

## Termination Information, Dealership Rights, and Manufacturer or Distributor Obligations

Over time the Commission has found several dealerships that were unaware of the statutory obligations of the manufacturer or distributor when a dealership is terminated. We hope this guide will inform and instruct you through the process.



This document is subject to change as we listen to your welcomed input and suggestions.

### Dealership Termination Checklist

- Read termination portion of franchise agreement.
- Send termination letter to manufacturer or distributor.
- Send copy of termination letter to the Commission.
- Prepare current and previous year model vehicles for shipping.
- Prepare inventory list of parts, signs and tools to be sent to Manufacturer or Distributor.
- Ensure Manufacturer or Distributor has a current copy of the inventory list of parts, signs and tools.
- Receive authorization or acknowledgment to return vehicles, parts, signs and tools.
- Coordinate with the Manufacturer or Distributor on shipping current and previous year model vehicles according to Manufacturer or Distributor policy.
- Coordinate with the Manufacturer or Distributor on shipping parts, signs and tools to Manufacturer or Distributor according to policy.
- Coordinate with Manufacturer or Distributor to receive payment or credit for returned vehicles, parts, signs & tools.

# Franchise Termination Guide

Information provided by the  
Arkansas Motor  
Vehicle Commission



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## Termination Procedures & Dealer Rights

- Notify your Manufacturer or Distributor in writing stating your intention to terminate your Franchise Agreement, Sales and Service Agreement, or bonafide contract.
- Mail a copy of the termination letter to the Commission.
- Repurchase obligations must be met within sixty (60) days after termination in some cases it could be up to ninety (90) days.
- Read the termination instructions of your franchise agreement, however these instructions may not be in line with the termination statutes.

### Upon receipt of the termination letter from you:

- The Commission will forward a copy of your letter along with the repurchase obligations of the manufacturer or distributor.
- A copy of the documents sent to the manufacturer or distributor will be sent to your dealership.
- Please contact the Commission at any time during the termination process if you are having difficulties with the process or you have questions.

### Manufacturer & Distributor Repurchase Obligations

In accordance with Ark. Code Ann. §23-112-403(a)(2)(K) the manufacturer or distributor must:

- Repurchase current and previous year model vehicles at dealer cost less allowances.
- Repurchase each new, unused, undamaged and unsold part or accessory in the current parts catalogue.
- Repurchase signs.
- Repurchase all special tools and service equipment.
- Pay the cost of transporting, handling, packing and loading of motor vehicles, parts, signs, tools and equipment.



Review all documents before signing to assure you agree with the termination requirements. Some Manufacturers or Distributors may attempt to avoid the Arkansas statutory repurchase obligations.

### Additional Manufacturer & Distributor Responsibilities

The repurchase obligations must be met within sixty (60) days of termination or in some cases ninety (90) days. If these obligations are not met, the manufacturer or distributor may also be liable for:

- The greatest of dealer cost, fair market value or current price of inventory.
- Interest on the amount due calculated at the rate applicable to a judgment in a court.
- Reasonable attorney's fees and costs.

**If at anytime you experience a problem do not hesitate to contact the Commission for assistance.**

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