

DISTRICT OF COLUMBIA
OFFICIAL CODE

TITLE 29.
BUSINESS ORGANIZATIONS.

CHAPTER 5.
PROFESSIONAL CORPORATIONS.

2001 Edition

DISTRICT OF COLUMBIA OFFICIAL CODE
CHAPTER 5. PROFESSIONAL CORPORATIONS.

TABLE OF CONTENTS

§ 29-501. Short title.	
§ 29-502. Definitions.	
§ 29-503. Applicability.	
§ 29-504. Construction; applicability of Chapter 3 of this title to corporations organized under chapter.	
§ 29-505. Purpose for organization; powers authorized.	
§ 29-506. Incorporation.	
§ 29-507. Number of directors.	
§ 29-508. Qualifications of shareholders, director, and officer.	
§ 29-509. Proxy prohibited.	
§ 29-510. Professional relationship; liabilities.	
§ 29-511. Transfer of shares.	
§ 29-512. Merger or consolidation restricted.	
§ 29-513. Disqualified professional.	
§ 29-514. Disposition of stock of disqualified, deceased, or legally incompetent shareholder.	
§ 29-515. Redemption price.	
§ 29-516. Perpetual duration; dissolution.	

CHAPTER 5. PROFESSIONAL CORPORATIONS.

§ 29-501. SHORT TITLE.

This chapter may be cited as the "Professional Corporation Act of 2010".
(July 2, 2011, D.C. Law 18-378, § 2, 58 DCR 1720.)

HISTORICAL AND STATUTORY NOTES

Legislative History of Laws

For history of Law 18-378, see notes under § 29-101.01.

Editor's Notes

Former § 29-501 has been recodified as § 36-501.

§ 29-502. DEFINITIONS.

For the purposes of this chapter, the term:

- (1) "License" means license, certification, certificate, or registration, or other legal authorization required by law as a condition precedent to the rendering of professional service within the District.
- (2) "Professional corporation" means a corporation organized under this chapter solely for the specific purposes provided under this chapter and which has, as its shareholders, only individuals who themselves are duly licensed to render the same professional service as the corporation.
- (3) "Professional service" means any type of personal service to the public which may be lawfully rendered only pursuant to a license and which by law, custom, standards of professional conduct or practice in the District before December 10, 1971, could not be rendered by a corporation, including the services performed by certified public accountants, attorneys, architects, practitioners of the healing arts, dentists, optometrists, podiatrists, and professional engineers.

(July 2, 2011, D.C. Law 18-378, § 2, 58 DCR 1720.)

HISTORICAL AND STATUTORY NOTES

Legislative History of Laws

For history of Law 18-378, see notes under § 29-101.01.

Editor's Notes

Former § 29-502 has been recodified as § 36-502.

§ 29-503. APPLICABILITY.

This chapter shall not apply to any corporation now in existence or hereafter organized which may lawfully render professional services other than pursuant to this chapter. This chapter shall not alter or affect any existing or future right or privilege permitting or not prohibiting performance of professional services through the use of any form of business organization. A corporation organized under Chapter 3 of this title may be brought within this chapter by complying with this chapter and filing amended or restated articles of incorporation meeting the requirements of § 29-506.

(July 2, 2011, D.C. Law 18-378, § 2, 58 DCR 1720.)

HISTORICAL AND STATUTORY NOTES

Prior Codifications

2001 Ed., § 29-403.

1981 Ed., § 29-603.

1973 Ed., § 29-1103.

Legislative History of Laws

For history of Law 18-378, see notes under § 29-101.01.

Editor's Notes

Former § 29-503 has been recodified as § 36-503.

§ 29-504. CONSTRUCTION; APPLICABILITY OF CHAPTER 3 OF THIS TITLE TO CORPORATIONS ORGANIZED UNDER CHAPTER.

(a) This chapter shall not repeal, modify, or restrict the laws relating to corporations, or regulating the professions covered by this chapter, unless these laws conflict with this chapter.

(b) Except as otherwise provided in this chapter, Chapter 3 of this title shall apply to a professional corporation organized under this chapter.

(July 2, 2011, D.C. Law 18-378, § 2, 58 DCR 1720.)

HISTORICAL AND STATUTORY NOTES

Prior Codifications

2001 Ed., § 29-404.

1981 Ed., § 29-604.

1973 Ed., § 29-1104.

Legislative History of Laws

For history of Law 18-378, see notes under § 29-101.01.

Editor's Notes

Former § 29-504 has been recodified as § 36-504.

§ 29-505. PURPOSE FOR ORGANIZATION; POWERS AUTHORIZED.

(a) A professional corporation may be organized solely to render professional services through its shareholders, directors, officers, employees, or agents who are themselves licensed to render the particular service, and to render service ancillary thereto. A professional corporation may charge for these services, may collect such charges, and may compensate those who render these services. A professional corporation may employ individuals who are not licensed, but they shall not perform professional services. No license shall be required of any person employed by a professional corporation to perform services for which a license is not otherwise required.

(b) A professional corporation may not do any act that is prohibited to an individual licensed to render the professional service for which the corporation is organized.

(c) A professional corporation may:

(1) Invest its funds in real estate, mortgages, stocks, bonds, or other type of investment;

(2) Own real estate or personal property; and

(3) Enter into partnership and other agreements with individuals, who may be shareholders, directors, employees, or agents of the professional corporation, partnerships, or professional corporations rendering the same type of professional services within or without the District to the same extent that an individual licensed to render the same professional service may enter into such partnership or other agreements pursuant to law, rules, regulations, or standards of professional conduct of the profession practiced through the professional corporation.

(July 2, 2011, D.C. Law 18-378, § 2, 58 DCR 1720.)

HISTORICAL AND STATUTORY NOTES

Prior Codifications

2001 Ed., § 29-405.

1981 Ed., § 29-605.

1973 Ed., § 29-1105.

Legislative History of Laws

For history of Law 18-378, see notes under § 29-101.01.

§ 29-506. INCORPORATION.

One or more individuals may incorporate a professional corporation by delivering articles of incorporation for filing to the Mayor. The articles of incorporation shall meet the requirements of Chapter 3 of this title and shall set forth:

- (1) The designation of the professional services to be rendered through the corporation;
- (2) The names and addresses, including street address, if any, of the original shareholders of the corporation; and
- (3) A statement that each of the original shareholders and directors named in the articles of incorporation is licensed to render a professional service for which the corporation is to be organized.

(July 2, 2011, D.C. Law 18-378, § 2, 58 DCR 1720.)

HISTORICAL AND STATUTORY NOTES

Prior Codifications

2001 Ed., § 29-406.

1981 Ed., § 29-606.

1973 Ed., § 29-1106.

Legislative History of Laws

For history of Law 18-378, see notes under § 29-101.01.

§ 29-507. NUMBER OF DIRECTORS.

A professional corporation shall have one or more directors, without regard to the number of shareholders.

(July 2, 2011, D.C. Law 18-378, § 2, 58 DCR 1720.)

HISTORICAL AND STATUTORY NOTES

Prior Codifications

2001 Ed., § 29-407.

1981 Ed., § 29-607.

1973 Ed., § 29-1107.

Legislative History of Laws

For history of Law 18-378, see notes under § 29-101.01.

§ 29-508. QUALIFICATIONS OF SHAREHOLDERS, DIRECTOR, AND OFFICER.

(a) For the purposes of this section, the term "officer" means the chair of the board, president, vice-president, treasurer, or secretary.

(b) A person shall not be a shareholder, director, or officer of a professional corporation or render professional services on its behalf unless the person is an individual licensed to render a professional service for which the corporation is organized; provided, that if a professional corporation has only one shareholder, the secretary of the corporation need not be licensed to perform, and shall not perform if not so licensed, such professional services.

(c) Nothing in this chapter shall require a shareholder or incorporator of a professional corporation to have a present or future employment relationship with the corporation or actively to participate in any capacity in the production of income of, or performance of professional service by, such corporation.

(July 2, 2011, D.C. Law 18-378, § 2, 58 DCR 1720.)

HISTORICAL AND STATUTORY NOTES

Prior Codifications

2001 Ed., § 29-408.

1981 Ed., § 29-608.

1973 Ed., § 29-1108.

Legislative History of Laws

For history of Law 18-378, see notes under § 29-101.01.

§ 29-509. PROXY PROHIBITED.

A shareholder of a professional corporation shall not enter into a voting trust, proxy, or any other arrangement vesting another person, other than another shareholder of the same corporation, with the authority to exercise the voting power of any or all of his shares, and any such voting trust, proxy, or other arrangement shall be void.

(July 2, 2011, D.C. Law 18-378, § 2, 58 DCR 1720.)

HISTORICAL AND STATUTORY NOTES

Prior Codifications

2001 Ed., § 29-410.

1981 Ed., § 29-610.

1973 Ed., § 29-1110.

Legislative History of Laws

For history of Law 18-378, see notes under § 29-101.01.

§ 29-510. PROFESSIONAL RELATIONSHIP; LIABILITIES.

(a) This chapter shall not alter or affect the professional relationship between an individual furnishing professional services and an individual receiving such service, either with respect to liability arising out of such professional service or the confidential relationship, if any, between the individual rendering, and the individual receiving, the professional service. An individual shall be personally liable and accountable only for any negligent or wrongful acts or misconduct committed by the individual, or by any individual under the individual's supervision and control in the rendering of professional service, on behalf of a corporation organized under this chapter. An individual shall not be personally liable merely because the individual is a director, officer, or manager of the professional corporation.

(b) A professional corporation shall be liable up to the full value of its assets for any negligent or wrongful acts or misconduct committed by any of its officers, shareholders, directors, agents, or employees in their rendering of professional services on behalf of the corporation. Except as otherwise provided in this section, the liabilities of a professional corporation and its shareholders shall be governed by Chapter 3 of this title.

(July 2, 2011, D.C. Law 18-378, § 2, 58 DCR 1720.)

HISTORICAL AND STATUTORY NOTES

Prior Codifications

2001 Ed., § 29-411.

1981 Ed., § 29-611.

1973 Ed., § 29-1111.

2001 Ed., § 29-410.

Legislative History of Laws

For history of Law 18-378, see notes under § 29-101.01.

§ 29-511. TRANSFER OF SHARES.

(a) Shares in a professional corporation may be transferred only to an individual who is eligible under this chapter to be a shareholder of the corporation, or to the professional corporation, or may devolve by operation of law upon the personal representative or estate of a deceased or legally incompetent shareholder. The articles of incorporation, bylaws, or an agreement among its shareholders may provide that any such transfer is subject to the express approval of all, or of any lesser proportion of the remaining

shareholders of the corporation, and may provide for the manner in which such consent is given. Any transfer made in violation of this section shall be void.

(b) A professional corporation may reacquire its own shares through purchase or redemption, and may cancel those shares if at least one share remains issued and outstanding, except when it is insolvent or the purchase or redemption would render it insolvent.

(c) The Securities Act of 2000, effective October 26, 2000 (D.C. Law 13-203; D.C. Official Code § 31-5601.01 *et seq.*), and the Securities Act of 1933, approved May 27, 1933 (48 Stat. 74; 15 U.S.C. § 77a *et seq.*), shall not apply to the issuance or transfer of securities of a professional corporation.

(d) Every certificate for shares of a professional corporation shall contain on its face the following legend: "The ownership and transfer of these shares and the rights and obligations of shareholders are subject to the limitations of the Professional Corporation Act of 2010, D.C. Official Code Title 29, Chapter 5."

(e) If shares of a professional corporation are attached for the individual debts of a shareholder, or are executed upon under any pledge or hypothecation thereof, the sole right of the creditor with respect to such shares shall be to obtain their redemption by the professional corporation within 60 days after serving written demand for redemption upon the corporation. The redemption price for such shares shall be:

(1) The amount to which the shareholder is entitled upon voluntary redemption of the shareholder's shares by the provisions of the articles of incorporation, bylaws, or an agreement among its shareholders; or

(2) If there are no provisions as set forth in paragraph (1) of this subsection, the book value of such shares at the end of the month immediately preceding the date of the demand, determined under generally accepted accounting methods consistent with the method of accounting used by the corporation for federal income tax purposes, by an independent certified public accountant selected by the corporation, but paid by the creditor, for the purpose.

(July 2, 2011, D.C. Law 18-378, § 2, 58 DCR 1720.)

HISTORICAL AND STATUTORY NOTES

Prior Codifications

2001 Ed., § 29-412.

1981 Ed., § 29-612.

1973 Ed., § 29-1112.

Legislative History of Laws

For history of Law 18-378, see notes under § 29-101.01.

§ 29-512. MERGER OR CONSOLIDATION RESTRICTED.

(a) A professional corporation may merge or consolidate only with another domestic professional corporation or a domestic limited liability company and only if both entities are organized to render the same professional services, which, although not the same, could otherwise be rendered by a single professional corporation or limited liability company.

(b) A member of a domestic limited liability company that is a party to a merger or consolidation shall not, as a result of the merger or consolidation, be personally liable for the liabilities or obligations of any other person or entity unless that member approves the agreement of merger or consolidation or otherwise consents to becoming personally liable.

(July 2, 2011, D.C. Law 18-378, § 2, 58 DCR 1720.)

HISTORICAL AND STATUTORY NOTES

Prior Codifications

2001 Ed., § 29-413.

1981 Ed., § 29-613.

1973 Ed., § 29-1113.

Legislative History of Laws

For history of Law 18-378, see notes under § 29-101.01.

§ 29-513. DISQUALIFIED PROFESSIONAL.

If any individual rendering professional services on behalf of a professional corporation assumes a public

office that prohibits his or her rendering of the professional services, or for any other reason is disqualified by law to render the professional services, the individual immediately shall sever all employment relationships in which the individual shares in the corporation's profits attributable to professional services rendered after such assumption of office or other disqualification. For the purposes of § 29-514, the individual shall be referred to as a "disqualified shareholder".

(July 2, 2011, D.C. Law 18-378, § 2, 58 DCR 1720.)

HISTORICAL AND STATUTORY NOTES

Prior Codifications

2001 Ed., § 29-415.

1981 Ed., § 29-615.

1973 Ed., § 29-1115.

Legislative History of Laws

For history of Law 18-378, see notes under § 29-101.01.

§ 29-514. DISPOSITION OF STOCK OF DISQUALIFIED, DECEASED, OR LEGALLY INCOMPETENT SHAREHOLDER.

(a) Subject to the limitations of this section, a disqualified shareholder and personal representatives, legatees, or heirs of a deceased or legally incompetent shareholder may continue to own shares of a professional corporation, but shall not participate in any decision concerning the rendering of professional services by the corporation. The articles of incorporation, bylaws, or an agreement among the shareholders of a professional corporation may provide, consistent with this section, for the disposition of shares of a disqualified, deceased, or legally incompetent shareholder.

(b) The articles of incorporation, bylaws, or an agreement among shareholders may provide that, within 90 days, or any earlier date, after the date a shareholder becomes a disqualified shareholder, the disqualified shareholder shall sell and surrender, and the corporation or any individuals qualified to be shareholders shall purchase and receive, the shareholder's shares of stock of the corporation. In the absence of such a provision, the disqualified shareholder shall sell and surrender, and the corporation shall purchase and receive, the shareholder's shares of stock of the corporation within 30 days after the date the shareholder becomes a disqualified shareholder. Unless otherwise provided by the articles of incorporation, bylaws, or an agreement among the shareholders, payment for the shares of stock purchased pursuant to this subsection shall be made in full no later than 6 months after the expiration of the period by which the purchases must be made.

(c) The articles of incorporation, bylaws, or an agreement among shareholders may provide that, within one year, or any earlier date, after the date of death of a shareholder, the shareholder's personal representative, legatees, or heirs shall sell and surrender, and the corporation or any individuals qualified to be shareholders shall purchase and receive, the shares of stock of the corporation owned by the deceased shareholder. In the absence of such a provision, the personal representatives, legatees, or heirs shall sell and surrender, and the corporation shall purchase and receive, the shares of stock of the corporation within 180 days after the date of death of the shareholder. Unless otherwise provided by the articles of incorporation, bylaws, or an agreement among the shareholders, payment for the shares of stock purchased pursuant to this subsection shall be made in full no later than one year after the date of death of the shareholder.

(July 2, 2011, D.C. Law 18-378, § 2, 58 DCR 1720.)

HISTORICAL AND STATUTORY NOTES

Prior Codifications

2001 Ed., § 29-416.

1981 Ed., § 29-616.

1973 Ed., § 29-1116.

Legislative History of Laws

For history of Law 18-378, see notes under § 29-101.01.

§ 29-515. REDEMPTION PRICE.

If the articles of incorporation, bylaws, or an agreement among the shareholders, does not fix the price at which the corporation or its shareholders may purchase the shares of a disqualified, deceased, legally

incompetent, retired, or expelled shareholder, or does not provide a method of determining such price, the price for such shares shall be the book value of the shares on the last day of the month immediately preceding the disqualification, death, adjudication of incompetence, retirement, or expulsion of the shareholder, determined under generally accepted accounting methods, consistent with the method of accounting used by the corporation for federal income tax purposes, by an independent certified public accountant employed by the corporation for the purpose.

(July 2, 2011, D.C. Law 18-378, § 2, 58 DCR 1720.)

HISTORICAL AND STATUTORY NOTES

Prior Codifications

2001 Ed., § 29-417.

1981 Ed., § 29-617.

1973 Ed., § 29-1117.

Legislative History of Laws

For history of Law 18-378, see notes under § 29-101.01.

§ 29-516. PERPETUAL DURATION; DISSOLUTION.

A professional corporation shall have perpetual duration, except that whenever all shareholders of a professional corporation cease at any time for any reason to be licensed to perform the professional services for which the corporation was organized, the professional corporation shall be treated as having converted into a corporation organized under Chapter 3 of this title. Unless the holders of all of the outstanding shares of the corporation unanimously amend the articles of incorporation to adopt purposes consistent with Chapter 3 of this title within 60 days after the date on which the last shareholder of the corporation ceased to be licensed to perform those professional services, the dissolution of the corporation shall be deemed to have been authorized by the act of the corporation and any shareholder may at any time thereafter file with the Mayor, on behalf of the corporation, a statement of intent to dissolve.

(July 2, 2011, D.C. Law 18-378, § 2, 58 DCR 1720.)

HISTORICAL AND STATUTORY NOTES

Prior Codifications

2001 Ed., § 29-418.

1981 Ed., § 29-618.

1973 Ed., § 29-1118.

Legislative History of Laws

For history of Law 18-378, see notes under § 29-101.01.