



ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
of the
SUPREME COURT OF ILLINOIS

One Prudential Plaza
130 East Randolph Drive
Chicago, IL 60601-6219
(312) 565-2600 (800) 826-8625
Fax (312) 565-2320

One North Old Capitol Plaza, Suite 333
Springfield, IL 62701
(217) 522-6838 (800) 252-8048
Fax (217) 522-2417

Chicago
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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 2003 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 2003 and an accounting and audit of the monies received and expended during the twelve-month period, which ended December 31, 2003.

Respectfully submitted,

Benedict Schwarz II, Chairman
Donn F. Bailey, Ph.D.
Patricia Campbell Bobb
John R. Carroll
R. Michael Henderson
John Paul Kujawski
Brian McFadden, Commissioners

Mary Robinson, Administrator

I. Registration Report

The Master Roll of attorneys registered to practice law in Illinois for the year 2003 contained the names of 76,671 attorneys as of October 31, 2003. After that date, the Commission began the 2004 registration process, so that the total reported as of October 31, 2003, does not include the 1,840 attorneys who first took their oath of office in November or December 2003.

The 2003 registration figures show a modest 1.7% increase in the number of lawyers registered in Illinois, a continuing but still gradual easing of the 2000 and 2001 registration experience, when the number of registered lawyers remained virtually static. The number of newly admitted lawyers rose slightly, and the number of lawyers who left the rolls due to retirement, death, discipline, or failure to register dropped, continuing the decrease in that figure from the 2000 high of 2,407. (Since 2000, the number of lawyers removed from the roll was 1,986 in 2001, 1,596 in 2002, and 1,332 for 2003.) Nevertheless, judging from the fact that there was a 14% increase in the number of lawyers who decided to register under inactive status (6,598 for 2002 and 7,535 for 2003), it would appear that the number of lawyers actually practicing in Illinois remains basically unchanged.

Chart A shows further demographic information for attorneys registered in 2003, 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 2003

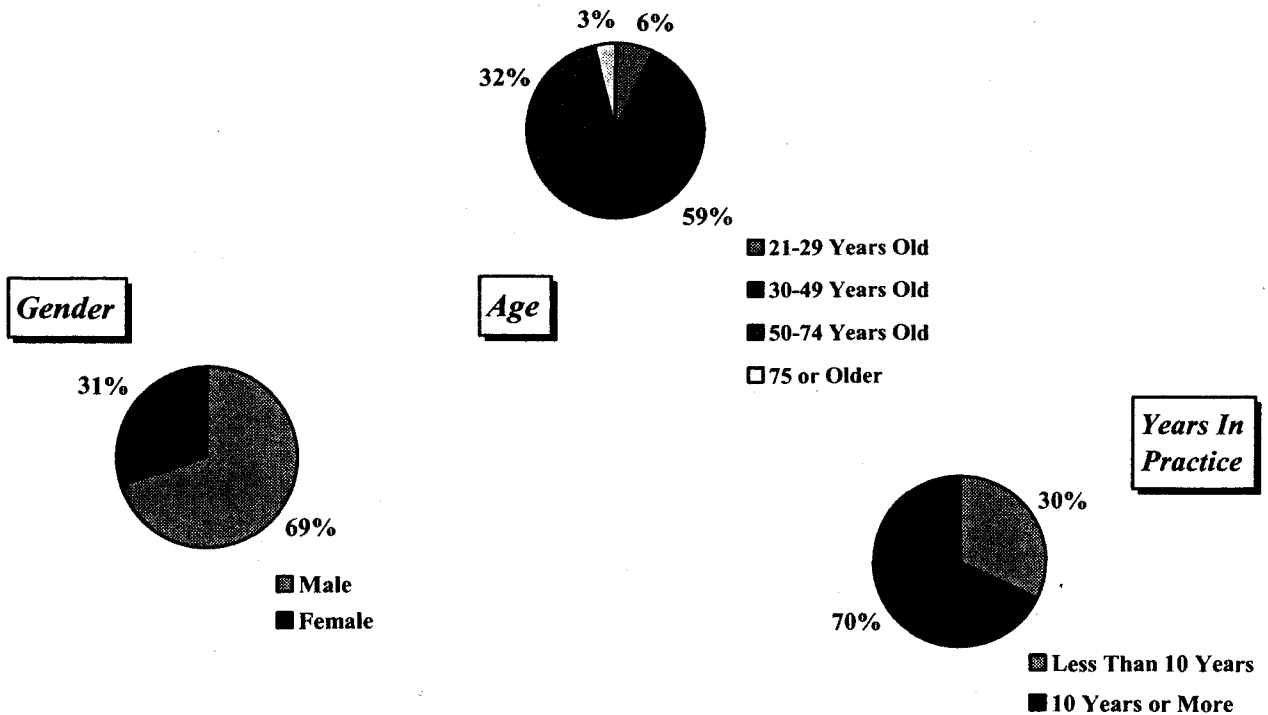


Chart B: Registration Categories for 2003

<u>Category</u>	<u>Number of Attorneys</u>
Admitted between January 1, 2002 and October 31, 2003.....	2,880
Admitted between January 1, 2000 and December 31, 2001	4,295
Admitted before January 1, 2000.....	57,959
Serving active military duty.....	216
Serving as judge or judicial clerk.....	1,841
Birthday before December 31, 1927.....	1,939
Foreign legal consultant.....	6
Inactive status.....	7,535
Total attorneys currently registered.....	76,671
Removed from the Master Roll (Arrears, Deceased, Retired and Disciplined Attorneys).....	(1,332)

Charts C and D show the distribution by judicial circuit and by county of the 58,811 registered attorneys who report a principal business address in Illinois. Another 17,860 attorneys report a business address outside Illinois, but register as either active and able to practice in Illinois or inactive. Those 17,860 attorneys are not included in Charts C and D. Cook County has over 70% of the lawyers who have an Illinois business address. Of the 102 counties, 26 counties saw no change, 41 experienced some increase and 35 saw a slight decrease. Of the counties with 100 or more lawyers, the greatest increase over 2002 was seen in Madison (8.5%), Will (4.4%), McLean (2.6%), Lake and Peoria (2.4%), Kane (2.2%) and McHenry (2.0%), compared with a 1.5% increase in Cook County.

Chart C: Registration by Judicial Districts: 1999-2003

	1999	2000	2001	2002	2003		1999	2000	2001	2002	2003
First District						Fourth District					
Cook County	38,732	39,300	40,124	40,623	41,229	5 th Circuit.....	274	264	269	273	267
Second District						6 th Circuit.....	840	843	847	851	833
15 th Circuit	200	206	208	206	206	7 th Circuit.....	1,218	1,230	1,229	1,222	1,218
16 th Circuit	1,169	1,198	1,167	1,207	1,228	8 th Circuit.....	194	204	203	202	197
17 th Circuit	709	697	717	726	737	11 th Circuit	541	562	570	581	593
18 th Circuit	3,479	3,640	3,645	3,793	3,859	Total	3,067	3,103	3,118	3,129	3,108
19 th Circuit	3,127	3,287	3,160	3,198	3,272	Fifth District					
Total	8,684	9,028	8,897	9,130	9,302	1 st Circuit.....	426	421	419	422	433
Third District						2 nd Circuit.....	295	306	295	295	297
9 th Circuit	210	211	205	206	210	3 rd Circuit	542	559	569	586	636
10 th Circuit	855	857	840	850	861	4 th Circuit.....	269	274	265	258	258
12 th Circuit	636	665	679	709	740	20 th Circuit	733	745	740	745	756
13 th Circuit	321	330	327	327	324	Total	2,265	2,305	2,288	2,306	2,380
14 th Circuit	508	509	503	509	495	Grand Total	55,431	56,460	57,136	57,951	58,811
21 st Circuit	153	152	155	162	162						
Total	2,683	2,724	2,709	2,763	2,792						

Chart D: Registered Attorneys by County for 2002-2003

Principal Office	Number of Attorneys		Principal Office	Number of Attorneys		Principal Office	Number of Attorneys	
	2002	2003		2002	2003		2002	2003
Adams	131	126	Hardin	5	5	Morgan	47	47
Alexander	11	10	Henderson	4	4	Moultrie	13	13
Bond	12	13	Henry	54	53	Ogle	51	53
Boone	35	38	Iroquois	26	27	Peoria	705	722
Brown	10	10	Jackson	206	215	Perry	21	22
Bureau	39	42	Jasper	5	6	Piatt	25	26
Calhoun	4	4	Jefferson	108	110	Pike	12	12
Carroll	19	18	Jersey	15	15	Pope	3	3
Cass	10	10	Jo Daviess	35	32	Pulaski	5	6
Champaign	528	517	Johnson	11	11	Putnam	8	6
Christian	45	44	Kane	981	1,003	Randolph	26	28
Clark	16	15	Kankakee	136	135	Richland	24	25
Clay	15	13	Kendall	58	62	Rock Island	367	363
Clinton	28	28	Knox	72	71	Saline	39	39
Coles	99	102	Lake	2,701	2,765	Sangamon	1,099	1,096
Cook	40,623	41,229	LaSalle	222	219	Schuyler	12	11
Crawford	20	20	Lawrence	14	14	Scott	6	6
Cumberland	7	7	Lee	43	46	Shelby	18	17
DeKalb	168	163	Livingston	47	49	St. Clair	643	650
DeWitt	26	23	Logan	35	33	Stark	13	8
Douglas	20	21	Macon	239	233	Stephenson	58	57
Du Page	3,793	3,859	Macoupin	41	40	Tazewell	109	111
Edgar	29	25	Madison	574	623	Union	23	23
Edwards	6	6	Marion	49	49	Vermilion	122	118
Effingham	48	51	Marshall	15	14	Wabash	19	18
Fayette	18	17	Mason	10	10	Warren	22	23
Ford	17	16	Massac	17	16	Washington	15	16
Franklin	55	56	McDonough	43	45	Wayne	13	12
Fulton	43	46	McHenry	497	507	White	14	14
Gallatin	5	5	McLean	461	473	Whiteside	80	69
Greene	14	14	Menard	13	14	Will	709	740
Grundy	66	63	Mercer	8	10	Williamson	107	110
Hamilton	12	12	Monroe	40	40	Winnebago	691	699
Hancock	22	21	Montgomery	32	33	Woodford	21	22

Voluntary Disclosure of Race and Practice Setting

As part of the 2004 annual registration, the Commission asked Illinois lawyers to voluntarily provide information about their race and practice setting. Recognizing competing views on whether the information should be collected, the Commission decided to make the request in light of the scarcity of data available from other sources and the importance of being able to assess how Commission policies impact upon identifiable segments of the lawyer population. The Commission pledged that any information reported would be maintained separately from registration or disciplinary data, in such a way that it would be accessible only to computer staff for purposes of demographic studies directed by the Commission, and that no Commission staff who work on disciplinary cases would be able to access the data on race or practice setting.

About one-third of the lawyers who registered for 2004 volunteered the data, which is summarized in the chart following. Due to the response rate and because the responses are not random, it is unclear that the data is statistically reliable. The Commission compared the 2004 registration survey data to other information gathered in a telephone survey reported in the *2002 Annual Report*, and in the malpractice survey conducted in conjunction with the 2001 annual registration. While racial breakdown appears to be largely consistent with the telephone survey data, practice setting data suggests that solo practitioners responded in the 2004 registration survey in higher proportion than their actual number in the legal profession, whereas government lawyers responded in lesser proportion.

The Commission appreciates the willingness of the 25,606 lawyers who responded to provide this information. The data has been stored as promised and will remain inaccessible for any purpose other than demographic analysis as directed by the Commission.

Race	Responses to 2004 Registration Survey									
	Solo	Firm 2-10	Firm 11-25	Firm 26+	Corp In-house	Gov't/Judge	Do Not Practice	No Answer	Total	
									#	%
Am. Indian/Alaskan Native American	15	4	4	10	2	12	5	1	53	.2%
Asian/Pacific Islander	107	90	40	193	89	68	106	50	743	2.9%
Black/AfricanAm	331	115	48	188	183	211	127	47	1,250	4.9%
Hispanic/Latino	128	107	35	133	70	78	61	40	652	2.6%
White Caucasian	6,073	4,336	1,312	3,860	2,592	1,729	2,504	88	22,494	87.8%
Other	91	70	28	68	37	39	49	32	414	1.6%
Total # of Responses	6,745	4,722	1,467	4,452	2,973	2,137	2,852	258	25,606	
Total % of Responses	26.4%	18.4%	5.7%	17.4%	12%	8.4%	11%	.5%		100%

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

A. Investigations

During 2003, the Commission docketed 6,325 investigations, the third consecutive year that the caseload has increased and a nearly 9% increase since 2001. Those 6,325 investigations involved charges against 4,166 different attorneys. This means that about 5% of all registered attorneys became the subject of an investigation in 2003. Nearly a quarter of the 4,166 attorneys were the subject of more than one investigation docketed in 2003, as shown in Chart 1.

Chart 1: Investigations Docketed in 2003

Number of Investigations		Number of Attorneys	
1	3,219		
2	591		
3	181		
4	76		
5 or more	99		
Gender		Years in Practice	
Female	18%	Less than 10 years	22%
Male	82%	10 years or more	78%

Charts 2 and 3 report the classification of investigations docketed in 2003, 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 2 reflects that the most frequent areas of a grievance are: neglect of the client's cause, failure to communicate with the client, fraudulent or deceptive activity, excessive fees, and improper management of trust funds. Consistent with prior years, the top areas of practice most likely to lead to a grievance of attorney misconduct are: criminal law, domestic relations, tort, and real estate, as shown in Chart 3.

Chart 2: Classification of Charges Docketed in 2003 by Violation Alleged

<i>Type of Misconduct</i>	<i>Number*</i>	<i>Type of Misconduct</i>	<i>Number*</i>
Neglect.....	2,868	Prosecutorial misconduct.....	53
Failing to communicate with client, including failing to communicate the basis of a fee.....	1,556	Threatening criminal prosecution or disciplinary proceedings to gain advantage in a civil matter.....	49
Fraudulent or deceptive activity, including lying to clients, knowing use of false evidence or making a misrepresentation to a tribunal or non-client.....	977	Failing to preserve client confidences or secrets.....	35
Excessive or improper fees, including failing to refund unearned fees.....	842	Aiding a nonlawyer in the unauthorized practice of law.....	33
Improper management of client or third party funds, including commingling, conversion, failing to promptly pay litigation costs or client creditors or issuing NSF checks.....	425	Failing to supervise subordinates.....	22
Improper trial conduct, including using means to embarrass, delay or burden another or suppressing evidence where there is a duty to reveal.....	320	Improper division of legal fees with another lawyer.....	16
Filing frivolous or non-meritorious claims or pleadings.....	296	Practicing after failing to register.....	15
Conduct prejudicial to the administration of justice, including conduct which is the subject of a contempt finding or court sanction.....	292	Incapacity due to chemical addiction or mental condition.....	15
Conflict of Interest:.....	286	Improper <i>ex parte</i> communication with judge.....	15
Rule 1.7: concurrent conflicts.....	182	Sexual harassment/abuse or violation of law prohibiting discrimination.....	14
Rule 1.9: successive conflicts.....	47	Improper division of legal fees/partnership with nonlawyer.....	13
Rule 1.8(a)-(e): self-dealing conflicts.....	35	Failing to report misconduct of another lawyer or judge.....	13
Rule 1.8(f)-(h): improper agreement to limit liability/avoid disciplinary action.....	11	False statements in bar admission or disciplinary matter.....	10
Rule 1.10: imputed disqualification.....	6	Failing to disclose fraud to tribunal or third person.....	9
Rule 1.13: organizational client.....	3	Improper employment where lawyer may become witness.....	5
Rule 1.11: successive government and private employment.....	2	Violate federal, state or local law prohibiting discrimination.....	4
Failing to properly withdraw from representation, including failing to return client files or documents.....	228	Failing to comply with Rule 764.....	4
Not abiding by a client's decision concerning the representation or taking unauthorized action on the client's behalf.....	126	Failing to maintain a normal attorney-client relationship with disabled client.....	3
Failing to provide competent representation.....	124	Assisting a judge in conduct that violates the Judicial Code.....	2
Criminal activity, including criminal convictions, counseling illegal conduct or public corruption.....	123	Failing to pay tax obligation in bad faith.....	2
Practicing in jurisdiction where not authorized.....	106	Failing to pay child support.....	2
Improper commercial speech, including inappropriate written or oral solicitation.....	101	Bad faith avoidance of student loan.....	1
Improper communications with a party known to be represented by counsel or unrepresented party.....	64	Failing to report lawyer's own discipline in another jurisdiction.....	1
		Improper extrajudicial statement.....	1
		False statements about judge, jud. candidate or public official.....	1
		No misconduct alleged.....	274

*Total exceed the number of charges docketed in 2003 because in many charges more than one type of misconduct is alleged.

Chart 3: Classification of Charges Docketed in 2003 by Area of Law

<i>Area of Law</i>	<i>Number*</i>
Criminal/Quasi-Criminal.....	1,243
Domestic Relations.....	1,081
Tort (Personal Injury/Property Damage).....	872
Real Estate/Landlord-Tenant.....	623
Probate.....	391
Workers' Compensation.....	369
Bankruptcy.....	274
Contract.....	206
Civil Rights.....	151
Immigration.....	133
Debt Collection.....	127
Corporate Matters.....	117
Criminal Conduct/Conviction.....	109
Local Government Problems.....	60
Tax.....	26
Patent and Trademark.....	19
Social Security.....	12
Adoption.....	12
Mental Health.....	2
Other.....	422
Undeterminable.....	197

*Total exceed the number of charges docketed in 2003 because in many charges more than one area of law is involved.

If an investigation fails to reveal sufficiently serious, provable misconduct, the Administrator will close the investigation. If an investigation produces evidence of serious misconduct, the case is referred to the Inquiry Board, unless the matter is filed directly with the Supreme Court under Rules 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 7% of investigations concluded in 2003 resulted in the filing of formal charges. Charts 4 and 5 show the number of investigations docketed and terminated during 2003, and the type of actions which terminated the investigations.

Chart 4: Investigations Docketed: 1999-2003

Year	Pending January 1st	Docketed During Year	Concluded During Year	Pending December 31st
1999	2,084	5,877	5,773	2,188
2000	2,188	5,716	5,857	2,047
2001	2,047	5,811	5,778	2,080
2002	2,080	6,182	6,183	2,079
2003	2,079	6,325	6,215	2,189

Chart 5: Investigations Concluded in 2003

Concluded by Administrator:	
Closed after initial review (No misconduct alleged).....	1,396
Closed after investigation.....	4,332
Filed at Supreme Court pursuant to Supreme Court Rules 761, 762(a), and 763	63
Concluded by Inquiry:	
Closed after panel review.....	61
Complaint or impairment petition voted	353
Closed upon completion of conditions of Rule 108 supervision	10
Total	6,215

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 2003. There were 141 cases added to the Hearing Board's docket in 2003. Of those, 132 were initiated by the filing of a new disciplinary complaint, as compared to 118 new complaints filed in 2002.

Chart 6: Matters Before the Hearing Board in 2003

Cases Pending on January 1, 2003	162
New Cases Filed in 2003:	
<i>Disciplinary Complaints Filed: *</i>	
➤ Rules 753, 761(d)	132
<i>Reinstatement Petitions Filed:</i>	
➤ Rule 767	3
<i>Petition for Transfer to Disability Inactive Status Filed:</i>	
➤ Rule 758	1
<i>Remanded after Supreme Court denied Rule 762 Petition</i>	2
<i>Remanded by Supreme Court for a new hearing</i>	2
<i>Referred by Supreme Court for hearing on petition for restoration</i>	1
Total New Cases	141
Cases Concluded During 2003	125
Cases Pending December 31, 2003	178
* 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.	

Chart 7 shows the years in practice of the 132 lawyers who were the subject of a formal complaint in 2003.

Chart 7: Disciplinary Complaints Filed in 2003

Number of Complaints Filed in 2003132

Respondent's

<i>Years in Practice</i>	<i>Number of Complaints</i>	<i>Percentage</i>
Less than 5 years	2.....	2%
Between 5 and 10 years	19.....	14%
10 or more years	111.....	84%

Charts 8 and 9 show the types of misconduct alleged in the 132 disciplinary complaints filed during 2003 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 2 and 3. There was a noticeable increase over 2002 in the number of cases alleging falsifying evidence or making false statements to a tribunal, excessive or unauthorized fees, misrepresentation to third persons and pursuing/filing frivolous claims or pleadings.

Chart 8: Types of Misconduct Alleged in Complaints Filed Before Hearing Board in 2003

<i>Type of Misconduct</i>	<i>Number of Cases*</i>	<i>% of Cases Filed*</i>	<i>Type of Misconduct</i>	<i>Number of Cases*</i>	<i>% of Cases Filed*</i>
Neglect/lack of diligence	56.....	42%	Pursuing/filing frivolous or non-meritorious claims or pleadings	8.....	6%
In most cases where neglect was charged, the neglect was accompanied by at least one of the following:			Unauthorized practice while suspended	7.....	5%
Misrepresentation to client	17.....		Counseling/assisting client in criminal or fraudulent conduct	4.....	3%
Failure to return unearned fees	22.....		Practice after failure to register	4.....	3%
Failure to communicate with client	56.....	42%	Practice in jurisdiction not authorized	4.....	3%
Improper handling of trust funds	51.....	39%	Improper communication with a party the lawyer knows to be represented by counsel	3.....	2%
Conflict of interest	36.....	27%	Improper lawyer advertising/solicitation	3.....	2%
Rule 1.7: concurrent conflicts	19.....		Failure to report criminal conviction under Rule 761(a)	2.....	2%
Rule 1.9: successive conflicts	7.....		Improper advance of financial assistance to client	2.....	2%
Rule 1.8(a)-(e): self-dealing conflicts	6.....		Failure to maintain client confidences	2.....	2%
Rule 1.8(f)-(h): improper settlement of client's claim against lawyer	4.....		Improper employment where lawyer may become witness	2.....	2%
False statement or failure to respond in bar admission or disciplinary matter	34.....	26%	Failure to supervise employees	1.....	1%
Fraudulent or deceptive activity	23.....	17%	Improper division of fees with non-lawyer	1.....	1%
Criminal conduct by the lawyer	22.....	17%	Failure to comply with Rule 764	1.....	1%
Falsifying evidence or making false statements to tribunal	21.....	16%	Improper threat of criminal or disciplinary prosecution	1.....	1%
Failure to provide competent representation	17.....	13%	False statement about judge, judicial candidate or public official	1.....	1%
Improper withdrawal from employment without court approval or avoiding prejudice to client	14.....	11%	Prosecutor's knowing initiation of unsupported criminal charges	1.....	1%
Excessive or unauthorized fees	13.....	10%			
Misrepresentation to third persons	10.....	8%			
Not abiding by client's decision or taking unauthorized action on client's behalf	9.....	7%			

*Totals exceed 132 cases and 100% because most complaints allege more than one type of misconduct.

Chart 9: Area of Law Involved in Complaints Filed Before Hearing Board in 2003

Area of Law	Number of Cases	% of Cases Filed*	Area of Law	Number of Cases	% of Cases Filed*
Tort.....	38.....	29%	Criminal.....	11.....	8%
Domestic Relations.....	28.....	21%	Bankruptcy.....	10.....	7%
Real Estate.....	26.....	20%	Debt Collection.....	7.....	5%
Probate.....	19.....	14%	Civil Rights.....	7.....	5%
Workers' Comp/Labor Relations.....	18.....	14%	Personal Misconduct.....	6.....	5%
Impeding Disciplinary Process.....	18.....	14%	Corporate Matters.....	4.....	3%
Criminal Conduct by Lawyer.....	15.....	11%	Immigration.....	2.....	2%
Contract.....	12.....	10%	Tax.....	2.....	2%
			Adoption.....	1.....	1%

* Totals exceed 132 cases and 100% because many complaints allege several counts of misconduct arising in different areas of practice.

Chart 10 shows the type of action by which the Hearing Board concluded 125 cases during 2003.

Chart 10: Actions Taken by Hearing Board in Matters Terminated in 2003

A. Disciplinary Cases: Rules 753 & 761(d)	
Cases closed by filing of petition for disbarment on consent.....	17
Cases closed by filing of petition for other discipline on consent.....	47
Recommendation of discipline.....	43
Cases closed by administration of a	
reprimand to respondent.....	4
Recommendation of dismissal/discharge.....	2
Administrator's motion for leave to dismiss granted.....	1
Total Disciplinary Cases.....	114
B. Reinstatement Petitions: Rule 767	
Petitions denied.....	4
Petitions granted.....	2
Petitions withdrawn.....	2
C. Restoration Cases: Rule 759	
Petition denied.....	1
Petition withdrawn.....	1
D. Transfer to Disability Inactive Status: Rule 757	
Petition allowed.....	1
Total Matters Terminated.....	125

C. Matters Filed Before the Review Board

Once the Hearing Board files its report in a case, either party may file exceptions before the Review Board, which serves as an appellate tribunal. Chart 11 shows activity at the Review Board during 2003.

Chart 11: Trend of Matters in the Review Board in 2003

Cases pending on January 1, 2003.....	28
Cases filed during 2003:	
Exceptions filed by Respondent.....	20
Exceptions filed by Administrator.....	15
Exceptions filed by both.....	0
Total.....	35
Cases decided in 2003:	
Hearing Board affirmed.....	13
Hearing Board reversed on findings and/or sanction.....	11
Notice of exceptions stricken.....	3
Notice of exceptions withdrawn.....	1
Recommend remand to Hearing Board.....	1
Case rendered moot by withdrawal of petition for reinstatement.....	1
Total.....	30
Cases pending December 31, 2003.....	33

D. Supreme Court – Disciplinary Cases

The Supreme Court has sole authority to sanction attorneys for misconduct, except for a Board reprimand which can be imposed in a disciplinary case without order of the Court by either the Hearing or Review Board. In 2003, the Hearing Board administered four reprimands (see Chart 10). Other than Board reprimands, the Hearing and Review Board reports are recommendations to the Supreme Court. During 2003, the Court entered 137 sanctions against 137 attorneys. Chart 12 reflects the nature of the orders entered. More than half of the sanctions were entered pursuant to consent petitions. Of the 37 disbarments, 31 were by consent petition.

Chart 12: Disciplinary Sanctions Ordered by the Supreme Court in 2003

Disbarment	37
Suspension.....	63 *
Probation.....	20
Censure.....	12
Reprimand	5
Total.....	137

*In addition to the 63 suspensions, the Court also ordered 8 interim suspensions, as reported in Charts 13F and 13K.

The Court issued opinions recently in two disciplinary cases: *In re Leonard T. Timpone*, Docket No. 93178 (Jan. 23, 2004) and *In re Mary Elizabeth Gorecki*, Docket No. 96299 (Nov. 20, 2003). The *Timpone* and *Gorecki* opinions can be found on the Commission web site at www.iardc.org.

Timpone, licensed since 1970, had been charged with obtaining an improper loan from a client and improperly handling and converting the funds of another client. The Hearing and Review Boards recommended disbarment for Timpone, who had been suspended for three years in 1993, for conversion and other misconduct, and censured in 1994, for his conviction for failure to timely file a tax return.

The issues raised by Timpone on appeal were whether an attorney-client relationship still existed at the time Timpone obtained the loan

and whether disbarment was the appropriate sanction. While the Hearing Board found that Timpone was not performing any legal services for the client at the exact time the loan transaction took place, the Court agreed with the Hearing Board that the attorney-client relationship continued due to the client's belief that Timpone was his lawyer, not his friend, the fact that the loan took place upon the request of Timpone, within weeks of Timpone's completion of the legal work for the client, and the fact that the funds loaned to Timpone were generated by the legal work Timpone performed on the client's behalf. As for the appropriate sanction, a majority of the Court imposed a 42-month suspension and until further order of the Court, effective March 26, 2001, the date of his interim suspension pursuant to Supreme Court Rule 774. Taking into account Timpone's recidivism, the Court imposed the "until further of court" condition thereby placing on Timpone the burden to show rehabilitation if he ever sought reinstatement. The Court rejected disbarment because Timpone's misconduct did not show the corrupt motives and moral turpitude that would warrant disbarment. The dissent concluded that disbarment was warranted based on Timpone's prior discipline.

Gorecki was charged with stating or implying an ability to improperly influence a tribunal or governmental body, engaging in conduct involving dishonesty, fraud, deceit or misrepresentation and engaging in conduct that tends to defeat the administration of justice or bring the courts or legal profession into disrepute. Gorecki, licensed since 1991, was in private practice when she left phone messages on a telephone answering machine of the sister of a long-time friend of respondent who was seeking help in finding a job for the woman's boyfriend. Gorecki falsely stated in those messages that the head of the Kane County board could be improperly influenced into providing a county job. The issue on appeal was the appropriate length of suspension. A majority of the Hearing Board recommended six months suspension but the Review Board recommended two months suspension. While recognizing the

seriousness of Gorecki's misconduct, the Court, balanced in mitigation against the misconduct the fact that Gorecki had committed no crime, took no money or took no action to further a bribery or kickback scheme and the fact that she had no prior discipline. Under these circumstances, the Court determined that a suspension of four months was appropriate.

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 in 2003

<p>A. <u>Motions for disbarment on consent: Rule 762(a)</u> Allowed 31 Denied <u>1</u> Total 32</p>	<p>E. <u>Motions to approve and confirm report of Hearing Board: Rule 753(d)(2)</u> Allowed 19 Denied <u>0</u> Total 19</p>
<p>B. <u>Petitions for discipline on consent: Rule 762(b)</u> Allowed: Suspended 24 Suspension stayed in part, probation ordered 6 Suspension stayed in its entirety, probation ordered 5 Censured <u>11</u> Total 46 Denied <u>2</u> Total 48</p>	<p>F. <u>Petitions for interim suspension due to conviction of a crime: Rule 761(b)</u> Rule enforced and lawyer suspended 4 Denied <u>0</u> Total 4</p>
<p>C. <u>Petitions for leave to file exceptions to report and recommendation of Review Board: Rules 753(e)(1) and 761</u> Denied, and sanctions recommended by Review Board imposed 8 Allowed 4 Allowed, and more discipline imposed 6 Allowed, and briefing schedule ordered 1 Denied, and lawyer transferred to disability status 1 Denied, and remanded to the Hearing Board panel <u>1</u> Total 21</p>	<p>G. <u>Petitions for reciprocal discipline: Rule 763</u> Allowed 16 Denied <u>0</u> Total 16</p>
<p>D. <u>Motions to approve and confirm report of Review Board: Rule 753(e)(6)</u> Allowed 4 Denied <u>0</u> Total 4</p>	<p>H. <u>Petitions for Rule to Show Cause: Rule 764</u> Allowed 3 Denied <u>0</u> Total 3</p>
	<p>I. <u>Petitions for reinstatement: Rule 767</u> Withdrawn before hearing 1 Denied 2 Allowed <u>1</u> Total 4</p>
	<p>J. <u>Probation revoked: Rule 772</u> Allowed and probation revoked 2 Denied <u>0</u> Total 2</p>
	<p>K. <u>Petitions for interim suspension: Rule 774</u> Rule enforced and lawyer suspended 4 Denied <u>0</u> Total 4</p>

Chart 14 tracks the type of misconduct that led to the 141 sanctions entered in 2003. Chart 15 provides demographic information on the 141 lawyers disciplined in 2003 (the 137 attorneys sanctioned by the Supreme Court as well as the four attorneys who were reprimanded by the Hearing Board).

Chart 14: Misconduct Committed in the 141 Disciplinary Cases Decided in 2003*

Types of Misconduct	Number of Cases in Which Type of Misconduct Was Sanctioned			
	Disbarment	Suspension**	Censure	Reprimand***
Total Number of Cases:	37	83	12	9
Improper management of client or third party funds, including commingling and conversion	11	30	2	0
Neglect or lack of diligence	7	31	5	5
Fraudulent or deceptive activity	26	19	2	0
Criminal conduct by the lawyer	22	9	1	0
Failing to communicate with client, including failing to communicate basis of a fee	8	14	3	1
Failure to provide competent representation	2	3	1	2
Fee violations, including failing to refund unearned fees	4	10	0	0
Failure to cooperate with or false statement to disciplinary authority	5	12	0	0
Improper fee division with nonlawyer	1	1	0	0
Not abiding by a client's decision concerning the representation or taking unauthorized action on the client's behalf	2	1	0	1
Improper withdrawal, including failure to return file	3	2	0	0
Aiding in the unauthorized practice of law by a nonlawyer	1	4	0	1
Conflict of Interest (financial assistance to client)	1	0	0	0
Conflict of interest (between current clients)	1	2	0	0
Conflict of interest (lawyer's own interests)	1	4	1	1
Conflict of interest (improper business transaction with client)	0	3	0	1
Conflict of interest (improper agreement with client to limit lawyer's liability or avoid disciplinary action)	0	3	0	0
Conflict of interest (former client)	1	1	0	0
Conflict of interest (improper propriety interest)	1	0	0	0
Filing false, frivolous or non-meritorious claims or pleadings	3	3	1	0
Counseling/assisting a client in criminal or fraudulent conduct	1	1	0	0
Misrepresentation to a tribunal	4	9	0	2
Misrepresentation to clients to cover up neglect	4	9	2	0
Misrepresentation to third persons	1	5	0	0
Unauthorized practice in another jurisdiction	0	1	0	0
Practice after failure to register	0	5	0	0
Practice after suspension	1	4	0	0
Improper solicitation or advertising	1	5	1	0
Failure to supervise lawyer's employees	1	2	0	2
Failure to comply with Rule 764	1	2	0	0
Improper communication with a represented person	0	3	1	1
Prosecutorial misconduct	0	0	1	0
Improper ex parte communication with judge	0	4	0	0

* Totals exceed 141 cases because in most cases more than one type of misconduct was found.
 ** Includes suspensions stayed by probation.
 *** Includes 4 Hearing Board reprimands.

Chart 15: County of Practice

County	Number Disciplined	County	Number Disciplined
Cook.....	64	Clinton	1
Out-of-State.....	21	Coles	1
DuPage.....	11	DeKalb.....	1
Lake.....	7	Kankakee	1
Kane.....	6	LaSalle	1
Will	5	McLean.....	1
McHenry	4	Montgomery.....	1
Rock Island.....	3	Morgan.....	1
Madison.....	2	Peoria	1
St. Clair	2	Sangamon.....	1
Winnebago	2	Tazewell.....	1
Champaign	1	Whiteside	1
Clark.....	1		

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 16 reflects the orders entered in such cases during 2003.

Chart 16: Non-Disciplinary Actions by the Supreme Court for 2003

A. Rule 759	
Petitions for restoration to active status:	
Allowed	23
Withdrawn without prejudice	2
Referred to Hearing Board for further proceedings	1
Denied.....	1
<i>Total</i>	27
B. Rules 757 and 758	
Petitions for involuntary transfer to inactive status due to mental disability or substance addiction:	
Allowed	5
Allowed to continue practice with conditions.....	1
Denied.....	0
<i>Total</i>	6
C. Rule 752	
Petitions by complainant to require Administrator to further investigate charges or expedite proceedings:	
Allowed	0
Denied.....	11
<i>Total</i>	11
D. Rule 383	
Motions for supervisory order:	
Allowed	0
Denied.....	1
<i>Total</i>	1

Chart 17: Caseload Trends: 1991-2003

	Number of Registered Attorneys	Investigations Docketed ₁	Investigations Docketed Per Attorney ₂	Closure By Administrator: No Misconduct Alleged	Closure By Administrator After Investigation	Closure By Inquiry After Investigation	Complaint Voted By Inquiry Board
1991	58,953	5,969	est. 7,022	608	5,701	839	325
1992	61,107	6,291	est. 7,338	889	5,210	473	277
1993	63,328		6,345	974	5,422	137	241
1994	65,163		6,567	1,224	5,125	133	247
1995	67,121		6,505	1,359	5,134	73	277
1996	68,819		6,801	1,364	4,946	76	300
1997	70,415		6,293	1,202	5,018	81	342
1998	72,149		6,048	1,352	4,414	58	272
1999	73,514		5,877	1,131	4,268	69	231
2000	73,661		5,716	1,146	4,319	87	224
2001	74,311		5,811	1,077	4,318	55	273
2002	75,421		6,182	1,350	4,360	96	334
2003	76,671		6,325	1,396	4,332	61	353

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

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

	Matters Filed With Hearing Board	Matters Filed With Review Board	Matters Filed With Supreme Court ₃	Sanctions Ordered By Court
1991	127	25	604	78
1992	122	37	560	89
1993	106	44	593	114
1994	115	35	869	109
1995	113	35	916	148
1996	129	22	891	115
1997	129	32	869	117
1998	141	31	732	138
1999	129	28	663	116
2000	119	29	474	120
2001	137	28	239	123
2002	131	36	217	126
2003	141	35	202	137

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

III. Amendments to the Rules Regulating the Profession

A. Supreme Court Rule 770, Types of Discipline and Rule 771, Finality of Orders and Effective Date of Discipline

Effective April 1, 2004, the Court amended Supreme Court Rule 771, Types of Discipline, by renumbering it as Rule 770, and adopted a new Rule 771, Finality of Orders and Effective Date of Discipline. New Rule 771 changes former practice whereby all orders of discipline were effective immediately, to provide for a 21 day delay in the effective date of orders imposing definite suspensions and any type of suspension that will be stayed in part by probation. The period will give lawyers who are being suspended a window of time to tie up their practices. Under new Rule 771, orders imposing disbarment, interim suspension, and suspension until further order of the Court, sanctions typically imposed where a lawyer poses a continuing threat to the public, will continue to be effective immediately unless the Court specifically orders a delay in effective date, as will orders imposing censure or reprimands, where a lawyer's practice will not be disrupted.

B. Supreme Court Rule 716, Limited Admission of House Counsel and Rule 717, Limited Admission of Legal Service Program Lawyers

On February 11, 2004, the Supreme Court adopted Supreme Court Rules 716 and 717, which take effect on July 1, 2004. Under new Rule 716, a lawyer admitted to the practice of law in another state or the District of Columbia may receive a limited license to practice law in this state when the lawyer is employed in Illinois as house counsel exclusively for a single corporation, partnership, association or other legal entity (as well as any parent, subsidiary or affiliate thereof), whose lawful business consists of activities other than the practice of law or the provision of legal services. Application is made to the Board of Admissions to the Bar, practice is limited to legal services provided to the

employer, and the lawyer becomes subject to the jurisdiction of the Court for disciplinary purposes. Any lawyer not licensed in this state who is employed as house counsel in Illinois on the effective date of this rule shall not be deemed to have been engaged in the unauthorized practice of law in Illinois prior to licensure under this rule if application for the license is made within the time prescribed by the rule.

Similarly, new Rule 717 allows a lawyer admitted to the practice of law in another state or the District of Columbia, who meets the educational requirements of Rule 703, to receive a limited license to practice law in this state, on a temporary basis, when the lawyer is employed in Illinois for an organized legal service, public defender or law school clinical program providing legal assistance to indigent persons, until the lawyer attains admission to the Illinois Bar.

Rule 706 was amended to reflect the addition of Rules 716 and 717 to add the application fees to be paid by those registered under these rules.

C. Supreme Court Rule 722, Limited Liability Legal Practice

On March 15, 2004, the Supreme amended Supreme Court Rule 722 to provide that evidence of minimum insurance for legal entities on the application for registration or renewal pursuant to Rule 721 can be done by means of an affidavit or a verification by certification under section 1-109 of the Code of Civil Procedure of an authorized shareholder, member, or partner that his or her firm maintains the minimum insurance required by this rule. *The Application for Certificate of Registration to Practice Pursuant to Supreme Court Rule 721* can be obtained from the Court's website at www.state.il.us/court/SupremeCourt/Prof_Serv/default.htm.

IV. Study of Demographic Data for Lawyers Disciplined Over Five Year Period

The 2002 Annual Report described the results of a survey of Illinois lawyers and a survey of members of the adjudicatory boards that serve the Commission to discern perceptions of the extent to which race impacts upon the disciplinary system. While about three-quarters of all lawyers surveyed thought that the disciplinary system is "very fair" or "somewhat fair," black lawyers more often than white lawyers chose "somewhat fair" as opposed to "very fair," and substantially more black lawyers than white lawyers felt that race plays a part in the investigation and discipline of Illinois lawyers. Board members overwhelmingly reported the belief that the race of the respondent did not improperly affect discipline. (2002 Annual Report of the Attorney Registration and Disciplinary Commission, pp. 16 – 18)

As a follow-up to those surveys, the Commission directed that demographic data for lawyers disciplined from 1998 through 2002 be gathered and analyzed. Inquiries were posed to staff and others involved in the cases to learn the race of each of those 519 attorneys,¹ the setting in which they were practicing at the time the misconduct occurred, and any information about impairments that surfaced during the proceedings.

The charts below show the racial breakdown of the 519 respondent-lawyers disciplined over those five years, and what sanctions were imposed in what proportion for each racial group and for the full group of lawyers disciplined over those five years.

Race of Lawyers Sanctioned 1998 – 2002

	<i>Lawyers Sanctioned</i>	
<i>Race</i>	<i>#</i>	<i>%</i>
White	437	84%
Black	57	11%
Hispanic	10	2%
Asian/Pacific Islander	3	1%
Unknown	12	2%
All	519	100%

¹ The study excluded 110 lawyers who were reciprocally disciplined under Rule 763, based upon sanctions imposed in another jurisdiction in which they were licensed. Those cases involve no discretionary decision to prosecute by Commission staff. In addition, the information available in such matters is typically only that transmitted by the other state, so that race would be impossible to identify in most such cases.

Sanctions Imposed 1998 – 2002, By Race of Respondent

Race		Sanctions Imposed ²						Totals
		Disbarred	Suspended UFO	Suspended	Probation	Censure	Reprimand	
White	#	129	59	138	42	43	26	437
	%	30%	13%	31%	10%	10%	6%	100%
Black	#	17	9	14	11	5	1	57
	%	30%	16%	24%	19%	9%	2%	100%
Hispanic	#	2	1	4		1	2	10
	%	20%	10%	40%		10%	20%	100%
Asian/Pacific Islander	#		2			1		3
	%		67%			33%		100%
Unknown	#	7	3	2				12
	%	58%	25%	17%				100%
All	#	155	74	158	53	50	29	519
	%	30%	14%	30%	10%	10%	6%	100%

The chart below shows the practice setting at the time misconduct occurred, by percentage, for all lawyers sanctioned from 1998 through 2002, and the breakdown for each racial group. As an indicator of how the sanctioned lawyers compare with the entire population of Illinois lawyers, the chart also reflects data gathered in a survey conducted in connection with the 2001 annual registration showing practice settings reported by the over 60,000 attorneys (80%) who responded to that survey. (*2001 Annual Report of the Attorney Registration and Disciplinary Commission*, p. 6)

Practice Setting for Lawyers Sanctioned 1998 – 2002

Percentage of Disciplined Attorneys in Each Practice Setting At Time of Misconduct									
Race	Solo	Firm 2-10	Firm 11-25	Firm 26+	Gov't/Judicial	Corp In-house	Other or unknown	No Practice	Totals
White	64%	24%	1.5%	2.5%	4%	1.5%	1.25%	1.25%	100%
Black	86%	3.5%		1.75%	7%	1.75%			100%
Hispanic	70%	20%			10%				100%
Asian/Pac. Is.	100%								100%
Unknown	33%	25%				8.5%	25%	8.5%	100%
All	67%	22%	1.5%	2%	4%	1.5%	1%	1%	100%
Percentage of Illinois Lawyers in Each Practice Setting									
Attorneys answering 2001 Survey	19%	18%	6%	17%	12%	10%	6%	12%	100%

² 20 of the 519 attorneys sanctioned from 1998 through 2002 were disciplined more than once during those years. Only the most severe sanction imposed upon each of those lawyers has been included in this chart.

For all races, the percentage of sanctioned lawyers who were sole practitioners at the time of the misconduct far exceeds the percentage of Illinois lawyers who practice as solos. That is consistent with experience in other jurisdictions that have studied similar data. It is also predictable in light of the misconduct charged in most discipline cases, which is overwhelmingly neglect of clients' matters and mishandling of funds. By nature, a solo practice has fewer safety nets. There are no other lawyers watching over cases; there are often few, if any, support staff; and office systems tend to be less sophisticated, if they exist at all. As importantly, clientele of a solo practice tend to be individuals, often of lesser means, who have little leverage if a lawyer fails to live up to their expectations and are thus significantly more likely to complain to the Commission than would, for instance, a major corporate client of a large firm.

Another facet frequently seen in discipline cases is that the respondent-attorney is impaired by addiction to alcohol or other substances or suffers some mental disease or disorder. For that reason, staff were asked to identify impairments asserted by the respondents or otherwise identified in the cases of the 519 disciplined attorneys, whether or not the condition was diagnosed or fully admitted by the respondent. The chart below shows the impairments that were identified, broken down for each racial group. There were no impairments identified in connection with any of the lawyers who were Asian or Hispanic or whose race was unknown, and so those groups were condensed into "Others" for this chart.

Impairments Identified for Attorneys Sanctioned 1998 – 2002, By Race of Respondent

	<i>White</i>		<i>Black</i>		<i>Hispanic</i>		<i>Others</i>		<i>Total</i>	
# Sanctioned:	436		57		10		16		519	
Impairment	#	%	#	%	#	%	#	%	#	%
Alcohol	27	6.2%	3	5%					30	5.8%
Cocaine	7	1.6%							7	1.3%
Other drugs	3	.7%	1	1.8%					4	.8%
Mental Illness:										
Depression	36	8.2%	2	3.5%	1	10%			39	7.5%
Bipolar	7	1.6%	1	1.8%					8	1.6%
Schizophrenia	2	.5%							2	.4%
Other:										
Gambling	5	1.1%							5	1%
Sexual Disorder	5	1.1%							5	1%
Other	6	1.4%							6	1.2%
Combinations:										
Alcohol & Depression	5	1.2%							5	.9%
Alcohol & Other Drugs	5	1.2%	3	5.3%	1	10%			9	1.9%
Alcohol & Gambling	1	.2%							1	.2%
Depression & Drugs	2	.5%							2	.4%
Gambling & Drugs	1	.2%							1	.2%
Total # and % per Racial Group	112	26%	10	18%	2	20%			124	24%

V. Commission Programs

A. Client Protection Program

Effective April 1, 2003, Commission Rule 510, was amended raising the maximum payment on any single claim from \$10,000 to \$25,000, and raising the aggregate limit on claims arising from the conduct of any one attorney from \$100,000 to \$250,000. As noted more fully in the *Financial Report* at page 21, the Commission raised the caps because those limits were among the lowest in the nation and they restricted too severely the reimbursements that the Program could allow to claimants who were most affected by the dishonest conduct of disciplined attorneys. The \$25,000 claim cap is still only one-half of the national median.

In 2003, the program approved 70 claims totaling \$499,810, involving 31 Illinois attorneys who had been disciplined. The number and size of the 2003 approvals reflected an increase over the Program's experience in 2002, during which the Commission approved 57 claims totaling \$215,564. If the 2002 caps were still in place, 2003 awards would have totaled \$324,000. The Commission continues to manage carefully Program financial issues, as claims continue to increase in number and size, which appears consistent with the increase in the disciplinary caseload.

Chart 18 provides information on the claims approved between 2000 and 2003. A summary of the claims received in 2003 appears in Chart 19.

Chart 18: Summary of Approved Claims

	2000	2001	2002	2003
New Claims submitted:	170	161	187	208
Claims concluded:				
• denials	87	88	87	81
• approvals	148	73	57	70
Number of lawyers: (approved claims)	45	31	31	31
Amount approved:.	\$348,630	\$257,219	\$215,564	\$499,810

Chart 19: Classification of Approved Client Protection Claims in 2003

Type of Misconduct:	
Failure to refund unearned fees	39
Conversion	30
Fraud	1
Area of Law	
Probate	13
Domestic Relations	12
Real Estate	10
Criminal	9
Tort/Workers' Comp.	8
Labor Employment	5
Debt Collection	4
Corporate	3
Bankruptcy	3
Contract	1
Patent/Trademark	1
Civil Rights	1

B. Ethics Inquiry Program

The Commission's Ethics Inquiry Program is a telephone inquiry service that allows Illinois attorneys and members of the public to call for help in resolving hypothetical questions about ethical dilemmas, the Illinois Rules of Professional Conduct and the Rules of the Commission. No legal opinion or binding advisory opinion is given. The Ethics Inquiry Program continues to handle over 3,000 calls from attorneys each year. This figure does not include calls received from nonlawyers. 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 from the Commission website at www.iardc.org.

C. Education

1. Illinois Professional Responsibility Institute: Professionalism Seminar

Since November 1996, the Commission has sponsored a seminar on law office management issues and ethical obligations of lawyers. The seminar is held three times a year for lawyers who are required to attend as part of their disciplinary sanctions or who attend voluntarily.

Any attorney interested in learning more about the *Professionalism Seminar*, may call the Commission in Chicago at 312-565-2600, or consult the Commission web site at www.iardc.org.

2. Commission Web Site

In October 2001, the Commission launched the Commission web site (www.iardc.org). The web site includes the Master Roll of Attorneys in Illinois, which enables the user to search the Master Roll for certain basic, public registration information, including business address, and public disciplinary information about Illinois lawyers. In the near future, a feature will be added to allow lawyers to update on-line their registration address. Also, the site presently contains recently filed disciplinary sanction orders issued by the Supreme Court, Hearing Board and Review Board reports, the schedule of hearings in public disciplinary cases, as well as the Rules of Professional Conduct. The site will soon include a searchable database of disciplinary decisions.

3. Speeches, Presentations and Articles

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

VI. Developments During 2003

A. Court Appointments

1. Review Board Appointments

John W. Rapp, Jr. Named as Chair

John W. Rapp, Jr. was appointed to serve as chair of the Review Board in January 2004. He is a retired judge from Carroll County. Justice Rapp served as a circuit judge in Carroll County beginning in 1970, and was Chief Judge of the 15th Circuit Court from 1982 until 1998, when

he was appointed to the Illinois Appellate Court for the Second District. He was admitted in 1965 and received his J.D. from Loyola University, Chicago. Justice Rapp has been a member of the Review Board since January 2002. He replaces Leonard F. Amari who served as chair of the Review Board since 2001. Mr. Amari, whose term expires December 31, 2004, continues as a member of the Review Board.

Retirement of James E. Caldwell

On December 31, 2003, James E. Caldwell concluded his term on the Review Board. He was a member of the Review Board since 1995. Admitted to practice law in Illinois in 1959, Mr. Caldwell began practice in a small firm, then served for many years as a senior tax attorney for Standard Oil. He later practiced in the firm of *Caldwell & Hubbard PC* and is now engaged in the general practice of law in Chicago. Mr. Caldwell was long active in attorney discipline, having served on the Chicago Bar Association Grievance Committees before the ARDC was created, and he also served on several ABA committees. He received his J.D. from Howard University.

Appointment of Daniel P. Duffy

Effective January 1, 2004, the Court appointed Daniel P. Duffy of Chicago to a three-year term to serve on the Review Board. Mr. Duffy heads a Chicago law firm. He received his J.D. from the University of Notre Dame in 1994. He was appointed to fill the vacancy left by the retirement of James E. Caldwell. His term expires December 31, 2006.

VIII. Financial Report

The Commission is carefully monitoring budgetary issues, particularly in light of the economic climate of the last few years which has resulted in declining revenues and increasing caseloads.

Historically, Commission revenues have climbed each year because of a growth in lawyer population. From 1990 through 1999, that growth averaged 2.9% per year. Between 2000

and 2003, the Illinois lawyer population grew at an average of only 1.1%. The diminution resulted as much from lawyers who formerly paid full fees leaving the rolls, as from reductions in the size of the classes of newly admitted lawyers, who pay no fee for their first year in practice and a reduced fee for the next two years. Along with increases in the number of lawyers who transferred to inactive status to be able to pay a lesser fee, the trends have significantly impacted revenues. For the last few years, Commission revenues have fallen below what the Commission had predicted in 2000, when it sought an increase in the annual fee to fund operations. For 2003, actual revenues fell over \$900,000 short of what had been predicted.

Controls on spending have thus far allowed the Commission to hold to the targeted reserve, but the growth in the caseload and related expenses, including the costs of funding the Client Protection Program, will put continuing pressure on spending.

For the third consecutive year, the investigative caseload grew, and for 2003, the number of formal discipline cases initiated (a substantially more costly aspect of the caseload) increased 12% over 2002. Those formal discipline cases increasingly involve substantial conversions of client funds, with a corresponding impact on the Client Protection Program. In 2004, the Commission decided to raise the cap to \$25,000, still only half of the \$50,000 national median, believing that, in these times of greater economic pressures resulting in greater losses to clients, the efficacy of the Client Protection Program is particularly important in the effort to restore public confidence in the legal profession.

For planning purposes, the Commission has generated budget projections adjusted to the realities of the last few years. Where the 2000 projections indicated that the present fee structure would fund operations through 2008, the new projections suggest that the present fee structure will support operations only through

2006. Nevertheless, the diminution in lawyer population growth does appear to be easing, and the Supreme Court's adoption of new Rule 716, requiring lawyers licensed in other jurisdictions who practice in Illinois in the capacity of in-house counsel to secure limited admission, register and pay annual fees in Illinois, will provide addition revenue of perhaps \$100,000 to \$150,000 a year. The Commission will continue to explore measures to fortify revenues and contain spending without compromising the efficacy of its programs.

The Commission engaged the services of Grant Thornton LLP to conduct an independent audit as required by Supreme Court Rule 751(e)(7). The audited financial statements for the year ended December 31, 2003, are attached.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying statement of financial position of the Attorney Registration and Disciplinary Commission of the Supreme Court of Illinois as of December 31, 2003, and the related statements of activities and cash flows for the year 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 audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Attorney Registration and Disciplinary Commission of the Supreme Court of Illinois as of December 31, 2003, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Chicago, Illinois
January 30, 2004

175 W. Jackson Blvd.
20th Floor
Chicago, IL 60604
T 312.856.0200
F 312.565.4719
W www.grantthornton.com

Grant Thornton LLP
US Member of Grant Thornton International

Attorney Registration and Disciplinary Commission
STATEMENT OF FINANCIAL POSITION
December 31, 2003

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents, including restricted cash of \$4,618	\$ 264,233
Short-term investments	18,530,050
Accrued interest receivable	36,826
Accounts receivable	2,007
Prepaid expenses and other assets	66,534
Total current assets	18,899,650
FIXED ASSETS, net	510,182
LONG-TERM INVESTMENTS	589,906
TOTAL ASSETS	\$19,999,738
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and other accruals	\$ 362,271
Amounts held for others	965,808
Accrued vacation	255,942
Deferred registration fees	9,213,334
Deposits	10,118
Total current liabilities	10,807,473
LONG-TERM LIABILITIES	
Accrued Medicare replacement funding	1,122,007
Deferred rent expense	2,157,885
Total long-term liabilities	3,279,892
Total liabilities	14,087,365
NET ASSETS - UNRESTRICTED	5,912,373
TOTAL LIABILITIES AND NET ASSETS	\$19,999,738

The accompanying notes are an integral part of this statement.

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Attorney Registration and Disciplinary Commission of the Supreme Court of Illinois
STATEMENT OF ACTIVITIES
Year ended December 31, 2003

REVENUES	
Registration fees and delinquent charges	\$11,716,104
Investment income (loss)	
Interest income	272,336
Net unrealized depreciation of investments	(83,150)
Total investment income	189,186
Cost reimbursements collected	65,374
Miscellaneous income	1,293
Total revenues	11,971,957
EXPENDITURES	
Salaries and related expenses	8,042,551
Travel expenses	105,250
Library and continuing education	173,191
General expenses and office support	1,815,962
Computer expenses	153,814
Other professional and case-related expenses	942,123
Client protection program payments	477,595
Depreciation and amortization expense	180,641
Total expenditures	11,891,127
INCREASE IN UNRESTRICTED NET ASSETS	80,830
Unrestricted net assets	
Beginning of year	5,831,543
End of year	\$ 5,912,373

The accompanying notes are an integral part of this statement.

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Attorney Registration and Disciplinary Commission of the Supreme Court of Illinois
STATEMENT OF CASH FLOWS
Year ended December 31, 2003

Cash flows from operating activities	
Increase in unrestricted net assets	\$ 80,830
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities	
Unrealized depreciation of investments	83,150
Depreciation and amortization expense	180,641
Investment security amortization	201,193
Cash received on behalf of others	2,918,426
Distributions of cash received on behalf of others	(2,887,581)
Decreases in assets	
Accounts receivable and accrued interest receivable	113,513
Prepaid expenses and other assets	506
Increases (decreases) in liabilities	
Accounts payable and other accruals	144,703
Accrued vacation	30,673
Deferred registration fees	306,294
Accrued Medicare replacement funding	117,839
Deferred rent expense	(201,317)
Net cash provided by operating activities	1,088,870
Cash flows from investing activities	
Net increase in money market investments	(1,996,801)
Purchases of investment securities	(15,760,680)
Maturities of investment securities	17,166,078
Acquisitions of fixed assets	(290,217)
Net cash used in investing activities	(881,620)
Cash flows from financing activities	
Increase in deposits	521
Net cash provided by financing activities	521
Net increase in cash and cash equivalents	207,771
Cash and cash equivalents	
Beginning of year	56,462
End of year	\$ 264,233

The accompanying notes are an integral part of this statement.

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NOTE A - GENERAL PURPOSE DESCRIPTION

The Attorney Registration and Disciplinary Commission of the Supreme Court of Illinois (the "Commission") was appointed by the Illinois Supreme Court (the "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 (the "Administrator") maintain the Master Roll of Attorneys, and investigate and prosecute claims against Illinois attorneys whose conduct may tend to defeat the administration of justice or bring the Court or the legal profession into disrepute.

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

- Rule 756, as amended effective October 4, 2002, increased the annual registration fees for active lawyers licensed to practice law for three years or more from \$180 to \$229. As amended, the Rule provides that \$7 of the increase is to be remitted to the Lawyers Assistance Program Fund and \$42 of the increase is to be remitted to the Lawyers Trust Fund. Rule 751(e)(6) was also amended at the same time to add to the description of the Commission's duties, including collecting the above fees and remittance of said fees to the respective entities.
- Rule 773, as amended, provides that an attorney-respondent has a duty to pay certain costs associated with the disciplinary proceedings against the attorney-respondent, including witness fees, court-reporting expenses, expert and document duplication fees. Effective November 1, 2000, the Commission is limited to collection of \$1,000 for cost reimbursements, absent exceptional circumstances (see note C).
- Rule 769 provides that every attorney has a duty to retain all financial records related to the attorney's practice for a period of no less than seven years.
- Rule 780 establishes 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements reflect the financial position and activities of the Commission. Net assets are generally reported as unrestricted, unless assets are received from donors with explicit stipulations that limit the use of the assets. At December 31, 2003, the Commission has no temporarily or permanently restricted net assets.

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 recognizes 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.

Concentrations of Risk

The Commission maintains most of its cash and money market funds at the Bank. The balances are insured by the Federal Deposit Insurance Corporation ("FDIC"), up to \$100,000. These balances, at times, may exceed Federally insured limits. The Commission has not experienced any losses on such balances and believes it is not exposed to any significant credit risk on the balances. All investment transactions are handled by the Bank's Trust Department. All investment securities are held in safekeeping at the Trust Department.

Functional Allocation of Expenses

The Commission has allocated certain administrative expenses, such as salary costs, among the various programs benefited. These allocations are based on management's estimate of time incurred on these programs or other reasonable and consistent methodology.

NOTE C - COST REIMBURSEMENTS

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 Court, but may not be a total reimbursement or match the period in which the investigative disciplinary costs were incurred. Between November 1995 and November 2000, the

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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.

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 income. Leasehold improvements are amortized over the shorter of their estimated useful lives or the remaining lease period.

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

	Years
Computer and related equipment	3
Office furniture and equipment	5
Library	7
Leasehold improvements	7 - 15

Amounts Held for Others

Amounts held for others at December 31, 2003, consist of funds collected for the Lawyers Assistance Program of \$137,944 and the Lawyers Trust Fund of \$827,864, which were remitted subsequent to year-end.

Deferred Registration Fees

The Commission is funded by an annual registration fee assessed on Illinois attorneys. The annual fee for the subsequent year is billed before November 1 and is due January 1. Deferred registration fees represent the fees for calendar year 2004 received prior to December 31, 2003.

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NOTE C - COST REIMBURSEMENTS - Continued

Commission regularly sought entry of judgments by the Court with interest at the rate charged by the State of Illinois (9% at December 31, 2003) for all invoices not paid within 30 days of the initial billing. The Commission also established payment plans for disciplined attorneys. Effective November 1, 2000, the Commission was limited to \$1,000 in cost reimbursement for each disciplined attorney, absent exceptional circumstances. The practice of seeking judgments on unpaid invoices resumed during 2002.

The Commission cannot reasonably estimate the collectibility of the cost reimbursements. Whether the Commission can fully collect all cost reimbursements is dependent upon each disciplined attorney's 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. In 2003, the Commission collected approximately \$65,000 in cost reimbursements. At December 31, 2003, approximately \$798,000 in additional amounts remained unpaid by attorney-respondents.

NOTE D - FUNCTIONAL EXPENSES BY NATURAL CLASSIFICATION

An analysis of the Commission's functional expenses, by natural classification, is as follows for the year ended December 31, 2003:

	Registration and discipline	Client protection	Administration and support	Total
Salaries and related expenses	\$6,624,921	\$163,487	\$1,254,143	\$ 8,042,551
Travel expenses	76,488	1,004	27,758	105,250
Library and continuing education	141,418	3,251	28,522	173,191
General expenses and office support	1,496,075	32,810	287,077	1,815,962
Computer expenses	125,650	2,889	25,275	153,814
Other professional and case-related expenses	912,528	10,080	19,515	942,123
Client protection program payments	-	477,595	-	477,595
Depreciation and amortization expense	147,566	3,392	29,683	180,641
Total expenditures	\$9,524,646	\$694,508	\$1,671,973	\$11,891,127

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NOTE E - INVESTMENTS

Investments consist of the following:

	Cost	Fair value
U.S. Treasury notes and bills	\$16,010,249	\$16,026,174
Money market funds	<u>3,093,782</u>	<u>3,093,782</u>
Total	\$19,104,031	\$19,119,956

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

The following table lists the maturities of securities held at December 31, 2003:

	Cost	Fair value
Due in one year or less	\$18,556,228	\$18,530,050
Due after one year to five years	414,594	444,143
Due after five years	<u>133,209</u>	<u>145,763</u>
Total	\$19,104,031	\$19,119,956

NOTE F - FIXED ASSETS

Fixed assets at December 31, 2003, consist of the following:

Office furniture and equipment	\$1,612,674
Computer and related equipment	752,581
Library	53,704
Leasehold improvements	<u>197,692</u>
	2,616,652
Less accumulated depreciation and amortization	<u>2,106,470</u>
Total	\$ 510,182

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NOTE H - MEDICARE REPLACEMENT RESERVE TRUST - Continued

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

A summary of actuarial assumptions and methods, as of the last measurement date, are as follows:

Measurement date	January 1, 2003
Actuarial cost method	Projected unit credit method
Actuarial assumptions	Mortality - 1983 GAM table Discount rate - 6.5% Expected return on assets - 6.5% Retirement will occur between age 55 and 65

Actuarial valuation	
Net periodic post-retirement benefit cost	
Service cost	\$ 56,358
Interest cost	68,141
Amortization	-
Expected return	(66,621)
Expected benefit payments	<u>(6,660)</u>
	\$ 51,218
Accumulated post-retirement benefit obligations	
Benefit obligation, January 1, 2003	\$1,004,168
Service cost	56,358
Interest cost	68,141
Actuarial loss	-
Benefits paid	<u>(6,660)</u>
Benefit obligation, December 31, 2003	\$1,122,007

The accrued Medicare replacement funding liability at December 31, 2003, represents:

Actuarially determined benefit obligation, December 31, 2002	\$1,004,168
Benefit expense for the year ended December 31, 2003	<u>117,839</u>
Estimated benefit obligation, December 31, 2003	\$1,122,007

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NOTE G - LEASE AND MAINTENANCE COMMITMENTS

The Commission leases its Chicago and Springfield offices under operating lease agreements. The Chicago office lease, began in May 1993, was amended in December 2003 and expires in May 2015. This lease provides for a minimum annual base rent plus related taxes and operating expenses. In addition, the lease provided 32 months "free rent" with the first rent payment made on January 1, 1997. Under the terms of the amendment, base rent was reduced from December 2003 through May 2008 and the landlord will provide certain rent concessions that will be available during the period from June 2008 to May 2009.

The Springfield office lease, which began in November 2002, has a term of 10 years and provides for a minimum annual rent. The lease gives the Commission the option to renew the lease for another five-year period.

Rent expense under all lease agreements was approximately \$1,057,000 in 2003.

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
2004	\$ 85,853	\$ 1,079,141	\$ 1,164,994
2005	85,872	1,112,995	1,198,867
2006	87,315	1,147,930	1,235,245
2007	87,603	1,184,199	1,271,802
2008	89,046	1,138,709	1,227,755
Remaining	<u>348,270</u>	<u>9,189,369</u>	<u>9,537,639</u>
	\$783,952	\$14,852,343	\$15,636,302

NOTE H - MEDICARE REPLACEMENT RESERVE TRUST

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.

Previously, the Commission committed to pay the future cost of Medicare premiums for former employees employed by the Commission that met certain criteria 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. Therefore, the Commission records a liability associated with its employees' lost Medicare coverage and supplemental health benefits for retirees.

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NOTE H - MEDICARE REPLACEMENT RESERVE TRUST - Continued

The Commission maintains a separate trust for the Medicare replacement reserve. The trust fund assets are included in the Commission's investments (see note E). The trust fund assets at fair value as of December 31, 2003, are as follows:

U.S. Treasury notes	\$ 995,844
Money market account	117,050
Accrued interest receivable	<u>6,804</u>
	\$1,119,698

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 I - EMPLOYEE BENEFIT PLAN

The Commission maintains a defined contribution retirement plan and trust for the benefit of all eligible employees. Based on the decision of the Social Security Administration discussed in note H, the Commission enhanced employees' retirement benefits. Employee contributions are not permitted under the Plan's provisions. The Commission contributes 18% of compensation for eligible employees, which totaled \$1,061,651 in 2003. The Commission also pays the Plan's administrative expenses, which totaled \$99,313 in 2003.

NOTE J - LITIGATION

Various complaints and actions have been filed against the Commission. At December 31, 2003, the Commission believes that pending matters do not present any serious prospect of negative financial consequences.

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