

IN THE IOWA DISTRICT COURT FOR BLACK HAWK COUNTY

FARMERS STATE BANK,	)	CASE NO. EQCV157295
	)	
Plaintiff,	)	
	)	
Vs.	)	ORDER CONCERNING
	)	MOTION FOR TEMPORARY
CEDAR VALLEY MEDICAL	)	INJUNCTION
SPECIALISTS, P.C.,	)	
	)	
Defendant.	)	

On October 23, 2026, the above-captioned matter came on for hearing concerning the defendant's motion for an emergency temporary injunction. The hearing took place via Zoom. Plaintiff appeared through its counsel, Abram Carls and Joe Porter. The defendant appeared through its counsel, Sarah Franklin and Megan Marty. A reported hearing was conducted.

At the outset of the hearing plaintiff's Exhibits A through I and R through Y were admitted without objection. Defendant's Exhibits 4 through 13 were admitted without objection. Defendant's Exhibit 6 was supplemented by defendant's Exhibit 6.1. The Court heard arguments of counsel and took the matter under advisement.

In reaching a decision on an emergency motion for temporary injunction, the Court is required to make a decision based upon a limited factual basis. The Court has taken into account the arguments of counsel and exhibits offered.

FINDINGS OF FACT

It appears over the years Farmers State Bank (Farmers) has made various loans which were collateralized to Cedar Valley Medical Specialists, P.C. (CVMS). The total of the loans along with accrued interest is now over 15 million dollars. On May 5, 2026, Farmers filed a petition for writ of replevin requesting that they be allowed access to the collateral due to the failure of CVMS to make adequate payments toward their debt. At the same time they requested that a receivership be ordered and that the receiver be allowed to take control of the daily finances and collateral belonging to CVMS. The parties agreed to the appointment of a Chief Restructuring Officer (CRO). Ultimately, the CRO failed to deliver a viable restructuring proposal to the bank. The CRO charged CVMS over \$800,000 for the last few months' work. Farmers argues the CRO made no improvements. The parties continued with business as somewhat usual until early October.

In early October, defendant's motion alleges, "Farmers has taken control of and swept CVMS's operating accounts and is currently refusing to release funds for any disbursement." Defendant's motion, page 3. The defendants allege also in their motion that, "The bank was disappointed in the unrealistic proposals that CVMS has presented to the bank and the pace at which the doctors have addressed the restructure and their unwillingness to provide any additional protections or guarantees to the bank." Defendant's motion, page 3.

Farmers requested a receivership at the time the petition for replevin was filed. They continue to request that a receivership be put in place. They believe that an outside third party must organize and determine how the income will be spent concerning the various debts and obligations of CVMS. The bank has become frustrated as they believe little progress has been made concerning the initiation of a receivership. It appears the parties continue to attempt to come to terms with the initiation of a receivership; however, no actual agreement has been reached.

The defendant has requested the temporary injunction as they are unable to meet payroll or various other debts due to Farmers executing its contractual rights to a setoff from the corporation's bank accounts. The setoff of the bank accounts has created financial havoc as to the corporation's payments of payroll to its employees, taxes to various governmental agencies and payments to its creditors. They are requesting an injunction to prevent further setoff by the bank and a return of the property that was set off.

CONCLUSIONS OF LAW

Pursuant to the Iowa Rules of Civil Procedure 1.1502 a temporary injunction may be allowed under the following circumstances:

1.1502(1) when the petition, supported by affidavit, shows the plaintiff is entitled to relief which includes restraining the commission or continuance of some act which would greatly or irreparably injure the plaintiff.

1.1502(2) where, during the litigation, it appears that a party is doing, procuring or suffering to be done, or threatens or is about to do, an act violating the other party's right respecting the subject of the action, intending to make the judgment ineffectual.

As the Court understands it, the professional corporation will be wound down over the next number of months. No party disagrees that the professional corporation is behind in its payments and as such is alleged to be in default of its financial obligation to Farmers. The shareholders of CVMS have been aware of the dire circumstances since at least May when the replevin action was filed. They have done little, if anything, to convince Farmers to not enforce its contractual rights. The shareholders of CVMS have

failed to reach an agreement concerning a receivership over the last number of months. Had they agreed to a receivership, they would not be in their current predicament.

It appears from a review of the provided materials that Farmers has a legal contractual right to “sweep” CVMS bank accounts as part of a setoff. The parties were in negotiations concerning implementation of the receivership when Farmers informed CVMS that failure to reach an agreement would result in a setoff. CVMS once again failed to reach an agreement concerning a receivership and the setoff was then enforced. From the evidence presented, it seems clear CVMS was aware their accounts could be “swept.” They made little, if any, attempts to prevent the same. Once their accounts were set off, they failed to inform their payroll company of their inability to fund payroll.

The defendant alleges that irreparable harm will come to its business due to the setoff initiated by the plaintiff. Irreparable harm is the first element required to establish a temporary injunction. The Court does not doubt that the setoff has caused havoc to the financial situation of the corporation. Unfortunately, the creation of the havoc was due to actions or inaction by CVMS themselves. Had they reached an agreement concerning a receivership in May, none of the alleged pain and suffering to their employees and other creditors would have occurred. The leadership of CVMS was well aware they were behind in their payments and were alleged to have been in default of their loans. They were aware that the bank had a contractual right to enforce a setoff. They continued to attempt to stave off the inevitable appointment of a receivership. As a result of their actions, the bank opted to enforce its contractual rights.

Farmers had every legal right to enforce its contractual agreement. They were negotiating in good faith to establish a receivership. They warned CVMS of the consequences of their failure to agree to a receivership. Said actions are not those of a party attempting to irreparably injure CVMS.

Another requirement for the issuance of a temporary injunction is that the party must prove that it can show a “likelihood of success on the merits.” League of United Latin American Citizens of Iowa vs. Pate, 950 N.W.2d 204 (2020) quoting Max 100 L.C. vs. Iowa Realty Company, 621 N.W.2d 178 (Iowa 2001). The party requesting a temporary injunction must prove to the Court they have a likelihood of succeeding on the merits at the conclusion of the case. In the above-captioned matter the defendants have shown no likelihood of success in this replevin action. They have basically asked the Court to enact a temporary injunction as a public policy matter due to the impact on CVMS employees. The Court has no legal authority to do so.

The defendant would also be required to prove that the plaintiff is about to act or has acted in a matter that violates the other party’s right respecting the subject of the action. Here the defendant has also failed to prove the plaintiff has acted against the defendant’s legal rights. The plaintiff had every legal right to enforce the setoff given the alleged default on the loan and the contractual nature of their agreements.

The defendants are also unable to obtain a temporary injunction as they have an adequate remedy at law. Permanent or temporary injunctive relief is an extraordinary remedy that is granted only when there is no other way to avoid irreparable harm to a party. Lewis Investments, Inc. vs. City of Iowa City, Iowa, 703 N.W.2d 180, 2005. If a party has an adequate remedy at law, injunctive relief as an independent remedy is not available. *Id.* at page 5. In the above-captioned matter CVMS has the ability to participate in a receivership which will alleviate the alleged irreparable harm to the employees and other creditors of CVMS. By allowing appointment of a receiver Farmers would stop further setoff measures. CVMS has so far elected not to participate in a receivership.

Under the facts presented to the Court, CVMS is not legally entitled to a temporary injunction. As such, it should be denied.

IT IS THEREFORE ORDERED AND ADJUDGED that the request for a temporary injunction by the defendant is hereby denied for the above-captioned reasons. Costs of this hearing shall be assessed to the defendant.

Copies to: Counsel of record



State of Iowa Courts

Case Number
EQCV157295

Case Title
FARMERS STATE BANK VS CEDAR VALLEY MEDICAL
SPEC
OTHER ORDER

Type:

So Ordered

David F. Staudt, District Court Judge,
First Judicial District of Iowa

Electronically signed on 2026-10-27 16:23:16