

ARDC



ATTORNEY
REGISTRATION
& DISCIPLINARY
COMMISSION

Annual Report of 2016

Attorney Registration & Disciplinary Commission

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ARDC Mission

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

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

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

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

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





ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
of the
SUPREME COURT OF ILLINOIS

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Chicago
April 28, 2017

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 2016 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 2016 and an accounting and audit of the monies received and expended during the twelve-month period that ended December 31, 2016.

Respectfully submitted,

James R. Mendillo, Chairperson
David F. Rolewick, Vice-Chairperson
Derrick K. Baker
Timothy L. Bertschy
Karen Hasara
Bernard M. Judge
John H. Simpson, Commissioners

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

A Report of the Activities of the ARDC in 2016

I. Educational and Outreach Programs

A significant part of the ARDC's mission is the education of Illinois lawyers and the public. Through seminars, publications and outreach on the ethical duties of lawyers, the ARDC strives to help lawyers serve their clients effectively and professionally, avoid potential harm to clients and minimize possible grievances later.

The following are the educational and outreach efforts the ARDC in 2016:

A. Proactive Management Based Regulation (PMBR) Initiative

On January 25, 2017, the Illinois Supreme Court announced adoption of a new initiative called Proactive Management Based Regulation (PMBR). PMBR is a program designed to promote ethical law practice by assisting lawyers with practice management. Under amended Supreme Court Rule 756(e), Illinois attorneys in private practice who do not have malpractice insurance, beginning with the 2018 registration process, must complete a four-hour interactive, online self-assessment regarding the operation of their law firm. This self-assessment will require lawyers to demonstrate that they have reviewed the operations of their firm based upon both lawyer ethics rules and best business practices. The program will be created and administered by the ARDC. The self-assessment will allow the lawyer to earn four hours of MCLE professional responsibility credit and to provide the lawyer with results of the self-assessment for the lawyer to use to address any issues raised by the self-assessment. Following a lawyer's self-assessment, the ARDC will provide the lawyer with a list of resources to improve those practices that are identified during the self-assessment process. All information gathered in a lawyer's online self-assessment is confidential, although the ARDC may report data in the aggregate.

PMBR departs from the traditional regulatory approach, which is chiefly reactive, and in contrast emphasizes proactive initiatives to encourage lawyers to implement the policies, programs and systems necessary to running an ethical law practice. In doing so, Illinois became the first state in the nation to adopt mandatory PMBR. The rule changes were based upon a multi-year study of PMBR initiatives in other countries and in the United States, and after consultation with key Illinois stakeholders, including many bar association and lawyer groups.

Lawyers can take the assessment course at various times and in various increments as long as the four-hour course is completed at the time of 2019 registration. Lawyers who do not maintain malpractice insurance are required to complete a self-assessment every two years. Other lawyers are able to and are encouraged to self-assess as well.

The PMBR amendments benefited from the contributions of various organizations that are governed by the Supreme Court including the Commission on Professionalism, the Lawyers Trust Fund of Illinois, the Lawyers Assistance Program, and the Minimum Continuing Legal Education Board as well as the Illinois State Bar Association (ISBA) and Chicago Bar Association (CBA). The ARDC will continue to partner with these organizations in crafting the on-line self-assessment course.

The language of amended Rule 756(e) and all of the Supreme Court rules can be found on the Court's website at <http://www.illinoiscourts.gov/SupremeCourt/Rules>.

* ARDC Annual Report of 2016 written and compiled by Mary F. Andreoni, Education Counsel, ARDC.

B. MCLE Accredited Seminars Sponsored by the Commission

The Commission saw a significant increase in the number of lawyers viewing ARDC CLE webcasts in 2016. Lawyers earned over 24,000 hours of Illinois-accredited CLE credit from ten webcasts at no cost, more than twice the number of hours earned in 2015. Since April 2011, there were over 105,000 registration orders placed for 22 ARDC CLE recorded webcasts. More detailed registration practice demographics better enables the ARDC to target its CLE webcasts towards the needs of the profession and the allocation of resources. For example, the ARDC produced a webcast and short video on the topic of succession planning in 2016 in response to registration data showing that only 16% of sole practitioners in private practice reported having a succession plan. *See Chart 7G on Page 17.*

As an accredited MCLE provider in Illinois, the ARDC produces recorded MCLE accredited webcasts, free of charge and available on the ARDC website, to provide professional responsibility training and ethics education to the profession. ARDC webcasts can be accessed on the ARDC website at <https://www.iardc.org/CLEseminars.html>.

C. Speaking Engagements

An important part of the ARDC's outreach efforts and as a service to the Illinois bar, the ARDC has offered experienced presenters to speak to lawyer and citizen groups. In 2016, ARDC Commissioners and staff members made 294 presentations, at no charge, to bar associations, government agencies, law firms, and other organizations throughout the state and country on a variety of subjects related to lawyer regulation. These presentations give many lawyers the opportunity to meet with ARDC staff to pose questions about their professional duties. In addition, several ARDC staff lawyers are instructors at National Institute for Trial Advocacy Training (NITA) teaching legal advocacy skills as well as course instructors of professional responsibility and legal ethics at Illinois law schools.

D. Ethics Inquiry Program

The Commission's Ethics Inquiry Program, a telephone inquiry resource, assists 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 practices.

Staff lawyers responded to 4,149 inquiries in 2016. Questions about a lawyer's mandatory duty to report lawyer or judicial misconduct under Rule 8.3 of the Illinois Rules of Professional Conduct and the handling of client trust funds continue to be the greatest areas of inquiry posed to the Commission's Ethics Inquiry Program.

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 (217-546-3523). Additional information about the Program can be obtained at: www.iardc.org/ethics.html.

E. Publications

The Commission provides on its website for lawyers and the public links to the rules governing Illinois lawyers as well as other publications on the ethical duties of Illinois lawyers, including ARDC *The Client Trust Account Handbook*, which details a lawyer's duties under Rule 1.15, as well as *The*

Basic Steps to Ethically Closing a Law Practice (October, 2012) and *Leaving a Law Firm: A Guide to the Ethical Obligations in Law Firm Departure* (October, 2012). These publications are available on the ARDC website at <https://www.iardc.org/pubs.html>. The ARDC also sends e-mail blasts alerting Illinois lawyers to important ethics and professionalism news and topics that impact a lawyer's ethical duties. All ARDC E-News Alerts can be found on the ARDC website at: <https://www.iardc.org/E-NewsAlerts.html>.

F. Diversity and Inclusion Initiative

Established by the ARDC in July 2015, the ARDC Diversity and Inclusion (D&I) initiative provides leadership and direction for diversity and inclusion at the ARDC, enhances the diversity and cultural competence in all levels of the Commission, and contributes to efforts to increase diversity and inclusion in the legal profession and in the community in general. During 2016, some of the activities in furtherance of the D&I initiative were:

- Formation of a D&I Committee composed of a cross section of lawyer and non-lawyer staff charged with enhancing the ARDC's culture of inclusion;
- Adoption of a Mission Statement and Vision Directives;
- Meeting with leaders of the local diverse bar associations to explore methods of promoting confidence in the disciplinary system and ways of developing meaningful and sustainable relationships between the ARDC and the bar;
- Appointment of ARDC counsel to serve as liaisons to affinity bar associations with the intent of fostering a relationship with affinity bar associations and enable more dialogue; and
- Engaging a consultant to conduct training sessions for all staff with the intent of enhancing organizational effectiveness both within and outside the ARDC.

G. Commission Website

The ARDC website (www.iardc.org) is a vital element of the ARDC's education and outreach efforts. The ARDC website is an important source of information regarding all aspects of the regulation of the legal profession in Illinois and recent developments affecting Illinois lawyers. In addition, all lawyers are required to register on-line, beginning with the 2016 registration year, pursuant to an amendment in Supreme Court Rule 756. Illinois became one of at least seven states that requires lawyers to register online. The Illinois Supreme Court began allowing voluntary online registration nearly a decade ago. Under the current registration system, lawyers must provide an address and telephone number to be included in the master roll of attorneys.

The site attracts an average of 123,660 visits each month, and in 2016 the number of visits totaled more than 1.4 million. The most visited feature is the Lawyer Search function. With over 2 million page views 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 2016 Master Roll of Attorneys for the state of Illinois increased by 0.5% to 94,610 attorneys as of October 31, 2016, comprised mostly of Active and Inactive status lawyers. *See* Chart 2 below. After that date, the Commission began the 2017 registration process, so that the total reported as of October 31, 2016 does not include the 1,648 attorneys who first took their oath of office in November or December 2016. *See* Chart 25A, at Page 39.

Beginning with the 2016 registration year, lawyers are required to register on-line and provide certain practice-related information. The information provides valuable insight into the practice of law in Illinois. Charts 1 through 5 provide general demographic information for the lawyer population and Charts 6 through 7 provide more detailed practice-related information.

Chart 1 shows the demographics for the lawyer population in 2016. There were no significant changes in the age, gender and years in practice demographics over the prior year.

Chart 1: Age, Gender and Years in Practice for Attorneys Registered in 2016*

**numbers based on the 2016 registration year which ended on 10/31/16*

Gender	
Female	38%
Male	62%
Years in Practice	
Fewer than 5 years	10%
Between 5 and 10 years	15%
Between 10 and 20 years	26%
Between 20 and 30 years	22%
30 years or more.....	27%
Age	
21-29 years old	3%
30-49 years old	49%
50-74 years old	45%
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 2016*

*numbers based on the 2016 registration year which ended on 10/31/16

Category	Number of Attorneys
Admitted between January 1, 2015, and October 31, 2016	2,338
Admitted between January 1, 2013, and December 31, 2014.....	4,818
Admitted before January 1, 2013.....	71,615
Serving active military duty.....	364
Spouse of active military attorney under Rule 719	3
Serving as judge or judicial clerk	1,813
In-House Counsel under Rule 716.....	544
Foreign Legal Consultant under Rule 713	13
Legal Service Program Counsel under Rule 717	20
Pro Bono Authorization under Rule 756(k).....	63
Pro Hac Vice under Rule 707	1,260
Inactive status	11,759
Total Active and Inactive Attorneys Currently Registered	94,610

64,295 or 68% of registered active and inactive attorneys reported a principal address in Illinois. Last year, the corresponding number was 64,749 or 68.8%. Charts 3 and 4 show the distribution by Judicial District, Circuit and County. There was no material change in the lawyer population by Judicial District. The 102 counties experienced very little change over last year; however, 52 counties experienced a slight decrease in the number of lawyers from 2015, 23 remained the same, and 27 experienced a slight increase. In the 13 largest counties with a lawyer population of 500 or more, only three counties (Madison, McHenry and McLean) saw any increase and the remaining ten all experienced a slight decrease.

Chart 3: Registered Active and Inactive Attorneys by Judicial Districts: 2012-2016*

*numbers based on the 2016 registration year which ended on 10/31/16

	2012	2013	2014	2015	2016		2012	2013	2014	2015	2016
First District											
Cook County	45,690	45,306	45,171	45,487	45,210						
Second District						Fourth District					
15 th Circuit.....	198	196	200	197	196	5 th Circuit.....	260	253	247	238	235
16 th Circuit.....	1,494	1,460	1,171	1,159	1,157	6 th Circuit.....	877	864	852	848	830
17 th Circuit.....	808	786	787	796	778	7 th Circuit.....	1,273	1,275	1,285	1,289	1,280
18 th Circuit.....	4,373	4,402	4,362	4,352	4,308	8 th Circuit.....	191	189	186	181	179
19 th Circuit.....	3,200	3,179	3,123	3,117	3,100	11 th Circuit.....	669	659	662	657	674
22 nd Circuit.....	589	572	563	568	570	Total	3,270	3,240	3,232	3,213	3,198
23 rd Circuit+	*	275	277	280	266						
Total	10,662	10,870	10,483	10,469	10,375						
+circuit eff. 12/3/12											
Third District						Fifth District					
9 th Circuit	192	184	186	185	173	1 st Circuit.....	455	447	446	444	448
10 th Circuit.....	931	928	917	931	916	2 nd Circuit.....	306	301	304	304	285
12 th Circuit.....	977	943	945	960	950	3 rd Circuit.....	718	729	737	739	759
13 th Circuit.....	324	317	319	318	308	4 th Circuit.....	251	257	255	256	248
14 th Circuit.....	499	502	488	488	486	20 th Circuit.....	801	812	814	817	806
21 st Circuit.....	159	149	142	138	133	Total	2,531	2,546	2,556	2,560	2,546
Total	3,082	3,023	2,997	3,020	2,966						
						Grand Total	65,235	64,985	64,439	64,749	64,295

30,315 or 32% of registered attorneys reported a principal address outside Illinois. Last year, the corresponding number was 29,378 or 31.2%. The top five jurisdictions where these lawyers are located are: Missouri, California, Indiana, Texas, and Florida. These 30,315 attorneys registered as either active (65%) and able to practice under the auspices of their Illinois license or inactive (35%). None of these attorneys are included in Charts 3 and 4.

Chart 4: Registered Active and Inactive Attorneys by County for 2015-2016*

**numbers based on the 2016 registration year which ended on 10/31/16*

<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>2015</u>	<u>2016</u>		<u>2015</u>	<u>2016</u>		<u>2015</u>	<u>2016</u>
Adams.....	116	112	Hardin	5	5	Morgan	43	42
Alexander	7	6	Henderson	7	7	Moultrie.....	11	11
Bond	12	11	Henry	55	56	Ogle	55	55
Boone	45	46	Iroquois	20	20	Peoria.....	787	775
Brown	10	10	Jackson.....	204	205	Perry	23	22
Bureau	30	29	Jasper	9	9	Piatt.....	21	19
Calhoun	5	5	Jefferson.....	120	114	Pike.....	12	13
Carroll.....	15	14	Jersey	19	20	Pope.....	6	6
Cass	7	9	Jo Daviess	39	38	Pulaski	6	4
Champaign.....	545	540	Johnson	11	10	Putnam.....	10	10
Christian	45	44	Kane.....	1,159	1,157	Randolph	29	27
Clark.....	15	14	Kankakee	118	113	Richland.....	25	23
Clay	15	12	Kendall.....	108	106	Rock Island.....	349	342
Clinton.....	26	25	Knox	57	52	Saline	37	34
Coles.....	92	89	Lake	3,117	3,100	Sangamon	1,165	1,160
Cook	45,487	45,210	LaSalle	220	208	Schuyler.....	7	8
Crawford.....	23	19	Lawrence.....	15	14	Scott.....	6	6
Cumberland	8	7	Lee	36	35	Shelby	15	15
DeKalb	172	160	Livingston	44	42	St. Clair.....	712	703
DeWitt	17	17	Logan	26	27	Stark	7	7
Douglas.....	22	22	Macon	232	221	Stephenson.....	52	54
DuPage	4,352	4,308	Macoupin	41	37	Tazewell	118	114
Edgar	18	19	Madison	727	748	Union	26	27
Edwards.....	4	4	Marion	42	42	Vermilion.....	105	106
Effingham.....	54	54	Marshall	9	10	Wabash	13	16
Fayette.....	24	24	Mason.....	10	11	Warren.....	20	22
Ford	12	12	Massac	17	16	Washington.....	23	23
Franklin	57	50	McDonough	47	46	Wayne.....	11	12
Fulton	38	32	McHenry	568	570	White	13	13
Gallatin.....	6	6	McLean	552	567	Whiteside.....	76	79
Greene	15	15	Menard	14	11	Will	960	950
Grundy.....	68	71	Mercer	8	9	Williamson	130	140
Hamilton.....	12	9	Monroe.....	30	31	Winnebago.....	751	732
Hancock.....	16	14	Montgomery.....	26	23	Woodford.....	23	26
						Grand Total.....		64,295

Chart 5A shows the trend of removals from the Master Roll between 2012 and 2016. Beginning in 2015, there has been an increase in the number of lawyers electing Retired status and those removed from the Master Roll for failure to comply with MCLE General and Basic Skills requirements.

Chart 5A: Attorney Removals from the Master Roll: 2012 – 2016 Registration Years

<i>Reason for Removal</i>	2012	2013	2014	2015	2016
Registration non-compliance	1,019	833	1,228	1,155	1,135
Deceased	318	277	348	475	288
Retired	853	815	833	1,334	1,354
Disciplined	81	74	68	57	52
MCLE General non-compliance	75	76	70	109	111
MCLE Basic Skills non-compliance	18	15	7	33	24
Total	2,364	2,090	2,554	3,163	2,964

Since July 2013, out-of-state attorneys practicing *pro hac vice* must register and pay an annual registration fee (\$121 in 2016) as well as a \$250 per-proceeding fee to the ARDC, as required by Supreme Court Rule 707. \$175 of this per-proceeding fee is remitted to the Illinois Supreme Court Commission on Access to Justice (AJC) and \$75 is retained by the ARDC. Chart 5B below shows *pro hac vice* activity for 2014-2016, including the total AJC and ARDC per-case fees collected.

Chart 5B: Pro Hac Vice Activity: 2014*-2016

	<i>Number of Lawyer Submissions</i>	<i>Number of Lawyers Registered</i>	<i>Number of Proceedings</i>	<i>Total AJC Per-Proceeding Fees</i>	<i>Total ARDC Per-Proceeding Fees</i>
2014	772	864	1,097	\$159,540	\$70,800
2015	782	1,078	1,199	\$184,508	\$78,379
2016	946	1,500	1,084	\$190,988	\$81,750

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

B. Practice Related Demographics

As of the 2016 registration, lawyers must report *pro bono*, trust account, malpractice insurance information, and other practice-related information during the annual registration process as required by Supreme Court Rule 756(d) through (g). Under Supreme Court Rule 756(h), a lawyer is not registered if the lawyer fails to provide any of this information. Most of the data collected under the rule is confidential except for the contact information provided in most attorneys' listings on the Master Roll and whether a lawyer maintains malpractice insurance. The following are the aggregate reports received for the 2016 registration year.

1. Report on Law Practice Information

Under Rule 756(g), lawyers on Active status and engaged in the practice of law must provide the type of entity at which the lawyer practices law, the number of lawyers in that organization, the principal areas of law, and whether that organization has established a written succession plan. Information provided is confidential and is permitted to be reported in the aggregate under the rule. Of the 79,492 responses from lawyers with an Active registration status for 2016, 69,572 or 87.5% indicated that they are currently practicing law. The following are the aggregate reports received for the 2016 registration year for practice setting and size.

a. Practice Setting

Of the 69,572 Active status lawyers currently engaged in the practice of law, 68.2% or 47,456 are actively engaged in the practice of law in a private setting.

**Chart 6A: 2016* Practice Setting Disclosure Reports:
Active Status Lawyers and Currently Practicing Law**

**numbers based on the 2016 registration year which ended on 10/31/16*

Practice Setting	Number Responding	Practice Size % of Total
Private Practice	47,456	68.2%
Corporate In-house	9,662	13.9%
Government/Judge	7,911	11.4%
Other	2,220	3.2%
Not-for-profit	1,360	2%
Academia	963	1.3%
Total	69,572	

b. Practice Size

Of the 47,456 of lawyers with an Active status license in private practice, 28.8% practice as sole practitioners. Sole practitioners and lawyers in firms of 2 to 10 lawyers account for more than half of lawyers actively practicing in private practice.

***Chart 6B: 2016* Practice Size Disclosure Reports:
Active Status Lawyers, Currently Practicing Law and In Private Practice***

**numbers based on the 2016 registration year which ended on 10/31/16*

Practice Size of Lawyers in Private Practice	Number Responding in Practice Category	Practice Size % of Total Engaged in Private Practice
Solo Firm	13,646	28.8%
Firm of 2-10 Attys.	13,027	27.4%
Firm of 11- 25 Attys.	4,537	9.6%
Firm of 26-100 Attys.	4,724	9.9%
Firm of 100 + Attys.	11,522	24.3%
Total	47,456	

2. Report on Pro Bono Activities

Pro bono service and contributions are an integral part of lawyers' professionalism. See IRPC (2010), Preamble, Comment [6A]. While *pro bono* activities are voluntary under Supreme Court Rule 756(f), Illinois lawyers are required to report voluntary *pro bono* service and monetary contributions on their registration forms. 31,972 attorneys reported that they had provided *pro bono* legal services, as defined by Rule 756, or 33.8% of all registered lawyers, a 0.5% increase from 2015. Those lawyers reported a total of 1,855,763 *pro bono* legal service hours. Of the 62,638 attorneys who reported that they had not provided *pro bono* legal services, 10,101 indicated that they were prohibited from providing *pro bono* legal services because of their employment, an increase of 0.3% over the prior year. The information reported by individual attorneys concerning voluntary *pro bono* service and trust accounts is confidential under Supreme Court Rule 766 and is not reported as part of a lawyer's individual listing under "Lawyer Search" on the ARDC website (www.iardc.org).

Chart 7A provides a five-year breakdown of the *pro bono* hours reported under Rule 756. The reported information does not include hours that legal service or government lawyers provide as part of their employment. Total *pro bono* hours decreased by 9.7% from 2015 to 2016. While total *pro bono* hours have decreased by 13.5% from 2012 to 2016, lawyers have performed a total of 10,186,163 *pro bono* service hours since 2012.

Chart 7A: Report on Pro Bono Hours (2012-2016)*

**numbers based on the 2016 registration year which ended on 10/31/16*

	2012	2013	2014	2015	2016
Type of Pro Bono Services	Service Hours				
Legal services to persons of limited means	1,130,480	1,119,465	1,071,492	1,083,664	1,022,811
Legal services to enumerated organizations designed to address needs of persons of limited means	355,062	334,824	354,054	372,601	326,961
Legal services to enumerated organizations in furtherance of their purposes	605,505	592,095	559,543	545,450	462,419
Training intended to benefit legal service organizations or lawyers providing <i>pro bono</i> services	54,480	52,088	45,325	54,272	43,572
TOTAL:	2,145,527	2,098,472	2,030,414	2,055,987	1,855,763

Chart 7B provides a breakdown of monetary contributions for the same five-year period as Chart 7A. The number of lawyers making monetary contributions to *pro bono* organizations and the total amount contributed both increased in 2016. 19.7% of lawyers made contributions in 2016, a 1% increase over the prior year, and \$16,005,396 was contributed, an 8% increase over 2015.

Chart 7B: Monetary Contributions to Pro Bono Service Organizations (2012-2016)*

**numbers based on the 2016 registration year which ended on 10/31/16*

	2012	2013	2014	2015	2016
Amount Contributed	\$15,919,963	\$14,017,816	\$14,270,521	\$14,802,544	\$16,005,396
Number of lawyers who made contributions	16,120	16,266	17,179	17,565	18,619
% of lawyers who made contributions	18.0%	17.9%	18.5%	18.7%	19.7%

Not reflected in the above chart is the fact that most Illinois lawyers contribute to the funding of legal aid through the \$95 portion of the full annual registration fee paid by Active status lawyers that is remitted to the Lawyers Trust Fund of Illinois, as well as the contributions lawyers have made to other charitable and not-for-profit organizations. For the 2016 registration year, \$6,913,570 was remitted to the Lawyers Trust Fund, representing a 1% increase over 2015. A total of \$53,003,876 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).

3. Report on Trust Accounts

Supreme Court Rule 756(d) requires every Active and Inactive registration status lawyer 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 7C shows the responses received from the 94,610 lawyers who were registered for 2016. 50.1% or 47,765 of all registered lawyers reported that they or their law firm maintained a trust account sometime during the preceding 12 months. 81.1% of these trust accounts were IOLTA accounts. Of those who reported that they or their law firm did not maintain a trust account, nearly half explained that they had no outside practice because of their full-time employment in a corporation or governmental agency.

Chart 7C: Trust Account Disclosure Reports in 2016 Registration*

**numbers based on the 2016 registration year which ended on 10/31/16*

A. Lawyers with Trust Accounts:.....	47,765
81.1% with IOLTA trust accounts	
18.9% with non-IOLTA trust accounts	
B. Lawyers without Trust Accounts:.....	46,845
Full-time employee of corporation or governmental agency (including courts) with no outside practice	23,038
Not engaged in the practice of law.....	12,347
Engaged in private practice of law (to any extent), but firm handles no client or third party funds.....	8,753
Other explanation	2,707

Chart 7D looks at the trust account disclosure reports of the 47,456 lawyers in private practice with an Active registration status and currently engaged in the practice of law. For those 47,456 actively engaged in the private practice of law, their responses to the trust account question are below:

Chart 7D: 2016* Trust Account Disclosure Reports: Active Status Lawyers, Currently Practicing Law and in Private Practice

**numbers based on the 2016 registration year which ended on 10/31/16*

Practice Size	Number Responding in Practice Category	"Yes" Trust Account Responses		"No" Trust Account Responses
		IOLTA Trust Account	Non-IOLTA Trust Account	
Solo Firm	13,646	8,997 65.9%	257 1.9%	4,392 32.2%
Firm of 2-10 Attys.	13,027	11,437 87.8%	194 1.5%	1,396 10.7%
Firm of 11- 25 Attys.	4,537	4,265 94.0%	33 0.7%	239 5.3%
Firm of 26-100 Attys.	4,724	4,415 93.5%	53 1.1%	256 5.4%
Firm of 100 + Attys.	11,522	11,059 96.0%	62 0.5%	401 3.5%
Total	47,456	40,173	599	6,684

4. 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. The Rule does not require Illinois lawyers to carry malpractice insurance in order to practice law based upon their Illinois license. Lawyers not currently engaged in the practice of law, in-house counsel and government lawyers likely would not require malpractice insurance.

In 2016, 52% of all 94,610 registered lawyers reported that they have malpractice insurance, virtually no change over the prior year as shown in Chart 7E. That figure changes significantly, however, if we focus only on those lawyers who most likely would have a need to carry malpractice insurance: the 47,456 lawyers with an Active status license currently engaged in private practice.

Chart 7E: Malpractice Disclosure Reports: 2012-2016*

**numbers based on the 2016 registration year which ended on 10/31/16*

Lawyer Malpractice Insurance	2012	2013	2014	2015	2016
Yes	46,699 (52.3%)	47,289 (51.9%)	48,492 (52.3%)	49,250 (52.3%)	49,727 (52%)
No	42,631 (47.7%)	43,794 (48.1%)	44,264 (47.7%)	44,878 (47.7%)	44,883 (48.0%)

Of those 47,456 Active registration status lawyers in private practice, Chart 7F shows that 84.0% reported that they carried malpractice insurance. Chart 7F also breaks down by practice size the lawyers in private practice who carry malpractice insurance. 41% of sole practitioners reported that they did not carry malpractice insurance as compared to 9.7% of lawyers in firms with 2 to 10 lawyers.

Chart 7F: Malpractice Disclosure Reports: 2016*
Active Status Lawyers, Currently Practicing Law and in Private Practice

**numbers based on the 2016 registration year which ended on 10/31/16*

Practice Size	Number Responding in Practice Category	Practice Size % of Total	% Malpractice Responses	
			Yes	No
Solo Firm	13,646	28.8%	8,046 59%	5,600 41%
Firm of 2-10 Attys.	13,027	27.5%	11,766 90.3%	1,261 9.7%
Firm of 11- 25 Attys.	4,537	9.6%	4,367 96.3%	170 3.7%
Firm of 26-100 Attys.	4,724	9.9%	4,548 96.3%	176 3.7%
Firm of 100 + Attys.	11,522	24.2%	11,158 96.8%	364 3.2%
Total	47,456	100%	39,885 84.0%	7,571 16%

5. Succession Planning

Of the 47,456 Active status lawyers currently engaged in the private practice of law, 76.9% of those lawyers that identify as sole practitioners reported that they did not have a written succession plan and another 7.0% indicated that they were not sure of whether they had a plan in place. In private practice law firms with 10 lawyers or less (26,673), only 19.7% or 5,275 lawyers reported that their law firm has a written succession plan.

**Chart 7G: 2016* Succession Planning Disclosure Reports:
Active Status Lawyers, Currently Practicing and In Private Practice**

**numbers based on the 2016 registration year which ended on 10/31/16*

Practice Size of Lawyers in Private Practice	Number Responding in Practice Category	% Succession Planning Responses By Practice Size		
		Yes	No	Not Sure
Solo Firm	13,646	2,199 16.1%	10,494 76.9%	953 7.0%
Firm of 2-10 Attys.	13,027	3,076 23.6%	4,699 36.1%	5,252 40.3%
Firm of 11- 25 Attys.	4,537	1,295 28.6%	741 16.3%	2,501 55.1%
Firm of 26-100 Attys.	4,724	1,539 32.6%	638 13.5%	2,547 53.9%
Firm of 100 + Attys.	11,522	5,815 50.4%	928 8.1%	4,779 41.5%
Total	47,456	13,924	17,500	16,032

III. Report on Disciplinary and Non-Disciplinary Matters

A. Investigations Initiated in 2016

During 2016, the Commission docketed 5,401 investigations, a 2.8% decrease over the prior year and the fourth consecutive year of decline in the number of docketed investigations. The types of investigations docketed in 2016 are shown in Chart 8A below.

Chart 8A: Types of Investigations Docketed in 2012-2016

Type of Investigation	2012	2013	2014	2015	2016
Disciplinary charge against Illinois lawyer	5,712	5,410	5,168	4,925	4,788
Overdraft notification of client trust account	421	336	357	283	241
Unauthorized Practice of Law	86	104	112	104	104
Monitoring disciplinary compliance	N/A	N/A	N/A	71	88
Disciplinary charge against out-of-state lawyer	59	67	65	44	44
Receivership	9	13	20	14	31
Reciprocal	23	12	22	13	32
Impairment	N/A	0	0	4	1
Conditional Admission monitoring	N/A	1	2	2	1
Investigation related to Petition for Reinstatement	N/A	N/A	N/A	N/A	2
Reopened investigations	87	130	89	94	69
TOTAL:	6,397	6,073	5,835	5,554	5,401

Those 5,401 investigations involved charges against 3,936 different attorneys, representing 4% of all registered attorneys. About 19% of these 3,936 attorneys were the subject of more than one investigation docketed in 2016, as shown in Chart 8B. Chart 8B also shows the percentage of lawyers who were the subject of a grievance by years in practice. 33% of lawyers admitted 30 or more years were the subject of an investigation in 2016 even though they account for 27% of the overall legal population.

Chart 8B: Investigations Docketed in 2016

<i>Investigations per Attorney</i>	<i>Number of Attorneys</i>
1	3,181
2	502
3	151
4	52
5 or more.....	<u>50</u>
	Total: 3,936
<i>Gender</i>	<i>Years in Practice</i>
Female..... 26%	Fewer than 55%
Male 74%	Between 5 and 1013%
	Between 10 and 2025%
	Between 20 and 3024%
	30 or more33%

Charts 9 and 10 report the classification of investigations docketed in 2016, based on an initial assessment of the nature of the misconduct alleged, if any, and the type of legal context in which the facts arose. Chart 9 reflects that more than half of all grievances related to client-attorney relations: neglect of the client’s cause (40%) and failure to communicate with the client (16%).

Chart 9: Classification of Charges Docketed in 2016 by Violation Alleged

<i>Type of Misconduct</i>	<i>Number*</i>	<i>Type of Misconduct</i>	<i>Number*</i>
Neglect.....	2,183	Improper communications with a represented person	35
Failing to communicate with client, including failing to communicate the basis of a fee	859	Improper communication with an unrepresented person.....	29
Excessive or improper fees, including failing to refund unearned fees.....	833	Threatening criminal prosecution or disciplinary proceedings to gain advantage in a civil matter	27
Fraudulent or deceptive activity including misrepresentation to a tribunal, clients, and non-clients	595	Failing to properly withdraw from representation, including failing to return client files or documents	24
Improper management of client or third party funds, including commingling, conversion, failing to promptly pay litigation costs or client creditors or issuing NSF checks	454	Failing to supervise subordinates	22
Filing frivolous or non-meritorious claims or pleadings	318	<i>Ex parte</i> or improper communication with judge or juror.....	15
Criminal conduct, assisting a client in a crime or fraud, and counseling illegal or fraudulent conduct	244	Improper division of legal fees/partnership with nonlawyer.....	11
Failing to provide competent representation	189	Incapacity due to chemical addiction or mental condition.....	10
Conflict of Interest:.....	184	Violation of anti-discrimination statute or ordinance	10
Rule 1.7: Concurrent clients	118	Improper practice after failure to register under Rule 756	9
Rule 1.8(a): Improper business transaction with client	13	Failing to maintain appropriate attorney-client relationship with client with diminished capacity	8
Rule 1.8(b): Improper use of information	2	Abuse of public office to obtain advantage for client.....	7
Rule 1.8(c): Improper instrument or gift from client.....	5	Improper extrajudicial statement.....	7
Rule 1.8(d): Improper acquisition of literary/media rights	1	Making false statements in bar admission or disciplinary matter ...	6
Rule 1.8(e): Improper financial assistance to client	2	Failing to report misconduct of another lawyer or judge.....	4
Rule 1.8(h)(1): Improper agreement limiting liability	1	False statements about a judge, judicial candidate or public official	3
Rule 1.8(j): Improper sexual relations with client	3	Improper agreement restricting lawyer's right to practice.....	3
Rule 1.9: Successive conflicts	33	Improper employment where lawyer may become a witness	3
Rule 1.13: Organizational client	1	Judicial candidate's violation of Judicial Code	3
Rule 1.18(c): Prospective client.....	5	Bad faith avoidance of student loan	2
Conduct prejudicial to the administration of justice, including conduct that is the subject of a contempt finding or court sanction	218	Stating or implying ability to improperly influence authority	1
Improper trial conduct, including using means to embarrass, delay or burden another or suppressing evidence where there is a duty to reveal	182	Aiding judicial misconduct/gift/loan to judge or court employee ..	1
Prosecutorial misconduct.....	175	Failing to report discipline in another jurisdiction	1
Practicing in a jurisdiction where not authorized	132	Failing to report criminal conviction.....	1
Failing comply with Rule 764 following discipline	88	Failing to file tax return or pay taxes	1
Improper commercial speech, including inappropriate written or oral solicitation	76	No misconduct alleged.....	155
Not abiding by a client's decision concerning the representation or taking unauthorized action on the client's behalf.....	52		
Failing to preserve client confidences or secrets	51		

* Totals exceed the number of requests for investigations docketed in 2016 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, real estate and tort, as shown in Chart 10.

Chart 10: Classification of Charges Docketed in 2016 by Area of Law*

<i>Area of Law</i>	<i>Number</i>
Criminal/Quasi-Criminal	1,292
Domestic Relations	649
Real Estate/Landlord-Tenant	596
Tort (Personal Injury/Property Damage)	517
Probate	349
Labor Relations/Workers' Comp	221
Contract	161
Bankruptcy	158
Immigration	116
Civil Rights	91
Debt Collection	89
Corporate Matters	59
Local Government Problems	49
Tax	41
Patent and Trademark	23
Social Security	12
Mental Health	2
Adoption	2

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

B. Investigations Concluded in 2016

If an investigation does not reveal sufficiently serious, provable misconduct, the Administrator will close the investigation. If an investigation produces evidence of serious misconduct, the case is referred to the Inquiry Board, unless the matter is filed directly with the Supreme Court under Rules 757, 761, 762(a), or 763. The Inquiry Board operates in panels of three, composed of two attorneys and one nonlawyer, all appointed by the Commission. An Inquiry Board panel has authority to vote a formal complaint if it finds sufficient evidence to support a charge, to close an investigation if it does not so find, or to place an attorney on supervision under the direction of the panel pursuant to Commission Rule 108. The Administrator cannot pursue formal charges without authorization by an Inquiry Board panel.

Chart 11 shows the number of investigations docketed and concluded for the past five years between 2012 and 2016. Chart 12 shows the type of actions that terminated investigations docketed in 2016. About 3.1% of investigations concluded in 2016 resulted in the filing of formal charges.

Chart 11: Investigations Docketed: 2012-2016

** includes reopened investigations*

Year	Pending January 1 st	Docketed During Year *	Concluded During Year	Pending December 31 st
2012	2,036	6,397	6,611	1,822
2013	1,822	6,073	5,732	2,163
2014	2,163	5,835	6,165	1,833
2015	1,833	5,554	5,561	1,826
2016	1,826	5,401	5,496	1,731

Chart 12: Investigations Concluded in 2016

Concluded by the Administrator:

Closed after initial review1,321
(No misconduct alleged)

Closed after investigation3,962

Filed at Supreme Court pursuant to
Supreme Court Rules 757,
762(a), and 76326

Concluded by the Inquiry Board:

Closed after panel review41

Complaint or impairment petition voted142

Closed upon completion of conditions
of Rule 108 supervision 4

Total.....5,496

1. Timeliness of Investigations Concluded in 2016

Of the 5,496 investigations concluded in 2016, 5,309 were concluded by the Administrator. Charts 13A through C show the number of days that the 5,309 investigations concluded in 2016 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 1,321, or 24%, of the 5,496 investigations concluded in 2016 were closed after an initial review of the complainant’s concerns. More than 95% of these 1,321 investigations were concluded within 60 days of the docketing of the grievance. The Intake division of the Administrator’s staff, made up of five staff lawyers, review most incoming grievances and perform the initial inquiry into the facts to determine whether the written submissions from complainants, read liberally, describe some misconduct by a lawyer. Generally, closures made after an initial review are completed without asking the lawyer to respond, although the lawyer and complainant are typically apprised of the determination.

Chart 13A

1,321 Investigations Closed After Initial Review in 2016			
<i>Number of Days Pending Prior to Closure:</i>			
Fewer than 10 days	10 - 20 days	21 - 60 days	More than 60 days
1,042 (78.9%)	40 (3.0%)	185 (14.0%)	54 (4.1%)

In the remaining 3,988 investigations closed in 2016 by the Administrator, the staff determined that an investigation was warranted. In most cases, these investigations began with a letter from Intake counsel to the lawyer named in the grievance, enclosing a copy of the complainant’s submission and asking the lawyer to submit a written response. The lawyer’s written response was usually forwarded for comment to the complainant, and the file was reviewed by Intake counsel after the complainant’s reply was received or past due. If, at that stage, the submissions and any back-up documentation obtained demonstrated that the lawyer did not violate professional conduct rules, or at least that a violation could not be proved, Intake counsel closed the file. If Intake counsel determined that further investigation was warranted, the file was reassigned to Litigation counsel.

For the 3,988 investigations closed after a determination to conduct an investigation was made, 2,554, or 64%, were closed by Intake counsel, with approximately 84% of those investigations closed within 90 days of receipt.

Chart 13B

2,554 Investigations Concluded in 2016 by the Intake Staff After Investigation			
<i>Number of Days Pending Prior to Closure:</i>			
Fewer than 90 days	Between 90 – 180 days	Between 180 - 365 days	More than 365 days
2,154 (84.3%)	321 (12.6%)	53 (2.1%)	26 (1.0%)

Chart 13C indicates that 1,434, or 36%, were closed by Litigation counsel and over 46% 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. The time it takes before an investigation is resolved can be influenced by different factors: whether the lawyer has addressed all concerns raised during the investigation; whether other sources are cooperating with the ARDC’s request for information; the complexity of the issues; and the amount of information and documents that ARDC counsel must review.

Chart 13C

1,434 Investigations Concluded in 2016 by the Litigation Staff After Investigation			
<i>Number of Days Pending Prior to Closure:</i>			
Fewer than 90 days	Between 90 - 180 days	Between 180 - 365 days	More than 365 days
369 (25.7%)	314 (21.9%)	413 (28.8%)	338 (23.6%)

C. Certain Subtypes of Investigations

1. *Overdraft Trust Account Notification Investigations*

Chart 14 shows the activity for investigations resulting from client trust account overdraft notifications. 241 overdraft investigations were opened in 2016, an average of 20 files docketed each month and 4.4% of the total number of investigations docketed in 2016. There has been a steady decline in the number of overdraft notifications received each year since 2012, the first full year after the automatic overdraft notification rule took effect. If there is evidence that a lawyer converted client funds, a formal complaint will likely be filed against the lawyer. There were six formal complaints originating from a trust account overdraft notice filed in 2016.

Chart 14: *Overdraft Notification Investigations (2011-2016)*

<i>Overdraft Notification Investigations</i>	2011*	2012	2013	2014	2015	2016	Total
Opened**	232	530	485	370	288	241	2,146
Closed	157	311	363	371	313	242	1,757
Formal Complaints Filed	0	3	5	12	10	6	36

* investigations docketed after September 1, 2011, when Rule 1.15(h) took effect.

** includes investigations reopened for further investigation.

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

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

2. Unauthorized Practice of Law Investigations

The ARDC is authorized under Supreme Court Rule 779 to investigate allegations of the unauthorized practice of law (UPL) and initiate proceedings against suspended and disbarred Illinois lawyers, out-of-state lawyers licensed in another jurisdiction and persons not licensed in any jurisdiction. UPL proceedings against a suspended Illinois lawyer or a lawyer from another U.S. jurisdiction are begun by filing a disciplinary complaint before the Hearing Board and proceeding as Supreme Court Rule 753 directs. UPL proceedings against a disbarred Illinois attorney or against a person, entity or association that is not licensed to practice law in any other United States' jurisdiction may be brought as civil or contempt actions 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 and commenced in the circuit court.

In 2016, there were 113 investigations opened involving UPL charges against 97 unlicensed individuals or entities, 7 against out-of-state lawyers and 9 involving disbarred or suspended Illinois lawyers as shown in Chart 15A.

Chart 15A: Unauthorized Practice of Law Investigations (2012-2016)

<i>Type</i>	2012	2013	2014	2015	2016
UPL by suspended lawyer	4	4	2	3	1
UPL by out-of-state lawyer	8	35	19	12	7
UPL by disbarred lawyer	2	4	15	9	8
UPL by unlicensed person	61	67	72	82	83
UPL by unlicensed entity	15	14	4	10	14
Total	90	124	112	116	113

Chart 15B shows the areas of law involved from which the investigations arose. In 2016, as has been the pattern over the past several years, the greatest concentration of unauthorized practice of law investigations against non-attorneys related to real estate matters. In such matters, the allegations related to unlicensed individuals attempting to provide services for fees in the areas of foreclosure defense, loan modification, transactional real estate matters, and real estate tax assessment appeals before state and county boards of review. Another category of unauthorized practice of law investigations that saw an increased level of grievances was the area of immigration. In those investigations, immigration service providers are alleged to be providing services outside the scope of authorization granted to non-attorneys under federal and state laws. In 2016, several of the UPL investigations handled by the Administrator involved non-attorneys and disbarred attorneys appearing in court on behalf of others without authorization to do so.

Chart 15B: Area of Law Involved in UPL Investigations in 2016

<i>Subject Area</i>	<i>Number of Investigations*</i>	<i>Subject Area</i>	<i>Number of Investigations*</i>
Real Estate.....	30..... 27%	Probate	5..... 4%
Contract.....	12..... 11%	Bankruptcy.....	3..... 3%
Domestic Relations.....	10..... 9%	Corporate Matters	2..... 2%
Immigration.....	10..... 9%	Patent	2..... 2%
Debt Collection	9..... 8%	Civil Rights	1..... 1%
Tort.....	9..... 8%	Local Government.....	1..... 1%
Criminal.....	6..... 5%	Workers' Comp.....	1..... 1%
Tax	6..... 5%	Social Security	1..... 1%

* Total less than 113 investigations because four investigations were designated as “undeterminable” and one as “other”.

During 2016, seven formal actions were initiated in the circuit court pursuant to Supreme Court Rule 779(b): five against non-attorneys; one against a disbarred lawyer; and one against an out-of-state attorney. The areas of law in which the non-attorneys practiced law included a foreclosure, a divorce, domestic violence protective orders, a clemency petition, a loan modification, and a personal injury settlement. In three of those matters, the non-attorneys had attempted to handle court actions on behalf of others. In another matter, the non-attorney had attempted to handle out-of-court settlement of a personal injury claims for others.

Additionally, there was one action filed in court against a disbarred attorney for handling a series of traffic and misdemeanor cases for relatives and friends, and one filed before the Hearing Board against an out-of-state attorney for handling a series of transactional matters for a client without authorization to practice in Illinois. Finally, the Administrator also pursued court action against an out-of-state attorney pursuant to Supreme Court Rule 707, where the attorney attempted to practice in this State but was not eligible for *pro hac vice* admission.

3. Investigations Assigned to Special Counsel

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

In 2016, 18 new investigations were opened and 15 investigations remained pending at the end of the year. Five former Board members served as Special Counsel in 2016. The Commission Policy on the Appointment of Special Counsel can be found on the ARDC website at: <https://www.iardc.org/policiesandorders.html>.

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

The ARDC initiated the filing of proceedings directly before the Illinois Supreme Court and before the Circuit Court in 34 proceedings in 2016. This is in addition to the 83 disciplinary proceedings filed before the Hearing Board in 2016 as shown in Chart 17A on Page 29. Chart 16A shows the 27 disciplinary and disability matters filed directly with the Illinois Supreme Court and allowed by the Court in 2016.

Chart 16A: Proceedings Filed Directly with the Illinois Supreme Court: 2012-2016

<i>Type</i>	2012	2013	2014	2015	2016	Total
Rule 762(a) Motion for Disbarment on Consent	7	6	9	8	12	42
Rule 763 Petitions for Reciprocal Discipline	17	27	17	13	15	89
Rule 757 Transfer to Disability Inactive Status	0	0	1	3	0	4
Total	24	33	27	24	27	135

Chart 16B shows the unauthorized practice of law (UPL) formal actions filed in the circuit court, pursuant to Supreme Court Rule 779, adopted in 2011, which gives the ARDC the power to investigate and bring civil or contempt actions in the circuit court against disbarred lawyers and unlicensed persons for the unauthorized practice of law

Chart 16B: Rule 779(b) UPL Actions Filed in the Circuit Court: 2012-2016

<i>Rule 779(b) UPL Complaints</i>	2012	2013	2014	2015	2016	Total
Filed Against Disbarred Lawyer	1	1	0	1	1	4
Filed Against Non-Lawyer	5	6	4	2	5	22
Filed Against Out-of-State Lawyer	0	0	0	1	1	2
Total	6	7	4	4	7	28

E. Disciplinary Prosecutions: Hearing Board Matters

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

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

Chart 17A shows the activity before the Hearing Board in 2016. There were 83 cases added to the Hearing Board's docket in 2016. Of those, 79 were initiated by the filing of a new disciplinary complaint. Chart 17B shows the demographics of the 79 lawyers who were the subject of a formal disciplinary complaint in 2016.

Chart 17A: Matters Before the Hearing Board in 2016

Cases Pending on January 1, 2016	97
Cases Filed or Reassigned in 2016:	
<i>Disciplinary Complaints Filed:</i> *	
➤ Rules 753, 761(d)	76
➤ Rule 779(a)	3
<i>Reinstatement Petition Filed:</i>	
➤ Rule 767	3
<i>Disability Petition Filed:</i>	
➤ Rule 758	1
Total New Cases Filed or Reassigned	83
Cases Concluded During 2016	92
Cases Pending December 31, 2016	88

* The number of cases filed at Hearing is significantly lower than the number of matters voted by Inquiry, because multiple investigations against a particular attorney in which the Inquiry Board has voted a complaint are consolidated into a single complaint for purposes of filing at the Hearing Board.

Chart 17B: Years in Practice, Age and Gender of Lawyers Charged in Disciplinary Complaints Filed in 2016

	# of Complaints Filed	% of Complaints Filed	% of Lawyer Population
Years in Practice			
Fewer than 5	3	4%	10%
Between 5 and 10	9	11%	15%
Between 10 and 20	18	23%	26%
Between 20 and 30	19	24%	22%
30 or more	30	38%	27%
Age:			
21-29 years old	0	0%	3%
30-49 years old	27	34%	49%
50-74 years old	44	56%	45%
75 or more years old	8	10%	3%
Gender:			
Female	14	18%	38%
Male	65	82%	62%

Chart 17C shows the types of misconduct alleged in the 79 disciplinary complaints filed during 2016, and Chart 17D indicates the areas of practice in which the alleged misconduct arose. The allegations of fraudulent or deceptive activity, improper handling of trust funds, neglect of a client's case and failure to communicate, most frequently seen in initial charges as reported in Charts 9 and 10, are also among the most frequently charged in formal complaints.

Chart 17C: Types of Misconduct Alleged in Complaints* Filed Before Hearing Board in 2016

<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.....	62	78%	Breach of duties under Rule 764	4	5%
Improper handling of trust funds	26	33%	Unauthorized practice of law		
Failure to communicate with client.....	24	%	by non-Illinois lawyer	3	4%
Neglect.....	19	30%	Assisting a client in a crime or fraud.....	3	4%
False statement or failure to respond			Unauthorized practice after suspension.....	2	3%
in disciplinary matter	15	19%	Pursuing/filing frivolous or		
Improper withdrawal from employment,			non-meritorious claims or pleadings	2	3%
including failure to refund unearned fees....	14	18%	Breach of confidentiality.....	2	3%
Criminal conduct/conviction of lawyer.....	10	13%	Assisting a suspended IL lawyer in the		
Misrepresentations to a tribunal.....	10	13%	Unauthorized practice of law	1	1%
Misrepresentation to third persons or			Excessive or unauthorized legal fees.....	1	1%
using means to embarrass or delay.....	8	10%	Improper communications with		
Conflict of interest	7	9%	unrepresented person.....	1	1%
Rule 1.7: concurrent conflicts.....	3		Improper lawyer advertising/solicitation.....	1	1%
Rule 1.8(a): improper business			Unauthorized practice after suspension.....		1%
transaction with client	2		Failing to maintain appropriate attorney-client relationship		
Rule 1.8(c): improper gift from client.....	1		with client with diminished capacity	1	1%
Rule 1.9: former clients	2		Failure to supervise non-lawyer staff	1	1%
Failure to provide competent representation...	5	6%	Improper agreement limiting client's right		
Unauthorized practice after removal			to pursue ARDC charge	1	1%
from Master Roll for failure to register	5	6%			

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

* Totals exceed 79 disciplinary cases and 100% because most complaints allege more than one type of misconduct.

Chart 17D: Subject Area Involved in Complaints Filed Before Hearing Board in 2016

<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>
Real Estate	20	25%	Workers' Comp/Labor Relations	4	5%
Personal or professional alleged misconduct			Corporate Matters	2	3%
not arising out of a legal representation	14	18%	Debt Collection	2	3%
Tort	11	14%	Immigration	2	3%
Contract	10	13%	Patent/Trademark.....	2	3%
Criminal	9	11%	Adoption	1	1%
Probate.....	9	11%	Bankruptcy.....	1	1%
Domestic Relations	9	11%	Local Government	1	1%
Criminal Conduct/Conviction.....	7	9%	Social Security	1	1%

*Totals exceed 79 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 93 matters, including 88 disciplinary cases during 2016.

For the 93 matters that were concluded by the Hearing Board in 2016, only 26 cases or 28% proceeded as contested hearings. The remaining 67 matters were concluded without the need to prepare a report and recommendation from the Hearing Board.

Chart 18: Actions Taken by Hearing Board in Matters Terminated in 2016

A. Disciplinary Cases: Rules 753 & 761(d)	
Recommendation of discipline after contested hearing	20
Case closed by filing of petition for discipline on consent other than disbarment.....	37
Recommendation of discipline after default hearing	12
Case closed by filing of motion for disbarment on consent	11
Case closed by administration of a reprimand to respondent by consent	4
Complaint dismissed after contested hearing....	3
Case closed by filing of petition for permanent retirement status	1
Case closed by motion to consolidate	1
Total Disciplinary Cases.....	89
B. Disability Inactive Status Petition: Rule 758	
Recommendation respondent remain on conditional active status after contested hearing	1
C. Reinstatement Petitions: Rule 767	
Recommendation of petition allowed after contested hearing	2
Petition withdrawn.....	1
Total Matters Terminated.....	93

F. Review Board Matters

Once the Hearing Board files its report in a case, either party may file a notice of exceptions to the Review Board, which serves as an appellate tribunal. The Review Board is assisted by a legal staff hired by the Commission that is separate from the Administrator’s office and the Hearing Board’s adjudication staff. Chart 19 shows activity at the Review Board during 2016.

Chart 19: Actions Taken by Review Board in 2016

Cases pending on January 1, 2016	18
Cases filed during 2016:	
Exceptions filed by Respondent	12
Exceptions filed by Administrator.....	7
Exceptions filed by both.....	2
Total.....	21
Cases concluded in 2016:	
Hearing Board affirmed.....	14
Hearing Board reversed on findings and/or sanction	3
Notice of exceptions withdrawn	1
Notice of exceptions stricken	1
Case dismissed	3
Total.....	22
Cases pending December 31, 2016	17

G. Supreme Court Matters

1. Disciplinary Cases

The Supreme Court has sole authority to sanction attorneys for misconduct, except for a reprimand, which can be imposed in a disciplinary case without order of the Court by either the Hearing or Review Board. Chart 22 on Page 36 reflects the several ways disciplinary cases reach the Court. In 2016, the Court entered 104 sanctions against 103 lawyers (one lawyer was disciplined twice in 2016) as shown in Chart 20.

Chart 20: Disciplinary Sanctions Ordered by the Supreme Court in 2016

Disbarment.....	34
Suspension until further order of Court.....	11
Suspension for a specified period.....	18
Suspension for a specified period & conditions	12
Probation with partially stayed suspension	9
Probation with fully stayed suspension	9
Censure	6
Censure with probation	2
Reprimand.....	3
Total	104*

*In addition to the 41 suspensions, the Court also ordered 11 interim suspensions, as reported in Chart 22 at (H).

Charts 21A and 21B provide demographic information on the 107 lawyers disciplined in 2016: 103 lawyers disciplined by the Court and four lawyers reprimanded by the Hearing Board in 2016. *See* Chart 18 on Page 32. Other than Board reprimands, the Hearing and Review Boards issue reports that include recommendations to the Supreme Court for disposition.

Chart 21A: County of Practice of Lawyers Disciplined in 2016

County	Number Disciplined	County	Number Disciplined
Cook.....	50	Grundy.....	1
Out-of-State.....	19	Henderson.....	1
Lake.....	8	Kendall.....	1
DuPage.....	5	McHenry.....	1
Sangamon.....	4	McLean.....	1
Jackson.....	3	Monroe.....	1
Winnebago.....	3	Union.....	1
Kane.....	2		
Will.....	2		
Peoria.....	2		
St. Clair.....	2		

Chart 21B: Years in Practice, Age and Gender of Lawyers Disciplined in 2016

Years in Practice	# of Lawyers Disciplined	% of Lawyers Disciplined	% of Lawyer Population
Fewer than 5	0	0%	10%
Between 5 and 10	4	4%	15%
Between 10 and 20	24	20%	26%
Between 20 and 30	29	28%	22%
30 or more	50	48%	27%
Age:			
21-29 years old	0	0%	3%
30-49 years old	27	24%	49%
50-74 years old	72	68%	45%
75 or more years old	8	8%	3%
Gender:			
Female	12	11%	38%
Male	95	89%	62%

Chart 21C shows the practice setting around the time of the misconduct. 83.2% of the 107 lawyers disciplined in 2016 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 2016

Practice Setting	Solo Firm	Firm 2-10	Firm 11-25	Firm 26+	Gov't/ Judicial	In-House	No Practice
107 Lawyers Sanctioned	70	19	1	2	4	1	10

It is frequently seen in discipline cases that an attorney-respondent is impaired by addiction to alcohol or other substance or suffers some mental illness or disorder. Chart 21D reflects only those cases in which one or more impairments were raised either by the lawyer or otherwise known by staff counsel. It is likely that many cases involving impaired lawyers are never so identified. 33 out of the 107 lawyers disciplined in 2016, or 30.8% had at least one substance abuse or mental impairment issues. In addition, 30 out of 33 of disciplined lawyers with identified impairments were sole practitioners at the time of the misconduct.

Chart 21D: Impairments Identified for Lawyers Disciplined in 2016, By Practice Setting

<i>Practice Setting</i>	<i>Solo Firm</i>	<i>Firm 2-10</i>	<i>Firm 11-25</i>	<i>Firm 26+</i>	<i>Gov't/Judicial</i>	<i>In-House</i>	<i>No Practice</i>
33 Lawyers* with Impairments	30	2	1	0	0	0	0
<i>Impairment</i>							
Substances:							
Alcohol	13	1	1	0	0	0	0
Cocaine	1	0	0	0	0	0	0
Cannabis	0	0	0	0	0	0	0
Amphetamine	2	0	0	0	0	0	0
Other	1	0	0	0	0	0	0
Mental Illness:							
Depression	11	0	0	0	0	0	0
Bipolar	1	0	0	0	0	0	0
Schizophrenia	2	0	0	0	0	0	0
Other	4	1	0	0	0	0	0
Gambling	1	0	0	0	0	0	0
Sexual Disorder	0	0	0	0	0	0	0
Cognitive Decline	2	0	0	0	0	0	0
% of 33 lawyers with impairments	90.9%	6.1%	3.0%	0%	0%	0%	0%

*Some lawyers have more than one impairment identified.

Chart 22 reflects the several ways disciplinary cases reach the Court. Some matters are filed directly with the Court upon petition, unless the court remands the matter for hearing before the Hearing Board. In 2016, 15 lawyers were disciplined on a reciprocal basis in 2016, as provided in Supreme Court Rule 763, because the lawyer 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. In addition, the Court allowed 20 consent disbarments on motions, nine of which were filed directly in the Court. The remainder of final disciplinary orders arose from matters initiated by the filing of an action before the Hearing Board.

Chart 22: Orders Entered by Supreme Court in Disciplinary Cases in 2016

<p>A. <u>Motions for disbarment on consent: Rule 762(a)</u></p> <p>Allowed..... 20 Denied..... 0 Total 20</p>	<p>D. <u>Motions to approve and confirm report of Review Board: Rule 753(e)(6)</u></p> <p>Allowed 5 Denied..... 0 Total 5</p>
<p>B. <u>Petitions for discipline on consent: Rule 762(b)</u></p> <p>Allowed:</p> <p>Suspension 19 Suspension stayed in part, probation ordered 5 Suspension stayed in its entirety, probation ordered 6 Censure 4 Total 34</p> <p>Denied..... 1 Total 35</p>	<p>E. <u>Motions to approve and confirm report of Hearing Board: Rule 753(d)(2)</u></p> <p>Allowed 21 Denied 0 Total..... 21</p>
<p>C. <u>Petitions for leave to file exceptions to report and recommendation of Review Board: Rules 753(e)(1) and 761</u></p> <p>Allowed and more discipline imposed than recommended by Review Board 1 Denied and dismissal as recommended by Review Board 1 Denied and same discipline imposed as recommended by Review Board 8 Total 10</p>	<p>F. <u>Petitions for reciprocal discipline: Rule 763</u></p> <p>Allowed 15 Denied 0 Total..... 15</p>
	<p>G. <u>Petitions for reinstatement: Rule 767</u></p> <p>Allowed with conditions..... 1 Petition withdrawn 1 Denied..... 1 Total..... 3</p>
	<p>H. <u>Motions to revoke probation: Rule 772</u></p> <p>Allowed, probation revoked and respondent suspended..... 3 Total..... 3</p>
	<p>I. <u>Petitions for interim suspension: Rule 774</u></p> <p>Rule enforced and lawyer suspended..... 11 Total..... 11</p>

Chart 23 tracks the type of misconduct that led to the 108 sanctions entered in 2016: 104 sanctions entered by the Court and four Board reprimands administered in 2016.

Chart 23: Misconduct Committed in the 108 Disciplinary Cases Decided in 2016¹

Types of Misconduct	Number of Cases in Which Sanctions Were Imposed				
	Disbarment	Suspension ²	Probation ³	Censure	Reprimand ⁴
Total Number of Cases:	34	41	18	8	7
Fraudulent or deceptive activity	31	31	7	1	2
Criminal conduct/conviction of the lawyer	15	3	2	1	0
Improper management of client or third party funds, including commingling and conversion	14	14	11	1	3
Failure to communicate with client, including failure to communicate basis of a fee	6	14	6	3	3
Neglect/lack of diligence	6	17	8	1	2
Excessive or unauthorized legal fees, including failure to refund unearned fees	4	5	1	0	1
False statement or failure to respond in bar admission or disciplinary matter	5	11	4	1	1
Failure to provide competent representation	1	2	1	1	0
Offering false evidence, making false statements to a tribunal or improper trial conduct	4	3	1	1	1
Pursuing/filing frivolous or non-meritorious claims or pleadings	0	2	0	0	0
Not abiding by a client's decision concerning the representation or taking unauthorized action on the client's behalf	2	2	1	1	0
Improper withdrawal, including failure to return file	7	5	4	1	1
Conflict of interest (1.7: concurrent clients)	2	5	0	0	0
Conflict of interest (1.8(a): improper business transaction with client)	3	3	0	0	0
Conflict of interest (1.8(c): improper gift from client	0	1	0	0	0
Conflict of interest (1.8(e): improper financial assistance to client	0	0	1	0	0
Conflict of interest (1.9): former client	0	1	0	0	0
Failure to supervise subordinates	0	1	0	0	0
Failure to report discipline in another jurisdiction	0	0	1	1	0
Failure to report criminal conviction under Rule 761	0	1	0	0	0
Misrepresentation to third persons	3	3	1	1	0
Improper commercial speech, including inappropriate written or oral solicitation	0	0	0	0	1
Unauthorized practice in jurisdiction not authorized	0	2	0	0	2
Unauthorized practice after suspension	5	0	1	0	0
Unauthorized practice after removal from the Master Roll	1	3	0	0	0
Stating or implying improper ability to influence authority	0	1	0	0	0
False/reckless statements about integrity of a judge/candidate	1	0	0	0	0
Prosecutorial misconduct	0	0	0	0	1
Assisting nonlawyer in the unauthorized practice of law or improper division of fees/partnership	0	1	0	0	0
Counseling client to engage in fraudulent or criminal activity	0	1	0	0	0

1 Totals exceed 108 cases because in most cases more than one type of misconduct was found.
2 Includes 18 suspensions for a specified period, 11 until further order of the Court and 12 suspensions with conditions.
3 Includes nine suspensions stayed entirely by probation and nine suspensions stayed in part by probation.
4 Includes four Hearing Board reprimands.

2. Non-Disciplinary Actions by the Supreme Court

The Supreme Court also entertains pleadings in non-disciplinary matters that affect an attorney’s status. Chart 24 reflects the orders allowed in such cases in 2016; there were no denials.

Chart 24: Non-Disciplinary Actions by the Supreme Court for 2016

Rule 756(a)(8) Permanent Retirement Status	
Motion to transfer to permanent retirement status allowed	5
Rule 758 Transfer to Disability Inactive Status	
Motion for transfer to disability inactive status allowed.....	3

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

If a practice is closing due to the lawyer's death, disability or disappearance and if “no partner, associate, executor or other responsible party capable of conducting the lawyer's affairs is known to exist,” Supreme Court Rule 776 provides for the appointment of a receiver to inventory the law firm files and fulfill the duties necessary to close the practice. The ARDC has provided assistance to the family, friends and professional colleagues who have undertaken to close a lawyer’s practice. In the event that there is no one to assume this responsibility, the ARDC will seek to be appointed receiver to ensure that clients’ interests are not prejudiced by the lawyer’s absence from the practice. Since 2012, the ARDC has been appointed a receiver of a lawyer’s practice in 19 instances.

ARDC-Appointed Receiverships: 2012-2016

776 Receivership Appointments	2012	2013	2014	2015	2016	Total
	4	5	3	2	5	19

4. Non-Disciplinary Litigation

Staff attorneys represent the Commission, staff, or members of the various boards in a variety of matters generally resulting from disciplinary prosecutions. Most matters involve the defense of a suit challenging the authority of the Commission or seeking injunctive relief or damages allegedly caused by disciplinary decisions. In 2016, two lawsuits were filed against ARDC staff: one, in federal court brought by an out-of-state lawyer who was denied *pro hac vice* admission; and the second, in the Illinois Court of Claims by a disciplined lawyer seeking to be reimbursement for his time and expenses in defending himself in the disciplinary prosecution.

5. Registration and Caseload Trends (2002-2016)

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

Chart 25A: Registration Growth and Disciplinary Investigations (2002-2016)

Year	Registered Attorneys	% of Growth Over Prior Year	Investigations Docketed	Closure By Administrator: No Misconduct Alleged	Closure By Administrator After Investigation	Closure By Inquiry Board After Investigation	Complaint Voted By Inquiry Board*
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
2012	89,330	1.6%	6,397	1,649	4,598	75	273
2013	91,083	2.0%	6,073	1,544	3,974	50	142
2014	92,756	1.8%	5,835	1,442	4,468	46	198
2015	94,128	1.5%	5,554	1,343	3,993	52	158
2016	94,610	0.5%	5,401	1,321	3,967	41	142

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

Chart 25B: Disciplinary and Regulatory Proceedings (2002-2016)

Year	Matters Filed With Supreme Court or Circuit Court	Matters Filed With Hearing Board	Matters Concluded at Hearing Board	Matters Filed With Review Board	Matters Concluded at Review Board	Sanctions Ordered By Supreme Court
2002	35	131	122	36	30	126
2003	53	141	125	35	30	137
2004	32	156	170	45	41	149
2005	41	144	134	28	47	167
2006	33	108	132	25	23	144
2007	37	144	121	32	29	120
2008	36	134	137	31	26	135
2009	39	137	135	30	31	130
2010	49	122	115	27	32	148
2011	45	106	147	35	31	156
2012	30	120	113	36	32	103
2013	40	95	120	29	48	149
2014	31	126	105	29	29	112
2015	28	86	130	31	26	126
2016	34	83	93	21	22	104

6. Duty to Report Lawyer Misconduct: Lawyer Reports: 2002-2016

IRPC 8.3 requires a lawyer who knows that another lawyer has committed a violation of Rule 8.4(b) or Rule 8.4(c) or that a judge has committed a violation of applicable rules of judicial conduct that raises a substantial question as to the judge's fitness for office shall inform the appropriate authority. Otherwise referred to as a "Himmel" report, the ARDC received 583 reports in 2015, an average of 526 reports each year.

A little over 25% of the formal disciplinary caseload between 2002 and 2016 included at least one charge generated as a result of a lawyer or judge filing an attorney report. In 2016, 67 attorney reports were made involving the alleged misconduct of 54 attorneys. 47.2% of formal disciplinary complaints filed in 2016 arose out of an attorney report, a significant increase over the prior year and the highest percentage since 1992. Since 2007, formal complaints based at least in part on information received from an attorney have increased significantly and average 31% of formal complaints. *See 2007 Annual Report of the ARDC*, pages 25-27, for attorney report statistics between 1988 and 2007.

Chart 26 tracks attorney report filings for the past fifteen years from 2002 through 2016.

Chart 26: Attorney Reports: 2002-2016

Year	Number of Grievances	Number of Attorney Reports	Percent of Attorney Reports to Grievances	Number of Grievances Voted into Complaints	Number of Attorney Reports Voted into Complaints	Percent of Attorney Reports to Formal Complaints
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%
2012	6,397	651	10.2%	273	86	31.5%
2013	6,073	485	9.2%	144	48	33.3%
2014	5,835	581	9.4%	199	52	26.1%
2015	5,554	583	9.4%	159	62	39.2%
2016	5,401	606	11.1%	142	67	47.2%
Totals for 2002-2016	89,213	7,794	--	3,623	853	--
Average For 2002-2016	5,948	520	8.7%	242	57	25.6%

IV. Client Protection Program Report

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

The Program is funded by an annual assessment paid by most Active status lawyers and remitted to the Client Protection Program Trust Fund. Rule 756 sets the assessment amount at \$25 per lawyer. The maximum per-award limit is \$100,000 and the per-lawyer limit is \$1 million. In 2016, the Program collected \$2,003,636 (\$1,820,135 in assessments, \$175,165 in reimbursement, and \$8,336 in interest).

In 2016, the Commission approved payment of \$3,094,187 on 146 claims against 48 lawyers, of which over \$1.4 million was paid out in 2016 as the result of the misconduct of two disciplined lawyers as summarized below. Thirteen approvals were for the \$100,000 maximum and 37 were for \$2,500 or less.

- \$732,230 paid on claims against Jordan Margolis, disbarred in January 2015 (M.R. 27003), for stealing clients' workers' compensation and personal injury settlements. He is being prosecuted in the Illinois circuit court for the thefts.
- \$723,833 paid on claims against Vito Evola, disbarred in January 2015 (M.R. 26987) for theft from clients and estates. He was convicted in federal court and sentenced to five years for the thefts.

As Chart 27A shows, in 2016 Program awards exceeded income. The Program was able to pay \$3,094,187 in claims in full up to the Program cap limits by drawing on the reserve that has accrued since the Court set the \$25 per lawyer annual assessment for the Program.

Chart 27A: Client Protection Program Claims: 2002-2016

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
2012	350	70	124	34	\$986,771
2013	256	247	91	38	\$2,016,669
2014	256	95	106	40	\$1,300,775
2015	541	366	152	34	\$2,488,651
2016	277	146	132	48	\$3,094,187

The amount paid out in the last four years has increased significantly. The average total amount paid between 2011 and 2016 was \$1,815,511 compared with the average total amount paid of \$736,486 between 2002 and 2010. Payouts were made possible by prudent management of the reserve.

Chart 27B below provides a summary of the claims approved in 2016, by type of misconduct and area of law. For the types of misconduct involved in the 146 approved claims, the type of misconduct asserted was equally divided between claims of unearned fees and conversion claims.

Chart 27B: Classification of Approved Client Protection Claims in 2016

Type of Misconduct:	
Charging excessive fee or failure to refund unearned fees	72
Conversion.....	72
Improper Loan	2
Area of Law	
Tort.....	46
Real Estate/Loan Mod	38
Labor/Workers' Comp.....	19
Probate/Trusts.....	13
Bankruptcy/Debt Negotiation	7
Immigration	7
Criminal/Quasi criminal	7
Domestic Relations.....	4
Debt Collection.....	2
Contract	1
Corporate	1
Patent & Trademark.....	1

V. Recent Developments

A. Amended Rules Regulating the Legal Profession in Illinois

Among the amendments adopted by the Illinois Supreme Court in 2016 to the Supreme Court Rules governing the legal profession and Rules of Professional Conduct are as follows:

1. *Proactive Management Based Regulation (PMBR): New Supreme Court Rule 756(e)(2) (amended Jan. 25, 2017, eff. immediately).*

On January 25, 2017, the Illinois Supreme Court amended Supreme Court Rule 756 to add new subparagraph (e)(2) in adopting the Proactive Management Based Regulation (PMBR) initiative. Beginning with the registration process for 2018, every lawyer who discloses that he or she does not have malpractice insurance and who is engaged in the private practice of law shall complete a self-assessment of the operation of his or her law practice or shall obtain malpractice insurance and report that fact, as a requirement of registering in the year following. The lawyer must take a self-assessment interactive on-line education program provided by the ARDC. The self-assessment shall be designed to allow the lawyer to earn four hours of MCLE professional responsibility credit at no cost and to provide the lawyer with results of the self-assessment and resources for the lawyer to use to address any issues raised by the self-assessment. All information related to the self-assessment shall be confidential, except for the fact of completion of the self-assessment.

Illinois attorneys in private practice who do not have malpractice insurance or do not complete the self-assessment will not be able to register to practice law in 2019. Self-assessment will require lawyers to demonstrate that they have reviewed the operations of their firm based upon both lawyer ethics rules and best business practices. Lawyers who do not maintain malpractice insurance must complete a self-assessment with the ARDC every two years. Other lawyers are encouraged to self-assess as well. Lawyers who participate in the PMBR self-assessment will earn MCLE credits at no cost.

2. *CLE Requirement of Diversity/Inclusion and Mental Health/Substance Abuse: Supreme Court Rule 794(d) (amended April 3, 2017, eff. July 1, 2017).*

On April 3, 2017, the Illinois Supreme Court amended Supreme Court Rule 794(d) to require all Illinois lawyers subject to the MCLE requirements complete one hour of diversity and inclusion CLE and one hour of mental health and substance abuse CLE as part of the professional responsibility CLE requirement. The amendment does not affect the total number of hours required to fulfill the professional responsibility requirement, which remains at six, or the total number of CLE credits required in each two-year reporting period, which remains at 30. Lawyers may alternatively continue to fulfill the required six hours of professional responsibility CLE by completing the Illinois Supreme Court Commission on Professionalism's Lawyer-to-Lawyer Mentoring Program, as set forth in Illinois Supreme Court Rule 795(d)(11). The rule change will go into effect on July 1, 2017, and begins with attorneys with the two-year reporting period ending June 30, 2019.

3. *Post-Karavidas Amendments: Amended Supreme Court Rules 752 and 770 (amended Dec. 7, 2011, eff. immediately; amended Jan. 25, 2017, eff. immediately)*

The amendments to Supreme Court Rules 752 (“Administrator”) and 770 (“Types of Discipline”) are intended to bring those rules into conformity with the Court’s decision in *In re Karavidas*, 2013 IL 115767 (Nov. 13, 2013) which held that a lawyer’s conduct can only be subject to discipline if the misconduct violates at least one of the Rules of Professional Conduct. The amendments eliminate “conduct which tends to defeat the administration of justice” or “bring the courts or the legal profession into disrepute” language in both rules as a basis for discipline. A concomitant change was made to the definition of misconduct under ARDC Commission Rule 2 (“Definitions”).

4. *Additional Practice Related Information: Amended Supreme Court Rules 756(e) and (g) (amended June 15, 2016, eff. immediately)*

Most lawyers obliged to register each year are required to provide all information specified under paragraphs (c) through (g) of Supreme Court Rule 756. On April 1, 2016, the Court amended Supreme Court Rule 756 to require lawyers to provide the following practice information during the registration process:

- Position within the law firm entity at which the lawyer practices: Rule 756(g);
- Whether the entity has an ethics or compliance officer or general counsel: Rule 756(g); and
- Reasons why the lawyer does not have malpractice insurance: Rule 756(e).

An attorney’s registration is not complete until all information required by Rule 756 is submitted. Except as otherwise provided in Supreme Court Rule 756 or 766, information disclosed under paragraphs (c) through (g) is confidential and is not reported as part of a lawyer’s individual listing under “Lawyer Search” on the ARDC website (www.iardc.org). Malpractice insurance information, however, is shown in the Lawyer Search section of the ARDC website along with each lawyer’s public registration information; the reason(s) why the lawyer has no malpractice insurance is confidential under Rule 756.

5. *New Commission Rule on Diversion – Com. Rules 56 and 54 (adopted Sept. 26, 2016, eff. Nov. 18, 2016)*

In September 2016, the Court approved new ARDC Commission Rule 56 (“Diversion”) and amended ARDC Commission Rule 54 (“Closure by Administrator”) which allow for the closure of an investigation by the ARDC in certain matters if the lawyer agrees to complete one or more activities, services or programs that address the issues that may be causing grievances.

Under ARDC Rule 56(a), diversion is available in all circumstances, except those involving misappropriation, certain criminal acts, unreimbursed injury, and dishonesty, fraud, deceit or misrepresentation. The objective of the diversion program is to encourage early identification and resolution of issues that negatively affect an attorney’s ability to properly represent clients and that contribute to grievances. The diversion program is more flexible than deferral under ARDC Rule 108, which requires admission of misconduct by the attorney and approval by the Inquiry Board. Diversion offers incentives to an attorney to enter into an agreement, including the immediate closure of the investigation and the offering of resources for the attorney to improve practices, and will encourage attorneys to enter into diversion agreements.

B. Paperless Initiative at the ARDC

The ARDC continued its efforts in 2016 towards becoming paperless. An important step has been to implement an office policy to scan all incoming documents in pending matters and capture them into an electronic document management system. Also, all files of closed matters, previously kept in storage, have been scanned and digitalized thereby eliminating off-site storage costs. The ARDC litigation staff is also utilizing more technology in proceedings to not just eliminate paper but also make the proceedings move more efficiently and effectively. The ARDC's Clerk's Office has also begun to electronically record all uncontested proceedings and prehearings thereby eliminating the need for the presence of a court reporter. The next step on this path to paperless is to establish the e-filing of pleadings with the ARDC Clerk's Office for all disciplinary proceedings. Since April 2016, the Clerk of the ARDC maintains only an electronic record of all proceedings and designates the electronic record as the official record of proceedings. The Clerk disposes of paper copies of documents filed as part of the electronic record. This change was made in accordance with Commission Rule 237 Master File (eff. Jan 1, 2016), and Illinois Supreme Court directives to make e-service and e-filing the norm throughout Illinois courts by January 1, 2018.

C. A Look Ahead: The Illinois Bar in 2017

Responses to the Law Practice Registration Questions for the 2017 Registration Year

Beginning with the 2017 registration year, lawyers are required to provide practice information to three additional areas: the lawyer's position and responsibility within the entity at which the lawyer practices law and if the lawyer does not provide malpractice the reason(s) why no such insurance is maintained. Of the 70,177 with an Active status license and actively engaged in the practice of law. The top five reasons given are below. The most often cited reason by lawyers as to why they had no malpractice was the perception of the lawyer that he or she was at minimum risk for being sued in malpractice.

“No” Responses to Malpractice Coverage Question in 2017 Registration*: Top Five Reasons**

Reason for No Malpractice	% of Responses
Nature of practice involves minimal risk of liability	35.2%
Cost of malpractice insurance too high	10.5%
Assets adequately protected without malpractice insurance	4.2%
Assets insufficient to require malpractice insurance protection	3.0%
Never considered or deferred consideration of malpractice insurance	2.1%

*Preliminary figures taken from the 70,177 responses for the 2017 registration year from lawyers with an Active status license and who indicated that they are currently practicing law. Of those 70,177 lawyers, 47,110 reported malpractice (67.1%) and 23,067 stated they had no such insurance (32.9%).

**Some lawyers entered more than one reason.

VI. Appointments

A. ARDC Commissioners

1. *Joan Eagle Completes Term as ARDC Commissioner*

Joan Eagle completed her term as a lawyer member Commissioner on December 31, 2016. A Commissioner since 2008, Ms. Eagle served as Chairperson of the Commission between 2013 and 2015 and earlier as Vice-chairperson, the first woman to serve in those capacities. Ms. Eagle is a partner in the Chicago law firm of *Klein, Dub & Holleb, Ltd.* She is a graduate of the University of Michigan with both Bachelor of Music and Master of Music degrees and received her J.D. from the IIT Chicago-Kent College of Law. Ms. Eagle has made many valuable contributions to the Commission during her tenure including the Commission's diversity and inclusion initiative. She has been designated to serve as a Commissioner Emeritus and will continue to assist the Commission's outreach efforts to community organizations including the acquisition of artwork for Commission's offices from organizations that work with the developmentally disabled and economically disadvantaged.

2. *John H. Simpson Appointed as Commissioner*

John H. Simpson was appointed as a lawyer Commissioner beginning January 1, 2017. Mr. Simpson has over 30 years of experience as an investment banker and financial services executive and is currently a partner in Broadhaven Capital Partners. He previously practiced law with *Cravath, Swaine & Moore* in New York. Mr. Simpson is a member of the Board of Directors of Lurie Children's Hospital, a member of the Chicago Police Board, the civilian supervisory body for the Chicago Police Department, and a member of the Board of Regents of Loyola University. Mr. Simpson is a graduate of Williams College and Harvard Law School where he was an editor of the Harvard Law Review.

VII. Financial Report

The ARDC engaged the services of Legacy Professionals LLP to conduct an independent financial audit as required by Supreme Court Rule 751(e)(6). The audited financial statements for the year ended December 31, 2016, including comparative data from the 2015 audited statements are attached. In addition, a five-year summary of revenues and expenditures as reported in the audited statements appears after the text in this section. The ARDC is also subject to a bi-annual financial statement audit conducted by the State of Illinois Office of the Auditor General (OAG). The OAG audit report for the two years ended December 31, 2015 can be found on the OAG website at www.auditor.illinois.gov. The next OAG audit report will be issued in 2018 and will cover the two years ended December 31, 2017.

The ARDC has successfully maintained its operations through careful expense management, which has more than offset the negative revenue impact from historically low interest rates. The Commission estimates that it has suffered an opportunity loss of at least \$750,000/year due to the low interest rate environment.

While recent economic conditions have been very challenging, the number of registered attorneys increased by 1.5% from 2014 to 2015 and 0.5% from 2015 to 2016. Due to changing demographics, we may begin to see a plateauing in the total number of fee-paying attorneys.

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

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

The total fee paid by attorneys admitted for more than three years was \$382 in 2016. The \$382 fee was allocated as follows:

- ARDC - \$230;
- Lawyers Trust Fund - \$95;
- Commission on Professionalism - \$25;
- Client Protection Program - \$25; and
- Lawyers Assistance Program - \$7.

The fee paid to the ARDC by inactive attorneys, Rule 707 attorneys and attorneys admitted between one and three years was \$121 in 2016.

Since 2007, funding for Client Protection Program (CPP) award payments comes from the \$25 allocation referenced above. During 2009, the ARDC determined that CPP expenses should also be paid from that separate Client Protection Fund instead of the ARDC Disciplinary Fund. For 2016 and 2015, the Client Protection Fund reimbursed the Disciplinary Fund \$292,863 and \$286,324 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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
REVENUE					
Investment income					
Interest	\$ 325,337	\$ 215,925	\$ 139,202	\$ 150,964	\$ 192,312
Net gain (loss) on investments	63,101	(86,873)	6,534	45,672	(39,294)
Registration and program fees	21,588,524	21,241,739	18,118,805	17,476,037	17,150,269
Cost reimbursements collected	111,971	82,782	70,810	84,500	65,825
Administrative expense reimbursement from Client Protection Program	292,863	286,324	276,869	283,541	275,656
Client Protection Program reimbursements	<u>175,165</u>	<u>16,355</u>	<u>96,781</u>	<u>97,160</u>	<u>276,367</u>
Total revenue	<u>22,556,961</u>	<u>21,756,252</u>	<u>18,709,001</u>	<u>18,137,874</u>	<u>17,921,135</u>
EXPENSES					
Salaries and related expenses	11,889,727	11,933,845	11,439,028	11,393,488	11,278,544
Travel expenses	127,337	130,279	113,327	151,290	156,608
Library and continuing education	150,463	143,206	108,280	144,083	148,002
General expenses and office support	2,388,365	2,299,321	2,052,396	2,096,892	1,782,941
Computer expense	542,478	479,508	403,897	476,557	452,254
Other professional and case-related expenses	636,352	835,666	821,595	699,562	778,186
Client Protection Program direct expenses	3,098,343	2,496,544	1,307,599	2,024,420	993,212
Administrative expense reimbursement to Registration and Discipline	292,863	286,324	276,869	283,541	275,656
Depreciation and amortization expense	<u>390,611</u>	<u>412,451</u>	<u>669,653</u>	<u>625,317</u>	<u>475,650</u>
Total expenses	<u>19,516,539</u>	<u>19,017,144</u>	<u>17,192,644</u>	<u>17,895,150</u>	<u>16,341,053</u>
CHANGE IN NET ASSETS	3,040,422	2,739,108	1,516,357	242,724	1,580,082
UNRESTRICTED NET ASSETS					
Beginning of year	<u>26,121,018</u>	<u>23,381,910</u>	<u>21,865,553</u>	<u>21,622,829</u>	<u>20,042,747</u>
End of year	<u>\$ 29,161,440</u>	<u>\$ 26,121,018</u>	<u>\$ 23,381,910</u>	<u>\$ 21,865,553</u>	<u>\$ 21,622,829</u>
OTHER INFORMATION AT YEAR END					
Number of active and registered attorneys	94,461	93,824	92,750	90,774	89,927
Registration fees					
More than one year and less than three years	\$ 121	\$ 121	\$ 105	\$ 105	\$ 105
More than three years	\$ 230	\$ 230	\$ 200	\$ 200	\$ 200
Inactive/out of state	\$ 121	\$ 121	\$ 105	\$ 105	\$ 105

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

FINANCIAL STATEMENTS

DECEMBER 31, 2016

REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying financial statements of Attorney Registration and Disciplinary Commission of the Supreme Court of Illinois (the Commission), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Attorney Registration and Disciplinary Commission of the Supreme Court of Illinois as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Legacy Professionals LLP

Chicago, Illinois

April 26, 2017

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

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

ASSETS	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,686,963	\$ 2,655,887
Short-term investments	30,171,653	29,010,659
Accrued interest receivable	49,478	38,367
Accounts receivable	463	3,342
Prepaid expenses and deposits	200,680	48,752
Total current assets	<u>33,109,237</u>	<u>31,757,007</u>
PROPERTY AND EQUIPMENT - net	2,019,338	2,284,283
LONG-TERM INVESTMENTS	<u>18,812,020</u>	<u>17,843,378</u>
Total assets	<u>\$ 53,940,595</u>	<u>\$ 51,884,668</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and other accruals	\$ 304,613	\$ 1,123,684
Amounts held for others	4,139,013	3,945,897
Accrued vacation	460,982	441,734
Deferred registration and program fees	16,258,397	16,630,854
Postretirement benefit obligation - current portion	28,511	14,028
Deposits	4,000	2,500
Total current liabilities	<u>21,195,516</u>	<u>22,158,697</u>
LONG-TERM LIABILITIES		
Postretirement benefit obligation - net of current portion	1,804,413	1,703,471
Deferred rent expense	1,779,226	1,901,482
Total long-term liabilities	<u>3,583,639</u>	<u>3,604,953</u>
Total liabilities	<u>24,779,155</u>	<u>25,763,650</u>
UNRESTRICTED NET ASSETS	<u>29,161,440</u>	<u>26,121,018</u>
Total liabilities and net assets	<u>\$ 53,940,595</u>	<u>\$ 51,884,668</u>

See accompanying notes to financial statements.

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

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015

	2016		2015	
	Registration and Discipline	Client Protection Program	Total	Total
REVENUE				
Investment income				
Interest	\$ 316,973	\$ 8,364	\$ 325,337	\$ 215,925
Net gain (loss) on investments	63,128	(27)	63,101	(86,873)
Total investment income	380,101	8,337	388,438	129,052
Registration and program fees	19,768,389	1,820,135	21,588,524	21,241,739
Cost reimbursements collected	111,971	-	111,971	82,782
Administrative expense reimbursement from Client Protection Program	292,863	-	292,863	286,324
Client Protection Program reimbursements	-	175,165	175,165	16,355
Total revenue	20,553,324	2,003,637	22,556,961	21,756,252
EXPENSES				
Salaries and related expenses	11,889,727	-	11,889,727	11,933,845
Travel expenses	127,337	-	127,337	130,279
Library and continuing education	150,463	-	150,463	143,206
General expenses and office support	2,388,365	-	2,388,365	2,299,321
Computer expense	542,478	-	542,478	479,508
Other professional and case-related expenses	636,352	-	636,352	835,666
Client Protection Program direct expenses				
Awards	-	3,094,188	3,094,188	2,490,608
Administrative	-	4,155	4,155	5,936
Administrative expense reimbursement to Registration and Discipline	-	292,863	292,863	286,324
Depreciation and amortization expense	390,611	-	390,611	412,451
Total expenses	16,125,333	3,391,206	19,516,539	19,017,144
CHANGE IN NET ASSETS	4,427,991	(1,387,569)	3,040,422	2,739,108
UNRESTRICTED NET ASSETS				
Beginning of year	23,724,357	2,396,661	26,121,018	23,381,910
End of year	\$ 28,152,348	\$ 1,009,092	\$ 29,161,440	\$ 26,121,018

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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,040,422	\$ 2,739,108
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net (gain) loss on investments	(63,101)	86,873
Depreciation and amortization expense	390,611	412,451
Change in assets and liabilities		
Accounts receivable and accrued interest receivable	(8,232)	(15,093)
Prepaid expenses and deposits	(151,928)	31,889
Accounts payable and other accruals	(819,071)	764,859
Amounts held for others	193,116	91,576
Accrued vacation	19,248	(6,894)
Deferred registration and program fees	(372,457)	420,755
Deposits	1,500	(2,500)
Postretirement benefit obligation	115,425	220,348
Deferred rent expense	<u>(122,256)</u>	<u>106,948</u>
Net cash provided by operating activities	<u>2,223,277</u>	<u>4,850,320</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(34,760,496)	(30,793,613)
Maturities of investment securities	32,693,961	26,141,450
Purchases of property and equipment	<u>(125,666)</u>	<u>(511)</u>
Net cash (used in) investing activities	<u>(2,192,201)</u>	<u>(4,652,674)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	31,076	197,646
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>2,655,887</u>	<u>2,458,241</u>
End of year	<u>\$ 2,686,963</u>	<u>\$ 2,655,887</u>

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 1. GENERAL PURPOSE DESCRIPTION

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

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

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

NOTE 1. GENERAL PURPOSE DESCRIPTION (CONTINUED)

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, temporarily restricted and permanently restricted. The Commission does not have any temporarily or permanently restricted net assets.

A breakdown by program in the statements of activities is provided for 2016 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 statements of cash flows, cash and cash equivalents include all deposits in checking and savings accounts.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable - Cost Reimbursements and Client Protection Program

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

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

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

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

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

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

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

Amounts Held for Others - Amounts held for others at December 31, 2016 and 2015 consist of funds collected for the Illinois Lawyers' Assistance Program in the amount of \$317,318 and \$216,730 respectively; the Lawyers Trust Fund of Illinois in the amount of \$3,017,112 and \$2,941,226 respectively; the Illinois Supreme Court Commission on Professionalism in the amount of \$793,933 and \$773,995 respectively; and the Illinois Supreme Court Commission on Access to Justice in the amount of \$10,650 and \$13,946 respectively. All amounts were remitted subsequent to year end.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2016 and 2015 were \$4,000 and \$2,500 respectively.

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

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

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).

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

Subsequent Events - Subsequent events have been evaluated through April 26, 2017, 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, 2016 and 2015, 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

The following tables represent an analysis of the Commission's functional expenses, by natural classification, for the years ended December 31, 2016 and 2015:

	2016			
	Program			Total
	Registration and Discipline	Client Protection	Administration and Support	
Salaries and related expenses	\$ 9,521,144	\$ 233,696	\$ 2,134,887	\$ 11,889,727
Travel expense	97,484	1,051	28,802	127,337
Library and continuing education	119,207	2,394	28,862	150,463
General expenses and office support	1,910,806	36,576	440,983	2,388,365
Computer expense	429,791	8,629	104,058	542,478
Other professional and case-related expenses	580,185	4,302	51,865	636,352
Client Protection Program direct expenses:				
Awards	-	3,094,188	-	3,094,188
Administrative	-	4,155	-	4,155
Administrative expense reimbursement to Registration and Discipline	-	-	292,863	292,863
Depreciation and amortization expense	309,469	6,215	74,927	390,611
Total	<u>\$ 12,968,086</u>	<u>\$ 3,391,206</u>	<u>\$ 3,157,247</u>	<u>\$ 19,516,539</u>

NOTE 4. FUNCTIONAL EXPENSES BY NATURAL CLASSIFICATION (CONTINUED)

	2015			
	Program			Total
	Registration and Discipline	Client Protection	Administration and Support	
Salaries and related expenses	\$ 9,471,492	\$ 230,636	\$ 2,231,717	\$ 11,933,845
Travel expense	102,243	940	27,096	130,279
Library and continuing education	114,898	2,247	26,061	143,206
General expenses and office support	1,863,465	34,647	401,209	2,299,321
Computer expense	384,726	7,523	87,259	479,508
Other professional and case-related expenses	787,029	3,860	44,777	835,666
Client Protection Program direct expenses:				
Awards	-	2,490,608	-	2,490,608
Administrative	-	5,936	-	5,936
Administrative expense reimbursement to Registration and Discipline	-	-	286,324	286,324
Depreciation and amortization expense	330,922	6,471	75,058	412,451
Total	<u>\$ 13,054,775</u>	<u>\$ 2,782,868</u>	<u>\$ 3,179,501</u>	<u>\$ 19,017,144</u>

NOTE 5. INVESTMENTS

The following summary presents the fair value of each of the investment categories:

	<u>2016</u>	<u>2015</u>
Short-term		
U.S. Treasury notes and bills	\$ 8,600,829	\$ 9,446,162
U.S. bank certificates	9,561,000	8,786,000
Money market funds	10,749,748	9,645,935
Mutual funds and exchange traded funds	1,260,076	1,132,562
	<u>30,171,653</u>	<u>29,010,659</u>
Long-term		
U.S. Treasury notes and bills	9,526,020	8,564,378
U.S. bank certificates	9,286,000	9,279,000
	<u>18,812,020</u>	<u>17,843,378</u>
Total	<u>\$ 48,983,673</u>	<u>\$ 46,854,037</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, 2016 and 2015. 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 within Level 3 at either December 31, 2016 or 2015.

	Total	Fair Value Measurements at 12/31/16 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury notes and bills	\$ 18,126,849	\$ 18,126,849	\$ -	\$ -
U.S. bank certificates	18,847,000	-	18,847,000	-
Money market funds	10,749,748	10,749,748	-	-
Mutual funds and exchange traded funds				
Fixed income	740,349	740,349	-	-
Equity:				
Small cap	68,954	68,954	-	-
Mid cap	69,007	69,007	-	-
Large cap	276,577	276,577	-	-
Emerging market	105,189	105,189	-	-
Total	<u>\$ 48,983,673</u>	<u>\$ 30,136,673</u>	<u>\$ 18,847,000</u>	<u>\$ -</u>

NOTE 6. FAIR VALUE MEASUREMENTS (CONTINUED)

	Total	Fair Value Measurements at 12/31/15 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury notes and bills	\$ 18,010,540	\$ 18,010,540	\$ -	\$ -
U.S. bank certificates	18,065,000	-	18,065,000	-
Money market funds	9,645,935	9,645,935	-	-
Mutual funds and exchange traded funds				
Fixed income	661,815	661,815	-	-
Equity:				
Small cap	61,171	61,171	-	-
Mid cap	61,943	61,943	-	-
Large cap	257,637	257,637	-	-
International	89,996	89,996	-	-
Total	<u>\$ 46,854,037</u>	<u>\$ 28,789,037</u>	<u>\$ 18,065,000</u>	<u>\$ -</u>

Level 1 Measurements

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

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

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

Level 2 Measurements

U.S. bank certificates are valued at cost which approximates fair value due to their liquid or short-term nature. At December 31, 2016, the U.S. bank certificates had interest rates ranging from 0.70% to 1.50% with maturity dates between January 2017 and January 2019. At December 31, 2015, the U.S. bank certificates had interest rates ranging from 0.25% to 1.50% with maturity dates between January 2016 and August 2018.

NOTE 7. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Office furniture and equipment	\$ 1,159,037	\$ 1,198,972
Computer and related equipment	2,840,573	2,784,509
Library	35,225	52,569
Leasehold improvements	<u>2,471,949</u>	<u>2,471,949</u>
	6,506,784	6,507,999
Less accumulated depreciation and amortization	<u>(4,487,446)</u>	<u>(4,223,716)</u>
Property and equipment - net	<u>\$ 2,019,338</u>	<u>\$ 2,284,283</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 calls for monthly payments for pro-rata operating expenses and real estate taxes in addition to the scheduled rent payments. In addition, the original lease provided 32 months of “free rent” with the first rent payment made on January 1, 1996. Under the terms of an amendment, base rent was reduced from December 2003 through May 2008, and the landlord provided certain rent concessions which were fully applied as of December 31, 2012. The Commission is also receiving an allowance for leasehold improvements and other rent concessions between January 2012 and December 2017.

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

Rent expense under all lease agreements was \$1,351,162 in 2016 and \$1,200,956 in 2015.

NOTE 8. LEASE COMMITMENTS (CONTINUED)

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

	<u>Springfield</u>	<u>Chicago</u>	<u>Total</u>
Year ending December 31,			
2017	\$ 105,513	\$ 103,422	\$ 208,935
2018	107,623	729,558	837,181
2019	109,776	747,806	857,582
2020	111,971	766,660	878,631
2021	114,211	785,835	900,046
Thereafter	<u>713,072</u>	<u>4,607,824</u>	<u>5,320,896</u>
Total	<u>\$ 1,262,166</u>	<u>\$ 7,741,105</u>	<u>\$ 9,003,271</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 certain Commission employees were ineligible for benefits.

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

The following sets forth information with respect to this benefit obligation as of and for the years ended December 31, 2016 and 2015. The benefit obligation at December 31, 2016 was estimated by Commission management, and was actuarially determined by Towers Watson for 2015.

	<u>2016</u>	<u>2015</u>
Benefit obligation at beginning of year	\$ 1,717,499	\$ 1,497,151
Service cost	71,770	59,552
Interest cost	86,002	64,097
Benefits paid	(14,774)	(14,029)
Actuarial loss (gain)	<u>(27,573)</u>	<u>110,728</u>
Benefit obligation at end year	<u>\$ 1,832,924</u>	<u>\$ 1,717,499</u>

NOTE 9. POSTRETIREMENT BENEFIT OBLIGATION (CONTINUED)

Net periodic benefit costs for 2016 and 2015 are comprised of the following:

	<u>2016</u>	<u>2015</u>
Service cost	\$ 71,770	\$ 59,552
Interest cost	86,002	64,097
Actuarial loss (gain)	<u>(27,573)</u>	<u>110,728</u>
Net periodic benefit cost	<u>\$ 130,199</u>	<u>\$ 234,377</u>

The key assumptions are as follows:

Actuarial cost method	Projected unit credit method
Mortality table	RP-2014 Employee and Annuitant
Discount rate	4%
Retirement age	Between ages 55 and 65
Medical trend rate ultimate	5%

Assumed health care cost trend rates can have a significant effect on the amounts reported for health care benefits. The actuary noted in its 2015 valuation that the effect of a 1% increase in health care cost trend rates (medical trend ultimate) would be an increase of \$8,338 on total service cost and interest cost components and an increase of \$113,999 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:

2017	\$ 28,511
2018	33,101
2019	34,907
2020	39,460
2021	44,577
2022 - 2026	<u>458,939</u>
Total	<u>\$ 639,495</u>

NOTE 9. POSTRETIREMENT BENEFIT OBLIGATION (CONTINUED)

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 \$1,755,950 and \$1,575,949 at December 31, 2016 and 2015, 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 \$1,504,615 in 2016 and \$1,488,873 in 2015. The Commission also pays the plan's administrative expenses, which totaled \$154,379 in 2016 and \$169,880 in 2015.

The Commission also maintains a Section 457 savings plan which is primarily funded by voluntary pre-tax employee contributions. The Commission paid the savings plan's administrative expenses, which totaled \$3,200 in 2016 and \$3,900 in 2015. Effective January 1, 2015, the Commission began matching employee contributions at the rate of 10% of the employee deferral amount, subject to an annual cap of \$500 per employee. The matching formula was changed to 50% effective January 1, 2017, but subject to the same annual cap of \$500 per employee. Matching contributions totaled \$20,970 in 2016 and \$20,983 in 2015.

NOTE 11. LITIGATION

Various complaints and actions are periodically filed against the Commission. At December 31, 2016, the Commission believes that pending matters do not present any serious prospect for negative financial consequences.

NOTE 12. RISKS AND UNCERTAINTIES

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

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

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