



THOMAS J. VILSACK  
GOVERNOR

**OFFICE OF THE GOVERNOR**

SALLY J. PEDERSON  
LT. GOVERNOR

April 22, 2003

The Honorable Chester Culver  
Secretary of State  
State Capitol Building  
LOCAL

Dear Mr. Secretary:

I hereby transmit:

**House File 446**, an Act relating to dealership agreements, and providing for the Act's applicability.

The above House File is hereby approved this date.

Sincerely,

A handwritten signature in black ink, appearing to read "TJV", with a long horizontal stroke extending to the right.

Thomas J. Vilsack  
Governor

TJV:jmc

cc: Secretary of the Senate  
Chief Clerk of the House





HOUSE FILE 446

AN ACT

RELATING TO DEALERSHIP AGREEMENTS, AND PROVIDING FOR THE  
ACT'S APPLICABILITY.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 322F.1, Code 2003, is amended by adding the following new subsections:

NEW SUBSECTION. 0A. "Agricultural equipment" means a device, part of a device, or an attachment of 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; bailers, irrigation implements; and all-terrain vehicles.

NEW SUBSECTION. 1A. "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.

NEW SUBSECTION. 7A. "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.

Sec. 2. Section 322F.1, subsection 2, Code 2003, is amended to read as follows:

2. "Dealer" or "dealership" means a person engaged in the retail sale of equipment, ~~if the person sells equipment designed to be principally used for agricultural operations, including but not limited to livestock or crop production or horticulture.~~

Sec. 3. Section 322F.1, subsection 4, Code 2003, is amended by striking the subsection, and inserting in lieu thereof following:

4. "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.

Sec. 4. Section 322F.2, subsection 1, Code 2003, is amended to read as follows:

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 or registered 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. The 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.

Sec. 5. Section 322F.3, subsection 1, Code 2003, is amended by adding the following new paragraph:

NEW PARAGRAPH. 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.

Sec. 6. Section 322F.5, Code 2003, is amended to read as follows:

322F.5 DEATH OR INCAPACITY OF DEALER.

If a dealer or a person holding a majority shareholder-of-a corporation 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 shareholder majority interest holder died intestate, or by the executor under the terms of the dealer's or shareholder's 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 shareholder 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 ~~shareholder~~ interest holder to continue to operate the dealership without the consent of the supplier.

Sec. 7. Section 322F.7, subsection 7, Code 2003, is amended to read as follows:

7. a. Takes For a dealership agreement governing equipment other than outdoor power equipment, takes action terminating, canceling, failing to renew the dealership agreement, or substantially changing 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.

b. 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.

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

Sec. 8. Section 322F.8, subsection 1, Code 2003, is amended to read as follows:

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 this chapter. 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 ~~attorneys'~~ attorney fees.

a. The 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.

b. 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.

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

Sec. 9. Section 322F.8, subsection 2, paragraph b, Code 2003, is amended to read as follows:

b. If upon termination of a dealership agreement by nonrenewal or cancellation, by a dealer or supplier, the supplier fails to make payment or credit the account of the dealer as provided in this chapter, the supplier is liable in a civil action brought by the dealer for ~~one-hundred-percent of-the-net-costs-of-the-equipment~~ the repurchase amount set forth in section 322F.3, plus interest as calculated pursuant to paragraph "a"~~7-and-ninety-percent-of-the-net-price-of repair-parts, plus interest as calculated pursuant to paragraph-"a"~~.

Sec. 10. Section 322F.9, subsection 2, Code 2003, is amended to read as follows:

2. a. For all dealership agreements other than those provided for all-terrain-vehicles, 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 ~~for governing~~ 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 the effective date of this Act. Any dealership agreement in

effect on the effective date of this Act, which by its own terms will terminate on a subsequent date, shall be governed by the law as it existed prior to the effective date of this Act.



CHRISTOPHER C. RANTS  
Speaker of the House



MARY E. KRAMER  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 446, Eightieth General Assembly.



MARGARET THOMSON  
Chief Clerk of the House

Approved april 22, 2003



THOMAS J. VILSACK  
Governor