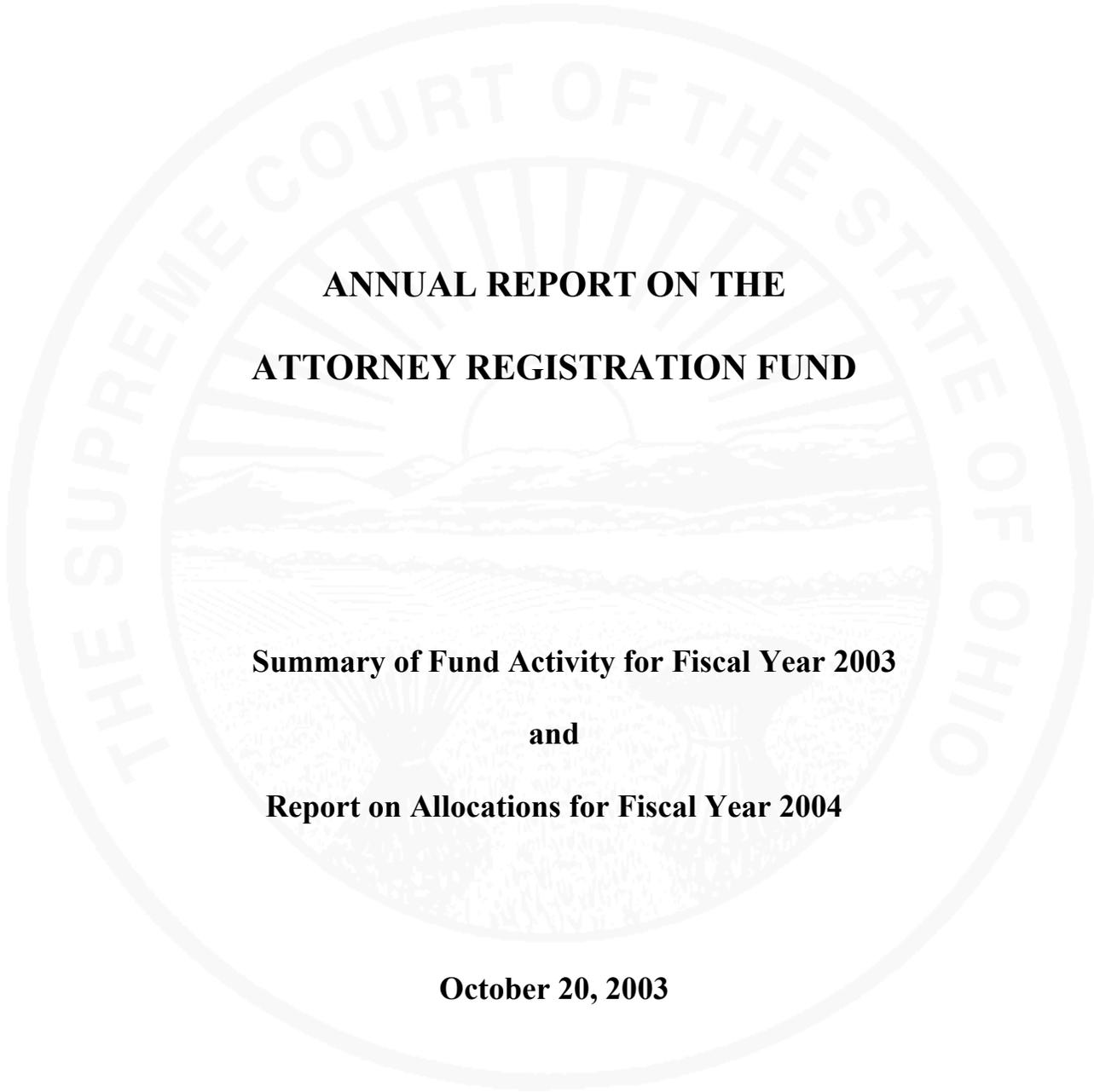


The Supreme Court of Ohio

The seal of the Supreme Court of the State of Ohio is a large, faint watermark in the background. It features a circular border with the text "THE SUPREME COURT OF THE STATE OF OHIO". Inside the circle is a landscape scene with a sun rising over mountains, a river, and a field with sheaves of wheat.

**ANNUAL REPORT ON THE
ATTORNEY REGISTRATION FUND**

Summary of Fund Activity for Fiscal Year 2003

and

Report on Allocations for Fiscal Year 2004

October 20, 2003

The Supreme Court of Ohio

To: Chief Justice Thomas J. Moyer and Justices
Registered Attorneys of the Ohio Bar
Interested Members of the Public

This Annual Report on the Attorney Registration Fund provides a summary of the activity of the Attorney Registration Fund (“Fund”) for Fiscal Year 2003, and sets out budget allocations from the Fund as approved by the Court for Fiscal Year 2004.

The report also provides the reader with a review of the Fund’s balance and projections, audit information, and investment policy. It is intended for informational purposes only and is not to be considered a final or complete audit or financial statement of Fund activity during the period covered in the report.

Respectfully submitted,

Steven C. Hollon, Esq.
Administrative Director

The Supreme Court of Ohio requires every attorney licensed to practice law in the state to register with the Court on or before the first day of September in each odd-numbered year. In addition, all active attorneys are required to tender a registration fee. Gov. Bar R. VI, Section 1(A). All registration fees are paid into the Fund.

Pursuant to Gov. Bar R. VI, Section 7(A), the moneys in the Fund shall be used for various purposes. These purposes include (i) the disciplinary process; (ii) the activities of the Clients' Security Fund and the Commission on Continuing Legal Education; (iii) any activity considered necessary by the Supreme Court for the government of the bar and the judiciary; and (iv) any activities related to the administration of justice.

In Fiscal Year 2003, the attorney registration fee was two hundred fifty (\$250) dollars. In May 2003, the Supreme Court authorized an increase in the registration fee from two hundred fifty (\$250) dollars to two hundred seventy-five (\$275) dollars for the 2003-2005 registration period beginning September 1, 2003. This ten percent (10%) increase was the first increase in the registration fee by the Court since 1997 when the fee was increased from one hundred fifty (\$150) dollars to two hundred fifty (\$250) dollars. With this increase in the registration fee, the Supreme Court ranks 44th out of the 50 states in the registration fee charged.

A Summary of Fund Expenditures for Fiscal Years 2002 and 2003, as well as Allocations for Fiscal Year 2004, is provided in Schedule 1.

I. Summary of Fund Activity in Fiscal Year 2002

A total of \$7,069,352 was expended from the Fund during Fiscal Year 2003. Of this total, \$3,986,633 (56.39% of total Fund expenditures) was utilized in the disciplinary process. \$1,787,166 was expended by the Office of Disciplinary Counsel, which accounts for the entire operational budget of that office; \$657,649 was expended by the Board of Commissioners on Grievances and Discipline to fund its operation; \$1,514,138 was expended by the Board of Commissioners on Grievances and Discipline to reimburse certified local grievance committees for disciplinary related activities; and \$27,680 was expended by the Office of the Reporter of Decisions to publish legal notices in newspapers of general circulation upon the Court's issuance of a disciplinary order, pursuant to Gov. Bar R. V, Section 8(D)(2). The

amount of the reimbursement to certified local grievance committees by the Board of Commissioners on Grievances and Discipline was \$174,138 above the amount originally appropriated for Fiscal Year 2003. The amount appropriated each year is based upon an estimate provided by the Board.

Although not formally part of the disciplinary process, the Clients' Security Fund reimburses clients for losses caused by defalcating members of the bar. In Fiscal Year 2003, \$322,948 was expended by the Clients' Security Fund for its operation. In addition, \$1,000,000 was allocated to the Clients' Security Fund's Trust Fund to pay clients who suffer losses. Further, \$127,555 was expended for the operation of the Attorney Registration Section, which is responsible for the attorney registration process.

In total, payments of \$5,437,136 (76.91% of the total expenditures from the Fund) were made to the boards, commissions, and offices charged with responding to inappropriate activity by attorneys and the registration process.

Of the remaining \$1,632,216 in expenditures, \$1,000,000 was expended by the Ohio Legal Assistance Foundation and \$279,860 was expended by the Ohio Lawyers Assistance Program. The Ohio Legal Assistance Foundation, as created by an act of the Ohio General Assembly in 1994, is charged with the responsibility of administering various funds for Ohio's legal aid societies, which in turn provide civil legal assistance to meet the needs of Ohio's poor. The moneys contributed from the Fund to the foundation are for *pro bono* development and enhancement, and technology enhancement and support. Meanwhile, the Ohio Lawyers Assistance Program is a private not-for-profit corporation with 501(c)(3) status. It provides intervention and monitoring assistance in situations involving alcohol and substance abuse, and mental illness issues, by attorneys and judges. It receives significant funding from the Fund, but also receives contributions from the Ohio State Bar Association and the Ohio Bar Liability Insurance Company. The \$37,600 in expenditures above the grant amount awarded in Fiscal Year 2003 was for funds appropriated in Fiscal Year 2002, but not expended until Fiscal Year 2003.

Finally, \$75,604 was expended from the Fund by the Commission on the Certification of Attorneys as Specialists and \$48,833 was expended by the Board of Commissioners on the Unauthorized Practice of Law.

The Fund realized income of \$449,229 in Fiscal Year 2003, and had an estimated average monthly cash and investment balance of \$10,668,584.

II. Report on Allocations for Fiscal Year 2004

The Supreme Court has authorized allocations totaling \$7,783,577 to eleven entities representing thirteen separate funds or programs, for Fiscal Year 2004.

The Court has authorized allocations of \$4,198,010 (53.93% of total Fund allocations) for the operation of the disciplinary process. This figure represents \$1,999,260 to fund the operation of the Office of Disciplinary Counsel; \$793,750 to fund the operation of the Board of Commissioners on Grievances and Discipline; \$1,405,000 to reimburse certified local grievance committees for their work in investigating and pursuing disciplinary matters; and \$40,000 to the Office of the Reporter of Decisions for publication of legal notice of orders issued by the Supreme Court in disciplinary matters.

Meanwhile, the Court authorized \$355,093 to fund the operation of the Clients' Security Fund and \$1,250,000 to replenish that entity's trust fund to maintain a sufficient fund balance. In Fiscal Year 2003 claims totaling \$1,006,729.18 were expended from the Clients' Security Fund Trust Fund to reimburse 104 eligible claimants. As of June 30, 2003 there were 233 claims pending representing a potential liability to the fund of \$2,445,931.

The Court authorized allocations of \$332,568 to fund the operation of the Attorney Registration Section.

For this fiscal year, the Court authorized allocations of \$6,135,671 (78.83% of total allocations from the Fund) to cover the registration process and those offices responsible for addressing inappropriate activity by attorneys and judges.

The Court also authorized allocations of \$140,000 to the Commission on Continuing Legal Education, \$95,229 for the operation of the Board of Commissioners on the Unauthorized Practice of Law, and \$80,000 to the Commission on the Certification of Attorneys as Specialists.

In other areas, the Court issued a grant of \$810,000 to the Ohio Legal Assistance Foundation. The Court also awarded a grant of \$350,000 to the Ohio Lawyers Assistance Program for alcohol and substance abuse intervention programs, and for mental health intervention programs.

III. Fund Balance and Projections

On June 30, 2003 the Fund had a balance of \$7,559,888. It is projected that in Fiscal Year 2004 the Fund will realize income of \$11,355,810 (including fees, cost reimbursements, and interest revenue) and expend \$7,783,577. It is estimated that on June 30, 2004, the Fund will have a balance of approximately \$11,132,121.

IV. Audit

The Fund is audited by the Office of the Auditor of State on a biennial basis. The audit of the Fund occurs at the same time as the audit of the Court's other funds. The most recent audit of the Court was for the biennial period ending June 30, 2001. No material noncompliance or reportable conditions in internal control were reported involving any funds of the Court, including the Fund.

The next audit of the Fund will be in conjunction with the end of the 2002 and 2003 fiscal biennium, and cover the two years from July 1, 2001 through June 30, 2003. It is anticipated that the audit will be conducted in the spring of 2004.

V. Investment Policy

All attorney registration fees are deposited directly into a bank lockbox maintained by Fifth Third Bank where they are invested in financial instruments. Fifth Third Bank was selected to maintain the Fund's lockbox through a competitive bid process.

The Fund's moneys are managed in a conservative risk-adverse 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 that 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 and other United States 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.

The daily annualized yield on the Fund's investment equaled 1.46% as of June 30, 2003.

VI. Summary

The Fund provides important financial resources to various organizations involved in the disciplinary and educational functions of the Court. It also helps provide much needed civil legal assistance to the poor. All of these activities are invaluable in improving the public's trust and confidence in our legal system.

The Fund is in a solid financial position and it is expected that it will maintain that position throughout Fiscal Year 2004.

VII. Comments and Inquiries

Any comments and inquiries regarding this report or the Fund may be directed to Steven C. Hollon, Administrative Director, Supreme Court of Ohio, 30 East Broad Street, Third Floor, Columbus, Ohio 43266-3431.

SCHEDULE 1

Office, Board, Commission	FY 2002 Expenditures	FY 2003 Appropriations	FY 2003 Expenditures	% of FY 2003 Appropriations Expended	FY 2004 Appropriations	% of Total FY 2004 Appropriations
Office of Disciplinary Counsel						
-Operations Budget (Total)	\$1,753,948	\$1,907,392	\$1,787,166	93.70%	\$1,999,260	25.69%
Board of Commissioners on Grievances and Discipline						
-Operations Budget (Total)	\$722,151	\$795,143	\$657,649	82.71%	\$793,750	10.20%
-Reimbursement of Certified Local Grievance Committees	\$1,175,348	\$1,340,000	\$1,514,138	113.00%	\$1,405,000	18.05%
Clients Security Fund						
-Operations Budget (Total)	\$305,255	\$340,139	\$322,948	95%	\$355,093	4.56%
-Trust Fund	\$1,000,000	\$1,000,000	\$1,000,000	100.00%	\$1,250,000	16.06%
Office of Reporter of Decisions						
-Publication of Legal Notice in Discipline Cases	\$30,223	\$40,000	\$27,680	69.20%	\$40,000	0.51%
Office of Attorney Services						
-Operations Budget (Supplement)	\$0	\$115,597	\$92,918	80.38%	\$132,677	1.70%
Attorney Registration Section						
-Operations Budget (Total)	\$160,958	\$227,414	\$127,555	56.10%	\$322,568	4.27%
Board of Commissioners on the Unauthorized Practice of Law						
-Reimbursement of Expenses	\$35,816	\$55,567	\$48,833	87.88%	\$95,229	1.22%
Commission on Continuing Legal Ed.						
-Operations Budget (Supplement)	\$0	\$135,000	\$135,000	100.00%	\$140,000	1.80%
Commission on Certification of Attorneys as Specialists						
-Reimbursement of Expenses	\$14,783	\$76,000	\$75,604	99.48%	\$80,000	1.03%
Ohio Legal Assistance Foundation						
-Grant	\$500,000	\$500,000	\$500,000	100.00%	\$810,000	10.41%
-Supplemental Grant	\$0	\$500,000	\$500,000	100.00%	\$0	0.00%
Ohio Lawyers Assistance Program						
-Grant	\$98,165	\$242,260	\$279,860	115.52%	\$350,000	4.50%
TOTAL	\$5,796,647	\$7,274,512	\$7,069,352	97.18%	\$7,783,577	100.00%