



Rep. Carol Sente

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1 AMENDMENT TO HOUSE BILL 3791

2 AMENDMENT NO. _____. Amend House Bill 3791 by replacing
3 everything after the enacting clause with the following:

4 "Section 5. The Illinois Securities Law of 1953 is amended
5 by changing Sections 2.35, 4, and 8d as follows:

6 (815 ILCS 5/2.35)

7 Sec. 2.35. Qualified escrowee. "Qualified escrowee" means
8 a person, firm, partnership, association, corporation, or
9 other legal entity who: (a) falls under the definition of
10 "title insurance company" under, and pursuant to the terms and
11 requirements of, the Title Insurance Act, or is otherwise an
12 agent or affiliate of such title insurance company, and which
13 maintains at least one physical business location within the
14 State; (b) is certified as an independent escrowee under, and
15 pursuant to the terms and requirements of, the Title Insurance
16 Act; or (c) is a bank, regulated trust company, savings bank,

1 savings and loan association, or credit union, registered
2 broker-dealer, or law firm which is authorized to do business
3 in the State and which maintains at least one physical business
4 location within the State.

5 (Source: P.A. 99-182, eff. 1-1-16.)

6 (815 ILCS 5/4) (from Ch. 121 1/2, par. 137.4)

7 Sec. 4. Exempt transactions. The provisions of Sections 2a,
8 5, 6 and 7 of this Act shall not apply to any of the following
9 transactions, except where otherwise specified in this Section
10 4:

11 A. Any offer or sale, whether through a dealer or
12 otherwise, of securities by a person who is not an issuer,
13 underwriter, dealer or controlling person in respect of
14 such securities, and who, being the bona fide owner of such
15 securities, disposes thereof for his or her own account;
16 provided, that such offer or sale is not made directly or
17 indirectly for the benefit of the issuer or of an
18 underwriter or controlling person.

19 B. Any offer, sale, issuance or exchange of securities
20 of the issuer to or with security holders of the issuer
21 except to or with persons who are security holders solely
22 by reason of holding transferable warrants, transferable
23 options, or similar transferable rights of the issuer, if
24 no commission or other remuneration is paid or given
25 directly or indirectly for or on account of the procuring

1 or soliciting of such sale or exchange (other than a fee
2 paid to underwriters based on their undertaking to purchase
3 any securities not purchased by security holders in
4 connection with such sale or exchange).

5 C. Any offer, sale or issuance of securities to any
6 corporation, bank, savings bank, savings institution,
7 savings and loan association, trust company, insurance
8 company, building and loan association, or dealer; to a
9 pension fund, pension trust, or employees' profit sharing
10 trust, other financial institution or institutional
11 investor, any government or political subdivision or
12 instrumentality thereof, whether the purchaser is acting
13 for itself or in some fiduciary capacity; to any
14 partnership or other association engaged as a substantial
15 part of its business or operations in purchasing or holding
16 securities; to any trust in respect of which a bank or
17 trust company is trustee or co-trustee; to any entity in
18 which at least 90% of the equity is owned by persons
19 described under subsection C, H, or S of this Section 4; to
20 any employee benefit plan within the meaning of Title I of
21 the Federal ERISA Act if (i) the investment decision is
22 made by a plan fiduciary as defined in Section 3(21) of the
23 Federal ERISA Act and such plan fiduciary is either a bank,
24 savings and loan association, insurance company,
25 registered investment adviser or an investment adviser
26 registered under the Federal 1940 Investment Advisers Act,

1 or (ii) the plan has total assets in excess of \$5,000,000,
2 or (iii) in the case of a self-directed plan, investment
3 decisions are made solely by persons that are described
4 under subsection C, D, H or S of this Section 4; to any
5 plan established and maintained by, and for the benefit of
6 the employees of, any state or political subdivision or
7 agency or instrumentality thereof if such plan has total
8 assets in excess of \$5,000,000; or to any organization
9 described in Section 501(c) (3) of the Internal Revenue Code
10 of 1986, any Massachusetts or similar business trust, or
11 any partnership, if such organization, trust, or
12 partnership has total assets in excess of \$5,000,000.

13 D. The Secretary of State is granted authority to
14 create by rule or regulation a limited offering
15 transactional exemption that furthers the objectives of
16 compatibility with federal exemptions and uniformity among
17 the states. The Secretary of State shall prescribe by rule
18 or regulation the amount of the fee for filing any report
19 required under this subsection, but the fee shall not be
20 less than the minimum amount nor more than the maximum
21 amount established under Section 11a of this Act and shall
22 not be returnable in any event.

23 E. Any offer or sale of securities by an executor,
24 administrator, guardian, receiver or trustee in insolvency
25 or bankruptcy, or at any judicial sale, or at a public sale
26 by auction held at an advertised time and place, or the

1 offer or sale of securities in good faith and not for the
2 purpose of avoiding the provisions of this Act by a pledgee
3 of securities pledged for a bona fide debt.

4 F. Any offer or sale by a registered dealer, either as
5 principal or agent, of any securities (except face amount
6 certificate contracts and investment fund shares) at a
7 price reasonably related to the current market price of
8 such securities, provided:

9 (1) (a) the securities are issued and outstanding;

10 (b) the issuer is required to file reports pursuant
11 to Section 13 or Section 15(d) of the Federal 1934 Act
12 and has been subject to such requirements during the 90
13 day period immediately preceding the date of the offer
14 or sale, or is an issuer of a security covered by
15 Section 12(g) (2) (B) or (G) of the Federal 1934 Act;

16 (c) the dealer has a reasonable basis for believing
17 that the issuer is current in filing the reports
18 required to be filed at regular intervals pursuant to
19 the provisions of Section 13 or Section 15(d), as the
20 case may be, of the Federal 1934 Act, or in the case of
21 insurance companies exempted from Section 12(g) of the
22 Federal 1934 Act by subparagraph 12(g) (2) (G) thereof,
23 the annual statement referred to in Section
24 12(g) (2) (G) (i) of the Federal 1934 Act; and

25 (d) the dealer has in its records, and makes
26 reasonably available upon request to any person

1 expressing an interest in a proposed transaction in the
2 securities, the issuer's most recent annual report
3 filed pursuant to Section 13 or 15(d), as the case may
4 be, of the Federal 1934 Act or the annual statement in
5 the case of an insurance company exempted from Section
6 12(g) of the Federal 1934 Act by subparagraph
7 12(g)(2)(G) thereof, together with any other reports
8 required to be filed at regular intervals under the
9 Federal 1934 Act by the issuer after such annual report
10 or annual statement; provided that the making
11 available of such reports pursuant to this
12 subparagraph, unless otherwise represented, shall not
13 constitute a representation by the dealer that the
14 information is true and correct, but shall constitute a
15 representation by the dealer that the information is
16 reasonably current; or

17 (2) (a) prior to any offer or sale, an application for
18 the authorization thereof and a report as set forth
19 under sub-paragraph (d) of this paragraph (2) has been
20 filed by any registered dealer with and approved by the
21 Secretary of State pursuant to such rules and
22 regulations as the Secretary of State may prescribe;

23 (b) the Secretary of State shall have the power by
24 order to refuse to approve any application or report
25 filed pursuant to this paragraph (2) if

26 (i) the application or report does not comply

1 with the provisions of this paragraph (2), or

2 (ii) the offer or sale of such securities would
3 work or tend to work a fraud or deceit, or

4 (iii) the issuer or the applicant has violated
5 any of the provisions of this Act;

6 (c) each application and report filed pursuant to
7 this paragraph (2) shall be accompanied by a filing fee
8 and an examination fee in the amount established
9 pursuant to Section 11a of this Act, which shall not be
10 returnable in any event;

11 (d) there shall be submitted to the Secretary of
12 State no later than 120 days following the end of the
13 issuer's fiscal year, each year during the period of
14 the authorization, one copy of a report which shall
15 contain a balance sheet and income statement prepared
16 as of the issuer's most recent fiscal year end
17 certified by an independent certified public
18 accountant, together with such current information
19 concerning the securities and the issuer thereof as the
20 Secretary of State may prescribe by rule or regulation
21 or order;

22 (e) prior to any offer or sale of securities under
23 the provisions of this paragraph (2), each registered
24 dealer participating in the offer or sale of such
25 securities shall provide upon request of prospective
26 purchasers of such securities a copy of the most recent

1 report required under the provisions of sub-paragraph
2 (d) of this paragraph (2);

3 (f) approval of an application filed pursuant to
4 this paragraph (2) of subsection F shall expire 5 years
5 after the date of the granting of the approval, unless
6 said approval is sooner terminated by (1) suspension or
7 revocation by the Secretary of State in the same manner
8 as is provided for in subsections E, F and G of Section
9 11 of this Act, or (2) the applicant filing with the
10 Secretary of State an affidavit to the effect that (i)
11 the subject securities have become exempt under
12 Section 3 of this Act or (ii) the applicant no longer
13 is capable of acting as the applicant and stating the
14 reasons therefor or (iii) the applicant no longer
15 desires to act as the applicant. In the event of the
16 filing of an affidavit under either preceding
17 sub-division (ii) or (iii) the Secretary of State may
18 authorize a substitution of applicant upon the new
19 applicant executing the application as originally
20 filed. However, the aforementioned substituted
21 execution shall have no effect upon the previously
22 determined date of expiration of approval of the
23 application. Notwithstanding the provisions of this
24 subparagraph (f), approvals granted under this
25 paragraph (2) of subsection F prior to the effective
26 date of this Act shall be governed by the provisions of

1 this Act in effect on such date of approval; and

2 (g) no person shall be considered to have violated
3 Section 5 of this Act by reason of any offer or sale
4 effected in reliance upon an approval granted under
5 this paragraph (2) after a termination thereof under
6 the foregoing subparagraph (f) if official notice of
7 such termination has not been circulated generally to
8 dealers by the Secretary of State and if such person
9 sustains the burden of proof that he or she did not
10 know, and in the exercise of reasonable care, could not
11 have known, of the termination; or

12 (3) the securities, or securities of the same class,
13 are the subject of an existing registration under Section 5
14 of this Act.

15 The exemption provided in this subsection F shall apply
16 only if the offer or sale is made in good faith and not for the
17 purpose of avoiding any of the provisions of this Act, and only
18 if the offer or sale is not made for the direct or indirect
19 benefit of the issuer of the securities, or the controlling
20 person in respect of such issuer.

21 G. (1) Any offer, sale or issuance of a security, whether
22 to residents or to non-residents of this State, where:

23 (a) all sales of such security to residents of this
24 State (including the most recent such sale) within the
25 immediately preceding 12-month period have been made
26 to not more than 35 persons or have involved an

1 aggregate sales price of not more than \$1,000,000;

2 (b) such security is not offered or sold by means
3 of any general advertising or general solicitation in
4 this State; and

5 (c) no commission, discount, or other remuneration
6 exceeding 20% of the sale price of such security, if
7 sold to a resident of this State, is paid or given
8 directly or indirectly for or on account of such sales.

9 (2) In computing the number of resident purchasers or
10 the aggregate sales price under paragraph (1) (a) above,
11 there shall be excluded any purchaser or dollar amount of
12 sales price, as the case may be, with respect to any
13 security which at the time of its sale was exempt under
14 Section 3 or was registered under Section 5, 6 or 7 or was
15 sold in a transaction exempt under other subsections of
16 this Section 4.

17 (3) A prospectus or preliminary prospectus with
18 respect to a security for which a registration statement is
19 pending or effective under the Federal 1933 Act shall not
20 be deemed to constitute general advertising or general
21 solicitation in this State as such terms are used in
22 paragraph (1) (b) above, provided that such prospectus or
23 preliminary prospectus has not been sent or otherwise
24 delivered to more than 150 residents of this State.

25 (4) The Secretary of State shall by rule or regulation
26 require the filing of a report or reports of sales made in

1 reliance upon the exemption provided by this subsection G
2 and prescribe the form of such report and the time within
3 which such report shall be filed. Such report shall set
4 forth the name and address of the issuer and of the
5 controlling person, if the sale was for the direct or
6 indirect benefit of such person, and any other information
7 deemed necessary by the Secretary of State to enforce
8 compliance with this subsection G. The Secretary of State
9 shall prescribe by rule or regulation the amount of the fee
10 for filing any such report, established pursuant to Section
11 11a of this Act, which shall not be returnable in any
12 event. The Secretary of State may impose, in such cases as
13 he or she may deem appropriate, a penalty for failure to
14 file any such report in a timely manner, but no such
15 penalty shall exceed an amount equal to five times the
16 filing fee. The contents of any such report or portion
17 thereof may be deemed confidential by the Secretary of
18 State by rule or order and if so deemed shall not be
19 disclosed to the public except by order of court or in
20 court proceedings. The failure to file any such report
21 shall not affect the availability of such exemption, but
22 such failure to file any such report shall constitute a
23 violation of subsection D of Section 12 of this Act,
24 subject to the penalties enumerated in Section 14 of this
25 Act. The civil remedies provided for in subsection A of
26 Section 13 of this Act and the civil remedies of rescission

1 and appointment of a receiver, conservator, ancillary
2 receiver or ancillary conservator provided for in
3 subsection F of Section 13 of this Act shall not be
4 available against any person by reason of the failure to
5 file any such report or on account of the contents of any
6 such report.

7 H. Any offer, sale or issuance of a security to an
8 accredited investor provided that such security is not
9 offered or sold by means of any general advertising or
10 general solicitation, except as otherwise permitted in
11 this Act.

12 I. Any offer, sale or issuance of securities to or for
13 the benefit of security holders of any person incident to a
14 vote by such security holders pursuant to such person's
15 organizational document or any applicable statute of the
16 jurisdiction of such person's organization, on a merger,
17 consolidation, reclassification of securities, or sale or
18 transfer of assets in consideration of or exchange for
19 securities of the same or another person.

20 J. Any offer, sale or issuance of securities in
21 exchange for one or more outstanding securities, claims or
22 property interests, or partly in such exchange and partly
23 for cash, where such offer, sale or issuance is incident to
24 a reorganization, recapitalization, readjustment,
25 composition or settlement of a claim, as approved by a
26 court of competent jurisdiction of the United States, or

1 any state.

2 K. Any offer, sale or issuance of securities for
3 patronage, or as patronage refunds, or in connection with
4 marketing agreements by cooperative associations organized
5 exclusively for agricultural, producer, marketing,
6 purchasing, or consumer purposes; and the sale of
7 subscriptions for or shares of stock of cooperative
8 associations organized exclusively for agricultural,
9 producer, marketing, purchasing, or consumer purposes, if
10 no commission or other remuneration is paid or given
11 directly or indirectly for or on account of such
12 subscription, sale or resale, and if any person does not
13 own beneficially more than 5% of the aggregate amount of
14 issued and outstanding capital stock of such cooperative
15 association.

16 L. Offers for sale or solicitations of offers to buy
17 (but not the acceptance thereof), of securities which are
18 the subject of a pending registration statement filed under
19 the Federal 1933 Act and which are the subject of a pending
20 application for registration under this Act.

21 M. Any offer or sale of preorganization subscriptions
22 for any securities prior to the incorporation,
23 organization or formation of any issuer under the laws of
24 the United States, or any state, or the issuance by such
25 issuer, after its incorporation, organization or
26 formation, of securities pursuant to such preorganization

1 subscriptions, provided the number of subscribers does not
2 exceed 25 and either (1) no commission or other
3 remuneration is paid or given directly or indirectly for or
4 on account of such sale or sales or issuance, or (2) if any
5 commission or other remuneration is paid or given directly
6 or indirectly for or on account of such sale or sales or
7 issuance, the securities are not offered or sold by any
8 means of general advertising or general solicitation in
9 this State.

10 N. The execution of orders for purchase of securities
11 by a registered salesperson and dealer, provided such
12 persons act as agent for the purchaser, have made no
13 solicitation of the order to purchase the securities, have
14 no direct interest in the sale or distribution of the
15 securities ordered, receive no commission, profit, or
16 other compensation other than the commissions involved in
17 the purchase and sale of the securities and deliver to the
18 purchaser written confirmation of the order which clearly
19 identifies the commissions paid to the registered dealer.

20 O. Any offer, sale or issuance of securities, other
21 than fractional undivided interests in an oil, gas or other
22 mineral lease, right or royalty, for the direct or indirect
23 benefit of the issuer thereof, or of a controlling person,
24 whether through a dealer (acting either as principal or
25 agent) or otherwise, if the securities sold, immediately
26 following the sale or sales, together with securities

1 already owned by the purchaser, would constitute 50% or
2 more of the equity interest of any one issuer, provided
3 that the number of purchasers is not more than 5 and
4 provided further that no commission, discount or other
5 remuneration exceeding 15% of the aggregate sale price of
6 the securities is paid or given directly or indirectly for
7 or on account of the sale or sales.

8 P. Any offer, sale or issuance of securities (except
9 face amount certificate contracts and investment fund
10 shares) issued by and representing an interest in an issuer
11 which is a business corporation incorporated under the laws
12 of this State, the purposes of which are to provide capital
13 and supervision solely for the redevelopment of blighted
14 urban areas located in a municipality in this State and
15 whose assets are located entirely within that
16 municipality, provided: (1) no commission, discount or
17 other remuneration is paid or given directly or indirectly
18 for or on account of the sale or sales of such securities;
19 (2) the aggregate amount of any securities of the issuer
20 owned of record or beneficially by any one person will not
21 exceed the lesser of \$5,000 or 4% of the equity
22 capitalization of the issuer; (3) the officers and
23 directors of the corporation have been bona fide residents
24 of the municipality not less than 3 years immediately
25 preceding the effectiveness of the offering sheet for the
26 securities under this subsection P; and (4) the issuer

1 files with the Secretary of State an offering sheet
2 descriptive of the securities setting forth:

3 (a) the name and address of the issuer;

4 (b) the title and total amount of securities to be
5 offered;

6 (c) the price at which the securities are to be
7 offered; and

8 (d) such additional information as the Secretary
9 of State may prescribe by rule and regulation.

10 The Secretary of State shall within a reasonable time
11 examine the offering sheet so filed and, unless the
12 Secretary of State shall make a determination that the
13 offering sheet so filed does not conform to the
14 requirements of this subsection P, shall declare the
15 offering sheet to be effective, which offering sheet shall
16 continue effective for a period of 12 months from the date
17 it becomes effective. The fee for examining the offering
18 sheet shall be as established pursuant to Section 11a of
19 this Act, and shall not be returnable in any event. The
20 Secretary of State shall by rule or regulation require the
21 filing of a report or reports of sales made to residents of
22 this State in reliance upon the exemption provided by this
23 subsection P and prescribe the form of such report and the
24 time within which such report shall be filed. The Secretary
25 of State shall prescribe by rule or regulation the amount
26 of the fee for filing any such report, but such fee shall

1 not be less than the minimum amount nor more than the
2 maximum amount established pursuant to Section 11a of this
3 Act, and shall not be returnable in any event. The
4 Secretary of State may impose, in such cases as he or she
5 may deem appropriate, a penalty for failure to file any
6 such report in a timely manner, but no such penalty shall
7 exceed an amount equal to five times the filing fee. The
8 contents of any such report shall be deemed confidential
9 and shall not be disclosed to the public except by order of
10 court or in court proceedings. The failure to file any such
11 report shall not affect the availability of such exemption,
12 but such failure to file any such report shall constitute a
13 violation of subsection D of Section 12 of this Act,
14 subject to the penalties enumerated in Section 14 of this
15 Act. The civil remedies provided for in subsection A of
16 Section 13 of this Act and the civil remedies of rescission
17 and appointment of a receiver, conservator, ancillary
18 receiver or ancillary conservator provided for in
19 subsection F of Section 13 of this Act shall not be
20 available against any person by reason of the failure to
21 file any such report or on account of the contents of any
22 such report.

23 Q. Any isolated transaction, whether effected by a
24 dealer or not.

25 R. Any offer, sale or issuance of a security to any
26 person who purchases at least \$150,000 of the securities

1 being offered, where the purchaser's total purchase price
2 does not, or it is reasonably believed by the person
3 relying upon this subsection R that said purchase price
4 does not, exceed 20 percent of the purchaser's net worth at
5 the time of sale, or if a natural person a joint net worth
6 with that person's spouse, for one or any combination of
7 the following: (i) cash, (ii) securities for which market
8 quotations are readily available, (iii) an unconditional
9 obligation to pay cash or securities for which quotations
10 are readily available, which obligation is to be discharged
11 within five years of the sale of the securities to the
12 purchaser, or (iv) the cancellation of any indebtedness
13 owed by the issuer to the purchaser; provided that such
14 security is not offered or sold by means of any general
15 advertising or general solicitation in this State.

16 S. Any offer, sale or issuance of a security to any
17 person who is, or who is reasonably believed by the person
18 relying upon this subsection S to be, a director, executive
19 officer, or general partner of the issuer of the securities
20 being offered or sold, or any director, executive officer,
21 or general partner of a general partner of that issuer. For
22 purposes of this subsection S, "executive officer" shall
23 mean the president, any vice president in charge of a
24 principal business unit, division or function (such as
25 sales, administration or finance), any other officer who
26 performs a policy making function, or any other person who

1 performs similar policy making functions for the issuer.
2 Executive officers of subsidiaries may be deemed executive
3 officers of the issuer if they perform such policy making
4 functions for the issuer.

5 A document being filed pursuant to this Section 4 shall
6 be deemed filed, and any fee paid pursuant to this Section
7 4 shall be deemed paid, upon the date of actual receipt
8 thereof by the Secretary of State.

9 T. An offer or sale of a security, by an issuer that ~~is~~
10 ~~organized and,~~ as of the time of the offer and the time of
11 sale is ~~7~~ in good standing under the laws of the State of
12 Illinois and that is~~7~~ made solely to persons or entities
13 that are, as of the time of the offer and time of sale,
14 residents of the State of Illinois, subject to the
15 following provided:

16 (1) The offering is made in compliance with the
17 requirements of ~~meets all of the requirements of the~~
18 ~~federal exemption for intrastate offerings provided in~~
19 Section 3(a)(11) of the Securities Act of 1933 (15
20 U.S.C. 77c(a)(11)) and Rule 147 adopted under the
21 Securities Act of 1933 (17 CFR 230.147), Rule 147A (17
22 CFR 230.147A), or any other federal exemption
23 providing for intrastate offerings from time to time in
24 effect.

25 (2) The aggregate purchase price of all securities
26 sold by an issuer in reliance on the exemption under

1 this subsection, within any 12-month period, does not
2 exceed: (i) \$1,000,000; or (ii) \$4,000,000 if the
3 issuer has undergone and made available (directly, or
4 through a registered Internet portal), to each
5 prospective purchaser and the Secretary of State,
6 copies of its most recent financial statements which
7 have been audited by an independent auditor and
8 certified by a senior officer of the issuer as fairly,
9 completely, and accurately presenting the financial
10 condition of the issuer, in all material respects, as
11 of the dates indicated therein. Amounts received in
12 connection with any offer or sale to any accredited
13 investor or any of the following shall not count toward
14 the calculation of the foregoing monetary limitations:

15 (a) any entity (including, without limitation,
16 any trust) in which all of the equity interests are
17 owned by (or with respect to any trust, the primary
18 beneficiaries are) persons who are accredited
19 investors or who meet one or more of the criteria
20 in subparagraphs (b) through (d) of this paragraph
21 (2);

22 (b) with respect to participating in an
23 offering of a particular issuer, a natural person
24 serving as an officer, director, partner, or
25 trustee of, or otherwise occupying similar status
26 or performing similar functions with respect to,

1 such issuer;

2 (c) with respect to participating in an
3 offering of a particular issuer, a natural person
4 or entity who owns 10% or more of the then
5 aggregate outstanding voting capital securities of
6 such issuer; or

7 (d) such other person or entity as the
8 Secretary of State may hereafter exempt by rule.

9 The Secretary of State may hereafter cumulatively
10 increase the dollar limitations provided in this
11 paragraph (2).

12 (3) The aggregate amount sold by an issuer to any
13 purchaser (other than an accredited investor or a
14 person or entity which meets one or more of the
15 criteria in subparagraphs (a) through (d) of paragraph
16 (2) of this subsection T) in an offering of securities
17 made in reliance on the exemption provided in this
18 subsection T, within any consecutive 12-month period,
19 does not exceed \$5,000.

20 (4) The Secretary of State shall establish by rule
21 the duties of the issuer including disclosure and
22 filing requirements, treatment of escrow funds and
23 agreements, production of financial statements, and
24 other requirements as deemed necessary.

25 (5) The issuer has made available, to each
26 prospective purchaser and the Secretary of State,

1 copies of its most recent financial statements
2 personally certified by one or more senior officers of
3 the issuer as fairly, completely, and accurately
4 presenting the financial condition of the issuer, in
5 all material respects, as of the dates indicated
6 therein.

7 (6) No commission or other remuneration is paid or
8 given directly or indirectly to any person or entity
9 (including, without limitation, any registered
10 Internet portal) for soliciting any investor, other
11 than such payments made ~~person in this State, except~~ to
12 registered dealers and registered salespersons
13 licensed in this State and such finder fees and other
14 payments now or hereafter permitted under applicable
15 federal law or a United States Securities and Exchange
16 Commission rule or interpretive letter.

17 (7) Not less than 15 days before the earlier of the
18 first sale of securities made in reliance on the
19 exemption provided in this subsection T, or the use of
20 any general solicitation with respect thereto (other
21 than a general announcement made by or on behalf of),
22 an issuer shall file a notice filing with the Secretary
23 of State together with such other forms, materials, and
24 fees as required by the Secretary of State by rule.

25 The Secretary of State shall prescribe by rule the
26 amount of the fee for filing the notice filing required

1 under this subsection, but the fee shall not be less
2 than the minimum amount nor more than the maximum
3 amount in subparagraph (a), established under pursuant
4 ~~to~~ Section 11a of this Act and shall not be returnable
5 in any event. The Secretary of State may impose, in
6 such cases as the Secretary ~~he or she~~ may deem
7 appropriate, a penalty for failure to file any such
8 notice in a timely manner, but no such penalty shall
9 exceed an amount equal to 5 times the filing fee. The
10 contents of any such notice or portion thereof may be
11 deemed confidential by the Secretary of State by rule
12 or order and if so deemed shall not be disclosed to the
13 public except by order of court or in court
14 proceedings. The failure to file any such notice does
15 not affect the availability of such exemption, but such
16 failure to file any such report constitutes a violation
17 of subsection D of Section 12 of this Act and is
18 subject to the penalties and remedies available in this
19 Act and under the law.

20 (8) All payments for purchase of securities
21 offered pursuant to the exemption provided under this
22 subsection T are made directly to, and held by, a the
23 qualified escrowee ~~identified in the escrow agreement~~
24 ~~required pursuant to subparagraph (c) of paragraph~~
25 ~~(4).~~

26 (9) The issuer includes each of the following in

1 one or more of the offering materials delivered to a
2 prospective purchaser, or to which a prospective
3 purchaser has been granted electronic access, in
4 connection with the offering:

5 (a) a description of the issuer, its type of
6 entity, the address, and telephone number of its
7 principal office;

8 (b) a reasonably detailed description of the
9 intended use of the offering proceeds, including
10 any amounts to be paid, as compensation or
11 otherwise, to any owner, executive officer,
12 director, managing member, or other person
13 occupying a similar status or performing similar
14 functions on behalf of the issuer;

15 (c) the identity of all persons owning more
16 than 20% ~~10%~~ of the voting capital securities of
17 the issuer;

18 (d) the identity of the executive officers,
19 directors, managing members, and other persons
20 occupying a similar status or performing similar
21 functions in the name of and on behalf of the
22 issuer, including their titles and a reasonably
23 detailed description of their prior experience;

24 (e) the identity of any person or entity who
25 has been or will be retained by the issuer to
26 assist the issuer in conducting the offering and

1 sale of the securities (including all registered
2 Internet portals but excluding persons acting
3 solely as accountants or attorneys and employees
4 whose primary job responsibilities involve the
5 operating business of the issuer rather than
6 assisting the issuer in raising capital) and a
7 description of the consideration being paid to
8 each such person or entity for such assistance;

9 (e-5) to the extent the issuer is an affiliate
10 or related party of the registered Internet portal
11 being used to conduct the offering, a reasonably
12 detailed description of the relationship between
13 the parties;

14 (f) any additional information material to the
15 offering, including a description of significant
16 factors that make the offering speculative or
17 risky for the purchaser;

18 (g) (blank). the information required pursuant
19 to subparagraphs (a) and (b) of paragraph (4) of
20 this subsection T;

21 (h) such other information as the Secretary of
22 State may hereafter require by rule.

23 (10) The issuer (directly or through a registered
24 Internet portal) requires each purchaser to certify,
25 in writing or electronically, that the purchaser:

26 (a) is a resident of the State of Illinois;

1 (b) understands that the purchaser ~~he or she~~ is
2 investing in a high-risk, highly speculative,
3 business venture, that the purchaser ~~he or she~~ may
4 lose all of the ~~his or her~~ investment, and that the
5 purchaser ~~that he or she~~ can afford such a loss of
6 the ~~his or her~~ investment;

7 (c) understands that the securities being
8 offered are highly illiquid, that there is no ready
9 market for the sale of such securities, that it may
10 be difficult or impossible for purchaser to sell or
11 otherwise dispose of such securities, and (where
12 applicable) that purchaser may be required to hold
13 the securities for an indefinite period of time;
14 and

15 (d) understands that purchaser may be subject
16 to the payment of certain taxes with respect to the
17 securities being purchased whether or not
18 purchaser has sold, or otherwise disposed of, such
19 securities or whether purchaser has received any
20 distributions or other amounts from the issuer.

21 (11) The issuer (directly or through a registered
22 Internet portal) obtains from each purchaser of a
23 security offered under this subsection T evidence that
24 the purchaser is a resident of this State and, if
25 applicable, is an accredited investor. Without
26 limiting the generality of the foregoing, and not to

1 the exclusion of other reasonable methods which may be
2 used by the issuer in connection with the foregoing, an
3 issuer may rely on any evidence permitted under the
4 applicable federal exemption relied upon pursuant to
5 paragraph (1) of this subsection T.

6 (12) The issuer (and to the extent a registered
7 Internet portal is used, such registered Internet
8 portal) maintains records of all offers and sales of
9 securities made pursuant to the exemption granted by
10 this subsection T and provides ready access to such
11 records to the Secretary of State, upon notice from the
12 Secretary of State.

13 (13) The issuer is not, either before or as a
14 result of the offering:

15 (a) an investment company, as defined in
16 Section 3 of the Investment Company Act of 1940 (15
17 U.S.C. 80a-3), as amended and in effect (unless the
18 issuer qualifies for exemption from the terms
19 thereof ~~exclusion from such definition~~ pursuant
20 to: one or more of the exceptions provided in
21 Section 3(c) of the Investment Company Act of
22 1940; ~~7~~ any other provision of the Investment
23 Company Act of 1940; ~~7~~ ~~or~~ any United States
24 Securities and Exchange Commission administrative
25 rule, regulation, or interpretive letter ruling
26 ~~rule or regulation~~ promulgated with respect to the

1 Investment Company Act of 1940 or in connection
2 therewith; or any other applicable federal
3 regulation or exemption); or

4 (b) subject to the reporting requirements of
5 Section 13 or 15(d) of the Securities Exchange Act
6 of 1934 (15 U.S.C. 78m or 15 U.S.C. 78o(d)).

7 (14) Neither the issuer, nor any person owning more
8 than 20% of the voting capital securities of the issuer
9 ~~affiliated with the issuer~~ (either before or as a
10 result of the offering), nor the offering itself, nor
11 the registered Internet portal (to the extent used) is
12 subject to disqualification established by the
13 Secretary of State by rule or contained in the
14 applicable federal exemption relied upon pursuant to
15 paragraph (1) of this subsection T ~~the Securities Act~~
16 ~~of 1933 (15 U.S.C. 77c(a)(11)) and Rule 147 adopted~~
17 ~~under the Securities Act of 1933 (17 CFR 230.147),~~
18 unless both of the following are met:

19 (a) on a showing of good cause and without
20 prejudice to any other action by the Secretary of
21 State, the Secretary of State determines that it is
22 not necessary under the circumstances that an
23 exemption is denied; and

24 (b) the issuer establishes that it made a
25 factual inquiry into whether any disqualification
26 existed under this paragraph (14), but did not

1 know, and in the exercise of reasonable care could
2 not have known, that a disqualification existed
3 under this paragraph (14); the nature and scope of
4 the requisite inquiry will vary based on the
5 circumstances of the issuer and the other offering
6 participants.

7 (15) A separate investment vehicle may be used to
8 aggregate investments in the offering being made by an
9 issuer under this Section provided that such separate
10 investment vehicle is permitted pursuant to federal
11 law or the rules or an interpretive letter of the
12 United States Securities and Exchange Commission. The
13 Secretary shall adopt rules consistent with federal
14 law, rules, or interpretive opinions regarding such
15 separate investment vehicles. For purposes of
16 determining compliance with the provisions of this
17 subsection T and the related administrative rules,
18 such investment vehicle shall be disregarded and the
19 subject offering shall be assessed as if the issuer had
20 made a direct offering to the participating investors.
21 Such separate investment vehicle shall not be
22 considered as an entity qualifying under subparagraph
23 (c) of paragraph (2) of this subsection T for purposes
24 of calculating the purchase price totals permitted
25 under the exemption. The Secretary of State may
26 establish by rule the duties of the separate investment

1 vehicle under this subsection including the production
2 of financial statements, maintenance of certain books
3 and records of the separate investment vehicle, and
4 other requirements as deemed necessary.

5 (Source: P.A. 99-182, eff. 1-1-16.)

6 (815 ILCS 5/8d)

7 Sec. 8d. Offerings made through registered Internet
8 portals.

9 (a) An issuer shall make an offering or sale of securities
10 pursuant to subsection T of Section 4 of this Act through the
11 use of one or more registered Internet portals.

12 (b) The Internet portal:

13 (1) shall be a registered broker-dealer under the
14 Securities Exchange Act of 1934 (15 U.S.C. 78o);

15 (2) shall be a funding portal registered under the
16 Securities Act of 1933 (15 U.S.C. 77d-1) and the Securities
17 and Exchange Commission has adopted rules under authority
18 of Section 3(h) of the Securities Exchange Act of 1934 (15
19 U.S.C. 78c) and Section 304 of the Jumpstart Our Business
20 Startups Act (P.L. 112-106) governing funding portals;

21 (3) shall be a dealer registered under this Act as of
22 the date of any offer or sale of securities made through
23 the Internet portal; or

24 (4) shall, to the extent it meets the qualifications
25 for exemption from registration pursuant to subsection (d)

1 of this Section:

2 (A) file, not later than 30 days before the date of
3 the first offer or sale of securities made within this
4 State, an application for registration (or renewal of
5 registration, as applicable) as a registered Internet
6 portal with the Secretary of State, in writing or in
7 electronic form as prescribed by the Secretary of
8 State, which the Secretary of State shall make
9 available as an electronic document on the Secretary of
10 State's Internet website, containing such information
11 and required deliveries as specified therein; and

12 (B) pay the application filing fee established
13 under Section 11a of this Act; the Secretary of State
14 shall, within a reasonable time, examine the filed
15 application and other materials filed and, approve or
16 deny the application.

17 (c) If any change occurs in the information submitted by,
18 or on behalf of, an Internet portal to the Secretary of State,
19 the Internet portal shall notify the Secretary of State within
20 10 days after such change occurs and shall provide the
21 Secretary of State with such additional information (if any)
22 requested by the Secretary of State in connection therewith.

23 (d) Notwithstanding anything contained in this Act to the
24 contrary, neither an Internet portal nor its owning or
25 operating entity is required to register as a dealer or an
26 investment advisor under this Act if each of the following

1 applies with respect to the Internet portal and its owning or
2 operating entity:

3 (1) It does not solicit purchases, sales, or offers to
4 buy the securities offered or displayed on the Internet
5 portal.

6 (2) It does not collect or hold funds in connection
7 with any purchase, sale, or offer to buy any securities
8 offered or displayed on the Internet portal.

9 (3) It does not compensate employees, agents, or other
10 persons for the solicitation or based on the sale of
11 securities displayed or referenced on the Internet portal.

12 (4) It is not compensated based on the amount of
13 securities sold.

14 (5) The fee it charges an issuer for an offering of
15 securities on the Internet portal is a fixed amount for
16 each offering, a variable amount based on the length of
17 time that the securities are offered on the Internet
18 portal, a variable amount based on the total proposed
19 offering amount, or any combination of such fixed and
20 variable amounts.

21 (6) It does not offer investment advice or
22 recommendations; however, an Internet portal is not deemed
23 to be offering investment advice or recommendations simply
24 by virtue of:

25 (A) selecting transactions in which the Internet
26 portal shall serve as an intermediary;

1 (B) establishing reasonable selection criteria for
2 an issuer to meet in order to establish an offer or
3 sale of securities through the Internet portal;

4 (C) establishing reasonable selection criteria for
5 a potential purchaser to meet in order to participate
6 in an offer or sale of securities made through the
7 Internet portal; or

8 (D) terminating an issuer transaction at any time
9 before the first sale of the securities of such issuer
10 if the Internet portal determines such action is
11 appropriate, after reasonable due diligence, to
12 protect potential purchasers, and the Internet portal
13 is able to direct the qualified escrowee to return all
14 funds then provided by potential purchasers, if any.

15 (7) It does not engage in such other activities as the
16 Secretary of State, by rule, determines are prohibited.

17 (e) Upon completion of an offering made pursuant to
18 subsection T of Section 4, each registered Internet portal
19 involved with the transactions (and the issuer, to the extent
20 applicable) shall store any and all electronic materials
21 related to the completed offering (including copies of all
22 offering documents, all offering materials, and all purchaser
23 information) on a secure, non-public, server or in such other
24 manner as the Secretary of State may hereafter deem acceptable
25 by rule.

26 (f) Notwithstanding anything contained in this Act to the

1 contrary, in connection with any offering or sale of securities
2 pursuant to subsection T of Section 4 of this Act, the hosting
3 registered Internet portal may elect, in its discretion, to
4 accept as compensation (in whole or part) for the services
5 provided in connection with the subject offering:

6 (1) such equity in, or other securities issued by,
7 issuer on the Internet portal as part of the subject
8 offering; or

9 (2) equity in, or other securities issued by, issuer of
10 any kind, provided that any right to distribution or
11 payment with respect to such class of equity or other
12 securities received by the registered Internet portal be
13 equal, or junior, in terms of priority to the distribution
14 and payment rights, as applicable, of the securities being
15 offered on the Internet portal as part of the subject
16 offering.

17 (Source: P.A. 99-182, eff. 1-1-16.)".