

2860.5500 CANCELLATION OF FRANCHISE.

Any provisions regarding cancellation of the franchise agreement shall be governed by items A to C.

A. A supplier shall not cancel a franchise agreement except for one or more of the following grounds:

- (1) a mutual agreement between the parties;
- (2) the bankruptcy or insolvency of the dealer;
- (3) the dealer's failure to act in good faith in carrying out the terms of the franchise agreement with the supplier;
- (4) a good faith voluntary or involuntary decision by the supplier to discontinue doing business at the service station site; or
- (5) decline in annual sales from the service station site below the figure set forth in the franchise agreement or otherwise agreed to by the parties in writing when the franchise agreement was signed.

B. The grounds in item A shall not apply to declines that materially result from extrinsic physical changes, including but not limited to those resulting from highway construction, construction on the premises, or changes in highway routes.

C. No person may cancel a franchise unless:

- (1) that person has given written notice to the dealer in person or by certified mail setting forth all the reasons for cancellation at least 90 days in advance of the cancellation; and
- (2) the recipient of the notice fails to correct the reasons for cancellation in the notice within 60 days of receipt, except that the notice shall be effective immediately upon receipt when the cause for termination or cancellation is:
 - (a) criminal misconduct;
 - (b) fraud;
 - (c) abandonment;
 - (d) bankruptcy or insolvency of the dealer;
 - (e) adulteration of product; or
 - (f) the giving of a nonsufficient fund check that remains dishonored for a period of ten days after notice, which notice shall be effective on the fifth day after the date of mailing.

Statutory Authority: *MS s 45.023; 80C.18*

History: *14 SR 2631; 17 SR 1279*

Published Electronically: *September 14, 2007*