

New Law Has This Firm Busy

BY ZANE HILL JANUARY 22, 2024



Jeff Unger, founder of eMinutes. (Photos by David Sprague)

A new rule this year for business is carving out a new area of work for a boutique law firm – work that the firm says it is already largely prepared to shoulder.

Business-entity formation and management law firm eMinutes, which recently relocated to West Hollywood from Brentwood, kicked off the New Year by diving into filings for the Corporate Transparency Act.

The new rule mandates that all formal business entities, with some exceptions, file certain identifying information to an arm of the Treasury Department for the purposes of weeding out illicit activity such as money laundering. Basically, the full names, birthdates, addresses and other information about the owners and beneficiaries of businesses must be disclosed. This information is meant to unmask the actual owners and beneficiaries of businesses for law enforcement, while maintaining the privacy that such entities are often designed to provide.

According to founder Jeff Unger, the structure of eMinutes meant it was easy to incorporate the necessary procedures to make these filings just another part of the firm's routine.

“Because we are responsible for tens of thousands of filings, we have developed fantastic custom-built tools to manage the data and filings,” he said. “When this new law was discussed, we immediately started looking at what tools we need to be able to apply the existing technology we have and leverage it to handle these new filings.”

Entity management is big business in Los Angeles, where the nature of the entertainment industry means that musicians, actors and other celebrities might have as many as a dozen or more business entities – that is, incorporated companies and other

revenue-generating operations, with tax numbers – to cover all of their operations. For the financial professionals who work with those clients, any new regulation means a lot more work per client.

“It's just one more thing that we've got to follow,” said Amir Malek, a managing director at wealth and business management firm The Colony Group who often refers clients to eMinutes. “Most business managers like myself, we always look to see what is the most efficient way of doing work for our clients. Sometimes that means you farm it out to someone who has built the infrastructure to do this.”

Managing business filings

Formed in 1997, eMinutes carved out a role in incorporating various business operations and managing their regulatory filings.

Unger, who had a background as a corporate and real estate attorney, said the work began when an entertainment lawyer asked if he could handle corporate minutes. That quickly spiraled into an idea to offer rote business management services, efficiently and at a bargain.

“I didn't know at the time that they also wanted us to do annual Secretary of State filings that companies need to file in their jurisdictions, and I didn't know the going rate for this in Los Angeles was five or 10 times what I quoted,” Unger recalled, “but I found there was a niche and started building the technology here to address it.”

The firm has since grown to a team of 10 attorneys, plus support staff, based both in Southern California and also in a New York office. The team keeps things brisk and efficient using software, often developed in-house by full-time computer scientists on staff. This software, for example, prepares automated first drafts of corporate minutes, which are then reviewed and edited by an attorney. Documents are prepared using HTML.

Unger said the firm had invested more than \$5 million in technology and manages more than 48,000 businesses, at a starting rate of \$155 per year. In California alone, eMinutes files nearly 15,000 statements of information to the state annually.

Malek, who works in the Colony Group's office in Calabasas, said eMinutes has been a great service to his clients, who will have separate businesses for, say, music tours and acting services.

“For a good portion of them, we usually have an infrastructure of an entity or multiple entities for touring and other aspects of their business,” he said. “There are multiple entities that they might have depending on the structure of their operations. Most of our

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clients have multiple entities that need to be maintained. If I had to come up with a number, I would say 90% have to (comply). I rarely have a client who does not have an entity.”

Submitting info

Passed in 2021, the Corporate Transparency Act established a federal standard for business incorporation, one that requires business beneficiaries to file identifying information. While there are exceptions, broadly any incorporated business with 20 or fewer employees and annual revenue under \$5 million must file this information. Larger operations typically already have to disclose this information in one form or another, while small businesses previously have not.

“If you have an LLC, who are your unit holders? If you have a corporation, who are your shareholders? If you have a limited partners, who are your limited partners?” explained Shaune Arnold, an affiliated counsel for Encino employment law firm Pearlman, Brown & Wax LLP. “Any entity that is registered with the secretary of state and that distributes shares or equity to investors are going to be impacted directly by this act.”

For all such officers, businesses need to file full legal names and their corresponding birthdates, addresses and ID number from a driver’s license or passport to the Financial Crimes Enforcement Network, or FinCEN, an enforcement arm of the Treasury Department. Entities formed after Jan. 1 have 30 days to report this information, while those existing prior will have through the end of the year to file.

Citing similar provisions in other countries, proponents of the regulation claim it will help federal officials identify, track and shut down “dark money” and money-laundering operations, among other illegal activities.

Unger, who explained these sorts of companies are often formed in a way to keep private certain details of celebrities’ lives, said he thinks this is “an incredibly valuable crime enforcement tool” and noted that the information is available to law enforcement only.

“For years, we have formed entities in order to hide – legitimately – the ownership’s personal residence, so you can’t search property records and easily figure out where a celebrity lives,” Unger said. “Those are really good reasons for safeguarding their privacy. Having said that, it’s also easy for me to see how a bad

actor could use this same process for illegitimate reasons. There are all kinds of things I could envision being done using these entities. I think it is long overdue, given the world that we live in.”

“Big picture, I think it’s really an effort to try and get more oversight and control over money and equity in these types of businesses,” added Corinne Spencer, a partner at Pearlman, Brown & Wax.

Getting work done

To start off the year, Unger said he and his attorneys began filing this information right away to get a feel for what’s required and figure out how to optimize the process.

To start, it took about 15 minutes to file information for one entity. They’ve since gotten it down to about 4 minutes, Unger said. As of last week, eMinutes had filed more than 800 CTA forms.



“We spent last year building those systems and investing in the tools that were likely to be required when we did this,” he said. “This system wasn’t active until Jan. 1, so we didn’t really have an opportunity to look under the hood and see what the filing would need.”

Treasury Secretary Janet Yellen, who described the regulation as key to revealing the owners of shell companies and combating “dirty money,” said more than 100,000 businesses filed their information during the first week of the year. FinCEN previously estimated the rule would affect more than 32 million entities.

Beyond getting the information and filing the documents, Arnold said this presents a good opportunity for lawyers such as herself to check in on other aspects of companies they represent.

“Most LLCs and closely held corporations don’t really have that many equity investors and it’s a real opportunity for companies to clean up their books,” she said. “Some entrepreneurs who bring on investors don’t necessarily do things by the book. They may have taken a check and said you have X percentage of my company and then taken another check and another check and not really made it clear to their investors what their equity is. They also need to make sure their investors are not prohibited by the IRS.”