

## CHAPTER 3

### ATTORNEYS AND THE PRACTICE OF LAW

#### ARTICLE 6

#### PROFESSIONAL SERVICE CORPORATIONS

Section.

- 3-601. Continuing or converting operations; organization; powers; shareholder restrictions and liability; dissolution.
- 3-602. Filing requirements; ethical obligations; attorney-client privilege.
- 3-603. Employee benefits.
- 3-604. Corporate practice of law prohibited; exceptions.

#### **§ 3-601. Continuing or converting operations; organization, powers; shareholder restrictions and liability; dissolution.**

Any professional service corporation organized under this rule prior to December 1, 1999, and operating in accordance with the provisions of this rule, may continue to operate hereunder until such corporation chooses to incorporate under the Nebraska Supreme Court Rule for Limited Liability Professional Organizations provided that such professional corporation has not been suspended or dissolved by the Secretary of State, in which case the professional corporation must amend or restate its articles of incorporation to comply with the provisions of the Limited Liability Professional Organizations rule. The articles of incorporation of any professional corporation operating in accordance with this rule shall contain provisions complying with the following requirements:

(A) The corporation shall be organized solely for the purpose of conducting the practice of law only through persons qualified to practice law in the State of Nebraska.

(B) The corporation may exercise the powers and privileges conferred upon corporations by the law of Nebraska only in furtherance of and subject to its corporate purpose.

(C) All shareholders of the corporation shall be persons duly licensed by the Supreme Court of the State of Nebraska to practice law in the State of Nebraska, and who at all times own their shares in their own right.

(D) Provisions shall be made requiring any shareholder who ceases to be eligible to be a shareholder to dispose of all his or her shares forthwith either to the corporation or to any person having the qualifications described in § 3-601(C).

(E) The president shall be a shareholder and a director, and all other directors and officers shall be persons having the qualifications described in § 3-601(C).

(F) The articles of incorporation shall provide, and all shareholders of the corporation shall be deemed to agree by virtue of becoming shareholders or members, that all shareholders or members shall be jointly and severally liable to the extent that the assets of the corporation are insufficient to satisfy any liability incurred by the corporation for the acts, errors, and omissions of the shareholders or members and other employees of the corporation or association arising out of the performance of the professional services by the corporation or association while they are shareholders or members to the same extent as if the shareholders were practicing in the form of a general partnership.

(G) A corporation which discontinues the practice of law may nevertheless continue in operation for an additional period of up to 2 years for the purpose of dissolving and winding up the administrative business of the firm.

Rule 1(E) amended April 24, 1996; Rule 1 amended June 16, 1999; Rule 1 amended June 28, 2000. Renumbered and codified as § 3-601, effective July 18, 2008.

### **§ 3-602. Filing requirements; ethical obligations; attorney-client privilege.**

(A) A copy certified by the Secretary of State of the articles of incorporation of any corporation formed pursuant to this rule shall be filed with the Clerk of the Supreme Court of Nebraska, together with a certified copy of all amendments thereto. At the time of filing the original articles with said Clerk, the corporation shall file with said Clerk a written list of shareholders setting forth the names and addresses of each and a written list containing the names and addresses of all persons who are not shareholders who are employed by the corporation and who are authorized to practice law in Nebraska. Within ten days after any change in such shareholders or employees, a written list setting forth the information required by the preceding sentence shall be filed with said Clerk. The position in the professional corporation of each person identified in the firm name shall be stated.

(B) The corporation shall do nothing which if done by an attorney employed by it would violate the standards of professional conduct established for such attorney by this Court. The corporation shall at all times comply with the standards of professional conduct established by this Court and the provisions of this rule. Any violation of this rule by the corporation shall be grounds for the Supreme Court to terminate or suspend its right to practice law.

(C) Nothing in this rule shall be deemed to diminish or change the obligation of each attorney employed by the corporation to conduct his or her practice in accordance with the standards of professional conduct promulgated by this Court; any attorney who by act or omission causes the corporation to act or fail to act in a way which violates such standards of professional conduct, including any provision of this rule, shall be deemed personally responsible for such act or omission and shall be subject to discipline therefor.

(D) Nothing in this rule shall be deemed to modify the attorney-client privilege specified by statute, and any comparable common-law privilege.

Rule 2(A) amended March 13, 1996; Rule 2(A) amended February 25, 1998. Renumbered and codified as § 3-602, effective July 18, 2008.

### **§ 3-603. Employee benefits.**

Any such corporation may adopt a pension, profit-sharing (whether cash or deferred), health and accident, insurance or welfare plan for all or part of its employees including lay employees, providing that such plan does not require or result in the sharing of specific or identifiable fees with lay employees and any payments made to lay employees or into any such plan in behalf of lay employees are based upon the lay employees' compensation or length of service or both rather than the amount of fees or income received.

### **§ 3-604. Corporate practice of law prohibited; exceptions.**

Except as provided by this rule, corporations shall not practice law.

This rule shall not apply to organizations offering prepaid legal services to a defined and limited class of clients; to nonprofit charitable or benevolent organizations organized and operating primarily for a

purpose other than the provision of legal services and which furnish legal services as an incidental activity in furtherance of their primary purpose; or to nonprofit organizations which have as their primary purpose the furnishing of legal services to indigent persons; provided that (1) the legal work serves the intended beneficiaries of the organizational purpose, (2) the staff attorney responsible for the matter signs all papers prepared by the organization, and (3) the relationship between the staff attorney and client meets the attorney's professional responsibilities to the client and is not subject to interference, control, or direction by the organization's board or employees except for a supervising attorney licensed to practice law in Nebraska.

Rule 4 amended December 24, 1997; Rule 4 amended July 13, 2005, effective September 1, 2005. Renumbered and codified as § 3-604, effective July 18, 2008.