

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

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SENATE DRS35109-ME-39 (02/23)

Short Title: Allow Nonattorney Ownership of PC Law Firms.

(Public)

Sponsors: Senator Hartsell.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO ALLOW NONATTORNEY OWNERSHIP OF PROFESSIONAL CORPORATION LAW FIRMS, SUBJECT TO CERTAIN REQUIREMENTS.

The General Assembly of North Carolina enacts:

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

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

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



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

- 4 (1) Licensees continue to own and control voting stock that represents at least
5 fifty-one percent (51%) of the votes entitled to be cast in the election of
6 directors of the professional ~~corporation; and corporation.~~
7 (2) All licensees who perform professional services on behalf of the corporation
8 comply with Chapter 93 of the General Statutes and the rules adopted
9 thereunder.

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

- 13 (1) Licensees continue to own and control voting stock that represents at least
14 fifty-one percent (51%) of the votes entitled to be cast in the election of
15 directors of the professional corporation.
16 (2) All licensees who perform professional services on behalf of the corporation
17 comply with Chapter 84 of the General Statutes and the rules adopted
18 thereunder.
19 (3) The stock certificates or other written evidence of ownership of any
20 nonlicensee shall bear the following language, in at least 12-point type:
21 'No nonlicensee shareholder shall interfere with the exercise of
22 professional judgment by licensed attorneys in their representation of
23 clients. If there is an inconsistency or conflict between the duties to
24 the court, to clients, and to shareholders, then that conflict or
25 inconsistency shall be resolved as follows:
26 1. The duty to the Court shall prevail over all other duties.
27 2. The duty to the client shall prevail over the duty to
28 shareholders.'
29 (4) Shareholders who hold or control less than five percent (5%) of the voting
30 stock and who are not employees, directors, or officers of the professional
31 corporation shall not, solely as the result of stock ownership, be relevant for
32 a determination of conflict of interest under Chapter 84 of the General
33 Statutes or the rules adopted for the regulation of the professional conduct of
34 licensees.
35 (5) A qualified retirement or employee stock ownership plan is deemed to be a
36 licensee for purposes of this section if the majority of the trustees of the plan
37 are licensees.

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

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