

Introduced: 2/8/67  
Referred: Commerce  
Judiciary

1 IN THE SENATE

BY HAGGLAND AND ZIEGLER

2 SENATE BILL NO. 80

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the formation of professional  
7 corporations; exempting professional corporations from  
8 the provisions of the Alaska Employment Security Act;  
9 and providing for an effective date."

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

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

12 CHAPTER 35. ALASKA PROFESSIONAL CORPORATION ACT.

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

18 Sec. 10.35.020. INCORPORATORS. One or more persons, each of whom  
19 is licensed to render a professional service in this state, may in-  
20 corporate a professional corporation.

21 Sec. 10.35.030. FILING ARTICLES OF INCORPORATION. (a) A profes-  
22 sional corporation is incorporated by filing articles of incorporation  
23 with the Department of Commerce.

24 (b) The articles of incorporation shall meet the requirements of  
25 the Alaska Business Corporation Act (AS 10.05) and, in addition, shall  
26 include

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

29 (2) the names and addresses of all original shareholders,

1 directors, and officers;

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

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

9 Sec. 10.35.050. RENDERING PROFESSIONAL SERVICE AND CHARGING FEES.

10 (a) A professional corporation may render one type of professional  
11 service only.

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

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

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

26 Sec. 10.35.070. ISSUANCE OF SHARES. A professional corporation  
27 may issue shares of its capital stock to persons licensed by a regula-  
28 tory board of the state to render the professional service specified  
29 in the articles of incorporation. It may not issue shares to any other

1 person.

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

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

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

14           **Sec. 10.35.090. HOLDING STOCK, MERGING OR CONSOLIDATING WITH**  
15 **ANOTHER PROFESSIONAL CORPORATION.** No professional corporation may hold  
16 stock in another professional corporation, nor merge or consolidate  
17 with a foreign professional corporation.

18           **Sec. 10.35.100. QUALIFICATION OF DIRECTOR OR OFFICER.** No person  
19 may be a director or officer of a professional corporation who is not a  
20 shareholder of that corporation.

21           **Sec. 10.35.110. MANAGEMENT BY DIRECTORS PERMITTED.** A professional  
22 corporation which has only one or two shareholders may manage its  
23 affairs by only directors, who shall be shareholders. The one or two  
24 shareholders may also fill all the general offices of the corporation.

25           **Sec. 10.35.120. VOTING TRUST PROHIBITED.** No voting trust may  
26 be formed to vote the shares of a professional corporation.

27           **Sec. 10.35.130. VOTING BY PROXY.** A proxy may be given to a  
28 licensed shareholder of the same professional corporation to vote the  
29 shares of the corporation. No other person may be given a proxy.

1           **Sec. 10.35.140. CORPORATE NAME.** (a) The corporate name of a  
2 professional corporation shall contain the last name of one or more of  
3 its shareholders, unless the regulations of a particular regulating  
4 board or the ethics of a profession permit the use of a corporate name  
5 which does not include the surname of any present or former shareholder.  
6 The corporate name may be ended by the word "corporation", or "incorpo-  
7 rated", or by the abbreviation "corp." or "inc.", or by the words "a  
8 professional corporation". It is permissible for the corporation to  
9 render professional services and to exercise its authorized powers  
10 under the corporate name without the word "corporation" or "incorpo-  
11 rated" or their abbreviations, or the words "a professional corporation"  
12 included in the name.

13           (b) When a person whose name is part of a corporate name ceases  
14 to be a shareholder, the corporation shall alter its name to reflect  
15 this change. However, a professional corporation may retain the name  
16 of a retired or deceased shareholder in its corporate name if the  
17 regulations of a particular regulating board or the ethics of a profes-  
18 sion permit it.

19           **Sec. 10.35.150. PROFESSIONAL RELATIONSHIP AND LIABILITIES PRE-**  
20 **SERVED AMONG PROFESSIONAL PERSONS.** (a) This chapter does not affect  
21 the present law applicable to the professional relationship and  
22 liabilities between the person furnishing the professional services  
23 and the person receiving the services, and it does not affect the  
24 standards of professional conduct maintained by a particular profession.

25           (b) This chapter does not restrict or limit the authority and duty  
26 of the regulatory boards for the licensing of persons rendering profes-  
27 sional services or for the practice of the profession which is within  
28 the jurisdiction of the boards.

29           (c) A shareholder, director, officer, employee, or agent of a

1 professional corporation remains personally liable for negligent or  
2 wrongful acts or misconduct committed by him, or by a person under his  
3 direct supervision and control while rendering professional services  
4 on behalf of the corporation to the person receiving the services.

5 (d) The liability arising out of the professional services  
6 rendered by the shareholder, director, officer, employee, or agent on  
7 behalf of the professional corporation is joint and several among the  
8 shareholders of the same corporation.

9 **Sec. 10.35.160. CORPORATE LIABILITY.** (a) A professional  
10 corporation is jointly and severally liable with its shareholders,  
11 directors, officers, employees, or agents for the negligent or wrongful  
12 acts committed by them while they are engaged on behalf of the corpora-  
13 tion in rendering professional services.

14 (b) A professional corporation is liable to the same extent as a  
15 business corporation for the negligent or wrongful acts of its employees  
16 within the scope of their employment. For the purposes of this subsec-  
17 tion "employees" means persons employed by the professional corporation  
18 in an unlicensed position, or a licensed person performing any duty for  
19 the corporation except professional services.

20 (c) No shareholder, director, or licensed or unlicensed employee  
21 or agent of a professional corporation is personally liable for its  
22 debts or other corporate obligations.

23 **Sec. 10.35.170. PROFESSIONAL ACTS LIMITED.** No professional  
24 corporation may do any act which is prohibited to a person licensed to  
25 practice a profession which the professional corporation renders.

26 **Sec. 10.35.180. LEGAL DISQUALIFICATION OF CORPORATE PERSONNEL.**  
27 If a shareholder, director, officer, employee, or agent of a profes-  
28 sional corporation is legally disqualified to render professional  
29 service in this state, or is elected or appointed to a public office

1 which under law restricts or limits his rendering professional services,  
2 he shall sever all employment and financial interest in the professional  
3 corporation immediately. The failure of the directors or officers to  
4 require compliance with this section is sufficient ground for the  
5 forfeiture of the corporate franchise.

6       **Sec. 10.35.190. DISPOSAL OF SHARES OF LEGALLY DISQUALIFIED**  
7 **SHAREHOLDER.** A professional corporation may provide in its articles of  
8 incorporation that the shares of a legally disqualified shareholder  
9 may be sold only to other shareholders or licensed persons of the same  
10 profession, or it may provide for the purchase, redemption, or retire-  
11 ment of the shares by the corporation out of capital as well as surplus  
12 funds and without regard to the impairment of its capital. If there is  
13 no provision for the disposal of the shares and the legally disquali-  
14 fied shareholder has not disposed of his shares as required under sec.  
15 180 of this chapter, the corporation shall purchase, redeem, or retire  
16 the shares out of capital as well as surplus funds without regard to  
17 the impairment of its capital within 30 days after the disqualification  
18 occurs.

19       **Sec. 10.35.200. DISPOSAL OF SHARES OF DECEASED SHAREHOLDER.** A  
20 professional corporation may provide for the disposal of the shares of  
21 a deceased shareholder in its articles of incorporation or bylaws, or  
22 its shareholders may provide for their disposal by private agreement.  
23 If there is no provision or private agreement, the shares shall first  
24 be offered for sale to the remaining shareholders by the personal  
25 representative of the deceased shareholder's estate at a price not to  
26 exceed their book value, and, if not sold, then offered and sold to  
27 any licensed person of the same profession as the corporation without  
28 obtaining the approval of the remaining shareholders. In the event that  
29 the shares are not disposed of within six months from the date of the

1 death of the shareholder, the corporation shall call a special meeting  
2 of its shareholders and shall decide by a majority vote of the remain-  
3 ing shareholders whether or not the corporation purchases, redeems, or  
4 retires the shares at book value or lesser price if agreed, or files  
5 for a dissolution of the corporation. At the special meeting the shares  
6 of the deceased shareholder may not be voted on or counted for any  
7 purpose, unless the deceased shareholder was the sole shareholder.

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

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

25       **Sec. 10.35.230. DEFINITIONS.** In this chapter

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

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

1 a professional service;

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

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

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

9 (6) "corporation" means a professional corporation.

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

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

13 (22) service performed by a licensed professional person in  
14 the employ of a professional corporation formed under the Alaska  
15 Professional Corporation Act (AS 10.35).

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