

Introduced: 3/1/63  
Referred: Commerce and  
Finance

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1 IN THE HOUSE

2 HOUSE BILL NO. 131

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRD LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the formation of pro-  
7 fessional corporations; exempting profes-  
8 sional corporations from the provisions of  
9 the Alaska Employment Security Act; and pro-  
10 viding for an effective date."

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

12 \* Section 1. AS 10 is amended by adding a new chapter to read:

13 CHAPTER 35. ALASKA PROFESSIONAL CORPORATION ACT.

14 Sec. 10.35.010. PURPOSE. The general purpose of this  
15 chapter is to make available to professional persons the  
16 benefits of the corporate form for the business aspects of  
17 their practice while preserving the established professional  
18 aspects of the personal relationship between the professional  
19 person and those whom he serves.

20 Sec. 10.35.020. INCORPORATORS. One or more persons,  
21 each of whom is licensed to render a professional service  
22 in this state, may incorporate a professional corporation.

23 Sec. 10.35.030. FILING ARTICLES OF INCORPORATION. (a)  
24 A professional corporation is incorporated by filing articles  
25 of incorporation with the Department of Commerce.

26 (b) The articles of incorporation shall meet the re-  
27 quirements of the Alaska Business Corporation Act (AS 10.05)  
28 and, in addition, shall include

29 (1) the name of the profession to be practiced by

1 the corporation;

2 (2) the names and addresses of all original share-  
3 holders, directors, and officers;

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

6 Sec. 10.35.040. CERTIFICATE FROM REGULATORY BOARD  
7 REQUIRED. A certificate from the regulatory board of the  
8 profession involved certifying that each of the incorporators,  
9 directors, and shareholders is licensed to practice the pro-  
10 fession shall be filed with the articles of incorporation.

11 Sec. 10.35.050. RENDERING PROFESSIONAL SERVICE AND  
12 CHARGING FEES. (a) A professional corporation may render  
13 one type of professional service only.

14 (b) No professional corporation incorporated under this  
15 chapter may render professional services except through the  
16 persons who are licensed in the state to render the same type  
17 of professional services as the corporation and who are its  
18 shareholders, directors, officers, employees, or agents.

19 (c) A professional corporation may charge fees for the  
20 services of its directors, officers, employees, or agents,  
21 collect the fees, and compensate those who render the services

22 Sec. 10.35.060. PROHIBITION AGAINST ENGAGING IN  
23 BUSINESS. A professional corporation may not engage in  
24 business, but it may own real and personal property necessary  
25 for or appropriate in rendering its own professional services  
26 and may invest its funds in all types of investments.

27 Sec. 10.35.070. ISSUANCE OF SHARES. A professional  
28 corporation may issue shares of its capital stock to persons  
29 licensed by a regulatory board of the state to render the

1 professional service specified in the articles of incorpora-  
2 tion. It may not issue shares to any other person.

3 Sec. 10.35.080. TRANSFER OF SHARES. (a) A shareholder  
4 of a professional corporation may not sell or transfer his  
5 shares to any other person except a person licensed to  
6 practice the same profession as the shareholder.

7 (b) The articles of incorporation may provide specifi-  
8 cally for additional restraints on the alienation of shares  
9 and may require the purchase, redemption, or retirement of  
10 shares by the corporation at a price and in a manner set out  
11 in the articles.

12 (c) The articles of incorporation may authorize the  
13 corporation's board of directors or its shareholders to adopt  
14 bylaws restraining the alienation of shares and providing for  
15 their purchase, redemption, or retirement by the corporation.

16 Sec. 10.35.090. HOLDING STOCK, MERGING OR CONSOLIDATING  
17 WITH ANOTHER PROFESSIONAL CORPORATION. No professional  
18 corporation may hold stock in another professional corpora-  
19 tion, nor merge or consolidate with a foreign professional  
20 corporation.

21 Sec. 10.35.100. QUALIFICATION OF DIRECTOR OR OFFICER.  
22 No person may be a director or officer of a professional  
23 corporation who is not a shareholder of that corporation.

24 Sec. 10.35.110. MANAGEMENT BY DIRECTORS PERMITTED. A  
25 professional corporation which has only one or two share-  
26 holders may manage its affairs by only directors, who shall  
27 be shareholders. The one or two shareholders may also fill  
28 all the general offices of the corporation.

29 Sec. 10.35.120. VOTING TRUST PROHIBITED. No voting

1 trust may be formed to vote the shares of a professional  
2 corporation.

3 Sec. 10.35.130. VOTING BY PROXY. A proxy may be given  
4 to a licensed shareholder of the same professional corpora-  
5 tion to vote the shares of the corporation. No other person  
6 may be given a proxy.

7 Sec. 10.35.140. CORPORATE NAME. (a) The corporate  
8 name of a professional corporation shall contain the last  
9 name of one or more of its shareholders, unless the regula-  
10 tions of a particular regulating board or the ethics of a  
11 profession permit the use of a corporate name which does not  
12 include the surname of any present or former shareholder.  
13 The corporate name may be ended by the word "Corporation", or  
14 "Incorporated", or by the abbreviation "Corp." or "Inc.", or  
15 by the words "a professional corporation". It is permissible  
16 for the corporation to render professional services and to  
17 exercise its authorized powers under the corporate name with-  
18 out the word "Corporation" or "Incorporated" or their  
19 abbreviations, or the words "a professional corporation"  
20 included in the name.

21 (b) When a person whose name is part of a corporate  
22 name ceases to be a shareholder, the corporation shall alter  
23 its name to reflect this change. However, a professional  
24 corporation may retain the name of a retired or deceased  
25 shareholder in its corporate name if the regulations of a  
26 particular regulating board or the ethics of a profession  
27 permit it.

28 Sec. 10.35.150. PROFESSIONAL RELATIONSHIP AND LIABILI-  
29 TIES PRESERVED AMONG PROFESSIONAL PERSONS. (a) This chapter

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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.

(b) 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.

(c) 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.

(d) 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. 10.35.160. CORPORATE LIABILITY. (a) 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.

(b) A professional corporation is liable to the same extent as a business corporation for the negligent or

1 wrongful acts of its employees within the scope of their  
2 employment. For the purposes of this subsection "employees"  
3 means persons employed by the professional corporation in an  
4 unlicensed position, or a licensed person performing any  
5 duty for the corporation except professional services.

6 (c) No shareholder, director, or licensed or un-  
7 licensed employee or agent of a professional corporation is  
8 personally liable for its debts or other corporate obliga-  
9 tions.

10 Sec. 10.35.170. PROFESSIONAL ACTS LIMITED. No profes-  
11 sional corporation may do any act which is prohibited to a  
12 person licensed to practice a profession which the profes-  
13 sional corporation renders.

14 Sec. 10.35.180. LEGAL DISQUALIFICATION OF CORPORATE  
15 PERSONNEL. If a shareholder, director, officer, employee,  
16 or agent of a professional corporation is legally disquali-  
17 fied to render professional service in this state, or is  
18 elected or appointed to a public office which under law  
19 restricts or limits his rendering professional services, he  
20 shall sever all employment and financial interest in the  
21 professional corporation immediately. The failure of the  
22 directors or officers to require compliance with this section  
23 is sufficient ground for the forfeiture of the corporate  
24 franchise.

25 Sec. 10.35.190. DISPOSAL OF SHARES OF LEGALLY DIS-  
26 QUALIFIED SHAREHOLDER. A professional corporation may pro-  
27 vide in its articles of incorporation that the shares of a  
28 legally disqualified shareholder may be sold only to other  
29 shareholders or licensed persons of the same profession, or

1 it may provide for the purchase, redemption, or retirement  
2 of the shares by the corporation out of capital as well as  
3 surplus funds and without regard to the impairment of its  
4 capital. If there is no provision for the disposal of the  
5 shares and the legally disqualified shareholder has not  
6 disposed of his shares as required under sec. 180 of this  
7 chapter, the corporation shall purchase, redeem, or retire  
8 the shares out of capital as well as surplus funds without  
9 regard to the impairment of its capital within 30 days after  
10 the disqualification occurs.

11 Sec. 10.35.200. DISPOSAL OF SHARES OF DECEASED SHARE-  
12 HOLDER. 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 per-  
18 sonal representative of the deceased shareholder's estate at  
19 a price not to exceed their book value, and, if not sold,  
20 then offered and sold to any licensed person of the same pro-  
21 fession as the corporation without obtaining the approval of  
22 the remaining shareholders. In the event that the shares are  
23 not disposed of within six months from the date of the death  
24 of the shareholder, the corporation shall call a special  
25 meeting of its shareholders and shall decide by a majority  
26 vote of the remaining shareholders whether or not the  
27 corporation purchases, redeems, or retires the shares at book  
28 value or lesser price if agreed, or files for a dissolution  
29 of the corporation. At the special meeting the shares of the

1 deceased shareholder may not be voted on or counted for any  
2 purpose, unless the deceased shareholder was the sole share-  
3 holder.

4 Sec. 10.35.210. DETERMINATION OF VALUE OF SHARES. If  
5 the articles of incorporation or bylaws of a professional  
6 corporation do not provide a price or method of determining  
7 a price at which the corporation may purchase, redeem, or  
8 retire the shares, or that its shareholders may purchase the  
9 shares of a deceased shareholder or a shareholder no longer  
10 qualified to own shares in the corporation, then the price  
11 for the shares shall be the book value as of the end of the  
12 month preceding the death or disqualification of the share-  
13 holder. Book value shall be determined from the books and  
14 records of the corporation in accordance with the regular  
15 method of accounting used by the corporation.

16 Sec. 10.35.220. APPLICABILITY OF ALASKA BUSINESS COR-  
17 PORATION ACT. The Alaska Business Corporation Act (AS 10.05)  
18 is applicable to professional corporations and they enjoy the  
19 powers and privileges and are subject to the duties, restric-  
20 tions, and liabilities of other corporations, except when  
21 inconsistent with this chapter. This chapter shall take  
22 precedence in the event of any conflict with provisions of the  
23 Alaska Business Corporation Act (AS 10.05) or other laws.

24 Sec. 10.35.230. DEFINITIONS. In this chapter

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

28 (2) "professional person" means a person licensed  
29 to render a professional service;

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

4 (4) "professional corporation" means a corporation  
5 organized under this chapter to render a professional service

6 (5) "regulatory board" means an agency of the  
7 state having jurisdiction to grant a license to render pro-  
8 fessional service;

9 (6) "corporation" means a professional corpora-  
10 tion.

11 Sec. 10.35.240. SHORT TITLE. This chapter may be cited  
12 as the Alaska Professional Corporation Act.

13 \* Sec. 2. AS 23.20.525(c) is amended by adding a new paragraph  
14 to read:

15 (22) service performed in the employ of a profes-  
16 sional corporation formed under the Alaska Professional  
17 Corporation Act (AS 10.35).

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