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executive committee? Elected by the partners or appointed by the managing partner?

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From the Rosenberg Blog.

Questions from a Reader: Our firm is currently working on revising our shareholder agreement. We have 13 shareholders. We are wrestling with a few issues. We plan to create an Executive Committee to work with our MP. What is the best way to seat the EC? Elected by the partners or appointed by the MP?

For firms of your size, the answer is “it depends.” With 13 partners, a 3 person EC is the norm. With the MP being the chair and automatic EC member, that leaves two

spots to be filled. The vast majority of firms your size would have the other two slots

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P&L responsibility, other partners in their departments don't report to the them, etc.. For these reasons, department heads should not automatically serve on the EC.

Regardless of the selection method used, the overarching principal should be that EVERY EC MEMBER must be seen as highly credible and trustworthy by the other partners. Avoid rules that every partner should have a chance to serve because, with 13 partners, it's highly likely that at least one partner will not be seen as credible and trustworthy.

Should there be term limits?

Yes. A common approach is 3 year, staggered terms, so in any year, only one person could come off the EC. In the year you create the EC, one person would have a 2 year term and the other a 3 year term. Thereafter, revert to 3 year terms for all members. I suggest there be no limits to consecutive terms because if an EC member is doing a good job, he/she shouldn't be required to come off.

Our ownership % is disparate, with 4 partners owning 60% of the firm and the other seven owning only 40%. Should we vote by ownership percentage or one person-one vote?

First, most firms rarely vote. They determine a consensus and move forward. But when they do vote, most firms vote one person-one vote, with a simple majority deciding the vote. When firms have a majority of the partners owning a small percentage of the firm, voting on ownership percentage makes the low percentage owners feel disenfranchised because their votes will be meaningless. This breeds a "why bother" attitude, and this resentment often prevents low ownership partners from acting like true owners.

One technicality: On major issues such as changing the partner agreement, merging

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