

Chapter 58

1973 REPLACEMENT PART (1975 reprint)

Professional Corporations

SHORT TITLE; DEFINITIONS; APPLICATION	
58.005	Short title
58.015	Definitions
58.025	Application to preexisting corporations
58.035	Application to persons licensed to render professional services
58.045	Application of general corporation law
FORMATION AND OPERATION	
58.075	Purposes for which professional corporation may be organized
58.085	Who may incorporate; contents of articles of incorporation
58.095	Number of directors when fewer than three shareholders
58.105	Eligibility to be shareholder, director, officer or agent; exception of secretary; officers and directors to be shareholders
58.115	Corporate name
POWERS AND DUTIES	
58.155	Method by which professional corporation to render services
58.165	Fees collected by corporation; compensation to person rendering services
58.175	Voting by proxy; voting trust prohibited
58.185	Liabilities of employes, shareholders and the corporation
58.195	Limits on merger or consolidation
58.205	Corporation prohibited from doing acts prohibited to professional licensee
58.215	Loans to officer or director authorized
58.225	Annual statements required; contents
58.235	Foreign professional corporation prohibited from transacting business in state
DISPOSITION OF SHARES	
58.255	Limitations on transfer of shares
58.265	Person disqualified from rendering services to dispose of interest in corporation
58.275	Effect of death of shareholder
58.285	Determination of price of shares of disqualified or deceased shareholder
58.295	Redemption of shares regardless of surplus
RELATIONSHIP OF CORPORATION TO PROFESSIONAL LICENSING AGENCIES	
58.325	Application to professional licensing agencies
58.335	Filing of bylaws, articles and other documents with professional licensing agency
58.345	Certificate of registration with professional licensing agency required; fees; renewal; posting; nontransferability
58.355	Suspension, revocation or refusal of certificate of registration
58.365	Oregon State Bar as regulating board for attorneys; appeals from Oregon State Bar to Supreme Court; rules applicable to corporations rendering legal services

CROSS REFERENCES

Architects, landscape architects, engineers, professional corporation, 671.041
Criminal liability of corporations, generally, 161.170
Fines for criminal offenses, 161.655
General corporation law, Ch. 57

SHORT TITLE; DEFINITIONS; APPLICATION

58.005 Short title. This chapter shall be known and may be cited as the "Oregon Professional Corporation Act."
[1969 c.592 s.1]

58.010[Repealed by 1961 c.726 s.427]

58.015 Definitions. As used in this chapter, unless the context requires otherwise:

(1) "Employee" means a person employed by a professional corporation who is licensed to render the professional service for which the corporation is organized. "Employee" does not include clerks, secretaries, bookkeepers, technicians or others employed by a professional corporation who are not usually and ordinarily considered by custom, practice or law to be rendering professional service, nor any other person employed by a professional corporation who performs all his employment under the direct supervision and control of an officer or employe of the corporation who is licensed to render the professional service for which the corporation is organized.

(2) "License" includes a license, certificate of registration, permit or other legal authorization required by law as a condition precedent to the rendering of professional service within this state.

(3) "Oregon Business Corporation Act" has the same meaning given that term in ORS 57.002.

(4) "Professional corporation" means a corporation organized under this chapter for the specific purpose of rendering professional service and for such other purposes provided under this chapter, and which has as its shareholders only individuals who themselves are duly licensed to render the same professional services as the corporation.

(5) "Professional service" means any type of personal service rendered in this state to the public which may be lawfully rendered only pursuant to a license and which by law, custom, standards of professional conduct or practice in the State of Oregon, before August 22, 1969, could not be rendered by a corporation, such as the services performed by certified public accountants, public accountants, practitioners of the healing arts, attorneys, dentists, architects, psychologists and podiatrists, among other groups.

(6) "Regulating board" means the governmental agency of the State of Oregon required or authorized by law to license and regulate the rendering of the professional

service for which a professional corporation is organized.

[1969 c.592 s.2; 1971 c.362 s.3]

58.020[Repealed by 1961 c.726 s.427]

58.025 Application to preexisting corporations. This chapter does not apply to any persons within this state who, before August 22, 1969, were permitted to organize a corporation and render service through the corporation. This chapter does not apply to any corporation organized by any such persons before August 22, 1969. However, any such corporation may be brought within the provisions of this chapter by amending or restating its articles of incorporation in such a manner as to be consistent with all of the provisions of this chapter and by affirmatively stating in the amended or restated articles of incorporation that the shareholders have elected to bring the corporation within and have accepted the provisions of this chapter.

[1969 c.592 s.3; 1971 c.184 s.4]

58.030[Repealed by 1961 c.726 s.427]

58.035 Application to persons licensed to render professional services. This chapter does not affect the right of persons licensed to render professional service within this state from so doing in any other business form permitted them by law, rules and regulations of the regulating board of their profession and standards of professional conduct of their profession.

[1969 c.592 s.4]

58.040[Repealed by 1961 c.726 s.427]

58.045 Application of general corporation law. The Oregon Business Corporation Act is applicable to professional corporations except when inconsistent with this chapter. This chapter takes precedence in the event of any conflict with provisions of the Oregon Business Corporation Act.

[1969 c.592 s.5]

58.050[Repealed by 1961 c.726 s.427]

58.060[Repealed by 1961 c.726 s.427]

58.070[Repealed by 1961 c.726 s.427]

FORMATION AND OPERATION

58.075 Purposes for which professional corporation may be organized. A professional corporation may be organized to render one type of professional service only

and services ancillary thereto through its shareholders, directors, officers, employes and agents who are themselves duly licensed to render such service. A professional corporation may not engage in any business other than the rendering of the professional service for which the corporation is organized and services ancillary thereto. However, this chapter does not prohibit a professional corporation from investing its funds in real estate, mortgages, stocks, bonds or any other type of investment, or from owning real or personal property necessary for the rendering of such professional service and ancillary services.

[1969 c.592 s.6]

58.080[Repealed by 1961 c.726 s.427]

58.085 Who may incorporate; contents of articles of incorporation. One or more natural persons may incorporate a professional corporation by signing, verifying and delivering in duplicate to the Corporation Commissioner articles of incorporation for such corporation. The articles of incorporation shall meet the requirements of the Oregon Business Corporation Act and, in addition, shall set forth:

(1) The designation of the professional service to be rendered through the corporation.

(2) The names and addresses, including street and number, if any, of all the persons who are to be the original shareholders of the corporation.

(3) A statement that each of the persons who are to be the original shareholders and directors of the corporation named in the articles of incorporation is licensed to render the professional service for which the corporation is to be organized.

[1969 c.592 s.7; 1971 c.200 s.4]

58.090[Repealed by 1961 c.726 s.427]

58.095 Number of directors when fewer than three shareholders. A professional corporation which has fewer than three shareholders may have fewer than three directors; however, such corporation may not have fewer directors than shareholders.

[1969 c.592 s.8]

58.100[Repealed by 1961 c.726 s.427]

58.105 Eligibility to be shareholder, director, officer or agent; exception of secretary; officers and directors to be shareholders. No person may be a shareholder, director, officer or agent of a profes-

sional corporation providing professional services unless he is an individual licensed within this state to render the professional service for which the corporation is organized. However, if a professional corporation has only one shareholder, the secretary of the corporation need not be licensed to perform the services for which the corporation is organized. Except as provided in this section, every director or officer of a professional corporation must be a shareholder of the corporation.

[1969 c.592 s.9]

58.110[Repealed by 1961 c.726 s.427]

58.115 Corporate name. (1) The corporate name of a professional corporation shall contain the last name of one or more of its shareholders, but a corporate name which does not contain the last name of one or more of its shareholders may be used if permitted by the law, rules and regulations of the regulating board or standards of professional conduct of the profession practiced through the corporation. The corporate name need not comply with paragraph (a) of subsection (1) of ORS 57.045 but shall contain the words "professional corporation" or the abbreviation "P.C." or "Prof. Corp."

(2) When a person whose name is part of a corporate name of a professional corporation ceases to be a shareholder, the corporation shall alter its corporate name to reflect this change. However, a professional corporation may retain the name of a retired or deceased shareholder in its corporate name if permitted by the law, rules and regulations of the regulating board or standards of professional conduct of the profession practiced through the corporation.

[1969 c.592 s.13]

58.120[Repealed by 1961 c.726 s.427]

58.130[Repealed by 1961 c.726 s.427]

58.140[Repealed by 1961 c.726 s.427]

58.150[Repealed by 1961 c.726 s.427]

POWERS AND DUTIES

58.155 Method by which professional corporation to render services. A professional corporation may render professional service only through individuals who are licensed within this state to render the professional service for which the corporation is organized and who are its shareholders, directors, officers, employes or agents.

[1969 c.592 s.10]

58.160[Repealed by 1961 c.726 s.427]

58.165 Fees collected by corporation; compensation to person rendering services. A professional corporation may charge and collect fees for professional service rendered by individuals who themselves are licensed to render the professional services involved, and may compensate those who render such service.
[1969 c.592 s.12]

58.170[Repealed by 1961 c.726 s.427]

58.175 Voting by proxy; voting trust prohibited. A proxy to vote the shares of a professional corporation may be given only to a shareholder of the same corporation. No voting trust may be created to vote the shares of a professional corporation.
[1969 c.592 s.14]

58.180[Repealed by 1961 c.726 s.427]

58.185 Liabilities of employees, shareholders and the corporation. (1) This chapter does not affect the law applicable to the professional relationship and liabilities between a person rendering professional service and a person receiving the service, and it does not affect the standards of professional conduct of a profession.

(2) A shareholder of a professional corporation may be held:

(a) Personally liable for negligent or wrongful acts or misconduct committed by him, or by a person under his direct supervision and control, in rendering professional service on behalf of the corporation to a person receiving the service as if he were rendering service as an individual.

(b) Personally liable for his own negligent or wrongful acts or misconduct in participation with such acts or misconduct of another shareholder or a director, officer, employe or agent of the corporation.

(c) Jointly and severally liable with all of the other shareholders of the corporation for the negligent or wrongful acts or misconduct committed by any shareholder, or by a person under the direct supervision and control of any shareholder in the rendering of professional services on behalf of the corporation to a person receiving the service.

(3) Notwithstanding subsection (2) of this section, the corporation shall be liable for its acts in the same manner and to the same extent as any corporation organized under the Oregon Business Corporation Act. However, the shareholders, directors, officers, employes and agents of the corporation

are not personally liable for the debts or other contractual obligations of the corporation, except as provided in subsection (1) of ORS 57.131.

[1969 c.592 s.15]

58.190[Repealed by 1961 c.726 s.427]

58.195 Limits on merger or consolidation. A professional corporation may merge or consolidate only with another professional corporation organized to render the same professional service. A foreign professional corporation and a domestic professional corporation may merge or consolidate only if such mergers or consolidations are permitted by the regulating board having jurisdiction of the corporations in their respective states of corporation.
[1969 c.592 s.22]

58.200[Repealed by 1961 c.726 s.427]

58.205 Corporation prohibited from doing acts prohibited to professional licensee. No professional corporation may do any act which is prohibited to a person licensed to render the professional service for which the corporation is organized.
[1969 c.592 s.16]

58.210[Repealed by 1961 c.726 s.427]

58.215 Loans to officer or director authorized. A professional corporation may make a loan to an officer or director of the corporation, if the holders of at least three-fourths of the corporation's outstanding shares demonstrate their approval of the loan by vote.
[1969 c.592 s.28]

58.220[Repealed by 1961 c.726 s.427]

58.225 Annual statements required; contents. The annual statements of a professional corporation shall meet the requirements of the Oregon Business Corporation Act, and, in addition, shall set forth:

(1) The names and addresses, including street and number, if any, of all shareholders of the corporation.

(2) A statement that each shareholder, director and officer of the corporation is licensed to render the professional service for which the corporation is organized.

[1969 c.592 s.23]

58.230[Repealed by 1961 c.726 s.427]

58.235 Foreign professional corporation prohibited from transacting business in state. No professional corporation organized under any law other than the law

of this state shall transact business in this state.

[1969 c.592 s.29]

58.240[Repealed by 1961 c.726 s.427]

58.250[Repealed by 1961 c.726 s.427]

DISPOSITION OF SHARES

58.255 Limitations on transfer of shares. (1) A shareholder of a professional corporation may sell or transfer his shares only to a person licensed to render the professional service for which the corporation is organized.

(2) Subject to subsection (1) of this section, the articles of incorporation, bylaws or agreements among shareholders of a professional corporation may provide limitations on the issuance and transferability of capital stock of the corporation and may provide for the purchase or redemption of shares by the corporation.

[1969 c.592 s.18]

58.265 Person disqualified from rendering services to dispose of interest in corporation. If any individual rendering professional service on behalf of a professional corporation is legally disqualified to render the professional service, or assumes a public office which under law or the regulations of the governing body prohibits his rendering of the professional service, he immediately shall sever all employment relationship with the corporation and any other relationship in which he shares in the corporation's profits attributable to professional services rendered after such disqualification or assumption of office, and shall dispose of his shares of capital stock in the corporation as expeditiously as possible.

[1969 c.592 s.11]

58.275 Effect of death of shareholder. The articles of incorporation or bylaws of a professional corporation may provide for the disposition of the shares of a deceased shareholder, or its shareholders may provide for such disposition by agreement. If there is no such provision, the shares shall first be offered for sale to the remaining shareholders by the personal representative of the deceased shareholder's estate. If the shares are not disposed of within six months after the date of the death of the deceased shareholder, a special meeting of the shareholders shall be called, at which it shall be decided by vote of a majority of the remaining shareholders whether the corporation shall

purchase, redeem or retire the shares, or whether the corporation shall be voluntarily dissolved. At the special meeting the shares of the deceased shareholder may not be voted or counted for any purpose, unless the deceased shareholder was the only shareholder.

[1969 c.592 s.20]

58.285 Determination of price of shares of disqualified or deceased shareholder. 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 or redeem the shares, or at which its shareholders may purchase the shares, of a legally disqualified or deceased shareholder and the shareholders have not provided the price or a method of determining the price by private agreement, then the price for the shares shall be the book value as of the end of the month preceding the disqualification or death 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.

[1969 c.592 s.21]

58.295 Redemption of shares regardless of surplus. If the articles of incorporation of a professional corporation so provide, the corporation may purchase or redeem shares of its capital stock notwithstanding the inadequacy of earned surplus and capital surplus for such purpose. If the articles or bylaws do not contain a provision for the disposition of the shares of a legally disqualified shareholder, and such shareholder does not dispose of his shares as required by ORS 58.265, and within 30 days after the disqualification occurs, the corporation shall purchase or redeem such shares notwithstanding the inadequacy of earned surplus and capital surplus for such purpose and the absence of a provision in the articles of incorporation permitting such purchase or redemption.

[1969 c.592 s.19]

RELATIONSHIP OF CORPORATION TO PROFESSIONAL LICENSING AGENCIES

58.325 Application to professional licensing agencies. This chapter does not restrict or limit in any manner the duties

and powers of any regulating board relating to licensing individuals rendering professional service or to regulating the rendering of professional service.

[1969 c.592 s.17]

58.335 Filing of bylaws, articles and other documents with professional licensing agency. The regulating board, by rule or regulation, may require that a professional corporation file with the board a copy of the bylaws of the corporation or the articles of incorporation of the corporation or any other document which the corporation is required to file with the Corporation Commissioner.

[1969 c.592 s.24]

58.345 Certificate of registration with professional licensing agency required; fees; renewal; posting; nontransferability. (1) No professional corporation shall perform professional services without a certificate of registration from the regulating board which licenses the type of professional service for which such corporation is organized. The application for such registration shall be made to such board in writing and shall contain the name of the corporation, the location of the principal office and such other information as may be required by the board. If the board, upon receipt of such application, finds that the shareholders are each licensed pursuant to the appropriate licensing law and are in good standing thereunder, upon payment of a registration fee of \$25, the board shall issue a certificate of registration which shall remain effective until January 1 of the year following the date of such registration.

(2) Upon written application of the holder in such form as may be required by the regulating board, accompanied by a fee of \$10, the regulating board involved shall annually renew the certificate of registration.

(3) The certificate of registration shall be conspicuously posted at the office of the corporation to which it is issued.

(4) In the event of a change of location of the office of the corporation, the regulating board involved, in accordance with its regulations, shall amend the certificate of registration accordingly.

(5) No certificate of registration shall be assignable.

[1969 c.592 s.25]

58.355 Suspension, revocation or refusal of certificate of registration. (1) The regulating board may suspend, revoke or refuse to issue or renew any certificate of registration for any of the following reasons:

(a) The revocation or suspension of the license of any officer, director, shareholder or employe not promptly removed or discharged by the corporation;

(b) The death of the last remaining shareholder; or

(c) Upon finding that the holder of or applicant for a certificate has failed to comply with the provisions of this chapter or the regulations prescribed by the board pursuant to this chapter.

(2) Before any certificate of registration is denied, suspended or revoked by the regulating board notice and hearing shall be provided in accordance with ORS 183.415.

(3) Except as provided in ORS 58.365, any corporation may appeal from the final order of the regulating board as provided in ORS 183.480.

[1969 c.592 s.26; 1973 c.612 s.8]

58.365 Oregon State Bar as regulating board for attorneys; appeals from Oregon State Bar to Supreme Court; rules applicable to corporations rendering legal services. (1) For the purpose of this chapter the regulating board for attorneys shall be the Board of Governors of the Oregon State Bar.

(2) Appeal under ORS 58.355 from determinations of the Board of Governors of the Oregon State Bar shall be directly to the Supreme Court of the State of Oregon, and the procedure for appeal to the Supreme Court shall be the same as procedure for appeal to the Court of Appeals under ORS 58.355 from decisions of regulating boards other than the Board of Governors of the Oregon State Bar.

(3) The Supreme Court of the State of Oregon shall have the power to make rules and regulations regarding certification or registration of corporations organized to provide legal service, not inconsistent with this chapter.

[1969 c.592 s.27; 1973 c.612 s.9]

CERTIFICATE OF LEGISLATIVE COUNSEL

Pursuant to ORS 173.170, I, Thomas G. Clifford, Legislative Counsel, do hereby certify that I have compared each section printed in this chapter with the original section in the enrolled bill, and that the sections in this chapter are correct copies of the enrolled sections, with the exception of the changes in form permitted by ORS 173.160 and other changes specifically authorized by law.

Done at Salem, Oregon,
November 1, 1973.

Thomas G. Clifford
Legislative Counsel