

1 SENATE BILL 115

2 **57TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2026**

3 INTRODUCED BY

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10 AN ACT

11 RELATING TO TRADE PRACTICES; ADDING AND AMENDING DEFINITIONS IN
12 THE FRANCHISE TERMINATION ACT; REQUIRING NOTICE OF TERMINATION
13 OF FRANCHISES; CLARIFYING APPLICABILITY OF THE FRANCHISE
14 TERMINATION ACT.

16 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

17 **SECTION 1.** Section 57-23-1 NMSA 1978 (being Laws 1985,
18 Chapter 229, Section 1) is amended to read:

19 "57-23-1. SHORT TITLE.--[This act] Chapter 57, Article 23
20 NMSA 1978 may be cited as the "Franchise Termination Act"."

21 **SECTION 2.** Section 57-23-2 NMSA 1978 (being Laws 1985,
22 Chapter 229, Section 2) is amended to read:

23 "57-23-2. DEFINITIONS.--As used in the Franchise
24 Termination Act:

25 A. "current price" means an amount equal to the
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1 price listed in the supplier's printed price list in effect
2 when the franchise is terminated, less applicable trade and
3 cash discounts;

4 B. "dealer cost" means an amount equal to the sum
5 of the original invoice price that the dealer paid for
6 inventory and the cost to the dealer of its delivery from the
7 supplier to the dealer, less applicable discounts;

8 C. "dealer" means a person in the business of the
9 retail sale of new or unused farm tractors, farm implements,
10 utility tractors, industrial tractors, construction equipment,
11 outdoor power equipment or the attachments to or repair parts
12 for new or unused farm tractors, [or] farm implements, utility
13 tractors, industrial tractors, construction equipment or
14 outdoor power equipment;

15 D. "franchise" means a written or oral contract or
16 agreement between a supplier and a dealer, that may be called a
17 "dealership" or by any other name, by which the dealer is
18 authorized to engage in the business of the retail sale of
19 inventory ~~[according to the methods and procedures prescribed~~
20 ~~by]~~ purchased from the supplier;

21 E. "good cause" means the failure by a dealer to
22 substantially comply with essential and reasonable requirements
23 imposed upon the dealer by the franchise; provided that such
24 requirements are not different from those requirements imposed
25 on other similarly situated dealers, either by their terms or

1 in the manner of their enforcement;

2 [E.] F. "inventory" means new or unused farm
3 tractors, farm implements, utility tractors, industrial
4 tractors, construction equipment, outdoor power equipment,
5 attachments and repair parts that are provided by a supplier to
6 a dealer under a franchise [agreement] and that were purchased
7 within thirty-six months of the termination of the franchise or
8 were listed in the supplier's current sales manual at the time
9 of termination; and

10 [F.] G. "supplier" means a manufacturer, wholesaler
11 or distributor of new or unused farm tractors, farm implements,
12 utility tractors, [or] industrial tractors, construction
13 equipment or outdoor power equipment or the attachments to or
14 repair parts for that equipment."

15 SECTION 3. A new section of the Franchise Termination Act
16 is enacted to read:

17 "[NEW MATERIAL] CONTENTS OF SUPPLIER NOTICE OF
18 TERMINATION--SUPPLIER FAILURE TO APPROVE OR DENY REQUEST--DEATH
19 OF DEALER--TERMINATION OF FRANCHISE.--

20 A. A dealer shall give a supplier at least thirty
21 days' prior written notice of termination of a franchise. A
22 supplier shall not terminate a franchise without good cause.
23 The supplier shall have the burden of proof to establish that
24 good cause exists.

25 B. "Good cause" exists when:

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(1) the dealer has transferred a controlling ownership interest in the dealer's business without the supplier's written consent;

(2) it is found that:

(a) the dealer has filed a voluntary petition in bankruptcy or an involuntary petition in bankruptcy has been filed against the dealer and the petition has not been discharged within thirty days after the petition was filed;

(b) there has been a closeout or sale of a substantial part of the dealer's assets related to the business; or

(c) there has been a commencement of dissolution or liquidation of the dealer;

(3) there has been a deletion, addition or change in dealer locations without the prior written approval of the supplier;

(4) the dealer has materially defaulted under any chattel mortgage or other security agreement between the dealer and the supplier, or there has been a revocation of any guarantee of the dealer's present or future obligations to the supplier; provided, however, that "good cause" shall not exist if a person revokes any guarantee in connection with or following the transfer of such person's entire ownership interest in the dealer unless the supplier requires the person to execute a new guarantee of the dealer's present or future

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1 obligations in connection with the transfer of ownership
2 interest;

3 (5) the dealer has failed to operate in the
4 normal course of business for seven consecutive days or has
5 otherwise abandoned the dealer's business;

6 (6) the dealer has pleaded guilty to or has
7 been convicted of a felony affecting the relationship between
8 the dealer and supplier;

9 (7) the dealer has engaged in conduct that is
10 injurious or detrimental to the dealer's customers or to the
11 public welfare or the representation or reputation of the
12 supplier's product; or

13 (8) the dealer has consistently failed to meet
14 and maintain the supplier's requirements for reasonable
15 standards and performance objectives, so long as the supplier
16 has given the dealer reasonable standards and performance
17 objectives that are based on the manufacturer's experience in
18 other comparable market areas.

19 C. Except as otherwise provided in this section, a
20 supplier shall provide a dealer at least one hundred eighty
21 days' prior written notice of termination of a franchise. The
22 notice shall state all reasons constituting good cause for the
23 termination and shall state that the dealer has sixty days in
24 which to cure any claimed deficiency. If all claimed
25 deficiencies are rectified within sixty days, the notice shall

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1 be void. A supplier shall not terminate a franchise for the
2 reason set forth in Paragraph (8) of Subsection B of this
3 section unless the supplier gives the dealer notice of such
4 action at least two years before the effective date of the
5 action. If the dealer satisfies the supplier's requirements
6 for reasonable standards or performance objectives before the
7 expiration of the two-year notice period, the notice shall be
8 void and the franchise shall continue in full force and effect.
9 The notice and right-to-cure provisions under this section
10 shall not apply if the reason for termination is for any reason
11 set forth in Paragraphs (1) through (7) of Subsection B of this
12 section.

13 D. If a supplier has contractual authority to
14 approve or deny a request for a sale or transfer of a dealer's
15 business or an equity ownership interest in the dealer's
16 business, the supplier shall approve or deny the request within
17 sixty days after receiving a written request from the dealer.
18 If the supplier has neither approved nor denied the request
19 within the sixty-day period, the request shall be deemed
20 approved. The dealer's request shall include reasonable
21 financial, personal background, character reference and work
22 history information for the acquiring persons. If a supplier
23 denies a request made pursuant to this subsection, the supplier
24 shall provide the dealer with a written notice of the denial
25 that states the reasons for the denial. A supplier may only

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1 deny a request based on the failure of the proposed transferees
2 to meet the reasonable requirements consistently imposed by the
3 supplier in determining approval of the transfer or approvals
4 of new dealers.

5 E. If a dealer dies and the supplier has
6 contractual authority to approve or deny a request for a sale
7 or transfer of the dealer's business or equity ownership
8 interest in the dealer's business, the dealer's estate or other
9 person with authority to transfer assets of the dealer shall
10 have one hundred eighty days to submit to the supplier a
11 written request for a sale or transfer of the business or
12 equity ownership interest. If the request is timely submitted,
13 the supplier shall approve or deny the request in accordance
14 with Subsection D of this section. Any attempt by the supplier
15 to terminate the franchise as a result of the death of a dealer
16 shall be delayed until there has been compliance with the terms
17 of this section or the one-hundred-eighty-day period has
18 expired."

19 SECTION 4. A new section of the Franchise Termination Act
20 is enacted to read:

21 "[NEW MATERIAL] CHOICE OF LAW--ATTORNEY FEES--VALIDITY.--
22 An attempt to waive a provision of the Franchise Termination
23 Act or application of that act is void. Any provision in a
24 franchise agreement that purports to elect the application of
25 the law of a state other than this state is void. Any

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1 provision in a franchise agreement that requires a dealer to
2 pay attorney fees incurred by a supplier is void."

3 **SECTION 5.** A new section of the Franchise Termination Act
4 is enacted to read:

5 "[NEW MATERIAL] SUPPLEMENTAL PROVISIONS.--The provisions
6 of the Franchise Termination Act are supplemental to any
7 franchise agreement between the dealer and the supplier that
8 provides the dealer with greater protection. The dealer may
9 elect to pursue the dealer's contract remedy or the remedy
10 provided by state law or both, and an election by the dealer to
11 pursue such remedies shall not bar the dealer's right to
12 exercise any other remedies that may be granted at law or in
13 equity."

14 **SECTION 6.** A new section of the Franchise Termination Act
15 is enacted to read:

16 "[NEW MATERIAL] CIVIL ACTIONS--ATTORNEY FEES.--If a
17 supplier violates any provision of the Franchise Termination
18 Act, a dealer may bring an action against the supplier in a
19 court of competent jurisdiction for damages sustained by the
20 dealer as a consequence of the supplier's violation, including
21 damages for lost profits, together with the actual costs of the
22 action, including the dealer's attorney and paralegal fees and
23 costs of arbitrators. The remedies set forth in this section
24 shall not be deemed exclusive and are in addition to any other
25 remedies permitted by law."

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1 SECTION 7. APPLICABILITY.--The provisions of this act
2 apply to:

3 A. all franchise agreements in effect on the
4 effective date of this act that have no expiration date and are
5 continuing contracts; and

6 B. all other franchise agreements entered into or
7 renewed on or after the effective date of this act.

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