

Senate Study Bill 1090

SENATE FILE _____
BY (PROPOSED COMMITTEE ON COMMERCE
BILL BY CO=CHAIRPERSONS
BEHN and WARNSTADT)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to equipment dealerships, by providing for the
2 sale or transfer of a dealership and providing for the Act's
3 applicability.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
5 TLSB 1727XC 81
6 da/gg/14

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1 1 Section 1. NEW SECTION. 322F.5A TRANSFER OF DEALERSHIP.
1 2 1. If a supplier has contractual authority to approve or
1 3 deny a request for a sale or transfer of a dealer's business
1 4 or an equity ownership interest in the business, the supplier
1 5 shall approve or deny the request within sixty days after
1 6 receiving a written request from the dealer. If the supplier
1 7 has not approved or denied the request within the sixty-day
1 8 period, the request shall be deemed approved. The dealer's
1 9 request shall include reasonable financial information,
1 10 personal background information, character references, and
1 11 work histories for each acquiring person.
1 12 2. If a supplier denies a request made pursuant to this
1 13 section, the supplier shall provide the dealer with a written
1 14 notice of the denial that states the reasons for the denial.
1 15 A supplier may only deny a request based on the failure of a
1 16 proposed transferee to meet the reasonable requirements
1 17 consistently imposed by the supplier in determining whether to
1 18 approve a transfer or a new dealership.
1 19 Sec. 2. Section 322F.9, subsection 2, Code 2005, is
1 20 amended by adding the following new paragraph:
1 21 NEW PARAGRAPH. d. For all dealership agreements governing
1 22 the sale or transfer of a dealer's business, section 322F.5A
1 23 applies to those dealership agreements in effect that have no
1 24 expiration date and all other such dealership agreements
1 25 entered into or renewed on or after July 1, 2005. Any
1 26 dealership agreement in effect on July 1, 2005, which by its
1 27 own terms will terminate on a subsequent date, shall be
1 28 governed by the law as it existed prior to July 1, 2005.

1 29 EXPLANATION
1 30 This bill addresses dealership agreements under Code
1 31 chapter 322F. Under that chapter, dealership agreements
1 32 generally involve agricultural equipment franchises, but they
1 33 may also involve construction equipment, industrial equipment,
1 34 utility equipment, or outdoor power equipment franchises.
1 35 Under the Code chapter, a franchisor is referred to as the
2 1 supplier and a franchisee is referred to as a dealer or
2 2 dealership. Generally, Code chapter 322F regulates business
2 3 relationships between dealerships and suppliers by providing
2 4 for the terms and conditions of dealership agreements. The
2 5 Code chapter specifies rights and obligations for dealerships
2 6 and suppliers. The Code chapter places restrictions on
2 7 supplier practices, provides for supplier liability, and
2 8 provides remedies available to the dealership.
2 9 The bill provides that if a supplier has the authority to
2 10 approve a request involving the transfer of a dealership,
2 11 including an equity position in the dealership, it must
2 12 approve or deny the request within 60 days after receiving the
2 13 request. After that period, any unanswered response is deemed
2 14 to be approved. The dealer must include information about
2 15 each person acquiring an interest in the dealership. If the

2 16 supplier denies the request, it must provide the dealer with a
2 17 written notice explaining that decision. The decision must be
2 18 based on reasonable criteria which are consistently used to
2 19 determine whether to approve a transfer or new dealership.
2 20 The bill also provides a grandfather clause. It provides
2 21 that the bill applies to those dealership agreements governing
2 22 the sale or transfer of a dealer's business as provided in the
2 23 bill, that are in effect that have no expiration date and all
2 24 other such dealership agreements entered into or renewed on or
2 25 after July 1, 2005. Any dealership agreement in effect on
2 26 July 1, 2005, which by its own terms will terminate on a
2 27 subsequent date, is to be governed by the law as it existed
2 28 prior to July 1, 2005.
2 29 LSB 1727XC 81
2 30 da:nh/gg/14