

COMMITTEE: Ethics Committee

DATE: October 11, 2007

3. CHAPTER 7: WHETHER LAWYER MAY ACT FOR COMPANY IN WHICH HE HAS AN INTEREST

A lawyer asked whether his ownership of shares in a company he acts for is contrary to Chapter 7 of the *Professional Conduct Handbook*. The following are the relevant facts:

The lawyer recently purchased some shares in a small non-reporting company that has approximately 20 – 30 shareholders. He owns 25 shares at \$1,000 each. Currently there are approximately 830 - 850 shares issued and outstanding, all of which have been issued at \$1,000 each and that gives him about a 3% share in the company. Without further authorization the company will be capping the issued and outstanding shares at 2000. This means his share in ownership is expected to reduce over time. He has been a director in the past, but has recently resigned as a director.

The Company mostly builds and sells houses in Northern British Columbia. The lawyer's law firm looks after the company's corporate affairs and acts for the company on the purchase and sale of land and houses.

The lawyer has a net worth of approximately \$500,000 - \$750,000 (mostly joint assets with his wife). His significant assets are about \$250,000 in RRSP's and savings, his house in which he has about \$300,000 in equity, and his interest in his law firm.

Given the services the lawyer and his firm are currently providing to the company, it was the Committee's view that the lawyer's investment in the company would not reasonably be expected to affect his professional judgment. Should the level of the lawyer's investment increase or the character of legal services the lawyer and his firm are providing to the company change, it was the Committee's view that the lawyer should seek further advice about the propriety of continuing to act for the company.