**Section 200.502 Escrow of Funds**

When a franchisor chooses the escrow of franchise fees to comply with financial assurance requirements, the escrow account shall comply with the following requirements:

a) Checks shall be made payable to the escrowee by the franchisee;

b) The account shall be established in a federally insured bank, and the funds shall be kept and maintained in an account separate and apart from the franchisor's business and personal accounts;

c) The escrowed funds shall not be subject to any liens or charges by the escrowee or judgments, garnishments, or creditor's claims against the franchisor as hereinafter provided. This escrow is for the benefit of each franchisee in the amount paid by each franchisee;

d) At the request of the Administrator, statements indicating the status of the escrow shall be furnished by the bank or trust company to the Administrator;

e) An escrow agreement in the form set forth in Appendix C, Illustration A hereto, shall be entered into between the bank and the franchisor, which shall state that its purpose is to protect the franchisee and shall authorize the Administrator to inspect the records of the bank as escrowee relating thereto, and shall state that, upon order of the Administrator or a court of competent jurisdiction, the escrowee shall release and pay over the funds, or a portion thereof, to the franchisor or franchisee; and

f) The escrow shall remain in effect as to the respective franchisee/franchisor relationships until the initial obligations of the franchisor to assist the franchisee to establish and open the franchisee's business are fulfilled.

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