

3 **Senate Bill No. 865**
4 **As Amended**

5 SENATE BILL NO. 865 - By: SHURDEN of the Senate and DORMAN of the
6 House.

7 [**contracts - creating the Fair Practices of Equipment**
8 **Manufacturers, Distributors, Wholesalers, and Dealers Act -**
9 **codification - effective date]**

10 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

11 SECTION 1. NEW LAW A new section of law to be codified
12 in the Oklahoma Statutes as Section 1031 of Title 15, unless there
13 is created a duplication in numbering, reads as follows:

14 This act shall be known and may be cited as the "Fair Practices
15 of Equipment Manufacturers, Distributors, Wholesalers, and Dealers
16 Act".

17 SECTION 2. NEW LAW A new section of law to be codified
18 in the Oklahoma Statutes as Section 1032 of Title 15, unless there
19 is created a duplication in numbering, reads as follows:

20 The Oklahoma Legislature finds and declares that the retail
21 distribution, sales and rental of agricultural, construction,
22 utility, industrial, mining, outdoor power, forestry and lawn and
23 garden equipment, utilizing independent dealers operating under
24 contract with the supplier vitally affects the general economy of
25 the state, the public interest and the public welfare. Therefore,

1 the Oklahoma Legislature has determined that it is necessary to
2 regulate the business relations between the independent dealers and
3 the equipment suppliers as contemplated in the Fair Practices of
4 Equipment Manufacturers, Distributors, Wholesalers, and Dealers Act
5 and that any action taken in violation of the act will result in a
6 violation of an important public policy of this state.

7 SECTION 3. NEW LAW A new section of law to be codified
8 in the Oklahoma Statutes as Section 1033 of Title 15, unless there
9 is created a duplication in numbering, reads as follows:

10 As used in the Fair Practices of Equipment Manufacturers,
11 Distributors, Wholesalers, and Dealers Act:

12 1. "Current net parts price" means, with respect to current
13 parts, the price for repair parts listed in the supplier's price
14 list or catalogue in effect at the time the Dealer Agreement is
15 cancelled or discontinued, or for purposes of Section 9 of this act,
16 the price list or catalogue in effect at the time the repair parts
17 were ordered. "Current net parts price" means, with respect to
18 superseded repair parts, the price listed in the supplier's price
19 list or catalogue in effect at the time the dealer agreement is
20 cancelled or discontinued for the part that performs the same
21 function and purpose as the superseded part, but is simply listed
22 under a different part number;

1 2. "Current net parts cost" means the current net parts price
2 less any trade or cash discounts typically given to the dealer with
3 respect to such dealer's normal, ordinary course orders of repair
4 parts;

5 3. "Dealer" means any person, not including mass retailers who
6 sell through "big box" stores, engaged in the business of:

7 a. selling or leasing equipment or repair parts therefore
8 to the ultimate consumer thereof, and

9 b. repairing or servicing equipment;

10 4. "Dealer agreement" means either an oral or written agreement
11 or arrangement for a definite or indefinite period between a dealer
12 and a supplier that provides for the rights and obligations of the
13 parties with respect to the purchase or sale of equipment or repair
14 parts. Notwithstanding the foregoing, if a dealer has more than one
15 business location covered by the same dealer agreement, the
16 requirements of the Fair Practices of Equipment Manufacturers,
17 Distributors, Wholesalers, and Dealers Act will be applied to the
18 repurchase of a dealer's inventory at a particular location upon the
19 closing of such location;

20 5. "Dealership" means the retail sale business engaged in by a
21 dealer under a dealer agreement;

22 6. "Demonstrator" means equipment in a dealer's inventory that
23 has never been sold at retail, but has had its usage demonstrated to

1 potential customers (either without charge or pursuant to a short-
2 term rental agreement) with the intent of encouraging such person to
3 purchase such equipment, and which has been authorized for such use
4 by the supplier;

5 7. "Equipment" means:

6 a. all-terrain vehicles, regardless of how used, and
7 b. other machinery, equipment, implements or attachments
8 therefor, used for or in connection with the following
9 purposes:

10 (1) lawn, garden, golf course, landscaping or grounds
11 maintenance,

12 (2) planting, cultivating, irrigating, harvesting,
13 and producing of agricultural and/or forestry
14 products,

15 (3) raising, feeding, tending to or harvesting
16 products from, livestock or any other activity in
17 connection therewith, or

18 (4) industrial, construction, maintenance, mining or
19 utility activities or applications;

20 provided, however, self-propelled vehicles designed primarily for
21 the transportation of persons or property on a street or highway are
22 specifically excluded from the definition of equipment;

1 8. "Family member" means a spouse, child, son-in-law, daughter-
2 in-law or lineal descendant;

3 9. "Good cause" has the meaning set forth in Section 5 or 7 of
4 this act, as applicable;

5 10. "Index" means the United States Bureau of Labor Statistics
6 purchase price index (industry data) for construction machinery,
7 series identification number pcu333120333120 or any successor index
8 measuring substantially similar information;

9 11. "Inventory" means new equipment, repair parts, data process
10 hardware or software, and specialized service or repair tools;

11 12. "Net equipment cost" means the price the dealer actually
12 paid to the supplier for equipment, plus:

- 13 a. freight, at truckload rates in effect as of the
14 effective date of the termination of a dealer
15 agreement, if freight was paid by the dealer from the
16 supplier's location to the dealer's location, and
17 b. reimbursement for labor incurred in preparing the
18 equipment for retail sale or rental (a/k/a set-up
19 costs), which labor will be reimbursed at the dealer's
20 standard labor rate charged by the dealer to its
21 customers for nonwarranty repair work; provided,
22 however, if a supplier has established a reasonable
23 set-up time, such labor will be reimbursed at an

1 amount equal to the reasonable set-up time in effect
2 as of the date of delivery multiplied by the dealer's
3 standard labor rate;

4 13. "New equipment" means, for purposes of determining whether
5 a dealer is a single-line dealer, any equipment that could be
6 returned to the supplier upon a termination of a dealer agreement
7 pursuant to Sections 10 and 11 of this act;

8 14. "Person" means a natural person, corporation, partnership,
9 limited liability company, company, trust, or any and all other
10 forms of business enterprise, including any other entity in which it
11 has a majority interest or of which it has control, as well as the
12 individual officers, directors, and other persons in active control
13 of the activities of each entity;

14 15. "Repair parts" means all parts related to the repair of
15 equipment, including superseded parts;

16 16. "Single-line Dealer" means a dealer that has:

17 a. purchased construction, industrial, forestry and
18 mining equipment from a single supplier constituting
19 seventy-five percent (75%) of the dealer's new
20 equipment, calculated on the basis of net cost, and

21 b. a total annual average sales volume in excess of
22 Twenty Million Dollars (\$20,000,000.00) for the three
23 (3) calendar years immediately preceding the

1 applicable determination date; provided, however, the
2 twenty-million-dollar threshold will be increased each
3 year by an amount equal to the then current threshold
4 multiplied by the percentage increase in the Index
5 from January of the immediately preceding year to
6 January of the current year;

7 17. "Single-line supplier" means the supplier that is selling
8 the single-line dealer construction, industrial, forestry and mining
9 equipment constituting seventy-five percent (75%) of the dealer's
10 new equipment;

11 18. "Supplier" means any person engaged in the business of
12 manufacturing, assembly or wholesale distribution of equipment or
13 repair parts. The term "supplier" and the provisions of the Fair
14 Practices of Equipment Manufacturers, Distributors, Wholesalers, and
15 Dealers Act shall be interpreted liberally and will not be limited
16 to traditional doctrines of corporate successor liability or take
17 into account whether:

- 18 a. a successor expressly assumed the liabilities of the
19 supplier, or
20 b. there has been one or more intermediate successors to
21 the initial supplier.

22 The obligations of a supplier hereunder shall consequently apply
23 to any actual or effective successor in interest to a supplier,

1 including but not limited to a purchaser of all or substantially all
2 of the assets of a supplier or all or substantially all of the
3 assets of any division or product line of a supplier, any receiver,
4 trustee, liquidator or assignee of the supplier, or any surviving
5 corporation resulting from a merger, liquidation or reorganization
6 of the original or any intermediate successor supplier. Purchasers
7 of all or substantially all of the inventory of a supplier or a
8 supplier's division or product line will constitute a purchaser of
9 all or substantially all of the supplier's assets; and

10 19. "Terminate" means to terminate, cancel, fail to renew, or
11 substantially change the competitive circumstances of a dealer
12 agreement.

13 SECTION 4. NEW LAW A new section of law to be codified
14 in the Oklahoma Statutes as Section 1034 of Title 15, unless there
15 is created a duplication in numbering, reads as follows:

16 It shall be a violation of the Fair Practices of Equipment
17 Manufacturers, Distributors, Wholesalers, and Dealers Act for a
18 supplier to take any one or more of the following actions:

19 1. To coerce, compel or require any dealer to accept delivery
20 of any equipment or repair parts which the dealer has not
21 voluntarily ordered, except as required by any applicable law or
22 unless such equipment or repair parts are safety features required
23 by a supplier;

1 2. To require any dealer to purchase goods or services as a
2 condition to the sale by the supplier to the dealer of any
3 equipment, repair parts or other goods or services; except that
4 nothing herein shall prohibit a supplier from requiring the dealer
5 to purchase all repair parts, special tools and training reasonably
6 necessary to maintain the safe operation or quality of operation in
7 the field of any equipment offered for sale by the dealer;

8 3. To coerce any dealer into a refusal to purchase equipment
9 manufactured by another supplier. However, it shall not be a
10 violation of this section to require separate facilities, financial
11 statements, or sales staff for major competing lines so long as the
12 dealer is given at least three years notice of such requirement;

13 4. To refuse to deliver in reasonable quantities and within a
14 reasonable time, after receipt of the dealer's order, to any dealer
15 having a dealer agreement for the retail sale of new equipment sold
16 or distributed by such supplier, equipment covered by such dealer
17 agreement specifically advertised or represented by such supplier to
18 be available for immediate delivery. The failure to deliver any
19 such equipment will not be considered a violation of the Fair
20 Practices of Equipment Manufacturers, Distributors, Wholesalers, and
21 Dealers Act if such failure is due to prudent and reasonable
22 restrictions on extensions of credit by the supplier to the dealer,
23 an act of God, work stoppage or delay due to a strike or labor

1 difficulty, a bona fide shortage of materials, freight embargo, or
2 other cause over which the supplier has no control or a business
3 decision by the supplier to limit the production volume of the
4 equipment;

5 5. To discriminate, directly or indirectly, in filling an order
6 placed by a dealer for retail sale or lease of new equipment under a
7 dealer agreement as between dealers of the same product line;

8 6. To discriminate, directly or indirectly, in price between
9 different dealers with respect to purchases of equipment or repair
10 parts of like grade and quality and identical brand, where the
11 effect of such discrimination may be to substantially lessen
12 competition, tend to create a monopoly in any line of commerce or
13 injure, destroy, or prevent competition with any dealer who either
14 grants or knowingly receives the benefit of such discrimination;
15 provided, however, different prices may be charged if (a) such
16 differences are due to differences in the cost of manufacture, sale
17 or delivery of the equipment or repair parts or (b) the supplier can
18 show that its lower price was made in good faith to meet an equally
19 low price of a competitor;

20 7. To prevent by contract or otherwise, any dealer, from
21 changing its capital structure, ownership or the means by or through
22 which the dealer finances its operations, so long as the dealer
23 gives prior notice to the supplier and provided the dealer at all

1 times meets any reasonable capital standards agreed to between the
2 dealer and the supplier and imposed on similarly situated dealers
3 and provided such change by the dealer does not result in a change
4 in the person with actual or effective control of a majority of the
5 voting interests of the dealer; and

6 8. To require a dealer to assent to a release, assignment,
7 novation, waiver, or estoppel which would relieve any person from
8 liability imposed by the Fair Practices of Equipment Manufacturers,
9 Distributors, Wholesalers, and Dealers Act.

10 SECTION 5. NEW LAW A new section of law to be codified
11 in the Oklahoma Statutes as Section 1035 of Title 15, unless there
12 is created a duplication in numbering, reads as follows:

13 A dealer may terminate a dealer agreement without cause. The
14 dealer must give the supplier at least thirty (30) days prior
15 written notice of termination. No supplier may terminate a dealer
16 agreement without good cause. Except as otherwise specifically
17 provided in the Fair Practices of Equipment Manufacturers,
18 Distributors, Wholesalers, and Dealers Act, good cause means the
19 failure by a dealer to substantially comply with essential and
20 reasonable requirements imposed upon the dealer by the dealer
21 agreement, provided such requirements are not different from those
22 requirements imposed on other similarly situated dealers either by

1 their terms or in the manner of their enforcement. In addition,
2 good cause shall exist whenever:

3 1. The dealer or dealership has transferred a controlling
4 ownership interest in its business without the supplier's consent;

5 2. The dealer has filed a voluntary petition in bankruptcy or
6 has had an involuntary petition in bankruptcy filed against it which
7 has not been discharged within thirty (30) days after the filing, or
8 there has been a closeout or sale of a substantial part of the
9 dealer's assets related to the business, or there has been a
10 commencement of dissolution or liquidation of the dealer;

11 3. There has been a deletion, addition or change in dealer or
12 dealership locations without the prior written approval of the
13 supplier;

14 4. The dealer has defaulted under any chattel mortgage or other
15 security agreement between the dealer and the supplier, or there has
16 been a revocation of any guarantee of the dealer's present or future
17 obligations to the supplier; provided, however, good cause will not
18 exist if a person revokes any guarantee in connection with or
19 following the transfer of such person's entire ownership interest in
20 the dealer unless the supplier requires such person to execute a new
21 guarantee of the dealer's present or future obligations in
22 connection with such transfer of ownership interest;

1 5. The dealer has failed to operate in the normal course of
2 business for seven (7) consecutive days or has otherwise abandoned
3 its business;

4 6. The dealer has pleaded guilty to or has been convicted of a
5 felony affecting the relationship between the dealer and supplier;

6 7. The dealer has engaged in conduct which is injurious or
7 detrimental to the dealer's customers or to the public welfare or
8 the representation or reputation of the supplier's product; or

9 8. The dealer has consistently failed to meet and maintain the
10 supplier's requirements for reasonable standards and performance
11 objectives, so long as the supplier has given the dealer reasonable
12 standards and performance objectives that are based on the
13 manufacturer's experience in other comparable market areas.

14 The provisions of this section will not apply to the dealer
15 agreements between a single-line dealer and its single-line
16 supplier.

17 SECTION 6. NEW LAW A new section of law to be codified
18 in the Oklahoma Statutes as Section 1036 of Title 15, unless there
19 is created a duplication in numbering, reads as follows:

20 A. Except as otherwise provided in this section, a supplier
21 must provide a dealer at least one hundred eighty (180) days prior
22 written notice of termination of a dealer agreement. The notice
23 must state all reasons constituting good cause for such termination

1 and must state that the dealer has sixty (60) days in which to cure
2 any claimed deficiency. If the deficiency is rectified within sixty
3 (60) days, the notice will be void. A supplier may not terminate a
4 dealer agreement for the reason set forth in Section 5 of this act
5 unless the supplier gives the dealer notice of such action at least
6 two years before the effective date of such action. If the dealer
7 achieves the supplier's requirements for reasonable standards or
8 performance objectives before the expiration of the two-year notice
9 period, the notice will be void and the dealer agreement will
10 continue in full force and effect. The notice and right to cure
11 provisions under this section shall not apply if the reason for
12 termination is for any reason set forth in paragraphs 1 through 7 of
13 Section 5 of this act.

14 B. If a supplier has contractual authority to approve or deny a
15 request for a sale or transfer of a dealer's business or an equity
16 ownership interest therein, the supplier shall approve or deny such
17 a request within sixty (60) days after receiving a written request
18 from the dealer. If the supplier has neither approved nor denied
19 the request within the sixty-day period, the request will be deemed
20 approved. The dealer's request shall include reasonable financial,
21 personal background, character references and work history
22 information for the acquiring persons. If a supplier denies a
23 request made pursuant to this paragraph, the supplier must provide

1 the dealer with a written notice of such denial that states the
2 reasons for such denial. A supplier may only deny a request based
3 on the failure of the proposed transferees to meet the reasonable
4 requirements consistently imposed by the supplier in determining
5 approval of such transfer and/or approvals of new dealers.

6 C. If a dealer dies and the supplier has contractual authority
7 to approve or deny a request for a sale or transfer of the dealer's
8 business or his equity ownership interest therein, the dealer's
9 estate (or other person with authority to transfer assets of the
10 dealer) will have one hundred eighty (180) days to submit to the
11 supplier a written request for a sale or transfer of such business
12 or equity ownership interest. If such a request is timely
13 submitted, the supplier shall approve or deny such request in
14 accordance with subsection B of this section. Notwithstanding
15 anything to the contrary contained in the Fair Practices of
16 Equipment Manufacturers, Distributors, Wholesalers, and Dealers Act,
17 any attempt by the supplier to terminate the dealer or the
18 dealership as a result of the death of a dealer will be delayed
19 until there has been compliance with the terms of this section or
20 the one-hundred-eighty-day period has expired, as applicable.

21 D. The provisions of this section will not apply to the dealer
22 agreements between a single-line dealer and its single-line
23 supplier.

1 SECTION 7. NEW LAW A new section of law to be codified
2 in the Oklahoma Statutes as Section 1037 of Title 15, unless there
3 is created a duplication in numbering, reads as follows:

4 A. This section will only apply to the dealer agreements
5 between a single-line dealer and its single-line supplier.

6 B. No supplier may terminate a dealer agreement without good
7 cause. For purposes of this section and Section 8 of this act only,
8 good cause means failure by a dealer to comply with requirements
9 imposed upon the dealer by the dealer agreement if such requirements
10 are not different from those imposed on other similarly situated
11 dealers. In addition, good cause exists whenever:

12 1. There has been a closeout or sale of a substantial part of
13 the dealer's assets related to the equipment business, or there has
14 been a commencement of a dissolution or liquidation of the dealer;

15 2. The dealer has changed its principal place of business or
16 added additional locations without prior approval of the supplier,
17 which shall not be unreasonably withheld;

18 3. The dealer has substantially defaulted under a chattel
19 mortgage or other security agreement between the dealer and the
20 supplier, or there has been a revocation or discontinuance of a
21 guarantee of a present or future obligation of the dealer to the
22 supplier;

1 4. The dealer has failed to operate in the normal course of
2 business for seven (7) consecutive days or has otherwise abandoned
3 its business;

4 5. The dealer has pleaded guilty to or has been convicted of a
5 felony affecting the relationship between the dealer and the
6 supplier; or

7 6. The dealer transfers an interest in the dealership, or a
8 person with a substantial interest in the ownership or control of
9 the dealership, including an individual proprietor, partner or major
10 shareholder, withdraws from the dealership or dies, or a substantial
11 reduction occurs in the interest of a partner or major shareholder
12 in the dealership; provided, however, good cause does not exist if
13 the supplier consents to an action described in this paragraph.

14 C. Except as otherwise provided in this paragraph, a supplier
15 shall provide a dealer with at least ninety (90) days written notice
16 of termination. The notice must state all reasons constituting good
17 cause for such termination and must state that the dealer has sixty
18 (60) days in which to cure any claimed deficiency. If the
19 deficiency is rectified within sixty (60) days, the notice will be
20 void. Notwithstanding the foregoing, if the good cause for
21 termination is due to the dealer's failure to meet or maintain the
22 supplier's requirements for market penetration, a reasonable period
23 of time shall have existed where the supplier has worked with the

1 dealer to gain the desired market share. The notice and right to
2 cure provisions under this paragraph shall not apply if the reason
3 for termination is for any reason set forth in paragraphs 1 through
4 5 of subsection B of this section.

5 SECTION 8. NEW LAW A new section of law to be codified
6 in the Oklahoma Statutes as Section 1038 of Title 15, unless there
7 is created a duplication in numbering, reads as follows:

8 A. This section will only apply to the dealer agreements
9 between a single-line dealer and its single-line supplier.

10 B. If a dealer dies, a supplier shall have ninety (90) days in
11 which to consider and make a determination on a request by a family
12 member to enter into a new dealer agreement to operate the
13 dealership. If the supplier determines that the requesting family
14 member is not acceptable, the supplier shall provide the family
15 member with a written notice of its determination with the stated
16 reasons for non-acceptance. This section does not entitle an heir,
17 personal representative or family member to operate a dealership
18 without the specific written consent of the supplier.

19 C. Notwithstanding the foregoing, if a supplier and dealer have
20 previously executed an agreement concerning succession rights prior
21 to the dealer's death, and if such agreement is still in effect,
22 such agreement shall be observed even if it designates someone other
23 than the surviving spouse or heirs of the decedent as the successor.

1 SECTION 9. NEW LAW A new section of law to be codified
2 in the Oklahoma Statutes as Section 1039 of Title 15, unless there
3 is created a duplication in numbering, reads as follows:

4 A. If a dealer submits a warranty claim to a supplier while the
5 dealer agreement is in effect or within sixty (60) days after the
6 termination of the dealer agreement, if the claim is for work
7 performed before the termination or expiration of the dealer
8 agreement, the supplier must accept or reject such warranty claim by
9 written notice to the dealer within thirty (30) days after the
10 supplier's receipt thereof. If the supplier does not reject the
11 warranty claim in the time period specified above, the claim will be
12 deemed to be accepted. If the supplier accepts the warranty claim,
13 the supplier must pay or credit to dealer's account all amounts owed
14 with respect to the claim to the dealer within thirty (30) days
15 after it is accepted. If the supplier rejects a warranty claim, the
16 supplier must give the dealer written or electronic notice of the
17 grounds for rejection, which reasons must be consistent with the
18 supplier's reasons for rejecting warranty claims of other dealers,
19 both in their terms and manner of enforcement. If no grounds for
20 rejection are given, the claim will be deemed to be accepted.

21 B. Any claim which is disapproved by the supplier based upon
22 the dealer's failure to properly follow the procedural or technical
23 requirements for submission of warranty claims may be resubmitted in

1 proper form by the dealer within thirty (30) days of receipt by the
2 dealer of the supplier's notification of such disapproval.

3 C. Warranty work performed by the dealer shall be compensated
4 in accordance with the reasonable and customary amount of time
5 required to complete such work, expressed in hours and fractions
6 thereof multiplied by the dealer's established customer hourly
7 retail labor rate, which shall have previously been made known to
8 the supplier. Parts used in warranty repair work shall be
9 reimbursed at the current net price plus fifteen percent (15%).

10 D. For purposes of the Fair Practices of Equipment
11 Manufacturers, Distributors, Wholesalers, and Dealers Act, any
12 repair work or installation of replacement parts performed with
13 respect to the dealer's equipment in inventory or equipment of the
14 dealer's customers at the request of the supplier (including work
15 performed pursuant to a product improvement program (PIP)), will be
16 deemed to create a warranty claim for which the dealer shall be paid
17 pursuant to this section.

18 E. A supplier may audit warranty claims submitted by its
19 dealers for a period of up to one year following payment of the
20 claims, and may charge back to its dealers any amounts paid based
21 upon claims shown by audit to be misrepresented. If a warranty
22 claim is misrepresented, then warranty claims submitted within the

1 three-year period ending with the date a claim is shown by audit to
2 be misrepresented may be audited.

3 F. The requirements of subsections A through C of this section
4 apply to all warranty claims submitted by a dealer to a supplier in
5 which the dealer has complied with the supplier's reasonable
6 policies and procedures for warranty reimbursement. A supplier's
7 warranty reimbursement policies and procedures will be deemed
8 unreasonable to the extent they conflict with any of the provisions
9 of this section.

10 G. A dealer may choose to accept alternate reimbursement terms
11 and conditions in lieu of the requirements of subsections A through
12 C of this section if there is a written dealer agreement between the
13 supplier and the dealer that requires the supplier to compensate the
14 dealer for warranty labor costs either as:

- 15 1. A discount in the pricing of the equipment to the dealer; or
- 16 2. A lump sum payment to the dealer that is made to the dealer
17 within ninety (90) days of the sale of the supplier's new equipment.

18 The discount or lump sum must be no less than five percent of
19 the suggested retail price of the equipment. If the requirements of
20 this subdivision are met and alternate terms and conditions are in
21 place, subsections A through C of this section do not apply and the
22 alternate terms and conditions are enforceable. Nothing contained
23 in this paragraph shall be deemed to effect the supplier's

1 obligation to reimburse the dealer for parts in accordance with
2 subsection C of this section.

3 SECTION 10. NEW LAW A new section of law to be codified
4 in the Oklahoma Statutes as Section 1040 of Title 15, unless there
5 is created a duplication in numbering, reads as follows:

6 A. Whenever any dealer enters into a dealer agreement with a
7 supplier and either such supplier or the dealer desires to cancel,
8 not renew or otherwise discontinue the dealer agreement, such
9 supplier shall pay to such dealer or credit to such dealer's
10 account, if the dealer has outstanding any sums owing the supplier,
11 unless the dealer should desire to keep such equipment or repair
12 parts:

13 1. A sum equal to one hundred percent (100%) of the net
14 equipment cost of all new, unsold, undamaged equipment, one hundred
15 percent (100%) of the net equipment cost of all unsold, undamaged
16 demonstrators, less a downward adjustment to reflect a reasonable
17 allowance for depreciation due to usage of such demonstrators, which
18 adjustment will be based on published industry rental rates to the
19 extent such rates are available, and ninety percent (90%) of the
20 current net parts prices on new, unsold, undamaged repair parts,
21 that had previously been purchased from such supplier and held by
22 such dealer on the date that the dealer agreement terminates or
23 expires. Notwithstanding anything to the contrary contained herein,

1 demonstrators with less than fifty (50) hours, for machines with
2 hour meters, of use will be considered new, unsold, undamaged
3 equipment subject to repurchase under this paragraph;

4 2. A sum equal to five percent (5%) of the current net parts
5 price of all repair parts returned to compensate the dealer for the
6 handling, packing and loading of such repair parts for return to the
7 supplier; provided, however, such five percent (5%) will not be paid
8 or credited to the dealer if the supplier elects to perform the
9 handling, packing and loading of the repair parts itself;

10 3. The fair market value of any specific data processing
11 hardware or software that the supplier required the dealer to
12 acquire or purchase to satisfy the requirements of the supplier,
13 including computer equipment required and approved by the supplier
14 to communicate with the supplier. Fair market value of property
15 subject to repurchase pursuant to this paragraph will be deemed to
16 be the acquisition cost thereof, including any shipping, handling
17 and set-up fees, less straight line depreciation of such acquisition
18 cost over three years. If the dealer purchased data processing
19 hardware or software that exceeded the supplier's minimum
20 requirements, the acquisition cost of such data processing hardware
21 or software will be deemed to be the acquisition cost of hardware or
22 software of similar quality that did not exceed the minimum
23 requirements of the supplier;

1 4. A sum equal to seventy-five percent (75%) of the net cost,
2 including shipping, handling and set-up fees, of all specialized
3 service or repair tools previously purchased pursuant to
4 requirements of the supplier within fifteen years prior to the date
5 of the applicable notification of termination of the dealer
6 agreement. Such specialized service or repair tools must be unique
7 to the supplier's product line and must be complete and in good
8 operating condition.

9 B. Upon the payment or allowance of credit to the dealer's
10 account of the sums required by this section, the title to all
11 inventory purchased hereunder shall pass to the supplier making such
12 payment, and such supplier shall be entitled to the possession of
13 such inventory. All payments or allowances of credit due dealers
14 shall be paid or credited within ninety (90) days after receipt by
15 the supplier of property required to be repurchased hereunder. Any
16 payments or allowances of credit due dealers that are not paid
17 within such ninety-day period will accrue interest at the maximum
18 rate allowed by law. The supplier may withhold payments due under
19 this paragraph during the period of time in which the dealer fails
20 to comply with its contractual obligations to remove any signage
21 indicating that the dealer is an authorized dealer of the supplier.

22 C. If any supplier refuses to repurchase any inventory covered
23 under the provisions of the Fair Practices of Equipment

1 Manufacturers, Distributors, Wholesalers, and Dealers Act after
2 cancellation, non-renewal or discontinuance of the dealer agreement,
3 the supplier will be civilly liable to the dealer for one hundred
4 ten percent (110%) of the amount that would have been due for such
5 inventory if the supplier had timely complied with the Fair
6 Practices of Equipment Manufacturers, Distributors, Wholesalers, and
7 Dealers Act, any freight charges paid by the dealer, interest
8 accrued, and the dealer's actual costs of any court or arbitration
9 proceeding, including costs for attorney fees and costs for
10 arbitrators.

11 D. The supplier and dealer will each pay 50% of the costs of
12 freight, at truckload rates, to ship any equipment or repair parts
13 returned to the supplier pursuant to the Fair Practices of Equipment
14 Manufacturers, Distributors, Wholesalers, and Dealers Act.

15 E. Notwithstanding any provision to the contrary in the uniform
16 commercial code adopted by this state, the dealer will retain a
17 first and prior lien against all inventory returned by the dealer to
18 the supplier under the provisions of the Fair Practices of Equipment
19 Manufacturers, Distributors, Wholesalers, and Dealers Act until the
20 dealer is paid all amounts owed by the supplier for the repurchase
21 of such inventory required under the provisions of this act.

22 F. The provisions of this section shall not be construed to
23 affect in any way any security interest which the supplier may have

1 in the inventory of the dealer, and any repurchase hereunder shall
2 not be subject to the provisions of the bulk sales law or to the
3 claims of any secured or unsecured creditors of the supplier or any
4 assignee of the supplier until such time as the dealer has received
5 full payment or credit, as applicable, due hereunder.

6 SECTION 11. NEW LAW A new section of law to be codified
7 in the Oklahoma Statutes as Section 1041 of Title 15, unless there
8 is created a duplication in numbering, reads as follows:

9 The provisions of the Fair Practices of Equipment Manufacturers,
10 Distributors, Wholesalers, and Dealers Act shall not require the
11 repurchase from a dealer of:

12 1. Any repair part which is in a broken or damaged package;
13 provided, however, the supplier will be required to repurchase a
14 repair part in a broken or damaged package, for a repurchase price
15 that is equal to eighty-five percent (85%) of the current net price
16 for such repair part, if the aggregate current net price for the
17 entire package of repair parts is seventy-five percent (75%) or
18 higher;

19 2. Any repair part which because of its condition is not
20 resalable as a new part without repackaging or reconditioning;

21 3. Any inventory for which the dealer is unable to furnish
22 evidence, satisfactory to the supplier, of clear title, free and
23 clear of all claims, liens and encumbrances;

1 4. Any inventory which the dealer desires to keep, provided the
2 dealer has a contractual right to do so;

3 5. Any equipment or repair parts which are not in new, unsold,
4 undamaged, complete condition; subject, however, to the provisions
5 of the Fair Practices of Equipment Manufacturers, Distributors,
6 Wholesalers, and Dealers Act relating to the demonstrators;

7 6. Any equipment delivered to the dealer prior to the beginning
8 of the 36-month period immediately preceding the date of
9 notification of termination;

10 7. Any equipment or repair parts which were ordered by the
11 dealer on or after the date of notification of termination;

12 8. Any equipment or repair parts which were acquired by the
13 dealer from any source other than the supplier unless such equipment
14 or repair parts were ordered from, or invoiced to the dealer by, the
15 supplier; or

16 9. Any equipment or repair parts which are not returned to the
17 supplier within ninety (90) days after the later of:

18 a. the effective date of termination of a dealer
19 agreement, and

20 b. the date the dealer receives from the supplier all
21 information, documents or supporting materials
22 required by the supplier to comply with the supplier's
23 return policy;

1 provided, however, this paragraph will not be applicable to a dealer
2 if the supplier did not give the dealer notice of the ninety-day
3 deadline at the time the applicable notice of termination was sent
4 to the dealer.

5 SECTION 12. NEW LAW A new section of law to be codified
6 in the Oklahoma Statutes as Section 1042 of Title 15, unless there
7 is created a duplication in numbering, reads as follows:

8 If any supplier violates any provision of the Fair Practices of
9 Equipment Manufacturers, Distributors, Wholesalers, and Dealers Act,
10 a dealer may bring an action against such supplier in a court of
11 competent jurisdiction for damages sustained by the dealer as a
12 consequence of the supplier's violation, including, but not limited
13 to, damages for lost profits, together with the actual costs of the
14 action, including the dealer's attorney and paralegal fees and costs
15 of arbitrators, and the dealer also may be granted injunctive relief
16 against unlawful termination. The remedies set forth in this
17 section shall not be deemed exclusive and shall be in addition to
18 any other remedies permitted by law.

19 SECTION 13. NEW LAW A new section of law to be codified
20 in the Oklahoma Statutes as Section 1043 of Title 15, unless there
21 is created a duplication in numbering, reads as follows:

22 The provisions of the Fair Practices of Equipment Manufacturers,
23 Distributors, Wholesalers, and Dealers Act are hereby declared

1 severable and if any provision of the act or the application of such
2 provision to any person or circumstance is declared invalid or
3 unconstitutional for any reason, such declaration of invalidity
4 shall not affect the validity of the remaining portions of the act.

5 SECTION 14. NEW LAW A new section of law to be codified
6 in the Oklahoma Statutes as Section 1044 of Title 15, unless there
7 is created a duplication in numbering, reads as follows:

8 An attempted waiver of a provision of the Fair Practices of
9 Equipment Manufacturers, Distributors, Wholesalers, and Dealers Act
10 or application of the act shall be void. Any provision in a dealer
11 agreement that purports to elect the application of the law of a
12 state other than this state shall be void. Any provision in a
13 dealer agreement that requires a dealer to pay attorney fees
14 incurred by a supplier shall be void.

15 SECTION 15. NEW LAW A new section of law to be codified
16 in the Oklahoma Statutes as Section 1045 of Title 15, unless there
17 is created a duplication in numbering, reads as follows:

18 The provisions of the Fair Practices of Equipment Manufacturers,
19 Distributors, Wholesalers, and Dealers Act shall apply to all dealer
20 agreements now in effect which have no expiration date and are a
21 continuing contract, and all other dealer agreements entered into or
22 renewed after November 1, 2005. All other dealer agreements shall

1 be governed by the law as it existed prior to the Fair Practices of
2 Equipment Manufacturers, Distributors, Wholesalers, and Dealers Act.

3 SECTION 16. NEW LAW A new section of law to be codified
4 in the Oklahoma Statutes as Section 1046 of Title 15, unless there
5 is created a duplication in numbering, reads as follows:

6 The provisions of the Fair Practices of Equipment Manufacturers,
7 Distributors, Wholesalers, and Dealers Act shall be supplemental to
8 any dealer agreement between the dealer and the supplier which
9 provides the dealer with greater protection. The dealer can elect
10 to pursue its contract remedy or the remedy provided by state law,
11 or both, and an election by the dealer to pursue such remedies shall
12 not bar its right to exercise any other remedies that may be granted
13 at law or in equity.

14 SECTION 17. This act shall become effective November 1, 2005.

15 COMMITTEE REPORT BY: COMMITTEE ON BUSINESS AND LABOR, dated 2-21-05
16 - DO PASS, As Amended and Coauthored.