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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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SENATE BILL

No. **525**

Session of  
1961

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

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AS REPORTED FROM COMMITTEE ON STATE GOVERNMENT,  
AS AMENDED, IN HOUSE OF REPRESENTATIVES, JUNE 28, 1961.

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**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. Underscoring 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 ARCHI-  
10 TECTS attorneys at law certified public accountants chiropractors den-  
11 tists osteopaths physicians 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 SUCH PROFESSIONAL SERVICES  
6 SHALL BE RENDERED SUBJECT TO RULES AND REGULA-  
7 TIONS OF THE PROFESSIONAL LICENSING BOARDS WITH  
8 PARTICULAR REFERENCE TO MANNER OF PRACTICE NUM-  
9 BER OF LOCATIONS OF PRACTICE AND PROFESSIONAL CON-  
10 DUCT AS WELL AS ANY OTHER MATTER WHICH MAY PROP-  
11 ERLY COME WITHIN THE JURISDICTION OF SUCH PROFES-  
12 SIONAL LICENSING BOARDS However it may invest its funds in  
13 real estate mortgages stocks bonds or any other type of investment and it  
14 may own real and personal property necessary or appropriate for render-  
15 ing its professional service

16       Section 5 Articles of Association The associates shall all subscribe  
17 to articles of association before the professional association shall com-  
18 mence its operations The articles of association shall contain the name  
19 of the association the names and addresses of all of the associates the

1 address of the principal office of the association and a general purpose  
2 clause of the association One copy of the articles of association fully  
3 executed shall be filed with the prothonotary of the court of the county  
4 in which the association has its principal office within thirty days of the  
5 formation of the professional association AMENDED ARTICLES OF  
6 ASSOCIATION SHALL BE FILED WITH THE SAID PROTHONO-  
7 TARY BY THE ASSOCIATION WITHIN THIRTY DAYS OF  
8 ANY CHANGE IN THE MEMBERSHIP OR IN THE PRINCIPAL  
9 OFFICE OF THE ASSOCIATION

10 Section 6 Board of Governors The associates shall elect a board of  
11 governors which shall manage all of the affairs of the professional  
12 association The associates shall be eligible to be members of the board  
13 of governors THE MEMBERSHIP OF THE BOARD OF GOVER-  
14 NORS SHALL CONSIST OF ONE OR MORE PERSONS WHO  
15 MAY BUT NEED NOT BE ASSOCIATES The board shall elect a  
16 chairman a secretary a treasurer and whatever other officers it deems  
17 necessary for the successful management of the association

18 Section 7 By-laws The associates shall adopt by-laws to regulate  
19 the affairs of the professional association The by-laws shall provide  
20 for the method of election of the members of the board of governors

1 the number of members of the board of governors the method of elec-  
2 tion of officers of the board of governors the dates of the regular  
3 meetings of the associates which shall occur at least once each year the  
4 dates of the regular meetings of the board of governors which shall  
5 occur at least once each year a method for determining the values of  
6 the respective interests of the associates the method of amending the  
7 by-laws the term of existence of the association and whatever else the  
8 associates deem necessary for the successful regulation of the affairs of  
9 the association

10       Section 8 Employes The board of governors may engage whatever  
11 employes it deems necessary for the operation of the professional asso-  
12 ciation No employe shall be engaged to render professional services  
13 unless he is duly licensed or otherwise legally authorized to render  
14 such professional services within the Commonwealth of Pennsylvania  
15 however the association is not precluded from engaging agents or  
16 employes who are not duly licensed or otherwise legally authorized  
17 to render professional services to render services of a nonprofessional  
18 nature All of the associates shall be eligible to be employes of the  
19 association

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

3       Section 10 Distribution of Excess Earnings The board of governors  
4 shall have the right to establish what portion of excess earnings of  
5 the association shall be distributed among the associates Any distribu-  
6 tion of excess earnings of the association shall be made to each associate  
7 according to his proportionate ownership in the association

8       Section 11 Interests of Associates The portion of ownership of  
9 each associate in a professional association shall be evidenced by an own-  
10 ership certificate

11       Section 12 Transfer of Interests Any associate or the personal  
12 representative of his estate may transfer in whole or in part his interest  
13 in a professional association provided however that the transferee shall  
14 be licensed or otherwise legally authorized to render the same kind of  
15 professional service which the professional association was organized  
16 to render If any restrictions are imposed on the right to transfer such  
17 restrictions shall be specifically set forth in the by-laws of the associa-  
18 tion and reference to the restriction shall be set forth either generally  
19 or specifically on any certificates which evidence ownership in the  
20 association

1       Section 13 Redemption of Interests A professional association shall  
2 have the right upon agreement with any associate (including any associ-  
3 ate who has been expelled) or the personal representative of his estate  
4 to redeem the interest in the association of such associate or his estate

5       Section 14 Term of Existence A professional association may be  
6 organized for any term of years or its existence may be perpetual  
7 Neither death bankruptcy resignation expulsion insanity retirement nor  
8 transfer or redemption of the interest of any associate shall cause its  
9 dissolution

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

13       Section 16 Voting of Associates At any meeting of the associates  
14 of a professional association each associate shall have the right to vote  
15 according to the HIS proportionate ownership in the association

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

18       (1) The torts of any agent or employe of the association com-  
19 mitted while such agent or employe is acting within the ordinary  
20 course of operation of the association

1 (2) The misapplication by any associate of any money or property  
2 of a third person if such money or property was received by the  
3 association in the ordinary course of its operation

4 (b) All of the associates of a professional association are liable  
5 jointly for all debts and legal obligations of the association other than  
6 those chargeable under clauses (1) and (2) of subsection (a) of this  
7 section

8 Section 18 Professional Disqualifications If any agent or employe  
9 of the association engaged for the purpose of rendering professional  
10 services or any associate becomes legally disqualified to render pro-  
11 fessional services his or her agency or employment shall be immediately  
12 terminated upon disqualification and in the case of an associate such  
13 associate shall be immediately expelled from the association The ex-  
14 pelled associate shall have the right to transfer his interest in the as-  
15 sociation in accordance with the provisions of section 12 of this act

16 Section 19 Annual Report Each professional association shall file  
17 not later than the first day of August of each year a statement with  
18 the Bureau of Corporations on a form to be supplied by the Bureau of  
19 Corporations The statement shall contain the following information as

1 of the first day of July of that year the name of the association the ad-  
2 dress of the principal office of the association names and addresses of all  
3 of the associates

4 Section 20 19 Dissolution (a) A professional association shall be  
5 liquidated DISSOLVED only upon the occurrence of one of the fol-  
6 lowing

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

9 (2) Upon vote of a majority (or whatever percentage is provided  
10 in the by-laws but in no event less than a simple majority) of the  
11 associates voting according to their proportionate shares of ownership  
12 to dissolve prior to the expiration of the term of existence of the as-  
13 sociation

14 (b) Upon dissolution all debts and obligations of the association  
15 shall be satisfied and if any property of the association remains it shall  
16 be divided among the associates proportionally according to their own-  
17 ership in the association provided however that if all of the debts and  
18 legal obligations of the association have not been satisfied at the time  
19 of dissolution all of the associates shall remain jointly and severally

1 liable until all such debts and obligations are satisfied

2 (c) If a special meeting is called for the purpose of voting to  
3 dissolve a professional association notice shall be given to each of the  
4 associates at his address of record with the association of the time place  
5 and purpose of the meeting by registered or certified mail return receipt  
6 requested at least sixty days prior to the meeting

7 Section ~~21~~ 20 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