

FIRST REGULAR SESSION

[P E R F E C T E D]

# SENATE BILL NO. 329

99TH GENERAL ASSEMBLY

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INTRODUCED BY SENATOR KEHOE.

Read 1st time January 23, 2017, and ordered printed.

Read 2nd time February 2, 2017, and referred to the Committee on General Laws.

Reported from the Committee March 2, 2017, with recommendation that the bill do pass and be placed on the Consent Calendar.

Taken up March 16, 2017. Read 3rd time and placed upon its final passage; bill passed.

ADRIANE D. CROUSE, Secretary.

1559S.01P

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## AN ACT

To repeal sections 407.825 and 407.826, RSMo, and to enact in lieu thereof two new sections relating to motor vehicle franchise practices.

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*Be it enacted by the General Assembly of the State of Missouri, as follows:*

Section A. Sections 407.825 and 407.826, RSMo, are repealed and two new  
2 sections enacted in lieu thereof, to be known as sections 407.825 and 407.826, to  
3 read as follows:

407.825. Notwithstanding the terms of any franchise agreement to the  
2 contrary, the performance, whether by act or omission, by a motor vehicle  
3 franchisor, whether directly or indirectly through an agent, employee, affiliate,  
4 common entity, or representative, or through an entity controlled by a franchisor,  
5 of any or all of the following acts enumerated in this section are hereby defined  
6 as unlawful practices, the remedies for which are set forth in section 407.835:

7 (1) To engage in any conduct which is capricious or not in good faith or  
8 unconscionable and which causes damage to a motor vehicle franchisee or to the  
9 public; provided, that good faith conduct engaged in by motor vehicle franchisors  
10 as sellers of new motor vehicles or parts or as holders of security interest therein,  
11 in pursuit of rights or remedies accorded to sellers of goods or to holders of  
12 security interests pursuant to the provisions of chapter 400, uniform commercial  
13 code, shall not constitute unfair practices pursuant to sections 407.810 to 407.835;

**EXPLANATION—Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.**

14           (2) To coerce, attempt to coerce, require or attempt to require any motor  
15 vehicle franchisee to accept delivery of any new motor vehicle or vehicles,  
16 equipment, tools, parts or accessories therefor, or any other commodity or  
17 commodities which such motor vehicle franchisee has not ordered after such  
18 motor vehicle franchisee has rejected such commodity or commodities, or which  
19 is not required by law or the franchise agreement. It shall not be deemed a  
20 violation of this section for a motor vehicle franchisor to require a motor vehicle  
21 franchisee to have an inventory of parts, tools, and equipment reasonably  
22 necessary to service the motor vehicles sold by a motor vehicle franchisor; or new  
23 motor vehicles reasonably necessary to meet the demands of dealers or the public  
24 or to display to the public the full line of a motor vehicle franchisor's product line;

25           (3) To withhold, reduce, delay, or refuse to deliver in reasonable  
26 quantities and within a reasonable time after receipt of orders for new motor  
27 vehicles, such motor vehicles as are so ordered and as are covered by such  
28 franchise and as are specifically publicly advertised by such motor vehicle  
29 franchisor to be available for immediate delivery; provided, however, the failure  
30 to deliver any motor vehicle shall not be considered a violation of sections 407.810  
31 to 407.835 if such failure is due to an act of God, work stoppage, or delay due to  
32 a strike or labor difficulty, shortage of products or materials, freight delays,  
33 embargo or other causes of which such motor vehicle franchisor shall have no  
34 control;

35           (4) To coerce, attempt to coerce, require or attempt to require any motor  
36 vehicle franchisee to enter into any agreement with such motor vehicle franchisor  
37 or its agent, employee, affiliate, or representative, or a person controlled by the  
38 franchisor or to do any other act prejudicial to such motor vehicle franchisee;

39           (5) To terminate, cancel, refuse to continue, or refuse to renew any  
40 franchise without good cause, unless such new motor vehicle franchisee, without  
41 good cause, substantially defaults in the performance of such franchisee's  
42 reasonable, lawful, and material obligations under such franchisee's franchise. In  
43 determining whether good cause exists, the administrative hearing commission  
44 shall take into consideration all relevant circumstances, including, but not limited  
45 to, the following factors:

46           (a) The amount of business transacted by the franchisee;

47           (b) The investments necessarily made and obligations incurred by the  
48 franchisee, including but not limited to goodwill, in the performance of its duties  
49 under the franchise agreement, together with the duration and permanency of

50 such investments and obligations;

51 (c) The potential for harm and inconvenience to consumers as a result of  
52 disruption of the business of the franchisee;

53 (d) The franchisee's failure to provide adequate service facilities,  
54 equipment, parts, and qualified service personnel;

55 (e) The franchisee's failure to perform warranty work on behalf of the  
56 manufacturer, subject to reimbursement by the manufacturer;

57 (f) The franchisee's failure to substantially comply, in good faith, with  
58 requirements of the franchise that are determined to be reasonable, lawful, and  
59 material;

60 (g) The franchisor's failure to honor its requirements under the franchise;

61 (h) The potential harm to the area that the franchisee serves;

62 (i) The demographic and geographic characteristics of the area the  
63 franchisee serves; and

64 (j) The harm to the franchisor;

65 (6) To prevent by contract or otherwise, any motor vehicle franchisee from  
66 changing the capital structure of the franchisee's franchise or the means by or  
67 through which the franchisee finances the operation of the franchisee's franchise,  
68 provided the motor vehicle franchisee at all times meets any reasonable capital  
69 standards agreed to between the motor vehicle franchisee and the motor vehicle  
70 franchisor and grants to the motor vehicle franchisor a purchase money security  
71 interest in the new motor vehicles, new parts and accessories purchased from the  
72 motor vehicle franchisor;

73 (7) (a) To prevent, by contract or otherwise, any sale or transfer of a  
74 franchisee's franchise or interest or management thereof; provided, if the  
75 franchise specifically permits the franchisor to approve or disapprove any such  
76 proposed sale or transfer, a franchisor shall only be allowed to disapprove a  
77 proposed sale or transfer if the interest being sold or transferred when added to  
78 any other interest owned by the transferee constitutes fifty percent or more of the  
79 ownership interest in the franchise and if the proposed transferee fails to satisfy  
80 any standards of the franchisor which are in fact normally relied upon by the  
81 franchisor prior to its entering into a franchise, and which relate to the  
82 qualification, capitalization, integrity or character of the proposed transferee and  
83 which are reasonable. A franchisee or proposed franchisee may request, at any  
84 time, that the franchisor provide a copy of the standards which are normally  
85 relied upon by the franchisor to evaluate a proposed sale or transfer and a

86 proposed transferee;

87 (b) The franchisee and the prospective franchisee shall cooperate with the  
88 franchisor in providing information relating to the prospective transferee's  
89 qualifications, capitalization, integrity and character;

90 (c) In the event of a proposed sale or transfer of a franchise, the franchisor  
91 shall be permitted to exercise a right of first refusal to acquire the franchisee's  
92 assets or ownership if:

93 a. The franchise agreement permits the franchisor to exercise a right of  
94 first refusal to acquire the franchisee's assets or ownership in the event of a  
95 proposed sale or transfer;

96 b. Such sale or transfer is conditioned upon the franchisor or franchisee  
97 entering a franchise agreement with the proposed transferee;

98 c. The exercise of the right of first refusal shall result in the franchisee  
99 and the franchisee's owners receiving the same or greater consideration and the  
100 same terms and conditions as contracted to receive in connection with the  
101 proposed sale or transfer;

102 d. The sale or transfer does not involve the sale or transfer to an  
103 immediate member or members of the family of one or more franchisee owners,  
104 defined as a spouse, child, grandchild, spouse of a child or grandchild, brother,  
105 sister or parent of the franchisee owner, or to the qualified manager, defined as  
106 an individual who has been employed by the franchisee for at least two years and  
107 who otherwise qualifies as a franchisee operator, or a partnership or corporation  
108 controlled by such persons; and

109 e. The franchisor agrees to pay the reasonable expenses, including  
110 attorney's fees which do not exceed the usual, customary and reasonable fees  
111 charged for similar work done for other clients, incurred by the proposed  
112 transferee prior to the franchisor's exercise of its right of first refusal in  
113 negotiating and implementing the contract for the proposed sale or transfer of the  
114 franchise or the franchisee's assets. Notwithstanding the foregoing, no payment  
115 of such expenses and attorney's fees shall be required if the franchisee has not  
116 submitted or caused to be submitted an accounting of those expenses within  
117 fourteen days of the franchisee's receipt of the franchisor's written request for  
118 such an accounting. Such accounting may be requested by a franchisor before  
119 exercising its right of first refusal;

120 (d) For determining whether good cause exists for the purposes of this  
121 subdivision, the administrative hearing commission shall take into consideration

122 all relevant circumstances, including, but not limited to, the following factors:

123 a. Whether the franchise agreement specifically permits the franchisor to  
124 approve or disapprove any proposed sale or transfer;

125 b. Whether the interest to be sold or transferred when added to any other  
126 interest owned by the proposed transferee constitutes fifty percent or more of the  
127 ownership interest in the franchise;

128 c. Whether the proposed transferee fails to satisfy the standards of the  
129 franchisor which are in fact normally relied upon by the franchisor prior to its  
130 entering into a franchise, and which related to the qualification, capitalization,  
131 integrity or character of the proposed transferee and which are lawful and  
132 reasonable;

133 d. The amount of business transacted by the franchisee;

134 e. The investments and obligations incurred by the franchisee, including  
135 but not limited to goodwill, in the performance of its duties under the franchise  
136 agreement, together with the duration and permanency of such investments and  
137 obligations;

138 f. The investments and obligations that the proposed transferee is  
139 prepared to make in the business;

140 g. The potential for harm and inconvenience to consumers as a result of  
141 the franchisor's decision;

142 h. The franchisor's failure to honor its requirements under the franchise;

143 i. The potential harm to the area that the franchisee serves;

144 j. The ability or willingness of the franchisee to continue in the business  
145 if the proposed transfer is not permitted;

146 k. The demographic and geographic characteristics of the area the  
147 franchisee serves; and

148 l. The harm to the franchisor;

149 (8) To prevent by contract or otherwise any motor vehicle franchisee from  
150 changing the executive management of the motor vehicle franchisee's business,  
151 unless the motor vehicle franchisor demonstrates that such change in executive  
152 management will be detrimental to the distribution of the motor vehicle  
153 franchisor's motor vehicles;

154 (9) To impose unreasonable standards of performance upon a motor  
155 vehicle franchisee or to require, attempt to require, coerce or attempt to coerce  
156 a franchisee to adhere to performance standards that are not applied uniformly  
157 to other similarly situated franchisees;

158 (10) To require, attempt to require, coerce, or attempt to coerce a motor  
159 vehicle franchisee at the time of entering into a franchise or any other  
160 arrangement to assent to a release, assignment, novation, waiver or estoppel  
161 which would relieve any person from liability imposed by sections 407.810 to  
162 407.835;

163 (11) To prohibit directly or indirectly the right of free association among  
164 motor vehicle franchisees for any lawful purpose;

165 (12) To provide any term or condition in any lease or other agreement  
166 ancillary or collateral to a franchise, including, but not limited to, any agreement  
167 with a common entity or any person required by the franchisor or controlled by  
168 or affiliated with the franchisor, which term or condition directly or indirectly  
169 violates the provisions of sections 407.810 to 407.835;

170 (13) Upon any termination, cancellation, refusal to continue, or refusal to  
171 renew any franchise or any discontinuation of any line-make or parts or products  
172 related to such line-make, failing to pay reasonable compensation to a franchisee  
173 as follows:

174 (a) The franchisee's net acquisition cost for any new, undamaged and  
175 unsold vehicle in the franchisee's inventory of either the current model year or  
176 one year-prior model year purchased from the franchisor or another franchisee  
177 of the same line-make in the ordinary course of business prior to receipt of a  
178 notice of termination or nonrenewal, provided the vehicle has less than seven  
179 hundred fifty miles registered on the odometer, including mileage incurred in  
180 delivery from the franchisor or in transporting the vehicle between dealers for  
181 sale;

182 (b) The franchisee's cost of each new, unused, undamaged and unsold part  
183 or accessory if the part or accessory is in the current parts catalog, less applicable  
184 allowances. In the case of sheet metal, a comparable substitute for the original  
185 package may be used. Reconditioned or core parts shall be valued at their core  
186 value, the price listed in the current parts catalog or the amount paid for  
187 expedited return of core parts, whichever is higher. If the part or accessory was  
188 purchased by the franchisee from an outgoing authorized franchisee, the  
189 franchisor shall purchase the part or accessory for the price in the current parts  
190 catalog. In the case of parts or accessories which no longer appear in the current  
191 parts catalog, the franchisor shall purchase the parts or accessories for the price  
192 in the last version of the parts catalog in which the part or accessory appeared;

193 (c) The fair market value of each undamaged sign owned by the franchisee

194 which bears a trademark or trade name used or claimed by the franchisor if the  
195 sign was purchased from, or purchased at the request of, the franchisor. During  
196 the first seven years after its purchase, the fair market value of each sign shall  
197 be the franchisee's costs of purchasing the sign, less depreciation, using  
198 straight-line depreciation and a seven-year life of the asset;

199 (d) The fair market value of all equipment, tools, data processing  
200 programs and equipment and automotive service equipment owned by the  
201 franchisee which were recommended in writing and designated as equipment,  
202 tools, data processing programs and equipment, and automotive service  
203 equipment and purchased from, or purchased at the request of, the franchisor, if  
204 the equipment, tools, programs and equipment are in usable and good condition,  
205 except for reasonable wear and tear. During the first seven years after their  
206 purchase, the fair market value of each item of equipment, tools, and automotive  
207 service equipment shall be the franchisee's costs of purchasing the item, less  
208 depreciation, using straight-line depreciation and a seven-year life of the  
209 asset. During the first three years after its purchase, the fair market value of  
210 each item of required data processing programs and equipment shall be the  
211 franchisee's cost of purchasing the item, less depreciation, using straight-line  
212 depreciation and a three-year life of the asset;

213 (e) In addition to the costs referenced in paragraphs (a) to (d) of this  
214 subdivision, the franchisor shall pay the franchisee an additional five percent for  
215 handling, packing, storing and loading of any property subject to repurchase  
216 pursuant to this section, and the franchisor shall pay the shipper for shipping the  
217 property subject to repurchase from the location of the franchisee to the location  
218 directed by the franchisor;

219 (f) The amount remaining to be paid on any equipment or service  
220 contracts required by or leased from the franchisor or a subsidiary or company  
221 affiliated with or controlled or recommended by the franchisor. However, if the  
222 franchise agreement is voluntarily terminated by the franchisee, without coercion  
223 by the franchisor, then:

224 a. If the amount remaining to be paid on any equipment or service  
225 contract is owed to the franchisor, the franchisor shall cancel the obligation  
226 rather than paying the amount to the franchisee; and

227 b. If the amount remaining to be paid on any equipment or service  
228 contract is owed to a subsidiary or a company affiliated with or controlled or  
229 recommended by the franchisor, the franchisor may pay such amount to the

230 subsidiary or the company affiliated with or controlled by the franchisor, but if  
231 the franchisor does not pay such amount to the subsidiary or the company  
232 affiliated with or controlled by the franchisor, such amount may be paid to the  
233 franchisee by the subsidiary or company affiliated with or controlled by the  
234 franchisor;

235 (g) If the dealer leases the dealership facilities, then the franchisor shall  
236 be liable for twelve months' payment of the gross rent or the remainder of the  
237 term of the lease, whichever is less. If the dealership facilities are not leased,  
238 then the franchisor shall be liable for the equivalent of twelve months' payment  
239 of gross rent. This paragraph shall not apply when the termination, cancellation,  
240 or nonrenewed line was under good cause related to a conviction and  
241 imprisonment for a felony involving moral turpitude that is substantially related  
242 to the qualifications, function, or duties of a franchisee as well as fraud and  
243 voluntary terminations of a franchise. Gross rent is the monthly rent plus the  
244 monthly cost of insurance and taxes. Such reasonable rent shall be paid only to  
245 the extent that the dealership premises are recognized in the franchise and only  
246 if they are used solely for performance in accordance with the franchise and not  
247 substantially in excess of those facilities recommended by the manufacturer or  
248 distributor. If the facility is used for the operations of more than one franchise,  
249 the gross rent compensation shall be adjusted based on the planning volume and  
250 facility requirements of the manufacturers, distributors, or branch or division  
251 thereof;

252 (h) The franchisor shall pay to the franchisee the amount remaining to be  
253 paid on any leases of computer hardware or software that is used to manage and  
254 report data to the manufacturer or distributor for financial reporting  
255 requirements and the amount remaining to be paid on any manufacturer or  
256 distributor required equipment leases, service contracts, and sign leases. The  
257 franchisor's obligation shall not exceed one year on any such lease. However, if  
258 the franchise agreement is voluntarily terminated by the franchisee, without  
259 coercion by the franchisor, then:

260 a. If the amount remaining to be paid is owed to the franchisor, the  
261 franchisor shall cancel the obligation rather than paying the amount to the  
262 franchisee; and

263 b. If the amount remaining to be paid is owed to a subsidiary or a  
264 company affiliated with or controlled or recommended by the franchisor, the  
265 franchisor may pay such amount to the subsidiary or the company affiliated with

266 or controlled by the franchisor, subject to the limit of the franchisor's one-year  
267 obligation, but if the franchisor does not pay such amount to the subsidiary or the  
268 company affiliated with or controlled by the franchisor, such amount may be paid  
269 to the franchisee by the subsidiary or company affiliated with or controlled by the  
270 franchisor, subject to the limit of the franchisor's one-year obligation;

271 (i) In addition to the other payments set forth in this section, if a  
272 termination, cancellation, or nonrenewal is premised upon the franchisor  
273 discontinuing the sale in this state of a line-make that was the subject of the  
274 franchise, then the franchisor shall also be liable to the franchisee for an amount  
275 at least equivalent to the fair market value of the franchisee's goodwill for the  
276 discontinued line-makes of the motor vehicle franchise on the date immediately  
277 preceding the date the franchisor announces the action which results in  
278 termination, cancellation, or nonrenewal, whichever amount is higher. At the  
279 franchisee's option, the franchisor may avoid paying fair market value of the  
280 motor vehicle franchise to the franchisee under this paragraph if the franchisor,  
281 or another motor vehicle franchisor under an agreement with the franchisor,  
282 offers the franchisee a replacement motor vehicle franchise with terms  
283 substantially similar to that offered to other same line-make dealers;

284 (j) The franchisor shall pay the franchisee all amounts incurred by the  
285 franchisee to upgrade its facilities that were required by the franchisor within  
286 twelve months prior to receipt of a notice of termination or nonrenewal; however,  
287 a franchisee shall not receive any benefits under this subdivision if it was  
288 terminated for the grounds set forth in subdivision (1) of subsection 4 of section  
289 407.822. However, if the franchise agreement is voluntarily terminated by the  
290 franchisee, without coercion by the franchisor, and for a reason other than the  
291 death or incapacitation of the dealer principal, then the franchisor shall have no  
292 obligation under this paragraph; and

293 (k) The franchisor shall pay the franchisee the amounts specified in this  
294 subdivision along with any other amounts that may be due to the franchisee  
295 under the franchise agreement within sixty days after the tender of the property  
296 subject to the franchisee providing evidence of good and clear title upon return  
297 of the property to the franchisor. The franchisor shall remove the property within  
298 sixty days after the tender of the property from the franchisee's property. Unless  
299 previous arrangements have been made and agreed upon, the franchisee is under  
300 no obligation to provide insurance for the property left after sixty days;

301 (l) This subdivision shall not apply to a termination, cancellation or

302 nonrenewal due to a sale of the assets or stock of the motor vehicle dealership;  
303 (14) To prevent or refuse to honor the succession to a franchise or  
304 franchises by any legal heir or devisee under the will of a franchisee, under any  
305 written instrument filed with the franchisor designating any person as the  
306 person's successor franchisee, or pursuant to the laws of descent and distribution  
307 of this state; provided:

308 (a) Any designated family member of a deceased or incapacitated  
309 franchisee shall become the succeeding franchisee of such deceased or  
310 incapacitated franchisee if such designated family member gives the franchisor  
311 written notice of such family member's intention to succeed to the franchise or  
312 franchises within one hundred twenty days after the death or incapacity of the  
313 franchisee, and agrees to be bound by all of the lawful terms and conditions of the  
314 current franchise agreement, and the designated family member meets the  
315 current lawful and reasonable criteria generally applied by the franchisor in  
316 qualifying franchisees. In order for the franchisor to claim that any such  
317 reasonable criteria are generally applied by the franchisor in qualifying  
318 franchisees, it shall have previously provided a copy to the proposed successor  
319 franchisee within ten days after receiving the proposed successor franchisee's  
320 notice. A franchisee may request, at any time, that the franchisor provide a copy  
321 of such criteria generally applied by the franchisor in qualifying franchisees;

322 (b) The franchisor may request from a designated family member such  
323 personal and financial data as is reasonably necessary to determine whether the  
324 existing franchise agreement should be honored. The designated family member  
325 shall supply the personal and financial data promptly upon the request;

326 (c) If the designated family member does not meet the reasonable and  
327 lawful criteria generally applied by the franchisor in qualifying franchisees, the  
328 discontinuance of the current franchise agreement shall take effect not less than  
329 ninety days after the date the franchisor serves the required notice on the  
330 designated family member pursuant to subsection 4 of section 407.822;

331 (d) The provisions of this subdivision shall not preclude a franchisee from  
332 designating any person as the person's successor by written instrument filed with  
333 the franchisor, and if such an instrument is filed, it alone shall determine the  
334 succession rights to the management and operation of the franchise; and

335 (e) For determining whether good cause exists, the administrative hearing  
336 commission shall take into consideration all circumstances, including, but not  
337 limited to, the following factors:

- 338           a. Whether the franchise agreement specifically permits the franchisor to  
339 approve or disapprove any successor;
- 340           b. Whether the proposed successor substantially fails to satisfy the  
341 material standards of the franchisor which are in fact normally relied upon by the  
342 franchisor prior to the successor entering into a franchise, and which relate to the  
343 proposed management or ownership of the franchise operation or to the  
344 qualification, capitalization, integrity or character of the proposed successor and  
345 which are lawful and reasonable;
- 346           c. The amount of the business transacted by the franchisee;
- 347           d. The investments in and the obligations incurred by the franchisee,  
348 including but not limited to goodwill in the performance of its duties under the  
349 franchise agreement, together with the duration and permanency of such  
350 investments and obligations;
- 351           e. The investments and obligations that the proposed successor franchisee  
352 is prepared to make in the business;
- 353           f. The potential for harm and inconvenience to consumers as a result of  
354 the franchisor's decision;
- 355           g. The franchisor's failure to honor its requirements under the franchise;
- 356           h. The potential harm and injury to the public welfare in the area that the  
357 franchisee serves;
- 358           i. The ability or willingness of the franchisee to continue in the business  
359 if the proposed transfer is not permitted;
- 360           j. The demographic and geographic characteristics of the area the  
361 franchisee serves; and
- 362           k. The harm to the franchisor;
- 363           (15) To coerce, attempt to coerce, require, or attempt to require a  
364 franchisee under any condition affecting or related to a franchise agreement, to  
365 waive, limit or disclaim a right that the franchisee may have pursuant to the  
366 provisions of sections 407.810 to 407.835. Any contracts or agreements which  
367 contain such provisions shall be deemed against the public policy of the state of  
368 Missouri and are void and unenforceable. Nothing in this section shall prohibit  
369 voluntary settlement agreements that specifically identify the provisions of  
370 sections 407.810 to 407.835 that the franchisee is waiving, limiting, or  
371 disclaiming;
- 372           (16) To initiate any act enumerated in this section on grounds that it has  
373 advised a franchisee of its intention to discontinue representation at the time of

374 a franchisee change or require any franchisee to enter into a site control  
375 agreement as a condition to initiating any act enumerated in this section. Such  
376 condition shall not be construed to nullify an existing site control agreement for  
377 a franchisee's property;

378 (17) To require, attempt to require, coerce, or attempt to coerce any  
379 franchisee in this state to refrain from, or to terminate, cancel, or refuse to  
380 continue any franchise based upon participation by the franchisee in the  
381 management of, investment in or the acquisition of a franchise for the sale of any  
382 other line of new vehicle or related products in the same or separate facilities as  
383 those of the franchisor. This subdivision does not apply unless the franchisee  
384 maintains a reasonable line of credit for each make or line of new vehicle, the  
385 franchisee remains in compliance with the franchise and any reasonable facilities  
386 requirements of the franchisor, and no change is made in the principal  
387 management of the franchisee. The reasonable facilities requirement shall not  
388 include any requirement that a franchisee establish or maintain exclusive  
389 facilities, personnel, or display space, when such requirements would not  
390 otherwise be justified by reasonable business considerations. Before the addition  
391 of a line-make to the dealership facilities the franchisee shall first request  
392 consent of the franchisor, if required by the franchise agreement. Any decision  
393 of the franchisor with regard to dualing of two or more franchises shall be  
394 granted or denied within sixty days of a written request from the franchisee. The  
395 franchisor's failure to respond timely to a dualing request shall be deemed to be  
396 approval of the franchisee's request;

397 (18) To fail or refuse to offer to sell to all franchisees for a line-make  
398 reasonable quantities of every motor vehicle sold or offered for sale to any  
399 franchisee of that line-make; however, the failure to deliver any such motor  
400 vehicle shall not be considered a violation of this section if the failure is due to  
401 a cause over which the franchisor has no control. A franchisor may impose  
402 reasonable requirements on the franchisee including, but not limited to, the  
403 purchase of reasonable quantities of advertising materials, the purchase of special  
404 tools required to properly service a motor vehicle, the undertaking of sales person  
405 or service person training related to the motor vehicle, the meeting of reasonable  
406 display and facility requirements as a condition of receiving a motor vehicle, or  
407 other reasonable requirements; provided, that if a franchisor requires a  
408 franchisee to purchase essential service tools with a purchase price in the  
409 aggregate of more than seventy-five hundred dollars in order to receive a

410 particular model of new motor vehicle, the franchisor shall upon written request  
411 provide such franchisee with a good faith estimate in writing of the number of  
412 vehicles of that particular model that the franchisee will be allocated during that  
413 model year in which the tools are required to be purchased;

414 (19) To directly or indirectly condition the awarding of a franchise to a  
415 prospective franchisee, the addition of a line-make or franchise to an existing  
416 franchisee, the renewal of a franchise of an existing franchisee, the approval of  
417 the relocation of an existing franchisee's facility, or the approval of the sale or  
418 transfer of the ownership of a franchise on the willingness of a franchisee,  
419 proposed franchisee, or owner of an interest in the dealership facility to enter into  
420 a site control agreement or exclusive use agreement. For purposes of this  
421 subdivision, the terms "site control agreement" and "exclusive use agreement"  
422 include any agreement that has the effect of either requiring that the franchisee  
423 establish or maintain exclusive dealership facilities or restricting the ability of  
424 the franchisee, or the ability of the franchisee's lessor in the event the dealership  
425 facility is being leased, to transfer, sell, lease, or change the use of the dealership  
426 premises, whether by sublease, lease, collateral pledge of lease, right of first  
427 refusal to purchase or lease, option to purchase, option to lease, or other similar  
428 agreement, regardless of the parties to such agreement. Any provision contained  
429 in any agreement entered into on or after August 28, 2010, that is inconsistent  
430 with the provisions of this subdivision shall be voidable at the election of the  
431 affected franchisee, prospective franchisee, or owner of an interest in the  
432 dealership facility, provided this subdivision shall not apply to a voluntary  
433 agreement where separate, adequate, and reasonable consideration have been  
434 offered and accepted;

435 (20) Except for the grounds listed in subdivision (1) of subsection 4 of  
436 section 407.822, prior to the issuance of any notice of intent to terminate a  
437 franchise agreement under the MVFP act for unsatisfactory sales or service  
438 performance, the franchisor shall provide the franchisee with no less than one  
439 hundred twenty days written notice of the specific asserted grounds for  
440 termination. Thereafter, the franchisee shall have one hundred twenty days to  
441 cure the asserted grounds for termination, provided the grounds are both  
442 reasonable and of material significance to the franchise relationship. If the  
443 franchisee fails to cure the asserted grounds for termination by the end of the  
444 cure period, then the franchisor may give the sixty-day notice required by  
445 subsection 4 of section 407.822 if it intends to terminate the franchise;

446 (21) To require, attempt to require, coerce, or attempt to coerce a  
447 franchisee, by franchise agreement or otherwise, or as a condition to the renewal  
448 or continuation of a franchise agreement, to:

449 (a) Exclude from the use of the franchisee's facilities a line-make for  
450 which the franchisee has a franchise agreement to utilize the facilities; or

451 (b) Materially change the franchisee's facilities or method of conducting  
452 business if the change would impose substantial or unreasonable financial  
453 hardship on the business of the franchisee;

454 (22) To fail to perform or cause to be performed any written warranties  
455 made with respect to any motor vehicle or parts thereof;

456 (23) To withhold, reduce, or delay unreasonably or without just cause  
457 services contracted for by franchisees;

458 (24) To coerce, attempt to coerce, require, or attempt to require any  
459 franchisee to provide installment financing with a specified financial institution;

460 (25) To require, attempt to require, coerce, or attempt to coerce any  
461 franchisee to close or change the location of the franchisee, or to make any  
462 substantial alterations to the franchise premises or facilities when doing so would  
463 be unreasonable under the current market and economic conditions. Prior to  
464 suggesting the need for any such action, the franchisor shall provide the  
465 franchisee with a written good faith estimate of the minimum number of the  
466 models of new motor vehicles that the franchisor will supply to the franchisee  
467 during a reasonable time period, not less than three years, so the franchisee may  
468 determine if it is a sufficient supply of motor vehicles so as to justify such  
469 changes, in light of the current market and reasonably foreseeable projected and  
470 economic conditions. A franchisor or its common entity or an entity controlled by  
471 or affiliated with the franchisor may not take or threaten to take any action that  
472 is unfair or adverse to a franchisee who does not enter into an agreement with  
473 the franchisor under this subdivision. This subdivision does not affect any  
474 contract between a franchisor and any of its franchisees regarding relocation,  
475 expansion, improvement, remodeling, renovation, or alteration which exists on  
476 August 28, 2010;

477 (26) To authorize or permit a person to perform warranty service repairs  
478 on motor vehicles unless the person is a franchisee with whom the manufacturer  
479 has entered into a franchise agreement for the sale and service of the  
480 manufacturer's motor vehicles unless:

481 (a) For emergency repairs when a franchisee is not available [or];

482           **(b) For** repairs pursuant to a fleet contract as long as all parts and labor  
483 to perform the repairs are less than one thousand five hundred dollars at retail  
484 per repaired vehicle; **or**

485           **(c) For repairs performed by a facility under subsection 2 of**  
486 **section 407.826;**

487           (27) To discriminate between or refuse to offer to its same line-make  
488 franchisees all models manufactured for that line-make based upon unreasonable  
489 sales and service standards;

490           (28) To fail to make practically available any incentive, rebate, bonus, or  
491 other similar benefit to a franchisee that is offered to another franchisee of the  
492 same line-make within this state;

493           (29) To condition a franchise agreement on improvements to a facility  
494 unless reasonably required by the technology of a motor vehicle being sold at the  
495 facility;

496           (30) To condition the sale, transfer, relocation, or renewal of a franchise  
497 agreement, or to condition sales, services, parts, or finance incentives, upon site  
498 control or an agreement to renovate or make improvements to a facility; except  
499 that voluntary acceptance of such conditions by the franchisee shall not constitute  
500 a violation;

501           (31) Failing to offer to all of its franchisees of the same line-make any  
502 consumer rebates, dealer incentives, price or interest rate reduction, or finance  
503 terms that the franchisor offers or advertises, or allows its franchisees of the  
504 same line-make to offer or advertise;

505           (32) Offering rebates, cash incentives, or other promotional items for the  
506 sale of a vehicle by its franchisees unless: the same rebate, cash incentive, or  
507 promotion is offered to all of its franchisees of the same line-make; and any  
508 rebate, cash incentive, or promotion that is based on the sale of an individual  
509 vehicle is not increased for meeting a performance standard;

510           (33) Unreasonably discriminating among its franchisees in any program  
511 that provides assistance to its franchisees, including internet listings, sales leads,  
512 warranty policy adjustments, marketing programs, and dealer recognition  
513 programs;

514           (34) To fail to include in any franchise with a franchisee the following  
515 language: "If any provision herein contravenes the laws or regulations of any  
516 state or other jurisdiction wherein this agreement is to be performed, or denies  
517 access to the procedures, forums, or remedies provided for by such laws or

518 regulations, such provision shall be deemed to be modified to conform to such  
519 laws or regulations, and all other terms and provisions shall remain in full force,"  
520 or words to that effect;

521 (35) To withhold, reduce, or delay unreasonably or without just cause  
522 delivery of motor vehicle parts and accessories, commodities, or moneys due  
523 franchisees;

524 (36) To use or consider the performance of a franchisee relating to the sale  
525 of the franchisor's vehicles or the franchisee's ability to satisfy any minimum  
526 sales or market share quota or responsibility relating to the sale of the new  
527 vehicles in determining:

528 (a) The franchisee's eligibility to purchase program, certified, or other  
529 used motor vehicles from the franchisor;

530 (b) The volume, type, or model of program, certified, or other used motor  
531 vehicles that a franchisee is eligible to purchase from the franchisor;

532 (c) The price of any program, certified, or other used motor vehicle that  
533 the franchisee purchased from the franchisor; or

534 (d) The availability or amount of any discount, credit, rebate, or sales  
535 incentive that the franchisee is eligible to receive from the franchisor, for the  
536 purpose of any program, certified, or other used motor vehicle offered for sale by  
537 the franchisor;

538 (37) To refuse to allocate, sell, or deliver motor vehicles; to charge back  
539 or withhold payments or other things of value for which the franchisee is  
540 otherwise eligible under a sales promotion, program, or contest; to prevent a  
541 franchisee from participating in any promotion, program, or contest; or to take or  
542 threaten to take any adverse action against a franchisee, including charge-backs,  
543 reducing vehicle allocations, or terminating or threatening to terminate a  
544 franchise because the franchisee sold or leased a motor vehicle to a customer who  
545 exported the vehicle to a foreign country or who resold the vehicle, unless the  
546 franchisor proves that the franchisee knew or reasonably should have known that  
547 the customer intended to export or resell the motor vehicle. There is a rebuttable  
548 presumption that the franchisee neither knew nor reasonably should have known  
549 of its customer's intent to export or resell the vehicle if the vehicle is titled or  
550 registered in any state in this country. A franchisor may not take any action  
551 against a franchisee, including reducing its allocations or supply of motor vehicles  
552 to the franchisee, or charging back a franchisee for an incentive payment  
553 previously paid, unless the franchisor first meets in person, by telephone, or video

554 conference with an officer or other designated employee of the franchisee. At  
555 such meeting, the franchisor shall provide a detailed explanation, with supporting  
556 documentation, as to the basis for its claim that the franchisee knew or  
557 reasonably should have known of the customer's intent to export or resell the  
558 motor vehicle. Thereafter, the franchisee shall have a reasonable period,  
559 commensurate with the number of motor vehicles at issue, but not less than  
560 fifteen days, to respond to the franchisor's claims. If, following the franchisee's  
561 response and completion of all internal dispute resolution processes provided  
562 through the franchisor, the dispute remains unresolved, the franchisee may file  
563 a complaint with the administrative hearing commission within thirty days after  
564 receipt of a written notice from the franchisor that it still intends to take adverse  
565 action against the franchisee with respect to the motor vehicles still at issue. If  
566 a complaint is timely filed, the administrative hearing commission shall notify  
567 the franchisor of the filing of the complaint, and the franchisor shall not take any  
568 action adverse to the franchisee until the administrative hearing commission  
569 renders a final determination, which is not subject to further appeal, that the  
570 franchisor's proposed action is in compliance with the provisions of this  
571 subdivision. In any hearing under this subdivision, the franchisor has the burden  
572 of proof on all issues raised by this subdivision;

573 (38) To require a franchisee to provide its customer lists or service files  
574 to the franchisor, unless necessary for the sale and delivery of a new motor  
575 vehicle to a consumer, to validate and pay consumer or dealer incentives, for  
576 reasonable marketing purposes or for the submission to the franchisor for any  
577 services supplied by the franchisee for any claim for warranty parts or  
578 repairs. Nothing in this section shall limit the franchisor's ability to require or  
579 use customer information to satisfy any safety or recall notice obligation;

580 (39) To mandate the use by the franchisee, or condition access to any  
581 services offered by the franchisor on the franchisee's use, or condition the  
582 acceptance of an order of any product or service offered by the franchisor on the  
583 franchisee's use, or condition the acceptance of any claim for payment from the  
584 franchisee on the franchisee's use, or condition the franchisee's participation in  
585 any program offered by the franchisor, a common entity or an entity controlled  
586 by the franchisor on the franchisee's use of any form, equipment, part, tool,  
587 furniture, fixture, data processing program or equipment, automotive service  
588 equipment, or sign from the franchisor, a vendor recommended by the franchisor,  
589 a common entity or an entity controlled by the franchisor if the franchisee is able

590 to obtain the identical or reasonably equivalent product from another vendor;  
591 (40) Establishing any performance standard or program for measuring  
592 franchisee performance that may have a material impact on a franchisee that is  
593 not fair, reasonable, and equitable, or applying any such standard or program to  
594 a franchisee in a manner that is not fair, reasonable, and equitable. Within ten  
595 days of a request of a franchisee, a franchisor shall disclose in writing to the  
596 franchisee a description of how a performance standard or program is designed  
597 and all relevant information used in the application of the performance standard  
598 or program to that franchisee unless the information is available to the franchisee  
599 on the franchisor's website;

600 (41) Establishing or implementing a plan or system for the allocation,  
601 scheduling, or delivery of new motor vehicles, parts, or accessories to its  
602 franchisees that is not fair, reasonable, and equitable or modifying an existing  
603 plan or system so as to cause the plan or system to be unreasonable, unfair, or  
604 inequitable. Within ten days of any request of a franchisee, the franchisor shall  
605 disclose in writing to the franchisee the method and mode of distribution of that  
606 line-make among the franchisor's franchisees of the same line-make within the  
607 same metro area for franchisees located in a metropolitan area and within the  
608 county and contiguous counties of any franchisee not located in a metropolitan  
609 area; and

610 (42) To violate any other provision of the MVFP act that adversely  
611 impacts a franchisee.

407.826. 1. (1) A franchisor shall be prohibited from owning or operating  
2 a new motor vehicle dealership in this state. It is not a violation of this section  
3 for a franchisor to own or operate a new motor vehicle dealership:

4 (a) For a temporary period of not more than twenty-four months if the  
5 dealership is for sale at a reasonable price and on reasonable terms and  
6 conditions to an independent qualified buyer. On showing by a franchisor of good  
7 cause, the time limit set forth above may be extended for an additional period of  
8 up to twelve months; or

9 (b) In a bona fide relationship with an independent person (i) who is  
10 required to make a significant investment in the new motor vehicle dealership  
11 subject to loss and (ii) operates the dealership and can reasonably expect to  
12 acquire full ownership of the dealership within a reasonable time and under  
13 reasonable terms and conditions.

14 (2) Nothing in this section shall be deemed to prohibit a franchisor from

15 owning a minority interest in an entity that owns motor vehicle dealerships of the  
16 same line-make manufactured and franchised by the factory, provided that all of  
17 the following conditions are met at the time of acquisition and continue to be met  
18 during the time the entity maintains ownership:

19 (a) The interest owned by the factory in said entity shall not exceed  
20 forty-five percent of the total ownership;

21 (b) Any dealership in which the entity owns an interest shall be no less  
22 than nine miles of any unaffiliated new motor vehicle dealership trading in the  
23 same line-make of vehicle;

24 (c) All of the licensed dealerships for the sale of such factory's new motor  
25 vehicle in the state trade exclusively in the factory's line-make;

26 (d) During any period in which the entity has such ownership interest, the  
27 factory shall have no more than four franchise agreements governing such  
28 line-make with dealers licensed to do business in this state;

29 (e) All the factory's franchise agreements confer rights on the franchisee  
30 of the line-make to develop and operate, within a defined geographic territory or  
31 area, as many dealership facilities as the franchisee and factory shall agree are  
32 appropriate;

33 (f) At the time the entity first acquires an ownership interest, not fewer  
34 than seventy-five percent of the franchisees of the line-make within this state  
35 own and operate two or more dealership facilities in the geographic territory or  
36 area covered by the franchise agreement with the factory;

37 (g) As of January 1, 2001, there were no more than ten dealerships of  
38 such line-make licensed as a new motor vehicle dealer in this state; and

39 (h) Prior to August 28, 2001, the factory has been continuously engaged,  
40 at least since July 1, 1998, in the retail sale of motor vehicles of its own  
41 line-make through direct or indirect ownership of dealerships in at least five  
42 states.

43 2. A franchisor shall not sell new motor vehicles directly to any retail  
44 consumer except through a franchisee for the line-make that includes the new  
45 motor vehicle unless such consumer is an employee of the franchisor, or is a  
46 not-for-profit organization or an agency of the federal, state or local  
47 governments. This subsection shall not preclude a franchisor from providing  
48 information to consumers for the purpose of marketing or facilitating the sale of  
49 a new motor vehicle or from establishing programs to sell or offer to sell new  
50 motor vehicles through participating franchisees. **This subsection shall not**

51 apply to a franchisor who does not manufacture, distribute, or sell  
52 motor vehicles as defined in section 301.010, but who does manufacture  
53 engines for any such motor vehicle with a gross vehicle rating of more  
54 than sixteen thousand pounds that is registered for operation on the  
55 public highways of this state under chapter 301, provided the  
56 franchisor:

57 (1) Is not otherwise a manufacturer of motor vehicles, as defined  
58 in section 407.815, and is not owned or controlled by such a  
59 manufacturer;

60 (2) Owned, operated, or controlled a facility in this state as of  
61 January 1, 2016, to sell or provide warranty service to engines that it  
62 manufactured;

63 (3) Does not own, operate, or control more than seven facilities  
64 in this state which sell or provide warranty service for engines it  
65 manufactures; and

66 (4) Provides its franchisees or dealers with access to support for  
67 completing repairs substantially equal to the support the manufacturer  
68 provides to facilities owned, operated, or controlled by it, including but  
69 not limited to, parts and assemblies, training and technical bulletins,  
70 and other information concerning installation and repairs for its  
71 engines.

72 3. The remedies and relief available pursuant to section 407.835 shall  
73 apply to this section.

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