

Committee Opinion
November 3, 1988

LEGAL ETHICS OPINION 1083

LAW FIRM – OWNERSHIP OF NON-
LEGAL SERVICES SUBSIDIARY.

You state that your firm wishes to form, and probably invest in, a non-legal services subsidiary. This subsidiary would be a limited partnership or a for profit, stock corporation. If a partnership, its general partner(s) would be one or more individuals who would not be attorneys.

The subsidiary would engage in non-legal businesses but the firm, as owner of the subsidiary, would from time to time approve. Compensation would come from clients for the services on a variety of bases, including the receipt of ownership interests and profit participations in the clients' businesses.

The subsidiary would offer its employees compensation including salary with incentive-based features, including bonuses, profit-sharing and equity option plans, stock option plans, etc.

Your firm would act as counsel to the subsidiary. The subsidiary would recommend your firm to the subsidiary's clients, but would not steer the clients to your firm. The firm would recommend the services of a subsidiary to the clients it feels could benefit from its expertise.

The subsidiary would initially be capitalized with funds provided, of course, by your firm. Its offices would be maintained separate and distinct from offices of the law firm, but could be located in approximate location to the firm.

As posed, the Committee is of the opinion that the general concept does not violate the Canons of Professional Responsibility. However, the factual scenario posed is general in its scope. The Committee is informed that more specific determinations will be made in the future as to the exact scope and purpose of the subsidiary functions. Those determinations could affect the opinion.

The Committee also refers you to the rules regarding unauthorized practice of law and Disciplinary Rules DR:3-101(A), DR:3-102(A), DR:3-104 and DR:2-103(D) which affect aiding a non-lawyer in the unauthorized practice of law, dividing legal fees with a non-lawyer, regulating functions of non-lawyer personnel, as well as compensations of personal organizations for recommending or securing employment. The Committee would be concerned about the steering of clients to the firm, and any potential conflict which might arise between the representation of a client by the law firm and the work performed by the subsidiary.

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