
THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. **525**

Session of
1961

MESSRS. PROPERT AND SILVERT, IN PLACE, APRIL 11, 1961.

AS AMENDED ON SECOND READING, JUNE 6, 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~~ PROTHONO-
16 TARY OF THE COURT OF THE COUNTY IN WHICH THE
17 ASSOCIATION HAS ITS PRINCIPAL OFFICE within thirty days
18 of the formation of the professional association

19 Section 6 Board of Governors The associates shall elect a board of
20 governors which shall manage all of the affairs of the professional

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

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

17 Section 8 Employes The board of governors may engage whatever
18 employes it deems necessary for the operation of the professional asso-
19 ciation No employe shall be engaged to render professional services

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

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

10 Section 10 Distribution of Excess Earnings The board of governors
11 shall have the right to establish what portion of excess earnings of
12 the association shall be distributed among the associates Any distribu-
13 tion of excess earnings of the association shall be made to each associate
14 according to his proportionate ~~share of~~ ownership IN THE ASSOCIA-
15 TION

16 Section 11 Interests of Associates The ~~share~~ PORTION of owner-
17 ship of each associate in a professional association shall be evidenced
18 by a ~~share~~ AN OWNERSHIP certificate

19 Section 12 Transfer of Interests Any associate or the personal
20 representative of his estate may transfer in whole or in part his interest

1 in a professional association provided however that the transferee shall
2 be licensed or otherwise legally authorized to render the same kind of
3 professional service which the professional association was organized
4 to render If any restrictions are imposed on the right to transfer such
5 restrictions shall be specifically set forth in the by-laws of the associa-
6 tion and reference to the restriction shall be set forth either generally
7 or specifically on any certificates which evidence ownership in the
8 association

9 Section 13 Redemption of ~~Shares~~ INTERESTS A professional
10 association shall have the right upon agreement with any associate (in-
11 cluding any associate who has been expelled) or the personal repre-
12 sentative of his estate to redeem the ~~share of ownership~~ INTEREST in
13 the association of such associate or his estate

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

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

4 Section 16 Voting of Associates At any meeting of the associates
5 of a professional association each associate shall have the right to vote
6 according to the proportionate share of his interest OWNERSHIP in
7 the association

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

10 (1) The torts of any agent or employe of the association com-
11 mitted while such agent or employe is acting within the ordinary
12 course of ~~business~~ OPERATION of the association

13 (2) The misapplication by any associate of any money or property
14 of a third person if such money or property was received by the
15 association in the ordinary course of its ~~business~~ OPERATION

16 (b) All of the associates of a professional association are liable
17 jointly for all debts and legal obligations of the association other than
18 those chargeable under clauses (1) and (2) of subsection (a) of this
19 section

1 Section 18 Professional Disqualifications If any agent or employe
2 of the association engaged for the purpose of rendering professional
3 services or any associate becomes legally disqualified to render pro-
4 fessional services his or her agency or employment shall be immediately
5 terminated upon disqualification and in the case of an associate such
6 associate shall be immediately expelled from the association The ex-
7 pelled associate shall have the right to transfer his ~~share of ownership~~
8 INTEREST in the association in accordance with the provisions of sec-
9 tion 12 of this act

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

17 Section 20 ~~Liquidation~~ DISSOLUTION (a) A professional associa-
18 tion shall be liquidated only upon the occurrence of one of the following

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

1 (2) Upon vote of a majority (or whatever percentage is provided
2 in the by-laws but in no event less than a simple majority) of the
3 associates voting according to their proportionate shares of ownership
4 to ~~liquidate~~ DISSOLVE prior to the expiration of the term of existence
5 of the association

6 (b) Upon ~~liquidation~~ DISSOLUTION all debts and obligations of
7 the association shall be satisfied and if any property of the association
8 remains it shall be divided among the associates proportionally accord-
9 ing to their ownership ~~of shares~~ in the association provided however that
10 if all of the debts and legal obligations of the association have not been
11 satisfied at the time of ~~liquidation~~ DISSOLUTION all of the associates
12 shall remain jointly and severally liable until all such debts and obliga-
13 tions are satisfied

14 (c) If a special meeting is called for the purpose of voting to
15 ~~liquidate~~ DISSOLVE a professional association notice shall be given
16 to each of the associates at his address of record with the association
17 of the time place and purpose of the meeting by registered or certified
18 mail return receipt requested at least sixty days prior to the meeting

19 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. 1961.

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Governor