

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1064
Economic Matters

(Delegate Valderrama)

Judicial Proceedings

Vehicle Laws – Manufacturers and Dealers – Transfers of Franchises

This bill requires an owner, partner, or stockholder of a vehicle dealership seeking to sell, assign, or otherwise transfer a franchise (or any right under a franchise) to provide written notice to the vehicle manufacturer of the proposed transfer. Within 20 days, the manufacturer must provide the transferor with all forms and requests for information considered necessary to evaluate the proposed transfer. Within 75 days after a manufacturer receives the completed forms and requested information from a transferor, the manufacturer must (1) give consent to the transfer or (2) provide a written statement of the specific grounds for its refusal to consent to the transfer, consistent with existing requirements.

Fiscal Summary

State Effect: The bill does not materially affect State finances or operations.

Local Effect: The bill does not materially affect local government finances or operations.

Small Business Effect: Minimal.

Analysis

Current Law: A dealer or an owner, partner, or stockholder of a vehicle dealership may not sell, assign, or otherwise transfer a franchise or any right under a franchise without the consent of the manufacturer. Regardless of the terms of any franchise agreement or agreement related to a franchise, a manufacturer may not exercise a right of first refusal in the event of a sale or transfer (or proposed sale or transfer) of a dealer's business (or any

equity interest in a dealer's business) to a person who meets the manufacturer's reasonable qualifications for ownership and is:

- a member of the dealer's immediate family;
- a qualified manager with at least two years management experience at the dealer's business;
- an existing dealer in good standing; or
- a business entity controlled by one of the above persons.

If a manufacturer exercises a right of first refusal in the event of a sale or transfer (or proposed sale or transfer) of the dealer's business (or an equity interest in the dealer's business), the manufacturer must pay the reasonable expenses, including customary attorney's fees, incurred by the prospective purchaser in negotiating and implementing the contract for the proposed sale or transfer (provided that the dealer has given the manufacturer at least 45 days' notice of an intent to sell or transfer).

A manufacturer is prohibited from unreasonably withholding consent to the transfer of a franchise.

Additional Information

Prior Introductions: None.

Designated Cross File: SB 813 (Senator Waldstreicher) - Judicial Proceedings.

Information Source(s): Office of the Attorney General (Consumer Protection Division); Maryland Department of Transportation; Department of Legislative Services

Fiscal Note History: First Reader - February 27, 2020
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