administered in 2010.

Chart 23: Misconduct Committed in the 155 Disciplinary Cases Decided in 2010¹

Types of Misconduct	Number of Cases in Which Sanctions Were Imposed				
	Disbarment	Suspension ²	Probation ³	Censure	Reprimand ⁴
Total Number of Cases:	41	74	15	15	10
Fraudulent or deceptive activity	29	51	6	9	2
Neglect or lack of diligence	12	28	3	2	2
Criminal conduct by the lawyer	11	20	6	2	1
Failure to communicate with client, including					
failure to communicate basis of a fee	13	23	3	2	0
Improper management of client or third party					
funds, including commingling and conversion	10	12	5	3	1
Misrepresentation to clients to cover up neglect.....	11	11	2	2	0
Fee violations, including failure to refund					
unearned fees	7	11	2	2	0
Failure to cooperate with or false statement					
to disciplinary authority.....	7	10	0	0	0
Misrepresentation to a tribunal.....	3	9	1	0	0
Failure to provide competent representation	5	7	0	0	0
Filing false, frivolous or non-meritorious claims					
or pleadings or presenting false evidence.....	1	8	0	0	2
Not abiding by a client's decision concerning					
the representation or taking unauthorized					
action on the client's behalf	1	4	1	1	0
Improper withdrawal, including					
failure to return file.....	1	2	0	0	0
Conflict of interest (1.7: concurrent clients).....	0	4	0	4	0
Conflict of interest (1.8(d): advancing/guaranteeing					
improper financial assistance to client)	0	1	1	0	0
Conflict of interest (1.8(c): improper gift from client) ...	0	1	0	1	0
Conflict of interest (1.8(a): improper business					
transaction with client)	0	2	1	1	0
Inducing/assisting another lawyer's misconduct	3	2	0	1	1
Counseling/assisting a client in criminal or					
fraudulent conduct.....	1	0	0	0	0
Aiding the unauthorized practice of law by nonlawyer...	1	0	1	0	0
False statements about judge or public official	0	2	0	0	0
Misrepresentation to third persons	2	2	0	1	0
Breach of client confidences.....	0	1	0	0	0
Unauthorized practice of law in jurisdiction	1	2	0	0	1
Practice after failure to register	2	1	1	1	0
Practice after removal for noncompliance w/MCLE	0	0	0	1	0
Practice during period of suspension.....	1	2	0	0	0
Improper solicitation or advertising.....	0	1	0	0	0
Prosecutorial misconduct.....	0	1	0	0	0
Improper communication with represented person.....	0	0	0	0	1

1 Totals exceed 155 cases because in most cases more than one type of misconduct was found.
2 Includes 72 suspensions and one suspension stayed in part by probation and one probation revoked and suspension ordered.
3 Suspensions stayed entirely by probation.
4 Includes seven Hearing Board reprimands.

2. *Non-Disciplinary Actions*

In addition to activity in disciplinary cases, the Supreme Court entertains pleadings in non-disciplinary matters that affect an attorney's status. Chart 24 reflects the orders entered in such cases during 2010.

Chart 24: Non-Disciplinary Actions by the Supreme Court for 2010

<i>Rule 758</i>	
Motion for transfer to disability inactive status on consent:	
Allowed.....	2
Denied.....	<u>0</u>
<i>Total</i>	2

3. Registration and Caseload Trends (1996-2010)

Charts 25A and 25B show the registration and caseload trends for the past fifteen years.

Chart 25A: Registration Growth and Disciplinary Investigations (1996-2010)

	Number of Registered Attorneys	% of Growth Over Prior Year	Investigations Docketed	Closure By Administrator No Misconduct Alleged	Closure By Administrator After Investigation	Closure By Inquiry Board After Investigation	Complaint Voted By Inquiry Board*
1996	68,819	2.5%	6,801	1,364	4,946	76	300
1997	70,415	2.3%	6,293	1,202	5,018	81	342
1998	72,149	2.5%	6,048	1,352	4,414	58	272
1999	73,514	1.9%	5,877	1,131	4,268	69	231
2000	73,661	0.2%	5,716	1,146	4,319	87	224
2001	74,311	0.9%	5,811	1,077	4,318	55	273
2002	75,421	1.5%	6,182	1,350	4,360	96	334
2003	76,671	1.7%	6,325	1,396	4,332	61	353
2004	78,101	1.9%	6,070	1,303	4,539	90	320
2005	80,041	2.5%	6,082	1,460	4,239	102	317
2006	81,146	1.4%	5,801	1,319	4,076	76	215
2007	82,380	1.5%	5,988	1,508	4,117	125	279
2008	83,908	1.9%	5,897	1,441	4,305	104	228
2009	84,777	1.0%	5,834	1,322	3,891	79	226
2010	86,777	2.2%	5,617	1,354	3,914	50	271

*Totals are higher than number of complaints filed because a complaint may be based on more than one investigation.

Chart 25B: Disciplinary Proceedings (1996-2010)

	Matters Filed With Hearing Board	Matters Concluded at Hearing Board	Matters Filed With Review Board	Matters Concluded at Review Board	Sanctions Ordered By Court
1996	129	82	22	37	115
1997	129	131	32	24	117
1998	141	139	31	28	138
1999	123	112	28	24	116
2000	119	116	29	32	120
2001	137	129	28	28	123
2002	131	122	36	30	126
2003	141	125	35	30	137
2004	156	170	45	41	149
2005	144	134	28	47	167
2006	108	132	25	23	144
2007	144	121	32	29	120
2008	134	137	31	26	135
2009	137	135	30	31	130
2010	122	115	27	32	148

F. Duty to Report Lawyer Misconduct: Lawyer Reports: 2003-2010

Rule 8.3 of the Rules of Professional Conduct requires Illinois lawyers to report certain instances of lawyer or judicial misconduct. The Illinois Supreme Court's opinion in *In re Himmel*, 125 Ill.2d 531, 533 N.E.2d 790 (1988), established that an attorney's failure to report his unprivileged knowledge of another attorney's serious wrongdoing warranted a suspension from the practice of law. The attorney was prosecuted under Rule 1-103 of the Illinois Code of Professional Responsibility, superseded in 1990 by Rule 8.3, a substantively identical ethics standard. The adoption of the 2010 Rules did not substantially change the duties imposed by Rule 8.3.

Since the *Himmel* decision, the Illinois ARDC has received more than 11,000 reports filed by lawyers and judges against members of the Illinois bar. (See *2007 Annual Report of the ARDC*, pages 25-27, for a twenty-year history of *Himmel* reporting statistics.) An average of 500 reports has been made each year. Although investigations opened as a result of attorney reporting are usually concluded without the filing of formal disciplinary charges, an average of 20.3% of the formal disciplinary caseload between 2003 and 2010 included a charge generated as a result of a lawyer or judge filing an attorney report. Since 2007, the percentage of formal complaints initiated from a report made by an attorney has increased significantly to a four-year average of 28%.

Chart 26 tracks attorney report filings from 2003 through 2010.

Chart 26: Attorney Reports: 2003-2010

Year	Number of Grievances	Numbers of Attorney Reports	Percent of Attorney Reports to Grievances	Number of Complaints Voted	Number of Complaints Voted Involving Attorney Reports	Percent of Attorney Reports to Formal Complaints
2003	6,325	510	8.1%	353	44	12.5%
2004	6,070	503	8.3%	320	42	13.1%
2005	6,082	505	8.3%	317	47	14.8%
2006	5,800	435	7.5%	217	35	16.1%
2007	5,988	525	8.8%	284	82	28.9%
2008	5,897	542	9.1%	228	69	30.2%
2009	5,837	489	7.7%	226	60	26.5%
2010	5,617	497	8.8%	271	73	26.9%
Totals for 2003-2010	47,616	4,006	8.4%	2,216	452	20.3%
Average For 2003-2010	5,952	500	8.3%	277	57	20.3%

IV. Client Protection Program Report

The Supreme Court of Illinois created the Client Protection Program in 1994 to reimburse clients who lost money as the result of the dishonest conduct of an Illinois lawyer who has been disciplined or is deceased. The Program does not cover losses resulting from professional negligence or malpractice and does not consider claims involving fee or contract disputes. Commission Rules 501 through 512 govern the administration of the Program.

The purpose of the Client Protection Program is to promote public confidence in the administration of justice and the integrity of the legal profession. The Program was originally part of the Disciplinary Fund budget, but, since 2007, the Program has been funded by an annual assessment paid by each lawyer and remitted to the Client Protection Program Trust Fund. Rule 756 sets the assessment amount at \$25 per lawyer. The per-award limit is \$75,000 and the per-lawyer limit is \$750,000.

In 2010 the Program collected \$1,704,986 (\$1,613,010 from assessments, \$56,623 from reimbursement, and \$35,353 from interest). The Program approved 89 claims against 30 lawyers and paid \$705,168 to claimants as shown in Chart 27A. Four approvals were for the \$75,000 maximum, and 51 were for \$2,500 or less. The "Claims Denied" figure for 2010 includes 61 claims that were closed as ineligible under the Rules (involved lawyer neither disciplined nor deceased) or withdrawn, and three claims that were closed after the involved lawyer reimbursed the claimant's loss. The three claims reimbursed by the involved lawyers amounted to approximately \$5,400. The Client Protection Program Trust Fund reimbursed the Disciplinary Fund in the amount of \$263,364 for the administrative costs of the Program, including salaries, office overhead, and investigative expenses necessary to the adjudication of Client Protection Program claims. The claims concluded in a given year, as shown in the chart below, may include claims filed in prior years and carried over.

Chart 27A: Client Protection Program Claims: 2002-2010

Year	Claims filed	# Claims Approved	# Claims Denied	For Claims Approved, # Respondent Attys	Total Amounts Paid
2002	187	57	86	31	\$215,564
2003	208	68	83	31	\$477,595
2004	357	153	113	40	\$617,772
2005	242	179	132	46	\$951,173
2006	222	111	69	38	\$843,054
2007	217	90	138	44	\$697,358
2008	224	102	122	56	\$1,029,220
2009	188	81	125	35	\$1,091,473
2010	207	89	108	30	\$705,168

Chart 27B below provides a summary of the claims approved in 2010, by type of misconduct and area of law. For the type of misconduct involved in the 89 approved claims, unearned fee claims constituted 73% of approvals and 23% of payouts and conversion claims were 27% of approvals and 77% of payouts.

Chart 27B: Classification of Approved Client Protection Claims in 2010

Type of Misconduct:	
Failure to refund unearned fees	65
Conversion	24
Area of Law	
Bankruptcy	44 ²
Domestic Relations	9
Family Law.....	9
Probate/Trusts.....	8
Criminal/Quasi-Criminal.....	7
Labor/WorkersøComp	7
Real Estate.....	6
Tort	4
Corporate.....	2
Immigration.....	1
Contract.....	1

² Thirty-three of the bankruptcy claims involved one lawyer, William E. Wells, of Marion, IL. Mr. Wells was disbarred on consent on 2009.

V. Commission Appointments

A. ARDC Commissioners

1. *Retirement of Benedict Schwarz, II*

Benedict Schwarz II, who served as a ARDC Commissioner since 1992 and the Commission Chairperson since 2001, concluded his term of service as a Commissioner. Mr. Schwarz's tenure on the ARDC continues as the Supreme Court appointed him to serve as a member of the Review Board. Mr. Schwarz is a principal in the law firm of *Schwarz & Pucci, LLC* in West Dundee where he concentrates in the area of family law. He is a long-time member and past director of the American Academy of Matrimonial Lawyers (AAML) and is also a mediator. Mr. Schwarz has taught numerous divorce mediation training and conflict resolution seminars and has also co-authored chapters on the subject. He has served as a member of the Board of Directors of the Lawyers Assistance Program (LAP) and is a trained LAP intervenor. Admitted to practice law in 1971, he received his J.D. from The John Marshall Law School.

2. *Appointment of David Rolewick as Commissioner*

The Illinois Supreme Court appointed David F. Rolewick of Wheaton to serve as a Commissioner of the ARDC, effective January 1, 2011. Mr. Rolewick is the managing partner of the law firm of *Rolewick & Gutzke, P.C.* He previously served on the ARDC Review Board (2006-2010) and served as Chairperson in 2010. Prior to his appointment to the Review Board, he was a Hearing Board chair beginning in 1994. Prior to that he served on the Inquiry Board. In 2001, he was appointed by the Illinois Supreme Court to serve as Chair of the Special Supreme Court Committee on Professionalism, and he was then named as Chair of the Supreme Court Commission on Professionalism. In 2006, he was elected to serve as a Director of the Illinois Bar Foundation. Mr. Rolewick was admitted to practice in Illinois and received his J.D. from the

Loyola University School of Law in 1971. He was appointed to fill the vacancy left by Benedict Schwarz II.

3. *R. Michael Henderson Named Commission Chairperson*

The Supreme Court appointed R. Michael (öMickö) Henderson to serve as Chairperson of the ARDC as of January 1, 2011 through December 31, 2012. Mr. Henderson, of counsel to the firm of *Quinn, Johnston, Henderson, Pretorius & Cerulo*, located in Peoria, was appointed to the Commission in 2003 and served for the past year as the Commission's first Vice-Chairperson. He replaces Benedict Schwarz II. A trial and appellate lawyer, Mr. Henderson is a Past President of the Peoria County Bar Association, a Past-President of the Illinois Association of Defense Trial Counsel, a past member of the Illinois State Bar Association Board of Governors, a former Secretary of the Illinois State Bar Association, a member of the Illinois Bar Foundation Board of Directors for several years, and the President of the Lawyers Trust Fund of Illinois (1997-1999). He received his undergraduate degree from the University of Illinois and earned his J.D. from the Loyola University School of Law in Chicago in 1969.

B. Review Board

1. *Appointment of Keith E. Roberts, Jr. as Review Board Chairperson*

In March 2010, Keith E. (öChuckö) Roberts, Jr. was appointed to serve as Chairperson of the nine-member Review Board until December 31, 2012. Mr. Roberts had been a Review Board member since last year and previously served on the Hearing Board. He is the name partner in the Wheaton law firm of *Roberts and Associates, P.C.* where he concentrates his practice in commercial litigation and family law. Mr. Roberts served as President of the DuPage County Bar Association (2005-06) and was appointed to the ABA House of Delegates in 2004. He was admitted in 1983 and received his J.D. from Northern Illinois University.

2. Appointments as Review Board Members

Chrystel L. Gavlin

Ms. Gavlin is a sole practitioner in the firm of *Chrystel L. Gavlin, P.C.* in Joliet, concentrating in the areas of family, juvenile and criminal law. She began her legal career working as a prosecutor, first in DuPage County and then in Will County, where she prosecuted numerous misdemeanor and felony offenses, including aggravated battery, sexual abuse and drug cases and during her time at the Will County State's Attorney's Office, served as Supervisor of that office's Domestic Violence Unit. She was appointed by the Court through December 31, 2011 to complete the term of Stuart R. Lefstein of Rock Island who resigned from the Review Board.

Richard A. Green

Mr. Green is a partner in the Carbondale firm of *Feirich, Mager, Green and Ryan*, focusing in the areas of personal injury, products liability and medical malpractice. He received his J.D. from the University of Illinois and was admitted to practice in Illinois in 1972. His term on the Review Board expires December 31, 2012.

Jill W. Landsberg

Jill W. Landsberg is an arbitrator, sole practitioner and adjunct professor at Northwestern University Law School. She served for eight years on the Illinois Judicial Inquiry Board and was a past Chair. She was admitted to the bar in Illinois in 1991 and in Massachusetts in 1977, where she previously was a litigation partner in a Boston firm. Her term on the Review Board expires December 31, 2011.

Claire A. Manning

Claire A. Manning is a partner with *Brown, Hay & Stephens, LLP* in Springfield. She concentrates her practice in the areas of environmental law, labor, employment and administrative law. Ms. Manning was admitted

to practice law in Illinois in 1979. Her term on the Review Board expires December 31, 2013.

3. Retirements from the Review Board

Bruce J. Meachum

Bruce Jay Meachum concluded his service on the Review Board to which he had been appointed in 2002. Mr. Meachum is a partner in the Danville law firm of *Meachum & Martin*. He received his J.D. from the University of Illinois and was admitted to practice law in Illinois in 1976. He practices in the areas of real estate, probate, bankruptcy and corporation law.

Terrence V. O'Leary

Terrence V. O'Leary, a principal with *Bosslet & O'Leary Ltd.* in Granite City, concluded his service on the Review Board to which he had been appointed in 2001. Mr. O'Leary received his J.D. in 1973 from St. Louis University and is a past president of the Madison County Bar Association and Tri-City Bar Association.

Stuart R. Lefstein

Mr. Lefstein, of counsel to the Rock Island law firm of *Pappas, Cleary, O'Connor, Fildes, Secaras, P.C.*, resigned his position on the Review Board. He was a member of the Review Board since 2003. He received his J.D. from the University of Michigan and was admitted to practice law in Illinois in 1958. Mr. Lefstein is a past chair of the Illinois Supreme Court's Third District Committee on Character and Fitness and is a Fellow of the American College of Trial Lawyers. His vacancy was filled by the appointment of Chrystel L. Gavlin.

C. Commission Lawyers

Death of Cass R. Buscher

On August 3, 2010, the Commission was saddened by the death of Cass R. Buscher, Senior Litigation Counsel for the Commission. A 1996 graduate of the University of Michigan Law School, Mr. Buscher joined the Commission in 2001, where he investigated and

prosecuted many complaints. He will be remembered as a compassionate and thoughtful advocate.

VI. Financial Report

The Commission engaged the services of Legacy Professionals LLP to conduct an independent audit as required by Supreme Court Rule 751(e)(6). The audited financial statements for the year ended December 31, 2010, including comparative data from the 2009 audited statements are attached. In addition, a five-year summary of revenues and expenditures as reported in the audited statements appears after the text in this section.

The Commission continues to recognize its responsibility to prudently administer the Disciplinary Fund. At the time that the Commission sought the present registration fee structure, which became effective for the 2007 registration year, it was projected that the requested fee structure would support Commission operations through at least 2010. Current projections suggest that the present fee structure may support Commission operations through 2015 depending on the impact of the recent economic recession and other factors. This represents a favorable change from last year, when our projections were indicating that the current fee structure may support operations through 2012. The change from 2012 to 2015 is due to reduced cost trends. Our projections also assume that there will be no material changes relative to the status quo.

While recent economic conditions have been very challenging, 2010 registration receipts increased by approximately 2% over 2009 in line with the 2% increase in the underlying fee paying population. In addition, year to date registration compliance for the year 2011 compares favorably to the 2010 experience. 2,802 fee paying attorneys were recently removed from the Master Roll for failure to register for the year 2011, compared to 2,858 removals a year ago.

On March 8, 2010, the ARDC removed from the Master Roll 2,858 fee paying attorneys who had not registered for the year 2010. This

represented a material reduction from the 5,668 fee paying attorneys that were removed on February 23, 2009 for the year 2009. By the end of the 2010 registration cycle on October 31, 2010, the number of fee paying lawyers who still had not registered was 1,034 down significantly from the 2,858 original removal number and also down from 1,132 for the previous year. (See Chart 7 on Page 15). As one can see from the 2010 registration experience, many attorneys initially removed from the Master Roll later register and pay their fees and accrued penalties, and are therefore restored to the Roll. In this economy, it is unclear whether lawyers recently removed from the Master Roll will return in the same proportion as in 2010, though it is encouraging that many removed in early 2011 have now registered, with the number of fee paying attorneys still unregistered reduced to 1,754, significantly less than the initial removal amount of 2,802.

On January 15, 2011, the ARDC removed 509 fee paying attorneys who did not report compliance with MCLE requirements. This covered all attorneys with a last name between the letters A through M. 81 of those attorneys have now reported compliance and have been returned to the Master Roll. The remaining 428 attorneys represent approximately \$77,000/year in lost ARDC revenues. On January 15, 2010, the ARDC removed 311 fee paying attorneys, covering the letters N through Z. 92 of those attorneys have now reported compliance. The remaining 219 attorneys represent approximately \$39,000/year in lost ARDC revenues.

The Commission continues to hold the line on expenses. Staff size decreased somewhat during 2010 and is at its lowest total since 2001. Experience suggests, however, that the ARDC caseload may increase in the years following the recent economic downturn, much as it did in the years following the recessionary period of 2001-2003. In the years following that recession, staff size was increased modestly to meet record caseload demands. The Commission will continue to manage its expenditures carefully.

Since the adoption of the current fee

structure effective in 2007, funding for the Client Protection Program (CPP) comes from the dedicated \$25 portion of the \$289 annual registration fee paid by active status attorneys who have been registered for 3 years or more. During 2009, the Commission determined that CPP expenses should be paid from that separate Client Protection Fund instead of the ARDC Disciplinary Fund. (See Page 32.) For 2010 and 2009, the Client Protection Fund reimbursed the Disciplinary Fund \$263,364 and \$249,996 respectively for the administrative costs of the Program.



of the Supreme Court of Illinois

**ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
OF THE SUPREME COURT OF ILLINOIS
FIVE YEAR SUMMARY OF OPERATIONS**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
REVENUE					
Investment income					
Interest	\$ 290,384	\$ 404,491	\$ 802,501	\$ 817,805	\$ 694,296
Net appreciation (depreciation) in fair value of investments	(17,242)	(88,650)	(23,251)	197,389	(9,666)
Registration and program fees and delinquent charges	16,937,490	16,595,386	16,290,057	15,926,372	12,367,335
Costs reimbursements collected	97,548	81,735	103,721	94,244	80,237
Administrative expense reimbursement from Client Protection Program	263,364	249,996	238,970	-	-
Client Protection Program reimbursements	56,623	142,350	51,706	25,058	43,543
Total revenue	<u>17,628,167</u>	<u>17,385,308</u>	<u>17,463,704</u>	<u>17,060,868</u>	<u>13,175,745</u>
EXPENSES					
Salaries and related expenses	10,788,886	10,092,645	9,583,868	8,877,241	8,671,001
Travel expenses	135,371	112,305	119,617	128,499	93,443
Library and continuing education	256,472	238,515	258,008	230,042	174,870
General expenses and office support	1,977,545	1,741,152	1,988,682	1,840,648	1,931,622
Computer expenses	326,091	237,875	225,154	304,775	236,231
Other professional and case-related expenses	735,188	789,303	899,202	939,268	944,733
Client Protection Program direct expenses	708,672	1,106,343	1,033,592	698,829	843,305
Administrative expense reimbursement to Registration and Discipline	263,364	249,996	238,970	-	-
Depreciation and amortization expense	405,025	186,105	170,149	157,942	154,605
Total expenses	<u>15,596,614</u>	<u>14,754,239</u>	<u>14,517,242</u>	<u>13,177,244</u>	<u>13,049,810</u>
CHANGE IN NET ASSETS BEFORE EFFECT OF ADOPTION OF FASB STATEMENT NO. 158	2,031,553	2,631,069	2,946,462	3,883,624	125,935
EFFECT OF ADOPTION OF RECOGNITION PROVISIONS OF FASB STATEMENT NO. 158	-	-	-	(394,306)	-
CHANGE IN NET ASSETS	2,031,553	2,631,069	2,946,462	3,489,318	125,935
UNRESTRICTED NET ASSETS					
Beginning of year	14,218,674	11,587,605	8,641,143	5,151,825	5,025,890
End of year	<u>\$ 16,250,227</u>	<u>\$ 14,218,674</u>	<u>\$ 11,587,605</u>	<u>\$ 8,641,143</u>	<u>\$ 5,151,825</u>
OTHER INFORMATION AT YEAR END					
Number of active and registered attorneys	87,216	84,771	83,881	82,380	81,146
Registration fees					
More than one year and less than three years	\$ 105	\$ 105	\$ 105	\$ 90	\$ 90
More than three years	\$ 205	\$ 205	\$ 205	\$ 180	\$ 180
Inactive/out of state	\$ 105	\$ 105	\$ 105	\$ 90	\$ 90

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

FINANCIAL STATEMENTS

DECEMBER 31, 2010

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

FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION

DECEMBER 31 2010 AND 2009

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REPORT OF INDEPENDENT AUDITORS

To the Commissioners of
Attorney Registration
and Disciplinary Commission
of the Supreme Court of Illinois

We have audited the accompanying statements of financial position of Attorney Registration and Disciplinary Commission of the Supreme Court of Illinois (the Commission) as of December 31, 2010 and 2009 and the related statements of activities and of cash flows for the years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an 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 the Commission's management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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, 2010 and 2009 and the changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Legacy Professionals LLP

April 15, 2011

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

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2010 AND 2009

ASSETS	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 962,302	\$ 1,078,784
Short-term investments	26,151,710	28,303,641
Accrued interest receivable	44,396	37,927
Accounts receivable	78,002	78,731
Prepaid expenses	<u>80,450</u>	<u>76,166</u>
Total current assets	27,316,860	29,575,249
PROPERTY AND EQUIPMENT - net	1,506,236	1,649,284
LONG-TERM INVESTMENTS	<u>5,572,000</u>	<u>1,703,029</u>
Total assets	<u>\$ 34,395,096</u>	<u>\$ 32,927,562</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Cash overdraft	\$ 490	\$ 1,399
Accounts payable and other accruals	362,629	340,314
Amounts held for others	1,624,400	1,978,522
Accrued vacation	379,606	366,611
Deferred registration and program fees	13,461,138	13,537,519
Current portion of net postretirement benefit obligation	13,662	12,420
Deposits	<u>5,484</u>	<u>7,481</u>
Total current liabilities	<u>15,847,409</u>	<u>16,244,266</u>
LONG-TERM LIABILITIES		
Net postretirement benefit obligation	730,267	633,131
Deferred rent expense	<u>1,567,193</u>	<u>1,831,491</u>
Total long-term liabilities	<u>2,297,460</u>	<u>2,464,622</u>
Total liabilities	18,144,869	18,708,888
UNRESTRICTED NET ASSETS	<u>16,250,227</u>	<u>14,218,674</u>
Total liabilities and net assets	<u>\$ 34,395,096</u>	<u>\$ 32,927,562</u>

See accompanying notes to financial statements.

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

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010			2009
	Registration and Discipline	Client Protection Program	Total	Total
REVENUE				
Investment income				
Interest	\$ 254,481	\$ 35,903	\$ 290,384	\$ 404,491
Net (depreciation) in fair value of investments	<u>(16,691)</u>	<u>(551)</u>	<u>(17,242)</u>	<u>(88,650)</u>
Total investment income	237,790	35,352	273,142	315,841
Registration and program fees and delinquent charges	15,324,480	1,613,010	16,937,490	16,595,386
Cost reimbursements collected	97,548	-	97,548	81,735
Administrative expense reimbursement from Client Protection Program	263,364	-	263,364	249,996
Client Protection Program reimbursements	<u>-</u>	<u>56,623</u>	<u>56,623</u>	<u>142,350</u>
Total revenue	<u>15,923,182</u>	<u>1,704,985</u>	<u>17,628,167</u>	<u>17,385,308</u>
EXPENSES				
Salaries and related expenses	10,788,886	-	10,788,886	10,092,645
Travel expenses	135,371	-	135,371	112,305
Library and continuing education	256,472	-	256,472	238,515
General expenses and office support	1,977,545	-	1,977,545	1,741,152
Computer expenses	326,091	-	326,091	237,875
Other professional and case-related expenses	735,188	-	735,188	789,303
Client Protection Program direct expenses				
Awards	-	705,168	705,168	1,091,473
Administrative	-	3,504	3,504	14,870
Administrative expense reimbursement to Registration and Discipline	-	263,364	263,364	249,996
Depreciation and amortization expense	<u>405,025</u>	<u>-</u>	<u>405,025</u>	<u>186,105</u>
Total expenses	<u>14,624,578</u>	<u>972,036</u>	<u>15,596,614</u>	<u>14,754,239</u>
CHANGE IN NET ASSETS	1,298,604	732,949	2,031,553	2,631,069
UNRESTRICTED NET ASSETS				
Beginning of year	<u>12,487,711</u>	<u>1,730,963</u>	<u>14,218,674</u>	<u>11,587,605</u>
End of year	<u>\$ 13,786,315</u>	<u>\$ 2,463,912</u>	<u>\$ 16,250,227</u>	<u>\$ 14,218,674</u>

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,031,553	\$ 2,631,069
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net unrealized (gain) loss on investments	(22,205)	136,563
Loss on sale of property and equipment	20,075	-
Depreciation and amortization expense	405,025	186,105
(Increase) decrease in assets		
Accounts receivable and accrued interest receivable	(5,740)	6,906
Prepaid expenses	(4,284)	(3,888)
Increase (decrease) in liabilities		
Accounts payable and other accruals	22,315	18,256
Amounts held for others	(354,122)	480,976
Accrued vacation	12,995	21,461
Deferred registration and program fees	(76,381)	844,448
Deposits	(1,997)	(4,184)
Net postretirement benefit obligation	98,378	21,574
Deferred rent expense	<u>(264,298)</u>	<u>(223,037)</u>
Net cash provided by operating activities	<u>1,861,314</u>	<u>4,116,249</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(42,613,201)	(36,439,136)
Maturities of investment securities	40,918,366	33,445,347
Purchases of property and equipment	<u>(282,052)</u>	<u>(590,355)</u>
Net cash (used in) investing activities	<u>(1,976,887)</u>	<u>(3,584,144)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(115,573)	532,105
CASH AND CASH EQUIVALENTS - net of cash overdrafts		
Beginning of year	<u>1,077,385</u>	<u>545,280</u>
End of year	<u>\$ 961,812</u>	<u>\$ 1,077,385</u>

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NOTE 1. GENERAL PURPOSE DESCRIPTION

The Attorney Registration and Disciplinary Commission of the Supreme Court of Illinois (Commission) was created by the Illinois Supreme Court (Court) under Rules 751 through 756 of the Court effective February 1, 1973, and subsequent additional rules and amendments. The Commission and the Office of the Administrator (Administrator) maintain the Master Roll of Attorneys, and 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, and collect and administer the Disciplinary Fund and collect and remit funds due to other entities as provided in Rules 751 and 756.

Recent amendments to those rules and additional significant rules of the Court impacting the Commission's operations are as follows:

- Rule 756(a), as amended, sets the annual registration and program fees for active lawyers licensed to practice law for three years or more at \$289, and the annual registration fees for active lawyers licensed to practice between one and three years and inactive lawyers at \$105. The charge for late payment of annual registration fees is \$25 per month for every month that fees are delinquent. The Rule requires that the Commission, as part of the annual \$289 fee, collect and remit the following amounts to the following other Supreme Court entities that are not administered by the Commission: \$42 to the Lawyers Trust Fund, \$10 to the Supreme Court Commission on Professionalism, and \$7 to the Lawyers Assistance Program Fund.
- Rule 780(b) provides for the establishment of the Client Protection Program (Program) and set forth that the purpose of the Program "is to promote public confidence in the administration of justice and the integrity of the legal profession by reimbursing losses caused by the dishonest conduct" of Illinois lawyers who have been disciplined. Since the Program's inception, the Commission has administered the Client Protection Program and has maintained a separate Client Protection Fund account. Amended Rule 756 provides that \$25 of the \$289 registration fee be set aside for the Client Protection Program to fund awards made by the Client Protection Program. Prior to the Rule 756 amendment, the Commission funded payment of awards by making an annual allocation from the Disciplinary Fund. The Commission includes in its general budget allocations for administrative expenses of the Program to be paid from the Disciplinary Fund. The Program reimburses the Commission for the cost of administering the Program.

NOTE 1. GENERAL PURPOSE DESCRIPTION (CONTINUED)

- Rule 756(f) provides that, as part of the annual registration process, lawyers must provide information about voluntary hours and money contributed to *pro bono* legal services. Lawyers who do not provide the information will be deemed not to be registered until they do. Pursuant to an amendment to Supreme Court Rule 766, the information about voluntary *pro bono* contributions is deemed confidential and is to be reported publicly only in the aggregate.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements of the Commission have been prepared on the accrual basis of accounting.

Basis of Presentation - In order to conform to provisions of generally accepted accounting principles, the Commission, as a not-for-profit entity, is required to report information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Commission does not have any temporarily restricted or permanently restricted net assets.

A breakdown by program in the statement of activities is provided for 2010 only and is for additional analytical purposes only. The net assets of the Commission's programs, both individually and in total, are considered to be unrestricted.

Cash and Cash Equivalents - For purposes of the statement of cash flows, cash and cash equivalents include all deposits in checking and savings accounts.

Accounts Receivable - Cost Reimbursements and Client Protection Program

Reimbursements - The Commission fully reserves reimbursements owed by attorneys under its Cost Reimbursement Program and the Client Protection Program. Whether the Commission can fully collect all reimbursements is dependent upon each identified attorney's ability to pay and the current economic environment. Therefore, the Commission records these reimbursements as revenue under the cost recovery method when the reimbursements are received.

Property and Equipment - Property and equipment are stated at cost. Major additions are capitalized while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently. Depreciation and amortization are provided over the estimated useful lives of the assets or asset groups, based on the straight-line method. Upon disposal of assets, gains or losses are included in income. Leasehold improvements are amortized over the shorter of their estimated useful lives or the remaining lease period.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The estimated useful lives of the property and equipment are as follows:

	<u>Years</u>
Computer and related equipment	3-10
Office furniture and equipment	5-13
Library	7
Leasehold improvements	7-15

Investments - The investments of the Commission are reported at fair value. The fair value of a financial instrument is the amount that would be received to sell that asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date (the exit price).

Purchases and sales of the investments are reflected on a trade-date basis.

Interest income is recorded on the accrual basis.

New Accounting Pronouncement - In January 2010, the Financial Accounting Standards Board (FASB) issued new accounting guidance that enhanced disclosure requirements for fair value measurements. This update requires enhanced disclosures about the valuation techniques and inputs used for fair value measurements using Level 2 and Level 3 inputs, as described in Note 6. It also requires disclosure of the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements, and a description of the reasons for such transfers. The new guidance was effective for periods beginning after December 15, 2009. The adoption of this guidance did not have a material impact on the Commission's financial statements.

Amounts Held for Others - Amounts held for others at December 31, 2010 and 2009 consist of funds collected for the Lawyers Assistance Program Fund in the amount of \$192,727 and \$234,712, the Lawyers Trust Fund in the amount of \$1,156,353 and \$1,408,485, and the Supreme Court Commission on Professionalism in the amount of \$275,320 and \$335,325 respectively, which were remitted subsequent to year end.

Deferred Registration and Program Fees - The Commission is funded by an annual registration fee assessed on Illinois attorneys which includes a \$25 fee for the Client Protection Program. The annual fee for the subsequent year is billed before November 1 and is due January 1. Deferred registration and program fees represent the fees for next year received in the current year.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits - A portion of deposits is the reinstatement deposit that accompanies the petition of any attorney who is filing for reinstatement under Rule 767. The amount the attorney actually owes is assessed at the conclusion of the proceedings. Reinstatement deposits held at December 31, 2010 and 2009 were \$3,658 and \$5,658 respectively. The remaining deposits consist of funds owed by any attorney, who has been the subject of a disciplinary proceeding or who is in receivership, to the attorney's former clients who have not been located. At December 31, 2010 and 2009, the amounts held were \$1,826 and \$1,823 respectively.

Deferred Rent Expense - Deferred rent expense consists of a combination of "free rent" and past and future lease incentive payments from the landlord. The Commission is recognizing operating lease expense on the straight-line basis over the term of the lease.

Income Taxes - The Internal Revenue Service has determined that the Commission is exempt from Federal income taxes as an instrumentality of the State of Illinois.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Functional Allocation of Expenses - The Commission has allocated certain administrative expenses, such as salary costs, among the various programs benefited. These allocations have been based on management's estimate of time incurred on these programs or other reasonable and consistent methodologies (See Note 4).

Subsequent Events - Subsequent events have been evaluated through April 15, 2011, which is the date the financial statements were available to be issued.

NOTE 3. COST REIMBURSEMENTS

The Commission receives cost reimbursements for investigative and disciplinary costs from disciplined attorneys. Cost reimbursements are billed at the time that discipline is imposed by the Court. Such billings may not reflect the total costs or match the period in which the investigative disciplinary costs were incurred. The Commission is limited to \$1,000 in cost reimbursements for each discipline case, absent exceptional circumstances. During the years ended December 31, 2010 and 2009, the Commission regularly sought entry of judgments by the Court. Interest accrues upon the unsatisfied portions of those judgments at a rate of 9% per annum, from the date of judgment until satisfied, as provided by 735 ILCS 5/2-1303. The Commission has also established payment plans for disciplined attorneys.

NOTE 4. FUNCTIONAL EXPENSES BY NATURAL CLASSIFICATION

An analysis of the Commission's functional expenses, by natural classification, is as follows for the years ended December 31, 2010 and 2009:

	2010			
	Program		Administration and Support	Total
Registration and Discipline	Client Protection			
Salaries and related expenses	\$ 8,563,961	\$ 216,355	\$ 2,008,570	\$ 10,788,886
Travel expenses	91,482	424	43,465	135,371
Library and continuing education	203,398	4,270	48,804	256,472
General expenses and office support	1,592,110	29,465	355,970	1,977,545
Computer expenses	258,610	5,429	62,052	326,091
Other professional and case-related expenses	726,770	677	7,741	735,188
Client Protection Program direct expenses:				
Awards	-	705,168	-	705,168
Administrative	-	3,504	-	3,504
Administrative expense reimbursement to Registration and Discipline	-	-	263,364	263,364
Depreciation and amortization expense	321,208	6,744	77,073	405,025
Total expenses	<u>\$ 11,757,539</u>	<u>\$ 972,036</u>	<u>\$ 2,867,039</u>	<u>\$ 15,596,614</u>

NOTE 4. FUNCTIONAL EXPENSES BY NATURAL CLASSIFICATION (CONTINUED)

	2009			
	Program			Total
	Registration and Discipline	Client Protection	Administration and Support	
Salaries and related expenses	\$ 8,463,512	\$ 206,667	\$ 1,422,466	\$ 10,092,645
Travel expenses	87,192	478	24,635	112,305
Library and continuing education	191,153	3,995	43,367	238,515
General expenses and office support	1,420,454	17,248	303,450	1,741,152
Computer expenses	190,641	3,984	43,250	237,875
Other professional and case-related expenses	745,052	3,546	40,705	789,303
Client Protection Program direct expenses:				
Awards	-	1,091,473	-	1,091,473
Administrative	-	14,870	-	14,870
Administrative expense reimbursement to Registration and Discipline	-	-	249,996	249,996
Depreciation and amortization expense	149,150	3,117	33,838	186,105
Total expenses	<u>\$ 11,247,154</u>	<u>\$ 1,345,378</u>	<u>\$ 2,161,707</u>	<u>\$ 14,754,239</u>

NOTE 5. INVESTMENTS

The following summary presents fair value for each of the investment categories.

	2010	2009
U.S. Treasury notes and bills	\$ 13,181,612	\$ 9,433,386
U.S. bank certificates	13,921,000	10,141,000
Money market funds	4,621,098	10,432,284
Total	<u>\$ 31,723,710</u>	<u>\$ 30,006,670</u>

NOTE 6. FAIR VALUE MEASUREMENTS

The *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Basis of Fair Value Measurement

- | | |
|---------|---|
| Level 1 | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities |
| Level 2 | Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly |
| Level 3 | Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable |

NOTE 6. FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables set forth, by level within the fair value hierarchy, the Commission's investment assets at fair value as of December 31, 2010 and 2009. As required, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Commission did not own any assets that required measurement using Level 3 inputs as of December 31, 2010 and 2009.

<u>Fair Value Measurements at 12/31/10 Using</u>				
	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
U.S. Treasury notes and bills	\$ 13,181,612	\$ 13,181,612	\$ -	\$ -
U.S. bank certificates	13,921,000	-	13,921,000	-
Money market funds	4,621,098	-	4,621,098	-
Total	<u>\$ 31,723,710</u>	<u>\$ 13,181,612</u>	<u>\$ 18,542,098</u>	<u>\$ -</u>

<u>Fair Value Measurements at 12/31/09 Using</u>				
	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
U.S. Treasury notes and bills	\$ 9,433,386	\$ 9,433,386	\$ -	\$ -
U.S. bank certificates	10,141,000	-	10,141,000	-
Money market funds	10,432,284	-	10,432,284	-
Total	<u>\$ 30,006,670</u>	<u>\$ 9,433,386</u>	<u>\$ 20,573,284</u>	<u>\$ -</u>

NOTE 6. FAIR VALUE MEASUREMENTS (CONTINUED)Level 1 Measurements

U.S. Treasury notes and bills are traded in active markets on national securities exchanges and are valued at closing prices on the last business day of each period presented.

Level 2 Measurements

U.S. bank certificates and money market funds are valued at cost which approximates fair value due to their liquid or short-term nature. As of December 31, 2010, the Commission's investments in Level 2 consisting of U.S. bank certificates and money market funds were \$13,921,000 and \$4,621,098, respectively. The U.S. bank certificates have interest rates between 0.30% and 2.10% and are set to mature at various dates between February 2011 and December 2013.

NOTE 7. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Office furniture and equipment	\$ 1,320,952	\$ 1,308,133
Computer and related equipment	2,106,421	1,976,706
Library	94,777	94,957
Leasehold improvements	<u>431,498</u>	<u>427,661</u>
	3,953,648	3,807,457
Less accumulated depreciation and amortization	<u>(2,447,412)</u>	<u>(2,158,173)</u>
Property and equipment - net	<u>\$ 1,506,236</u>	<u>\$ 1,649,284</u>

NOTE 8. LEASE COMMITMENTS

The Commission leases its Chicago and Springfield offices under operating lease agreements. The Chicago office lease was set to expire in May 2015. However, in March 2011 the Chicago office lease was extended through May 2027. This lease provides for a minimum annual base rent plus related taxes and operating expenses. In addition, the original lease provided 32 months "free rent" with the first rent payment made on January 1, 1996. Under the terms of an amendment, base rent was reduced from December 2003 through May 2008, and the landlord provided certain rent concessions, a portion of which was applied in early 2009, with the remaining portion available for use in 2012. Under the terms of the lease extension, the Commission will receive rent and operating expense abatements from March 2011 to September 2011 in consideration of payment of broker commissions of approximately \$700,000 during the same period. The Commission will also receive an allowance for leasehold improvements between January 2012 and December 2017.

NOTE 8. LEASE COMMITMENTS (CONTINUED)

The Springfield office lease, which began in November 2002, has a term of 10 years and provides for a minimum annual rent. The Commission has the option to renew the lease for another five-year period. Under the terms of an amendment effective November 2007, additional storage space was leased, with increased payments for the remaining life of the original lease.

Rent expense under all lease agreements was \$1,076,386 in 2010 and \$981,015 in 2009.

The following table sets forth the Commission's estimate for its minimum obligation for future lease payments, resulting from the terms of its recent lease extension, net of scheduled rent abatements negotiated. Taxes and operating expenses owed under the leases are included in this estimate.

	<u>Springfield</u>	<u>Chicago</u>	<u>Total</u>
Year ending December 31,			
2011	\$ 93,055	\$ 1,297,838	\$ 1,390,893
2012	78,748	1,098,415	1,177,163
2013	-	1,675,068	1,675,068
2014	-	1,723,844	1,723,844
2015	-	1,262,781	1,262,781
Thereafter	-	22,042,311	22,042,311
	<u>\$ 171,803</u>	<u>\$ 29,100,257</u>	<u>\$ 29,272,060</u>

NOTE 9. POSTRETIREMENT BENEFIT OBLIGATION

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

The Commission committed to pay the future cost of Medicare premiums for former employees who were employed by the Commission and met certain criteria before March 31, 1986. Furthermore, the Commission agreed to pay reimbursement credits to eligible former employees for supplemental medical and hospitalization insurance coverage beginning at age 65. Therefore, the Commission records a liability associated with its employees' lost Medicare coverage and supplemental health benefits for retirees.

NOTE 9. POSTRETIREMENT BENEFIT OBLIGATION (CONTINUED)

The following sets forth information with respect to this benefit obligation as of and for the years ended December 31, 2010 and 2009. The benefit obligation for the year ended December 31, 2009 was actuarially determined by Watson Wyatt Worldwide. Because there were no significant changes in the underlying data, coverage provisions or assumptions, the benefit obligation at December 31, 2010 was estimated by the Commission based on the 2009 actuarial valuation.

	<u>2010</u>	<u>2009</u>
Accumulated benefit obligation at end of year	\$ 2,733,875	\$ 2,501,100
Fair value of Trust assets	<u>1,989,946</u>	<u>1,855,549</u>
Total net postretirement benefit obligation	<u>\$ (743,929)</u>	<u>\$ (645,551)</u>

Net periodic benefit costs for 2010 and 2009 are comprised of the following:

	<u>2010</u>	<u>2009</u>
Service cost	\$ 87,798	\$ 87,798
Interest cost	136,929	102,983
Actual return on plan assets	19,852	26,761
Benefits paid	(9,920)	(11,992)
Amortization	<u>10,385</u>	<u>(63,596)</u>
Net periodic benefit cost	<u>\$ 245,044</u>	<u>\$ 141,954</u>

The key assumptions are as follows:

Actuarial cost method	Projected unit credit method
Actuarial assumptions	Mortality - RP-2000 projected to 2009 Discount rate - 6%; Retirement will occur between ages 55 and 65 Medical trend ultimate - 4.5%

Assumed health care cost trend rates have a significant effect on the amounts reported for health care benefits. At December 31, 2009, the actuary noted that the effect of a 1% increase in health care cost trend rates (medical trend ultimate) would be an increase of \$40,600 on total service cost and interest cost components and an increase of \$411,300 on the postretirement benefit obligation.

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 and applicable discount rates.

NOTE 9. POSTRETIREMENT BENEFIT OBLIGATION (CONTINUED)

The Commission maintains investments in a separate account for the Medicare replacement reserve. The fair values of the trust are presented in accordance with the fair value hierarchy as described in Note 6. The Commission's Medicare replacement reserve investment assets at December 31, 2010 and 2009 by asset category are as follows:

Fair Value Measurements at 12/31/10 Using

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury notes and bills	\$ 932,772	\$ 932,772	\$ -	\$ -
U.S. bank certificates	933,283	-	933,283	-
Money market funds	123,891	-	123,891	-
Total	<u>\$ 1,989,946</u>	<u>\$ 932,772</u>	<u>\$ 1,057,174</u>	<u>\$ -</u>

Fair Value Measurements at 12/31/09 Using

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury notes and bills	\$ 868,514	\$ 868,514	\$ -	\$ -
U.S. bank certificates	782,414	-	782,414	-
Money market funds	204,621	-	204,621	-
Total	<u>\$ 1,855,549</u>	<u>\$ 868,514</u>	<u>\$ 987,035</u>	<u>\$ -</u>

Level 1 Measurements

U.S. Treasury notes and bills are traded in active markets on national securities exchanges and are valued at closing prices on the last business day of each period presented.

Level 2 Measurements

U.S. bank certificates and money market funds are valued at cost which approximates fair value due to their liquid or short-term nature. As of December 31, 2010, the Commission's investments in Level 2 U.S. bank certificates and money market funds were \$933,283 and \$123,891, respectively. The U.S. bank certificates have interest rates between 0.65% and 4.70% with various maturity dates between January 2011 and December 2012.

NOTE 9. POSTRETIREMENT BENEFIT OBLIGATION (CONTINUED)

The assets are invested in a conservative manner necessary to meet expected future benefits earned, to maintain an investment portfolio that minimizes risk through prudent asset allocation parameters, and to achieve asset returns that are competitive with like institutions employing similar investment strategies.

The Commission expects to contribute \$117,680 to the Medicare replacement reserve in 2011.

Actuarially determined net benefit payments for each of the next five years and the five years thereafter are as follows:

2011	\$ 28,849
2012	29,313
2013	41,978
2014	45,248
2015	56,292
2016 - 2020	<u>392,783</u>
	<u>\$ 594,463</u>

NOTE 10. EMPLOYEE BENEFIT PLANS

The Commission maintains a defined contribution retirement plan and trust for the benefit of all eligible employees. The Commission provides enhanced retirement plan contributions due to the Social Security Administration ruling that Commission employees are not eligible for benefits. Employee contributions are not permitted under the plan's provisions. The Commission contributes 18% of compensation for eligible employees, which totaled \$1,340,854 in 2010 and \$1,267,161 in 2009. The Commission also pays the plan's administrative expenses, which totaled \$142,753 in 2010 and \$101,296 in 2009.

The Commission also maintains a Section 457 savings plan which is entirely funded by voluntary pre-tax employee contributions. The Commission paid the savings plan's administrative expenses, which totaled \$3,462 in 2010 and \$3,496 in 2009.

NOTE 11. LITIGATION

Various complaints and actions are periodically filed against the Commission. At December 31, 2010, the Commission believes that pending matters do not present any serious prospect for negative financial consequences.

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*Also serves on Oversight Committee

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