
THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. **525** Session of
1961

INTRODUCED BY MESSRS. PROPERT AND SILVERT,
APRIL 11, 1961.

REFERRED TO COMMITTEE ON JUDICIARY GENERAL,
APRIL 11, 1961.

AN ACT

Authorizing members of any profession to organize an association to render the type of service which the members are authorized to render providing for the regulation of the association and its members and employes and imposing powers and duties on the association and its members

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows

EXPLANATION—CAPITAL LETTERS indicate new matter added to bill. Matter stricken through is to be omitted from bill. Underlining indicates new matter added to existing law. [Brackets] indicate matter stricken from existing law.

1 Section 1 Short Title This act shall be known and may be cited
2 as the "Professional Association Act"

3 Section 2 Definitions As used in this act

4 (1) "Associates" shall be the members of any professional asso-
5 ciation

6 (2) "Profession" shall include all occupations legally or tradi-
7 tionally designated as professions and which members thereof by law
8 tradition or ethics are forbidden to incorporate for the purpose of
9 rendering professional services including but not limited to attorneys at
10 law certified public accountants chiropractors dentists osteopaths phy-
11 sicians and surgeons

12 (3) "Professional association" shall be any association organized
13 under this act

14 (4) "Professional service" shall mean any type of service which
15 can be rendered by the member of any profession within the purview
16 of his or her profession

17 Section 3 Qualifications of Associates Any person or persons all
18 of whom are licensed or otherwise legally authorized to render the
19 same kind of professional services within the Commonwealth of Penn-
20 sylvania may organize a professional association

1 Section 4 Purpose of Association A professional association may
2 be organized only for the purpose of rendering the one specific kind of
3 professional service its associates are authorized to render and it shall
4 not engage in any business other than rendering the professional service
5 for which it was organized However it may invest its funds in real
6 estate mortgages stocks bonds or any other type of investment and it
7 may own real and personal property necessary or appropriate for render-
8 ing its professional service

9 Section 5 Articles of Association The associates shall all subscribe
10 to articles of association before the professional association shall com-
11 mence its operations The articles of association shall contain the name
12 of the association the names and addresses of all of the associates the
13 address of the principal office of the association and a general purpose
14 clause of the association One copy of the articles of association fully
15 executed shall be filed with the Bureau of Corporations within thirty
16 days of the formation of the professional association

17 Section 6 Board of Governors The associates shall elect a board of
18 governors which shall manage all of the affairs of the professional
19 association The associates shall be eligible to be members of the board

1 of governors The board shall elect a chairman a secretary a treasurer
2 and whatever other officers it deems necessary for the successful man-
3 agement of the association

4 Section 7 By-laws The associates shall adopt by-laws to regulate
5 the affairs of the professional association The by-laws shall provide
6 for the method of election of the members of the board of governors
7 the number of members of the board of governors the method of elec-
8 tion of officers of the board of governors the dates of the regular
9 meetings of the associates which shall occur at least once each year the
10 dates of the regular meetings of the board of governors which shall
11 occur at least once each year a method for determining the values of
12 the respective shares of the associates the method of amending the by-
13 laws the term of existence of the association and whatever else the
14 associates deem necessary for the successful regulation of the affairs
15 of the association

16 Section 8 Employes The board of governors may engage whatever
17 employes it deems necessary for the operation of the professional asso-
18 ciation No employe shall be engaged to render professional services
19 unless he is duly licensed or otherwise legally authorized to render
20 such professional services within the Commonwealth of Pennsylvania

1 however the association is not precluded from engaging agents or
2 employes who are not duly licensed or otherwise legally authorized
3 to render professional services to render services of a nonprofessional
4 nature All of the associates shall be eligible to be employes of the
5 association

6 Section 9 Salaries The board of governors shall have the right to
7 establish the amount and method of compensation of all of the employes

8 Section 10 Distribution of Excess Earnings The board of governors
9 shall have the right to establish what portion of excess earnings of
10 the association shall be distributed among the associates Any distribu-
11 tion of excess earnings of the association shall be made to each associate
12 according to his proportionate share of ownership

13 Section 11 Interests of Associates The share of ownership of
14 each associate in a professional association shall be evidenced by a
15 share certificate

16 Section 12 Transfer of Interests Any associate or the personal
17 representative of his estate may transfer in whole or in part his interest
18 in a professional association provided however that the transferee shall
19 be licensed or otherwise legally authorized to render the same kind of

1 professional service which the professional association was organized
2 to render If any restrictions are imposed on the right to transfer such
3 restrictions shall be specifically set forth in the by-laws of the associa-
4 tion and reference to the restriction shall be set forth either generally
5 or specifically on any certificates which evidence ownership in the
6 association

7 Section 13 Redemption of Shares A professional association shall
8 have the right upon agreement with any associate (including any asso-
9 ciate who has been expelled) or the personal representative of his estate
10 to redeem the share of ownership in the association of such associate
11 or his estate

12 Section 14 Term of Existence A professional association may be
13 organized for any term of years or its existence may be perpetual
14 Neither death bankruptcy resignation expulsion insanity retirement nor
15 transfer or redemption of the interest of any associate shall cause its
16 liquidation

17 Section 15 Name of a Professional Association The associates
18 may adopt any name for their professional association which is not
19 contrary to law or the ethics of their profession

1 Section 16 Voting of Associates At any meeting of the associates
2 of a professional association each associate shall have the right to vote
3 according to the proportionate share of his interest in the association

4 Section 17 Liability of Associates (a) All of the associates of a
5 professional association are liable jointly and severally for

6 (1) The torts of any agent or employe of the association com-
7 mitted while such agent or employe is acting within the ordinary
8 course of business of the association

9 (2) The misapplication by any associate of any money or property
10 of a third person if such money or property was received by the
11 association in the ordinary course of its business

12 (b) All of the associates of a professional association are liable
13 jointly for all debts and legal obligations of the association other than
14 those chargeable under clauses (1) and (2) of subsection (a) of this
15 section

16 Section 18 Professional Disqualifications If any agent or employe
17 of the association engaged for the purpose of rendering professional
18 services or any associate becomes legally disqualified to render pro-
19 fessional services his or her agency or employment shall be immediately
20 terminated upon disqualification and in the case of an associate such

1 associate shall be immediately expelled from the association The ex-
2 pelled associate shall have the right to transfer his share of ownership
3 in the association in accordance with the provisions of section 12 of
4 this act

5 Section 19 Annual Report Each professional association shall file
6 not later than the first day of August of each year a statement with
7 the Bureau of Corporations on a form to be supplied by the Bureau of
8 Corporations The statement shall contain the following information
9 as of the first day of July of that year the name of the association the
10 address of the principal office of the association names and addresses
11 of all of the associates

12 Section 20 Liquidation (a) A professional association shall be
13 liquidated only upon the occurrence of one of the following

14 (1) Expiration of the term of existence as provided in the by-laws
15 of the association or

16 (2) Upon vote of a majority (or whatever percentage is provided
17 in the by-laws but in no event less than a simple majority) of the
18 associates voting according to their proportionate shares of ownership
19 to liquidate prior to the expiration of the term of existence of the
20 association

1 (b) Upon liquidation all debts and obligations of the association
2 shall be satisfied and if any property of the association remains it
3 shall be divided among the associates proportionally according to their
4 ownership of shares in the association provided however that if all of
5 the debts and legal obligations of the association have not been satisfied
6 at the time of liquidation all of the associates shall remain jointly and
7 severally liable until all such debts and obligations are satisfied

8 (c) If a special meeting is called for the purpose of voting to
9 liquidate a professional association notice shall be given to each of the
10 associates at his address of record with the association of the time
11 place and purpose of the meeting by registered or certified mail return
12 receipt requested at least sixty days prior to the meeting

13 Section 21 This act shall take effect immediately

We certify that this bill has passed the Senate and the House of Representatives.

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Chief Clerk, Senate

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President pro tempore, Senate

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Speaker, House of Representatives

Approved The day of A. D. 1981.

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Governor