



ARIZONA HOUSE OF REPRESENTATIVES

Fifty-sixth Legislature
First Regular Session

House: COM DP 9-1-0-0

HB 2404: franchises; regulation
Sponsor: Representative Travers, LD 12
Caucus & COW

Overview

Establishes law governing Franchises.

Provisions

Franchises (Sec. 1)

1. Establishes statutory requirements and regulations for a *Franchise* which is a contract that grants a franchisee the right to engage in the business of offering, selling or distributing goods or services under a marketing plan or system prescribed in substantial part by a franchisor.
2. Stipulates any condition or provision purporting to bind a person to waive compliance with statutory Franchise requirements is contrary to public policy and void.
3. Applies Franchise requirements to any franchise that is domiciled in this State or the franchised business is or has been operated in this State.
4. Stipulates Franchise requirements do not apply to certain nonprofit organizations if specified criteria are met.
5. Prohibits a franchisor from terminating a franchise prior to the expiration except for good cause and outlines the limitations of good cause.
6. Permits the reasonable termination without an opportunity to cure provided outlined criteria are met.
7. Asserts there is a lawful termination or nonrenewal of certain separate motor fuel franchises provided the franchise expressly allows termination for a specified reason.
8. Provides responsibilities for a franchisor on a lawful termination or nonrenewal of a franchisee regarding purchasing all inventory, supplies, equipment and furnishings purchased under the franchise agreement.
9. Provides conditions under which a franchisor is not required to purchase any items, inventory, supplies, or furnishings.
10. Delineates exemptions from Franchise requirements regarding a lawful termination or nonrenewal of a franchise.
11. Allows a franchisor, on the termination or nonrenewal of a franchise, to offset against the amounts owed to a franchisee any amounts owed by the franchisee if the franchisee agrees or the franchisor receives a final adjudication of any amounts owed.
12. Requires a franchisor to renew a franchise unless a written notice of the intent not to renew is provided to the franchisee at least 180 days before the end of the agreement and outlined conditions are met.

<input type="checkbox"/> Prop 105 (45 votes)	<input type="checkbox"/> Prop 108 (40 votes)	<input type="checkbox"/> Emergency (40 votes)	<input type="checkbox"/> Fiscal Note
--	--	---	--------------------------------------

13. Specifies the conditions for nonrenewal does not prohibit a franchisor from offering or agreeing to extend the term of the franchise in order to satisfy the time of the notice of nonrenewal requirement.
14. Prohibits a franchisor from denying the surviving spouse, heirs or estate of a deceased franchisee or the majority shareholder of the franchisee the opportunity to participate in the ownership of the franchise under a valid franchise agreement after the death of the franchisee or shareholder.
15. Outlines the requirements and rights of the individual who participates in the ownership of the franchise.
16. Specifies a franchisor is not prohibited from exercising the right of refusal to purchase a franchise after receiving an offer to purchase by a proposed purchaser.
17. Specifies a franchisor is prohibited from preventing the sale or transfer of a franchise or the assets or interest in the franchise to a qualified person.
18. Requires the franchisor to disclose the standards of a qualified person.
19. Asserts a franchisee does not have the right to sell or transfer a franchise without the written consent of the franchisor and provides criteria for withholding the consent.
20. Specifies a franchisor is not prohibiting from exercising the contractual right of first refusal to purchase a franchisee, assets or interest in a franchise after receiving an offer from a proposed purchaser to purchase the franchise, asset or interest.
21. Requires a franchisor who is exercising the right of refusal to offer the seller payment that is at least equal to the value offered in the bona fide offer.
22. Provides requirements for, and the contents of, a notice of a franchisee's intent to sell, assign or transfer a franchise.
23. Instructs the franchisor to notify the franchisee of the approval or disapproval of the proposed sale, assignment or transfer of the franchise within 60 days of receiving the necessary information and documentation.
24. Deems the sale, assignment or transfer approved unless disapproved by the franchisor.
25. Requires a franchisor to include in the notice of disapproval a statement stating the reasons for the disapproval.
26. Specifies in any action in which the franchisor's disapproval is an issue, the reasonableness of the franchisor's decision is a question of fact.
27. Specifies the disapproval provisions does not prohibit summary judgment when the reasonableness of transfer approval or disapproval can be decided as a matter of law.
28. Adds the disapproval provisions does not:
 - a) Require a franchisor to exercise the contractual right of first refusal; or
 - b) Prohibit a franchisor from exercising the right of refusal to purchase a franchise, asset or interest after receiving a bona fide offer from a proposed purchase.
29. Provides requirements for all notices of termination or nonrenewal.
30. Entitles a franchisee to receive the fair market value of the franchised business, assets and any other damages if the franchisor unlawfully terminates or fails to renew a franchisee.
31. Permits a court to grant preliminary and permanent injunctions for Franchise violations.

32. Allows the franchisor to offset any prior recovery by the franchisee and any sums that the franchisee owes the franchisor.
33. Entitles the franchisee that purchases a franchise from the franchisor all damages flowing from the purchase or to rescission of the franchise agreement if the franchisor violates federal law.
34. Asserts the Franchise requirements do not abrogate the right of a franchisee to sue under any other law.
35. Provides rights of association for a franchisor.
36. Prescribes enforcement provisions relating to rights of association, including statute of limitations on enforcement of a violation by a cause of action.
37. Asserts a provision in a franchise agreement restricting venue to a forum outside this State is void.
38. Outlines the applicability of Franchise requirements.
39. Prohibits a franchisor from modifying a franchise agreement or require a general release in exchange for any assistance related to a declared state or federal emergency.
40. Contains a severability clause.
41. Defines pertinent terms.