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**BUSINESS AND PROFESSIONS CODE - BPC**

**DIVISION 8. SPECIAL BUSINESS REGULATIONS [18400 - 22949.92.2]** ( Division 8 added by Stats. 1941, Ch. 44. )

**CHAPTER 5.5. Franchise Relations [20000 - 20044]** ( Chapter 5.5 added by Stats. 1980, Ch. 1355, Sec. 1. )

**ARTICLE 4.4. Transfers [20027 - 20029]** ( Article 4.4 added by Stats. 1983, Ch. 374, Sec. 1. )

**20027.** (a) No franchisor shall deny the surviving spouse, heirs, or estate of a deceased franchisee or the majority shareholder of the franchisee the opportunity to participate in the ownership of the franchise under a valid franchise agreement for a reasonable time after the death of the franchisee or majority shareholder of the franchisee. During that time the surviving spouse, heirs, or estate of the deceased shall either satisfy all of the then current qualifications for a purchaser of a franchise or sell, transfer, or assign the franchise to a person who satisfies the franchisor's then current standards for new franchisees. The rights granted pursuant to this section shall be granted subject to the surviving spouse, heirs or estate of the deceased maintaining all standards and obligations of the franchise.

(b) Nothing in subdivision (a) shall prohibit a franchisor from exercising the right of first refusal to purchase a franchise after receipt of a bona fide offer to purchase the franchise by a proposed purchaser of the franchise.

(c) This article shall not apply to any agreement or contract in effect prior to January 1, 1984, except an agreement or contract of an indefinite duration. This section shall not apply to any bequest or intestate succession that took effect prior to January 1, 1984.

(Added by Stats. 1983, Ch. 374, Sec. 1.)

**20028.** (a) It is unlawful for a franchisor to prevent a franchisee from selling or transferring a franchise, all or substantially all of the assets of the franchise business, or a controlling or noncontrolling interest in the franchise business, to another person provided that the person is qualified under the franchisor's then-existing standards for the approval of new or renewing franchisees, these standards to be made available to the franchisee, as provided in Section 20029, and to be consistently applied to similarly situated franchisees operating within the franchise brand, and the franchisee and the buyer, transferee, or assignee comply with the transfer conditions specified in the franchise agreement.

(b) Notwithstanding subdivision (a), a franchisee shall not have the right to sell, transfer, or assign the franchise, all or substantially all of the assets of the franchise business, or a controlling or noncontrolling interest in the franchise business, without the written consent of the franchisor, except that the consent shall not be withheld unless the buyer, transferee, or assignee does not meet the standards for new or renewing franchisees described in subdivision (a) or the franchisee and the buyer, transferee, or assignee do not comply with the transfer conditions specified in the franchise agreement.

(c) This section does not prohibit a franchisor from exercising the contractual right of first refusal to purchase a franchise, all or substantially all of the assets of a franchise business, or a controlling or noncontrolling interest in a franchise business after receipt of a bona fide offer from a proposed purchaser to purchase the franchise, assets, or interest. A franchisor exercising the contractual right of first refusal shall offer the seller payment at least equal to the value offered in the bona fide offer.

(d) For the purpose of this section "franchise business" shall include a legal entity that is a party to a franchise agreement.

(Added by Stats. 2015, Ch. 776, Sec. 4. (AB 525) Effective January 1, 2016.)

**20029.** (a) The franchisee shall, prior to the sale, assignment, or transfer of a franchise, all or substantially all of the assets of a franchise business, or a controlling or noncontrolling interest in the franchise business, to another person, notify the franchisor, of the franchisee's intent to sell, transfer, or assign the franchise, all or substantially all of the assets of the franchise business, or the controlling or noncontrolling interest in the franchise business. The notice shall be in writing, delivered to the franchisor by business courier or by receipted mail and include all of the following:

- (1) The proposed transferee's name and address.

(2) A copy of all agreements related to the sale, assignment, or transfer of the franchise, the assets of the franchise business, or the interest in the franchise business.

(3) The proposed transferee's application for approval to become the successor franchisee. The application shall include all forms, financial disclosures, and related information generally utilized by the franchisor in reviewing prospective new franchisees, if those forms are readily made available to the existing franchisee. If the forms are not readily available, the franchisee shall request and the franchisor shall deliver the forms to the franchisee by business courier or receipted mail within 15 calendar days. As soon as practicable after the receipt of the proposed transferee's application, the franchisor shall notify, in writing, the franchisee and the proposed transferee of any additional information or documentation necessary to complete the transfer application. If the franchisor's then-existing standards for the approval of new or renewing franchisees are not readily available to the franchisee when the franchisee notifies the franchisor of the franchisee's intent to sell, transfer, or assign the franchise, the assets of the franchise business, or the controlling or noncontrolling interest in the franchise business, the franchisor shall communicate the standards to the franchisee within 15 calendar days.

(b) (1) The franchisor shall, within 60 days after the receipt of all of the necessary information and documentation required pursuant to subdivision (a), or as specified by written agreement between the franchisor and the franchisee, notify the franchisee of the approval or disapproval of the proposed sale, assignment, or transfer. The notice shall be in writing and shall be delivered to the franchisee by business courier or receipted mail. A proposed sale, assignment, or transfer shall be deemed approved, unless disapproved by the franchisor in the manner provided by this subdivision. If the proposed sale, assignment, or transfer is disapproved, the franchisor shall include in the notice of disapproval a statement setting forth the reasons for the disapproval.

(2) In any action in which the franchisor's disapproval of a sale, assignment, or transfer pursuant to this subdivision is an issue, the reasonableness of the franchisor's decision shall be a question of fact requiring consideration of all existing circumstances. For purposes of this paragraph, the finder of fact may be an arbitrator specified in the franchise agreement and who satisfies the requirements of Section 20040. Nothing in this paragraph shall prohibit summary judgment when the reasonableness of transfer approval or disapproval can be decided as a matter of law.

(3) This section does not require a franchisor to exercise a contractual right of first refusal.

(c) This section does not prohibit a franchisor from exercising the contractual right of first refusal to purchase a franchise, all or substantially all of the assets of a franchise business, or a controlling or noncontrolling interest in a franchise business after receipt of a bona fide offer from a proposed purchaser to purchase the franchise, assets, or interest. Any franchisor exercising the contractual right of first refusal shall offer the seller payment at least equal to the value offered in the bona fide offer.

(d) For the purpose of this section "franchise business" shall include a legal entity that is a party to a franchise agreement.

*(Added by Stats. 2015, Ch. 776, Sec. 5. (AB 525) Effective January 1, 2016.)*