**Section 200.202 Exemptions by Rule**

a) The offer and sale of a franchise to a bank, savings institution, trust company, interstate carrier or insurance company is exempt from Sections 5 and 10 of the Act.

b) Isolated Transaction

1) If a referral source provides the name of a prospective franchisee to a franchisor and receives a referral or broker fee, but the person making the referral has no involvement in presenting the advantages of that particular franchise system, handles no franchisee payments owed to the franchisor, and has made no referral to that franchisor during the preceding 12 months, then such an isolated transaction does not require registration as a franchise broker and does not require the franchisor to provide disclosures concerning the person making the referral in the franchisor's UFOC.

2) If a franchisor obtains a prospective franchisee from an unregistered broker, the franchisor must verify the representations made to the prospect by the broker and that all required disclosure has been provided. No referral fee or commission shall be paid to the broker until such broker is properly registered with the Administrator or is found to be exempt from registration.

c) An officer, director or employee of an affiliate or related company of the franchisor is exempt from the Broker Application and Registration requirements of Section 13 of the Act, provided that the franchisor files a Sales Agent Disclosure Form with the Administrator for any such person. See Appendix A, Illustration C.

d) Franchise Trade Show Promoters and persons who organize or manage events, shows or facilities in which franchises are advertised, offered or otherwise promoted are hereby exempt from the requirements of Section 13 of the Act if:

1) the person does not receive a fee or other consideration from the exhibitors participating in such event or show other than exhibitor fees; and

2) any rent, exhibitor fees or other consideration paid for use of the exhibit space is not contingent or based upon the sale of franchises by the exhibitors or show promoters; and

3) the person is in compliance with 16 CFR 436, as amended through May 1, 1999, or is in compliance with an exemption issued by the Federal Trade Commission (contact FTC Consumer Response Center, 600 Pennsylvania Ave. N.W., Washington D.C. 20580).

e) Large Franchisor Exemption

 The offer and sale of a franchise meeting the following requirements is exempt from Sections 5(1) and 10 of the Act:

1) Net Worth. The franchisor and, when applicable, a parent corporation or other business entity owning at least 80 percent of the franchisor must meet one of the following net worth requirements according to the financial statements for the most recent fiscal year just ended:

A) The franchisor has a net worth on a consolidated basis of not less than $5,000,000, according to its audited financial statement; or

B) The franchisor has a net worth of not less than $1,000,000, and its parent has a net worth of not less than $5,000,000, according to the audited financial statements of the franchisor and its parent, respectively; or

C) The franchisor has a net worth not less than $1,000,000, according to its unaudited financial statement, and the parent has a net worth on a consolidated basis of not less than $5,000,000 according to its audited financial statement, and the parent absolutely and unconditionally guarantees to assume the duties and obligations of the franchisor under the franchise agreement should the franchisor become unable to perform its duties and obligations.

2) Experience. The franchisor or its parent corporation or other business entity owning at least 80 percent of the franchisor or the franchisor's predecessor (as defined by UFOC Guidelines), or any combination thereof, has, throughout the five year period immediately preceding the offer and sale of the franchise, at least 25 franchisees conducting business in its franchise system. Up to three years of the required experience can be fulfilled by demonstrating that the franchisor has conducted business that is substantially the same as the subject of the franchise.

3) Disclosure. The franchisor agrees to timely provide a Federal Trade Commission prospectus or UFOC offering circular to each prospective franchisee.

4) Loss of Exemption. This exemption shall immediately terminate if:

A) Franchisor's net worth requirement is no longer met; or

B) Franchisor has fewer than 25 active franchisees; or

C) The franchisor was dependent upon another corporation or business entity to qualify for this exemption and such qualifying support has been withdrawn or is otherwise no longer available.

5) Required Documentation. Franchisor must submit the following documents to the Administrator to secure this exemption:

A) A cover letter stating: how the net worth requirement has been met; specific information demonstrating that the experience requirement has been met; that the franchisor agrees to timely provide a UFOC or FTC disclosure document to each prospective franchisee; that the Illinois Franchise Disclosure Act applies to all Illinois franchise transactions; and that this exemption will immediately terminate for the reasons stated above;

B) Franchisor's current UFOC or FTC disclosure document;

C) A Uniform Consent to Service of process and the appropriate acknowledgment (Section 200.Appendix A, Illustrations D and E or F);

D) A Certification Page (Appendix A, Illustration G) verifying that the documents submitted are true and correct.

6) The franchisor must renew its exemption annually.

(Source: Amended at 23 Ill. Reg. 11561, effective September 7, 1999)