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HOUSE BILL NO. 2174

AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the House Committee on Transportation
on January 29, 2019)

(Patron Prior to Substitute—Delegate Miyares)

A BILL to amend and reenact §§ 46.2-1569.1 and 46.2-1570 of the Code of Virginia, relating to motor vehicle dealers and manufacturers.

Be it enacted by the General Assembly of Virginia:

1. That §§ 46.2-1569.1 and 46.2-1570 of the Code of Virginia are amended and reenacted as follows:

§ 46.2-1569.1. Manufacturer or distributor right of first refusal.

Notwithstanding the terms of any franchise agreement, in the event of a proposed sale or transfer of a dealership or a proposed change in management of a dealership, the manufacturer or distributor shall be permitted to exercise a right of first refusal to acquire the new vehicle dealer's assets or ownership, if such sale or transfer is conditioned upon the manufacturer's or dealer's entering into a dealer agreement with the proposed new owner or transferee, only if all the following requirements are met:

1. To exercise its right of first refusal, the manufacturer or distributor must notify the dealer in writing within 45 days of its receipt of the completed proposal for the proposed sale or transfer;

2. The exercise of the right of first refusal will result in the dealer's and dealer's owner's receiving the same or greater consideration as they have contracted to receive in connection with the proposed change of ownership or transfer; and

3. The proposed sale or transfer of the dealership's assets does not involve the transfer or sale to a member or members of the family of one or more dealer owners, or to a qualified manager or a partnership, limited liability company, corporation, or other entity controlled by such persons; and

4. The manufacturer or distributor agrees to pay the reasonable expenses, including attorney's fees which do not exceed the usual, customary, and reasonable fees charged for similar work done for other clients, incurred by the proposed new owner and transferee prior to the manufacturer's or distributor's exercise of its right of first refusal in negotiating and implementing the contract for the proposed sale or transfer of the dealership or dealership assets. Notwithstanding the foregoing, no payment of such expenses and attorney's fees shall be required if the dealer has not submitted or caused to be submitted an accounting of those expenses within 30 days of the dealer's receipt of the manufacturer's or distributor's written request for such an accounting. Such accounting may be requested by a manufacturer or distributor before exercising its right of first refusal.

A manufacturer or distributor shall not exercise or enforce a right of first refusal if (i) the proposed sale or transfer is to a dealer licensed in the United States as a dealer holding a franchise from any manufacturer or distributor licensed as a manufacturer or distributor in the Commonwealth unless the manufacturer or distributor has a formal written program to increase the number of minority dealers and a minority dealer will obtain at least 51 percent ownership and control of the dealership's assets upon the exercise of the right of first refusal or (ii) the proposed sale or transfer of the dealership's assets involves the transfer or sale to a member or members of the family of one or more dealer owners, or to a qualified manager or a partnership, limited liability company, corporation, or other entity controlled by such persons.

§ 46.2-1570. Discontinuation of distributors.

A. If the contract between a distributor and a manufacturer or importer is terminated or otherwise discontinued, all franchises granted to motor vehicle dealers in Virginia by that distributor shall continue in full force and shall not be affected by the discontinuance, except that the manufacturer, factory branch, distributor, representative, or other person who undertakes to distribute motor vehicles of the same line-make or the same motor vehicles of a ~~re named~~ renamed line-make shall be substituted for the discontinued distributor under the existing motor vehicle dealer franchises and those franchises shall be modified accordingly.

B. If a manufacturer or factory branch (i) (a) discontinues its right to manufacture a line-make of motor vehicles or (b) sells or otherwise transfers its right to manufacture a line-make of motor vehicles to another manufacturer or factory branch that will manufacture motor vehicles of the same line-make and (ii) the acquiring manufacturer or factory branch does not honor the existing franchise agreements of motor vehicle dealers in Virginia of the same line-make, such discontinuation, sale, or transfer shall constitute a termination of the franchise pursuant to subdivisions 5b and 5c of § 46.2-1569 and such motor vehicle dealers shall be entitled to compensation pursuant to those subdivisions.