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IN THE SUPREME COURT OF IOWA

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**LARRY C. BEVERAGE, Individually and as  
Personal Representative of the Estate of  
CHARLES E. BEVERAGE, deceased,  
LINDA K. ANDERSON, and BONNIE K. VALENTINE,**  
*Plaintiffs/Appellants*

vs.

**ALCOA, INC., a Pennsylvania Corporation, and  
IOWA-ILLINOIS TAYLOR INSULATION, INC.,  
successor-in-interest to IOWA ILLINOIS  
THERMAL INSULATION, INC., an Iowa Corporation,**  
*Defendants/Appellees.*

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Appeal from the Scott County District Court,  
District Court No. LACE129455,  
The Honorable Patrick A. McElyea, presiding

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**APPELLANTS' AMENDED REPLY BRIEF**

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## STATEMENT OF THE ISSUES

In reply, Appellants have narrowed their issues to two:<sup>1</sup>

- I. **Did the district court err in interpreting Iowa Code § 686B.7(5) to bar all asbestos exposure claims against premises owners and product suppliers when the statute is clearly intended only to protect product manufacturers through the “bare metal” defense?**

### Cases

*Air & Liquid Sys. Corp. v. DeVries*, 139 S. Ct. 986 (2019)

*Braaten v. Saberhagen Holdings*, 198 P.3d 493 (Wash. 2008)

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*Graham v. Worthington*, 259 Iowa 845, 146 N.W.2d 626 (1966)

*Goergen v. State Tax Comm’n*, 165 N.W.2d 782 (Iowa 1969)

*Greenwell v. Meredith Corp.*, 189 N.W.2d 901 (Iowa 1971)

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<sup>1</sup> Appellants are no longer challenging Iowa Code § 686B.7(5) on equal protection grounds.

*Holiday Inns Franchising, Inc. v. Branstad*, 537 N.W.2d 724 (Iowa 1995)

*In Interest of S.M.D.*, 569 N.W.2d 609 (Iowa 1997)

*Iowa Ins. Inst. v. Core Grp. of Iowa Ass'n for Justice*, 867 N.W.2d 58 (Iowa 2015)

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*State v. Nall*, 894 N.W.2d 514 (Iowa 2017)

*Swanger v. State*, 445 N.W.2d 344 (Iowa 1989)

*Taylor v. Elliott Turbomachinery Co.*, 171 Cal. App. 4th 564, 592, 90 Cal. Rptr. 3d 414, 436 (2009)

*U.S. Bank Nat. Ass'n v. Lamb*, 874 N.W.2d 112 (Iowa 2016)

*Walls v. Ford Motor Co.*, 160 A.3d 1135 (Del. 2017)



*Woodard v. Crane Co.*, No. B219366, 2011 WL 3759923 (Cal. Ct. App. Aug. 25, 2011)

**Statutes**

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Iowa Code § 4.6(5)

**II. Does retroactive application of Iowa Code § 686B.7(5) to bar the Beverages' vested claims against Alcoa and IITI violate their right to due process?**

**Cases**

*Brewer v. Iowa Dist. Court for Pottawattamie Cty.*, 395 N.W.2d 841 (Iowa 1986)

*Presbytery of Se. Iowa v. Harris*, 226 N.W.2d 232 (Iowa 1975)

*See Thorp v. Casey's Gen. Stores, Inc.*, 446 N.W.2d 457 (Iowa 1989)

**Statutes**

Iowa Code § 686B.7(5)

## ARGUMENT

### **I. The district court erred in interpreting Iowa Code § 686B.7(5) to bar all premises liability and product supplier claims alleging injury from asbestos exposure.**

In defending the trial court's construction of Iowa Code § 686B.7(5), Appellees Arconic and IITI refuse to acknowledge the ambiguity of this section and ignore the rules of statutory construction. These are the same mistakes made by the district court. Because Section 686B.7(5) is ambiguous, the tools of statutory construction are necessary to illuminate its meaning. Helpful tools here include a consideration of the consequences of the district court's interpretation and a comparison of Section 686B.7(5) with similar laws governing the bare metal defense. Iowa Code §§ 4.6(4), (5). Such analysis demonstrates that Section 686B.7(5) is aimed at establishing the bare metal defense and not eliminating established causes of action against premises owners and product suppliers in asbestos cases.

#### **A. Iowa Code § 686B.7(5) is ambiguous.**

Section 686B.7(5) is ambiguous in its meaning. "Ambiguity occurs 'if reasonable minds could differ or be uncertain as to the meaning of the statute.'" *State v. Mathias*, 936 N.W.2d 222, 227 (Iowa 2019) (quoting

*City of Waterloo v. Bainbridge*, 749 N.W.2d 245, 248 (Iowa 2008)). “Ambiguity may arise in two ways: (1) from the meaning of particular words; or (2) from the general scope and meaning of a statute when all its provisions are examined.” *Holiday Inns Franchising, Inc. v. Branstad*, 537 N.W.2d 724, 728 (Iowa 1995).

Importantly, “disputed statutory language must be read in context.” *In Interest of S.M.D.*, 569 N.W.2d 609, 611 (Iowa 1997). This is so during the “initial review for ambiguity,” where the Court must “assess the statute in its entirety, not just isolated words or phrases.” *State v. Nall*, 894 N.W.2d 514, 518 (Iowa 2017) (quoting *State v. Howse*, 875 N.W.2d 684, 691 (Iowa 2016).)

In fact, “great care must be used before declaring a statute unambiguous.” *Rhoades v. State*, 880 N.W.2d 431, 446 (Iowa 2016). The Supreme Court has recognized “the need to be circumspect regarding narrow claims of plain meaning and [strives] to make sense of our law as a whole.” *Id.* “[T]he determination of whether a statute is ambiguous does not necessarily rest on close analysis of a handful of words or a phrase utilized by the legislature, but involves consideration of the language in context.” *Id.* In *Rhoades*, the Court discussed prior cases in which

seemingly straightforward language such as “all information” or “all liens” was found ambiguous in context. *Id.* (citing *Iowa Ins. Inst. v. Core Grp. of Iowa Ass’n for Justice*, 867 N.W.2d 58, 79 (Iowa 2015), and *U.S. Bank Nat. Ass’n v. Lamb*, 874 N.W.2d 112, 119 (Iowa 2016)).

Here, both Appellees and the trial court refuse to look at Section 686B.7(5) as a whole, instead isolating each word or phrase and concluding that each one standing alone is easily understood. Neither Arconic nor IITI addresses the Beverage family’s contention that the statute must be read as a whole. Instead, they recite the trial court’s division of the Section into individual words and phrases, including “defendant,” “asbestos action,” “shall not be liable,” “product or component part,” and “made or sold by a third party.” (App. 772-74; Arconic Br. 66-70). Each is considered in a vacuum, not in context or in relation to the whole. This approach is not consistent with Iowa law.

When read in context, the language used in Section 686B.7(5) is not “clear,” and more than one reasonable meaning can be ascribed to this provision. Use of the phrase “a product or component part made or sold by a third party” implies that the “defendant” referred to in the beginning of the sentence is a product manufacturer. The phrasing suggests a

comparison between “a product or component part made or sold by a third party” and a product or component part made or sold by the defendant. This interpretation is reasonable, logical, and makes sense of the reference to products and components made by third parties. If the legislature wanted to limit asbestos liability to product manufacturers, as the district court read Section 686B.7(5), the reference to third parties is confusing.

Ambiguity also arises from the section’s placement within Chapter 686B pertaining to requirements for establishing prima facie proof of impairment from non-malignant asbestos diseases. Section 686B.7 in particular is focused on procedures, not substance. It is titled, “Procedures--limitation.” Other than the subsection at issue, it addresses procedural matters such as presumptions, evidence at trial, discovery, and consolidation of cases. The strange addition of an apparently substantive provision at the end of a section on asbestos litigation procedures does not support the trial court’s conclusion that there is a “clear” meaning to Section 686B.7(5). Such meaning certainly is not supported by its location within Chapter 686B.

Because there are multiple reasonable meanings of the statute, and it can logically be read to only apply to product manufacturers, the Court should use of the tools of statutory construction to ascertain the legislature's intent.

**B. The principles of statutory construction indicate that the legislature did not intend to abolish all asbestos exposure claims against premises owners and product suppliers.**

Arconic accuses the Beverage family of “attack[ing]” the district court “for refusing to speculate about the probable legislative intent apart from the words of the Statute.” (Arconic Br. 74). This fundamentally misunderstands the tools of statutory construction. Because Section 686B.7(5) is capable of multiple meanings, it is entirely appropriate to utilize those tools to ascertain legislative intent.

1. It is proper to consider the consequences of the district court's construction.

Arconic and IITI dismiss the well-established tool of looking at the consequences of the interpretation they urge. First, they oddly deny that the district court interpreted Section 686B.7(5) to eliminate all asbestos exposure claims against premises owners and product suppliers, claiming that this was merely the incidental effect of the district court's

summary judgment order. They do not explain how an asbestos exposure claim could ever be brought against a premises owner or product supplier under an interpretation that limits liability only to those who manufacture the asbestos product at issue. If there is any doubt about this, one need only look to the district court's conclusion that there is no liability in this case because "[n]either Alcoa nor IITI are the original manufacturer or seller of any asbestos product." (App. 775).<sup>2</sup> The natural consequence of such a ruling is that liability cannot be based on a premise owner's duty to take reasonable precautions to keep its premises safe for invitees like Charles Beverage, or based on product liability law that has, until now, imposed liability on those that sell asbestos products.

Contrary to Arconic and IITI's contention that the effect of the district court's interpretation should be ignored, Iowa law provides that "the consequences of a particular construction" are one of the factors to be used in determining legislative intent. Iowa Code § 4.6(5); *Mathias*,

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<sup>2</sup> Despite this phrasing, the category of "original seller" has no independent meaning under the district court's reasoning. The district court's interpretation of Section 686B.7(5) means that only an entity that makes *and* sells an asbestos product has liability. As the court's ruling in favor of IITI makes clear, any product seller other than the manufacturer is exempt from liability.

936 N.W.2d at 231. The case of *Carolyn v. Hill*, 553 N.W.2d 882 (Iowa 1996) is instructive. There, the Court was interpreting Iowa Code § 147.139, which governs expert testimony on the standard of care in a medical malpractice case. *Id.* at 887. The question was whether only physicians could provide expert testimony or whether nurses and other non-physician medical personnel could testify about the standard of care. *Id.* Among other tools of construction, the Court considered the consequence of an interpretation that only allowed physicians to testify as experts, noting that “[i]f the word ‘person’ is construed only to include physicians, it would contradict the statutory and case law regarding the admissibility of expert testimony.” *Id.* at 888. Iowa law has long allowed expert testimony based on scientific, technical, or other specialized knowledge and has not required certain credentials before someone can be qualified as an expert. *Id.* The Court therefore rejected a construction of Iowa Code § 147.139 that would have altered Iowa law permitting expert testimony based on experience. *Id.* at 888-89.

Here, the district court’s construction of Section 686B.7(5) similarly upends longstanding Iowa law with regard to premises liability and product liability. Traditionally, landowners that hire independent



contractors have a non-contractual duty to take reasonable precautions to keep the premises in a safe condition for the contractor and its employees. *See Greenwell v. Meredith Corp.*, 189 N.W.2d 901, 905 (Iowa 1971). “[O]wners and occupiers [have a] duty to exercise reasonable care in the maintenance of their premises for the protection of lawful visitors.” *Koenig v. Koenig*, 766 N.W.2d 635, 645-46 (Iowa 2009).

Under the district court’s construction, however, Arconic becomes simply “a consumer of asbestos insulation provided by a third party, IITI,” (App. 774), not a premises owner with a duty to keep its premises safe for invitees like Charles Beverage. Even though Arconic exposed Charles to asbestos insulation on its premises, contributing to his fatal cancer, it is now exempt from liability because “[t]he record is completely devoid of any evidence that Alcoa was responsible for manufacturing, creating, or selling asbestos or an asbestos containing product.” (App. 774).

In addition, under Iowa products liability law, liability has been imposed on those that cause injury through the manufacture or supply of an asbestos product. *Spaur v. Owens–Corning Fiberglas Corp.*, 510 N.W.2d 854, 858 (Iowa 1994). But according to the district court, even

though IITI sold and installed the asbestos insulation on Alcoa's premises, and was therefore subject to liability under *Spaur*, now under Section 686B.7(5) IITI escapes liability because "any asbestos containing products that IITI installed at Alcoa or sold to Alcoa were products or component parts made or sold by third parties such as Johns Manville and Eagle-Pitcher." (App. 774-75).

The Beverage family recognizes that the legislature could decide to eliminate these causes of action in an asbestos case, *if that was its intent*. But there is nothing in the legislation itself, or in the legislative history, or in the specific language of the statute, that evidences an intent to abolish established tort claims against premises owners and suppliers who expose plaintiffs to asbestos.

The Supreme Court has declined to interpret a statute to work a sea change in the law in the absence of any express legislative intent to do so. For example, in *Swanger v. State*, 445 N.W.2d 344 (Iowa 1989), a plaintiff suing under the Iowa Tort Claims Act, Iowa Code chapter 25A, contended that a provision referencing insurance meant that the entire chapter requiring exhaustion of administrative remedies in suits against the State no longer applied if the State had an applicable insurance

policy. *Id.* at 348. The Supreme Court disagreed, reasoning first that “if the legislature had intended to allow abrogation of chapter 25A in its entirety as to all insured claims, it would surely have said so explicitly.” *Id.* The Court further explained that acceptance of the plaintiffs’ statutory construction “would drastically alter the extent of the waiver of State governmental immunity intended and accomplished by the legislature in chapter 25A,” and “[y]et the language of section 25A.20 says nothing about governmental immunity, and certainly does not provide a blanket waiver of governmental immunity.” *Id.* The Court adopted an alternate interpretation after considering the provision at issue in the context of the statutory scheme as a whole. *Id.* at 349; *see also Graham v. Worthington*, 259 Iowa 845, 855, 146 N.W.2d 626 (1966) (“If the legislature had intended to eliminate the doctrine of governmental immunity, as to all political subdivisions of the state, it could easily have so declared. This it did not do . . .”).

The district court erred in interpreting Section 686B.7(5) in a manner that eliminates asbestos exposure claims against premises owners and product suppliers when the legislature never expressed any intention to work such a drastic change in the tort law of this State.

Despite Arconic and IITI's protestations, there is no other way to read the court's order ruling that they do not have liability because "[n]either Alcoa nor IITI are the original manufacturer or seller of any asbestos product." (App. 775). Under well-established rules of statutory interpretation, this Court should consider the consequences of the interpretation urged by Appellees and adopted by the trial court. Because there is nothing in Section 686B.7(5), or the chapter to which it belongs, that gives the slightest indication of an intention to abolish causes of action against premises owners and product suppliers who expose people to asbestos, this Court should consider those extreme consequences in interpreting this provision.

2. It is proper to consider laws upon the same or similar subjects.

Arconic and IITI both dismiss the Beverage family's argument that the clear intent of Section 686B.7(5) is to codify the "bare metal" defense. Arconic calls it a "fallacious straw-man argument" (Arconic Br. 47), and IITI argues that this is an "attempt to imbue the Statute with a different legislative intent than is present in its plain language." (IITI Br. 49). Tellingly, neither of them offers any substantive refutation of this

interpretation of Section 686B.7(5). They offer no discussion of it at all other than to fall back on their “plain language” argument once again.

This Court should not ignore the discussion of the “bare metal” defense in countless cases across the country in the decade preceding the enactment of Section 686B.7(5). A recognized tool of statutory construction is to consider “[t]he common law or former statutory provisions, including laws upon the same or similar subjects.” Iowa Code § 4.6(4). This Court should be guided by case law from other jurisdictions demonstrating that the language used in Section 686B.7(5) is commonly understood to refer to an equipment manufacturer’s liability (or lack thereof) for asbestos products made or sold by third parties. *See Cassady v. Wheeler*, 224 N.W.2d 649, 652 (Iowa 1974). While ordinarily this principle is utilized to compare the language of similar statutes, this reasoning applies equally to language used in case law: “in the construction of statutes the logic and reasoning of outside authorities involving similar [laws] are often helpful.” *Goergen v. State Tax Comm’n*, 165 N.W.2d 782, 788 (Iowa 1969).

The “bare metal” defense has been one of the most widely litigated issues in asbestos cases over the past 10 to 15 years. And the case law

discussing this defense generally uses remarkably similar language to Section 686B.7(5). *See, e.g., Carroll v. ABB, Inc.*, No. 15-CV-373-WMC, 2017 WL 1366113, at \*5 (W.D. Wis. Apr. 12, 2017) (“[T]he fundamental principles of the bare metal defense . . . are consistent with product liability law in Wisconsin, since both cases premise liability on a defendant’s failure to warn about the risks associated with its own products, not those associated with third-party products . . . .”); *Rabovsky v. Air & Liquid Sys. Corp.*, No. CV 10-3202, 2016 WL 5404451, at \*3 (E.D. Pa. Sept. 28, 2016) (“In its motion, Defendant essentially contends that it is entitled to judgment as a matter of law because: (1) it owed no legal duty to Decedent to warn of the hazards of asbestos-containing materials made and sold by third parties Defendant had no control over . . . .”); *Quirin v. Lorillard Tobacco Co.*, 17 F. Supp. 3d 760, 769 (N.D. Ill. 2014) (“The ‘bare metal defense’ . . . posits that a manufacturer has no duty to warn about hazards associated with a product it did not manufacture or distribute.”); *Faddish v. Buffalo Pumps*, 881 F. Supp. 2d 1361, 1368 (S.D. Fla. 2012) (“[O]ther courts have concluded that a defendant is never liable when the material containing asbestos was supplied by a third party.”); *Conner v. Alfa Laval, Inc.*, 842 F. Supp. 2d 791, 798 (E.D. Pa.

2012) (“[A] defendant manufacturer is not liable for a third party’s asbestos products when the defendant is not part of the ‘chain of distribution’ of the asbestos product.”);<sup>3</sup> *Walls v. Ford Motor Co.*, 160 A.3d 1135 (Del. 2017) (“The bare metal defense is an affirmative defense recognized by some jurisdictions which ‘provides that a manufacturer has no duty to warn about potential dangers from exposure to a part of its product if the manufacturer did not make or distribute the part.’”); *Taylor v. Elliott Turbomachinery Co.*, 171 Cal. App. 4th 564, 592, 90 Cal. Rptr. 3d 414, 436 (2009) (“[R]espondents in this appeal are not liable for injury-causing materials supplied by third parties and used in conjunction with respondents’ products.”); *Braaten v. Saberhagen Holdings*, 198 P.3d 493, 500 (Wash. 2008) (“[A]s a matter of law the manufacturers here are not liable under § 402A for failure to warn of the danger of exposure during maintenance of their products to asbestos-containing insulation that was manufactured and supplied by third parties.”); *Lee v. Clark Reliance Corp.*, No. B241656, 2013 WL 3677250, at \*6 (Cal. Ct. App. July 15, 2013)

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<sup>3</sup>This case was overruled by the United States Supreme Court’s decision rejecting the bare metal defense under maritime law in *Air & Liquid Sys. Corp. v. DeVries*, 139 S. Ct. 986, 992 (2019).

("[E]quipment manufacturers could not be held liable for failing to warn about the dangers of asbestos exposure arising from products manufactured and supplied by third parties."); *Woodard v. Crane Co.*, No. B219366, 2011 WL 3759923, at \*1 (Cal. Ct. App. Aug. 25, 2011) (The Defendant "had no duty to warn the Navy of the dangers of asbestos products manufactured and supplied by third parties.").

It is entirely appropriate for this Court to take into account the larger context of nationwide asbestos litigation in which the Iowa legislature enacted Section 686B.7(5). Courts have basically approached this issue in three different ways:

Some courts have concluded that a defendant is liable whenever the use of asbestos in connection with its product is foreseeable. Conversely, other courts have concluded that a defendant is never liable when the material containing asbestos was supplied by a third party. Finally, some courts have followed a middle road, finding a duty where the use of asbestos-containing materials was specified by a defendant, was essential to the proper functioning of the defendant's product, or was for some other reason so inevitable that, by supplying the product, the defendant was responsible for introducing asbestos into the environment at issue.

*Quirin*, 17 F. Supp. 3d at 769 (internal citations omitted).

The Iowa legislature has chosen the most restrictive view of asbestos product manufacturer liability. Section 686B.7(5) adopts the



bare metal defense to protect manufacturers from liability for asbestos-containing products and component parts manufactured by “third parties.” The Beverage family does not challenge the legislature’s prerogative in taking this approach. But to deny that this was the legislature’s choice is to ignore the legal environment in which Section 686B.7(5) was enacted. Looking to similar laws on this same subject provides a valuable tool in assessing the legislature’s intent. Putting Section 686B.7(5) in the context of the broader litigation not only explains why that particular language was chosen, but demonstrates that the intent was not to eliminate all claims for asbestos exposure against premises owners and asbestos product suppliers. It was, instead, to take adopt the bare metal defense invoked by asbestos product manufacturers across the country.

**II. The district court’s interpretation of Iowa Code § 686B.7(5) violated the Beverages’ right to due process.**

The Beverage family acknowledges that they did not make a due process argument in the district court. This Court may consider this argument, however, “as incident to a determination of other issues

properly presented.” *Presbytery of Se. Iowa v. Harris*, 226 N.W.2d 232, 234 (Iowa 1975).

As noted in Section I, the district court’s interpretation of Section 686B.7(5) negates established Iowa tort law regarding premises liability and product liability for suppliers. This effect of the trial court’s ruling should not be disregarded, as Arconic and IITI urge. It is central to the Beverages’ argument that the district court erred in its interpretation of Section 686B.7(5) and to their argument that the Beverage family’s rights to those causes of action were already vested at the time this provision was enacted.

Arconic and IITI’s contention that the Beverage family was somehow on “notice” that Section 686B.7(5) was set to eliminate these causes of action is incorrect. As this appeal demonstrates, there is nothing clear about the meaning of Section 686B.7(5). The Beverages could not possibly have been expected to understand that its passage meant they would no longer have causes of action against premises owners and product suppliers that exposed Charles Beverage to asbestos when the statute itself says nothing of the kind.

The retroactive application of Section 686B.7(5) is not akin to a changed statute of limitations, as Arconic argues. The case *Brewer v. Iowa Dist. Court for Pottawattamie Cty.*, 395 N.W.2d 841, 843 (Iowa 1986) held that “persons adversely affected by the shortening of a statute of limitations must be given a reasonable time after the change in the law to avoid its consequences.” Section 686B.7(5) is not a statute of limitations; according to the district court and Appellees, it completely abolished causes of action against premises owners and product suppliers who expose people to asbestos. If that interpretation is upheld, this provision not only eliminated the Beverages’ right of recovery against Arconic and IITI, it did so after those claims had accrued and without any explicit warning that those injured by asbestos exposure would no longer have a remedy against property owners and product suppliers.

Arconic and IITI have cited nothing that would change the fact that the Beverage family’s wrongful death claims had accrued and become a vested right at the time of Charles Beverage’s death in 2015, long before Section 686B.7(5) was enacted. The retroactive application of Section 686B.7(5) deprived them of their vested rights against Arconic and IITI

in violation of their right to due process of law. *See Thorp v. Casey's Gen. Stores, Inc.*, 446 N.W.2d 457, 461–63 (Iowa 1989).

## CONCLUSION

Iowa law cautions against the type of “narrow claims of plain meaning” engaged in by the district court and Appellees. *Rhoades*, 880 N.W.2d at 446. The district court failed to consider the statutory language as a whole or recognize its ambiguity, and should have utilized the tools of statutory construction to ascertain legislative intent. Its failures resulted in an erroneous interpretation of Section 686B.7(5). That error should be corrected by this Court. The Beverage family asks this Court to reverse the district court and remand for further proceedings.

Dated: August 7, 2020

Respectfully submitted,

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## **CERTIFICATE OF COSTS**

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/s/ Lisa W. Shirley

Dated: August 7, 2020

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/s/ Lisa W. Shirley

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## **CERTIFICATE OF FILING AND SERVICE**

The undersigned hereby certifies that on August 7, 2020, the above and foregoing Amended Reply Brief of Plaintiffs/Appellants was electronically filed with the Clerk of Court for the Supreme Court of Iowa using the EDMS system, service being made by EDMS upon the following:

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