

NORTH CAROLINA GENERAL ASSEMBLY  
1969 SESSION

CHAPTER 718  
SENATE BILL 152

1 AN ACT TO CREATE CHAPTER 55B OF THE GENERAL STATUTES RELATING TO  
2 THE FORMATION OF CORPORATIONS BY PERSONS DULY LICENSED TO  
3 RENDER PROFESSIONAL SERVICES AND DEFINING THE POWERS AND  
4 RESPONSIBILITIES OF SUCH CORPORATIONS AND ITS MEMBERS, AND  
5 IMPLEMENTING CHAPTER 55B OF THE GENERAL STATUTES BY AMENDING  
6 G.S. 90-125, G.S. 93-8, G.S. 83-12, G.S. 89-13, G.S. 84-4, and G.S. 84-5 TO CONFORM.

7  
8 The General Assembly of North Carolina do enact:  
9

10 **Section 1.** Title. This Act may be cited as "The Professional Corporation Act".

11 **Sec. 2.** Definitions. As used in this Chapter, the following words shall, unless the  
12 context requires otherwise have the following meanings:

- 13 (a) "Professional Corporation" means a corporation which is engaged in rendering  
14 the professional services as herein specified and defined pursuant to a  
15 certificate of registration issued by the licensing board regulating the  
16 profession or practice, and which has as its shareholders only individuals  
17 who themselves are duly licensed to render the same professional service as  
18 the corporation, and which designates itself as may be required by this  
19 statute, and which is organized under the provisions of this Chapter and of  
20 Chapter 55, The Business Corporation Act.
- 21 (b) The term "professional service" means any type of personal or professional  
22 service to the public which requires as a condition precedent to the rendering  
23 of such service the obtaining of a license from a licensing board as herein  
24 defined, and pursuant to the following provisions of the General Statutes:  
25 Chapter 83, "Architects"; Chapter 84, "Attorneys at Law"; Chapter 93,  
26 "Public Accountants"; and Article 1, "Practice of Medicine", Article 2,  
27 "Dentistry", Article 6, "Optometry", Article 7, "Osteopathy", Article 8,  
28 "Chiropractic", Article 11, "Veterinaries", Article 12, "Podiatrists", of  
29 Chapter 90; Article 18A, "Practicing Psychologist", of Chapter 90; Chapter  
30 89, "Engineering and land surveying".
- 31 (c) "Licensing Board" means a Board which is charged with the licensing and  
32 regulating of the profession or practice in this State in which the professional  
33 corporation is organized to engage.
- 34 (d) The term "licensing board", as the same applies to attorneys at law, shall  
35 mean the Council of the North Carolina State Bar, and it shall include the  
36 North Carolina State Board of Law Examiners only to the extent that the  
37 North Carolina Board of Law Examiners is authorized to issue licenses for  
38 the practice of law under the supervision of the Council of the North  
39 Carolina State Bar.
- 40 (e) "Licensee" means any natural person who is duly licensed by the appropriate  
41 licensing board to render the same professional services which will be  
42 rendered by the professional corporation of which he is, or intends to  
43 become, an officer, director, shareholder or employee.

- (f) "Disqualified Person" means a licensed person who for any reason becomes legally disqualified to render the same professional services which are or were being rendered by the professional corporation of which such person is an officer, director, shareholder or employee.

**Sec. 3.** Business Corporation Act Applicable. The Business Corporation Act shall be applicable to such professional corporations, including their organization, and professional corporations shall enjoy the powers and privileges and shall be subject to the duties, restrictions and liabilities of other corporations, except insofar as the same may be limited or enlarged by this Act. If any provision of this Act conflicts with the provisions of the Business Corporation Act, the provisions of this Act shall prevail.

**Sec. 4.** Formation of Corporation. A professional corporation under this Act may be formed pursuant to the provisions of Chapter 55, The Business Corporation Act, with the following limitations:

- (a) At least one incorporator shall be a "Licensee" as hereinabove defined in Sec. 2(e).
- (b) All of the shares of stock of the corporation shall be owned and held by a licensee, or licensees, as hereinabove defined in Sec. 2(e).
- (c) At least one Director and one officer shall be a "Licensee" as hereinabove defined in Sec. 2(e).
- (d) The Articles of Incorporation, in addition to the requirements of Chapter 55, shall designate the personal services to be rendered by the professional corporation and shall be accompanied by a certification by the appropriate licensing board that each of the owners of shares of stock is duly licensed to render such professional services.

**Sec. 5.** Corporate Name. The corporate name used by professional corporations under this Act, except as limited by the Licensing Acts of the respective professions, shall be governed by the provisions of Chapter 55, The Business Corporation Act; provided that professional corporations may use the words "Professional Association" or "P.A." in lieu of the corporate designations specified in Chapter 55; and provided further that Licensing Boards by regulations may make further corporate name requirements or limitations for the respective professions, but such regulations may not prohibit the continued use of any corporate name duly adopted in conformity with the General Statutes and with the pertinent Licensing Board regulations in effect at the date of such adoption.

**Sec. 6.** Capital Stock. A professional corporation may issue shares of its capital stock only to a licensee as hereinabove defined, and such shareholders may voluntarily transfer such shares of stock issued to him only to another such licensee. No share or shares of any stock of such corporation shall be transferred upon the books of the corporation unless and until the corporation has received a certification of the appropriate licensing board that the transferee of such shares is a licensee as here defined. Any share of stock of such corporation issued or transferred in violation of this Section shall be null and void. No shareholder of a professional corporation shall enter into a voting trust agreement or any other type of agreement vesting in another person the authority to exercise the voting power of any or all of his stock.

**Sec. 7.** Death or Disqualification of a Stockholder or Employee. (a) If any officer, shareholder, agent or employee of a corporation organized under this Act who is a licensee becomes legally disqualified to render professional services within this State, he shall sever all employment with, and financial interest in, such corporation forthwith. A corporation's failure to comply with this provision shall constitute grounds for the forfeiture of its certificate of incorporation and its dissolution. When a corporation's failure to comply with this provision is brought to the attention of the Secretary of State, the Secretary of State shall forthwith certify that fact to the Attorney General for appropriate action to dissolve the corporation.

(b) A professional corporation shall report to the appropriate licensing board the death of any of its shareholders within 30 days thereafter. Within one year of the date of such death, all of the shares owned by such deceased shareholder shall be transferred to and acquired by the professional corporation or persons qualified to own such shares. In the absence of an agreement which determines the equitable value of the shares, then the price for such shares shall be the fair market value of the stock, but not less than the book value as of the end of the month immediately preceding the death or disqualification. Notwithstanding any other provisions of this Act, the shares of stock owned by such deceased shareholder may be owned and held by the person or persons who may be legally entitled to receive such shares for a period of one year after the death of such deceased shareholder, or in the case of the death of the owner of all the shares of such corporation, for such period of time as may be necessary to liquidate the corporation.

**Sec. 8. Rendition of Professional Services.** A professional service corporation may render professional services only through its officers, employees and agents who are duly licensed to render such professional services; provided, however, this provision shall not be interpreted to include in the term "employee", as used herein, clerks, secretaries, bookkeepers, technicians and other assistants who are not considered by law to be rendering professional services to the public.

**Sec. 9. Professional Relationship and Liability.** Nothing in this Act shall be interpreted to abolish, modify, restrict, limit or alter the law in this State applicable to the professional relationship and liabilities between the person furnishing the professional services and the person receiving such professional service, or the standards of professional conduct applicable to the rendering therein of such services.

**Sec. 10. Registration With Licensing Board.** No professional corporation shall open, operate, or maintain an establishment for any of the purposes set forth in this Act without first having obtained a certificate of registration from the licensing board or boards. Applications for such registration shall be made to the licensing board or boards in writing and shall contain the name and address of the corporation and such other information as may be required by the licensing board or boards. If the board finds that no disciplinary action is pending before the Board against any of the licensed incorporators, officers, directors, shareholders or employees of such corporation, and if it appears that such corporation will be conducted in compliance with the law and the regulations of the board, the board shall issue, upon the payment of a registration fee, not to exceed fifty dollars (\$50.00), a certificate of registration which shall remain effective until January 1 following the date of such registration or until such other expiration or renewal date as may be established by law or by the regulations of the licensing board.

**Sec. 11. Renewal of Certificate of Registration.** Upon written application of the holder, accompanied by a fee not to exceed the sum of twenty-five dollars (\$25.00), the licensing board shall renew the certificate of registration of a professional corporation as required by law or the regulations of the licensing board if the board finds that the corporation has complied with its regulations and the provisions of this Act. If the corporation does not apply for renewal of its certificate or registration within thirty (30) days after the date of the expiration of such certificate, the certificate or registration shall be automatically suspended and may be reinstated within the calendar year upon the payment of the required renewal fee plus a penalty of ten dollars (\$10.00), if such corporation is then otherwise qualified and entitled to a renewal of its certificate of registration.

**Sec. 12. Application of Regulations of Licensing Boards.** A professional corporation shall be subject to the applicable rules and regulations adopted by, and all the disciplinary powers of, the licensing board as herein defined. Nothing in this Act shall impair the disciplinary powers of any licensing board applicable to a licensee as herein defined. No

professional corporation may do any act which its shareholders as licensees are prohibited from doing.

**Sec. 13.** Suspension or Revocation of Certificate of Registration. A licensing board may suspend or revoke a certificate of registration issued by it to a professional corporation for any of the following reasons:

(a) Upon the failure of such corporation to promptly remove or discharge an officer, director, shareholder or employee who becomes disqualified by reason of the revocation or suspension of his license to practice;

or

(b) Upon a finding by the licensing board that the professional corporation has failed to comply with the provisions of this Act or the regulations of the licensing board.

Upon the suspension or revocation of a certificate of registration issued to a professional corporation, such corporation shall cease forthwith to render professional services, and the Secretary of State shall be notified to the end that the corporation may be removed from active status and remain as such until reinstatement.

**Sec. 14.** Types of Professional Services. A professional corporation shall render only one specific type professional service, and such services as may be ancillary thereto, and shall not engage in any other business or profession; provided, however, such corporation may own real and personal property necessary or appropriate for rendering the type of professional services it was organized to render and it may invest in real estate, mortgages, stocks, bonds, and any other type of investments; provided further, that in the case of architectural, engineering or land surveying services, as defined in Chapter 83 and 89 respectively, one corporation may be authorized to provide such of these services where such corporation, and at least one corporate officer who is a stockholder thereof, is duly licensed by the licensing board of each such profession.

**Sec. 15.** Applicability of Act. This Act shall not apply to any corporation which prior to the ratification of this Act was permitted by law to render professional services as herein defined; provided, however, any such corporation rendering "professional service" as defined in Sec. 2(e) of this Act may be brought within the provisions of this Act by the filing of an amendment to its Articles of Incorporation declaring that its shareholders have elected to bring the corporation within the provisions of this Act and to make the same conform to all of the provisions of this Act.

**Sec. 16.** The provisions of G.S. 90-125 are amended by adding at the beginning of the sentence which starts on the second line the following: "Except as provided for in Chapter 55-B of the General Statutes of North Carolina," and by changing the word "It" to read "it" as the same appears on line 2.

**Sec. 17.** The provisions of G. S. 93-8 are hereby rewritten to read as follows: "93.8. Public practice of accounting by corporations prohibited. - Except as provided for in Chapter 55-B of the General Statutes of North Carolina, it shall be unlawful for any corporation to engage in the public practice of accountancy in this State."

**Sec. 18.** The provisions of G. S. 89-13 are amended by striking the period in line 6, by substituting in lieu thereof a semicolon, and by inserting after the semicolon the following: "provided further, that all corporations hereunder shall be subject to the provisions of Chapter 55-B of the General Statutes of North Carolina."

**Sec. 19.** The provisions of G.S. 84-4 are amended by adding at the end thereof the following: "provided, however, this Section shall not apply to corporations authorized to practice law under the provisions of Chapter 55B of the General Statutes of North Carolina."

**Sec. 20.** The provisions of G.S. 84-5 are amended by adding at the end thereof the following: "provided, however, this Section shall not apply to corporations authorized to practice law under the provisions of Chapter 55B of the General Statutes of North Carolina."

1           **Sec. 21.** The provisions of G.S. 83-12 are amended by adding at the end thereof a  
2 new paragraph to read as follows: "Except as provided for in Chapter 55-B of the General  
3 Statutes of North Carolina, it shall be unlawful for any corporation to practice or offer to  
4 practice architecture in this State."

5           **Sec. 22.** All laws and clauses of laws in conflict with this Act are hereby repealed.

6           **Sec. 23.** This Act shall be in full force and effect upon and after January 1, 1970.

7           In the General Assembly read three times and ratified, this the 5th day of June,  
8 1969.