

FIRST REGULAR SESSION

[PERFECTED]

# HOUSE BILL NO. 575

## 91ST GENERAL ASSEMBLY

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INTRODUCED BY REPRESENTATIVES O'CONNOR, ABEL AND FOLEY (Co-sponsors).

Read 1<sup>st</sup> time January 29, 2001, and 1000 copies ordered printed.

Read 2<sup>nd</sup> time January 30, 2001, and referred to the Committee on Motor Vehicle and Traffic Regulations, February 5, 2001.

Reported from the Committee on Motor Vehicle and Traffic Regulations, February 15, 2001, with the recommendation that the bill Do Pass with House Committee Amendment No. 1.

Taken up for Perfection February 20, 2001. Bill ordered Perfected and printed, as amended.

TED WEDEL, Chief Clerk

1430L.02P

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### AN ACT

To repeal sections 407.815, 407.816, 407.820, 407.822 and 407.825, RSMo 2000, relating to motor vehicle franchise practices, and to enact in lieu thereof eight new sections relating to the same subject.

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

Section A. Sections 407.815, 407.816, 407.820, 407.822 and 407.825, RSMo 2000, are  
2 repealed and eight new sections enacted in lieu thereof, to be known as sections 407.815,  
3 407.816, 407.817, 407.820, 407.822, 407.825, 407.826 and 407.828, to read as follows:

407.815. As used in sections 407.810 to 407.835, unless the context otherwise requires,  
2 the following terms mean:

3 (1) "Administrative hearing commission", the body established in chapter 621, RSMo,  
4 to conduct administrative hearings;

5 (2) "All-terrain vehicle", any motorized vehicle manufactured and used exclusively for  
6 off-highway use which is fifty inches or less in width, with an unladen dry weight of six hundred  
7 pounds or less, traveling on three, four or more low pressure tires, with a seat designed to be  
8 straddled by the operator, and handlebars for steering control;

9 (3) "Coerce", to force a person to act in a given manner or to compel by pressure or  
10 threat but shall not be construed to include the following:

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

- 11 (a) Good faith recommendations, exposition, argument, persuasion or attempts at  
12 persuasion;
- 13 (b) Notice given in good faith to any franchisee of such franchisee's violation of terms  
14 or provisions of such franchise or contractual agreement;
- 15 (c) Any other conduct set forth in section 407.830 as a defense to an action brought  
16 pursuant to sections 407.810 to 407.835; or
- 17 (d) Any other conduct set forth in sections 407.810 to 407.835 that is permitted of the  
18 franchisor or is expressly excluded from coercion or a violation of sections 407.810 to 407.835;
- 19 (4) "Franchise" or "**franchise agreement**", a written arrangement or contract for a  
20 definite or indefinite period, in which a person grants to another person a license to use, or the  
21 right to grant to others a license to use, a trade name, trademark, service mark, or related  
22 characteristics, in which there is a community of interest in the marketing of goods or services,  
23 or both, at wholesale or retail, by agreement, lease or otherwise, and in which the operation of  
24 the franchisee's business with respect to such franchise is substantially reliant on the franchisor  
25 for the continued supply of franchised new motor vehicles, parts and accessories for sale at  
26 wholesale or retail;
- 27 (5) "Franchisee", a person to whom a franchise is granted;
- 28 (6) "Franchisor", a person who grants a franchise to another person;
- 29 (7) "Motor vehicle", **for the purposes of sections 407.810 to 407.835**, any motor-driven  
30 vehicle required to be registered pursuant to the provisions of chapter 301, RSMo, except that,  
31 motorcycles and all-terrain vehicles as defined in section 301.010, RSMo, shall not be included;
- 32 (8) "New", when referring to motor vehicles or parts, means those motor vehicles or  
33 parts which have not been held except as inventory, as that term is defined in subdivision (4) of  
34 section 400.9-109, RSMo;
- 35 (9) "Person", a **natural person**, sole proprietor, partnership, corporation, or any other  
36 form of business **entity or** organization.

407.816. As used in subdivision [(5)] (7) of section 407.815, the term "motor [driven]  
2 vehicle" shall not include "trailer" as such term is defined in subdivision [(56)] (58) of section  
3 301.010, RSMo.

**407.817. 1. For purposes of this section, "relevant market area" means:**

- 2 (1) **For a proposed new motor vehicle dealer or a new motor vehicle dealer who**  
3 **plans to relocate his or her place of business in a county having a population which is**  
4 **greater than one hundred thousand, the area within a radius of six miles of the intended**  
5 **site of the proposed or relocated dealer. The six-mile distance shall be determined by**  
6 **measuring the distance between the nearest surveyed boundary of the existing new motor**  
7 **vehicle dealer's principal place of business and the nearest surveyed boundary line of the**

8 proposed or relocated new motor vehicle dealer's principal place of business; or

9 (2) For a proposed new motor vehicle dealer or a new motor vehicle dealer who  
10 plans to relocate his or her place of business in a county having a population which is not  
11 greater than one hundred thousand, the area within a radius of ten miles of the intended  
12 site of the proposed or relocated dealer, or the county line, whichever is closer to the  
13 intended site. The ten-mile distance shall be determined by measuring the distance  
14 between the nearest surveyed boundary line of the existing new motor vehicle dealer's  
15 principal place of business and the nearest surveyed boundary line of the proposed or  
16 relocated new motor vehicle dealer's principal place of business.

17 2. As used in this section, "relocate" and "relocation" shall not include the  
18 relocation of a new motor vehicle dealer within two miles of its established place of  
19 business.

20 3. Before a franchisor enters into a franchise establishing or relocating a new motor  
21 vehicle dealer within a relevant market area where the same line-make is represented, the  
22 franchisor shall give written notice to each new motor vehicle dealer of the same line-make  
23 in the relevant market area of its intention to establish an additional dealer or to relocate  
24 an existing dealer within that relevant market area.

25 4. Within thirty days after receiving the notice provided for in subsection 3 of this  
26 section, or within thirty days after the end of any appeal procedure provided by the  
27 franchisor, a new motor vehicle dealer may bring an action pursuant to section 407.822 to  
28 determine whether good cause exists for the establishing or relocating of a proposed new  
29 motor vehicle dealer.

30 5. This section shall not apply to the reopening or replacement in a relevant market  
31 area of a closed dealership that has been closed within the preceding year, if the established  
32 place of business of the reopened or replacement dealer is within two miles of the  
33 established place of business of the closed dealership.

34 6. In determining whether good cause exists for establishing or relocating an  
35 additional new motor vehicle dealer for the same line-make, the court shall take into  
36 consideration the existing circumstances, including, but not limited to, the following:

37 (a) Permanency of the investment;

38 (b) Effect on the retail motor vehicle business and the consuming public in the  
39 relevant market area;

40 (c) Whether it is injurious or beneficial to the public welfare;

41 (d) Whether the new motor vehicle dealers of the same line-make in that relevant  
42 market area are providing adequate competition and convenient consumer care for the  
43 motor vehicles of that line-make in the market area, including the adequacy of motor

44 **vehicle sales and qualified service personnel;**

45 **(e) Whether the establishment or relocation of the new motor vehicle dealer would**  
46 **promote competition;**

47 **(f) Growth or decline of the population and the number of new motor vehicle**  
48 **registrations in the relevant market area; and**

49 **(g) Effect on the relocating dealer of a denial of its relocations into the relevant**  
50 **market area.**

51 **7. The remedies and relief available pursuant to section 407.835 shall apply to this**  
52 **section.**

53 **8. This section shall not apply to recreational motor vehicle franchisors and**  
54 **franchisees.**

407.820. Any person who is engaged or engages directly or indirectly in purposeful  
2 contacts within the state of Missouri in connection with the offering, advertising, purchasing,  
3 selling, or contracting to purchase or to sell new motor vehicles, or who, being a motor vehicle  
4 franchisor, is transacting or transacts any business with a motor vehicle franchisee who maintains  
5 a place of business within the state and with whom he **or she** has a franchise, shall be subject to  
6 the jurisdiction of the courts **and administrative agencies** of the state of Missouri, upon service  
7 of process in accordance with the provisions of section 506.510, RSMo, irrespective of whether  
8 such person is a manufacturer, importer, distributor or dealer in new motor vehicles.

407.822. 1. Any party seeking relief pursuant to the provisions of sections 407.810 to  
2 407.835 may file an application for a hearing with the administrative hearing commission within  
3 the time periods specified in this section. The application for a hearing shall comply with the  
4 requirements for a request for agency action set forth in chapter 536, RSMo. Simultaneously,  
5 with the filing of the application for a hearing with the administrative hearing commission, the  
6 applicant shall send by certified mail, return receipt requested, a copy of the application to the  
7 party or parties against whom relief is sought. [Within ten days of] **Upon** receiving a timely  
8 application for a hearing, the administrative hearing commission shall enter an order fixing a  
9 date, time and place for a hearing on the record. [Such hearing shall be within forty-five days  
10 of the date of the order but the administrative hearing commission may continue the hearing date  
11 up to forty-five additional days by agreement of the parties or upon a finding of good cause.]  
12 The administrative hearing commission shall send by certified mail, return receipt requested, a  
13 copy of the order to the party seeking relief and to the party or parties against whom relief is  
14 sought. The order shall also state that the party against whom relief is sought shall not proceed  
15 with the initiation of its activity or activities until the administrative hearing commission issues  
16 its final decision or order, **and the party against whom relief is sought shall, within thirty**  
17 **days of such order, file an answer or other responsive pleading directed to each claim for**

18 relief set forth in the application for hearing. Failure to answer or otherwise respond  
19 within such time frame may be deemed by the administrative hearing commission as an  
20 admission of the grounds for relief set forth in the application for hearing.

21       2. Unless otherwise expressly provided in sections 407.810 to 407.835, the provisions  
22 of chapter 536, RSMo, shall govern hearings and prehearing procedures conducted pursuant to  
23 the authority of this section. **Any party may obtain discovery in the same manner, and under**  
24 **the same conditions and requirements, as is or may hereafter be provided for with respect**  
25 **to discovery in civil actions by rule of the supreme court of Missouri for use in the circuit**  
26 **courts, and the administrative hearing commission may enforce discovery by the same**  
27 **methods as provided by supreme court rule for use in civil cases.** The administrative hearing  
28 commission shall issue a final decision or order, in proceedings arising pursuant to the provisions  
29 of sections 407.810 to 407.835, within [sixty] **ninety** days from the conclusion of the hearing.  
30 **In any proceeding initiated pursuant to sections 407.810 to 407.835 involving a matter**  
31 **requiring a franchiser to show good cause for any intended action being protested by a**  
32 **franchisee, the franchiser shall refrain from taking the protested action if, after a hearing**  
33 **on the matter before the administrative hearing commission, the administrative hearing**  
34 **commission determines that good cause does not exist for the franchiser to take such**  
35 **action. The franchisee may, if necessary, seek enforcement of the decision of the**  
36 **administrative hearing commission pursuant to the provisions of section 407.835. Venue**  
37 **for such proceedings shall be in the circuit court of Cole County, Missouri, or in the circuit**  
38 **court of the county in which the franchisee resides or operates the franchise business. In**  
39 **determining any relief necessary for enforcement of the decision of the administrative**  
40 **hearing commission, the court shall defer to the commission's factual findings, and review**  
41 **shall be limited to a determination of whether the commission's decision was authorized**  
42 **by law and whether the commission abused its discretion. Any final decisions of the**  
43 **administrative hearing commission shall be subject to review pursuant to a petition for review**  
44 **to be filed in the court of appeals in the district in which the hearing, or any part of the hearing,**  
45 **is held and by delivery of copies of the petition to each party of record, within thirty days after**  
46 **the mailing or delivery of the final decision and notice of the final decision in such a case.**  
47 **Appeal of the administrative hearing commission's decision pursuant to this section shall**  
48 **not preclude any action authorized by section 407.835, brought in a court of competent**  
49 **jurisdiction, requesting an award of legal or equitable relief, provided that if such an**  
50 **action is brought solely for the purpose of enforcing a decision of the administrative**  
51 **hearing commission which is on appeal pursuant to this subsection, the court in which such**  
52 **action is pending may hold in abeyance its judgment pending issuance of a decision by the**  
53 **court of appeals.** Review pursuant to this section shall be exclusive and decisions of the

54 administrative hearing commission reviewable pursuant to this section shall not be reviewable  
55 in any other proceeding, and no other official or court shall have power to review any such  
56 decision by an action in the nature of mandamus or otherwise, except pursuant to the provisions  
57 of this section. The party seeking review shall be responsible for the filing of the transcript and  
58 record of all proceedings before the administrative hearing commission with the appropriate  
59 court of appeals.

60         3. Any franchisee receiving a notice from a franchisor pursuant to the provisions of  
61 sections 407.810 to 407.835, or any franchisee adversely affected by a franchisor's acts or  
62 proposed acts described in the provisions of sections 407.810 to 407.835, shall be entitled to file  
63 an application for a hearing before the administrative hearing commission for a determination  
64 as to whether the franchisor has good cause for its acts or proposed acts.

65         4. Not less than sixty days before the effective date of the initiation of any enumerated  
66 act pursuant to subdivisions (5), (6), (7) and (14) of subsection 1 of section 407.825, a franchisor  
67 shall give written notice to the affected franchisee or franchisees, by certified mail, return receipt  
68 requested, except as follows:

69         (1) Upon the initiation of an act pursuant to subdivision (5) of subsection 1 of section  
70 407.825, such notice shall be given not less than fifteen days before the effective date of such  
71 act only if the grounds for the notice include the following:

72             (a) Transfer of any ownership or interest in the franchised dealership without the consent  
73 of the motor vehicle franchisor;

74             (b) Material misrepresentation by the motor vehicle franchisee in applying for the  
75 franchise;

76             (c) Insolvency of the motor vehicle franchisee or the filing of any petition by or against  
77 the motor vehicle franchisee under any bankruptcy or receivership law;

78             (d) Any unfair business practice by the motor vehicle franchisee after the motor vehicle  
79 franchisor has issued a written warning to the motor vehicle franchisee to desist from such  
80 practice;

81             (e) Conviction of the motor vehicle franchisee of a crime which is a felony;

82             (f) Failure of the motor vehicle franchisee to conduct customary sales and service  
83 operations during customary business hours for at least seven consecutive business days unless  
84 such closing is due to an act of God, strike or labor difficulty or other cause over which the motor  
85 vehicle franchisee has no control; or

86             (g) Revocation of the motor vehicle franchisee's license;

87         (2) Upon initiation of an act pursuant to subdivision (7) of subsection 1 of section  
88 407.825, such notice shall be given within sixty days of the franchisor's receipt of a written  
89 proposal to consummate such sale or transfer and the receipt of all necessary information and

documents generally used by the franchisor to conduct its review. **The franchisor shall acknowledge in writing to the applicant the receipt of the information and documents and if the franchisor requires additional information or documents to complete its review, the franchisor shall notify the applicant within fifteen days of the receipt of the information and documents. If the franchisor fails to request additional information and documents from the applicant within fifteen days after receipt of the initial forms, the sixty-day time period for approval shall be deemed to run from the initial receipt date. Otherwise, the sixty-day time period for approval shall run from receipt of the supplemental requested information. In no event shall the total time period for approval exceed seventy-five days from the date of the receipt of all necessary information and documents generally used by the franchisor to conduct its review.** The franchisor's notice of disapproval shall also specify the reasonable standard which the franchisor contends is not satisfied and the reason the franchisor contends such standard is not satisfied. Failure on the part of the franchisor to provide such notice shall be conclusively deemed an approval by the franchisor of the proposed sale or transfer to the proposed transferee. A franchisee's application for a hearing shall be filed with the administrative hearing commission within twenty days from receipt of such franchisor's notice;

(3) Pursuant to paragraphs (a) and (b) of subdivision (14) of subsection 1 of section 407.825, such notice shall be given within sixty days of the franchisor's receipt of a deceased or incapacitated franchisee's designated family member's intention to succeed to the franchise or franchises or of the franchisor's receipt of the personal and financial data of the designated family member, whichever is later.

5. A franchisor's notice to a franchisee or franchisees pursuant to subdivisions (5), (6), (7) and (14) of subsection 1 of section 407.825 shall contain a statement of the particular grounds supporting the intended action or activity which shall include any reasonable standards which were not satisfied. The notice shall also contain at a minimum, on the first page thereof, a conspicuous statement which reads as follows: "NOTICE TO FRANCHISEE: YOU MAY BE ENTITLED TO FILE A PROTEST WITH THE MISSOURI ADMINISTRATIVE HEARING COMMISSION IN JEFFERSON CITY, MISSOURI, AND HAVE A HEARING IN WHICH YOU MAY PROTEST THE CONTENTS OF THIS NOTICE. ANY ACTION MUST BE FILED WITHIN TWENTY DAYS FROM RECEIPT OF THIS NOTICE."

6. When more than one application for a hearing is filed with the administrative hearing commission, the administrative hearing commission may consolidate the applications into one proceeding to expedite the disposition of all relevant issues.

7. In all proceedings before the administrative hearing commission pursuant to this section, section 407.825 and section 621.053, RSMo, where the franchisor is required to give

126 notice pursuant to subsection 4 of this section, the franchisor shall have the burden of proving  
127 by a preponderance of the evidence that good cause exists for its actions. In all other actions, the  
128 franchisee shall have the burden of proof.

407.825. 1. Notwithstanding the terms of any franchise agreement, the performance,  
2 whether by act or omission, by a motor vehicle franchisor of any or all of the following acts  
3 enumerated in this subsection are hereby defined as unlawful practices, the remedies for which  
4 are set forth in section 407.835:

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

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

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

27 (4) To coerce any motor vehicle franchisee to enter into any agreement with such motor  
28 vehicle franchisor or to do any other act prejudicial to such motor vehicle franchisee, by  
29 threatening to cancel any franchise or any contractual agreement existing between such motor  
30 vehicle franchisor and motor vehicle franchisee; provided, however, that notice in good faith to  
31 any motor vehicle franchisee of such motor vehicle franchisee's violation of any provisions of  
32 such franchise or contractual agreement shall not constitute a violation of sections 407.810 to  
33 407.835;



34 (5) To terminate, cancel or refuse to continue any franchise **without good cause**, directly  
35 or indirectly through the actions of the franchisor, unless such new motor vehicle franchisee  
36 substantially defaults in the performance of such franchisee's reasonable and lawful obligations  
37 under such franchisee's franchise, or such new motor vehicle franchisor discontinues the sale in  
38 the state of Missouri of such franchisor's products which are the subject of the franchise[:

39 (a) Notwithstanding the terms of any franchise agreement to the contrary, good cause to  
40 terminate, cancel or refuse to continue any franchise agreement shall not be established based  
41 upon the fact that the motor vehicle franchisee owns, has an investment in, participates in the  
42 management of or holds a franchise agreement for the sale or service of another make or line of  
43 new motor vehicles or the motor vehicle dealer has established another make or line of new  
44 motor vehicles or service in the same dealership facilities as those of the motor vehicle franchisor  
45 prior to February 1, 1997, or such establishment is approved in writing by the franchisee and the  
46 franchisor. If the franchise agreement requires the approval of the franchisor, such approval shall  
47 be requested in writing by the franchisee and the franchisor shall approve or disapprove such a  
48 request in writing within sixty days of receipt of such request. A request from a franchisee shall  
49 be deemed to have been approved if the franchisor fails to notify the franchisee, in writing, of  
50 its disapproval within sixty days after its receipt of the written request;

51 (b)]. In determining whether good cause exists, the administrative hearing commission  
52 shall take into consideration the existing circumstances, including, but not limited to, the  
53 following factors:

54 [a.] (a) The franchisee's sales in relation to sales in the market;

55 [b.] (b) The franchisee's investment and obligations;

56 [c.] (c) Injury to the public welfare;

57 [d.] (d) The adequacy of the franchisee's service facilities, equipment, parts and  
58 personnel in relation to those of other franchisees of the same line-make;

59 [e.] (e) Whether warranties are being honored by the franchisee;

60 [f.] (f) The parties' compliance with their franchise agreement;

61 [g.] (g) The desire of a franchisor for market penetration or a market study, if any,  
62 prepared by the franchisor or franchisee are two factors which may be considered;

63 [h.] (h) The harm to the franchisor;

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

70 accessories purchased from the motor vehicle franchisor;

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

83 (b) The franchisee and the prospective franchisee shall cooperate fully with the  
84 franchisor in providing information relating to the prospective transferee's qualifications,  
85 capitalization, integrity and character;

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

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

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

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

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

101 e. The franchisor agrees to pay the reasonable expenses, including attorney's fees which  
102 do not exceed the usual, customary and reasonable fees charged for similar work done for other  
103 clients, incurred by the proposed transferee prior to the franchisor's exercise of its right of first  
104 refusal in negotiating and implementing the contract for the proposed sale or transfer of the  
105 franchise or the franchisee's assets. Notwithstanding the foregoing, no payment of such expenses

106 and attorney's fees shall be required if the franchisee has not submitted or caused to be submitted  
107 an accounting of those expenses within fourteen days of the franchisee's receipt of the  
108 franchisor's written request for such an accounting. Such accounting may be requested by a  
109 franchisor before exercising its right of first refusal;

110 (d) For determining whether good cause exists for the purposes of this subdivision, the  
111 administrative hearing commission shall take into consideration the existing circumstances,  
112 including, but not limited to, the following factors:

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

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

118 c. Whether the proposed transferee fails to satisfy any standards of the franchisor which  
119 are in fact normally relied upon by the franchisor prior to its entering into a franchise, and which  
120 related to the proposed management or ownership of the franchise operations or to the  
121 qualification, capitalization, integrity or character of the proposed transferee which are  
122 reasonable;

123 d. Injury to the public welfare;

124 e. The harm to the franchisor;

125 (8) To prevent by contract or otherwise any motor vehicle franchisee from changing the  
126 executive management of the motor vehicle franchisee's business, except that any attempt by a  
127 motor vehicle franchisor to demonstrate by giving reasons that such change in executive  
128 management will be detrimental to the distribution of the motor vehicle franchisor's motor  
129 vehicles shall not constitute a violation of this subdivision;

130 (9) To impose unreasonable standards of performance upon a motor vehicle franchisee;

131 (10) To require a motor vehicle franchisee at the time of entering into a franchise  
132 arrangement to assent to a release, assignment, novation, waiver or estoppel which would relieve  
133 any person from liability imposed by sections 407.810 to 407.835;

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

136 (12) To provide any term or condition in any lease or other agreement ancillary or  
137 collateral to a franchise, which term or condition directly or indirectly violates the provisions of  
138 sections 407.810 to 407.835;

139 (13) Upon any termination, cancellation or refusal to continue any franchise or any  
140 discontinuation of any line-make or parts or products related to such line-make by a franchisor,  
141 fail to pay reasonable compensation to a franchisee as follows:

142 (a) Any new, undamaged and unsold vehicle in the franchisee's inventory of either the  
143 current model year or purchased from the franchisor within one hundred twenty days prior to  
144 receipt of a notice of termination or nonrenewal, provided the vehicle has less than five hundred  
145 miles registered on the odometer, including mileage incurred in delivery from the franchisor or  
146 in transporting the vehicle between dealers for sale, at the dealer's net acquisition cost, plus any  
147 cost to the dealer for returning the vehicle inventory to the franchisor;

148 (b) The franchisee's cost of each new, unused, undamaged and unsold part or accessory  
149 if the part or accessory is in the current parts catalog, less applicable allowances, plus five  
150 percent of the catalog price of the part for the cost of packing and returning the part to the  
151 franchisor. In the case of sheet metal, a comparable substitute for the original package may be  
152 used. Reconditioned or core parts shall be valued at their core value, the price listed in the  
153 current parts catalog or the amount paid for expedited return of core parts, whichever is higher.  
154 If the part or accessory was purchased by the franchisee from an outgoing authorized franchisee,  
155 the franchisor shall purchase the part for either the price in the current parts catalog or the  
156 franchisee's actual purchase price of the part, whichever is less. In the case of parts which no  
157 longer appear in the current parts catalog, the franchisor may purchase the part for either the  
158 price in the last version of the parts catalog in which the part appeared or the franchisee's actual  
159 purchase price of the part, whichever is less. The franchisee shall maintain accurate records  
160 regarding the actual purchase price of parts bought from an outgoing authorized franchisee. In  
161 the absence of such records, the franchisor is not required to purchase parts which are not in the  
162 current parts catalog;

163 (c) The depreciated value determined pursuant to generally accepted accounting  
164 principles of each undamaged sign owned by the franchisee which bears a trademark or trade  
165 name used or claimed by the franchisor if the sign was purchased from, or purchased at the  
166 request of, the franchisor;

167 (d) The fair market value of all special tools, data processing equipment and automotive  
168 service equipment owned by the franchisee which were recommended in writing and designated  
169 as special tools and equipment and purchased from, or purchased at the request of, the franchisor  
170 within three years of the termination of the franchise, if the tools and equipment are in usable and  
171 good condition, except for reasonable wear and tear;

172 (e) Except as provided in paragraph (a) of this subdivision, the cost of transporting,  
173 handling, packing, storing and loading of any property subject to repurchase pursuant to this  
174 section shall not exceed reasonable and customary charges; and

175 (f) The franchisor shall pay the franchisee the amounts specified in this subdivision  
176 within ninety days after the tender of the property subject to the franchisee providing evidence  
177 of good and clear title upon return of the property to the franchisor. The franchisor shall remove

178 the property within one hundred eighty days after the tender of the property from the franchisee's  
179 property. Unless previous arrangements have been made and agreed upon, the franchisee is  
180 under no obligation to provide insurance for the property left after one hundred eighty days;

181 (14) To prevent or refuse to honor the succession to a franchise or franchises by any legal  
182 heir or devisee under the will of a franchisee, under any written instrument filed with the  
183 franchisor designating any person as the person's successor franchisee, or pursuant to the laws  
184 of descent and distribution of this state; provided:

185 (a) Any designated family member of a deceased or incapacitated franchisee shall  
186 become the succeeding franchisee of such deceased or incapacitated franchisee if such designated  
187 family member gives the franchisor written notice of such family member's intention to succeed  
188 to the franchise or franchises within one hundred twenty days after the death or incapacity of the  
189 franchisee, and agrees to be bound by all of the terms and conditions of the current franchise  
190 agreement, and the designated family member meets the current reasonable criteria generally  
191 applied by the franchisor in qualifying franchisees. A franchisee may request, at any time, that  
192 the franchisor provide a copy of such criteria generally applied by the franchisor in qualifying  
193 franchisees;

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

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

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

206 (e) For determining whether good cause exists, the administrative hearing commission  
207 shall take into consideration the existing circumstances, including, but not limited to, the  
208 following factors:

209 a. Whether the franchise agreement specifically permits the franchisor to approve or  
210 disapprove any successor;

211 b. Whether the proposed successor fails to satisfy any standards of the franchisor which  
212 are in fact normally relied upon by the franchisor prior to the successor entering into a franchise,  
213 and which relate to the proposed management or ownership of the franchise operation or to the

214 qualification, capitalization, integrity or character of the proposed successor and which are  
215 reasonable;

216 c. Injury to the public welfare;

217 d. The harm to the franchisor;

218 (15) To coerce, threaten, intimidate or require a franchisee under any condition affecting  
219 or related to a franchise agreement, or to waive, limit or disclaim a right that the franchisee may  
220 have pursuant to the provisions of sections 407.810 to 407.835. Any contracts or agreements  
221 which contain such provisions shall be deemed against the public policy of the state of Missouri  
222 and are void and unenforceable. Nothing in this section shall prohibit voluntary settlement  
223 agreements;

224 (16) To initiate any act enumerated in this subsection on grounds that it has advised a  
225 franchisee of its intention to discontinue representation at the time of a franchisee change or  
226 require any franchisee to enter into a site control agreement as a condition to initiating any act  
227 enumerated in this subsection. Such condition shall not be construed to nullify an existing site  
228 control agreement for a franchisee's property[.];

229 **(17) To require, coerce, or attempt to coerce any franchisee in this state to refrain**  
230 **from, or to terminate, cancel, or refuse to continue any franchise based upon participation**  
231 **by the franchisee in the management of, investment in or the acquisition of a franchise for**  
232 **the sale of any other line of new vehicle or related products in the same or separate**  
233 **facilities as those of the franchisor. This subdivision does not apply unless the franchisee**  
234 **maintains a reasonable line of credit for each make or line of new vehicle, the franchisee**  
235 **remains in compliance with the franchise and any reasonable facilities requirements of the**  
236 **franchisor, and no change is made in the principal management of the franchisee. The**  
237 **reasonable facilities requirement shall not include any requirement that a franchisee**  
238 **establish or maintain exclusive facilities, personnel, or display space, when such**  
239 **requirements or any of them would not otherwise be justified by reasonable business**  
240 **considerations. Before the addition of a line-make to the dealership facilities the franchisee**  
241 **must first request consent of the franchisor, if required by the franchise agreement. Any**  
242 **decision of the franchisor with regard to dualing of two or more franchises shall be granted**  
243 **or denied within sixty days of a written request from the new vehicle dealer. The**  
244 **franchiser's failure to respond timely to a dualing request shall be deemed to be approval**  
245 **of the franchisee's request;**

246 (18) To fail or refuse to offer to sell to all franchisees for a line-make every motor  
247 vehicle sold or offered for sale to any franchisee of that line-make. However, the failure  
248 to deliver any such motor vehicle shall not be considered a violation of this section if the  
249 failure is not arbitrary, or is due to a lack of manufacturing capacity or to a strike or labor

difficulty, a shortage of materials, a freight embargo or other cause over which the franchisor has no control. A franchisor may impose reasonable requirements on the franchisee including, but not limited to, the purchase of reasonable quantities of advertising materials, the purchase of special tools required to properly service a motor vehicle, the undertaking of sales person or service person training related to the motor vehicle, the meeting of reasonable display and facility requirements as a condition of receiving a motor vehicle, or other reasonable requirements; provided, that if a franchisor requires a franchisee to purchase essential service tools with a purchase price in the aggregate of more than seventy-five hundred dollars in order to receive a particular model of new motor vehicle, the franchisor shall upon written request provide such franchisee with a good faith estimate in writing of the number of vehicles of that particular model that the franchisee will be allocated during that model year in which the tools are required to be purchased.

2. The provisions of subdivision (13), paragraphs (a) to (f), subdivisions (17) and (18) of this section shall not apply to recreational motor vehicles, as defined in subdivision (44) of section 301.010, RSMo, or recreational motor vehicle franchisors or franchisees.

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

(a) For a temporary period of not more than twenty-four months if the dealership is for sale at a reasonable price and on reasonable terms and conditions to an independent qualified buyer. On showing by a franchisor of good cause, the time limit set forth above may be extended for an additional period of up to twelve months. For franchisors of recreational vehicles, the period of temporary ownership of a dealership may be extended in twelve-month increments for a maximum extension of sixty months, if good cause is shown; or

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

(2) Nothing in this section shall be deemed to prohibit a franchisor from owning a minority interest in an entity that owns motor vehicle dealerships of the same line-make manufactured and franchised by the factory, provided that all of the following conditions are met at the time of acquisition and continue to be met during the time the entity maintains ownership:

(a) The interest owned by the factory in said entity shall not exceed forty-five

21 percent of the total ownership;

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

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

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

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

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

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

39 (h) Prior to the effective date of this subsection, the factory has been continuously  
40 engaged, at least since July 1, 1998, in the retail sale of motor vehicles of its own line-make  
41 through direct or indirect ownership of dealerships in at least five states; and

42 (i) The provisions of this subdivision shall not apply to recreational motor vehicle  
43 franchisors and franchisees.

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

51 3. The remedies and relief available pursuant to section 407.835 shall apply to this  
52 section.

407.828. 1. Each franchisor shall specify in writing to each of its franchisees in this  
2 state the franchisee's obligations for preparation, delivery, and warranty service on its  
3 products. The franchisor shall compensate the franchisee for warranty service required  
4 of the franchisee by the franchisor. The franchisor shall provide the franchisee with the



5 schedule of compensation to be paid to the franchisee for parts, work and service, and the  
6 time allowance for the performance of the work and service.

7       2. The schedule of compensation shall include reasonable compensation for  
8 diagnostic work, as well as repair service and labor. Time allowances for the diagnosis and  
9 performance of warranty work and service shall be reasonable and adequate for the work  
10 to be performed. In the determination of what constitutes reasonable compensation  
11 pursuant to this section, the principal factor to be given consideration shall be the  
12 prevailing wage rates being paid by franchisees in the community in which the franchisee  
13 is doing business, and in no event shall the compensation of a franchisee for warranty labor  
14 be less than the rates charged by the franchisee for like service to retail customers for  
15 nonwarranty service and repairs, provided that such rates are reasonable.

16       3. A franchisor shall not:

17       (1) Fail to perform any warranty obligation;

18       (2) Fail to include in written notices of franchisor recalls to new motor vehicle  
19 owners and franchisees the expected date by which necessary parts and equipment will be  
20 available to franchisees for the correction of the defects; or

21       (3) Fail to compensate any of the franchisees in this state for repairs effected by the  
22 recall.

23       4. All claims made by a franchisee pursuant to this section for labor and parts shall  
24 be paid within thirty days after their approval. All claims shall be either approved or  
25 disapproved by the franchisor within thirty days after their receipt on a proper form  
26 generally used by the franchisor and containing the usually required information therein.  
27 Any claims not specifically disapproved in writing within thirty days after the receipt of  
28 the form shall be considered to be approved and payment shall be made within thirty days.  
29 A claim which has been approved and paid may not be charged back to the franchisee  
30 unless the franchisor can show that the claim was fraudulent, false, or unsubstantiated,  
31 except that a charge back for false or fraudulent claims shall not be made more than two  
32 years after payment, and a charge back for unsubstantiated claims shall not be made more  
33 than fifteen months after payment. A franchise shall maintain all records of warranty  
34 repairs, including the related time records of its employees, for at least two years following  
35 payment of any warranty claim.

36       5. A franchisor shall compensate the franchisee for franchisor-sponsored sales or  
37 service promotion events, programs, or activities in accordance with established guidelines  
38 for such events, programs, or activities.

39       6. All claims made by a franchisee pursuant to subsection 5 for promotion events,  
40 programs, or activities shall be paid within ten days after their approval. All claims shall

41 be either approved or disapproved by the franchisor within thirty days after their receipt  
42 on a proper form generally used by the franchisor and containing the usually required  
43 information therein. Any claim not specifically disapproved in writing within thirty days  
44 after the receipt of this form shall be considered to be approved and payment shall be  
45 made within thirty days. The franchisor has the right to charge back any claim for twelve  
46 months after the later of either the close of the promotion event, program, or activity, or  
47 the date of the payment.