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IN THE HOUSE BY THE JUDICIARY COMMITTEE
HOUSE BILL NO. 407
IN THE LEGISLATURE OF THE STATE OF ALASKA
SECOND LEGISLATURE - SECOND SESSION
A BILL

For an Act entitled: "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. a. One or more persons each of whom is licensed to render a professional service within 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 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, and
- (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

1 be filed with the articles of incorporation.

2 Sec. 3. A professional corporation may render one type of
3 professional service only. It may charge fees for the services
4 of its directors, officers, employees or agents, collect the
5 fees, and compensate those who render the services.

6 Sec. 4. No professional corporation incorporated under this
7 Act may render professional services except through the persons
8 who are licensed within the state to render the same type of
9 professional services as the corporation and who are its share-
10 holders, directors, officers, employees, or agents.

11 Sec. 5. A professional corporation may not engage in
12 business; however, it may own real and personal property neces-
13 sary for or appropriate in rendering its own professional services
14 and may invest its funds in all types of investments.

15 Sec. 6. A professional corporation may issue shares of its
16 capital stock to persons licensed by a regulatory board of the
17 state to render the professional service specified in the
18 articles of incorporation. It may not issue shares to any
19 other person.

20 Sec. 7. No person may be a director or officer of a pro-
21 fessional corporation who is not a shareholder of that
22 corporation. No person may be a shareholder, director or officer
23 of more than one professional corporation at one time.

24 Sec. 8. A professional corporation which has only one or two
25 shareholders may manage its affairs by only directors, who shall
26 be the shareholders. The one or two shareholders may fill
27 all the general offices of the corporation.

28 Sec. 9. A shareholder of a professional corporation may
29 sell or transfer his shares to a licensed person of the same

1 profession; provided that the sale was approved by a vote of
2 the majority of all shareholders at a special meeting called
3 for the purpose. At the special meeting the shares of the share-
4 holder proposing to sell or transfer his shares may not be
5 voted or counted for any purpose unless he is the sole share-
6 holder. The articles of incorporation may provide specifically
7 for additional restraints on the alienation of shares and may
8 require the purchase, redemption, or retirement of shares by
9 the corporation at a price and in a manner set forth in the
10 articles. The articles may authorize the corporation's board
11 of directors or its shareholders to adopt bylaws restraining
12 the alienation of shares and providing for their purchase,
13 redemption, or retirement by the corporation.

14 Sec. 10. A proxy may be given to a licensed shareholder of
15 the same corporation to vote the shares of the professional
16 corporation. No other person may be given a proxy.

17 Sec. 11. No voting trust may be formed to vote the shares
18 of a professional corporation.

19 Sec. 12. No professional corporation may hold stock in
20 another professional corporation, nor merge or consolidate with
21 a foreign professional corporation.

22 Sec. 13. The corporate name of a professional corporation
23 shall contain the last name of one or more of its shareholders,
24 unless the regulations of a particular regulating board or the
25 ethics of a profession permit the use of a corporate name which
26 does not include the surname of any present or former shareholder
27 The corporate name may be ended by the word "Corporation", or
28 "Incorporated", or by the abbreviation "Corp." or "Inc.", or
29 by the words, "a professional corporation". It is permissible

1 for the corporation to render professional services and to
2 exercise its authorized powers under the corporate name without
3 the word "Corporation" or "Incorporated" or their abbreviations,
4 or the words, "a professional corporation" included in the name.

5 Sec. 14. When a person whose name is part of a corporate
6 name ceases to be a shareholder, the corporation shall alter its
7 name to reflect this change; however, a professional corporation
8 may retain the name of a retired or deceased shareholder in its
9 corporate name if the regulations of a particular regulating
10 board or the ethics of a profession permit it.

11 Sec. 15. This Act does not affect the present law applicable
12 to the professional relationship and liabilities between the
13 person furnishing the professional services and the person
14 receiving the services, and it does not affect the standards of
15 professional conduct maintained by a particular profession. A
16 shareholder, director, officer, employee, or agent of a
17 professional corporation remains personally liable for negligent
18 or wrongful acts or misconduct committed by him, or by a person
19 under his direct supervision and control while rendering pro-
20 fessional services on behalf of the corporation to the person
21 receiving the services. The liability arising out of the
22 professional services rendered by the shareholder, director,
23 officer, employee or agent on behalf of the professional
24 corporation is joint and several among the shareholders of
25 the same corporation.

26 Sec. 16. A professional corporation is jointly and
27 severally liable with its shareholders, directors, officers,
28 employees, or agents for the negligent or wrongful acts com-
29 mitted by them while they are engaged on behalf of the

1 corporation in rendering professional services.

2 Sec. 17. A professional corporation is liable to the same
3 extent as a business corporation for the negligent or wrongful
4 acts of its employees within the scope of their employment. For
5 the purposes of this section "employees" means persons employed
6 by the professional corporation in any unlicensed position, or a
7 licensed person performing any duties for the corporation except
8 professional services.

9 Sec. 18. Shareholders are personally liable with the
10 professional corporation for its debts and other corporate
11 obligations.

12 Sec. 19. This Act does not restrict or limit the authority
13 and duty of the regulatory boards for the licensing of persons
14 rendering professional services or for the practice of the
15 profession which is within the jurisdiction of the boards.

16 Sec. 20. No professional corporation may do any act which
17 is prohibited to a person licensed to practice a profession which
18 the professional corporation renders.

19 Sec. 21. If a shareholder, director, officer, employee, or
20 agent of a professional corporation is legally disqualified to
21 render professional service in this state, or is elected or
22 appointed to a public office which under law restricts or limits
23 his rendering professional services, he shall sever all employ-
24 ment and financial interest in the professional corporation
25 immediately. The failure of the directors or officers to
26 require compliance with this section is sufficient ground for
27 the forfeiture of the corporate franchise.

28 Sec. 22. A professional corporation may provide in its
29 articles of incorporation that the shares of a legally dis-

1 qualified shareholder may be sold only to other shareholders or
2 licensed persons of the same profession, or it may provide for
3 the purchase, redemption, or retirement of the shares by the
4 corporation out of capital as well as surplus funds and without
5 regard to the impairment of its capital. If there is no
6 provision for the disposal of the shares and the legally dis-
7 qualified shareholder has not disposed of his shares as required
8 under Sec. 21 of this Act, the corporation shall purchase,
9 redeem, or retire the shares out of capital as well as surplus
10 funds without regard to the impairment of its capital within
11 30 days after the disqualification occurs.

12 Sec. 23. A professional corporation may provide for the
13 disposal of the shares of a deceased shareholder in its
14 articles of incorporation or bylaws, or its shareholders may
15 provide for their disposal by private agreement. If there is
16 no provision or private agreement, the shares shall first be
17 offered for sale to the remaining shareholders by the personal
18 representative of the deceased shareholder's estate at a price
19 not to exceed their book value, and, if not sold, then offered
20 and sold to any licensed person of the same profession as the
21 corporation without obtaining the approval of the remaining
22 shareholders. In the event that the shares are not disposed
23 of within six months from the date of the death of the share-
24 holder, the corporation shall call a special meeting of its
25 shareholders and shall decide by a majority vote of the remaining
26 shareholders whether or not the corporation purchases, redeems,
27 or retires the shares at book value or lesser price if agreed,
28 or files for a dissolution of the corporation. At the special
29 meeting the shares of the deceased shareholder may not be

1 voted on or counted for any purpose, unless the deceased share-
2 holder was the sole shareholder.

3 Sec. 24. If the articles of incorporation or bylaws of
4 a professional corporation do not provide a price or method of
5 determining a price at which the corporation may purchase,
6 redeem, or retire the shares, or that its shareholders may
7 purchase the shares of a deceased shareholder or a shareholder
8 no longer qualified to own shares in the corporation, then the
9 price for the shares shall be the book value as of the end of
10 the month preceding the death or disqualification of the share-
11 holder. Book value shall be determined from the books and
12 records of the corporation in accordance with the regular
13 method of accounting used by the corporation.

14 Sec. 25. The Alaska Business Corporation Act is applicable
15 to professional corporations and they enjoy the powers and
16 privileges and are subject to the duties, restrictions, and
17 liabilities of other corporations, except when inconsistent with
18 this Act. This Act shall take precedence in the event of any
19 conflict with provisions of the Alaska Business Corporation Act
20 or other laws.

21 Sec. 26. In this Act

22 (1) "professional service" means a type of highly
23 skilled, technical, and specialized personal service rendered to
24 the public by persons licensed by the state;

25 (2) "professional person" means a person licensed to
26 render a professional service;

27 (3) "employee" means a licensed person employed by a
28 professional corporation to render the type of professional
29 service for which the corporation was organized;

1 (4) "professional corporation" means a corporation
2 organized under this Act to render a professional service;

3 (5) "regulatory board" means an agency of the state
4 having jurisdiction to grant a license to render professional
5 service.

6 Sec. 27. This Act shall be known and may be cited as the
7 "Professional Corporation Act".

8 Sec. 28. This Act takes effect on the day after its passage
9 and approval or on the day it becomes law without such approval.

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