

CHAPTER 371

H.B. No. 1010

An Act relating to professional corporations.

*Be it enacted by the Legislature of the State of Texas:*

**SECTION 1.** Section 3, The Texas Professional Corporation Act (Article 1528e, Vernon's Texas Civil Statutes), is amended to read as follows:

Sec. 3. **DEFINITIONS.** As used in this Act, unless the context otherwise requires, the term:

(a) "Professional Service" means any type of personal service which requires as a condition precedent to the rendering of such service, the obtaining of a license, permit, certificate of registration or other legal authorization, and which prior to the passage of this Act and by reason of law, could not be performed by a corporation, including by way of example and not in limitation of the generality of the foregoing provisions of this definition, the personal services rendered by architects, attorneys-at-law, certified public accountants, dentists, public accountants, and veterinarians; provided, however, that physicians, surgeons and other doctors of medicine are specifically excluded from the operations of this Act, since there are established precedents allowing them to associate for the practice of medicine in joint stock companies.

(b) "Professional Corporation" means a corporation organized under this Act for the sole and specific purpose of rendering professional service and which has as its shareholders only individuals who themselves are duly licensed or otherwise duly authorized within this state to render the same professional service as the corporation.

(c) "Professional Legal Service" means any type of personal service rendered by attorneys-at-law which requires as a condition precedent to the rendering of such service within this state, the obtaining of a license, permit, certificate of registration, or other legal authorization and which prior to the passage of this Act and by reason of law could not be performed within this state by a corporation.

(d) "Professional Legal Corporation" means a corporation organized under this Act for the sole and specific purpose of rendering professional legal service and which has as its shareholders only individuals who themselves are duly licensed or otherwise duly authorized to render professional legal service and a majority in number and ownership percentage of whom are residents of this state and so duly licensed or otherwise duly authorized to render professional legal service within this state.

**SECTION 2.** Section 4, The Texas Professional Corporation Act (Article 1528e, Vernon's Texas Civil Statutes), is amended to read as follows:

**Sec. 4. ARTICLES OF INCORPORATION.** One or more individuals, each of whom is licensed or otherwise legally authorized to render the same kind of professional service within this state, may incorporate a professional corporation by filing the original and a copy of Articles of Incorporation with the Secretary of State. *One or more individuals, each of whom is licensed or otherwise legally authorized to render professional legal service and a majority of whom are residents of this state and licensed or otherwise legally authorized to render professional legal service within this state, may incorporate a professional legal corporation by filing the original and a copy of Articles of Incorporation with the Secretary of State.* No professional corporation organized under this Act shall render more than one kind of professional service. The Articles of Incorporation shall set forth:

(a) The purpose for which the corporation is organized, including a statement of the one specific kind of professional service to be rendered by the corporation.

(b) The name of the corporation.

(c) The names and addresses of the individuals who are to be the shareholders of the corporation.

(d) The number of directors constituting the initial Board of Directors and the names and addresses of the persons who are to serve as the initial directors.

(e) The address of the principal office of the corporation.

(f) If the duration of the corporation is not to be perpetual, the period of its duration.

(g) The names and addresses of the Incorporators, each of whom *or, in the case of a professional legal corporation, a majority of whom must be residents of this state and duly licensed or otherwise legally authorized to render in this state the specific kind of professional service to be rendered by the corporation.*

(h) Such other provisions, not inconsistent with law, which the shareholders may elect to set forth for the regulation of the internal affairs of the corporation.

**SECTION 3.** Section 12, The Texas Professional Corporation Act (Article 1528e, Vernon's Texas Civil Statutes), is amended to read as follows:

**Sec. 12. ISSUANCE AND TRANSFER OF SHARES.** A professional corporation may issue shares representing ownership of the capital of the professional corporation only to individuals who are duly licensed or otherwise legally authorized to render the same type of professional service as that for which the corporation was organized *and, in the case of a professional legal corporation only if, after each such issuance a majority of the shareholders thereof holding a majority interest therein will be residents of this state and duly licensed or otherwise legally authorized to render professional legal service within this state. So long as, only in the case of a professional legal corporation, after such transfer a majority of the shareholders thereof holding a majority interest therein will be residents of this state and duly licensed or otherwise legally authorized to render professional legal service within this state, and* ~~except~~ ~~Except~~ to the extent provided in the Articles of Incorporation, the bylaws or any applicable stock purchase or redemption agreement, shares representing ownership of professional corporation capital shall be freely transferable by any shareholder to any other shareholder, or to the professional corporation which issued such shares or to any person who is not a shareholder, provided such person is duly licensed or qualified under the laws of this state, *or in the case of a professional legal corporation duly licensed or qualified to render the same type of professional service which the corporation was organized to render, and such transferee shall thereupon become a shareholder and be entitled to participate in the management, affairs, and profits of the professional corporation.* Any restriction on the transfer of shares imposed by the Articles of Incorporation, the bylaws or any stock purchase or redemption agreement shall be written or printed on all certificates representing shares issued to shareholders, unless such restrictions are incorporated by reference pursuant to the provisions of the Texas Business Corporation Act.

**SECTION 4.** Section 15, The Texas Professional Corporation Act (Article 1528e, Vernon's Texas Civil Statutes), is amended to read as follows:

**Sec. 15. RENDITION OF PROFESSIONAL SERVICES.** A professional corporation may render professional service *in this state* only through its officers, employees and agents who are duly licensed to render such professional service in this state; provided, however, that this provision shall not be interpreted to include within such prohibition employees such as clerks, secretaries, bookkeepers, technicians, nurses, assistants and other individuals who are not usually and ordinarily considered by custom and practice to be rendering professional service for which a license or other legal authorization is required; and further provided, that no person shall, under the guise of employment, practice a profession *in this state* unless duly licensed or otherwise legally authorized to practice that profession under the laws of this state.

**SECTION 5.** The Texas Professional Corporation Act (Article 1528e, Vernon's Texas Civil Statutes) is amended by adding Section 19A to read as follows:

*Sec. 19A. FOREIGN PROFESSIONAL CORPORATIONS. (a) A professional corporation:*

*(1) which is licensed in a jurisdiction other than this state to perform professional legal service; and*

*(2) which has as shareholders only individuals who are duly licensed or otherwise legally authorized to render professional legal service and a majority who, holding a majority interest in such corporation, are residents of this state and duly licensed or otherwise legally authorized to render professional legal service within this state, may apply for a certificate of authority to perform professional legal service in this state by filing an application in accordance with the Texas Business Corporation Act. The Secretary of State may not issue the certificate unless the name of the corporation or the name the corporation elects in this state meets the requirements of Section 8 of this Act. The corporation may not exercise in this state powers other than the powers provided by Section 7 of this Act and may exercise such powers only so long as the corporation meets the requirement for application set out above in this section. A shareholder, director, officer, employee, or agent of the corporation who renders professional legal service in this state on behalf of the corporation must be licensed or otherwise authorized to render professional legal service in this state.*

*(b) A certificate may not be issued to a corporation under this section unless the application for such certificate of authority includes a statement that the jurisdiction in which the corporation is incorporated would permit reciprocal admission of such corporation if it were incorporated in this state.*

**SECTION 6.** Notwithstanding any other provision hereof, this legislation shall be applicable only to professional corporations organized for the sole and specific purpose of rendering the professional services customarily provided by attorneys-at-law and shall not apply to any other professional corporation authorized by The Texas Professional Corporation Act (Article 1528e, Vernon's Texas Civil Statutes).

**SECTION 7.** The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended, and that this Act take effect and be in force from and after its passage, and it is so enacted.

Passed by the House on March 28, 1985, by the following vote: Yeas 135, Nays 0, 2 present, not voting; House concurred in Senate amendments to H.B. No. 1010 on May 26, 1985, by a non-record vote; passed by the Senate, with amendments, on May 25, 1985, by the following vote: Yeas 22, Nays 5.

Approved: June 10, 1985

Effective: August 26, 1985