

State of Arkansas  
92nd General Assembly  
Regular Session, 2019

As Engrossed: H3/28/19

# A Bill

HOUSE BILL 1892

By: Representative Richardson

By: Senator M. Pitsch

## For An Act To Be Entitled

AN ACT TO AMEND THE ARKANSAS FRANCHISE PRACTICES ACT;  
TO CLARIFY CHOICE OF LAW CLAUSES IN A FRANCHISE  
AGREEMENT; AND FOR OTHER PURPOSES.

### Subtitle

TO AMEND THE ARKANSAS FRANCHISE PRACTICES  
ACT; AND TO CLARIFY CHOICE OF LAW CLAUSES  
IN A FRANCHISE AGREEMENT.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code § 4-72-206 is amended to read as follows:

4-72-206. Unlawful practices of franchisors.

(a) It ~~shall be~~ is a violation of this subchapter for ~~any a~~ a franchisor, through ~~any an~~ an officer, agent, or employee to engage directly or indirectly in any of the following practices:

(1) To require a franchisee at the time of entering into a franchise arrangement to assent to a release, assignment, novation, waiver, or estoppel which would relieve ~~any a~~ a person from liability imposed by this subchapter;

(2) To prohibit directly or indirectly the right of free association among franchisees for ~~any a~~ a lawful purpose;

(3) To require or prohibit ~~any a~~ a change in management of ~~any a~~ a franchisee unless the requirement or prohibition of change ~~shall be~~ is for a reasonable cause, which cause shall be stated in writing by the franchisor;

(4) To restrict the sale of any equity or debenture issue or the



transfer of any security of a franchisee or in any way prevent or attempt to prevent the transfer, sale, or issuance of shares of stock or debentures to employees, personnel of the franchisee, or heirs of the principal owner as long as basic financial requirements of the franchisor are complied with, if the sale, transfer, or issuance does not have the effect of accomplishing a sale of the franchise;

(5) To provide any term or condition in ~~any~~ a lease or other agreement ancillary or collateral to a franchise, which term or condition directly or indirectly violates this subchapter;

(6) To refuse to deal with a franchise in a commercially reasonable manner and in good faith; or

(7) To collect a percentage of the franchisee's sales as an advertising fee and not use these funds for the purpose of advertising the business conducted by the franchisee.

(b) A condition, stipulation, or provision requiring the application of the law of another state in lieu of this subchapter is void.

*/s/Richardson*

**APPROVED: 4/9/19**