



Rep. Carol A. Sente

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1 AMENDMENT TO HOUSE BILL 3429

2 AMENDMENT NO. _____. Amend House Bill 3429 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 4, 8, 11, 11a, 12, 13, and 18.1 and by
6 adding Sections 2.34, 2.35, 2.36, and 8d as follows:

7 (815 ILCS 5/2.34 new)

8 Sec. 2.34. Accredited investor. "Accredited investor" has
9 the meaning given to that term in 17 CFR 230.501(a), as amended
10 and in effect from time to time.

11 (815 ILCS 5/2.35 new)

12 Sec. 2.35. Qualified escrowee. "Qualified escrowee" means
13 a person, firm, partnership, association, corporation, or
14 other legal entity who: (a) falls under the definition of
15 "title insurance company" under, and pursuant to the terms and

1 requirements of, the Title Insurance Act; (b) is certified as
2 an independent escrowee under, and pursuant to the terms and
3 requirements of, the Title Insurance Act; or (c) is a bank,
4 regulated trust company, savings bank, savings and loan
5 association, or credit union which is authorized to do business
6 in the State and which maintains at least one physical business
7 location within the State.

8 (815 ILCS 5/2.36 new)

9 Sec. 2.36. Registered Internet portal. "Registered
10 Internet portal" means an Internet portal maintained by a
11 corporation or other legal entity that is being used to offer
12 or sell securities and that meets the requirements of Section
13 8d of this Act.

14 (815 ILCS 5/4) (from Ch. 121 1/2, par. 137.4)

15 Sec. 4. Exempt transactions. The provisions of Sections 2a,
16 5, 6 and 7 of this Act shall not apply to any of the following
17 transactions, except where otherwise specified in this Section
18 4:

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

1 indirectly for the benefit of the issuer or of an underwriter
2 or controlling person.

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

13 C. Any offer, sale or issuance of securities to any
14 corporation, bank, savings bank, savings institution, savings
15 and loan association, trust company, insurance company,
16 building and loan association, or dealer; to a pension fund,
17 pension trust, or employees' profit sharing trust, other
18 financial institution or institutional investor, any
19 government or political subdivision or instrumentality
20 thereof, whether the purchaser is acting for itself or in some
21 fiduciary capacity; to any partnership or other association
22 engaged as a substantial part of its business or operations in
23 purchasing or holding securities; to any trust in respect of
24 which a bank or trust company is trustee or co-trustee; to any
25 entity in which at least 90% of the equity is owned by persons
26 described under subsection C, H, or S of this Section 4; to any

1 employee benefit plan within the meaning of Title I of the
2 Federal ERISA Act if (i) the investment decision is made by a
3 plan fiduciary as defined in Section 3(21) of the Federal ERISA
4 Act and such plan fiduciary is either a bank, savings and loan
5 association, insurance company, registered investment adviser
6 or an investment adviser registered under the Federal 1940
7 Investment Advisers Act, or (ii) the plan has total assets in
8 excess of \$5,000,000, or (iii) in the case of a self-directed
9 plan, investment decisions are made solely by persons that are
10 described under subsection C, D, H or S of this Section 4; to
11 any plan established and maintained by, and for the benefit of
12 the employees of, any state or political subdivision or agency
13 or instrumentality thereof if such plan has total assets in
14 excess of \$5,000,000; or to any organization described in
15 Section 501(c)(3) of the Internal Revenue Code of 1986, any
16 Massachusetts or similar business trust, or any partnership, if
17 such organization, trust, or partnership has total assets in
18 excess of \$5,000,000.

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

1 and shall not be returnable in any event.

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

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

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

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

21 (c) the dealer has a reasonable basis for believing
22 that the issuer is current in filing the reports
23 required to be filed at regular intervals pursuant to
24 the provisions of Section 13 or Section 15(d), as the
25 case may be, of the Federal 1934 Act, or in the case of
26 insurance companies exempted from Section 12(g) of the

1 Federal 1934 Act by subparagraph 12(g)(2)(G) thereof,
2 the annual statement referred to in Section
3 12(g)(2)(G)(i) of the Federal 1934 Act; and

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

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

1 regulations as the Secretary of State may prescribe;

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

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

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

9 (iii) the issuer or the applicant has violated
10 any of the provisions of this Act;

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

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

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

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

1 determined date of expiration of approval of the
2 application. Notwithstanding the provisions of this
3 subparagraph (f), approvals granted under this
4 paragraph (2) of subsection F prior to the effective
5 date of this Act shall be governed by the provisions of
6 this Act in effect on such date of approval; and

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

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

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

26 G. (1) Any offer, sale or issuance of a security, whether

1 to residents or to non-residents of this State, where:

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

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

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

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

22 (3) A prospectus or preliminary prospectus with
23 respect to a security for which a registration statement is
24 pending or effective under the Federal 1933 Act shall not
25 be deemed to constitute general advertising or general
26 solicitation in this State as such terms are used in

1 paragraph (1) (b) above, provided that such prospectus or
2 preliminary prospectus has not been sent or otherwise
3 delivered to more than 150 residents of this State.

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

1 such failure to file any such report shall constitute a
2 violation of subsection D of Section 12 of this Act,
3 subject to the penalties enumerated in Section 14 of this
4 Act. The civil remedies provided for in subsection A of
5 Section 13 of this Act and the civil remedies of rescission
6 and appointment of a receiver, conservator, ancillary
7 receiver or ancillary conservator provided for in
8 subsection F of Section 13 of this Act shall not be
9 available against any person by reason of the failure to
10 file any such report or on account of the contents of any
11 such report.

12 H. Any offer, sale or issuance of a security to an
13 accredited investor provided that such security is not offered
14 or sold by means of any general advertising or general
15 solicitation, except as otherwise permitted in this Act. ~~(1)~~
16 ~~any natural person who has, or is reasonably believed by the~~
17 ~~person relying upon this subsection H to have, a net worth or~~
18 ~~joint net worth with that person's spouse, at the time of the~~
19 ~~offer, sale or issuance, in excess of \$1,000,000 excluding the~~
20 ~~value of a principal residence, or (2) any natural person who~~
21 ~~had, or is reasonably believed by the person relying upon this~~
22 ~~subsection H to have had, an income or joint income with that~~
23 ~~person's spouse, in excess of \$200,000 in each of the two most~~
24 ~~recent years and who reasonably expects, or is reasonably~~
25 ~~expected to have, an income in excess of \$200,000 in the~~
26 ~~current year, or (3) any person that is not a natural person~~

1 ~~and in which at least 90% of the equity interest is owned by~~
2 ~~persons who meet either of the tests set forth in clauses (1)~~
3 ~~or (2) of this subsection H; provided that such security is not~~
4 ~~offered or sold by means of any general advertising or general~~
5 ~~solicitation in this State.~~

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

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

21 K. Any offer, sale or issuance of securities for patronage,
22 or as patronage refunds, or in connection with marketing
23 agreements by cooperative associations organized exclusively
24 for agricultural, producer, marketing, purchasing, or consumer
25 purposes; and the sale of subscriptions for or shares of stock
26 of cooperative associations organized exclusively for

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

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

12 M. Any offer or sale of preorganization subscriptions for
13 any securities prior to the incorporation, organization or
14 formation of any issuer under the laws of the United States, or
15 any state, or the issuance by such issuer, after its
16 incorporation, organization or formation, of securities
17 pursuant to such preorganization subscriptions, provided the
18 number of subscribers does not exceed 25 and either (1) no
19 commission or other remuneration is paid or given directly or
20 indirectly for or on account of such sale or sales or issuance,
21 or (2) if any commission or other remuneration is paid or given
22 directly or indirectly for or on account of such sale or sales
23 or issuance, the securities are not offered or sold by any
24 means of general advertising or general solicitation in this
25 State.

26 N. The execution of orders for purchase of securities by a

1 registered salesperson and dealer, provided such persons act as
2 agent for the purchaser, have made no solicitation of the order
3 to purchase the securities, have no direct interest in the sale
4 or distribution of the securities ordered, receive no
5 commission, profit, or other compensation other than the
6 commissions involved in the purchase and sale of the securities
7 and deliver to the purchaser written confirmation of the order
8 which clearly identifies the commissions paid to the registered
9 dealer.

10 O. Any offer, sale or issuance of securities, other than
11 fractional undivided interests in an oil, gas or other mineral
12 lease, right or royalty, for the direct or indirect benefit of
13 the issuer thereof, or of a controlling person, whether through
14 a dealer (acting either as principal or agent) or otherwise, if
15 the securities sold, immediately following the sale or sales,
16 together with securities already owned by the purchaser, would
17 constitute 50% or more of the equity interest of any one
18 issuer, provided that the number of purchasers is not more than
19 5 and provided further that no commission, discount or other
20 remuneration exceeding 15% of the aggregate sale price of the
21 securities is paid or given directly or indirectly for or on
22 account of the sale or sales.

23 P. Any offer, sale or issuance of securities (except face
24 amount certificate contracts and investment fund shares)
25 issued by and representing an interest in an issuer which is a
26 business corporation incorporated under the laws of this State,

1 the purposes of which are to provide capital and supervision
2 solely for the redevelopment of blighted urban areas located in
3 a municipality in this State and whose assets are located
4 entirely within that municipality, provided: (1) no
5 commission, discount or other remuneration is paid or given
6 directly or indirectly for or on account of the sale or sales
7 of such securities; (2) the aggregate amount of any securities
8 of the issuer owned of record or beneficially by any one person
9 will not exceed the lesser of \$5,000 or 4% of the equity
10 capitalization of the issuer; (3) the officers and directors of
11 the corporation have been bona fide residents of the
12 municipality not less than 3 years immediately preceding the
13 effectiveness of the offering sheet for the securities under
14 this subsection P; and (4) the issuer files with the Secretary
15 of State an offering sheet descriptive of the securities
16 setting forth:

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

18 (b) the title and total amount of securities to be
19 offered;

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

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

24 The Secretary of State shall within a reasonable time
25 examine the offering sheet so filed and, unless the Secretary
26 of State shall make a determination that the offering sheet so

1 filed does not conform to the requirements of this subsection
2 P, shall declare the offering sheet to be effective, which
3 offering sheet shall continue effective for a period of 12
4 months from the date it becomes effective. The fee for
5 examining the offering sheet shall be as established pursuant
6 to Section 11a of this Act, and shall not be returnable in any
7 event. The Secretary of State shall by rule or regulation
8 require the filing of a report or reports of sales made to
9 residents of this State in reliance upon the exemption provided
10 by this subsection P and prescribe the form of such report and
11 the time within which such report shall be filed. The Secretary
12 of State shall prescribe by rule or regulation the amount of
13 the fee for filing any such report, but such fee shall not be
14 less than the minimum amount nor more than the maximum amount
15 established pursuant to Section 11a of this Act, and shall not
16 be returnable in any event. The Secretary of State may impose,
17 in such cases as he or she may deem appropriate, a penalty for
18 failure to file any such report in a timely manner, but no such
19 penalty shall exceed an amount equal to five times the filing
20 fee. The contents of any such report shall be deemed
21 confidential and shall not be disclosed to the public except by
22 order of court or in court proceedings. The failure to file any
23 such report shall not affect the availability of such
24 exemption, but such failure to file any such report shall
25 constitute a violation of subsection D of Section 12 of this
26 Act, subject to the penalties enumerated in Section 14 of this

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

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

10 R. Any offer, sale or issuance of a security to any person
11 who purchases at least \$150,000 of the securities being
12 offered, where the purchaser's total purchase price does not,
13 or it is reasonably believed by the person relying upon this
14 subsection R that said purchase price does not, exceed 20
15 percent of the purchaser's net worth at the time of sale, or if
16 a natural person a joint net worth with that person's spouse,
17 for one or any combination of the following: (i) cash, (ii)
18 securities for which market quotations are readily available,
19 (iii) an unconditional obligation to pay cash or securities for
20 which quotations are readily available, which obligation is to
21 be discharged within five years of the sale of the securities
22 to the purchaser, or (iv) the cancellation of any indebtedness
23 owed by the issuer to the purchaser; provided that such
24 security is not offered or sold by means of any general
25 advertising or general solicitation in this State.

26 S. Any offer, sale or issuance of a security to any person

1 who is, or who is reasonably believed by the person relying
2 upon this subsection S to be, a director, executive officer, or
3 general partner of the issuer of the securities being offered
4 or sold, or any director, executive officer, or general partner
5 of a general partner of that issuer. For purposes of this
6 subsection S, "executive officer" shall mean the president, any
7 vice president in charge of a principal business unit, division
8 or function (such as sales, administration or finance), any
9 other officer who performs a policy making function, or any
10 other person who performs similar policy making functions for
11 the issuer. Executive officers of subsidiaries may be deemed
12 executive officers of the issuer if they perform such policy
13 making functions for the issuer.

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

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

24 (1) The offering meets all of the requirements of the
25 federal exemption for intrastate offerings provided in
26 Section 3(a)(11) of the Securities Act of 1933 (15 U.S.C.

1 77c(a)(11)) and Rule 147 adopted under the Securities Act
2 of 1933 (17 CFR 230.147).

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

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

25 (b) with respect to participating in an offering of
26 a particular issuer, a natural person serving as an

1 officer, director, partner, or trustee of, or
2 otherwise occupying similar status or performing
3 similar functions with respect to, such issuer;

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

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

10 The Secretary of State may hereafter cumulatively
11 increase the dollar limitations provided in this
12 paragraph.

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

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

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

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

6 (6) No commission or other remuneration is paid or
7 given directly or indirectly to any person or entity
8 (including, without limitation, any registered Internet
9 portal) for soliciting any person in this State, except to
10 registered dealers and registered salespersons licensed in
11 this State.

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

19 The Secretary of State shall prescribe by rule the
20 amount of the fee for filing the notice required in
21 subparagraph (a), established pursuant to Section 11a of
22 this Act. The Secretary of State may impose, in such cases
23 as he or she may deem appropriate, a penalty for failure to
24 file any such notice in a timely manner, but no such
25 penalty shall exceed an amount equal to 5 times the filing
26 fee. The contents of any such notice or portion thereof may

1 be deemed confidential by the Secretary of State by rule or
2 order and if so deemed shall not be disclosed to the public
3 except by order of court or in court proceedings. The
4 failure to file any such notice does not affect the
5 availability of such exemption, but such failure to file
6 any such report constitutes a violation of subsection D of
7 Section 12 of this Act and is subject to the penalties and
8 remedies available in this Act and under the law.

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

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

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

22 (b) a reasonably detailed description of the
23 intended use of the offering proceeds, including any
24 amounts to be paid, as compensation or otherwise, to
25 any owner, executive officer, director, managing
26 member, or other person occupying a similar status or

1 performing similar functions on behalf of the issuer;

2 (c) the identity of all persons owning more than
3 10% of the voting capital securities of the issuer;

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

10 (e) the identity of any person or entity who has
11 been or will be retained by the issuer to assist the
12 issuer in conducting the offering and sale of the
13 securities (including all registered Internet portals
14 but excluding persons acting solely as accountants or
15 attorneys and employees whose primary job
16 responsibilities involve the operating business of the
17 issuer rather than assisting the issuer in raising
18 capital) and a description of the consideration being
19 paid to each such person or entity for such assistance;

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

24 (g) the information required pursuant to
25 subparagraphs (a) and (b) of paragraph (4) of this
26 subsection T;

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

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

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

7 (b) understands that he or she is investing in a
8 high-risk, highly speculative, business venture, that
9 he or she may lose all of his or her investment, and
10 that he or she can afford such a loss of his or her
11 investment;

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

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

25 (11) The issuer (directly or through a registered
26 Internet portal) obtains from each purchaser of a security

1 offered under this subsection T evidence that the purchaser
2 is a resident of this State and, if applicable, is an
3 accredited investor. Without limiting the generality of
4 the foregoing, and not to the exclusion of other reasonable
5 methods which may be used by the issuer in connection with
6 the foregoing, an issuer may rely.

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

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

15 (a) an investment company, as defined in Section 3
16 of the Investment Company Act of 1940 (15 U.S.C.
17 80a-3), as amended and in effect (unless the issuer
18 qualifies for exclusion from such definition pursuant
19 to one or more of the exceptions provided in Section
20 3(c) of the Investment Company Act of 1940, any other
21 provision of the Investment Company Act of 1940, or any
22 administrative rule or regulation promulgated with
23 respect to the Investment Company Act of 1940 or in
24 connection therewith); or

25 (b) subject to the reporting requirements of
26 Section 13 or 15(d) of the Securities Exchange Act of

1 1934 (15 U.S.C. 78m or 15 U.S.C. 78o(d)).

2 (14) Neither the issuer, nor any person affiliated with
3 the issuer (either before or as a result of the offering),
4 nor the offering itself, nor the registered Internet portal
5 (to the extent used) is subject to disqualification
6 established by the Secretary of State by rule or contained
7 in the Securities Act of 1933 (15 U.S.C. 77c(a)(11)) and
8 Rule 147 adopted under the Securities Act of 1933 (17 CFR
9 230.147), unless both of the following are met:

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

15 (b) the issuer establishes that it made a factual
16 inquiry into whether any disqualification existed
17 under this paragraph (14), but did not know, and in the
18 exercise of reasonable care could not have known, that
19 a disqualification existed under this paragraph (14);
20 the nature and scope of the requisite inquiry will vary
21 based on the circumstances of the issuer and the other
22 offering participants.

23 (Source: P.A. 90-70, eff. 7-8-97; 91-809, eff. 1-1-01.)

24 (815 ILCS 5/8) (from Ch. 121 1/2, par. 137.8)

25 Sec. 8. Registration of dealers, limited Canadian dealers,

1 internet portals, salespersons, investment advisers, and
2 investment adviser representatives.

3 A. Except as otherwise provided in this subsection A, every
4 dealer, limited Canadian dealer, salesperson, investment
5 adviser, and investment adviser representative shall be
6 registered as such with the Secretary of State. No dealer or
7 salesperson need be registered as such when offering or selling
8 securities in transactions exempted by subsection A, B, C, D,
9 E, G, H, I, J, K, M, O, P, Q, R or S of Section 4 of this Act,
10 provided that such dealer or salesperson is not regularly
11 engaged in the business of offering or selling securities in
12 reliance upon the exemption set forth in subsection G or M of
13 Section 4 of this Act. No dealer, issuer or controlling person
14 shall employ a salesperson unless such salesperson is
15 registered as such with the Secretary of State or is employed
16 for the purpose of offering or selling securities solely in
17 transactions exempted by subsection A, B, C, D, E, G, H, I, J,
18 K, L, M, O, P, Q, R or S of Section 4 of this Act; provided that
19 such salesperson need not be registered when effecting
20 transactions in this State limited to those transactions
21 described in Section 15(h)(2) of the Federal 1934 Act or
22 engaging in the offer or sale of securities in respect of which
23 he or she has beneficial ownership and is a controlling person.
24 The Secretary of State may, by rule, regulation or order and
25 subject to such terms, conditions, and fees as may be

1 prescribed in such rule, regulation or order, exempt from the
2 registration requirements of this Section 8 any investment
3 adviser, if the Secretary of State shall find that such
4 registration is not necessary in the public interest by reason
5 of the small number of clients or otherwise limited character
6 of operation of such investment adviser.

7 B. An application for registration as a dealer or limited
8 Canadian dealer, executed, verified, or authenticated by or on
9 behalf of the applicant, shall be filed with the Secretary of
10 State, in such form as the Secretary of State may by rule,
11 regulation or order prescribe, setting forth or accompanied by:

12 (1) The name and address of the applicant, the location
13 of its principal business office and all branch offices, if
14 any, and the date of its organization;

15 (2) A statement of any other Federal or state licenses
16 or registrations which have been granted the applicant and
17 whether any such licenses or registrations have ever been
18 refused, cancelled, suspended, revoked or withdrawn;

19 (3) The assets and all liabilities, including
20 contingent liabilities of the applicant, as of a date not
21 more than 60 days prior to the filing of the application;

22 (4) (a) A brief description of any civil or criminal
23 proceeding of which fraud is an essential element pending
24 against the applicant and whether the applicant has ever
25 been convicted of a felony, or of any misdemeanor of which

1 fraud is an essential element;

2 (b) A list setting forth the name, residence and
3 business address and a 10 year occupational statement of
4 each principal of the applicant and a statement describing
5 briefly any civil or criminal proceedings of which fraud is
6 an essential element pending against any such principal and
7 the facts concerning any conviction of any such principal
8 of a felony, or of any misdemeanor of which fraud is an
9 essential element;

10 (5) If the applicant is a corporation: a list of its
11 officers and directors setting forth the residence and
12 business address of each; a 10-year occupational statement
13 of each such officer or director; and a statement
14 describing briefly any civil or criminal proceedings of
15 which fraud is an essential element pending against each
16 such officer or director and the facts concerning any
17 conviction of any officer or director of a felony, or of
18 any misdemeanor of which fraud is an essential element;

19 (6) If the applicant is a sole proprietorship, a
20 partnership, limited liability company, an unincorporated
21 association or any similar form of business organization:
22 the name, residence and business address of the proprietor
23 or of each partner, member, officer, director, trustee or
24 manager; the limitations, if any, of the liability of each
25 such individual; a 10-year occupational statement of each
26 such individual; a statement describing briefly any civil

1 or criminal proceedings of which fraud is an essential
2 element pending against each such individual and the facts
3 concerning any conviction of any such individual of a
4 felony, or of any misdemeanor of which fraud is an
5 essential element;

6 (7) Such additional information as the Secretary of
7 State may by rule or regulation prescribe as necessary to
8 determine the applicant's financial responsibility,
9 business repute and qualification to act as a dealer.

10 (8) (a) No applicant shall be registered or
11 re-registered as a dealer or limited Canadian dealer under
12 this Section unless and until each principal of the dealer
13 has passed an examination conducted by the Secretary of
14 State or a self-regulatory organization of securities
15 dealers or similar person, which examination has been
16 designated by the Secretary of State by rule, regulation or
17 order to be satisfactory for purposes of determining
18 whether the applicant has sufficient knowledge of the
19 securities business and laws relating thereto to act as a
20 registered dealer. Any dealer who was registered on
21 September 30, 1963, and has continued to be so registered;
22 and any principal of any registered dealer, who was acting
23 in such capacity on and continuously since September 30,
24 1963; and any individual who has previously passed a
25 securities dealer examination administered by the
26 Secretary of State or any examination designated by the

1 Secretary of State to be satisfactory for purposes of
2 determining whether the applicant has sufficient knowledge
3 of the securities business and laws relating thereto to act
4 as a registered dealer by rule, regulation or order, shall
5 not be required to pass an examination in order to continue
6 to act in such capacity. The Secretary of State may by
7 order waive the examination requirement for any principal
8 of an applicant for registration under this subsection B
9 who has had such experience or education relating to the
10 securities business as may be determined by the Secretary
11 of State to be the equivalent of such examination. Any
12 request for such a waiver shall be filed with the Secretary
13 of State in such form as may be prescribed by rule or
14 regulation.

15 (b) Unless an applicant is a member of the body
16 corporate known as the Securities Investor Protection
17 Corporation established pursuant to the Act of Congress of
18 the United States known as the Securities Investor
19 Protection Act of 1970, as amended, a member of an
20 association of dealers registered as a national securities
21 association pursuant to Section 15A of the Federal 1934
22 Act, or a member of a self-regulatory organization or stock
23 exchange in Canada which the Secretary of State has
24 designated by rule or order, an applicant shall not be
25 registered or re-registered unless and until there is filed
26 with the Secretary of State evidence that such applicant

1 has in effect insurance or other equivalent protection for
2 each client's cash or securities held by such applicant,
3 and an undertaking that such applicant will continually
4 maintain such insurance or other protection during the
5 period of registration or re-registration. Such insurance
6 or other protection shall be in a form and amount
7 reasonably prescribed by the Secretary of State by rule or
8 regulation.

9 (9) The application for the registration of a dealer or
10 limited Canadian dealer shall be accompanied by a filing
11 fee and a fee for each branch office in this State, in each
12 case in the amount established pursuant to Section 11a of
13 this Act, which fees shall not be returnable in any event.

14 (10) The Secretary of State shall notify the dealer or
15 limited Canadian dealer by written notice (which may be by
16 electronic or facsimile transmission) of the effectiveness
17 of the registration as a dealer in this State.

18 (11) Any change which renders no longer accurate any
19 information contained in any application for registration
20 or re-registration of a dealer or limited Canadian dealer
21 shall be reported to the Secretary of State within 10
22 business days after the occurrence of such change; but in
23 respect to assets and liabilities only materially adverse
24 changes need be reported.

25 C. Any registered dealer, limited Canadian dealer, issuer,

1 or controlling person desiring to register a salesperson shall
2 file an application with the Secretary of State, in such form
3 as the Secretary of State may by rule or regulation prescribe,
4 which the salesperson is required by this Section to provide to
5 the dealer, issuer, or controlling person, executed, verified,
6 or authenticated by the salesperson setting forth or
7 accompanied by:

8 (1) the name, residence and business address of the
9 salesperson;

10 (2) whether any federal or State license or
11 registration as dealer, limited Canadian dealer, or
12 salesperson has ever been refused the salesperson or
13 cancelled, suspended, revoked, withdrawn, barred, limited,
14 or otherwise adversely affected in a similar manner or
15 whether the salesperson has ever been censured or expelled;

16 (3) the nature of employment with, and names and
17 addresses of, employers of the salesperson for the 10 years
18 immediately preceding the date of application;

19 (4) a brief description of any civil or criminal
20 proceedings of which fraud is an essential element pending
21 against the salesperson, and whether the salesperson has
22 ever been convicted of a felony, or of any misdemeanor of
23 which fraud is an essential element;

24 (5) such additional information as the Secretary of
25 State may by rule, regulation or order prescribe as
26 necessary to determine the salesperson's business repute

1 and qualification to act as a salesperson; and

2 (6) no individual shall be registered or re-registered
3 as a salesperson under this Section unless and until such
4 individual has passed an examination conducted by the
5 Secretary of State or a self-regulatory organization of
6 securities dealers or similar person, which examination
7 has been designated by the Secretary of State by rule,
8 regulation or order to be satisfactory for purposes of
9 determining whether the applicant has sufficient knowledge
10 of the securities business and laws relating thereto to act
11 as a registered salesperson.

12 Any salesperson who was registered prior to September
13 30, 1963, and has continued to be so registered, and any
14 individual who has passed a securities salesperson
15 examination administered by the Secretary of State or an
16 examination designated by the Secretary of State by rule,
17 regulation or order to be satisfactory for purposes of
18 determining whether the applicant has sufficient knowledge
19 of the securities business and laws relating thereto to act
20 as a registered salesperson, shall not be required to pass
21 an examination in order to continue to act as a
22 salesperson. The Secretary of State may by order waive the
23 examination requirement for any applicant for registration
24 under this subsection C who has had such experience or
25 education relating to the securities business as may be
26 determined by the Secretary of State to be the equivalent

1 of such examination. Any request for such a waiver shall be
2 filed with the Secretary of State in such form as may be
3 prescribed by rule, regulation or order.

4 (7) The application for registration of a salesperson
5 shall be accompanied by a filing fee and a Securities Audit
6 and Enforcement Fund fee, each in the amount established
7 pursuant to Section 11a of this Act, which shall not be
8 returnable in any event.

9 (8) Any change which renders no longer accurate any
10 information contained in any application for registration
11 or re-registration as a salesperson shall be reported to
12 the Secretary of State within 10 business days after the
13 occurrence of such change. If the activities are terminated
14 which rendered an individual a salesperson for the dealer,
15 issuer or controlling person, the dealer, issuer or
16 controlling person, as the case may be, shall notify the
17 Secretary of State, in writing, within 30 days of the
18 salesperson's cessation of activities, using the
19 appropriate termination notice form.

20 (9) A registered salesperson may transfer his or her
21 registration under this Section 8 for the unexpired term
22 thereof from one registered dealer or limited Canadian
23 dealer to another by the giving of notice of the transfer
24 by the new registered dealer or limited Canadian dealer to
25 the Secretary of State in such form and subject to such
26 conditions as the Secretary of State shall by rule or

1 regulation prescribe. The new registered dealer or limited
2 Canadian dealer shall promptly file an application for
3 registration of such salesperson as provided in this
4 subsection C, accompanied by the filing fee prescribed by
5 paragraph (7) of this subsection C.

6 C-5. Except with respect to federal covered investment
7 advisers whose only clients are investment companies as defined
8 in the Federal 1940 Act, other investment advisers, federal
9 covered investment advisers, or any similar person which the
10 Secretary of State may prescribe by rule or order, a federal
11 covered investment adviser shall file with the Secretary of
12 State, prior to acting as a federal covered investment adviser
13 in this State, such documents as have been filed with the
14 Securities and Exchange Commission as the Secretary of State by
15 rule or order may prescribe. The notification of a federal
16 covered investment adviser shall be accompanied by a
17 notification filing fee established pursuant to Section 11a of
18 this Act, which shall not be returnable in any event. Every
19 person acting as a federal covered investment adviser in this
20 State shall file a notification filing and pay an annual
21 notification filing fee established pursuant to Section 11a of
22 this Act, which is not returnable in any event. The failure to
23 file any such notification shall constitute a violation of
24 subsection D of Section 12 of this Act, subject to the
25 penalties enumerated in Section 14 of this Act. Until October

1 10, 1999 or other date as may be legally permissible, a federal
2 covered investment adviser who fails to file the notification
3 or refuses to pay the fees as required by this subsection shall
4 register as an investment adviser with the Secretary of State
5 under Section 8 of this Act. The civil remedies provided for in
6 subsection A of Section 13 of this Act and the civil remedies
7 of rescission and appointment of receiver, conservator,
8 ancillary receiver, or ancillary conservator provided for in
9 subsection F of Section 13 of this Act shall not be available
10 against any person by reason of the failure to file any such
11 notification or to pay the notification fee or on account of
12 the contents of any such notification.

13 D. An application for registration as an investment
14 adviser, executed, verified, or authenticated by or on behalf
15 of the applicant, shall be filed with the Secretary of State,
16 in such form as the Secretary of State may by rule or
17 regulation prescribe, setting forth or accompanied by:

18 (1) The name and form of organization under which the
19 investment adviser engages or intends to engage in
20 business; the state or country and date of its
21 organization; the location of the adviser's principal
22 business office and branch offices, if any; the names and
23 addresses of the adviser's principal, partners, officers,
24 directors, and persons performing similar functions or, if
25 the investment adviser is an individual, of the individual;

1 and the number of the adviser's employees who perform
2 investment advisory functions;

3 (2) The education, the business affiliations for the
4 past 10 years, and the present business affiliations of the
5 investment adviser and of the adviser's principal,
6 partners, officers, directors, and persons performing
7 similar functions and of any person controlling the
8 investment adviser;

9 (3) The nature of the business of the investment
10 adviser, including the manner of giving advice and
11 rendering analyses or reports;

12 (4) The nature and scope of the authority of the
13 investment adviser with respect to clients' funds and
14 accounts;

15 (5) The basis or bases upon which the investment
16 adviser is compensated;

17 (6) Whether the investment adviser or any principal,
18 partner, officer, director, person performing similar
19 functions or person controlling the investment adviser (i)
20 within 10 years of the filing of the application has been
21 convicted of a felony, or of any misdemeanor of which fraud
22 is an essential element, or (ii) is permanently or
23 temporarily enjoined by order or judgment from acting as an
24 investment adviser, underwriter, dealer, principal or
25 salesperson, or from engaging in or continuing any conduct
26 or practice in connection with any such activity or in

1 connection with the purchase or sale of any security, and
2 in each case the facts relating to the conviction, order or
3 judgment;

4 (7) (a) A statement as to whether the investment
5 adviser is engaged or is to engage primarily in the
6 business of rendering investment supervisory services; and

7 (b) A statement that the investment adviser will
8 furnish his, her, or its clients with such information as
9 the Secretary of State deems necessary in the form
10 prescribed by the Secretary of State by rule or regulation;

11 (8) Such additional information as the Secretary of
12 State may, by rule, regulation or order prescribe as
13 necessary to determine the applicant's financial
14 responsibility, business repute and qualification to act
15 as an investment adviser.

16 (9) No applicant shall be registered or re-registered
17 as an investment adviser under this Section unless and
18 until each principal of the applicant who is actively
19 engaged in the conduct and management of the applicant's
20 advisory business in this State has passed an examination
21 or completed an educational program conducted by the
22 Secretary of State or an association of investment advisers
23 or similar person, which examination or educational
24 program has been designated by the Secretary of State by
25 rule, regulation or order to be satisfactory for purposes
26 of determining whether the applicant has sufficient

1 knowledge of the securities business and laws relating
2 thereto to conduct the business of a registered investment
3 adviser.

4 Any person who was a registered investment adviser
5 prior to September 30, 1963, and has continued to be so
6 registered, and any individual who has passed an investment
7 adviser examination administered by the Secretary of
8 State, or passed an examination or completed an educational
9 program designated by the Secretary of State by rule,
10 regulation or order to be satisfactory for purposes of
11 determining whether the applicant has sufficient knowledge
12 of the securities business and laws relating thereto to
13 conduct the business of a registered investment adviser,
14 shall not be required to pass an examination or complete an
15 educational program in order to continue to act as an
16 investment adviser. The Secretary of State may by order
17 waive the examination or educational program requirement
18 for any applicant for registration under this subsection D
19 if the principal of the applicant who is actively engaged
20 in the conduct and management of the applicant's advisory
21 business in this State has had such experience or education
22 relating to the securities business as may be determined by
23 the Secretary of State to be the equivalent of the
24 examination or educational program. Any request for a
25 waiver shall be filed with the Secretary of State in such
26 form as may be prescribed by rule or regulation.

1 (10) No applicant shall be registered or re-registered
2 as an investment adviser under this Section 8 unless the
3 application for registration or re-registration is
4 accompanied by an application for registration or
5 re-registration for each person acting as an investment
6 adviser representative on behalf of the adviser and a
7 Securities Audit and Enforcement Fund fee that shall not be
8 returnable in any event is paid with respect to each
9 investment adviser representative.

10 (11) The application for registration of an investment
11 adviser shall be accompanied by a filing fee and a fee for
12 each branch office in this State, in each case in the
13 amount established pursuant to Section 11a of this Act,
14 which fees shall not be returnable in any event.

15 (12) The Secretary of State shall notify the investment
16 adviser by written notice (which may be by electronic or
17 facsimile transmission) of the effectiveness of the
18 registration as an investment adviser in this State.

19 (13) Any change which renders no longer accurate any
20 information contained in any application for registration
21 or re-registration of an investment adviser shall be
22 reported to the Secretary of State within 10 business days
23 after the occurrence of the change. In respect to assets
24 and liabilities of an investment adviser that retains
25 custody of clients' cash or securities or accepts
26 pre-payment of fees in excess of \$500 per client and 6 or

1 more months in advance only materially adverse changes need
2 be reported by written notice (which may be by electronic
3 or facsimile transmission) no later than the close of
4 business on the second business day following the discovery
5 thereof.

6 (14) Each application for registration as an
7 investment adviser shall become effective automatically on
8 the 45th day following the filing of the application,
9 required documents or information, and payment of the
10 required fee unless (i) the Secretary of State has
11 registered the investment adviser prior to that date or
12 (ii) an action with respect to the applicant is pending
13 under Section 11 of this Act.

14 D-5. A registered investment adviser or federal covered
15 investment adviser desiring to register an investment adviser
16 representative shall file an application with the Secretary of
17 State, in the form as the Secretary of State may by rule or
18 order prescribe, which the investment adviser representative
19 is required by this Section to provide to the investment
20 adviser, executed, verified, or authenticated by the
21 investment adviser representative and setting forth or
22 accompanied by:

23 (1) The name, residence, and business address of the
24 investment adviser representative;

25 (2) A statement whether any federal or state license or

1 registration as a dealer, salesperson, investment adviser,
2 or investment adviser representative has ever been
3 refused, canceled, suspended, revoked or withdrawn;

4 (3) The nature of employment with, and names and
5 addresses of, employers of the investment adviser
6 representative for the 10 years immediately preceding the
7 date of application;

8 (4) A brief description of any civil or criminal
9 proceedings, of which fraud is an essential element,
10 pending against the investment adviser representative and
11 whether the investment adviser representative has ever
12 been convicted of a felony or of any misdemeanor of which
13 fraud is an essential element;

14 (5) Such additional information as the Secretary of
15 State may by rule or order prescribe as necessary to
16 determine the investment adviser representative's business
17 repute or qualification to act as an investment adviser
18 representative;

19 (6) Documentation that the individual has passed an
20 examination conducted by the Secretary of State, an
21 organization of investment advisers, or similar person,
22 which examination has been designated by the Secretary of
23 State by rule or order to be satisfactory for purposes of
24 determining whether the applicant has sufficient knowledge
25 of the investment advisory or securities business and laws
26 relating to that business to act as a registered investment

1 adviser representative; and

2 (7) A Securities Audit and Enforcement Fund fee
3 established under Section 11a of this Act, which shall not
4 be returnable in any event.

5 The Secretary of State may by order waive the examination
6 requirement for an applicant for registration under this
7 subsection D-5 who has had the experience or education relating
8 to the investment advisory or securities business as may be
9 determined by the Secretary of State to be the equivalent of
10 the examination. A request for a waiver shall be filed with the
11 Secretary of State in the form as may be prescribed by rule or
12 order.

13 A change that renders no longer accurate any information
14 contained in any application for registration or
15 re-registration as an investment adviser representative must
16 be reported to the Secretary of State within 10 business days
17 after the occurrence of the change. If the activities that
18 rendered an individual an investment adviser representative
19 for the investment adviser are terminated, the investment
20 adviser shall notify the Secretary of State in writing (which
21 may be by electronic or facsimile transmission), within 30 days
22 of the investment adviser representative's termination, using
23 the appropriate termination notice form as the Secretary of
24 State may prescribe by rule or order.

25 A registered investment adviser representative may
26 transfer his or her registration under this Section 8 for the

1 unexpired term of the registration from one registered
2 investment adviser to another by the giving of notice of the
3 transfer by the new investment adviser to the Secretary of
4 State in the form and subject to the conditions as the
5 Secretary of State shall prescribe. The new registered
6 investment adviser shall promptly file an application for
7 registration of the investment adviser representative as
8 provided in this subsection, accompanied by the Securities
9 Audit and Enforcement Fund fee prescribed by paragraph (7) of
10 this subsection D-5.

11 E. (1) Subject to the provisions of subsection F of Section
12 11 of this Act, the registration of a dealer, limited Canadian
13 dealer, salesperson, investment adviser, or investment adviser
14 representative may be denied, suspended or revoked if the
15 Secretary of State finds that the dealer, limited Canadian
16 dealer, internet portal, salesperson, investment adviser, or
17 investment adviser representative or any principal officer,
18 director, partner, member, trustee, manager or any person who
19 performs a similar function of the dealer, limited Canadian
20 dealer, internet portal, or investment adviser:

21 (a) has been convicted of any felony during the 10 year
22 period preceding the date of filing of any application for
23 registration or at any time thereafter, or of any
24 misdemeanor of which fraud is an essential element;

25 (b) has engaged in any unethical practice in connection

1 with any security, or in any fraudulent business practice;

2 (c) has failed to account for any money or property, or
3 has failed to deliver any security, to any person entitled
4 thereto when due or within a reasonable time thereafter;

5 (d) in the case of a dealer, limited Canadian dealer,
6 or investment adviser, is insolvent;

7 (e) in the case of a dealer, limited Canadian dealer,
8 salesperson, or registered principal of a dealer or limited
9 Canadian dealer (i) has failed reasonably to supervise the
10 securities activities of any of its salespersons or other
11 employees and the failure has permitted or facilitated a
12 violation of Section 12 of this Act or (ii) is offering or
13 selling or has offered or sold securities in this State
14 through a salesperson other than a registered salesperson,
15 or, in the case of a salesperson, is selling or has sold
16 securities in this State for a dealer, limited Canadian
17 dealer, issuer or controlling person with knowledge that
18 the dealer, limited Canadian dealer, issuer or controlling
19 person has not complied with the provisions of this Act or
20 (iii) has failed reasonably to supervise the
21 implementation of compliance measures following notice by
22 the Secretary of State of noncompliance with the Act or
23 with the regulations promulgated thereunder or both or (iv)
24 has failed to maintain and enforce written procedures to
25 supervise the types of business in which it engages and to
26 supervise the activities of its salespersons that are

1 reasonably designed to achieve compliance with applicable
2 securities laws and regulations;

3 (f) in the case of an investment adviser, has failed
4 reasonably to supervise the advisory activities of any of
5 its investment adviser representatives or employees and
6 the failure has permitted or facilitated a violation of
7 Section 12 of this Act;

8 (g) has violated any of the provisions of this Act;

9 (h) has made any material misrepresentation to the
10 Secretary of State in connection with any information
11 deemed necessary by the Secretary of State to determine a
12 dealer's, limited Canadian dealer's, or investment
13 adviser's financial responsibility or a dealer's, limited
14 Canadian dealer's, investment adviser's, salesperson's, or
15 investment adviser representative's business repute or
16 qualifications, or has refused to furnish any such
17 information requested by the Secretary of State;

18 (i) has had a license or registration under any Federal
19 or State law regulating securities, commodity futures
20 contracts, or stock futures contracts refused, cancelled,
21 suspended, withdrawn, revoked, or otherwise adversely
22 affected in a similar manner;

23 (j) has had membership in or association with any
24 self-regulatory organization registered under the Federal
25 1934 Act or the Federal 1974 Act suspended, revoked,
26 refused, expelled, cancelled, barred, limited in any

1 capacity, or otherwise adversely affected in a similar
2 manner arising from any fraudulent or deceptive act or a
3 practice in violation of any rule, regulation or standard
4 duly promulgated by the self-regulatory organization;

5 (k) has had any order entered against it after notice
6 and opportunity for hearing by a securities agency of any
7 state, any foreign government or agency thereof, the
8 Securities and Exchange Commission, or the Federal
9 Commodities Futures Trading Commission arising from any
10 fraudulent or deceptive act or a practice in violation of
11 any statute, rule or regulation administered or
12 promulgated by the agency or commission;

13 (l) in the case of a dealer or limited Canadian dealer,
14 fails to maintain a minimum net capital in an amount which
15 the Secretary of State may by rule or regulation require;

16 (m) has conducted a continuing course of dealing of
17 such nature as to demonstrate an inability to properly
18 conduct the business of the dealer, limited Canadian
19 dealer, salesperson, investment adviser, or investment
20 adviser representative;

21 (n) has had, after notice and opportunity for hearing,
22 any injunction or order entered against it or license or
23 registration refused, cancelled, suspended, revoked,
24 withdrawn, limited, or otherwise adversely affected in a
25 similar manner by any state or federal body, agency or
26 commission regulating banking, insurance, finance or small

1 loan companies, real estate or mortgage brokers or
2 companies, if the action resulted from any act found by the
3 body, agency or commission to be a fraudulent or deceptive
4 act or practice in violation of any statute, rule or
5 regulation administered or promulgated by the body, agency
6 or commission;

7 (o) has failed to file a return, or to pay the tax,
8 penalty or interest shown in a filed return, or to pay any
9 final assessment of tax, penalty or interest, as required
10 by any tax Act administered by the Illinois Department of
11 Revenue, until such time as the requirements of that tax
12 Act are satisfied;

13 (p) in the case of a natural person who is a dealer,
14 limited Canadian dealer, salesperson, investment adviser,
15 or investment adviser representative, has defaulted on an
16 educational loan guaranteed by the Illinois Student
17 Assistance Commission, until the natural person has
18 established a satisfactory repayment record as determined
19 by the Illinois Student Assistance Commission;

20 (q) has failed to maintain the books and records
21 required under this Act or rules or regulations promulgated
22 under this Act or under any requirements established by the
23 Securities and Exchange Commission or a self-regulatory
24 organization;

25 (r) has refused to allow or otherwise impeded designees
26 of the Secretary of State from conducting an audit,

1 examination, inspection, or investigation provided for
2 under Section 8 or 11 of this Act;

3 (s) has failed to maintain any minimum net capital or
4 bond requirement set forth in this Act or any rule or
5 regulation promulgated under this Act;

6 (t) has refused the Secretary of State or his or her
7 designee access to any office or location within an office
8 to conduct an investigation, audit, examination, or
9 inspection;

10 (u) has advised or caused a public pension fund or
11 retirement system established under the Illinois Pension
12 Code to make an investment or engage in a transaction not
13 authorized by that Code;

14 (v) if a corporation, limited liability company, or
15 limited liability partnership has been suspended,
16 canceled, revoked, or has failed to register as a foreign
17 corporation, limited liability company, or limited
18 liability partnership with the Secretary of State;

19 (w) is permanently or temporarily enjoined by any court
20 of competent jurisdiction, including any state, federal,
21 or foreign government, from engaging in or continuing any
22 conduct or practice involving any aspect of the securities
23 or commodities business or in any other business where the
24 conduct or practice enjoined involved investments,
25 franchises, insurance, banking, or finance;

26 (2) If the Secretary of State finds that any registrant or

1 applicant for registration is no longer in existence or has
2 ceased to do business as a dealer, limited Canadian dealer,
3 internet portal, salesperson, investment adviser, or
4 investment adviser representative, or is subject to an
5 adjudication as a person under legal disability or to the
6 control of a guardian, or cannot be located after reasonable
7 search, or has failed after written notice to pay to the
8 Secretary of State any additional fee prescribed by this
9 Section or specified by rule or regulation, or if a natural
10 person, has defaulted on an educational loan guaranteed by the
11 Illinois Student Assistance Commission, the Secretary of State
12 may by order cancel the registration or application.

13 (3) Withdrawal of an application for registration or
14 withdrawal from registration as a dealer, limited Canadian
15 dealer, salesperson, investment adviser, or investment adviser
16 representative becomes effective 30 days after receipt of an
17 application to withdraw or within such shorter period of time
18 as the Secretary of State may determine, unless any proceeding
19 is pending under Section 11 of this Act when the application is
20 filed or a proceeding is instituted within 30 days after the
21 application is filed. If a proceeding is pending or instituted,
22 withdrawal becomes effective at such time and upon such
23 conditions as the Secretary of State by order determines. If no
24 proceeding is pending or instituted and withdrawal
25 automatically becomes effective, the Secretary of State may
26 nevertheless institute a revocation or suspension proceeding

1 within 2 years after withdrawal became effective and enter a
2 revocation or suspension order as of the last date on which
3 registration was effective.

4 F. The Secretary of State shall make available upon request
5 the date that each dealer, investment adviser, salesperson, or
6 investment adviser representative was granted registration,
7 together with the name and address of the dealer, limited
8 Canadian dealer, or issuer on whose behalf the salesperson is
9 registered, and all orders of the Secretary of State denying or
10 abandoning an application, or suspending or revoking
11 registration, or censuring the persons. The Secretary of State
12 may designate by rule, regulation or order the statements,
13 information or reports submitted to or filed with him or her
14 pursuant to this Section 8 which the Secretary of State
15 determines are of a sensitive nature and therefore should be
16 exempt from public disclosure. Any such statement, information
17 or report shall be deemed confidential and shall not be
18 disclosed to the public except upon the consent of the person
19 filing or submitting the statement, information or report or by
20 order of court or in court proceedings.

21 G. The registration or re-registration of a dealer or
22 limited Canadian dealer and of all salespersons registered upon
23 application of the dealer or limited Canadian dealer shall
24 expire on the next succeeding anniversary date of the

1 registration or re-registration of the dealer; and the
2 registration or re-registration of an investment adviser and of
3 all investment adviser representatives registered upon
4 application of the investment adviser shall expire on the next
5 succeeding anniversary date of the registration of the
6 investment adviser; provided, that the Secretary of State may
7 by rule or regulation prescribe an alternate date which any
8 dealer registered under the Federal 1934 Act or a member of any
9 self-regulatory association approved pursuant thereto, a
10 member of a self-regulatory organization or stock exchange in
11 Canada, or any investment adviser may elect as the expiration
12 date of its dealer or limited Canadian dealer and salesperson
13 registrations, or the expiration date of its investment adviser
14 registration, as the case may be. A registration of a
15 salesperson registered upon application of an issuer or
16 controlling person shall expire on the next succeeding
17 anniversary date of the registration, or upon termination or
18 expiration of the registration of the securities, if any,
19 designated in the application for his or her registration or
20 the alternative date as the Secretary may prescribe by rule or
21 regulation. Subject to paragraph (9) of subsection C of this
22 Section 8, a salesperson's registration also shall terminate
23 upon cessation of his or her employment, or termination of his
24 or her appointment or authorization, in each case by the person
25 who applied for the salesperson's registration, provided that
26 the Secretary of State may by rule or regulation prescribe an

1 alternate date for the expiration of the registration.

2 H. Applications for re-registration of dealers, limited
3 Canadian dealers, internet portals, salespersons, investment
4 advisers, and investment adviser representatives shall be
5 filed with the Secretary of State prior to the expiration of
6 the then current registration and shall contain such
7 information as may be required by the Secretary of State upon
8 initial application with such omission therefrom or addition
9 thereto as the Secretary of State may authorize or prescribe.
10 Each application for re-registration of a dealer, limited
11 Canadian dealer, internet portal, or investment adviser shall
12 be accompanied by a filing fee, each application for
13 re-registration as a salesperson shall be accompanied by a
14 filing fee and a Securities Audit and Enforcement Fund fee
15 established pursuant to Section 11a of this Act, and each
16 application for re-registration as an investment adviser
17 representative shall be accompanied by a Securities Audit and
18 Enforcement Fund fee established under Section 11a of this Act,
19 which shall not be returnable in any event. Notwithstanding the
20 foregoing, applications for re-registration of dealers,
21 limited Canadian dealers, internet portals, and investment
22 advisers may be filed within 30 days following the expiration
23 of the registration provided that the applicant pays the annual
24 registration fee together with an additional amount equal to
25 the annual registration fee and files any other information or

1 documents that the Secretary of State may prescribe by rule or
2 regulation or order. Any application filed within 30 days
3 following the expiration of the registration shall be
4 automatically effective as of the time of the earlier
5 expiration provided that the proper fee has been paid to the
6 Secretary of State.

7 Each registered dealer, limited Canadian dealer, internet
8 portal, or investment adviser shall continue to be registered
9 if the registrant changes his, her, or its form of organization
10 provided that the dealer or investment adviser files an
11 amendment to his, her, or its application not later than 30
12 days following the occurrence of the change and pays the
13 Secretary of State a fee in the amount established under
14 Section 11a of this Act.

15 I. (1) Every registered dealer, limited Canadian dealer,
16 internet portal, and investment adviser shall make and keep for
17 such periods, such accounts, correspondence, memoranda,
18 papers, books and records as the Secretary of State may by rule
19 or regulation prescribe. All records so required shall be
20 preserved for 3 years unless the Secretary of State by rule,
21 regulation or order prescribes otherwise for particular types
22 of records.

23 (2) Every registered dealer, limited Canadian dealer,
24 internet portal, and investment adviser shall file such
25 financial reports as the Secretary of State may by rule or

1 regulation prescribe.

2 (3) All the books and records referred to in paragraph (1)
3 of this subsection I are subject at any time or from time to
4 time to such reasonable periodic, special or other audits,
5 examinations, or inspections by representatives of the
6 Secretary of State, within or without this State, as the
7 Secretary of State deems necessary or appropriate in the public
8 interest or for the protection of investors.

9 (4) At the time of an audit, examination, or inspection,
10 the Secretary of State, by his or her designees, may conduct an
11 interview of any person employed or appointed by or affiliated
12 with a registered dealer, limited Canadian dealer, internet
13 portal, or investment advisor, provided that the dealer,
14 limited Canadian dealer, internet portal, or investment
15 advisor shall be given reasonable notice of the time and place
16 for the interview. At the option of the dealer, limited
17 Canadian dealer, internet portal, or investment advisor, a
18 representative of the dealer or investment advisor with
19 supervisory responsibility over the individual being
20 interviewed may be present at the interview.

21 J. The Secretary of State may require by rule or regulation
22 the payment of an additional fee for the filing of information
23 or documents required to be filed by this Section which have
24 not been filed in a timely manner. The Secretary of State may
25 also require by rule or regulation the payment of an

1 examination fee for administering any examination which it may
2 conduct pursuant to subsection B, C, D, or D-5 of this Section
3 8.

4 K. The Secretary of State may declare any application for
5 registration or limited registration under this Section 8
6 abandoned by order if the applicant fails to pay any fee or
7 file any information or document required under this Section 8
8 or by rule or regulation for more than 30 days after the
9 required payment or filing date. The applicant may petition the
10 Secretary of State for a hearing within 15 days after the
11 applicant's receipt of the order of abandonment, provided that
12 the petition sets forth the grounds upon which the applicant
13 seeks a hearing.

14 L. Any document being filed pursuant to this Section 8
15 shall be deemed filed, and any fee being paid pursuant to this
16 Section 8 shall be deemed paid, upon the date of actual receipt
17 thereof by the Secretary of State or his or her designee.

18 M. The Secretary of State shall provide to the Illinois
19 Student Assistance Commission annually or at mutually agreed
20 periodic intervals the names and social security numbers of
21 natural persons registered under subsections B, C, D, and D-5
22 of this Section. The Illinois Student Assistance Commission
23 shall determine if any student loan defaulter is registered as

1 a dealer, limited Canadian dealer, internet portal
2 salesperson, or investment adviser under this Act and report
3 its determination to the Secretary of State or his or her
4 designee.

5 (Source: P.A. 92-308, eff. 1-1-02; 93-580, eff. 8-21-03.)

6 (815 ILCS 5/8d new)

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.

1 (815 ILCS 5/11) (from Ch. 121 1/2, par. 137.11)

2 Sec. 11. Duties and powers of the Secretary of State.

3 A. (1) The administration of this Act is vested in the
4 Secretary of State, who may from time to time make, amend and
5 rescind such rules and regulations as may be necessary to carry
6 out this Act, including rules and regulations governing
7 procedures of registration, statements, applications and
8 reports for various classes of securities, persons and matters
9 within his or her jurisdiction and defining any terms, whether
10 or not used in this Act, insofar as the definitions are not
11 inconsistent with this Act. The rules and regulations adopted
12 by the Secretary of State under this Act shall be effective in
13 the manner provided for in the Illinois Administrative
14 Procedure Act.

15 (2) Among other things, the Secretary of State shall have
16 authority, for the purposes of this Act, to prescribe the form
17 or forms in which required information shall be set forth,
18 accounting practices, the items or details to be shown in
19 balance sheets and earning statements, and the methods to be
20 followed in the preparation of accounts, in the appraisal or
21 valuation of assets and liabilities, in the determination of
22 depreciation and depletion, in the differentiation of
23 recurring and non-recurring income, in the differentiation of
24 investment and operating income, and in the preparation of
25 consolidated balance sheets or income accounts of any person,
26 directly or indirectly, controlling or controlled by the

1 issuer, or any person under direct or indirect common control
2 with the issuer.

3 (3) No provision of this Act imposing any liability shall
4 apply to any act done or omitted in good faith in conformity
5 with any rule or regulation of the Secretary of State under
6 this Act, notwithstanding that the rule or regulation may,
7 after the act or omission, be amended or rescinded or be
8 determined by judicial or other authority to be invalid for any
9 reason.

10 (4) The Securities Department of the Office of the
11 Secretary of State shall be deemed a criminal justice agency
12 for purposes of all federal and state laws and regulations and,
13 in that capacity, shall be entitled to access to any
14 information available to criminal justice agencies and has the
15 power to appoint special agents to conduct all investigations,
16 searches, seizures, arrests, and other duties imposed under the
17 provisions of any law administered by the Department. The
18 special agents have and may exercise all the powers of peace
19 officers solely for the purpose of enforcing provisions of this
20 Act.

21 The Director must authorize to each special agent employed
22 under this Section a distinct badge that, on its face, (i)
23 clearly states that the badge is authorized by the Department
24 and (ii) contains a unique and identifying number.

25 Special agents shall comply with all training requirements
26 established for law enforcement officers by provisions of the

1 Illinois Police Training Act.

2 (5) The Secretary of State, by rule, may conditionally or
3 unconditionally exempt any person, security, or transaction,
4 or any class or classes of persons, securities, or transactions
5 from any provision of Section 5, 6, 7, 8, 8a, or 9 of this Act
6 or of any rule promulgated under these Sections, to the extent
7 that such exemption is necessary or appropriate in the public
8 interest, and is consistent with the protection of investors.

9 B. The Secretary of State may, anything in this Act to the
10 contrary notwithstanding, require financial statements and
11 reports of the issuer, dealer, internet portal, salesperson,
12 investment adviser, or investment adviser representative as
13 often as circumstances may warrant. In addition, the Secretary
14 of State may secure information or books and records from or
15 through others and may make or cause to be made investigations
16 respecting the business, affairs, and property of the issuer of
17 securities, any person involved in the sale or offer for sale,
18 purchase or offer to purchase of any mineral investment
19 contract, mineral deferred delivery contract, or security and
20 of dealers, internet portals, salespersons, investment
21 advisers, and investment adviser representatives that are
22 registered or are the subject of an application for
23 registration under this Act. The costs of an investigation
24 shall be borne by the registrant or the applicant, provided
25 that the registrant or applicant shall not be obligated to pay
26 the costs without his, her or its consent in advance.

1 C. Whenever it shall appear to the Secretary of State,
2 either upon complaint or otherwise, that this Act, or any rule
3 or regulation prescribed under authority thereof, has been or
4 is about to be violated, he or she may, in his or her
5 discretion, do one or more of the following:

6 (1) require or permit the person to file with the
7 Secretary of State a statement in writing under oath, or
8 otherwise, as to all the facts and circumstances concerning
9 the subject matter which the Secretary of State believes to
10 be in the public interest to investigate, audit, examine,
11 or inspect;

12 (2) conduct an investigation, audit, examination, or
13 inspection as necessary or advisable for the protection of
14 the interests of the public; and

15 (3) appoint investigators to conduct all
16 investigations, searches, seizures, arrests, and other
17 duties imposed under the provisions of any law administered
18 by the Department. The Director must authorize to each
19 investigator employed under this Section a distinct badge
20 that, on its face, (i) clearly states that the badge is
21 authorized by the Department and (ii) contains a unique and
22 identifying number.

23 D. (1) For the purpose of all investigations, audits,
24 examinations, or inspections which in the opinion of the
25 Secretary of State are necessary and proper for the enforcement
26 of this Act, the Secretary of State or a person designated by

1 him or her is empowered to administer oaths and affirmations,
2 subpoena witnesses, take evidence, and require, by subpoena or
3 other lawful means provided by this Act or the rules adopted by
4 the Secretary of State, the production of any books and
5 records, papers, or other documents which the Secretary of
6 State or a person designated by him or her deems relevant or
7 material to the inquiry.

8 (2) The Secretary of State or a person designated by him or
9 her is further empowered to administer oaths and affirmations,
10 subpoena witnesses, take evidence, and require the production
11 of any books and records, papers, or other documents in this
12 State at the request of a securities agency of another state,
13 if the activities constituting the alleged violation for which
14 the information is sought would be in violation of Section 12
15 of this Act if the activities had occurred in this State.

16 (3) The Circuit Court of any County of this State, upon
17 application of the Secretary of State or a person designated by
18 him or her may order the attendance of witnesses, the
19 production of books and records, papers, accounts and documents
20 and the giving of testimony before the Secretary of State or a
21 person designated by him or her; and any failure to obey the
22 order may be punished by the Circuit Court as a contempt
23 thereof.

24 (4) The fees of subpoenaed witnesses under this Act for
25 attendance and travel shall be the same as fees of witnesses
26 before the Circuit Courts of this State, to be paid when the

1 witness is excused from further attendance, provided, the
2 witness is subpoenaed at the instance of the Secretary of
3 State; and payment of the fees shall be made and audited in the
4 same manner as other expenses of the Secretary of State.

5 (5) Whenever a subpoena is issued at the request of a
6 complainant or respondent as the case may be, the Secretary of
7 State may require that the cost of service and the fee of the
8 witness shall be borne by the party at whose instance the
9 witness is summoned.

10 (6) The Secretary of State shall have power at his or her
11 discretion, to require a deposit to cover the cost of the
12 service and witness fees and the payment of the legal witness
13 fee and mileage to the witness served with subpoena.

14 (7) A subpoena issued under this Act shall be served in the
15 same manner as a subpoena issued out of a circuit court.

16 (8) The Secretary of State may in any investigation,
17 audits, examinations, or inspections cause the taking of
18 depositions of persons residing within or without this State in
19 the manner provided in civil actions under the laws of this
20 State.

21 E. Anything in this Act to the contrary notwithstanding:

22 (1) If the Secretary of State shall find that the offer
23 or sale or proposed offer or sale or method of offer or
24 sale of any securities by any person, whether exempt or
25 not, in this State, is fraudulent, or would work or tend to
26 work a fraud or deceit, or is being offered or sold in

1 violation of Section 12, or there has been a failure or
2 refusal to submit any notification filing or fee required
3 under this Act, the Secretary of State may by written order
4 prohibit or suspend the offer or sale of securities by that
5 person or deny or revoke the registration of the securities
6 or the exemption from registration for the securities.

7 (2) If the Secretary of State shall find that any
8 person has violated subsection C, D, E, F, G, H, I, J, or K
9 of Section 12 of this Act, the Secretary of State may by
10 written order temporarily or permanently prohibit or
11 suspend the person from offering or selling any securities,
12 any mineral investment contract, or any mineral deferred
13 delivery contract in this State, provided that any person
14 who is the subject of an order of permanent prohibition may
15 petition the Secretary of State for a hearing to present
16 evidence of rehabilitation or change in circumstances
17 justifying the amendment or termination of the order of
18 permanent prohibition.

19 (3) If the Secretary of State shall find that any
20 person is engaging or has engaged in the business of
21 selling or offering for sale securities as a dealer,
22 internet portal, or salesperson or is acting or has acted
23 as an investment adviser, investment adviser
24 representative, or federal covered investment adviser,
25 without prior thereto and at the time thereof having
26 complied with the registration or notice filing

1 requirements of this Act, the Secretary of State may by
2 written order prohibit or suspend the person from engaging
3 in the business of selling or offering for sale securities,
4 or acting as an investment adviser, investment adviser
5 representative, or federal covered investment adviser, in
6 this State.

7 (4) In addition to any other sanction or remedy
8 contained in this subsection E, the Secretary of State,
9 after finding that any provision of this Act has been
10 violated, may impose a fine as provided by rule, regulation
11 or order not to exceed \$10,000 for each violation of this
12 Act, may issue an order of public censure against the
13 violator, and may charge as costs of investigation all
14 reasonable expenses, including attorney's fees and witness
15 fees.

16 F. (1) The Secretary of State shall not deny, suspend or
17 revoke the registration of securities, suspend or revoke the
18 registration of a dealer, internet portal, salesperson,
19 investment adviser, or investment adviser representative,
20 prohibit or suspend the offer or sale of any securities,
21 prohibit or suspend any person from offering or selling any
22 securities in this State, prohibit or suspend a dealer or
23 salesperson from engaging in the business of selling or
24 offering for sale securities, prohibit or suspend a person from
25 acting as an investment adviser or federal covered investment
26 adviser, or investment adviser representative, impose any fine

1 for violation of this Act, issue an order of public censure, or
2 enter into an agreed settlement except after an opportunity for
3 hearing upon not less than 10 days notice given by personal
4 service or registered mail or certified mail, return receipt
5 requested, to the person or persons concerned. Such notice
6 shall state the date and time and place of the hearing and
7 shall contain a brief statement of the proposed action of the
8 Secretary of State and the grounds for the proposed action. A
9 failure to appear at the hearing or otherwise respond to the
10 allegations set forth in the notice of hearing shall constitute
11 an admission of any facts alleged therein and shall constitute
12 sufficient basis to enter an order.

13 (2) Anything herein contained to the contrary
14 notwithstanding, the Secretary of State may temporarily
15 prohibit or suspend, for a maximum period of 90 days, by an
16 order effective immediately, the offer or sale or registration
17 of securities, the registration of a dealer, internet portal,
18 salesperson, investment adviser, or investment adviser
19 representative, or the offer or sale of securities by any
20 person, or the business of rendering investment advice, without
21 the notice and prior hearing in this subsection prescribed, if
22 the Secretary of State shall in his or her opinion, based on
23 credible evidence, deem it necessary to prevent an imminent
24 violation of this Act or to prevent losses to investors which
25 the Secretary of State reasonably believes will occur as a
26 result of a prior violation of this Act. Immediately after

1 taking action without such notice and hearing, the Secretary of
2 State shall deliver a copy of the temporary order to the
3 respondent named therein by personal service or registered mail
4 or certified mail, return receipt requested. The temporary
5 order shall set forth the grounds for the action and shall
6 advise that the respondent may request a hearing, that the
7 request for a hearing will not stop the effectiveness of the
8 temporary order and that respondent's failure to request a
9 hearing within 30 days after the date of the entry of the
10 temporary order shall constitute an admission of any facts
11 alleged therein and shall constitute sufficient basis to make
12 the temporary order final. Any provision of this paragraph (2)
13 to the contrary notwithstanding, the Secretary of State may not
14 pursuant to the provisions of this paragraph (2) suspend the
15 registration of a dealer, limited Canadian dealer,
16 salesperson, investment adviser, or investment adviser
17 representative based upon sub-paragraph (n) of paragraph (1) of
18 subsection E of Section 8 of this Act or revoke the
19 registration of securities or revoke the registration of any
20 dealer, salesperson, investment adviser representative, or
21 investment adviser.

22 (3) The Secretary of State may issue a temporary order
23 suspending or delaying the effectiveness of any registration of
24 securities under subsection A or B of Section 5, 6 or 7 of this
25 Act subsequent to and upon the basis of the issuance of any
26 stop, suspension or similar order by the Securities and

1 Exchange Commission with respect to the securities which are
2 the subject of the registration under subsection A or B of
3 Section 5, 6 or 7 of this Act, and the order shall become
4 effective as of the date and time of effectiveness of the
5 Securities and Exchange Commission order and shall be vacated
6 automatically at such time as the order of the Securities and
7 Exchange Commission is no longer in effect.

8 (4) When the Secretary of State finds that an application
9 for registration as a dealer, internet portal, salesperson,
10 investment adviser, or investment adviser representative
11 should be denied, the Secretary of State may enter an order
12 denying the registration. Immediately after taking such
13 action, the Secretary of State shall deliver a copy of the
14 order to the respondent named therein by personal service or
15 registered mail or certified mail, return receipt requested.
16 The order shall state the grounds for the action and that the
17 matter will be set for hearing upon written request filed with
18 the Secretary of State within 30 days after the receipt of the
19 request by the respondent. The respondent's failure to request
20 a hearing within 30 days after receipt of the order shall
21 constitute an admission of any facts alleged therein and shall
22 make the order final. If a hearing is held, the Secretary of
23 State shall affirm, vacate, or modify the order.

24 (5) The findings and decision of the Secretary of State
25 upon the conclusion of each final hearing held pursuant to this
26 subsection shall be set forth in a written order signed on

1 behalf of the Secretary of State by his or her designee and
2 shall be filed as a public record. All hearings shall be held
3 before a person designated by the Secretary of State, and
4 appropriate records thereof shall be kept.

5 (6) Notwithstanding the foregoing, the Secretary of State,
6 after notice and opportunity for hearing, may at his or her
7 discretion enter into an agreed settlement, stipulation or
8 consent order with a respondent in accordance with the
9 provisions of the Illinois Administrative Procedure Act. The
10 provisions of the agreed settlement, stipulation or consent
11 order shall have the full force and effect of an order issued
12 by the Secretary of State.

13 (7) Anything in this Act to the contrary notwithstanding,
14 whenever the Secretary of State finds that a person is
15 currently expelled from, refused membership in or association
16 with, or limited in any material capacity by a self-regulatory
17 organization registered under the Federal 1934 Act or the
18 Federal 1974 Act because of a fraudulent or deceptive act or a
19 practice in violation of a rule, regulation, or standard duly
20 promulgated by the self-regulatory organization, the Secretary
21 of State may, at his or her discretion, enter a Summary Order
22 of Prohibition, which shall prohibit the offer or sale of any
23 securities, mineral investment contract, or mineral deferred
24 delivery contract by the person in this State. The order shall
25 take effect immediately upon its entry. Immediately after
26 taking the action the Secretary of State shall deliver a copy

1 of the order to the named Respondent by personal service or
2 registered mail or certified mail, return receipt requested. A
3 person who is the subject of an Order of Prohibition may
4 petition the Secretary of State for a hearing to present
5 evidence of rehabilitation or change in circumstances
6 justifying the amendment or termination of the Order of
7 Prohibition.

8 G. No administrative action shall be brought by the
9 Secretary of State for relief under this Act or upon or because
10 of any of the matters for which relief is granted by this Act
11 after the earlier to occur of (i) 3 years from the date upon
12 which the Secretary of State had notice of facts which in the
13 exercise of reasonable diligence would lead to actual knowledge
14 of the alleged violation of the Act, or (ii) 5 years from the
15 date on which the alleged violation occurred.

16 H. The action of the Secretary of State in denying,
17 suspending, or revoking the registration of a dealer, internet
18 portal, limited Canadian dealer, salesperson, investment
19 adviser, or investment adviser representative, in prohibiting
20 any person from engaging in the business of offering or selling
21 securities as a dealer, limited Canadian dealer, or
22 salesperson, in prohibiting or suspending the offer or sale of
23 securities by any person, in prohibiting a person from acting
24 as an investment adviser, federal covered investment adviser,
25 or investment adviser representative, in denying, suspending,
26 or revoking the registration of securities, in prohibiting or

1 suspending the offer or sale or proposed offer or sale of
2 securities, in imposing any fine for violation of this Act, or
3 in issuing any order shall be subject to judicial review in the
4 Circuit Courts of Cook or Sangamon Counties in this State. The
5 Administrative Review Law shall apply to and govern every
6 action for the judicial review of final actions or decisions of
7 the Secretary of State under this Act.

8 I. Notwithstanding any other provisions of this Act to the
9 contrary, whenever it shall appear to the Secretary of State
10 that any person is engaged or about to engage in any acts or
11 practices which constitute or will constitute a violation of
12 this Act or of any rule or regulation prescribed under
13 authority of this Act, the Secretary of State may at his or her
14 discretion, through the Attorney General take any of the
15 following actions:

16 (1) File a complaint and apply for a temporary
17 restraining order without notice, and upon a proper showing
18 the court may enter a temporary restraining order without
19 bond, to enforce this Act.

20 (2) File a complaint and apply for a preliminary or
21 permanent injunction, and, after notice and a hearing and
22 upon a proper showing, the court may grant a preliminary or
23 permanent injunction and may order the defendant to make an
24 offer of rescission with respect to any sales or purchases
25 of securities, mineral investment contracts, or mineral
26 deferred delivery contracts determined by the court to be

1 unlawful under this Act.

2 (3) Seek the seizure of assets when probable cause
3 exists that the assets were obtained by a defendant through
4 conduct in violation of Section 12, paragraph F, G, I, J,
5 K, or L of this Act, and thereby subject to a judicial
6 forfeiture hearing as required under this Act.

7 (a) In the event that such probable cause exists
8 that the subject of an investigation who is alleged to
9 have committed one of the relevant violations of this
10 Act has in his possession assets obtained as a result
11 of the conduct giving rise to the violation, the
12 Secretary of State may seek a seizure warrant in any
13 circuit court in Illinois.

14 (b) In seeking a seizure warrant, the Secretary of
15 State, or his or her designee, shall submit to the
16 court a sworn affidavit detailing the probable cause
17 evidence for the seizure, the location of the assets to
18 be seized, the relevant violation under Section 12 of
19 this Act, and a statement detailing any known owners or
20 interest holders in the assets.

21 (c) Seizure of the assets shall be made by any
22 peace officer upon process of the seizure warrant
23 issued by the court. Following the seizure of assets
24 under this Act and pursuant to a seizure warrant,
25 notice of seizure, including a description of the
26 seized assets, shall immediately be returned to the

1 issuing court. Seized assets shall be maintained
2 pending a judicial forfeiture hearing in accordance
3 with the instructions of the court.

4 (d) In the event that management of seized assets
5 becomes necessary to prevent the devaluation,
6 dissipation, or otherwise to preserve the property,
7 the court shall have jurisdiction to appoint a
8 receiver, conservator, ancillary receiver, or
9 ancillary conservator for that purpose, as provided in
10 item (2) of this subsection.

11 (4) Seek the forfeiture of assets obtained through
12 conduct in violation of Section 12, paragraph F, G, H, I,
13 J, K, or L when authorized by law. A forfeiture must be
14 ordered by a circuit court or an action brought by the
15 Secretary of State as provided for in this Act, under a
16 verified complaint for forfeiture.

17 (a) In the event assets have been seized pursuant
18 to this Act, forfeiture proceedings shall be
19 instituted by the Attorney General within 45 days of
20 seizure.

21 (b) Service of the complaint filed under the
22 provisions of this Act shall be made in the manner as
23 provided in civil actions in this State.

24 (c) Only an owner of or interest holder in the
25 property may file an answer asserting a claim against
26 the property. For purposes of this Section, the owner

1 or interest holder shall be referred to as claimant.

2 (d) The answer must be signed by the owner or
3 interest holder under penalty of perjury and must set
4 forth:

5 (i) the caption of the proceedings as set forth
6 on the notice of pending forfeiture and the name of
7 the claimant;

8 (ii) the address at which the claimant will
9 accept mail;

10 (iii) the nature and extent of the claimant's
11 interest in the property;

12 (iv) the date, identity of the transferor, and
13 circumstances of the claimant's acquisition of the
14 interest in the property;

15 (v) the name and address of all other persons
16 known to have an interest in the property;

17 (vi) the specific provisions of this Act
18 relied on in asserting that the property is not
19 subject to forfeiture;

20 (vii) all essential facts supporting each
21 assertion; and

22 (viii) the precise relief sought.

23 (e) The answer must be filed with the court within
24 45 days after service of the complaint.

25 (f) A property interest is exempt from forfeiture
26 under this Act if its owner or interest holder

1 establishes by a preponderance of evidence that the
2 owner or interest holder:

3 (i) is not legally accountable for the conduct
4 giving rise to the forfeiture, did not acquiesce in
5 it, and did not know and could not reasonably have
6 known of the conduct or that the conduct was likely
7 to occur;

8 (ii) with respect to conveyances, did not hold
9 the property jointly or in common with a person
10 whose conduct gave rise to the forfeiture;

11 (iii) does not hold the property for the
12 benefit of or as a nominee for any person whose
13 conduct gave rise to its forfeiture and the owner
14 or interest holder acquires it as a bona fide
15 purchaser for value without knowingly taking part
16 in the conduct giving rise to the forfeiture; or

17 (iv) acquired the interest after the
18 commencement of the conduct giving rise to its
19 forfeiture and the owner or interest holder
20 acquired the interest as a mortgagee, secured
21 creditor, lienholder, or bona fide purchaser for
22 value without knowledge of the conduct that gave
23 rise to the forfeiture.

24 (g) The hearing must be held within 60 days after
25 the answer is filed unless continued for good cause.

26 (h) During the probable cause portion of the

1 judicial in rem proceeding wherein the Secretary of
2 State presents its case-in-chief, the court must
3 receive and consider, among other things, any relevant
4 hearsay evidence and information. The laws of evidence
5 relating to civil actions shall apply to all other
6 portions of the judicial in rem proceeding.

7 (i) The Secretary of State shall show the existence
8 of probable cause for forfeiture of the property. If
9 the Secretary of State shows probable cause, the
10 claimant has the burden of showing by a preponderance
11 of the evidence that the claimant's interest in the
12 property is not subject to forfeiture.

13 (j) If the Secretary of State does not show the
14 existence of probable cause or a claimant has an
15 interest that is exempt under subdivision I (4)(d) of
16 this Section, the court shall order the interest in the
17 property returned or conveyed to the claimant and shall
18 order all other property forfeited to the Secretary of
19 State pursuant to all provisions of this Act. If the
20 Secretary of State does show the existence of probable
21 cause and the claimant does not establish by a
22 preponderance of the evidence that the claimant has an
23 interest that is exempt under subsection D herein, the
24 court shall order all the property forfeited to the
25 Secretary of State pursuant to the provisions of the
26 Section.

1 (k) A defendant convicted in any criminal
2 proceeding is precluded from later denying the
3 essential allegations of the criminal offense of which
4 the defendant was convicted in any proceeding for
5 violations of the Act giving rise to forfeiture of
6 property herein regardless of the pendency of an appeal
7 from that conviction. However, evidence of the
8 pendency of an appeal is admissible.

9 (l) An acquittal or dismissal in a criminal
10 proceeding for violations of the Act giving rise to the
11 forfeiture of property herein shall not preclude civil
12 proceedings under this provision; however, for good
13 cause shown, on a motion by the Secretary of State, the
14 court may stay civil forfeiture proceedings during the
15 criminal trial for a related criminal indictment or
16 information alleging violation of the provisions of
17 Section 12 of the Illinois Securities Law of 1953.
18 Property subject to forfeiture under this Section
19 shall not be subject to return or release by a court
20 exercising jurisdiction over a criminal case involving
21 the seizure of the property unless the return or
22 release is consented to by the Secretary of State.

23 (m) All property declared forfeited under this Act
24 vests in the State on the commission of the conduct
25 giving rise to forfeiture together with the proceeds of
26 the property after that time. Any such property or

1 proceeds subsequently transferred to any person remain
2 subject to forfeiture and thereafter shall be ordered
3 forfeited unless the transferee claims and establishes
4 in a hearing under the provisions of this Act that the
5 transferee's interest is exempt under the Act. Any
6 assets forfeited to the State shall be disposed of in
7 following manner:

8 (i) all forfeited property and assets shall be
9 liquidated by the Secretary of State in accordance
10 with all laws and rules governing the disposition
11 of such property;

12 (ii) the Secretary of State shall provide the
13 court at the time the property and assets are
14 declared forfeited a verified statement of
15 investors subject to the conduct giving rise to the
16 forfeiture;

17 (iii) after payment of any costs of sale,
18 receivership, storage, or expenses for
19 preservation of the property seized, other costs
20 to the State, and payment to claimants for any
21 amount deemed exempt from forfeiture, the proceeds
22 from liquidation shall be distributed pro rata to
23 investors subject to the conduct giving rise to the
24 forfeiture; and

25 (iv) any proceeds remaining after all verified
26 investors have been made whole shall be

1 distributed 25% to the Securities Investors
2 Education Fund, 25% to the Securities Audit and
3 Enforcement Fund, 25% to the Attorney General or
4 any State's Attorney bringing criminal charges for
5 the conduct giving rise to the forfeiture, and 25%
6 to other law enforcement agencies participating in
7 the investigation of the criminal charges for the
8 conduct giving rise to the forfeiture. In the event
9 that no other law enforcement agencies are
10 involved in the investigation of the conduct
11 giving rise to the forfeiture, then the portion to
12 other law enforcement agencies shall be
13 distributed to the Securities Investors Education
14 Fund.

15 (n) The Secretary of State shall notify by
16 certified mail, return receipt requested, all known
17 investors in the matter giving rise to the forfeiture
18 of the forfeiture proceeding and sale of assets
19 forfeited arising from the violations of this Act, and
20 shall further publish notice in a paper of general
21 circulation in the district in which the violations
22 were prosecuted. The notice to investors shall
23 identify the name, address, and other identifying
24 information about any defendant prosecuted for
25 violations of this Act that resulted in forfeiture and
26 sale of property, the offense for which the defendant

1 was convicted, and that the court has ordered
2 forfeiture and sale of property for claims of investors
3 who incurred losses or damages as a result of the
4 violations. Investors may then file a claim in a form
5 prescribed by the Secretary of State in order to share
6 in disbursement of the proceeds from sale of the
7 forfeited property. Investor claims must be filed with
8 the Secretary of State within 30 days after receipt of
9 the certified mail return receipt, or within 30 days
10 after the last date of publication of the general
11 notice in a paper of general circulation in the
12 district in which the violations were prosecuted,
13 whichever occurs last.

14 (o) A civil action under this subsection must be
15 commenced within 5 years after the last conduct giving
16 rise to the forfeiture became known or should have
17 become known or 5 years after the forfeitable property
18 is discovered, whichever is later, excluding time
19 during which either the property or claimant is out of
20 this State or in confinement or during which criminal
21 proceedings relating to the same conduct are in
22 progress.

23 (p) If property is seized for evidence and for
24 forfeiture, the time periods for instituting judicial
25 forfeiture proceedings shall not begin until the
26 property is no longer necessary for evidence.

1 (q) Notwithstanding other provisions of this Act,
2 the Secretary of State and a claimant of forfeitable
3 property may enter into an agreed-upon settlement
4 concerning the forfeitable property in such an amount
5 and upon such terms as are set out in writing in a
6 settlement agreement.

7 (r) Nothing in this Act shall apply to property
8 that constitutes reasonable bona fide attorney's fees
9 paid to an attorney for services rendered or to be
10 rendered in the forfeiture proceeding or criminal
11 proceeding relating directly thereto when the property
12 was paid before its seizure and before the issuance of
13 any seizure warrant or court order prohibiting
14 transfer of the property and when the attorney, at the
15 time he or she received the property, did not know that
16 it was property subject to forfeiture under this Act.

17 The court shall further have jurisdiction and authority, in
18 addition to the penalties and other remedies in this Act
19 provided, to enter an order for the appointment of the court or
20 a person as a receiver, conservator, ancillary receiver or
21 ancillary conservator for the defendant or the defendant's
22 assets located in this State, or to require restitution,
23 damages or disgorgement of profits on behalf of the person or
24 persons injured by the act or practice constituting the subject
25 matter of the action, and may assess costs against the
26 defendant for the use of the State; provided, however, that the

1 civil remedies of rescission and appointment of a receiver,
2 conservator, ancillary receiver or ancillary conservator shall
3 not be available against any person by reason of the failure to
4 file with the Secretary of State, or on account of the contents
5 of, any report of sale provided for in subsection G or P of
6 Section 4, paragraph (2) of subsection D of Sections 5 and 6,
7 or paragraph (2) of subsection F of Section 7 of this Act.
8 Appeals may be taken as in other civil cases.

9 J. In no case shall the Secretary of State, or any of his
10 or her employees or agents, in the administration of this Act,
11 incur any official or personal liability by instituting an
12 injunction or other proceeding or by denying, suspending or
13 revoking the registration of a dealer or salesperson, or by
14 denying, suspending or revoking the registration of securities
15 or prohibiting the offer or sale of securities, or by
16 suspending or prohibiting any person from acting as a dealer,
17 limited Canadian dealer, salesperson, investment adviser, or
18 investment adviser representative or from offering or selling
19 securities.

20 K. No provision of this Act shall be construed to require
21 or to authorize the Secretary of State to require any
22 investment adviser or federal covered investment adviser
23 engaged in rendering investment supervisory services to
24 disclose the identity, investments, or affairs of any client of
25 the investment adviser or federal covered investment adviser,
26 except insofar as the disclosure may be necessary or

1 appropriate in a particular proceeding or investigation having
2 as its object the enforcement of this Act.

3 L. Whenever, after an examination, investigation or
4 hearing, the Secretary of State deems it of public interest or
5 advantage, he or she may certify a record to the State's
6 Attorney of the county in which the act complained of, examined
7 or investigated occurred. The State's Attorney of that county
8 within 90 days after receipt of the record shall file a written
9 statement at the Office of the Secretary of State, which
10 statement shall set forth the action taken upon the record, or
11 if no action has been taken upon the record that fact, together
12 with the reasons therefor, shall be stated.

13 M. The Secretary of State may initiate, take, pursue, or
14 prosecute any action authorized or permitted under Section 6d
15 of the Federal 1974 Act.

16 N. (1) Notwithstanding any provision of this Act to the
17 contrary, to encourage uniform interpretation, administration,
18 and enforcement of the provisions of this Act, the Secretary of
19 State may cooperate with the securities agencies or
20 administrators of one or more states, Canadian provinces or
21 territories, or another country, the Securities and Exchange
22 Commission, the Commodity Futures Trading Commission, the
23 Securities Investor Protection Corporation, any
24 self-regulatory organization, and any governmental law
25 enforcement or regulatory agency.

26 (2) The cooperation authorized by paragraph (1) of this

1 subsection includes, but is not limited to, the following:

2 (a) establishing or participating in a central
3 depository or depositories for registration under this Act
4 and for documents or records required under this Act;

5 (b) making a joint audit, inspection, examination, or
6 investigation;

7 (c) holding a joint administrative hearing;

8 (d) filing and prosecuting a joint civil or criminal
9 proceeding;

10 (e) sharing and exchanging personnel;

11 (f) sharing and exchanging information and documents;

12 or

13 (g) issuing any joint statement or policy.

14 (Source: P.A. 92-308, eff. 1-1-02; 93-580, eff. 8-21-03.)

15 (815 ILCS 5/11a) (from Ch. 121 1/2, par. 137.11a)

16 Sec. 11a. Fees.

17 (1) The Secretary of State shall by rule or regulation
18 impose and shall collect reasonable fees necessary for the
19 administration of this Act including, but not limited to, fees
20 for the following purposes:

21 (a) filing an application pursuant to paragraph (2) of
22 subsection F of Section 4 of this Act;

23 (b) examining an application and report pursuant to
24 paragraph (2) of subsection F of Section 4 of this Act;

25 (c) filing a report pursuant to subsection G of Section

1 4 of this Act, determined in accordance with paragraph (4)
2 of subsection G of Section 4 of this Act;

3 (d) examining an offering sheet pursuant to subsection
4 P of Section 4 of this Act;

5 (e) filing a report pursuant to subsection P of Section
6 4, determined in accordance with subsection P of Section 4
7 of this Act;

8 (f) examining an application to register securities
9 under subsection B of Section 5 of this Act;

10 (g) examining an amended or supplemental prospectus
11 filed pursuant to the undertaking required by
12 sub-paragraph (i) of paragraph (2) of subsection B of
13 Section 5 of this Act;

14 (h) registering or renewing registration of securities
15 under Section 5, determined in accordance with subsection C
16 of Section 5 of this Act;

17 (i) registering securities in excess of the amount
18 initially registered, determined in accordance with
19 paragraph (2) of subsection C of Section 5 of this Act;

20 (j) failure to file timely an application for renewal
21 under subsection E of Section 5 of this Act;

22 (k) failure to file timely any document or information
23 required under Section 5 of this Act;

24 (l) examining an application to register face amount
25 certificate contracts under subsection B of Section 6 of
26 this Act;

1 (m) examining an amended or supplemental prospectus
2 filed pursuant to the undertaking required by
3 sub-paragraph (f) of paragraph (2) of subsection B of
4 Section 6 of this Act;

5 (n) registering or renewing registration of face
6 amount certificate contracts under Section 6 of this Act;

7 (o) amending a registration of face amount certificate
8 contracts pursuant to subsection E of Section 6 of this Act
9 to add any additional series, type or class of contract;

10 (p) failure to file timely an application for renewal
11 under subsection F of Section 6 of this Act;

12 (q) adding to or withdrawing from deposits with respect
13 to face amount certificate contracts pursuant to
14 subsection H of Section 6, a transaction charge payable at
15 the times and in the manner specified in subsection H of
16 Section 6 (which transaction charge shall be in addition to
17 the annual fee called for by subsection H of Section 6 of
18 this Act);

19 (r) failure to file timely any document or information
20 required under Section 6 of this Act;

21 (s) examining an application to register investment
22 fund shares under subsection B of Section 7 of this Act;

23 (t) examining an amended or supplemental prospectus
24 filed pursuant to the undertaking required by
25 sub-paragraph (f) of paragraph (2) of subsection B of
26 Section 7 of this Act;

1 (u) registering or renewing registration of investment
2 fund shares under Section 7 of this Act;

3 (v) amending a registration of investment fund shares
4 pursuant to subsection D of Section 7 of this Act to
5 register an additional class or classes of investment fund
6 shares;

7 (w) failure to file timely an application for renewal
8 under paragraph (1) of subsection G of Section 7 of this
9 Act;

10 (x) examining an application for renewal of
11 registration of investment fund shares under paragraph (2)
12 of subsection G of Section 7 of this Act;

13 (y) failure to file timely any document or information
14 required under Section 7 of this Act;

15 (z) filing an application for registration or
16 re-registration of a dealer or limited Canadian dealer
17 under Section 8 of this Act for each office in this State;

18 (aa) in connection with an application for the
19 registration or re-registration of a salesperson under
20 Section 8 of ~~or~~ this Act, for the following purposes:

21 (i) filing an application;

22 (ii) a Securities Audit and Enforcement Fund fee;

23 and

24 (iii) a notification filing of federal covered
25 investment advisers;

26 (bb) in connection with an application for the

1 registration or re-registration of an investment adviser
2 under Section 8 of this Act;

3 (cc) failure to file timely any document or information
4 required under Section 8 of this Act;

5 (dd) filing a consent to service of process under
6 Section 10 of this Act;

7 (ee) issuing a certificate pursuant to subsection B of
8 Section 15 of this Act;

9 (ff) issuing a certified copy pursuant to subsection C
10 of Section 15 of this Act;

11 (gg) issuing a non-binding statement pursuant to
12 Section 15a of this Act;

13 (hh) filings by Notification under Section 2a;

14 (ii) notification filing of federal Regulation D,
15 Section 506 offering under the Federal 1933 Act;

16 (jj) notification filing of securities and closed-end
17 investment company securities;

18 (kk) notification filing of face amount certificate
19 contracts;

20 (ll) notification filing of open-end investment
21 company securities;

22 (mm) filing a report pursuant to subsection D of
23 Section 4 of this Act;

24 (nn) in connection with the filing of an application
25 for registration or re-registration of an investment
26 adviser representative under subsection D of Section 8 of

1 this Act; ~~and~~

2 (oo) filing a notice pursuant to paragraph (6) of
3 subsection T of Section 4 of this Act; and

4 (pp) applying for registration, or renewing
5 registration, as a registered Internet portal pursuant to
6 Section 8d of this Act.

7 (2) The Secretary of State may, by rule or regulation,
8 raise or lower any fee imposed by, and which he or she is
9 authorized by law to collect under, this Act.

10 (Source: P.A. 90-70, eff. 7-8-97; 91-357, eff. 7-29-99; revised
11 12-11-14.)

12 (815 ILCS 5/12) (from Ch. 121 1/2, par. 137.12)

13 Sec. 12. Violation. It shall be a violation of the
14 provisions of this Act for any person:

15 A. To offer or sell any security except in accordance with
16 the provisions of this Act.

17 B. To deliver to a purchaser any security required to be
18 registered under Section 5, Section 6 or Section 7 hereof
19 unless accompanied or preceded by a prospectus that meets the
20 requirements of the pertinent subsection of Section 5 or of
21 Section 6 or of Section 7.

22 C. To act as a dealer, internet portal, salesperson,
23 investment adviser, or investment adviser representative,
24 unless registered as such, where such registration is required,
25 under the provisions of this Act.

1 D. To fail to file with the Secretary of State any
2 application, report or document required to be filed under the
3 provisions of this Act or any rule or regulation made by the
4 Secretary of State pursuant to this Act or to fail to comply
5 with the terms of any order of the Secretary of State issued
6 pursuant to Section 11 hereof.

7 E. To make, or cause to be made, (1) in any application,
8 report or document filed under this Act or any rule or
9 regulation made by the Secretary of State pursuant to this Act,
10 any statement which was false or misleading with respect to any
11 material fact or (2) any statement to the effect that a
12 security (other than a security issued by the State of
13 Illinois) has been in any way endorsed or approved by the
14 Secretary of State or the State of Illinois.

15 F. To engage in any transaction, practice or course of
16 business in connection with the sale or purchase of securities
17 which works or tends to work a fraud or deceit upon the
18 purchaser or seller thereof.

19 G. To obtain money or property through the sale of
20 securities by means of any untrue statement of a material fact
21 or any omission to state a material fact necessary in order to
22 make the statements made, in the light of the circumstances
23 under which they were made, not misleading.

24 H. To sign or circulate any statement, prospectus, or other
25 paper or document required by any provision of this Act or
26 pertaining to any security knowing or having reasonable grounds

1 to know any material representation therein contained to be
2 false or untrue.

3 I. To employ any device, scheme or artifice to defraud in
4 connection with the sale or purchase of any security, directly
5 or indirectly.

6 J. When acting as an investment adviser, investment adviser
7 representative, or federal covered investment adviser, by any
8 means or instrumentality, directly or indirectly:

9 (1) To employ any device, scheme or artifice to defraud
10 any client or prospective client;

11 (2) To engage in any transaction, practice, or course
12 of business which operates as a fraud or deceit upon any
13 client or prospective client; or

14 (3) To engage in any act, practice, or course of
15 business which is fraudulent, deceptive or manipulative.
16 The Secretary of State shall for the purposes of this
17 paragraph (3), by rules and regulations, define and
18 prescribe means reasonably designed to prevent such acts,
19 practices, and courses of business as are fraudulent,
20 deceptive, or manipulative.

21 K. When offering or selling any mineral investment contract
22 or mineral deferred delivery contract:

23 (1) To employ any device, scheme, or artifice to
24 defraud any customer, prospective customer, or offeree;

25 (2) To engage in any transaction, practice, or course
26 of business that operates as a fraud or deceit upon any

1 customer, prospective customer, or offeree; or

2 (3) To engage in any act, practice, or course of
3 business that is fraudulent, deceptive, or manipulative.
4 The Secretary of State shall for the purposes of this
5 paragraph (3), by rules and regulations, define and
6 prescribe means reasonably designed to prevent acts,
7 practices, and courses of business as are fraudulent,
8 deceptive, or manipulative.

9 L. To knowingly influence, coerce, manipulate, or mislead
10 any person engaged in the preparation or audit of financial
11 statements or appraisals to be used in the offer or sale of
12 securities for the purpose of rendering such financial
13 statements or appraisals materially misleading.

14 (Source: P.A. 93-580, eff. 8-21-03.)

15 (815 ILCS 5/13) (from Ch. 121 1/2, par. 137.13)

16 Sec. 13. Private and other civil remedies; securities.

17 A. Every sale of a security made in violation of the
18 provisions of this Act shall be voidable at the election of the
19 purchaser exercised as provided in subsection B of this
20 Section; and the issuer, controlling person, underwriter,
21 dealer or other person by or on behalf of whom said sale was
22 made, and each underwriter, dealer, internet portal, or
23 salesperson who shall have participated or aided in any way in
24 making the sale, and in case the issuer, controlling person,
25 underwriter, ~~or~~ dealer, or internet portal is a corporation or

1 unincorporated association or organization, each of its
2 officers and directors (or persons performing similar
3 functions) who shall have participated or aided in making the
4 sale, shall be jointly and severally liable to the purchaser as
5 follows:

6 (1) for the full amount paid, together with interest
7 from the date of payment for the securities sold at the
8 rate of the interest or dividend stipulated in the
9 securities sold (or if no rate is stipulated, then at the
10 rate of 10% per annum) less any income or other amounts
11 received by the purchaser on the securities, upon offer to
12 tender to the seller or tender into court of the securities
13 sold or, where the securities were not received, of any
14 contract made in respect of the sale; or

15 (2) if the purchaser no longer owns the securities, for
16 the amounts set forth in clause (1) of this subsection A
17 less any amounts received by the purchaser for or on
18 account of the disposition of the securities.

19 If the purchaser shall prevail in any action brought to
20 enforce any of the remedies provided in this subsection, the
21 court shall assess costs together with the reasonable fees and
22 expenses of the purchaser's attorney against the defendant. Any
23 provision of this subsection A to the contrary notwithstanding,
24 the civil remedies provided in this subsection A shall not be
25 available against any person by reason of the failure to file
26 with the Secretary of State, or on account of the content of,

1 any report of sale provided for in subsection G or P of Section
2 4, paragraph (2) of subsection D of Sections 5 and 6, or
3 paragraph (2) of subsection F of Section 7 of this Act.

4 B. Notice of any election provided for in subsection A of
5 this Section shall be given by the purchaser within 6 months
6 after the purchaser shall have knowledge that the sale of the
7 securities to him or her is voidable, to each person from whom
8 recovery will be sought, by registered mail or certified mail,
9 return receipt requested, addressed to the person to be
10 notified at his or her last known address with proper postage
11 affixed, or by personal service.

12 C. No purchaser shall have any right or remedy under this
13 Section who shall fail, within 15 days from the date of receipt
14 thereof, to accept an offer to repurchase the securities
15 purchased by him or her for a price equal to the full amount
16 paid therefor plus interest thereon and less any income thereon
17 as set forth in subsection A of this Section. Every offer of
18 repurchase provided for in this subsection shall be in writing,
19 shall be delivered to the purchaser or sent by registered mail
20 or certified mail, return receipt requested, addressed to the
21 purchaser at his or her last known address, and shall offer to
22 repurchase the securities sold for a price equal to the full
23 amount paid therefor plus interest thereon and less any income
24 thereon as set forth in subsection A of this Section. Such
25 offer shall continue in force for 15 days from the date on
26 which it was received by the purchaser, shall advise the

1 purchaser of his or her rights and the period of time limited
2 for acceptance thereof, and shall contain such further
3 information, if any, as the Secretary of State may prescribe.
4 Any agreement not to accept or refusing or waiving any such
5 offer made during or prior to said 15 days shall be void.

6 D. No action shall be brought for relief under this Section
7 or upon or because of any of the matters for which relief is
8 granted by this Section after 3 years from the date of sale;
9 provided, that if the party bringing the action neither knew
10 nor in the exercise of reasonable diligence should have known
11 of any alleged violation of subsection E, F, G, H, I or J of
12 Section 12 of this Act which is the basis for the action, the 3
13 year period provided herein shall begin to run upon the earlier
14 of:

15 (1) the date upon which the party bringing the action
16 has actual knowledge of the alleged violation of this Act;
17 or

18 (2) the date upon which the party bringing the action
19 has notice of facts which in the exercise of reasonable
20 diligence would lead to actual knowledge of the alleged
21 violation of this Act.

22 E. The term purchaser as used in this Section shall include
23 the personal representative or representatives of the
24 purchaser.

25 F. Anything in this Act to the contrary notwithstanding and
26 in addition to all other remedies, the Secretary of State

1 through the Office of the Attorney General may bring an action
2 in any circuit court of the State of Illinois in the name and
3 on behalf of the State of Illinois against any person or
4 persons participating in or about to participate in a violation
5 of this Act to enjoin those persons who are continuing or doing
6 any act in violation of this Act or to enforce compliance with
7 this Act. Upon a proper showing the court may grant a permanent
8 or preliminary injunction or temporary restraining order
9 without bond, and may order the defendant to make an offer of
10 rescission of any sales or purchases of securities determined
11 by the court to be unlawful under this Act. The court shall
12 further have jurisdiction and authority, in addition to the
13 other penalties and remedies in this Act provided, to act or
14 appoint another person as a receiver, conservator, ancillary
15 receiver or ancillary conservator for the defendant or the
16 defendant's assets located in this State and may assess costs
17 against the defendant for the use of the State.

18 G. (1) Whenever any person has engaged or is about to
19 engage in any act or practice constituting a violation of this
20 Act, any party in interest may bring an action in the circuit
21 court of the county in which the party in interest resides, or
22 where the person has his, her or its principal office or
23 registered office or where any part of the transaction has or
24 will take place, to enjoin that person from continuing or doing
25 any act in violation of or to enforce compliance with this Act.
26 Upon a proper showing, the court shall grant a permanent or

1 preliminary injunction or temporary restraining order or
2 rescission of any sales or purchases of securities determined
3 to be unlawful under this Act, and may assess costs of the
4 proceedings against the defendant.

5 (2) A copy of the complaint shall be served upon the
6 Secretary of State within one business day of filing in the
7 form and manner prescribed by the Secretary of State by rule or
8 regulation; provided, that the failure to comply with this
9 provision shall not invalidate the action which is the subject
10 of the complaint.

11 H. Any provision of this Section 13 to the contrary
12 notwithstanding, neither the civil remedies provided in
13 subsection A of this Section 13 nor the remedies of rescission
14 and appointment of a receiver, conservator, ancillary receiver
15 or ancillary conservator provided in subsection I of Section 11
16 of this Act and in subsections F and G of this Section 13 of
17 this Act nor the remedies of restitution, damages or
18 disgorgement of profits provided in subsection I of Section 11
19 of this Act shall be available against any person by reason of
20 the failure to file with the Secretary of State, or on account
21 of the contents of, any notice filing under Section 2a of this
22 Act or subsection C-5 of Section 8 of this Act or any report of
23 sale provided for in subsection G or P of Section 4, paragraph
24 (2) of subsection D of Sections 5 and 6, or paragraph (2) of
25 subsection F of Section 7 of this Act.

26 (Source: P.A. 98-174, eff. 8-5-13.)

1 (815 ILCS 5/18.1)

2 Sec. 18.1. Additional fees. In addition to any other fee
3 that the Secretary of State may impose and collect pursuant to
4 the authority contained in Sections 4, 8, and 11a of this Act,
5 beginning on July 1, 2003 the Secretary of State shall also
6 collect the following additional fees:

7 Securities offered or sold under the Uniform
8 Limited Offering Exemption Pursuant to
9 Section 4.D of the Act \$100

10 Securities offered or sold under the Uniform
11 Limited Offering Exemption pursuant to subsection
12 T of Section 4 of this Act..... \$100

13 Registration and renewal of a dealer \$300

14 Registration and renewal of a registered Internet
15 portal \$300

16 Registration and renewal of an investment adviser \$200

17 Federal covered investment adviser notification
18 filing and annual notification filing \$200

19 Registration and renewal of a salesperson \$75

20 Registration and renewal of an investment adviser
21 representative and a federal covered
22 investment adviser representative \$75

23 Investment fund shares notification filing and annual
24 notification filing: \$800 plus \$80 for each series, class, or

1 portfolio.

2 All fees collected by the Secretary of State pursuant to
3 this amendatory Act of the 93rd General Assembly shall be
4 deposited into the General Revenue Fund in the State treasury.
5 (Source: P.A. 93-32, eff. 7-1-03.)".