

Arkansas Business Navigator Podcast

Episode 7: The First Ever Arkansas Grown Conference & Expo,

Free Legal Services from UA Little Rock Bowen Law School



[Mathews] Hello and welcome to the Arkansas Business Navigator podcast, a show that reviews U.S. Small Business Administration and Arkansas Business Navigator resources available to support small business owners and entrepreneurs in the Natural State. I'm Brandon Mathews. And what a week it's been, y'all. About one third of the state received 3 to 8 inches of snow and the other two thirds piled on rain. And today it's 50 degrees in many places. But more importantly, this week was the launch of the first ever Arkansas Grown Conference and Expo. Yours truly was there, along with several other organizations supporting small business owners such as the Arkansas Small Business and Technology Development Center, and our friends at Forge. ASBTDC and I were featured presenters about how we can support farmers, Ag-based and Ag-adjacent businesses with the Arkansas Business Navigator program. And I have to say, the information and networking from the conference was very valuable. There could have been more caffeine throughout the day, but hey, you live, you learn. Also, shout out to my colleague Dr. Julie Robinson for her help staffing our booth. We're dynamic team and you should have us at your next conference. And I'd be remiss if I didn't think Emily Smith and Kristin Higgins for taking our place today at the conference to showcase all the great things UADA has to offer. But in all seriousness, check out Arkansas Grown and all the resources it has to offer. I'll have a link in the show notes below. Onto the meat of our episode.

[Intro Music]

[Mathews] Today's show features an interview I had with Doug Cortez. Doug is a licensed Arkansas attorney and became the director of the Business Innovations Legal Clinic for the University of Arkansas at Little Rock, Bowen Law School. With nearly 20 years of practice as an attorney, he's worked in Legal Aid with the Center for Arkansas Legal Services and has experiences with business bankruptcy. Doug also worked in IT as a network administrator and as a military veteran. He's also started a couple of businesses himself, so he knows what it's like to be an entrepreneur and the challenges they face. Doug is incredibly knowledgeable individual who has a breadth and depth of

experience that provides immense value in the work at the clinic. And at the core of all of it is a sincere desire to help people. Doug and I connected via Zoom to talk about the Business Innovations Legal Clinic and the resources it has to offer entrepreneurs and some of the pitfalls startups and small business owners face early on. This episode runs a little longer, and I must tell you, it was difficult to cut out any of our conversation because so much of what Doug shared was interesting and valuable. But nevertheless, I appreciate your patience. And here's an excerpt from the conversation.

[Transition Music]

[Mathews] Talk a little bit about what the Business Innovation Clinic does and how small business owners can access those services.

[Cortes] Sure. Well, first, how to access those services. Just get that out up front. I work at the Bowen Law School. That's part of the University of Arkansas at Little Rock. If you go to ualr.edu/law. Then you just follow that link. You go in there and you'll see on the top. It'll have on the right. There will be a button for clinics and it's just hover over that and you'll see my, my clinic is actually the one at the top, the Business Innovation Clinic. Anything I say on this program, it's not going to shouldn't be construed as legal advice to any of you. This is just general information that I'm providing. I'm not your attorney at this time. Until we sign a contract, you know, you'll sign a contract with the clinic. Whenever we take you on as a client, we offer our services for free. That is, I'm an attorney and I have students and we offer legal services for free to people who want to either start a business, they need to figure out how to what kind of business they want to form. For example, do I form a corporation to form a LLC? Do I form a sole proprietorship or a partnership or, you know, all these different kind of entities that you can create? Right now, we're the only clinic that offers this in Arkansas. I've talked to the University of Fayetteville, and they do have a it's called a transaction clinic, this type of clinic, as opposed to the traditional types of clinics, which are usually litigation type clinics. So you might think of like a family clinic where they do like divorces or a criminal law clinic where they do like criminal defense, you know, their types of clinics where they go into court and they have trials and stuff, right? So this type of clinic is the other area, which is really the bigger area where more lawyers practice in. It's called a transaction. And in this type of transaction clinic, what we do is we help you decide. We help our clients decide what type again, what type of entity we do things like you might need contracts, drafting contracts or just getting through the legal processes and the city or town or county, you know, such as when a company needs to say you're going to go set up in a city. And one city might have a requirement that if you have a, you know, actual brick and mortar, a storefront or an office or something like that, you have to get like

maybe an occupancy license or something like that. And you go to another town and they don't have that. Or if you're going to build something, you have to get inspectors to come and inspect it along the way. I've seen situations where people built a building and then they want to use it as a business, but they never got an expected along the way. So then the inspectors come in and guess what? They have to tear out drywall this show, to prove that, you know, the wiring is right, that the you know, the water connections are right and all this kind of thing. So, you know, it's really worth it finding out how those things works. And we can we can help with all kinds of areas. But generally, you know, the kind of things that a business person would say, hey, I need a lawyer. And so, you know, we can we can help with that. The communities that we target are rural. So, you know, in central Arkansas, there's a lot more resources than, say, if you're in, you know, one of further outlying counties or such. So and because we're a transaction, we don't actually have to go to court. We can help people all over the state. Again, generally, we're trying to help communities and people that can't afford an attorney. And if you go to that website and click on that and there's an application, there's a button there, you can press and fill out that application, let us know what it is you have going on.

[Mathews] So the fact that you guys statewide have a target in rural communities just really makes this a natural fit for partnership. And speaking with you about the services at the Business Innovations Clinic, but are there any other specific requirements from clients outside of the application?

[Cortes] The way we operate is basically like a small law firm, and I act like, what would be a managing partner, let's say? And I have 6 to 8 students each semester, so I only operate during the fall in the spring semesters, which is generally, you know, around the 1st of September through about Thanksgiving and then from early January through, you know, early May are the times really that we operate. So when, when someone applies and I'll take a look at the application, it's best to apply some time before the semester starts. Although if it's a if it's a relatively simple type of, you know, something like I just need a contract, then I might be able to take it during the semester. But the ideal situation would be, let's say sometime during the summer you fill out an application. I will review those before the semester starts, and then when the semester starts, I will assign those to students. Some of the students will work individually on an on an individual project, and all of the students will work on a more complicated project as a team. So, you know, my real goal and this is in a sense, it's like my students are my clients, right? And then and you, the person who's wanting to start your business or get some legal work done, you know, you're basically working directly with them and they

are licensed. They're they are in their last year of law school. Law school is traditionally three years if you go full-time. But they are all in their last year of law school. They're what we call three L's, third year law students. And there is a rule under the law and the laws of Arkansas that allow for third year students who are working under an experienced attorney to have kind of a conditional license. So we call that Rule 15. So they are rule what we call Rule 15 attorneys. So if you ever hear me say that and you're like, what does that mean? Then that's what I'm talking about. Those students, so their license and everything that goes out, you don't have to worry because, you know, they are they're not experienced attorneys, obviously. But I have a couple of decades under my belt and I've done all of these kinds of things many, many times. You know, I'm able to help them as they go through the process and nothing will go out the door without me having reviewed it. You don't have to worry about, oh, it, you know, let's say you formed an LLC and you have an LLC operating agreement and you're worried, is this right under Arkansas law? Then, you know, I will have reviewed it and I am licensed in Arkansas.

[Mathews] Kind of shifting gears a little bit, what are kind of some of the mistakes or challenges you see entrepreneurs getting into before they request your services?

[Cortes] I have even in the relatively short time I've been here, but definitely along my career, seen people go out and maybe they had a friend or relative that said, Hey, you have a business, you need to go create an LLC. LLC is what is known as a limited liability company, and that's probably a good idea most of the time. And because what those what the purpose of these entities are generally twofold. One of them is you may get some tax benefit from creating an entity like a corporation or an LLC, and you may get some limits to the liability that you might have under the law. Let's say you open up a store and you're doing you're doing computer services, you know, repair computers and people walk in and out or and somebody comes into your shop and they slip and fall and they sue you. And let's say, you know, it's really bad and they got really, really injured or maybe even died, you know? Your liability with that LLC is going to prevent them. If they get a big giant judgment against you, you might lose that business, but you won't lose your home and the things that are your own. One of the things is when you set up those kind of entities, you need some kind of operating agreement with an LLC. It's called an operating agreement with a corporation. It's called bylaws, but they're more or less the same thing. They say, How are we going to operate? What are what are going to be the manner in which we're going to operate? And it lays out all these rules and things like that. So they don't create this operating agreement for one, they just go and create this LLC, for example. And then each year under the laws of the state of

Arkansas, whether you form an LLC or a corporation or what have you, you have to pay it what's called a franchise tax. Otherwise you're that entity goes away. Basically it they cancel it, right? The Secretary of state, you go in and you file it and you get all the right stuff, let's say, and you've got your you got your articles of incorporation and you've got your bylaws for your corporation or if your kind of thing for your LLC. But then you don't pay that franchise tax. Well, what can happen is you can lose that, that limitation on your liability. And if you get sued, they can come and say, hey, look, they didn't do the things they needed to do to keep that body, that corpus alive. That thing is gone, right, if you can imagine. So it's like that's gone now. We can go directly to you, the entrepreneur, and sue you directly and you don't want that to happen. So those are the two biggest things that I see just all the time. I also see, you know, with other things I've seen, you know, partnerships where they don't document their partnership. They just say, well, my word is my bond and that's great. I mean, I you know, I grew up in Arkansas and I grew up out in the country. And, you know, I remember, you know, we've done stuff like that plenty, plenty of time. But, you know, and it's not that you don't trust the other person, but it's just better to make sure you both have a full and complete understanding. If you just put it in writing and both of you agree on it, you know, and it doesn't have to be a full blown you don't have to in a contract. You don't have to put every conceivable problem that's ever going to exist in the universe. It's just write down the main things that are. You need to make sure that we have an understanding on things like, Hey, we're going to do this joint venture together and I'm going to have a 60% ownership and you're going to have a 40% ownership that way later on. You don't sue each other over. It's like, no, you said it was going to be 75/25 or 50/50. And those things happen. And, you know, and it's not always because people are being bad. A lot of times we just forget or we thought it was that way and we didn't have that understanding. And so if you have it recorded in writing, you don't have to worry about it. And then the other the other challenge that I see that people have is keeping their finances separated. When you create a legal entity, it needs to have its own bank account. You don't put your personal money into that bank account that under the law, that's something that we call co-mingling. You're like, you know, commingling your mingling your personal finances with your business finance. So when you. Create your LLC or you create your corporation or what have you. It needs to have its own bank account in its own name, with its own a kind of like a Social Security number, it's called EIN, which is really easy to get, but you create that it has its own, you know, tax number, if you will, and it has its own bank account. And all the business you do, you do out of that bank account. And when you want to pay yourself, you pay yourself out of that bank account. Now you can have a bank account at the same bank and those they can

be connected. So, you know, you don't actually have to write yourself a check or whatever you can depending on what kind of draw you're going to do. But you can, you know, just do an online transfer, which is fine, but that happens a lot. And the more of those little kinds of things like that that you don't do correctly, then the more ability someone would have to again, if they if they had a cause to sue your company because you didn't deliver the goods you were supposed to deliver a slip and fell in your store, all these different kinds of things that can come up with then that gives them a better ability to actually sue you personally and get to your own personal assets, which defeats the purpose of having the entity really to begin with.

[Mathews] Well, that's great advice. Definitely something for everyone to consider. I know we have a lot of individuals that come to us asking, you know, is this the right legal structure for my business or should I make a nonprofit or a for profit business for this? And, you know, where we're not able to provide that type of knowledge and we don't have the expertise. So, you know, being able to have access to somebody like you in the Business Innovations Clinic that can actually talk to hear the details of an LLC versus an S Corp or the different types of partnerships and all of those things. It's great that they can access these through a service right here in Arkansas. Is there anything else, Doug, that you want to add that you haven't got a chance to cover?

[Cortes] If you wake up in the middle of the night and you're like, Hey, I have this great business idea, and it just came to me last night and I'm going to run down the business innovation clinics at Boeing Law School, and I'm going to get an LLC form tomorrow and I'm going to open up a store the next day and you're going to be off and running. We don't really work that way. So first of all, the first thing I would tell you is probably go to the Business Navigator program, talk to them so you can really formulate you again. You need to lay a really good foundation so you know, and get a marketing plan, get a business plan, kind of, you know, go to have all these questions that they will be able to help you to answer yourself. But they will have a lot of questions for you to figure all of those things out. And somewhere along the line, closer, closer to the end of that process than to the beginning for sure, is when, you know, we would be able to help you make that determination on what's the best type of entity to create, because then you will have a more full understanding of what it is you're trying to do and what your goals and expectations are. And we can say, well, these are the reasons why we think it should be this one. You know, here's the reasons why this other type thing might not work so well, etc.

[Transition Music]

[Mathews] Let's talk about Navigator and SBA events happening around the state. On January 31st, I'm leading a webinar called Should I Start a Business in 2023? If you're thinking about starting a business and have no idea where to start, this is a great first step. But maybe you already own a business and you need help with your marketing plan. The Arkansas Business and Technology Development Center is hosting an event on February 7th, discussing how to build a marketing plan for an existing business. Check the show notes for the links below and for other events happening across the state at arbusinessnavigator.com. Thanks for listening to the podcast. Consider subscribing to get notified when new episodes drop. If you found the information useful, we'd really appreciate if you could leave a review on Apple Podcasts, Spotify or wherever you listen. If you want to ask a question, have it answered on the show, go to uaex.uada.edu/abn-podcast and complete the form. The Arkansas Business Navigator podcast is produced by Brandon L Mathews and Kam Gomez. Our music was created by Music Unlimited from Pixabay. The Arkansas Business Navigator is a program of the Arkansas Small Business and Technology Development Center, hosted by Iowa Little Rock and is funded in part through a grant from the U.S. Small Business Administration. All opinions, conclusions and or recommendations expressed herein are those of the authors and do not necessarily reflect the views of SBA. To learn more about Arkansas Business Navigator or how to get free confidential business consulting and resources, go to arbusinessnavigator.com