

## **2024 NJSBA Fall Conference**

### **The Path to Readmission (After Disbarment)**

On Oct. 15, the state Supreme Court issued a monumental administrative determination, approving a path to readmission for disbarred attorneys. This marks a significant change for the legal community, overturning decades of decisions based on *In Re Wilson*, in which the Court held that any lawyer who knowingly misappropriates client funds, under any circumstances, will be disbarred.

Join Christina Vassiliou Harvey and Donald Lomurro, attorneys who argued the case for the attorney respondent in *In re Wade*, which began the inquiry into whether there could be a path back for certain lawyers. They will take you through *In Re Wilson* and its progeny, automatic disbarment, disbarment in other states, the shift in New Jersey and the steps that can lead a disbarred attorney to reinstatement.

*Speakers:*

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# THE PATH TO REINSTATEMENT

Heather Joy Baker, Clerk of the New  
Jersey Supreme Court



Donald M. Lomurro, Lomurro Law  
Christina Vassiliou Harvey, Lomurro Law

# To Preserve Confidence

*"(T)he principle reason for discipline is to preserve the confidence of the public in the integrity and trustworthiness of lawyers in general."*

In re Wilson, 81 N.J. 451, 456 (1979).



# Misappropriation Defined

“(A)ny unauthorized use by the lawyer of clients’ funds entrusted to him, including not only stealing, but also unauthorized temporary use for the lawyer’s own purpose, whether or not he derives any personal gain or benefit therefrom.”

*In re Wilson*, 81 N.J. 451,455 n. 1 (1979)

# Knowing Misappropriation



*"The misappropriation that will trigger automatic disbarment under In re Wilson... consists simply of a lawyer taking a client's money entrusted to him, knowing that it is the client's money and knowing that the client has not authorized the taking."*

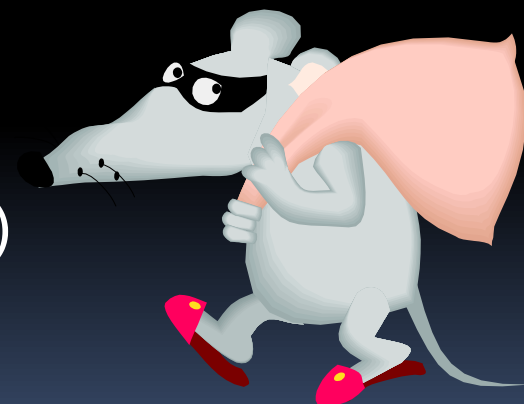
In re Noonan, 102 N.J. 157 (1986)

# INTENT TO STEAL NOT REQUIRED

*"(I)t is the mere act of taking your client's money knowing that you have no authority to do so that requires disbarment."*

In re Noonan, 102 N.J. 157, 160 (1986)

In re Barlow, 140 N.J. 191, 198 (1995)



# Knowing Misappropriation



*An attorney found to have knowingly misused escrow funds will confront the disbarment rule of Wilson.*

Matter of Hollendonner, 102 N.J. 21, 28 (1985).

# Negligent v. Intentional Misappropriation?

- Replaced with personal or borrowed funds
- Transfers from the Business Account
- Replaced as funds were needed for client disbursements
- “Borrowing From Peter To Pay Paul”
  - ~ the lapping of accounts
- *Calvin J. Hurd, Gary M. Weiss*





# Rejected Defenses

- Trust Account always had a positive balance - *no overdrafts*
- No client has complained
- No client ever failed to receive the funds to which they were entitled

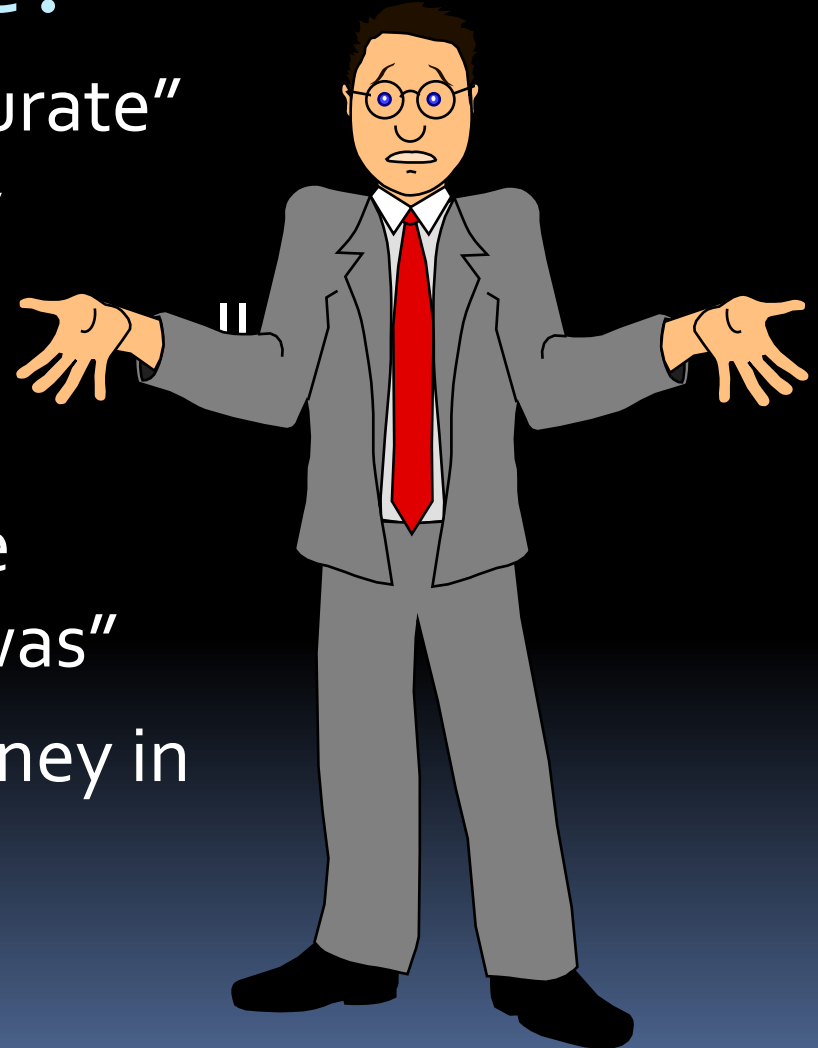
# Misappropriation

- Each case is fact sensitive
- An analysis of all factors give good indication if misappropriation is *Knowing* or *Negligent*



# Negligent Misappropriation ~ *Maybe?*

- “My records are not accurate”
- “I am not a bookkeeper”
- “My secretary handles the transactions”
- “I did not know what the balance in the account was”
- “I thought that I had money in the account”



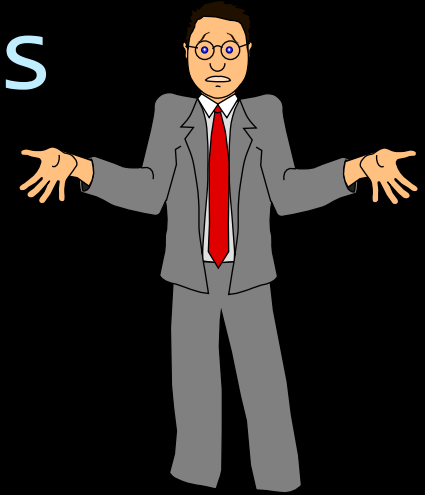
# Rejected Defenses



- \$ Money put to good use/altruism**
- \$ Needs of the recipient**
- \$ Pressures on the attorney**
- \$ Illness ~ personal or family**

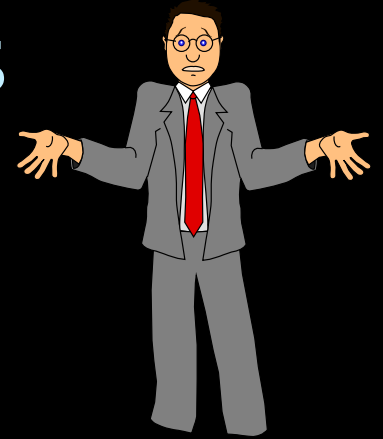


# Negligent Factors



- No need for funds
- Funds remain intact in account where erroneously deposited

# Negligent Factors



- Attorney funds on deposit in Trust Account  
~ *e.g. fees on other matters left in trust account*
- If misappropriation caused by several recordkeeping errors, were errors made both *for* and *against* the attorney?



# WARNING!!!

**IF YOU  
KNOWINGLY  
MISAPPROPRIATE  
TRUST OR ESCROW FUNDS,  
YOU WILL BE  
DISBARRED!**



# Is Disbarment Permanent?



In re Wade, 250 N.J. 581 (2022).





# Any Questions?

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# Non-Lawyer Assistants

R.P.C. 5.3 requires attorneys to supervise their staff, including paralegals, secretaries, and bookkeepers.


Staff must uphold attorney's ethical conduct but attorney is responsible in the event of a failure.





# Avoiding Theft of Funds


Misappropriation of client funds merit attorney discipline:

- In re Sommers, 114 N.J. 209 (1989)
  - In re Stroger, 100 N.J. 545 (1985)(criminal conviction for embezzlement)
  - In re Hilliard, 99 N.J. 479 (1985) (criminal conviction of misapplying funds)
  - In re Gold, 98 N.J. 53 (1984) (criminal conviction of misapplication)
- 



# Avoiding Theft of Funds

Diversify monetary functions within your law firm.

- Helps to prevent thefts
  - May be difficult for a solo or small firm
- 

# Avoiding Theft of Funds


Safeguard to prevent thefts:

- Only an attorney may be authorized to sign trust checks. R. 1:21-6(c)(1)(A)
- Trust checks may never be payable to “Cash”  
R. 1:21-6(c)(1)(A)
- Limit access to trust and business account records to one bookkeeper or secretary – easier to pinpoint responsibility / less opportunities for theft to occur



# Avoiding Theft of Funds


Safeguard to prevent thefts:

- Secretary other than bookkeeper or secretary with access to trust and business account records should open all mail and record all incoming checks
  - Checks should then be given to secretary/bookkeeper
  - Responsible attorney should directly receive ALL monthly bank statements - UNOPENED
- 



# Avoiding Theft of Funds


Safeguard to prevent thefts:

- Hire an accountant to do an annual or quarterly audit
  - Diversification minimized opportunities for fraud because would require collusion among two or more persons
  - Obtain insurance with “Innocent Insured Exception”
- 



# Avoiding Theft of Funds

## Control of Records:


- When Attorney signs trust account check, review client's ledger sheet to validate checks drawn
  - Periodically review book reconciliation completed by secretary/bookkeeper/accountant
  - Periodic review of checks
- 





# Avoiding Theft of Funds


## Control of Records:

- Random review of current checkbook balance and balance of funds on client's ledger card
- 



# Avoiding Theft of Funds


## Control of Records:

- Bank statement with cancelled checks should be delivered unopened to the attorney
  - Attorney should look for:
    - Are the payees familiar?
    - Are the names of the check firm clients?
    - Are the endorsements by a payee or employee in the law firm?
- 



# Avoiding Theft of Funds


## Control of Records:

- Attorney should look for:
    - Are checks being cashed rather than being deposited? If so, did payees receive the money?
    - Are duplicate payments made? Are both legitimate?
    - Do NOT use stamped signature. Is signature authentic?
- 



# Avoiding Theft of Funds


## Special Check Processing Issues:

- Attorney should:
    - Use restrictive endorsements on all checks received marked “for deposit only” into a specific account or accounts
    - Require two signatures for large checks
    - Never use a signature stamp
    - Never write trust accounts to cash
    - Never use an ATM card to withdraw trust funds
- 



# Issues for Employees


## Hiring:

- Attorney should complete background check of all new hires
  - Check references
  - E.g., law firm hired bright secretary with excellent skills. They learned she stole \$26,000 from the firm and then learned she had been criminally prosecuted for stealing from her old firm
- 



# Issues for Employees

## Instructions to Employees:

- R.P.C. 5.3 requires each attorney to instruct and oversee staff to make sure staff's actions are compatible with lawyer's professional obligations
  - Attorneys should make sure staff understand R. 1:21-6
  - For outside accountants, make sure they understand R. 1:21-6 as well
- 

# Issues for Employees

## Oversight:

- Attorney should look for warning signs as to theft/fraud:
  - Employee that arrives before the boss or stays after the boss
  - Employee comes in on Saturdays, Sundays, holidays when not required to do so
  - Employee fails to take earned vacations

# Separate Trust Accounts?

No limit to number of attorney trust accounts that can be maintained by lawyer or law firm


- Good practice is to avoid individual trust accounts for each attorney
- If one partner is embezzling, all partners are jointly liable for theft. N.J.S.A. 42:1A-17






# Avoiding Theft of Funds

R.P.C. 8.4(b) – professional misconduct for an attorney to “commit a criminal act that reflects adversely on the lawyer’s honesty, trustworthiness or fitness as a lawyer in other respects.”






# Advanced or Excessive Legal Fees

- Paying yourself before your client can lead to problems
  - Excessive Fee In Personal Injury Matter
  - Removing Fee In Real Estate Matter Prior to Closing
- 



# Dealing with Superiors

- *R.P.C. 5.2* specifically obligates a subordinate attorney to abide by the Rules of Professional Conduct.
  - There is no defense to *R.P.C. 5.2* that “my supervisor told me to do it.”
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## Administrative Determinations by the Supreme Court on the Report of the Special Committee on the Duration of Disbarment for Knowing Misappropriation

In 1979, in In re Wilson, 81 N.J. 451 (1979), the Supreme Court declared unequivocally and unanimously that any lawyer who knowingly misappropriates client funds, under any circumstances, will be disbarred. Wilson effectively eliminated any consideration of personal circumstances or mitigation in knowing appropriation cases. In reinforcing Wilson, the Court explained,

[A] lawyer taking a client's money entrusted to him, knowing that it is the client's money and knowing that the client has not authorized the taking [will trigger automatic disbarment]. It makes no difference whether the money is used for a good purpose or a bad purpose, for the benefit of the lawyer or for the benefit of others, or whether the lawyer intended to return the money when he took it, or whether in fact he ultimately did reimburse the client; nor does it matter that the pressures on the lawyer to take the money were great or minimal. . . . [I]t is the mere act of taking your client's money knowing that you have no authority to do so that requires disbarment. . . . The presence of 'good character and fitness,' the absence of 'dishonesty, venality or immorality' – all are irrelevant. [In re Noonan, 102 N.J. 157, 159–60 (1986).]

In the forty-five years since Wilson, the Court has declined to relax or modify its bright-line rule compelling disbarment for knowing misappropriation.

In 2022, in In re Wade, 250 N.J. 581 (2022), the Supreme Court again reaffirmed the longstanding "Wilson rule," compelling the disbarment of an attorney who knowingly misappropriates client funds, regardless of the circumstances. The attorney in Wade had no prior discipline, and none of her clients lost money. She cooperated with the Office of Attorney Ethics (OAE), admitted she borrowed clients' money without permission, was contrite about her failure to maintain proper financial records, and took prompt remedial measures. Attorney Wade focused her practice on representing an underserved population, conducted free legal seminars, and was honored for her pro bono work, in addition

Feedback

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to her record of volunteer and community service. Even that personal and professional history could not provide a defense to Wilson, and the attorney was disbarred.

While reiterating that attorneys who knowingly misappropriate client funds will be disbarred, the Court in Wade prompted an inquiry into whether disbarment should continue to be permanent or whether attorneys, like the attorney in Wade, should have “an opportunity for a second chance at a later point in time.” Wade, 250 N.J. at 604. The Court stated that the foremost concern in answering that challenging question was “the need to protect the public, to retain its confidence in the legal profession, and to promote the integrity of the bar.” Id. at 586. The Court noted that forty-one (41) states and the District of Columbia permit a disbarred attorney to apply for readmission after serving a lengthy term of disbarment and satisfying other ameliorative and rehabilitative conditions.

To study all facets of that inquiry, the Court convened a Special Committee comprised of lawyers, judges, and a cross-section of the public, including religious leaders, educators, and community members. The Special Committee, chaired by retired Associate Justice Virginia A. Long and co-chaired by President of Camden County College, Dr. Lovell Pugh-Bassett, met numerous times to dissect the issues and examine each question from multiple perspectives. In its thoughtful review, the Special Committee studied a wealth of background materials, including the applicable readmission rules of other jurisdictions; the American Bar Association’s relevant Model Rules; case law and legal commentaries regarding Wilson; New Jersey’s present scheme for Reinstatement after Final Discipline (Suspension); as well as letters and position papers from individual attorneys and the organized bar, both supporting and opposing a path back for disbarred attorneys.

The Special Committee issued its Report and Recommendations to the Supreme Court on May 19, 2023. The Court then sought and considered additional comments from the public and the New Jersey legal community regarding the recommendations of the Special Committee.

Although this challenging inquiry elicited varied perspectives and strong views, the Special Committee, by a significant majority, recommended that the Court adopt a path back from disbarment. Twenty-one (21) members voted for a path back, five (5) voted to maintain permanent disbarment, and two (2) abstained.

Having concluded that there is a viable alternative to the current state of permanent disbarment, the Special Committee recommended the

fundamentals of a robust readmission process that would both uphold the protections of the attorney disciplinary system and afford a second chance in appropriate circumstances.

After thorough deliberation, the Supreme Court hereby issues its Administrative Determinations, approving the recommendations of the Special Committee – specifically a path to readmission for disbarred attorneys – as modified and amplified below.

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## **Special Committee Recommendations and Supreme Court Determinations**

### **I. Adoption of a Path Back from Disbarment**

#### ***Background & Special Committee Recommendations***

The threshold question for the Special Committee’s consideration was whether disbarment for knowing misappropriation should continue to be permanent, or whether New Jersey should join the majority of jurisdictions that allow for readmission. Wade, 250 N.J. at 586.

As explained above, disbarment in New Jersey is currently a permanent prohibition on an attorney’s ability to practice law in this state. In that respect, New Jersey’s approach differs from most jurisdictions. Forty-one (41) states and the District of Columbia allow disbarred attorneys to apply for readmission to the bar -- most of them after five (5) years. Id. at 606–07. Disbarment is permanent in only eight (8) states including New Jersey. The majority rule is consistent with a recommendation of the American Bar Association. See ABA Model R. Law. Disciplinary Enf’t 25(A) (Am. Bar Ass’n 2002) (allowing petitions for readmission five years after disbarment).

The Report and Recommendations of the Special Committee is thorough and faithfully reflects the strongly held views and varied perspectives of the committee members. A minority of members were adamant that knowing misappropriation of client funds is a breach of the trust that clients place in lawyers, and that a path back would undermine the integrity of the bar and public confidence in the profession. The majority of the Special Committee understood that position, but nevertheless – by a vote of twenty-one (21) to five (5), with two (2) abstentions – recommended the creation of a path back from disbarment with ample safeguards.

The majority determined that “human beings are capable of change; that offering Wilson violators a second chance is consistent with contemporary notions of redemption, reconciliation, and restorative

justice; and that, with proper vetting of the lawyers seeking readmission, both the public and the reputation of the bar can be protected and perhaps even better served.” Report and Recommendations at 9-10. According to the majority, “the public would not be offended by providing an opportunity for a disbarred lawyer to ask for a second chance rather than consigning a fully-rehabilitated person to a life outside of the legal profession,” and “such an opportunity will not jeopardize the image of the profession or the interests of the public, so long as a rigorous readmission scheme is in place.” Report and Recommendations at 47.

At the Court’s invitation, the Special Committee further opined on whether the path back should be available to disbarred attorneys beyond those who committed knowing misappropriation. Based on fairness, and with the protections of a robust readmission and regulatory system, the Special Committee recommended against limiting the path back to Wilson matters. In reaching that conclusion, the Special Committee observed that none of the forty-two (42) jurisdictions that permit disbarred attorneys to apply for readmission distinguish among the causes of disbarment.

### ***Supreme Court Determination***

After careful review, the Supreme Court has decided to adopt a path back for disbarred attorneys. Consistent with the recommendation of the Special Committee, readmission will not be limited to those who were disbarred for knowing misappropriation under Wilson; attorneys who were disbarred for non-Wilson violations also may petition for readmission.

The Court acknowledges that some members of the profession and the public strongly favor permanent disbarment, while others – including a substantial majority of the Special Committee – believe that it is possible to protect the public and grant a second chance to disbarred attorneys in appropriate circumstances. Substantial assurances can be drawn from the experiences of the forty-two (42) jurisdictions that have successfully marshalled an opportunity for readmission while still protecting the public and without eroding the public’s confidence in the profession.

As the Court observed in Wade, “it is unlikely that attorneys who stole from clients and caused substantial harm could ever be trusted to practice law again.” Wade, 250 N.J. at 586. In addition, the Court observes that readmission is unlikely in matters involving egregious circumstances or serious criminal offenses, including heinous and violent acts. “On the other end of the spectrum, lawyers who knowingly

misappropriated client funds while suffering from addiction, mental health issues, or great personal challenges; who did not cause harm; and who have been rehabilitated, might prove worthy of having their license restored at a later date.” Wade, 250 N.J. at 586.

## II. Prerequisites for Petition for Readmission

As a corollary to recommending a path back from disbarment, the Special Committee addressed the fundamental components of a system that would both protect the public and uphold the integrity of the bar through robust evaluation and ample safeguards. In the determinations that follow, the Court establishes the framework of a system designed to evaluate whether a disbarred attorney now possesses the necessary competency, integrity, and character to practice law in New Jersey, while also protecting the public and the integrity of the bar.

### 1) *Duration of Disbarment*

The Special Committee vigorously debated the appropriate duration of disbarment. Most jurisdictions and the ABA’s model rule impose a five-year period before a disbarred attorney can apply for readmission; several jurisdictions impose longer or shorter periods, ranging from zero (0) to twelve (12) years.

Some members expressed concern that five years is too long, suggesting instead that applicants be required to commence CLE training after two (2) years and be permitted to reapply after three (3) years. Those members noted that three (3) years without practicing is significant.

Other members countered that five (5) years would be too short given the seriousness of knowing misappropriation matters. They also noted that the duration of disbarment should be greater than five (5) years because the “lesser” sanction of indeterminate suspension has five (5) years as the minimum duration prior to application for reinstatement. R. 1:20-15A(a)(2).

With regard to a disbarred attorney’s readiness to resume practice, one member who supported readmission noted that, from his experience in disciplinary matters, disbarred attorneys often are not ready to be readmitted in fewer than five (5) years and typically are coping with other issues, such as rehabilitation efforts, and need time to demonstrate reform; the member opined that such issues often cannot be resolved in two (2) or three (3) years.



After a debate that eventually focused on three (3), five (5), or seven (7) years, the majority of the Committee settled on five (5) years – the rule in most jurisdictions.

The Supreme Court adopts the Special Committee’s recommendation that disbarred attorneys may apply for readmission five (5) years after the effective date of their disbarment. The Court will also amend the Court Rule governing indeterminate suspensions, R. 1:20-15A(a)(2), to allow for reinstatement applications after four (4) years (rather than the current five (5)) to maintain a distinction between indeterminate suspensions and disbarments.

The Court agrees with the Special Committee – and is informed by the approach in the majority of jurisdictions and the ABA’s Model Rule – that a five (5) year period prior to eligibility for readmission will protect the public and ensure that disbarred attorneys have time to resolve any underlying issues that may have influenced their misconduct.

It bears emphasizing that the five-year term in no way suggests that every attorney will be rehabilitated and merit readmission once that period has elapsed. The five-year term is simply the minimum period of time that a disbarred attorney must wait before being eligible to petition for readmission. Whether a petitioner deserves to be readmitted will be determined on a case-by-case basis, and with a rigorous evaluation of the petitioner’s readiness to rejoin the profession and serve the public.

## ***2) Standard of Proof, Burden of Proof, and Court Rule for Readmission***

The Special Committee analyzed several models for readmission, as well as New Jersey’s current Rule governing reinstatement from suspension, Rule 1:20-21. The Special Committee determined “there is no need to reinvent the proverbial wheel,” and voted to recommend that the Court adopt, for the purpose of readmission from disbarment, the substance of the existing rules governing reinstatement, see, e.g., R. 1:20-21, “which parallel the rules in effect in other jurisdictions.” Report and Recommendations at 52-53. Similarly, and consistent with the existing Rule governing reinstatement from suspension, the Special Committee determined that the applicant should bear the burden of proving fitness to return to practice by clear and convincing evidence.

The Court adopts the recommendation of the Special Committee, namely that petitioners shall bear the burden of proof in readmission matters, and that the standard of proof in readmission proceedings shall be by clear and convincing evidence. Today the Court also adopts

Rule 1:20-21A to govern petitions for readmission from disbarment that incorporates the general framework of Rule 1:20-21, with certain additions and modifications applicable to readmission. (See Appendix for Rule 1:20-21A). Conforming amendments to related Rules will promptly follow.

### ***3) Testing Requirements for Readmission***

The Special Committee next considered competency, specifically whether applicants should be required to retake the bar exam as a condition of readmission. A considerable number of jurisdictions – specifically eleven (11) out of the forty-two (42) that provide a path back from disbarment – require petitioners seeking readmission to pass the bar exam, particularly after a set period of time has elapsed since disbarment; the remaining jurisdictions make retaking the bar exam a matter of discretion. The Special Committee recommended leaving the bar exam to the Court’s discretion and suggested it should be imposed on a case-by-case basis, particularly when a lawyer has been out of practice for many years or whose disbarment was related to an issue of performance/competency.

The Special Committee reached a different determination regarding the Multistate Professional Responsibility Examination (MPRE), a two-hour, sixty-question test developed to measure candidates’ understanding of generally accepted ethical standards related to professional conduct. The members believed that the MPRE would be relevant for readmission regardless of why or when disbarment was imposed.

The Court carefully reviewed this issue and has determined to require that all petitioners seeking readmission must earn a passing score on both the New Jersey Bar Examination and the MPRE before filing a petition. Although the Special Committee suggested a discretionary approach to the bar exam, the demonstration of one’s competency to practice law is a threshold requirement for anyone seeking the privilege of being licensed in this state. The competency requirement is a bedrock principle in the Court’s protection of the public and, although the Court understands that a failure of competency may not have been the reason for disbarment, it is critical to gauge a petitioner’s current ability to practice law before reissuing a law license. That is especially true because petitioners will have been away from the practice of law in New Jersey for a minimum of five years.

To ensure that the bar exam score reflects a current ability to practice competently, it must be earned (meaning the Board of Bar Examiners

must have released the results) no more than one year prior to the filing of the petition.

In imposing the bar exam requirement as a prerequisite for filing a petition for readmission, the Court is mindful that some disbarred attorneys might invest in taking the bar exam, earn a passing score, and later, despite that effort and time, fail to gain readmission when the merits of their petition are adjudicated. While the Court thought carefully about the experience of those petitioners, it ultimately determined that having a threshold finding of competency was a reasonable and well-justified starting point for the readmission process.

#### ***4) Educational Requirements for Readmission***

The Special Committee debated what, if any, Continuing Legal Education (CLE) requirements should be satisfied by disbarred attorneys. Although the Special Committee did not reach a consensus, the members agreed that the Court should consider imposing at least some CLE credits for readmission.

The Supreme Court agrees with the Special Committee that CLE course work is important for petitioners seeking readmission. Accordingly, before filing a petition for readmission, a petitioner must have completed CLE courses to be specified by the Court. Those courses will be published on the Court's website so that petitioners are apprised of the obligations prior to filing a petition. The list of mandatory courses is not finalized, but the Court tentatively approved relevant topics including ethical law practice management, financial management, trust and business accounting, and intensive coursework for new attorneys. Examples of those courses include specific programming to be offered by the Office of Attorney Ethics, as well as "New Attorney Day" (currently offered by the NJSBA/NJICLE); "Financially Managing Your Firm" (currently offered by NJICLE); and "Ethics and Law Practice Management Essentials" (currently offered by NJICLE and/or Rutgers Law School).

#### ***5) Required Notice to Aggrieved Persons***

The Special Committee considered what notice a disbarred attorney should be required to give when filing a petition for readmission. Rule 1:20-21, which governs reinstatement from suspension, provides for public notice in all official newspapers designated by the Court and in a newspaper of general circulation in each county in which the respondent last maintained a law office and in the county in which respondent resided at the time of the imposition of discipline. The

Special Committee members considered the public notice provision inadequate for readmission from disbarment.

ABA Model Rule 25 imposes the additional requirement of actual notice to “the complainant(s) in disciplinary proceedings that led to the lawyer’s suspension or disbarment” who may “raise objections to or support the lawyer’s petition.” The Special Committee embraced the idea of actual notice to the grievant in the underlying disbarment matter and further considered whether to provide notice to grievants in other unresolved disciplinary matters that were pending at the time of the disbarment. Ultimately, members settled on notice to the grievant whose complaint resulted in the disbarment, as well as any grievants with docketed complaints that were dismissed as a result of the disbarment and those who were reimbursed by the Lawyers’ Fund for Client Protection (the Fund).

The Court agrees with the Special Committee that general public notice is not effective at reaching specific individuals who are known to have been aggrieved by the disbarred attorney’s conduct.

The Court has determined that disbarred attorneys will be required to give notice to (1) all grievants whose complaints resulted in disbarment; (2) all grievants whose complaints had been docketed but were dismissed as a result of the disbarment; and (3) any grievants who received disbursement via a claim with the Fund. The petitioner is responsible to obtain lists from the Office of Attorney Ethics and the Fund for Client Protection for the purpose of such notice.

#### ***6) Requirement to Make Aggrieved Persons Financially Whole***

The Special Committee next considered whether disbarred attorneys should be required to make aggrieved persons financially whole.

The discussion focused predominantly on reimbursement to the Fund, which compensates clients who were wronged financially by attorneys’ unethical conduct. Absent repayment directly from the attorney to the aggrieved client, members of the public may file claims with the Fund and be compensated for their financial losses. Under the system for reinstatement from suspension, the Fund is permitted to enter into a repayment agreement with the applicant. R. 1:20–21(i)(D) (listing, as a prerequisite for consideration of the petition, that “the respondent has reimbursed or has reached agreement in writing with the Lawyers’ Fund for Client Protection to reimburse it in full for all sums paid or authorized to be paid as a result of the respondent’s conduct”).

Some members of the Special Committee argued that full reimbursement would be inequitable and favor petitioners with

financial means. Although the Special Committee understood that full repayment to the Fund might preclude some petitioners from readmission, some members recommended that readmission not include an option for satisfying the owed amount to the Fund through a payment plan.

The Court agrees with the Special Committee that aggrieved individuals and the Fund must be fully repaid. Repayment should occur as soon as possible, and generally prior to the petition for readmission. The Fund retains all of its current mechanisms to seek reimbursement, including by obtaining civil judgments, and those judgments are not affected by the readmission process.

That said, if the petitioner has been unable to fully repay the Fund prior to submitting a petition for readmission, the Court may – on a showing of hardship supported by, at a minimum, tax returns for every year since disbarment – impose as a condition of readmission a payment plan to satisfy any outstanding repayment amount within twelve (12) months of readmission. The amount owed to the Fund should be fully satisfied within that timeframe, with a single opportunity for an extension of twelve (12) additional months (for a total of twenty-four (24) months from the date of readmission) on a continued showing of financial hardship.

In providing a limited opportunity for readmitted attorneys to satisfy their debt to the Fund through a defined and peremptory payment plan, the Court intends that the arrangement will benefit both the attorney and the Fund. It will remove a barrier to readmission for attorneys who cannot repay the Fund because they are not practicing law and experiencing documented financial hardship. It will also replenish the coffers of the Fund and enable it to pay claims to other aggrieved clients.

Similarly, disbarred attorneys must fully satisfy all prior orders concerning the payment of disciplinary costs, subject to the same hardship provisions described above. The hardship provisions described herein do not apply to a disbarred attorney's obligation to pay a fee arbitration award or other order for restitution or disgorgement to a harmed client. Such debts must be satisfied in full prior to the filing of a petition for readmission.

To achieve full satisfaction of any amounts owed to aggrieved individuals, the Fund, and the disciplinary system as expeditiously as possible, the Court contemplates that disbarment orders will reference the prerequisites for readmission and the obligation to satisfy outstanding payments.

## **7) Petition Fee**

Although the Special Committee did not address the issue, the Court studied the administrative fees typically associated with petitions for readmission in other jurisdictions. The Court observed a wide range of fees, with an average of roughly \$1,200. Several jurisdictions also require a deposit toward disciplinary costs associated with the petition, ranging from \$500 to \$5,000. The Court determined to set the fee for a petition at \$1,500, but not to impose a deposit for costs.

## **8) Successive Petitions for Readmission from Disbarment**

Rule 1:20-21(j) provides that, in the event of an adverse decision, a petitioner for reinstatement after suspension must wait six (6) months to file a renewed petition for reinstatement. The Special Committee considered, but declined to recommend, a longer prohibition for successive petitions for readmission from disbarment.

The Court has determined to adopt a longer waiting period after a petition for readmission is denied. Specifically, a petitioner must wait two (2) years from the date of the Court's denial of a petition for readmission to submit a subsequent petition for readmission. Moreover, the Court retains the authority to order that no further submissions will be permitted from a specific petitioner.

## **9) Single Second Chance Following Disbarment**

In exploring a hypothetical scenario in which a previously disbarred attorney is readmitted and again engages in conduct warranting disbarment, one member of the Special Committee suggested that previously disbarred attorneys be prohibited from being readmitted following a second disbarment. Other members opined that imposition of additional restrictions on readmission hamstrings the Court and limits its options in unusual circumstances. The Special Committee nevertheless voted to prohibit reapplication following a second disbarment.

The Court agrees with the Special Committee. When an individual is granted a second chance at practicing law in New Jersey, there shall be no further opportunities for readmission if that person later betrays the public trust and again commits an ethical breach worthy of disbarment.

The Court is optimistic, based on the successful readmission programs in forty-two (42) other jurisdictions, that the comprehensive nature of the readmission process will accurately assess a petitioner's rehabilitation and will not extend readmission to those undeserving of

the public's trust. The robust prerequisites and filing requirements, as well as the conditions available for the Court to impose on readmitted attorneys, will serve as further safeguards against a readmitted attorney engaging in unethical conduct. The Court, however, will not hesitate to take whatever action is necessary to protect the public.

### ***10) Permanent Disbarment***

Notwithstanding the adoption of a path back for disbarred attorneys, the Court reserves the ability to impose permanent disbarment in egregious circumstances. When warranted, the imposition of permanent disbarment would further the protection of the public.

### **III. Conditions on Readmission**

The Special Committee addressed what, if any, conditions the Court might impose on an attorney who is readmitted. In doing so, it reviewed the conditions in place in other jurisdictions and those already available under our current Rules. After debating whether some conditions should be mandatory in all cases, the Special Committee ultimately recognized the fact-sensitive nature of attorneys' circumstances and determined to recommend the discretionary approach of our current Rules. The Special Committee recommended a panoply of options from which the Court may choose in tailoring appropriate conditions for specific cases.

The Supreme Court agrees with the Special Committee's recommendation for a discretionary approach, and endorses a non-exhaustive list of conditions that may be imposed on readmitted attorneys:

1. Financial controls including, but not limited to, a designated co-signatory for all attorney trust and business accounts;
2. Periodic submissions of trust account reconciliations;
3. Periodic audits of trust accounts;
4. Restrictions on the ability to practice including, but not limited to, the use of a supervising attorney approved by the Office of Attorney Ethics as a prerequisite to engaging in the private practice of law;
5. Addiction treatment and controls including, but not limited to, requiring abstinence, testing, and an identifiable commitment to appropriate support groups;
6. Mental health treatment and counseling, together with a finding of fitness to practice by a mental health professional approved by the Office of Attorney Ethics;

7. Satisfaction of all other qualifications for plenary admission including, but not limited to, a certification of the attorney's good character by the Supreme Court after review by the Committee on Character;
8. Satisfactory completion of additional CLE courses as the Court may require; and
9. Such other conditions as may be deemed appropriate in the light of the circumstances presented.

In compiling a non-exhaustive list of potential conditions, the Court declines to include some of the recommended conditions advanced by the Special Committee, such as the requirement to maintain professional liability insurance or to obtain and maintain a blanket fidelity bond or employee dishonesty liability policy. Although those remain conditions that the Court might impose in appropriate circumstances, the Court is persuaded by the comments from knowledgeable individuals who opined that it is improbable that a formerly disbarred attorney could satisfy such a condition, or, alternatively, that only the wealthiest petitioners could afford such policies.

#### **IV. Adjudicative Body and Next Steps for Implementation**

Having determined to provide a path back for deserving attorneys, the Court was faced with the decision of how those petitions will be adjudicated and how conditions on readmission will be monitored. After reviewing a variety of models, the Court adopts an approach analogous to the reinstatement process with certain modifications.

In the context of reinstatement, a suspended attorney files a petition for reinstatement with the Disciplinary Review Board (DRB). The Office of Attorney Ethics has an opportunity to file objections and the DRB may submit its findings and recommendations as to the attorney's fitness to practice law to the Supreme Court, with or without oral argument. In an appropriate case, the DRB may refer specific issues regarding reinstatement to a trier of fact, which then holds a hearing and reports back to the DRB to inform the Board's rendering of a recommendation to the Court. In addition to making findings as to the attorney's fitness to practice, the DRB may also recommend the imposition of certain conditions on the attorney's practice going forward.

The same general process will apply to petitions for readmission. The Court contemplates that most petitions can and will be adjudicated on the papers, with oral argument provided in limited circumstances, and fact-finding by a trier of fact in only the rarest of cases.



Notably, however, petitions for readmission will not be adjudicated by the DRB. Rather, the Court will convene a new Board – the Attorney Regulatory Board (ARB) – to develop expertise and adjudicate petitions for readmission. The ARB will make findings and recommendations to the Court on requests for readmission. Like the DRB, the Board will be staffed by the Office of Board Counsel. Creating a new Board of volunteers to adjudicate readmission matters will allow the petitions to be addressed by a diverse body of individuals, including members of the public who are not lawyers, who can assist the Court while the DRB continues to dedicate its effort to the efficient adjudication of ongoing disciplinary matters.

Inevitably, the infrastructure necessary to support a path back from disbarment will call for additional resources, including staff. As a result, the Court anticipates that the readmission process will require an increase to the annual attorney assessment in upcoming budget cycles. Every measure will be taken to ensure that costs remain low, and staff will be phased in over time to respond to actual demands. In that way, additional costs will not outpace the actual needs of the readmission process.

Finally, and critically, the Court is mindful of the Special Committee's recommendation that the Judiciary develop a mechanism to assess whether bias, either implicit or explicit, might affect disbarment or readmission. The Special Committee understood that statistical data is not available historically and suggested that the Judiciary explore how to evaluate disciplinary and readmission outcomes going forward.

The Supreme Court is committed to uphold equity in the attorney regulatory system – a goal shared by all stakeholders. To that end, the Administrative Director and the Clerk of Court will take steps to undertake this study. Entities within the attorney disciplinary and regulatory system, including the Office of Attorney Ethics, will provide data and information but will not have an evaluative role in the assessment.

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Feedback

**Administrative Determinations by the Supreme Court on the  
Report of the Special Committee on the  
Duration of Disbarment for Knowing Misappropriation**

**October 15, 2024**

In 1979, in In re Wilson, 81 N.J. 451 (1979), the Supreme Court declared unequivocally and unanimously that any lawyer who knowingly misappropriates client funds, under any circumstances, will be disbarred. Wilson effectively eliminated any consideration of personal circumstances or mitigation in knowing appropriation cases. In reinforcing Wilson, the Court explained,

[A] lawyer taking a client's money entrusted to him, knowing that it is the client's money and knowing that the client has not authorized the taking [will trigger automatic disbarment]. It makes no difference whether the money is used for a good purpose or a bad purpose, for the benefit of the lawyer or for the benefit of others, or whether the lawyer intended to return the money when he took it, or whether in fact he ultimately did reimburse the client; nor does it matter that the pressures on the lawyer to take the money were great or minimal. . . . [I]t is the mere act of taking your client's money knowing that you have no authority to do so that requires disbarment. . . . The presence of 'good character and fitness,' the absence of 'dishonesty, venality or immorality' – all are irrelevant.

[In re Noonan, 102 N.J. 157, 159-60 (1986).]

In the forty-five years since Wilson, the Court has declined to relax or modify its bright-line rule compelling disbarment for knowing misappropriation.

In 2022, in In re Wade, 250 N.J. 581 (2022), the Supreme Court again reaffirmed the longstanding “Wilson rule,” compelling the disbarment of an attorney who knowingly misappropriates client funds, regardless of the circumstances. The attorney in Wade had no prior discipline, and none of her clients lost money. She cooperated with the Office of Attorney Ethics (OAE), admitted she borrowed clients' money without permission, was contrite about her failure to maintain proper financial records, and took prompt remedial

measures. Attorney Wade focused her practice on representing an underserved population, conducted free legal seminars, and was honored for her pro bono work, in addition to her record of volunteer and community service. Even that personal and professional history could not provide a defense to Wilson, and the attorney was disbarred.

While reiterating that attorneys who knowingly misappropriate client funds will be disbarred, the Court in Wade prompted an inquiry into whether disbarment should continue to be permanent or whether attorneys, like the attorney in Wade, should have “an opportunity for a second chance at a later point in time.” Wade, 250 N.J. at 604. The Court stated that the foremost concern in answering that challenging question was “the need to protect the public, to retain its confidence in the legal profession, and to promote the integrity of the bar.” Id. at 586. The Court noted that forty-one (41) states and the District of Columbia permit a disbarred attorney to apply for readmission after serving a lengthy term of disbarment and satisfying other ameliorative and rehabilitative conditions.

To study all facets of that inquiry, the Court convened a Special Committee comprised of lawyers, judges, and a cross-section of the public, including religious leaders, educators, and community members. The Special Committee, chaired by retired Associate Justice Virginia A. Long and co-chaired by President of Camden County College, Dr. Lovell Pugh-Bassett, met numerous times to dissect the issues and examine each question from multiple perspectives. In its thoughtful review, the Special Committee studied a wealth of background materials, including the applicable readmission rules of other jurisdictions; the American Bar Association’s relevant Model Rules; case law and legal commentaries regarding Wilson; New Jersey’s present scheme for Reinstatement after Final Discipline (Suspension); as well as letters and position papers from individual attorneys and the organized bar, both supporting and opposing a path back for disbarred attorneys.

The Special Committee issued its Report and Recommendations to the Supreme Court on May 19, 2023. The Court then sought and considered additional comments from the public and the New Jersey legal community regarding the recommendations of the Special Committee.

Although this challenging inquiry elicited varied perspectives and strong views, the Special Committee, by a significant majority, recommended that the Court adopt a path back from disbarment. Twenty-one (21) members voted for a path back, five (5) voted to maintain permanent disbarment, and two (2) abstained.

Having concluded that there is a viable alternative to the current state of permanent disbarment, the Special Committee recommended the fundamentals of a robust readmission process that would both uphold the protections of the attorney disciplinary system and afford a second chance in appropriate circumstances.

After thorough deliberation, the Supreme Court hereby issues its Administrative Determinations, approving the recommendations of the Special Committee – specifically a path to readmission for disbarred attorneys – as modified and amplified below.

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## **Special Committee Recommendations and Supreme Court Determinations**

### **I. Adoption of a Path Back from Disbarment**

#### ***Background & Special Committee Recommendations***

The threshold question for the Special Committee’s consideration was whether disbarment for knowing misappropriation should continue to be permanent, or whether New Jersey should join the majority of jurisdictions that allow for readmission. Wade, 250 N.J. at 586.

As explained above, disbarment in New Jersey is currently a permanent prohibition on an attorney’s ability to practice law in this state. In that respect, New Jersey’s approach differs from most jurisdictions. Forty-one (41) states and the District of Columbia allow disbarred attorneys to apply for readmission to the bar -- most of them after five (5) years. Id. at 606-07. Disbarment is permanent in only eight (8) states including New Jersey. The majority rule is consistent with a recommendation of the American Bar Association. See ABA Model R. Law. Disciplinary Enf’t 25(A) (Am. Bar Ass’n 2002) (allowing petitions for readmission five years after disbarment).

The Report and Recommendations of the Special Committee is thorough and faithfully reflects the strongly held views and varied perspectives of the committee members. A minority of members were adamant that knowing misappropriation of client funds is a breach of the trust that clients place in lawyers, and that a path back would undermine the integrity of the bar and public confidence in the profession. The majority of the Special Committee understood that position, but nevertheless – by a vote of twenty-one (21) to five (5), with two (2) abstentions – recommended the creation of a path back from disbarment with ample safeguards.

The majority determined that “human beings are capable of change; that offering Wilson violators a second chance is consistent with contemporary notions of redemption, reconciliation, and restorative justice; and that, with proper vetting of the lawyers seeking readmission, both the public and the reputation of the bar can be protected and perhaps even better served.” Report and Recommendations at 9-10. According to the majority, “the public would not be offended by providing an opportunity for a disbarred lawyer to ask for a second chance rather than consigning a fully-rehabilitated person to a life outside of the legal profession,” and “such an opportunity will not jeopardize the image of the profession or the interests of the public, so long as a rigorous readmission scheme is in place.” Report and Recommendations at 47.

At the Court’s invitation, the Special Committee further opined on whether the path back should be available to disbarred attorneys beyond those who committed knowing misappropriation. Based on fairness, and with the protections of a robust readmission and regulatory system, the Special Committee recommended against limiting the path back to Wilson matters. In reaching that conclusion, the Special Committee observed that none of the forty-two (42) jurisdictions that permit disbarred attorneys to apply for readmission distinguish among the causes of disbarment.

### ***Supreme Court Determination***

After careful review, the Supreme Court has decided to adopt a path back for disbarred attorneys. Consistent with the recommendation of the Special Committee, readmission will not be limited to those who were disbarred for knowing misappropriation under Wilson; attorneys who were disbarred for non-Wilson violations also may petition for readmission.

The Court acknowledges that some members of the profession and the public strongly favor permanent disbarment, while others – including a substantial majority of the Special Committee – believe that it is possible to protect the public and grant a second chance to disbarred attorneys in appropriate circumstances. Substantial assurances can be drawn from the experiences of the forty-two (42) jurisdictions that have successfully marshalled an opportunity for readmission while still protecting the public and without eroding the public’s confidence in the profession.

As the Court observed in Wade, “it is unlikely that attorneys who stole from clients and caused substantial harm could ever be trusted to practice law again.” Wade, 250 N.J. at 586. In addition, the Court observes that readmission is unlikely in matters involving egregious circumstances or

serious criminal offenses, including heinous and violent acts. “On the other end of the spectrum, lawyers who knowingly misappropriated client funds while suffering from addiction, mental health issues, or great personal challenges; who did not cause harm; and who have been rehabilitated, might prove worthy of having their license restored at a later date.” Wade, 250 N.J. at 586.

## **II. Prerequisites for Petition for Readmission**

As a corollary to recommending a path back from disbarment, the Special Committee addressed the fundamental components of a system that would both protect the public and uphold the integrity of the bar through robust evaluation and ample safeguards. In the determinations that follow, the Court establishes the framework of a system designed to evaluate whether a disbarred attorney now possesses the necessary competency, integrity, and character to practice law in New Jersey, while also protecting the public and the integrity of the bar.

### ***1) Duration of Disbarment***

The Special Committee vigorously debated the appropriate duration of disbarment. Most jurisdictions and the ABA’s model rule impose a five-year period before a disbarred attorney can apply for readmission; several jurisdictions impose longer or shorter periods, ranging from zero (0) to twelve (12) years.

Some members expressed concern that five years is too long, suggesting instead that applicants be required to commence CLE training after two (2) years and be permitted to reapply after three (3) years. Those members noted that three (3) years without practicing is significant.

Other members countered that five (5) years would be too short given the seriousness of knowing misappropriation matters. They also noted that the duration of disbarment should be greater than five (5) years because the “lesser” sanction of indeterminate suspension has five (5) years as the minimum duration prior to application for reinstatement. R. 1:20-15A(a)(2).

With regard to a disbarred attorney’s readiness to resume practice, one member who supported readmission noted that, from his experience in disciplinary matters, disbarred attorneys often are not ready to be readmitted in fewer than five (5) years and typically are coping with other issues, such as

rehabilitation efforts, and need time to demonstrate reform; the member opined that such issues often cannot be resolved in two (2) or three (3) years.

After a debate that eventually focused on three (3), five (5), or seven (7) years, the majority of the Committee settled on five (5) years – the rule in most jurisdictions.

The Supreme Court adopts the Special Committee’s recommendation that disbarred attorneys may apply for readmission five (5) years after the effective date of their disbarment. The Court will also amend the Court Rule governing indeterminate suspensions, R. 1:20-15A(a)(2), to allow for reinstatement applications after four (4) years (rather than the current five (5)) to maintain a distinction between indeterminate suspensions and disbarments.

The Court agrees with the Special Committee – and is informed by the approach in the majority of jurisdictions and the ABA’s Model Rule – that a five (5) year period prior to eligibility for readmission will protect the public and ensure that disbarred attorneys have time to resolve any underlying issues that may have influenced their misconduct.

It bears emphasizing that the five-year term in no way suggests that every attorney will be rehabilitated and merit readmission once that period has elapsed. The five-year term is simply the minimum period of time that a disbarred attorney must wait before being eligible to petition for readmission. Whether a petitioner deserves to be readmitted will be determined on a case-by-case basis, and with a rigorous evaluation of the petitioner’s readiness to rejoin the profession and serve the public.

## ***2) Standard of Proof, Burden of Proof, and Court Rule for Readmission***

The Special Committee analyzed several models for readmission, as well as New Jersey’s current Rule governing reinstatement from suspension, Rule 1:20-21. The Special Committee determined “there is no need to reinvent the proverbial wheel,” and voted to recommend that the Court adopt, for the purpose of readmission from disbarment, the substance of the existing rules governing reinstatement, see, e.g., R. 1:20-21, “which parallel the rules in effect in other jurisdictions.” Report and Recommendations at 52-53. Similarly, and consistent with the existing Rule governing reinstatement from suspension, the Special Committee determined that the applicant should bear the burden of proving fitness to return to practice by clear and convincing evidence.

The Court adopts the recommendation of the Special Committee, namely that petitioners shall bear the burden of proof in readmission matters, and that the standard of proof in readmission proceedings shall be by clear and convincing evidence. Today the Court also adopts Rule 1:20-21A to govern petitions for readmission from disbarment that incorporates the general framework of Rule 1:20-21, with certain additions and modifications applicable to readmission. (See Appendix for Rule 1:20-21A). Conforming amendments to related Rules will promptly follow.

### ***3) Testing Requirements for Readmission***

The Special Committee next considered competency, specifically whether applicants should be required to retake the bar exam as a condition of readmission. A considerable number of jurisdictions – specifically eleven (11) out of the forty-two (42) that provide a path back from disbarment – require petitioners seeking readmission to pass the bar exam, particularly after a set period of time has elapsed since disbarment; the remaining jurisdictions make retaking the bar exam a matter of discretion. The Special Committee recommended leaving the bar exam to the Court’s discretion and suggested it should be imposed on a case-by-case basis, particularly when a lawyer has been out of practice for many years or whose disbarment was related to an issue of performance/competency.

The Special Committee reached a different determination regarding the Multistate Professional Responsibility Examination (MPRE), a two-hour, sixty-question test developed to measure candidates’ understanding of generally accepted ethical standards related to professional conduct. The members believed that the MPRE would be relevant for readmission regardless of why or when disbarment was imposed.

The Court carefully reviewed this issue and has determined to require that all petitioners seeking readmission must earn a passing score on both the New Jersey Bar Examination and the MPRE before filing a petition. Although the Special Committee suggested a discretionary approach to the bar exam, the demonstration of one’s competency to practice law is a threshold requirement for anyone seeking the privilege of being licensed in this state. The competency requirement is a bedrock principle in the Court’s protection of the public and, although the Court understands that a failure of competency may not have been the reason for disbarment, it is critical to gauge a petitioner’s current ability to practice law before reissuing a law license. That is especially



true because petitioners will have been away from the practice of law in New Jersey for a minimum of five years.

To ensure that the bar exam score reflects a current ability to practice competently, it must be earned (meaning the Board of Bar Examiners must have released the results) no more than one year prior to the filing of the petition.

In imposing the bar exam requirement as a prerequisite for filing a petition for readmission, the Court is mindful that some disbarred attorneys might invest in taking the bar exam, earn a passing score, and later, despite that effort and time, fail to gain readmission when the merits of their petition are adjudicated. While the Court thought carefully about the experience of those petitioners, it ultimately determined that having a threshold finding of competency was a reasonable and well-justified starting point for the readmission process.

#### ***4) Educational Requirements for Readmission***

The Special Committee debated what, if any, Continuing Legal Education (CLE) requirements should be satisfied by disbarred attorneys. Although the Special Committee did not reach a consensus, the members agreed that the Court should consider imposing at least some CLE credits for readmission.

The Supreme Court agrees with the Special Committee that CLE course work is important for petitioners seeking readmission. Accordingly, before filing a petition for readmission, a petitioner must have completed CLE courses to be specified by the Court. Those courses will be published on the Court's website so that petitioners are appraised of the obligations prior to filing a petition. The list of mandatory courses is not finalized, but the Court tentatively approved relevant topics including ethical law practice management, financial management, trust and business accounting, and intensive coursework for new attorneys. Examples of those courses include specific programming to be offered by the Office of Attorney Ethics, as well as "New Attorney Day" (currently offered by the NJSBA/NJICLE); "Financially Managing Your Firm" (currently offered by NJICLE); and "Ethics and Law Practice Management Essentials" (currently offered by NJICLE and/or Rutgers Law School).

### ***5) Required Notice to Aggrieved Persons***

The Special Committee considered what notice a disbarred attorney should be required to give when filing a petition for readmission. Rule 1:20-21, which governs reinstatement from suspension, provides for public notice in all official newspapers designated by the Court and in a newspaper of general circulation in each county in which the respondent last maintained a law office and in the county in which respondent resided at the time of the imposition of discipline. The Special Committee members considered the public notice provision inadequate for readmission from disbarment.

ABA Model Rule 25 imposes the additional requirement of actual notice to “the complainant(s) in disciplinary proceedings that led to the lawyer’s suspension or disbarment” who may “raise objections to or support the lawyer’s petition.” The Special Committee embraced the idea of actual notice to the grievant in the underlying disbarment matter and further considered whether to provide notice to grievants in other unresolved disciplinary matters that were pending at the time of the disbarment. Ultimately, members settled on notice to the grievant whose complaint resulted in the disbarment, as well as any grievants with docketed complaints that were dismissed as a result of the disbarment and those who were reimbursed by the Lawyers’ Fund for Client Protection (the Fund).

The Court agrees with the Special Committee that general public notice is not effective at reaching specific individuals who are known to have been aggrieved by the disbarred attorney’s conduct.

The Court has determined that disbarred attorneys will be required to give notice to (1) all grievants whose complaints resulted in disbarment; (2) all grievants whose complaints had been docketed but were dismissed as a result of the disbarment; and (3) any grievants who received disbursement via a claim with the Fund. The petitioner is responsible to obtain lists from the Office of Attorney Ethics and the Fund for Client Protection for the purpose of such notice.

### ***6) Requirement to Make Aggrieved Persons Financially Whole***

The Special Committee next considered whether disbarred attorneys should be required to make aggrieved persons financially whole.

The discussion focused predominantly on reimbursement to the Fund, which compensates clients who were wronged financially by attorneys’

unethical conduct. Absent repayment directly from the attorney to the aggrieved client, members of the public may file claims with the Fund and be compensated for their financial losses. Under the system for reinstatement from suspension, the Fund is permitted to enter into a repayment agreement with the applicant. R. 1:20-21(i)(D) (listing, as a prerequisite for consideration of the petition, that “the respondent has reimbursed or has reached agreement in writing with the Lawyers’ Fund for Client Protection to reimburse it in full for all sums paid or authorized to be paid as a result of the respondent’s conduct”).

Some members of the Special Committee argued that full reimbursement would be inequitable and favor petitioners with financial means. Although the Special Committee understood that full repayment to the Fund might preclude some petitioners from readmission, some members recommended that readmission not include an option for satisfying the owed amount to the Fund through a payment plan.

The Court agrees with the Special Committee that aggrieved individuals and the Fund must be fully repaid. Repayment should occur as soon as possible, and generally prior to the petition for readmission. The Fund retains all of its current mechanisms to seek reimbursement, including by obtaining civil judgments, and those judgments are not affected by the readmission process.

That said, if the petitioner has been unable to fully repay the Fund prior to submitting a petition for readmission, the Court may – on a showing of hardship supported by, at a minimum, tax returns for every year since disbarment – impose as a condition of readmission a payment plan to satisfy any outstanding repayment amount within twelve (12) months of readmission. The amount owed to the Fund should be fully satisfied within that timeframe, with a single opportunity for an extension of twelve (12) additional months (for a total of twenty-four (24) months from the date of readmission) on a continued showing of financial hardship.

In providing a limited opportunity for readmitted attorneys to satisfy their debt to the Fund through a defined and preemptory payment plan, the Court intends that the arrangement will benefit both the attorney and the Fund. It will remove a barrier to readmission for attorneys who cannot repay the Fund because they are not practicing law and experiencing documented financial hardship. It will also replenish the coffers of the Fund and enable it to pay claims to other aggrieved clients.

Similarly, disbarred attorneys must fully satisfy all prior orders concerning the payment of disciplinary costs, subject to the same hardship provisions described above. The hardship provisions described herein do not apply to a disbarred attorney's obligation to pay a fee arbitration award or other order for restitution or disgorgement to a harmed client. Such debts must be satisfied in full prior to the filing of a petition for readmission.

To achieve full satisfaction of any amounts owed to aggrieved individuals, the Fund, and the disciplinary system as expeditiously as possible, the Court contemplates that disbarment orders will reference the prerequisites for readmission and the obligation to satisfy outstanding payments.

### ***7) Petition Fee***

Although the Special Committee did not address the issue, the Court studied the administrative fees typically associated with petitions for readmission in other jurisdictions. The Court observed a wide range of fees, with an average of roughly \$1,200. Several jurisdictions also require a deposit toward disciplinary costs associated with the petition, ranging from \$500 to \$5,000. The Court determined to set the fee for a petition at \$1,500, but not to impose a deposit for costs.

### ***8) Successive Petitions for Readmission from Disbarment***

Rule 1:20-21(j) provides that, in the event of an adverse decision, a petitioner for reinstatement after suspension must wait six (6) months to file a renewed petition for reinstatement. The Special Committee considered, but declined to recommend, a longer prohibition for successive petitions for readmission from disbarment.

The Court has determined to adopt a longer waiting period after a petition for readmission is denied. Specifically, a petitioner must wait two (2) years from the date of the Court's denial of a petition for readmission to submit a subsequent petition for readmission. Moreover, the Court retains the authority to order that no further submissions will be permitted from a specific petitioner.

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In exploring a hypothetical scenario in which a previously disbarred attorney is readmitted and again engages in conduct warranting disbarment, one member of the Special Committee suggested that previously disbarred attorneys be prohibited from being readmitted following a second disbarment. Other members opined that imposition of additional restrictions on readmission hamstrings the Court and limits its options in unusual circumstances. The Special Committee nevertheless voted to prohibit reapplication following a second disbarment.

The Court agrees with the Special Committee. When an individual is granted a second chance at practicing law in New Jersey, there shall be no further opportunities for readmission if that person later betrays the public trust and again commits an ethical breach worthy of disbarment.

The Court is optimistic, based on the successful readmission programs in forty-two (42) other jurisdictions, that the comprehensive nature of the readmission process will accurately assess a petitioner's rehabilitation and will not extend readmission to those undeserving of the public's trust. The robust prerequisites and filing requirements, as well as the conditions available for the Court to impose on readmitted attorneys, will serve as further safeguards against a readmitted attorney engaging in unethical conduct. The Court, however, will not hesitate to take whatever action is necessary to protect the public.

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discretionary approach of our current Rules. The Special Committee recommended a panoply of options from which the Court may choose in tailoring appropriate conditions for specific cases.

The Supreme Court agrees with the Special Committee's recommendation for a discretionary approach, and endorses a non-exhaustive list of conditions that may be imposed on readmitted attorneys:

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- 2) Periodic submissions of trust account reconciliations;
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- 8) Satisfactory completion of additional CLE courses as the Court may require; and
- 9) Such other conditions as may be deemed appropriate in the light of the circumstances presented.

In compiling a non-exhaustive list of potential conditions, the Court declines to include some of the recommended conditions advanced by the Special Committee, such as the requirement to maintain professional liability insurance or to obtain and maintain a blanket fidelity bond or employee dishonesty liability policy. Although those remain conditions that the Court might impose in appropriate circumstances, the Court is persuaded by the

comments from knowledgeable individuals who opined that it is improbable that a formerly disbarred attorney could satisfy such a condition, or, alternatively, that only the wealthiest petitioners could afford such policies.

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Having determined to provide a path back for deserving attorneys, the Court was faced with the decision of how those petitions will be adjudicated and how conditions on readmission will be monitored. After reviewing a variety of models, the Court adopts an approach analogous to the reinstatement process with certain modifications.

In the context of reinstatement, a suspended attorney files a petition for reinstatement with the Disciplinary Review Board (DRB). The Office of Attorney Ethics has an opportunity to file objections and the DRB may submit its findings and recommendations as to the attorney's fitness to practice law to the Supreme Court, with or without oral argument. In an appropriate case, the DRB may refer specific issues regarding reinstatement to a trier of fact, which then holds a hearing and reports back to the DRB to inform the Board's rendering of a recommendation to the Court. In addition to making findings as to the attorney's fitness to practice, the DRB may also recommend the imposition of certain conditions on the attorney's practice going forward.

The same general process will apply to petitions for readmission. The Court contemplates that most petitions can and will be adjudicated on the papers, with oral argument provided in limited circumstances, and fact-finding by a trier of fact in only the rarest of cases.

Notably, however, petitions for readmission will not be adjudicated by the DRB. Rather, the Court will convene a new Board – the Attorney Regulatory Board (ARB) – to develop expertise and adjudicate petitions for readmission. The ARB will make findings and recommendations to the Court on requests for readmission. Like the DRB, the Board will be staffed by the Office of Board Counsel. Creating a new Board of volunteers to adjudicate readmission matters will allow the petitions to be addressed by a diverse body of individuals, including members of the public who are not lawyers, who can assist the Court while the DRB continues to dedicate its effort to the efficient adjudication of ongoing disciplinary matters.

Inevitably, the infrastructure necessary to support a path back from disbarment will call for additional resources, including staff. As a result, the Court anticipates that the readmission process will require an increase to the annual attorney assessment in upcoming budget cycles. Every measure will be taken to ensure that costs remain low, and staff will be phased in over time to respond to actual demands. In that way, additional costs will not outpace the actual needs of the readmission process.

Finally, and critically, the Court is mindful of the Special Committee's recommendation that the Judiciary develop a mechanism to assess whether bias, either implicit or explicit, might affect disbarment or readmission. The Special Committee understood that statistical data is not available historically and suggested that the Judiciary explore how to evaluate disciplinary and readmission outcomes going forward.

The Supreme Court is committed to uphold equity in the attorney regulatory system – a goal shared by all stakeholders. To that end, the Administrative Director and the Clerk of Court will take steps to undertake this study. Entities within the attorney disciplinary and regulatory system, including the Office of Attorney Ethics, will provide data and information but will not have an evaluative role in the assessment.