



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 2011 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 2011 and an accounting and audit of the monies received and expended during the twelve-month period that ended December 31, 2011.

Respectfully submitted,

R. Michael Henderson, Chairperson
Joan Myers Eagle, Vice-Chairperson
Derrick K. Baker
Karen Hasara
Bernard M. Judge
James R. Mendillo
David F. Rolewick, Commissioners

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

A Report of the Activities of the ARDC in 2011

I. Educational and Outreach Programs

The ARDC continues to provide professional responsibility training and ethics seminars to the profession and the public. The inclusion of an MCLE requirement for Illinois lawyers and the adoption of the new Rules of Professional Conduct in 2010 have brought added focus and efforts on educating members of the Illinois bar on their ethical duties. Following amendments to the trust account rule in July 2011, the ARDC undertook increased statewide and on-line efforts to educate Illinois lawyers regarding these important changes prior to the September 1, 2011 effective date. Those efforts included a blast e-mail to more than 65,000 lawyers with links to the amendments and information to help understand the changes, recording and posting to the ARDC website a MCLE-accredited seminar on the changes, providing Commission lawyers and staff as speakers at hundreds of seminars across the state, operating an ethics hotline and issuing publications that serve as a resource for Illinois lawyers seeking to comply with their ethical duties. The ARDC collaborated with other agencies of the Court, the Lawyers Trust Fund of Illinois (LTF), the Commission on Professionalism, the MCLE Board and the Lawyers Assistance Program (LAP), in its educational efforts.

A. MCLE Accredited Seminars Sponsored by the Commission

In 2011, the ARDC, as an accredited MCLE provider in Illinois, increased its efforts to provide lawyers with opportunities to earn ethics and professionalism MCLE credit at no cost. The ARDC produced and posted to its website in 2011 five recorded CLE webcasts. The first, *Law Practice Transitions: The Ethical Obligations When Selling, Closing or Leaving a Law Practice*, posted in April 2011, is a two-hour webcast on the ethical obligations in selling, closing and leaving a law practice.

The next is a recording of the ARDC *Professionalism Seminar*. The ARDC *Professionalism Seminar* has been presented for lawyers who have become involved in disciplinary proceedings since 1995 and is taught by a select faculty of distinguished lawyers and other professionals. The seminar focuses on the Rules of Professional Conduct and its practical day-to-day application in operating a law office and in resolving the common ethical dilemmas faced by all lawyers. The three one-hour excerpts from the seminar posted to the ARDC website in April 2011 are: *Getting and Keeping Good Clients*; *Identifying and Resolving Conflicts of Interest*; and *The Ethical Requirements of Handling Trust Funds Under Rule 1.15 and IOLTA Basics*.

Finally, *Emerging Trends in Legal Ethics and Professionalism: Today and in the Future*, is a recording of a two-hour seminar that was presented in October 2011 by the ARDC and co-sponsored with the Peoria County Bar Association, in cooperation with the Commission on Professionalism and the Lawyers Trust Fund of Illinois. Chief Justice Kilbride was the featured speaker and about 275 lawyers attended the live program in Peoria.

These webcasts are free and are currently available on the ARDC website. More than 13,700 lawyers have earned up to seven hours of ethics and professionalism MCLE credit without charge in 2011 from these webcasts.

B. Speaking Engagements

An important part of the ARDC's outreach efforts has been to offer experienced presenters to speak to lawyer and citizen groups. In 2011, ARDC Commissioners and staff members made 228 presentations

to bar associations, government agencies, law firms, and other organizations. Presentations were made to more than 30 different county and regional bar associations in every area of the state. While many of the programs focused on the amended client trust account rule (Rule 1.15), others addressed a variety of issues related to lawyer regulation and issues faced by practitioners. As a result of these efforts, many lawyers had the opportunity to meet with members of the ARDC to pose questions about the new trust account requirements. Attendees typically earned MCLE professional responsibility/ethics credit.

C. Ethics Inquiry Program

The Commission’s Ethics Inquiry Program, a telephone inquiry resource, continues to serve Illinois attorneys each year who are seeking help in resolving ethical dilemmas. The goal of the Program is to help lawyers understand their professional obligations and assist them in resolving important issues in their practice. The ARDC views its mission as helping lawyers understand their ethical responsibilities and thereby avoid possible grievances later. The Program provides lawyers with information about professional responsibility law, legal precedent, bar association ethics opinions, law review articles and practical guidelines; the Program does not provide legal advice or binding advisory opinions. In the last few years, the Program has experienced a significant increase in the number of calls received. In 2011, staff lawyers responded to 4,603 inquiries. Questions about a lawyer’s mandatory duty to report lawyer or judicial misconduct under Rule 8.3 of the Illinois Rules of Professional Conduct continues to be the greatest area of inquiry posed to the Commission’s Ethics Inquiry Program (*see* discussion on Lawyer Reports on Page 34). The top ten subjects of inquiry during 2011 included:

<u>Subject of Inquiry</u>	<u># of calls</u>
Duty to report misconduct.....	412
Handling client trust accounts	322
Maintaining client confidences.....	299
Conflicts (Former client).....	171
Retention/ownership of client files	170
Conflicts (Multiple representation).....	141
Unauthorized practice of law by an attorney.....	138
Communication with represented persons.....	112
Termination of representation	99
Conflicts (Lawyer’s own interest)	93
Registration	84

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

D. Publications

Each year the Commission publishes and distributes free of charge thousands of copies of the rules governing Illinois lawyers as well as *The Client Trust Account Handbook*, which details a lawyer’s duties under Rule 1.15. The Commission has two publications containing the new Rules: *Illinois Rules of Professional Conduct of 2010*, a 120-page booklet containing the new Rules, comments and a topical index; and *Rules Governing the Legal Profession and Judiciary in Illinois*, a 200-page booklet containing all the rules regulating the legal profession in Illinois, including the Illinois Code of Judicial Conduct and Illinois Supreme Court Rules on admission and discipline. More than 20,000 printed copies of the new Rules booklets were distributed to lawyers in 2011. The Commission also continues to publish *The Client Trust Account Handbook*. More than 100,000 copies have been distributed since its publication in 1994.

With the adoption of amendments to the trust property rule, the Commission updated its web version of the *Handbook* in July 2011. The foregoing publications are available on the ARDC website (www.iardc.org) and in printed format. To request a printed copy of any publication, please e-mail newrules@iardc.org with your name and mailing address or call the ARDC Chicago office at 312-565-2600 (or toll free at 800-826-8625) or the ARDC Springfield office at 217-522-6838 (or toll free at 800-252-8048).

Also, the Commission published two articles in 2011. One was co-authored with the Lawyers Trust Fund on the changes to the trust property rule, *Understanding the New Client Trust Account Requirements* (Sept. 2011, CBA Record). This article is available on the ARDC website with the permission of the Chicago Bar Association. The second is an article on planning to close a law practice, *Succession Planning and the Duty of Diligence* (Jan. 2011, 99 Illinois Bar Journal 46). This article is also available on the ARDC website with permission of the Illinois State Bar Association.

E. Commission Website

The ARDC website (www.iardc.org), first launched in October 2001, continues to be a source of information regarding all aspects of the regulation of the legal profession in Illinois and recent developments affecting Illinois lawyers. The site attracts an average of 93,000 visits each month, and in 2011 visitors totaled more than 1.1 million.

In addition, more than 62,969 lawyers took advantage of the on-line registration program for the 2011 registration year. The percentage of lawyers who registered on-line has increased significantly from 37% in 2009 to 72% for the 2012 registration year. The most visited feature is the Lawyer Search function. Used over 2 million times last year, this feature enables visitors to search the Master Roll for certain basic public registration information about lawyers, including principal address and public disciplinary information. The site 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.

II. Registration Report

A. Master Roll Demographics

The 2011 Master Roll of Attorneys for the state of Illinois numbered 87,943 attorneys, as of October 31, 2011. After that date, the Commission began the 2012 registration process, so that the total reported as of October 31, 2011 does not include the 2,121 attorneys who first took their oath of office in November or December 2011. The 2011 legal population in Illinois increased a modest 1.3% over 2010, continuing a trend of modest net increases each year since 2001. See Chart 25A, at Page 32. Chart 1 shows the demographics for the lawyer population in 2011.

Chart 1: Age, Gender and Years in Practice for Attorneys Registered in 2011

Gender	
Female	36%
Male.....	64%
Years in Practice	
Fewer than 5 years.....	15%
Between 5 and 10 years	15%
Between 10 and 20 years	25%
Between 20 and 30 years	23%
30 years or more.....	22%
Age	
21-29 years old.....	6%
30-49 years old.....	51%
50-74 years old.....	40%
75 years old or older.....	3%

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

Chart 2: Registration Categories for 2011

<u>Category</u>	<u>Number of Attorneys</u>
Admitted between January 1, 2010, and October 31, 2011.....	2,994
Admitted between January 1, 2008, and December 31, 2009.....	5,425
Admitted before January 1, 2008.....	64,922
Serving active military duty.....	318
Serving as judge or judicial clerk.....	1,657
Birthday before December 31, 1935.....	1,368
In-House Counsel under Rule 716.....	403
Foreign Legal Consultant under Rule 713.....	16
Legal Service Program Counsel under Rule 717.....	7
Pro Bono Authorization under Rule 756(j).....	29
Inactive status.....	10,804
Total attorneys currently registered	87,943

Charts 3 and 4 show the distribution by judicial district, circuit and county of the 64,276 registered active and inactive attorneys who reported a principal address in Illinois. The distribution of the attorney population in Illinois did not significantly change in 2011. Of the 102 counties, 57 counties experienced a slight increase in the number of attorneys from 2010, 24 experienced a slight decrease and 21 remained the same. All of the Judicial Districts showed a slight increase. The Fifth Judicial District increased the most in 2011 at 2.0% followed by the Second Judicial District at 1.8%.

Chart 3: Registration by Judicial Districts: 2007-2011

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>		<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
First District						Fourth District					
Cook County.....	43,026	43,761	43,653	44,668	45,035	5 th Circuit.....	247	249	252	250	257
Second District						6 th Circuit.....	853	851	857	854	865
15 th Circuit.....	203	205	200	195	201	7 th Circuit.....	1,244	1,240	1,256	1,253	1,266
16 th Circuit.....	1,360	1,380	1,423	1,426	1,489	8 th Circuit.....	190	197	188	192	189
17 th Circuit.....	782	794	807	806	796	11 th Circuit.....	643	662	649	659	655
18 th Circuit.....	4,015	4,075	4,142	4,185	4,246	Total	3,177	3,199	3,202	3,208	3,232
19 th Circuit.....	2,919	2,987	3,014	3,087	3,143	Fifth District					
22 nd Circuit.....	564	577	561	578	583	1 st Circuit.....	444	448	453	449	451
Total	9,843	10,018	10,147	10,277	10,458	2 nd Circuit.....	288	291	288	296	308
Third District						3 rd Circuit.....	714	703	689	696	711
9 th Circuit.....	198	191	187	189	192	4 th Circuit.....	241	238	241	245	251
10 th Circuit.....	894	911	930	911	919	20 th Circuit.....	785	783	780	779	793
12 th Circuit.....	887	913	926	949	952	Total	2,472	2,463	2,451	2,465	2,514
13 th Circuit.....	316	327	323	324	325	Grand Total	61,466	62,442	62,474	63,638	64,276
14 th Circuit.....	500	503	506	495	495						
21 st Circuit.....	153	156	149	152	154						
Total	2,948	3,001	3,021	3,020	3,037						

Another 23,667 attorneys reported an address outside Illinois but registered as either active (65%) and able to practice under the auspices of their Illinois license or inactive (35%). Lawyers reporting an address outside of Illinois account for 27% of all lawyers with an Illinois license. Those 23,667 attorneys with an out-of-state principal address are not included in Charts 3 and 4.

Chart 4: Registered Active and Inactive Attorneys by County for 2010-2011

<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>2010</u>	<u>2011</u>		<u>2010</u>	<u>2011</u>		<u>2010</u>	<u>2011</u>
Adams	127	123	Hardin	4	4	Morgan	38	37
Alexander	8	8	Henderson	5	5	Moultrie	12	13
Bond	11	11	Henry	49	51	Ogle	48	52
Boone	52	52	Iroquois	23	23	Peoria	777	786
Brown	10	9	Jackson	208	200	Perry	19	20
Bureau	37	41	Jasper	7	8	Piatt	25	26
Calhoun	5	5	Jefferson	114	117	Pike	9	10
Carroll	12	14	Jersey	16	16	Pope	5	6
Cass	10	11	Jo Daviess	34	33	Pulaski	5	5
Champaign	549	549	Johnson	9	11	Putnam	9	9
Christian	39	41	Kane	1,149	1,197	Randolph	26	29
Clark	11	11	Kankakee	129	131	Richland	24	23
Clay	14	14	Kendall	97	102	Rock Island	360	353
Clinton	26	25	Knox	62	62	Saline	44	45
Coles	106	107	Lake	3,086	3,143	Sangamon	1,140	1,154
Cook	44,668	45,035	LaSalle	215	216	Schuyler	9	8
Crawford	23	25	Lawrence	15	14	Scott	5	4
Cumberland	9	10	Lee	39	38	Shelby	17	19
DeKalb	180	189	Livingston	43	44	St. Clair	682	690
DeWitt	19	20	Logan	32	30	Stark	8	7
Douglas	21	22	Macon	228	234	Stephenson	62	64
DuPage	4,185	4,246	Macoupin	37	39	Tazewell	106	108
Edgar	18	20	Madison	685	701	Union	25	29
Edwards	5	5	Marion	47	45	Vermilion	106	109
Effingham	47	50	Marshall	11	9	Wabash	14	16
Fayette	20	23	Mason	12	11	Warren	21	21
Ford	15	14	Massac	15	17	Washington	19	19
Franklin	59	63	McDonough	42	45	Wayne	12	12
Fulton	42	41	McHenry	579	583	White	12	13
Gallatin	6	6	McLean	545	544	Whiteside	77	83
Greene	17	17	Menard	10	12	Will	949	952
Grundy	72	68	Mercer	9	8	Williamson	130	130
Hamilton	9	10	Monroe	33	34	Winnebago	753	745
Hancock	17	18	Montgomery	28	26	Woodford	24	23

B. Mandatory Disclosures in Annual Registration

Since 2007, lawyers must report *pro bono*, trust account and malpractice insurance information during the annual registration process as required by Supreme Court Rule 756. Pursuant to Supreme Court Rule 756(g), a lawyer is not registered if the lawyer fails to provide any of this information. 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). However, malpractice insurance information is shown in the Lawyer Search section of the ARDC website along with each lawyer’s public registration information. The aggregate reports received for the 2011 registration year regarding *pro bono* activities, trust accounts and malpractice insurance are presented below.

1. Report on Pro Bono Activities in 2011 Registration

Under Supreme Court Rule 756(f), Illinois lawyers are required to report voluntary *pro bono* service and monetary contributions on their registration form. While *pro bono* service and contributions are voluntary, the required report serves as an annual reminder to Illinois lawyers that *pro bono* legal service is an integral part of lawyers' professionalism. See IRPC (2010), *Preamble*, Comment [6A]. 30,203 attorneys indicated that they had provided *pro bono* legal services, as defined by Rule 756, or 34.3% of Illinois lawyers, a 0.5% increase over the 33.8% figure in 2010. While those lawyers reported a total of 2,255,024 *pro bono* legal service hours, a decrease of 3.2% as compared to 2010, four out of the last five

years saw a steady increase in the provision of *pro bono* service hours despite a sluggish economy. The number of lawyers making monetary contributions in 2011 increased slightly to 17.4% of Illinois lawyers as compared to 17.3% of lawyers in 2010. The total amount contributed in 2011 increased by about 2% over 2010.

57,740 attorneys indicated that they had not provided *pro bono* legal services, 9,231 of whom indicated that they were prohibited from providing *pro bono* legal services because of their employment.

Chart 5A 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.

Chart 5A: Report on Pro Bono Hours (2007-2011)

	2007	2008	2009	2010	2011
Type of Pro Bono Services	Service Hours	Service Hours	Service Hours	Service Hours	Service Hours
Legal services to persons of limited means	1,100,323	1,102,907	1,113,778	1,238,967	1,207,199
Legal services to enumerated organizations designed to address needs of persons of limited means	325,088	301,680	375,260	365,371	365,197
Legal services to enumerated organizations in furtherance of their purposes	637,128	714,308	660,022	673,051	634,164
Training intended to benefit legal service organizations or lawyers providing <i>pro bono</i> services	58,715	73,450	47,981	51,381	48,464
TOTAL:	2,121,254	2,192,345	2,197,041	2,328,770	2,255,024

Chart 5B provides a breakdown of monetary contributions for the same five-year period. In 2011, 15,318 lawyers reported that they made contributions to organizations that provide legal services to persons of limited means, or 17.4% of lawyers, an increase of 1.1% over 2010. The amount contributed in 2011, \$15,419,130, increased 1% over 2010. The reported information does not include the \$42 portion of the registration fee paid by most active status lawyers and remitted to the Lawyers Trust Fund, which distributes grants to programs providing legal assistance in civil matters to low-income Illinois residents. From the 2011 registration year, \$2,758,192 was remitted to the Lawyers Trust Fund. A total of \$23,327,148 has been remitted to the Lawyers Trust Fund since the 2003 registration year, the first year the ARDC began collection and remittance of this fee as provided in Supreme Court Rules 751(e)(6) and 756(a)(1).

Chart 5B: Monetary Contributions to Pro Bono Service Organizations (2007-2011)

	2007	2008	2009	2010	2011
Amount Contributed	\$17,615,482	\$14,779,088	\$14,901,582	\$15,266,660	\$15,419,130
Number of lawyers who made contributions	12,637	13,929	14,156	14,985	15,318

2. Report on Trust Accounts in 2011 Registration

Supreme Court Rule 756(d) requires all Illinois lawyers to disclose 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) trust 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 6A sets forth the responses received from the 87,943 lawyers who were registered for 2011. Approximately 50% of the lawyers reported that they or their law firm maintained a trust account sometime during the preceding 12 months. Of those who reported that they or their law firm did not maintain a trust account, nearly half explained that they were prohibited from an outside practice, because of their full-time employment in a corporation or governmental agency.

Chart 6A: Trust Account Disclosure Reports in 2011 Registration

A. Lawyers with Trust Accounts:	44,757
80.1% with IOLTA trust accounts	
19.9% with non-IOLTA trust accounts	
B. Lawyers without Trust Accounts:	43,186
Full-time employee of corporation or governmental agency (including courts) with no outside practice	20,896
Not engaged in the practice of law.....	10,752
Engaged in private practice of law (to any extent), but firm handles no client or third party funds	8,897
Other explanation	2,641

3. Report on Malpractice Insurance

Supreme Court Rule 756(e) requires Illinois lawyers to report whether they carry malpractice insurance coverage and, if so, the dates of coverage. Only sitting judges or magistrates who are exempt from paying a registration fee are exempt from this reporting requirement. The Rule does not require Illinois lawyers to carry malpractice insurance in order to practice law based upon their Illinois license. Chart 6B shows the aggregate number and percentage of lawyers who carry malpractice insurance as reported during the registration process. In 2011, 52.4% of all lawyers reported that they have malpractice insurance, representing a 0.4% decrease from 2010.

Chart 6B: Malpractice Disclosure Reports: 2005-2011

Lawyer Malpractice Insurance	2005	2006	2007	2008	2009	2010	2011
Yes	41,767 (51.9%)	42,445 (51.8%)	44,203 (53.7%)	45,278 (53.9%)	45,498 (53.7%)	45,757 (52.8%)	46,107 (52.4%)
No	38,716 (48.1%)	39,461 (48.2%)	37,364 (46.3%)	38,630 (46.1%)	39,279 (46.3%)	40,900 (47.2%)	41,836 (47.6%)

4. Report on Removals

Chart 7 shows the trend of removals from the Master Roll between 2006 and 2011.

After February 1 each year, attorneys are removed from the Master Roll for failure to register. The experience has been that many attorneys later register and pay their fees and accrued penalties, and are therefore restored to the Roll. On March 2, 2011, the ARDC initially removed 2,802 fee paying attorneys who had not registered for the year 2011 but by the end of the 2011 registration cycle on October 31, 2011, the number of fee paying attorneys who had still not registered dropped to 1,186 as set forth in Chart 7 below. For the 2010 registration year, 2,858 lawyers were initially removed but ultimately 1,034 remained removed from the Roll by the end of the 2010 registration year. On February 27, 2012, the ARDC removed from the Master Roll 2,713 attorneys for failure to register for the year 2012. 1,618 of this group are still unregistered as of April 3, 2012.

As for removals from the Master Roll for MCLE non-compliance, the number of lawyers removed continues to decrease each year. This is through the combined efforts of the ARDC and the MCLE Board to educate lawyers on their MCLE obligations. The ARDC initially removed 366 fee paying attorneys for failure to comply with MCLE requirements on January 7, 2011. This covered all attorneys with a last name between the letters A through M. By the end of the 2011 registration cycle on October 31, 2011, 133 of these attorneys had still not complied with MCLE requirements. The corresponding removal figures for 2010 were 311 and 154 respectively. On January 6, 2012, the ARDC removed 210 fee paying attorneys who did not report compliance with MCLE requirements. This covered all attorneys with a last name between the letters N through Z. 40 of those attorneys have reported compliance as of April 3, 2012 and have been returned to the Master Roll.

Chart 7: Attorney Removals from the Master Roll: 2006 – 2011 Registration Years

Reason for Removal	2006	2007	2008	2009	2010	2011
Unregistered	1,372	429	961	1,132	1,034	1,186
Deceased	274	648	373	322	307	304
Retired	521	847	901	996	970	822
Disciplined	55	60	45	44	77	75
MCLE General Non-Compliance				327*	154	133
MCLE Basic Skills Non-Compliance			8**	52	26	20
Total	2,222	1,984	2,288	3,226	2,783	2,540

* 2008 was the first year for reporting MCLE General Compliance hours

**2007 was the first year for reporting MCLE Basic Skills hours

III. Report on Disciplinary and Non-Disciplinary Matters

A. Investigations Initiated in 2011

During 2011, the Commission docketed 6,155¹ investigations, a 9.6% increase over the prior year. This is the highest number of docketed investigations since 2003, and the first increase in the number of docketed investigations in the last five years. Of the 538 more investigations docketed in 2011, more than 35% of those are attributed to client trust account overdraft notifications (190). Also, allegations of excessive or improper fees more than doubled over last year from 4.6% of grievances in 2010 to 9.8% in 2011. Those 6,155 investigations involved charges against 4,063 different attorneys, representing about 4.6% of all registered attorneys. About 21% of these 4,063 attorneys were the subject of more than one investigation docketed in 2011, as shown in Chart 8.

Charts 9 and 10 report the classification of investigations docketed in 2011, 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 9 reflects that the top three most frequent areas of a grievance make up nearly 75% of all grievances and are typically related to client-attorney relations: neglect of the client’s cause (40%); failure to communicate with the client (20%); and fraudulent or deceptive conduct, including lying to clients (12%).

Chart 8: Investigations Docketed in 2011

<i>Investigations per Attorney</i>	<i>Number of Attorneys</i>
1	3,198
2	551
3	162
4	70
5 or more.....	82
	Total: 4,063
<i>Gender</i>	<i>Years in Practice</i>
Female	Fewer than 5.....
Male.....	Between 5 and 10.....
	Between 10 and 20
	Between 20 and 30
	30 or more.....

¹ This number also includes 138 investigations reopened in 2011 for further investigation.

Chart 9: Classification of Charges Docketed in 2011 by Violation Alleged

<i>Type of Misconduct</i>	<i>Number*</i>	<i>Type of Misconduct</i>	<i>Number*</i>
Neglect	2,378	Improper communications with a party known to be represented by counsel or with an unrepresented person	63
Failing to communicate with client, including failing to communicate the basis of a fee	1,212	Failing to preserve client confidences or secrets	53
Fraudulent or deceptive activity, including lying to clients, knowing use of false evidence or making a misrepresentation to a tribunal or non-client	744	Failing to supervise subordinates	50
Excessive or improper fees, including failing to refund unearned fees	604	Threatening criminal prosecution or disciplinary proceedings to gain advantage in a civil matter	36
Improper management of client or third party funds, including commingling, conversion, failing to promptly pay litigation costs or client creditors or issuing NSF checks	519	Inducing/assisting another to violate the Rules	18
Failing to properly withdraw from representation, including failing to return client files or documents	309	Practicing after failing to register	17
Filing frivolous or non-meritorious claims or pleadings	283	Abuse of public office to obtain advantage for client	15
Conflict of Interest:	212	Bad faith avoidance of student loan	15
Rule 1.7: Concurrent conflicts	134	Improper <i>ex parte</i> or improper communication with judge or juror	15
Rule 1.8(a) Improper business transaction with client	17	False statements about a judge, judicial candidate or public official	15
Rule 1.8(b) Improper acquisition of publication rights	2	Improper division of legal fees/partnership with nonlawyer	14
Rule 1.8(c) Improper preparation of instrument benefiting lawyer... 3		Failing to report misconduct of another lawyer or judge	11
Rule 1.8(d) Financial assistance to client	5	Incapacity due to chemical addiction or mental condition	10
Rule 1.8(h) Improper limitation on client's right to go to ARDC	4	Aiding in the unauthorized practice of law	7
Rule 1.8(g) Improper settlement of claim against lawyer	2	Improper extrajudicial statement	5
Rule 1.8(i) Improper propriety interest	3	Failing to comply with Rule 764	4
Rule 1.8(j) Improper sexual relations with client	4	Failing to maintain an appropriate attorney-client relationship with disabled client	4
Rule 1.9: Successive conflicts	32	Failing to report criminal conviction	3
Rule 1.10: Imputed conflict	2	Failing to report discipline in another jurisdiction	2
Rule 1.12 Former judge, mediator or arbitrator	4	Improper employment where lawyer may become a witness	2
Overdraft notification of client trust account	190	Investigation of bar applicant	2
Criminal activity, including criminal convictions, counseling illegal conduct or public corruption	189	Failing to cease practice in areas after sale of practice	2
Failing to provide competent representation	180	Judicial candidate's violation of Judicial Code	2
Conduct prejudicial to the administration of justice, including conduct that is the subject of a contempt finding or court sanction	171	Failing to preserve information of prospective client	1
Practicing in a jurisdiction where not authorized	121	Assisting a judge in conduct that violates the judicial code	1
Improper commercial speech, including inappropriate written or oral solicitation	80	Failing to pay child support	1
Not abiding by a client's decision concerning the representation or taking unauthorized action on the client's behalf	77	Engaging in the unauthorized practice of law	1
Improper trial conduct, including using means to embarrass, delay or burden another or suppressing evidence where there is a duty to reveal	73	No misconduct alleged	55
Prosecutorial misconduct	64		

*Totals exceed the number of requests for investigations docketed in 2011 because in many requests more than one type of misconduct is alleged.

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 2011 by Subject Area

<i>Area of Law</i>	<i>Number</i>
Criminal/Quasi-Criminal.....	1,414
Domestic Relations.....	820
Tort (Personal Injury/Property Damage).....	672
Real Estate/Landlord-Tenant.....	473
Probate.....	346
Labor Relations/Workers' Comp.....	230
Bankruptcy.....	207
Contract.....	206
Debt Collection.....	186
Immigration.....	107
Civil Rights.....	86
Corporate Matters.....	75
Local Government Problems.....	61
Tax.....	32
Patent and Trademark.....	29
Social Security.....	16
Mental Health.....	3
No Area of Law Identified:	
Criminal Conduct/Conviction of Attorney... 131	
Personal misconduct..... 19	
Other..... 22	
Undeterminable..... 354	

B. Investigations Concluded in 2011

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

panel pursuant to Commission Rule 108. The Administrator cannot pursue formal charges without authorization by an Inquiry Board panel.

About 3.2% of investigations concluded in 2011 resulted in the filing of formal charges. Charts 11 and 12 show the number of investigations docketed and concluded from 2007 to 2011, and the type of actions that terminated the investigations in 2011.

Chart 11: Investigations Docketed: 2007-2011

Year	Pending January 1st	Docketed During Year	Concluded During Year	Pending December 31st
2007	1,896	5,988	6,070	1,814
2008	1,814	5,897	6,127	1,584
2009	1,584	5,834	5,551	1,867
2010	1,867	5,617	5,626	1,858
2011	1,858	6,155	5,977	2,036

** includes reopened investigations*

Chart 12: Investigations Concluded in 2011

Concluded by the Administrator:	
Closed after initial review.....	1,405 (No misconduct alleged)
Closed after investigation.....	4,293
Filed at Supreme Court pursuant to Supreme Court Rules 757, 758(b), 761, 762(a), 763 and 774.....	38
Concluded by the Inquiry Board:	
Closed after panel review.....	83
Complaint or impairment petition voted... 156	
Closed upon completion of conditions of Rule 108 supervision.....	<u>2</u>
Total.....	5,977

1. Timeliness of Investigations Concluded in 2011

Of the 5,977 investigations concluded in 2011, 5,736 were concluded by the Administrator. Charts 13A through C show the average number of days that the 5,736 investigations concluded in 2011 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 1,405, or 24%, of the 5,977 investigations concluded in 2011 were closed after an initial review of the complainant's concerns. 97% of these 1,405 investigations were concluded within 60 days of the docketing of the grievance. The six staff lawyers who make up the Intake division of the Administrator's staff 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

1,405 Investigations Closed After Initial Review in 2011			
<i>Average Number of Days Pending Prior to Closure:</i>			
Fewer than 10 days	10 - 20 days	21 - 60 days	More than 60 days
1,090 (77.6%)	65 (4.7%)	205 (14.8%)	45 (3.2%)

In the remaining 4,331 investigations closed in 2011 by the Administrator, the staff determined that an investigation was warranted, and, 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 counsel determined that further investigation was warranted, the file was reassigned to Litigation counsel who primarily handle investigations that require more extensive investigation or are more likely to lead to formal proceedings.

Chart 13B shows that for the 4,331 investigations closed after a determination to conduct an investigation was made, 3,064, or 71%, were closed by Intake counsel, with 77% of those 3,064 investigations closed within 90 days of receipt. Chart 13C indicates that 1,268, or 29%, were closed by Litigation counsel. 45% of the files referred to Litigation counsel 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. How long it takes before an investigation is resolved is influenced by whether the lawyer has addressed all concerns raised during the investigation, whether other sources are cooperating with the ARDC's requests for information, the complexity of the issues, and the amount of information and documents that ARDC counsel must review.

Chart 13B

3,064 Investigations Concluded in 2011 by the Intake Staff After Investigation			
<i>Average Number of Days Pending Prior to Closure:</i>			
Fewer than 90 days	Between 90 – 180 days	Between 180 - 365 days	More than 365 days
2,343 (76.5%)	568 (18.5%)	116 (3.8%)	37 (1.2%)

Chart 13C

1,268 Investigations Concluded in 2011 by the Litigation Staff After Investigation			
<i>Average Number of Days Pending Prior to Closure:</i>			
Fewer than 90 days	Between 90 - 180 days	Between 180 - 365 days	More than 365 days
287 (22.6%)	284 (22.4%)	334 (26.4%)	363 (28.6%)

2. Oversight Review of Investigations Closed

Pursuant to Supreme Court Rule 751(e)(3), the Commission conducts a review of a representative sample of investigative matters concluded by the Administrator without reference to the Inquiry Board. The Commissioners have delegated the initial review to its Oversight Committee, which consists of 106 Inquiry and Hearing Board members as well as three former Board members (*see* back page). The Oversight Committee typically reviews about 5% of the investigations closed by the Administrator's staff each year. The representative sample are of closed investigations selected by computer from two types of investigative closures: those closure decisions that the complaining witness has challenged (20%); and those where no such challenge was received (80%). The Oversight review is a quality assurance analysis, not an appeal of the closure decision. The analysis provided by the Oversight Committee members is helpful to the Commission and Administrator in formulating approaches to the pending caseload. In 2011, the Oversight Committee reviewed 263 closed investigations, disagreeing with the decision to close

in only six investigations and commenting about some aspect of how the investigation was handled in 18 investigations.

C. Hearing Board 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 a panel of the Hearing Board. The Hearing Board functions much like a trial court in a civil case, and each panel is comprised of three members, two lawyers and one nonlawyer, appointed by the Commission. The Commission has hired an adjudication staff separate from the Administrator’s office to provide legal assistance to 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 14 shows the activity before the Hearing Board in 2011. There were 106 cases added to the Hearing Board’s docket in 2011. Of those, 96 were initiated by the filing of a new disciplinary complaint.

Chart 14: Matters Before the Hearing Board in 2011

Cases Pending on January 1, 2011	179
Cases Filed or Reassigned in 2011:	
<i>Disciplinary Complaints Filed:</i> *	
➤ Rules 753, 761(d)	96
<i>Reinstatement Petitions Filed:</i>	
➤ Rule 767	6
<i>Petition for Disability Inactive Filed:</i>	
➤ Rule 758	2
<i>Remanded by Supreme Court after denial of petition for discipline on consent</i>	1
<i>Remanded by Supreme Court for hearing on petition for restoration under Rule 759</i>	1
Total New Cases Filed or Reassigned	106
Cases Concluded During 2011	147
Cases Pending December 31, 2011	138
* 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 15 shows the demographics of the 96 lawyers who were the subject of a formal complaint in 2011.

Chart 15: Profile of Lawyers Charged in Disciplinary Complaints Filed in 2011

	# of Complaints Filed	% of Complaints Filed	% of Lawyer Population
Years in Practice			
Fewer than 5	8	8%	15%
Between 5 and 10	6	6%	15%
Between 10 and 20	30	31%	25%
Between 20 and 30	21	23%	23%
30 or more	31	32%	22%
Age:			
21-29 years old	0	0%	6%
30-49 years old	41	43%	51%
50-74 years old	52	54%	40%
75 or more years old	3	3%	3%
Gender:			
Female	13	14%	36%
Male	83	86%	64%

Chart 16 shows the types of misconduct alleged in the 96 disciplinary complaints filed during 2011, and Chart 17 indicates the areas of practice in which the alleged misconduct arose. The allegations of fraudulent or deceptive activity, failure to communicate and neglect of a client's case, most frequently seen in initial charges as reported in Charts 9 and 10, are also among the most frequently charged in formal complaints.

Chart 16: Types of Misconduct Alleged in Complaints Filed Before Hearing Board in 2011

<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	56	58%	Improper partnership or division of fees		
Failure to communicate with client	27	28%	with non-lawyer	4	4%
Criminal conduct/conviction of lawyer.....	23	24%	Improper <i>ex parte</i> communication with judge	4	4%
Neglect/lack of diligence	20	21%	Misrepresentation to third persons.....	3	3%
In many cases where neglect was			Assisting client in criminal/fraudulent		
charged, the neglect was accompanied by			conduct.....	2	2%
one or both of the following:			Improper commercial speech, including		
Misrepresentation to client	14		improper direct solicitation.....	2	2%
Failure to return unearned fees.....	10		Improper agreement limiting client's right to		
False statement or failure to respond			pursue ARDC charge	2	2%
in bar admission or disciplinary matter	19	20%	Failure to supplement bar application	2	2%
Conflict of interest.....	13	14%	Failure to provide competent representation...	2	2%
Rule 1.7: concurrent conflicts	5		Unauthorized practice after failure to register	2	2%
Rule 1.8(a): improper business			False statements about judge's integrity ..	2	2%
transaction with client.....	4		Improper communication with		
Rule 1.8: improper agreement limiting			represented person.....	1	1%
or settling lawyer's liability.....	2		Unauthorized practice after MCLE removal...	1	1%
Rule 1.9: successive conflicts.....	1		Unauthorized practice after retirement status	1	1%
Rule 1.11: improper representation following			Breach of client confidences	1	1%
governmental employment.....	1		Failure to supervise employees.....	1	1%
Pursuing/filing frivolous or			Practicing in a jurisdiction without authority..	1	1%
non-meritorious claims or pleadings.....	13	14%	Failure to maintain records required by		
Offering false evidence or			Rule 769.....	1	1%
making false statements to tribunal.....	11	11%	Breach of duties following discipline		
Improper handling of trust funds	9	9%	under Rule 764	1	1%
Improper withdrawal from employment					
without court approval or avoiding					
prejudice to client	7	7%			
Excessive or unauthorized legal fees	6	6%			
Failure to report criminal conviction	6	6%			
Inducing/assisting another to violate rules	5	5%			
Not abiding by client's decision or taking					
unauthorized action on client's behalf	5	5%			

* Totals exceed 96 disciplinary cases and 100% because most complaints allege more than one type of misconduct.

Chart 17: Subject Area Involved in Complaints Filed Before Hearing Board in 2011

<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	23	24%	Debt Collection	5	5%
Real Estate.....	15	16%	Professional Misconduct.....	3.....	3%
Probate	13	14%	Immigration	3.....	3%
Criminal	13	14%	Bankruptcy.....	2.....	2%
Deceptive, threatening or offensive conduct not arising out of a legal representation.....	13	14%	Civil Rights.....	1.....	1%
Tort	12	13%	Corporate Matters.....	1.....	1%
Workers' Comp/Labor Relations	10	10%	Local Government.....	1.....	1%
Contract.....	8	8%	Patent/Trademark	1.....	1%
Domestic Relations	6	6%	Social Security	1.....	1%
			Tax	1.....	1%

*Totals exceed 96 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 147 matters, including 138 disciplinary cases during 2011.

Chart 18: Actions Taken by Hearing Board in Matters Terminated in 2011

A. Disciplinary Cases: Rules 753 & 761(d)	
Recommendation of discipline after hearing ..	59
Case closed by filing of petition for discipline on consent other than disbarment.....	52
Case closed by administration of a reprimand to respondent.....	10
Case closed by filing of motion for disbarment on consent.....	8
Complaint dismissed without prejudice	4
Recommendation of dismissal after hearing.....	3
Case closed by death of respondent	1
Case closed by filing of petition on consent for transfer to disability inactive status.....	<u>1</u>
Total Disciplinary Cases	138
B. Disability Inactive Status Petition: Rule 758	
Transfer to disability inactive status recommendation	2
Petition dismissed without prejudice	1
C. Restoration Petition: Rule 759	
Restored to active status.....	1
D. Reinstatement Petitions: Rule 767	
Recommendation of petition denied	2
Petition withdrawn/stricken.....	2
Recommendation of petition allowed	1
Total Matters Terminated	147

There were 135 hearings conducted over the course of 164 days in 2011. Sixty cases or 43% were closed by the filing in the Supreme Court of a pleading as an agreed matter for discipline on consent, 57 cases or 29% proceeded as contested hearings and 18 cases or 14% were conducted as default hearings because the lawyer-respondent did not appear and was not represented by counsel.

D. 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 2011.

Chart 19: Actions Taken by Review Board in 2011

Cases pending on January 1, 2011	24
Cases filed during 2011:	
Exceptions filed by Respondent	19
Exceptions filed by Administrator	11
Exceptions filed by both	<u>5</u>
Total	35
Cases concluded in 2011:	
Hearing Board affirmed	18
Hearing Board reversed on findings and/or sanction	6
Notice of exceptions stricken	4
Notice of exceptions withdrawn	2
Case closed by death of respondent	<u>1</u>
Total	31
Cases pending December 31, 2011	28

E. 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. In 2011, the Court entered 156 sanctions against the 155 lawyers (one lawyer was disciplined twice in 2011), the second highest number of disciplinary sanctions entered by the Court. Chart 20 reflects the nature of the orders entered.

Chart 20: Disciplinary Sanctions Ordered by the Supreme Court in 2011

Disbarment.....	34
Suspension	77*
Probation.....	18
Censure.....	18
Reprimand.....	9
Total	156

*In addition to the 77 suspensions, the Court also ordered 10 interim suspensions, as reported in Chart 22 at (F) and (J).

Charts 21A and 21B provide demographic information on the 155 lawyers disciplined by the Court and ten lawyers reprimanded by the Hearing Board in 2011. See Chart 18. Other than Board reprimands, the Hearing and Review Board issue reports that include recommendations to the Supreme Court for disposition.

Chart 21A: County of Practice of Lawyers Disciplined in 2011

County	Number Disciplined	County	Number Disciplined
Cook.....	72	Carroll	1
Out-of-State.....	40	Cumberland.....	1
DuPage.....	15	Iroquois.....	1
Lake	14	Logan	1
Kane.....	3	Massac.....	1
McHenry	3	Rock Island.....	1
Peoria.....	3	Vermilion.....	1
Madison.....	2	Will	1
McLean	2	Williamson.....	1
Sangamon.....	2		

Chart 21B: Years in Practice, Age and Gender of Lawyers Disciplined in 2011

Years in Practice	# of Lawyers Disciplined	% of Lawyers Disciplined	% of Lawyer Population
Fewer than 5	5	3%	15%
Between 5 and 10	14	8%	15%
Between 10 and 20	54	33%	25%
Between 20 and 30	50	30%	23%
30 or more	42	26%	22%
Age:			
21-29 years old	0	0%	6%
30-49 years old	51	31%	51%
50-74 years old	107	65%	40%
75 or more years old	7	4%	3%
Gender:			
Female	18	11%	36%
Male	147	89%	64%

Chart 21C shows the practice setting around the time of the misconduct. 89.7% of the 165 lawyers disciplined in 2011 were sole practitioners or practiced in a firm of 2-10 lawyers at the time of the misconduct.

Chart 21C: Practice Setting of Lawyers Disciplined in 2011

Practice Setting	Solo	Firm 2-10	Firm 11-25	Firm 26+	Gov't/ Judicial	In-House	No Practice
165 Lawyers Sanctioned:	120	28	1	6	4	3	3

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 an impairment was raised by the lawyer or otherwise known by staff counsel. 49 out of the 165 lawyers disciplined in 2011, or 29.7% had one or more substance abuse or mental impairment issues. In addition, 79.6% of impaired lawyers were sole practitioners or practiced in a small firm at the time of the misconduct. It is likely that many cases involving impaired lawyers are never so identified.

Chart 21D: Impairments Identified for Lawyers Disciplined in 2011, By Practice Setting

<i>Practice Setting</i>	<i>Solo</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>No Practice</i>
49 Lawyers w/Impairments	29	10	4	2	2	1	1
<i>Impairment</i>							
Substances:							
Alcohol	9	4	1	0	0	0	0
Cocaine	3	0	1	0	0	0	0
Cannabis	5	1	1	0	0	0	0
Other drugs	7	0	1	0	0	0	0
Mental Illness:							
Depression	19	5	0	2	1	1	0
Bipolar	4	1	0	0	0	0	0
Schizophrenia	2	0	0	0	0	0	1
Other	4	1	0	0	0	0	1
Gambling	1	0	0	0	0	0	0
Sexual Disorder	3	0	0	0	1	0	0
Age Related	1	0	0	0	0	0	0
Total % per Group	59.2%	20.4%	8.2%	4.1%	4.1%	2.0%	2.0%

Disciplinary cases reach the Court in several ways. Chart 22 reflects the disciplinary actions taken by the Supreme Court in the varying procedural contexts in which those matters are presented. There were a total of 28 lawyers disciplined on a reciprocal basis, as provided in Supreme Court Rule 763, because they had been disciplined in another jurisdiction where they also held a license in addition to their Illinois license. In those cases, the lawyer is subject to the same or comparable discipline in Illinois. The matters are presented directly to the Court upon petition, typically without Hearing Board involvement. In addition, the Court allowed 15 consent disbarments on motions, eight of which were filed directly in the Court. The remainder of final disciplinary orders (120) arose from matters initiated by the filing of an action before the Hearing Board. 75% of the Court's orders in these original disciplinary actions involved consent petitions approved by the Hearing Board (52) or an agreed submission of the report of the Hearing Board (33).

Chart 22: Orders Entered by Supreme Court in Disciplinary Cases in 2011

<p>A. <u>Motions for disbarment on consent: Rule 762(a)</u> Allowed..... 15 Denied without prejudice 0 Total 15</p>	<p>D. <u>Motions to approve and confirm report of Review Board: Rule 753(e)(6)</u> Allowed..... 6 Denied 0 Total 6</p>
<p>B. <u>Petitions for discipline on consent: Rule 762(b)</u> Allowed: Suspension..... 28 Suspension stayed in part, probation ordered 7 Suspension stayed in its entirety, probation ordered 4 Censure 15 Total..... 54 Denied..... 1 Total 55</p>	<p>E. <u>Motions to approve and confirm report of Hearing Board: Rule 753(d)(2)</u> Allowed..... 33 Denied..... 2 Total 35</p>
<p>C. <u>Petitions for leave to file exceptions to report and recommendation of Review Board: Rules 753(e)(1) and 761</u> Allowed and more discipline imposed than recommended by Review Board..... 5 Denied; dismissal as recommended by Review Board 0 Denied and same discipline imposed as recommended by Review Board 12 Allowed and same discipline imposed as recommended by Review Board 0 Allowed and less discipline imposed as recommended by Review Board 2 Total..... 19</p>	<p>F. <u>Petitions for interim suspension due to conviction of a crime: Rule 761(b)</u> Rule enforced and lawyer suspended 5 Rule discharged 0 Total 5</p>
	<p>G. <u>Petitions for reciprocal discipline: Rule 763</u> Allowed..... 28 Denied..... 0 Total 28</p>
	<p>H. <u>Petitions for reinstatement: Rule 767</u> Allowed with conditions 1 Denied 2 Petition withdrawn or stricken 3 Total 6</p>
	<p>I. <u>Motions to revoke probation: Rule 772</u> Allowed, probation revoked and respondent suspended 1 Denied 0 Total 1</p>
	<p>J. <u>Petitions for interim suspension: Rule 774</u> Rule enforced and lawyer suspended 4 Rule enforced and lawyer transferred to inactive status on interim basis..... 1 Total 5</p>

Chart 23 tracks the type of misconduct that led to the 166 sanctions entered in 2011, 156 by the Court and ten Hearing Board reprimands administered in 2011.

Chart 23: Misconduct Committed in the 166 Disciplinary Cases Decided in 2011¹

Types of Misconduct	Number of Cases in Which Sanctions Were Imposed				
	Disbarment	Suspension ²	Probation ³	Censure	Reprimand ⁴
Total Number of Cases:	34	77	18	18	19
Fraudulent or deceptive activity	28	51	8	8	7
Neglect or lack of diligence	7	38	5	6	1
Criminal conduct by the lawyer	14	12	7	4	2
Failure to communicate with client, including					
failure to communicate basis of a fee	5	32	4	4	5
Improper management of client or third party					
funds, including commingling and conversion	24	27	14	1	1
Misrepresentation to clients to cover up neglect.....	2	0	2	3	0
Fee violations, including failure to refund					
unearned fees	5	19	3	0	0
Failure to cooperate with or false statement					
to disciplinary authority.....	9	18	3	4	1
Misrepresentation to a tribunal.....	1	5	0	2	0
Failure to provide competent representation	0	4	2	1	0
Filing false, frivolous or non-meritorious claims					
or pleadings or presenting false evidence.....	2	20	0	8	2
Not abiding by a client's decision concerning					
the representation or taking unauthorized					
action on the client's behalf	1	5	1	1	0
Improper withdrawal, including					
failure to return file.....	2	7	1	0	1
Conflict of interest (1.7: concurrent clients).....	1	7	0	5	2
Conflict of interest (1.8(a): improper business					
transaction with client)	1	1	0	1	0
Conflict of interest (1.8(c): improper gift from client)	0	1	0	2	0
Conflict of interest (1.9: former client).....	0	1	0	1	2
Inducing/assisting another lawyer's misconduct	0	7	0	0	1
Counseling/assisting a client in criminal or					
fraudulent conduct.....	0	2	0	1	0
Failure to supplement bar application.....	1	0	0	0	0
Failure to supervise subordinates	1	2	0	0	1
Failure to report conviction.....	0	0	1	1	0
Misrepresentation to third persons	0	9	0	0	2
False statement about judge or judicial candidate	0	1	0	0	0
Breach of client confidences.....	0	1	0	0	1
Unauthorized practice in jurisdiction not admitted.....	1	1	0	0	0
Aiding the unauthorized practice of law	0	4	0	0	0
Practice after failure to register	1	4	1	0	0
Practice after removal for noncompliance w/MCLE	2	1	0	3	0
Practice during period of suspension.....	2	2	0	0	1
Improper solicitation or advertising.....	0	3	1	0	1
Prosecutorial misconduct.....	0	0	0	0	0
Improper communication with represented person.....	0	2	0	0	1
Improper threat of criminal or disciplinary prosecution.....	0	1	0	0	0
Failure to report discipline in another jurisdiction.....	0	0	0	0	1
Bad faith avoidance of student loan	0	1	0	0	0

1 Totals exceed 166 cases because in most cases more than one type of misconduct was found.
2 Includes 75 suspensions and two suspensions stayed in part by probation.
3 Suspensions stayed entirely by probation.
4 Includes ten Hearing Board reprimands.

2. *Non-Disciplinary Actions*

In addition to activity in disciplinary cases, the Supreme Court entertains pleadings in non-disciplinary matters that affect an attorney's status. Chart 24 reflects the orders entered in such cases during 2011.

Chart 24: Non-Disciplinary Actions by the Supreme Court for 2011

<i>Rules 758 and 757</i>	
Motion for transfer to disability inactive status on consent:	
Allowed.....	2
Denied.....	<u>0</u>
<i>Total</i>	2

3. Registration and Caseload Trends (1997-2011)

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

Chart 25A: Registration Growth and Disciplinary Investigations (1997-2011)

	Number of Registered Attorneys	% of Growth Over Prior Year	Investigations Docketed	Closure By Administrator No Misconduct Alleged	Closure By Administrator After Investigation	Closure By Inquiry Board After Investigation	Complaint Voted By Inquiry Board*
1997	70,415	2.3%	6,293	1,202	5,018	81	342
1998	72,149	2.5%	6,048	1,352	4,414	58	272
1999	73,514	1.9%	5,877	1,131	4,268	69	231
2000	73,661	0.2%	5,716	1,146	4,319	87	224
2001	74,311	0.9%	5,811	1,077	4,318	55	273
2002	75,421	1.5%	6,182	1,350	4,360	96	334
2003	76,671	1.7%	6,325	1,396	4,332	61	353
2004	78,101	1.9%	6,070	1,303	4,539	90	320
2005	80,041	2.5%	6,082	1,460	4,239	102	317
2006	81,146	1.4%	5,801	1,319	4,076	76	215
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

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

Chart 25B: Disciplinary Proceedings (1997-2011)

	Matters Filed With Hearing Board	Matters Concluded at Hearing Board	Matters Filed With Review Board	Matters Concluded at Review Board	Sanctions Ordered By Court
1997	129	131	32	24	117
1998	141	139	31	28	138
1999	123	112	28	24	116
2000	119	116	29	32	120
2001	137	129	28	28	123
2002	131	122	36	30	126
2003	141	125	35	30	137
2004	156	170	45	41	149
2005	144	134	28	47	167
2006	108	132	25	23	144
2007	144	121	32	29	120
2008	134	137	31	26	135
2009	137	135	30	31	130
2010	122	115	27	32	148
2011	106	147	35	31	156

F. Illinois Supreme Court Published Disciplinary Decisions

The Illinois Supreme Court issued two published opinions in disciplinary cases, one in 2011, *In re Mark Gerard Mulroe*, 2011 IL 11378 (Ill. Sept. 22, 2011) and another one in January 2012, *In re Robert C. Thomas*, 2012 IL 113035 (Ill. Jan. 20, 2012).

In re Mark Gerard Mulroe, 2011 IL 11378 (Ill. Sept. 22, 2011). Mr. Mulroe, who was licensed in 1989, was suspended for 90 days for his conversion of approximately \$113,000 that he should have been holding for a client in relation to a divorce case. The Court upheld a finding that he had no deceptive or dishonest intent to take the funds. This Arlington Heights attorney had several business enterprises in addition to his law practice, on which he spent less than 20% of his time. He had set up a trust account at his office, but he used it to hold business funds. In connection with a 2005 divorce in which he represented the husband, he agreed to take possession, until an allocation could be made by the court, of escrow funds resulting from the sale of the marital home. These funds were placed in the trust account. The court in the divorce proceeding awarded \$127,783 to be paid from the escrow to the wife, but no payout to her was made before the balance in the trust account was drawn down to \$174.81. Eventually, the attorney did pay the wife all that she was owed, with interest. He claimed that he delayed doing so until all issues were resolved on appeal.

After the filing of a disciplinary complaint against him, the Hearing Board found conversion and several rule violations, recommending a three-month suspension from the practice of law. It did not, however, find dishonesty, deceit, fraud or misrepresentation in violation of Rule 8.4(a)(4) of the Illinois Rules of Professional Conduct. The Review Board affirmed the Hearing Board's findings that the Mr. Mulroe committed all of the misconduct charged in the complaint, except conduct involving dishonesty, fraud, deceit or misrepresentation but recommended that Mr. Mulroe instead be suspended from the practice of law for six months. The Administrator objected, theorizing that failure to follow proper procedures for safeguarding the funds was inherently dishonest and reckless and created a presumption of dishonesty. However, the Court, in this decision, declined to adopt such a bright-line rule. The Hearing Board had found that the attorney was unaware of his ethical responsibilities for the proper handling of the third-party funds and had not acted dishonestly because he did not intend to implement any deprivation of the funds. In an opinion authored by Justice Garman, the Court held that the Hearing Board finding was not contrary to the manifest weight of the evidence and agreed that a three-month suspension was appropriate.

In re Robert C. Thomas, 2012 IL 113035 (Ill. Jan. 20, 2012). Mr. Thomas, who was licensed in 1969, was suspended for one year. He continued to practice law after he was suspended in 2005 by the Court based on his criminal conviction for DUI and driving on a revoked license. He also made a material misrepresentation to a tribunal in a litigation matter.

On October 17, 2007, the Administrator filed a three-count complaint. Count I alleged misrepresentation to a tribunal, specifically the United States Bankruptcy Court for the Northern District of Illinois, concerning the manner in which Mr. Thomas delivered discovery responses to opposing counsel. Count II alleged that Mr. Thomas engaged in the unauthorized practice of law before the United States Court of Appeals for the Seventh Circuit during his suspension when he appeared on behalf of his corporation. Count III alleged that he engaged in the unauthorized practice of law in the circuit court of Du Page County after the effective date of his suspension.

The Hearing Board found that the Administrator had proven misconduct and recommended that Mr. Thomas be suspended from the practice of law for two years. Mr. Thomas filed exceptions with the Review Board, which affirmed the Hearing Board's findings but recommended dismissal of the charges. The Administrator filed a petition for leave to file exceptions, which the Court allowed.

In a unanimous opinion authored by Justice Garman and filed on January 20, 2012, the Court ruled that the Review Board majority had erred and that Mr. Thomas had engaged in misconduct. As to Count I, the Court concluded that it was Mr. Thomas' professional responsibility to determine that the facts contained in the certificate of service that he was signing were accurate. The Court, however, declined to impose discipline on this count because "this same failure to inquire and utter lack of care as to the truthfulness of his statements was displayed again in the other counts." As to Count II, the Court concluded that Mr. Thomas had, indeed, engaged in the unauthorized practice of law in the federal court. The Court noted that, by its terms, IRPC 5.5(a) does not require that the unauthorized practice be intentional or knowing. It makes no exception for the attorney who is uninformed or confused about his status. The Court concluded that his practice of law before the Seventh Circuit was misconduct that violated Rule 5.5(a) notwithstanding his argument that no order of suspension had ever been entered against him by the Seventh Circuit. The Court noted that, under Seventh Circuit Rule 46, Mr. Thomas would have been suspended "forthwith" as soon as it was "shown" to the Seventh Circuit that he had been suspended in Illinois. The only reason he was not formally suspended in the Seventh Circuit was his own failure to carry out his duty and obligation to inform that court of his suspension.

As to the third and final count, the Court addressed the Administrator's authority to reopen a closed investigation under Commission Rule 54, which provides that the Administrator can reopen an investigation "if circumstances warrant." The Review Board interpreted Commission Rule 54 to mean that "a closed investigation can be reopened only when the Administrator acquires new evidence concerning the conduct that was the subject of the closed investigation" and, further, that the rule is not intended to allow the Administrator "to change his mind merely because there is an indication that the Respondent may have engaged in misconduct in an unrelated manner." The Court rejected the Review Board's interpretation of Commission Rule 54 for three reasons. The Court concluded first that the language of the rule does not require such a narrow reading. The second reason the Court stated was that the Review Board incorrectly read Commission Rule 54 as creating substantive rights for respondents rather than as setting out procedures for the Administrator to follow. The third reason the Court found was that the mission of the Commission and the duties assigned to the Commission by the Court require that the Administrator be permitted to reopen a closed investigation for good cause, including, but not limited to, newly-acquired evidence regarding the earlier alleged misconduct.

G. Duty to Report Lawyer Misconduct: Lawyer Reports: 2002-2011

Rule 8.3 of the Rules of Professional Conduct requires Illinois lawyers to report certain instances of lawyer or judicial misconduct. The Illinois Supreme Court's opinion in *In re Himmel*, 125 Ill.2d 531, 533 N.E.2d 790 (1988), established that an attorney's failure to report his unprivileged knowledge of another attorney's serious wrongdoing warranted a suspension from the practice of law. The attorney was prosecuted under Rule 1-103 of the Illinois Code of Professional Responsibility, superseded in 1990 by Rule 8.3, a substantively identical ethics standard. The adoption of the 2010 Rules did not substantially change the duties imposed by Rule 8.3.

Since the *Himmel* decision, the Illinois ARDC has received more than 11,000 reports filed by lawyers and judges against members of the Illinois bar. (See *2007 Annual Report of the ARDC*, pages 25-27, for a twenty-year history of *Himmel* reporting statistics.) An average of 489 reports has been made each year. Although investigations opened as a result of attorney reporting are usually concluded without the filing of formal disciplinary charges, an average of 20.6% of the formal disciplinary caseload between 2002 and 2011 included charges generated as a result of a lawyer or judge filing an attorney report. Since 2007, the number of attorney reports has increased significantly and account for at least one quarter of formal complaints filed in the last five years.

Chart 26 tracks attorney report filings for the past ten years from 2002 through 2011.

Chart 26: Attorney Reports: 2002-2011

Year	Number of Grievances	Numbers of Attorney Reports	Percent of Attorney Reports to Grievances	Number of Complaints Voted	Number of Complaints Voted Involving Attorney Reports	Percent of Attorney Reports to Formal Complaints
2002	6,182	346	5.6%	334	53	15.8%
2003	6,325	510	8.1%	353	44	12.5%
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%
Totals for 2002-2011	59,953	4,888	_____	2,706	538	_____
Average For 2002-2011	5,995	489	8.1%	271	54	20.6%

H. New or Amended Rules for the Legal Profession in 2011

1. *New Supreme Court Rule 779 Unauthorized Practice of Law Proceedings* (Adopted Dec. 7, 2011, eff. immediately).

New Supreme Court Rule 779, Unauthorized Practice of Law Proceedings, adopted by the Illinois Supreme Court on December 7, 2011, gives the ARDC the power to investigate and bring complaints against disbarred lawyers and non-lawyers for the unauthorized practice of law (UPL). Supreme Court Rule 779(a) provides that the ARDC shall commence UPL proceedings against a suspended Illinois lawyer or a lawyer from another U.S. jurisdiction by filing a disciplinary complaint before the hearing board and proceeding as Supreme Court Rule 753 directs. Supreme Court Rule 779(b) provides that proceedings against disbarred Illinois lawyers and nonlawyers shall take place in the circuit court in which venue is proper under the Code of Civil Procedure or other applicable statute. It empowers the ARDC to begin those proceedings as civil and/or contempt actions pursuant to the Supreme Court's rules, its inherent authority over the practice of law, or other laws of the state related to the unauthorized practice of law.

The ARDC worked closely with the Illinois State and Chicago Bar Associations in drafting the new rules for the Court's consideration. The new procedure in no way diminishes the jurisdiction of other authorities, such as state's attorney's offices or the Illinois Attorney General, to proceed against the unauthorized practice of law.

The Supreme Court also amended Rules 751 through 754, along with Rule 775 and Rule 778, to assist in the implementation of proceedings under Rule 779.

As of April 1, 2012, the ARDC opened 13 investigations involving allegations of UPL by lawyers and non-lawyers, one in 2011 and 12 in 2012.

2. Amended Rule 1.15 Safekeeping Property (Amended July 1, 2011, eff. Sept. 1, 2011).

On July 1, 2011, the Illinois Supreme Court adopted amendments to Rule 1.15 of the Illinois Rules of Professional Conduct, which affects the handling of client trust funds. Effective Sept. 1, the three key changes are:

- **Types of Client Trust Accounts: paragraphs (a), (f) & (g)** - All client trust accounts must be interest or dividend bearing, at an eligible financial institution, and must be either IOLTA client trust accounts, with the interest going to the Lawyers Trust Fund of Illinois (LTF) **or** non-IOLTA client trust accounts established to hold the funds of an individual client or matter, with the client or third person receiving the interest.
- **Recordkeeping Requirements: paragraphs (a)(1)-(8)** - Specifies the required accounting journals and records of trust funds that must be established and maintained for seven years after the representation has ended.
- **Overdraft Notification: paragraph (h)** - Requires banks to automatically notify the ARDC of an overdraft of the client trust account. Forty two other jurisdictions have an overdraft notification requirement.

The ARDC worked closely with the Lawyers Trust Fund of Illinois to apprise Illinois lawyers of these changes. An e-mail blast was sent to over 65,000 lawyers who had provided e-mail addresses to the ARDC informing lawyers of these changes prior to the effective date of the amendments. Resource materials, including sample recordkeeping forms, and a recorded webcast on proper trust accounting were also posted to the ARDC.

For overdraft notices, the ARDC opened 276 investigations during the first six months of the rule's implementation on September 1, 2011. During the same time period, 208 of those files were closed as shown in Chart 27 below. The ARDC experience thus far has been similar to what other states with overdraft notification have seen - that most overdraft notices are due to management errors and not intentional misconduct.

The ARDC will not close an investigation until satisfied that the lawyer understands what is required under Rule 1.15 and that the lawyer has implemented the recordkeeping requirements of Rule 1.15. The ARDC directs lawyers to review the ARDC publication, *Client Trust Account Handbook*, as well as a recorded one-hour webcast on the requirements of Rule 1.15. Lawyers are also referred to sample recordkeeping forms on the ARDC website.

When the ARDC receives an overdraft notification an investigation is opened and the lawyer is asked to provide copies of the lawyer's trust account records and journals required by Rule 1.15(a)(1)-(7). If the lawyer believes the overdraft was caused by bank error, the lawyer is asked to provide a letter from the bank explaining the circumstances of the error.

Chart 27: Overdraft Notification Investigations – 9/1/2011 – 2/28/2012

Overdraft Notification Investigations 9/1/2011 to 2/28/2012	
Investigations Opened	276
Closed	208
Pending	68

The following top ten causes for an overdraft in the client trust account are:

1. Trust account check issued against uncollected funds (post-dated check syndrome);
2. Deposited item is returned;
3. Failure to timely make deposits;
4. Failure to account for bank fees (e.g., dormant account and check printing charges);
5. On-line computer banking errors (Lawyer mistypes information);
6. Telephone banking errors (e.g., teller/backroom personnel credit items into a different account);
7. Using the trust account for personal, not client trust, purposes;
8. Lawyer math errors;
9. Using the wrong check book; and
10. The bank got it wrong.

3. *New Commission Policy on Recusal by Administrator's Counsel* (Adopted by the ARDC Commission on September 16, 2011 and published on December 16, 2011, following review by the Supreme Court.)

The policy would be triggered when it comes to the attention of the Administrator or Deputy Administrator that a staff counsel has a familial or close personal or professional relationship with a respondent or complainant. In determining whether a relationship is of sufficient closeness to implicate this policy, staff lawyers must, of course, comply with applicable conflict provisions of the Illinois Rules of Professional Conduct (e.g., Rule 1.7(a)(2) and Rule 1.11(d)), and should also be guided by the judicial disqualification factors listed in Supreme Court Rule 63(C)(1)(c through e), to the extent that the judicial rule is more stringent and/or detailed than the conflict provisions of the Illinois Rules of Professional Conduct. The ARDC determined to adopt this recusal policy to dispel the unfounded perception that certain investigations may not be handled evenhandedly in light of relationships between staff counsel and others involved in investigations. The recusal policy does not create any rights in a respondent or complainant to seek disqualification of the Administrator or the Administrator's counsel or to communicate with the Commission Chair about the investigation or this policy. The Commission Recusal Policy can be found on the ARDC website at <https://www.iardc.org/policiesandorders.html>.

IV. Client Protection Program Report

The Supreme Court of Illinois created the Client Protection Program in 1994 to reimburse clients who lost money as the result of the dishonest conduct of an Illinois lawyer who has been disciplined or is deceased. The Program does not cover losses resulting from professional negligence or malpractice and does not consider claims involving fee or contract disputes. Commission Rules 501 through 512 govern the administration of the Program.

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 was originally part of the Disciplinary Fund budget, but, since 2007, the Program has been funded by an annual assessment paid by each lawyer and remitted to the Client Protection Program Trust Fund. Rule 756 sets the assessment amount at \$25 per lawyer. The per-award limit is \$75,000 and the per-lawyer limit is \$750,000.

In 2011 the Client Protection Program Trust Fund collected \$1,679,463 (\$1,641,275 from assessments, \$8,145 from reimbursement, and \$30,042 from interest). The Program approved 89 claims against 38 lawyers and paid \$1,006,013 to claimants as shown in Chart 27A. Six approvals were for the \$75,000 maximum, and 33 were for \$2,500 or less. The six \$75,000 approvals were made on claims involving six different lawyers, and those six lawyers accounted for \$708,389 of the total payments approved in 2011. The “Claims Denied” figure for 2011 includes 53 claims that were closed as ineligible under the Rules (involved lawyer neither disciplined nor deceased) or were withdrawn, and 2 claims that were closed after the involved lawyer reimbursed the claimant’s loss. The Client Protection Program Trust Fund reimbursed the Disciplinary Fund in the amount of \$265,986 for the administrative costs of the Program, including salaries, office overhead, and investigative expenses necessary to the adjudication of Client Protection Program claims. The claims concluded in a given year, as shown in the chart below, may include claims filed in prior years and carried over. Although the \$1,006,013 in payments approved in 2011 represents a 30% increase from the \$705,168 paid in 2010 on the same number of claims, the Program has paid more than \$1 million twice before, in 2008 and 2009.

Chart 27A: Client Protection Program Claims: 2002-2011

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

Chart 27B below provides a summary of the claims approved in 2011, by type of misconduct and area of law. For the type of misconduct involved in the 89 approved claims, conversion claims were 52% of approvals and 88% of payouts, and unearned fee claims were 48% of approvals and 12% of payouts.

Chart 27B: Classification of Approved Client Protection Claims in 2011

Type of Misconduct:	
Conversion	46
Failure to refund unearned fees	43
Area of Law	
Real Estate	19
Tort	14
Domestic Relations	12
Criminal/Quasi-Criminal	9
Labor/Workers' Comp	8
Probate/Trusts	7
Immigration	5
Contract	5
Bankruptcy/Debt Negotiation	4
Debt Collection	4
Corporate	1
Investment	1

V. Commission Appointments

A. ARDC Commissioners

1. *Appointment of Karen Hasara as Commissioner*

Karen Hasara was appointed to serve as a non-lawyer member Commissioner, effective January 1, 2012. Ms. Hasara has a long history of public service in this state. She is a former Clerk of the Circuit Court of the Seventh Judicial Circuit, Sangamon County, served in Illinois House of Representatives and later in the Illinois Senate for the 50th Legislative District and was elected Mayor of Springfield, the first woman ever to hold that office. She currently serves as President of the Illinois Equal Justice Foundation, is a Trustee of the Springfield Mass Transit District and is a member of the Board of Trustees for the University of Illinois. Before entering public service, Ms. Hasara worked as a teacher at a local elementary school. She received her undergraduate degree in psychology and elementary education from Sangamon State University (now the University of Illinois at Springfield) and a Master of Arts degree in legal studies. Ms. Hasara succeeds Brian McFadden. Her term expires December 31, 2014.

2. *Appointment of Bernard M. Judge as Commissioner*

Bernard M. Judge was appointed to serve as a non-lawyer Commissioner, effective April 12, 2012. Mr. Judge is a nationally respected newspaper executive who has served in management positions at the *Chicago Tribune*, the *Chicago Sun-Times* and the *Chicago Daily Law Bulletin*. He was editor and vice president of *Chicago Daily Law Bulletin*, and became the *Law Bulletin's* publisher in 2001. He also served as the editor and publisher of the *Chicago Lawyer* magazine. Mr. Judge retired in July 2007 and, since that time, has been a non-lawyer Hearing Board officer for the ARDC, serving as a trial judge in lawyer disciplinary cases. He also has been inducted into the Chicago Journalism Hall of Fame, received a lifetime achievement award from the Headline Club,

garnered the Excellence in Journalism award from the City Club of Chicago, and received the James C. Craven Freedom of the Press Award from the Illinois Press Association. Mr. Judge succeeds John Carroll. His term expires December 31, 2014.

3. *Brian McFadden Concludes Term as Commissioner*

Brian McFadden concluded his term of service as a non-lawyer Commissioner to which he had been appointed by the Court in 2000. Mr. McFadden was formerly the chief of staff for the mayor of Springfield. He received his undergraduate degree from Southern Illinois University at Carbondale and is also a graduate of the Legislative Studies Program at the University of Illinois at Springfield. He currently is the County Administrator for Sangamon County.

4. *John R. Carroll Concludes Term as Commissioner*

John R. Carroll of LaGrange concluded his term of service as a non-lawyer member Commissioner. Appointed in 2002, Mr. Carroll distinguished himself in the business world as the President and Owner of Carroll Scientific, Inc., a manufacturing firm. A graduate of DePaul University, Mr. Carroll has a history of performing good and charitable works for the service of others in his community.

B. Review Board

1. *Appointment of Anna Marie Loftus*

Anna Marie Loftus is an associate in the Chicago firm of *Hall Prangle and Schoonveld, LLC*, focusing her practice on the defense of physicians, hospitals and other care providers against medical negligence claims. She received her J.D. from Loyola University of Chicago and was admitted to practice in Illinois in 1998. Her term on the Review Board expires December 31, 2014.

2. *Thomas A. Zimmerman, Jr. Concludes Term on Review Board*

Thomas A. Zimmerman, Jr. concluded his service on the Review Board to which he had been appointed in 2003. Mr. Zimmerman heads the Chicago law firm of *Zimmerman Law Offices*, which concentrates in civil litigation, including class actions and medical malpractice. He received his J.D. from the Chicago-Kent College of Law, and was admitted to practice law in Illinois in 1996.

C. Hearing Board

1. *Appointment of Champ W. Davis, Jr., as Chair of the Hearing Board*

Champ Davis was appointed as Chair of the Hearing Board in October 2011, upon the resignation of Arthur B. Smith, Jr. Mr. Davis had been serving as Vice-Chair of the Hearing Board since February 2007. Mr. Davis was first appointed to the Inquiry Board in 1984 and has been a member of the Hearing Board since 1986. He is a 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 Chicago in 1966.

2. *Appointment of Brigid A. Duffield as Hearing Board Vice-Chair*

Brigid A. Duffield was appointed as Vice-Chair of the Hearing Board in October 2011, to fill the vacancy left by the appointment of Champ w. Davis, Jr. as Chair of the full Hearing Board. Ms. Duffield, a Hearing Board member since 2001, is a sole practitioner in the Wheaton law firm of *Brigid A. Duffield, PC*, a private law practice concentrating in family law, domestic relations, conflict resolution, custody disputes, child representative and guardianship appointments. Ms. Duffield received her JD from the John Marshall Law School in 1984.

3. *Arthur B. Smith, Jr., Concludes Term as Chair of the Hearing Board*

Arthur B. Smith, Jr. retired from his position as Chair of the Hearing Board, which he had held since his appointment in 2007. Mr. Smith was a member of the Hearing Board since 1986 and previously served on the Inquiry Board beginning in 1980. He is a partner in the labor and employment law firm of *Ogletree Deakins* in Chicago. He received his J.D. from the University of Chicago in 1969.

VI. Financial Report

The Commission engaged the services of Legacy Professionals LLP to conduct an independent audit as required by Supreme Court Rule 751(e)(6). The audited financial statements for the year ended December 31, 2011, including comparative data from the 2010 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 Commission continues to recognize its responsibility to prudently administer the Disciplinary Fund. At the time that the Commission sought the present registration fee structure, which became effective for the 2007 registration year, it was projected that the requested fee structure would support Commission operations through at least 2010. Current projections suggest that the present fee structure may support Commission operations through 2016. The change from 2010 to 2016 is due to reduced cost trends and other factors. This favorable change has occurred in spite of the reduction in the Commission's share of the \$289 registration fee from \$205 to \$200 effective with the 2012 registration year.

While recent economic conditions have been very challenging, 2011 registration receipts increased by approximately 1% over 2010, roughly in line with the increase in the underlying fee paying population. In addition, year to date registration compliance for the year

2012 compares favorably to the 2011 experience. 2,713 fee-paying attorneys were recently removed from the Master Roll for failure to register for the year 2012, compared to 2,802 removals a year ago. See Chart 7 on Page 15 for more details.

Since the adoption of the current fee structure effective in 2007, funding for the Client Protection Program (CPP) comes from the dedicated \$25 portion of the \$289 annual registration fee paid by active status attorneys who have been registered for 3 years or more. During 2009, the Commission determined that CPP expenses should be paid from that separate Client Protection Fund instead of the ARDC Disciplinary Fund. (See Page 38.) For 2011 and 2010, the Client Protection Fund reimbursed the Disciplinary Fund \$265,968 and \$263,364 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>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
REVENUE					
Investment income					
Interest	\$ 237,324	\$ 317,367	\$ 404,491	\$ 802,501	\$ 817,805
Net appreciation (depreciation) in fair value of investments	8,090	(24,373)	(88,650)	(23,251)	197,389
Registration and program fees and delinquent charges	17,121,917	16,937,490	16,595,386	16,290,057	15,926,372
Costs reimbursements collected	95,436	97,548	81,735	103,721	94,244
Administrative expense reimbursement from Client Protection Program	265,968	263,364	249,996	238,970	-
Client Protection Program reimbursements	8,145	56,623	142,350	51,706	25,058
Total revenue	<u>17,736,880</u>	<u>17,648,019</u>	<u>17,385,308</u>	<u>17,463,704</u>	<u>17,060,868</u>
EXPENSES					
Salaries and related expenses	10,819,099	10,693,313	10,092,645	9,583,868	8,877,241
Travel expenses	125,743	135,371	112,305	119,617	128,499
Library and continuing education	242,598	256,472	238,515	258,008	230,042
General expenses and office support	2,359,722	1,975,721	1,741,152	1,988,682	1,840,648
Computer expenses	226,560	326,091	237,875	225,154	304,775
Other professional and case-related expenses	807,222	735,188	789,303	899,202	939,268
Client Protection Program direct expenses	1,010,605	710,496	1,106,343	1,033,592	698,829
Administrative expense reimbursement to Registration and Discipline	265,968	263,364	249,996	238,970	-
Depreciation and amortization expense	466,075	405,025	186,105	170,149	157,942
Total expenses	<u>16,323,592</u>	<u>15,501,041</u>	<u>14,754,239</u>	<u>14,517,242</u>	<u>13,177,244</u>
CHANGE IN NET ASSETS BEFORE EFFECT OF					
ADOPTION OF FASB STATEMENT No. 158 AND PRIOR PERIOD ADJUSTMENT	1,413,288	2,146,978	2,631,069	2,946,462	3,883,624
EFFECT OF ADOPTION OF RECOGNITION PROVISIONS OF FASB STATEMENT No. 158	-	-	-	-	(394,306)
EFFECT OF PRIOR PERIOD ADJUSTMENT	-	-	1,718,100	-	-
CHANGE IN NET ASSETS	<u>1,413,288</u>	<u>2,146,978</u>	<u>4,349,169</u>	<u>2,946,462</u>	<u>3,489,318</u>
UNRESTRICTED NET ASSETS					
Beginning of year	<u>18,083,752</u>	<u>15,936,774</u>	<u>11,587,605</u>	<u>8,641,143</u>	<u>5,151,825</u>
End of year	<u>\$ 19,497,040</u>	<u>\$ 18,083,752</u>	<u>\$ 15,936,774</u>	<u>\$ 11,587,605</u>	<u>\$ 8,641,143</u>
OTHER INFORMATION AT YEAR END					
Number of active and registered attorneys	88,517	87,216	84,771	83,881	82,830
Registration fees					
More than one year and less than three years	\$ 105	\$ 105	\$ 105	\$ 105	\$ 90
More than three years	\$ 205	\$ 205	\$ 205	\$ 205	\$ 180
Inactive/out of state	\$ 105	\$ 105	\$ 105	\$ 105	\$ 90

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

FINANCIAL STATEMENTS

DECEMBER 31, 2011

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying statements of financial position of Attorney Registration and Disciplinary Commission of the Supreme Court of Illinois (the Commission) as of December 31, 2011 and 2010 and the related statements of activities and of cash flows for the years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Attorney Registration and Disciplinary Commission of the Supreme Court of Illinois as of December 31, 2011 and 2010 and the changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Legacy Professionals LLP

April 20, 2012

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

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2011 AND 2010

ASSETS	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,140,374	\$ 961,812
Short-term investments	21,967,779	20,239,426
Accrued interest receivable	39,417	48,210
Accounts receivable	101,599	78,002
Prepaid expenses and deposits	<u>91,861</u>	<u>80,450</u>
Total current assets	23,341,030	21,407,900
PROPERTY AND EQUIPMENT - net	1,341,936	1,506,236
LONG-TERM INVESTMENTS	<u>13,320,104</u>	<u>13,470,416</u>
Total assets	<u>\$ 38,003,070</u>	<u>\$ 36,384,552</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and other accruals	\$ 335,708	\$ 362,629
Amounts held for others	1,745,639	1,624,400
Accrued vacation	380,755	379,606
Deferred registration and program fees	13,315,746	13,461,138
Postretirement benefit obligation	8,344	13,662
Deposits	<u>6,328</u>	<u>5,484</u>
Total current liabilities	<u>15,792,520</u>	<u>15,846,919</u>
LONG-TERM LIABILITIES		
Postretirement benefit obligation	964,431	886,688
Deferred rent expense	<u>1,749,079</u>	<u>1,567,193</u>
Total long-term liabilities	<u>2,713,510</u>	<u>2,453,881</u>
Total liabilities	18,506,030	18,300,800
UNRESTRICTED NET ASSETS	<u>19,497,040</u>	<u>18,083,752</u>
Total liabilities and net assets	<u>\$ 38,003,070</u>	<u>\$ 36,384,552</u>

See accompanying notes to financial statements.

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

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011			2010
	Registration and Discipline	Client Protection Program	Total	Total
REVENUE				
Investment income				
Interest	\$ 205,196	\$ 32,128	\$ 237,324	\$ 317,367
Net appreciation (depreciation) in fair value of investments	<u>10,176</u>	<u>(2,086)</u>	<u>8,090</u>	<u>(24,373)</u>
Total investment income	215,372	30,042	245,414	292,994
Registration and program fees and delinquent charges	15,480,642	1,641,275	17,121,917	16,937,490
Cost reimbursements collected	95,436	-	95,436	97,548
Administrative expense reimbursement from Client Protection Program	265,968	-	265,968	263,364
Client Protection Program reimbursements	-	<u>8,145</u>	<u>8,145</u>	<u>56,623</u>
Total revenue	<u>16,057,418</u>	<u>1,679,462</u>	<u>17,736,880</u>	<u>17,648,019</u>
EXPENSES				
Salaries and related expenses	10,819,099	-	10,819,099	10,693,313
Travel expenses	125,743	-	125,743	135,371
Library and continuing education	242,598	-	242,598	256,472
General expenses and office support	2,359,722	-	2,359,722	1,975,721
Computer expenses	226,560	-	226,560	326,091
Other professional and case-related expenses	807,222	-	807,222	735,188
Client Protection Program direct expenses				
Awards	-	1,004,186	1,004,186	705,168
Administrative	-	6,419	6,419	5,328
Administrative expense reimbursement to Registration and Discipline	-	265,968	265,968	263,364
Depreciation and amortization expense	<u>466,075</u>	<u>-</u>	<u>466,075</u>	<u>405,025</u>
Total expenses	<u>15,047,019</u>	<u>1,276,573</u>	<u>16,323,592</u>	<u>15,501,041</u>
CHANGE IN NET ASSETS	1,010,399	402,889	1,413,288	2,146,978
UNRESTRICTED NET ASSETS				
Beginning of year - as restated	<u>15,612,808</u>	<u>2,470,944</u>	<u>18,083,752</u>	<u>15,936,774</u>
End of year	<u>\$16,623,207</u>	<u>\$ 2,873,833</u>	<u>\$19,497,040</u>	<u>\$18,083,752</u>

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,413,288	\$ 2,146,978
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net (appreciation) depreciation in fair value of investments	(8,090)	24,373
Loss on sale of property and equipment	141	20,075
Depreciation and amortization expense	466,075	405,025
(Increase) in assets		
Accounts receivable and accrued interest receivable	(14,804)	220
Prepaid expenses	(11,411)	(4,284)
Increase (decrease) in liabilities		
Accounts payable and other accruals	(26,921)	22,315
Amounts held for others	121,239	(354,122)
Accrued vacation	1,149	12,995
Deferred registration and program fees	(145,392)	(76,381)
Deposits	844	(1,997)
Net postretirement benefit obligation	72,425	117,350
Deferred rent expense	181,886	(264,298)
Net cash provided by operating activities	<u>2,050,429</u>	<u>2,048,249</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(53,900,267)	(66,104,712)
Maturities of investment securities	52,330,316	64,222,942
Purchases of property and equipment	(301,916)	(282,052)
Net cash (used in) investing activities	<u>(1,871,867)</u>	<u>(2,163,822)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	178,562	(115,573)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>961,812</u>	<u>1,077,385</u>
End of year	<u>\$ 1,140,374</u>	<u>\$ 961,812</u>

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE 1. GENERAL PURPOSE DESCRIPTION

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

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, sets the annual registration and program fees for active lawyers licensed to practice law for three years or more at \$289, and the annual registration fees for active lawyers licensed to practice between one and three years and inactive lawyers at \$105. 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 \$289 fee, collect and remit the following amounts to the following other Supreme Court entities that are not administered by the Commission: \$42 to the Lawyers Trust Fund, \$15 to the Supreme Court Commission on Professionalism, and \$7 to the Lawyers Assistance Program Fund.
- Rule 780(b) provides for the establishment of the Client Protection Program (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 \$289 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.

NOTE 1. GENERAL PURPOSE DESCRIPTION (CONTINUED)

- Rule 756(f) provides that, as part of the annual registration process, lawyers must provide information about voluntary hours and money contributed to *pro bono* legal services. Lawyers who do not provide the information will be deemed not to be registered until they do. Pursuant to an amendment to Supreme Court Rule 766, the information about voluntary *pro bono* contributions is deemed confidential and is to be reported publicly only in the aggregate.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation - In compliance with provisions of generally accepted accounting principles, the Commission is required to report information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Commission does not have any temporarily restricted or permanently restricted net assets.

A breakdown by program in the statement of activities is provided for 2011 only and is for additional analytical purposes only. The net assets of the Commission's programs, both individually and in total, are considered to be unrestricted.

Cash and Cash Equivalents - For purposes of the statement 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 Client Protection Program. Whether the Commission can fully collect all reimbursements is dependent upon each identified attorney's ability to pay and the current economic environment. Therefore, the Commission records these reimbursements as revenue under the cost recovery method when the reimbursements are received.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	<u>Years</u>
Computer and related equipment	3 - 5
Office furniture and equipment	3 - 10
Library	7
Leasehold improvements	5 - 15

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.

Amounts Held for Others - Amounts held for others at December 31, 2011 and 2010 consist of funds collected for the Lawyers Assistance Program Fund in the amount of \$190,963 and \$192,727, the Lawyers Trust Fund in the amount of \$1,145,896 and \$1,156,353, and the Supreme Court Commission on Professionalism in the amount of \$408,780 and \$275,320 respectively, which were remitted subsequent to year end.

Deferred Registration and Program Fees - The Commission is funded by an annual registration fee assessed on Illinois attorneys which includes a \$25 fee for the Client Protection Program. The annual fee for the subsequent year is billed before November 1 and is 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, 2011 and 2010 were \$4,500 and \$3,658 respectively. The remaining deposits consist of funds owed by any attorney who has been the subject of a disciplinary proceeding or who is in receivership to the attorney's former clients who have not been located. At December 31, 2011 and 2010, the amounts held were \$1,828 and \$1,826 respectively.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Subsequent Events - Subsequent events have been evaluated through April 20, 2012, which is the date the financial statements were available to be issued.

NOTE 3. 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, 2011 and 2010, 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 4. FUNCTIONAL EXPENSES BY NATURAL CLASSIFICATION

An analysis of the Commission's functional expenses, by natural classification, is as follows for the years ended December 31, 2011 and 2010:

	2011			
	Program			Total
	Registration and <u>Discipline</u>	Client Protection	Administration and <u>Support</u>	
Salaries and related expenses	\$ 8,566,997	\$ 211,628	\$ 2,040,474	\$ 10,819,099
Travel expenses	93,358	357	32,028	125,743
Library and continuing education	194,676	3,855	44,067	242,598
General expenses and office support	1,912,132	34,387	413,203	2,359,722
Computer expenses	181,805	3,600	41,155	226,560
Other professional and case-related expenses	755,073	4,735	47,414	807,222
Client Protection Program direct expenses:				
Awards	-	1,004,186	-	1,004,186
Administrative	-	6,419	-	6,419
Administrative expense reimbursement to Registration and Discipline	-	-	265,968	265,968
Depreciation and amortization expense	374,007	7,406	84,662	466,075
Total expenses	<u>\$ 12,078,048</u>	<u>\$ 1,276,573</u>	<u>\$ 2,968,971</u>	<u>\$ 16,323,592</u>

NOTE 4. FUNCTIONAL EXPENSES BY NATURAL CLASSIFICATION (CONTINUED)

	2010			
	<u>Program</u>			
	<u>Registration and Discipline</u>	<u>Client Protection</u>	<u>Administration and Support</u>	<u>Total</u>
Salaries and related expenses	\$ 8,520,874	\$ 213,023	\$ 1,959,416	\$ 10,693,313
Travel expenses	91,482	424	43,465	135,371
Library and continuing education	203,398	4,270	48,804	256,472
General expenses and office support	1,586,138	29,799	359,784	1,975,721
Computer expenses	258,610	5,429	62,052	326,091
Other professional and case-related expenses	696,306	3,675	35,207	735,188
Client Protection Program direct expenses:				
Awards	-	705,168	-	705,168
Administrative	-	5,328	-	5,328
Administrative expense reimbursement to Registration and Discipline	-	-	263,364	263,364
Depreciation and amortization expense	321,208	6,744	77,073	405,025
Total expenses	<u>\$ 11,678,016</u>	<u>\$ 973,860</u>	<u>\$ 2,849,165</u>	<u>\$ 15,501,041</u>

NOTE 5. INVESTMENTS

The following summary presents fair value for each of the investment categories.

	<u>2011</u>	<u>2010</u>
U.S. Treasury notes and bills	\$ 15,040,577	\$ 14,111,853
U.S. bank certificates	13,294,000	14,853,000
Money market funds	6,720,321	4,744,989
Mutual funds	232,985	-
Total	<u>\$ 35,287,883</u>	<u>\$ 33,709,842</u>

NOTE 6. 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 |

NOTE 6. FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables set forth, by level within the fair value hierarchy, the Commission's investment assets at fair value as of December 31, 2011 and 2010. 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. The Commission did not own any assets that required measurement using Level 3 inputs as of December 31, 2011 and 2010.

<u>Fair Value Measurements at 12/31/11 Using</u>				
	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
U.S. Treasury notes and bills	\$ 15,040,577	\$ 15,040,577	\$ -	\$ -
U.S. bank certificates	13,294,000	-	13,294,000	-
Money market funds	6,720,321	-	6,720,321	-
Mutual funds				
Equity - domestic	131,424	131,424	-	-
Fixed income	82,601	82,601	-	-
International equity	18,960	18,960	-	-
Total	<u>\$ 35,287,883</u>	<u>\$ 15,273,562</u>	<u>\$ 20,014,321</u>	<u>\$ -</u>

<u>Fair Value Measurements at 12/31/10 Using</u>				
	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
U.S. Treasury notes and bills	\$ 14,111,853	\$ 14,111,853	\$ -	\$ -
U.S. bank certificates	14,853,000	-	14,853,000	-
Money market funds	4,744,989	-	4,744,989	-
Total	<u>\$ 33,709,842</u>	<u>\$ 14,111,853</u>	<u>\$ 19,597,989</u>	<u>\$ -</u>

NOTE 6. FAIR VALUE MEASUREMENTS (CONTINUED)

Level 1 Measurements

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

The fair values of the mutual funds are determined by reference to the funds' underlying assets, which are principally marketable equity and fixed income securities. Shares held in the mutual 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 and money market funds are valued at cost which approximates fair value due to their liquid or short-term nature. As of December 31, 2011, the Commission's Level 2 investments consisted of U.S. bank certificates and money market funds of \$13,294,000 and \$6,720,321, respectively. The U.S. bank certificates have interest rates ranging from 0.30% and 1.91% and are set to mature at various dates between February 2012 and June 2014.

NOTE 7. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Office furniture and equipment	\$ 1,376,156	\$ 1,320,952
Computer and related equipment	2,330,111	2,106,421
Library	97,117	94,777
Leasehold improvements	431,498	431,498
	<u>4,234,882</u>	<u>3,953,648</u>
Less accumulated depreciation and amortization	<u>(2,892,946)</u>	<u>(2,447,412)</u>
Property and equipment - net	<u>\$ 1,341,936</u>	<u>\$ 1,506,236</u>

NOTE 8. LEASE COMMITMENTS

The Commission leases its Chicago and Springfield offices under operating lease agreements. The Chicago office lease was to expire in May 2015. However, in February 2011 the Chicago office lease was extended through May 2027. This lease provides for a minimum annual base rent plus related taxes and operating expenses. In addition, the original lease provided 32 months "free rent" with the first rent payment made on January 1, 1996. Under the terms of an amendment, base rent was reduced from December 2003 through May 2008, and the landlord provided certain rent concessions, a portion of which was applied in early 2009, with the remaining portion available for use in 2012. The lease extension provided for rent and operating expense abatements from March 2011 to September 2011 in consideration of payment of broker commissions of approximately \$700,000 during the same period. The Commission will also receive an allowance for leasehold improvements and other rent concessions between January 2012 and December 2017.

The Springfield office lease, which began in November 2002, has a term of 10 years and provides for a minimum annual rent. The Commission has the option to renew the lease for another five-year period. Under the terms of an amendment effective November 2007, additional storage space was leased, with increased payments for the remaining life of the original lease.

Rent expense under all lease agreements was \$1,526,202 in 2011 and \$1,076,386 in 2010.

The following table sets forth the Commission's estimate for its minimum obligation for future lease payments, resulting from the terms of its recent lease extension, net of scheduled rent abatements negotiated. Taxes and operating expenses owed under the leases are included in this estimate.

	<u>Springfield</u>	<u>Chicago</u>	<u>Total</u>
Year ending December 31,			
2012	\$ 78,748	\$ 628,850	\$ 707,598
2013	-	1,708,101	1,708,101
2014	-	1,500,959	1,500,959
2015	-	1,018,665	1,018,665
2016	-	1,400,458	1,400,458
Thereafter	-	16,741,066	16,741,066
	<u>\$ 78,748</u>	<u>\$ 22,998,099</u>	<u>\$ 23,076,847</u>

NOTE 9. 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 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, 2011 and 2010. The benefit obligations for both years were actuarially determined by Towers Watson.

	<u>2011</u>	<u>2010</u>
Change in accumulated benefit obligation		
Benefit obligation at beginning of year	\$ 900,350	\$ 783,000
Service cost	40,633	35,235
Interest cost	44,664	46,980
Benefits paid	(7,057)	(9,920)
Actuarial (gain) / loss	<u>(5,815)</u>	<u>45,055</u>
Benefit obligation at end year	<u>972,775</u>	<u>900,350</u>

Net periodic benefit costs for 2011 and 2010 are comprised of the following:

	<u>2011</u>	<u>2010</u>
Service cost	\$ 40,633	\$ 35,235
Interest cost	44,664	46,980
Amortization	<u>(109,030)</u>	<u>150,096</u>
Net periodic benefit cost	<u>\$ (23,733)</u>	<u>\$ 232,311</u>

The key assumptions are as follows:

	<u>2011</u>	<u>2010</u>
Actuarial cost method	Projected unit credit method	Projected unit credit method
Mortality table	2011 PPA Static Mortality	RP 2000 projected to 2009
Discount rate	5%	6%
Retirement age	Between ages 55 and 65	Between ages 55 and 65
Medical trend rate ultimate	5%	4.50%

NOTE 9. POSTRETIREMENT BENEFIT OBLIGATION (CONTINUED)

Assumed health care cost trend rates can have a significant effect on the amounts reported for health care benefits. At December 31, 2011, the actuary noted that the effect of a 1% increase in health care cost trend rates (medical trend ultimate) would be an increase of \$4,695 on total service cost and interest cost components and an increase of \$51,597 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:

2012	\$ 14,460
2013	16,927
2014	20,131
2015	20,892
2016	22,715
2017 - 2021	<u>160,962</u>
	<u>\$ 256,087</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 \$2,004,201 and \$1,989,946 at December 31, 2011 and 2010, respectively.

NOTE 10. 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 the 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 \$1,375,328 in 2011 and \$1,340,854 in 2010. The Commission also pays the plan's administrative expenses, which totaled \$162,936 in 2011 and \$142,753 in 2010.

The Commission also maintains a Section 457 savings plan which is entirely funded by voluntary pre-tax employee contributions. The Commission paid the savings plan's administrative expenses, which totaled \$3,908 in 2011 and \$3,462 in 2010.

NOTE 11. LITIGATION

Various complaints and actions are periodically filed against the Commission. At December 31, 2011, the Commission believes that pending matters do not present any serious prospect for negative financial consequences.

NOTE 12. PRIOR PERIOD ADJUSTMENT

Prior period adjustments were made to correct previously reported amounts. The postretirement benefit obligation as of January 1, 2010 has been restated pursuant to a review of the underlying data, coverage provisions and assumptions used to develop this estimate. The following table presents the changes to the net assets and postretirement benefit obligation:

	Balance at January 1, 2010 <u>as Previously Reported</u>	<u>Adjustment</u>	Balance at January 1, 2010 <u>as Restated</u>
Unrestricted net assets	\$ 14,218,674	\$ 1,718,100	\$ 15,936,774
Postretirement benefit obligation	\$ 2,501,100	\$ (1,718,100)	\$ 783,000

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