

Second Regular Session  
Sixty-seventh General Assembly  
STATE OF COLORADO

INTRODUCED

LLS NO. 10-0440.01 Kristen Forrestal

HOUSE BILL 10-1244

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HOUSE SPONSORSHIP

**Labuda**, Apuan, Casso, Curry, Frangas, Gagliardi, Murray, Riesberg, Scanlan, Schafer S.,  
Soper

SENATE SPONSORSHIP

(None),

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House Committees  
Judiciary

Senate Committees

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A BILL FOR AN ACT

101 CONCERNING ALLOWING AN HEIR OF A DECEASED PHYSICIAN  
102 SHAREHOLDER OF A PROFESSIONAL SERVICE CORPORATION TO  
103 BECOME A SHAREHOLDER OF THE CORPORATION.

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Bill Summary

*(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/billsummaries>.)*

The bill allows an heir of a person licensed to practice medicine who is a shareholder in a professional service corporation to become a shareholder of the corporation if the physician shareholder dies. The bill specifies that when the heir ceases to be a shareholder, provision is made

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.  
*Capital letters indicate new material to be added to existing statute.*  
*Dashes through the words indicate deletions from existing statute.*

for the shares to be reacquired by the corporation or by a person actively practicing medicine in the offices of the corporation.

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1 *Be it enacted by the General Assembly of the State of Colorado:*

2           **SECTION 1.** 12-36-134 (1) (d) and (1) (f), Colorado Revised  
3 Statutes, are amended, and the said 12-36-134 (1) is further amended BY  
4 THE ADDITION OF A NEW PARAGRAPH, to read:

5           **12-36-134. Professional service corporations, limited liability**  
6 **companies, and registered limited liability partnerships for the**  
7 **practice of medicine - definitions.** (1) Persons licensed to practice  
8 medicine by the board may form professional service corporations for  
9 such persons' practice of medicine under the "Colorado Business  
10 Corporation Act", articles 101 to 117 of title 7, C.R.S., if such  
11 corporations are organized and operated in accordance with the  
12 provisions of this section. The articles of incorporation of such  
13 corporations shall contain provisions complying with the following  
14 requirements:

15           (d) (I) EXCEPT AS SPECIFIED IN SUBPARAGRAPH (II) OF THIS  
16 PARAGRAPH (d), all shareholders of the corporation shall be persons  
17 licensed by the board to practice medicine in the state of Colorado, and  
18 who at all times own their shares in their own right. They shall be  
19 individuals who, except for illness, accident, time spent in the armed  
20 services, on vacations, and on leaves of absence not to exceed one year,  
21 are actively engaged in the practice of medicine in the offices of the  
22 corporation.

23           (II) IF A PERSON LICENSED TO PRACTICE MEDICINE WHO WAS A  
24 SHAREHOLDER OF THE CORPORATION DIES, AN HEIR TO THE DECEASED  
25 SHAREHOLDER MAY BECOME A SHAREHOLDER OF THE CORPORATION

1 REGARDLESS OF WHETHER THE HEIR IS LICENSED TO PRACTICE MEDICINE.  
2 IF THE HEIR OF THE DECEASED SHAREHOLDER CEASES TO BE A  
3 SHAREHOLDER, THE SHARES SHALL BE DISPOSED OF PURSUANT TO  
4 PARAGRAPH (e) OF THIS SUBSECTION (1).

5 (f) The president shall be a shareholder and a director and, to the  
6 extent possible, all other directors and officers shall be persons having the  
7 qualifications described in paragraph (d) of this subsection (1). Lay  
8 directors, ~~and~~ officers, AND HEIRS OF DECEASED SHAREHOLDERS shall not  
9 exercise any authority whatsoever over the independent medical judgment  
10 of persons licensed by the board to practice medicine in this state.  
11 Notwithstanding sections 7-108-103 to 7-108-106, C.R.S., relating to the  
12 terms of office and classification of directors, a professional service  
13 corporation for the practice of medicine may provide in the articles of  
14 incorporation or the bylaws that the directors may have terms of office of  
15 up to six years and that the directors may be divided into either two or  
16 three classes, each class to be as nearly equal in number as possible, with  
17 the terms of each class staggered to provide for the periodic, but not less  
18 than annual, election of less than all the directors. Nothing in this article  
19 shall be construed to cause a professional service corporation to be  
20 vicariously liable to a patient or third person for the professional  
21 negligence or other tortious conduct of a physician who is a shareholder  
22 or employee of a professional service corporation.

23 (f.5) AN HEIR TO A DECEASED SHAREHOLDER WHO BECOMES A  
24 SHAREHOLDER SHALL BE LIABLE TO THE SAME EXTENT AS THE DECEASED  
25 SHAREHOLDER WOULD HAVE BEEN, HAD HE OR SHE LIVED AND REMAINED  
26 A SHAREHOLDER, FOR ALL ACTS, ERRORS, AND OMISSIONS OF THE  
27 EMPLOYEES OF THE CORPORATION.

1           **SECTION 2. Act subject to petition - effective date.** This act  
2 shall take effect at 12:01 a.m. on the day following the expiration of the  
3 ninety-day period after final adjournment of the general assembly (August  
4 11, 2010, if adjournment sine die is on May 12, 2010); except that, if a  
5 referendum petition is filed pursuant to section 1 (3) of article V of the  
6 state constitution against this act or an item, section, or part of this act  
7 within such period, then the act, item, section, or part shall not take effect  
8 unless approved by the people at the general election to be held in  
9 November 2010 and shall take effect on the date of the official  
10 declaration of the vote thereon by the governor.