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with Supplemental Information, September 30, 2008"

Full report available at

www.michbar.org/generalinfo/pdfs/annual_fin_report.pdf

December 8, 2008

Michigan Supreme Court, Honorable Clifford W. Taylor, Chief Justice, Hall of Justice, 925 W. Ottawa St., Lansing, MI 48915

RE: STATE BAR OF MICHIGAN ANNUAL REPORT—FY 2008

With this letter, please accept the FY 2008 Annual Report of the State Bar of Michigan. The Annual Report covers the fiscal year ended September 30, 2008, and contains the audited financial statements and other information required by accounting standards or useful to understanding the operations and effectiveness of the State Bar of Michigan.

MAJOR ACCOMPLISHMENTS IN FY 2008

Fiscal year 2008 witnessed continued successful implementation of the State Bar Strategic Plan and the provision of enhanced services to the members and the public in a cost-effective manner. The Plan can be accessed on the State Bar's website at http://www.michbar.org/generalinfo/StrategicPlan_AM_2005s.pdf.

Major accomplishments included:

- During FY 2008, a total of 1,069 new member applications were processed and attorney membership of the State Bar of Michigan grew to 39,996 members.
- The State Bar achieved a financial surplus of over \$430,000 during FY 2008 primarily through continued cost control and deferral of staff positions.
- During the 12 months ending September 30, 2008, the Board of Commissioners approved a total of 45 Client Protection Fund claims totaling \$601,276 for payment to reimburse clients whose funds held in trust by their attorneys were misappropriated. A total of \$441,565 in claims was disbursed from the Fund in FY 2008. There is a total of \$247,027 in authorized but unpaid claims as of September 30, 2008, pending receipt of signed subrogation agreements from the prospective payees. The Client Protection Fund ended the year with net assets of \$2,135,403, exclusive of the approved but unpaid claims awaiting subrogation agreements.
- The State Bar processed 1,288 character and fitness applications, and conducted 51 district committee interviews, 24 formal character and fitness standing committee hearings, and participated in two hearings before the Board of Law Examiners during the most recent reporting year. In addition, the applications for the Michigan bar examination and the character and fitness certification process are now online and interactive, allowing the applicants to enter information which is imported into the State Bar's database, eliminating the need for duplicative data entry.
- A total of 73 unauthorized practice of law (UPL) complaints were received by the State Bar of Michigan for investigation for the 12 months ending September 30, 2008. One UPL prosecution was initiated in FY 2008. Of the 73 complaints received in the 12 months ending September 30, 2008, 48 remain open and 25 have been closed. There are currently 100 open UPL investigations at the end of FY 2008. No prosecutions were initiated in FY 2008, two prosecutions were resolved, and none are currently pending. The State Bar of Michigan also pursues a UPL prevention strategy

focused on public education and awareness of the danger to the public of relying on unlicensed persons for legal needs.

- The Ethics helpline responded to over 5,200 ethics inquiries, and the Ethics Committee issued three informal and one formal ethics opinions.
- The Lawyer Referral program handled over 120 telephone inquiries daily from the public seeking legal services.
- The Practice Management Resource Center (PMRC) received on average 21,278 page views per month on its website, answered more than 400 calls to its helpline, and held 17 seminars for 600 attendees at various locations in Michigan. The PMRC also provided tours and software test-drive opportunities to groups and individuals in the Lansing-based Education Center.
- The State Bar of Michigan held several large events during FY 2008. Fifty-year SBM members were honored at the "Golden Celebration" in May 2008. In June, a Bar Leadership Forum and Upper Michigan Legal Institute were conducted at Mackinac Island. A well-attended Annual Meeting was held in Dearborn in September 2008 in conjunction with the ICLE Solo and Small Firm Institute.
- The State Bar of Michigan sponsored the Michigan Talk Network's Big Show on Law Day to help educate and inform listeners about important legal issues. The show featured SBM leaders and was broadcast live from the State Bar Michael Franck Building in Lansing.
- The *Michigan Bar Journal* won the top award for large bars (more than 15,000 members) for "Excellence in Publications" from the National Association of Bar Executives Communications Section.
- The State Bar of Michigan conducted two events in conjunction with its Michigan Legal Milestones program, which honors important cases, events, and personalities in our state's history: (1) a rededication of the 8th Michigan Legal Milestone on Rose of Aberlone, a classic contract law case; and (2) the unveiling of a plaque in St. Ignace commemorating the role of attorney Prentiss M. Brown in the construction of the Mackinac Bridge.
- A newly redesigned e-Journal was launched in January. The new format allows members to customize the e-Journal by indicating which practice area summaries they would like to receive.
- The State Bar's public policy program developed and advocated for approximately 45 legislative and court rule positions, and coordinated the provision of technical assistance to the legislature.
- A waiver of dues for members serving in the military was proposed by the State Bar of Michigan and approved by the Supreme Court during FY 2008.
- Volunteer lawyers filled 598 positions on the 27 standing and special committees and on five initiatives formed to carry out the mission of the State Bar of Michigan. Twenty-four nonlawyers joined them in that work.
- Services to the State Bar's 39 sections, including the newly formed Insurance and Indemnity Law section, were enhanced.
- The State Bar president and staff made more than 165 visits to the 133 local and special-purpose voluntary bars in Michigan.

- A Senior Lawyers Section Planning Workgroup reviewed the needs of the rapidly growing number of senior lawyers and prepared recommendations aimed at assuring that relevant services are available to senior lawyers, that the public is protected as lawyers age in their practice, and that meaningful programs are available to help senior lawyers contribute their considerable skills to the community.
- The Access to Justice Campaign total for the fiscal year ended September 30, 2008 was almost \$1,665,000 in contributions and new pledges (unaudited). The Access to Justice Campaign is a partnership of the State Bar of Michigan, the Michigan State Bar Foundation, and Michigan's legal aid providers to increase resources for civil legal aid to the poor in Michigan. More than \$8.5 million has been received to date by the Access to Justice Fund in donations and pledges. The Access to Justice Fund is held by the Michigan State Bar Foundation, which receives, administers, and distributes donations according to the Access to Justice Fund Guidelines at www.msbf.org/atjfund.

FY 2008 FINANCIAL SUMMARY

The State Bar achieved a financial surplus of \$430,139 in the Administrative Fund during FY 2008 through continued cost control, deferral and reduction of staff positions, and other revenue increases. The State Bar's Net Assets in the Administrative Fund totaled \$10,334,655 as of September 30, 2008, and operates without any debt.

APPROVED FY 2009 BUDGET

The State Bar Board of Commissioners has approved a deficit budget for FY 2009 of (\$200,633) that focuses on continued spend-

ing for strategic programs. A summary of the FY 2009 approved budget was published in the November 2008 *Michigan Bar Journal* and can also be found on the State Bar's website at www.michbar.org/generalinfo/.

MANAGEMENT'S RESPONSIBILITY

The State Bar of Michigan's management is responsible for the information provided in this FY 2008 Annual Report. The basic financial statements and related notes are audited by the independent accounting firm of Plante & Moran, PLLC, in accordance with auditing standards generally accepted in the United States of America, and their opinion is provided as a part of this report.

Questions or comments on this FY 2008 Annual Report should be directed to Ms. Janet K. Welch, Executive Director of the State Bar of Michigan.



Edward H. Pappas
President



Janet K. Welch
Executive Director



Bruce A. Courtade
Treasurer



James C. Horsch
Director of Finance and Administration