



ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
of the
SUPREME COURT OF ILLINOIS

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Chicago
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To the Honorable, the Chief Justice
and Justices of the Supreme Court
of Illinois

The annual report of the Attorney Registration and Disciplinary Commission for 1998 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 1998 and an accounting and audit of the monies received and expended during the twelve-month period which ended December 31, 1998.

Respectfully submitted,

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Patricia C. Bobb
Linda S. Culver
Eldridge T. Freeman, Jr., Ph.D.
James J. McDonough
Michael J. Reagan
Benedict Schwarz II, Commissioners

Mary Robinson, Administrator

I. Registration Report

The 1998 Master Roll of Attorneys contained the names of 72,149 attorneys as of October 31, 1998, after which date the Commission began the 1999 registration process. Therefore, this total does not include the 1,741 attorneys who first took their oath of office in November or December 1998. The 1998 total continues to reflect an annual 2% increase in the number of registered attorneys and, as shown in Chart A, reveals an overall increase of nearly three times the number of lawyers holding an Illinois license since 1975.

Chart A: Illinois Attorney Population 1975-1998

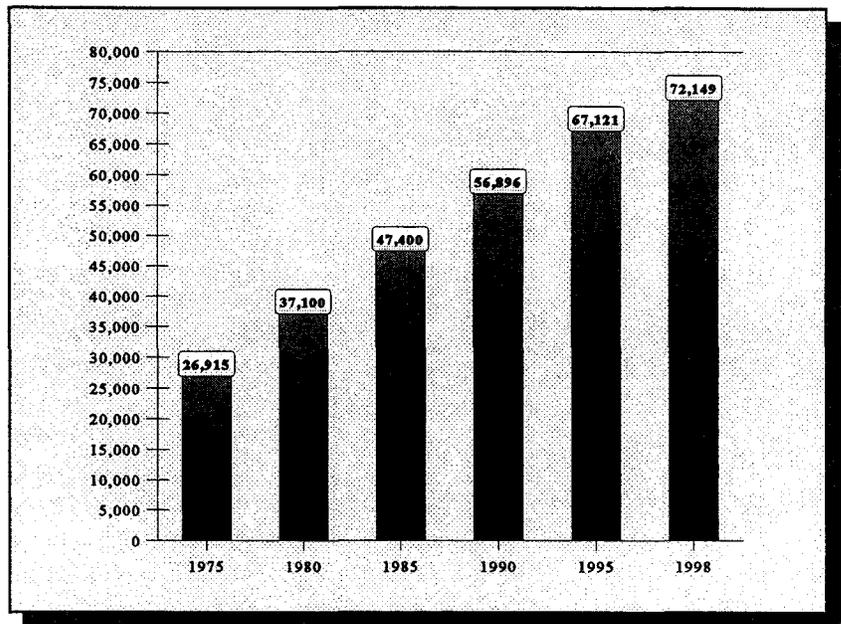


Chart B shows further demographic information for attorneys registered in 1998 and Chart C shows the breakdown by the registration categories set forth in Rule 756. Female lawyers now account for nearly one-third of the Illinois lawyer population, a 3% increase over 1997, and the largest percentage increase reported since 1992, when the demographics for the Illinois attorney population were first published.

Chart B: Age, Gender and Years in Practice for Attorneys Registered in 1998

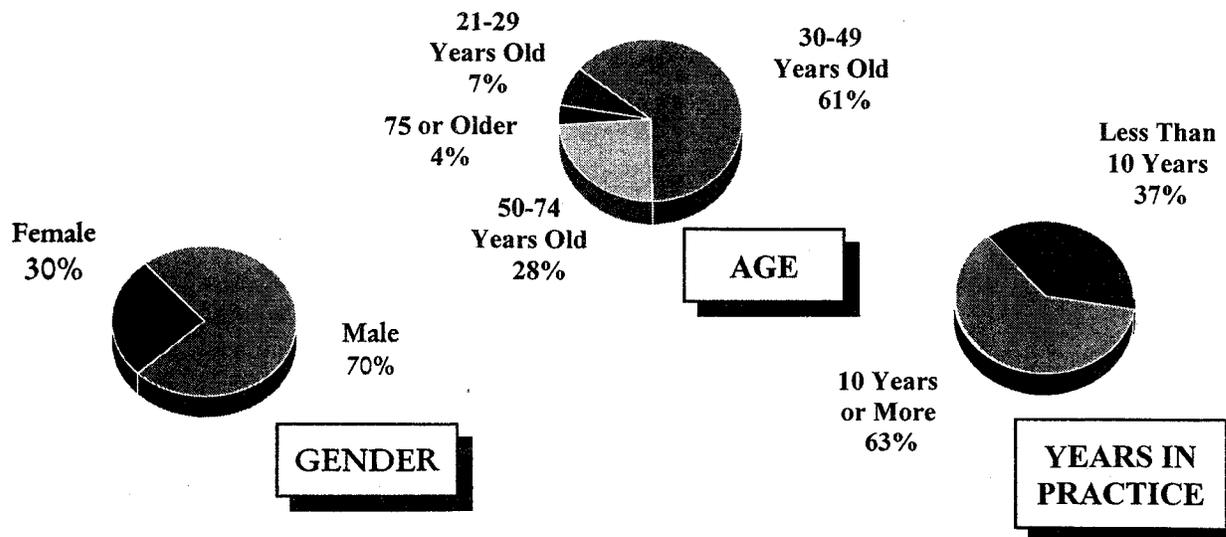


Chart C: Registration Categories for 1998

<u>Category</u>	<u>Number of Attorneys</u>
Admitted between January 1, 1997 and October 31, 1998	2,709
Admitted between January 1, 1995 and December 31, 1996	4,463
Admitted before January 1, 1995	51,112
Serving military duty	202
Serving as judge	1,013
Birthday before December 31, 1922	2,524
Foreign legal consultant	5
Neither practice, nor reside, nor are employed in Illinois	<u>10,121</u>
Total attorneys active and currently registered	72,149
Removed from the Master Roll (Arrears, Deceased, Inactive and Disciplined Attorneys)	(1,331)

In addition to the 10,121 attorneys who pay a reduced fee because they neither practice nor reside nor are employed in the state, another 7,544 attorneys report a business address outside Illinois but register to be able to practice in Illinois. Those 17,665 attorneys are not included in Charts D and E.

Charts D and E show the distribution by Judicial Circuit and by County of the 54,484 registered attorneys who report a principal business address in Illinois. For the first time since County of Practice information was published in 1976, Cook County showed a slight decrease from the prior year in the number of lawyers who report Cook County as their county of practice. Four of the counties with 100 or more lawyers showed a significant increase in 1998: Lake (19%), Kane (9%), DuPage (8%), and DeKalb (6%). Champaign, Madison and McHenry counties all showed a 4% increase over last year. Thirty-six counties had a modest increase over 1997. Twenty-three counties, in addition to Cook County, showed a decrease in the number of attorneys in 1998. Thirty-five counties remained the same.

Chart D: Registration By Judicial Districts for 1998

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>		<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
First District						Fourth District					
Cook County	35,704	36,158	37,302	38,017	37,971	5th Circuit	285	270	266	271	275
Second District						6th Circuit	786	807	806	814	849
15th Circuit	189	191	193	203	204	7th Circuit	1129	1151	1169	1183	1205
16th Circuit	1009	1045	1059	1066	1152	8th Circuit	192	189	193	194	194
17th Circuit	661	671	676	696	706	11th Circuit	<u>471</u>	<u>482</u>	<u>500</u>	<u>521</u>	<u>531</u>
18th Circuit	2858	3051	3111	3158	3421	Total	2863	2899	2934	2983	3054
19th Circuit	<u>2304</u>	<u>2491</u>	<u>2539</u>	<u>2680</u>	<u>3113</u>	Fifth District					
Total	7021	7449	7578	7803	8596	1st Circuit	386	392	396	412	417
Third District						2nd Circuit	281	291	296	299	301
9th Circuit	201	207	210	204	207	3rd Circuit	485	494	503	502	517
10th Circuit	816	831	855	847	845	4th Circuit	253	260	255	267	269
12th Circuit	525	555	566	601	605	20th Circuit	<u>692</u>	<u>710</u>	<u>728</u>	<u>737</u>	<u>730</u>
13th Circuit	299	308	311	318	316	Total	2097	2147	2178	2217	2234
14th Circuit	507	506	503	506	505	Grand Total					
21st Circuit	<u>156</u>	<u>152</u>	<u>152</u>	<u>156</u>	<u>151</u>	50,189	51,212	52,589	53,652	54,484	
Total	2504	2559	2597	2632	2629						

Chart E: Registered Attorneys by County

Principal Office	Number of Attorneys		Principal Office	Number of Attorneys		Principal Office	Number of Attorneys	
	1997	1998		1997	1998		1997	1998
Adams	115	114	Hardin	7	5	Morgan	51	51
Alexander	11	12	Henderson	8	8	Moultrie	17	17
Bond	12	13	Henry	50	50	Ogle	52	50
Boone	34	29	Iroquois	30	28	Peoria	698	693
Brown	8	9	Jackson	206	212	Perry	23	21
Bureau	44	41	Jasper	5	5	Piatt	22	22
Calhoun	5	4	Jefferson	99	99	Pike	9	10
Carroll	16	16	Jersey	17	19	Pope	3	3
Cass	11	12	Jo Daviess	33	37	Pulaski	8	8
Champaign	500	522	Johnson	8	11	Putnam	8	8
Christian	47	48	Kane	856	936	Randolph	25	26
Clark	14	15	Kankakee	126	123	Richland	25	25
Clay	15	17	Kendall	47	43	Rock Island	363	363
Clinton	23	25	Knox	64	65	Saline	39	38
Coles	99	100	Lake	2240	2659	Sangamon	1048	1069
Cook	38017	37971	LaSalle	211	206	Schuyler	12	13
Crawford	19	23	Lawrence	19	18	Scott	6	6
Cumberland	7	6	Lee	39	40	Shelby	18	18
DeKalb	163	173	Livingston	50	51	St. Clair	639	630
DeWitt	23	24	Logan	33	36	Stark	10	13
Douglas	17	20	Macon	235	245	Stephenson	63	64
Du Page	3158	3418	Macoupin	46	43	Tazewell	115	116
Edgar	29	32	Madison	490	508	Union	24	23
Edwards	4	4	Marion	54	52	Vermilion	122	122
Effingham	46	46	Marshall	16	14	Wabash	18	18
Fayette	19	19	Mason	17	17	Warren	25	25
Ford	17	17	Massac	18	18	Washington	15	16
Franklin	59	59	McDonough	43	45	Wayne	15	14
Fulton	43	43	McHenry	440	457	White	15	16
Gallatin	8	8	McLean	400	403	Whiteside	80	80
Greene	16	16	Menard	17	15	Will	601	607
Grundy	69	69	Mercer	13	13	Williamson	95	95
Hamilton	11	11	Monroe	35	35	Winnebago	662	675
Hancock	20	20	Montgomery	41	40	Woodford	21	24

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

A. Investigations

During 1998, the Commission docketed 6,048 investigations, a 4% decrease from the 6,293 investigations docketed in 1997. Those 6,048 investigations involved charges against 3,980 different attorneys. This means that about 6% of all registered attorneys became the subject of an investigation in 1998, a figure which is consistent over the past several years. Nearly a quarter of the 3,980 attorneys were the subject of more than one investigation, as shown in Chart 1.

Chart 1

Number of Investigations	Number of Attorneys
1	3,040
2	640
3	154
4	64
5 or more	82

Gender:	Years in Practice
Female 16%	Less than 10 years 23%
Male 84%	10 years or more 77%

Charts 2 and 3 below report the classification of investigations docketed in 1998, based on an initial assessment of the nature of the misconduct alleged, if any, and the type of legal context in which the facts apparently arose. Chart 2 reflects that the most frequent areas of a grievance are: neglect of the client's cause, failure to communicate with the client, fraudulent or deceptive activity, excessive fees, and failure to provide competent representation.

Consistent with prior years, the top areas of practice most likely to lead to a grievance of attorney misconduct are: domestic relations, tort, criminal law and real estate, as shown in Chart 3.

Chart 2: Classification of Charges Docketed in 1998 by Violation Alleged

<i>Type of Misconduct</i>	<i>Number*</i>	<i>Type of Misconduct</i>	<i>Number*</i>
Neglect	1,920	Improper trial conduct, including suppressing evidence where there is a duty to reveal	47
Failing to communicate with client, including failing to communicate the basis of a fee	1,332	Aiding a nonlawyer in the unauthorized practice of law	35
Fraudulent or deceptive activity, including lying to clients, knowing use of false evidence or making a misrepresentation to a tribunal	914	Failing to preserve client confidences or secrets	34
Excessive fees, including failing to refund unearned fees	884	Failing to supervise subordinates	25
Failure to provide competent representation	619	Prosecutorial misconduct	19
Improper management of client or third party funds, including commingling, conversion, failing to promptly pay litigation costs or client creditors, or issuing N.S.F. checks	536	Improper division of legal fees/partnership with nonlawyer	19
Not abiding by a client's decision concerning the representation or taking unauthorized action on the client's behalf	458	Improper division of legal fees with another lawyer	17
Conflict of interest, including improperly entering into business transactions with clients	274	Sexual harassment/abuse or violation of law prohibiting discrimination	13
Filing frivolous or non-meritorious claims or pleadings	272	Failing to pay tax obligation in bad faith	12
Conduct prejudicial to the administration of justice, including conduct which is the subject of a contempt finding or court sanction	231	Improper <i>ex parte</i> communication with judge	8
Failing to treat others with courtesy	148	Incapacity due to chemical addiction or mental condition	7
Failing to properly withdraw from representation, including failing to return client files or documents	138	Failing to comply with Rule 764	6
Criminal activity, including criminal convictions, counseling illegal conduct, public corruption	116	Practice after failing to register	5
Improper commercial speech, including inappropriate written and oral solicitation	104	Improper use of public office to obtain advantage for client	4
Improper communications with a party known to be represented by counsel or unrepresented party	61	Avoiding in bad faith the repayment of an educational loan guaranteed by a governmental entity	4
Engaging in the unauthorized practice of law	58	Improper communications with or harassment of jurors	3
Threatening criminal prosecution or disciplinary proceedings to gain advantage in a civil matter	55	Assist judge in conduct that violates the Judicial Code	2
		Failing to report lawyer misconduct	2
		Improper extrajudicial statement	2
		Failing to pay child support in bad faith	2
		Judicial candidate's violation of the Judicial Code	1
		No misconduct alleged	754

* Totals exceed the number of charges docketed in 1998 because in many charges more than one type of misconduct is alleged.

Chart 3: Classification of Charges Docketed in 1998 by Area of Law

<i>Area of Law</i>	<i>Number</i>
Domestic Relations	1,006
Tort (Personal Injury/Property damage)	925
Criminal/Quasi-Criminal	870
Real Estate/Landlord-Tenant	470
Probate	340
Workers' Compensation	284
Contract	241
Bankruptcy	184
Civil Rights	131
Debt Collection	108
Corporate Matters	92
Criminal Conduct/Conviction	81
Immigration	71
Local Government Problems	37
Tax	25
Patent and Trademark	17
Adoption	17
Social Security	12
Mental Health	7
Other	59
No misconduct alleged	754
No area of law identified	317

If an investigation fails to reveal sufficiently serious, provable misconduct, the Administrator will close the investigation. If an investigation produces evidence of serious misconduct, the case is referred to the Inquiry Board, unless the matter is filed directly with the Supreme Court under Rules 761, 762(a), or 763 because it is based upon a criminal conviction involving moral turpitude, because the respondent-attorney moves for disbarment prior to the referral to Inquiry, or because the matter is based upon discipline imposed by another jurisdiction. The Inquiry Board operates in panels of three, composed of two attorneys and one nonlawyer, all appointed by the Commission. An Inquiry Board has authority to vote a formal complaint if it finds evidence to support a charge, to close an investigation if it does not so find, or to defer the investigation and place

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

Comparatively few investigations result in the filing of formal charges. Charts 4 and 5 show the number of investigations docketed and terminated during 1998, and the type of action which terminated the investigations.

Chart 4: Investigations Docketed

<i>Year</i>	<i>Pending January 1st</i>	<i>Docketed During Year</i>	<i>Concluded During Year</i>	<i>Pending December 31st</i>
1994	2,954	6,567	6,729	2,792
1995	2,792	6,505	6,845	2,452
1996	2,452	6,801	6,686	2,567
1997	2,567	6,293	6,643	2,217
1998	2,217	6,048	6,181	2,084

Chart 5: Action Concluding Investigations in 1998

Concluded by Administrator:	
Closed after initial review	1,352
Closed after investigation	4,414
Filed at Supreme Court pursuant to Supreme Court Rules 761, 762(a), and 763	77
Concluded by Inquiry:	
Closed after panel review	58
Complaint or impairment petition voted ..	272
Closed upon completion of conditions of Rule 108 supervision	8
Total	6,181

B. Hearing Matters

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

Chart 6 shows the activity before the Hearing Board in 1998. The number of disciplinary complaints filed in 1998 was 136, a record for formal disciplinary complaints filed and an 12% increase over the 121 complaints filed in 1997.

Chart 6: Matters Before the Hearing Board in 1998

Cases Pending on January 1, 1998	119*
New Cases Filed in 1998:	
<i>Disciplinary Complaints Filed: **</i>	
▶ Rules 753, 761(d)	136
<i>Reinstatement Petitions Filed:</i>	
▶ Rule 767	3
<i>Contested Restoration Petitions:</i>	
▶ Rule 759	2
Total New Cases	141
Cases Concluded During 1998	139
Cases Pending December 31, 1998	121
* The 1997 Annual Report incorrectly reported the number of cases concluded at Hearing as being 131 when in fact it should have been 139; therefore, the number of cases pending on December 31, 1997, was 119 and not 127.	
**The number of cases filed at Hearing is significantly lower than the number of matters voted by Inquiry because multiple investigations against a particular attorney in which an Inquiry Board has voted a complaint are consolidated into a single complaint for purposes of filings at Hearing.	

Chart 7 shows the years in practice of the lawyers who were the subject of a formal complaint filed in 1998. The number of formal complaints filed against attorneys in practice for fewer than ten years remained high. Of the 136 disciplinary complaints filed in 1998, 22% were filed against lawyers in practice ten years or less, much the same as last year's figure, and an 8% increase over 1996.

Chart 7

Number of Complaints filed in 1998: 136		
<i>Respondent's</i>		
<i>Years in Practice</i>	<i>Number of Complaints</i>	<i>Percentage</i>
Less than 5 years	4	3%
Between 5 and 10 years	26	19%
10 or more years	106	78%

Charts 8 and 9 show the types of misconduct alleged in the 136 disciplinary complaints filed during 1998 and the areas of practice in which the alleged misconduct arose. In large part, the categories most frequently seen in formal complaints track the categories most frequently seen in the initial charges, as reported in Charts 2 and 3. Domestic relations dropped from first to fourth in areas of practice involved in formal charges, accounting for only 13% of the formal caseload, as compared to 27% for 1997.

Chart 8: Types of Misconduct Alleged in Complaints Filed Before Hearing Board in 1998

<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>
Improper handling of funds	58	43%	Not abiding by client's decision or taking unauthorized action on client's behalf	9	7%
Neglect/lack of diligence	51	38%	Improper division of legal fees with nonlawyer	8	6%
Of the 51 cases where neglect was charged, the neglect was accompanied by at least one of the following:			Aiding in unauthorized practice of law by a nonlawyer	8	6%
Misrepresentation to client	22		Improper commercial speech, including inappropriate written or oral solicitation	7	5%
Failure to return unearned fees	15		Improper settlement of claim against lawyer	7	5%
Failure to communicate with client	48	35%	Improper withdrawal from employment without court approval or avoiding prejudice to client	5	4%
Fraudulent or deceptive activity	41	30%	Practicing despite failure to register	4	3%
Criminal conduct by the lawyer	27	20%	Pursuing or filing of frivolous or non-meritorious claims or pleadings	3	2%
False statement or failure to respond in bar admission or disciplinary matter	27	20%	Practicing in jurisdiction not authorized	2	1%
Conflict of interest	20	15%	Improper acceptance of employment where lawyer may become witness	2	1%
Arising from business transactions with client	7		Improper division of legal fees with another lawyer	1	1%
Representing clients with conflicting interests	8		Improper communication with represented party	1	1%
Arising from a representation inconsistent with the lawyer's own interests	5		Failure to supervise nonlawyer employees	1	1%
Failure to provide competent representation	14	10%	Failure to report lawyer misconduct	1	1%
Falsifying evidence or making false statements to tribunal	13	10%			
Misrepresentation to third persons	13	10%			
Excessive or unauthorized fees	12	9%			

* Totals exceed 136 cases and 100% because most complaints allege more than one type of misconduct.

Chart 9: Area of Law Involved in Complaints Filed Before Hearing Board in 1998

<u>Area of Law</u>	<u>Number of cases</u>	<u>% of cases filed *</u>	<u>Area of Law</u>	<u>Number of cases</u>	<u>% of cases filed *</u>
Tort	40	29%	Bankruptcy	6	4%
Probate	23	17%	Corporate Matters	4	3%
Real Estate	18	13%	Debt Collection	3	2%
Domestic Relations	18	13%	Civil Rights	2	1%
Workers' Comp/Labor Relations	17	13%	Tax	2	1%
Criminal Conduct by Lawyer	16	12%	Patent and Trademark	1	1%
Contract	14	10%	Adoption	1	1%
Criminal	14	10%	Immigration	1	1%

* Totals exceed 136 cases and 100% because many complaints allege several counts of misconduct arising in different areas of practice.

Chart 10 shows the type of action by which the Hearing Board concluded 139 cases during 1998.

Chart 10: Actions Taken by Hearing Board in Matters Terminated in 1998

A. Disciplinary Cases: Rules 753 & 761(d)	
Case stayed; transferred to inactive status	1
Administrator's motion for leave to dismiss granted	3
Recommendation of discipline	54
Cases closed by administration of a reprimand to respondent	8
Cases closed by filing of petition for disbarment on consent	21
Cases closed by filing of petition for other discipline on consent	46
Total Disciplinary Cases	133
B. Reinstatement Petitions: Rule 767	
Recommend petition be allowed	2
Recommend petition be denied	0
Petition withdrawn before hearing	1
Total Rule 767 Petitions	3
C. Impairment Cases: Rule 758	
Recommend transfer to inactive status	1
Recommend active status with conditions	1
Total Rule 758 Petitions	2
D. Restoration Cases: Rule 759	
Restored to active status with conditions	1
Petition withdrawn before hearing	0
Total Restoration Cases	1
Total Matters Terminated	139

C. Matters Filed Before the Review Board

Once the Hearing Board files its report in a case, either party may file exceptions before the Review Board, which serves as an appellate tribunal. Chart 11 shows activity at the Review Board during 1998.

Chart 11: Trend of Matters in the Review Board in 1998

Cases pending on January 1, 1998	18
Cases filed during 1998:	
Exceptions filed by Administrator	8
Exceptions filed by Respondent	22
Exceptions filed by both	1
Total	31
Cases decided in 1998:	
Hearing Board affirmed	11
Hearing Board reversed as to findings or sanction	7
Notice of exceptions stricken	5
Case closed by filing of petition for disbarment on consent	1
Case remanded to Hearing Board	1
Case consolidated on review	1
Transferred to inactive status	2
Total	28
Cases pending December 31, 1998	21

D. Supreme Court - Disciplinary Cases

Only the Supreme Court has authority to sanction attorneys for misconduct, except for a Board reprimand which can be imposed in a disciplinary case without order of the Court by either the Hearing or Review Board.

In 1998, the Hearing Board administered 8 reprimands (*see* Chart 10). The Review Board imposed no sanctions. Other than Board reprimands, the Hearing Board and Review Board reports are recommendations to the Supreme Court.

During 1998, the Court entered 138 sanctions against 137 attorneys, as compared to 117 sanctions against 116 lawyers in 1997. Chart 12 reflects the nature of the orders entered.

Chart 12: Disciplinary Sanctions Ordered by the Supreme Court in 1998

Disbarment	52
Suspension	56 *
Probation	20
Censure	8
Reprimand	2
Total	138

* In addition to the 56 suspensions ordered as final sanctions in cases, the Court also ordered 20 interim suspensions during 1998, as reported in Charts 17G and 17J.

Of the 138 sanctions entered by the Supreme Court, 75, or 54%, were entered pursuant to consent petitions. Thirty-four of the 52 disbarments were disbarments on consent. The twenty probation orders entered by the Court were more than twice the number entered in 1997.

During 1998, the Court heard oral argument in one disciplinary case: *In re Chase Ingersoll*, cons. 95 SH 877 & 97 SH 84 (Docket No. 85127).

The Court issued an opinion on March 18, 1999, disbarring the respondent, a Peoria-area lawyer who was licensed in 1994, for misconduct which included filing false court pleadings, commingling personal funds with client funds, and failing to preserve client confidences or secrets.

The Court found particularly troubling the respondent's conduct while representing a young man charged with murder. The respondent, who at the time was running for Peoria County State's Attorney, waged a public relations campaign involving the case. While he asserted he was acting on behalf of his client, respondent's revelations to the media were potentially dangerous to the client's family and could have prejudiced the client's case.

The Court rejected the attorney's request for a more lenient sanction, finding that his commission of a number of serious violations during his relatively brief legal career revealed a disregard for ethical concerns that warranted disbarment.

Charts 13 to 15 provide demographic information on the 137 attorneys sanctioned by the Supreme Court during 1998, as well as the 8 attorneys who were reprimanded by the Hearing Board in 1998. As was true in prior years, the vast majority of attorneys sanctioned during 1998 have practiced more than 10 years; all are over 30 years old; and most are male. However, the number of attorneys less than 10 years in practice accounted for 18% of all disciplined attorneys, a slight increase over 1997 and a 50% increase since 1995, when this trend was first noted. Chart 16 tracks the type of misconduct that led to the sanction orders entered in 1998.

Chart 13: Profile of Attorneys Disciplined in 1998

Years in Practice:	
Less than 10 years	18%
10 years or more	82%
Age:	
30 - 49 years old	60%
50 - 74 years old	40%
Gender:	
Female	11%
Male	89%

Chart 14: County of Practice

County	Number Disciplined	County	Number Disciplined
Cook	77	Adams	1
Out-of-State	27	Bond	1
Lake	7	Coles	1
Madison	5	Grundy	1
DuPage	5	Vermilion	1
Winnebago	3	Marion	1
Peoria	3	Morgan	1
St. Clair	2	Fayette	1
Kane	2	Rock Island	1
Franklin	2	Sangamon	1
Will	2		

Of the 145 attorneys disciplined by the Supreme Court or reprimanded by the Hearing Board in 1998, twenty-five or about 17%, had been disciplined in the past. Of those 25 attorneys, more than half were disbarred in 1998.

Chart 15: Discipline Imposed on Recidivists

Disbarred	14
Suspension	9
Censure	1
Reprimand	1

Chart 16: Misconduct Committed by the 145 Lawyers Sanctioned in 1998 *

<u>Types of Misconduct</u>	<u>Number of Cases in Which Type of Misconduct Was Sanctioned</u>			
	<u>Disbarment</u>	<u>Suspension**</u>	<u>Censure</u>	<u>Reprimand***</u>
Total Number of Cases:	52	76	8	10
Improper management of client or third party funds, including commingling and conversion	31	23	1	1
Neglect or lack of diligence	18	29	4	4
Fraudulent or deceptive activity	8	28	1	2
Criminal conduct by the lawyer	20	17	1	1
Failing to communicate with client, including failing to communicate basis of a fee	17	28	0	5
Failure to provide competent representation	4	17	1	0
Fee violations, including failing to refund unearned fees	12	18	1	3
Failure to cooperate with or false statement to the ARDC	10	20	0	3
Improper business transaction with client	3	0	0	0
Improper fee division with nonlawyer	1	1	0	0
Not abiding by a client's decision concerning the representation or taking unauthorized action on the client's behalf	3	5	1	1
Improper withdrawal	7	4	0	1
Aiding in the unauthorized practice of law by a nonlawyer	2	2	0	0
Conflict of interest	3	7	0	1
Failure to supervise employees	1	0	0	0
Failure to comply with Rule 764	1	0	0	0
Filing frivolous or non-meritorious claims or pleadings	0	3	0	0
Misrepresentation to a tribunal	8	5	1	0
Misrepresentation to clients or third persons	5	4	0	1
Threatening criminal prosecution or disciplinary proceedings to gain an advantage in a civil matter	0	1	0	0
Improper delegation to outside counsel	1	0	0	0
Practice after failure to register	0	4	0	1
Practice after suspension	4	0	0	0
Practice before admission	1	0	0	0
Bad faith avoidance of student loan	1	0	0	0
Improper trial conduct	3	0	1	0
Improper communication with a represented party	0	2	0	0

* Totals exceed 146 cases because in most cases more than one type of misconduct was found.
 ** Includes suspensions stayed by probation.
 *** Includes eight Hearing Board reprimands.

Disciplinary cases reach the Court in several ways. Chart 17 reflects the actions taken by the Supreme Court in disciplinary matters in varying procedural contexts in which those matters are presented.

Chart 17: Orders Entered by Supreme Court in Disciplinary Cases in 1998

<p>A. <u>Motions for disbarment on consent: Rule 762(a)</u> Allowed 34 Denied 0 Total 34</p>	<p>F. <u>Petitions relating to enforcement of subpoenas: Rule 754</u> Motion to quash subpoena allowed 0 Motion to quash subpoena denied 4 Total 4</p>
<p>B. <u>Petitions for discipline on consent: Rule 762(b)</u> Allowed: Suspended 26 Suspension stayed in part, probation ordered 5 Suspension stayed in its entirety, probation ordered 4 Censured 6 Total 41 Denied 4 Total 45</p>	<p>G. <u>Petitions for interim suspension due to conviction of a crime: Rule 761(b)</u> Rule enforced and lawyer suspended 8 Petition for rule denied 0 Rule discharged by imposition of final order of discipline 2 Total 10</p>
<p>C. <u>Petitions for leave to file exceptions to report and recommendation of Review Board: Rule 753(e)(1) and 761</u> Allowed, briefs and oral arguments ordered 2 Allowed, and different sanctions imposed without briefs 2 Denied, and sanctions recommended by Review Board imposed 8 Denied, and respondent discharged 1 Total 13</p>	<p>H. <u>Petitions for reciprocal discipline: Rule 763</u> Allowed 26 Denied 0 Total 26</p>
<p>D. <u>Motions to approve and confirm report of Review Board: Rule 753(e)(6)</u> Allowed 3 Denied 0 Total 3</p>	<p>I. <u>Petitions for reinstatement: Rule 767</u> Referred to Hearing Board 3 Allowed after hearing 3 Allowed (reciprocal) 1 Denied after hearing 0 Withdrawn before hearing 1 Withdrawn after hearing 0 Total 8</p>
<p>E. <u>Motions to approve and confirm report of Hearing Board: Rule 753(d)(2)</u> Allowed 23 Denied 0 Total 23</p>	<p>J. <u>Petitions for interim suspension: Rule 774</u> Rule enforced and lawyer suspended 12 Petition for rule denied 0 Withdrawn 1 Total 13</p>
	<p>K. <u>Probation Revoked: Rule 772(c)</u> Probation revoked; respondent suspended .. 2 Total 2</p>

E. Supreme Court - Non-Disciplinary Action

In addition to activity in disciplinary cases, the Supreme Court entertains pleadings in non-disciplinary matters that affect an attorney's status. Chart 18 reflects the orders entered in such cases during 1998, including 429 requests for transfer to inactive status under Rule 770.

Chart 18: Non-Disciplinary Actions by the Supreme Court

A. Rule 770	
Voluntary motions for transfer to inactive status:	
Allowed	428
Withdrawn	<u>1</u>
<i>Total</i>	429
B. Rule 759	
Petition for restoration to active status:	
Allowed	89
Denied	0
Referred to Hearing Board	<u>1</u>
<i>Total</i>	90
C. Rules 757 and 758	
Petitions for involuntary transfer to inactive status due to mental disability or substance addiction:	
Allowed	6
Denied	<u>0</u>
<i>Total</i>	6
D. Rule 752	
Petition by complainant to require Administrator to further investigate charges or expedite proceedings:	
Allowed	0
Denied	<u>22</u>
<i>Total</i>	22
E. Rule 383	
Motion for Supervisory order:	
Allowed	2
Denied	<u>2</u>
<i>Total</i>	4

Chart 19: A Comparison 1986-1998

	Number of Registered Attorneys	Investigations Docketed ¹	Investigations Docketed Per Attorney ²	Closure By Administrator No Misconduct Alleged	Closure By Administrator After Investigation	Closure By Inquiry After Investigation	Complaint Voted By Inquiry Board
1986	49,177	4,535	est. 5,335	223	2,846	1,094	219
1987	50,635	4,886	est. 5,748	765	4,542	1,275	229
1988	52,611	4,945	est. 5,817	910	4,369	1,167	214
1989	54,866	5,822	est. 6,849	818	5,552	1,266	343
1990	56,896	6,489	est. 7,634	1,023	5,254	1,410	349
1991	58,953	5,969	est. 7,022	608	5,701	839	325
1992	61,107	6,291	7,338	889	5,210	473	277
1993	63,328		6,345	974	5,422	137	241
1994	65,163		6,567	1,224	5,125	133	247
1995	67,121		6,505	1,359	5,134	73	277
1996	68,819		6,801	1,364	4,946	76	300
1997	70,415		6,293	1,202	5,018	81	342
1998	72,149		6,048	1,352	4,414	58	272

- 1 This figure represents the number of complaints received, whether or not they included charges against more than one attorney as reported through 1992.
- 2 This column represents the number of complaints received counting a separate investigation for each attorney named in each complaint, a tracking method commenced in 1992.

	Matters Filed With Hearing Board	Matters Filed With Review Board	Matters Filed With Supreme Court ³	Sanctions Ordered By Court
1986	120	49	228	86
1987	103	40	463	103
1988	75	32	390	112
1989	89	23	791	132
1990	105	23	578	100
1991	127	25	604	78
1992	122	37	560	89
1993	106	44	593	114
1994	115	35	869	109
1995	113	35	916	148
1996	129	22	891	115
1997	129	32	869	117
1998	141	31	732	138

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

III. Amendments to the Rules Regulating the Profession

A. Amendments to Rule 1.15, Safekeeping Property

An amendment to Rule 1.15(d)(1), effective April 1, 1998, adds a provision which allows lawyers the option to direct the financial institution at which IOLTA trust funds are deposited to utilize "sweep" accounts as defined by the amendment.

Rule 1.15(g), effective Oct. 1, 1998, adds a new subparagraph, which permits a lawyer to disburse funds deposited, but not yet collected, at a real estate closing. Under subparagraph (g), lawyers may establish a separate Real Estate Funds Account (R.E.F.A.), so that funds which meet certain criteria (e.g., certified checks) can be immediately paid out at closing. This amendment addresses the issues discussed in the ARDC publication, *Client Trust Handbook* (2d ed.) at pages 12-13 under the heading "Real Estate Transactions," and resolves some of the concerns that were unresolved at the time the *Handbook* was published in April 1997.

B. Commission Rule 510, Payment of Client Protection Program Claims

An amendment to Commission Rule 510, effective October 15, 1998, added a provision limiting the aggregate payments under the Client Protection Program arising from the conduct of one attorney to \$100,000.

IV. ARDC Programs

A. Client Protection Program

The Client Protection Program, created by the Illinois Supreme Court in 1994 under Rule 780, paid claims totaling \$257,054 in 1998, to clients who lost money or property due to the dishonest conduct of attorneys holding an Illinois license. The program may reimburse losses of up to

\$10,000 for each client. The majority of claims involve sums less than \$10,000. The program does not cover losses resulting from professional negligence or malpractice and does not consider claims involving contractual disputes or personal loans to an attorney. Awards are made out of the Disciplinary Fund. The rules governing the administration of the program are contained in Commission Rules 501 through 512.

Chart 20: Summary of Approved Claims

	1995	1996	1997	1998
Claims submitted . . .	152	197	267	216
Claims concluded:				
• approvals	108	122	104	75
• denials	80	73	93	106
Amount approved . . .	\$455,000	\$509,669	\$348,000	\$257,054
Number of lawyers . . .	49	53	48	41

Chart 21: Classification of Approved Claims

Type of Misconduct:	
Accepting fees without performing services	41
Conversion	28
Improper loans from clients	2
Conversion/forged endorsement	1
Accepting fee when not authorized to practice law . . .	1
Fraud	1
Area of Law:	
Domestic relations	21
Contract	10
Probate	9
Real estate	8
Tort	8
Criminal/quasi criminal	5
Loans/Investment	3
Tax	3
Debt collection	2
Immigration	1
Patent/Copyright	1
Bankruptcy	1

B. Ethics Inquiry Program

The Commission's Ethics Inquiry Program is a telephone inquiry line that allows Illinois attorneys and members of the public to call for help in resolving hypothetical questions about ethical dilemmas, the Illinois Rules of Professional Conduct and the Rules of the Commission. No legal opinion or binding advisory opinion is given.

Since the Ethics Inquiry Program began two years ago, the Program continues to receive over 2,200 calls each year from attorneys. This figure does not include calls received from nonlawyers. The most common subjects of inquiry are:

- Duty to report professional misconduct
- Client trust accounts
- Lawyer's assertion of retaining lien on client file
- Revealing client fraud/perjury
- Conflicts:
 - former client
 - lawyer's own interest
- Advertising:
 - professional designation
 - targeted mailing

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

C. Education

Illinois Professional Responsibility Institute: Professionalism Seminar

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

The seminar was created in cooperation with members from the Chicago Bar Association, Illinois State Bar Association and Cook County Bar Association, to further the Commission's efforts to develop preventive and remedial programs for attorneys on relevant ethics issues. The *Professionalism Seminar* is taught mostly by select, volunteer practicing Illinois attorneys. Any attorney interested in learning more about the Institute or the *Professionalism Seminar*, may call Mary F. Andreoni, Administrative Counsel, ARDC, Chicago.

ARDC Compiled Professional Responsibility Decisions and Rules on CD-ROM

The Commission continues to publish in January of each year the *ARDC Compiled Professional Responsibility Decisions and Rules on CD-ROM*, a compilation of disciplinary decisions issued by the Hearing and Review Boards of the Commission, as well as a collection of published Illinois Supreme Court opinions discussing legal ethics issues arising under Illinois law, the 1990 Rules of Professional Conduct, and its predecessor, the 1980 Code of Professional Responsibility (with Committee Commentary). Anyone interested in buying a copy (\$20.00, plus tax) can call the ARDC and request an order form or can buy it directly from the CBA Shop, 321 S. Plymouth Court, Chicago, IL 60604, (312) 554-2000.

Speeches and Presentations and Articles

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

Also, Commission lawyers published a number of articles that appeared in bar association journals and newsletters on various topics of interests to the legal profession.

V. Developments During 1998

A. Court Appointments

1. ARDC Commissioners

Retirement of Commissioner David M. Hartigan

On December 31, 1998, David M. Hartigan concluded his ten-year term as a Commissioner, during which he served as Chair from 1994 to 1997. Mr. Hartigan will continue his real estate tax law and litigation practice at the Chicago law firm of Farmer, Cerney & McGillen.

Appointment of Commissioner Patricia C. Bobb

Effective January 1, 1999, Patricia C. Bobb, a civil trial lawyer from Chicago, was appointed by the Court to a three-year term as a Commissioner to replace David M. Hartigan. Ms. Bobb, immediate past President of the Chicago Bar Association, is a graduate of the College of Santa Fe and the University of Notre Dame Law School. She is a principal in the firm of Patricia C. Bobb and Associates, Chicago, where she concentrates her practice in the areas of medical malpractice and product liability.

2. Review Board

Retirement of Robert J. Egan

On December 31, 1998, Robert J. Egan, retired from his position on the Review Board. A former judge of the Circuit Court of Cook County, Mr. Egan is a sole practitioner who concentrates his practice in the areas of legislative counseling, probate, estate and trusts. Mr. Egan was appointed to the Review Board in 1990. He received his undergraduate and law degrees from Loyola University of Chicago and was admitted to practice law in Illinois in 1959.

Appointment of Leonard F. Amari

Effective January 1, 1999, Leonard F. Amari of Chicago, past President of the Illinois State Bar Association from 1989-90, was appointed by the Court to serve on the Review Board, to replace Robert J. Egan. He received his law degree in 1968, from The John Marshall Law School. Mr. Amari is managing partner in the Chicago firm of Amari & Locallo, where he concentrates in the area of real estate taxation.

VI. Financial Report

The Commission engaged the services of Thomas Havey LLP Certified Public Accountants, to conduct an independent audit as required by Rule 751(e)(7). The audited financial statements for the year ended December 31, 1998, are attached.

For the fourth consecutive year, the Commission's expenses exceeded income, and operations were funded in part through depletion of the reserve. At the Court's direction, the Commission restricted 1998 expenditures and reduced the budget for 1999, eliminating several staff positions, and restricting funding for Client Protection claims, salary increases for staff, and expenditures for services, equipment and supplies. Intended expansions of computer capacity were eliminated, with expenditures limited to those necessary to implement Year 2000 compliance and to preserve the efficiencies that the present computer system has generated.

Carrying the 1998 and 1999 budget reductions forward, Commission projections show that the operating reserve will be effectively depleted by the end of the registration year 2000. At that point, the present fee schedule, which was first implemented in 1989 and was intended, at that time, to fund operations for three years through and including 1991, will have supported Commission operations for twelve years without

any increase in the registration fee to Illinois lawyers. That is the case even with the funding of several programs not in place or contemplated in 1989. Most significant is the Client Protection Program, which the Supreme Court established in 1994 as a responsibility of the Commission to be financed through the disciplinary fund. Since its creation in 1994, the Program has paid over \$1.7 million in claims, and the Commission has also funded the staff and other overhead costs associated with that program.

The budget reductions implemented by the Commission for 1998 and 1999 have been facilitated by a reduction of about 11% in the number of new investigative matters docketed over the last two years. (See Chart 4.) At the same time, however, the number of cases in which formal complaints charging misconduct were filed increased substantially. (See text accompanying Chart 6.) Disciplinary complaints filed during 1998 exceeded the number filed in 1996 and 1997 by about 12%, and the Court entered orders transferring six lawyers to disability inactive status during 1998, compared to only one such order during 1996 and 1997 combined. The formal cases constitute the more labor intensive aspect of the caseload, with about 80% of the legal and support staff with caseload responsibilities assigned to the more serious investigations and the resulting formal cases, and only about 20% of that staff dedicated to the more routine investigative files.

The Commission will carefully monitor caseload experience during 1999 to determine the impact of the budget reductions that have been implemented to date. Upon consideration of caseload and other information, the Commission will make an appropriate recommendation to the Supreme Court for funding operations beyond the year 2000.

THOMAS
HAVEY
LLP

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying statement of financial position of Attorney Registration and Disciplinary Commission of the Supreme Court of Illinois as of December 31, 1998, and the related statements of activities and of cash flows for the year then ended. These financial statements are the responsibility of the Commission. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Attorney Registration and Disciplinary Commission of the Supreme Court of Illinois as of December 31, 1998, and the results of its activities and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

Thomas Havey LLP

February 11, 1999

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
30 N. LA SALLE STREET • SUITE 4200 • CHICAGO, IL 60602 • 312.368.0500 • 312.368.0726 FAX • WWW.HAVEY.COM

ATTORNEY REGISTRATION AND
DISCIPLINARY COMMISSION OF
THE SUPREME COURT OF ILLINOIS

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 1998

Revenues:	
Attorney registration fees and charges earned	\$ 7,928,198
Investment income:	
Increase in fair value of investments:	
Sold during the year	1,141
Held at year end	57,950
Interest income	59,091
Total investment income	689,385
Cost reimbursements collected	152,362
Miscellaneous income	18,264
Total revenues	8,788,209
Expenses (Note 3):	
Salaries and related expenses	5,911,952
Travel	89,343
Postretirement benefits	69,548
Library and continuing education	149,031
General	1,749,366
Computer	125,290
Other	746,409
Client protection program	257,682
Depreciation	346,808
Loss on disposal of fixed assets	2,595
Total expenses	9,448,024
(Decrease) in net assets	(659,815)
Unrestricted net assets:	
Beginning of year	4,759,277
End of year	\$ 4,099,462

See accompanying notes to financial statements.

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ATTORNEY REGISTRATION AND
DISCIPLINARY COMMISSION OF
THE SUPREME COURT OF ILLINOIS

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 1998

ASSETS

Current assets:	
Cash and cash equivalents (Note 2)	\$ 422,171
Short-term investments (Note 4)	9,443,940
Accounts receivable - other than fees (Note 10)	10,319
Accrued interest receivable	103,127
Prepaid expenses and inventory	77,573
Total current assets	10,057,130
Noncurrent assets:	
Long-term investments (Note 4)	2,625,136
Fixed assets - net of accumulated depreciation (Note 5)	843,929
Total noncurrent assets	3,469,065
Total assets	\$ 13,526,195

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and other accruals	\$ 226,652
Accrued compensated absences	159,942
Deferred fees	5,716,430
Reinstatement deposits	3,000
Total current liabilities	6,106,024
Long-term liabilities:	
Accrued Medicare replacement funding (Note 8)	589,623
Deferred rent expense (Note 7)	2,731,086
Total long-term liabilities	3,320,709
Total liabilities	9,426,733
Net assets - unrestricted	4,099,462
Total liabilities and net assets	\$ 13,526,195

See accompanying notes to financial statements.

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ATTORNEY REGISTRATION AND
DISCIPLINARY COMMISSION OF
THE SUPREME COURT OF ILLINOIS

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 1998

Cash flows from operating activities:	
(Decrease) in net assets	\$ (659,815)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:	
(Increase) in market value of investments:	
Sold during the year	(1,141)
Held at year end	(57,950)
Depreciation	346,808
Loss on disposal of fixed assets	2,595
(Increase) decrease in assets:	
Accounts and accrued interest receivable	80,486
Prepaid expenses and inventory	(1,179)
Increase (decrease) in liabilities:	
Accounts payable and other accruals	(32,797)
Deferred fees	313,286
Postretirement benefits	67,164
Deferred rent expense	56,985
Net cash provided by operating activities	114,442
Cash flows from investing activities:	
Acquisition of fixed assets:	
Computer and related equipment	(323,530)
Office furniture and equipment	(32,861)
Library	(4,719)
Leasehold improvements	(4,820)
Purchases of investments	(8,141,275)
Sales of investments - at cost	8,449,768
Net cash used in investing activities	(57,437)
Net increase in cash and cash equivalents	57,005
Cash and cash equivalents:	
Beginning of year	365,166
End of year	\$ 422,171

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1998

Note 1. General Purpose Description

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1998

Note 2. Summary of Significant Accounting Policies (continued)

d. Fixed Assets

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

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

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

e. Accrued Compensated Absences

The Commission's vacation policy provides time off for full-time salaried employees based on each employee's years of service which are computed from each employee's anniversary date of employment. Employees are not permitted to carry over vacation time from year to year without written approval from the Commission Administrator. An accrual is included in the financial statements representing vacation time earned but unused at December 31, 1998 along with its related retirement contribution.

f. Deferred Fees

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

g. Deferred Rent Expense

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

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1998

Note 2. Summary of Significant Accounting Policies

a. Basis of Presentation

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

b. Cash and Cash Equivalents

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

c. Investments

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

The Commission has adopted the provisions of Statement of Financial Accounting Standards No. 124, *Accounting for Certain Investments held by Not-for-Profit Organizations*, which requires investments in debt securities to be reported at fair value.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1998

Note 2. Summary of Significant Accounting Policies (continued)

h. Income Taxes

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

i. Estimates

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

Note 3. Functional Expenses by Object

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

	Registration and Discipline	Client Protection	Administration and Support	Total
Salaries and related expenses	\$ 4,898,506	\$ 106,183	\$ 907,263	\$ 5,911,952
Travel	68,420	814	20,109	89,343
Postretirement benefits	56,809	1,201	11,538	69,548
Library and continuing education	121,910	2,466	24,655	149,031
General	1,443,959	27,764	277,643	1,749,366
Computer	102,521	2,070	20,699	125,290
Other	694,210	2,409	49,790	746,409
Client protection program	-	257,682	-	257,682
Depreciation	283,779	5,730	57,299	346,808
Loss on disposal of fixed assets	2,124	43	428	2,595
Total	\$ 7,672,238	\$ 406,362	\$ 1,369,424	\$ 9,448,024

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ATTORNEY REGISTRATION AND
DISCIPLINARY COMMISSION OF
THE SUPREME COURT OF ILLINOIS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1998

Note 4. Investments

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

	Cost	Market
U.S. Treasury notes and bills	\$ 11,329,349	\$ 11,412,565
Money market funds	656,511	656,511
Total	\$ 11,985,860	\$ 12,069,076

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

Note 5. Fixed Assets

Changes in the fixed assets are as follows:

	Balance		Acquisitions	Dispositions	Balance	
	1-1-98	12-31-98				
Computer and related equipment	\$ 1,115,285		\$ 323,530	\$ (411,187)		\$ 1,027,628
Office furniture and equipment	1,534,659		32,861	(40,586)		1,526,934
Library	71,498		4,719	(23,243)		52,974
Leasehold improvements	113,105		4,820	-		117,925
	2,834,547		\$ 365,930	\$ (475,016)		2,725,461
Less accumulated depreciation and amortization	2,007,145		\$ 346,808	\$ (472,421)		1,881,532
Total	\$ 827,402					\$ 843,929

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ATTORNEY REGISTRATION AND
DISCIPLINARY COMMISSION OF
THE SUPREME COURT OF ILLINOIS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1998

Note 7. Lease and Maintenance Commitments (continued)

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

Year	Springfield	Chicago	Total
1999	\$ 71,966	\$ 1,075,689	\$ 1,147,655
2000	74,126	1,115,413	1,189,539
2001	76,348	1,156,746	1,233,094
2002	65,208	1,199,890	1,265,098
2003	-	1,248,405	1,248,405
Remaining	-	6,172,397	6,172,397
Total	\$ 287,648	\$ 11,968,540	\$ 12,256,188

Note 8. Medicare Replacement Reserve Trust

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

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

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ATTORNEY REGISTRATION AND
DISCIPLINARY COMMISSION OF
THE SUPREME COURT OF ILLINOIS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1998

Note 6. Collection of Fees

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

Note 7. Lease and Maintenance Commitments

The Commission leases its Chicago and Springfield offices under operating lease agreements. The terms of the Chicago office lease which began in May 1993 are for 15 years and provide for a minimum annual base rent plus related taxes and operating expenses. In addition, the lease provides a period of 32 months "free rent" with the first rent payment made on January 1, 1997. Pursuant to the lease, the landlord advanced a sum equal to the present value of estimated taxes and operating costs for the 32 month period and the Commission made monthly payments for actual tax and operating cost assessments during that period. This amount and the value of the "free rent" is included in deferred rent.

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

Rent expense under all lease agreements was \$1,133,726 in 1998.

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ATTORNEY REGISTRATION AND
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1998

Note 8. Medicare Replacement Reserve Trust (continued)

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

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

A summary of actuarial assumptions and methods are as follows:

Measurement date:
July 1, 1997

Actuarial cost method:
Projected unit credit method

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

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1998

Note 8. Medicare Replacement Reserve Trust (continued)

Actuarial valuation:

Net periodic postretirement benefit cost:	
Service cost	\$ 30,891
Interest cost	36,273
Expected return on assets	(35,461)
Amortization of transition asset	-
Total	<u>\$ 31,703</u>
Accumulated postretirement benefit obligations:	
Current retirees	\$ 24,188
Current employees:	
Fully eligible	99,909
Not fully eligible	<u>364,780</u>
Subtotal as of July 1, 1997 actuarial valuation	488,877
Estimated service costs July 1, 1997 through December 31, 1998	46,337
Estimated interest costs July 1, 1997 through December 31, 1998	<u>54,409</u>
Total	<u>\$ 589,623</u>

The Commission maintains a separate trust for the medicare replacement reserve. This trust is funded on a current basis. The Trust Fund is included in these financial statements. The Trust Fund assets at fair value as of December 31, 1998 are as follows:

Accrued interest receivable	\$ 5,940
Money market account	15,187
U.S. Treasury notes	<u>579,654</u>
Total Plan assets at fair value	<u>\$ 600,781</u>

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

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**ATTORNEY REGISTRATION AND
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1998

Note 9. Employee Benefit Plan

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

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

The Commission contributes 18% of compensation for eligible employees which totaled \$828,586 in 1998. The Commission also pays the administrative expenses of the plan which totaled \$34,474 in 1998.

Note 10. Cost Reimbursement Revenue

The Commission receives cost reimbursements for investigative and disciplinary costs from disciplined attorneys. Cost reimbursement is billed at the time that discipline is imposed by the Illinois Supreme Court, but may not be a total reimbursement of or match the period in which the investigative disciplinary costs were incurred. To collect the cost reimbursements, the Commission invoices attorney-respondents. Beginning in November 1995 the Commission has regularly sought entry of judgments by the Court with interest at the rate charged by the State of Illinois (9% at December 31, 1998), for all invoices not paid within 30 days of the initial billing. The Commission has also established payment plans for disciplined attorneys.

Although collectibility has been enhanced by the Commission's judgment procedures, the Commission cannot reasonably estimate the collectibility of the cost reimbursements at this time. Whether the Commission can fully collect all cost reimbursements is dependent upon the disciplined attorneys' ability to pay and the current economic environment. Therefore, the Commission records cost reimbursements as revenue under the cost recovery method when the reimbursements are received. The Commission collected \$152,362 in such cost reimbursements in 1998. The Commission had identified approximately \$532,930 in additional amounts that remain unpaid by attorney-respondents at December 31, 1998. Of that amount, \$234,026 represents amounts that were billed in the current year.

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**ATTORNEY REGISTRATION AND
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1998

Note 11. Litigation

Various complaints and actions were filed against the Commission in 1998. Several of these matters have been dismissed. Those pending are not perceived as presenting any serious prospect of negative financial consequences.

Note 12. Year 2000 Issue

The Commission has commenced a year 2000 date conversion project to address all necessary code changes, testing, and implementation. The Commission expects its year 2000 date conversion project to be completed on a timely basis. However, there can be no assurance that the systems of other parties on which the Commission systems rely also will be timely converted or that any such failure to convert by another party would not have an adverse effect on the Commission systems.

Note 13. Concentration of Cash

The Commission maintains most of its cash at one financial institution. The balance is insured by the Federal Deposit Insurance Corporation up to \$100,000. As of December 31, 1998, the Commission's cash in excess of FDIC insurance coverage totaled approximately \$117,00.

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