

1992 IOWA FRANCHISE LAW*

Applicability: Applies to all new and existing franchises; does not apply to contracts between Iowa franchisors and out of state franchisees

Dispute Resolution: Right of venue in Iowa

Transfer: Franchisor must allow transfer if transferee satisfies the qualifications for new franchisees; franchisor has 60 days to approve transfer; may impose a transfer fee, has right of first refusal; may not interfere with public offerings without good cause; succession to heir is not considered a transfer

Encroachment: Restaurant franchisors may not open a store within the a 3 mile radius or 30,000 population base without allowing franchisee right of first refusal or compensation for lost market share as determined by appraisers

Non-renewal: Franchisor may not refuse to renew without at least six months notice and one of the following conditions exist: a) good cause b) the parties agree not to renew and the noncompete covenant is waived or c) the franchisor is withdrawing from the area and the noncompete covenant is waived.

Non-compete: Franchisors are prohibited from enforcing noncompete clauses after a termination or nonrenewal unless: a) the franchisee opens a business that relies on a substantially similar marketing program to that of the franchisor or b) the franchisor offered to purchase the assets of the business at fair market value

Repurchase of Assets: Franchisee may engage in any lawful business after termination or non-renewal unless program is similar to the franchisors or franchisor offers to purchase the business at fair market value

Termination: May terminate only for good cause, may not act in arbitrary manner; must provide a 'get well' period of 30-90 days unless franchisee is declared bankrupt, has abandoned the business, fails to comply with the same material provision of the contract, etc.

Independent Sourcing: Allows franchisee to purchase supplies, equipment, services, etc. from sources of franchisee's choosing

1995 AMENDMENTS*

Applicability: Unchanged

Dispute Resolution: Unchanged

Transfer: Transferee must meet current qualifications for new franchisees; franchisor may impose financial requirements; public offering clause struck out; succession to heir not considered a transfer, however heir must meet qualifications of the franchisor within one year

Encroachment: Nullified the 3 mile/30,000 rule; established adverse impact guidelines of 5% on annual gross sales of impacted franchisee during the first 12 months of the new unit's operation; burden of proof lies with franchisee

Non-renewal: May require franchisee to meet current requirements for new franchisees and sign a new contract; 1992 restrictions a, b and c apply, however the franchisor may enforce the non-compete covenant if the parties agree not to renew (as outlined in 'b')

Non-compete: Can enforce unless franchisor completely withdraws from the area

Repurchase of Assets: Unchanged, however it now does not apply to assets of the franchised business which the franchisee did not purchase from the franchisor

Termination: Burden of proof for 'arbitrary actions' rests with franchisee; non-payment of fees cure time need not exceed 30 days; after 3 material breaches of the contract within a 12 month period franchisor may terminate provided franchisee had been given opportunity to cure.

Independent Sourcing: Unchanged

***Source: Iowa code 523H (1992, 1995)**