



LAWS OF ALASKA

1968

Source

HB 373

Chapter No.

128

AN ACT

Relating to the formation of professional corporations; and providing for an effective date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. The general purpose of this Act is to make available to professional persons the benefits of the corporate form for the business aspects of their practice while preserving the established professional aspects of the personal relationship between the professional person and those whom he serves.

* Sec. 2. AS 10 is amended by adding a new chapter to read:

CHAPTER 45. ALASKA PROFESSIONAL CORPORATION ACT.

Sec. 10.45.010. INCORPORATION. (a) One or more persons each of whom is licensed to render a professional service in this state may incorporate a professional corporation by filing articles of incorporation with the Department of Commerce. The articles shall meet the requirements of the Alaska Business Corporation Act (AS 10.-05) and, in addition, shall include

(1) the name of the profession to be practiced by the corporation;

(2) the names and addresses of all original shareholders, directors, and officers;

(3) the address where the professional corporation will have its office.

(b) A certificate from the regulatory board of the profession involved certifying that each of the incorporators, directors, and shareholders is licensed to practice the profession shall be filed with the articles of incorporation.

Sec. 10.45.020. RENDERING PROFESSIONAL SERVICE AND CHARGING FEES. A professional corporation may render one type of professional service only. It may charge fees for the services of its directors, officers, employees or agents, collect the fees, and compensate those who render the services.

Sec. 10.45.030. WHO MAY RENDER PROFESSIONAL SERVICE. No professional corporation incorporated under this chapter may render professional services except through the persons who are licensed within the state to render the same type of professional services as the corporation and who are its shareholders, directors, officers, employees, or agents.

Sec. 10.45.040. PROHIBITION AGAINST ENGAGING IN BUSINESS. A professional corporation may not engage in business; however, it may own real and personal property necessary for or appropriate in rendering its own professional services and may invest its funds in all types of investments.

Sec. 10.45.050. ISSUANCE OF SHARES. A professional corporation may issue shares of its capital stock to persons licensed by a regulatory board of the state to render the professional service specified in the articles of incorporation. It may not issue shares to any other person.

Sec. 10.45.060. QUALIFICATION OF DIRECTOR OR OFFICER. No person may be a director or officer of a professional corporation who is not a shareholder of that corporation. No person may be a shareholder, director or officer of more than one professional corporation at one time.

Sec. 10.45.070. MANAGEMENT BY DIRECTORS PERMITTED. A professional corporation which has only one or two shareholders may manage its affairs by only directors, who shall be the shareholders. The one or two shareholders may fill all the general offices of the corporation.

Sec. 10.45.080. TRANSFER OF SHARES. A shareholder of a professional corporation may sell or transfer his shares to a licensed person of the same profession; provided that the sale was approved by a vote of the majority of all shareholders at a special meeting called for the purpose. At the special meeting the shares of the shareholder proposing to sell or transfer his shares may not be voted or counted for any purpose unless he is the sole shareholder. The articles of incorporation may provide specifically for additional restraints on the alienation of shares and may require the purchase, redemption, or retirement of shares by the corporation at a price and in a manner set out in the articles. The articles may authorize the corporation's board of directors or its shareholders to adopt bylaws restraining the alienation of shares and providing for their purchase, redemption, or retirement by the corporation.

Sec. 10.45.090. VOTING BY PROXY. A proxy may be given to a licensed shareholder of the same corporation

to vote the shares of the professional corporation. No other person may be given a proxy.

Sec. 10.45.100. VOTING TRUST PROHIBITED. No voting trust may be formed to vote the shares of a professional corporation.

Sec. 10.45.110. HOLDING STOCK, MERGING OR CONSOLIDATING WITH ANOTHER PROFESSIONAL CORPORATION. No professional corporation may hold stock in another professional corporation, nor merge or consolidate with a foreign professional corporation.

Sec. 10.45.120. CORPORATE NAME. The corporate name of a professional corporation shall contain the last name of one or more of its shareholders, unless the regulations of a particular regulating board or the ethics of a profession permit the use of a corporate name which does not include the surname of any present or former shareholder. The corporate name may be ended by the word "Corporation", or "Incorporated", or by the abbreviation "Corp." or "Inc.", or by the words, "a professional corporation". It is permissible for the corporation to render professional services and to exercise its authorized powers under the corporate name without the word "Corporation" or "Incorporated" or their abbreviations, or the words, "a professional corporation" included in the name.

Sec. 10.45.130. CHANGE OR ALTERATION OF CORPORATE NAME. When a person whose name is part of a corporate name ceases to be a shareholder, the corporation shall alter its name to reflect this change; however, a professional corporation may retain the name of a retired or deceased shareholder in its corporate name if the regulations of a particular regulating board or the ethics of a profession permit it.

Sec. 10.45.140. PROFESSIONAL RELATIONSHIP AND LIABILITIES. This chapter does not affect the present law applicable to the professional relationship and liabilities between the person furnishing the professional services and the person receiving the services, and it does not affect the standards of professional conduct maintained by a particular profession. A shareholder, director, officer, employee, or agent of a professional corporation remains personally liable for negligent or wrongful acts or misconduct committed by him, or by a person under his direct supervision and control while rendering professional services on behalf of the corporation to the person receiving the services. The liability arising out of the professional services rendered by the shareholder, director, officer, employee or agent on behalf of the professional corporation is joint and several among the shareholders of the same corporation.

Sec. 10.45.150. CORPORATE LIABILITY WHILE RENDERING PROFESSIONAL SERVICES. A professional corporation is jointly and severally liable with its shareholders, directors, officers, employees, or agents for the negligent or wrongful acts committed by them while they are engaged on behalf of the corporation in rendering professional services.

Sec. 10.45.160. CORPORATE LIABILITY WHILE RENDERING NONPROFESSIONAL SERVICES. A professional corporation is liable to the same extent as a business corporation for the negligent or wrongful acts of its employees within the scope of their employment. For the purposes of this section "employees" means persons employed by the professional corporation in any unlicensed position, or a licensed person performing any duties for the corporation except professional services.

Sec. 10.45.170. PERSONAL LIABILITY OF SHAREHOLDERS. Shareholders are personally liable with the professional corporation for its debts and other corporate obligations.

Sec. 10.45.180. AUTHORITY AND DUTY OF REGULATORY BOARDS NOT LIMITED. This chapter does not restrict or limit the authority and duty of the regulatory boards for the licensing of persons rendering professional services or for the practice of the profession which is within the jurisdiction of the boards.

Sec. 10.45.190. PROFESSIONAL ACTS LIMITED. No professional corporation may do any act which is prohibited to a person licensed to practice a profession which the professional corporation renders.

Sec. 10.45.200. LEGAL DISQUALIFICATION OF CORPORATE PERSONNEL. If a shareholder, director, officer, employee, or agent of a professional corporation is legally disqualified to render professional service in this state, or is elected or appointed to a public office which under law restricts or limits his rendering professional services, he shall sever all employment and financial interest in the professional corporation immediately. The failure of the directors or officers to require compliance with this section is sufficient ground for the forfeiture of the corporate franchise.

Sec. 10.45.210. DISPOSAL OF SHARES OF LEGALLY DISQUALIFIED SHAREHOLDER. A professional corporation may provide in its articles of incorporation that the shares of a legally disqualified shareholder may be sold only to other shareholders or licensed persons of the same profession, or it may provide for the purchase, redemption, or retirement of the shares by the corporation out of capital as well as surplus funds and without regard to the impairment of its capital. If there is no provision for the disposal of the shares and the legally disqualified shareholder has not disposed of his shares as required under sec. 200 of this chapter, the corporation shall purchase, redeem, or retire the shares out of capital as well as surplus funds without regard to the impairment of its capital within 30 days after the disqualification occurs.

Sec. 10.45.220. DISPOSAL OF SHARES OF DECEASED SHAREHOLDER. A professional corporation may provide for the disposal of the shares of a deceased shareholder in its articles of incorporation or bylaws, or its shareholders may provide for their disposal by private agreement. If there is no provision or private agreement, the shares shall first be offered for sale to the remaining shareholders by the personal representative of

the deceased shareholder's estate at a price not to exceed their book value, and, if not sold, then offered and sold to any licensed person of the same profession as the corporation without obtaining the approval of the remaining shareholders. In the event that the shares are not disposed of within six months from the date of the death of the shareholder, the corporation shall call a special meeting of its shareholders and shall decide by a majority vote of the remaining shareholders whether or not the corporation purchases, redeems, or retires the shares at book value or lesser price if agreed, or files for a dissolution of the corporation. At the special meeting the shares of the deceased shareholder may not be voted on or counted for any purpose, unless the deceased shareholder was the sole shareholder.

Sec. 10.45.230. DETERMINATION OF VALUE OF SHARES. If the articles of incorporation or bylaws of a professional corporation do not provide a price or method of determining a price at which the corporation may purchase, redeem, or retire the shares, or that its shareholders may purchase the shares of a deceased shareholder or a shareholder no longer qualified to own shares in the corporation, then the price for the shares shall be the book value as of the end of the month preceding the death or disqualification of the shareholder. Book value shall be determined from the books and records of the corporation in accordance with the regular method of accounting used by the corporation.

Sec. 10.45.240. APPLICABILITY OF ALASKA BUSINESS CORPORATION ACT. The Alaska Business Corporation Act is applicable to professional corporations and they enjoy the powers and privileges and are subject to the duties, restrictions, and liabilities of other corporations, except when inconsistent with this chapter. This chapter takes precedence in the event of a conflict with provisions of the Alaska Business Corporation Act or other laws.

Sec. 10.45.250. DEFINITIONS. In this chapter

- (1) "professional service" means a type of highly skilled, technical, and specialized personal service rendered to the public by persons licensed by the state;
- (2) "professional person" means a person licensed to render a professional service;
- (3) "employee" means a licensed person employed by a professional corporation to render the type of professional service for which the corporation was organized;
- (4) "professional corporation" means a corporation organized under this chapter to render a professional service;
- (5) "regulatory board" means an agency of the state having jurisdiction to grant a license to render professional service.

Sec. 10.45.260. SHORT TITLE. This Act may be cited

as the Professional Corporation Act.

* Sec. 3. This Act takes effect on the day after its passage and approval or on the day it becomes law without approval.