S T A T E O F N E W Y O R K

3172

2009-2010 Regular Sessions

I N A S S E M B L Y

January 23, 2009

Introduced by M. of A. BRADLEY -- read once and referred to the Committee on Corporations, Authorities and Commissions

AN ACT to amend the business corporation law, in relation to the issuance of shares of professional service corporations

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Section 1507 of the business corporation law, as amended by chapter 1022 of the laws of 1971, is amended to read as follows:

S 1507. Issuance of shares.

[A] (A) EXCEPT AS PROVIDED PURSUANT TO PARAGRAPH (B) OF THIS SECTION, A professional service corporation may issue shares only to individuals who are authorized by law to practice in this state a profession which such corporation is authorized to practice and who are or have been engaged in the practice of such profession in such corporation or a predecessor entity, or who will engage in the practice of such profession in such corporation within thirty days of the date such shares are issued. No shareholder of a professional service corporation shall enter into a voting trust agreement, proxy, or any other type agreement vesting in another person, other than another shareholder of the same corporation or a person who would be eligible to become a shareholder if employed by the corporation, the authority to exercise voting power of any or all of his OR HER shares. All shares issued, agreements made, or proxies granted in violation of this section shall be void.

(B) A PROFESSIONAL SERVICE CORPORATION ORGANIZED FOR THE PURPOSES OF THE PRACTICE OF LAW MAY ISSUE SHARES ONLY TO INDIVIDUALS WHO ARE AUTHORIZED BY LAW TO PRACTICE LAW BY THE STATE OF NEW YORK, OR TO INDIVIDUALS WHO ARE MEMBERS IN GOOD STANDING OF A BAR OF THE UNITED STATES OF AMERICA, AND WHO ARE OR HAVE BEEN ENGAGED IN THE PRACTICE OF SUCH PROFESSION IN SUCH CORPORATION OR A PREDECESSOR ENTITY, OR WHO WILL ENGAGE IN THE PRACTICE OF SUCH PROFESSION IN SUCH CORPORATION WITHIN THIRTY DAYS OF THE DATE SUCH SHARES ARE ISSUED. NO SHAREHOLDER OF A PROFESSIONAL

EXPLANATION--Matter in ITALICS (underscored) is new; matter in brackets [ ] is old law to be omitted.

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SERVICE CORPORATION ORGANIZED FOR THE PURPOSES OF THE PRACTICE OF LAW SHALL ENTER INTO A VOTING TRUST AGREEMENT, PROXY, OR ANY OTHER TYPE AGREEMENT VESTING IN ANOTHER PERSON, OTHER THAN ANOTHER SHAREHOLDER OF THE SAME CORPORATION OR A PERSON WHO WOULD BE ELIGIBLE TO BECOME A SHAREHOLDER IF EMPLOYED BY THE CORPORATION, THE AUTHORITY TO EXERCISE VOTING POWER OF ANY OR ALL OF HIS OR HER SHARES. ALL SHARES ISSUED, AGREEMENTS MADE, OR PROXIES GRANTED IN VIOLATION OF THIS SECTION SHALL BE VOID.

(C) NOTWITHSTANDING ANY OTHER PROVISION OF LAW TO THE CONTRARY, NOTHING CONTAINED WITHIN THE TERMS OF PARAGRAPH (B) OF THIS SECTION SHALL AUTHORIZE A SHAREHOLDER OF A PROFESSIONAL SERVICE CORPORATION WHO IS NOT LICENSED TO PRACTICE LAW WITHIN THE STATE OF NEW YORK, TO OTHERWISE BE PERMITTED TO EITHER PRACTICE LAW BEFORE THE COURTS OF THE STATE OF NEW YORK OR SUPERVISE OTHER ATTORNEYS FOR THE PURPOSE OF THE PRACTICE OF LAW BEFORE THE COURTS OF THE STATE OF NEW YORK.

S 2. This act shall take effect immediately.