

CHAPTER 319

PROFESSIONAL CORPORATIONS

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PHYSICIANS

**319.01 TITLE.** Sections 319.01 to 319.23 may be cited as "The Minnesota Professional Corporation Act."

[*Ex1961 c 1 s 1*]

**319.02 DEFINITIONS.** Subdivision 1. For the purposes of sections 319.01 to 319.23 the terms defined in this section shall have the meanings ascribed to them.

Subd. 2. The term "professional service" means personal service rendered by a physician pursuant to a license granted him under Minnesota Statutes 1957, Chapter 147.

Subd. 3. The term "professional corporation" means a corporation organized under sections 319.01 to 319.23 for the purpose of rendering a professional service.

Subd. 4. The term "board" means the agency of the state which has jurisdiction to grant a license to render professional service of the type which a professional corporation has been organized to render.

[*Ex1961 c 1 s 2*]

**319.03 FORMATION OF CORPORATION.** One or more natural persons licensed to render within this state the same type of professional service may form a corporation pursuant to either Minnesota Statutes 1957, Chapter 301, or Minnesota Statutes 1957, Chapter 317, for the purpose hereinafter set forth.

[*Ex1961 c 1 s 3; 1963 c 146 s 1*]

**319.04 PURPOSE FOR WHICH INCORPORATED.** A professional corporation may be organized pursuant to the provisions of sections 319.01 to 319.23 only for the purpose of rendering one specific kind of professional service and services ancillary thereto and shall not engage in any business other than rendering the professional service which it was organized to render and services ancillary thereto; provided, however, that a professional corporation may own real and personal property necessary or appropriate for rendering the type of professional service it was organized to render and may invest its funds in real estate, mortgages, stocks, bonds, or any other type of investment.

[*Ex1961 c 1 s 4*]

**319.05 APPLICABILITY OF CORPORATION ACTS.** A corporation incorporating pursuant to the provisions of sections 319.01 to 319.23 under either Minnesota Statutes 1957, Chapter 301, or Minnesota Statutes 1957, Chapter 317, shall proceed in the manner specified in the particular act under which it has elected to incorporate except that (1) if it has only one shareholder or member, it need have only one director who shall be such shareholder or member and it may permit

such shareholder or member to hold all offices; (2) if it has only two shareholders or members, it need have only two directors who shall be such shareholders or members and it may permit such shareholders or members to hold all offices; and (3) if it elects to proceed pursuant to Minnesota Statutes 1957, Chapter 317, its articles of incorporation need not contain the statement required by paragraph 3 of subdivision 2 of section 317.08 thereof. After incorporation a professional corporation shall enjoy the powers and privileges and shall be subject to the duties and liabilities of other corporations organized under the particular act under which it has elected to incorporate, except insofar as the same may be limited or enlarged by sections 319.01 to 319.23. If any provision of sections 319.01 to 319.23 conflicts with the provisions of the act under which such corporation elects to incorporate, sections 319.01 to 319.23 shall take precedence.

[*Ex1961 c 1 s 5; 1963 c 146 s 2*]

**319.06 CORPORATE NAME.** The corporate name of any corporation organized under sections 319.01 to 319.23 shall end with the word "Chartered," or the word "Limited," or the abbreviation "Ltd." or the words "Professional Association," or the abbreviation "P. A."

[*Ex1961 c 1 s 6*]

**319.07 CERTIFICATE OF REGISTRATION.** No corporation shall open, operate, or maintain an establishment for any of the purposes set forth in section 319.04 without a certificate of registration from the board. Application for a certificate of registration shall be made to the board in writing and shall contain the name of the applicant, the location or locations of the establishment or establishments at which the applicant proposes to operate and such other information as may be required by the board. Upon receipt of such application, the board shall make an investigation of the professional corporation. If the board finds that the incorporators, officers, directors, members and shareholders, if any, are all licensed to render in this state the type of professional service which the professional corporation was organized to render, and that no shareholder or member is a shareholder or member of any other professional corporation and if no disciplinary action is pending against any of them, and if it appears that the professional corporation will be conducted in compliance with the provisions of sections 319.01 to 319.23 and the regulations of the board, the board shall issue, upon payment of a registration fee of \$100, which shall be for the use of the board, a certificate of registration covering the establishment or establishments at which the applicant proposes to operate which shall remain effective until January 1 following the date of issuance thereof.

[*Ex1961 c 1 s 7*]

**319.08 ANNUAL RENEWAL.** Upon written application of the holder containing such information as the board may require, accompanied by a fee of \$25 which shall be for the use of the board, the board shall annually renew the certificate of registration unless the board finds that the professional corporation does not meet all of requirements of section 319.07 for a certificate of registration or unless the board finds that the professional corporation has failed to comply with the provisions of sections 319.01 to 319.23 or the regulations of the board.

[*Ex1961 c 1 s 8*]

**319.09 POSTING.** The certificate of registration shall be conspicuously posted upon the premises of each of the establishments to which it is applicable.

[*Ex1961 c 1 s 9*]

**319.10 CHANGE OF LOCATION.** No professional corporation which has been issued a certificate of registration shall change the location of any establishment to which such certificate of registration is applicable until it has first notified the board of its intention so to do and obtained from the board a new certificate of registration. Upon receipt of any such notification the board, in accordance with its regulations, shall amend the certificate of registration so that it shall apply to the new location.

[*Ex1961 c 1 s 10*]

**319.11 TRANSFER AND ASSIGNMENT OF CERTIFICATE.** No certificate of registration shall be transferable or assignable.

[*Ex1961 c 1 s 11*]

**319.12 SUSPENSION OR REVOCATION OF CERTIFICATE.** The board may suspend or revoke any certificate of registration for any of the following rea-

sons: (a) the revocation or suspension of the license to render professional service of any officer, director, shareholder, member, or employee of a holder of a certificate of registration not promptly removed or discharged by such holder, (b) the death of the last remaining shareholder or member, as the case may be, of a holder of a certificate of registration, or (c) upon finding that the holder of a certificate of registration has failed to comply with the provisions of sections 319.01 to 319.23 or the regulations of the board.

[*Ex1961 c 1 s 12*]

**319.13 NOTICE OF SUSPENSION OR REVOCATION.** Before any certificate of registration is suspended or revoked, the holder shall be given written notice of the proposed action and the reasons therefor, and shall be given a public hearing by the board with the right to produce testimony concerning the charges made. The notice shall also state the place and date of the hearing, which shall be at least ten days after service of said notice.

[*Ex1961 c 1 s 13*]

**319.14 APPEALS.** Subdivision 1. Any professional corporation whose application for a certificate of registration has been denied or whose certificate of registration has been suspended or revoked may, within 30 days after notice of such action by the board, appeal to the district court for Ramsey county. The court shall inquire into the cause of the board's action and may affirm, or reverse such decision and order a further hearing by the board, or may order the board to grant appellant a certificate of registration.

Subd. 2. An appeal may be instituted by serving a notice of appeal personally or by registered mail upon the board, or one of its members, or its secretary and by filing such notice of appeal in the office of the clerk of district court for the county of Ramsey, all within 30 days after the service of the order or decision of the board from which an appeal is taken.

Subd. 3. Within 30 days after the service of the notice of appeal upon the board, or within such further time as the court may allow, the board shall transmit to the court the original or a certified copy of the entire record of the proceedings in which the decision under appeal was made, but by stipulation of all parties to the appeal the record may be shortened by eliminating any portion thereof. The cost of preparing the transcript of the testimony, objections and rulings thereon, and exceptions shall be paid by the appellant.

Subd. 4. The appeal shall be conducted by the court without a jury and shall be confined to the record, except that in cases of alleged irregularities in the procedure before the board testimony thereon may be taken in the court.

[*Ex1961 c 1 s 14*]

**319.15 HOW SERVICE RENDERED.** A professional corporation may render professional service only through natural persons who possess a license to render professional service of the type which the professional corporation was organized to render and may so render professional service notwithstanding any provision of law to the contrary. Such persons need not be members or shareholders of the corporation but may be employed by the corporation to perform professional service. Nothing contained in sections 319.01 to 319.23 shall be construed to require a license or other legal authorization of any individual who is employed by a professional corporation to perform services for which no license or other legal authorization is otherwise required.

[*Ex1961 c 1 s 15*]

**319.16 RELATIONSHIP TO PERSON SERVED.** Sections 319.01 to 319.23 do not alter any law applicable to the relationship between a person furnishing professional service and a person receiving such professional service, including liability arising out of such professional service; provided, however, that nothing contained in this section shall render a person personally liable in tort for any act in which he has not personally participated; and, provided further, that nothing contained in this section shall render a director, officer, or employee of a professional corporation personally liable in contract for any contract which he executes on behalf of a professional corporation within the limits of his actual authority.

[*Ex1961 c 1 s 16; 1963 c 146 s 3*]

**319.17 EMPLOYEES.** Each individual licensed in this state to perform professional service who is employed by a professional corporation shall remain subject

to reprimand or discipline for his conduct under the provisions of the licensing statute pursuant to which he is licensed.

[*Ex*1961 c 1 s 17]

**319.18 TO WHOM SHARES AND MEMBERSHIPS MAY BE ISSUED.** A professional corporation may issue its stock only to, and may admit as a member only, natural persons who are licensed in this state to render the type of professional service which such corporation was organized to render. A person who becomes a shareholder or member in any such corporation may transfer his shares or his membership only to a natural person to whom such corporation could issue such shares or such membership pursuant to the provisions of this section. No proxy to vote any share of or any membership in such a corporation may be given to a person who is not so licensed, nor may any voting trust be established with respect to the shares of such corporation unless all the voting trustees are natural persons who are so licensed. No shareholder or member of a professional corporation may be a shareholder or member of any other professional corporation.

[*Ex*1961 c 1 s 18; 1963 c 146 s 4]

**319.19 DEATH OR DISQUALIFICATION OF SHAREHOLDER.** A professional corporation which holds a certificate of registration shall report to the board the death of any of its shareholders or members within 30 days thereafter. Within 90 days following the date of death of a shareholder or member of a professional corporation or the loss of his license to practice medicine and surgery in the state of Minnesota, all of the shares owned by such shareholder shall be transferred to and acquired by the professional corporation or persons qualified to own such shares. If the articles of incorporation or bylaws of a professional corporation fail to state a price or method of determining a price at which such corporation or its shareholders may purchase the shares of a deceased shareholder or a shareholder no longer qualified to own shares in such corporation, then the price for such shares shall be the fair market value as determined by the board of directors but not less than the book value as of the end of the month immediately preceding the death or disqualification of the shareholder. Book value shall be determined from the books and records of such corporation in accordance with the regular method of accounting used by such corporation.

[*Ex*1961 c 1 s 19; 1963 c 146 s 5]

**319.20 EXAMINATION BY BOARD.** Subdivision 1. The board, or any employee designated by the board, shall have the right at all reasonable times to free access to all books and records of any professional corporation and may summon and examine under oath the officers, directors, and employees of any such corporation in all matters concerning the operations of any such corporation under sections 319.01 to 319.23; provided, however, that nothing contained in this section shall be deemed to authorize anyone to have access to, or to compel anyone to testify with respect to, books, records or information of any type relating to professional services performed by an employee of a professional corporation for a patient or client.

Subd. 2. Whenever the board shall deem it necessary, in order to carry out the the duties imposed by sections 319.01 to 319.23, to investigate the books, accounts, practices or activities of any professional corporation, such professional corporation shall pay the expenses reasonably attributable to such investigation. The board shall ascertain such expenses and shall render a bill therefor, by registered mail, to the professional corporation, which bill shall constitute notice of such assessment and demand of payment therefor. The amount of any such bill so rendered by the board shall be paid to the board within 30 days from the date of rendition and shall be for the use of the board.

Subd. 3. Any information obtained by the board as a result of any proceeding authorized by this section shall be confidential except that on request a copy thereof shall be made available to a duly authorized representative of the professional corporation involved, and shall be immune from subpoena and inadmissible as evidence at a trial, hearing or proceeding before any court, board or commission except a proceeding before the board of the type authorized by section 319.12 or an appeal of the type authorized by section 319.14.

[*Ex*1961 c 1 s 20]

**319.21 REGULATIONS.** Each board shall have the power and authority to

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make reasonable regulations of the type authorized herein necessary to carry out the duties imposed upon it by sections 319.01 to 319.23.

[*Ex1961 c 1 s 21*]

**319.22 SAVINGS CLAUSE.** Nothing contained herein is intended to alter the right of natural persons licensed to provide professional service, to organize as a partnership, an unincorporated association, a business trust, or any other form recognized under laws of this state.

[*Ex1961 c 1 s 22*]

**319.23 SEVERABILITY.** If any provision of sections 319.01 to 319.22 or the application thereof to any person or circumstance is held invalid, the invalidity shall not affect other provisions or application of said sections which can be given effect without the invalid provision or application, and to this end the provisions of said sections are severable.

[*Ex1961 c 1 s 23*]

## ATTORNEYS

**319.26 TITLE.** Sections 319.26 to 319.41 may be cited as the attorneys professional corporation act.

[*1963 c 139 s 1*]

**319.27 DEFINITIONS.** Subdivision 1. For the purposes of sections 319.26 to 319.41 the terms defined in this section shall have the meanings given them.

Subd. 2. "Professional service" means personal service rendered by an attorney at law duly admitted to practice before the supreme court of the state of Minnesota under the provisions of Minnesota Statutes, Chapter 481.

Subd. 3. "Professional corporation" means a corporation organized under sections 319.26 to 319.41 for the purpose of rendering professional service.

[*1963 c 139 s 2*]

**319.28 FORMATION OF CORPORATION.** One or more natural persons authorized to render professional service may form a corporation, pursuant to either Minnesota Statutes, Chapter 301, or Minnesota Statutes, Chapter 317, for the purpose hereinafter set forth.

[*1963 c 139 s 3*]

**319.29 PURPOSE FOR WHICH INCORPORATED.** A professional corporation may be organized pursuant to the provisions of sections 319.26 to 319.41 for the purpose of rendering professional service and services ancillary thereto and shall not engage in any business other than rendering professional service and services ancillary thereto; provided, however, that a professional corporation may own real and personal property necessary or appropriate for rendering professional service and may invest its funds in real estate, mortgages, stocks, bonds, or any other type of investment.

[*1963 c 139 s 4*]

**319.30 APPLICABILITY OF CORPORATION ACTS.** A professional corporation incorporating pursuant to the provisions of sections 319.26 to 319.41 under either Minnesota Statutes, Chapter 301, or Minnesota Statutes, Chapter 317, shall proceed in the manner specified in the particular act under which it has elected to incorporate except that (1) if it has only one shareholder or member, it need have only one director who shall be such shareholder or member and it may permit such shareholder or member to hold all offices; (2) if it has only two shareholders or members, it need have only two directors who shall be such shareholders or members and it may permit such shareholders or members to hold all offices; and (3) if it elects to proceed pursuant to Minnesota Statutes, Chapter 317, its articles of incorporation need not contain the statement required by clause (3) of subdivision 2 of section 317.08 thereof. After incorporation a professional corporation shall enjoy the powers and privileges and shall be subject to the duties and liabilities of other corporations organized under the particular act under which it has elected to incorporate, except insofar as the same may be limited or enlarged by sections 319.26 to 319.41. If any provision of sections 319.26 to 319.41 conflicts with the provisions of the act under which a professional corporation elects to incorporate, sections 319.26 to 319.41 shall take precedence.

[*1963 c 139 s 5*]

**319.31 CORPORATE NAME.** The corporate name of any professional corporation organized under sections 319.26 to 319.41 shall end with the word "Chartered"

or the word "Limited," or the abbreviation "Ltd." or the words "Professional Association," or the abbreviation "P.A."

[1963 c 139 s 6]

**319.32 QUALIFICATIONS OF DIRECTORS AND OFFICERS.** All directors and officers of a professional corporation shall be attorneys at law duly admitted to practice before the supreme court of the state of Minnesota under the provisions of Minnesota Statutes, Chapter 481.

[1963 c 139 s 7]

**319.33 HOW SERVICE RENDERED.** A professional corporation may render professional service only through natural persons who possess a license to render professional service and may so render professional service notwithstanding any provision of law to the contrary. Such persons need not be members or shareholders of the professional corporation but may be employed by the professional corporation to perform professional service.

Nothing contained in sections 319.26 to 319.41 shall be construed to require a license or other legal authorization of any individual who is employed by a professional corporation to perform services for which no license or other legal authorization is otherwise required.

[1963 c 139 s 8]

**319.34 RELATIONSHIP TO PERSON SERVED.** Sections 319.26 to 319.41 does not alter any law applicable to the relationship between a person furnishing professional service and a person receiving such professional service, including liability arising out of such professional service; provided, however, that nothing contained in this section shall render a person personally liable in tort for any act in which he has not personally participated and; provided further, that nothing contained in this section shall render a director, officer, or employee of such a professional corporation personally liable in contract for any contract which he executes on behalf of a professional corporation within the limits of his actual authority.

[1963 c 139 s 9]

**319.35 EMPLOYEES.** Each individual licensed in this state to perform professional service who is employed by a professional corporation shall remain subject to reprimand or discipline for his conduct under the provisions of the licensing statute and rules or regulations pursuant to which he is licensed.

[1963 c 139 s 10]

**319.36 TO WHOM SHARES AND MEMBERSHIPS MAY BE ISSUED.** A professional corporation may issue its stock only to, and may admit as a member only, natural persons who are licensed in this state to render professional service. A person who becomes a shareholder or member in any professional corporation may transfer his shares or his membership only to a natural person to whom a professional corporation could issue such shares or such membership pursuant to the provisions of this section. No proxy to vote any share of or any membership in a professional corporation may be given to a person who is not so licensed, nor may any voting trust be established with respect to the shares of a professional corporation unless all the voting trustees are natural persons who are so licensed. No shareholder or member of a professional corporation may be a shareholder or member of any other professional corporation.

[1963 c 139 s 11]

**319.37 DEATH OR DISQUALIFICATION OF SHAREHOLDER.** Within 90 days following the date of death of a shareholder or member or the loss of his license to practice before the supreme court of the state of Minnesota, all of the shares owned by such shareholder shall be transferred to and acquired by the professional corporation or persons qualified to own such shares. If the articles of incorporation or bylaws of a professional corporation fail to state a price or method of determining a price at which such corporation or its shareholders may purchase the shares of a deceased shareholder or a shareholder no longer qualified to own shares in such corporation, then the price for such shares shall be the fair market value as determined by the board of directors but not less than the book value as of the end of the month immediately preceding the death or disqualification of the shareholder. Book value shall be determined from the books and records of such corporation in accordance with the regular method of accounting used by such corporation.

[1963 c 139 s 12]

**319.38 ANNUAL REPORT.** A professional corporation organized and operating under the provisions of sections 319.26 to 319.41 shall, annually on or before March 31, file in the office of the secretary of state a report showing the names and residence addresses of all its shareholders or members, directors, and officers which shall certify that all such persons are attorneys at law duly admitted to practice before the supreme court of the state of Minnesota. This report shall be made on forms prescribed and furnished by the secretary of state, but shall contain no fiscal or other information except that expressly called for by this section. It shall be signed by the president or vice-president and the secretary or an assistant secretary of the corporation and acknowledged before a notary public by the persons signing the report.

[1963 c 139 s 13]

**319.39 FEES.** For filing each such report, a professional corporation shall pay to the state treasurer a fee of \$10.

[1963 c 139 s 14]

**319.40 SEVERABILITY.** If any provision of sections 319.26 to 319.41 or the application thereof to any person or circumstances is held invalid, the invalidity shall not affect other provisions or application of said sections which can be given effect without the invalid provision or application, and to this end the provisions of said sections are severable.

[1963 c 139 s 15]

**319.41 SAVINGS CLAUSE.** Nothing contained herein is intended to alter the right of natural persons licensed to provide professional service, to organize as a partnership, an unincorporated association, a business trust, or any other form recognized under laws of this state.

[1963 c 139 s 16]