

This Document can be made available in alternative formats upon request

State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **413**

January 29, 2007

Authored by Lillie, Zellers, Atkins, Koenen and Shimanski

The bill was read for the first time and referred to the Committee on Commerce and Labor

1.1 A bill for an act
1.2 relating to commerce; regulating franchise agreements between outdoor sport
1.3 equipment dealers and manufacturers; imposing title requirements; appropriating
1.4 money; proposing coding for new law as Minnesota Statutes, chapters 80G;
1.5 86C; repealing Minnesota Statutes 2006, sections 86B.820; 86B.825; 86B.830;
1.6 86B.835; 86B.840; 86B.845; 86B.850; 86B.855; 86B.860; 86B.865; 86B.870;
1.7 86B.875; 86B.880; 86B.885; 86B.890; 86B.895; 86B.900; 86B.905; 86B.910;
1.8 86B.915; 86B.920.

1.9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.10 **ARTICLE 1**
1.11 **OUTDOOR SPORT EQUIPMENT FRANCHISES**

1.12 Section 1. **[80G.01] DEFINITIONS.**

1.13 Subdivision 1. **Scope.** For the purposes of sections 80G.01 to 80G.07, the terms
1.14 defined in this section have the meanings given them.

1.15 Subd. 2. **Outdoor sport equipment.** "Outdoor sport equipment" means
1.16 snowmobiles as defined in section 84.81, subdivision 3; all-terrain vehicles as defined in
1.17 section 84.92, subdivision 8; personal watercraft as defined in section 86B.005, subdivision
1.18 14a; watercraft as defined in section 86C.01; and motorcycles, as defined in section
1.19 65B.001, subdivision 5, and all attachments and repair parts for all of this equipment.

1.20 Subd. 3. **Outdoor sport equipment manufacturer or manufacturer.** "Outdoor
1.21 sport equipment manufacturer" or "manufacturer" means a person, partnership,
1.22 corporation, association, or other form of business enterprise engaged in the
1.23 manufacturing, assembly, or wholesale distribution of outdoor sport equipment. The term
1.24 also includes any successor in interest of the outdoor sport equipment manufacturer,
1.25 including any purchaser of assets or stock, any surviving corporation resulting from a

2.1 merger or liquidation, any receiver or assignee, or any trustee of the original outdoor
 2.2 sport equipment manufacturer.

2.3 Subd. 4. **Outdoor sport equipment dealer or dealer.** "Outdoor sport equipment
 2.4 dealer" or "dealer" means a person, partnership, corporation, association, or other form of
 2.5 business enterprise engaged in acquiring outdoor sport equipment from a manufacturer
 2.6 and reselling the outdoor sport equipment at wholesale or retail.

2.7 Subd. 5. **Dealership agreement.** "Dealership agreement" means an oral or
 2.8 written agreement of definite or indefinite duration between an outdoor sport equipment
 2.9 manufacturer and an outdoor sport equipment dealer, which enables the dealer to purchase
 2.10 equipment from the manufacturer and provides for the rights and obligations of the parties
 2.11 with respect to the purchase or sale of outdoor sport equipment.

2.12 **Sec. 2. [80G.02] TERMINATIONS OR CANCELLATIONS.**

2.13 Subdivision 1. **Good cause required.** No outdoor sport equipment manufacturer,
 2.14 directly or through an officer, agent, or employee may terminate, cancel, fail to renew,
 2.15 or substantially change the competitive circumstances of a dealership agreement without
 2.16 good cause. "Good cause" means failure by an outdoor sport equipment dealer to
 2.17 substantially comply with essential and reasonable requirements imposed upon the dealer
 2.18 by the dealership agreement, if the requirements are not different from those requirements
 2.19 imposed on other similarly situated dealers by their terms. In addition, good cause exists
 2.20 whenever:

2.21 (1) without the consent of the outdoor sport equipment manufacturer who shall not
 2.22 withhold consent unreasonably: (i) the outdoor sport equipment dealer has transferred an
 2.23 interest in the outdoor sport equipment dealership; (ii) there has been a withdrawal from
 2.24 the dealership of an individual proprietor, partner, major shareholder, or the manager of
 2.25 the dealership; or (iii) there has been a substantial reduction in interest of a partner or
 2.26 major stockholder;

2.27 (2) the outdoor sport equipment dealer has filed a voluntary petition in bankruptcy
 2.28 or has had an involuntary petition in bankruptcy filed against it, which has not been
 2.29 discharged within 30 days after the filing, there has been a closeout or sale of a substantial
 2.30 part of the dealer's assets related to the outdoor sport equipment business, or there has
 2.31 been a commencement of dissolution or liquidation of the dealer;

2.32 (3) there has been a change, without the prior written approval of the manufacturer,
 2.33 in the location of the dealer's principal place of business under the dealership agreement;

2.34 (4) the outdoor sport equipment dealer has defaulted under a chattel mortgage or
 2.35 other security agreement between the dealer and the outdoor sport equipment manufacturer

3.1 or there has been a revocation or discontinuance of a guarantee of the dealer's present or
3.2 future obligations to the outdoor sport equipment manufacturer;

3.3 (5) the outdoor sport equipment dealer has failed to operate in the normal course of
3.4 business for seven consecutive days or has otherwise abandoned the business;

3.5 (6) the outdoor sport equipment dealer has pleaded guilty to or has been convicted of
3.6 a felony affecting the relationship between the dealer and manufacturer;

3.7 (7) the outdoor sport equipment dealer has engaged in conduct which is injurious or
3.8 detrimental to the dealer's customers or to the public welfare; or

3.9 (8) the outdoor sport equipment dealer, after receiving notice from the manufacturer
3.10 of its requirements for reasonable market penetration based on the manufacturer's
3.11 experience in other comparable marketing areas, consistently fails to meet the
3.12 manufacturer's market penetration requirements.

3.13 Subd. 2. **Notice.** Except as otherwise provided in this subdivision, an outdoor
3.14 sport equipment manufacturer shall provide an outdoor sport equipment dealer at least 90
3.15 days' prior written notice of termination, cancellation, or nonrenewal of the dealership
3.16 agreement. The notice shall state all reasons constituting good cause for the action and
3.17 shall provide that the dealer has 60 days in which to cure any claimed deficiency. If the
3.18 deficiency is rectified within 60 days, the notice is void. The notice and right to cure
3.19 provisions under this section do not apply if the reason for termination, cancellation, or
3.20 nonrenewal is for any reason set forth in subdivision 1, clauses (1) to (7).

3.21 Subd. 3. **Obligation to repurchase.** If a dealership agreement is terminated,
3.22 canceled, or discontinued, the outdoor sport equipment manufacturer shall pay to the
3.23 dealer, or credit to the dealer's account if the dealer has an outstanding amount owed to the
3.24 manufacturer, an amount equal to 100 percent of the net cost of all unused outdoor sport
3.25 equipment in new condition that has been purchased by the dealer from the manufacturer
3.26 within the 24 months immediately preceding notification by either party of intent to
3.27 terminate, cancel, or discontinue the agreement. This amount must include transportation
3.28 and reasonable assembly charges that have been paid by the dealer, or invoiced to the
3.29 dealer's account by the manufacturer. The dealer may elect to keep the merchandise
3.30 instead of receiving payment, if the contract gives the dealer this right.

3.31 Subd. 4. **Repair parts.** (a) The manufacturer shall pay the dealer, or credit to
3.32 the dealer's account if the dealer has an outstanding amount owed to the manufacturer,
3.33 the following:

3.34 (1) 95 percent of the current net prices on repair parts, including superseded parts
3.35 listed in current price lists or catalogs in use by the manufacturer on the date of the
3.36 termination, cancellation, or discontinuance of the agreement;

4.1 (2) as to any parts not listed in current price lists or catalogs, 100 percent of the
4.2 invoiced price of the repair part for which the dealer has an invoice if the parts had
4.3 previously been purchased by the dealer from the manufacturer and are held by the
4.4 dealer on the date of the termination, cancellation, or discontinuance of the agreement or
4.5 received by the dealer from the manufacturer after that date;

4.6 (3) 50 percent of the most recently published price of all other parts if the price list
4.7 or catalog is not more than ten years old as of the date of the termination, cancellation, or
4.8 discontinuance of the agreement;

4.9 (4) net cost less 20 percent per year depreciation for five years following purchase
4.10 of all data processing and communications hardware and software the dealer purchased
4.11 from the manufacturer or an approved vendor of the manufacturer to meet the minimum
4.12 requirements for the hardware and software as set forth by the manufacturer; and

4.13 (5) an amount equal to 75 percent of the net cost to the dealer of specialized
4.14 repair tools, including computerized diagnostic hardware and software, and signage
4.15 purchased by the dealer pursuant to the requirements of the manufacturer. Specialized
4.16 repair tools or signage that have never been used must be repurchased at 100 percent of
4.17 the dealer's cost. Specialized repair tools must be unique to the manufacturer's product
4.18 line, specifically required by the manufacturer, and must be in complete and usable
4.19 condition. The manufacturer may require by contract or agreement that the dealer resell to
4.20 the manufacturer such specialized repair tools and signage for the amounts established
4.21 in this section or the amount specified in the dealership agreement or contract or fair
4.22 market value, whichever is greater.

4.23 (b) The manufacturer shall pay the dealer, or credit to the dealer's account if the
4.24 dealer has an outstanding amount owed to the manufacturer, an amount equal to five
4.25 percent of the prices required to be paid or credited by this subdivision for all parts, data
4.26 processing and communications hardware and software, and specialized repair tools and
4.27 signage returned for the handling, packing, and loading of the parts, data processing and
4.28 communications hardware and software, and specialized repair tools and signage back
4.29 to the manufacturer unless the manufacturer elects to perform inventory, packing, and
4.30 loading of the parts. Upon the payment or allowance of credit to the dealer's account of
4.31 the sum required by this subdivision, the title to and right to possess the outdoor sport
4.32 equipment passes to the manufacturer. However, this section does not affect any security
4.33 interest that the manufacturer may have in the inventory of the dealer.

4.34 Subd. 5. **Payment; interest.** Payment required to be made under this section must
4.35 be made not later than 60 days from the date the outdoor sport equipment is received by
4.36 the manufacturer, and if not by then paid, the amount payable by the manufacturer bears

5.1 interest at the maximum rate allowed by law from the date the agreement was terminated,
5.2 canceled, or discontinued until the date payment is received by the dealer.

5.3 Subd. 6. **Notice of intent to return.** In lieu of returning the outdoor sport equipment
5.4 to the manufacturer, the dealer may advise the manufacturer that the dealer has outdoor
5.5 sport equipment that the dealer intends to return. The notice of the dealer's intention to
5.6 return must be in writing and sworn to before a notary public as to the accuracy of the
5.7 listing of outdoor sport equipment and that all of the items are in usable condition. The
5.8 notice must include the name and business address of the person or business who has
5.9 possession and custody of the items and where they may be inspected. The list may be
5.10 verified by the manufacturer. The notice must also state the name and business address of
5.11 the person or business who has the authority to serve as the escrow agent of the dealer, to
5.12 accept payment or a credit to the dealer's account on behalf of the dealer, and to release the
5.13 outdoor sport equipment to the manufacturer. The notice constitutes the appointment of
5.14 the escrow agent to act on the dealer's behalf.

5.15 Subd. 7. **Manufacturer inspection.** (a) The manufacturer has 30 days from the date
5.16 of the mailing of the notice under subdivision 6, which must be by certified mail, in which
5.17 to inspect the outdoor sport equipment and verify the accuracy of the dealer's list.

5.18 (b) The manufacturer shall, within ten days after inspection:

5.19 (1) pay the escrow agent;

5.20 (2) give evidence that a credit to the account of the dealer has been made if the
5.21 dealer has an outstanding amount due the manufacturer; or

5.22 (3) send to the escrow agent a "dummy credit list" and shipping labels for the return
5.23 of the outdoor sport equipment to the manufacturer that are acceptable as returns.

5.24 Subd. 8. **Payment or credit requirements.** If the manufacturer sends a credit
5.25 list as provided under subdivision 7 to the escrow agent, payment or a credit against
5.26 the dealer's indebtedness in accordance with this subdivision for the acceptable returns
5.27 must accompany the credit list. On the receipt of the payment, evidence of a credit
5.28 to the account of the dealer or the credit list with payment, the title to, and the right to
5.29 possess the outdoor sport equipment acceptable as returns passes to the manufacturer. The
5.30 escrow agent shall ship or cause to be shipped the outdoor sport equipment acceptable
5.31 as returns to the manufacturer unless the manufacturer elects to personally perform the
5.32 inventory, packing, and loading of the outdoor sport equipment. When the equipment has
5.33 been received by the manufacturer, notice of its receipt shall be sent by certified mail
5.34 to the escrow agent who shall then disburse 90 percent of the payment it has received,
5.35 less its actual expenses and a reasonable fee for its services, to the dealer. The escrow
5.36 agent shall keep the balance of the funds in the dealer's escrow account until it is notified

6.1 that an agreement has been reached as to the nonreturnables. After being notified of
 6.2 the agreement, the escrow agent shall disburse the remaining funds and dispose of any
 6.3 remaining outdoor sport equipment as provided in the agreement. If no agreement is
 6.4 reached in a reasonable time, the escrow agent may refer the matter to an arbitrator who
 6.5 has authority to resolve all unsettled issues in the dispute.

6.6 Subd. 9. **Provisions of contract supplemented.** This section is supplemental to an
 6.7 agreement between the dealer and the manufacturer covering the return of outdoor sport
 6.8 equipment. The dealer may elect to pursue either the dealer's contract remedy or the
 6.9 remedy provided in this section. An election by the dealer to pursue the contract remedy
 6.10 does not bar the dealer's right to the remedy provided in this section as to the outdoor sport
 6.11 equipment not affected by the contract remedy. Notwithstanding any contrary provision in
 6.12 this section, the rights of a manufacturer to charge back to the dealer's account amounts
 6.13 previously paid or credited as a discount incident to the dealer's purchase of goods is not
 6.14 affected.

6.15 Subd. 10. **Death of dealer; repurchase from heirs.** In the event of the death of the
 6.16 dealer or majority stockholder in a corporation operating a dealership, the manufacturer
 6.17 shall, unless the heir or heirs of the deceased agree to continue to operate the dealership,
 6.18 repurchase the merchandise from the heir or heirs upon the same terms and conditions
 6.19 as are otherwise provided in this section. In the event the heir or heirs do not agree to
 6.20 continue to operate the dealership, it shall be deemed a cancellation or discontinuance of
 6.21 the contract by the dealer under subdivision 1.

6.22 Subd. 11. **Failure to pay sums specified on cancellation of contracts; liability.**
 6.23 In the event that a manufacturer, upon the cancellation of a dealership agreement, fails
 6.24 or refuses to make payment to the dealer or the dealer's heir or heirs as required by this
 6.25 section, the manufacturer is liable in a civil action to be brought by the dealer or the
 6.26 dealer's heir or heirs for:

6.27 (1) 100 percent of the net cost of the outdoor sport equipment;

6.28 (2) transportation and reasonable assembly charges, which have been paid by the
 6.29 dealer;

6.30 (3) 95 percent of the current net price of repair parts, 100 percent of invoiced prices,
 6.31 and 50 percent of the price of all other parts as provided in subdivision 4;

6.32 (4) payment for data processing and communication hardware and software, or
 6.33 specialized repair tools or signage as outlined in subdivision 4; and

6.34 (5) five percent for handling, packing, and loading, if applicable.

6.35 Subd. 12. **Exceptions.** Unless a dealer has delivered parts to an escrow agent
 6.36 pursuant to subdivision 6, this section does not require the repurchase from a dealer

7.1 of a repair part where the dealer previously has failed to return the repair part to the
 7.2 manufacturer after being offered a reasonable opportunity to return the repair part at a
 7.3 price not less than:

7.4 (1) 100 percent of the net price of the repair part as listed in the then-current price
 7.5 list or catalog;

7.6 (2) 100 percent of the invoiced price; and

7.7 (3) 50 percent of the most recent published price as provided in subdivision 4.

7.8 This section does not require the repurchase from a dealer of repair parts that have a
 7.9 limited storage life or are otherwise subject to deterioration, such as rubber items, gaskets,
 7.10 and batteries, unless those items have been purchased from the manufacturer within
 7.11 the past two years; repair parts which, because of their condition, are not resalable as
 7.12 new parts without reconditioning; repair parts which have lost required traceability for
 7.13 quality assurance requirements; and repair parts that were marked nonreturnable or future
 7.14 nonreturnable when the dealer ordered them.

7.15 **Sec. 3. [80G.03] VIOLATIONS.**

7.16 (a) It is a violation of sections 80G.01 to 80G.07 for an outdoor sport equipment
 7.17 manufacturer to coerce an outdoor sport equipment dealer to accept delivery of outdoor
 7.18 sport equipment, which the outdoor sport equipment dealer has not voluntarily ordered.

7.19 (b) It is a violation of sections 80G.01 to 80G.07 for an outdoor sport equipment
 7.20 manufacturer to:

7.21 (1) condition or attempt to condition the sale of outdoor sport equipment on a
 7.22 requirement that the outdoor sport equipment dealer also purchase other goods or services,
 7.23 except that an outdoor sport equipment manufacturer may require the dealer to purchase
 7.24 all parts reasonably necessary to maintain the quality of operation in the field of any
 7.25 outdoor sport equipment used in the trade area and telecommunication necessary to
 7.26 communicate with the outdoor sport equipment manufacturer;

7.27 (2) coerce an outdoor sport equipment dealer into a refusal to purchase the outdoor
 7.28 sport equipment manufactured by another outdoor sport equipment manufacturer;

7.29 (3) discriminate in the prices charged for outdoor sport equipment of like grade and
 7.30 quality sold by the outdoor sport equipment manufacturer to similarly situated outdoor
 7.31 sport equipment dealers. This clause does not prevent the use of differentials, which make
 7.32 only due allowance for difference in the cost of manufacture, sale, or delivery or for the
 7.33 differing methods or quantities in which the outdoor sport equipment is sold or delivered,
 7.34 by the outdoor sport equipment manufacturer; or

8.1 (4) attempt or threaten to terminate, cancel, fail to renew, or substantially change the
8.2 competitive circumstances of the dealership agreement if the attempt or threat is based on
8.3 the results of a natural disaster, including a sustained drought in the dealership market
8.4 area, a labor dispute, or other circumstance beyond the dealer's control.

8.5 Sec. 4. **[80G.04] WARRANTIES.**

8.6 Subdivision 1. **Application.** This section applies to all warranty claims submitted by
8.7 a dealer to an outdoor sport equipment manufacturer in which the outdoor sport equipment
8.8 dealer has complied with the reasonable policies and procedures contained in the outdoor
8.9 sport equipment manufacturer's warranty.

8.10 Subd. 2. **Prompt payment.** Claims filed for payment under warranty agreements
8.11 must be approved or disapproved within 30 days of receipt by the outdoor sport equipment
8.12 manufacturer. Unless the outdoor sport equipment dealer agrees to a later date, approved
8.13 claims for payment must be paid within 30 days of approval. When a claim is disapproved,
8.14 the outdoor sport equipment manufacturer shall notify the dealer within the 30-day period
8.15 stating the specific grounds on which the disapproval is based. Any claim not specifically
8.16 disapproved within 30 days of receipt is deemed approved and must be paid within 30 days.

8.17 Subd. 3. **Posttermination claims.** If, after termination of a dealership agreement, a
8.18 dealer submits a warranty claim for warranty work performed before the effective date of
8.19 the termination, the outdoor sport equipment manufacturer shall approve or disapprove the
8.20 claim within 30 days of receipt.

8.21 Subd. 4. **Compensation for warranty work.** Warranty work performed by the
8.22 dealer must be compensated in accordance with the reasonable and customary amount
8.23 of time required to complete the work, expressed in hours and fractions of hours
8.24 multiplied by the dealer's established customer hourly retail labor rate, which the dealer
8.25 shall communicate to the outdoor sport equipment manufacturer before performing the
8.26 warranty work.

8.27 Subd. 5. **Expenses.** Expenses expressly excluded under the outdoor sport equipment
8.28 manufacturer's warranty to the customer must not be included in claims and are not
8.29 required to be paid on requests for compensation from the dealer for warranty work
8.30 performed.

8.31 Subd. 6. **Compensation for parts.** All parts used by the dealer in performing
8.32 warranty work must be paid to the dealer in the amount equal to the dealer's net price
8.33 for the parts, plus a minimum of 15 percent to reimburse the dealer for reasonable
8.34 costs of doing business in performing warranty service on the outdoor sport equipment
8.35 manufacturer's behalf, including, but not limited to, freight and handling costs.

9.1 Subd. 7. **Adjustment for errors.** The outdoor sport equipment manufacturer may
 9.2 adjust for errors discovered during audit, and if necessary, to adjust claims paid in error.

9.3 Subd. 8. **Alternate terms and conditions.** A dealer may choose to accept alternate
 9.4 reimbursement terms and conditions in lieu of the requirements of subdivisions 2 to
 9.5 7, provided there is a written dealer agreement between the outdoor sport equipment
 9.6 manufacturer and the dealer providing for compensation to the dealer for warranty labor
 9.7 costs either as:

9.8 (1) a discount in the pricing of the equipment to the dealer; or

9.9 (2) a lump-sum payment to the dealer.

9.10 The discount or lump sum must be no less than five percent of the suggested retail price
 9.11 of the equipment. If the requirements of this subdivision are met and alternate terms
 9.12 and conditions are in place, subdivisions 2 to 7 do not apply and the alternate terms and
 9.13 conditions are enforceable.

9.14 **Sec. 5. [80G.05] STATUS OF INCONSISTENT AGREEMENTS.**

9.15 A term of a dealership agreement either expressed or implied, including a choice of
 9.16 law provision, which is inconsistent with sections 80G.01 to 80G.07 or that purports to
 9.17 waive an outdoor sport equipment manufacturer's compliance with sections 80G.01 to
 9.18 80G.07 is void and unenforceable and does not waive any rights which are provided to
 9.19 a person by sections 80G.01 to 80G.07.

9.20 **Sec. 6. [80G.06] REMEDIES.**

9.21 If an outdoor sport equipment manufacturer violates sections 80G.01 to 80G.07, an
 9.22 outdoor sport equipment dealer may bring an action against the manufacturer in a court
 9.23 of competent jurisdiction for damages sustained by the dealer as a consequence of the
 9.24 manufacturer's violation, together with the actual costs of the action, including reasonable
 9.25 attorney fees, and the dealer also may be granted injunctive relief against unlawful
 9.26 termination, cancellation, nonrenewal, or substantial change of competitive circumstances.
 9.27 The remedies in this section are in addition to any other remedies permitted by law.

9.28 **Sec. 7. [80G.07] APPLICABILITY.**

9.29 Sections 80G.01 to 80G.06 are effective August 1, 2007, and apply to all dealership
 9.30 agreements now in effect, which have no expiration date and which are continuing
 9.31 contracts, and all other contracts entered into, amended, or renewed after August 1, 2007.
 9.32 Any contract in force and effect on August 1, 2007, which terminates after that date and is
 9.33 not renewed is governed by the law as it existed before August 1, 2007.

ARTICLE 2

OUTDOOR SPORT EQUIPMENT TITLING REQUIREMENTS

Section 1. **[86C.01] DEFINITIONS.**

Subdivision 1. **Applicability.** The definitions in this section apply to sections 86C.01 to 86C.21.

Subd. 2. **Commissioner.** "Commissioner" means the commissioner of natural resources.

Subd. 3. **Dealer.** "Dealer" means a person who: (1) is in the business of manufacturing, distributing, selling, or purchasing new or used outdoor sport equipment; (2) has an established place of business for the sale, trade, and display of outdoor sport equipment; and (3) possesses outdoor sport equipment for the purpose of sale or trade.

Subd. 4. **Department.** "Department" means the Department of Natural Resources.

Subd. 5. **Deputy registrar.** "Deputy registrar" means a person appointed or hired by the commissioner of public safety under section 168.33.

Subd. 6. **Manufacturer.** "Manufacturer" means a person engaged in the business of constructing or assembling outdoor sport equipment required to have a certificate of title.

Subd. 7. **Manufacturer's or importer's certificate of origin.** "Manufacturer's or importer's certificate of origin" means a certificate with the authorized signature of the manufacturer or importer of outdoor sport equipment, describing and identifying the outdoor sport equipment, giving the name and address of the person to whom the outdoor sport equipment is first sold by the manufacturer or importer, and containing executed assignments of the outdoor sport equipment to an applicant for a certificate of title on the outdoor sport equipment in this state.

Subd. 8. **Outdoor sport equipment.** "Outdoor sport equipment" has the meaning given the term in article 1, section 1, subdivision 2.

Subd. 9. **Owner.** "Owner" means a person, other than a secured party, having the title to outdoor sport equipment. "Owner" includes a person entitled to use or possess the outdoor sport equipment, subject to a security interest in another person, reserved or created by agreement and securing payment of performance of an obligation, but "owner" does not include a lessee under a lease not intended as security.

Subd. 10. **Person.** "Person" means an individual, firm, partnership, association, corporation, or governmental organization.

Subd. 11. **Secured party.** "Secured party" means a secured party as defined in section 336.9-102(a)(72), having a security interest in outdoor sport equipment and includes a lienholder.

11.1 Subd. 12. **Security agreement.** "Security agreement" has the meaning given it in
 11.2 section 336.9-102(a)(73).

11.3 Subd. 13. **Security interest.** "Security interest" has the meaning given it in section
 11.4 336.1-201(b)(35), and includes statutory liens for which lien statements are filed.

11.5 Subd. 14. **Titled outdoor sport equipment.** "Titled outdoor sport equipment"
 11.6 means outdoor sport equipment required to have a certificate of title under section 86C.02,
 11.7 subdivision 1; outdoor sport equipment for which a certificate of title has been issued
 11.8 under section 86C.02, subdivision 2; or outdoor sport equipment previously issued a
 11.9 certificate of title or similar document from another jurisdiction.

11.10 Subd. 15. **Watercraft.** "Watercraft" means a device used or designed for navigation
 11.11 on water that is greater than 16 feet in length, as defined in section 86B.005, subdivision
 11.12 6, but does not include:

11.13 (1) a row-type fishing boat of single hull construction, with oar locks and an
 11.14 outboard motor capacity rating of less than 40 horsepower;

11.15 (2) a canoe;

11.16 (3) a kayak;

11.17 (4) a rowing shell or scull;

11.18 (5) a ship's lifeboat;

11.19 (6) a vessel of at least five net tons measured in Code of Federal Regulations, title 46,
 11.20 part 69, that is documented under Code of Federal Regulations, title 46, subpart 67.01; or

11.21 (7) a seaplane.

11.22 Subd. 16. **Waters of this state.** "Waters of this state" means waters capable of
 11.23 substantial public use and waters to which the public has access, that are within the
 11.24 territorial limits of this state, including boundary waters.

11.25 **Sec. 2. [86C.02] CERTIFICATE OF TITLE REQUIRED.**

11.26 Subdivision 1. **Requirement.** Except as provided in subdivision 2, outdoor sport
 11.27 equipment used on the waters or the lands of the state must have a certificate of title if the
 11.28 outdoor sport equipment is kept in the state for more than 90 consecutive days.

11.29 Subd. 2. **Exempt outdoor sport equipment.** Outdoor sport equipment is not
 11.30 required to have a certificate of title if the outdoor sport equipment is:

11.31 (1) owned by a manufacturer or dealer and held for sale;

11.32 (2) used by a manufacturer solely for testing;

11.33 (3) from a jurisdiction other than this state, temporarily using the waters or the
 11.34 lands of this state;

11.35 (4) owned by the United States, a state, this state, or a political subdivision;

- 12.1 (5) a duck boat used only during duck hunting season;
 12.2 (6) a rice boat used only during the wild rice harvesting season;
 12.3 (7) owned by a person, firm, or corporation operating a resort as defined in section
 12.4 157.15 or a recreational camping area as defined in section 327.14, subdivision 8, except
 12.5 with respect to previously titled outdoor sport equipment; or
 12.6 (8) outdoor sport equipment manufactured prior to August 1, 2007.

12.7 Subd. 3. **Voluntary titling.** The owner of a device used or designed for navigation
 12.8 on water or land and used on the waters or the lands of this state, may obtain a certificate
 12.9 of title for the device, even though it is not outdoor sport equipment as defined in article
 12.10 1, section 1, subdivision 2, in the same manner and with the same effect as the owner
 12.11 of outdoor sport equipment required to be titled under this act. Once titled, the device
 12.12 is titled outdoor sport equipment as defined in section 86C.01, subdivision 14, and is
 12.13 and remains subject to sections 86C.01 to 86C.21, to the same extent as outdoor sport
 12.14 equipment required to be titled.

12.15 Subd. 4. **Title required for transfer.** A person may not sell or otherwise transfer
 12.16 titled outdoor sport equipment without delivering to the person acquiring the outdoor
 12.17 sport equipment a certificate of title with an assignment on it to show title in the person
 12.18 acquiring the outdoor sport equipment. A person may not acquire outdoor sport equipment
 12.19 required to have a certificate of title without obtaining a certificate of title for the outdoor
 12.20 sport equipment in the person's name.

12.21 Subd. 5. **No legal title without certificate.** A person acquiring outdoor sport
 12.22 equipment through a sale or gift does not acquire a right, title, claim, or interest in the
 12.23 outdoor sport equipment until the person has been issued a certificate of title to the outdoor
 12.24 sport equipment or has received a manufacturer's or importer's certificate. A waiver or
 12.25 estoppel does not operate in favor of that person against another person who has obtained
 12.26 possession of the certificate of title or manufacturer's or importer's certificate for the
 12.27 outdoor sport equipment for valuable consideration.

12.28 Subd. 6. **Outdoor sport equipment license may not be issued without title.** The
 12.29 commissioner may not issue or renew an outdoor sport equipment license to an owner
 12.30 of titled outdoor sport equipment unless the owner has been issued or has applied for a
 12.31 certificate of title for the outdoor sport equipment.

12.32 Sec. 3. **[86C.03] APPLICATION AND ISSUANCE OF CERTIFICATE OF**
 12.33 **TITLE.**

12.34 Subdivision 1. **Application.** The owner of titled outdoor sport equipment must
 12.35 apply for the first certificate of title of outdoor sport equipment in this state to the

13.1 commissioner or a deputy registrar on a form prescribed by the commissioner. The
 13.2 appropriate fee under section 86C.11 must accompany the application. The application
 13.3 must be signed by the owner and contain:

13.4 (1) the full names, dates of birth, and addresses of owners who are natural persons
 13.5 and the full names and addresses of other owners;

13.6 (2) a description of the outdoor sport equipment including its make, model, year,
 13.7 length if appropriate, the principal material used in construction, and the builder's or
 13.8 manufacturer's hull or other identification number if appropriate;

13.9 (3) the date of purchase by the applicant, the name and address of the person from
 13.10 whom the outdoor sport equipment was acquired;

13.11 (4) the name and address of the person who is to possess the title and any conditions
 13.12 of possession; and

13.13 (5) other information required by the commissioner to determine whether the owner
 13.14 is entitled to a certificate of title and whether security interests exist in the outdoor sport
 13.15 equipment.

13.16 Subd. 2. **Issuance.** (a) The commissioner shall issue a certificate of title for outdoor
 13.17 sport equipment upon verification that:

13.18 (1) the application is genuine;

13.19 (2) the applicant is the owner of the outdoor sport equipment; and

13.20 (3) payment of the required fee.

13.21 (b) The original certificate of title must be mailed to the first secured party disclosed
 13.22 in the application or, if none, to the owner named in the application.

13.23 Subd. 3. **Contents.** (a) A certificate of title issued by the commissioner must contain:

13.24 (1) the date issued;

13.25 (2) the full names, dates of birth, and addresses of owners who are natural persons
 13.26 and the full names and addresses of other owners;

13.27 (3) the names and addresses of secured parties;

13.28 (4) the title number assigned to the outdoor sport equipment;

13.29 (5) a description of the outdoor sport equipment including its make, model, year
 13.30 of manufacture, length, principal material used in construction, registration number,
 13.31 and manufacturer's hull or other identification number if appropriate or, if none, the
 13.32 builder's hull or other identification number assigned to the outdoor sport equipment by
 13.33 the commissioner if appropriate;

13.34 (6) spaces for assignment of title by the owner or by the dealer and for warranting
 13.35 that the signer is the owner and that the outdoor sport equipment is not subject to security
 13.36 interests, liens, or encumbrances except as noted on the face of the certificate of title;

14.1 (7) spaces on the certificate for application of title by a new owner subject to the
14.2 security interests of secured parties named and for the assignment or release of the security
14.3 interest of a secured party; and

14.4 (8) other information the commissioner may require.

14.5 (b) A certificate of title issued by the commissioner is prima facie evidence of the
14.6 facts appearing on it.

14.7 Subd. 4. **Issuance without absolute proof of ownership.** (a) If application is
14.8 made for a certificate of title for outdoor sport equipment and the commissioner is not
14.9 satisfied of the ownership of the outdoor sport equipment or the existence of security
14.10 interests in the outdoor sport equipment, the outdoor sport equipment may be assigned a
14.11 title number but the commissioner must:

14.12 (1) withhold issuance of a certificate of title until the applicant presents documents
14.13 that satisfy the commissioner of the applicant's ownership of the outdoor sport equipment
14.14 and of security interest in the outdoor sport equipment; or

14.15 (2) require the applicant to file a bond in the form prescribed by the commissioner
14.16 and executed by the applicant as a condition to issuing a certificate of title.

14.17 (b) A bond filed under this subdivision must be accompanied by the deposit of
14.18 cash or executed by a surety company authorized to do business in this state. The bond
14.19 must be in an amount equal to 1-1/2 times the value of the outdoor sport equipment as
14.20 determined by the commissioner. The bond must be conditioned to indemnify prior
14.21 owners, secured parties, and later purchasers of the outdoor sport equipment or persons
14.22 acquiring a security interest in the outdoor sport equipment, or successors in interest of
14.23 the persons, against expenses, losses, or damages, including reasonable attorney fees,
14.24 by reason of the issuance of the certificate of title to the outdoor sport equipment or on
14.25 account of a defect in or undisclosed security interest upon the right, title, and interest of
14.26 the applicant in the outdoor sport equipment.

14.27 (c) An interested person has a right of action to recover on the bond for a breach
14.28 of its conditions, but the aggregate liability of the surety to all persons may not exceed
14.29 the amount of the bond.

14.30 (d) The commissioner shall return the bond and any deposit accompanying the
14.31 bond if:

14.32 (1) the commissioner has not been notified of the pendency of an action to recover
14.33 on the bond;

14.34 (2) questions of ownership and outstanding security interests have been resolved
14.35 to the satisfaction of the commissioner;

15.1 (3) the bond has been posted for three years or the outdoor sport equipment is not
 15.2 registered for license purposes in this state under sections 86B.125, 86B.301, and 86B.401
 15.3 to 86B.421; and

15.4 (4) the currently valid certificate of title is surrendered.

15.5 Subd. 5. **Records.** (a) The commissioner shall maintain records of certificates of
 15.6 title issued under this section according to one of the following systems:

15.7 (1) under a distinctive title number assigned to outdoor sport equipment;

15.8 (2) under the registration number awarded to outdoor sport equipment in accordance
 15.9 with the registration and numbering law of the state where it is registered;

15.10 (3) alphabetically, under the name of the owner; or

15.11 (4) under another system determined by the commissioner.

15.12 (b) Records relating to outdoor sport equipment titling maintained by the
 15.13 commissioner are public records and are open to public inspection during regular office
 15.14 hours.

15.15 Subd. 6. **Grounds for refusal to issue certificate of title.** The commissioner
 15.16 may not issue a certificate of title if a required fee is not paid or the commissioner has
 15.17 reasonable grounds to believe that:

15.18 (1) the applicant is not the owner of the outdoor sport equipment;

15.19 (2) the application contains a false statement; or

15.20 (3) the applicant failed to furnish required information or documents or additional
 15.21 information the commissioner reasonably requires.

15.22 **Sec. 4. [86C.04] DEALER ACQUISITION AND TRANSFER.**

15.23 Subdivision 1. **Certificate of origin required.** (a) A dealer may not purchase
 15.24 or acquire new titled outdoor sport equipment without obtaining a manufacturer's or
 15.25 importer's certificate of origin from the seller.

15.26 (b) A manufacturer, importer, dealer, or other person may not sell or otherwise
 15.27 dispose of new titled outdoor sport equipment to a dealer for purposes of display and
 15.28 resale without delivering to the dealer a manufacturer's or importer's certificate of origin.

15.29 Subd. 2. **Contents of certificate.** The manufacturer's or importer's certificate of
 15.30 origin must be of a form prescribed by the commissioner and contain:

15.31 (1) a description of the outdoor sport equipment, including its trade name, if
 15.32 any, year, series or model, and hull material, length, and hull identification number if
 15.33 appropriate;

15.34 (2) certification of the date of transfer of the outdoor sport equipment and the name
 15.35 and address of the person to whom the outdoor sport equipment was transferred;

16.1 (3) certification that the transfer of the outdoor sport equipment was in ordinary
16.2 trade and commerce;

16.3 (4) the signature and address of a representative of the person transferring the
16.4 outdoor sport equipment;

16.5 (5) an assignment form, including the name and address of the person the outdoor
16.6 sport equipment is to be transferred to, a certification that the outdoor sport equipment
16.7 is new, and a warranty that the title at the time of delivery is subject only to the security
16.8 interests stated on the title; and

16.9 (6) other information required by the commissioner.

16.10 **Subd. 3. Sale of new outdoor sport equipment.** A dealer selling or exchanging
16.11 new titled outdoor sport equipment, before delivering the outdoor sport equipment to a
16.12 purchaser, shall apply to the commissioner for a new title in the name of the purchaser.
16.13 The application must contain the name and address of any secured party holding a security
16.14 interest created or reserved at the time of sale and the date of the security agreement
16.15 and must be accompanied by a manufacturer's or importer's certificate of origin. The
16.16 application must be signed by the dealer and the owner, and the dealer shall promptly mail
16.17 or deliver the application to the commissioner or a deputy registrar.

16.18 **Subd. 4. Used outdoor sport equipment acquired for resale.** (a) If a dealer buys
16.19 or acquires used titled outdoor sport equipment for resale, the dealer must apply to the
16.20 commissioner or deputy registrar and obtain a title number before selling or exchanging
16.21 the outdoor sport equipment in the same manner as new outdoor sport equipment on forms
16.22 the commissioner provides or apply for and obtain a certificate of title.

16.23 (b) If a dealer acquires used titled outdoor sport equipment for resale and the outdoor
16.24 sport equipment is covered by a certificate of title that is surrendered to the dealer by the
16.25 owner at the time of delivery of the outdoor sport equipment, the dealer need not send the
16.26 certificate of title to the commissioner. Upon transferring the outdoor sport equipment to
16.27 another person, the dealer must promptly execute the assignment, showing the name and
16.28 address of the person to whom the outdoor sport equipment is transferred and forward
16.29 the certificate to the commissioner or deputy registrar with the application for a new
16.30 certificate of title.

16.31 **Subd. 5. Outdoor sport equipment with foreign registration.** (a) Except as
16.32 provided in paragraph (b), an application for a certificate of title for outdoor sport
16.33 equipment last registered in another state or foreign country must contain or be
16.34 accompanied by:

16.35 (1) a certificate of title or registration issued by the other state or foreign country; and

17.1 (2) other information or documents the commissioner requires to establish the
 17.2 ownership of the outdoor sport equipment and the existence or nonexistence of security
 17.3 interests.

17.4 (b) If the state or foreign country where the outdoor sport equipment was
 17.5 last registered does not issue certificates of title, the application must contain or be
 17.6 accompanied by:

17.7 (1) a proper bill of sale or sworn statement of ownership, certificate of registration,
 17.8 or evidence of ownership as required by the law of the state or foreign country; and

17.9 (2) any other information or documents the commissioner requires to establish the
 17.10 ownership of the outdoor sport equipment and the existence or nonexistence of security
 17.11 interests.

17.12 **Sec. 5. [86C.05] TRANSFER BY OWNER.**

17.13 Subdivision 1. **Voluntary transfer.** (a) An owner who transfers titled outdoor sport
 17.14 equipment must execute the assignment and warranty of title to the person to whom the
 17.15 outdoor sport equipment is transferred in the space provided on the certificate of title
 17.16 where the outdoor sport equipment is delivered.

17.17 (b) The person acquiring the outdoor sport equipment must obtain a new certificate
 17.18 of title by applying to the commissioner or a deputy registrar on a form prescribed by the
 17.19 commissioner, and submitting the required fee. The application for certificate of title
 17.20 must be filed within 15 days after delivery of the outdoor sport equipment to the person
 17.21 acquiring the outdoor sport equipment.

17.22 (c) Upon request of the owner or the person who acquired the outdoor sport
 17.23 equipment, a secured party in possession of the certificate of title must deliver the
 17.24 certificate to the person acquiring the outdoor sport equipment, the commissioner, or a
 17.25 deputy registrar, unless the transfer is a breach of the security agreement. The delivery of
 17.26 the certificate does not affect the rights of the secured party under the security agreement.

17.27 (d) If a security interest or encumbrance is first created at the time of transfer of
 17.28 ownership, the certificate must be retained by or delivered to the secured party.

17.29 Subd. 2. **Transfer by law.** (a) Except as otherwise provided in this chapter, if the
 17.30 ownership of titled outdoor sport equipment is transferred by operation of law, including
 17.31 inheritance or bequest, order in bankruptcy, insolvency, replevin, execution, sale, or
 17.32 satisfaction of mechanic's lien, or repossession upon default in performance of the terms
 17.33 of a security agreement, the person acquiring the outdoor sport equipment by operation of
 17.34 law must promptly submit the last certificate of title, if available, or the manufacturer's
 17.35 or importer's certificate or other satisfactory proof of the transfer of ownership to the

18.1 commissioner or deputy registrar with the application for a new certificate of title and
 18.2 the required fee.

18.3 (b) If a secured party acquires titled outdoor sport equipment under the terms of a
 18.4 security agreement or by operation of law, the secured party must promptly submit to the
 18.5 commissioner, a deputy registrar, or the person acquiring the outdoor sport equipment
 18.6 from the secured party the last certificate of title, if available, an application for a new
 18.7 certificate of title with the required fee, and an affidavit by the secured party or an
 18.8 authorized representative stating the facts entitling the secured party to possession and
 18.9 ownership of the outdoor sport equipment, including a copy of the journal entry, court
 18.10 order, or instrument upon which the claim of possession and ownership is founded. If
 18.11 the secured party cannot produce the required proof of ownership, the secured party
 18.12 may submit other evidence with the application and the commissioner may issue a new
 18.13 certificate of title if the evidence provides satisfactory proof of ownership.

18.14 **Sec. 6. [86C.06] TEMPORARY USE PERMITS.**

18.15 Subdivision 1. **Issuance to title applicant.** (a) The commissioner may issue a
 18.16 temporary outdoor sport equipment use permit to a person applying for a certificate of
 18.17 title for new or used outdoor sport equipment to allow that person to operate the outdoor
 18.18 sport equipment on the waters or lands of the state pending completion of the titling and
 18.19 outdoor sport equipment licensing process.

18.20 (b) The outdoor sport equipment use permit must be carried aboard the outdoor sport
 18.21 equipment to allow immediate inspection. The outdoor sport equipment use permit must
 18.22 contain a description of the outdoor sport equipment, including its trade name, if any, year,
 18.23 series or model, and hull material, length, and hull identification number if appropriate,
 18.24 and other information prescribed by the commissioner. A permit is valid only for the
 18.25 outdoor sport equipment for which it is issued.

18.26 Subd. 2. **Distribution to dealers.** The commissioner may distribute permits in
 18.27 booklet form to licensed dealers. If the dealer issues a permit, the dealer must submit
 18.28 an outdoor sport equipment use permit information form to the commissioner. The
 18.29 commissioner must provide information forms that require the name of the person to
 18.30 whom the outdoor sport equipment use permit was issued, the outdoor sport equipment
 18.31 description, dates of issue and expiration, and other information prescribed by the
 18.32 commissioner.

18.33 **Sec. 7. [86C.07] DUPLICATE CERTIFICATE.**

19.1 Subdivision 1. **Form and issuance.** (a) The commissioner may issue a duplicate
 19.2 certificate of title under this section. The duplicate certificate of title must be a certified
 19.3 copy plainly marked "duplicate" across its face and must contain the legend: "This
 19.4 duplicate certificate of title may be subject to the rights of a person under the original
 19.5 certificate." It must be mailed to the first secured party named in it or, if none, to the owner.
 19.6 The commissioner shall indicate in the department records that a duplicate has been issued.

19.7 (b) As a condition to issuing a duplicate certificate of title, the commissioner may
 19.8 require a bond from the applicant in the manner and form prescribed in section 86B.830,
 19.9 subdivision 4, paragraph (b).

19.10 Subd. 2. **Waiting period to issue new certificate of title.** The commissioner may
 19.11 not issue a new certificate of title to a person acquiring outdoor sport equipment under an
 19.12 application made on a duplicate certificate of title until at least 15 days after receiving
 19.13 the application.

19.14 Subd. 3. **Disappearance of original certificate.** If a certificate of title is lost, stolen,
 19.15 or destroyed, the owner or legal representative of the owner named in the certificate
 19.16 may obtain a duplicate by applying to the commissioner, furnishing information the
 19.17 commissioner requires concerning the original certificate, and the circumstances of its
 19.18 loss or destruction.

19.19 Subd. 4. **Mutilated or illegible certificate.** If an original certificate of title is
 19.20 mutilated or rendered illegible, the person in possession of the title must return it to the
 19.21 commissioner with the application for a duplicate.

19.22 Subd. 5. **Recovery of lost or stolen certificate.** If a lost or stolen certificate of title
 19.23 for which a duplicate has been issued is recovered, the lost or stolen certificate of title
 19.24 must be surrendered promptly to the commissioner for cancellation.

19.25 **Sec. 8. [86C.08] SUSPENSION OR REVOCATION OF CERTIFICATE.**

19.26 Subdivision 1. **Suspension or revocation.** The commissioner shall suspend
 19.27 or revoke a certificate of title upon notice and reasonable opportunity to be heard if
 19.28 authorized by law or if the commissioner finds that:

19.29 (1) the certificate of title was fraudulently procured or erroneously issued; or

19.30 (2) the outdoor sport equipment has been scrapped, dismantled, or destroyed.

19.31 Subd. 2. **Duties of owner.** If the commissioner suspends or revokes a certificate
 19.32 of title, the owner or person in possession of the certificate of title, immediately upon
 19.33 receiving notice of the suspension or revocation, shall mail or deliver the certificate to
 19.34 the commissioner.

20.1 Subd. 3. **Seizure or impoundment.** The commissioner may seize and impound
 20.2 a certificate of title that has been suspended or revoked.

20.3 Subd. 4. **Subsequent good faith purchaser.** Suspension or revocation of a
 20.4 certificate of title does not affect the validity of a subsequent transfer to a purchaser relying
 20.5 in good faith on the assignment of a suspended or revoked title if the certificate of title
 20.6 was not surrendered to or seized by the commissioner under subdivisions 2 and 3, and
 20.7 the commissioner shall issue a new certificate of title to an applicant who is a good faith
 20.8 purchaser for value in those circumstances.

20.9 **Sec. 9. [86C.09] RESPONSIBILITIES OF COMMISSIONER.**

20.10 The commissioner shall prescribe and provide suitable forms of applications,
 20.11 certificates of title, notices of security interests, and other notices and forms necessary to
 20.12 implement this chapter. In addition, the commissioner may:

20.13 (1) make necessary investigations to procure information required to implement
 20.14 this chapter;

20.15 (2) assign a new identification number, if appropriate, to outdoor sport equipment
 20.16 if the outdoor sport equipment does not have a number or the number is destroyed or
 20.17 obliterated; or

20.18 (3) adopt and enforce rules necessary to implement this chapter.

20.19 **Sec. 10. [86C.10] PENALTIES.**

20.20 Subdivision 1. **Felony.** A person is guilty of a felony and punishable by
 20.21 imprisonment for a term of not more than four years, or payment of a fine of not more
 20.22 than \$5,000, or both, if the person with fraudulent intent:

20.23 (1) uses a false or fictitious name or address, makes a material false statement,
 20.24 fails to disclose a security interest, or conceals any other material fact in an application
 20.25 for a certificate of title; or

20.26 (2) submits a false, forged, or fictitious document in support of an application for a
 20.27 certificate of title.

20.28 Subd. 2. **Misdemeanor.** A person is guilty of a misdemeanor if that person:

20.29 (1) with fraudulent intent permits another to use or possess a certificate of title who
 20.30 is not entitled to use or possess the certificate of title;

20.31 (2) willfully fails to mail or deliver a certificate of title to the commissioner or a
 20.32 deputy registrar within ten days after the time required;

20.33 (3) willfully fails to deliver to a person acquiring outdoor sport equipment a
 20.34 certificate of title within ten days after the time required;

- 21.1 (4) commits a fraud in an application for a certificate of title; or
 21.2 (5) fails to notify the commissioner of a fact as required by law.

21.3 Sec. 11. **86C.11** **TITLE FEES.**

21.4 **Subdivision 1. Fees.** (a) The fee to be paid to the commissioner:

21.5 (1) for issuing an original certificate of title, including the concurrent notation of an
 21.6 assignment of the security interest and its subsequent release or satisfaction, is \$15;

21.7 (2) for each security interest when first noted upon a certificate of title, including the
 21.8 concurrent notation of an assignment of the security interest and its subsequent release or
 21.9 satisfaction, is \$10;

21.10 (3) for transferring the interest of an owner and issuing a new certificate of title, is
 21.11 \$10;

21.12 (4) for each assignment of a security interest when first noted on a certificate of title,
 21.13 unless noted concurrently with the security interest, is \$1; and

21.14 (5) for issuing a duplicate certificate of title, is \$4.

21.15 (b) In addition to other statutory fees and taxes, a filing fee of \$7 is imposed on every
 21.16 outdoor sport equipment title application. The filing fee must be shown as a separate item
 21.17 on title renewal notices sent by the commissioner.

21.18 **Subd. 2. Concurrent applications.** If a person applies for an original or a new
 21.19 certificate of title for outdoor sport equipment concurrently with an application for transfer
 21.20 of license of the outdoor sport equipment to the applicant, the fee prescribed in subdivision
 21.21 1 is in lieu of any other fees prescribed for a transfer of ownership or license of the outdoor
 21.22 sport equipment to the applicant.

21.23 **Subd. 3. Fees paid before title issued.** Subject to subdivision 2, the commissioner
 21.24 may not issue a certificate of title for outdoor sport equipment until the fees prescribed
 21.25 by subdivision 1 and other law for a prior transfer of ownership or license of the outdoor
 21.26 sport equipment have been paid.

21.27 **Subd. 4. Deposit of fee.** (a) Fees collected under this section, except fees collected
 21.28 on watercraft, must be deposited in the state treasury and credited to an outdoor sport
 21.29 recreation account which is created in the state treasury in the natural resources fund and
 21.30 which is appropriated by law for outdoor sport recreation purposes established by law,
 21.31 except a deputy registrar who originates an application shall retain the filing fee under
 21.32 subdivision 1, paragraph (b).

21.33 (b) Fees collected under this section on watercraft must be deposited as provided
 21.34 in section 86B.706.

22.1 Sec. 12. **[86C.12] INAPPLICABLE LIENS AND SECURITY INTERESTS.**

22.2 The requirements of this chapter relating to security interests and certificate of title
 22.3 do not apply to or affect:

22.4 (1) a lien given by statute or rule of law to a supplier of services or materials for
 22.5 the outdoor sport equipment while the outdoor sport equipment is in the possession of
 22.6 the lienholder;

22.7 (2) a lien given by statute to the United States, this state, or a political subdivision
 22.8 of this state; or

22.9 (3) a security interest in outdoor sport equipment created by a manufacturer or dealer
 22.10 who holds the outdoor sport equipment for sale.

22.11 Sec. 13. **[86C.13] SECURITY INTERESTS.**

22.12 Subdivision 1. **Validity.** Unless excepted by section 86C.12, a security interest in
 22.13 titled outdoor sport equipment is not valid against creditors of the owner or subsequent
 22.14 transferees or secured parties of the outdoor sport equipment unless perfected as provided
 22.15 in this chapter.

22.16 Subd. 2. **Perfection.** A security interest is perfected by the delivery to the
 22.17 commissioner of the existing certificate of title, if any, or an application for a certificate
 22.18 of title, containing the name and address of the secured party, the date of the security
 22.19 agreement, and the required fee. A security interest is perfected as of the time of the
 22.20 delivery. The method provided in this chapter is exclusive.

22.21 Sec. 14. **[86C.14] OWNER-CREATED SECURITY INTEREST.**

22.22 Paragraphs (a) to (d) apply if an owner creates a security interest in titled outdoor
 22.23 sport equipment.

22.24 (a) The owner shall immediately execute the application in the space provided on the
 22.25 certificate of title or on a separate form prescribed by the commissioner, show the name
 22.26 and address of the secured party on the certificate, and have the certificate, application,
 22.27 and required fee delivered to the secured party.

22.28 (b) The secured party shall immediately have the certificate, application, and
 22.29 required fee mailed or delivered to the commissioner.

22.30 (c) Upon request of the owner or subordinate secured party, a secured party in
 22.31 possession of the certificate of title shall either (1) mail or deliver the certificate to the
 22.32 subordinate secured party for delivery to the commissioner, or (2) upon receiving from the
 22.33 subordinate secured party the owner's application and the required fee, mail or deliver

23.1 them to the commissioner with the certificate. The delivery of the certificate does not
 23.2 affect the rights of the first secured party under the security agreement.

23.3 (d) Upon receiving the certificate of title, application, and required fee, the
 23.4 commissioner shall either endorse on the certificate or issue a new certificate containing
 23.5 the name and address of the new secured party, and mail or deliver the certificate to the
 23.6 first secured party named on it.

23.7 **Sec. 15. [86C.15] LICENSED OUTDOOR SPORT EQUIPMENT PREVIOUSLY**
 23.8 **PERFECTED.**

23.9 If a security interest in previously licensed outdoor sport equipment is perfected
 23.10 under other applicable Minnesota law on January 1, 2007, the security interest continues
 23.11 perfected:

23.12 (1) until its perfection lapses under the law under which it was perfected or would
 23.13 lapse in the absence of a further filing; or

23.14 (2) until a certificate of title for the outdoor sport equipment is issued and the
 23.15 security interest is perfected under section 86C.13.

23.16 The assignment, release, or satisfaction of a security interest in previously licensed
 23.17 outdoor sport equipment is governed by the laws under which it was perfected.

23.18 **Sec. 16. [86C.16] SATISFACTION OF SECURITY INTEREST.**

23.19 Subdivision 1. **Release.** Upon the satisfaction of a security interest in outdoor sport
 23.20 equipment for which the certificate of title is in the possession of the secured party, the
 23.21 secured party, within 15 days, shall execute a release of the security interest in the space
 23.22 provided on the certificate or as prescribed by the commissioner, and mail or deliver
 23.23 the certificate and release to the next secured party named or, if none, to the owner or a
 23.24 person who delivers to the secured party an authorization from the owner to receive the
 23.25 certificate. The owner, other than a dealer holding the outdoor sport equipment for resale,
 23.26 shall promptly have the certificate, the release, and the required fee mailed or delivered
 23.27 to the commissioner, who shall release the secured party's rights on the certificate or
 23.28 issue a new certificate.

23.29 Subd. 2. **Release of subordinate security interest.** Upon the satisfaction of a
 23.30 security interest in outdoor sport equipment for which the certificate of title is in the
 23.31 possession of a prior secured party, the secured party whose security interest is satisfied
 23.32 shall execute a release in the form prescribed by the commissioner and, within 15 days after
 23.33 satisfaction, deliver the release to the owner or a person who delivers to the secured party.

24.1 Sec. 17. **[86C.17] DISCLOSURE OF SECURITY AGREEMENT.**

24.2 A secured party named in a certificate of title, upon written request of the owner or
 24.3 other secured party named on the certificate, must disclose pertinent information about
 24.4 the security agreement and the indebtedness secured by it.

24.5 Sec. 18. **[86C.18] EFFECT OF SUSPENSION OR REVOCATION ON**
 24.6 **SECURITY INTEREST.**

24.7 Suspension or revocation of a certificate of title does not, in itself, affect the validity
 24.8 of a security interest noted on it.

24.9 Sec. 19. **[86C.19] PREVIOUSLY LICENSED OUTDOOR SPORT EQUIPMENT**
 24.10 **UNDISCLOSED SECURITY INTERESTS.**

24.11 If the commissioner is not satisfied that there are no undisclosed security interests
 24.12 created before the outdoor sport equipment is initially titled, the commissioner may, in
 24.13 addition to its options under section 86C.03, subdivision 4, issue a distinctive certificate of
 24.14 title for the outdoor sport equipment containing the legend: "This outdoor sport equipment
 24.15 may be subject to an undisclosed lien," and any other information the commissioner
 24.16 prescribes.

24.17 Sec. 20. **[86C.20] LIENS ATTACHING TO OUTDOOR SPORT EQUIPMENT.**

24.18 (a) A nonpossessory lien on titled outdoor sport equipment is not perfected unless a
 24.19 lien statement is filed with the commissioner.

24.20 (b) The lien statement must include:

24.21 (1) the outdoor sport equipment owner's name and address;

24.22 (2) the statute under which the lien is taken;

24.23 (3) the name and address of the lienholder; and

24.24 (4) the title number of the outdoor sport equipment.

24.25 (c) The commissioner shall note the time and date of filing the lien statement.

24.26 Sec. 21. **[86C.21] STOLEN OUTDOOR SPORT EQUIPMENT.**

24.27 Subdivision 1. **Duty of peace officers.** A peace officer aware of stolen or converted
 24.28 outdoor sport equipment shall immediately furnish the commissioner with information
 24.29 concerning the theft or conversion.

24.30 Subd. 2. **Duty of commissioner.** The commissioner, upon receiving a report of
 24.31 the theft or conversion of outdoor sport equipment, shall record the report information,
 24.32 including the make of the stolen or converted outdoor sport equipment and its builder's

25.1 hull or other identification number, if any. The commissioner shall prepare a list of
25.2 outdoor sport equipment reported stolen and those recovered as disclosed by the reports
25.3 submitted. The report may be distributed as the commissioner deems advisable.

25.4 Subd. 3. **Duty of owner.** If stolen or converted outdoor sport equipment is
25.5 recovered, the owner shall immediately notify the commissioner.

25.6 Sec. 22. **REPEALER.**

25.7 Minnesota Statutes 2006, sections 86B.820; 86B.825; 86B.830; 86B.835; 86B.840;
25.8 86B.845; 86B.850; 86B.855; 86B.860; 86B.865; 86B.870; 86B.875; 86B.880; 86B.885;
25.9 86B.890; 86B.895; 86B.900; 86B.905; 86B.910; 86B.915; and 86B.920, are repealed.

86B.820 DEFINITIONS.

Subdivision 1. **Applicability.** The definitions in this section apply to sections 86B.820 to 86B.920.

Subd. 2. **Commissioner.** "Commissioner" means the commissioner of natural resources.

Subd. 3. **Dealer.** "Dealer" means a person who: (1) is in the business of manufacturing, distributing, selling, or purchasing new or used watercraft; (2) has an established place of business for the sale, trade, and display of watercraft; and (3) possesses watercraft for the purpose of sale or trade.

Subd. 4. **Department.** "Department" means the Department of Natural Resources.

Subd. 5. **Deputy registrar.** "Deputy registrar" means a person appointed or hired by the commissioner of public safety under section 168.33.

Subd. 6. **Manufacturer.** "Manufacturer" means a person engaged in the business of constructing or assembling watercraft required to have a certificate of title.

Subd. 7. **Manufacturer's or importer's certificate of origin.** "Manufacturer's or importer's certificate of origin" means a certificate with the authorized signature of the manufacturer or importer of a watercraft, describing and identifying the watercraft, giving the name and address of the person to whom the watercraft is first sold by the manufacturer or importer, and containing executed assignments of the watercraft to an applicant for a certificate of title on the watercraft in this state.

Subd. 8. **Owner.** "Owner" means a person, other than a secured party, having the title to a watercraft. "Owner" includes a person entitled to use or possess the watercraft, subject to a security interest in another person, reserved or created by agreement and securing payment of performance of an obligation, but "owner" does not include a lessee under a lease not intended as security.

Subd. 9. **Person.** "Person" means an individual, firm, partnership, association, corporation, or governmental organization.

Subd. 10. **Secured party.** "Secured party" means a secured party as defined in section 336.9-102(a)(72), having a security interest in a watercraft and includes a lienholder.

Subd. 11. **Security agreement.** "Security agreement" has the meaning given it in section 336.9-102(a)(73).

Subd. 12. **Security interest.** "Security interest" has the meaning given it in section 336.1-201(b)(35), and includes statutory liens for which lien statements are filed.

Subd. 13. **Titled watercraft.** "Titled watercraft" means a watercraft required to have a certificate of title under section 86B.825, subdivision 1; a watercraft for which a certificate of title has been issued under section 86B.825, subdivision 3; or a watercraft previously issued a certificate of title or similar document from another jurisdiction.

Subd. 14. **Watercraft.** "Watercraft" means a device used or designed for navigation on water that is greater than 16 feet in length, as defined in section 86B.005, subdivision 6, but does not include:

(1) a row-type fishing boat of single hull construction, with oar locks and an outboard motor capacity rating of less than 40 horsepower;

(2) a canoe;

(3) a kayak;

(4) a rowing shell or scull;

(5) a ship's lifeboat;

(6) a vessel of at least five net tons measured in Code of Federal Regulations, title 46, part 69, that is documented under Code of Federal Regulations, title 46, subpart 67.01; or

(7) a seaplane.

Subd. 15. **Waters of this state.** "Waters of this state" means waters capable of substantial public use and waters to which the public has access, that are within the territorial limits of this state, including boundary waters.

86B.825 CERTIFICATE OF TITLE REQUIRED.

Subdivision 1. **Requirement.** Except as provided in subdivision 2, a watercraft used on the waters of the state must have a certificate of title if the watercraft is kept in the state for more than 90 consecutive days.

Subd. 2. **Exempt watercraft.** A watercraft is not required to have a certificate of title if the watercraft is:

(1) owned by a manufacturer or dealer and held for sale;

APPENDIX
Repealed Minnesota Statutes: 07-1155

- (2) used by a manufacturer solely for testing;
- (3) from a jurisdiction other than this state, temporarily using the waters of this state;
- (4) owned by the United States, a state, this state, or a political subdivision;
- (5) a duck boat used only during duck hunting season;
- (6) a rice boat used only during the wild rice harvesting season;
- (7) owned by a person, firm, or corporation operating a resort as defined in section 157.15 or a recreational camping area as defined in section 327.14, subdivision 8, except with respect to a previously titled watercraft; or
- (8) watercraft manufactured prior to August 1, 1979.

Subd. 3. **Voluntary titling.** The owner of a device used or designed for navigation on water and used on the waters of this state may obtain a certificate of title for the device, even though it is not a watercraft as defined in section 86B.820, subdivision 14, in the same manner and with the same effect as the owner of a watercraft required to be titled under Laws 1989, chapter 335. Once titled, the device is a titled watercraft as defined in section 86B.820, subdivision 13, and is and remains subject to Laws 1989, chapter 335, to the same extent as a watercraft required to be titled.

Subd. 4. **Title required for transfer.** A person may not sell or otherwise transfer a titled watercraft without delivering to the person acquiring the watercraft a certificate of title with an assignment on it to show title in the person acquiring the watercraft. A person may not acquire a watercraft required to have a certificate of title without obtaining a certificate of title for the watercraft in the person's name.

Subd. 5. **No legal title without certificate.** A person acquiring a watercraft through a sale or gift does not acquire a right, title, claim, or interest in the watercraft until the person has been issued a certificate of title to the watercraft or has received a manufacturer's or importer's certificate. A waiver or estoppel does not operate in favor of that person against another person who has obtained possession of the certificate of title or manufacturer's or importer's certificate for the watercraft for valuable consideration.

Subd. 6. **Watercraft license may not be issued without title.** The commissioner may not issue or renew a watercraft license to an owner of a titled watercraft unless the owner has been issued or has applied for a certificate of title for the watercraft.

86B.830 APPLICATION AND ISSUANCE OF CERTIFICATE OF TITLE.

Subdivision 1. **Application.** The owner of a titled watercraft must apply for the first certificate of title of a watercraft in this state to the commissioner or a deputy registrar on a form prescribed by the commissioner. The appropriate fee under section 86B.870 must accompany the application. The application must be signed by the owner and contain:

- (1) the full names, dates of birth, and addresses of owners who are natural persons and the full names and addresses of other owners;
- (2) a description of the watercraft including its make, model, year, length, the principal material used in construction, and the builder's or manufacturer's hull identification number;
- (3) the date of purchase by the applicant, the name and address of the person from whom the watercraft was acquired;
- (4) the name and address of the person who is to possess the title and any conditions of possession; and
- (5) other information required by the commissioner to determine whether the owner is entitled to a certificate of title and whether security interests exist in the watercraft.

Subd. 2. **Issuance.** (a) The commissioner shall issue a certificate of title for a watercraft upon verification that:

- (1) the application is genuine;
- (2) the applicant is the owner of the watercraft; and
- (3) payment of the required fee.

(b) The original certificate of title must be mailed to the first secured party disclosed in the application or, if none, to the owner named in the application.

Subd. 3. **Contents.** (a) A certificate of title issued by the commissioner must contain:

- (1) the date issued;
- (2) the full names, dates of birth, and addresses of owners who are natural persons and the full names and addresses of other owners;
- (3) the names and addresses of secured parties;
- (4) the title number assigned to the watercraft;
- (5) a description of the watercraft including its make, model, year of manufacture, length, principal material used in construction, registration number, and manufacturer's hull identification

APPENDIX

Repealed Minnesota Statutes: 07-1155

number or, if none, the builder's hull identification number assigned to the watercraft by the commissioner;

(6) spaces for assignment of title by the owner or by the dealer and for warranting that the signer is the owner and that the watercraft is not subject to security interests, liens, or encumbrances except as noted on the face of the certificate of title;

(7) spaces on the certificate for application of title by a new owner subject to the security interests of secured parties named and for the assignment or release of the security interest of a secured party; and

(8) other information the commissioner may require.

(b) A certificate of title issued by the commissioner is prima facie evidence of the facts appearing on it.

Subd. 4. Issuance without absolute proof of ownership. (a) If application is made for a certificate of title for a watercraft and the commissioner is not satisfied of the ownership of the watercraft or the existence of security interests in the watercraft, the watercraft may be assigned a title number but the commissioner must:

(1) withhold issuance of a certificate of title until the applicant presents documents that satisfy the commissioner of the applicant's ownership of the watercraft and of security interest in the watercraft; or

(2) require the applicant to file a bond in the form prescribed by the commissioner and executed by the applicant as a condition to issuing a certificate of title.

(b) A bond filed under this subdivision must be accompanied by the deposit of cash or executed by a surety company authorized to do business in this state. The bond must be in an amount equal to 1-1/2 times the value of the watercraft as determined by the commissioner. The bond must be conditioned to indemnify prior owners, secured parties, and later purchasers of the watercraft or persons acquiring a security interest in the watercraft, or successors in interest of the persons, against expenses, losses, or damages, including reasonable attorney fees, by reason of the issuance of the certificate of title to the watercraft or on account of a defect in or undisclosed security interest upon the right, title, and interest of the applicant in the watercraft.

(c) An interested person has a right of action to recover on the bond for a breach of its conditions, but the aggregate liability of the surety to all persons may not exceed the amount of the bond.

(d) The commissioner shall return the bond and any deposit accompanying the bond if:

(1) the commissioner has not been notified of the pendency of an action to recover on the bond;

(2) questions of ownership and outstanding security interests have been resolved to the satisfaction of the commissioner;

(3) the bond has been posted for three years or the watercraft is not registered for license purposes in this state under sections 86B.125, 86B.301, and 86B.401 to 86B.421; and

(4) the currently valid certificate of title is surrendered.

Subd. 5. Records. (a) The commissioner shall maintain records of certificates of title issued under this section according to one of the following systems:

(1) under a distinctive title number assigned to a watercraft;

(2) under the registration number awarded to a watercraft in accordance with the registration and numbering law of the state where it is registered;

(3) alphabetically, under the name of the owner; or

(4) under another system determined by the commissioner.

(b) Records relating to watercraft titling maintained by the commissioner are public records and are open to public inspection during regular office hours.

Subd. 6. Grounds for refusal to issue certificate of title. The commissioner may not issue a certificate of title if a required fee is not paid or the commissioner has reasonable grounds to believe that:

(1) the applicant is not the owner of the watercraft;

(2) the application contains a false statement; or

(3) the applicant failed to furnish required information or documents or additional information the commissioner reasonably requires.

86B.835 DEALER ACQUISITION AND TRANSFER.

Subdivision 1. Certificate of origin required. (a) A dealer may not purchase or acquire a new titled watercraft without obtaining a manufacturer's or importer's certificate of origin from the seller.

APPENDIX

Repealed Minnesota Statutes: 07-1155

(b) A manufacturer, importer, dealer, or other person may not sell or otherwise dispose of a new titled watercraft to a dealer for purposes of display and resale without delivering to the dealer a manufacturer's or importer's certificate of origin.

Subd. 2. **Contents of certificate.** The manufacturer's or importer's certificate of origin must be of a form prescribed by the commissioner and contain:

(1) a description of the watercraft, including its trade name, if any, year, series or model, hull material, length, and hull identification number;

(2) certification of the date of transfer of the watercraft and the name and address of the person to whom the watercraft was transferred;

(3) certification that the transfer of the watercraft was in ordinary trade and commerce;

(4) the signature and address of a representative of the person transferring the watercraft;

(5) an assignment form, including the name and address of the person the watercraft is to be transferred to, a certification that the watercraft is new, and a warranty that the title at the time of delivery is subject only to the security interests stated on the title; and

(6) other information required by the commissioner.

Subd. 3. **Sale of new watercraft.** A dealer selling or exchanging a new titled watercraft, before delivering the watercraft to a purchaser, shall apply to the commissioner for a new title in the name of the purchaser. The application must contain the name and address of any secured party holding a security interest created or reserved at the time of sale and the date of the security agreement and must be accompanied by a manufacturer's or importer's certificate of origin. The application must be signed by the dealer and the owner, and the dealer shall promptly mail or deliver the application to the commissioner or a deputy registrar.

Subd. 4. **Used watercraft acquired for resale.** (a) If a dealer buys or acquires a used titled watercraft for resale, the dealer must apply to the commissioner or deputy registrar and obtain a title number before selling or exchanging the watercraft in the same manner as a new watercraft on forms the commissioner provides or apply for and obtain a certificate of title.

(b) If a dealer acquires a used titled watercraft for resale and the watercraft is covered by a certificate of title that is surrendered to the dealer by the owner at the time of delivery of the watercraft, the dealer need not send the certificate of title to the commissioner. Upon transferring the watercraft to another person, the dealer must promptly execute the assignment, showing the name and address of the person to whom the watercraft is transferred and forward the certificate to the commissioner or deputy registrar with the application for a new certificate of title.

Subd. 5. **Watercraft with foreign registration.** (a) Except as provided in paragraph (b), an application for a certificate of title for a watercraft last registered in another state or foreign country must contain or be accompanied by:

(1) a certificate of title or registration issued by the other state or foreign country; and

(2) other information or documents the commissioner requires to establish the ownership of the watercraft and the existence or nonexistence of security interests.

(b) If the state or foreign country where the watercraft was last registered does not issue certificates of title, the application must contain or be accompanied by:

(1) a proper bill of sale or sworn statement of ownership, certificate of registration, or evidence of ownership as required by the law of the state or foreign country; and

(2) any other information or documents the commissioner requires to establish the ownership of the watercraft and the existence or nonexistence of security interests.

86B.840 TRANSFER BY OWNER.

Subdivision 1. **Voluntary transfer.** (a) An owner who transfers a titled watercraft must execute the assignment and warranty of title to the person to whom the watercraft is transferred in the space provided on the certificate of title where the watercraft is delivered.

(b) The person acquiring the watercraft must obtain a new certificate of title by applying to the commissioner or a deputy registrar on a form prescribed by the commissioner, and submitting the required fee. The application for certificate of title must be filed within 15 days after delivery of the watercraft to the person acquiring the watercraft.

(c) Upon request of the owner or the person who acquired the watercraft, a secured party in possession of the certificate of title must deliver the certificate to the person acquiring the watercraft, the commissioner, or a deputy registrar, unless the transfer is a breach of the security agreement. The delivery of the certificate does not affect the rights of the secured party under the security agreement.

(d) If a security interest or encumbrance is first created at the time of transfer of ownership, the certificate must be retained by or delivered to the secured party.

APPENDIX

Repealed Minnesota Statutes: 07-1155

Subd. 2. **Transfer by law.** (a) Except as otherwise provided in this chapter, if the ownership of a titled watercraft is transferred by operation of law, including inheritance or bequest, order in bankruptcy, insolvency, replevin, execution, sale, or satisfaction of mechanic's lien, or repossession upon default in performance of the terms of a security agreement, the person acquiring the watercraft by operation of law must promptly submit the last certificate of title, if available, or the manufacturer's or importer's certificate or other satisfactory proof of the transfer of ownership to the commissioner or deputy registrar with the application for a new certificate of title and the required fee.

(b) If a secured party acquires a titled watercraft under the terms of a security agreement or by operation of law, the secured party must promptly submit to the commissioner, a deputy registrar, or the person acquiring the watercraft from the secured party the last certificate of title, if available, an application for a new certificate of title with the required fee, and an affidavit by the secured party or an authorized representative stating the facts entitling the secured party to possession and ownership of the watercraft, including a copy of the journal entry, court order, or instrument upon which the claim of possession and ownership is founded. If the secured party cannot produce the required proof of ownership, the secured party may submit other evidence with the application and the commissioner may issue a new certificate of title if the evidence provides satisfactory proof of ownership.

86B.845 TEMPORARY WATERCRAFT USE PERMITS.

Subdivision 1. **Issuance to title applicant.** (a) The commissioner may issue a temporary watercraft use permit to a person applying for a certificate of title for a new or used watercraft to allow that person to operate the watercraft on the waters of this state pending completion of the titling and watercraft licensing process.

(b) The watercraft use permit must be carried aboard the watercraft to allow immediate inspection. The watercraft use permit must contain a description of the watercraft, including its trade name, if any, year, series or model, hull material, length, hull identification number, and other information prescribed by the commissioner. A permit is valid only for the watercraft for which it is issued.

Subd. 2. **Distribution to dealers.** The commissioner may distribute permits in booklet form to licensed dealers. If the dealer issues a permit, the dealer must submit a watercraft use permit information form to the commissioner. The commissioner must provide information forms that require the name of the person to whom the watercraft use permit was issued, the watercraft description, dates of issue and expiration, and other information prescribed by the commissioner.

86B.850 DUPLICATE CERTIFICATE.

Subdivision 1. **Form and issuance.** (a) The commissioner may issue a duplicate certificate of title under this section. The duplicate certificate of title must be a certified copy plainly marked "duplicate" across its face and must contain the legend: "This duplicate certificate of title may be subject to the rights of a person under the original certificate." It must be mailed to the first secured party named in it or, if none, to the owner. The commissioner shall indicate in the department records that a duplicate has been issued.

(b) As a condition to issuing a duplicate certificate of title, the commissioner may require a bond from the applicant in the manner and form prescribed in section 86B.830, subdivision 4, paragraph (b).

Subd. 2. **Waiting period to issue new certificate of title.** The commissioner may not issue a new certificate of title to a person acquiring a watercraft under an application made on a duplicate certificate of title until at least 15 days after receiving the application.

Subd. 3. **Disappearance of original certificate.** If a certificate of title is lost, stolen, or destroyed, the owner or legal representative of the owner named in the certificate may obtain a duplicate by applying to the commissioner, furnishing information the commissioner requires concerning the original certificate, and the circumstances of its loss or destruction.

Subd. 4. **Mutilated or illegible certificate.** If an original certificate of title is mutilated or rendered illegible, the person in possession of the title must return it to the commissioner with the application for a duplicate.

Subd. 5. **Recovery of lost or stolen certificate.** If a lost or stolen certificate of title for which a duplicate has been issued is recovered, the lost or stolen certificate of title must be surrendered promptly to the commissioner for cancellation.

86B.855 SUSPENSION OR REVOCATION OF CERTIFICATE.

APPENDIX

Repealed Minnesota Statutes: 07-1155

Subdivision 1. **Suspension or revocation.** The commissioner shall suspend or revoke a certificate of title upon notice and reasonable opportunity to be heard if authorized by law or if the commissioner finds that:

- (1) the certificate of title was fraudulently procured or erroneously issued; or
- (2) the watercraft has been scrapped, dismantled, or destroyed.

Subd. 2. **Duties of owner.** If the commissioner suspends or revokes a certificate of title, the owner or person in possession of the certificate of title, immediately upon receiving notice of the suspension or revocation, shall mail or deliver the certificate to the commissioner.

Subd. 3. **Seizure or impoundment.** The commissioner may seize and impound a certificate of title that has been suspended or revoked.

Subd. 4. **Subsequent good faith purchaser.** Suspension or revocation of a certificate of title does not affect the validity of a subsequent transfer to a purchaser relying in good faith on the assignment of a suspended or revoked title if the certificate of title was not surrendered to or seized by the commissioner under subdivisions 2 and 3, and the commissioner shall issue a new certificate of title to an applicant who is a good faith purchaser for value in those circumstances.

86B.860 RESPONSIBILITIES OF COMMISSIONER.

The commissioner shall prescribe and provide suitable forms of applications, certificates of title, notices of security interests, and other notices and forms necessary to implement this chapter. In addition, the commissioner may:

- (1) make necessary investigations to procure information required to implement this chapter;
- (2) assign a new hull identification number to a watercraft if the watercraft does not have a number or the number is destroyed or obliterated; or
- (3) adopt and enforce rules necessary to implement this chapter.

86B.865 PENALTIES.

Subdivision 1. **Felony.** A person is guilty of a felony and punishable by imprisonment for a term of not more than four years, or payment of a fine of not more than \$5,000, or both, if the person with fraudulent intent:

- (1) uses a false or fictitious name or address, makes a material false statement, fails to disclose a security interest, or conceals any other material fact in an application for a certificate of title; or
- (2) submits a false, forged, or fictitious document in support of an application for a certificate of title.

Subd. 2. **Misdemeanor.** A person is guilty of a misdemeanor if that person:

- (1) with fraudulent intent permits another to use or possess a certificate of title who is not entitled to use or possess the certificate of title;
- (2) willfully fails to mail or deliver a certificate of title to the commissioner or a deputy registrar within ten days after the time required;
- (3) willfully fails to deliver to a person acquiring a watercraft a certificate of title within ten days after the time required;
- (4) commits a fraud in an application for a certificate of title; or
- (5) fails to notify the commissioner of a fact as required by law.

86B.870 TITLE FEES.

Subdivision 1. **Fees.** (a) The fee to be paid to the commissioner:

- (1) for issuing an original certificate of title, including the concurrent notation of an assignment of the security interest and its subsequent release or satisfaction, is \$15;
- (2) for each security interest when first noted upon a certificate of title, including the concurrent notation of an assignment of the security interest and its subsequent release or satisfaction, is \$10;
- (3) for transferring the interest of an owner and issuing a new certificate of title, is \$10;
- (4) for each assignment of a security interest when first noted on a certificate of title, unless noted concurrently with the security interest, is \$1; and
- (5) for issuing a duplicate certificate of title, is \$4.

(b) In addition to other statutory fees and taxes, a filing fee of \$7 is imposed on every watercraft title application. The filing fee must be shown as a separate item on title renewal notices sent by the commissioner.

APPENDIX

Repealed Minnesota Statutes: 07-1155

Subd. 2. **Concurrent applications.** If a person applies for an original or a new certificate of title for a watercraft concurrently with an application for transfer of license of the watercraft to the applicant, the fee prescribed in subdivision 1 is in lieu of the fee prescribed by sections 86B.125, 86B.301, and 86B.401 to 86B.421 for a transfer of ownership or license of the watercraft to the applicant.

Subd. 3. **Fees paid before title issued.** Subject to subdivision 2, the commissioner may not issue a certificate of title for a watercraft until the fees prescribed by subdivision 1 and sections 86B.125, 86B.301, and 86B.401 to 86B.421 for a prior transfer of ownership or license of the watercraft have been paid.

Subd. 4. **Deposit of fee.** Fees collected under this section must be deposited in the state treasury and credited to the water recreation account, except a deputy registrar who originates an application shall retain the filing fee under subdivision 1, paragraph (b).

86B.875 INAPPLICABLE LIENS AND SECURITY INTERESTS.

The requirements of this chapter relating to security interests and certificate of title do not apply to or affect:

- (1) a lien given by statute or rule of law to a supplier of services or materials for the watercraft while the watercraft is in the possession of the lienholder;
- (2) a lien given by statute to the United States, this state, or a political subdivision of this state; or
- (3) a security interest in a watercraft created by a manufacturer or dealer who holds the watercraft for sale.

86B.880 SECURITY INTERESTS.

Subdivision 1. **Validity.** Unless excepted by section 86B.875, a security interest in a titled watercraft is not valid against creditors of the owner or subsequent transferees or secured parties of the watercraft unless perfected as provided in this chapter.

Subd. 2. **Perfection.** A security interest is perfected by the delivery to the commissioner of the existing certificate of title, if any, or an application for a certificate of title, containing the name and address of the secured party, the date of the security agreement, and the required fee. A security interest is perfected as of the time of the delivery. The method provided in this chapter is exclusive.

86B.885 OWNER-CREATED SECURITY INTEREST.

Paragraphs (a) to (d) apply if an owner creates a security interest in a titled watercraft.

(a) The owner shall immediately execute the application in the space provided on the certificate of title or on a separate form prescribed by the commissioner, show the name and address of the secured party on the certificate, and have the certificate, application, and required fee delivered to the secured party.

(b) The secured party shall immediately have the certificate, application, and required fee mailed or delivered to the commissioner.

(c) Upon request of the owner or subordinate secured party, a secured party in possession of the certificate of title shall either (1) mail or deliver the certificate to the subordinate secured party for delivery to the commissioner, or (2) upon receiving from the subordinate secured party the owner's application and the required fee, mail or deliver them to the commissioner with the certificate. The delivery of the certificate does not affect the rights of the first secured party under the security agreement.

(d) Upon receiving the certificate of title, application, and required fee, the commissioner shall either endorse on the certificate or issue a new certificate containing the name and address of the new secured party, and mail or deliver the certificate to the first secured party named on it.

86B.890 LICENSED WATERCRAFT PREVIOUSLY PERFECTED.

If a security interest in a previously licensed watercraft is perfected under other applicable Minnesota law on January 1, 1991, the security interest continues perfected:

- (1) until its perfection lapses under the law under which it was perfected or would lapse in the absence of a further filing; or
- (2) until a certificate of title for the watercraft is issued and the security interest is perfected under section 86B.880.

APPENDIX

Repealed Minnesota Statutes: 07-1155

The assignment, release, or satisfaction of a security interest in a previously licensed watercraft is governed by the laws under which it was perfected.

86B.895 SATISFACTION OF SECURITY INTEREST.

Subdivision 1. **Release.** Upon the satisfaction of a security interest in a watercraft for which the certificate of title is in the possession of the secured party, the secured party, within 15 days, shall execute a release of the security interest in the space provided on the certificate or as prescribed by the commissioner, and mail or deliver the certificate and release to the next secured party named or, if none, to the owner or a person who delivers to the secured party an authorization from the owner to receive the certificate. The owner, other than a dealer holding the watercraft for resale, shall promptly have the certificate, the release, and the required fee mailed or delivered to the commissioner, who shall release the secured party's rights on the certificate or issue a new certificate.

Subd. 2. **Release of subordinate security interest.** Upon the satisfaction of a security interest in a watercraft for which the certificate of title is in the possession of a prior secured party, the secured party whose security interest is satisfied shall execute a release in the form prescribed by the commissioner and, within 15 days after satisfaction, deliver the release to the owner or a person who delivers to the secured party.

86B.900 DISCLOSURE OF SECURITY AGREEMENT.

A secured party named in a certificate of title, upon written request of the owner or other secured party named on the certificate, must disclose pertinent information about the security agreement and the indebtedness secured by it.

86B.905 EFFECT OF SUSPENSION OR REVOCATION ON SECURITY INTEREST.

Suspension or revocation of a certificate of title does not, in itself, affect the validity of a security interest noted on it.

86B.910 PREVIOUSLY LICENSED WATERCRAFT UNDISCLOSED SECURITY INTERESTS.

If the commissioner is not satisfied that there are no undisclosed security interests created before the watercraft is initially titled, the commissioner may, in addition to its options under section 86B.830, subdivision 4, issue a distinctive certificate of title for the watercraft containing the legend: "This watercraft may be subject to an undisclosed lien," and any other information the commissioner prescribes.

86B.915 LIENS ATTACHING TO WATERCRAFT.

(a) A nonpossessory lien on a titled watercraft is not perfected unless a lien statement is filed with the commissioner.

(b) The lien statement must include:

- (1) the watercraft owner's name and address;
- (2) the statute under which the lien is taken;
- (3) the name and address of the lienholder; and
- (4) the title number of the watercraft.

(c) The commissioner shall note the time and date of filing the lien statement.

86B.920 STOLEN WATERCRAFT.

Subdivision 1. **Duty of peace officers.** A peace officer aware of a stolen or converted watercraft shall immediately furnish the commissioner with information concerning the theft or conversion.

Subd. 2. **Duty of commissioner.** The commissioner, upon receiving a report of the theft or conversion of a watercraft, shall record the report information, including the make of the stolen or converted watercraft and its builder's hull identification number, if any. The commissioner shall prepare a list of watercraft reported stolen and those recovered as disclosed by the reports submitted. The report may be distributed as the commissioner deems advisable.

APPENDIX

Repealed Minnesota Statutes: 07-1155

Subd. 3. **Duty of owner.** If a stolen or converted watercraft is recovered, the owner shall immediately notify the commissioner.