CHAPTER 322F

EQUIPMENT DEALERSHIP AGREEMENTS

Referred to in §322D.9, §523H.1, §537A.10

For provisions applicable to certain farm implement and all-terrain vehicle franchise agreements, see chapter 322D, §322D.7

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322F.1 Definitions.

As used in this chapter, unless the context otherwise requires:

1. *"Agricultural equipment"* means a device, part of a device, or an attachment to a device designed to be principally used for an agricultural purpose. *"Agricultural equipment"* includes but is not limited to equipment associated with livestock or crop production, horticulture, or floriculture. *"Agricultural equipment"* includes but is not limited to tractors; trailers; combines; tillage, planting, and cultivating implements; balers; irrigation implements; and all-terrain vehicles.

2. *"All-terrain vehicle"* means the same as defined in section 321I.1.

3. *"Construction equipment"*, *"industrial equipment"*, or *"utility equipment"* means a device, part of a device, or an attachment to a device designed to be principally used for a construction or industrial purpose. *"Construction equipment"*, *"industrial equipment"*, or *"utility equipment"* includes equipment associated with earthmoving, industrial material handling, mining, forestry, highway construction or maintenance, and landscaping. *"Construction equipment"*, *"industrial equipment"*, or *"utility equipment"* includes but is not limited to tractors, graders, excavators, loaders, and backhoes.

4. *"Dealer"* or *"dealership"* means a person engaged in the retail sale of equipment.

5. *"Dealership agreement"* means an oral or written agreement, either express or implied, between a supplier and a dealer which provides that the dealer is granted the right to sell, distribute, or service the supplier's equipment, regardless of whether the equipment carries a trade name, trademark, service mark, logotype, advertisement, or other commercial symbol, and which provides evidence of a continuing commercial relationship between the supplier and the dealer.

6. *"Equipment"* means agricultural equipment, construction equipment, industrial equipment, utility equipment, or outdoor power equipment. However, *"equipment"* does not include self-propelled machines designed primarily for the transportation of persons or property on a street or highway.

7. *"Good cause"* means a condition which occurs under any of the following circumstances:

a. The dealer fails to substantially comply with an essential and reasonable requirement imposed upon the dealer by the dealership agreement, but only if that requirement is also generally imposed upon similarly situated dealers.

b. The dealer has made a material misrepresentation or falsification of any record, contract, report, or other document which the dealer has submitted to the supplier.

c. The dealer transfers an interest in the dealership; a person with a substantial interest in the ownership or control of the dealership withdraws from the dealership, including an individual proprietor, partner, major shareholder, or manager; or a substantial reduction occurs in the interest of a partner or major shareholder in the dealership. However, good cause does not exist if the supplier consents to an action described in this paragraph.

d. The dealer has filed a voluntary petition in bankruptcy.

e. An involuntary petition in bankruptcy has been filed against the dealership and has not been discharged within thirty days after the filing.

f. The dealership is subject to a closeout or sale of a substantial part of the dealership equipment or assets related to the equipment.

g. A dissolution or liquidation of dealership assets has commenced.

h. The dealer's principal place of business is relocated, unless the supplier consents to the change in location.

i. The dealer has defaulted under a security agreement, including but not limited to a chattel mortgage, between the dealer and the supplier or any subsidiary or affiliate of the supplier.

j. A guarantee of the dealer's present or future obligations to the supplier is revoked or discontinued.

k. The dealer has failed to operate in the normal course of business for seven consecutive business days or has otherwise abandoned business operations.

l. The dealer has pleaded guilty to or has been convicted of a felony.

m. The dealer has engaged in conduct which is injurious or detrimental to the dealer's customers or to the public welfare, including but not limited to, misleading advertising, failing to provide reasonable service or replacement parts, or failing to honor warranty obligations.

n. The dealer consistently fails to comply with applicable state licensing requirements relating to the products and services represented on behalf of the supplier.

o. The dealer has inadequately represented the manufacturer's product relating to sales when compared to similarly situated dealers.

8. *"Net cost"* means the price the dealer paid to the supplier for the equipment, less applicable discounts.

9. *"Net price"* means the current price listed in the supplier's effective price list or catalog, less any applicable trade or cash discount.

10. *"Outdoor power equipment"* means equipment using small motors or engines, if the equipment is used principally for outside service, including but not limited to aerators, augers, blowers, brush clearers, brush cutters, chain saws, dethatchers, edgers, hedge trimmers, lawn mowers, pole saws, power rakes, snowblowers, and tillers.

11. *"Supplier"* means the manufacturer, wholesaler, or distributor of equipment sold by a dealer.

90 Acts, ch 1077, §2; 2002 Acts, ch 1011, §8, 9; 2003 Acts, ch 55, §1 – 3; 2004 Acts, ch 1086, §62; 2004 Acts, ch 1132, §83

Referred to in **§16.80**, **§214A.1**, **§322F.2**

322F.2 Notice of termination.

1. *a.* A supplier shall terminate a dealership agreement for equipment other than outdoor power equipment by cancellation, nonrenewal, or a substantial change in competitive circumstances only upon good cause and upon at least ninety days' prior written notice delivered to the dealer by certified mail or restricted certified mail. A supplier shall terminate a dealership agreement for outdoor power equipment by cancellation or nonrenewal only upon good cause and upon at least ninety days' prior written notice delivered to the dealer by restricted certified mail or hand delivered by a representative of the supplier to the dealer or a designated representative of the dealer.

b. A written termination notice must specify each deficiency constituting good cause for the action. The notice must also state that the dealer has sixty days to cure a specified deficiency. If the deficiency is cured within sixty days from the date that the notice is delivered, the notice is void. However, if the deficiency is based on a dealer's inadequate representation of a manufacturer's product relating to sales, as provided in section 322F.1, the notice must state that the dealer has eighteen months to cure the deficiency. If the deficiency based on inadequate representation of a manufacturer's product relating to sales is cured within eighteen months from the date that notice is delivered, the notice is void.

2. The supplier shall have the right to terminate immediately without notice in the event the action is for good cause as defined in section 322F.1, subsection 7, paragraphs *"b"* through *"m"*.

90 Acts, ch 1077, §3; 2003 Acts, ch 55, §4

Referred to in **§322F.8**

322F.3 Termination of agreement — repurchase of equipment.

1. If a dealership agreement is terminated by cancellation or nonrenewal, the supplier must repurchase equipment and parts in the dealer's inventory and must repurchase special tools and computer hardware or software required for the dealership. The repurchase is subject to the following conditions:

a. The supplier must pay to the dealer or credit the dealer's account with one hundred percent of the net cost of all unused complete equipment including attachments. The equipment must be in new condition and purchased by the dealership from the supplier within twenty-four months preceding notification by either party of an intent to terminate the contract.

b. The supplier must pay to the dealer or credit the dealer's account with ninety percent of the net price for repair parts, including superseded parts listed in the price lists or catalogs in use by the supplier on the date of termination. The supplier shall also pay the dealer or credit the dealer's account with five percent of the net price on the date of termination on all parts returned for the dealer's handling, packing, and loading of the parts to be returned to the supplier. However, the supplier is not required to pay or credit the five percent if the supplier elects to perform the handling, packing, and loading.

c. The supplier shall pay to the dealer or credit the dealer's account with the amortized value of any specific computer hardware or software that the supplier required the dealer to purchase within the five years immediately preceding notification by either party of an intent to terminate the contract.

d. The supplier shall pay to the dealer or credit the dealer's account with the following amounts for special repair tools that were unique to the supplier's product line and that are in complete and resalable condition:

(1) Seventy-five percent of the net cost of special repair tools purchased within the three years immediately preceding notification by either party of an intent to terminate the contract.

(2) Fifty percent of the net cost of special repair tools purchased within the four to six years immediately preceding notification by either party of an intent to terminate the contract.

e. The supplier shall only be required to repurchase the items described in paragraphs "*c*" and "*d*" if the items are free and clear of all claims, liens, and encumbrances, to the satisfaction of the supplier.

f. The supplier must pay to the dealer or credit the dealer's account with one hundred percent of the net cost of all equipment used in demonstrations, including equipment leased primarily for demonstration or lease, at the equipment's agreed-upon depreciated value, provided that such equipment is in new condition and has not been abused.

2. Upon payment or allowance of a credit to the dealer's account as required in this section, the title to the repurchased equipment is transferred to the supplier making the repurchase, and the supplier may take immediate possession of the repurchased equipment.

3. The supplier must make payment or allowance of a credit as required under this section not later than ninety days from the date that the supplier takes possession of the repurchased equipment.

4. This section does not require repurchase from the dealer of repair parts which have a limited storage life or are otherwise subject to deterioration, including but not limited to rubber items, gaskets, and batteries. This section also does not require repurchase from the dealer of parts in broken or damaged packages, single repair parts priced as a set of two or more items, or repair parts which because of their condition are not resalable as new parts without new packaging or reconditioning.

90 Acts, ch 1077, §4; 2001 Acts, ch 42, §1, 2; 2003 Acts, ch 55, §5
Referred to in **§322F.5**, **§322F.8**

322F.4 Security interests not affected.

This chapter shall not be construed to affect the existence or enforcement of a security interest which any person, including a supplier or financial institution, may have in the inventory of the dealer.

90 Acts, ch 1077, §5; 94 Acts, ch 1121, §2

322F.5 Death or incapacity of dealer.

If a dealer or a person holding a majority interest in a business entity operating a dealership dies or is incapacitated, the rights under this chapter may be exercised as an option by the heirs at law if the dealer or majority interest holder died intestate, or by the executor under the terms of the dealer's or majority interest holder's will. If the heirs or the executor do not exercise this option within twelve months from the date of death of the dealer or majority interest holder, the supplier must repurchase the equipment as if the supplier had terminated the dealership agreement pursuant to section 322F.3. However, this section does not entitle an heir, executor, administrator, legatee, or devisee of a deceased dealer or majority interest holder to continue to operate the dealership without the consent of the supplier.

90 Acts, ch 1077, §6; 2003 Acts, ch 55, §6

322F.5A Transfer of dealership.

1. If a supplier has contractual authority to approve or deny a request for a sale or transfer of a dealer's business or an equity ownership interest in the business, the supplier shall approve or deny the request within sixty days after receiving a written request from the dealer. If the supplier has not approved or denied the request within the sixty-day period, the request shall be deemed approved. The dealer's request shall include reasonable financial information, personal background information, character references, and work histories for each acquiring person.

2. If a supplier denies a request made pursuant to this section, the supplier shall provide the dealer with a written notice of the denial that states the reasons for the denial. A supplier may only deny a request based on the failure of a proposed transferee to meet the reasonable requirements consistently imposed by the supplier in determining whether to approve a transfer or a new dealership.

2005 Acts, ch 27, §1

Referred to in **§322F.9**

322F.6 Assignees and successors in interest.

The obligations under this chapter apply to the supplier's assignee or successor in interest. A successor in interest includes, but is not limited to, a purchaser of assets or stock, a surviving corporation resulting from a merger or liquidation, a receiver, or a trustee of the supplier.

90 Acts, ch 1077, §7

322F.7 Violations.

A violation of this chapter includes but is not limited to a supplier doing any of the following:

1. Requires a dealer to accept delivery of equipment that the dealer has not ordered.

2. Requires a dealer to order or accept delivery of equipment with special features or accessories not included in the base price list of equipment as publicly advertised by the supplier.

3. Requires a dealer to enter into any agreement, whether written or oral, which amends or supplements an existing dealership agreement with the supplier, unless the supplementary or amendatory agreement is imposed on other similarly situated dealers.

4. Requires as a condition of renewal or extension of a dealership agreement that the dealer complete substantial renovation of the dealer's place of business, or acquire new or additional space to serve as the dealer's place of business, unless the supplier provides at least one year's written notice of the condition which states all grounds supporting the condition. The supplier must provide a reasonable time for the dealer to complete the renovation or acquisition.

5. Requires a dealer to refuse to purchase equipment distributed by another supplier.

6. Discriminates in the prices charged for equipment of like grade and quality sold by the supplier to similarly situated dealers. This subsection does not prevent the use of differentials which make only due allowance for costs related to the manufacture, sale, or delivery of equipment, or to methods or quantities of equipment sold or delivered.

7. *a.* (1) For a dealership agreement governing equipment other than outdoor power

equipment, takes action terminating, canceling, or failing to renew the dealership agreement, or substantially changes the competitive circumstances intended by the dealership agreement, due to the results of conditions beyond the dealer's control, including drought, flood, labor disputes, or economic recession.

(2) For a dealership agreement governing outdoor power equipment, takes action terminating, canceling, or failing to renew the dealership agreement due to the results of conditions beyond the dealer's control, including drought, flood, labor disputes, or economic recession.

b. This subsection shall not apply if the dealer is in default of a security agreement in effect with the supplier.

90 Acts, ch 1077, §8; 2003 Acts, ch 55, §7; 2004 Acts, ch 1086, §63; 2011 Acts, ch 44, §1
Referred to in **§322F.8**

322F.8 Supplier liability.

1. *a.* (1) A dealer may bring a legal action against a supplier for damages sustained by the dealer as a consequence of the supplier's violation of any provision of this chapter, including but not limited to a violation described in section 322F.7. A supplier violating this chapter shall compensate the dealer for damages sustained by the dealer as a consequence of the supplier's violation, together with the actual costs of the action, including reasonable attorney fees.

(2) For a dealership agreement governing equipment other than outdoor power equipment, a dealer may be granted injunctive relief against unlawful termination, cancellation, or the nonrenewal of the dealership agreement, or a substantial change of competitive circumstances as provided in section 322F.2.

(3) For a dealership agreement governing outdoor power equipment, a dealer may be granted injunctive relief against unlawful termination, cancellation, or the nonrenewal of the dealership agreement as provided in section 322F.2.

b. The remedies in this section are in addition to any other remedies permitted by law.

2. *a.* If the payment or allowance of equipment repurchased pursuant to section 322F.3 is not made as required, or the supplier is found liable for damages pursuant to subsection 1, paragraph "*a*", subparagraph (1), the amount due to the dealer shall bear interest at the rate of one and one-half percent per month calculated from the date that the dealership agreement was terminated.

b. Upon termination of a dealership agreement by nonrenewal or cancellation, by a dealer or supplier, if the supplier fails to make payment or credit the account of the dealer as provided in any provision of this chapter, the supplier is liable in a civil action brought by the dealer for the repurchase amount set forth in section 322F.3, plus interest as calculated pursuant to paragraph "*a*". The supplier's civil liability as provided in this paragraph shall be in addition to and not in lieu of any remedy provided by subsection 1, paragraph "*a*", subparagraph (1).

3. The requirements of this chapter supplement any agreement between a dealer and a supplier. The dealer may elect either to pursue contractual remedies under the dealership agreement or remedies provided under this chapter. An election by the dealer to pursue a remedy provided under this chapter does not bar the dealer from pursuing any other remedy under law or equity, including contractual remedies. This chapter does not affect rights of the supplier to charge back to the dealer's accounts amounts previously paid or credited as a discount to the dealer's purchase of goods, including equipment.

90 Acts, ch 1077, §9; 2003 Acts, ch 55, §8, 9; 2011 Acts, ch 44, §2, 3

322F.9 Applicability.

1. A term of a dealership agreement that is inconsistent with the terms of this chapter is void and unenforceable and does not waive any rights that are provided to a person by this chapter.

2. *a.* For all dealership agreements other than those provided for in this section, this chapter applies to those dealership agreements in effect that have no expiration date and all other dealership agreements entered into or renewed on or after July 1, 1990. Any such

dealership agreement in effect on June 30, 1990, which by its own terms will terminate on a subsequent date, shall be governed by the law as it existed prior to July 1, 1990.

b. For all dealership agreements governing all-terrain vehicles, this chapter applies to those dealership agreements in effect that have no expiration date and all other such dealership agreements entered into or renewed on or after July 1, 2002. Any such dealership agreement in effect on July 1, 2002, which by its own terms will terminate on a subsequent date, shall be governed by the law as it existed prior to July 1, 2002.

c. For all dealership agreements governing agricultural equipment used principally for floriculture and for all dealership agreements governing construction equipment, industrial equipment, utility equipment, and outdoor power equipment, this chapter applies to those dealership agreements in effect that have no expiration date and all other such dealership agreements entered into or renewed on or after July 1, 2003. Any dealership agreement in effect on July 1, 2003, which by its own terms will terminate on a subsequent date, shall be governed by the law as it existed prior to July 1, 2003.

d. For all dealership agreements governing the sale or transfer of a dealer's business, section 322F.5A applies to those dealership agreements in effect that have no expiration date and all other such dealership agreements entered into or renewed on or after July 1, 2005. Any dealership agreement in effect on July 1, 2005, which by its own terms will terminate on a subsequent date, shall be governed by the law as it existed prior to July 1, 2005.

90 Acts, ch 1077, §10; 2002 Acts, ch 1011, §10; 2003 Acts, ch 55, §10; 2005 Acts, ch 27, §2

Applicability of chapter 322D to farm implement and all-terrain vehicle franchise agreements; §322D.7, 322D.9