

## CHAPTER 1241

## ECONOMIC DEVELOPMENT CORPORATIONS

S. F. 1209

AN ACT relating to membership on the board of directors of economic development corporations.

*Be It Enacted by the General Assembly of the State of Iowa:*

1 SECTION 1. Section four hundred ninety-six B point thirteen  
2 (496B.13), Code 1966, as amended by chapter two hundred sixty-seven  
3 (267), section three (3), Acts of the Sixty-third General Assembly,  
4 First Session, is further amended by adding at the end thereof the  
5 following new paragraph:  
6 "Notwithstanding any provisions of law to the contrary, officers  
7 and directors of insurance companies and other financial institutions  
8 may be members of the board of directors of any corporation organ-  
9 ized for the purposes of this chapter to which the insurance company  
10 or other financial institution may make a loan or may make an invest-  
11 ment."

Approved March 13, 1970.

## CHAPTER 1242

## PROFESSIONAL CORPORATIONS

S. F. 554

AN ACT relating to professional corporations and foreign professional corporations.

*Be It Enacted by the General Assembly of the State of Iowa:*

1 SECTION 1. **Short title.** This Act shall be known and may be  
2 cited as the "Iowa Professional Corporation Act".  
1 SEC. 2. **Definitions.** As used in this Act, unless the context  
2 otherwise requires, the definitions contained in the Iowa Business  
3 Corporation Act apply, and:  
4 1. "Profession" means the profession of certified public account-  
5 ancy, architecture, chiropractic, dentistry, professional engineering,  
6 land surveying, law, medicine and surgery, optometry, osteopathy,  
7 osteopathic medicine and surgery, podiatry, or veterinary medicine.  
8 2. "Professional corporation" means a corporation subject to this  
9 Act, except a foreign professional corporation.  
10 3. "Foreign professional corporation" means a corporation organ-  
11 ized under laws other than the laws of this state for a purpose for  
12 which a professional corporation may be organized under this Act.  
13 4. "Licensed" includes registered, certified, admitted to practice,  
14 or otherwise legally authorized under the laws of this state.  
15 5. "Regulating board" means any board, commission, court, or  
16 governmental authority which, under the laws of this state, is  
17 charged with the licensing, registration, certification, admission to  
18 practice, or other legal authorization of the practitioners of any  
19 profession.

20 6. "Voluntary transfer" includes any sale, voluntary assignment,  
21 gift, pledge, or encumbrance; any voluntary change of legal or equi-  
22 table ownership or beneficial interest; or any voluntary change of  
23 persons having voting rights with respect to any shares, except as  
24 proxies; but does not include any transfer of an individual's shares  
25 or other property to a guardian or conservator appointed for such  
26 individual or his property.

27 7. "Employees" or "agents" does not include clerks, stenogra-  
28 phers, secretaries, bookkeepers, technicians, or other persons who are  
29 not usually and ordinarily considered by custom and practice to be  
30 practicing a profession, nor any other person who performs all his  
31 duties for the professional corporation under the direct supervision  
32 and control of one or more officers, employees, or agents of the pro-  
33 fessional corporation who are duly licensed in this state to practice  
34 a profession which the corporation is authorized to practice in this  
35 state. This Act shall not be construed to require any such persons  
36 to be licensed to practice a profession if they are not required to be  
37 licensed under any other law of this state.

1 **SEC. 3. Applicability of Iowa Business Corporation Act.** The  
2 Iowa Business Corporation Act shall be construed as part of this Act  
3 and shall apply to professional corporations, including, but not lim-  
4 ited to, their organization, reports, fees, authority, powers, rights,  
5 and the regulation and conduct of their affairs. The provisions of  
6 the Iowa Business Corporation Act on foreign corporations shall  
7 apply to foreign professional corporations. The provisions of this  
8 Act shall prevail over any inconsistent provisions of the Iowa Busi-  
9 ness Corporation Act or any other law.

1 **SEC. 4. Purposes and powers.** A professional corporation shall  
2 be organized only for the purpose of engaging in the practice of one  
3 specific profession, or two or more specific professions which could  
4 lawfully be practiced in combination by a licensed individual or a  
5 partnership of licensed individuals, and for the additional purpose  
6 of doing all lawful things which may be incidental to or necessary  
7 or convenient in connection with the practice of the profession or  
8 professions. The articles of incorporation shall state in substance  
9 that the purposes for which the corporation is organized are to  
10 engage in the general practice of a specified profession or profes-  
11 sions, or one or more specified branches or divisions thereof, and  
12 to do all lawful things which may be incidental to or necessary or  
13 convenient in connection with the practice of the profession or pro-  
14 fessions. Each professional corporation, unless otherwise provided  
15 in its articles of incorporation or unless expressly prohibited by this  
16 Act, shall have all powers granted to corporations by the Iowa Busi-  
17 ness Corporation Act.

1 **SEC. 5. Corporate name.** The corporate name of a professional  
2 corporation, the corporate name of a foreign professional corpora-  
3 tion or its name as modified for use in this state, and any assumed  
4 name or trade name adopted by a professional corporation or for-  
5 eign professional corporation shall contain the words "professional  
6 corporation" or the abbreviation "P.C.", and except for the addition  
7 of such words or abbreviation, shall be a name which could lawfully

8 be used by a licensed individual or by a partnership of licensed  
9 individuals in the practice in this state of a profession which the  
10 corporation is authorized to practice. Each regulating board may  
11 by rule or regulation adopt additional requirements as to the cor-  
12 porate names and assumed or trade names of professional corpora-  
13 tions and foreign professional corporations which are authorized to  
14 practice a profession which is within the jurisdiction of the regu-  
15 lating board.

1 **SEC. 6. Who may incorporate.** One or more individuals having  
2 capacity to contract, each of whom is licensed to practice in this state  
3 a profession which the professional corporation is to be authorized  
4 to practice, may act as incorporators of a professional corporation.

1 **SEC. 7. Practice by professional corporation.** Notwithstanding  
2 any other statute or rule of law, a professional corporation may prac-  
3 tice a profession, but may do so in this state only through share-  
4 holders, directors, officers, employees, and agents who are licensed  
5 to practice the same profession in this state.

6 In its practice of a profession, no professional corporation shall  
7 do any act which could not lawfully be done by individuals licensed  
8 to practice the profession which the professional corporation is  
9 authorized to practice.

1 **SEC. 8. Professional regulation.** No professional corporation  
2 shall be required to register with or to obtain any license, registra-  
3 tion, certificate, or other legal authorization from any regulating  
4 board in order to practice a profession. Except as provided in this  
5 section, nothing in this Act shall restrict or limit in any manner the  
6 authority or duties of any regulating board with respect to indi-  
7 viduals practicing any profession which is within the jurisdiction  
8 of the regulating board, even if the individual is a shareholder, direc-  
9 tor, officer, employee, or agent of a professional corporation or for-  
10 eign professional corporation and practices his profession through  
11 such corporation.

1 **SEC. 9. Relationship and liability to persons served.** This Act  
2 does not modify any law applicable to the relationship between an  
3 individual practicing a profession and a person receiving profes-  
4 sional services, including, but not limited to, any liability arising  
5 out of such practice and any law respecting privileged communica-  
6 tions.

7 This Act does not modify or affect the ethical standards or stand-  
8 ards of conduct of any profession, including, but not limited to,  
9 any standards prohibiting or limiting the practice of the profession  
10 by a corporation or prohibiting or limiting the practice of two or  
11 more professions in combination. All such standards shall apply to  
12 the shareholders, directors, officers, employees, and agents through  
13 whom a professional corporation practices any profession in this  
14 state, to the same extent that the standards apply to an individual  
15 practitioner.

16 Unless otherwise provided in the articles of incorporation, the  
17 liability of the shareholders of a professional corporation, as share-  
18 holders, shall be limited in the same manner and to the same extent

19 as in the case of a corporation organized under the Iowa Business  
20 Corporation Act.

1     **SEC. 10. Issuance of shares.** Shares of a professional corpora-  
2 tion may be issued, and treasury shares may be disposed of, only to  
3 individuals who are licensed to practice in this state a profession  
4 which the corporation is authorized to practice.

5     Unless otherwise provided in the articles of incorporation or by-  
6 laws, the affirmative vote or consent in writing of all of the out-  
7 standing shareholders entitled to vote, or such lesser proportion as  
8 may be provided in the articles or bylaws, is necessary in order to  
9 authorize the issuance of any shares or the disposal of any treasury  
10 shares, and to fix the consideration for shares or treasury shares.

11     No shares of a professional corporation shall at any time be issued  
12 in, transferred into, or held in joint tenancy, tenancy in common, or  
13 any other form of joint ownership or co-ownership.

14     The Iowa securities law shall not be applicable to nor govern any  
15 transaction relating to any shares of a professional corporation.

1     **SEC. 11. Transfer of shares.** No shareholder or other person  
2 shall make any voluntary transfer of any shares in a professional  
3 corporation to any person, except to the professional corporation or  
4 to an individual who is licensed to practice in this state a profession  
5 which the corporation is authorized to practice.

6     Unless otherwise provided in the articles of incorporation or by-  
7 laws, the affirmative vote or consent in writing of all of the out-  
8 standing shareholders entitled to vote, or such lesser proportion as  
9 may be provided in the articles or bylaws, is necessary in order to  
10 authorize any voluntary transfer of any shares of a professional  
11 corporation.

12     The articles of incorporation or bylaws may contain any additional  
13 provisions restricting the transfer of shares.

1     **SEC. 12. Convertible securities; stock rights and options.** No  
2 professional corporation shall create or issue any securities con-  
3 vertible into shares of the professional corporation. The provisions  
4 of this Act with respect to the issuance and transfer of shares and  
5 disposal of treasury shares apply to the creation, issuance, and trans-  
6 fer of any rights or options entitling the holder to purchase from a  
7 professional corporation any shares of the corporation, including  
8 treasury shares. Rights or options shall not be transferable, whether  
9 voluntarily, involuntarily, by operation of law, or in any other man-  
10 ner. Upon the death of the holder, or whenever the holder ceases to  
11 be licensed to practice in this state a profession which the corpora-  
12 tion is authorized to practice, the rights or options shall expire.

1     **SEC. 13. Voting trust; proxy.** No shareholder of a professional  
2 corporation shall create or enter into a voting trust or any other  
3 agreement conferring upon any other person the right to vote or  
4 otherwise represent any shares of a professional corporation, and  
5 no such voting trust or agreement is valid or effective. Any proxy  
6 of a shareholder of a professional corporation shall be an individual  
7 licensed to practice in this state a profession which the corporation  
8 is authorized to practice. Any provision in any proxy instrument

9 denying the right of the shareholder to revoke the proxy at any time  
10 or for any period of time is not valid or effective. This section does  
11 not otherwise limit the right of a shareholder to vote by proxy,  
12 but the articles of incorporation or bylaws may further limit or deny  
13 the right to vote by proxy.

1 SEC. 14. **Required purchase by professional corporation of its**  
2 **own shares.** Notwithstanding any other statute or rule of law, a  
3 professional corporation shall purchase its own shares as provided in  
4 this section; and the shareholders of a professional corporation and  
5 their executors, administrators, legal representatives, and successors  
6 in interest, shall sell and transfer the shares held by them as provided  
7 in this section.

8 The corporation may validly purchase its own shares even though  
9 its net assets are less than its stated capital, or even though by so  
10 doing its net assets would be reduced below its stated capital.

11 Upon the death of a shareholder, the professional corporation shall  
12 immediately purchase all shares held by the deceased shareholder.

13 In order to remain a shareholder of a professional corporation, a  
14 shareholder shall at all times be licensed to practice in this state a  
15 profession which the corporation is authorized to practice. When-  
16 ever any shareholder does not have or ceases to have this qualifica-  
17 tion, the corporation shall immediately purchase all shares held by  
18 that shareholder.

19 Whenever any person other than the shareholder of record be-  
20 comes entitled to have shares of the corporation transferred into his  
21 name or to exercise voting rights, except as a proxy, with respect to  
22 shares of the corporation, the corporation shall immediately purchase  
23 such shares. Without limiting the generality of the foregoing, this  
24 section shall be applicable whether the event occurs as a result of  
25 the appointment of a guardian or conservator for a shareholder or  
26 his property, transfer of shares by operation of law, involuntary  
27 transfer of shares, judicial proceedings, execution, levy, bankruptcy  
28 proceedings, receivership proceedings, foreclosure or enforcement of  
29 a pledge or encumbrance, or any other situation or occurrence. How-  
30 ever, this section does not apply to any voluntary transfer of shares  
31 as defined in this Act.

32 Shares purchased by the corporation under the provisions of this  
33 section shall be transferred to the corporation as of the close of busi-  
34 ness on the date of the death or other event which requires purchase.  
35 The shareholder and his executors, administrators, legal representa-  
36 tives, or successors in interest, shall promptly do all things which  
37 may be necessary or convenient to cause transfer to be made as of  
38 the transfer date. However, the shares shall promptly be trans-  
39 ferred on the stock transfer books of the corporation as of the trans-  
40 fer date, notwithstanding any delay in transferring or surrendering  
41 the shares or certificates representing the shares, and the transfer  
42 shall be valid and effective for all purposes as of the close of business  
43 on the transfer date. The purchase price for such shares shall be  
44 paid as provided in this Act, but the transfer of shares to the corpo-  
45 ration as provided in this section shall not be delayed or effected by  
46 any delay or default in making payment.

47 Notwithstanding the foregoing provisions of this section, purchase

48 by the corporation is not required upon the occurrence of any event  
49 other than death of a shareholder, if the corporation is dissolved  
50 within sixty days after the occurrence of the event. The articles of  
51 incorporation or bylaws may provide that purchase is not required  
52 upon the death of a shareholder, if the corporation is dissolved within  
53 sixty days after the death.

54 Unless otherwise provided in the articles of incorporation or by-  
55 laws or in an agreement among all shareholders of the professional  
56 corporation:

57 1. The purchase price for shares shall be their book value as of  
58 the end of the month immediately preceding the death or other event  
59 which requires purchase. Book value shall be determined from the  
60 books and records of the professional corporation in accordance with  
61 the regular method of accounting used by the corporation, uniformly  
62 and consistently applied. Adjustments to book value shall be made,  
63 if necessary, to take into account work in process and accounts re-  
64 ceivable. Any final determination of book value made in good faith  
65 by any independent certified public accountant or firm of certified  
66 public accountants employed by the corporation for the purpose shall  
67 be conclusive on all persons.

68 2. The purchase price shall be paid in cash as follows: Upon the  
69 death of a shareholder, thirty percent of the purchase price shall  
70 be paid within ninety days after death, and the balance shall be paid  
71 in three equal annual installments on the first three anniversaries  
72 of the death. Upon the happening of any other event referred to in  
73 this section, one-tenth of the purchase price shall be paid within  
74 ninety days after the date of such event, and the balance shall be  
75 paid in three equal annual installments on the first three anniver-  
76 saries of the date of the event.

77 3. Interest from the date of death or other event shall be payable  
78 annually on principal payment dates, at the rate of six percent per  
79 annum on the unpaid balance of the purchase price.

80 4. All persons who are shareholders of the professional corpora-  
81 tion on the date of death or other event, and their executors, admin-  
82 istrators, and legal representatives, shall, to the extent the corpora-  
83 tion fails to meet its obligations hereunder, be jointly liable for the  
84 payment of the purchase price and interest in proportion to their  
85 percentage of ownership of the corporation's shares, disregarding  
86 shares of the deceased or withdrawing shareholder.

87 5. The part of the purchase price remaining unpaid after the  
88 initial payment shall be evidenced by a negotiable promissory note,  
89 which shall be executed by the corporation and all shareholders  
90 liable for payment. Any person liable on the note shall have the  
91 right to prepay the note in full or in part at any time.

92 6. If the person making any payment is not reasonably able to  
93 determine which of two or more persons is entitled to receive a pay-  
94 ment, or if the payment is payable to a person who is unknown, or  
95 who is under disability and there is no person legally competent to  
96 receive the payment, or who cannot be found after the exercise of  
97 reasonable diligence by the person making the payment, it shall be  
98 deposited with the treasurer of state and shall be subject to the pro-  
99 visions of the Iowa Business Corporation Act with respect to funds

100 deposited with the treasurer of state upon the voluntary or involun-  
101 tary dissolution of a corporation.

102 7. Notwithstanding the provisions of this section, no part of the  
103 purchase price shall be required to be paid until the certificates rep-  
104 resenting such shares have been surrendered to the corporation.

105 8. Notwithstanding the provisions of this section, payment of  
106 any part of the purchase price for shares of a deceased shareholder  
107 shall not be required until the executor or administrator of the de-  
108 ceased shareholder provides any indemnity, release, or other docu-  
109 ment from any taxing authority, which is reasonably necessary to  
110 protect the corporation against liability for estate, inheritance, and  
111 death taxes.

112 The articles of incorporation or bylaws or an agreement among all  
113 shareholders of a professional corporation may provide for a differ-  
114 ent purchase price, a different method of determining the purchase  
115 price, a different interest rate or no interest, and other terms, condi-  
116 tions, and schedules of payment.

117 The articles of incorporation or bylaws or an agreement among  
118 all shareholders of a professional corporation may provide for the  
119 optional or mandatory purchase of its own shares by the corporation  
120 in other situations, subject to any applicable law regarding such  
121 purchase.

1 SEC. 15. **Certificates representing shares.** Each certificate rep-  
2 resenting shares of a professional corporation shall state in sub-  
3 stance that the certificate represents shares in a professional corpo-  
4 ration and is not transferable except as expressly provided in the  
5 Iowa Professional Corporation Act and in the articles of incorpora-  
6 tion and bylaws of the corporation.

1 SEC. 16. **Management.** All directors of a professional corpora-  
2 tion and all officers of a professional corporation except assistant  
3 officers, shall at all times be individuals who are licensed to practice  
4 in this state a profession which the corporation is authorized to  
5 practice. No person who is not licensed shall have any authority or  
6 duties in the management or control of the corporation. If any  
7 director or any officer ceases to have this qualification, he shall imme-  
8 diately and automatically cease to hold the directorship or office.

1 SEC. 17. **Bylaws.** The initial bylaws of a professional corpora-  
2 tion shall be adopted by its board of directors. The power to alter,  
3 amend, or repeal the bylaws or adopt new bylaws is reserved to and  
4 vested in the shareholders unless granted to the board of directors  
5 by the articles of incorporation.

1 SEC. 18. **Merger or consolidation.** No professional corporation  
2 shall merge or consolidate with any other corporation except another  
3 professional corporation subject to this Act. Merger or consolidation  
4 shall not be permitted unless the surviving or new corporation is  
5 a professional corporation which complies with all requirements of  
6 this Act.

1 SEC. 19. **Dissolution or liquidation.** Violation of any provision  
2 of this Act by a professional corporation or any of its shareholders,  
3 directors, or officers, shall be cause for its involuntary dissolution,

4 or liquidation of its assets and business by the district court, as  
5 provided in the Iowa Business Corporation Act. Upon the death of  
6 the last remaining shareholder of a professional corporation, or  
7 whenever the last remaining shareholder is not licensed or ceases to  
8 be licensed to practice in this state a profession which the corporation  
9 is authorized to practice, or whenever any person other than the  
10 shareholder of record becomes entitled to have all shares of the last  
11 remaining shareholder of the corporation transferred into his name  
12 or to exercise voting rights, except as a proxy, with respect to such  
13 shares, the corporation shall not practice any profession and it shall  
14 be promptly dissolved. However, if prior to such dissolution all out-  
15 standing shares of the corporation are acquired by one or more per-  
16 sons licensed to practice in this state a profession which the corpora-  
17 tion is authorized to practice, the corporation need not be dissolved  
18 and may practice the profession as provided in this Act.

1 **SEC. 20. Foreign professional corporation.** A foreign profes-  
2 sional corporation may practice a profession in this state if it com-  
3 plies with the provisions of the Iowa Business Corporation Act on  
4 foreign corporations. The secretary of state may prescribe forms  
5 for such purpose.

6 A foreign professional corporation may practice a profession in  
7 this state only through shareholders, directors, officers, employees,  
8 and agents who are licensed to practice the profession in this state.  
9 The provisions of this Act with respect to the practice of a profes-  
10 sion by a professional corporation apply to a foreign professional  
11 corporation.

12 The certificate of authority of a foreign professional corporation  
13 may be revoked by the secretary of state as provided in the Iowa  
14 Business Corporation Act, if the foreign professional corporation  
15 fails to comply with any provision of this Act.

16 This Act shall not be construed to prohibit the practice of a pro-  
17 fession in this state by an individual who is a shareholder, director,  
18 officer, employee, or agent of a foreign professional corporation, if  
19 the individual could lawfully practice the profession in this state in  
20 the absence of any relationship to a foreign professional corporation.  
21 The preceding sentence shall apply regardless of whether or not the  
22 foreign professional corporation is authorized to practice a profes-  
23 sion in this state.

1 **SEC. 21. Annual report.** Each annual report of a professional  
2 corporation or foreign professional corporation shall, in addition to  
3 the information required by the Iowa Business Corporation Act, set  
4 forth:

- 5 1. The name and address of each shareholder.
- 6 2. In the case of a professional corporation, a statement under  
7 oath whether or not all shareholders, directors, and officers, except  
8 assistant officers, of the corporation are licensed to practice in this  
9 state a profession which the corporation is authorized to practice,  
10 and whether or not all employees and agents of the corporation who  
11 practice a profession in this state on behalf of the corporation are  
12 licensed to practice the profession in this state.
- 13 3. In the case of a foreign professional corporation, a statement



14 under oath whether or not all shareholders, directors, officers, em-  
 15 ployees, and agents who practice a profession in this state on behalf  
 16 of the corporation are licensed to practice the profession in this  
 17 state.

18 4. Additional information necessary or appropriate to enable the  
 19 secretary of state or regulating board to determine whether the pro-  
 20 fessional corporation or foreign professional corporation is comply-  
 21 ing with this Act.

22 Information shall be set forth on forms prescribed and furnished  
 23 by the secretary of state.

24 Duplicate originals of each annual report of a professional corpo-  
 25 ration or foreign professional corporation shall be delivered to the  
 26 secretary of state for filing, and the secretary of state shall promptly  
 27 deliver one of the duplicate originals to the regulating board having  
 28 jurisdiction of the profession or professions which the corporation  
 29 is authorized to practice. The provisions of the Iowa Business Cor-  
 30 poration Act relating to annual license fee shall apply to professional  
 31 corporations.

1 SEC. 22. Corporations organized under other laws. This Act  
 2 shall not apply to or interfere with the practice of any profession  
 3 by or through any corporation hereafter organized under any other  
 4 law of this state or any other state or country, if such practice is  
 5 lawful under any other statute or rule of law of this state.

6 Any corporation subject to the provisions of the Iowa Business  
 7 Corporation Act may voluntarily elect to adopt this Act and become  
 8 subject to its provisions, by amending its articles of incorporation  
 9 to be consistent with all provisions of this Act and by stating in  
 10 its amended articles of incorporation that the corporation has volun-  
 11 tarily elected to adopt this Act.

12 Any corporation organized under any law of any other state or  
 13 country may become subject to the provisions of this Act by comply-  
 14 ing with all provisions of this Act with respect to foreign profes-  
 15 sional corporations.

1 SEC. 23. Section one hundred sixteen point sixteen (116.16), Code  
 2 1966, is hereby repealed.

Approved March 4, 1970.

## CHAPTER 1243

### CO-OPERATIVE ASSOCIATIONS

#### S. F. 270

AN ACT relating to merger and consolidation of cooperative associations.

*Be It Enacted by the General Assembly of the State of Iowa:*

1 SECTION 1. Chapter four hundred ninety-nine (499), Code 1966,  
 2 is hereby amended by adding sections two (2) through twelve (12),  
 3 inclusive, of this Act.

1 SEC. 2. When used in this Act, unless the context otherwise re-  
 2 quires: