

Arizona Code of Judicial Administration
Part 7: Administrative Office of the Courts
Chapter 2: Certification and Licensing Programs
Section 7-209: Alternative Business Structures
[New text shown as underlined; deleted text in ~~strikethrough~~]

A. through D. [No changes]

E. Licensure.

1. Application for Initial Licensure.

a. Classification. An applicant must demonstrate how its licensure will advance one or more of the following:

(1) Access to legal services.

(2) Innovation in the delivery of legal services for a specified purpose.

(3) Investment capital to support the delivery of legal services.

(4) Equity ownership by:

(a) nonlawyer heirs of firm lawyers;

(b) nonlawyers in management positions providing key business, operational, or administrative support to a law firm; or

(c) nonlawyer law firm employees of 10 or more years.

(5) Multidisciplinary ownership for purposes of providing coordinated delivery of both legal and non-legal client services.

~~ab.~~ Forms. An applicant, including all Authorized Persons, must apply for licensure on approved forms and file them with Division staff.

c. Application Processing.

(1) through (8) [No Changes]

(9) Division staff's written recommendation to the Committee must note any deficiencies in the application. A deficient application for initial licensure is lacking one or more of the following requirements:

(a) An explanation or correction of any deficiencies, pursuant to ~~subsection (E)(1)(a)(4)~~;

(b) Payment of all appropriate fees, pursuant to ~~subsection-(E)(1)(bd)~~; or

(c) Necessary information or documents to complete a criminal background check, including a readable fingerprint card or affidavit in lieu of a fingerprint card, pursuant to ~~subsection-(E)(1)(ee)~~.

(10) [No changes]

~~bd.~~ Fees. ~~The applicant must submit with the~~An application, an application fee, must be accompanied by the applicable, nonrefundable initial licensure fee , and any other fees required as payable to the Arizona Supreme Court in the amount specified in subsection

~~(J). Fees are not refundable or waivable. An applicant 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 Division staff expends more than 80 hours performing the investigation, applicant must pay the additional investigation cost and Division staff additional investigation time at \$100 per hour.~~

~~ee. Fingerprinting. If required, an Authorized Person 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) through (3) [No Changes]~~

2. Decisions Regarding Licensure Committee Actions.

~~a. In determining whether to recommend to the supreme court a grant of licensure, the committee must take into consideration Pursuant to Supreme Court Rule 33.1(b), which states: Decision Regarding Licensure. The Committee must recommend approval of applications if the requirements in this rule and in ACJA are met by the applicant. The Committee's recommendation the Committee must: state the factors in favor of approval.~~

~~(1) Decisions of the Committee must take into consideration~~Consider the following regulatory objectives:

~~(A) protecting and promoting the public interest;~~

~~(B) promoting access to legal services;~~

~~(C) advancing the administration of justice and the rule of law;~~

~~(D) encouraging an independent, strong, diverse, and effective legal profession; and~~

~~(E) promoting and maintaining adherence to professional principles.~~

~~(2) The Committee must examine~~Examine whether an applicant has adequate governance structures and policies in place to ensure:

~~(A) lawyers providing legal services to consumers act with independence consistent with the lawyers' professional responsibilities;~~

~~(B) the ABS maintains proper standards of work;~~

~~(C) the lawyer makes decisions in the best interest of clients;~~

~~(D) confidentiality consistent with Supreme Court Rule 42 is maintained; and~~

~~(E) any other business policies or procedures do not interfere with a lawyers' duties and responsibilities to clients.~~

b. The Committee must determine the applicant's classification under (E)(1)(a).

c. The Committee must consider whether the applicant or any Authorized Person:

(1) Has committed material misrepresentation, omission, fraud, dishonesty, or corruption in the application form;

- (2) Has committed any act constituting material misrepresentation, omission, fraud, dishonesty, or corruption in business or financial matters;
- (3) Has engaged in conduct evidencing that they are incompetent or a possible source of injury or loss to the public;
- (4) Has a conviction by final judgment of a felony, regardless of whether civil rights have been restored;
- (5) Has a conviction by final judgment of a misdemeanor if the crime has a reasonable relationship to the practice of law or the delivery of legal services to be provided by the ABS, regardless of whether civil rights have been restored;
- (6) Has been disbarred from, or denied admission to, the practice of law or the equivalent of disbarment or denial in this state or any other jurisdiction;
- (7) Is currently suspended from the practice of law in this state or any jurisdiction;
- (8) Has received any denial, revocation, suspension, or disciplinary action of any professional or occupational license or certificate;
- (9) Has received any censure, probation, or other disciplinary action of any professional or occupational license or certificate by any other licensing or regulatory body if the underlying conduct is deemed by the Commission to be relevant to licensure under this section;
- (10) Has received a termination, suspension, probation, or any other disciplinary action regarding past employment if the underlying conduct is deemed by the Commission to be relevant to licensure under this section;
- (11) Has been found civilly liable in an action involving misrepresentation, material omission, fraud, misappropriation, theft, or conversion;
- (12) Is currently on probation or parole for any criminal offense;
- (13) Has violated any decision, order, or rule issued by a professional regulatory body;
- (14) Has violated any order of a court, judicial officer, administrative tribunal, or the Committee;
- (15) Has made a false or misleading statement or verification in support of an application for licensure filed by another person;
- (16) Has made a false or misleading oral or written statement to Division staff or the Committee;
- (17) Failed to disclose information on the application as determined through a subsequent background investigation;
- (18) Failed to respond or furnish relevant information in the applicant's control or reasonably available to the applicant in response to a requested of Division staff or the Committee; or
- (19) Has a record of involvement in conduct constituting dishonesty or fraud by a business, its officers, directors, or employees.

d. When reviewing information concerning any misdemeanor or felony conviction, the Committee may consider:

- (1) The individual's age at the time of the conviction;
- (2) The individual's experience and general level of sophistication at the time of the pertinent conduct and conviction;

- (3) The degree of violence, injury or property damage and the cumulative effect of the conduct;
- (4) The individual's level of disregard of ethical or professional obligations;
- (5) The reliability of the information regarding the conduct;
- (6) Whether the individual's conduct involved fraud, deceit, or dishonesty and resulted in harm to others;
- (7) The recency of the conviction;
- (8) Any evidence of post-conviction rehabilitation or positive social contributions offered by the applicant;
- (9) The relationship of the conviction to the purpose of licensure;
- (10) The relationship of the conviction to the practice of law or the delivery of legal services to be provided by the ABS;
- (11) The individual's candor during the application process;
- (12) The applicant's or Authorized Person's overall qualifications for licensure weighed against the conviction.

e. Committee Recommendation. After due consideration:

- (1) If the Committee determines that the applicant has demonstrated satisfaction of the regulatory objectives of Supreme Court Rule 33.1(b)(1); adequate governance structures and policies under Supreme Court Rule 33.1(b)(2); that its application is consistent with a classification under (E)(1)(a); the absence of the (E)(2)(c) and (d) considerations; and compliance with the requirements of this section, section 7-201, and any other requirements established by the supreme court, the Committee must recommend that the supreme court approve the application.
- (2) If the Committee determines that the applicant has not demonstrated satisfaction of the regulatory objectives of Supreme Court Rule 33.1(b)(1); adequate governance structures and policies under Supreme Court Rule 33.1(b)(2); that its application is consistent with a classification under (E)(1)(a); the existence of one or more considerations under (E)(2)(c) and (d); and compliance with the requirements of this section, section 7-201, and any other requirements established by the supreme court, the Committee must recommend that the supreme court deny the application.

f. The Committee's recommendation to approve or deny an application must state the factors the Committee found in support of its recommendation.

bg. Notification of Licensure. Upon the supreme court's order approving a license, Division staff must promptly notify qualified applicants of licensure in writing. Each qualified ABS will receive a document evidencing licensure, stating the applicant's name, date of licensure, license number, and expiration date of the license. Each license will expire as provided in (F)(1).

Ch. License Status. All licenses are valid until expired, voluntarily surrendered, suspended or revoked.

di. Denial of Initial License.

- ~~(1) The Committee must recommend that the supreme court deny licensure if the applicant:
 - ~~(a) Does not meet the qualifications or eligibility requirements at the time of the application described in this section; or~~
 - ~~(b) Has not submitted a complete application with all deficiencies corrected, the required documents, and fees.~~~~
- ~~(2) The Committee may recommend that the supreme court deny licensure if the Committee finds, with respect to the applicant or any Authorized Person, one or more of the following:
 - ~~(a) Has committed material misrepresentation, omission, fraud, dishonesty, or corruption in the application form;~~
 - ~~(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 Authorized Person of the applicant is incompetent or a source of injury and loss to the public;~~
 - ~~(d) Has a conviction by final judgment of a felony, regardless of whether civil rights have been restored;~~
 - ~~(e) Has a conviction by final judgment of a misdemeanor if the crime has a reasonable relationship to the practice of law or the delivery of legal services to be provided by the ABS, regardless of whether civil rights have been restored;~~
 - ~~(f) Has been disbarred from, or denied admission to, the practice of law or the equivalent of disbarment or denial in this state or any other jurisdiction;~~
 - ~~(g) Is currently suspended from the practice of law in this state or any jurisdiction;~~
 - ~~(h) Has a denial, revocation, suspension, or any disciplinary action of any professional or occupational license or certificate;~~
 - ~~(i) Has a censure, probation, or any other disciplinary action of any professional or occupational license or certificate by other licensing or regulatory entities if the underlying conduct is relevant to licensure under this section;~~
 - ~~(j) Has a termination, suspension, probation, or any other disciplinary action regarding past employment if the underlying conduct is relevant to licensure under this section;~~
 - ~~(k) Has been found civilly liable in an action involving misrepresentation, material omission, fraud, misappropriation, theft, or conversion;~~
 - ~~(l) Is currently on probation or parole;~~
 - ~~(m) Has violated any decision, order, or rule issued by a professional regulatory entity;~~
 - ~~(n) Has violated any order of a court, judicial officer, administrative tribunal, or the Committee;~~
 - ~~(o) Has made a false or misleading statement or verification in support of an application for licensure filed by another person;~~
 - ~~(p) Has made a false or misleading oral or written statement to Division staff or the Committee;~~
 - ~~(q) Failed to disclose information on the application subsequently revealed through the background check;~~
 - ~~(r) Failed to respond or furnish information to Division staff or the Committee 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, Authorized Person, or the business.~~

~~(3) The Committee 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) The applicant's age at the time of the conviction;~~

~~(b) The applicant's experience and general level of sophistication at the time of the pertinent conduct and conviction;~~

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

~~(d) The applicant's level of disregard of ethical or professional obligations;~~

~~(e) The reliability of the information regarding the conduct;~~

~~(f) If the offenses involved fraud, deceit, or dishonesty on the part of the applicant resulting in harm to others;~~

~~(g) The recency of the conviction;~~

~~(h) Any evidence of rehabilitation or positive social contributions since the conviction occurred as offered by the applicant;~~

~~(i) The relationship of the conviction to the purpose of licensure;~~

~~(j) The relationship of the conviction to the practice of law or the delivery of legal services to be provided by the ABS;~~

~~(k) The applicant's candor during the application process;~~

~~(l) The significance of any omissions or misrepresentation during the application process; and~~

~~(m) The applicant's overall qualifications for licensure separate from the conviction.~~

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

~~(a₁) Division staff must notify the applicant, including all Authorized Persons, of the Committee's decision. The notice must state:~~

~~(i_a) The reasons for the Committee's recommendation of denial;~~

~~(i_b) That the Committee's decision to recommend that the supreme court deny licensure is not effective until expiration of the deadline for requesting a hearing under (E)(2)(e₁) of this section;~~

~~(i_c) The date on which Division staff mails the notice of denial; and~~

~~(i_d) The right of the applicant to a hearing, under subsection (E)(2) (e₁) of this section.~~

~~(b₂) The Division staff must provide the notice in writing and must send the notice within 10 days after the Committee's decision.~~

e_j. 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 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 Committee's recommendation of denial is filed with the supreme court, foreclosing an

applicant, including any Authorized Person's, opportunity to respond under ~~Arizona~~ Supreme Court Rule 33.1(a)(6).

~~fk.~~ 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 Committee in the manner provided under ~~ACJA § 7-201(H)(22)(c)~~.

~~gl.~~ 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 Committee will consider the hearing officer's recommendation under ~~subsection (E)(2)(hm) of this section.~~

- (1) The request for rehearing must state one or more of the grounds listed in Rule 59, Arizona Rules of Civil Procedure. Any other party may file a response within 10 days of the filing of the request for rehearing with an additional 5 days allowed for response if the request for rehearing was served by mail. No reply in support of the request may be filed.
- (2) The hearing officer must issue an order granting or denying the request, in whole or in part, within 10 days of the response deadline. Distribution of the order is governed by ~~ACJA § 7-201(H)(22)(c)~~.
- (3) If rehearing is granted, the disciplinary clerk must distribute the hearing officer recommendation report on rehearing in the manner provided under ~~ACJA § 7-201(H)(22)(c)~~.

~~hm.~~ Committee consideration of hearing officer recommendation. Following receipt of the hearing officer's recommendation report after a hearing or rehearing ~~under (E)(f) or (g) of this section,~~ the Committee must either:

- (1) Accept, reject, or modify the hearing officer's recommendation report, in whole or in part, as the Committee's recommendation, direct Division staff to provide notice in the manner required under ~~subsection (E)(2)(di)(4),~~ and file the 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 Committee must accept, reject, or modify the hearing officer's recommendation report on remand as the Committee's recommendation and file the Committee's recommendation with the supreme court.

~~in.~~ Response to recommendation to deny. An applicant, including any Authorized Person, affected by any denial recommendation of the Committee filed with the supreme court may respond as provided in Supreme Court Rule 33.1(a)(6), except as ~~prohibited under~~ provided in subsection (E)(2)(~~el~~).

j0. An applicant denied licensure by a final decision of the supreme court may reapply for licensure; under ~~subsection (E) of this section~~, if:

~~(a1)~~ It has been twelve months since the final decision by the supreme court;

~~(b2)~~ The applicant ~~presents all of the following new documentation~~:

~~(ia)~~ ~~Addressing the original~~ Addresses the issues resulting in the Committee's recommendation of denial or the supreme court's decision to deny;

~~(iib)~~ ~~Demonstrating~~ Demonstrates acceptance of responsibility for the conduct leading to the denial; and

~~(iiic)~~ ~~Establishing~~ Demonstrates that the purpose of the business meets satisfaction of the regulatory ~~objective~~ objectives of Supreme Court Rule 33.1(b)(1); adequate governance structures and policies under Supreme Court Rule 33.1(b)(2); how its licensure will advance one or more of the purposes under and subsection (E)(2)(a)(1) of this section; the absence of the (E)(2)(c) and (d) considerations; and compliance with the requirements of this section, section 7-201, and any other requirements established by the supreme court.

~~(e3)~~ 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~~ has satisfied (E)(2)(o)(2), the Committee must conduct an informal interview with the applicant no later than 60 days after the applicant has submitted a ~~completed~~ complete application and has responded to requests for information by Division staff.

3. through 6. [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 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 Committee to renew a license if the untimely renewal applicant demonstrates to the ~~director~~ Division director good cause for the untimely filing. In addition, the following apply:

(1) The applicant must submit a complete renewal application, submit and applicable fees, and any other documentation requested by Division staff to verify the grounds for the good cause exception requested, and have no unpaid annual fees or late fees.

(2) [No changes]

- c. through d. [No changes]
- 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 Division staff expires as of the expiration date. -Division staff 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. [No changes]

4. Decision Regarding Renewal.

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

- (1) meets all requirements for renewal as specified in this section;
- (2) ~~submits~~ has submitted a completed complete renewal application and responds to Division staff's requests for additional information;
- (3) ~~pays the renewal fees~~ has paid the annual fee and any late fee assessments owed under (J)(5) on or before the expiration date as specified by this section; and
- (4) meets the regulatory objectives of Supreme Court Rule 33.1(b)(1); ~~and has adequate governance structures and policies of section (E)(2)(a) under Supreme Court Rule 33.1(b)(2);~~ its licensure is consistent with its classification under and subsection (E)(2)(a)(1) of this section; the (E)(2)(c) and (d) considerations are absent; and it is in compliance with the requirements of this section, section 7-201, and any other requirements established by the supreme court.

b. through d. [No changes]

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

1. [No changes]

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

- a. Adhere to the Rules of Arizona Supreme Court and the standards in the code of conduct in ~~subsection (K) herein~~.
- b. Maintain a statutory agent in Arizona.
- c. Notify Division staff within 30 days of any change in Designated Principal, Compliance Lawyer, or other Authorized Person; ~~or any change in the contact details of any Designated Principal, Compliance Lawyers, and or other Authorized Persons;~~ (E)(1)(a) classification; or any other required database information ~~within 30 days of the change~~. The Designated Principal of the ABS must notify Division staff of changes

through the ABS regulation email system or in writing, utilizing the form or online portal provided by Division staff. A change in (E)(1)(a) classification is not effective without Committee approval.

- d. Maintain the confidentiality of all records regarding any person receiving legal services.
- e. Any ABS that ceases doing business must adhere to the requirements of subsections (H)(4) through (6).

3. [No changes]

H. through I. [No changes]

J. Fee Schedule.

1. Definitions/Classification. The following definitions apply toFor purposes of this fee schedule, an ABS is classified as one of the following:

- a. ~~“International” means the ABS has one or more physical locations outside the United States.~~
- b. ~~“Large Non-law Firm” means an ABS that has 100 or more full or part-time employees and is not a traditional law firm within the meaning of this fee schedule.~~
- c. ~~“Small Non-law Firm” means an ABS that has fewer than 100 full or part-time employees and is not a traditional law firm within the meaning of this fee schedule.~~
- da. ~~“Non-profit Not Arizona”~~“Nonprofit ABS” means an ABS that is a domestic or foreign nonprofit corporation in good standing that is ~~not incorporated in Arizona~~ authorized to conduct business in this state.
- e. ~~“Non-profit Arizona” is an ABS that is a nonprofit corporation in good standing that is incorporated in Arizona.~~
- f. ~~“Traditional Law Firm” is an ABS in the primary business of providing legal services.~~

b. “Equity ABS” means an ABS created and operated solely as a means of providing for law firm ownership to those persons listed in (E)(1)(a).

c. “Regular ABS” means an ABS that is not exclusively a Nonprofit or Equity ABS.

2. Initial Licensure Application; Reinstatement Application. The following fees must be paid on submission of an application for initial licensure or reinstatement:

- a. ~~International~~ _____ \$12,000

- | | |
|--|---------------------------------|
| b. Large Non-law Firm | \$10,000 |
| e. Small Non-law Firm | \$ 6,000 |
| da. Non-profit Not Arizona Nonprofit ABS | \$ 5,000 \$ 3,000.00 |
| d. Non-profit Arizona | \$ 2,000 |
| e. Traditional Law Firm | \$ 6,000 |
| b. Equity ABS | \$ 4,500.00 |
| c. Regular ABS | \$ 9,000.00 |
3. Renewal License Annual Fee. Each year, no later than the anniversary of the date of the supreme court's order approving its license, an ABS must pay the applicable annual fee.
- | | |
|--|---------------------------------|
| a. International | \$12,000 |
| b. Large Non-law Firm | \$10,000 |
| e. Small Non-law Firm | \$ 6,000 |
| da. Non-profit Not Arizona Nonprofit ABS | \$ 5,000 \$ 2,000.00 |
| d. Non-profit Arizona | \$ 2,000 |
| e. Traditional Law Firm | \$ 6,000 |
| b. Equity ABS | \$ 3,000.00 |
| c. Regular ABS | \$6,000.00 |
| d. Renewal Late Fee Per Day | <u>\$300.00</u> |
4. Miscellaneous Investigation Fees. If the cost of the investigation associated with an initial application or renewal application exceeds \$1,500, or requires more than 80 hours of division staff time to complete, the applicant must also pay the actual investigation costs in excess of \$1,500 and division staff time in excess of 80 hours at \$100 per hour.
5. Late Fee; An ABS will be assessed a fee of \$300.00 for each day that the annual fee remains unpaid for no more than 10 days. If the annual fee and late fees remain unpaid for more than 10 days, an ABS is subject to administrative suspension of its license by the Director until the outstanding fees are paid. During the period of administrative suspension, the ABS may not perform legal services.

6. Good Cause Extension. No later than the date on which the annual fee is due, an ABS may request a good cause extension of the annual fee payment deadline. The request must specify the reason good cause exists for an extension and the length of the requested extension. Division staff may request documentation to verify the grounds for the requested good cause extension. The division director will determine whether good cause exists and whether to grant an extension of time. No late fee will be assessed for any day included within an extension of time granted by the division director.

~~a. Replacement of License or Name Change. \$50~~

~~b7. Public Record Request Per Page Copy for Photocopies \$ 0.50~~

~~e8. Certificate of Correctness of Copy of Record \$18.00~~

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

~~(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~~

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

~~g9. Addition of Authorized Person/Entity, Compliance Lawyer,
Designated Principal (after initial licensure) \$ 250.00~~

~~10. Change in Classification Under (E)(1)(a) \$
250.00~~

K. [No changes]