



ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION  
of the  
SUPREME COURT OF ILLINOIS

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Chicago  
April 30, 1997

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 1996 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 1996 and an accounting and audit of the monies received and expended during the twelve-month period which ended December 31, 1996.

Respectfully submitted,

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Linda S. Culver  
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Jay H. Janssen  
James J. McDonough  
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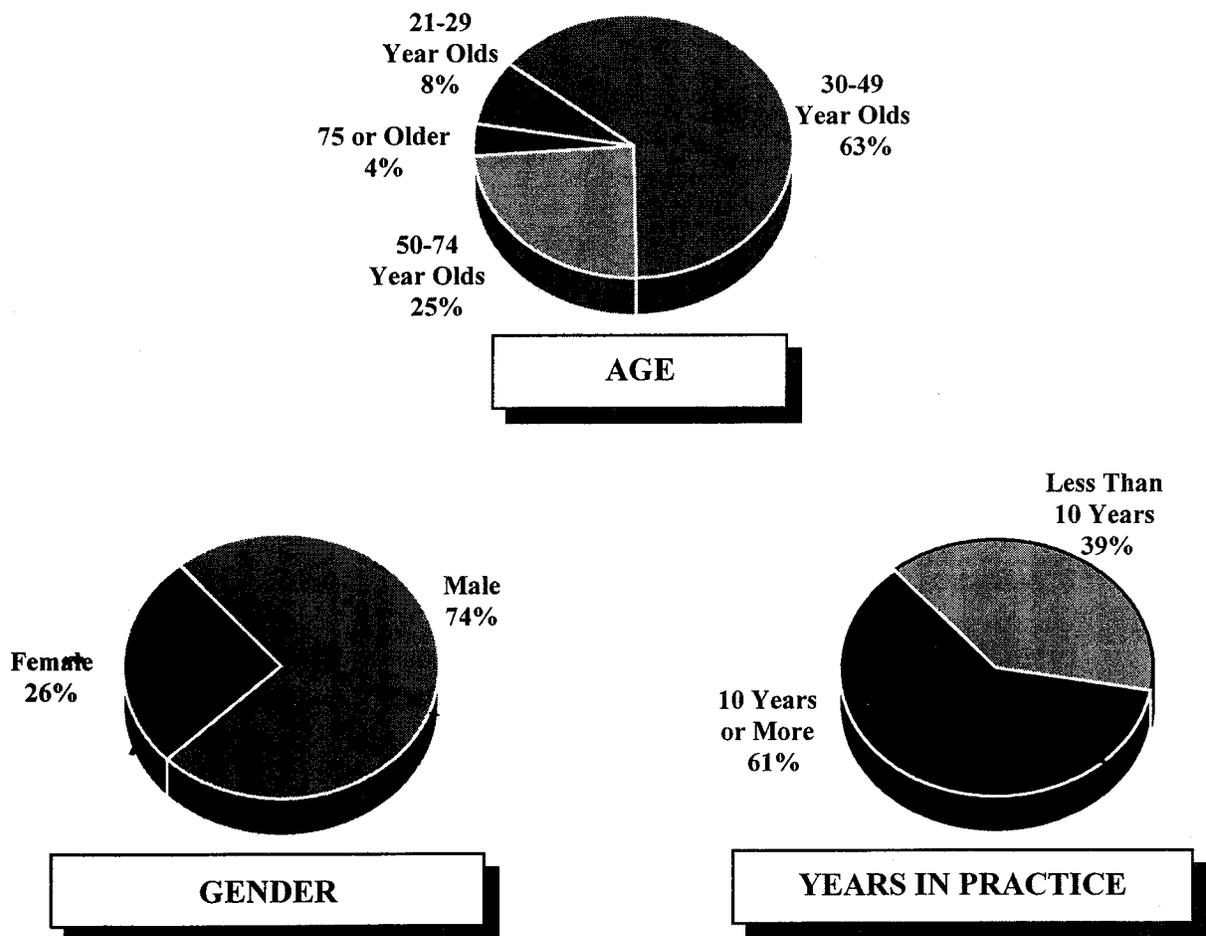
Mary Robinson, Administrator

## ***I. Registration Report***

The 1996 Master Roll of Attorneys contained the names of 68,819 attorneys as of October 31, 1996, after which date the Commission began the 1997 registration process. This total does not include the 1,872 attorneys who first took their oath of office in November or December 1996. The total number of attorneys licensed to practice law in Illinois for 1996 reflects a continued growth since 1985 of 3% each year, and an overall increase of 40%.

Chart A shows further demographic information for attorneys registered in 1996 and Chart B shows the breakdown by the registration categories set forth in Rule 756.

***Chart A: Age, Gender and Years in Practice for Attorneys Registered in 1996***



**Chart B: Registration Categories for 1996**

<u>Category</u>	<u>Number of Attorneys</u>
Admitted between January 1, 1995 and December 31, 1996 .....	2,838
Admitted between January 1, 1993 and December 31, 1994 .....	4,866
Admitted before January 1, 1992 .....	47,754
Serving military duty .....	283
Serving as judge .....	899
Birthday before December 31, 1920 .....	2,416
Foreign legal consultant .....	3
Neither practice, nor reside, nor are employed in Illinois .....	<u>9,760</u>
Total attorneys active and currently registered .....	<u><b>68,819</b></u>
Removed from the Master Roll (Arrears, Deceased, Inactive and Disciplined Attorneys) ...	1,267

Charts C and D show the distribution by Judicial Circuit and by County of the 52,589 registered attorneys who report a principal business address in Illinois.

In addition to the 9,760 attorneys who pay a reduced fee because they neither practice nor reside nor are employed in the state, another 6,470 attorneys report a business address outside Illinois but register to be able to practice in Illinois. Those 16,230 attorneys are not included in Charts C and D.

**Chart C: Registration By Judicial Districts for 1996**

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>		<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
<b>First District</b>						<b>Fourth District</b>					
Cook County .....	34,180	35,140	35,704	36,158	37,302	5th Circuit .....	277	288	285	270	266
<b>Second District</b>						6th Circuit .....	767	776	786	807	806
15th Circuit .....	180	189	189	191	193	7th Circuit .....	1086	1120	1129	1151	1169
16th Circuit .....	929	984	1009	1045	1059	8th Circuit .....	185	186	192	189	193
17th Circuit .....	619	647	661	671	676	11th Circuit .....	<u>448</u>	<u>469</u>	<u>471</u>	<u>482</u>	<u>500</u>
18th Circuit .....	2590	2763	2858	3051	3111	<b>Total .....</b>	<b>2763</b>	<b>2839</b>	<b>2863</b>	<b>2899</b>	<b>2934</b>
19th Circuit .....	<u>2066</u>	<u>2182</u>	<u>2304</u>	<u>2491</u>	<u>2539</u>	<b>Fifth District</b>					
<b>Total .....</b>	<b>6384</b>	<b>6765</b>	<b>7021</b>	<b>7449</b>	<b>7578</b>	1st Circuit .....	355	377	386	392	396
<b>Third District</b>						2nd Circuit .....	294	290	281	291	296
9th Circuit .....	202	202	201	207	210	3rd Circuit .....	508	515	485	494	503
10th Circuit .....	782	796	816	831	855	4th Circuit .....	248	249	253	260	255
12th Circuit .....	487	508	525	555	566	20th Circuit .....	<u>728</u>	<u>744</u>	<u>692</u>	<u>710</u>	<u>728</u>
13th Circuit .....	294	299	299	308	311	<b>Total .....</b>	<b>2133</b>	<b>2175</b>	<b>2097</b>	<b>2147</b>	<b>2178</b>
14th Circuit .....	487	501	507	506	503	<b>Grand Total .....</b>					
21st Circuit .....	<u>150</u>	<u>152</u>	<u>156</u>	<u>152</u>	<u>152</u>		<b>47,862</b>	<b>49,377</b>	<b>50,189</b>	<b>51,212</b>	<b>52,589</b>
<b>Total .....</b>	<b>2402</b>	<b>2458</b>	<b>2504</b>	<b>2559</b>	<b>2597</b>						

**Chart D: Registered Attorneys by County**

Principal Office	Number of Attorneys		Principal Office	Number of Attorneys		Principal Office	Number of Attorneys	
	1995	1996		1995	1996		1995	1996
Adams	112	114	Hardin	7	6	Morgan	50	51
Alexander	12	12	Henderson	9	9	Moultrie	19	17
Bond	14	12	Henry	50	51	Ogle	49	51
Boone	36	37	Iroquois	29	29	Peoria	676	698
Brown	8	8	Jackson	186	192	Perry	22	23
Bureau	43	44	Jasper	5	5	Piatt	23	23
Calhoun	4	5	Jefferson	99	100	Pike	11	10
Carroll	16	16	Jersey	16	17	Pope	4	4
Cass	12	12	Jo Daviess	31	31	Pulaski	8	8
Champaign	484	492	Johnson	7	7	Putnam	7	8
Christian	46	45	Kane	831	846	Randolph	27	26
Clark	14	14	Kankakee	123	123	Richland	26	26
Clay	15	15	Kendall	47	47	Rock Island	369	363
Clinton	22	22	Knox	61	63	Saline	38	37
Coles	91	93	Lake	2064	2113	Sangamon	1020	1036
Cook	36158	37302	LaSalle	209	208	Schuyler	13	13
Crawford	19	19	Lawrence	19	20	Scott	6	6
Cumberland	6	6	Lee	36	36	Shelby	19	19
DeKalb	167	166	Livingston	50	49	St. Clair	607	627
DeWitt	24	24	Logan	32	32	Stark	9	10
Douglas	17	17	Macon	240	233	Stephenson	59	59
Du Page	3051	3111	Macoupin	44	45	Tazewell	122	123
Edgar	35	33	Madison	480	491	Union	24	25
Edwards	5	5	Marion	55	53	Vermillion	126	120
Effingham	42	42	Marshall	17	16	Wabash	18	19
Fayette	17	16	Mason	15	16	Warren	29	30
Ford	17	17	Massac	18	18	Washington	17	15
Franklin	55	57	McDonough	48	46	Wayne	13	13
Fulton	41	42	McHenry	427	426	White	13	14
Gallatin	6	6	McLean	364	381	Whiteside	74	76
Greene	15	14	Menard	14	15	Will	555	566
Grundy	56	59	Mercer	13	13	Williamson	95	93
Hamilton	11	11	Monroe	37	37	Winnebago	635	639
Hancock	19	20	Montgomery	39	38	Woodford	19	21

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

**A. Investigations**

During 1996, the Commission docketed 6,801 investigations, a slight increase of 5% over the 6,505 investigations docketed in 1995. Those 6,801 investigations involved charges against 4,451 different attorneys. This means that about 7% of the registered attorneys became the subject of a complaint in 1996, a figure which is consistent over the past several years. A little over a quarter of the 4,451 attorneys were the subject of more than one investigation, as shown above.

Number of Investigations		Number of Attorneys	
1	.....	3,335	
2	.....	684	
3	.....	230	
4	.....	86	
5 or more	.....	116	
<b>Gender:</b>		<b>Years in Practice</b>	
Female	15%	Less than 10 years	23%
Male	85%	10 years or more	77%

Charts 1 and 2 below report the classification of investigations docketed in 1996, based on an initial assessment of the nature of the misconduct alleged, if any, and the type of legal context in which the facts apparently arose. Chart 1 reflects that the most frequent areas of complaint, which are alleged in more than 50% of all investigations, are: neglect of the client's cause, incompetence, failure to communicate with the client, fraudulent or deceptive activity, and excessive fees.

As with prior years, the three areas of practice most likely to lead to a complaint of attorney misconduct are domestic relations, criminal law, and tort, as shown in Chart 2.

**Chart 1: Classification of Charges Docketed in 1996 by Violation Alleged**

<i>Type of Misconduct</i>	<i>Number</i>	<i>Type of Misconduct</i>	<i>Number</i>
Neglect	1,267	Prosecutorial misconduct	40
Incompetence	649	Failing to preserve client confidences or secrets	34
Failing to communicate with client, including failing to communicate the basis of a fee	577	Threatening criminal prosecution or disciplinary proceedings to gain advantage in a civil matter	33
Fraudulent or deceptive activity, including lying to clients, knowing use of false evidence or making a misrepresentation to a tribunal	552	Aiding in the unauthorized practice of law, including sharing fees with nonlawyers	27
Excessive fees, including failing to refund unearned fees	514	Avoiding in bad faith the repayment of an educational loan guaranteed by a governmental entity	17
Improper management of client or third party funds, including commingling, conversion, failing to promptly pay litigation costs or client creditors, or issuing N.S.F. checks	341	Failing to pay tax obligation in bad faith	15
Conduct prejudicial to the administration of justice, including conduct which is the subject of a contempt finding or court sanction	243	Improper <i>ex parte</i> communication	11
Conflict of interest, including improperly entering into business transactions with clients	172	Incapacity due to chemical addiction or mental condition	10
Not abiding by a client's decision concerning the representation or taking unauthorized action on the client's behalf	150	Sexual harassment or abuse	10
Failing to properly withdraw from representation including failing to return client files or documents	136	Improper division of legal fees	9
Filing frivolous or non-meritorious claims or pleadings	133	Failing to register	6
Criminal activity, including criminal convictions, counseling illegal conduct, public corruption	108	Improper advances or loans to clients	6
Failing to treat others with courtesy	98	Improper communications with or harassment of jurors	5
Improper trial conduct, including suppressing evidence where there is a duty to reveal	65	False statements concerning judicial officials or candidates for judicial office	4
Improper commercial speech, including inappropriate written and oral solicitation	59	Failing to report lawyer misconduct	3
Practicing law in a jurisdiction where not authorized	57	Failing to pay child support in bad faith	3
Improper communications with a party known to be represented by counsel	40	Failure of lawyer candidate for judicial office to comply with judicial code	1
		No misconduct alleged, including approximately 300 prisoner complaints where an appellate review of issues would be more appropriate	1,364
		Other	27
		Duplicate files	15
		<b>Total</b>	<b>6,801</b>

**Chart 2: Classification of Charges Docketed in 1996 by Area of Law**

<i>Area of Law</i>	<i>Number</i>
Domestic Relations .....	1,153
Criminal/Quasi-Criminal .....	1,043
Tort (Personal Injury/Property damage) .....	841
Real Estate/Landlord-Tenant .....	445
Contract .....	393
Probate .....	327
Workers' Compensation .....	317
Bankruptcy .....	137
Civil Rights .....	107
Corporate Matters .....	64
Debt Collection .....	51
Criminal Conduct/Conviction .....	45
Immigration .....	42
Local Government Problems .....	39
Tax .....	28
Adoption .....	15
Social Security .....	14
Patent and Trademark .....	10
Mental Health .....	8
No misconduct alleged .....	1,319
No specific area of law identified ..	236
Conduct outside the practice of law ..	152
Duplicate Files .....	15
<b>Total .....</b>	<b><u>6,801</u></b>

If an investigation fails to reveal provable misconduct, the Administrator will close the investigation. If an investigation produces evidence of misconduct, the case is referred to the Inquiry Board. The Inquiry Board operates in panels of three, composed of two attorneys and one nonlawyer, all appointed by the Commission. An Inquiry Board has authority to vote a formal complaint if it finds evidence to support a charge, to close an investigation if it does not so find, or to defer the investigation and place an attorney on supervision under the direction of the panel pursuant to Commission Rule 108. The Administrator cannot pursue formal charges without authorization by an Inquiry Board panel.

Comparatively few investigations result in the filing of formal charges. Charts 3 and 4 show the number of investigations docketed and terminated during 1996, and the type of action which terminated the investigations.

**Chart 3: Investigations Docketed in 1996**

<i>Year</i>	<i>Pending January 1st</i>	<i>Docketed During Year</i>	<i>Concluded During Year</i>	<i>Pending December 31st</i>
1994	2,954	6,567	6,729	2,792
1995	2,792	6,505	6,845	2,452
1996	2,452	6,801	6,686	2,567

**Chart 4: Action Concluding Investigations in 1996**

<b>Concluded by Administrator:</b>	
Closed after initial review .....	1,364
Closed after investigation .....	4,946
<b>Concluded by Inquiry:</b>	
Closed after panel review .....	76
Complaint or impairment petition voted	300
Closed upon completion of conditions of Rule 108 supervision .....	0
<b>Total .....</b>	<b><u>6,686</u></b>

## B. Hearing Matters

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

Chart 6 shows the activity before the Hearing Board in 1996. The number of disciplinary complaints increased from 99 in 1995 to a record high of 121 in 1996.

**Chart 6: Matters Before the Hearing Board in 1996**

Cases Pending on January 1, 1996 .....	82
<b>New Cases Filed in 1996:</b>	
<i>Disciplinary Complaints Filed:</i> *	
▶ Rule 753, 761(d) .....	121
<i>Reinstatement Petitions Filed:</i>	
▶ Rule 767 .....	5
<i>Petitions Alleging Impairment:</i> *	
▶ Rule 758 .....	3
<i>Contested Restoration Petitions:</i>	
▶ Rule 759 .....	0
<b>Total New Cases</b> .....	129
<b>Cases Concluded During 1996</b> .....	82
<b>Cases Pending December 31, 1996</b> .....	129
* The number of cases filed at Hearing is significantly lower than the number of matters voted by Inquiry because multiple investigations against a particular attorney in which an Inquiry Board has voted a complaint are consolidated into a single complaint for purposes of filings at Hearing.	

Although traditionally, most of the lawyers who are the subject of disciplinary sanctions have been in practice ten or more years, there is a growing number of formal disciplinary complaints being filed against attorneys in practice for fewer than ten years, including several against lawyers who have been licensed for under five years. Of the 121 disciplinary complaints filed in 1996, 18 or 15% were filed against attorneys less than ten years in practice, and 12 or 10% were filed against attorneys in practice for five years or less.

Charts 7A and 7B show the types of misconduct alleged in the 121 disciplinary complaints filed during 1996 and the areas of practice in which the alleged misconduct arose. In large part, the categories most frequently seen in formal complaints track the categories most frequently seen in the initial charges, as reported in Charts 1 and 2.

**Chart 7A: Types of Misconduct Alleged in Complaints Filed Before Hearing Board in 1996**

Type of Misconduct	Number of cases*	% of cases filed*	Type of Misconduct	Number of cases*	% of cases filed*
Improper handling of funds	52	43%	Practicing in jurisdiction not authorized	7	6%
Neglect	52	43%	Not abiding by client's decision or taking unauthorized action on client's behalf	5	4%
Of the 52 cases where neglect was charged, the neglect was accompanied by at least one of the following:			Withdrawing from employment without court approval	5	4%
Misrepresentation to client	40		Violating client privilege	4	3%
Failure to return unearned fees	11		Improper trial or litigation conduct, including defamatory judicial criticism and improper <i>ex parte</i> communication	4	3%
Failing to communicate with client	45	37%	Communication with represented party	3	2%
Fraudulent or deceptive activity	27	22%	Improper commercial speech, including inappropriate written or oral solicitation	2	2%
Criminal conduct by the lawyer	20	17%	Aiding in unauthorized practice of law by a nonlawyer	2	2%
False statements in a disciplinary matter	18	15%	Conduct harassing or embarrassing a third person	2	2%
Falsifying evidence or making false statements to tribunal	17	14%	Prosecutor's bad faith initiation of criminal charges	1	1%
Excessive or unauthorized fees	17	14%	Prosecutor's failure to disclose exonerating evidence	1	1%
Conflict of interest	15	12%	Bad faith avoidance of student loan	1	1%
Arising from business transactions with client	7		Failure to comply with Rule 764	1	1%
Representing clients with conflicting interests	2		Practicing despite failure to register	1	1%
Arising from a representation inconsistent with the lawyer's own interests	6		Misconduct as public official	1	1%
Failure to respond to ARDC request for information	12	10%	Threatening criminal or disciplinary charges to gain an advantage in a civil suit	1	1%
Schemes to defraud clients or others	12	10%			
Improper division of legal fees	9	7%			
Pursuing or filing of frivolous or non-meritorious claims or pleadings	8	7%			

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

**Chart 7B: Area of Law Involved in Complaints Filed Before Hearing Board in 1996**

<u>Area of Law</u>	<u>Number of cases</u>	<u>% of cases filed *</u>	<u>Area of Law</u>	<u>Number of cases</u>	<u>% of cases filed *</u>
Tort	40	33%	Corporate Matters	7	6%
Domestic Relations	23	19%	Civil Rights	7	6%
Probate	17	14%	Bankruptcy	5	4%
Criminal	17	14%	Debt Collection	4	3%
Real Estate	17	14%	Adoption	4	3%
Contract	16	13%	Tax	4	3%
Criminal Conduct by Lawyer	16	13%	Immigration	2	2%
Labor Relations	10	8%	Local Government problems	1	1%

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

Chart 7C shows the number of investigations generated by reports filed by attorneys reporting another attorney's alleged misconduct over a five-year period between 1992 and 1996, and the percentage of those reports that resulted in the filing of formal charges. Consistently, the reports submitted by attorneys were about twice as likely to result in formal charges. In 1996, these reports accounted for about 9% of the investigations docketed and 20% of the formal disciplinary charges filed.

**Chart 7C: Attorney Reports**

Year	Number of Grievances	Attorney Reports	Percent of Attorney Reports to Grievances	Charges Voted by Inquiry Board	Charges Voted Arising From Attorney Reports	Percent of Attorney Reports to Charges Voted
1992	6,291	554	8.8%	277	50	18.0%
1993	6,345	594	9.3%	241	48	19.9%
1994	6,567	578	8.8%	247	54	21.8%
1995	6,505	555	8.5%	277	38	13.7%
1996	6,801	549	8%	300	60	20%
5-year average	6,502	566	8.7%	268	50	18.6%

Chart 8 shows the type of action by which the Hearing Board concluded the 82 cases terminated during 1996.

**Chart 8: Actions Taken by Hearing Board in Matters Terminated in 1996**

<b>A. Disciplinary Cases: Rules 753 &amp; 761(d)</b>	
Case stayed; transferred to inactive status	1
Recommendation of dismissal or discharge	3
Recommendation of discipline	29
Cases closed by administration of a reprimand to respondent	4
Cases closed by filing of petition for disbarment on consent	18
Cases closed by filing of petition for other discipline on consent	22
<b>Total Disciplinary Cases</b>	<b>77</b>
<b>B. Reinstatement Petitions: Rule 767</b>	
Recommend petition be allowed	2
Recommend petition be denied	1
Petition withdrawn before hearing	1
<b>Total Rule 767 Petitions</b>	<b>4</b>
<b>C. Impairment Cases: Rule 758</b>	
Petitions concluded	0
<b>Total Rule 758 Petitions</b>	<b>0</b>
<b>D. Restoration Cases: Rule 759</b>	
Restored to active status	0
Petition dismissed	1
<b>Total Restoration Cases</b>	<b>1</b>
<b>Total Matters Terminated</b>	<b>82</b>

### C. Matters Before the Review Board

Either the respondent or the Administrator can file exceptions as a matter of right from the recommendation of the Hearing Board. Those exceptions are heard by the Review Board consisting of nine attorneys appointed by the Supreme Court, who sit in panels of three. The Review Board entertains briefs and oral arguments, and then issues a report and recommendation affirming, modifying or reversing the recommendation of the Hearing Board. The Review Board can also dispose of a case by approving the filing of a petition for discipline on consent pursuant to Rule 762(b).

Chart 9 shows activity at the Review Board during 1996. The Review Board's docket at the end of 1996 (10) was less than half of what it was in 1995 (25). The decrease was due in large part to the fewer filings of exceptions by respondents and to the Review Board's implementation of Commission Rule 302, amended effective December 1, 1995, which provides for the striking of the notice of exceptions of an appellant who fails to file a brief.

**Chart 9: Trend of Matters in the Review Board in 1996**

Cases pending on January 1, 1996	25
<b>Cases filed during 1996:</b>	
Exceptions filed by Administrator	8
Exceptions filed by Respondent	12
Exceptions filed by both	2
<b>Total</b>	<b>22</b>
<b>Cases decided in 1996:</b>	
Hearing Board affirmed	11
Hearing Board reversed as to findings or sanction	16
Notice of exceptions stricken	10
<b>Total</b>	<b>37</b>
Cases pending December 31, 1996	10

### D. Supreme Court - Disciplinary Cases

Only the Supreme Court has authority to sanction attorneys for misconduct, except for a Board reprimand which can be imposed in a disciplinary case without order of the Court. The Hearing Board and Review Board reports are recommendations to the Supreme Court.

During 1996, the Court entered 115 sanctions against 114 attorneys, representing a decrease from the record 148 sanction orders entered in 1995, but still being the third highest number of sanctions entered since 1985. Chart 10 reflects the nature of the orders entered.

**Chart 10: Disciplinary Sanctions Ordered by the Supreme Court in 1996**

Disbarment .....	44
Suspension .....	51 *
Censure .....	9
Probation .....	9
Reprimand .....	2
<b>Total .....</b>	<b>115</b>

\* In addition to the 51 suspensions ordered as final sanctions in cases, the Court also ordered 13 interim suspensions during 1996, as reported in Chart 13G and 13J.

Of the 115 sanctions entered by the Supreme Court, 52 were entered pursuant to consent petitions. Twenty nine of the 44 disbarments were disbarments on consent.

During 1996, the Court heard arguments in one disciplinary case: *In re Richard A. Rinella*, 93 CH 387 (M.R. 81878). The attorney in *Rinella* was charged with four counts of professional misconduct for engaging in sexual relations with clients and testifying falsely before the Commission. The Supreme Court issued an opinion on February 20, 1997, approving the findings and recommendation of the Hearing Board and suspending the attorney for three years and until further order of the Court. The Court rejected respondent's argument that he could not be sanctioned for engaging in sexual relations with his clients because no disciplinary rule specifically proscribes such conduct. The Court found that the respondent put his clients in situations where they believed that if they did not submit to respondent's sexual advances, the representation by respondent would be adversely affected, he compromised the exercise of his professional judgment on their behalf, and he failed to represent them with undivided fidelity.

Chart 11 provides demographic information on the 114 attorneys sanctioned during 1996. As was true in prior years, the vast majority of attorneys sanctioned during 1996 have practiced more than 10 years; all are over 30 years old; and most are

male. However, the number of attorneys less than 10 years in practice accounted for 19% of all disciplined attorneys, more than double what it was in 1995; nearly 75% of those attorneys were disbarred or suspended for three years or more. This suggests a trend of less experienced attorneys getting into serious disciplinary trouble at earlier stages in their careers.

**Chart 11: Profile of Attorneys Disciplined in 1996**

<b>Years in Practice:</b>	
Less than 10 years .....	19%
10 years or more .....	81%
<b>Age:</b>	
30 - 49 year olds .....	57%
50 - 74 year olds .....	40%
75 year olds and up .....	3%
<b>Gender:</b>	
Female .....	6%
Male .....	94%

**County of Practice**

County	Number Disciplined	County	Number Disciplined
Cook .....	58	Ford .....	1
Out-of-State .....	19	Jackson .....	1
Lake .....	4	Lawrence .....	1
DuPage .....	4	McLean .....	1
Champaign .....	3	Ogle .....	1
Kane .....	3	Perry .....	1
Peoria .....	3	Richland .....	1
St. Clair .....	3	Saline .....	1
LaSalle .....	2	Sangamon .....	1
Madison .....	2	Tazewell .....	1
Adams .....	1	Will .....	1
DeKalb .....	1		

**Recidivism Rate**

Of the 114 attorneys disciplined in 1996, 18 or about 16%, had been disciplined in the past. Of those 18 attorneys, half were disbarred in 1996.

Disbarred .....	9
3 years suspension .....	1
2 years suspension and until further order of the Court .....	3
1 year suspension .....	2
6 months suspension .....	1
30 days suspension .....	1
Censure .....	1

*Misconduct Committed by the 115 Lawyers Sanctioned in 1996 \**

<u>Types of Misconduct</u>	<u>Number of Cases in Which Type of Misconduct Was Sanctioned</u>			
	<u>Disbarment</u>	<u>Suspension</u>	<u>Censure</u>	<u>Reprimand</u>
<b>Total:</b>	<b>44</b>	<b>60</b>	<b>9</b>	<b>2</b>
Improper management of client or third party funds, including commingling and conversion . . . . .	20	19	1	0
Neglect or lack of diligence . . . . .	16	35	3	0
Fraudulent or deceptive activity . . . . .	14	28	2	1
Criminal conduct by the lawyer . . . . .	14	7	0	0
Failing to communicate with client, including failing to communicate basis of a fee . . . . .	12	29	2	1
Incompetence . . . . .	9	13	1	0
Fee violations, including failing to refund unearned fees . . . . .	7	14	1	1
Failure to cooperate with or false statement to the ARDC . . . . .	6	12	0	0
Knowing use of false evidence . . . . .	5	0	0	0
Misrepresentation to a tribunal . . . . .	5	4	0	0
Misrepresentation to clients or third persons . . . . .	4	3	0	0
Filing frivolous or non-meritorious claims or pleadings . . . . .	3	1	1	0
Improper business transaction with client . . . . .	2	1	0	0
Improper trial conduct, including suppressing evidence where there is a duty to reveal . . . . .	2	1	1	0
Improper fee division with nonlawyer . . . . .	1	0	0	0
Not abiding by a client's decision concerning the representation or taking unauthorized action on the client's behalf . . . . .	1	2	1	0
Failure to preserve client confidences . . . . .	1	0	0	1
Improper withdrawal . . . . .	1	2	0	1
Aiding in the unauthorized practice of law by a lawyer not licensed in Illinois . . . . .	1	0	0	0
Failure to pay a student loan in bad faith . . . . .	1	0	0	0
Unauthorized practice by a lawyer . . . . .	1	3	0	0
Conflict of interest . . . . .	0	9	3	0
Improper fee division with lawyer . . . . .	0	1	1	0
Threatening criminal prosecution or disciplinary proceedings to gain an advantage in civil matter . . . . .	0	1	0	0
Failure to pay tax obligation in bad faith . . . . .	0	1	0	0

\* Totals exceed 115 cases because in most cases more than one type of misconduct is found.

Disciplinary cases reach the Court in several ways. Chart 13 reflects the actions taken by the Supreme Court in disciplinary matters in varying procedural contexts in which those matters are presented.

**Chart 13: Orders Entered by Supreme Court in Disciplinary Cases**

<b>A. <u>Motions for disbarment on consent: Rule 762(a)</u></b>		<b>F. <u>Petitions relating to enforcement of subpoenas: Rule 754</u></b>	
Allowed	29	Petition dismissed - compliance	3
Denied	5 *	Suspension ordered for noncompliance	1
Total	34	Motion to quash subpoena allowed	0
		Motion to quash subpoena denied	1
		Motion to enforce subpoena allowed	0
		Total	5
<b>B. <u>Petitions for discipline on consent: Rule 762(b)</u></b>		<b>G. <u>Petitions for interim suspension due to conviction of a crime: Rule 761(b)</u></b>	
Allowed:		Rule enforced and lawyer suspended	6
Suspended	12	Petition for Rule denied	1
Suspension stayed in part, probation ordered	2	Rule discharged by imposition of final order of discipline	1
Suspension stayed in its entirety, probation ordered	3	Order of suspension vacated	1
Censured	6	Total	9
Total	23		
Denied	0		
Total	23		
<b>C. <u>Petitions for leave to file exceptions to report and recommendation of review board: Rule 753(e)(1) and 761</u></b>		<b>H. <u>Petitions for reciprocal discipline: Rule 763</u></b>	
Allowed, and same sanction imposed without briefs	1	Allowed	18
Allowed, briefs and oral arguments ordered	0	Denied	0
Allowed, and different sanctions imposed without briefs	7	Total	18
Denied	7		
Total	15		
<b>D. <u>Motions to approve and confirm report of review board: Rule 753(e)(6)</u></b>		<b>I. <u>Petitions for reinstatement: Rule 767</u></b>	
Allowed	7	Referred to Hearing Board	5
Denied	0	Allowed after hearing	3
Total	7	Denied after hearing	3
		Withdrawn before hearing	2
		Withdrawn after hearing	1
		Referred to Review Board	1
		Total	15
<b>E. <u>Motions to approve and confirm report of hearing board: Rule 753(d)(2)</u></b>		<b>J. <u>Petitions for interim suspension: Rule 774</u></b>	
Allowed	23	Allowed	7
Denied	0	Denied	0
Total	23	Rule discharged because Rule 762(a) motion allowed	1
		Total	8

\* Four disbarment on consent petitions were initially denied during the year because of non-conforming affidavits by the respondents, but all four were resubmitted with new affidavits and allowed in 1996.

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

In addition to activity in disciplinary cases, the Supreme Court entertains pleadings in non-disciplinary matters that affect an attorney's status. Chart 14 reflects the orders entered in such cases during 1996. In 1996, 891 disciplinary and non-disciplinary matters were filed with the Court, including 613 requests for transfer to inactive status under Rule 770.

**Chart 14: Non-Disciplinary Actions by the Supreme Court**

<b>A. Rule 770</b>		
Voluntary motions for transfer to inactive status:		
Allowed		612
Denied		<u>1</u>
	<i>Total</i>	613
<b>B. Rule 759</b>		
Petition for restoration to active status:		
Allowed		85
Denied		0
Referred to Hearing Board		0
Motion to withdraw petition		2
Dismissed for want of prosecution		<u>0</u>
	<i>Total</i>	87
<b>C. Rule 758</b>		
Petitions for involuntary transfer to inactive status due to mental disability or substance addiction:		
Allowed		1
Denied		<u>0</u>
	<i>Total</i>	1
<b>D. Rule 752</b>		
Petition by complainant to require Administrator to further investigate charges or expedite proceedings:		
Allowed		0
Denied		<u>24</u>
	<i>Total</i>	24
<b>E. Rule 383</b>		
Motion for Supervisory order:		
Motion to withdraw motion allowed		1
Allowed		0
Denied		<u>6</u>
	<i>Total</i>	7
<b>F. Rule 757</b>		
Petitions for involuntary transfer to inactive status due to involuntary commitment or upon judicial determination of legal disability because of mental condition:		
Motion to withdraw motion allowed		1
Denied		<u>0</u>
	<i>Total</i>	1

**Chart 16: A Comparison**

	Number of Registered Attorneys	Investigations Docketed <sup>1</sup>	Investigations Docketed Per Attorney <sup>2</sup>	Closure By Administrator No Misconduct Alleged	Closure By Administrator After Investigation	Closure By Inquiry After Investigation	Complaint Voted By Inquiry Board
1985	47,400	3,935	est. 4,629	*	1,730	1,239	184
1986	49,177	4,535	est. 5,335	223	2,846	1,094	219
1987	50,635	4,886	est. 5,748	765	4,542	1,275	229
1988	52,611	4,945	est. 5,817	910	4,369	1,167	214
1989	54,866	5,822	est. 6,849	818	5,552	1,266	343
1990	56,896	6,489	est. 7,634	1,023	5,254	1,410	349
1991	58,953	5,969	est. 7,022	608	5,701	839	325
1992	61,107	6,291	7,338	889	5,210	473	277
1993	63,328		6,345	974	5,422	137	241
1994	65,163		6,567	1,224	5,125	133	247
1995	67,121		6,505	1,359	5,134	73	277
1996	68,819		6,801	1,364	4,946	76	300

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

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

\* Not available

	Matters Filed With Hearing Board	Matters Filed With Review Board	Matters Filed With Supreme Court <sup>3</sup>	Sanctions Ordered By Court
1985	68	27	211	88
1986	120	49	228	86
1987	103	40	463	103
1988	75	32	390	112
1989	89	23	791	132
1990	105	23	578	100
1991	127	25	604	78
1992	122	37	560	89
1993	106	44	593	114
1994	115	35	869	109
1995	113	35	916	148
1996	129	22	891	115

<sup>3</sup> The data reported in this column represents both disciplinary and non-disciplinary matters filed with the Court. Non-disciplinary filings account for 738 of the filings reported for 1996.

### III. ARDC Programs

#### A. Client Protection Program

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

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

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

#### Summary of Claims Approved

Type of Misconduct:	
Failure to refund unearned fees	66
Conversion	30
Conversion/forged endorsement	10
Conversion/medical lien	6
Improper loans from clients	4
Fraud	3
Practicing law when not authorized	3
Area of Law:	
Tort	29
Criminal/quasi criminal	21
Domestic relations	20
Probate	13
Real estate	13
Financial investments advice/loans	7
Bankruptcy	4
Debt collection	4
Labor relations	4
Contract	3
Civil rights	2
Property Damage	2

#### B. Ethics Inquiry Program

Begun in September 1995, the Commission's Ethics Inquiry Program is a telephone inquiry line which provides Illinois attorneys and members of the public with general research assistance and information concerning hypothetical questions about ethical dilemmas, the Illinois Rules of Professional Conduct and the Rules of the Commission. Callers are asked to present any factual questions in the form of a hypothetical question because no legal opinion or advisory opinion is being given. Any information that is not given in the form of a hypothetical question is not privileged. Callers are told that the ultimate resolution of an ethical dilemma must be made by the caller.

During 1996, the Ethics Inquiry Program received over 2,200 calls from attorneys. This figure does not include calls received from nonlawyers. The most common subjects of inquiry are:

- ◆ Duty to report professional misconduct;
- ◆ Client trust accounts;
- ◆ Jurisdictional limits on practice;
- ◆ Conflicts:
  - former client
  - lawyer's own interest
- ◆ Advertising
  - professional designation
  - targeted mailing
- ◆ Communications with parties represented by counsel

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

#### C. Education

##### Illinois Professional Responsibility Institute

In 1996, the Commission began an initiative, in cooperation with members from the Chicago Bar Association, Illinois State Bar Association and Cook County Bar Association, to further the Commission's efforts to develop preventive and remedial programs for attorneys on relevant ethics

issues. The Institute's main project was the development of a course on law office management training and client relations, known as the *Professionalism Seminar*. Taught mostly by select, volunteer practicing Illinois attorneys, the course was first held in November 1996, and is planned to be offered three to four times a year. The course is limited to less than twenty students and is primarily targeted for attorneys who have an identified need for training in these areas or who are required to attend as part of their disciplinary sanctions. Any attorney interested in learning more about the Institute or the *Professionalism Seminar*, may call Mary F. Andreoni, Administrative Counsel, ARDC, Chicago.

#### ***ARDC Video***

In July 1996, the Commission released a video entitled *What is the ARDC?* The 17-minute video was created to help the public understand how a lawyer disciplinary agency works. Narrated by Joel Daly, ABC-Channel 7 television journalist and a Chicago attorney, the video uses re-enactments of actual cases to give consumers tips on how to avoid disputes with their lawyer and when they should turn to the ARDC if they think their lawyer has done something dishonest or unethical. The video was sent to cable television stations, public and law libraries, community, public interest and citizens groups, law schools and other interested persons or groups. Any groups interested in obtaining a copy of the video may call the ARDC in Chicago.

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

Since December 1995, the Commission has published *ARDC Compiled Professional Responsibility Decisions and Rules* on CD-ROM, a compilation of disciplinary decisions issued by the Hearing and Review Boards of the Commission, as well as a collection of published Illinois Supreme Court opinions discussing legal ethics issues arising under Illinois law, the 1990 Rules of Professional Conduct, and its predecessor, the 1980 Code of Professional Responsibility (with

Committee Commentary). The Commission has sold more than 1,000 copies since its first publication. Updates of the CD-ROM are now published twice a year. Anyone interested in buying a copy (\$20.00, plus tax) can call the ARDC and request an order form or can buy it directly from the CBA Shop, 321 S. Plymouth Court, Chicago, IL 60604, (312) 554-2000.

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

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

### ***IV. Developments During 1996***

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

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

##### ***Retirement of Commissioner John P. Clarke***

After three terms of service to the Commission, John P. Clarke resigned as a Commissioner of the Attorney Registration and Disciplinary Commission, effective December 31, 1996. Appointed in 1987, Mr. Clarke was one of the first three nonlawyer Commissioners of the ARDC. As a Commissioner, Mr. Clarke set the policies for the lawyer disciplinary system along with two nonlawyer members and four lawyer commissioners. As of March 1, 1997, Mr. Clarke was appointed to serve as a nonlawyer panel member on the Hearing Board.

Mr. Clarke also retired as the publisher of The State Journal-Register, a position he held since 1968. A long-time resident of Springfield, Mr. Clarke has served on the St. John's Hospital advisory board, which brought the establishment of Southern Illinois University School of Medicine in

Springfield, and he was also involved in efforts that led to the establishment of Sangamon State University in 1970, where he was president of the university foundation. Born in Mattoon, Mr. Clarke earned an MBA from Harvard University.

*Appointment of Linda S. Culver as Commissioner*

The Court appointed Linda S. Culver, Regional President of First of America Bank Illinois, N.A., Southern Region, to replace John P. Clarke as a Commissioner, effective January 1, 1997. Ms. Culver received her undergraduate and master degrees in accounting from the University of Illinois and is a licensed C.P.A. A resident of the Springfield area, Ms. Culver holds positions on the boards of many community groups, including the United Way of Central Illinois and the Greater Springfield Chamber of Commerce.

*Review Board*

*Retirement of the Honorable Albert Porter (Retired)*

On December 31, 1996, the Hon. Albert S. Porter (Ret.), retired from his position on the Review Board. Judge Porter was appointed to the Review Board in 1991, the year following his retirement as a judge in the Circuit Court of Cook County, where he had been a judge for over twenty years. He received his undergraduate degree from the University of Illinois and his law degree from John Marshall Law School in 1962, where he was also an adjunct professor.

*Appointment of Kevin M. Forde*

Effective January 1, 1997, Kevin M. Forde was appointed by the Court to serve on the Review Board, to replace Albert Porter. Mr. Forde, admitted to practice in Illinois in 1963, runs his own law firm, *Kevin M. Forde, Ltd.*, in Chicago, a trial and appellate practice. A 1963 graduate of Loyola University School of Law, Mr. Forde is a past president of the Chicago Bar Association, 1981-82, and previously served on the boards of the Appellate Lawyers Association and American

Judicature Society. He is general counsel and litigation counsel for the Federal Judges Association.

*B. Commission Appointments*

*Hearing Board*

*Appointment of Charles Beckman as Chair of the Hearing Board*

After several years of operating without a Chair of the full Hearing Board, the Commission determined to appoint Charles T. Beckman, a partner with the Dixon law firm of Ehrmann, Gehlbach, Beckman, Badger & Lee, as the Chair, and to give Mr. Beckman responsibility for the administration of the sixty-five member Hearing Board. Mr. Beckman was first appointed to the ARDC Inquiry Board in 1984, and in 1986, he was appointed to the Hearing Board. Mr. Beckman attended Eastern Illinois University and graduated with distinction from the John Marshall Law School, Chicago. Admitted to the Illinois Bar in 1975, he concentrates his practice in personal injury, worker's compensation, real estate, insurance defense, bankruptcy and civil litigation. Mr. Beckman has long been an officer of the Lee County Bar Association and is a member of the Illinois State Bar Association and the Illinois Trial Lawyers Association.

**THOMAS  
HAVEY  
LLP**

**REPORT OF INDEPENDENT AUDITORS**

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

We have audited the accompanying statement of financial position of Attorney Registration and Disciplinary Commission of the Supreme Court of Illinois as of December 31, 1996, and the related statements of activities and of cash flows for the year then ended. These financial statements are the responsibility of the Commission. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Attorney Registration and Disciplinary Commission of the Supreme Court of Illinois as of December 31, 1996, and the results of its activities and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

*Thomas Havey LLP*

February 7, 1997

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
30 N. LA SALLE STREET • SUITE 4201 • CHICAGO, IL 60602 • 312.368.0590 • 312.368.0746 FAX

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

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 1996**

Revenues:	
Attorney registration fees and charges earned	\$ 7,462,496
Investment income (Note 4):	
(Decrease) in fair value of investments:	
Sold during the year	(21,594)
Held at year end	(186,146)
	(207,740)
Interest income	729,589
Net investment income	521,849
Costs collected	143,105
Miscellaneous income	43,958
Total revenues	8,171,408
Expenses (Note 3):	
Salaries and related expenses	5,619,626
Travel	102,660
Postretirement benefits	57,590
Library and continuing education	127,417
General	1,750,114
Computer	128,215
Other	663,859
Client protection program	504,619
Depreciation	358,165
Loss on disposal of fixed assets	1,881
Total expenses	9,314,146
(Decrease) in unrestricted net assets	(1,142,738)
Unrestricted net assets:	
Beginning of year	6,875,226
Add:	
Cumulative effect of change in accounting method (Note 2)	184,452
End of year	\$ 5,916,940

See accompanying notes to financial statements.

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

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 1996**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 334,552
Accounts receivable - other than fees	9,928
Accrued interest receivable	184,571
Short-term investments (Note 4)	7,377,107
Prepaid expenses and inventory	72,279
Total current assets	7,978,437
Noncurrent assets:	
Fixed assets net of accumulated depreciation (Note 5)	887,678
Long-term investments (Note 4)	6,052,338
Total noncurrent assets	6,940,016
Total assets	\$ 14,918,453

**LIABILITIES AND NET ASSETS**

Current liabilities:	
Accounts payable and other accruals	\$ 382,657
Accrued compensated absences	156,614
Deferred fees	5,315,023
Reinstatement deposits	4,000
Total current liabilities	5,858,294
Long-term liabilities:	
Accrued medicare replacement funding (Note 8)	464,471
Deferred rent expense	2,678,748
Total long-term liabilities	3,143,219
Total liabilities	9,001,513
Net assets - unrestricted	5,916,940
Total liabilities and net assets	\$ 14,918,453

See accompanying notes to financial statements.

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

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 1996**

Cash flows from operating activities:	
(Decrease) in unrestricted net assets	\$ (1,142,738)
Adjustments to reconcile decrease in unrestricted net assets to net cash provided by (used in) operating activities:	
Decrease in market value of investments:	
Sold during the year	21,594
Held at year end	186,146
Depreciation	358,165
Postretirement benefits	57,590
Loss on disposition of fixed assets	1,881
(Increase) in assets:	
Accounts receivable	(8,945)
Other assets	(4,130)
Increase (decrease) in liabilities:	
Accounts payable and other accruals	158,062
Deferred fees	89,815
Deferred rent expense	81,645
Reinstatement deposits	(1,500)
Net cash (used in) operating activities	(202,415)
Cash flows from investing activities:	
Acquisition of fixed assets:	
Computer equipment	(142,317)
Office furniture and equipment	(29,184)
Library	(5,295)
Purchases of investments	(7,488,269)
Sales of investments - at cost	8,100,103
Net cash provided by investing activities	435,038
Net increase in cash and cash equivalents	232,623
Cash and cash equivalents:	
Beginning of year	101,929
End of year	\$ 334,552

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

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 1996**

**Note 1. General Purpose Description**

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

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 1996**

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

**d. Fixed Assets**

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

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

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

**e. Accrued Compensated Absences**

The Commission's vacation policy provides time off for full-time salaried employees based on each employee's years of service which are computed from each employee's anniversary date of employment. Employees are not permitted to carry over vacation time from year to year without written approval from the Commission Administrator. An accrual is included in the financial statements representing vacation time earned but unused at December 31, 1996 along with its related retirement contribution.

**f. Deferred Fees**

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

**g. Deferred Rent Expense**

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

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

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 1996**

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

**a. Basis of Presentation**

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

**b. Cash and Cash Equivalents**

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

**c. Investments**

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

Effective January 1, 1996 the Commission adopted the provisions of Statement of Financial Accounting Standards No. 124, "Accounting for Certain Investments held by Not-for-Profit Organizations", which requires investments in debt securities to be reported at fair value. The cumulative effect on net assets at January 1, 1996 due to the change in accounting method was an increase of \$184,452.

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

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 1996**

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

**h. Income Taxes**

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

**i. Estimates**

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

**Note 3. Functional Expenditures by Object**

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

	Registration and Discipline	Client Protection	Administration and Support	Total
Salaries and related expenses	\$ 4,584,827	\$ 97,221	\$ 937,578	\$ 5,619,626
Travel	77,308	1,087	24,265	102,660
Postretirement benefits	47,047	1,004	9,539	57,590
Library and continuing education	104,156	2,221	21,040	127,417
General	1,443,191	29,304	277,619	1,750,114
Computer	104,808	2,235	21,172	128,215
Other	579,548	10,221	74,990	664,759
Client protection program	-	504,619	-	504,619
Depreciation	292,778	6,243	59,144	358,165
Loss on disposal of fixed assets	1,537	33	311	1,881
<b>Total</b>	<b>\$ 7,235,200</b>	<b>\$ 654,188</b>	<b>\$ 1,424,758</b>	<b>\$ 9,314,146</b>

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ATTORNEY REGISTRATION AND  
DISCIPLINARY COMMISSION OF  
THE SUPREME COURT OF ILLINOIS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1996

Note 4. Investments

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

	Cost	Market
U.S. Treasury notes and bills	\$ 11,272,559	\$ 11,249,269
Money market funds	2,180,176	2,180,176
Total	\$ 13,452,735	\$ 13,429,445

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

Note 5. Fixed Assets

Changes in the fixed assets are as follows:

	Balance			Balance 12-31-96
	1-1-96	Acquisitions	Dispositions	
Computer and related equipment	\$ 846,819	\$ 142,317	\$ 21,466	\$ 967,670
Office furniture and equipment	1,419,065	29,184	4,748	1,443,501
Library	60,055	5,295	-	65,350
Leasehold improvements	110,208	-	-	110,208
	2,436,147	\$ 176,796	\$ 26,214	2,586,729
Less accumulated depreciation and amortization	1,365,219	\$ 358,182	\$ 24,350	1,699,051
Total	\$ 1,070,928			\$ 887,678

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1996

Note 7. Lease and Maintenance Commitments (continued)

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

Year	Springfield	Chicago	Total
1997	\$ 67,835	\$ 1,011,575	\$ 1,079,410
1998	69,875	1,029,800	1,099,675
1999	71,966	1,075,689	1,147,655
2000	74,126	1,115,413	1,189,539
2001	76,348	1,156,746	1,233,094
Remaining	65,208	9,046,050	9,111,258
Total	\$ 425,358	\$ 14,435,273	\$ 14,860,631

Note 8. Medicare Replacement Reserve Trust

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

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

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1996

Note 6. Collection of Fees

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

Note 7. Lease and Maintenance Commitments

The Commission leases its Chicago and Springfield offices under operating lease agreements. The terms of the Chicago office lease which began in May 1993 are for 15 years and provide for a minimum annual base rent plus related taxes and operating expenses. In addition the lease provides a period of 32 months "free rent" with the first rent payment due January 1, 1996. Pursuant to the lease, the landlord advanced a sum equal to the present value of estimated taxes and operating costs for the 32 month period and the Commission made monthly payments for actual tax and operating cost assessments during that period. This amount and the value of the "free rent" is included in deferred rent.

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

Rent expense under all lease agreements was \$1,128,072 in 1996.

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ATTORNEY REGISTRATION AND  
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1996

Note 8. Medicare Replacement Reserve Trust (continued)

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

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

A summary of actuarial assumptions and methods are as follows:

Measurement date:  
July 1, 1995

Actuarial cost method:  
Projected unit credit method

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

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**ATTORNEY REGISTRATION AND  
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**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 1996**

**Note 8. Medicare Replacement Reserve Trust (continued)**

Actuarial valuation:

Net periodic postretirement benefit cost:	
Service cost	\$ 29,463
Interest cost	28,127
Expected return on assets	(28,127)
Amortization of transition asset	-
Total	<u>\$ 29,463</u>
Accumulated postretirement benefit obligations:	
Current retirees	\$ 23,938
Current employees:	
Fully eligible	48,605
Not fully eligible	<u>305,543</u>
Subtotal as of July 1, 1995 actuarial valuation	378,086
Estimated service costs July 1, 1995 through December 31, 1996	44,193
Estimated interest costs July 1, 1995 through December 31, 1996	<u>42,192</u>
Total	<u>\$ 464,471</u>

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**ATTORNEY REGISTRATION AND  
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**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 1996**

**Note 8. Medicare Replacement Reserve Trust (continued)**

The Commission maintains a separate trust for the medicare replacement reserve. This trust is funded on a current basis. The Trust Fund is included in these financial statements. The Trust Fund assets at fair value as of December 31, 1996 are as follows:

Accrued interest receivable	\$ 7,249
Money market account	8,077
U.S. Treasury notes	<u>456,396</u>
Total Plan assets at fair value	<u>\$ 471,722</u>

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

**Note 9. Employee Benefit Plan**

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

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

The Commission contributes 18% of compensation for eligible employees which totaled \$769,077 in 1996. The Commission also pays the administrative expenses of the plan which totaled \$26,547 in 1996.

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**ATTORNEY REGISTRATION AND  
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**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 1996**

**Note 10. Cost Reimbursement Revenue**

The Commission receives cost reimbursements for investigative and disciplinary costs from disciplined attorneys. Cost reimbursement is billed at the time that discipline is imposed by the Illinois Supreme Court, but may not be a total reimbursement of or match the period in which the investigative disciplinary costs were incurred. To collect the cost reimbursements, the Commission invoices attorney-respondents. Beginning in November 1995 the Commission has regularly sought entry of judgments by the Court with interest at the rate charged by the State of Illinois (9% at December 31, 1996), for all invoices not paid within 30 days of the initial billing. The Commission has also established payment plans for disciplined attorneys.

Although collectibility has been enhanced by the Commission's judgment procedures, the Commission cannot reasonably estimate the collectibility of the cost reimbursements at this time. Whether the Commission can fully collect all cost reimbursements is dependent upon the disciplined attorneys' ability to pay and the current economic environment. Therefore, the Commission records cost reimbursements as revenue under the cost recovery method when the reimbursements are received. The Commission collected \$143,105 in such cost reimbursements in fiscal 1996. The Commission had identified approximately \$650,000 in additional amounts that remain unpaid by attorney-respondents at December 31, 1996.

**Note 11. Litigation**

Various complaints and actions were filed against the Commission in 1996. Several of these matters have been dismissed. Those pending are not perceived as presenting any serious prospect of negative financial consequences.

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