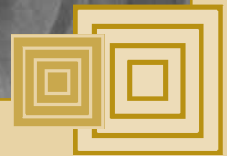




THE SUPREME COURT *of* OHIO



ATTORNEY SERVICES FUND
Annual Report
2010



THE SUPREME COURT *of* OHIO

ATTORNEY SERVICES FUND ANNUAL REPORT

Summary of Activity for Fiscal Year 2010
and Report on Allocations for Fiscal Year 2011

OCTOBER 2010



PRESENTED TO:

ERIC BROWN

CHIEF JUSTICE

PAUL E. PFEIFER

EVELYN LUNDBERG STRATTON

MAUREEN O'CONNOR

TERRENCE O'DONNELL

JUDITH ANN LANZINGER

ROBERT R. CUPP

JUSTICES

PRESENTED BY:

STEVEN C. HOLLON

ADMINISTRATIVE DIRECTOR

SUSAN B. CHRISTOFF

DIRECTOR OF ATTORNEY SERVICES

OFFICE OF ATTORNEY SERVICES

PREPARED BY:

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CLE SPECIALIST

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ATTORNEY SERVICES SPECIALIST

TAMMY WHITE

ATTORNEY SERVICES COORDINATOR

SHEILA WOODS

ATTORNEY SERVICES SPECIALIST

THE SUPREME COURT *of* OHIO

To: Chief Justice Eric Brown and Justices
Members of the Ohio Bar
Members of the Public

This annual report provides a summary of the activity of the Attorney Services Fund for Fiscal Year 2010 (July 1, 2009 – June 30, 2010), and sets out budget allocations as approved by the Supreme Court for Fiscal Year 2011 (July 1, 2010 – June 30, 2011).

The report includes a review of the Attorney Services Fund's balance and projections, audit information and investment policy. This information is provided for informational purposes only and is not to be considered a final or complete audit or financial statement of activity during the period covered in the report. The Auditor of State conducts an audit of the Attorney Services Fund as part of the regular biennial audit of the Supreme Court.

Respectfully submitted,



Steven C. Hollon, Esq.
Administrative Director



Susan B. Christoff, Esq.
Director of Attorney Services



I. Attorney Services Fund; Registration Requirements and Fees

Article IV of the Ohio Constitution vests plenary authority with the Supreme Court to regulate all aspects of the practice of law in Ohio, including the discipline of persons admitted to the practice of law. In furtherance of this responsibility and in order to maintain an independent and self-funded regulatory system, the Court assesses and collects various fees and other moneys pursuant to the Supreme Court Rules for the Government of the Bar of Ohio. All moneys collected pursuant to those rules, other than those related to the bar admissions process, are deposited in the Attorney Services Fund (“Fund”).

Biennial Registration Requirements and Fees

Rule VI of the Supreme Court Rules for the Government of the Bar of Ohio (“Gov. Bar R. VI”) imposes a biennial registration requirement on each attorney practicing law in the state of Ohio. Each attorney licensed to practice law in the state, except for attorneys who are on inactive or retired status, and each non-Ohio attorney registered for corporate status must register with the Court on or before the first day of September in each odd-numbered year. Each active attorney and each non-Ohio attorney registered for corporate status is required to pay a \$350 registration fee at the time of the attorney’s biennial registration. Registration fees are reduced or waived for attorneys who are admitted to practice in the second year of the registration biennium.

The Supreme Court imposes monetary sanctions on attorneys who fail to register timely with the Court. Gov. Bar R. VI imposes a late registration fee of \$50 on any attorney who fails to register with the Court by the due date. An attorney who remains unregistered more than 60 days after the due date is summarily suspended from the practice of law and must register, pay all outstanding registration fees, and pay a \$300 fee to be reinstated to the practice of law.

Attorney Services Fund

All registration, late registration and reinstatement fees are paid into the Fund. The Fund also receives revenue from a variety of other sources pursuant to the Rules for the Government of the Bar, including cost reimbursements from disciplined attorneys, civil penalties and costs assessed against persons who are found to have engaged in the unauthorized practice of law, and income from the investment of moneys deposited in the Fund. Pursuant to Gov. Bar R. VI, Section 7(A), the moneys in the Fund are used to fund the disciplinary process; support the activities of the Clients’ Security Fund, the Commission on Continuing Legal Education and the Board on the Unauthorized Practice of Law; fund any activity considered necessary by the Supreme Court for the government of the bar and the judiciary of Ohio; and fund any activities related to the administration of justice considered necessary by the Supreme Court.

Schedule 1 (*see page 7*) of this report contains a summary of Fund expenditures for Fiscal Years 2009 and 2010 and allocations for Fiscal Year 2011.¹

¹The budget allocation for Fiscal Year 2010 was restated to accommodate an increase in the operations budget for the Clients’ Security Fund due to higher than planned employer-provided fringe benefits for that office.

II. Summary of Fund Activity in Fiscal Year 2010

In Fiscal Year 2010, \$7,243,469 was expended from the Attorney Services Fund.

Disciplinary-Related Expenses

In Fiscal Year 2010, \$5,055,123 (69.8 percent) of total Fund expenditures was used to fund the disciplinary process established by the Court in Gov. Bar R. V. Of this amount, \$2,533,882 was expended by the Office of Disciplinary Counsel, which accounts for the entire operational budget of that office. A total of \$865,779 was expended by the Board of Commissioners on Grievances and Discipline (“Board”) to fund its operation. An additional \$1,624,476 was expended by the Board to reimburse local bar association certified grievance committees for disciplinary-related activities. The Supreme Court reporter of decisions expended \$30,986 to publish legal notices in newspapers of general circulation upon the Court’s issuance of a disciplinary order, as required by Gov. Bar R. V, Section 8(D) (2).

Clients’ Security Fund

Since 1985, the Supreme Court has allocated moneys from the Fund to compensate clients who are victims of theft, embezzlement or misappropriation by dishonest attorneys. The Clients’ Security Fund is established in Gov. Bar R. VIII and is administered by an independent board of commissioners appointed by the Court. By rule, this body may award a client up to \$75,000 to reimburse the client for financial losses incurred as a result of the misconduct of the client’s attorney. In Fiscal Year 2010, \$347,143 was expended by the Board of Commissioners of the Clients’ Security Fund for its operation. In addition, the Court allocated \$250,000 to the Clients’ Security Fund Trust Fund to replenish that fund. Together, these amounts represent 8.2 percent of Attorney Services Fund expenditures.

In Fiscal Year 2010, a total of \$925,266.18 was expended from the Trust Fund to reimburse 145 eligible claimants. As of June 30, 2010, there were 378 claims pending representing a potential liability to the Fund of \$3,983,615.

For more information regarding claims against the Clients’ Security Fund, see the Clients’ Security Fund Annual Report at www.supremecourt.ohio.gov/Boards/clientSecurity.

Attorney Services Administration

The Attorney Services Division of the Supreme Court is responsible for delivering services to Ohio attorneys and assisting the Court in the exercise of its constitutional responsibility to regulate the practice of law in Ohio. A total of \$736,203 was expended for the Attorney Services Division in Fiscal Year 2010. These moneys, which represent 10.2 percent of total Fund expenditures, supported the operations of the Office of Attorney Services (\$611,750), the Commission on Certification of Attorneys as Specialists (\$14,605), the Commission on Professionalism (\$22,943) and the Board on the Unauthorized Practice of Law (\$8,094). Further, \$78,811 was expended on reimbursement of

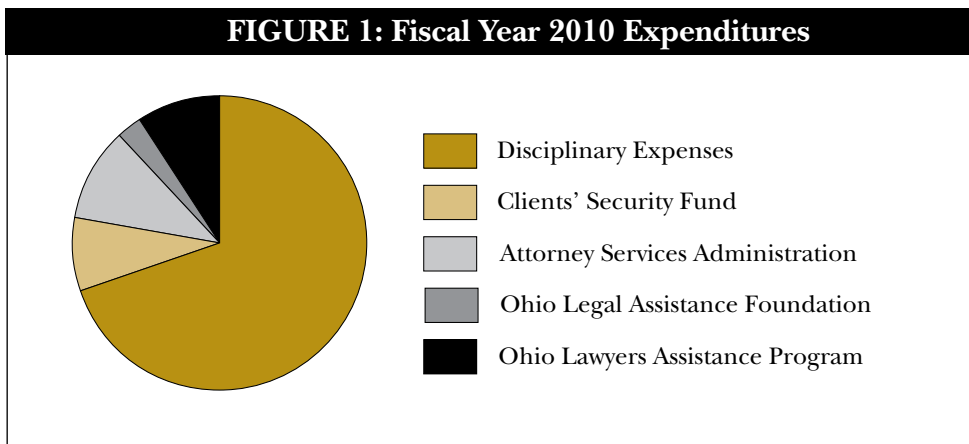
expenses related to investigation and prosecution of unauthorized practice of law matters.

Discretionary Grants

The remaining \$855,000 in expenditures from the Fund represented grants to two nonprofit organizations that assist the Supreme Court in providing oversight of the Ohio bench and bar and in the administration of justice. In Fiscal Year 2010, the Court awarded grants of \$200,000 to the Ohio Legal Assistance Foundation and \$655,000 to the Ohio Lawyers Assistance Program. These grants represent 2.8 percent and 9 percent respectively, of the expenditures from the Fund.

The Ohio Legal Assistance Foundation is established pursuant to statutory authority and has, as its primary responsibility, the duty of administering and allocating various funds for Ohio’s legal aid programs. These programs provide direct civil legal assistance to low income Ohioans who qualify for services. The moneys contributed from the Fund to the foundation are used for pro bono development and enhancement, technology enhancement and support, and performance assessments of legal aid programs.

The Ohio Lawyers Assistance Program provides intervention and monitoring assistance to Ohio lawyers, judges and law students who suffer from alcoholism, substance abuse or mental illness. In addition to moneys allocated from the Fund, the program receives contributions from the Ohio State Bar Association, the Ohio Bar Liability Insurance Company and other entities.



Fund Income and Balance

The Fund realized income and revenue of \$15,778,425.48 in Fiscal Year 2010 from the following sources: biennial registration fees, including late fees, reinstatement fees, and fees collected pursuant to Gov. Bar R. XIV (“Certification of Attorneys as Specialists”) (\$15,030,500); reimbursement

of costs (\$274,705.20); investment income (\$24,276.65); and revenue collected pursuant to Gov. Bar R. X (“Attorney Continuing Legal Education”) (\$448,943.63). The Fund had an estimated average monthly cash and investment balance of \$15,101,187.22.

III. Report on Allocations for Fiscal Year 2011

The Supreme Court allocated \$8,871,402 from the Fund for the fiscal year beginning July 1, 2010. The allocations were made to 10 entities representing 13 separate funds or activities.

Disciplinary-Related Expenses

The Court allocated \$5,512,209 (62.1 percent of total Fund allocations) to support the operation of the disciplinary process. This figure includes separate allocations of \$2,570,681 to fund the Office of Disciplinary Counsel; \$1,060,528 to fund the operation of the Board of Commissioners on Grievances and Discipline; \$1,850,000 to reimburse certified local grievance committees for their work in investigating and prosecuting disciplinary matters; and \$31,000 to the Reporter of Decisions for publication of disciplinary orders issued by the Supreme Court.

Clients’ Security Fund

The operation of the Clients’ Security Fund is funded by an allocation of \$351,873. An additional \$1,053,330 is allocated to replenish that entity’s trust fund and ensure a sufficient fund balance. These allocations represent 15.8 percent of the total Fund allocations.

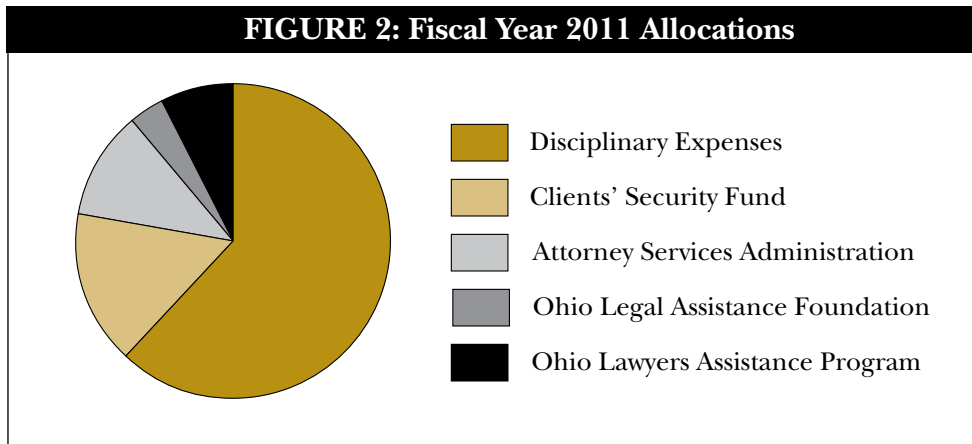
Attorney Services Administration

A total of \$968,990 (10.9 percent of total Fund allocations) was allocated to fund the activities of the Attorney Services Division. This allocation includes: \$684,294 to the Office of Attorney Services²; \$28,250 to support the operation of the Board on the Unauthorized Practice of Law and an additional \$160,000 to reimburse bar associations for costs incurred in investigating and prosecuting allegations of the unauthorized practice of law; \$67,160 to support the activities of the Commission on Professionalism; and \$29,286 to support the activities of the Commission on Certification of Attorneys as Specialists.

²The figure includes the allocation for attorney registration and continuing legal education operations. The figure excludes allocations from the Fund to other offices in the Office of Attorney Services, such as the Board on the Unauthorized Practice of Law, the Commission on Professionalism, and the Commission on Certification of Attorneys as Specialists, which are given separate allocations.

Discretionary Grants

The Court approved a grant of \$330,000 to the Ohio Legal Assistance Foundation for its work in support of the delivery of civil legal services to indigent persons. The Court also awarded a grant of \$655,000 to the Ohio Lawyers Assistance Program for alcohol, substance abuse and mental health intervention programs. Together, these grants represent 3.7 percent and 7.4 percent respectively, of the Fund allocations for Fiscal Year 2011.



IV. Fund Balance and Projections

On June 30, 2010, the Fund had a balance of \$14,219,530.79. In Fiscal Year 2010, the Fund is projected to realize income of \$1,179,144.00 (including fees, reimbursements and interest income) and expend an estimated \$8,871,402. On June 30, 2011, the Fund will have an estimated balance of \$6,527,272.79.

V. Audit

The Auditor of State conducts a complete audit of the Fund on a regular basis. The audit of the Fund occurs at the same time as the audit of other funds that are appropriated to or collected by the Supreme Court.

The next audit of the Fund will cover fiscal years 2009 and 2010. The Auditor of State has not scheduled the audit as of the date of this report.

VI. Investment Policy

Attorney registration fees are deposited directly into a bank lockbox maintained by U.S. Bank where they are invested in financial instruments. U.S. Bank was selected to maintain the Fund's lockbox through a competitive bid process for moneys deposited and collected in Fiscal Years 2009 and 2010.

The Fund's moneys are managed in a conservative, risk-averse manner through investments made in compliance with the Uniform Depository Act, as set forth in Ohio Revised Code Chapter 135, and amended by the Investment Reform Act of 1996. These and other state and federal laws require the Fund's moneys not be placed at risk in the marketplace through investments in derivatives, reverse purchase agreements, or any method of leveraging. The Fund's investments are primarily in federal money market accounts, which were opened in Fiscal Year 2009 in order to avoid high insurance bank charges.

Interest income in Fiscal Year 2010 was lower as compared to the previous fiscal year, due in large part to the current economic climate. The Fund continues to seek more optimal investment options, including longer-term investments in a laddered portfolio to include U.S. government obligations, such as treasury bills, notes and bonds; the Federal Home Loan Mortgage Corporation; the Federal National Mortgage Association; and the Government National Mortgage Association, as permitted by statute.

VII. Summary

The Attorney Services Fund allows the Supreme Court to maintain an effective and efficient system for regulating post-admission aspects of the practice of law, consistent with its responsibility under the Ohio Constitution. The Fund also provides important financial resources to organizations that aid in the provision of legal services to the poor and assist lawyers who are suffering from alcoholism, substance abuse or mental illness. All activities supported by the Fund are invaluable in ensuring the public's continued trust and confidence in Ohio's legal system.

The Fund is in a solid financial position and it is expected to maintain that position throughout Fiscal Year 2011.

VIII. Comments and Inquiries

Any comments and inquiries regarding this report or the Fund may be directed to Steven C. Hollon, Administrative Director, or Susan B. Christoff, Director of Attorney Services, Supreme Court of Ohio, 65 South Front Street, Columbus, Ohio 43215-3431.

SCHEDULE I

	FY 2009 Expenditures	FY 2010 Allocations	FY 2010 Expenditures	FY 2010 Allocations	% of FY 2010 Allocations Expended	FY 2011 Allocations	% of Total FY 2011 Allocations
Office, Board, Commission							
Office of Disciplinary Counsel							
-Operations Budget (Total)	\$2,457,399	\$2,545,381	\$2,533,882	\$2,570,681	99.55%	\$2,570,681	28.98%
Board of Commissioners on							
Grievances and Discipline							
-Operations Budget (Total)	\$780,514	\$957,328	\$865,779	\$1,060,528	90.44%	\$1,060,528	11.95%
-Reimbursement of Certified Local Grievance Committees	\$1,602,857	\$1,775,000	\$1,624,476	\$1,850,000	91.52%	\$1,850,000	20.85%
Clients Security Fund							
-Operations Budget (Total)*	\$337,354	\$347,144	\$347,143	\$351,873	100.00%	\$351,873	3.97%
-Trust Fund	\$250,000	\$250,000	\$250,000	\$1,053,330	100.00%	\$1,053,330	11.87%
Office of Reporter of Decisions							
-Publication of Legal Notice in Discipline Cases	\$30,958	\$31,000	\$30,986	\$31,000	99.95%	\$31,000	0.35%
Office of Attorney Services							
-Operations Budget (Total)	\$542,250	\$680,058	\$611,750	\$684,294	89.96%	\$684,294	7.71%
Board on the Unauthorized Practice of Law							
-Operations Budget (Total)	\$5,601	\$28,250	\$8,094	\$28,250	28.65%	\$28,250	0.32%
-Reimbursement of Expenses	\$202,436	\$160,000	\$78,811	\$160,000	49.26%	\$160,000	1.80%
Commission on Professionalism							
-Operations Budget (Total)	\$10,727	\$67,160	\$22,943	\$67,160	34.16%	\$67,160	0.76%
Commission on Certification of Attorneys as Specialists							
-Operations Budget	\$13,124	\$28,428	\$14,605	\$29,286	51.38%	\$29,286	0.33%
Ohio Legal Assistance Foundation							
-Grant	\$200,000	\$200,000	\$200,000	\$330,000	100.00%	\$330,000	3.72%
Ohio Lawyers Assistance Program							
-Grant	\$655,000	\$655,000	\$655,000	\$655,000	100.00%	\$655,000	7.38%
TOTAL	\$7,088,220	\$7,724,749	\$7,243,469	\$8,871,402	93.77%	\$8,871,402	100%

*Allocation for Clients' Security Fund operations for Fiscal Year 2010 was restated from \$347,086 to \$347,144.





THE SUPREME COURT *of* OHIO

65 South Front Street Columbus, Ohio 43215-3431