



### Franchise Legislation Becomes Effective

Governor Bruce Rauner Signed SB 1687 (Franchise Act Legislation) into law on August 24, 2017. Earlier this session, this franchise legislation was adopted by the House Chamber by a vote of 113-0 and the Senate Chamber by 51-0.

We thank the Governor for responding to IADA's request for a favorable review of this legislation and signing it into law. The franchise legislation became effective today. We also would like to thank all of our dealer members who contacted the Governor and their local Legislators and urged them to support SB 1687. Special thanks to all of our Legislative Sponsors of this bill, and CATA for their assistance.

SB 1687 provides for the following changes:

- **Exports/Chargebacks.** Prohibits manufacturers from taking back sales incentives paid to dealers if the customer exports the vehicle out of the country, unless the manufacturer can prove that the dealer knew or should have known that the vehicle would be exported.
- **Facility Upgrades.** Prohibits manufacturers from requiring a dealer to remodel his or her facilities within 10 years of the most recently required remodel.
- **Vendor Choice/Signage.** Prohibits a manufacturer from requiring a dealer to purchase building improvement materials from a manufacturer-designated vendor, provided the dealer can find a vendor that can provide substantially similar materials at a lower cost. Permits a manufacturer to require a specific vendor if the manufacturer reimburses the dealer for the increased cost of the materials. Also, requires a manufacturer that leases signage and other image and design elements to dealers to give the dealer the option to purchase similar items from a vendor selected by the dealer. Requires the dealer to conform to the manufacturer's intellectual property usage guidelines.
- **Right of 1st Refusal.** Provides that, when a dealer puts his or her franchise up for sale, a manufacturer cannot exercise its right of 1st refusal to acquire a dealer's franchise, unless the manufacturer:
  - Notifies the dealer, within 60 days after receiving notice of the proposed transfer, that the manufacturer intends to exercise its right of 1st refusal;
  - Pays the dealer at least the same consideration as under the proposed transfer, including the purchase or lease of the dealership's real property;
  - Reimburses the proposed transferee for reasonable expenses incurred in its attempt to acquire the dealership before the manufacturer exercised its right of 1st refusal.
- **Sales Performance.** Requires manufacturers, when evaluating a dealer's sales performance as part of the termination process, to consider local factors in the dealer's market area.