

AN ACT concerning business.

**Be it enacted by the People of the State of Illinois,
represented in the General Assembly:**

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

(815 ILCS 5/2.35)

Sec. 2.35. Qualified escrowee. "Qualified escrowee" means a person, firm, partnership, association, corporation, or other legal entity who: (a) falls under the definition of "title insurance company" under, and pursuant to the terms and requirements of, the Title Insurance Act, or is otherwise an agent or affiliate of such title insurance company who is approved by such title insurance company to act under this Section and pursuant to the terms and requirements of the Title Insurance Act, and which maintains at least one physical business location within the State; (b) is certified as an independent escrowee under, and pursuant to the terms and requirements of, the Title Insurance Act; or (c) is a bank, regulated trust company, savings bank, savings and loan association, or credit union, registered broker-dealer, or law firm which is authorized to do business in the State and which maintains at least one physical business location within the State.

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

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

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

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

B. Any offer, sale, issuance or exchange of securities of the issuer to or with security holders of the issuer except to or with persons who are security holders solely by reason of holding transferable warrants, transferable options, or similar transferable rights of the issuer, if no commission or other remuneration is paid or given directly or indirectly for or on account of the procuring or soliciting of such sale or exchange (other than a fee paid to underwriters based on their undertaking to purchase any securities not purchased by security holders in connection with such sale or exchange).

C. Any offer, sale or issuance of securities to any corporation, bank, savings bank, savings institution, savings and loan association, trust company, insurance company, building and loan association, or dealer; to a pension fund, pension trust, or employees' profit sharing trust, other financial institution or institutional investor, any government or political subdivision or instrumentality thereof, whether the purchaser is acting for itself or in some fiduciary capacity; to any partnership or other association engaged as a substantial part of its business or operations in purchasing or holding securities; to any trust in respect of which a bank or trust company is trustee or co-trustee; to any entity in which at least 90% of the equity is owned by persons described under subsection C, H, or S of this Section 4; to any employee benefit plan within the meaning of Title I of the Federal ERISA Act if (i) the investment decision is made by a plan fiduciary as defined in Section 3(21) of the Federal ERISA Act and such plan fiduciary is either a bank, savings and loan association, insurance company, registered investment adviser or an investment adviser registered under the Federal 1940 Investment Advisers Act, or (ii) the plan has total assets in excess of \$5,000,000, or (iii) in the case of a self-directed plan, investment decisions are made solely by persons that are described under subsection C, D, H or S of this Section 4; to any

plan established and maintained by, and for the benefit of the employees of, any state or political subdivision or agency or instrumentality thereof if such plan has total assets in excess of \$5,000,000; or to any organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, any Massachusetts or similar business trust, or any partnership, if such organization, trust, or partnership has total assets in excess of \$5,000,000.

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

E. Any offer or sale of securities by an executor, administrator, guardian, receiver or trustee in insolvency or bankruptcy, or at any judicial sale, or at a public sale by auction held at an advertised time and place, or the offer or sale of securities in good faith and not for the purpose of avoiding the provisions of this Act by a pledgee of securities pledged for a bona fide debt.

F. Any offer or sale by a registered dealer, either as

principal or agent, of any securities (except face amount certificate contracts and investment fund shares) at a price reasonably related to the current market price of such securities, provided:

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

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

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

(d) the dealer has in its records, and makes reasonably available upon request to any person expressing an interest in a proposed transaction in the securities, the issuer's most recent annual report filed pursuant to Section 13 or 15(d), as the case may be, of the Federal 1934 Act or the annual statement in

the case of an insurance company exempted from Section 12(g) of the Federal 1934 Act by subparagraph 12(g)(2)(G) thereof, together with any other reports required to be filed at regular intervals under the Federal 1934 Act by the issuer after such annual report or annual statement; provided that the making available of such reports pursuant to this subparagraph, unless otherwise represented, shall not constitute a representation by the dealer that the information is true and correct, but shall constitute a representation by the dealer that the information is reasonably current; or

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

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

(i) the application or report does not comply with the provisions of this paragraph (2), or

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

(iii) the issuer or the applicant has violated

any of the provisions of this Act;

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

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

(e) prior to any offer or sale of securities under the provisions of this paragraph (2), each registered dealer participating in the offer or sale of such securities shall provide upon request of prospective purchasers of such securities a copy of the most recent report required under the provisions of sub-paragraph (d) of this paragraph (2);

(f) approval of an application filed pursuant to this paragraph (2) of subsection F shall expire 5 years

after the date of the granting of the approval, unless said approval is sooner terminated by (1) suspension or revocation by the Secretary of State in the same manner as is provided for in subsections E, F and G of Section 11 of this Act, or (2) the applicant filing with the Secretary of State an affidavit to the effect that (i) the subject securities have become exempt under Section 3 of this Act or (ii) the applicant no longer is capable of acting as the applicant and stating the reasons therefor or (iii) the applicant no longer desires to act as the applicant. In the event of the filing of an affidavit under either preceding sub-division (ii) or (iii) the Secretary of State may authorize a substitution of applicant upon the new applicant executing the application as originally filed. However, the aforementioned substituted execution shall have no effect upon the previously determined date of expiration of approval of the application. Notwithstanding the provisions of this subparagraph (f), approvals granted under this paragraph (2) of subsection F prior to the effective date of this Act shall be governed by the provisions of this Act in effect on such date of approval; and

(g) no person shall be considered to have violated Section 5 of this Act by reason of any offer or sale effected in reliance upon an approval granted under

this paragraph (2) after a termination thereof under the foregoing subparagraph (f) if official notice of such termination has not been circulated generally to dealers by the Secretary of State and if such person sustains the burden of proof that he or she did not know, and in the exercise of reasonable care, could not have known, of the termination; or

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

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

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

(a) all sales of such security to residents of this State (including the most recent such sale) within the immediately preceding 12-month period have been made to not more than 35 persons or have involved an aggregate sales price of not more than \$1,000,000;

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

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

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

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

(4) The Secretary of State shall by rule or regulation require the filing of a report or reports of sales made in reliance upon the exemption provided by this subsection G and prescribe the form of such report and the time within which such report shall be filed. Such report shall set forth the name and address of the issuer and of the

controlling person, if the sale was for the direct or indirect benefit of such person, and any other information deemed necessary by the Secretary of State to enforce compliance with this subsection G. The Secretary of State shall prescribe by rule or regulation the amount of the fee for filing any such report, established pursuant to Section 11a of this Act, which shall not be returnable in any event. The Secretary of State may impose, in such cases as he or she may deem appropriate, a penalty for failure to file any such report in a timely manner, but no such penalty shall exceed an amount equal to five times the filing fee. The contents of any such report or portion thereof may be deemed confidential by the Secretary of State by rule or order and if so deemed shall not be disclosed to the public except by order of court or in court proceedings. The failure to file any such report shall not affect the availability of such exemption, but such failure to file any such report shall constitute a violation of subsection D of Section 12 of this Act, subject to the penalties enumerated in Section 14 of this Act. The civil remedies provided for in subsection A of Section 13 of this Act and the civil remedies of rescission and appointment of a receiver, conservator, ancillary receiver or ancillary conservator provided for in subsection F of Section 13 of this Act shall not be available against any person by reason of the failure to

file any such report or on account of the contents of any such report.

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

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

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

K. Any offer, sale or issuance of securities for patronage, or as patronage refunds, or in connection with marketing agreements by cooperative associations organized

exclusively for agricultural, producer, marketing, purchasing, or consumer purposes; and the sale of subscriptions for or shares of stock of cooperative associations organized exclusively for agricultural, producer, marketing, purchasing, or consumer purposes, if no commission or other remuneration is paid or given directly or indirectly for or on account of such subscription, sale or resale, and if any person does not own beneficially more than 5% of the aggregate amount of issued and outstanding capital stock of such cooperative association.

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

M. Any offer or sale of preorganization subscriptions for any securities prior to the incorporation, organization or formation of any issuer under the laws of the United States, or any state, or the issuance by such issuer, after its incorporation, organization or formation, of securities pursuant to such preorganization subscriptions, provided the number of subscribers does not exceed 25 and either (1) no commission or other remuneration is paid or given directly or indirectly for or on account of such sale or sales or issuance, or (2) if any

commission or other remuneration is paid or given directly or indirectly for or on account of such sale or sales or issuance, the securities are not offered or sold by any means of general advertising or general solicitation in this State.

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

O. Any offer, sale or issuance of securities, other than fractional undivided interests in an oil, gas or other mineral lease, right or royalty, for the direct or indirect benefit of the issuer thereof, or of a controlling person, whether through a dealer (acting either as principal or agent) or otherwise, if the securities sold, immediately following the sale or sales, together with securities already owned by the purchaser, would constitute 50% or more of the equity interest of any one issuer, provided that the number of purchasers is not more than 5 and provided further that no commission, discount or other

remuneration exceeding 15% of the aggregate sale price of the securities is paid or given directly or indirectly for or on account of the sale or sales.

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

(a) the name and address of the issuer;

(b) the title and total amount of securities to be

offered;

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

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

The Secretary of State shall within a reasonable time examine the offering sheet so filed and, unless the Secretary of State shall make a determination that the offering sheet so filed does not conform to the requirements of this subsection P, shall declare the offering sheet to be effective, which offering sheet shall continue effective for a period of 12 months from the date it becomes effective. The fee for examining the offering sheet shall be as established pursuant to Section 11a of this Act, and shall not be returnable in any event. The Secretary of State shall by rule or regulation require the filing of a report or reports of sales made to residents of this State in reliance upon the exemption provided by this subsection P and prescribe the form of such report and the time within which such report shall be filed. The Secretary of State shall prescribe by rule or regulation the amount of the fee for filing any such report, but such fee shall not be less than the minimum amount nor more than the maximum amount established pursuant to Section 11a of this Act, and shall not be returnable in any event. The Secretary of State may impose, in such cases as he or she

may deem appropriate, a penalty for failure to file any such report in a timely manner, but no such penalty shall exceed an amount equal to five times the filing fee. The contents of any such report shall be deemed confidential and shall not be disclosed to the public except by order of court or in court proceedings. The failure to file any such report shall not affect the availability of such exemption, but such failure to file any such report shall constitute a violation of subsection D of Section 12 of this Act, subject to the penalties enumerated in Section 14 of this Act. The civil remedies provided for in subsection A of Section 13 of this Act and the civil remedies of rescission and appointment of a receiver, conservator, ancillary receiver or ancillary conservator provided for in subsection F of Section 13 of this Act shall not be available against any person by reason of the failure to file any such report or on account of the contents of any such report.

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

R. Any offer, sale or issuance of a security to any person who purchases at least \$150,000 of the securities being offered, where the purchaser's total purchase price does not, or it is reasonably believed by the person relying upon this subsection R that said purchase price does not, exceed 20 percent of the purchaser's net worth at

the time of sale, or if a natural person a joint net worth with that person's spouse, for one or any combination of the following: (i) cash, (ii) securities for which market quotations are readily available, (iii) an unconditional obligation to pay cash or securities for which quotations are readily available, which obligation is to be discharged within five years of the sale of the securities to the purchaser, or (iv) the cancellation of any indebtedness owed by the issuer to the purchaser; provided that such security is not offered or sold by means of any general advertising or general solicitation in this State.

S. Any offer, sale or issuance of a security to any person who is, or who is reasonably believed by the person relying upon this subsection S to be, a director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer. For purposes of this subsection S, "executive officer" shall mean the president, any vice president in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a policy making function, or any other person who performs similar policy making functions for the issuer. Executive officers of subsidiaries may be deemed executive officers of the issuer if they perform such policy making functions for the issuer.

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

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

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

(2) The aggregate purchase price of all securities sold by an issuer in reliance on the exemption under this subsection, within any 12-month period, does not exceed: (i) \$1,000,000; or (ii) \$4,000,000 if the issuer has undergone and made available (directly, or through a registered Internet portal), to each

prospective purchaser and the Secretary of State, copies of its most recent financial statements which have been audited by an independent auditor and certified by a senior officer of the issuer as fairly, completely, and accurately presenting the financial condition of the issuer, in all material respects, as of the dates indicated therein. Amounts received in connection with any offer or sale to any accredited investor or any of the following shall not count toward the calculation of the foregoing monetary limitations:

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

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

(c) with respect to participating in an offering of a particular issuer, a natural person or entity who owns 10% or more of the then

aggregate outstanding voting capital securities of such issuer; or

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

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

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

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

(5) The issuer has made available, to each prospective purchaser and the Secretary of State, copies of its most recent financial statements personally certified by one or more senior officers of the issuer as fairly, completely, and accurately presenting the financial condition of the issuer, in

all material respects, as of the dates indicated therein.

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

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

The Secretary of State shall prescribe by rule the amount of the fee for filing the notice filing required under this subsection, but the fee shall not be less than the minimum amount nor more than the maximum amount ~~in subparagraph (a),~~ established under ~~pursuant to~~ Section 11a of this Act and shall not be returnable

in any event. The Secretary of State may impose, in such cases as the Secretary ~~he or she~~ may deem appropriate, a penalty for failure to file any such notice in a timely manner, but no such penalty shall exceed an amount equal to 5 times the filing fee. The contents of any such notice or portion thereof may be deemed confidential by the Secretary of State by rule or order and if so deemed shall not be disclosed to the public except by order of court or in court proceedings. The failure to file any such notice does not affect the availability of such exemption, but such failure to file any such report constitutes a violation of subsection D of Section 12 of this Act and is subject to the penalties and remedies available in this Act and under the law.

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

(9) The issuer includes each of the following in one or more of the offering materials delivered to a prospective purchaser, or to which a prospective purchaser has been granted electronic access, in connection with the offering:

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

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

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

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

(e) the identity of any person or entity who has been or will be retained by the issuer to assist the issuer in conducting the offering and sale of the securities (including all registered Internet portals but excluding persons acting solely as accountants or attorneys and employees whose primary job responsibilities involve the

operating business of the issuer rather than assisting the issuer in raising capital) and a description of the consideration being paid to each such person or entity for such assistance;

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

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

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

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

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

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

(b) understands that the purchaser ~~he or she~~ is investing in a high-risk, highly speculative, business venture, that the purchaser ~~he or she~~ may lose all of the ~~his or her~~ investment, and that the

purchaser ~~that he or she~~ can afford such a loss of the ~~his or her~~ investment;

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

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

(11) The issuer (directly or through a registered Internet portal) obtains from each purchaser of a security offered under this subsection T evidence that the purchaser is a resident of this State and, if applicable, is an accredited investor. Without limiting the generality of the foregoing, and not to the exclusion of other reasonable methods which may be used by the issuer in connection with the foregoing, an issuer may rely on any evidence permitted under the applicable Federal exemption relied upon pursuant to

paragraph (1) of this subsection T.

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

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

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

(b) subject to the reporting requirements of

Section 13 or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 15 U.S.C. 78o(d)).

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

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

(b) the issuer establishes that it made a factual inquiry into whether any disqualification existed under this paragraph (14), but did not know, and in the exercise of reasonable care could not have known, that a disqualification existed under this paragraph (14); the nature and scope of the requisite inquiry will vary based on the

circumstances of the issuer and the other offering participants.

(15) A separate investment vehicle may be used to aggregate investments in the offering being made by an issuer under this Section provided that such separate investment vehicle is permitted pursuant to Federal law or the rules or an interpretive letter of the United States Securities and Exchange Commission. The Secretary shall adopt rules consistent with Federal law, rules, or interpretive opinions regarding such separate investment vehicles. For purposes of determining compliance with the provisions of this subsection T and the related administrative rules, such investment vehicle shall be disregarded and the subject offering shall be assessed as if the issuer had made a direct offering to the participating investors. Such separate investment vehicle shall not be considered as an entity qualifying under subparagraph (c) of paragraph (2) of this subsection T for purposes of calculating the purchase price totals permitted under the exemption. The Secretary of State may establish by rule the duties of the separate investment vehicle under this subsection including the production of financial statements, maintenance of certain books and records of the separate investment vehicle, and other requirements as deemed necessary.

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

(815 ILCS 5/8d)

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

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

(b) The Internet portal:

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

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

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

(4) shall, to the extent it meets the qualifications for exemption from registration pursuant to subsection (d) of this Section:

(A) file, not later than 30 days before the date of the first offer or sale of securities made within this State, an application for registration (or renewal of

registration, as applicable) as a registered Internet portal with the Secretary of State, in writing or in electronic form as prescribed by the Secretary of State, which the Secretary of State shall make available as an electronic document on the Secretary of State's Internet website, containing such information and required deliveries as specified therein; and

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

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

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

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

portal.

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

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

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

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

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

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

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

(C) establishing reasonable selection criteria for

a potential purchaser to meet in order to participate in an offer or sale of securities made through the Internet portal; or

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

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

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

(f) Notwithstanding anything contained in this Act to the contrary, in connection with any offering or sale of securities pursuant to subsection T of Section 4 of this Act, the hosting registered Internet portal may elect, in its discretion, to accept as compensation (in whole or part) for the services

provided in connection with the subject offering:

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

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

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