

Chicago
April 27, 2007

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 2006 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 2006 and an accounting and audit of the monies received and expended during the twelve-month period that ended December 31, 2006.

Respectfully submitted,

Benedict Schwarz II, Chairman
Derrick K. Baker
Patricia Campbell Bobb
John R. Carroll
R. Michael Henderson
John Paul Kujawski
Brian McFadden, Commissioners

Jerome Larkin, Administrator

I. Registration Report

The Master Roll of attorneys registered to practice law in Illinois for the year 2006 contained the names of 81,146 attorneys as of October 31, 2006. After that date, the Commission began the 2007 registration process, so that the total reported as of October 31, 2006, does not include the 2,249 attorneys who first took their oath of office in November or December 2006. Despite the fact the number of newly-admitted lawyers was a record high, the 2006 registration total shows a modest 1.4% increase over 2005 (see Chart 17A).

Chart A shows the demographics for the lawyer population in 2006. The most noticeable change was in the aging of the legal population. There was over the last 10 years an 11% rise in the number of lawyers 50-74 years old. 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 2006

Gender	
Female	33%
Male.....	67%
Years in Practice	
Fewer than 10 years.....	29%
10 years or more.....	71%
Age	
21-29 years old.....	6%
30-49 years old.....	55%
50-74 years old.....	36%
75 years or older.....	3%

Chart B: Registration Categories for 2006

<u>Category</u>	<u>Number of Attorneys</u>
Admitted between January 1, 2005, and October 31, 2006.....	3,161
Admitted between January 1, 2003, and December 31, 2004.....	4,743
Admitted before January 1, 2003	60,293
Serving active military duty.....	216
Serving as judge or judicial clerk.....	1,892
Birthday before December 31, 1930.....	1,874
In-House Counsel.....	323
Foreign Legal Consultant	9
Legal Services Counsel	3
Inactive status	<u>8,632</u>
Total attorneys currently registered.....	81,146
Removed from the Master Roll:	
Unregistered	1,372
Deceased	274
Retired.....	521
Disciplined (disbarred or suspended until further order of Court)	<u>55</u>
	(2,222)

Charts C and D show the distribution by judicial circuit and by county of the 60,370 registered attorneys who report a principal business address in Illinois. Another 20,776 attorneys report a business address outside Illinois, but register as either active (67%) and able to practice in Illinois or inactive (33%). This is the highest number of lawyers reporting a business address outside of Illinois, and it is a 9.9% increase over the prior year. Those 20,776 attorneys are not included in Charts C and D. Conversely, each judicial district in Illinois saw a slight decrease in 2006 from the number of lawyers reported in these districts in 2005.

Chart C: Registration by Judicial Districts: 2002-2006

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>		<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
First District											
Cook County	40,623	41,229	41,796	42,510	42,142	Fourth District					
Second District						5 th Circuit	273	267	263	262	257
15 th Circuit	206	206	207	212	200	6 th Circuit	851	833	854	866	860
16 th Circuit	1,207	1,228	1,268	1,334	1,325	7 th Circuit	1,222	1,218	1,214	1,252	1,230
17 th Circuit	726	737	750	768	761	8 th Circuit	202	197	198	200	198
18 th Circuit	3,793	3,859	3,983	4,086	3,952	11 th Circuit	<u>581</u>	<u>593</u>	<u>591</u>	<u>643</u>	<u>643</u>
19 th Circuit	<u>3,198</u>	<u>3,272</u>	<u>3,365</u>	<u>3,520</u>	<u>3,383</u>	Total	3,129	3,108	3,120	3,223	3,188
Total	9,130	9,302	9,573	9,920	9,621	Fifth District					
Third District						1 st Circuit	422	433	449	453	440
9 th Circuit	206	210	210	205	198	2 nd Circuit	295	297	295	305	296
10 th Circuit	850	861	880	916	896	3 rd Circuit	586	636	684	714	725
12 th Circuit	709	740	808	860	866	4 th Circuit	258	258	254	253	244
13 th Circuit	327	324	323	323	320	20 th Circuit	<u>745</u>	<u>756</u>	<u>763</u>	<u>776</u>	<u>764</u>
14 th Circuit	509	495	511	512	514	Total	2,306	2,380	2,445	2,501	2,469
21 st Circuit	<u>162</u>	<u>162</u>	<u>161</u>	<u>160</u>	<u>156</u>	Grand Total	57,951	58,811	59,827	61,130	60,370
Total	2,763	2,792	2,893	2,976	2,950						

Chart D: Registered Attorneys by County for 2005-2006

<u>Principal Office</u>	<u>Number of Attorneys</u>		<u>Principal Office</u>	<u>Number of Attorneys</u>		<u>Principal Office</u>	<u>Number of Attorneys</u>	
	<u>2005</u>	<u>2006</u>		<u>2005</u>	<u>2006</u>		<u>2005</u>	<u>2006</u>
Adams	127	127	Hardin	5	5	Morgan	42	41
Alexander	12	12	Henderson	4	5	Moultrie	14	13
Bond	13	13	Henry	50	49	Ogle	54	48
Boone	37	45	Iroquois	29	27	Peoria	763	746
Brown	10	10	Jackson	213	213	Perry	23	22
Bureau	40	40	Jasper	5	5	Piatt	28	27
Calhoun	5	5	Jefferson	110	107	Pike	11	10
Carroll	17	15	Jersey	18	17	Pope	4	3
Cass	12	10	Jo Daviess	36	36	Pulaski	7	6
Champaign	540	541	Johnson	9	9	Putnam	8	9
Christian	39	34	Kane	1,093	1,089	Randolph	29	29
Clark	14	14	Kankakee	131	129	Richland	25	21
Clay	16	13	Kendall	68	64	Rock Island	381	381
Clinton	27	26	Knox	69	68	Saline	37	34
Coles	96	98	Lake	2,976	2,823	Sangamon	1,134	1,117
Cook	42,510	42,142	LaSalle	211	208	Schuyler	11	11
Crawford	21	21	Lawrence	15	15	Scott	6	6
Cumberland	10	9	Lee	49	46	Shelby	20	20
DeKalb	173	172	Livingston	48	47	St. Clair	662	656
DeWitt	21	20	Logan	33	33	Stark	8	8
Douglas	24	22	Macon	239	236	Stephenson	56	55
Du Page	4,086	3,952	Macoupin	37	35	Tazewell	122	119
Edgar	23	20	Madison	701	712	Union	25	26
Edwards	6	6	Marion	49	51	Vermilion	119	116
Effingham	46	43	Marshall	15	14	Wabash	19	17
Fayette	17	17	Mason	11	12	Warren	21	21
Ford	14	13	Massac	16	14	Washington	18	20
Franklin	64	59	McDonough	44	42	Wayne	11	12
Fulton	45	43	McHenry	544	560	White	14	16
Gallatin	4	6	McLean	526	529	Whiteside	71	74
Greene	15	14	Menard	13	13	Will	860	867
Grundy	72	72	Mercer	10	10	Williamson	130	123
Hamilton	11	11	Monroe	44	37	Winnebago	731	716
Hancock	22	19	Montgomery	34	35	Woodford	22	21

Report on Pro Bono Activities

Starting with the 2007 registration, Supreme Court Rule 756 requires that Illinois lawyers report *pro bono* service and monetary contributions. The rule serves as an annual reminder to Illinois lawyers that *pro bono* legal service is an integral part of lawyers' professionalism. As of April 15, 2007, 80,856 Illinois lawyers provided *pro bono* information in their registration. Pursuant to Supreme Court Rule 766, the data is deemed confidential and may be reported only in the aggregate.

25,413 attorneys indicated that they had provided *pro bono* legal services, as defined by Rule 756, totaling, in the aggregate, 2,092,339 *pro bono* legal service hours, including 1,087,501 hours of legal services provided directly to persons of limited means. 55,443 attorneys indicated that they had not provided *pro bono* legal services, 9,140 of whom indicated that they were prohibited from providing *pro bono* legal services because of their employment. Chart E provides a breakdown of the *pro bono* hours reported in the four categories required by Rule 756. The reported information does not include hours that legal service or government lawyers provide as part of their employment.

Chart E: Report of Pro Bono Hours

Type of Pro Bono Services	Service Hours
Legal services to persons of limited means	1,087,501
Legal services to enumerated organizations designed to address needs of persons of limited means	316,849
Legal services to enumerated organizations in furtherance of their purposes	630,005
Training intended to benefit legal service organizations or lawyers providing <i>pro bono</i> services	57,984
TOTAL:	2,092,339

In addition, 12,501 lawyers reported making a total of \$17,456,053 in contributions to organizations that provide legal services to persons of limited means. 68,355 attorneys reported making no monetary *pro bono* contributions. The reported information does not include the \$42 portion of the registration fee paid by most active status lawyers and remitted to the Lawyers Trust Fund, which distributes grants to programs providing legal assistance in civil matters to low-income Illinois residents.

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

A. Investigations

Chart 1: Investigations Docketed in 2006

During 2006, the Commission docketed 5,801 investigations, a 4.6% decrease from 2005. Those 5,801 investigations involved charges against 4,080 different attorneys, representing about 5% of all registered attorneys. About 22% of these 4,080 attorneys were the subject of more than one investigation docketed in 2006, as shown in Chart 1.

Number of Investigations	Number of Attorneys
1.....	3,186
2.....	563
3.....	190
4.....	73
5 or more.....	68
Gender	
Female.....	20%
Male.....	80%
Years in Practice	
Less than 10 years.....	20%
10 years or more.....	80%

Charts 2 and 3 report the classification of investigations docketed in 2006, 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 and excessive fees.

Chart 2: Classification of Charges Docketed in 2006 by Violation Alleged

<i>Type of Misconduct</i>	<i>Number*</i>	<i>Type of Misconduct</i>	<i>Number*</i>
Neglect	2,596	Prosecutorial misconduct	51
Failing to communicate with client, including failing to communicate the basis of a fee	1,383	Failing to preserve client confidences or secrets	47
Fraudulent or deceptive activity, including lying to clients, knowing use of false evidence or making a misrepresentation to a tribunal or non-client	921	Threatening criminal prosecution or disciplinary proceedings to gain advantage in a civil matter	31
Excessive or improper fees, including failing to refund unearned fees	827	Failing to supervise subordinates	28
Improper trial conduct, including using means to embarrass, delay or burden another or suppressing evidence where there is a duty to reveal	368	Aiding a nonlawyer in the unauthorized practice of law	25
Improper management of client or third party funds, including commingling, conversion, failing to promptly pay litigation costs or client creditors or issuing NSF checks	361	Practicing after failing to register	22
Filing frivolous or non-meritorious claims or pleadings	309	Improper division of legal fees with another lawyer	15
Conduct prejudicial to the administration of justice, including conduct which is the subject of a contempt finding or court sanction	304	Failing to maintain an appropriate attorney-client relationship with disabled client	11
Conflict of Interest:	273	Improper <i>ex parte</i> communication with judge	11
Rule 1.7: concurrent conflicts	176	Improper division of legal fees/partnership with nonlawyer	10
Rule 1.9: successive conflicts	51	Sexual harassment/abuse or violation of law prohibiting discrimination	9
Rule 1.8(a)-(e); (i): self-dealing conflicts	37	Failing to comply with Rule 764	8
Rule 1.8(f)-(h): improper agreement to limit liability/avoid disciplinary action	7	Failing to report misconduct of another lawyer or judge	8
Rule 1.8(i): improper acquisition of interest in client mater	1	Incapacity due to chemical addiction or mental condition	7
Rule 1.12: former judge or arbitrator	1	Improper employment where lawyer may become a witness	6
Failing to properly withdraw from representation, including failing to return client files or documents	164	Improper extrajudicial statement	6
Criminal activity, including criminal convictions, counseling illegal conduct or public corruption	164	False statements in a bar admission or disciplinary matter	5
Failing to provide competent representation	132	Assisting a judge in conduct that violates the judicial code	3
Not abiding by a client's decision concerning the representation or taking unauthorized action on the client's behalf	130	Failing to pay tax obligation in bad faith	3
Improper commercial speech, including inappropriate written or oral solicitation	111	Bad faith avoidance of a student loan	2
Practicing in a jurisdiction where not authorized	91	Failing to report lawyer's discipline in another jurisdiction	2
Improper communications with a party known to be represented by counsel or unrepresented party	66	Investigation of bar applicant	2
		Judicial candidate's violation of Judicial Code	2
		False statements about judge, jud. candidate or public official	1
		Failing to reveal client confidences necessary to prevent death/serious bodily harm	1
		No misconduct alleged	301

*Totals exceed the number of charges docketed in 2006 because in many charges more than one type of misconduct is alleged.

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 3: Classification of Charges Docketed in 2006 by Area of Law

<i>Area of Law</i>	<i>Number*</i>
Criminal/Quasi-Criminal.....	1,184
Domestic Relations.....	900
Tort (Personal Injury/Property Damage).....	706
Real Estate/Landlord-Tenant.....	561
Probate.....	328
Labor Relations/Workers' Comp.....	259
Bankruptcy.....	217
Contract.....	200
Debt Collection.....	161
Criminal Conduct/Conviction.....	145
Civil Rights.....	143
Immigration.....	141
Corporate Matters.....	93
Local Government Problems.....	46
Tax.....	29
Patent and Trademark.....	17
Social Security.....	10
Adoption.....	9
Mental Health.....	7
Other.....	204
Undeterminable.....	172

*Totals exceed the number of charges docketed in 2006 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 757, 758, 761, 762(a), or 763. The Inquiry Board operates in panels of three, composed of two attorneys and one nonlawyer, all appointed by the Commission. An Inquiry Board panel has authority to vote a formal complaint if it finds sufficient evidence to support a charge, to close an investigation if it does not so find, or to place an

attorney on supervision under the direction of the panel pursuant to Commission Rule 108. The Administrator cannot pursue formal charges without authorization by an Inquiry Board panel.

About 5% of investigations concluded in 2006 resulted in the filing of formal charges. Charts 4 and 5 show the number of investigations docketed and terminated during 2006, and the type of actions that terminated the investigations.

Chart 4: Investigations Docketed: 2002-2006

Year	Pending January 1st	Docketed During Year	Concluded During Year	Pending December 31st
2002	2,080	6,182	6,183	2,079
2003	2,079	6,325	6,215	2,189
2004	2,189	6,070	6,315	1,944
2005	1,944	6,082	6,185	1,841
2006	1,841	5,801	5,746	1,896

Chart 5: Investigations Concluded in 2006

Concluded by Administrator:	
Closed after initial review.....	1,319 (No misconduct alleged)
Closed after investigation.....	4,076
Filed at Supreme Court pursuant to Supreme Court Rules 757, 758, 761, 762(a) and 763.....	48
Concluded by Inquiry:	
Closed after panel review.....	76
Complaint or impairment petition voted.....	215
Closed upon completion of conditions of Rule 108 supervision.....	12
Total.....	5,746

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 2006. There were 108 cases added to the Hearing Board’s docket in 2006. Of those, 97 were initiated by the filing of a new disciplinary complaint.

Chart 6: Matters Before the Hearing Board in 2006

Cases Pending on January 1, 2006	174
New Cases Filed in 2005:	
<i>Disciplinary Complaints Filed: *</i>	
Ø Rules 753, 761(d).....	97
<i>Reinstatement Petitions Filed:</i>	
Ø Rule 767.....	7
<i>Petition for Restoration to Active Status Filed:</i>	
Ø Rule 759.....	2
<i>Remanded by Supreme Court upon recommendation of Review Board</i>	1
<i>Reassigned to new Hearing panel upon denial by Hearing Board of motion for leave to file a Rule 762(b) consent petition</i>	1
Total New Cases	108
Cases Concluded During 2006	132
Cases Pending December 31, 2006	150
* 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 97 lawyers who were the subject of a formal complaint in 2006.

Chart 8 shows the types of misconduct alleged in the 97 disciplinary complaints filed during 2006, and Chart 9 indicates 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.

Chart 7: Disciplinary Complaints Filed in 2006

Number of Complaints Filed in 2006..... 97			
Respondents' Years in Practice	# of Complaints	% of Complaints Filed	% of Lawyer Population
Fewer than 5	5.....	5%	16%
Between 5 and 10.....	11.....	11%	13%
Between 10 and 20.....	34.....	35%	29%
Between 20 and 30	31.....	32%	25%
30 or more	16.....	17%	17%

Chart 8: Types of Misconduct Alleged in Complaints Filed Before Hearing Board in 2006

Type of Misconduct	Number of Cases*	% of Cases Filed*	Type of Misconduct	Number of Cases*	% of Cases Filed*
Failure to communicate with client	42.....	42%	Excessive or unauthorized fees.....	8.....	8%
Fraudulent or deceptive activity	41.....	41%	Not abiding by client's decision or taking unauthorized action on client's behalf.....	5.....	5%
Neglect/lack of diligence	41.....	41%	Pursuing/filing frivolous or non-meritorious claims or pleadings	5.....	5%
In many cases where neglect was charged, the neglect was accompanied by one or both of the following:			Unauthorized practice after failure to register.....	5.....	5%
Misrepresentation to client	20.....		Improper withdrawal from employment without court approval or avoiding prejudice to client	4.....	4%
Failure to return unearned fees.....	25.....		Misrepresentation to third persons.....	4.....	4%
Improper handling of trust funds.....	24.....	24%	Aiding in the unauthorized practice of law.....	2.....	2%
Criminal conviction of lawyer.....	23.....	23%	Assist client in criminal/fraudulent conduct ...	2.....	2%
Failure to provide competent representation.....	18.....	18%	Failure to comply with Rule 764	2.....	2%
Conflict of interest.....	16.....	16%	Failure to supervise employees.....	2.....	2%
Rule 1.7: concurrent conflicts	9.....		Prosecutor's failure to disclose exculpatory evidence.....	2.....	2%
Rule 1.8(a): improper business transaction with client.....	3.....		False statement about judge/jud. candidate	2.....	2%
Rule 1.8(d): improper financial assistance to client.....	2.....		Threatening criminal or disciplinary charges to gain an advantage in a civil matter	1.....	1%
Rule 1.8(c): improper instrument benefiting lawyer.....	1.....		Improper communication with juror	1.....	1%
Rule 1.9: successive conflicts.....	1.....		Unauthorized practice after discipline.....	1.....	1%
False statement or failure to respond in bar admission or disciplinary matter	16.....	16%	Induce/assist another to violate rules	1.....	1%
Falsifying evidence or making false statements to tribunal.....	12.....	12%			

*Totals exceed 97 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 2006

<i>Area of Law</i>	<i>Number of Cases</i>	<i>% of Cases Filed*</i>	<i>Area of Law</i>	<i>Number of Cases</i>	<i>% of Cases Filed*</i>
Tort	22	22%	Probate.....	6.....	6%
Criminal	20	20%	Corporate Matters.....	4.....	4%
Real Estate.....	13	13%	Civil Rights.....	2.....	2%
Domestic Relations	11	11%	Debt Collection	1.....	1%
Bankruptcy	9	9%	Immigration	1.....	1%
Contract.....	8	8%	Tax	1.....	1%
Workers' Comp/Labor Relations	8	8%	Patent and Trademark.....	1.....	1%

* Totals exceed 97 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 132 cases during 2006.

Chart 10: Actions Taken by Hearing Board in Matters Terminated in 2006

A. Disciplinary Cases: Rules 753 & 761(d)	
Case closed by filing of petition for discipline other than disbarment on consent.....	55
Recommendation of discipline	52
Case closed by filing of motion for disbarment on consent.....	6
Case closed by administration of a reprimand to respondent.....	6
Recommendation of dismissal after hearing.....	5
Complaint dismissed without prejudice	<u>1</u>
Total Disciplinary Cases	125
B. Reinstatement Petitions: Rule 767	
Petition denied.....	3
Stricken on Administrator's motion	1
Petition withdrawn.....	1
C. Disability Inactive Status Petition: Rule 758	
Petition dismissed without prejudice	1
D. Restoration Cases: Rule 759	
Recommendation of restoration with conditions	1
Total Matters Terminated.....	132

C. Matters Filed Before the Review Board in 2006

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 2006.

Chart 11: Trend of Matters in the Review Board in 2006

Cases pending on January 1, 2006	19
Cases filed during 2006:	
Exceptions filed by Respondent	16
Exceptions filed by Administrator	<u>9</u>
Total.....	25
Cases decided in 2006:	
Hearing Board reversed on findings and/or sanction	10
Hearing Board affirmed	9
Notice of exceptions withdrawn	2
Notice of exceptions stricken	<u>2</u>
Total	23
Cases pending December 31, 2006	21

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 2006, the Hearing Board administered six reprimands (*see* Chart 10). Other than Board reprimands, the Hearing and Review Board reports are recommendations to the Supreme Court. During 2006, the Court entered 144 sanctions against 142 attorneys (two lawyers were sanctioned twice in 2006). Chart 12 reflects the nature of the orders entered.

Chart 12: Disciplinary Sanctions Ordered by the Supreme Court in 2006

Disbarment.....	32
Suspension.....	63*
Probation.....	24
Censure.....	19
Reprimand.....	6
Total	144

*In addition to the 63 suspensions, the Court also ordered 10 interim suspensions, as reported in Chart 14 at (F) and (J).

Charts 13A and 13B provide demographic information on the 148 lawyers disciplined in 2006 (the 142 lawyers sanctioned by the Court and the six lawyers reprimanded by the Hearing Board).

Chart 13A: County of Practice of Lawyers Disciplined in 2006

County	Number Disciplined	County	Number Disciplined
Cook.....	69	Champaign.....	2
Out-of-State.....	27	Union.....	1
DuPage.....	8	Shelby.....	1
Lake.....	6	Sangamon.....	1
Will.....	4	Knox.....	1
Kane.....	4	Logan.....	1
Madison.....	3	Saint Clair.....	1
McLean.....	3	Grundy.....	1
Winnebago.....	3	Rock Island.....	1
McHenry.....	2	Williamson.....	1
Peoria.....	2	Clark.....	1
Vermilion.....	2	Coles.....	1
Christian.....	2		

Chart 13B: Profile of Lawyers Disciplined in 2006

Years in Practice	# of Lawyers	% of Sanctions	% of Lawyer Population
Fewer than 5.....	3.....	2%.....	16%
Between 5 and 10.....	10.....	7%.....	13%
Between 10 and 20.....	57.....	38%.....	29%
Between 20 and 30.....	41.....	28%.....	25%
30 or more.....	37.....	25%.....	17%
Age:			
21-29 years old.....	0.....	0%.....	6%
30-49 years old.....	52.....	35%.....	55%
50-74 years old.....	92.....	62%.....	36%
75 or more years old.....	4.....	3%.....	3%
Gender:			
Female.....	16.....	11%.....	33%
Male.....	132.....	89%.....	67%

Disciplinary cases reach the Court in several ways. Chart 14 reflects the actions taken by the Supreme Court in disciplinary matters in the varying procedural contexts in which those matters are presented.

Chart 14: Orders Entered by Supreme Court in Disciplinary Cases in 2006

<p>A. <u>Motions for disbarment on consent: Rule 762(a)</u> Allowed..... 15 Denied..... <u>0</u> Total 15</p>	<p>E. <u>Motions to approve and confirm report of Hearing Board: Rule 753(d)(2)</u> Allowed..... 35 Denied and more discipline imposed <u>1</u> Total 36</p>
<p>B. <u>Petitions for discipline on consent: Rule 762(b)</u> Allowed: Suspended..... 22 Suspension stayed in part, probation ordered 11 Suspension stayed in its entirety, probation ordered 9 Censured..... <u>11</u> Total 53 Denied 0 Total..... 53</p>	<p>F. <u>Petitions for interim suspension due to conviction of a crime: Rule 761(b)</u> Rule enforced and lawyer suspended 5 Rule discharged <u>2</u> Total 7</p>
<p>C. <u>Petitions for leave to file exceptions to report and recommendation of Review Board: Rules 753(e)(1) and 761</u> Allowed, and more discipline imposed 7 Allowed, and same discipline imposed 1 Allowed, and less discipline imposed..... 1 Denied, and sanctions recommended by Review Board imposed..... <u>9</u> Total..... 18</p>	<p>G. <u>Petitions for reciprocal discipline: Rule 763</u> Allowed..... 14 Denied..... <u>0</u> Total 14</p>
<p>D. <u>Motions to approve and confirm report of Review Board: Rule 753(e)(6)</u> Allowed..... 3 Denied..... <u>0</u> Total 3</p>	<p>H. <u>Petitions for reinstatement: Rule 767</u> Denied..... 2 Allowed..... 1 Petition withdrawn..... 1 Petition stricken..... <u>1</u> Total 5</p>
	<p>I. <u>Motions to revoke probation: Rule 772</u> Allowed, probation revoked and respondent suspended 5 Continued and respondent's probation period extended..... <u>2</u> Total 7</p>
	<p>J. <u>Petitions for interim suspension: Rule 774</u> Rule enforced and lawyer suspended 5 Rule discharged <u>3</u> Total 8</p>

Chart 15 tracks the type of misconduct that led to the sanctions entered by the Court (144) and Hearing Board reprimands administered (6) in 2006.

Chart 15: Misconduct Committed in the 150 Disciplinary Cases Decided in 2006*

Types of Misconduct	Number of Cases in Which Type of Misconduct Was Sanctioned			
	Disbarment	Suspension**	Censure	Reprimand***
Total Number of Cases:	32	87	19	12
Improper management of client or third party funds, including commingling and conversion.....	16.....	26.....	2.....	2.....
Neglect or lack of diligence	8.....	36.....	7.....	1.....
Fraudulent or deceptive activity	28.....	41.....	3.....	3.....
Criminal conduct by the lawyer	14.....	19.....	1.....	0.....
Failure to communicate with client, including failure to communicate basis of a fee.....	7.....	34.....	8.....	2.....
Failure to provide competent representation	2.....	10.....	3.....	0.....
Fee violations, including failure to refund unearned fees	5.....	22.....	1.....	0.....
Failure to cooperate with or false statement to disciplinary authority.....	5.....	22.....	1.....	1.....
Not abiding by a client's decision concerning the representation or taking unauthorized action on the client's behalf	0.....	3.....	2.....	1.....
Improper withdrawal, including failure to return file.....	4.....	5.....	0.....	2.....
Conflict of interest (financial assistance to client).....	0.....	1.....	0.....	0.....
Conflict of interest (between current clients)	0.....	6.....	2.....	0.....
Conflict of interest (lawyer's own interests)	1.....	4.....	2.....	0.....
Conflict of interest (improper business transaction with client).....	1.....	1.....	1.....	0.....
Conflict of interest (improper agreement with client to limit lawyer's liability or avoid disciplinary action).....	0.....	1.....	0.....	0.....
Conflict of interest (former client).....	0.....	1.....	1.....	0.....
Conflict of interest (improper propriety interest in subject of representation).....	0.....	1.....	0.....	0.....
Threatening to present criminal/disciplinary charges	0.....	1.....	0.....	0.....
Filing false, frivolous or non-meritorious claims or pleadings.....	3.....	15.....	4.....	1.....
Counseling/assisting a client in criminal or fraudulent conduct.....	1.....	1.....	0.....	0.....
Misrepresentation to a tribunal.....	9.....	8.....	2.....	0.....
Misrepresentation to clients to cover up neglect.....	1.....	14.....	3.....	1.....
Misrepresentation to third persons	0.....	4.....	0.....	0.....
Unauthorized practice in another jurisdiction	0.....	3.....	0.....	0.....
Practice after failure to register	3.....	7.....	0.....	0.....
Practice during suspension.....	0.....	2.....	0.....	0.....
Improper solicitation or advertising.....	0.....	3.....	0.....	1.....
Failure to supervise lawyer's employees	0.....	1.....	0.....	0.....
Failure to report conviction to ARDC	1.....	4.....	0.....	0.....
Improper communication with a represented person	0.....	3.....	0.....	0.....
Failure to comply with Rule 764.....	0.....	1.....	0.....	0.....
Assisting a non-lawyer in unauthorized practice of law.....	0.....	1.....	0.....	1.....
Failure of bar applicant to supplement application.....	1.....	0.....	0.....	0.....
Breach of client confidences.....	0.....	1.....	1.....	0.....
False statements about judge or public official	0.....	1.....	0.....	0.....

* Totals exceed 150 cases because in most cases more than one type of misconduct was found.
** Includes 63 suspensions, 5 of which were probations that were terminated, and 24 suspensions stayed in part or entirely by probation.
*** Includes 6 Hearing Board reprimands.

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 2006.

Chart 16: Non-Disciplinary Actions by the Supreme Court for 2006

A. Rule 759	
Petitions for restoration to active status:	
Allowed.....	19
Allowed with conditions.....	1
Referred to Hearing Board for hearing on petition.....	<u>2</u>
Total.....	22
B. Rule 757	
Petition for transfer to disability inactive status due to mental disability	
Allowed.....	1
Denied.....	<u>0</u>
Total.....	1
C. Rule 758	
Petitions for involuntary transfer to inactive status due to mental disability or substance addiction:	
Allowed.....	3
Denied.....	<u>0</u>
Total.....	3

Charts 17A and 17B show the registration and caseload trends for the past fifteen years.

Caseload Trends: 1992-2006

Chart 17A: Disciplinary Investigations

	Number of Registered Attorneys	% of Growth Over Prior Year	Investigations Docketed	Closure By Administrator No Misconduct Alleged	Closure By Administrator After Investigation	Closure By Inquiry After Investigation	Complaint Voted By Inquiry Board
1992	61,107	3.7%	6,291	889	5,210	473	277
1993	63,328	3.6%	6,345	974	5,422	137	241
1994	65,163	2.9%	6,567	1,224	5,125	133	247
1995	67,121	3.0%	6,505	1,359	5,134	73	277
1996	68,819	2.5%	6,801	1,364	4,946	76	300
1997	70,415	2.3%	6,293	1,202	5,018	81	342
1998	72,149	2.5%	6,048	1,352	4,414	58	272
1999	73,514	1.9%	5,877	1,131	4,268	69	231
2000	73,661	0.2%	5,716	1,146	4,319	87	224
2001	74,311	0.9%	5,811	1,077	4,318	55	273
2002	75,421	1.5%	6,182	1,350	4,360	96	334
2003	76,671	1.7%	6,325	1,396	4,332	61	353
2004	78,101	1.9%	6,070	1,303	4,539	90	320
2005	80,041	2.5%	6,082	1,460	4,239	102	317
2006	81,146	1.4%	5,801	1,319	4,076	76	215

Chart 17B: Disciplinary Proceedings

	Matters Filed With Hearing Board	Matters Concluded at Hearing Board	Matters Filed With Review Board	Matters Concluded at Review Board	Sanctions Ordered By Court
1992	122	134	37	24	89
1993	106	115	44	41	114
1994	115	128	35	54	109
1995	113	137	35	32	148
1996	129	82	22	37	115
1997	129	131	32	24	117
1998	141	139	31	28	138
1999	123	112	28	24	116
2000	119	116	29	32	120
2001	137	129	28	28	123
2002	131	122	36	30	126
2003	141	125	35	30	137
2004	156	170	45	41	149
2005	144	134	28	47	167
2006	108	132	25	23	144

F. 25-Year Study: Probation and Supervision in Disciplinary Matters

In 1981, the Supreme Court imposed probation for the first time in a disciplinary case, one in which a lawyer committed serious misconduct while impaired by alcoholism. *In re Driscoll*, 85 Ill.2d 312, 317. Thereafter, the Court adopted Rule 772, effective October 1, 1983, providing for probation in cases in which an attorney has demonstrated that, among other things, she or he has a disability that does not require transfer to disability inactive status. Ten years later, the Court allowed for probation in additional circumstances where the attorney's right to practice needs to be monitored or limited. *In re Jordan* (1993), 157 Ill.2d 266, 275. Subsequent decisions have held that disciplinary probation may not be imposed unless there is an impairment or a practice deficiency that may be amenable to monitoring. *In re Breen*, 97 CH 21 Review Board (Feb. 27, 2002), *exceptions allowed on other grounds*, M.R. 18100 (Ill. May 24, 2002).

The Supreme Court has also allowed for supervision of attorneys in other contexts. In reinstating disciplined attorneys pursuant to Rule 767, the Court has imposed conditions. *In re Oliver*, 95 CH 681, M.R. 11753 (Sept. 25, 1998). The Court amended Rules 758 and 759, effective November 1, 1999, to allow an attorney subject to disability inactive status proceedings to be placed on active status with conditions.

The ARDC determined to conduct a study of the experience and efficacy of probation during the 25 years in which it has been utilized. Attorneys placed upon probation have successfully complied with terms of probation 86.4% of the time. They have, however, become recidivists to a degree greater than other disciplined lawyers (26.9% to 18.2%).

In addition, the ARDC adopted Rule 108, effective October 23, 1992, allowing deferral of certain disciplinary investigations subject to supervision. The ARDC Inquiry Board, the probable cause panel, is authorized to defer an investigation unless it involves certain types of serious misconduct. Since 1992, the Inquiry Board has deferred investigations related to 85

attorneys. 71 of 77 attorneys have successfully completed the supervision (92.2%) and the remaining six have become subject of further proceedings (7.8%). The other deferred investigations remain pending.

Currently, ARDC staff monitors 58 attorneys. Most recently, the Court amended Rules 701, 704, 707, and 708, effective July 1, 2007, to allow certain Illinois bar applicants to be admitted subject to conditions, which the ARDC will be responsible to monitor.

Key findings of the 25-year study of probation and other conditions imposed by the Supreme Court include:

Probation and Other Conditions Imposed

- § 250 of the 2,440 lawyers sanctioned (10.25%) were placed on probation by the Court. 215 instances of probation were based upon orders entered in cases initiated before the Hearing Board ("original" Illinois proceedings), and 35 were entered in cases initiated in the Supreme Court, based upon reciprocal probation orders from other states. Probationers will be referred to below as "original" or "reciprocal," as warranted.
- § 127 (59.1%) of the 215 probationers in original proceedings suffered from substance abuse/dependence or a mental impairment.
- § 88 (40.9%) of the 215 probationers in original proceedings had no identified impairment.
- § 153 of 181 (84.5%) probations entered in original proceedings have been completed successfully. 25 of 26 (96.1%) probations entered in reciprocal proceedings have been successfully completed.
- § 9 attorneys have been placed on active status with conditions by the Court in impairment proceedings under Rules 758 or 759. 4 of those attorneys are subject to monitoring currently; 5 have concluded their monitoring. 4 of the 5 attorneys (80%) successfully complied with the conditions; 1 (20%) did not.
- § 6 attorneys have been reinstated with conditions by the Court in proceedings pursuant to Rule 767. 1 attorney is still subject to the conditions. 5 attorneys have

concluded their conditions. 3 of the 5 attorneys (60%) successfully complied with conditions. 2 of the 5 (40%) did not.

Probationary Conditions

The 127 probationers in original proceedings who suffered from substance abuse/dependence or mental impairment were required to satisfy the following impairment conditions:

- § 59 of 127 (46.4%) were required to satisfy both substance abuse and mental impairment treatment conditions.
- § 44 of 127 (34.6%) were required to satisfy mental impairment treatment conditions only.
- § 21 of 127 (16.5%) were required to satisfy substance abuse treatment conditions only.
- § 30 of 127 (23.6%) were required to obtain AA sponsors.

In the entire group of 215 original probation cases, other conditions included:

- § 68 of 215 (31.6%) were required to complete an ethics seminar or course.
- § 44 of 215 (20.5%) were required to pay restitution.
- § 44 of 215 (20.5%) were required to satisfy law office management conditions.
- § 33 of 215 (15.3%) were required to be supervised by attorney-mentors.
- § 167 of 215 (77.7%) were required to have their trust accounts audited.

Probation Revocations

- § 29 of the 215 original probations (13.5%) and 1 reciprocal probation were revoked for noncompliance with the conditions of probation. In 14 of these original probation cases, probation was revoked for lapses in sobriety and/or failure to comply with treatment or reporting conditions.

Recidivism Rates of Probationers

- § Of the 215 lawyers placed on probation in original proceedings, 58 (26.9%) became recidivists due to subsequent disciplinary proceedings. By comparison, 305 of the 2,440 lawyers sanctioned during the same time period became recidivists due to the

imposition of subsequent discipline. 763 of the 2,440 lawyers sanctioned were disbarred and therefore not, as a practical matter, subject to additional disciplinary proceedings. 301 of the remaining 1,650 non-disbarred lawyers became subject to subsequent discipline, resulting in a recidivism rate of 18.2%.

- § 27 out of the 58 recidivists had been placed on probation due, at least in part, to an impairment. In total, 127 attorneys had been placed on probation due to an impairment. The proportion of impaired recidivists to all impaired probationers is 21.3%.
- § 31 out of the 58 recidivists had been placed on probation with no identified impairment. In total, 88 attorneys had been placed on probation with no identified impairments. The proportion of recidivists without an identified impairment to all such probationers is 35.2%.

III. Client Protection Program

The Supreme Court of Illinois created the Client Protection Program in 1994 to reimburse clients who lost money as the result of the dishonest conduct of an Illinois lawyer. The Program does not cover losses resulting from professional negligence or malpractice and does not consider claims involving contractual disputes. The rules governing the administration of the Program are Commission Rules 501 through 512.

In 2006, the Program approved 111 claims against 38 lawyers and paid \$843,054 to claimants as shown in Chart 18. Twenty-one approvals were for the \$25,000 maximum, and 49 were for \$2,500 or less. Claims involving one lawyer exceeded the \$250,000 per-lawyer cap, so all the awards on those claims were prorated (the reduction per claim was only 2%).

The purpose of the Client Protection Program is to promote public confidence in the administration of justice and the integrity of the legal profession. It is clear from the reactions of two claimants that these goals are being served by the Program, particularly for those claims

that did not exceed the maximum award limits:

“[T]hank you so much for sending the letter and the check and for settling this complaint. I am very glad that there is an association such as ARDC that can protect clients and regulate the legal profession. Although I had a bad experience with one particular lawyer, the intervention of ARDC has strengthened my confidence in the legal system.”

* * *

“I will never forget or forgive [my former lawyer] for his actions, but a wrong has been righted and for that I thank you so much. Your gesture allows me to close that chapter for good. Thank you from the bottom of my heart.”

Funding issues limited the ability of the Program to reimburse claimants who had lost more than the \$25,000 per claim limit. In September 2006, in order to enhance the effectiveness of the Program, the Court amended Rules 756 and 780 to change the way the Program is funded. Rule 780 now provides that the Program shall be funded by an annual assessment paid by each lawyer and remitted to the Client Protection Program Trust Fund, and Rule 756 sets the assessment amount at \$25 per lawyer. The new assessment is projected to provide more than \$1.5 million in 2007, for payment of claims. Based on the new funding, the Commission determined that an increase in the claim caps was appropriate, and effective January 31, 2007, the Commission amended Commission Rule 510 and increased the maximum payment on a claim from \$25,000 to \$50,000 and the maximum aggregate payments arising from the conduct of one attorney from \$250,000 to \$500,000. Every State has a client reimbursement fund, and currently nine other States have \$50,000 per-claim caps, and fifteen have higher caps.

Chart 18: Client Protection Program Claims: 2002-2006

Year	Claims filed	# Claims Approved	# Claims Denied	For Claims Approved, # Respondent Attys	Total Amounts Paid
2002	187	57	86	31	\$215,564
2003	208	68	83	31	\$477,595
2004	357	153	113	40	\$617,772
2005	242	179	132	46	\$951,173
2006	222	111	69	38	\$843,054

Chart 19 provides a summary of the claims approved in 2006, by type of misconduct and area of law.

Chart 19: Classification of Approved Client Protection Claims in 2006

Type of Misconduct:	
Failure to refund unearned fees	68
Conversion	43
Area of Law	
Immigration	42
Personal Injury/Workers' Comp	20
Family Law.....	14
Probate/Trusts.....	10
Real Estate.....	9
Criminal/Quasi-Criminal.....	5
Debt Collection.....	3
Bankruptcy	2
Contract.....	2
Property Damage	2
Corporate.....	1
Labor Employment	1

IV. Amendments to the Rules Regulating the Profession*

A. Annual Registration Fees Increased: Supreme Court Rule 756

Upon request of the ARDC, the Supreme Court amended its Rule 756 to increase registration fees and the fee for late registration. Since the 2001 fee increase, the disciplinary caseload has increased significantly, including the incidence of and magnitude of conversion cases, which has led to an increase in the number and size of awards made by the Client Protection Program to victims of dishonest conduct by disciplined attorneys. Revenues were lower than projected, leading to a need for additional funding for ARDC operations and for Client Protection Program awards. Amended Rule 756 increased the fee for active lawyers admitted to practice for three or more years from \$239 to \$289, and provided that \$25 of that increase be remitted to the Client Protection Program Trust Fund to provide dedicated funding for the program. The Court also amended its Rule 780, governing the Client Protection Program, to reflect that the funding for the Client Protection Program will come from the annual dedicated \$25 assessment provided in Rule 756. Rule 756 was also amended to increase the registration fee for inactive lawyers and for lawyers admitted to practice between one and three years from \$90 to \$105. The fee for late registration increased from \$10 to \$25 per month. All registration fee changes were made effective September 14, 2006, for purposes of the 2007 registration year.

B. Disclosure of Voluntary Pro Bono Service: Supreme Court Rules 756(f) & 766(a)(11)

The Supreme Court adopted Rule 756(f) on September 14, 2006, effective immediately, mandating that Illinois lawyers report *pro bono* service and monetary contributions as part of the annual registration, starting with the 2007 registration. The rule does not mandate that lawyers perform *pro bono* service or make any contribution. The report is intended to serve as

an annual reminder to the Illinois lawyer that *pro bono* legal service is an integral part of a lawyer's professionalism. (See Supreme Court Rule 756, Committee Comment of June 14, 2006).

Along with the amendment, the Court amended Supreme Court Rule 766 to provide that the information reported will be deemed confidential and that the information can be reported publicly only in the aggregate. The ARDC will maintain the information so that it is not available to ARDC staff with investigative or prosecutorial responsibilities but only to the registration staff in order to verify that the report has been made.

C. Conditional Admission: Supreme Court Rules 701, 704, 707 & 708, and Board of Admissions to the Bar Rules

On October 2, 2006, the Court announced various rule changes pertaining to the admission of lawyers in Illinois. The amendments to Rules 701, 704, 707, and 708, as well as the revised Rules of the Board of Admissions are intended to allow certain applicants to the Illinois bar to be admitted subject to conditions, which the ARDC will be responsible for monitoring. These rules were approved by the Supreme Court by order entered October 2, 2006 and are effective July 1, 2007.

Board of Admissions Rule 7.2 provides that the purpose of conditional admission is to "permit an applicant who currently satisfies character and fitness requirements to practice law while his or her continued participation in an ongoing course of treatment or remediation for previous misconduct or unfitness is monitored to protect the public. Conditional admission is neither to be used as a method of achieving fitness nor as a method of monitoring the behavior of all applicants who have rehabilitated themselves from misconduct or unfitness." The conditional admission period cannot exceed 24 months unless otherwise ordered by the Court (Rule 7.9) and the fact that a lawyer is on conditional admission is confidential unless the Court revokes a conditional admission license, which revocation is a matter of public record (Rule 7.16).

* The foregoing amendments, including the Rules of the Board of Admissions to the Bar, appear on the ARDC web site at www.iardc.org/rulesdecisions.html.

D. IOLTA Rule: Rule of Professional Conduct Rule 1.15(d)

On January 25, 2007, the Court amended Rule 1.15(d), the “IOLTA Rule,” to increase the interest paid on lawyers’ pooled IOLTA trust accounts. The Lawyers Trust Fund of Illinois collects the interest on IOLTA trust accounts and distributes it to programs providing legal assistance in civil matters to low-income Illinois residents. The rule requires that these pooled interest-bearing trust accounts be maintained only at financial institutions approved by the Lawyers Trusts Fund of Illinois. The purpose of the amendment is to allow greater interest to be earned on such accounts, thereby ensuring that IOLTA accounts will receive the same interest rates as other customers with accounts with similar balances and requirements. Illinois is the 11th state to adopt the revised version of the IOLTA rules. The amended rule becomes effective June 1, 2007. The Lawyers Trust Fund has indicated that it will work with financial institutions to ensure that the necessary changes are made before the June 1 effective date. For further information about the revised IOLTA rule, please consult the Lawyers Trust Fund website at www.ltf.org.

V. Commission Outreach Programs

A. Commission Web Site

The ARDC web site (www.iardc.org) provides public information regarding all aspects of the ARDC organization. It has been attracting up to 138,000 visitors in a month. The Lawyer Search function enables a visitor to search the Master Roll for certain basic public registration information, including business address and public disciplinary information about Illinois lawyers. The ARDC web site is also a resource for researching Illinois disciplinary cases, with a searchable database of disciplinary decisions issued by the Supreme Court and reports filed by the disciplinary boards. The site also includes Ethics Inquiry assistance and links to other legal ethics research sites. For the 2007 registration process, over 27,000 lawyers registered on-line or made changes on-line to their registration information.

B. Ethics Inquiry Program

The Commission’s Ethics Inquiry Program is a telephone inquiry service that allows Illinois attorneys to call for help in resolving hypothetical ethical dilemmas. Commission lawyers handle over 3,100 calls from lawyers each year, more than double the number of calls since the first year of the program’s existence in 1995. The top five subjects of inquiry during 2006 included:

Subject of Inquiry	# of calls
Duty to report misconduct	261
Conflicts of interest.....	203
Multi-jurisdictional practice of law	125
Handling client trust accounts.....	122
Retention of client files	107

To make an inquiry, please call the Commission offices in Chicago (312-565-2600) or Springfield (217-522-6838). Additional information about the program can be obtained at www.iardc.org/ethics.html.

C. Education

1. ARDC CLE Accredited Programs

In July 2006, the ARDC received accreditation from the MCLE Board as a CLE provider for the programs that the ARDC sponsored or will sponsor from July 2006 to July 2007.

a. CLE Champaign County Seminar

In September 2006, the ARDC hosted a professional responsibility program in Champaign, in cooperation with the Champaign, DeWitt, Ford, Logan, McLean, Piatt, Sangamon, Shelby and Vermilion County Bar Associations. Justice Rita B. Garman was the keynote speaker. The seminar consisted of an interactive panel discussion regarding professional responsibility issues that may bring a lawyer before ARDC and how to address those issues. Nearly 500 lawyers were in attendance and received 1.5 hours of professional responsibility credit. This was the second time the ARDC presented this seminar, having done so in 2005 in Collinsville. The ARDC plans to present this seminar annually.

b. ARDC Professionalism Seminar

Since November 1996, the ARDC has presented the *ARDC Professionalism Seminar* at

its Chicago office. This three-part seminar, taught by a select faculty of distinguished lawyers and other professionals, focuses on the Rules of Professional Conduct and its practical day-to-day application in operating a law office and in resolving the common ethical dilemmas faced by all lawyers. At the present time, the seminar is limited to lawyers who have been referred to it by Commission lawyers or who are required to attend as part of a disciplinary sanction.

2. ARDC Presentations and Outreach

The Commission continued its efforts to familiarize lawyers with the ethics rules by having its legal staff make more than 100 presentations to bar associations, law firms, law schools, continuing legal education seminars and civic groups. With the adoption of MCLE, the Commission will increase its efforts to reach out to the legal community in Illinois, including working with CLE providers in presenting more continuing legal education opportunities for Illinois lawyers on topics relevant to legal ethics and professional responsibility issues in Illinois.

VI. Commission Board Appointments

A. Commissioners

Appointment of Derrick Baker upon the Retirement of Donn Bailey

The Illinois Supreme Court appointed Derrick K. Baker of Evergreen Park, Illinois, to serve as an ARDC Commissioner. Mr. Baker is principal of DKB & Associates, a public relations and marketing communications consultancy firm serving non-profit, municipal, executive and small business clients. For the past 16 years, Mr. Baker has written a weekly, award-winning opinion column published in N'DIGO, the largest circulated African American publication in the country. Mr. Baker earned his bachelor's degree in journalism from Drake University and his master's degree from Roosevelt University.

Mr. Baker replaces Donn F. Bailey, Ph.D., who served as an ARDC Commissioner for over six years. During his tenure in office, Dr. Bailey helped support the ARDC's establishment of community outreach initiatives, fostered the

appointment of non-lawyers to the various ARDC Boards, and actively sought minority participation at all levels of the lawyer regulatory system. Prior to his appointment as a Commissioner, Dr. Bailey served for six years as an ARDC Hearing Board member.

Dr. Bailey earned B.A. and M.A. degrees in Speech Pathology and Audiology at Indiana University in Bloomington and his Ph.D. in Speech Communication from Penn State. Dr. Bailey is a nationally recognized expert on the structure and function of Black English and its effect on the learning of Black children. In 1974, he helped found the Center for Inner City Studies at Northeastern Illinois University and served as a Director and faculty member there for many years.

B. ARDC Administration

Appointment of Jerome Larkin as ARDC Administrator upon the Resignation of Mary Robinson

On March 15, 2007, the Court approved the Commission's appointment of Jerome Larkin to serve as the new Administrator, effective March 19, 2007. Mr. Larkin is a graduate of Niles College of Loyola University and the Loyola University School of Law. After he was licensed to practice law in 1978, he joined the ARDC as staff counsel. He investigated, litigated and appealed countless attorney disciplinary cases. He later served as Senior Counsel, Chief Counsel, Assistant Administrator, and then Deputy Administrator from 1988 until his appointment as Administrator. He is a past President of the National Organization of Bar Counsel (NOBC), the bar association of lawyer regulators. In 2003, he received the ARDC's 25-year leadership and service award. Recently, he won the NOBC President's Award for lifetime achievement in the field of lawyer regulation. Finally, he was given the Robert Bellarmine award for distinguished service to the Loyola Law Alumni Association in 1992.

Mr. Larkin is the fourth Administrator of the ARDC. He follows the late Carl H. Rolewick (1973-1988), John C. O'Malley (1988-1992) and Mary Robinson (1992-2007).

Ms. Robinson served as ARDC Administrator for 15 years, which followed her

service as an ARDC Commissioner for three years. Through her leadership, Illinois is recognized as having one of the finest and most accomplished lawyer regulatory agencies in the country. As Administrator, Ms. Robinson brought the ARDC into more regular and mutually supportive interactions with the practicing bar, enhanced the quality of practice at the ARDC, and accelerated the resolution of disciplinary matters. During her tenure, ARDC established the Illinois Institute of Professional Responsibility and its Ethics Inquiry Program and published practice guides to provide guidance for Illinois lawyers seeking to meet their professional allegations. She also provided assistance in the establishment of the Supreme Court's Professionalism Commission and its Minimum Continuing Legal Education program. Ms. Robinson was instrumental in the implementation of the Supreme Court's Client Protection Program and in furthering positive relationships with the Lawyers' Assistance Program, which conferred upon her the 2006 Carl H. Rolewick award, named for the founding ARDC Administrator. Ms. Robinson will remain active in the professional responsibility field, conducting programs and training, and serving as an expert witness and an ethics consultant.

Appointment of James J. Grogan as Deputy Administrator and Chief Counsel

Effective March 19, 2007, the ARDC Commissioners appointed James J. Grogan to serve in a new capacity as both the Deputy Administrator and Chief Counsel (DACC) of the agency. Mr. Grogan has worked for the ARDC since 1979, and in his new position, Mr. Grogan will perform administrative services for the Commissioners, be involved with sanctioning and procedural decisions in disciplinary cases, be responsible for maintaining effective relations between the ARDC and the organized bar, coordinate the ARDC's public outreach programs, and continue to manage media relations. Mr. Grogan has also investigated and tried countless discipline cases, arguing dozens of those cases in the Illinois Supreme Court. He has appeared as a speaker on ethics and professional responsibility issues in hundreds of programs throughout Illinois and nationally, has had a significant role in the development of several versions of the rules of conduct that

govern Illinois lawyers, and he is regularly consulted on professional responsibility issues by lawyers both within and outside the disciplinary field. Mr. Grogan is a Past President of the NOBC. He is a member of the Advisory Committee of the National Center for Prosecution Ethics of the National College of District Attorneys. Over the course of the past 20 years, he has taught legal ethics at the Loyola University of Chicago School of Law, where he is an Adjunct Professor, and the DePaul University College of Law.

C. Review Board Appointments

Appointment of David F. Rolewick upon the Retirement of Cheryl I. Niro

Effective September 15, 2006, the Court appointed David F. Rolewick of Wheaton to a three-year term to serve on the Review Board. Mr. Rolewick is a founding partner of the Wheaton law firm of *Rolewick & Gutzke, PC*. He has served in numerous positions in the Illinois State Bar Association and has been an ARDC hearing panel chair since 1994. In 2001, he was appointed by the Illinois Supreme Court to serve as Chairman of the Special Supreme Court Committee on Professionalism, and he was then named as Chairman of the Supreme Court Commission on Professionalism. In 2006, he was elected to serve as a Director of the Illinois Bar Foundation. Mr. Rolewick was admitted to practice in Illinois and received his J.D. from the Loyola University School of Law in 1971. He was appointed to fill the vacancy left by the appointment of Cheryl Niro to the Illinois Supreme Court Commission on Professionalism.

On March 1, 2006, the Court appointed Cheryl Niro as Executive Director of the Illinois Supreme Court Commission on Professionalism. Ms. Niro is a former president of the Illinois State Bar Association (1999-2000) and was formerly with the law firm of *Quinlan & Carroll* in Chicago. She served on the Review Board since 2001.

D. Hearing Board Appointments

Appointment of Arthur B. Smith as Chair of the Hearing Board

Arthur B. Smith was appointed to Chair of

the Hearing Board in March 2007, upon the resignation of John B. Whiton. Mr. Whiton relinquished his position as Chair of the entire Hearing Board, but he will continue to serve as a chair of a Hearing Board panel. Mr. Smith had been serving as Assistant Hearing Board Chair since April 2006. Mr. Smith was first appointed to the Inquiry Board in 1980 and later became a member of the Hearing Board, on which he has served since 1986. He is a partner in the labor and employment law firm of *Ogletree, Deakins, Nash, Smoak & Stewart, P.C.* in Chicago. He received his J.D. from the University of Chicago in 1969.

Appointment of Champ W. Davis, Jr., as Assistant Hearing Board Chair

Champ W. Davis, Jr., was appointed to serve as Assistant Hearing Board Chair upon the appointment of Arthur B. Smith as Chair. Mr. Davis was first appointed to the Hearing Board in 1986. He is a partner in the Chicago firm of *Davis McGrath, LLC*. He received his J.D. in 1966 from the University of Illinois.

VII. Financial Report

The Commission engaged the services of Legacy Professionals 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, 2006, including comparative data from the 2005 audited statements, are attached. In addition, a five-year summary of revenues and expenditures as reported in this and prior audited statements appears after the text in this section.

For 2006, Commission revenue from fees increased only 1.7% over fees collected 2005, a decrease from the 2.2% growth rate in 2005. Nevertheless, higher interest resulted in an overall 3.6% increase in all revenue. Expenditures decreased slightly, due primarily to the departure of staff, some of whom were not replaced and others of whom were replaced at lower salaries. At the end of 2006, the reserve would have funded operations for fewer than five months. In March 2006, the Commission submitted a fee increase request to the Supreme Court. The request noted that economic trends since 2000, when the Court last raised the portion of the annual fee that funds the ARDC,

impacted ARDC operations in three significant ways. First, revenues realized over the ensuing years were lower than had been projected. Second, the caseload, particularly the incidence and magnitude of conversion cases, soared. Third, the number and size of claims submitted and paid by the Client Protection Program grew. As a result, the ARDC reserve was shrinking and would soon be depleted without a fee increase. At the same time, the Commission became convinced that there should be a separate funding structure for the Client Protection Program that would accommodate the unpredictable nature of the claims and would allow the program to more effectively address the harm caused by dishonest lawyers in times when demands on disciplinary resources are also high.

The Commission requested that the Court consider raising its funding in two ways: 1) increase the portion of the annual fee that stays with the ARDC to fund registration and discipline from \$180 to \$205 for active lawyers licensed three or more years and from \$90 to \$105 for inactive lawyers and active lawyers licensed between one and three years; and 2) order an additional fee of \$25 to be paid by active lawyers licensed three or more years to fund the Client Protection Program, which was supported by the disciplinary fund. Combined, the two changes would increase the annual fee for most Illinois lawyers from \$239 to \$289. The Commission projected that such an increase would fund operations through 2010.

On September 14, 2006, the Court approved the Commission's fee increase request by amending Rule 756, effective for the 2007 registration year. The Commission then established a separate Client Protection Program Trust Fund for registration fees attributable to the Program. Due to the increase in revenue available to the Client Protection Program, the Commission amended Commission Rule 510, effective January 31, 2007, increasing the maximum payment on a claim from \$25,000 to \$50,000 and the maximum aggregate payments arising from the conduct of one attorney from \$250,000 to \$500,000. Nine other States have \$50,000 per-claim caps, and 15 have higher caps.

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

Five Year Summary of Operations:

	2006	2005	2004	2003	2002
Revenue					
Registration fees and delinquent charges	\$ 12,367,335	\$ 12,158,815	\$ 11,897,576	\$ 11,716,104	\$ 11,531,261
Investment income					
Interest	760,886	461,504	281,816	272,336	492,902
Net unrealized (depreciation) of investments	(15,138)	(10,906)	(86,014)	(83,150)	(74,221)
Costs reimbursements collected	80,237	128,036	106,223	65,374	131,012
Client protection reimbursements	43,543	34,785	30,041	-	-
Miscellaneous		2,240	-	1,293	23,955
Total revenue	<u>13,236,863</u>	<u>12,774,474</u>	<u>12,229,642</u>	<u>11,971,957</u>	<u>12,104,909</u>
Expenditures					
Salaries and related costs	8,732,119	8,688,348	8,522,136	8,042,551	7,554,563
Travel expenses	93,443	105,353	96,862	105,250	92,122
Library and continuing education	174,870	152,474	179,152	173,191	166,361
General expenses and office support	1,931,622	1,953,714	1,953,849	1,815,962	1,827,255
Computer expense	236,231	212,009	137,304	153,814	173,993
Other professional and case-related expenses	944,733	983,152	967,780	942,123	903,775
Client protection program payments	843,305	951,173	617,772	477,595	215,566
Depreciation and amortization expense	154,605	171,091	198,430	180,641	197,166
Total expenditures	<u>13,110,928</u>	<u>13,217,314</u>	<u>12,673,285</u>	<u>11,891,127</u>	<u>11,130,801</u>
Increase (decrease) in net assets	125,935	(442,840)	(443,643)	80,830	974,108
Unrestricted net assets					
Beginning of year	<u>5,025,890</u>	<u>5,468,730</u>	<u>5,912,373</u>	<u>5,831,543</u>	<u>4,857,435</u>
End of year	<u>\$ 5,151,825</u>	<u>\$ 5,025,890</u>	<u>\$ 5,468,730</u>	<u>\$ 5,912,373</u>	<u>\$ 5,831,543</u>
Other information at year end					
Number of active and registered attorneys	81,146	80,041	78,101	76,671	75,421
Registration fees					
More than one year and less than three years	\$ 90	\$ 90	\$ 90	\$ 90	\$ 90
More than three years	\$ 180	\$ 180	\$ 180	\$ 180	\$ 180
Inactive/out of state	\$ 90	\$ 90	\$ 90	\$ 90	\$ 90

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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying statements of financial position of Attorney Registration and Disciplinary Commission of the Supreme Court of Illinois (the Commission) as of December 31, 2006 and 2005 and the related statements of activities and of cash flows for the years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Attorney Registration and Disciplinary Commission of the Supreme Court of Illinois as of December 31, 2006 and 2005 and the changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Legacy Professionals LLP

March 15, 2007

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

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 861,451	\$ 10,002
Short-term investments	17,307,117	20,104,806
Accrued interest receivable	234,404	83,821
Accounts receivable	35,772	20,765
Prepaid expenses	<u>91,894</u>	<u>90,251</u>
Total current assets	18,530,638	20,309,645
PROPERTY AND EQUIPMENT - net	503,372	538,839
LONG-TERM INVESTMENTS	<u>4,281,479</u>	<u>430,767</u>
Total assets	<u>\$ 23,315,489</u>	<u>\$ 21,279,251</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Cash overdraft	\$ 223	\$ 496,601
Accounts payable and other accruals	885,692	1,109,135
Amounts held for others	1,310,852	1,789,210
Accrued vacation	294,875	282,126
Deferred registration fees	10,786,124	8,980,628
Deferred client protection program fees	1,175,196	-
Deposits	<u>8,113</u>	<u>11,382</u>
Total current liabilities	14,461,075	12,669,082
LONG-TERM LIABILITIES		
Accrued Medicare replacement funding	1,549,000	1,394,683
Deferred rent expense	<u>2,153,589</u>	<u>2,189,596</u>
Total long-term liabilities	<u>3,702,589</u>	<u>3,584,279</u>
Total liabilities	18,163,664	16,253,361
UNRESTRICTED NET ASSETS	<u>5,151,825</u>	<u>5,025,890</u>
Total liabilities and net assets	<u>\$ 23,315,489</u>	<u>\$ 21,279,251</u>

See accompanying notes to financial statements.

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

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
REVENUE		
Registration fees and delinquent charges	\$ <u>12,367,335</u>	\$ <u>12,158,815</u>
Investment income		
Interest	760,886	463,744
Net (depreciation) of investments	<u>(15,138)</u>	<u>(10,906)</u>
Total investment income	<u>745,748</u>	<u>452,838</u>
Cost reimbursements collected	<u>80,237</u>	<u>128,036</u>
Client protection reimbursements	<u>43,543</u>	<u>34,785</u>
Total revenue	<u>13,236,863</u>	<u>12,774,474</u>
EXPENDITURES		
Salaries and related expenses	8,732,119	8,688,348
Travel expenses	93,443	105,353
Library and continuing education	174,870	152,474
General expenses and office support	1,931,622	1,953,714
Computer expenses	236,231	212,009
Other professional and case-related expenses	944,733	983,152
Client protection program payments	843,305	951,173
Depreciation and amortization expense	<u>154,605</u>	<u>171,091</u>
Total expenditures	<u>13,110,928</u>	<u>13,217,314</u>
CHANGE IN NET ASSETS	125,935	(442,840)
UNRESTRICTED NET ASSETS		
Beginning of year	<u>5,025,890</u>	<u>5,468,730</u>
End of year	<u>\$ 5,151,825</u>	<u>\$ 5,025,890</u>

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 125,935	\$ (442,840)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net unrealized depreciation of investments	15,138	10,906
Depreciation and amortization expense	154,605	171,091
Investment security amortization	-	(5,729)
(Increase) decrease in assets		
Accounts receivable and accrued interest receivable	(165,590)	(56,345)
Prepaid expenses	(1,643)	3,736
Increase (decrease) in liabilities		
Accounts payable and other accruals	(223,443)	350,896
Amounts held for others	(478,358)	718,409
Accrued vacation	12,749	10,157
Deferred registration fees	1,805,496	(569,542)
Deferred client protection program fees	1,175,196	-
Deposits	(3,269)	3,654
Accrued Medicare replacement funding	154,317	155,018
Deferred rent expense	(36,007)	(1,072)
Net cash provided by operating activities	<u>2,535,126</u>	<u>348,339</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(33,097,486)	(31,168,842)
Maturities of investment securities	32,029,325	30,418,519
Acquisitions of property and equipment	<u>(119,138)</u>	<u>(160,904)</u>
Net cash (used in) investing activities	<u>(1,187,299)</u>	<u>(911,227)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	1,347,827	(562,888)
CASH AND CASH EQUIVALENTS - net of (cash overdrafts)		
Beginning of year	<u>(486,599)</u>	<u>76,289</u>
End of year	<u>\$ 861,228</u>	<u>\$ (486,599)</u>

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

NOTE 1. GENERAL PURPOSE DESCRIPTION

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

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 September 14, 2006, increased the annual registration fees for active lawyers licensed to practice law for three years or more from \$239 to \$289, the annual registration fees for active lawyers licensed to practice between one and three years and inactive lawyers from \$90 to \$105. The amendment also raised the fee for late payment of annual registration fees from \$10 to \$25 per month for every month that fees are delinquent. As amended, the Rule provides that \$25 of the fee paid by active lawyers licensed to practice three or more years shall be remitted to the Client Protection Program Trust Fund, to fund claims submitted to the Client Protection Program administered by the Commission pursuant to Supreme Court Rule 780. Prior to the amendment, the Commission funded the Client Protection Program by annually allocating a sum from the disciplinary fund. Rule 756 also provides that the Commission collect as part of the annual fee and remit the following amounts to the following other Supreme Court entities that are not administered by the Commission: \$42 to the Lawyers Trust Fund, \$10 to the Supreme Court Commission on Professionalism, and \$7 to the Lawyers Assistance Program Fund.
- Rule 756(f), added effective June 14, 2006 provides that as part of the annual registration process, lawyers must provide information about voluntary hours and money contributed to *pro bono* legal services. Lawyers who do not provide the information will be deemed not to be registered until they do. Pursuant to an amendment to Supreme Court Rule 766, also effective June 14, 2006, the information about voluntary *pro bono* contributions is deemed confidential and is to be reported publicly only in the aggregate.
- 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 fees and document duplication fees. The Commission is limited to collection of \$1,000 for cost reimbursements, absent exceptional circumstances (see Note 3).

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation - The financial statements are presented in accordance with Statement of Financial Accounting Standard No. 117, *Financial Statements of Not-for-Profit Organizations*, which requires the Commission to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Commission does not have any temporarily restricted or permanently restricted net assets.

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.

Accounts Receivable - Cost Reimbursements and Client Protection Program

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

Property and Equipment - Property and equipment are stated at cost. Major additions are capitalized while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently. Depreciation and amortization are provided over the estimated useful lives of the assets or asset groups, 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 property and equipment are as follows:

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

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. For U.S. Treasury bills, the difference between the cost and fair value is recorded as interest income.

Amounts Held for Others - Amounts held for others at December 31, 2006 and 2005 consist of funds collected for the Lawyers Assistance Program of \$155,415 and \$191,443, the Lawyers Trust Fund of \$933,257 and \$1,149,071, and the Supreme Court Committee on Professionalism of \$222,180 and \$448,696 respectively, which were remitted subsequent to year end.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 next year received in the current year.

Deferred Client Protection Program Fees - As mentioned in Note 1, \$25 of the registration fees paid by active lawyers licensed to practice three or more years shall be remitted to the Client Protection Program Trust Fund. Deferred client protection program fees represent the fees for next year received in the current year.

Deposits - Portions of these funds are the reinstatement deposits that accompany the petition of any attorney who is filing for reinstatement under rule 767. The amount the attorney actually owes will be assessed at the conclusion of the proceedings. Reinstatement deposits held at December 31, 2006 and 2005 are \$5,000 and \$4,500 respectively. The remaining deposits consist of funds owed by any attorney, who has been the subject of a disciplinary proceeding or who is in receivership, to the attorney's former clients who have not been located. At December 31, 2006 and 2005, the amounts held are \$3,113 and \$6,882 respectively.

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

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

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

Concentrations of Risk - The Commission places its cash with financial institutions deemed to be creditworthy. Cash balances may at times exceed federally insured deposit limits.

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

NOTE 3. 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. The Commission is limited to \$1,000 in cost reimbursement for each disciplined attorney, absent exceptional circumstances. During the years ended December 31, 2006 and 2005, the Commission regularly sought entry of judgments by the Court with interest at the rate charged by the State of Illinois for all invoices not paid within 30 days of the initial billing. This interest rate was 9% for both 2006 and 2005. The Commission has also established payment plans for disciplined attorneys.

NOTE 4. FUNCTIONAL EXPENSES BY NATURAL CLASSIFICATION

An analysis of the Commission's functional expenses, by natural classification, is as follows for the years ended December 31, 2006 and 2005:

	2006			
	Registration and <u>Discipline</u>	Client <u>Protection</u>	Administration and <u>Support</u>	<u>Total</u>
Salaries and related expenses	\$ 7,123,717	\$ 182,648	\$ 1,425,754	\$ 8,732,119
Travel expenses	73,821	901	18,721	93,443
Library and continuing education	142,684	3,302	28,884	174,870
General expenses and office support	1,592,579	34,779	304,264	1,931,622
Computer expenses	192,753	4,460	39,018	236,231
Other professional and case-related expenses	905,235	2,386	37,112	944,733
Client protection program payments	-	843,305	-	843,305
Depreciation and amortization expense	126,149	2,919	25,537	154,605
Total expenditures	<u>\$10,156,938</u>	<u>\$1,074,700</u>	<u>\$ 1,879,290</u>	<u>\$ 13,110,928</u>
	2005			
	Registration and <u>Discipline</u>	Client <u>Protection</u>	Administration and <u>Support</u>	<u>Total</u>
Salaries and related expenses	\$ 7,125,746	\$ 193,768	\$ 1,368,834	\$ 8,688,348
Travel expenses	78,902	1,134	25,317	105,353
Library and continuing education	124,264	3,527	24,683	152,474
General expenses and office support	1,606,855	43,364	303,495	1,953,714
Computer expenses	172,785	4,904	34,320	212,009
Other professional and case-related expenses	944,138	2,206	36,808	983,152
Client protection program payments	-	951,173	-	951,173
Depreciation and amortization expense	139,438	3,957	27,696	171,091
Total expenditures	<u>\$10,192,128</u>	<u>\$1,204,033</u>	<u>\$ 1,821,153</u>	<u>\$ 13,217,314</u>

NOTE 5. INVESTMENTS

Investments at December 31, 2006 and 2005 consist of the following:

	<u>2006</u>		<u>2005</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. Treasury notes and bills	\$ 19,426,081	\$ 19,418,496	\$ 17,571,792	\$ 17,587,650
Money market account	<u>2,170,100</u>	<u>2,170,100</u>	<u>2,947,923</u>	<u>2,947,923</u>
Total	<u>\$ 21,596,181</u>	<u>\$ 21,588,596</u>	<u>\$ 20,519,715</u>	<u>\$ 20,535,573</u>

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

The following table lists the maturities of securities held for the years ended December 31, 2006 and 2005:

	<u>2006</u>		<u>2005</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Due on demand or in one year or less	\$ 17,308,824	\$ 17,307,117	\$ 20,096,501	\$ 20,104,806
Due after one year to five years	<u>4,287,358</u>	<u>4,281,479</u>	<u>423,214</u>	<u>430,767</u>
Total	<u>\$ 21,596,182</u>	<u>\$ 21,588,596</u>	<u>\$ 20,519,715</u>	<u>\$ 20,535,573</u>

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2006 and 2005 consist of the following:

	<u>2006</u>	<u>2005</u>
Office furniture and equipment	\$ 1,320,533	\$ 1,316,309
Computer and related equipment	737,958	745,297
Library	69,784	63,494
Leasehold improvements	<u>355,840</u>	<u>349,980</u>
	2,484,115	2,475,080
Less accumulated depreciation and amortization	<u>(1,980,743)</u>	<u>(1,936,241)</u>
Property and equipment - net	<u>\$ 503,372</u>	<u>\$ 538,839</u>

NOTE 7. LEASE COMMITMENTS

The Commission leases its Chicago and Springfield offices under operating lease agreements. The Chicago office lease 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, 1996. Under the terms of an 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 \$1,218,634 in 2006 and \$1,217,924 in 2005.

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

Year ending December 31,	<u>Springfield</u>	<u>Chicago</u>	<u>Total</u>
2007	\$ 87,922	\$ 1,184,199	\$ 1,272,121
2008	89,365	1,138,709	1,228,074
2009	89,654	1,200,739	1,290,393
2010	91,096	1,376,221	1,467,317
2011	91,385	1,418,822	1,510,207
Remaining	<u>77,360</u>	<u>5,193,588</u>	<u>6,780,570</u>
	<u>\$ 526,782</u>	<u>\$ 11,512,278</u>	<u>\$ 13,548,682</u>

NOTE 8. MEDICARE REPLACEMENT RESERVE TRUST

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

Previously, the Commission had committed to pay the future cost of Medicare premiums for former employees who were employed by the Commission and met certain criteria before March 31, 1986. Furthermore, the Commission agreed to pay 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.

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

NOTE 8. MEDICARE REPLACEMENT RESERVE TRUST (CONTINUED)

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

Measurement date	January 1, 2005
Actuarial cost method	Projected unit credit method
Actuarial assumptions	Mortality - 1994 GAR Discount rate - 5.5% Expected return on assets - 5.5% Retirement will occur between ages 55 and 65 Medical trend ultimate - 4.5%

The following were changes in the actuarial assumptions:

- The discount rate was lowered from 6.50% to 5.50%.
- The health care cost ultimate trend rate assumption was changed from 5.0% being reached in 2008 to 4.5% being reached in 2009.
- The mortality rate table was changed from 1983 GAM to 1994 GAR.

The effect of a 1% increase in health care cost trend assumption would be an increase of \$27,623 on total service cost and interest cost components.

The net periodic postretirement benefit cost and accumulated postretirement benefit obligations are as follows:

	<u>2006</u>	Actuarial Valuation <u>2005</u>
Net periodic postretirement benefit cost:		
Service cost	\$ 70,415	\$ 70,415
Interest cost	83,673	83,673
Amortization	7,965	7,965
Expected return	(65,540)	(65,540)
Expected benefit payments	<u>(7,736)</u>	<u>(7,035)</u>
Total	<u>\$ 88,777</u>	<u>\$ 89,478</u>
		Actuarial Valuation
	<u>2006</u>	<u>2005</u>
Accumulated postretirement benefit obligations:		
Benefit obligation, January 1	\$ 1,394,683	\$ 1,239,665
Service cost	70,415	70,415
Interest cost	83,673	83,673
Amortization	7,965	7,965
Benefits paid	<u>(7,736)</u>	<u>(7,035)</u>
Benefit obligation, December 31	<u>\$ 1,549,000</u>	<u>\$ 1,394,683</u>

NOTE 8. MEDICARE REPLACEMENT RESERVE TRUST (CONTINUED)

The accrued Medicare replacement funding liability at December 31, 2006 and 2005 represents:

	<u>2006</u>	<u>2005</u>
Estimated benefit obligation at January 1	\$ 1,394,683	\$ 1,239,665
Benefit expense for the year end	<u>154,317</u>	<u>155,018</u>
Estimated benefit obligation at December 31	<u>\$ 1,549,000</u>	<u>\$ 1,394,683</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 and applicable discount rates.

The Commission maintains a separate trust for the Medicare replacement reserve. The trust fund assets are included in the Commission's investments (see Note 5). The trust fund assets at fair value for the years ended December 31, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
U.S. Treasury notes and bills	\$ 1,352,730	\$ 1,287,614
Money market account	59,197	6,397
Accrued interest receivable	<u>18,657</u>	<u>5,922</u>
	<u>\$ 1,430,584</u>	<u>\$ 1,299,933</u>

NOTE 9. EMPLOYEE BENEFIT PLANS

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 8, 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 \$1,151,567 in 2006 and \$1,148,472 in 2005. The Commission also pays the plan's administrative expenses, which totaled \$93,973 in 2006 and \$79,310 in 2005.

The Commission also maintains a Section 457 savings plan which is entirely funded by voluntary pre-tax employee contributions. The Commission paid the savings plan's administrative expenses, which totaled \$3,760 in 2006 and \$3,050 in 2005.

NOTE 10. LITIGATION

Various complaints and actions have been filed against the Commission. At December 31, 2006, the Commission believes that pending matters do not present any serious prospect of negative financial consequences.