



Annual Report of 2018

Attorney Registration & Disciplinary Commission

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ARDC Mission

As an administrative agency of the Supreme Court of Illinois, the ARDC assists the Court in regulating the legal profession through attorney registration, education, investigation, prosecution and remedial action.

Through our annual registration process, we compile a list of lawyers authorized to practice law. We provide ready access to that list so that the public, the profession and courts may access lawyers' credentials and contact information.

We educate lawyers through seminars and publications to help them serve their clients effectively and professionally within the bounds of the rules of conduct adopted by the Court. We provide guidance to lawyers and to the public on ethics issues through our confidential Ethics Inquiry telephone service.

The ARDC handles discipline matters fairly and promptly, balancing the rights of the lawyers involved and the protection of the public, the courts and the legal profession. Grievances are investigated confidentially. Disciplinary prosecutions are adjudicated publicly and result in recommendations to the Court for disposition. Our boards consist of independent, diverse groups of volunteer lawyers and non-lawyers who make recommendations in disciplinary matters.

We advocate for restitution and other remedial action in disciplinary matters. We seek to provide reimbursements through our Client Protection Program to those whose funds have been taken dishonestly by Illinois lawyers who have been disciplined.



ARDC Annual Report of 2018 written and compiled by Mary F. Andreoni, Education Counsel, ARDC.



ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
of the
SUPREME COURT OF ILLINOIS

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Chicago
April 30, 2019

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 2018 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 2018 and an accounting and audit of the monies received and expended during the twelve-month period that ended December 31, 2018.

Respectfully submitted,

David F. Rolewick, Chairperson
Timothy L. Bertschy, Vice-Chairperson
Karen Hasara
Bernard M. Judge
John H. Simpson
Cedric D. Thurman
J. Nelson Wood, Commissioners

Jerome Larkin, Administrator
James J. Grogan, Deputy Administrator &
Chief Counsel

A Report of the Activities of the ARDC in 2018

I. Educational and Outreach Programs

To meet the needs of a constantly evolving and diverse legal profession and the community it serves, the development of quality education and outreach programs is a significant part of the ARDC's mission. Through seminars, publications and outreach on the ethical duties of lawyers, the ARDC helps lawyers serve their clients effectively and professionally, protects clients and the public from harm, and assists the public in understanding the legal system and the duties of lawyers.

The educational and outreach efforts of the ARDC in 2018 include:

A. Proactive Management-Based Regulation (PMBR) Course

The ARDC implemented a new, first-in-the-nation, self-assessment program for practicing lawyers who do not carry malpractice insurance. Known as Proactive Management-Based Regulation (PMBR), the PMBR course was launched in late December 2017 on the ARDC website. Illinois became the first state in the country to adopt the PMBR approach. *See* Illinois Supreme Court Press Release, Jan. 25, 2017. PMBR is part of the ARDC's effort to focus on prevention over prosecution. The intent of PMBR is to assist lawyers in developing ethical law practice systems that in turn will improve lawyers' competence and minimize practices that result in malpractice and disciplinary misconduct.

Beginning with the 2019 registration year, Illinois lawyers in private practice who reported that they did not have malpractice insurance were required to complete a four-hour interactive, online self-assessment regarding the operation of their law firm in order to register. Lawyers also earn four hours of free professional responsibility CLE credit in Illinois.

The chart below summarizes the PMBR fulfillment requirement. Of the 7,186 lawyers required to take PMBR, 5,303 completed the course and another 1,533 lawyers became exempt from this requirement because they obtained malpractice insurance (785), changed their registration status (226), or reported that they are no longer currently practicing law (198). As of April 1, 2019, 350 lawyers have not complied with PMBR and 210 of those were removed from the Master Roll as a result. Another 140 lawyers are subject to removal.

PMBR Fulfillment Summary	
# of Attorneys	Fulfillment Status
5,303	Completed PMBR Course
785	Obtained Malpractice Insurance
226	Status Change
203	No Longer in Private Practice
198	No Longer Practice Law
114	No Longer Have Outside Private Practice
7	Administrative
350	Not Complied
7,186	Total in PMBR Group

The course includes instruction on best business practices and skills from a number of experienced professionals and presents interactive scenarios, and knowledge checks and quiz questions. At the end of each module, lawyers receive an individualized self-assessment printout documenting the results of each module's self-assessment quiz. The results of the self-assessment are solely for the educational benefit of the lawyer taking the module and are confidential. Initial reviews from lawyers that have taken the course have been very positive. Lawyers who take all eight parts earn up to four hours of free Illinois professional responsibility credit. The PMBR course is divided into the following eight interactive modules:

- *PMBR Module #1: The Intersection of Technology & Ethics: Protecting Client Information*
- *PMBR Module #2: Conflicts of Interest: Ensuring Undivided Loyalty*
- *PMBR Module #3: Fees, Costs and Billing Practices: Getting Paid Ethically*
- *PMBR Module #4: Attorney-Client Relations: Effectively Connect & Communicate with Clients*
- *PMBR Module #5: Client Trust Accounts*
- *PMBR Module #6: Attorney Wellness*
- *PMBR Module #7: Civility and Professionalism*
- *PMBR Module #8: Diversity & Inclusion: Culturally-Competent Lawyering*

Lawyers in private practice who maintain malpractice insurance and lawyers not in private practice are able to take the course and are encouraged to do so. An additional 3,387 lawyers who were not required to take PMBR completed at least one of the modules for CLE credit in 2018; 1,053 completed all eight modules.

The PMBR course is in addition to other free ARDC CLE on-demand recorded webcasts available on the ARDC website. The feedback from lawyers, regardless of whether they were required to take PMBR, has been very positive. The PMBR course modules are accessible directly on the ARDC website at www.iardc.org/pmbr.html.

B. Diversity and Inclusion Initiative

The ARDC Diversity and Inclusion (D&I) initiative, established by the ARDC in July 2015, provides leadership and direction for diversity and inclusion at the ARDC, enhances the diversity and cultural competence at all levels of the Commission, and contributes to efforts to increase diversity and inclusion in the legal profession and in the community in general.

Through sustained and pervasive efforts to incorporate diversity and inclusion into the ARDC's work both within the organization and through its outreach work in the legal community and the public, the ARDC is focused on improving the disciplinary process and the delivery of its services in a way that is fair and responsive to a rapidly changing demographic population.

The Commission's D&I efforts of the ARDC D&I Director, the D&I Committee and staff throughout the year include:

Diversity and Inclusion Outreach Efforts in the Legal and Broader Community

- Maintaining relationships with affinity bar associations and establishing staff liaisons/point of contact to 14 local affinity bar associations for historically marginalized groups.
- Hosting annual affinity bar luncheon meetings to foster open communication and exchange of ideas.

- Providing CLE webcasts accredited for D&I credit and available free of charge on the ARDC website.
- Offering our CLE services to a broader audience.
- Establishing a relationship with the pre-law high school program at Farragut High School.

Diversity and Inclusion Efforts within the Commission

- Extending and improving efforts to recruit a more diverse pool of board members.
- Engaging consultants to conduct confidential interviews to identify D&I strengths and opportunities and development training sessions for ARDC staff and leadership.
- Educating the entire ARDC staff on issues of bias, cultural identity, and inclusive leadership.
- Implementing senior leadership team education sessions to learn to use D&I to enhance communication, align on organizational goals, and clarify roles and responsibilities as the Commission conducts a succession planning analysis.
- Reinstating exit interview procedures.
- Educating ARDC Board members on the topic of unconscious bias at the annual ARDC Board seminar.
- Capturing demographic data of staff and board members.
- Partnering with local not-for-profit organizations to include artwork in ARDC offices.

C. Lawyer Well-Being Initiative

Lawyers are at a much higher risk than other professionals for alcohol abuse, depression, anxiety, and stress. The prevalence of substance abuse and other mental health concerns is seen with lawyers facing disciplinary charges. Over 25% of lawyers that are disciplined each year are identified as suffering from an addiction or mental illness. *See* Chart 21D, at Page 39 and *ARDC 2007 Annual Report*, at Page 28. The ARDC is focused on finding ways to improve wellness in the profession and take practical steps for positive change. The ARDC has adopted regulatory objectives that prioritize lawyer well-being and endorse well-being as part of a lawyer's duty of competence; expanded continuing education programming to include well-being topics; implemented a referral program that allows the ARDC to share lawyer well-being information with lawyer assistance programs; and adopted diversion programs.

The ARDC's lawyer well-being efforts in 2018 included:

- **Referrals to the Illinois Lawyers' Assistance Program (LAP).** Supreme Court Rule 766 allows the Administrator to make referrals to LAP during an otherwise confidential stage of a matter, when the investigation has revealed reasonable cause to believe that a lawyer is or may be addicted to or abusing drugs or alcohol or may be experiencing a mental health condition or other problem impairing the lawyer's ability to practice law. In addition to continuing to refer all cases in which there is an indication of a substance or mental health issue, the ARDC implemented new LAP referral guidelines in 2017 to include the referral to LAP of all respondents subject to a DUI or criminal case involving substance abuse or mental illness issues as well as lawyers who default in their disciplinary proceedings. Since implementing the above LAP referral guidelines, the documented ARDC referrals to LAP continue to increase. In 2018, there were 46 referrals made to LAP from the ARDC as compared to 40 referrals in 2017 and 11 in 2016.
- **Diversion Program under Com. Rules 54 and 56.** The Diversion Program allows for closure of an investigation by the ARDC in certain matters if the lawyer agrees to complete one or more activities, services or programs that address the issues that may be causing grievances. Diversion is available in all circumstances except those involving misappropriation, certain criminal acts, unreimbursed injury, and dishonesty, fraud, deceit or misrepresentation. The objective of the

diversion program is to encourage early identification and resolution of issues that negatively affect an attorney's ability to properly represent clients and that contribute to grievances and, in addition, to provide assistance to the attorney to rectify those issues and engage with appropriate services. In 2018, there were three diversion matters.

- **Mental Health/Substance Abuse Education: ARDC Attorney Wellness Webcasts.** The ARDC has two, free on-demand webcasts on the ARDC website accredited for mental health/substance abuse professional responsibility CLE credit in Illinois. Nearly 10,000 lawyers have viewed these webcasts for CLE credit in 2018:
 - *Attorney Well-Being: The Intersection of Physical, Spiritual and Emotional Wellness* (1 hr.); and
 - *Attorney Wellness*, a PMBR module (0.25 hr.).

D. MCLE Accredited Seminars Sponsored by the Commission

The ARDC is a leading CLE provider in Illinois. The ARDC produces recorded MCLE accredited webcasts, free of charge and available on the ARDC website, to provide professional responsibility training and ethics education to the profession. In 2018, there were 21 on-demand, recorded webcasts on the ARDC website. There were over 72,000 course completions of ARDC webcasts in 2018, earning lawyers over 48,000 hours of Illinois-accredited professional responsibility CLE credit. As an accredited MCLE provider in Illinois, ARDC webcast offerings aid Illinois lawyers seeking professional responsibility CLE, including the new mental health/substance abuse and diversity/inclusion CLE requirements. Those recorded webcasts, including the PMBR course, can be accessed on the ARDC website at www.iardc.org/CLE_Opening_Page.pdf.

E. Speaking Engagements

As part of the ARDC's outreach efforts and as a service to the Illinois bar, the ARDC has offered experienced presenters to speak to lawyer and citizen groups. In 2018, ARDC Commissioners and staff members made 315 presentations, at no charge, to bar associations, government agencies, law-related organizations, schools and civic organizations throughout the state and country on a variety of subjects related to lawyer regulation. Most of these presentations were in-person and gave lawyers and the public the opportunity to meet with ARDC staff. Also, several ARDC staff lawyers participate as instructors at National Institute for Trial Advocacy Training (NITA) as well as at Illinois law schools, and volunteer at local pre-law high school programs.

F. Ethics Inquiry Program

The ARDC Ethics Inquiry Program assists attorneys and the general public with general questions about a lawyer's professional responsibilities. Since the Program began in October 1995, the Program has provided help to thousands of callers each year. In 2018, staff lawyers responded to 4,083 calls from lawyers providing research assistance and guidance regarding ethics issues and the Illinois Rules of Professional Conduct, free of charge. A lawyer's mandatory duty to report lawyer or judicial misconduct under Rule 8.3 of the Illinois Rules of Professional Conduct and the handling of client trust funds continue to be the greatest areas of inquiry posed to the Commission's Ethics Inquiry Program.

The goal of the Program is to help lawyers understand their professional obligations and assist them in resolving important issues in their practice. The Program provides lawyers with information about

professional responsibility law, legal precedent, bar association ethics opinions, law review articles and practical guidelines. The Program also aids the public in understanding the obligations that lawyers owe to the courts, clients and the profession.

Lawyers with inquiries are requested to present their questions in the hypothetical form, and callers may remain anonymous if they so choose. No record is made of the identity of the caller or the substance of the specific inquiry or response. The fact that an inquiry has been made, its content or the response are inadmissible in any attorney discipline proceeding. To make an inquiry, please call the Commission offices in Chicago (312-565-2600) or Springfield (217-546-3523). Additional information about the Program can be obtained at: www.iardc.org/ethics.html.

G. Publications

ARDC lawyers frequently write alerts, e-blasts, newsletters and articles on a wide range of legal ethics topics and emerging trends for publication including authoring a series of articles that appear in the Illinois Supreme Court's monthly newsletter, *Illinois Courts Connect*. These publications and resources can be explored on the ARDC website at www.iardc.org. The ARDC website also provides links to the rules governing Illinois lawyers as well as press releases on the latest developments concerning lawyer regulation.

H. Commission Website

The ARDC website (www.iardc.org) is a vital tool in the ARDC's education and outreach efforts. In 2018, there were over 1.5 million visits to the ARDC website. An important source of information to the public and the legal profession about all aspects of the regulation of the legal profession in Illinois, the Lawyer Search function was the most visited feature in 2018 on the website with over 84% in page lookups. The Lawyer Search feature provides ready access to the public, the profession, and the judiciary to lawyers' credentials and contact information.

The ARDC website also includes information about the ARDC investigative process and how to request an investigation, a schedule of public hearings and arguments on public disciplinary matters pending before the Hearing and Review Boards, and a searchable database of disciplinary decisions issued by the Supreme Court and reports filed by the disciplinary boards. Also available on the site is information about the Client Protection Program and claim forms as well as information about the Ethics Inquiry Program, and links to other legal ethics research sites.

The ARDC website handles as well all registration matters for over 94,000 lawyers each year and is a portal for ARDC education and CLE programming for Illinois lawyers. In 2018, the ARDC website had 21 on-demand, free CLE webcasts providing 15 hours of professional responsibility CLE credit. There were over 72,000 on-line course completions of ARDC webcasts in 2018.

II. Registration Report

A. Master Roll Demographics

The 2018 Master Roll of Attorneys for the state of Illinois numbered 94,608 attorneys at the end of the 2018 registration year, comprised mostly of Active and Inactive status lawyers. There were 170 fewer registered lawyers in 2018 than in 2017, a net decrease of 0.2%, marking the first time the Illinois lawyer population did not increase over the previous year since the Commission was established in 1973. The total number of Active and Inactive registered lawyers for 2018 does not include the 1,334 attorneys who first took their oath of office in November or December 2018, when the Commission began the 2019 registration process. See Chart 25A (2004-2018), at Page 43; ARDC Annual Reports (1973-2018) are at www.iardc.org/AnnualReports.html

Each year lawyers are required to register on-line and provide certain practice-related information. Charts 1 through 5 set forth Master Roll general demographic information for the lawyer population. Charts 6 through 7 provide more detailed practice-related information. The information contained in these charts provides valuable insight into the practice of law in Illinois.

Chart 1 provides information on age, gender and years in practice. There were no significant changes in this data over the prior year. There is a suggestion, however, that the number of older lawyers is decreasing within the profession in Illinois. Lawyers between 20 and 30 years in practice, 30 years or more in practice, and aged 50 to 74 years old all decreased by 1% in 2018. Conversely, there was a 2% increase in the number of lawyers less than 5 years in practice as well as a 1% increase in lawyers aged 21 to 29 years of age.

Chart 1: Age, Gender and Years in Practice for Attorneys Registered in 2018

Age	
21-29 years old	4%
30-49 years old	49%
50-74 years old	44%
75 years old or older	3%
Gender	
Female	38%
Male	62%
Non-binary	<0.01%
Years in Practice	
Fewer than 5 years	11%
Between 5 and 10 years	15%
Between 10 and 20 years	26%
Between 20 and 30 years	21%
30 years or more	27%

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

Chart 2: Registration Categories for 2018

<i>Category</i>	<i>Number of Attorneys</i>
Admitted between January 1, 2017, and October 31, 2018	1,908
Admitted between January 1, 2015, and December 31, 2016.....	3,741
Admitted before January 1, 2015.....	72,685
Serving active military duty.....	371
Spouse of active military attorney under Rule 719.....	3
Serving as judge or judicial clerk	1,791
In-House Counsel under Rule 716.....	574
Foreign Legal Consultant under Rule 713	12
Legal Service Program Counsel under Rule 717.....	20
<i>Pro Bono</i> Authorization under Rule 756(k).....	99
<i>Pro Hac Vice</i> under Rule 707	1,410
Inactive status	11,994
Total Active and Inactive Attorneys Currently Registered	94,608

64,679 or 68.4% of registered active and inactive attorneys reported a principal address in Illinois, a 0.7% increase over the last year. Charts 3 and 4 show the distribution by Judicial District, Circuit and County. Only Cook County and the Fifth Judicial District experienced slight gains in lawyer population. Similarly, the 102 counties experienced a negligible change in their lawyer population since 2017.

Chart 3: Registered Active and Inactive Attorneys by Judicial Districts: 2014-2018

	2014	2015	2016	2017	2018		2014	2015	2016	2017	2018
First District											
Cook County.....	45,171	45,487	45,210	45,292	45,834						
Second District						Fourth District					
15 th Circuit.....	200	197	196	185	186	5 th Circuit.....	247	238	235	223	225
16 th Circuit.....	1,171	1,159	1,157	1,144	1,140	6 th Circuit.....	852	848	830	820	825
17 th Circuit.....	787	796	778	784	787	7 th Circuit.....	1,285	1,289	1,280	1,265	1,256
18 th Circuit.....	4,362	4,352	4,308	4,299	4,307	8 th Circuit.....	186	181	179	176	177
19 th Circuit.....	3,123	3,117	3,100	3,021	2,986	11 th Circuit.....	662	657	674	673	669
22 nd Circuit.....	563	568	570	572	569	Total	3,232	3,213	3,198	3,157	3,152
23 rd Circuit+.....	277	280	266	263	268						
Total	10,483	10,469	10,375	10,268	10,243						
+circuit eff. 12/3/12											
Third District						Fifth District					
9 th Circuit.....	186	185	173	170	168	1 st Circuit.....	446	444	448	432	435
10 th Circuit.....	917	931	916	890	875	2 nd Circuit.....	304	304	285	288	291
12 th Circuit.....	945	960	950	957	964	3 rd Circuit.....	737	739	759	762	761
13 th Circuit.....	319	318	308	306	304	4 th Circuit.....	255	256	248	248	245
14 th Circuit.....	488	488	486	470	460	20 th Circuit.....	814	817	806	801	808
21 st Circuit.....	142	138	133	134	139	Total	2,556	2,560	2,546	2,531	2,540
Total	2,997	3,020	2,966	2,927	2,910						
						Grand Total	64,439	64,749	64,295	64,175	64,679

29,929 or 31.6% of registered attorneys reported a principal address outside Illinois. Last year, the corresponding number was 30,603 or 32.3%. The top five jurisdictions where these lawyers are located continues to be: Missouri, California, Indiana, Texas, and Florida. These 29,929 attorneys registered as either active (67.6%) and able to practice under the auspices of their Illinois license or inactive (32.4%). None of these attorneys are included in Charts 3 and 4.

Chart 4: Registered Active and Inactive Attorneys by County for 2017-2018

<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>2017</u>	<u>2018</u>		<u>2017</u>	<u>2018</u>		<u>2017</u>	<u>2018</u>
Adams.....	113.....	116	Hardin	4	4	Morgan	41	41
Alexander	6.....	6	Henderson	8	8	Moultrie	11	11
Bond	12.....	13	Henry	51	50	Ogle	49	50
Boone	49.....	47	Iroquois	20	21	Peoria.....	756.....	741
Brown	10.....	10	Jackson.....	195	197	Perry	23	24
Bureau	29.....	27	Jasper	9	9	Piatt.....	20	21
Calhoun	5	4	Jefferson.....	117	118	Pike.....	11	10
Carroll.....	11.....	12	Jersey	18	18	Pope.....	5	3
Cass	9	7	Jo Daviess	36	35	Pulaski	4	4
Champaign.....	529.....	536	Johnson	11	11	Putnam.....	10	10
Christian	40.....	36	Kane.....	1,144	1,140	Randolph	26	27
Clark.....	14.....	15	Kankakee	114	118	Richland	22	22
Clay	12.....	12	Kendall.....	100	97	Rock Island.....	335.....	328
Clinton.....	26.....	27	Knox	53	51	Saline	33	37
Coles.....	80.....	81	Lake	3,021	2,986	Sangamon	1,146.....	1,137
Cook	45,292.....	45,834	LaSalle	205	205	Schuyler.....	8	9
Crawford.....	18.....	19	Lawrence.....	15	16	Scott.....	6	7
Cumberland	8.....	7	Lee	38	37	Shelby	16	15
DeKalb	163.....	171	Livingston	43	45	St. Clair.....	701.....	701
DeWitt	17.....	16	Logan	24	23	Stark	7	6
Douglas	20.....	19	Macon	223	222	Stephenson.....	51	52
DuPage	4,299.....	4,307	Macoupin	38	37	Tazewell	107	108
Edgar	19.....	21	Madison	750	748	Union.....	27	28
Edwards	4	4	Marion.....	40	43	Vermilion.....	102	101
Effingham.....	57.....	56	Marshall	10	10	Wabash	15	16
Fayette.....	25.....	24	Mason.....	10	11	Warren.....	19	22
Ford	12.....	12	Massac	16	16	Washington.....	21	23
Franklin	52.....	50	McDonough	45	43	Wayne.....	11	11
Fulton	30.....	30	McHenry	572	569	White.....	12	12
Gallatin.....	8	8	McLean	568	563	Whiteside.....	78	76
Greene	16.....	16	Menard	10	10	Will.....	957.....	964
Grundy.....	72.....	72	Mercer.....	6	6	Williamson	135	133
Hamilton.....	10.....	11	Monroe.....	30	33	Winnebago.....	735.....	740
Hancock.....	15.....	14	Montgomery.....	23	23	Woodford.....	26	26
						Grand Total.....	64,175.....	64,679

Chart 5A shows the trend of removals from the Master Roll between 2014 and 2018. Reflecting changing demographics, the number of lawyers electing Retired status since 2015 continues to be over 1,000 of all removals each year. Lawyers electing retirement status constitutes 45% of all removals in 2018.

Chart 5A: Attorney Removals from the Master Roll: 2014 – 2018 Registration Years

Reason for Removal	2014	2015	2016	2017	2018
Registration non-compliance	1,228	1,155	1,135	1,644	1,286
Deceased	348	475	288	223	287
Retired	833	1,334	1,354	1,262	1,458
Disciplined	68	57	52	52	61
MCLE General non-compliance	70	109	111	128	120
MCLE Basic Skills non-compliance	7	33	24	22	16
Total	2,554	3,163	2,964	3,331	3,228

Supreme Court Rule 707 was amended in 2013 to permit an eligible out-of-state attorney to appear *pro hac vice* in an Illinois proceeding if the out-of-state lawyer meets licensure and other eligibility requirements, has an association with an active status Illinois attorney who files an appearance in the proceeding, and files a verified Statement with the tribunal. No order of the tribunal permitting the appearance is required. However, the attorney must serve the verified Statement on the ARDC, register annually with the ARDC, and pay an annual registration fee (\$121) as well as a \$250 per-proceeding fee to the ARDC, as required by Supreme Court Rule 707. \$175 of this per-proceeding fee is remitted to the Illinois Supreme Court Commission on Access to Justice (AJC) and \$75 is retained by the ARDC. Chart 5B below shows *pro hac vice* activity for 2014-2018, including the total AJC and ARDC per-proceeding fees collected.

Chart 5B: Pro Hac Vice Activity: 2014*-2018

	Number of Lawyer Pro Hac Vice Submissions	Number of Lawyers Registered	Number of Proceedings	Total AJC Per-Proceeding Fees	Total ARDC Per-Proceeding Fees
2014	772	864	1,097	\$159,540	\$70,800
2015	782	1,078	1,199	\$184,508	\$78,379
2016	946	1,500	1,084	\$190,988	\$81,750
2017	925	1,592	1,134	\$187,283	\$80,471
2018	898	1,617	1,060	\$171,021	\$73,471

* 2014 was the first full calendar year after amended Supreme Court Rule 707 became effective July 1, 2013.

B. Practice-Related Demographics

Lawyers must report *pro bono*, trust account, malpractice insurance information, and other practice-related information during the annual registration process as required by Supreme Court Rule 756(c) through (g). Under Supreme Court Rule 756(h), a lawyer is not registered if the lawyer fails to provide any of this information. Most of the data collected under the rule is confidential except for the contact information provided in most attorneys' listings on the Master Roll and whether a lawyer maintains malpractice insurance. The following are the aggregate reports of information received for the 2018 registration year.

1. Report on Law Practice Information

Beginning with the 2017 registration year, lawyers on Active status and engaged in the practice of law must provide certain practice related information which includes the type of entity at which the lawyer practices law, the number of lawyers in that organization, whether the entity has an ethics or compliance officer or general counsel, and whether that organization has established a written succession plan. Information provided is confidential and is permitted to be reported in the aggregate under the rule. Of the 82,614 responses from lawyers with an Active registration status for 2018, 72,952 or 88.3% indicated that they are currently practicing law. The following are the aggregate reports received for the 2018 registration year as well as a comparison of how that practice information may have changed from 2017.

a. Practice Setting

Of the 72,952 Active status lawyers currently engaged in the practice of law, 68.5% or 49,970 are in a private setting.

**Chart 6A: 2017-2018 Practice Setting Disclosure Reports:
Active Status Lawyers and Currently Practicing Law**

Practice Setting	Number Responding		Practice Size % of Total	
	2017	2018	2017	2018
Private Practice	49,444	49,970	68.6%	68.5%
Corporate In-house	10,080	10,423	14.0%	14.3%
Government/Judge	8,209	8,321	11.4%	11.4%
Other	2,297	2,233	3.2%	3.1%
Not-for-profit	1,428	1,544	2.0%	2.1%
Academia	604	461	0.8%	0.6%
Total	72,062	72,952		

b. Practice Size

Of the 49,970 of lawyers with an Active status license, engaged in the practice of law, in private practice, 27.4% practice as sole practitioners. Sole practitioners and lawyers in firms of 2 to 10 lawyers account for 53.9% of lawyers actively practicing in private practice; however, there was a nearly 1% decrease from the year prior, and also a slight decrease in the number of lawyers in law firms of 11 to 25 lawyers. Firms of lawyers with more than 25 lawyers increased 1.1% over 2017.

***Chart 6B: 2017-2018 Practice Size Disclosure Reports:
Active Status Lawyers, Currently Practicing Law and In Private Practice***

Practice Size of Lawyers in Private Practice	Number Responding in Practice Category		Practice Size % of Total Engaged in Private Practice	
	2017	2018	2017	2018
Solo Firm	13,798	13,699	27.9%	27.4%
Firm of 2-10 Attys.	13,282	13,224	26.9%	26.5%
Firm of 11- 25 Attys.	4,854	4,817	9.8%	9.6%
Firm of 26-100 Attys.	5,150	5,605	10.4%	11.2%
Firm of 100 + Attys.	12,360	12,625	25.0%	25.3%
Total	49,444	49,970		

c. Ethics or Compliance Officer or General Counsel

Active status lawyers engaged in the practice of law must disclose whether the entity at which they practice law has an ethics, compliance officer or general counsel under Rule 756(g). The disclosure reports of the 49,970 Active status lawyers currently engaged in the private practice of law are shown in Chart 6C.

**Chart 6C: Ethics, Compliance Officer or General Counsel Disclosure Reports:
Active Status Lawyers, Currently Practicing Law and In Private Practice: 2017-2018**

Practice Size of Lawyers in Private Practice	% of Reponses by Practice Size Yes		% of Reponses by Practice Size No	
	2017	2018	2017	2018
	Solo Firm	11.1%	11.6%	88.9%
Firm of 2-10 Attys.	15.1%	16.6%	84.9%	83.4%
Firm of 11- 25 Attys.	31.1%	33.4%	68.9%	66.6%
Firm of 26-100 Attys.	59.7%	61.6%	40.3%	38.4%
Firm of 100 + Attys.	96.0%	95.8%	4.0%	4.2%

d. Succession Planning

Under Rule 756(g), Active status lawyers engaged in the practice of law must disclose whether the entity at which they practice law has established a written succession plan. A succession plan is a plan for how the law firm will function in the event of the lawyer’s death, disability or other inability to continue a law practice. At a minimum, such a plan should identify another person, preferably a lawyer, who agrees to assume responsibilities for notifying clients and disposing of client-related materials and other property. This is particularly critical for lawyers in a solo practice. Of the 13,699 Active status lawyers that identify as solo practitioners engaged in the private practice of law, only 17.7% reported that they have a written succession plan, a slight increase of 0.5 % over the prior year. 76.1% reported that they do not have a written succession plan and 6.2% indicated that they are not sure of whether they have a plan in place.

***Chart 6D: 2017-2018 Succession Planning Disclosure Reports:
Active Status Lawyers, Currently Practicing Law and In Private Practice***

Practice Size of Lawyers in Private Practice	Number Responding in Practice Category		% Succession Planning Responses By Practice Size					
			Yes		No		Not Sure	
	2017	2018	2017	2018	2017	2018	2017	2018
Solo Firm	13,798	13,699	2,369 17.2%	2,425 17.7%	10,587 76.7%	10,431 76.1%	842 6.1%	843 6.2%
Firm of 2-10 Attys.	13,282	13,224	3,372 25.4%	3,497 26.4%	4,926 37.1%	4,921 37.2%	4,984 37.5%	4,806 36.4%
Firm of 11- 25 Attys.	4,854	4,817	1,535 31.6%	1,521 31.5%	850 17.5%	851 17.7%	2,469 50.9%	2,445 50.8%
Firm of 26-100 Attys.	5,150	5,605	1,867 36.2%	2,212 39.5%	770 15%	806 14.4%	2,513 48.8%	2,587 46.1%
Firm of 100 + Attys.	12,360	12,625	7,101 57.5%	7,475 59.2%	963 7.7%	999 7.9%	4,296 34.8%	4,151 32.9%
Total	49,444	49,970	16,244 32.9%	17,130 34.3%	18,096 36.6%	18,008 36.0%	15,104 30.5%	14,832 29.7%

Of the 10,430 solo firm lawyers that indicated they do not have a written succession plan, the top five areas of law identified by these lawyers are:

Chart 6E: Top Five Practice Areas of Law of Solo Firm Lawyers Who Responded “No” to Written Succession Plan*

Practice Area of Law	% of Responses
Real Estate	28.1%
Criminal	16.7%
Estate Planning/Probate	16.0%
Domestic Relations	13.9%
Corporate	13.3%

* Lawyers may identify multiple practice areas.

2. Report on Pro Bono Activities

Pro bono service and contributions are an integral part of lawyers' professionalism. See IRPC (2010), Preamble, Comment [6A]. While *pro bono* activities are voluntary under Supreme Court Rule 756(f), Illinois lawyers are required to report voluntary *pro bono* service and monetary contributions on their registration forms. 32,866 attorneys reported that they had provided *pro bono* legal services, as defined by Rule 756, a 1.3% increase over the prior year. Those lawyers reported a total of 2,007,606 *pro bono* legal service hours. Of the 61,742 attorneys who reported that they had not provided *pro bono* legal services, 9,834, or 15.9%, indicated that they were prohibited from providing *pro bono* legal services because of their employment. The information reported by individual attorneys concerning voluntary *pro bono* service and trust accounts is confidential under Supreme Court Rule 766 and is not reported as part of a lawyer's individual listing under “Lawyer Search” on the ARDC website (www.iardc.org).

Chart 7A provides a five-year breakdown of the *pro bono* hours reported under Rule 756. The reported information does not include hours that legal service or government lawyers provide as part of their employment. Since 2016, total *pro bono* hours have cumulatively increased by 8.2% even though the Illinois lawyer population has not grown during the same period. See Chart 25A at Page 43.

Chart 7A: Report on Pro Bono Hours (2014-2018)

	2014	2015	2016	2017	2018
Type of Pro Bono Services	Service Hours	Service Hours	Service Hours	Service Hours	Service Hours
Legal services to persons of limited means	1,071,492	1,083,664	1,022,811	1,051,684	1,129,983
Legal services to enumerated organizations designed to address needs of persons of limited means	354,054	372,601	326,961	335,118	355,969
Legal services to enumerated organizations in furtherance of their purposes	559,543	545,450	462,419	471,646	473,603
Training intended to benefit legal service organizations or lawyers providing <i>pro bono</i> services	45,325	54,272	43,572	54,874	48,051
Total:	2,030,414	2,055,987	1,855,763	1,913,322	2,007,606

Chart 7B provides a breakdown of monetary contributions for the same five-year period as Chart 7A. The number of lawyers making monetary contributions to pro bono organizations and the total amount contributed both increased in 2017. 21.0% of lawyers made contributions in 2018, a 1.3% increase over the prior year, and \$17,858,268 was contributed, an 11.6 % increase over 2016 and the largest amount since 2007, the first year lawyers were required to report voluntary *pro bono* service and monetary contributions as part of their registration.

Chart 7B: Monetary Contributions to Pro Bono Service Organizations (2014-2018)

	2014	2015	2016	2017	2018
Amount Contributed	\$14,270,521	\$14,802,544	\$16,005,396	\$17,858,268	\$18,223,917
Number of lawyers who made contributions	17,179	17,565	18,619	19,871	20,709
% of lawyers who made contributions	18.5%	18.7%	19.7%	21.0%	21.9%

Not reflected in the above chart is the fact that most Illinois lawyers contribute to the funding of legal aid through the \$95 portion of the full annual registration fee paid by Active status lawyers that is

remitted to the Lawyers Trust Fund of Illinois, as well as the contributions lawyers have made to other charitable and not-for-profit organizations. For the 2018 registration year, \$7,078,543 was remitted to the Lawyers Trust Fund, representing a 1.2% increase over 2017. A total of \$67,077,866 has been remitted to the Lawyers Trust Fund since the 2003 registration year, the first year the ARDC began the collection and remittance of this fee as provided in Supreme Court Rules 751(e)(6) and 756(a)(1).

3. Report on Trust Accounts

Every Active and Inactive status lawyer is required to disclose in their registration under Supreme Court Rule 756(d), whether they or their law firm maintained a trust account during the preceding year and to disclose whether the trust account was an IOLTA (Interest on Lawyer Trust Account) account, as defined in Rule 1.15(f) of the Rules of Professional Conduct. If a lawyer did not maintain a trust account, the lawyer is required to disclose why no trust account was maintained.

Chart 7C shows the responses received from the 94,608 lawyers who were registered for 2018. 50.9% or 48,115 of all registered lawyers reported that they or their law firm maintained a trust account sometime during the preceding 12 months. 81.2% of these trust accounts were IOLTA accounts and 18.8% were non-IOLTA accounts. Of those who reported that they or their law firm did not maintain a trust account, nearly 50% reported that they had no outside practice because of their full-time employment in a corporation or governmental agency.

Chart 7C: Trust Account Disclosure Reports in 2018 Registration

A. Lawyers with Trust Accounts:	48,115
% with IOLTA trust accounts	81.2%
% with non-IOLTA trust accounts	18.8%
B. Lawyers without Trust Accounts:	46,493
Full-time employee of corporation or governmental agency (including courts) with no outside practice	23,193
Not engaged in the practice of law	12,565
Engaged in private practice of law (to any extent), but firm handles no client or third party funds	8,318
Other explanation	2,417

Chart 7D shows that 86.4% of the 49,970 lawyers with an Active registration status and currently engaged in the practice of law in a private setting maintained a trust account in 2018. There was a slight 1.3% increase in the overall number of lawyers reporting that they maintained a trust account in 2018; however, lawyers reporting an IOLTA account declined by 3.3% as compared to a 3.9% increase in those lawyers reporting a non-IOLTA account.

**Chart 7D: 2017-2018 Trust Account Disclosure Reports:
Active Status Lawyers, Currently Practicing Law and in Private Practice**

Practice Size	Number Responding in Practice Category		“Yes” Trust Account Responses				“No” Trust Account Responses	
	2017	2018	IOLTA Trust Account		Non-IOLTA Trust Account		2017	2018
			2017	2018	2017	2018		
Solo Firm	13,798	13,699	8,727 (63.3%)	8,554 (62.4%)	610 (4.4%)	762 (5.6%)	4,461 (32.3%)	4,383 (32.0%)
Firm of 2-10 Attys.	13,282	13,224	10,903 (82.1%)	10,403 (78.7%)	952 (7.2%)	1,466 (11.1%)	1,427 (10.7%)	1,355 (10.2%)
Firm of 11-25 Attys.	4,854	4,817	4,137 (85.2%)	3,880 (80.6%)	418 (8.6%)	665 (13.8%)	299 (6.2%)	272 (5.6%)
Firm of 26-100 Attys.	5,150	5,605	4,370 (84.9%)	4,452 (79.5%)	475 (9.2%)	837 (14.9%)	305 (5.9%)	316 (5.6%)
Firm of 100 + Attys.	12,360	12,625	10,234 (82.8%)	9,855 (78.1%)	1,590 (12.9%)	2,301 (18.2%)	536 (4.3%)	469 (3.7%)
Total	49,444	49,970	38,371 (77.6%)	37,144 (74.3%)	4,045 (8.2%)	6,031 (12.1%)	7,028 (14.2%)	6,795 (13.6%)

4. Report on Malpractice Insurance

Supreme Court Rule 756(e) requires most Illinois lawyers to disclose whether they carry malpractice insurance coverage and, if so, the dates of coverage. The Rule does not require Illinois lawyers to carry malpractice insurance in order to practice law based upon their Illinois license. Lawyers not currently engaged in the practice of law, in-house counsel and government lawyers likely may not require malpractice insurance.

In 2018, 54.5% of all 94,608 registered lawyers reported that they have malpractice insurance, a 1.0% increase over the prior year and an overall increase of 2.2% since 2014 as shown in Chart 7E. Of the 49,970 lawyers with an Active status license currently engaged in private practice (who most likely may have the need to carry malpractice), that number increases significantly; Chart 7F shows that 86.3% of such lawyers reported that they carried malpractice insurance, an increase of 1.7% over 2017.

Chart 7E: Malpractice Disclosure Reports: 2014-2018

Lawyer Malpractice Insurance	2014	2015	2016	2017	2018
Yes	48,492 (52.3%)	49,250 (52.3%)	49,727 (52%)	50,664 (53.5%)	51,538 (54.5%)
No	44,264 (47.7%)	44,878 (47.7%)	44,883 (48.0%)	44,114 (46.5%)	43,070 (45.5%)

Chart 7F breaks down by practice size the lawyers in private practice who carry malpractice insurance. In each of the practice size categories shown below, there was an increase in lawyers maintaining malpractice insurance. 59.8% of sole practitioners reported that they carried malpractice insurance, a 1.3% increase over 2017.

Chart 7F: Malpractice Disclosure Reports: 2017-2018
Active Status Lawyers, Currently Practicing Law and in Private Practice

Practice Size	Number Responding in Practice Category & % of Practice Size		% Malpractice Responses			
			Yes		No	
	2017	2018	2017	2018	2017	2018
Solo Firm	13,798 27.9%	13,699 27.4%	8,074 58.5%	8,187 59.8%	5,724 41.5%	5,512 40.2%
Firm of 2-10 Attys.	13,282 26.9%	13,224 26.5%	12,070 90.9%	12,288 92.9%	1,212 9.1%	936 7.1%
Firm of 11- 25 Attys.	4,854 9.8%	4,817 9.6%	4,695 96.7%	4,713 97.8%	159 3.3%	104 2.2%
Firm of 26-100 Attys.	5,150 10.4%	5,605 11.2%	5,007 97.2%	5,484 97.8%	143 2.8%	121 2.2%
Firm of 100 + Attys.	12,360 25%	12,625 25.3%	11,985 97.0%	12,445 98.6%	375 3.0%	180 1.4%
Total	49,444 100%	49,970 100%	84.6%	86.3%	15.4%	13.7%

40.2% of solo practitioners responded “No” to the malpractice question. The top five reasons stated by these 5,512 lawyers as to why they do not carry malpractice insurance are given below. The most often cited reason by lawyers was the perception of the lawyer that he or she was at minimum risk for being sued in malpractice.

Chart 7G: Top Five Reasons Identified by Solo Firm Lawyers Who Responded “No” to Malpractice Coverage*

Reason for No Malpractice	% of Responses*
Nature of practice involves minimal risk of liability	69.9%
Cost of malpractice insurance too high	41.9%
Assets insufficient to require malpractice insurance protection	10.0%
Assets adequately protected without malpractice insurance	7.1%
Concern that malpractice insurance will increase likelihood of claims and law suits	4.2%

*Lawyer may choose more than one reason.

For the 5,512 solo practitioners who stated that they do not carry malpractice insurance, the top five practice areas of law identified by these lawyers are:

Chart 7H: Top Five Practice Areas Identified by Solo Firm Lawyers with No Malpractice Coverage*

Practice Area of Law	% of Responses*
Real Estate	22.0%
Criminal	17.1%
Corporate	12.3%
Estate Planning/Probate	11.2%
Domestic Relations	11.0%

* Lawyers may identify multiple practice areas.

III. Report on Disciplinary and Non-Disciplinary Matters

A. Investigations Initiated in 2018

During 2018, the Commission docketed 5,029 investigations, a 3.3% decrease over the prior year and a 21.4% decline over the past six years. See Chart 25A at Page 43. The types of investigations docketed in 2018 are shown in Chart 8A below.

Chart 8A: Types of Investigations Docketed in 2014-2018

Type of Investigation	2014	2015	2016	2017	2018
Disciplinary charge against Illinois lawyer	5,168	4,925	4,788	4,592	4,419
Overdraft notification of client trust account	357	283	241	265	321
Unauthorized Practice of Law	112	104	104	105	74
Monitoring disciplinary compliance	N/A	71	88	83	73
Disciplinary charge against out-of-state lawyer	65	44	44	48	53
Receivership	20	14	31	33	21
Reciprocal	22	13	32	21	44
Impairment	0	4	1	0	0
Conditional Admission monitoring	2	2	1	0	1
Investigation related to Petition for Reinstatement	N/A	N/A	2	0	1
Reopened investigations	89	94	69	52	22
TOTAL:	5,835	5,554	5,401	5,199	5,029

Those 5,029 investigations involved charges against 3,719 different attorneys, representing 4% of all registered attorneys. About 18% of these 3,719 attorneys were the subject of more than one investigation docketed in 2018, as shown in Chart 8B. Chart 8B also shows the percentage of lawyers who were the subject of a grievance by years in practice. 35.1% of lawyers admitted 30 or more years were the subject of an investigation in 2018 even though they account for 27% of the overall legal population.

Chart 8B: Investigations Docketed in 2018

<i>Investigations per Attorney</i>	<i>Number of Attorneys</i>
1	3,060
2	437
3	115
4 or more	<u>107</u>
	Total: 3,719
<i>Gender</i>	<i>Years in Practice</i>
Female.....24.7%	Fewer than 5 3.6%
Male 75.3%	Between 5 and 10..... 13.5%
Non-Binary 0.03%	Between 10 and 20..... 23.8%
	Between 20 and 30..... 24.0%
	30 or more..... 35.1%

Charts 9 and 10 report the classification of the 4,419 disciplinary investigations docketed in 2018, based on an initial assessment of the nature of the misconduct alleged and the type of legal context in which the facts arose. Neglect of a client’s cause and failure to communicate are consistently the top areas of grievance each year and account for 28% and 10%, respectively, of all grievances.

Chart 9: Classification of Charges Docketed in 2018 by Violation Alleged

<i>Type of Misconduct</i>	<i>Number*</i>	<i>Type of Misconduct</i>	<i>Number*</i>
Neglect.....	1,917	Threatening criminal prosecution or disciplinary proceedings to gain advantage in a civil matter	50
Failing to communicate with client, including failing to communicate the basis of a fee	642	Failing to preserve client confidences or secrets	40
Fraudulent or deceptive activity including misrepresentation to a tribunal, clients, and non-clients	616	Improper communications with a represented person	33
Excessive or improper fees, including failing to refund unearned fees.....	563	Improper practice after failure to register under Rule 756	30
Improper management of client or third party funds, including commingling, conversion, failing to promptly pay litigation costs or client creditors or issuing NSF checks	557	Failing to supervise subordinates	25
Failing to provide competent representation	252	Improper division of legal fees/partnership with nonlawyer.....	29
Filing frivolous or non-meritorious claims or pleadings	239	Improper communication with an unrepresented person.....	20
Improper trial conduct, including using means to embarrass, delay or burden another or suppressing evidence where there is a duty to reveal	238	<i>Ex parte</i> or improper communication with judge or juror.....	12
Conduct prejudicial to the administration of justice, including conduct that is the subject of a contempt finding or court sanction	229	Failing to report misconduct of another lawyer or judge.....	12
Criminal conduct, assisting a client in a crime or fraud, and counseling illegal or fraudulent conduct.....	219	False statements in bar admission or disciplinary matter	10
Failing to properly withdraw from representation, including failing to return client files or documents	205	Violation of anti-discrimination statute or ordinance.....	8
Conflict of Interest:.....	179	Incapacity due to chemical addiction or mental condition.....	7
Rule 1.7: Concurrent clients	98	Failing to maintain appropriate attorney-client relationship with client with diminished capacity	4
Rule 1.8(a): Improper business transaction with client	13	False statements about a judge, judicial candidate or public official.....	4
Rule 1.8(c): Improper instrument or gift from client.....	4	Improper extrajudicial statement.....	4
Rule 1.8(e): Improper financial assistance to client	2	Improper use of public office to gain an advantage in matter	3
Rule 1.8(h)(1) & (2): Improper agreement limiting liability	11	Judicial candidate's violation of Judicial Code	3
Rule 1.8(i): Acquisition of propriety interest in cause of action	2	Bad faith avoidance of student loan	3
Rule 1.8(j): Improper sexual relations with client	10	Failing to report discipline in another jurisdiction	3
Rule 1.9: Successive conflicts	30	Stating or implying ability to improperly influence authority	3
Rule 1.10(a): Imputed disqualification.....	1	Failing to notify sender of inadvertently received document	2
Rule 1.11: Public lawyer's violation of Rule 1.7 or 1.9	1	Aiding judicial misconduct/gift/loan to judge or court employee ..	1
Rule 1.13: Organizational client	3	Improper employment where lawyer may become a witness.....	1
Rule 1.18: Representation adverse to prospective client	4	Failing to report criminal conviction.....	1
Prosecutorial misconduct.....	118	No misconduct alleged.....	171
Practicing in a jurisdiction where not authorized	85		
Improper commercial speech, including inappropriate written or oral solicitation	81		
Failing to comply with Rule 764 following discipline	73		
Not abiding by a client's decision concerning the representation or taking unauthorized action on the client's behalf.....	46		

* Totals exceed the number of requests for investigations docketed in 2018 because in many requests more than one type of misconduct is alleged.

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

Chart 10: Classification of Charges Docketed in 2018 by Area of Law*

<i>Area of Law</i>	<i>Number</i>
Criminal/Quasi-Criminal	1,120
Domestic Relations	678
Tort (Personal Injury/Property Damage)	515
Real Estate/Landlord-Tenant	426
Probate	284
Labor Relations/Workers' Comp	254
Bankruptcy	154
Contract	148
Immigration	123
Civil Rights	102
Debt Collection	75
Corporate Matters	64
Local Government Problems	59
Patent and Trademark	17
Tax	16
Social Security	9
Adoption	6

* Does not include charges classified with no area of law indicated or alleged misconduct not arising out of a legal representation.

B. Investigations Concluded in 2018

If an investigation does not reveal sufficiently serious, provable misconduct, the Administrator will close the investigation. If an investigation produces evidence of serious misconduct, the case is referred to the Inquiry Board, unless the matter is filed directly with the Supreme Court under Rules 757, 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.

Chart 11 shows the number of investigations docketed and concluded for the past five years between 2014 and 2018 is set forth in Chart 11. There was an approximately 14% decrease in the number of new investigations docketed compared with 2014. In light of caseload decline, there has been a reduction of Administrator's staff and a decrease in Board member appointments.

Chart 11: Investigations Docketed: 2014-2018

** includes reopened investigations*

Year	Pending January 1 st	Docketed During Year*	Concluded During Year	Pending December 31 st
2014	2,163	5,835	6,165	1,833
2015	1,833	5,554	5,561	1,826
2016	1,826	5,401	5,496	1,731
2017	1,731	5,199	5,102	1,828
2018	1,828	5,029	4,958	1,899

Chart 12 shows the type of actions that terminated investigations docketed in 2018. About 2% of investigations concluded in 2018 resulted in the filing of formal charges.

Chart 12: Investigations Concluded in 2018

Concluded by the Administrator:	
Closed after initial review	1,233 (No misconduct alleged)
Closed after investigation	3,542
Filed at Supreme Court pursuant to Supreme Court Rules 757, 762(a), and 763	11
Concluded by the Inquiry Board:	
Closed after panel review	53
Complaint or impairment petition voted.....	101
Closed upon completion of conditions of Rule 108 supervision	18
Total.....	4,958

1. Timeliness of Investigations Concluded in 2018

Of the 4,958 investigations concluded in 2018, 4,775 were concluded by the Administrator’s staff. Charts 13A through C show the number of days that the 4,775 investigations concluded in 2018 were pending before either being closed or filed in a formal action. In keeping with the Commission’s policy that disciplinary matters be handled expeditiously, codified in Commission Rule 1, Charts 13A through C show the time periods required to conclude investigations.

Chart 13A shows that 1,233, or 25%, of the 4,958 investigations concluded in 2018 were closed after an initial review of the complainant’s concerns. More than 93% of these 1,233 investigations were concluded within 60 days of the docketing of the grievance. The Intake division of the Administrator’s staff, made up of five staff lawyers, review most incoming grievances and perform the initial inquiry into the facts to determine whether the written submissions from complainants, read liberally, describe some misconduct by a lawyer. Generally, closures made after an initial review are completed without asking the lawyer to respond, although the lawyer and complainant are typically apprised of the determination.

Chart 13A

1,233 Investigations Closed After Initial Review in 2018			
<i>Number of Days Pending Prior to Closure:</i>			
Fewer than 10 days	10 - 20 days	21 - 60 days	More than 60 days
875 (71%)	29 (2%)	249 (20%)	80 (7%)

In the remaining 3,542 investigations closed in 2018 by the Administrator, the staff determined that an investigation was warranted. In most cases, these investigations began with a letter from Intake counsel to the lawyer named in the grievance, enclosing a copy of the complainant’s submission and asking the lawyer to submit a written response. The lawyer’s written response was usually forwarded for comment to the complainant, and the file was reviewed by Intake counsel after the complainant’s reply was received or past due. If, at that stage, the submissions and any back-up documentation obtained demonstrated that the lawyer did not violate professional conduct rules, or at least that a violation could not be proved, Intake counsel closed the file. If Intake counsel determined that further investigation was warranted, the file was reassigned to Litigation counsel.

Sixty-nine percent were closed by Intake counsel, with approximately 79% of those investigations closed within 90 days of receipt.

Chart 13B

2,435 Investigations Concluded in 2018 by the Intake Staff After Investigation			
<i>Number of Days Pending Prior to Closure:</i>			
Fewer than 90 days	Between 90 - 180 days	Between 180 - 365 days	More than 365 days
1,915 (79%)	426 (17%)	71 (3%)	23 (1%)

Chart 13C indicates that 1,107, or 31%, were closed by Litigation counsel and approximately 40% of those files were closed within six months. Investigations referred to Litigation counsel are more extensive and time consuming, in order to determine if the filing of formal action is warranted. The time it takes before an investigation is resolved can be influenced by different factors: whether the lawyer has addressed all concerns raised during the investigation; whether other sources are cooperating with the ARDC’s request for information; the complexity of the issues; and the amount of information and documents that ARDC counsel must review.

Chart 13C

1,107 Investigations Concluded in 2018 by the Litigation Staff After Investigation			
<i>Number of Days Pending Prior to Closure:</i>			
Fewer than 90 days	Between 90 - 180 days	Between 180 - 365 days	More than 365 days
227 (20%)	218 (20%)	291 (26%)	371 (34%)

C. Certain Subtypes of Investigations

1. Overdraft Trust Account Notification Investigations

Chart 14 shows the activity for investigations resulting from automatic client trust account overdraft notifications. 321 overdraft investigations were opened in 2018, about 6% of the total number of investigations docketed in 2018. If there is evidence that a lawyer converted client funds, a formal complaint will likely be filed against the lawyer. Three formal complaints originating from a trust account overdraft notice were filed in 2018.

Chart 14: Overdraft Notification Investigations (2014-2018)

Overdraft Notification Investigations	2014	2015	2016	2017	2018
Opened	370	288	241	265	321
Closed	371	313	242	255	321
Formal Complaints Filed	12	10	6	6	3

In most overdraft investigations, the lawyer is required to provide a written explanation of the facts and circumstances that caused the account shortage, together with copies of relevant financial records. Many overdraft investigations show that the overdraft was the result of error rather than intentional wrongdoing. Typical errors include: checkbook mix-ups; attempting to draw on deposits that have not yet cleared the banking process; arithmetic errors; clicking on the wrong account during online banking activity; failing to account for bank service fees or credit card fees; and failing to adequately monitor account activity.

Although most overdraft notices sent to the ARDC do not result from the lawyer's intentional misuse of client funds, some overdraft investigations reveal problems with the lawyer's use of his or her trust account or with the lawyer's recordkeeping practices. In these situations, the ARDC's focus is to educate the attorney regarding the requirements of Rule 1.15 of the Illinois Rules of Professional Conduct and to ensure that necessary practice corrections are made. To achieve these ends, ARDC counsel may direct lawyers to review sections of the ARDC's [Client Trust Account Handbook](#) or to view the ARDC's webinars covering the requirements of Rule 1.15 (*see* ARDC [CLE Seminars](#).) Lawyers may also be provided with sample recordkeeping forms or may receive informal one-on-one instruction on trust account recordkeeping. Lawyers who implement changes in their trust accounting practices to correct deficiencies may be asked to complete written reports regarding their improved trust accounting practices to ensure that all rule requirements are being met.

2. Unauthorized Practice of Law Investigations

The ARDC investigates allegations of the unauthorized practice of law (UPL) and initiates proceedings against suspended and disbarred Illinois lawyers, out-of-state lawyers licensed in another jurisdiction and persons not licensed in any jurisdiction pursuant to its authority under Supreme Court Rule 779. UPL proceedings against a suspended Illinois lawyer or a lawyer from another U.S. jurisdiction are begun by filing a disciplinary complaint before the Hearing Board and proceeding as Supreme Court Rule 753 directs. UPL proceedings against a disbarred Illinois attorney or against a person, entity or association that is not licensed to practice law in any other United States' jurisdiction may be brought as civil or contempt actions commenced in the circuit court pursuant to the Supreme Court's rules, its inherent authority over the practice of law, and other laws of the state related to the unauthorized practice of law. In addition to the UPL matters, the ARDC also screens for eligibility verified statements filed by out-of-state attorneys providing legal services in specific proceedings on a temporary basis pursuant to Supreme Court Rule 707 (formerly the *Pro Hac Vice* rule).

In 2018, there were 114 investigations opened involving UPL charges against 74 unlicensed individuals or entities, 16 against out-of-state lawyers and 24 involving disbarred or suspended Illinois lawyers as shown in Chart 15A. In all but four instances involving unlicensed practice, the Administrator closed the investigation after requiring the respondent to take corrective action and make restitution, if necessary.

The Administrator's investigations into unauthorized practice of law in 2018 involved a diverse range of respondents. Investigations involving disbarred attorneys frequently included issues such as continued display of office signs, websites, or other indicia of authorization to practice law after disbarment or isolated incidents of attempting to assist a relative or friend without a fee subsequent to the disbarment.

Chart 15A: Unauthorized Practice of Law Investigations (2014-2018)

<i>Type</i>	2014	2015	2016	2017	2018
UPL by suspended lawyer	2	3	1	1	9
UPL by out-of-state lawyer	19	12	7	8	16
UPL by disbarred lawyer	15	9	8	6	15
UPL by unlicensed person	72	82	83	94	63
UPL by unlicensed entity	4	10	14	4	11
Total	112	116	113	113	114

There were investigations against individuals for allegedly exceeding the authority granted to them by statute or regulation, such as real estate agents, property managers, accountants, and notary publics. There were also investigations regarding law students and paralegals practicing law without attorney supervision, as well as files related to individuals and entities offering legal advice while providing debt consolidation and loan modification services. Additionally, several investigations docketed concerning out-of-state attorneys allegedly working as in-house attorneys without permission from the Court to work in Illinois in violation of Supreme Court Rule 716. Finally, one file involved an attorney on permanent retirement status who allegedly provided legal assistance. Chart 15B shows the areas of law involved from which the investigations arose.

**Chart 15B: Area of Law Involved in 779(b) UPL Investigations in 2018
(Unlicensed Persons or Entities and Disbarred Lawyers)**

<i>Subject Area</i>	<i>Number of 779(b) Investigations*</i>	<i>Subject Area</i>	<i>Number of 779(b) Investigations*</i>
Real Estate.....	18.....20%	Debt Collection.....	5.....6%
Domestic Relations.....	12.....13%	Workers' Comp.....	3.....3%
Immigration.....	10.....11%	Local Government Problems.....	2.....2%
Contract.....	9.....10%	Bankruptcy.....	1.....1%
Criminal.....	7.....8%	Probate.....	1.....1%
Tort.....	7.....8%	Tax.....	1.....1%

* Total less than 89 investigations because five investigations designated as "undeterminable," five as "other," and two as "no case."

In 2019, the Administrator initiated four formal actions in circuit court against non-attorneys for engaging in UPL. Each of the matters involved charges of indirect criminal contempt of court pursuant to Supreme Court Rule 779(b) and charges of violation of the Attorney Act, 705 ILCS 2015/1, et seq., and, in the same calendar year, three of the cases resulted in dispositions involving guilty pleas, while the fourth remained pending at the start of 2019. Two of the formal prosecutions related to unauthorized practice in immigration matters. The other proceedings involved legal assistance in debt resolution and real estate matters, respectively. In addition to the formal UPL actions, the Administrator also filed a petition against an out-of-state attorney pursuant to Rule 707 to have his permission to practice terminated because he had been suspended in his home jurisdiction and was no longer eligible for temporary permission to handle a proceeding in Illinois.

Beyond simply investigating and prosecuting cases pursuant to Supreme Court Rules 779 and 707, the Administrator’s staff coordinated with other regulators and provided outreach regarding such matters. The Administrator has representatives acting as a liaison to the Illinois State Bar Association’s Task Force on the Unauthorized Practice of Law, participating in the Chicago Bar Association’s Unauthorized Practice & Multidisciplinary Practice Committee, and serving on the American Bar Association’s Standing Committee on Public Protection in the Provision of Legal Services, which addresses unauthorized practice issues. The Administrator also regularly communicates with the Illinois Attorney General’s Office and counsel from various state’s attorneys’ offices in connection with UPL cases, and he has consulted with the Federal Trade Commission about these matters as well. Finally, since investigation and formal action involving out-of-state attorneys may involve attorney regulators from other states, the Administrator frequently coordinates with those authorities in unauthorized practice investigations.

3. Investigations Assigned to Special Counsel

The ARDC Commission appoints former Board members to serve as Special Counsel in matters involving allegations against attorneys associated with the ARDC, including the Administrator, Counsel for the Administrator, Adjudication Counsel, Commissioners and members of ARDC boards. Under Supreme Court Rule 751(e)(5), Special Counsel conducts investigations as assigned and has the same authority and responsibilities as the Administrator's counsel under Supreme Court and Commission rules, except that Special Counsel does not take direction from the Administrator or his or her legal staff. Special Counsel exercises independent authority to investigate and to refer an investigation to the Inquiry Board and reports directly to the Commission regarding the status and disposition of investigations

assigned. Thirteen new investigations were opened in 2018. Five former Board members served as Special Counsel in 2018. The Commission Policy on the Appointment of Special Counsel can be found on the ARDC website at: www.iardc.org/policiesandorders.html.

D. Disciplinary and Regulatory Proceedings: Supreme Court and Circuit Court Matters

The ARDC initiated the filing of proceedings directly before the Illinois Supreme Court and before the Circuit Court in 38 proceedings in 2018. This is in addition to the 64 disciplinary proceedings filed before the Hearing Board in 2018 as shown in Chart 17A on Page 33.

Chart 16A shows the 34 disciplinary and disability matters filed directly with the Illinois Supreme Court and allowed by the Court in 2018.

Chart 16A: Proceedings Filed Directly with the Illinois Supreme Court: 2014-2018

<i>Type</i>	2014	2015	2016	2017	2018	Total
Rule 762(a) Motion for Disbarment on Consent	9	8	12	13	12	54
Rule 763 Petitions for Reciprocal Discipline	17	13	15	24	20	89
Rule 757 Transfer to Disability Inactive Status	1	3	0	0	2	6
Total	27	24	27	37	34	149

Chart 16B shows the four unauthorized practice of law (UPL) formal actions filed in the circuit court in 2018. Since 2011, the ARDC has the authority under Supreme Court Rule 779, to investigate and bring civil or contempt actions in the circuit court against disbarred lawyers and unlicensed persons for the unauthorized practice of law.

Chart 16B: Rule 779(b) UPL Actions Filed in the Circuit Court: 2014-2018

<i>Rule 779(b) UPL Complaints</i>	2014	2015	2016	2017	2018	Total
Filed Against Disbarred Lawyer	0	1	1	0	0	2
Filed Against Non-Lawyer	4	2	5	4	4	19
Filed Against Out-of-State Lawyer	0	1	1	0	0	2
Total	4	4	7	4	4	23

E. Disciplinary Proceedings: Hearing Board Matters

A formal complaint setting forth all allegations of misconduct pending against the attorney is filed when an Inquiry Board panel authorizes the filing of charges. The matter then proceeds before a panel of the Hearing Board which functions much like a trial court in a civil case. Each panel is comprised of three members, two lawyers and one nonlawyer, appointed by the Commission. Counsel for Adjudication assists hearing board members in drafting pre-hearing conference orders and reports of the Hearing Board.

Upon filing and service of the complaint, the case becomes public. The panel chair presides over pre-hearing matters. In addition to complaints alleging misconduct filed pursuant to Supreme Court Rule 753, and complaints alleging conviction of a criminal offense under Rule 761, the Hearing Board also entertains petitions for reinstatement pursuant to Rule 767, petitions for transfer to Inactive status because of impairment pursuant to Rule 758, and petitions for restoration to Active status pursuant to Rule 759.

Chart 17A shows the activity before the Hearing Board in 2018. There were 64 cases added to the Hearing Board's docket in 2018. Of those, 59 were initiated by the filing of a new disciplinary complaint. Chart 17B shows the demographics of the 59 lawyers who were the subject of a formal disciplinary complaint in 2018.

Chart 17A: Matters Before the Hearing Board in 2018

Cases Pending on January 1, 2018	81
Cases Filed or Reassigned in 2018:	
<i>Disciplinary Complaints Filed:</i> *	
➤ Rules 753, 761(d)	59
<i>Reinstatement Petition Filed:</i>	
➤ Rule 767	4
<i>Reinstatement Petition Remanded by Supreme Court for Further Proceedings:</i>	
➤ Rule 767	1
Total New Cases Filed or Reassigned	64
Cases Concluded During 2018	64
Cases Pending December 31, 2018	81
* The number of cases filed at Hearing is significantly lower than the number of matters voted by Inquiry, because multiple investigations against a particular attorney in which the Inquiry Board has voted a complaint are consolidated into a single complaint for purposes of filing at the Hearing Board.	

Chart 17B: Years in Practice, Age and Gender of Lawyers Charged in the 59 Disciplinary Complaints Filed in 2018

	# of Complaints Filed	% of Complaints Filed	% of Lawyer Population
Years in Practice			
Fewer than 5	4	7%	11%
Between 5 and 10	7	12%	15%
Between 10 and 20	15	25%	26%
Between 20 and 30	13	22%	21%
30 or more	20	34%	27%
Age:			
21-29 years old	1	2%	4%
30-49 years old	22	37%	49%
50-74 years old	32	54%	44%
75 or more years old	4	7%	3%
Gender:			
Female	13	22%	38%
Male	46	78%	62%
Non-binary	0	0%	<0.01%

Chart 17C shows the types of misconduct alleged in the 59 disciplinary complaints filed during 2018, and Chart 17D indicates the areas of practice in which the alleged misconduct arose. The allegations of fraudulent or deceptive activity, failure to communicate, and neglect most frequently seen in initial charges as reported in Charts 9 and 10, are also among the most frequently charged in formal complaints.

Chart 17C: Types of Misconduct Alleged in the 59 Disciplinary Complaints* Filed Before Hearing Board in 2018

<i>Type of Misconduct</i>	<i>Number of Cases*</i>	<i>% of Cases Filed**</i>	<i>Type of Misconduct</i>	<i>Number of Cases*</i>	<i>% of Cases Filed**</i>
Fraudulent or deceptive activity.....	45	76%	Misrepresentation to third persons or using means to embarrass or delay.....	7	12%
Failure to communicate with client.....	23	39%	Pursuing/filing frivolous or non-meritorious claims or pleadings.....	6	10%
Neglect.....	18	31%	Unauthorized practice after removal from Master Roll for failure to register or comply with MCLE requirements.....	5	8%
Conflicts of interest.....	14	24%	Excessive or unauthorized legal fees.....	4	7%
Rule 1.7: concurrent conflicts.....	4		Unauthorized practice after suspension.....	2	3%
Rule 1.8(a): improper business transaction with client.....	4		Breach of client confidentiality.....	2	3%
Rule 1.8(c): improper gift from client.....	1		False or reckless statement about a judge.....	1	2%
Rule 1.8(e): financial assistance to client.....	1		False or misleading advertising.....	1	2%
Rule 1.8(h): improper settlement.....	1		Failure to supervise non-lawyer staff.....	1	2%
Rule 1.8(j): sexual relations with client.....	2		Improper <i>ex parte</i> communications with judge or judicial staff.....	1	2%
Rule 1.9: former client conflicts.....	1		Improper communication with represented person.....	1	2%
Improper withdrawal from employment, including failure to refund unearned fees....	14	24%			
False statement or failure to respond in disciplinary matter.....	14	24%			
Criminal conduct/conviction of lawyer.....	12	20%			
Improper handling of trust funds.....	11	19%			
Misrepresentations to a tribunal.....	9	15%			
Failure to provide competent representation...	8	14%			

* Based on complaint initially filed and not on amended charges.

**Totals exceed 59 disciplinary cases and 100% because most complaints allege more than one type of misconduct.

Chart 17D: Subject Area Involved in the 59 Disciplinary Complaints Filed Before Hearing Board in 2018

<i>Subject Area</i>	<i>Number of Cases*</i>	<i>% of Cases Filed*</i>	<i>Subject Area</i>	<i>Number of Cases*</i>	<i>% of Cases Filed*</i>
Criminal Conduct/Conviction.....	12	20%	Bankruptcy.....	3	5%
Domestic Relations.....	11	19%	Immigration.....	3	5%
Tort.....	10	17%	Probate.....	2	3%
Criminal.....	7	12%	Workers' Comp/Labor Relations.....	2	3%
Contract.....	6	10%	Patent and Trademark.....	1	2%
Real Estate.....	5	8%	Civil Rights.....	1	2%

*Totals exceed 59 disciplinary complaints and 100% because many complaints allege several counts of misconduct arising in different areas of practice.

Chart 18 shows the type of action by which the Hearing Board concluded 64 matters, including 60 disciplinary cases during 2018.

For the 64 matters that were concluded by the Hearing Board in 2018, 21 cases or 33% proceeded as contested hearings and involved the filing of a comprehensive report and recommendation. The remaining 43 matters were concluded without the need to prepare a detailed report and recommendation from the Hearing Board.

Chart 18: Actions Taken by Hearing Board in Matters Terminated in 2018

A. Disciplinary Cases: Rules 753 & 761(d)	
Case closed by filing of petition for discipline on consent other than disbarment.....	23
Recommendation of discipline after contested hearing	18
Recommendation of discipline after default hearing	8
Case closed by filing of motion for disbarment on consent	4
Case closed by administration of a reprimand to respondent by consent	3
Complaint dismissed before hearing	2
Case closed by death of respondent	2
Total Disciplinary Cases.....	60
B. Reinstatement Petitions: Rule 767	
Recommendation of petition allowed with conditions after contested hearing.....	1
Recommendation of petition denied after contested hearing	1
Petition stricken	1
C. Unauthorized Practice of Law: Rule 779	
Recommendation of discipline after contested hearing.....	1
Total Matters Terminated.....	64

F. Review Board Matters

Once the Hearing Board files its report in a case, either party may file a notice of exceptions to the Review Board, which serves as an appellate tribunal. The Review Board is assisted by a legal staff hired by the Commission that is separate from the Administrator’s office and the Hearing Board’s adjudication staff. Chart 19 shows activity at the Review Board during 2018.

Chart 19: Actions Taken by Review Board in 2018

Cases pending on January 1, 2018	17
Cases filed during 2018:	
Exceptions filed by Administrator.....	6
Exceptions filed by Respondent	5
Exceptions filed by both.....	1
Total.....	12
Cases concluded in 2018:	
Hearing Board affirmed.....	11
Hearing Board reversed on findings and/or sanction	10
Notice of exceptions stricken	1
Total.....	22
Cases pending December 31, 2018	7

G. Supreme Court Matters

1. Disciplinary Cases

The Supreme Court has sole authority to sanction attorneys for misconduct, except for a reprimand, which can be imposed in a disciplinary case without order of the Court by either the Hearing or Review Board. Chart 22 on Page 40 reflects the several ways disciplinary cases reach the Court. In 2018, the Court entered 75 sanctions against 74 lawyers (one lawyer was disciplined twice in 2018) as shown in Chart 20.

Chart 20: Disciplinary Sanctions Ordered by the Supreme Court in 2018

Disbarment.....	22
Suspension until further order of Court.....	12
Suspension for a specified period.....	21
Suspension for a specified period & conditions	4
Probation with partially stayed suspension	2
Probation with fully stayed suspension	5
Censure	7
Censure with conditions	1
Reprimand with conditions	1
Total	75*

*In addition to the 37 suspensions above, the Court also ordered 7 interim suspensions, as reported in Chart 22 at (I).

Charts 21A and 21B provide demographic information on the 78 lawyers disciplined in 2018: 74 lawyers disciplined by the Court and four lawyers reprimanded by the Hearing Board in 2018. *See* Chart 18 on Page 36. Other than Board reprimands, the Hearing and Review Boards issue reports that include recommendations to the Supreme Court for disposition.

Chart 21A: County of Practice of Lawyers Disciplined in 2018

County	Number Disciplined	County	Number Disciplined
Cook.....	35	Kane	1
Out-of-State.....	13	Knox.....	1
DuPage	7	McHenry	1
Lake.....	3	Madison	1
St. Clair	2	McHenry	1
Sangamon.....	2	McLean	1
Will.....	2	Montgomery	1
Winnebago	2	Rock Island	1
Clinton.....	1	Williamson.....	1
Grundy.....	1	Woodford	1

Chart 21B: Years in Practice, Age and Gender of Lawyers Disciplined in 2018

Years in Practice	# of Lawyers Disciplined	% of Lawyers Disciplined	% of Lawyer Population
Fewer than 5.....	1	1%.....	11%
Between 5 and 10.....	6	8%.....	15%
Between 10 and 20.....	16	20%.....	26%
Between 20 and 30	20	26%.....	21%
30 or more	35	45%.....	27%
Age:			
21-29 years old.....	0	0%.....	4%
30-49 years old.....	26	33%.....	49%
50-74 years old.....	44	57%.....	44%
75 or more years old.....	8	10%.....	3%
Gender:			
Female.....	13	17%.....	38%
Male	64	82%.....	62%
Non-binary	1	1%.....	<0.01%

Chart 21C shows the practice setting around the time of the misconduct. Sole practitioners at the time of the misconduct accounted for 62% of the 78 lawyers disciplined in 2018.

Chart 21C: Practice Setting of Lawyers Disciplined in 2018

Practice Setting	Solo Firm	Firm 2-10	Firm 11-25	Firm 26+	Gov't/ Judicial	In-House	Academia	Not Engaged in Practice
78 Lawyers Sanctioned	47	19	0	1	1	0	0	10

It is frequently seen in discipline cases that an attorney-respondent is impaired by addiction to alcohol or other substance or suffers some mental illness or disorder. Chart 21D reflects only those cases in which one or more impairments were raised either by the lawyer or otherwise known by staff counsel. It is likely that many cases involving impaired lawyers are never so identified. Twenty out of the 78 lawyers disciplined in 2018, or 26%, had at least one substance abuse or mental impairment issues. In addition, 14 out of the 20 disciplined lawyers with identified impairments, or 70%, were sole practitioners at the time of the misconduct.

Chart 21D: Impairments Identified for Lawyers Disciplined in 2018, By Practice Setting

<i>Practice Setting</i>	<i>Solo Firm</i>	<i>Firm 2-10</i>	<i>Firm 11-25</i>	<i>Firm 26+</i>	<i>Gov't/ Judicial</i>	<i>In-House</i>	<i>Academia</i>	<i>No Practice</i>
20 Lawyers* with Impairments	14	3	1	1	0	0	0	1
Impairment								
Substances:								
Alcohol	5			1				1
Cocaine	1							
Cannabis	2							
Amphetamine	1							
Heroin	2							
Mental Illness:								
Depression	6	3		1				
Bipolar	3			1				
Schizophrenia								
Personality Disorder	1							
Gambling								
Sexual Disorder			1					
Cognitive Decline	2							
% of 20 lawyers with impairments	70%	15%	5%	5%	0%	0%	0%	5%

*Some lawyers have more than one impairment identified.

Chart 22 reflects the different ways disciplinary cases reach the Court. Some disciplinary matters are filed directly with the Court upon petition and others are initiated by the filing of an action before the Hearing Board. For matters filed directly with the Court in 2018, there were a total of ten lawyers disciplined on a reciprocal basis, as provided in Supreme Court Rule 763, and seven consent disbarments on motion under Rule 762(a).

Chart 22: Orders Entered by Supreme Court in Disciplinary Cases in 2018

<p>A. <u>Motions for disbarment on consent: Rule 762(a)</u> Allowed..... 7 Denied..... 0 Total 7</p>	<p>D. <u>Motions to approve and confirm report of Review Board: Rule 753(e)(6)</u> Allowed 6 Total 6</p>
<p>B. <u>Petitions for discipline on consent: Rule 762(b)</u> Allowed: Suspension 7 Suspension until further order of Court..... 2 Suspension stayed in part, probation ordered 1 Suspension stayed in its entirety, probation ordered 3 Censure 7 Total 20 Denied 0 Total 20</p>	<p>E. <u>Motions to approve and confirm report of Hearing Board: Rule 753(d)(2)</u> Allowed 13 Denied 0 Total 13</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 less discipline imposed than recommended by Review Board 1 Denied and same discipline imposed as recommended by Review Board 3 Total 4</p>	<p>F. <u>Petitions for reciprocal discipline: Rule 763</u> Allowed 10 Denied 0 Total 10</p>
	<p>G. <u>Petitions for reinstatement: Rule 767</u> Petition denied 1 Remanded to Hearing Board for hearing 1 Petition stricken 1 Total 3</p>
	<p>H. <u>Motions to revoke probation: Rule 772</u> Allowed, probation revoked and respondent suspended 1 Total 1</p>
	<p>I. <u>Petitions for interim suspension: Rule 774</u> Rule enforced and lawyer suspended 7 Total 7</p>

Chart 23 tracks the type of misconduct that led to the 79 sanctions entered in 2018: 75 sanctions entered by the Court and four Board reprimands administered in 2018.

Chart 23: Misconduct Committed in the 79 Disciplinary Cases Decided in 2018¹

Types of Misconduct	Number of Cases in Which Sanctions Were Imposed				
	Disbarment	Suspension ²	Probation ³	Censure	Reprimand ⁴
Total Number of Cases:	22	37	7	8	5
Fraudulent or deceptive activity	17	29	2	4	2
Criminal conduct/conviction of the lawyer	6	4	1	1	1
Improper management of client or third party funds, including commingling and conversion	11	13	3	1	0
Failure to communicate with client, including failure to communicate basis of a fee	7	13	2	0	3
Neglect/lack of diligence	7	6	3	0	1
Excessive or unauthorized legal fees, including failure to refund unearned fees	1	1	1	1	0
False statement or failure to respond in bar admission or disciplinary matter	8	5	0	0	0
Failure to provide competent representation	1	4	0	1	2
Offering false evidence, making false statements to a tribunal or improper trial conduct	1	2	1	1	1
Pursuing/filing frivolous or non-meritorious claims or pleadings	0	0	1	1	1
Not abiding by a client's decision concerning the representation or taking unauthorized action on the client's behalf	1	1	0	0	1
Improper withdrawal, including failure to return file	5	5	0	0	1
Conflict of interest (1.7: concurrent clients)	0	3	0	1	0
Conflict of interest (1.8(a): improper business transaction with client)	0	2	1	2	0
Conflict of interest (1.8(c): improper gift from client)	0	1	0	0	0
Conflict of interest (1.8(e): financial assistance to client)	1	0	0	0	0
Conflict of interest (1.8(h): agreement limiting client's rights)	0	1	0	0	0
Conflicts of interest (1.18: prospective client)	0	1	0	0	0
Failure to supervise subordinates	0	1	0	0	0
Failure to report discipline in another jurisdiction	1	1	0	0	0
Failing to comply with Rule 764 following discipline	1	1	0	1	0
Misrepresentation to third persons	0	1	2	0	0
Unauthorized practice after suspension	2	2	0	0	0
Unauthorized practice after removal from the Master Roll	1	3	1	1	0
Breach of client confidentiality	0	1	0	0	0
Improper communication with a represented person	0	1	0	0	0
Improper division of fees/partnership with nonlawyer	0	0	1	0	0
False/reckless statements about integrity of a judge/candidate	0	0	1	0	0

1 Totals exceed 79 cases because in most cases more than one type of misconduct was found.
2 Includes 21 suspensions for a specified period, 12 until further order of the Court and four suspensions with conditions.
3 Includes two suspensions stayed in part by probation and five suspensions stayed entirely by probation.
4 Includes four Hearing Board reprimands.

2. Non-Disciplinary Actions by the Supreme Court

The Supreme Court also entertains pleadings in non-disciplinary matters that affect an attorney’s status. Chart 24 reflects the orders allowed in such cases in 2018.

Chart 24A: Non-Disciplinary Actions by the Supreme Court for 2018

Rule 756(a)(8) Permanent Retirement Status	
Motion to transfer to permanent retirement status allowed	2
Rule 757 Transfer to Disability Inactive Status	
Motion to transfer allowed	2
Rule 759 Restoration to Active Status	
After Transfer to Disability Inactive Status	
Petition for restoration to active status allowed.....	4

3. Receivership of a Lawyer’s Practice Under Supreme Court Rule 776

If a practice is closing due to the lawyer's death, disability or disappearance and if “no partner, associate, executor or other responsible party capable of conducting the lawyer's affairs is known to exist,” Supreme Court Rule 776 provides for the appointment of a receiver to inventory the law firm files and fulfill the duties necessary to close the practice. The ARDC has provided assistance to the family, friends, and professional colleagues who have undertaken to close a lawyer’s practice as well as to those appointed as a receiver. In the event that there is no one to assume this responsibility, the ARDC will seek to be appointed receiver to ensure that clients’ interests are not prejudiced by the lawyer’s absence from the practice.

In 2018, the ARDC was appointed receiver of a lawyer’s law practice in four matters. Since 2014, the ARDC has been appointed a receiver of a lawyer’s practice in 15 instances, six of which were active in 2018. In addition, the ARDC conducted 21 investigations in 2018 to determine if a receivership was necessary.

Chart 24B: ARDC-Appointed Receiverships: 2014-2018

776 Receivership Appointments	2014	2015	2016	2017	2018
	3	2	5	1	4

4. Non-Disciplinary Litigation

Staff attorneys represent the Commission, staff, or members of the various boards in a variety of matters generally resulting from disciplinary prosecutions. Most matters involve the defense of a suit challenging the authority of the Commission or seeking injunctive relief or damages allegedly caused by disciplinary decisions. In 2018, ARDC counsel responded to four lawsuits filed against ARDC staff. One matter is pending before the Illinois Court of Claims and was brought by a lawyer seeking to be

reimbursed for his time and expenses in successfully defending himself in a disciplinary prosecution. In another pending proceeding filed in federal court, a disciplined lawyer named the ARDC in an adversary proceeding in bankruptcy court in which he claimed his inability to repay his student loans was the result of a violation of his due process rights because of an allegedly unfair disciplinary process that rendered him unable to work as a lawyer. In another lawsuit, a complaining witness filed suit in the circuit court seeking damages against the ARDC arising out of the ARDC's purported refusal to send a document to him by facsimile in the course of an investigation into alleged attorney misconduct. Finally, a complaining witness filed a motion for supervisory order in the Court seeking to require the ARDC to reopen two closed investigations.

5. Registration and Caseload Trends (2004-2018)

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

Chart 25A: Registration Growth and Disciplinary Investigations (2004-2018)

Year	Registered Attorneys	% of Growth Over Prior Year	Investigations Docketed	Closure By Administrator: No Misconduct Alleged	Closure By Administrator After Investigation	Closure By Inquiry Board After Investigation	Complaint Voted By Inquiry Board*
2004	78,101	1.9%	6,070	1,303	4,539	90	320
2005	80,041	2.5%	6,082	1,460	4,239	102	317
2006	81,146	1.4%	5,801	1,319	4,076	76	215
2007	82,380	1.5%	5,988	1,508	4,117	125	279
2008	83,908	1.9%	5,897	1,441	4,305	104	228
2009	84,777	1.0%	5,834	1,322	3,891	79	226
2010	86,777	2.2%	5,617	1,354	3,914	50	271
2011	87,943	1.3%	6,155	1,405	4,293	83	156
2012	89,330	1.6%	6,397	1,649	4,598	75	273
2013	91,083	2.0%	6,073	1,544	3,974	50	142
2014	92,756	1.8%	5,835	1,442	4,468	46	198
2015	94,128	1.5%	5,554	1,343	3,993	52	158
2016	94,610	0.5%	5,401	1,321	3,967	41	142
2017	94,778	0.17%	5,199	1,191	3,657	97	118
2018	94,608	-0.2%	5,029	1,233	3,542	53	101

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

Chart 25B: Disciplinary and Regulatory Proceedings (2004-2018)

Year	Matters Filed With Supreme Court or Circuit Court	Matters Filed With Hearing Board	Matters Concluded at Hearing Board	Matters Filed With Review Board	Matters Concluded at Review Board	Sanctions Ordered By Supreme Court
2004	32	156	170	45	41	149
2005	41	144	134	28	47	167
2006	33	108	132	25	23	144
2007	37	144	121	32	29	120
2008	36	134	137	31	26	135
2009	39	137	135	30	31	130
2010	49	122	115	27	32	148
2011	45	106	147	35	31	156
2012	30	120	113	36	32	103
2013	40	95	120	29	48	149
2014	31	126	105	29	29	112
2015	28	86	130	31	26	126
2016	34	83	93	21	22	104
2017	41	79	88	23	24	118
2018	38	64	64	17	22	75

6. Duty to Report Lawyer Misconduct: Lawyer Reports: 2004-2018

IRPC 8.3 requires a lawyer who knows that another lawyer has committed a violation of Rule 8.4(b) or Rule 8.4(c) or that a judge has committed a violation of applicable rules of judicial conduct that raises a substantial question as to the judge’s fitness for office shall inform the appropriate authority. Chart 26 shows that although investigations opened as a result of attorney reporting account for an average of 9% of all docketed investigations since 2004, an average of 29.7% of the formal disciplinary caseload between 2004 and 2018 included charges generated as a result of a lawyer or judge filing an attorney report. The number of attorney reports resulting in formal complaints increased significantly since 2007. In 2018, 44 grievances out of the 101 grievances that resulted in the filing of a formal complaint, or 43.6%, emanated from an attorney report. Of the 59 formal disciplinary complaints filed in 2018, 56% or 33 formal complaints were the result of an attorney report. For attorney report statistics since the 1988 *Himmel* decision, see *2007 Annual Report of the ARDC*, pages 25-27.

Chart 26 tracks attorney report filings for the past fifteen years from 2004 through 2018.

Chart 26: Attorney Reports: 2004-2018

Year	Number of Grievances	Number of Attorney Reports	Percent of Attorney Reports to Grievances	Number of Grievances Voted into Complaints	Number of Attorney Reports Voted into Complaints	Percent of Attorney Reports to Formal Complaints
2004	6,070	503	8.3%	320	42	13.1%
2005	6,082	505	8.3%	317	47	14.8%
2006	5,800	435	7.5%	217	35	16.1%
2007	5,988	525	8.8%	284	82	28.9%
2008	5,897	542	9.1%	228	69	30.2%
2009	5,837	489	7.7%	226	60	26.5%
2010	5,617	497	8.8%	271	73	26.9%
2011	6,155	536	8.7%	156	33	21.2%
2012	6,397	651	10.2%	273	86	31.5%
2013	6,073	485	9.2%	144	48	33.3%
2014	5,835	581	9.4%	199	52	26.1%
2015	5,554	583	9.4%	159	62	39.2%
2016	5,401	606	11.1%	142	67	47.2%
2017	5,199	551	10.6%	118	55	46.6%
2018	5,029	479	9.6%	101	44	43.6%
Totals for 2004-2018	86,934	7,968	--	3,155	855	--
Average For 2004-2018	5,795	531	9.1%	210	57	29.7%

IV. Client Protection Program Report

The Supreme Court of Illinois created the Client Protection Program under Supreme Court Rule 780 to reimburse clients who lost money as the result of the dishonest conduct of an Illinois lawyer who has been disciplined or is deceased. The purpose of the Client Protection Program is to promote public confidence in the administration of justice and the integrity of the legal profession. The Program does not cover losses resulting from professional negligence or malpractice and does not consider claims involving fee or contract disputes. In 2015, the Court amended Supreme Court Rule 780 to expand the definition of reimbursable loss to include claims involving unearned, unrefunded fees paid to lawyers who later died or were transferred to Disability Inactive status before rendering services or refunding unearned fees. Commission Rules 501 through 512 govern the administration of the Program.

The Program is funded by an annual assessment paid by most Active status lawyers and remitted to the Client Protection Program Trust Fund. Rule 756 sets the assessment amount at \$25 per lawyer. The maximum per-award limit is \$100,000 and the per-lawyer limit is \$1 million. In 2018, the Program collected \$2,115,040 (\$1,863,890 in assessments, \$216,158 in reimbursement, and \$34,992 in interest).

In 2018, the Commission approved payment of \$2,324,786 on 99 claims against 35 lawyers. Nine approvals were for the \$100,000 maximum, and 27 were for \$2,500 or less. The Commission awarded

more than \$889,000 on 17 claims involving Jeffrey Schlapp. Schlapp was disbarred on consent in 2017 for intentional misuse of settlement funds in nursing home abuse and neglect cases and is facing criminal charges.

As Chart 27A shows, in some years Program awards exceeded income. The Program was able to pay claims in full up to the Program cap limits by drawing on a reserve that had accrued since 2006 when the Court set the \$25 per lawyer annual assessment for the Program.

Chart 27A: Client Protection Program Claims: 2004-2018

Year	Claims filed	# Claims Approved	# Claims Denied	For Claims Approved, # Respondent Attys	Total Amounts Paid
2004	357	153	113	40	\$617,772
2005	242	179	132	46	\$951,173
2006	222	111	69	38	\$843,054
2007	217	90	138	44	\$697,358
2008	224	102	122	56	\$1,029,220
2009	188	81	125	35	\$1,091,473
2010	207	89	108	30	\$705,168
2011	184	89	96	38	\$1,006,013
2012	350	70	124	34	\$986,771
2013	256	247	91	38	\$2,016,669
2014	256	95	106	40	\$1,300,775
2015	541	366	152	34	\$2,488,651
2016	277	146	132	48	\$3,094,187
2017	229	152	144	48	\$1,776,419
2018	219	99	107	35	\$2,324,786

The amount paid out in the last few years has increased significantly, due in part to increases in the claim cap and larger dollar misappropriation of client funds. The original claim cap was \$10,000. The cap was increased from time to time over the years, and in 2014 was increased to \$100,000. The average amount paid per year from 2014 to 2018 was \$2,196,963.

Chart 27B below provides a summary of the claims approved in 2018, by type of misconduct and area of law. For the types of misconduct involved in the 99 approved claims, 63% involved claims of intentional misappropriation of client funds.

Chart 27B: Classification of Approved Client Protection Claims in 2018

Type of Misconduct:	
Intentional misappropriation of client funds .	62
Charging excessive fee or failure to refund unearned fees	37
Area of Law	
Tort	34
Labor/Workers' Comp.....	19
Real Estate/Loan Modification	12
Domestic Relations.....	9
Criminal/Quasi criminal	8
Bankruptcy/Debt Negotiation	6
Immigration	5
Probate/Trusts	4
Debt Collection.....	2

V. Recent Developments Impacting the Legal Profession in Illinois

A. New Rules and Amendments

1. ***New Supreme Court Rule 704A: Admission by Transferred Uniform Bar Examination Score*** (Amended June 8, 2018, eff. Jan. 1, 2019)

On June 8, 2018, the Illinois Supreme Court approved the Uniform Bar Exam (UBE) to be the main component for bar admission. The UBE is a nationwide test administered over two days that allows test takers to transfer scores to another UBE jurisdiction, greatly improving the mobility of Illinois attorneys. Illinois becomes the 30th state to adopt the UBE. It will be given for the first time in Illinois for the July 2019 bar exam. Concomitant changes were made to Supreme Court Rules 704 and 706.

2. ***New Commission Rule 213 Electronic Filing*** (Adopted Oct. 19, 2018, eff. Jan. 1, 2019)

New Commission Rule 213 Electronic Filing mandates that beginning January 1, 2019, all pleadings, motions and documents in disciplinary matters must be electronically filed with the Clerk of the ARDC. This is in accordance with Supreme Court Rules 9 and 10 and with the *ARDC Electronic Filing Procedure and User Manual*. Both Commission Rule 213 and the *Manual* are posted on the ARDC website at www.iardc.org.

This change was made in accordance with Commission Rule 237 Master File (eff. Jan 1, 2016), and Illinois Supreme Court directives to make e-service and e-filing the norm throughout Illinois courts by January 1, 2018. Since April 2016, the Clerk of the ARDC maintains only an electronic record of all proceedings and designates the electronic record as the official record of proceedings.

Also, as part of the ARDC's paperless initiative, the Clerk's Office has scanned and destroyed nearly 1,000 boxes containing ARDC Clerk's legacy files that had been maintained in storage. Substantial efforts have also been made over the past few years to maintain all investigative files in an electronic format, at a savings in time and storage costs.

3. ***Amended Commission Rule 501 Eligible Claims – Client Protection Program*** (Amended Dec. 7, 2018, eff. March 12, 2019)

Commission Rule 501 covering claims eligible for reimbursements under the Client Protection Program was amended to codify the definition of "dishonest conduct." The amendment clarifies for claimants the limitations on what types of claims the Client Protection Program will pay.

B. ARDC Matching Services Study

In May 2018, the Court approved for public distribution and comment the ARDC's *Client-Lawyer Matching Services Study*. The study, posted to the ARDC website in June 2018, sought feedback from the Bar and public on whether client-lawyer, for-profit matching services should be regulated and whether lawyers should be permitted to pay for-profit services as a means to increase access to the legal market. The study cites the documented access to justice challenge for Illinois and nationwide: the unmet civil legal needs of an underserved population who do not recognize the need for a lawyer, the benefit of hiring a lawyer, or are unable to find a lawyer. The ARDC study included, for discussion purposes, a draft framework to regulate entities that would connect clients and lawyers, while preserving lawyer independence and other core values of the profession. The study is available on the ARDC website at www.iardc.org/Matching_Services_Study_Release_for_Comments.pdf.

VI. Recent Developments within the Commission

A. ARDC Commissioners

1. *David F. Rolewick Appointed as ARDC Chairperson*

Effective January 1, 2019, David F. Rolewick was appointed by the Supreme Court as Chairperson of the ARDC Commissioners. Mr. Rolewick has been a Commissioner since 2011. In service to the Commission since December 1991, he has served previously on the Inquiry, Hearing and Review Boards and was appointed Chairperson of both the Hearing Board and later the Review Board. Mr. Rolewick is the founding partner of the law firm of *Rolewick & Gutzke, P.C.* in Wheaton. Mr. Rolewick was admitted to practice in Illinois and received his J.D. from the Loyola University School of Law in 1971.

2. *Timothy L. Bertschy Appointed as ARDC Vice-Chairperson*

Timothy L. Bertschy was appointed by the Supreme Court to serve as Vice-Chairperson of the ARDC Commissioners, effective January 1, 2019. Mr. Bertschy has been a Commissioner since 2015. He is a retired lawyer and was, prior to his retirement, the managing partner of *Heyl Royster*. Mr. Bertschy received his J.D. from The George Washington University, The National Law Center, and was admitted to practice in Illinois in 1977.

3. *J. Nelson Wood Appointed as Commissioner*

J. Nelson Wood was appointed as a lawyer-Commissioner beginning January 1, 2019 through December 31, 2021, replacing James R. Mendillo. Mr. Wood is a sole practitioner in Mt. Vernon and Chicago. His practice focuses on coal, oil, and gas. Mr. Wood received his J.D. from The John Marshall Law School and was admitted to practice in Illinois in 1980. He also holds an M.B.A. from Northwestern

University's Kellogg School of Management and a B.S. in Finance from the University of Illinois, Urbana-Champaign.

4. *James R. Mendillo Completes Term as ARDC Commissioner and Chairperson*

James R. Mendillo concluded his service as a Commissioner on December 31, 2018. Mr. Mendillo was appointed as a lawyer Commissioner in 2010 and was later appointed Vice-Chairperson in 2013 and Chairperson in 2016. Prior to his appointment as a Commissioner, he served on the Hearing Board for three years. In January 2019, he was appointed to the Commission committee overseeing Special Counsel. Mr. Mendillo is a partner at the Belleville law firm, *Freeark, Harvey and Mendillo, P.C.* He received his J.D. from Washington University School of Law and was admitted to practice law in Missouri in 1972 and in Illinois in 1974.

B. ARDC Hearing Board

1. *Recent Passing of Champ W. Davis, Jr., former Chair of the ARDC Hearing Board*

The Commission was saddened by the death of Champ W. Davis, Jr. in January 2019. Mr. Davis served as Chair of the Hearing Board from 2011 to 2016. Mr. Davis was first appointed to the Inquiry Board in 1984 and was a member of the Hearing Board since 1986. A founding partner in the commercial litigation and counseling law firm of *Davis McGrath LLC* in Chicago, he received his J.D. from the University of Illinois College of Law in 1966.

2. *Hearing Board Chair Term Limits*

On April 20, 2018, Commission Rule 4 *Term Limits* was amended to establish a 20-year term limit for Hearing Board Chairs, effective in 2019.

C. ARDC Office

There has been a 14.6% reduction in ARDC staff since 2015, including eight fewer litigation lawyers which represents a 30% reduction in litigation lawyers. This reduction is a combination of a response to caseload decline, job attrition, and a managerial decision to not replace departing staff.

In 2018, the ARDC implemented additional security protocols recommended by security consultants and the Court's marshal. There was also staff training to recognize potential threats. The ARDC will continue to explore other ways to ensure the safety of the public, lawyers, Board members and staff who access ARDC offices and to protect the integrity of the regulatory process.

VII. Financial Report

The ARDC engaged the services of Legacy Professionals LLP to conduct an independent financial audit as required by Supreme Court Rule 751(e)(6). The audited financial statements for the year ended December 31, 2018, including comparative data from the 2017 audited statements are attached. In addition, a five-year summary of revenues and expenditures as reported in the audited statements appears after the text in this section. The ARDC is also subject to a bi-annual audit conducted by the State of Illinois Office of the Auditor General (OAG). The OAG audit report for the two years ended December 31, 2017 can be found on the OAG website at www.auditor.illinois.gov/. The next OAG audit report will be issued in 2020 and will cover the two years ended December 31, 2019.

The ARDC has successfully maintained its operations through careful expense management, which has more than offset the negative revenue impact from historically low interest rates and a reallocation of \$5 from the ARDC to the Commission on Professionalism in 2012.

The number of paid attorneys increased by

0.5% from 2016 to 2017 and remained unchanged from 2017 to 2018.

The Court approved a \$3 increase in the registration fee structure effective with the 2017 registration season. This increase applied to attorneys admitted for more than three years and was allocated in full to the Illinois Lawyers' Assistance Program (LAP). LAP is a not-for-profit organization that helps attorneys, judges and law students get confidential assistance with substance abuse, addiction and mental health issues.

Prior to the \$3 increase, the last fee increase was made effective with the 2015 registration year.

The total fee paid by attorneys admitted for more than three years was \$385 in 2018. The \$385 fee was allocated as follows:

- ARDC - \$230;
- Lawyers Trust Fund - \$95;
- Commission on Professionalism - \$25;
- Client Protection Program - \$25; and
- Lawyers' Assistance Program - \$10.

The fee paid to the ARDC by inactive attorneys, Rule 707 attorneys and attorneys admitted between one and three years was \$121 in 2018.

Since 2007, funding for Client Protection Program (CPP) award payments comes from the \$25 allocation referenced above. During 2009, the ARDC determined that CPP expenses should also be paid from that separate Client Protection Fund instead of the ARDC Disciplinary Fund. For 2018 and 2017, the Client Protection Fund reimbursed the Disciplinary Fund \$309,447 and \$304,543 respectively for the administrative costs of the Program.



of the Supreme Court of Illinois

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

FIVE YEAR SUMMARY OF OPERATIONS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
REVENUE					
Investment income					
Interest	\$ 752,102	\$ 460,619	\$ 325,337	\$ 215,925	\$ 139,202
Net gain (loss) on investments	25,789	47,197	63,101	(86,873)	6,534
Registration and program fees	21,954,971	21,725,223	21,588,524	21,241,739	18,118,805
Cost reimbursements collected	81,675	89,142	111,971	82,782	70,810
Administrative expense reimbursement from Client Protection Program	309,447	304,543	292,863	286,324	276,869
Client Protection Program reimbursements	216,158	260,049	175,165	16,355	96,781
Total revenue	<u>23,340,142</u>	<u>22,886,773</u>	<u>22,556,961</u>	<u>21,756,252</u>	<u>18,709,001</u>
EXPENSES					
Salaries and related expenses	11,997,483	12,153,114	11,889,727	11,933,845	11,439,028
Travel expenses	147,652	111,074	127,337	130,279	113,327
Library and continuing education	158,995	201,888	150,463	143,206	108,280
General expenses and office support	2,537,817	2,419,124	2,388,365	2,299,321	2,052,396
Computer expense	504,532	515,197	542,478	479,508	403,897
Other professional and case-related expenses	590,756	602,010	636,352	835,666	821,595
Client Protection Program direct expenses	2,327,765	1,776,951	3,098,343	2,496,544	1,307,599
Administrative expense reimbursement to Registration and Discipline	309,447	304,543	292,863	286,324	276,869
Depreciation and amortization expense	258,203	379,888	390,611	412,451	669,653
Total expenses	<u>18,832,650</u>	<u>18,463,789</u>	<u>19,516,539</u>	<u>19,017,144</u>	<u>17,192,644</u>
CHANGE IN NET ASSETS	4,507,492	4,422,984	3,040,422	2,739,108	1,516,357
NET ASSETS					
Beginning of year	<u>33,584,424</u>	<u>29,161,440</u>	<u>26,121,018</u>	<u>23,381,910</u>	<u>21,865,553</u>
End of year	<u>\$ 38,091,916</u>	<u>\$ 33,584,424</u>	<u>\$ 29,161,440</u>	<u>\$ 26,121,018</u>	<u>\$ 23,381,910</u>
OTHER INFORMATION AT YEAR END					
Number of active and registered attorneys	94,608	94,997	94,461	93,824	92,750
Registration fees					
More than one year and less than three years	\$ 121	\$ 121	\$ 121	\$ 121	\$ 105
More than three years	\$ 230	\$ 230	\$ 230	\$ 230	\$ 200
Inactive/out of state	\$ 121	\$ 121	\$ 121	\$ 121	\$ 105

REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying financial statements of Attorney Registration and Disciplinary Commission of the Supreme Court of Illinois (the Commission), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended December 31, 2018, the Commission implemented new accounting guidance that updates the understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Our opinion is not modified with respect to this matter.

Legacy Professionals LLP

Westchester, Illinois

April 19, 2019

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

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

ASSETS	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,649,227	\$ 3,103,430
Short-term investments	40,345,401	31,188,552
Accrued interest receivable	115,295	81,323
Accounts receivable	3,293	722
Prepaid expenses and deposits	<u>184,811</u>	<u>169,281</u>
Total current assets	43,298,027	34,543,308
PROPERTY AND EQUIPMENT - net	1,657,175	1,756,123
LONG-TERM INVESTMENTS	<u>19,210,258</u>	<u>23,437,282</u>
Total assets	<u>\$ 64,165,460</u>	<u>\$ 59,736,713</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and other accruals	\$ 788,424	\$ 851,654
Amounts held for others	4,156,323	4,140,117
Accrued vacation	474,956	476,969
Deferred registration and program fees	16,583,343	16,514,642
Postretirement benefit obligation - current portion	37,342	35,509
Deposits	<u>3,501</u>	<u>4,000</u>
Total current liabilities	<u>22,043,889</u>	<u>22,022,891</u>
LONG-TERM LIABILITIES		
Postretirement benefit obligation - net of current portion	1,938,728	1,881,254
Deferred rent expense	<u>2,090,927</u>	<u>2,248,144</u>
Total long-term liabilities	<u>4,029,655</u>	<u>4,129,398</u>
Total liabilities	26,073,544	26,152,289
NET ASSETS		
Without donor restrictions	<u>38,091,916</u>	<u>33,584,424</u>
Total liabilities and net assets	<u>\$ 64,165,460</u>	<u>\$ 59,736,713</u>

See accompanying notes to financial statements.

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

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018		2017	
	Registration and Discipline	Client Protection Program	Total	Total
REVENUE				
Investment income - net	\$ 742,898	\$ 34,993	\$ 777,891	\$ 507,816
Registration and program fees	20,091,081	1,863,890	21,954,971	21,725,223
Cost reimbursements collected	81,675	-	81,675	89,142
Administrative expense reimbursement from Client Protection Program	309,447	-	309,447	304,543
Client Protection Program reimbursements	-	216,158	216,158	260,049
Total revenue	21,225,101	2,115,041	23,340,142	22,886,773
EXPENSES				
Salaries and related expenses	11,997,483	-	11,997,483	12,153,114
Travel expenses	147,652	-	147,652	111,074
Library and continuing education	158,995	-	158,995	201,888
General expenses and office support	2,537,817	-	2,537,817	2,419,124
Computer expense	504,532	-	504,532	515,197
Other professional and case-related expenses	590,756	-	590,756	602,010
Client Protection Program direct expenses				
Awards	-	2,324,786	2,324,786	1,773,919
Administrative	-	2,979	2,979	3,032
Administrative expense reimbursement to Registration and Discipline	-	309,447	309,447	304,543
Depreciation and amortization expense	258,203	-	258,203	379,888
Total expenses	16,195,438	2,637,212	18,832,650	18,463,789
CHANGE IN NET ASSETS	5,029,663	(522,171)	4,507,492	4,422,984
NET ASSETS				
Beginning of year	32,541,933	1,042,491	33,584,424	29,161,440
End of year	\$ 37,571,596	\$ 520,320	\$ 38,091,916	\$ 33,584,424

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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,507,492	\$ 4,422,984
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net (gain) on investments	(25,789)	(47,197)
Depreciation and amortization expense	258,203	379,888
Change in assets and liabilities		
Accounts receivable and accrued interest receivable	(36,543)	(32,104)
Prepaid expenses and deposits	(15,530)	31,399
Accounts payable and other accruals	(63,230)	547,041
Amounts held for others	16,206	1,104
Accrued vacation	(2,013)	15,987
Deferred registration and program fees	68,701	256,245
Deposits	(499)	-
Postretirement benefit obligation	59,307	83,839
Deferred rent expense	(157,217)	468,918
Net cash provided by operating activities	<u>4,609,088</u>	<u>6,128,104</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(37,546,403)	(38,661,264)
Maturities of investment securities	32,642,370	33,066,300
Purchases of property and equipment	(159,258)	(116,673)
Net cash (used in) investing activities	<u>(5,063,291)</u>	<u>(5,711,637)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(454,203)	416,467
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>3,103,430</u>	<u>2,686,963</u>
End of year	<u>\$ 2,649,227</u>	<u>\$ 3,103,430</u>

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 1. GENERAL PURPOSE DESCRIPTION

Attorney Registration and Disciplinary Commission of the Supreme Court of Illinois (the Commission) was established by the Supreme Court of Illinois (the Court) pursuant to Article VII(B) of its rules, effective February 1, 1973. The Commission appoints an Administrator, with approval of the Court, to serve as its principal executive officer. Commission duties include maintenance of the Master Roll of Attorneys and administration of the disciplinary fund. The Administrator conducts investigations and prosecutes complaints against attorneys and non-lawyers pursuant to rules of the Court and Commission.

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

- Rule 756(a), as amended (the Rule), has set the annual registration and program fees for active lawyers licensed to practice law for three years or more at \$385 (the full fee) and the annual registration fees for active lawyers licensed to practice between one and three years and inactive lawyers at \$121. The full fee was increased from \$382 to \$385 effective with the 2017 registration season, with the \$3 increase being allocated in full to the Illinois Lawyers' Assistance Program. Prior to this, the last fee increase occurred effective with the 2015 registration season. The charge for late payment of annual registration fees is \$25 per month for every month that fees are delinquent. The Rule requires that the Commission, as part of the annual \$385 fee, collect and remit the following amounts to the following other Supreme Court entities that are not administered by the Commission: \$95 to the Lawyers Trust Fund of Illinois, \$25 to the Illinois Supreme Court Commission on Professionalism and \$10 to the Illinois Lawyers' Assistance Program.

NOTE 1. GENERAL PURPOSE DESCRIPTION (CONTINUED)

- Rule 780(b) provided for the establishment of the Client Protection Program (the Program) and set forth that the purpose of the Program “is to promote public confidence in the administration of justice and the integrity of the legal profession by reimbursing losses caused by the dishonest conduct” of Illinois lawyers who have been disciplined. Since the Program’s inception, the Commission has administered the Client Protection Program and has maintained a separate Client Protection Fund account. Amended Rule 756 provides that \$25 of the \$385 registration fee be set aside for the Client Protection Program to fund awards made by the Client Protection Program. Prior to the Rule 756 amendment, the Commission funded payment of awards by making an annual allocation from the Disciplinary Fund. The Commission includes in its general budget allocations for administrative expenses of the Program to be paid from the Disciplinary Fund. The Program reimburses the Commission for the cost of administering the Program.
- Rule 707, as amended, provides that eligible out-of-state attorneys may appear in an Illinois proceeding upon meeting certain requirements, including the payment of a \$250 per proceeding fee and an annual registration fee, which is currently \$121. The \$250 per proceeding fee is allocated between the Illinois Supreme Court Commission on Access to Justice (\$175) and the Commission (\$75). The registration fee is allocated to the Commission.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting - The financial statements of the Commission have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

New Accounting Pronouncements - In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, which was effective for the Commission’s financial statements for the year ended December 31, 2018. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented and the presentation in these financial statements has been adjusted accordingly.

Basis of Presentation - In order to conform to provisions of generally accepted accounting principles, the Commission is required to report information regarding its financial position and activities in two classes of net assets: without donor restriction and with donor restriction.

Net Assets without Donor Restriction - Net assets that are not subject to donor-imposed restrictions and are available to finance the general operations of the Commission. The only limits on the use of net assets without donor restriction are the broad limits resulting from the nature of the Commission, the environment in which it operates and the purposes specified in its governing rules.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Net Assets with Donor Restriction - Net assets subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At December 31, 2018 and 2017, there are no net assets with donor restrictions.

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

Accounts Receivable - Cost Reimbursements and Client Protection Program

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

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

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

Computer and related equipment	3 - 5 years
Office furniture and equipment	3 - 10 years
Library	7 years
Leasehold improvements	5 - 15 years

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

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

Interest income is recorded on the accrual basis. Dividend income is recorded on the ex dividend date.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amounts Held for Others - Amounts held for others at December 31, 2018 and 2017 consist of funds collected for the Illinois Lawyers' Assistance Program in the amount of \$318,744 and \$317,379 respectively; the Lawyers Trust Fund of Illinois in the amount of \$3,028,254 and \$3,015,408 respectively; the Illinois Supreme Court Commission on Professionalism in the amount of \$796,900 and \$793,505 respectively; and the Illinois Supreme Court Commission on Access to Justice in the amount of \$12,425 and \$13,825 respectively. All amounts were remitted subsequent to year end.

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

Deposits - A portion of deposits is the reinstatement deposit that accompanies the petition of any attorney who is filing for reinstatement under Rule 767. The amount the attorney actually owes is assessed at the conclusion of the proceedings. Reinstatement deposits held at December 31, 2018 and at 2017 was \$3,501 and \$4,000 respectively.

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

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 (see Note 5).

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.

Subsequent Events - Subsequent events have been evaluated through April 19, 2019, which is the date the financial statements were available to be issued.

Reclassifications - Certain reclassifications have been made to the prior year amounts to conform to the presentation for the current year.

NOTE 3. LIQUIDITY AND AVAILABILITY

The Commission's liquidity plan is to maintain sufficient cash and cash equivalents, money market funds, and other high quality short-term securities to fund its operations for a period of at least 1 year. The Commission utilizes a checking account, government money market funds, short-term treasury securities and FDIC insured certificates of deposit for this purpose.

Excess cash is invested in longer dated treasury securities and certificates of deposit with varying maturities designed to fund the Commission's operations beyond the one year interval and maximize its income over time.

Cash levels can increase significantly when the Commission is collecting attorney registration fees during the annual registration season. The Commission collects approximately 75% of its annual registration fee income during the fourth quarter of each calendar year, with the bulk of the remainder in the month of January. Cash collected during these months is invested as soon as practicable. The cash collected in the fourth quarter temporarily inflates the Commission's year-end holdings of short-term liquid securities.

Specific investment allocation decisions about the Commission's portfolio are made by a third party investment manager.

None of the Commission's financial assets are subject to any donor or other restrictions.

The Commission also maintains sufficient liquidity in the Client Protection Program's (the Program) financial accounts to fund award payments to the Program's beneficiaries. This liquidity provision is normally established at the end of each calendar year based on a projection of award payments for the next twelve months. The amount invested in cash and cash equivalents, government money market funds, and other high quality short-term securities is dependent on the projected timing and size of these award payments and may vary from year to year. Any excess funds that are not needed for disbursement are invested in longer dated treasury securities and FDIC insured certificates of deposit with varying maturities designed to meet the Program's future obligations and maximize its income over time.

Specific investment allocation decisions about the Program's portfolio are made by a third party investment manager.

None of the Program's financial assets are subject to any donor or other restrictions.

The following is a breakdown of the Commission's and the Program's combined financial assets that are available for expenditure within one year of the balance sheet date:

Cash and cash equivalents	\$ 2,649,227
Short-term investments	40,345,401
Accrued interest receivable	115,295
Accounts receivable	<u>3,293</u>
Total	<u>\$ 43,113,216</u>

NOTE 4. COST REIMBURSEMENTS

The Commission receives cost reimbursements for investigative and disciplinary costs from disciplined attorneys. Cost reimbursements are billed at the time that discipline is imposed by the Court. Such billings may not reflect the total costs or match the period in which the investigative disciplinary costs were incurred. The Commission is limited to \$1,000 in cost reimbursements for each discipline case, absent exceptional circumstances. During the years ended December 31, 2018 and 2017, the Commission regularly sought entry of judgments by the Court. Interest accrues upon the unsatisfied portions of those judgments at a rate of 9% per annum, from the date of judgment until satisfied, as provided by 735 ILCS 5/2-1303. The Commission has also established payment plans for disciplined attorneys.

NOTE 5. FUNCTIONAL EXPENSES BY NATURAL CLASSIFICATION

The following tables represent an analysis of the Commission's functional expenses, by natural classification, for the years ended December 31, 2018 and 2017:

	2018			
	Program			Total
	Registration and Discipline	Client Protection	Administration and Support	
Salaries and related expenses	\$ 9,592,456	\$ 243,008	\$ 2,162,019	\$ 11,997,483
Travel expense	110,519	1,355	35,778	147,652
Library and continuing education	126,659	2,851	29,485	158,995
General expenses and office support	2,039,911	43,895	454,011	2,537,817
Computer expense	401,921	9,046	93,565	504,532
Other professional and case-related expenses	538,082	4,644	48,030	590,756
Client Protection Program direct expenses:				
Awards	-	2,324,786	-	2,324,786
Administrative	-	2,979	-	2,979
Administrative expense reimbursement to Registration and Discipline	-	-	309,447	309,447
Depreciation and amortization expense	205,670	4,649	47,884	258,203
Total	<u>\$ 13,015,218</u>	<u>\$ 2,637,213</u>	<u>\$ 3,180,219</u>	<u>\$ 18,832,650</u>

NOTE 5. FUNCTIONAL EXPENSES BY NATURAL CLASSIFICATION (CONTINUED)

	2017			
	Program			Total
	Registration and Discipline	Client Protection	Administration and Support	
Salaries and related expenses	\$ 9,788,834	\$ 239,491	\$ 2,124,789	\$ 12,153,114
Travel expense	85,668	1,180	24,226	111,074
Library and continuing education	161,891	3,490	36,507	201,888
General expenses and office support	1,958,308	40,221	420,595	2,419,124
Computer expense	413,124	8,909	93,164	515,197
Other professional and case-related expenses	548,575	4,664	48,771	602,010
Client Protection Program direct expenses:				
Awards	-	1,773,919	-	1,773,919
Administrative	-	3,032	-	3,032
Administrative expense reimbursement to Registration and Discipline	-	-	304,543	304,543
Depreciation and amortization expense	<u>304,604</u>	<u>6,588</u>	<u>68,695</u>	<u>379,888</u>
Total	<u>\$ 13,261,004</u>	<u>\$ 2,081,494</u>	<u>\$ 3,121,290</u>	<u>\$ 18,463,789</u>

NOTE 6. INVESTMENTS

The following summary presents the fair value of each of the investment categories at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Short-term		
U.S. Treasury notes and bills	\$ 12,596,964	\$ 10,570,532
U.S. bank certificates	12,934,000	9,784,000
Money market funds	13,333,187	9,380,473
Mutual funds and exchange traded funds	<u>1,481,250</u>	<u>1,453,547</u>
	<u>40,345,401</u>	<u>31,188,552</u>
Long-term		
U.S. Treasury notes and bills	9,499,258	11,499,282
U.S. bank certificates	<u>9,711,000</u>	<u>11,938,000</u>
	<u>19,210,258</u>	<u>23,437,282</u>
Total	<u>\$ 59,555,659</u>	<u>\$ 54,625,834</u>

NOTE 7. FAIR VALUE MEASUREMENTS

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

Basis of Fair Value Measurement

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

The following tables set forth, by level within the fair value hierarchy, the Commission's investment assets at fair value as of December 31, 2018 and 2017. As required, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

NOTE 7. FAIR VALUE MEASUREMENTS (CONTINUED)

	Total	Fair Value Measurements at 12/31/18 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury notes and bills	\$ 22,096,222	\$ 22,096,222	\$ -	\$ -
U.S. bank certificates	22,645,000	-	22,645,000	-
Money market funds	13,333,187	13,333,187	-	-
Mutual funds and exchange traded funds				
Fixed income	922,650	922,650	-	-
Equity:				
Small cap	69,122	69,122	-	-
Mid cap	72,872	72,872	-	-
Large cap	302,027	302,027	-	-
Emerging Market	39,749	39,749	-	-
International	74,830	74,830	-	-
Total	<u>\$ 59,555,659</u>	<u>\$ 36,910,659</u>	<u>\$ 22,645,000</u>	<u>\$ -</u>

	Total	Fair Value Measurements at 12/31/17 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury notes and bills	\$ 22,069,814	\$ 22,069,814	\$ -	\$ -
U.S. bank certificates	21,722,000	-	21,722,000	-
Money market funds	9,380,473	9,380,473	-	-
Mutual funds and exchange traded funds				
Fixed income	822,600	822,600	-	-
Equity:				
Small cap	85,398	85,398	-	-
Mid cap	84,452	84,452	-	-
Large cap	338,331	338,331	-	-
International	122,766	122,766	-	-
Total	<u>\$ 54,625,834</u>	<u>\$ 32,903,834</u>	<u>\$ 21,722,000</u>	<u>\$ -</u>

NOTE 7. FAIR VALUE MEASUREMENTS (CONTINUED)

Level 1 Measurements

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

Money market funds represent shares held in money market mutual funds.

The fair values of the mutual funds and exchange traded funds are determined by reference to the funds' underlying assets, which are principally marketable equity and fixed income securities. Shares held in mutual funds and exchange traded funds are traded on national securities exchanges and are valued at the net asset value on the last business day of each period presented.

Level 2 Measurements

U.S. bank certificates are valued at cost which approximates fair value due to their liquid or short-term nature. At December 31, 2018, the U.S. bank certificates had interest rates ranging from 0.85% to 3.05% with maturity dates between January 2019 and June 2021. At December 31, 2017, the U.S. bank certificates had interest rates ranging from 0.70% to 2.05% with maturity dates between January 2018 and September 2020.

NOTE 8. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Computer and related equipment	\$ 3,057,418	\$ 2,921,200
Office furniture and equipment	1,093,454	1,108,409
Library	13,965	25,433
Leasehold improvements	<u>2,471,949</u>	<u>2,471,949</u>
	6,636,786	6,526,991
Less accumulated depreciation and amortization	<u>(4,979,611)</u>	<u>(4,770,868)</u>
Property and equipment - net	<u>\$ 1,657,175</u>	<u>\$ 1,756,123</u>

NOTE 9. LEASE COMMITMENTS

The Commission leases its Chicago and Springfield offices under operating lease agreements.

In February 2011 the Chicago office lease was extended through May 2027. This lease calls for monthly payments for pro-rata operating expenses and real estate taxes in addition to the scheduled rent payments. In addition, the original lease provided 32 months of “free rent” with the first rent payment made on January 1, 1996. Under the terms of an amendment, base rent was reduced from December 2003 through May 2008, and the landlord provided certain rent concessions which were fully applied as of December 31, 2012. The Commission also received an allowance for leasehold improvements and other rent concessions between January 2012 and December 2017.

Effective November 1, 2012, the Commission entered into a fifteen year agreement for office space in Springfield, Illinois. The agreement, which included an allowance of \$20,000 for leasehold improvements, requires escalating rental payments of 2% per annum over the life of the lease. The Commission’s scheduled rent payments for this lease include operating expenses and real estate taxes.

Rent expense under all lease agreements was \$1,456,716 in 2018 and \$1,348,228 in 2017.

Future minimum rental payments under the terms of these leases, net of scheduled rent abatements, are as follows:

	<u>Springfield</u>	<u>Chicago</u>	<u>Total</u>
Year ending December 31,			
2019	\$ 109,776	\$ 747,806	\$ 857,582
2020	111,971	766,660	878,631
2021	114,211	785,835	900,046
2022	116,495	805,457	921,952
2023	118,825	825,622	944,447
Thereafter	<u>477,753</u>	<u>2,976,745</u>	<u>3,454,498</u>
Total	<u>\$ 1,049,031</u>	<u>\$ 6,908,125</u>	<u>\$ 7,957,156</u>

NOTE 10. POSTRETIREMENT BENEFIT OBLIGATION

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

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

The following sets forth information with respect to this benefit obligation as of and for the years ended December 31, 2018 and 2017. The benefit obligation at December 31, 2017 was actuarially determined by Towers Watson, and was estimated by commission management for 2018.

	<u>2018</u>	<u>2017</u>
Benefit obligation at beginning of year	\$ 1,875,145	\$ 1,823,408
Service cost	57,907	57,907
Interest cost	71,932	71,932
Benefits paid	(13,884)	(18,641)
Actuarial (gain)	<u>(15,030)</u>	<u>(59,461)</u>
Benefit obligation at end year	<u>\$ 1,976,070</u>	<u>\$ 1,875,145</u>

Net periodic benefit costs for 2018 and 2017 are comprised of the following:

	<u>2018</u>	<u>2017</u>
Service cost	\$ 57,907	\$ 57,907
Interest cost	71,932	71,932
Actuarial (gain)	<u>(15,030)</u>	<u>(59,461)</u>
Net periodic benefit cost	<u>\$ 114,809</u>	<u>\$ 70,378</u>

The key assumptions are as follows:

	<u>2018</u>	<u>2017</u>
Actuarial cost method	Projected unit credit method	Projected unit credit method
Mortality table	RP-2014 Employee and Annuitant	RP-2014 Employee and Annuitant
Discount rate	4.10%	4.10%
Retirement age	Between ages 55 and 65	Between ages 55 and 65
Medical trend rate ultimate	5%	5%

NOTE 10. POSTRETIREMENT BENEFIT OBLIGATION (CONTINUED)

Assumed health care cost trend rates can have a significant effect on the amounts reported for health care benefits. The actuary noted in its 2017 valuation that the effect of a 1% increase in health care cost trend rates (medical trend ultimate) would be an increase of \$6,366 on total service cost and interest cost components and an increase of \$88,198 on the postretirement benefit obligation.

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

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

2019	\$ 37,342
2020	41,755
2021	46,876
2022	61,292
2023	90,537
2024 - 2028	<u>558,897</u>
Total	<u>\$ 836,699</u>

The Commission maintains investments in a separate trust account for the Medicare replacement reserve. The assets are invested using prudent asset allocation parameters, with the goal of minimizing risk and achieving asset returns that will help the plan meet its future obligations. The plan's returns should be competitive with like institutions employing similar investment strategies. Because these investments are not considered to be plan assets, they are included in the total investment balances on the statements of financial position. The fair value of these investments totaled \$2,098,205 and \$2,005,591 at December 31, 2018 and 2017, respectively.

NOTE 11. EMPLOYEE BENEFIT PLANS

The Commission maintains a defined contribution retirement plan and trust for the benefit of all eligible employees. The Commission provides enhanced retirement plan contributions due to a Social Security Administration ruling that Commission employees are not eligible for benefits. Employee contributions are not permitted under the plan's provisions. The Commission contributes 18% of compensation for eligible employees, which totaled \$1,510,749 in 2018 and \$1,509,166 in 2017. The Commission also pays the plan's administrative expenses, which totaled \$209,740 in 2018 and \$191,586 in 2017.

The Commission also maintains a Section 457 savings plan which is primarily funded by voluntary pre-tax employee contributions. The Commission paid the savings plan's administrative expenses, which totaled \$3,200 in 2018 and \$5,450 in 2017. Effective January 1, 2015, the Commission began matching employee contributions at the rate of 10% of the employee deferral amount, subject to an annual cap of \$500 per employee. The matching formula was changed to 50% effective January 1, 2017, but subject to the same annual cap of \$500 per employee. Matching contributions totaled \$36,660 in 2018 and \$36,864 in 2017.

NOTE 12. LITIGATION

Various complaints and actions are periodically filed against the Commission. At December 31, 2018, the Commission believes that pending matters do not present any serious prospect for negative financial consequences.

NOTE 13. RISKS AND UNCERTAINTIES

The Commission invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

The actuarial present value of postretirement benefit obligations is reported based on certain assumptions pertaining to interest rates, health care inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

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