

FRANCHISE INVESTMENT LAW (EXCERPT)
Act 269 of 1974

445.1506 Exemption of offer and sale of franchise from MCL 445.1507a and 445.1508; circumstances; compliance with MCL 445.1508.

Sec. 6. (1) Except as provided in subsection (2), the offer and sale of a franchise is exempt from sections 7a and 8 if any of the following circumstances apply:

(a) The transaction is by an executor, administrator, sheriff, marshal, receiver, trustee in bankruptcy, guardian, or conservator.

(b) The offer or sale is to a bank, savings institution, trust company, insurance company, investment company, or other financial institution, association, or institutional buyer or to a broker-dealer where the purchaser is acting for itself or in some fiduciary capacity.

(c) The prospective franchisee is required to pay, directly or indirectly, a franchisee fee which does not exceed \$500.00.

(d) The offer or sale is to a franchisee or prospective franchisee where the franchisee or prospective franchisee is not domiciled in this state and where the franchise business will not be operated in this state.

(e) There is an extension or renewal of an existing franchise or the exchange or substitution of a modified or amended franchise agreement where there is no interruption in the operation of the franchise business of the franchisee, and no material change in the franchise relationship.

(f) The offer or sale of a franchise by a franchisee for the franchisee's own account, if all of the following conditions are met:

(i) The sale is an isolated sale, and not part of a plan of distribution of franchises.

(ii) The franchisee provides to the prospective purchaser full access to the books and records related to the franchise in actual or constructive possession of the franchisee.

(g) The offer or sale of a franchise to an existing franchisee if all of the following conditions are met:

(i) The existing franchisee is the person or persons who has actively operated the franchise for the last 18 months.

(ii) The franchisee purchases for investment and not for the purpose of resale.

(h) The transaction complies with all of the following:

(i) The prospective franchisee is presently engaged in an established business of which the franchise will become a component.

(ii) An individual directly responsible for the operation of the franchise, or a person involved in the management of the prospective franchise, including but not limited to a director, executive officer, or partner has been directly or indirectly engaged in the type of business represented by the franchise relationship for at least 2 years.

(iii) The parties have reasonable grounds to believe, at the time the sale is consummated, that the franchisee's gross sales in dollar volume from the franchise will not represent more than 20% of the franchisee's gross sales in dollar volume from all of the franchisee's combined business operations.

(2) If the franchisor has a disclosure statement in compliance with the laws of any state or rule of the federal trade commission, the franchisor shall comply with section 8.

History: 1974, Act 269, Eff. Oct. 15, 1974;—Am. 1984, Act 92, Eff. June 20, 1984.