

Chapter 58

1985 REPLACEMENT PART

Professional Corporations

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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 §1]

58.010 [Repealed by 1961 c.726 §427]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, or any other person employed by a professional corporation who performs all 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 shareholders holding a majority of the shares 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.

(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 §2; 1971 c.362 §3; 1985 c.728 §42; 1985 c.764 §3]

58.020 [Repealed by 1961 c.726 §427]

58.025 [1969 c.592 §3; 1971 c.184 §4; repealed by 1985 c.728 §110]

58.030 [Repealed by 1961 c.726 §427]

58.035 Application to persons licensed to render professional services. This chap-

ter 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 §4]

58.040 [Repealed by 1961 c.726 §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 §5]

58.050 [Repealed by 1961 c.726 §427]

58.060 [Repealed by 1961 c.726 §427]

58.070 [Repealed by 1961 c.726 §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 §6]

58.080 [Repealed by 1961 c.726 §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 the persons who are to be the original shareholders holding a majority of

the shares and a majority of the directors of the corporation named in the articles of incorporation are licensed to render the professional service for which the corporation is to be organized. [1969 c.592 §7, 1971 c 200 §4; 1985 c 764 §4]

58.090 [Repealed by 1961 c 726 §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 §8]

58.100 [Repealed by 1961 c.726 §427]

58.101 Term of office for directors; classes. (1) Notwithstanding ORS 57.185, the articles of incorporation or bylaws of a professional corporation may specify any length for the term of office of director.

(2) If the articles of incorporation or bylaws specify a length for the term of office of director other than that provided in ORS 57.185, the bylaws may divide the directors into classes and may assign to each class a different initial term of office so that the terms of office of the classes expire at staggered intervals. Each class shall be as nearly equal in number as possible. At the annual meeting at the time of which the term of office of the directors in a class expires, the number of directors equal to the number of the class whose term expires at the time of the meeting shall be elected to hold office for the term specified in the articles of incorporation or bylaws. [1983 c 172 §2]

58.105 Eligibility to be shareholder, director, officer or agent. (1) A person may be a shareholder, director, officer or agent of a professional corporation providing professional services even if the person is not an individual licensed within this state to render the professional service for which the corporation is organized if the shareholders holding a majority of the shares and a majority of the directors are so licensed. 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.

(2) Any two or more offices of a professional corporation may be held by the same person. [1969 c 592 §9, 1983 c 717 §20; 1985 c 764 §5]

58.110 [Repealed by 1961 c.726 §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 ORS 57.045 (1) 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 §13, 1985 c 728 §102]

58.120 [Repealed by 1961 c.726 §427]

58.125 Conversion to professional or other type of corporation. (1) A corporation may become a professional corporation by adopting restated articles of incorporation conforming to the requirements of this chapter, and submitting the restated articles for filing to the Corporation Division. Adoption, filing and the effective date of the restated articles shall be governed by this chapter.

(2) A professional corporation may become another type of corporation by adopting restated articles of incorporation conforming to the requirements of the chapter under which it wishes to exist and by submitting the restated articles to the Corporation Division. Adoption, filing and the effective date of the restated articles shall be governed by the chapter under which they are submitted. [1983 c.717 §§17, 19, 1985 c.728 §43]

58.130 [Repealed by 1961 c 726 §427]

58.140 [Repealed by 1961 c 726 §427]

58.150 [Repealed by 1961 c.726 §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, employees or agents. [1969 c.592 §10]

58.160 [Repealed by 1961 c.726 §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 §12]

58.170 [Repealed by 1961 c.726 §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 §14]

58.180 [Repealed by 1961 c.726 §427]

58.185 Liabilities of employes, 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 the shareholder, or by a person under the direct supervision and control of the shareholder, in rendering professional service on behalf of the corporation to a person receiving the service as if the shareholder were rendering service as an individual.

(b) Personally liable for shareholder's 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 corpora-

tion, except as provided in ORS 57.131 (1). [1969 c.592 §15]

58.190 [Repealed by 1961 c.726 §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 §22]

58.200 [Repealed by 1961 c.726 §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 §16]

58.210 [Repealed by 1961 c.726 §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 §28]

58.220 [Repealed by 1961 c.726 §427]

58.225 Annual statements; 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 the shareholders holding a majority of the shares and a majority of the directors and officers of the corporation are licensed to render the professional service for which the corporation is organized. [1969 c.592 §23, 1985 c.764 §6]

58.230 [Repealed by 1961 c.726 §427]

58.235 Restriction on foreign professional corporation transacting business in state. No professional corporation organized under any law other than the law of this state shall transact business in this state unless the professional corporation incorporates as a professional corporation under ORS 58.085. [1969 c.592 §29, 1983 c.717 §21]

58.240 [Repealed by 1961 c.726 §427]

58.250 [Repealed by 1961 c.726 §427]

DISPOSITION OF SHARES

58.255 Transfer of shares. (1) A shareholder of a professional corporation may sell or transfer shares only in a manner that leaves the corporation in compliance with this chapter.

(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 §18, 1985 c.764 §7]

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 by reason of discipline by the professional licensing board to render the professional service, or assumes a public office which under law or the regulations of the governing body prohibits rendering of the professional service, the individual immediately shall sever all employment relationship with the corporation and any other relationship in which the individual shares in the corporation's profits attributable to professional services rendered after such disqualification or assumption of office, and shall dispose of the individual's shares of capital stock in the corporation as expeditiously as possible. [1969 c.592 §11; 1985 c.764 §8]

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 §20]

58.285 Determination of price of shares of disqualified or deceased share-

holder. 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 §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 the shares of the shareholder 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 §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 §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 §24]

58.345 Registration and renewal with professional licensing agency; fees. The

regulatory board by rule may require that professional corporations register with it and may establish a fee, with the approval of the Executive Department, for the registration and renewal thereof. [1969 c.592 §25; 1983 c.128 §1; 1985 c 728 §44]

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 §26; 1973 c.612 §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 §27; 1973 c.612 §9]

