

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011**

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SENATE BILL 254

Short Title: Allow Nonattorney Ownership of PC Law Firms. (Public)

Sponsors: Senator Hartsell.

Referred to: Judiciary I.

March 9, 2011

1 A BILL TO BE ENTITLED
2 AN ACT TO ALLOW NONATTORNEY OWNERSHIP OF PROFESSIONAL
3 CORPORATION LAW FIRMS, SUBJECT TO CERTAIN REQUIREMENTS.

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** G.S. 55B-6 reads as rewritten:

6 "**§ 55B-6. Capital stock, stock; general provisions; nonlicensee ownership; distribution.**

7 (a) General Provisions. – Except as provided in subsections ~~(a1)~~ (a1), (a2), and (b) of
8 this section, a professional corporation may issue shares of its capital stock only to a licensee as
9 defined in G.S. 55B-2, and a shareholder may voluntarily transfer shares of stock issued to the
10 shareholder only to another licensee. No share or shares of any stock of a professional
11 corporation shall be transferred upon the books of the corporation unless the corporation has
12 received a certification of the appropriate licensing board that the transferee is a licensee.
13 Provided, it shall be lawful in the case of professional corporations rendering services as
14 defined in Chapters 83A, 89A, 89C, 89E, and 89F, for nonlicensed employees of the
15 corporation to own not more than one-third of the total issued and outstanding shares of the
16 corporation; and provided further, with respect to a professional corporation rendering services
17 as defined in Chapters 83A, 89A, 89C, and 89E of the General Statutes, an employee
18 retirement plan qualified under section 401 of the Internal Revenue Code of 1986, as amended
19 (or any successor section), is deemed for purposes of this section to be a licensee if the trustee
20 or trustees of the plan are licensees. Provided further, subject to any additional conditions that
21 the appropriate licensing board may by rule or order impose in the public interest, it shall be
22 lawful for individuals who are not licensees but who perform professional services on behalf of
23 a professional corporation in another jurisdiction in which the corporation maintains an office,
24 and who are duly licensed to perform professional services under the laws of the other
25 jurisdiction, to be shareholders of the corporation so long as there is at least one shareholder
26 who is a licensee as defined in G.S. 55B-2, and the corporation renders its professional services
27 in the State only through those shareholders that are licensed in North Carolina. Upon the
28 transfer of any shares of such corporation to a nonlicensed employee of such corporation, the
29 corporation shall inform the appropriate licensing board of the name and address of the
30 transferee and the number of shares issued to the nonprofessional transferee. The issuance or
31 transfer of any share of stock in violation of this section is void. No shareholder of a
32 professional corporation shall enter into a voting trust agreement or any other type of
33 agreement vesting in another person the authority to exercise the voting power of any of the
34 stock of a professional corporation.

35 (a1) Accounting Firms. – Any person may own up to forty-nine percent (49%) of the
36 stock of a professional corporation rendering services under Chapter 93 of the General Statutes
37 as long as: Statutes, subject to the following requirements:



1 (1) Licensees continue to own and control voting stock that represents at least
2 fifty-one percent (51%) of the votes entitled to be cast in the election of
3 directors of the professional ~~corporation; and corporation.~~

4 (2) All licensees who perform professional services on behalf of the corporation
5 comply with Chapter 93 of the General Statutes and the rules adopted
6 thereunder.

7 (a2) Law Firms. – Any person may own up to forty-nine percent (49%) of the stock of a
8 professional corporation rendering services under Chapter 84 of the General Statutes, subject to
9 the following requirements:

10 (1) Licensees continue to own and control voting stock that represents at least
11 fifty-one percent (51%) of the votes entitled to be cast in the election of
12 directors of the professional corporation.

13 (2) All licensees who perform professional services on behalf of the corporation
14 comply with Chapter 84 of the General Statutes and the rules adopted
15 thereunder.

16 (3) The stock certificates or other written evidence of ownership of any
17 nonlicensee shall bear the following language, in at least 12-point type:

18 'No nonlicensee shareholder shall interfere with the exercise of
19 professional judgment by licensed attorneys in their representation of
20 clients. If there is an inconsistency or conflict between the duties to
21 the court, to clients, and to shareholders, then that conflict or
22 inconsistency shall be resolved as follows:

23 1. The duty to the Court shall prevail over all other duties.

24 2. The duty to the client shall prevail over the duty to
25 shareholders.'

26 (4) Shareholders who hold or control less than five percent (5%) of the voting
27 stock and who are not employees, directors, or officers of the professional
28 corporation shall not, solely as the result of stock ownership, be relevant for
29 a determination of conflict of interest under Chapter 84 of the General
30 Statutes or the rules adopted for the regulation of the professional conduct of
31 licensees.

32 (5) A qualified retirement or employee stock ownership plan is deemed to be a
33 licensee for purposes of this section if the majority of the trustees of the plan
34 are licensees.

35 (b) Distribution. – A professional corporation formed pursuant to this Chapter may
36 issue one hundred percent (100%) of its capital stock to another professional corporation in
37 order for that corporation (the distributing corporation) to distribute in accordance with section
38 355 of the Internal Revenue Code of 1986, as amended (or any succeeding section), the stock
39 of the controlled corporation to one or more shareholders of the distributing corporation
40 authorized under this section to hold the shares. The distributing corporation shall distribute the
41 stock of the controlled corporation within 30 days after the stock is issued to the distributing
42 corporation. A share of stock of the controlled corporation that is not transferred in accordance
43 with this subsection within 30 days after the share was issued to the distributing corporation is
44 void."

45 **SECTION 2.** This act becomes effective October 1, 2011.