

1 AN ACT concerning business.

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

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

6 (815 ILCS 5/2.35)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26                  (iii) the issuer or the applicant has violated

1           any of the provisions of this Act;

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1           offered;

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

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

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



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

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

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

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

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

1           A document being filed pursuant to this Section 4 shall  
2 be deemed filed, and any fee paid pursuant to this Section  
3 4 shall be deemed paid, upon the date of actual receipt  
4 thereof by the Secretary of State.

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

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

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

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

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

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

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

1 aggregate outstanding voting capital securities of  
2 such issuer; or

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

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

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

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

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

1 all material respects, as of the dates indicated  
2 therein.

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

1 paragraph (1) of this subsection T.

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

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

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

26 (b) subject to the reporting requirements of

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

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

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

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

1           circumstances of the issuer and the other offering  
2           participants.

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

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

2 (815 ILCS 5/8d)

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

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

8 (b) The Internet portal:

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

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

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

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

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

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

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

13 (c) If any change occurs in the information submitted by,  
14 or on behalf of, an Internet portal to the Secretary of State,  
15 the Internet portal shall notify the Secretary of State within  
16 10 days after such change occurs and shall provide the  
17 Secretary of State with such additional information (if any)  
18 requested by the Secretary of State in connection therewith.

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

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

1 portal.

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

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

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

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

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

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

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

26 (C) establishing reasonable selection criteria for



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

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

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

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

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

1 provided in connection with the subject offering:

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

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

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