

The logo for Leopoldus Law, featuring the word "LEOPOLDUS" in a bold, sans-serif font above the word "LAW" in a similar font. A thick orange horizontal line is positioned below the word "LAW".

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LEOPOLDUS LAW, APC

**YOUR EMPLOYEES
AREN'T WHAT
YOU THINK THEY ARE.**

*The California Employment Rules That Catch
Sports Owners Off Guard*

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**YOUR COACHES
ARE EMPLOYEES.
YOUR NON-
COMPETE IS VOID.**

BRANDON LEOPOLDUS, ESQ.

Founder, Leopoldus Law, APC. Former professional baseball umpire.

— READ THIS FIRST

YOU TREATED EMPLOYMENT LIKE PAPERWORK. IT IS THE HIGHEST-STAKES RELATIONSHIP YOU HAVE.

The people a sports organization employs, its coaches, its executives, its operations and business staff, are simultaneously its greatest asset and its largest source of legal exposure. A coaching contract that did not plan for a firing, a buyout clause that a court will not enforce, a "non-compete" that is void the day it is signed, a staffer misclassified as an independent contractor, these are not exotic problems; they are the ordinary, expensive mistakes sports organizations make because they treated employment as paperwork rather than the high-stakes legal relationship it is.

This guide covers the at-will default and the contracts that change it, the coaching and executive contract and its distinctive terms, the buyout and liquidated-damages problem, worker classification and why coaches usually cannot be independent contractors, the fact that non-competes are void in California and what to use instead, the protections that actually work, for-cause termination and morality clauses, and the wage-and-hour and anti-discrimination framework that governs the whole workforce.

California employment law is protective, specific, and unforgiving of assumptions imported from other states. The most expensive employment mistakes in sports come from owners assuming a clause is enforceable, a worker can be a contractor, or a firing is clean, when California law says otherwise.

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This guide is educational. It is general information, not legal advice for your organization's specific situation, and reading it does not create an attorney-client relationship with Leopoldus Law, APC. California employment law changes constantly; confirm the current rules before you act.

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**THE BUYOUT YOU
ARE COUNTING ON
MAY BE AN
UNENFORCEABLE
PENALTY.**

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Followed by scenarios from the field, frequently asked questions, a glossary, ten myths that cost owners, and how to reach us.

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CHAPTER ONE

AT-WILL, AND THE CONTRACTS THAT CHANGE IT

The default relationship, and how organizations give it up by accident

CHAPTER 1

THE DEFAULT, AND HOW CONTRACTS DISPLACE IT

KNOW WHICH RELATIONSHIPS ARE AT-WILL, AND WHICH ARE NOT

The starting point of every employment relationship in California is at-will: employment with no specified term is presumed terminable by either party, at any time, with or without cause.¹ For much of a sports organization's workforce, at-will is the default and often the right structure.

But at-will can be displaced by contract, and organizations create for-cause obligations by accident as often as on purpose. A written contract promising a fixed term, or termination only "for cause," overrides at-will and commits the organization to keep paying, or to prove cause, for the duration. Key people, head coaches, senior executives, are usually on negotiated, fixed-term, for-cause contracts; most staff should generally remain at-will.



DID YOU KNOW?

The biggest employment disputes come from confusion about whether a relationship was at-will or contractual, and from commitments the organization did not realize it made.

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CHAPTER 1

YOUR HANDBOOK CAN PROMISE MORE THAN YOU MEANT

THE ORDINARY WAYS ORGANIZATIONS BARGAIN AWAY AT-WILL STATUS

An offer letter implying a year of employment, a handbook laying out mandatory progressive discipline, a policy promising termination only "for cause," an oral assurance that a good employee "will always have a job here." Each can be argued to have displaced the at-will presumption.

The protection is consistency: state at-will status clearly in the offer letter and handbook, keep disciplinary policies discretionary, avoid job-security assurances in writing and in conversation, and reserve for-cause commitments for the negotiated contracts where the organization actually intends them.

**AT-WILL IS VALUABLE,
AND SURPRISINGLY EASY TO
BARGAIN AWAY BY ACCIDENT.**

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CHAPTER TWO

THE COACHING AND EXECUTIVE CONTRACT

Contracts written for their endings, not their honeymoons

CHAPTER 2

THE EXIT TERMS ARE THE DEAL

NEGOTIATE THEM AS SERIOUSLY AS THE COMPENSATION

The head-coach or senior-executive contract is where the largest sums and ugliest disputes concentrate. The term, the compensation, the for-cause definition, the termination-without-cause buyout, and the outbound provisions are each a negotiation, and the temptation to concede exit terms in the excitement of a hire is exactly the mistake.

Two features drive the economics and are frequently mishandled: the offset-and-mitigation question on a without-cause termination, and the treatment of guaranteed versus non-guaranteed money on an early exit. Walk every element of compensation through each termination scenario, and state the outcome.



DID YOU KNOW?

In a business where coaches and executives change jobs constantly, the exit terms are not hypothetical; they are the terms that will actually be invoked.

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CHAPTER 2

THE LAYERED COMPENSATION PROBLEM

BASE, BONUSES, RETENTION, PERQUISITES, EACH NEEDS ITS OWN EARLY-EXIT TREATMENT

These deals layer base salary with performance bonuses, retention or longevity payments, and perquisites, and each layer needs its own treatment on early exit. A bonus tied to a milestone the coach was on track to hit when fired, a retention payment that vests over time, a perquisite that continues after departure, each is a potential dispute unless the contract says clearly what happens to it.

When chasing a sought-after coach, the candidate has leverage and will push for a rich buyout and minimal outbound restrictions. Holding firm on the terms that govern the ending, even when eager to sign, is what protects the organization when the ending comes.

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CHAPTER THREE

BUYOUTS, AND WHEN A KEY PERSON LEAVES

The liquidated-damages problem, and what protects you when someone walks

CHAPTER 3

A PENALTY, OR A REASONABLE ESTIMATE OF HARM?

THE RULE THAT CATCHES ORGANIZATIONS OFF GUARD

A clause fixing the amount owed on early termination is a **liquidated-damages provision**, enforceable under California law only if it is a reasonable pre-estimate of actual harm, not if it operates as a penalty.² An organization that drafts a buyout as a punitive deterrent may find the clause unenforceable exactly when it tries to collect.

There is a cleaner structure that sidesteps much of the penalty risk: define what the organization owes on a without-cause termination as the remaining compensation (or a defined portion), payable over the remaining term, reduced by mitigation and offset. Framed that way, the payment is the contract's own measure of the loss, not an add-on penalty.

**YOU FIND OUT WHETHER THE
BUYOUT HOLDS
EXACTLY WHEN YOU ARE TRYING TO
COLLECT.**

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— CHAPTER 3

WHAT PROTECTS YOU IS NOT A WALL AROUND THE EMPLOYEE

YOU CANNOT BAR THE MOVE. YOU CAN PROTECT WHAT YOU BUILT.

The organization cannot bar a departing coach or executive from taking a new job; the non-compete that would forbid the move is void. Its protection is not preventing the move, but the terms it negotiated: the fixed-term-and-buyout structure, the vesting and forfeiture of unvested money, and the confidentiality, trade-secret, and IP-assignment protections that keep proprietary information from walking out the door.

When a key person leaves, secure confidential information, wind down access and credentials, remind them in writing of surviving obligations, and consider a separation agreement. A clean, deliberate exit protects the organization; a chaotic one is how proprietary information leaks and disputes start.

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CHAPTER FOUR

WORKER CLASSIFICATION: WHY YOUR COACHES ARE EMPLOYEES

The ABC test, and the workarounds that do not work

CHAPTER 4

COACHING IS YOUR CORE BUSINESS. THAT'S THE PROBLEM.

THE MIDDLE PRONG IS WHERE SPORTS CLASSIFICATIONS SINK

Under the "ABC" test, a worker is presumed an employee, and can be a contractor only if the organization proves all three: freedom from control, work outside the usual course of business, and an independently established trade.³ A coach performing work squarely within a sports organization's business fails prong B, and is an employee no matter what the parties call the relationship.

Misclassification exposes the organization to back payroll taxes, unpaid overtime, denied benefits, penalties, and often class or representative claims, because a misclassification is rarely a single worker and rarely a single violation.



DID YOU KNOW?

Having a worker form an LLC, or having them "agree" in writing to be a contractor, does not change the analysis. The ABC test looks through the label to the reality of the work.

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CHAPTER 4

EMPLOYEES, AND GENUINE CONTRACTORS

THE DIVIDING QUESTION IS RARELY THE SCHEDULE OR THE LABEL

EMPLOYEE SIDE	GENUINE-CONTRACTOR SIDE
Head and assistant coaches, trainers, instructors, front-office and business staff, regular game-day operations personnel.	An outside accounting or law firm, a one-time guest clinician with an independent practice, a vendor providing a discrete service.

The dividing question is whether the person is doing the organization's own work as part of the organization, or providing an independent service from their own separate business. When in doubt, the presumption resolves against contractor status, so the safe default for anyone integrated into operations is employee.

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CHAPTER FIVE

NON-COMPETES ARE VOID: WHAT TO USE INSTEAD

Confidentiality, trade secrets, and IP assignment, the tools that actually work

NOT JUST VOID. NOW UNLAWFUL TO EVEN INCLUDE.

IMPORTED INSTINCTS FROM OTHER STATES CREATE LIABILITY HERE

California voids employee non-competes, with no "narrow-restraint" exception, so a clause barring a coach or executive from working for a competitor after leaving is generally unenforceable.⁴ California has made including such a clause not merely void but unlawful, and requires notifying employees that their non-competes are void.⁵

An organization cannot protect itself by forbidding its people from working elsewhere. The mindset shift is from "keep them from competing" to "protect what is genuinely ours, our information, our IP, our proprietary advantage."

**A NON-COMPETE HERE PROTECTS
NOTHING
AND CAN CREATE LIABILITY OF
ITS OWN.**

THREE TOOLS THAT ACTUALLY WORK

PROTECT THE INFORMATION AND THE IP, NOT THE GENERAL MARKET

CONFIDENTIALITY AND TRADE SECRETS. Protects strategies, data, analytics, and business plans without barring the employee from working elsewhere.

IP ASSIGNMENT. Systems, content, and methods employees create belong to the organization, not the employee who leaves.

NARROW, INFORMATION-ANCHORED NON-SOLICITATION. Broad non-solicits acting as de facto non-competes face the same hostility; treat non-solicitation as a limited supplement, not the main defense.

That combination protects the interests that actually matter without depending on a single clause a court will strike. It is a different strategy from the one owners bring from non-compete states, and it is the one that works here.

CHAPTER SIX

FOR-CAUSE TERMINATION AND MORALITY CLAUSES

The most fought-over clause, and how to invoke it correctly

A VAGUE DEFINITION IS A PROMISE TO PAY THE BUYOUT

CAUSE AND MORALITY CLAUSES, IN DOLLAR TERMS, ARE THE WHOLE CONTRACT

The definition of "cause" determines when the organization can terminate without paying the buyout. Does cause include poor performance, or only misconduct? Conduct off the field? How serious, and who decides? A vague or narrow definition is, functionally, a promise to pay the buyout in most situations where the organization actually wants to fire someone.

The morality clause is the sports-specific cousin, letting the organization terminate an employee whose conduct, often off-duty, damages the organization's reputation. Draft it to reach the genuine reputational risks the organization needs to guard against, and coordinate it with the for-cause definition.

CAUSE PROTECTS ONLY THE ORGANIZATION THAT INVOKES IT RIGHT

BUILD THE RECORD, FOLLOW THE PROCESS, INVOLVE COUNSEL FIRST

Having a good cause definition is only half the battle; invoking it correctly is the other. The organization has to document the conduct, follow any notice-and-cure requirements, and make the decision on defensible grounds rather than as a pretext for avoiding a payout. A for-cause termination the organization cannot substantiate can convert into a without-cause termination, with the buyout owed.

Even an at-will termination has to avoid unlawful reasons, discrimination and retaliation, and goes better when the organization has documented performance and considered a negotiated separation and release. How a termination is executed, not just whether it was justified, frequently determines whether it becomes a lawsuit.

A large, stylized orange number 7, which is the primary visual element of the chapter header.

CHAPTER SEVEN

WAGE, HOUR, AND THE COMPLIANCE FLOOR

The unglamorous rules that produce the largest aggregated claims

ONE BAD BREAK POLICY, MULTIPLIED ACROSS A WORKFORCE

SYSTEMIC ERRORS BECOME LARGE, AGGREGATED CLAIMS

Exempt-versus-non-exempt classification determines who is owed overtime, and misclassifying a non-exempt employee as exempt creates overtime liability across every hour worked. Overtime, meal and rest breaks, and their premiums are governed by specific California rules that differ from federal law, and sports operations, with long game days and irregular hours, are especially prone to breaking them.

Because California allows representative and class actions, a single systemic error becomes a large, aggregated claim rather than a small one. Game-day pay, travel time, "volunteer" labels, stipends, each is a place where the informal, event-driven nature of sports work collides with California's formal wage rules.

**WAGE-AND-HOUR MISTAKES ARE
RARELY SMALL,
BECAUSE THEY ARE RARELY
SINGULAR.**

PREVENTION IS DRAMATICALLY CHEAPER THAN CURE

BUILD THE AUDIT INTO THE OPERATING CALENDAR

The defensive move is the periodic audit, done with counsel, before a claim forces the issue. An audit that reviews classifications, break and overtime practices, travel and game-day pay, intern and volunteer arrangements, wage statements, and final-pay procedures catches systemic errors while they are cheap to fix, rather than after they have compounded across the workforce into a representative action.

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CHAPTER EIGHT

DISCRIMINATION, HARASSMENT, AND THE POLICIES YOU NEED

Retaliation, consistency at the top, and the infrastructure every employer owes

A TEAM CULTURE IS NOT AN EXEMPTION

SMALL, INFORMAL ORGANIZATIONS ARE NOT EXEMPT, AND ARE SOMETIMES MORE EXPOSED

Every sports organization operates under anti-discrimination and anti-harassment law, and needs the policies, training, and practices that both comply with the law and protect it if a claim arises. A workforce that is small and close-knit, with high-profile people whose conduct draws scrutiny, can create risk if the organization assumes its culture exempts it.

An organization with real policies, real training, and a real response process is both less likely to have a problem and far better positioned if one arises. Build the infrastructure deliberately, and do not let the informality of a sports culture substitute for the compliance every employer owes.

HOW YOU TREAT THE COMPLAINER IS OFTEN THE WHOLE CASE

RETALIATION LIABILITY, AND ENFORCEMENT THAT REACHES THE PEOPLE WHO MATTER

The law protects employees who complain independently of whether the underlying complaint was correct, so an organization that punishes the complainer can face a retaliation claim even where the original complaint would have gone nowhere. Separate the response to the complaint from any adverse action toward the complainer, and route both through counsel or HR.

Because sports organizations are often small and personality-driven, the conduct of a powerful figure can create outsized liability. Policies that everyone knows will not be enforced against the people who matter are worse than no policies, because they document a standard the organization then ignores.

SCENARIOS FROM THE FIELD

Composites, stripped of identifying detail, to show the principles in motion.

THE BUYOUT THAT WAS A PENALTY

A punishing, fixed-sum buyout designed to deter departure was challenged as an unenforceable penalty when the coach left. A buyout tied to a defensible measure of harm, with mitigation, would have held up.

THE COACHES WHO WERE "CONTRACTORS"

A club issued 1099s to its coaches for years. Under the ABC test the coaches were employees regardless of the label, and the club faced back taxes and an aggregated claim across the whole staff.

THE NON-COMPETE THAT BACKFIRED

An owner relied on non-competes imported from another state. In California they were void, and failing to give the required notice created its own liability.

THE FOR-CAUSE FIRING THAT BECAME A BUYOUT

An organization asserted cause without documenting the conduct or following the notice-and-cure step. The firing was recharacterized as without cause, and the buyout it tried to avoid came due.

THE STAR COACH THE POLICIES DID NOT REACH

An organization declined to address complaints against its most valuable coach. Applying policies consistently, including at the top, would have contained the problem early.

THE BREAK POLICY THAT BECAME A CLASS ACTION

A non-compliant meal-and-rest-break practice, applied across non-exempt staff, became a large representative claim, multiplied across every affected employee and shift.

FREQUENTLY ASKED QUESTIONS

Can we just make our coaches independent contractors?

Almost certainly not. Coaching is your core business, so coaches fail the ABC test regardless of label or 1099.

Our coach's contract has a big buyout if he leaves. Can we collect it?

Only if it is a reasonable estimate of your actual loss, not a penalty. Tie the number to a defensible measure of harm.

We use non-competes in our other business. Do they work here?

No. California voids them, and including one can create liability. Use confidentiality, trade-secret, and IP-assignment provisions instead.

How do we define "cause" so we can fire a coach without a buyout?

Deliberately, with the specific situations you want to terminate for in mind. A narrow or vague definition is a promise to pay the buyout.

Are our salaried staff automatically exempt from overtime?

No. Exemption depends on California's duties and salary tests, not on being salaried.

Do harassment rules really apply to a small, close-knit organization?

Yes, and a small, informal culture can be more exposed, not less. Put real policies and training in place.

Do we need employment counsel, or can we use templates?

For anything beyond a routine at-will hire, use counsel who knows California sports employment. Generic templates are dangerous here.

REFERENCE

A GLOSSARY

AT-WILL EMPLOYMENT. The California default: terminable by either party at any time, unless changed by contract.

BUYOUT. Money owed when a fixed-term contract ends early; enforceable only as a reasonable estimate of loss.

ABC TEST. California's worker-classification test; a worker is an employee unless the hirer proves all three prongs.

NON-COMPETE. A clause barring competition after employment; void in California, and unlawful to include.

CAUSE. The defined grounds for terminating a for-cause contract without paying the buyout.

EXEMPT / NON-EXEMPT. Whether an employee is owed overtime; determined by California's duties and salary tests.

FOR-CAUSE CONTRACT. An agreement allowing termination only for defined cause, protecting the buyout.

LIQUIDATED DAMAGES. A contractual fixed sum for a breach; valid only if it reasonably approximates anticipated harm.

MISCLASSIFICATION. Treating an employee as a contractor; a common, expensive error.

TRADE-SECRET / CONFIDENTIALITY PROVISION. The enforceable way to protect proprietary information.

MORALITY CLAUSE. A provision allowing discipline for conduct, often off-duty, that harms the organization's reputation.

TEN MYTHS THAT COST OWNERS

"Our coaches are contractors because they set their own schedules." Coaching is your core business. They fail the ABC test.

"Our non-competes protect us." Void in California, and now unlawful to include.

"Our handbook does not create any obligations." Language can displace at-will and promise job security.

"We are too small for the harassment rules." The rules apply, and small cultures can be more exposed.

"Wage-and-hour is a minor administrative matter." It aggregates into some of the largest claims you can face.

"Calling a firing for-cause is enough to skip the buyout." You must prove cause and follow the contract's process.

"A big buyout will keep our coach from leaving." A punitive buyout may be an unenforceable penalty.

"Everyone on salary is exempt from overtime." Salary alone does not create exemption.

"Cause covers a losing season." Only if you drafted it to reach that.

"What works in our other-state business works here." California is its own animal.

"We can sort out the exit terms later." The exit terms are the contract, and they will be invoked.

"Our interns and volunteers do not need to be paid." Labels do not defeat the wage laws.

The thread through every myth is an assumption imported from somewhere else, another state, another industry, another era of the organization. California's rules do not bend to imported assumptions.

WHAT TO DO NEXT

MANAGED RISK, OR A SERIES OF SURPRISES. YOUR CHOICE.

Map your workforce: know which relationships are at-will and which are contractual. Classify realistically: treat your coaches and core staff as the employees they are. Draft coaching and executive contracts for their endings: the cause definition, the morality clause, and a buyout that reads as a reasonable estimate of loss. Drop the non-competes and comply with the notice rules. Build the wage-and-hour compliance floor with periodic audits. Put real anti-discrimination and anti-harassment infrastructure in place. And use California sports-employment counsel for the contracts, the classification decisions, and the compliance.

California's rules are protective, specific, and unforgiving of imported assumptions. Get the classifications right, draft the key contracts for their endings, protect the organization through the tools California actually permits, and employment becomes managed risk rather than a series of surprises.

/ WORKING WITH LEOPOLDUS LAW, APC

Leopoldus Law is a sports and entertainment firm. Sports clients only. No exceptions. We advise teams, clubs, leagues, and venues on the employment relationships at the center of a sports organization.

If you would like a firm to help your organization get its employment relationships right, we offer consultations to map your workforce. You can reach us anytime. Nights, weekends, and holidays are fine.

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Brandon Leopoldus umpired in professional baseball before he ever practiced law. Five leagues. Seven playoff series. Two All-Star games. One championship series. One infamous appearance on SportsCenter. That path, through the minor leagues and an Olympic family, is the lens he brings to every matter at Leopoldus Law, APC.

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SPORTS

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LEAGUES LAUNCHED

6

PRO TEAMS

4

GOVERNING BODIES

Leopoldus Law, APC advises teams, clubs, leagues, and venues on the employment relationships at the center of a sports organization, from head-coach and executive contracts, buyouts, and for-cause and morality clauses to worker classification, California's non-compete and wage-and-hour rules, and the anti-discrimination infrastructure every employer needs.

His practice reaches the whole business of sport. He has served twice as Interim General Counsel for D.C. United of Major League Soccer, advised U.S. Olympic governing bodies, and helped develop and launch three startup leagues. He sits on the Board of Directors of the Sports Lawyers Association and teaches Sports Law as an adjunct professor at Loyola Law School in Los Angeles.

It traces back to watching his sister become the first Elite-level gymnast in Colorado, and to organizations he watched navigate the same pressures this guide addresses. He lives in Los Angeles with his dog Harvey, named for the Hall of Fame umpire Doug Harvey.

SOURCES & DISCLOSURES

ENDNOTES

1. Cal. Lab. Code § 2922 (employment with no specified term is presumed at-will, terminable by either party, unless the parties agree otherwise).
2. Cal. Civ. Code § 1671 (a liquidated-damages provision is valid only if it represents a reasonable pre-estimate of anticipated harm; a provision that operates as a penalty is unenforceable).
3. *Dynamex Operations W., Inc. v. Superior Court*, 4 Cal. 5th 903 (2018) (adopting the "ABC" test for worker classification), codified for most purposes at Cal. Lab. Code § 2775.
4. Cal. Bus. & Prof. Code § 16600 and *Edwards v. Arthur Andersen LLP*, 44 Cal. 4th 937 (2008) (employee non-competes are void in California, with no "narrow-restraint" exception).
5. Cal. Bus. & Prof. Code §§ 16600.1, 16600.5 (added by AB 1076 and SB 699, effective 2024) (making it unlawful to include a noncompete, and requiring notice to affected employees that any such clause is void).

DISCLOSURES

This guide has been prepared by Leopoldus Law, APC for educational purposes only. It is current as of mid-2026 and provides general information as of its publication date; it is not legal advice for any particular organization or situation, and it does not create an attorney-client relationship between the reader and Leopoldus Law, APC or any of its attorneys.

California employment law is detailed and changes constantly, and the classification, non-compete, wage-and-hour, and anti-discrimination rules discussed here may have changed or may apply differently to your organization. Confirm the current rules and consult employment counsel before structuring contracts, classifying workers, or terminating employees.

Scenarios in this guide are composites. Facts are drawn from multiple matters and altered so that no organization is identifiable. No result described here predicts or guarantees the outcome of any other matter.

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