

Outline for CCBA Session 4: Business relationships and hiring practices.

1. Solo versus an S Corp - Denae
 - a. Lawyers, like some other professions, cannot be an LLC
 - b. Liability considerations and client perception
 - i. Pros/cons of Sole Proprietorship and S Corp
 1. Ease of creating
 2. Costs to set up and to obtain needed services (insurance, etc.)
 3. Liability considerations (personal and business liability)
 4. Tax consequences
 - c. Default
 - i. If one person – the default is sole proprietorship
 - ii. If multiple people running the organization, the default is a partnership
 - d. Association of Counsel
 - i. Consider adding new practice area in light of Covid-19?
 - ii. Consider strengthening core practice areas in light of Covid-19?
 - iii. Pitfalls with Association of Counsel
2. LLP versus – S Corp – Nick
 - a. General Considerations
 - b. Taxation
 - c. Limitation of Liability
 - d. Transferability of Interest/Flexibility
 - e. Management and Control
 - f. Allocation of Profits
3. Employees – Denae and Nick

- a. How do you know when it is time to add employees?
 - i. How to plan for employee overhead (salary/wages, benefits, insurance, office space, etc.)
 - ii. If hiring for the first time, how do you determine other items like: offering vacation/PTO, health/vision/dental, 401k, other "fringe benefits"
 - iii. Full time vs. part time considerations
 - iv. Setting up payroll, Employee Handbooks, posters/required forms, workers' compensation insurance, etc.
- b. Staff
 - i. What kinds of positions/duties are good for new staff members?
 - ii. How do you find good employees?
 - 1. Referrals (other attorneys, friends, etc.)
 - 2. Staffing companies
 - 3. LinkedIn, Indeed, Social Media
 - iii. Onboarding staff
 - 1. Strategies for continuity of roles
 - a. Incoming/outgoing overlap, if possible
 - b. Detailed position guides
- c. Professionals
 - i. Of Counsel/Contractor vs. Employee - what are some considerations when deciding what your firm needs?
 - ii. How to determine salary for employees?
 - 1. Salary only
 - 2. Salary + some percentage of client generation bonus?
 - 3. Other creative compensation methods?
 - iii. Senior attorneys vs. junior attorneys - what do they bring to the firm

iv. Will they work remotely? Maintaining client confidentiality is important

v. Other?

4. Transitions of Leadership in Firms – Denae and Nick

a. Buyout Agreements

b. Ethical Obligations to clients.

Entity Selection

Attribute	Sole Proprietor	S Corp	LLP
Formation Formality	No formalities necessary. However, filings may be necessary with the FTB, EDD, etc...	File Articles with Sec. of State; adopt bylaws. Annual SOI. File S election with IRS and FTB. Additional filings may be necessary with the FTB, EDD, etc...	Registration of LLP to be filed with Sec. of State. Biennial SOI. Additional filings may be necessary with the FTB, EDD, etc...
Liability of Owners	Personal liability for debts of business	Shareholders' liability generally limited to capital invested	Limited liability for partners; insurance mandated by law
Ongoing Formalities	No specific ongoing formalities	Abide by corporate formalities, Articles, bylaws and annual minutes	Abide by Partnership Act, Partnership Agreement.
# of Owners	N/A	1-100	At least 2 partners
Classes of Ownership	N/A	Only 1 class of stock permitted	Multiple classes ok
Governance among Owners	Sole proprietor has sole control	Shareholders vote for Directors; Directors elect Officers	Managed by General Partner; if no Partnership Agreement, statute controls
Transfer of Interest	Freely transferrable to another attorney	Generally transferrable to another attorney	Generally transferrable to another attorney
Death of Owner	Unless heirs are attorneys, the practice is dissolved	The bylaws and articles or buy-sell agreement should address Estate's interest	Only certain attorneys as partners are permissible
Taxes	Flow-through of income and deductions	Income and deductions generally flow through to be included in the shareholders' returns	Generally, income and expenses flow through to be included on owners' returns