

Arizona Code of Judicial Administration
Part 7: Administrative Office of the Courts
Chapter 2: Certification and Licensing Programs
Section 7-209: Alternative Business Structures

A. Definitions.

“Alternative business structure” (“ABS”) is a business entity that includes nonlawyers who have an economic interest or ~~d~~Decision-making ~~a~~Authority in the firm and provides legal services in accord with Supreme Court Rules 31 and 31.1(c).

“Authorized ~~P~~erson” means a person possessing:

1. An economic interest in the ~~alternative business structure~~ABS equal to or more than 10 percent of all economic interests in the ~~alternative business structure~~ABS; or
2. The legal right to exercise ~~d~~Decision-making ~~a~~Authority on behalf of the ~~alternative business structure~~ABS. Examples may include: a sole proprietor of a sole proprietorship, a manager of a limited liability company, an officer of a corporation, a general partner of a general or limited partnership, or a person possessing comparable rights by operation of law or by agreement.

“Compliance ~~I~~awyer” means an active member of the State Bar of Arizona in good standing who, pursuant to Supreme Court Rule 42, ER 5.3(d) and subsection (G)(3)(b) of this section, is responsible for ensuring compliance with the rules governing ABSs, Supreme Court Rule 42, and the regulatory requirements of this section.

“Decision-making ~~a~~Authority” in an ABS means the authority, by operation of law or by agreement, to directly or indirectly:

1. Legally bind the ABS;
2. Control or participate in the management or affairs of the ABS;
3. Direct or cause the direction of the management and policies of the ABS; or
4. Make day-to-day or long-term decisions on matters of management, policy, and operations of the ABS.

“Director” means the administrative director of the courts or the director’s designee.

“Economic interest” means (1) a share of a corporation’s stock, a capital or profits interest in a partnership or limited liability company, or a similar ownership interest in any other form of entity, or (2) a right to receive payments for providing to or on behalf of the entity management services, property, or the use of property (including software and other intangible personal property) that is based, in whole or in part, on the firm’s gross revenue or profits or any portion thereof. Notwithstanding the foregoing, “economic interest” does not mean employment-based compensation pursuant to a plan qualified under the Internal Revenue Code of 1986, as hereafter may be amended, or any successor rule, or discretionary bonuses paid to employees.

“Person” means an individual, business corporation, nonprofit corporation, partnership, limited partnership, limited liability company, general cooperative association, limited cooperative

association, unincorporated nonprofit association, statutory trust, business trust, common-law business trust, estate, trust, association, joint venture, public corporation, or government or governmental subdivision, agency or instrumentality, or any other legal or commercial entity.

B. Applicability. This section governs the administration, licensing and regulation of ~~alternative business structures~~ ABS, and ~~shall be~~ is read with the supreme court rules governing the practice of law.

C. Purpose. This section is intended to result in the effective administration of the ~~alternative business structures~~ ABS licensing program.

D. Administration

1. through 2. [No changes]

3. Role and Responsibilities of the Director. As designated by article VI, § 7 of the Arizona Constitution, the director:

a. ~~Shall~~ Must:

(1) [No changes]

(2) Appoint and supervise all ~~d~~ Division staff;

(3) through (4) [No changes]

(5) Develop policies and procedures regarding the processing of applications for licensing by ~~d~~ Division staff.

b. May:

(1) Direct ~~d~~ Division staff to ~~conduct an investigation into~~ investigate alleged acts of misconduct or violations in relation to initial licensure, renewal of a license or licensure after a period of revocation; ~~and~~

(2) Refer a complaint to the ~~state bar~~ State Bar of Arizona; ~~and~~

(3) Initiate a compliance audit of a license holder to determine if the license holder is in compliance with statutes, court rules, administrative orders, court orders, local rules, the ACJA, and any other legal or ethical requirement relating to the license holder's ABS license. The following provisions apply to audits:

(a) Timeframes. The director ~~shall~~ must develop timeframes and procedures for ~~d~~ Division staff conducting compliance audits.

(b) Confidentiality.

(i) Working papers associated with the compliance audit maintained by ~~d~~ Division staff are not public records and are not subject to disclosure, except to court staff in connection with their official duties, the ~~state bar~~ State Bar of Arizona, the attorney general, county attorney, public regulatory entities, or law enforcement agencies.

(ii) [No changes]

(c) through (e) [No changes]

4. Role and Responsibilities of Division Staff.

a. The director ~~shall~~must designate the ~~d~~Division director and other ~~d~~Division staff to assist in the administration of the ABS licensing program pursuant to article VI, § 7 of the Arizona Constitution.

b. Division staff ~~shall~~must:

(1) [No changes]

(2) Make recommendations to the ~~e~~Committee on all application and licensing matters and any other matters regarding applicants and license holders;

(3) Provide updates to the ~~e~~Committee on program activities;

(4) [No changes]

(5) Conduct compliance audits and monitoring as required by ~~this~~ subsection 4(c) below; and

(6) Conduct pre-licensure investigations of allegations of acts of misconduct or violations of the statutes, court rules, or the applicable sections of the ACJA by applicants or ~~a~~Authorized ~~p~~Persons and report the findings to the ~~e~~Committee.

(7) [No changes]

c. Compliance Audit

(1) On an annual basis, staff must conduct a compliance audit of ABSs in a number determined by the Director. ABSs to be audited may be randomly chosen by staff or may be selected due to particular concerns that have come to the attention of staff.

(2) Any ABS selected for audit must complete and return, within twenty (20) days of request, the ABS audit form, the contents of which are to be developed and determined by the Committee. The form must require supporting documentation, including, but not limited to, all semi-annual compliance reports prepared by the ABSs Compliance Lawyer. The ABS and Compliance Lawyer are both responsible for timely, accurately, and fully responding to the compliance audit and any follow-up questions or requests for additional information from Division staff.

(3) Findings by Division staff of minor violations subject to remediation may be resolved by the ABS providing Division staff with evidence of correction approved by staff. Substantial or pervasive violations will be referred to the State Bar of Arizona for any necessary action.

(4) Failure to comply with these audit requirements is grounds for separate discipline and will be referred to the State Bar of Arizona for any necessary action.

5. Role and Responsibilities of Committee on Alternative Business Structures.

a. Appointment of Members. Pursuant to Rule 33.1, the court ~~shall~~must appoint

members to initial varying terms of one, two, and three years to encourage continuity of the eCommittee. Other appointment details are contained in Supreme Court Rule 33.1(a)(2) and (3). The members ~~shall~~will assist ~~d~~Division staff in the recruitment of eCommittee members.

- b. Duties of the Committee. In addition to Supreme Court Rule 33.1(a)(4) – (6) and (b):
 - (1) The eCommittee ~~shall~~must:
 - (a) Make recommendations to the supreme court or the Arizona Judicial Council regarding rules, policies, and procedures for regulating ABSs, including:
 - (i) through (iv) [No changes]
 - (b) [No changes]
 - (c) Examine applications for the addition of an Authorized Person and change of Compliance Lawyer after initial licensure and grant or deny the addition or change;
 - (~~e~~) Examine license renewal applications and grant or deny renewal; and
 - (~~d~~) Order a summary suspension of a license.
 - (2) The eCommittee may:
 - (a) through (b) [No changes]
 - d. In addition to the requirements of subsection (D), and except as otherwise provided herein, eCommittee members must abide by ACJA § 7-201(I)(2) through (7).
 - e. On or before April 1 of each year the eCommittee ~~shall~~must file a report with the supreme court describing the status of the ABS program. The report ~~shall~~must include, but is not limited to, the following information:
 - (1) through (2) [No changes]
 - (3) The number of charges filed against ABSs and ABS eCompliance Hlawyers during the previous calendar year and the nature of the charge(s);
 - (4) The number of complaints initiated by the State Bar of Arizona during the previous calendar year and the nature of the complaint;
 - (5) through (6) [No changes]
 - f. The ~~state bar~~State Bar of Arizona ~~shall~~must provide the eCommittee with the following information:
 - (1) through (2) [No changes]
 - (3) Such other information as the eCommittee may request to prepare the report described in section (D)(5)(e) herein.
6. Role and Responsibility of the State Bar of Arizona. The State Bar of Arizona is responsible for receiving, processing, investigating, seeking interim suspension of, and prosecuting disciplinary matters against ABSs and an ABS's members, and ~~shall~~must carry out this responsibility according to supreme court rules and this code section.

7. [No changes]

E. Licensure.

1. Application for Initial Licensure.

- a. Forms. An applicant, including all ~~a~~Authorized ~~p~~Persons, ~~shall~~must apply for licensure on approved forms and file them with ~~d~~Division staff.
- (1) Division staff ~~shall~~will conduct a preliminary review of the submitted application and determine if the application is deficient, the required supporting documents are deficient, fees are deficient, or a combination of these requirements are deficient.
 - (2) Division staff ~~shall~~will advise the applicant of the deficiencies.
 - (3) The applicant ~~shall~~will provide the information and a written response to correct or explain the deficiencies, or otherwise remedy the defects in the application, supporting documents or fees.
 - (4) [No changes]
 - (5) Upon receipt of a complete application, ~~d~~Division staff may conduct a personal credit review and review records regarding an application for initial licensure, consistent with the policies and procedures developed by the ~~d~~Director.
 - (6) The applicant ~~shall~~must notify ~~d~~Division staff of any changes relevant to the application for licensure within five days of the change.
 - (7) Upon a final review of the application, ~~d~~Division staff ~~shall~~must prepare and forward to the ~~e~~Committee a written recommendation regarding the applicant's qualifications and eligibility for licensure.
 - (8) Division staff ~~shall~~must advise the ~~e~~Committee in any written recommendation regarding licensure of an applicant, of any complaints alleging acts of misconduct or violations of statute, court rules or order, or this section, if the allegations occurred during the time the applicant held an active license and were received after the applicant's licensure expired.
 - (9) Division staff's written recommendation to the ~~e~~Committee ~~shall~~must note any deficiencies in the application. A deficient application for initial licensure is lacking one or more of the following requirements:
 - (a) through (c) [No changes]
 - (10) The ~~e~~Committee, upon review of the ~~d~~Division staff recommendation, may request an informal interview with an applicant, pursuant to subsection (D)(5)(c)(2)(a), to establish if:
 - (a) through (b) [No changes]
 - (c) Any complaints, regarding allegations of misconduct or violations of the statutes, court rules, or applicable sections of the ACJA, received after the applicant's original licensure expired, require investigation by ~~d~~Division staff pursuant to subsection (E)(1)(a)(4).
- b. Fees. The applicant ~~shall~~must submit with the application, an application fee, initial

licensure fee, and any other fees required as specified in subsection (J). Fees are not refundable or waivable. An applicant ~~shall~~must make the payment for any fee payable to the Arizona Supreme Court. An application submitted without fees is deficient. In addition to the fees described in subject J, if the cost of the investigation exceeds \$1,500, or ~~d~~Division staff expends more than 80 hours performing the investigation, applicant ~~shall~~must pay the additional investigation cost and ~~d~~Division staff additional investigation time at \$100 per hour.

- c. Fingerprinting. If required, an ~~a~~Authorized ~~p~~Person ~~shall~~must submit with the application, a full set of fingerprints, with the fee established by law, for the purpose of obtaining a state and federal criminal records check. An application submitted without a fingerprint card, if required, is deficient.
 - (1) The ~~a~~Authorized ~~p~~Person ~~shall~~must provide a readable and complete fingerprint card. The ~~a~~Authorized ~~p~~Person ~~shall~~must pay any costs attributable to the original fingerprinting or subsequent re-fingerprinting due to unreadable fingerprints and any fees required for the submission or resubmission of fingerprints.
 - (2) If after two attempts, the FBI determines the fingerprints provided are not readable, the ~~a~~Authorized ~~p~~Person ~~shall~~must submit a written statement, under oath, that the ~~a~~Authorized ~~p~~Person has not been arrested, charged, indicted, convicted of or pled guilty to any felony or misdemeanor, other than as disclosed on the application.
 - (3) Division staff ~~shall~~must submit completed fingerprint cards and the applicable fees to the Arizona Department of Public Safety, pursuant to A.R.S. § 41-1750, Public Law 92-544, and subsection (D)(4)(b)(1).

2. Decisions Regarding Licensure.

- a. In determining whether to recommend to the supreme court a grant of licensure, the ~~e~~Committee ~~shall~~must take into consideration Supreme Court Rule 33.1(b), which states:

Decision Regarding Licensure. The Committee ~~shall~~must recommend approval of applications if the requirements in this rule and in ACJA are met by the applicant. The Committee's recommendation ~~shall~~must state the factors in favor of approval.

- (1) [No changes]
 - (2) The Committee ~~shall~~must examine whether an applicant has adequate governance structures and policies in place to ensure:
 - (A) [No changes]
 - (B) the ~~alternative business structure~~ABS maintains proper standards of work;
 - (C) through (E) [No changes]
- b. Notification of Licensure. Upon the supreme court's order approving a license, ~~d~~Division staff ~~shall~~must promptly notify qualified applicants of licensure in writing.

Each qualified ABS ~~shall~~will receive a document evidencing licensure, stating the applicant's name, date of licensure, license number, and expiration date of the license. Each license ~~shall~~will expire as provided in (F)(1).

c. [No changes]

d. Denial of Initial License.

(1) The ~~e~~eCommittee must recommend that the supreme court deny licensure if the applicant:

(a) through (b) [No changes]

(2) The ~~e~~eCommittee may recommend that the supreme court deny licensure if the ~~e~~eCommittee finds, with respect to the applicant or any ~~a~~aAuthorized ~~p~~person, one or more of the following:

(a) [No changes]

(b) Has committed any act constituting material misrepresentation, omission, fraud, dishonesty, or corruption in business or financial matters;

(c) Has engaged in conduct showing the applicant or an ~~a~~aAuthorized ~~p~~person of the applicant is incompetent or a source of injury and loss to the public;

(d) though (m) [No changes]

(n) Has violated any order of a court, judicial officer, administrative tribunal, or the ~~e~~eCommittee;

(o) [No changes]

(p) Has made a false or misleading oral or written statement to ~~d~~division staff or the ~~e~~eCommittee;

(q) [No changes]

(r) Failed to respond or furnish information to ~~d~~division staff or the ~~e~~eCommittee when the information is legally requested and is in the applicant's control or is reasonably available to the applicant and pertains to licensure or investigative inquiries; or

(s) If the applicant's business has a record of conduct constituting dishonesty or fraud on the part of an employee, ~~a~~aAuthorized ~~p~~person, or the business.

(3) The ~~e~~eCommittee may consider any or all of the following criteria when reviewing the application of an applicant with a misdemeanor or felony conviction, pursuant to subsection (E)(2)(d)(2)(d) or (e):

(a) through (b) [No changes]

(c) The degree of violence, injury, or property damage and the cumulative effect of the conduct;

(d) through (m) [No changes]

(4) Upon the ~~e~~eCommittee's decision to recommend that the supreme court deny licensure:

(a) Division staff must notify the applicant, including all ~~a~~aAuthorized ~~p~~persons, of the ~~e~~eCommittee's decision. The notice must state:

(i) The reasons for the ~~e~~eCommittee's recommendation of denial;

(ii) That the ~~e~~eCommittee's decision to recommend that the supreme court deny licensure is not effective until expiration of the deadline for

- requesting a hearing under subsection (E)(2)(e) of this section;
 - (iii) The date on which ~~d~~Division staff mails the notice of denial; and
 - (iv) The right of the applicant to a hearing, under subsection (E)(2)(e) of this section.
- (a) The ~~d~~Division staff must provide the notice in writing and must send the notice within 10 days after the ~~e~~Committee's decision.
- e. Request for Hearing. An applicant is entitled to a hearing on the decision to recommend denial of licensure if the disciplinary clerk receives a written request for a hearing within 15 days after ~~d~~Division staff mails the notice of denial. The request for hearing must contain the information required by ACJA § 7-201(H)(13). If no request for hearing is filed, the ~~e~~Committee's recommendation of denial is filed with the supreme court, foreclosing an applicant, including any ~~a~~Authorized ~~p~~Person's, opportunity to respond under Arizona Supreme Court Rule 33.1(a)(6).
- f. Hearing. The applicant is the moving party at the hearing and has the burden of proof. The provisions of ACJA § 7-201(H)(14) through (22)(a) and (b) govern the procedures-related to the hearing. The disciplinary clerk must distribute the hearing officer recommendation report issued under ACJA § 7-201(H)(22)(a) to all parties and the ~~e~~Committee in the manner provided under ACJA § 7-201(H)(22)(c).
- g. Rehearing. Any aggrieved party may request a rehearing by filing a written request with the hearing officer and the disciplinary clerk within 15 days after the disciplinary clerk's distribution of the hearing officer's recommendation. If no request for rehearing is filed, the ~~e~~Committee will consider the hearing officer's recommendation under subsection (E)(2)(h) of this section.
 - (1) through (3) [No changes]
- h. Committee consideration of hearing officer recommendation. Following receipt of the hearing officer's recommendation report under (E)(f) or (g) of this section, the ~~e~~Committee must either:
 - (1) Accept, reject, or modify the hearing officer's recommendation report, in whole or in part, as the ~~e~~Committee's recommendation, direct ~~d~~Division staff to provide notice in the manner required under subsection (E)(2)(d)(4), and file the ~~e~~Committee's recommendation with the supreme court, or
 - (2) Issue an order remanding all or part of the matter to the hearing officer, identifying the issues remanded, and requiring the hearing officer to issue a recommendation report on remand. Following receipt of the hearing officer's recommendation on remand, the ~~e~~Committee must accept, reject, or modify the hearing officer's recommendation report on remand as the ~~e~~Committee's recommendation and file the ~~e~~Committee's recommendation with the supreme court.
- i. Response to recommendation to deny. An applicant, including any ~~a~~Authorized ~~p~~Person, affected by any denial recommendation of the ~~e~~Committee filed with the

supreme court may respond as provided in Supreme Court Rule 33.1(a)(6), except as prohibited under subsection (E)(2)(e).

j. An applicant denied licensure by a final decision of the supreme court may reapply for licensure, under subsection (E) of this section, if:

(a) [No changes]

(b) The applicant presents all of the following new documentation:

(i) Addressing the original issues resulting in the eCommittee's denial;

(ii) through (iii) [No changes]

(c) In determining whether the applicant has established that the purpose of the business meets the regulatory objective of Supreme Court Rule 33.1(b)(1) and subsection (E)(2)(a) of this section, the eCommittee must conduct an informal interview with the applicant no later than 60 days after the applicant has submitted a completed application.

3. Time Frames for Licensure.

a. The director ~~shall~~must develop time frames for the processing of applications by ~~d~~Division staff, pursuant to subsection (D)(3)(a)(5).

b. An applicant ~~shall~~must respond timely to requests for information from ~~d~~Division staff pertaining to the applicant's application. Unless the applicant can show good cause as to why the eCommittee should grant additional time, the eCommittee shall not approve any applicant unless the applicant successfully completes all requirements within 90 days from the date ~~d~~Division staff received the original initial application for licensure.

c. If an applicant needs additional time to comply with ~~d~~Division staff requests or to complete the application process within the time frames specified in this subsection, the applicant ~~shall~~must file a written request for an extension with ~~d~~Division staff. The request ~~shall~~must state the reasons for additional time to comply with time frames and licensure requirements. The applicant ~~shall~~must file the request for additional time to complete the initial application at a minimum, 10 days prior to the 90-day deadline, unless the applicant makes a showing of good cause. Failure to complete the application process or file a written request for an extension of time within this time period shall nullify and void the original application and supporting documents, including fingerprints and fees.

d. Division staff ~~shall~~must forward the written request for an extension of time to the eCommittee at the next scheduled eCommittee meeting.

e. If the applicant fails to meet the 90-day deadline or is not granted additional time by the eCommittee to complete the initial licensure process, the applicant is considered a new applicant. The applicant ~~shall~~must submit a new application including a fingerprint card and fees.

4. Records of Applicants for Licensure and License Holders ~~shall be~~ governed by the provisions of Supreme Court Rule 123, except as otherwise provided in Arizona Rules of Court. Division staff ~~shall~~must retain applicant and license holder records for a period of five years from the last activity in the record. Division staff ~~shall~~must take appropriate methods to ensure the confidentiality of any destroyed records.
5. Unlawful Use of Designation or Abbreviation.
 - a. An ABS who has received a license is authorized to utilize the designation of “Arizona licensed” in connection with their title or name and may use any appropriate abbreviation connected with this licensure. No other business ~~shall~~may assume or use the title, designation, or abbreviation, or any other title, designation, sign or card, the use of which is reasonably likely to induce others to believe the business holds a valid ABS license issued by the Arizona Supreme Court. The license holder ~~shall~~must not sell, transfer, or assign its license to any other business.
 - b. The eCommittee, upon completion of an investigation may issue a cease and desist order. A hearing officer or a superior court judge, upon petition by the eCommittee, may enter an order for an individual or business to immediately cease and desist conduct constituting engagement as an ABS without the required license.
6. Voluntary Surrender. A license holder in good standing may surrender its license to the eCommittee. However, the surrender is not valid until accepted by the eCommittee. The eCommittee or dDivision staff may require additional information reasonably necessary to determine if the license holder has violated any provision of the statutes, court rules, and this section. The surrender does not prevent the commencement of subsequent discipline proceedings for any conduct of the surrendered license holder occurring prior to the surrender.
 - a. Division staff ~~shall~~must present the surrendered license to the eCommittee at the next available eCommittee meeting after receiving notice of the surrender. Upon the eCommittee’s acceptance of the voluntary surrender, dDivision staff ~~shall~~must designate the license of the license holder as a “surrendered license holder in good standing.” Division staff ~~shall~~must notify the license holder in writing within 10 days after the eCommittee’s acceptance of the surrender.
 - b. The eCommittee ~~shall~~must not accept the surrender if there is a complaint pending against the license holder.
 - c. The eCommittee ~~shall~~must, within 90 days of the receipt of the surrendered license by dDivision staff, either accept the surrender or, based upon the recommendations of dDivision staff, await the outcome of the pending disciplinary proceedings. If the supreme court, hearing panel or presiding disciplinary judge subsequently imposes a sanction upon the license of the surrendered license holder, dDivision staff ~~shall~~must change the status of the license holder from “surrendered license holder in good

standing” to that of an ABS so disciplined.

d. [No changes]

F. Renewal of Licensure.

1. [No changes]

2. Application. A license holder is responsible for applying for a renewal license. The license holder applying for renewal of licensure must do so on the form provided by ~~d~~Division staff. Renewal applications must be submitted within 90 days before the expiration date to allow sufficient time for processing the renewal application.

a. [No changes]

b. When a license holder requests to file an untimely renewal application, the division director may process the untimely application and recommend to the ~~e~~Committee to renew a license if the untimely renewal applicant demonstrates to the director good cause for the untimely filing. In addition, the following ~~shall~~ apply:

(1) The applicant ~~shall~~must submit a complete renewal application and applicable fees, and any other documentation requested by ~~d~~Division staff to verify the grounds for the good cause exception requested.

(2) The applicant ~~shall~~must not provide legal services:

(a) through (b) [No changes]

c. When a timely renewal application is denied, the existing licensure does not expire until the last day for seeking a hearing on the denial decision pursuant to subsection (E)(2)(d)(5); or if a hearing is requested, until the final decision is made on an appeal of the denial by the ~~e~~Committee pursuant to ACJA § 7-201(H)(25).

d. The ~~e~~Committee may request an informal interview with the applicant for renewal, pursuant to subsection (D)(5)(c)(2)(b), to establish if additional information or an explanation of the information provided by the applicant is needed to determine if the applicant continues to meet the qualifications for licensure in this section.

e. The license of a license holder who does not supply a complete renewal application and payment of the renewal fee in the specified time and manner to ~~d~~Division staff ~~shall expire~~expires as of the expiration date. Division staff ~~shall~~must treat any renewal application received after the expiration date as a new application, except when the license holder requests to file an untimely renewal application pursuant to subsection (F)(2)(b).

3. Additional Information. Before renewal of licensure, ~~d~~Division staff may require additional information reasonably necessary to determine if the applicant continues to meet the qualifications specified in this section, which may include:

a. through b. [No changes]

4. Decision Regarding Renewal.

a. The eCommittee may renew a license if the license holder:

(1) through (4) [No changes]

b. Division staff will promptly notify the applicant in writing of the eCommittee's decision on the applicant's license renewal application. Each renewed applicant must receive evidence of renewal of licensure stating the applicant's name, date of licensure renewal, license number, and expiration date.

c. The eCommittee may deny renewal of licensure for any of the reasons stated in subsection (E)(2)(d). Division staff ~~shall~~must promptly notify the applicant, in writing, within 10 days of the eCommittee's decision to deny renewal of licensure. The notice ~~shall~~must include the eCommittee's reasons for the denial of renewal of licensure and the right of the applicant to a hearing, pursuant to subsection (F)(4)(d).

d. [No changes]

G. Role and Responsibilities of Licensed Alternative Business Structures and Compliance Lawyers.

1. Initial Licensure. In addition to the requirements of subsection (E)(1), each applicant for licensure as an ABS must meet the following requirements:

a. Submit completed applications for the ~~alternative business structure~~ABS and each ~~a~~Authorized ~~p~~Person.

b. Submit a prescribed indemnification statement and conflict of interest statement signed by each ~~a~~Authorized ~~p~~Person.

c. through e. [No changes]

f. Designate a ~~p~~Pincipal with whom division staff may communicate on any administrative, procedural, or operational issues.

g. through i. [No changes]

j. Insurance Disclosure

(1) Each ABS ~~shall~~must certify to the ~~state bar~~State Bar of Arizona on an annual form prescribed by the ~~state bar~~State Bar of Arizona on or before February 1 of each year whether the ABS is currently covered by professional liability

insurance. Each ABS who reports being covered by professional liability insurance ~~shall~~must notify the ~~state bar~~State Bar of Arizona in writing within 30 days if the insurance policy providing coverage lapses, is no longer in effect, or terminates for any reason. An ABS ~~who~~that acquires professional liability insurance after February 1 ~~shall~~must advise the ~~state bar~~State Bar of Arizona of the change of status in coverage.

(2) The ~~state bar~~State Bar of Arizona ~~shall~~must make the information submitted by ABSs pursuant to this rule available to the public on its website as soon as practicable after receiving the information.

(3) [No changes]

2. Roles and Responsibilities of ABSs. Each ABS ~~shall~~must:

a. through b. [No changes]

c. Notify ~~d~~Division staff of any change in ~~d~~Designated ~~p~~Principal, ~~e~~Compliance ~~l~~Lawyer, or ~~other~~ authorized ~~p~~Person or any change in the ~~telephone number, business address, mailing address, or home address of principals, contact details of any Designated Principal, e~~Compliance ~~l~~Lawyers, and ~~other~~ authorized ~~p~~Persons, or any other required database information within ~~30 business~~30 days of the change. The ~~d~~Designated ~~p~~Principal of the ABS ~~shall~~must notify ~~d~~Division staff of changes through the ABS regulation email system or in writing, utilizing the form or online portal provided by ~~d~~Division staff.

d. [No changes]

~~e. Notify division staff in writing within 30 days of a change in designated principal or compliance lawyer.~~

~~f.e.~~ Any ABS that ceases doing business must adhere to the requirements of subsections (H)(4) through (6).

~~g.f.~~ Any ABS subject of an acquisition or merger with another business entity, regardless of whether the other business entity is also an ABS, must prior to merger or acquisition:

(1) through (2) [No changes]

3. Compliance ~~l~~Lawyer. Each ABS must designate a ~~e~~Compliance ~~l~~Lawyer whose qualifications and responsibilities are as follows:

a. Qualifications. The ~~e~~Compliance ~~l~~Lawyer ~~shall~~must:

(1) [No changes]

(2) Be a manager, ~~or~~ employee, or independent contractor of the ABS with Decision-making Authority;

- (3) [No changes]
 - (4) ~~Not have been subject to discipline by the State Bar of Arizona or any similar agency in any other jurisdiction during the past 10 years; and Not have been disbarred or subject to disciplinary suspension in any jurisdiction during the past 10 years;~~
 - (5) Not have been Reprimanded or Admonished in any jurisdiction, or be subject to the foreign jurisdiction's equivalent of such, in the past 5 years; and
 - (5) Possess credentials and experience in the legal field to ensure that ethical obligations, protection of the public, and standards of professionalism are adhered to.
- b. Responsibilities. The ~~e~~Compliance ~~H~~Lawyer ~~shall~~must take all reasonable steps to:
- (1) [No changes]
 - (2) Ensure compliance by the ABS's ~~a~~Authorized ~~p~~Persons;
 - (3) Ensure the ABS's ~~a~~Authorized ~~p~~Persons and others employed, associated with, or engaged by the ABS do not cause or substantially contribute to a breach of the regulatory requirements of this code or the ethical and professional obligations of lawyers;
 - (4) Ensure that a prompt report is made to the ~~s~~State ~~b~~Bar of Arizona of any facts or matters reasonably believed to be a substantial breach of the regulatory requirements of this code or the ethical and professional obligations of lawyers;
 - (5) Ensure that the ~~s~~State ~~b~~Bar of Arizona is promptly informed of any fact or matter that reasonably should be brought to its attention in order that the ~~state bar~~State Bar of Arizona may investigate whether a breach of regulatory or ethical requirements has occurred; and
 - (6) Notify ~~d~~Division staff and the ~~s~~State ~~b~~Bar of Arizona in writing within 30 days when the ~~e~~Compliance ~~H~~Lawyer has ceased to be the ~~e~~Compliance ~~H~~Lawyer for the ABS.
 - (7) Notify Division staff and the Committee within 30 days of any disciplinary sanction imposed against the Compliance Lawyer or the ABS.
- c. Violations. Any ~~e~~Compliance ~~H~~Lawyer who fails to comply with this section, including any failure to report any facts or matters reasonably believed to amount to a substantial breach of the regulatory requirements of this code or the ethical and professional obligations of lawyers, in addition to other possible sanctions, may be suspended on an interim basis pursuant to Rule 61, Rules of Supreme Court.

H. Discipline.

1. Rules. The supreme court rules governing complaints, investigations, and disciplinary proceedings against Arizona licensed attorneys ~~are applicable~~apply to ~~alternative business structures~~ABSs and ~~its~~their members ~~under this section~~, except as otherwise stated in this section.

2. Sanctions. Misconduct by an ABS or its members ~~shall be~~ grounds for imposition of one or more of the following types of sanctions:
 - a. [No changes]
 - b. Suspension. Suspension of an ABS may be imposed by judgment and order entered by the supreme court, a hearing panel, or the presiding disciplinary judge for an appropriate fixed period of time not to exceed 3 years. Suspension of an ABS license prohibits the ABS from accepting new legal services clients and requires notification pursuant to subsection (H)(4). An order of the supreme court, a hearing panel, or the presiding disciplinary judge may specify additional restrictions on the activities of an ABS during the term of suspension. An ABS whose activities are suspended ~~shall remain~~ remains suspended until the court enters an order reinstating the ABS to its full business capacity in Arizona or upon order of the presiding disciplinary judge pursuant to subsection (E)(8)(b).
 - c. through d. [No changes]
 - e. Probation. Probation may be imposed by judgment and order entered by the supreme court, a hearing panel, the presiding disciplinary judge, or the Attorney Discipline Probable Cause Committee as follows:
 - (1) Probation ~~shall~~ must be imposed for a specified period not in excess of ~~one~~ two years but may be renewed for an additional ~~one~~ two-year period.
 - (2) Probation may be imposed only in those cases in which there is little likelihood that the respondent ABS or its members will harm the public during the period of probation and the conditions of probation can be adequately supervised. The conditions of probation ~~shall~~ must be stated in writing, ~~shall~~ must be specific, understandable, and enforceable, and may include restitution, disgorgement, and assessment of costs and expenses.
 - (3) The presiding disciplinary judge may appoint a monitor to supervise the ABS during a period of probation. The cost of the monitor ~~shall~~ must be paid by the ABS.
 - (4) The monitor ~~shall~~ must report to the ~~state bar~~ State Bar of Arizona, which ~~shall be~~ is responsible for supervising the respondent ABS during the probationary period. Bar counsel ~~shall~~ must report material violations of the terms of probation to the presiding disciplinary judge by filing a notice of noncompliance with the disciplinary clerk and serving respondent with a copy of the notice. The notice of noncompliance ~~shall~~ must include verification or separate affidavit upon personal knowledge stating sufficient facts to support the allegations of material violations of the terms of probation. Respondent ~~shall have~~ has 10 days after service of the notice to file a response. Upon filing the notice of noncompliance, the presiding disciplinary judge may (a) issue an order declining to proceed with the notice; (b) issue an order setting the matter for status conference; or (c) issue an order setting a hearing within 30 days to determine if the terms of probation have been violated and if an additional sanction should be imposed. In a probation violation hearing,

the ~~state bar~~ State Bar of Arizona must prove a violation by preponderance of the evidence. At the end of the probation term, bar counsel ~~shall~~ must prepare and forward a notice to the presiding disciplinary judge regarding the respondent's completion or non-completion of the imposed terms.

f. through g. [No changes]

3. Enforcement. Execution and other post-judgment remedies ~~shall be~~ is governed by Supreme Court Rule 60(d).

4. Notice to Clients and Adverse Parties. Within 10 days after the date of an order or judgment issued by the presiding disciplinary judge, a hearing panel, or the supreme court imposing discipline and sanctions, or the date of surrender of license, an ABS whose license was revoked or suspended or who has surrendered its license, ~~shall~~ must notify the following persons by registered or certified mail, return receipt requested, of the order of judgment or surrender, and of the fact that the ABS is disqualified from providing legal services after the effective date of same:

a. through d. [No changes]

5. Duty to Withdraw. In the case of a suspension for longer than ~~90~~ 60 days, or a suspension of 90 days or less when any client does not consent to the association of counsel, and in all cases of revocation of licensure, it ~~shall be~~ is the responsibility of the assigned lawyer in the ABS to move in the court or agency in which any proceeding is pending for leave to withdraw in the event the client does not obtain substitute counsel before the effective date of the suspension or revocation.

6. Return of Client Property. Respondent ~~shall~~ must deliver to all clients being represented in pending legal matters any papers or other property to which they are entitled and ~~shall~~ must notify them, and any counsel representing them, of a suitable time and place where the papers and other property may be obtained, calling attention to any urgency for obtaining the papers or other property. The respondent ~~shall~~ must deliver all files and records in pending legal matters to the client, notwithstanding any claim of outstanding payment for services.

7. Effective Date of Order; Pending Matters. Judgments imposing suspension or revocation ~~shall be~~ are effective 30 days after entry, unless the presiding disciplinary judge, hearing panel, or the supreme court specifies an earlier date. Judgments and orders imposing other sanctions are effective immediately upon entry. Respondent, after entry of a judgment of revocation or suspension, ~~shall~~ must not provide legal services, except that during the period between entry and the effective date of the order, respondent may complete on behalf of any client all matters that were pending on the entry date. If a judgment or order permits the ABS to provide legal services under supervision of the ~~state bar~~ State Bar of Arizona, respondent may only provide those services allowed by the judgment or order. Respondent ~~shall~~ must refund any part of fees paid in advance which have not been earned.

8. Affidavit Filed with Presiding Disciplinary Judge and Court. Within 10 days after the effective date of the judgment of revocation or suspension, respondent ~~shall~~must file with the disciplinary clerk and with the supreme court an affidavit showing:

a. through c. [No changes]

9. Duty to Maintain Records. An ABS whose license has been revoked or suspended ~~shall~~must keep and maintain records constituting proof of compliance with this section. Proof of compliance, which ~~shall~~must include copies of the notice sent pursuant to subsection (H)(4) and signed returned receipts, ~~shall~~must be provided to the eChief bBar eCounsel of the State Bar of Arizona. Proof of compliance is a condition precedent to any application for reinstatement or licensing.

10. [No changes]

I. Reinstatement after Suspension or Revocation. ~~An alternative business structure~~ABS license holder whose license was suspended or revoked by the supreme court may apply for reinstatement under the following conditions:

1. If an ABS's license has been revoked the ABS may, after a period of ~~35~~ years, apply for reinstatement of licensure in accordance with the requirements ~~for initial licensure herein~~. ~~In addition, an applicant is subject to the requirements of subsection (3) below and shall pay the initial licensure and reinstatement fees of Rule 64(d) Ariz. R. Sup. Ct.~~

2. An ABS whose license has been suspended ~~90 days for six months~~ or less may apply for reinstatement no sooner than 10 days before the expiration of the period of suspension by ~~filing with the disciplinary clerk and serving on the state bar an affidavit for reinstatement. The affidavit shall include an avowal that the ABS has fully complied with the requirements of the suspension judgment or order, and has paid all required fees, costs, expenses, and fines. If an affidavit is not filed within 60 days after expiration of the period of suspension, the reinstatement procedure set forth in subsection (3) below shall apply~~complying with the requirements and process of Rule 64(e)(2) Ariz. R. Sup. Ct.

3. An ABS whose license has been suspended for more than ~~90 days~~six months may apply for reinstatement no sooner than 90 days prior to the expiration of the period of suspension set forth in the judgment but may not be reinstated until the full period of suspension has been served. An applicant for reinstatement ~~shall~~must comply with the requirements and process of Rule 64(e)(1) Ariz. R. Sup. Ct.~~file a written application for reinstatement with the disciplinary clerk, which shall be verified by the applicant, and accompanied by the appropriate fees and proofs of payment required by subsection (4) below of this section. The applicant shall file with the application for reinstatement a written release or authorization for the state bar to obtain documents or information in the possession of any third party. The application shall contain the following information and be accompanied by the following documents:~~

- ~~a. A copy of the final order of suspension;~~
- ~~b. An affidavit from the state bar stating whether any further investigations or formal proceedings alleging misconduct have been filed or are pending against the ABS, any authorized person, and any lawyer the ABS will employ, associate with, or engage to provide legal services;~~
- ~~c. A statement of the offense or misconduct upon which the suspension was based, together with the dates of suspension;~~
- ~~d. The names and addresses of all complaining witnesses in discipline proceedings that resulted in suspension and the names of the hearing officer or presiding judge before whom the discipline proceedings were heard;~~
- ~~e. A concise statement of facts claimed to support reinstatement of licensure. An ABS must show by clear and convincing evidence that the basis for suspension has been overcome;~~
- ~~f. A detailed description of any ABS activities during the period of suspension, if allowed by the judgment or order of suspension;~~
- ~~g. A description of the occupation and income, during the period of suspension, for all authorized persons and any lawyers the ABS will employ, associate with, or engage to provide legal services;~~
- ~~h. A statement covering the period of suspension showing the dates, general nature and final disposition of every civil action against the ABS or in which any authorized person and any lawyer the ABS will employ, associate with, or engage to provide legal services, was either a plaintiff or defendant;~~
- ~~i. A statement covering the period of suspension showing dates, general nature and ultimate disposition of every matter involving the arrest or prosecution of any authorized person and any lawyer the ABS will employ, associate with, or engage to provide legal services;~~
- ~~j. A statement showing whether or not any applications were made by any authorized person and any lawyer the ABS will employ, associate with, or engage to provide legal services, requiring proof of good moral character for its procurement, and as to each application, the dates, the name and address of the authority to whom it was addressed and the disposition thereof;~~
- ~~k. A statement covering the period of suspension setting forth any procedure or inquiry concerning the standing as a member of any profession or organization, or any holder of any license or office, which involved the reprimand, removal, suspension, revocation of any authorized person, and any lawyer the ABS will employ, associate with, or engage to provide legal services, together with the dates, facts and disposition thereof, and the name and address of the authority in possession of the record thereof;~~
- ~~l. A statement of any charges of fraud made or claimed against the ABS, or any authorized person, and any lawyer the ABS will employ, associate with, or engage to provide legal services, whether formal or informal, together with the dates, names, and addresses of persons making such charges;~~

- ~~m. Copies of all prior applications for reinstatement, including all findings, decisions or orders entered;~~
 - ~~n. A list of all authorized persons, the designated principal, and compliance lawyer. Any changes to who is an authorized person, principal, or compliance lawyer must be noted. The following documentation shall accompany the list:
 - ~~(1) application form for any newly identified authorized persons;~~
 - ~~(2) form designating a principal for any newly identified principal; and~~
 - ~~(3) form designating a compliance lawyer for any newly identified compliance lawyer; and~~~~
 - ~~o. Any further information or documents as requested by the state bar.~~
- ~~4. Application Fee. As a prerequisite to filing and before investigation of the application, every applicant for reinstatement shall pay to the records manager of the state bar an application fee, as set forth in section (J) herein, along with the state bar's estimate of the costs of its investigation and the costs and expenses of all related proceedings before the presiding disciplinary judge, a hearing panel, or the supreme court. The state bar may contract with an outside agency to perform all or part of the investigation. If the applicant's payment is less than the actual cost of investigation and subsequent proceedings, the applicant shall be required to satisfy such deficiency before the application is reviewed by the court. Any excess costs advanced shall be promptly refunded to the applicant at the conclusion of proceedings. Any subsequent costs or expenses incurred shall be paid by the applicant before the ABS's license is reinstated.~~
- ~~5. Costs and Expenses of Disciplinary Proceedings. Prior to filing the application for reinstatement, the applicant shall pay all outstanding costs and expenses of any disciplinary proceeding. Verification of such payment in the form of an affidavit from the records manager of the state bar must accompany the application.~~
- ~~6. Amounts Owning to the Client Protection Fund. Prior to filing an application for reinstatement, the applicant shall cause all state bar members to pay sums owed to the client protection fund due prior to reinstatement proceedings. Verification of such payment in the form of an affidavit from the Administrator of the Client Protection Fund must accompany the application.~~
- ~~7. Annual or Other Licensure Fees. No reinstatement shall become effective until payment of all licensing fees and other charges accruing after the application for reinstatement has been granted.~~
- ~~8. Successive Applications. No application for reinstatement shall be filed within one (1) year following the denial of a request for reinstatement.~~
- ~~9. Withdrawal of Application. An applicant may withdraw an application at any time before the filing of the hearing panel report.~~
- ~~104. Reinstatement Proceedings. Reinstatement hearings shall bere governed by Supreme~~

Court Rule 65(b).

J. Fee Schedule.

1. through 3. [No changes]

4. Miscellaneous Fees.

a. [No changes]

~~b. Merger or Acquisition Fee~~ _____

(1) International _____	\$12,000
(2) Large Non-law Firm _____	\$10,000
(3) Small Non-law Firm _____	\$ 6,000
(4) Non-profit Not Arizona _____	\$ 5,000
(5) Non-profit Arizona _____	\$ 2,000
(6) Traditional Law Firm _____	\$ 6,000

~~eb.~~ Public Record Request Per Page Copy \$.50

~~ec.~~ Certificate of Correctness of Copy of Record \$18

~~ed.~~ Reinstatement Application (after suspension or revocation)

(1) through (6) [No changes]

~~ef.~~ Extraordinary investigation assessment based on actual costs; (see section (E)(1)(b) herein)

~~eg.~~ Addition of Authorized Person (after initial licensure) \$250

K. Code of Conduct. The following code of conduct describes the expectations and standards that an ABS is expected to maintain as a provider of legal services. A failure to meet these standards or a breach of regulatory requirements are grounds for disciplinary action against an ABS itself, or its non-lawyer members, who each have the same responsibility for ensuring ethical legal services for clients. Members of an ABS who are members of the ~~state bar~~ State Bar of Arizona bear the responsibility of the ethical and professional obligations of the profession as well as the standards stated herein. An individual failure or breach may warrant action itself or as a pattern of conduct.

1. Code of Conduct for ABS's. In addition to the requirements of subsection (G)(2), each ABS and its ~~a~~ Authorized ~~p~~ Persons must adhere to the following minimum standards of conduct.

- a. ~~Shall~~Must not allow the legal representation of clients, if the representation involves a conflict of interest as governed by Supreme Court Rule 42, ERs 1.7, 1.8, 1.9, 1.10, 1.11, 1.13 and 1.18.
 - b. ~~Shall~~Must not take any action or engage in activity that interferes with the professional independence of lawyers or others authorized to provide legal services.
 - c. ~~Shall~~Must ensure that legal services are delivered with reasonable diligence and promptness.
 - d. ~~Shall~~Must not take an action or engage in any activity that misleads or attempts to mislead a client, a court, or others, either by the ABS's own acts or omissions, or those of its members or employees, or by allowing or being complicit in the acts or omissions of others.
 - e. ~~Shall~~Must maintain effective governance structures, arrangements, systems, and controls to ensure:
 - (1) through (2) [No changes]
 - f. through j. [No changes]
 - k. Must respond promptly to the Administrative Office of Courts, Committee on Alternative Business Structures, the ~~state bar~~State Bar of Arizona, the presiding disciplinary judge, and the supreme court and provide full and accurate information and documentation in response to any request or investigation.
 - l. ~~Shall~~Must not attempt to prevent any person from providing information or documents in response to any request or investigation.
 - m. [No changes]
 - n. ~~Shall~~Must assure that all ~~a~~Authorized ~~p~~Persons and employees, in matters pertaining to legal services, perform all duties and functions in the manner ethically required of a lawyer pursuant to Supreme Court Rule 42.
2. Code of Conduct for Authorized Persons, Managers, Economic Interest Holders, and Decision-Makers. An ~~a~~Authorized ~~p~~Person, including any manager, economic interest holder, or decision-maker in an ABS is individually responsible for compliance by the ABS with this code of conduct. Failures or breaches of this responsibility may subject any ~~a~~Authorized ~~p~~Person, including any manager, economic interest holder, or decision-maker of an ABS to discipline.
 3. Code of Conduct for Compliance Lawyers. In addition to the requirements of subsection (G)(3)(b) and Supreme Court Rule 42, a ~~designated c~~Compliance Hlawyer is responsible individually for compliance by the ABS and ~~a~~Authorized ~~p~~Persons, including any

managers, economic interest holders, or decision-makers of the ABS, with this code of conduct. Failures or breaches of this responsibility may subject a ~~€~~Compliance ~~‡~~Lawyer to discipline.

4. As to matters involving legal services, in the event of a conflict between this code of conduct, Supreme Court Rule 42, and other professional codes of conduct (e.g., AICPA Code of Professional Conduct), this code of conduct and Rule 42 ~~shall~~ govern.