

DISCUSSION DRAFT SUMMARY
MAY 6, 2014

1. Adds new definitions of “accredited investor” and “experienced investor.” Amends the transaction exemption provided by 815 ILCS 5/4(H) to allow for offers, sales and/or issuances of securities to any “experienced investor” and for the general promotion of the same.
2. Provides new definition of “independent escrowee.” Under this proposed definition an “independent escrowee” will be granted the same powers, and be subject to the same certification and other requirements, as an “independent escrowee” under the Title Insurance Act (815 ILCS 5/1, et seq.).
3. Provides new Intrastate Exemption (815 ILCS 5/4(T)). Highlights include:
 - a. \$2,000,000 funding cap if issuer provides independently reviewed financial statements, otherwise \$1,000,000 funding cap. Amounts received by “accredited investors” will not count toward calculation of the cap amounts and the funding cap amounts will be increased every 5 years to reflect changes in the Consumer Price Index (CPI). – *See subsection (b)*
 - b. Max amount received by an issuer from any particular purchaser limited to: (i) \$5,000 if the purchaser’s net worth/expected annual income is less than \$100,000; or (ii) the lesser of \$100,000 or ten percent (10%) of the purchaser’s net worth/expected annual income. Amounts will be increased every 5 years to reflect changes in the Consumer Price Index (CPI). – *See subsection (c)*
 - c. The Secretary of State shall create, and make available on its website, a registration form to be completed and filed by (or on behalf of) an issuer 10 days prior to any proposed offering. The intent is that this registration statement will NOT be onerous and provide only basic issuer/deal information similar to what is required in a typical Form D filing. – *See subsection (f)*
 - d. Requires use of an “independent escrowee” for the collection of funds from potential purchasers. – *See subsection (h)*
 - e. Requires the issuer (directly or indirectly) to obtain evidence that each purchaser is a resident of Illinois and, if applicable, is an accredited investor. Identifies reliable forms acceptable evidence for same. – *See subsection (k)*
 - f. Requires the issuer (and to the extent an internet portal is used, the internet portal) to establish commercially reasonable measures for limiting access to information to residents of Illinois. – *See subsection (l)*

- g. Requires delivery (or electronic access to) internally prepared quarterly financial statements of issuer – *See subsection (o)*.
- 4. Provides new definition of “qualified internet portal.” Establishes new provision related to offerings made through a “qualified internet portal” (815 ILCS 5/8d). Highlights include:
 - a. The portal shall be owned by an entity organized, or otherwise qualified to do business, in Illinois and in good standing. – *See subsection (a)*
 - b. The Secretary of State shall create, and make available on its website, an application for qualification form to be completed and filed by a portal (that is not already registered and meets the qualifications of subsection (f)) 30 days prior to any proposed offering. The intent is that this application form will NOT be onerous and provide only basic information regarding the entity and the portal URL. – *See subsection (c)(iv)*
 - c. Provides for an exemption from registration as a “dealer” or “investment adviser” under the Act for an internet portal that meets certain requirements. Specifies certain actions which do not, by themselves, constitute offering investment advice or recommendations. – *See subsection (e)*
- 5. Provides for the following new filing fees:
 - a. A \$100 filing fee for any offering made under the new Intrastate Exemption (815 ILCS 5/4(T)). The intent was to make the fee equal to the filing fee required for a ULOE offering pursuant to Section 4.D of the Act;
 - b. A \$300 filing fee for any qualification, or renewal of a qualification, of an internet portal. The intent was to make the fee equal to the filing fee required for the registration of a dealer under the Act.

1 AN ACT to amend the Illinois Securities Law of 1953 (815 ILCS 5/1, et
2 seq.)

3
4 **815 ILCS 5/2 OF THE ILLINOIS SECURITIES LAW OF 1953 IS HEREBY AMENDED**
5 **TO INCLUDE THE FOLLOWING AS NEW SECTION 815 ILCS 5/2.34:**

6
7 Sec. 2.34 Accredited Investor. "Accredited investor" has the
8 meaning given such term in 17 C.F.R. Section 230.501(a), as amended
9 and in effect from time to time.

10
11 **815 ILCS 5/2 OF THE ILLINOIS SECURITIES LAW OF 1953 IS HEREBY AMENDED**
12 **TO INCLUDE THE FOLLOWING AS NEW SECTION 815 ILCS 5/2.35:**

13
14 Sec. 2.35 Experienced Investor. "Experienced investor" means and
15 includes: (a) any accredited investor; (b) any natural person who had
16 an individual income in excess of \$100,000 in each of the two (2)
17 most recent years and/or joint income with that person's spouse in
18 excess of \$150,000 in each of those years, and such person has a
19 reasonable expectation of reaching the same income level in the
20 current year; (c) any natural person whose individual net worth, or
21 joint net worth with that person's spouse, exceeds \$750,000, provided
22 that, for purposes of calculating such net worth, the book value of
23 the person's primary residence shall be included as an asset and
24 aggregate amount of indebtedness secured by the primary residence
25 shall be included as a liability; (d) any entity (including, without
26 limitation, any trust) in which at least ninety percent (90%) of the
27 equity interest is owned by (or with respect to any trust, the
28 primary beneficiaries are) persons who meet either of the tests set

1 forth in the foregoing clauses (a), (b) or (c); and (e) any Indian
2 tribal government (as defined in 26 U.S. Code § 7701(a)(40)), a
3 subdivision of an Indian tribal government (determined in accordance
4 with 26 U.S. Code § 7871(d)), an agency, instrumentality, or
5 subdivision of an Indian tribal government, or an entity established
6 under Federal, State, or tribal law which is wholly owned or
7 controlled by any of the foregoing.

8
9 **815 ILCS 5/2 OF THE ILLINOIS SECURITIES LAW OF 1953 IS HEREBY AMENDED**
10 **TO INCLUDE THE FOLLOWING AS NEW SECTION 815 ILCS 5/2.36:**

11
12 Sec. 2.36 Independent Escrowee. "Independent escrowee" means a
13 firm, partnership, association, corporation or other legal entity who
14 is certified as an independent escrowee pursuant to the terms and
15 requirements of the Title Insurance Act (815 ILCS 5/1, et seq.) as
16 amended and in effect from time to time. For purposes hereof, each
17 such independent escrowee shall have the powers granted to, and shall
18 at all times be subject to the certification and other requirements
19 of, an independent escrowee pursuant to the Title Insurance Act (815
20 ILCS 5/1, et seq.) as the same may be amended and in effect from time
21 to time.

22
23 **815 ILCS 5/2 OF THE ILLINOIS SECURITIES LAW OF 1953 IS HEREBY AMENDED**
24 **TO INCLUDE THE FOLLOWING AS NEW SECTION 815 ILCS 5/2.37:**

25
26 Sec. 2.37 Qualified Internet Portal. "Qualified internet portal"
27 means any internet portal maintained by a corporation or other legal
28

1 entity which is being utilized to offer and/or sell securities and
2 which meets each of the requirements of Section 8d of the Act.

3
4 **815 ILCS 5/4(H) OF THE ILLINOIS SECURITIES LAW OF 1953 IS HEREBY**
5 **AMENDED TO READ AS FOLLOWS:**

6
7 H. Any offer, sale or issuance of a security to ~~(1) any~~
8 ~~natural person who has, or is reasonably believed by the person~~
9 ~~relying upon this subsection H to have, a net worth or joint net~~
10 ~~worth with that person's spouse, at the time of the offer, sale or~~
11 ~~issuance, in excess of \$1,000,000 excluding the value of a principal~~
12 ~~residence, or (2) any natural person who had, or is reasonably~~
13 ~~believed by the person relying upon this subsection H to have had, an~~
14 ~~income or joint income with that person's spouse, in excess of~~
15 ~~\$200,000 in each of the two most recent years and who reasonably~~
16 ~~expects, or is reasonably expected to have, an income in excess of~~
17 ~~\$200,000 in the current year, or (3) any person that is not a natural~~
18 ~~person and in which at least 90% of the equity interest is owned by~~
19 ~~persons who meet either of the tests set forth in clauses (1) or (2)~~
20 ~~of this subsection H; any experienced investor, whether made or~~
21 ~~otherwise promoted through an internet portal or otherwise, if no~~
22 ~~commission or other remuneration is paid or given directly or~~
23 ~~indirectly for soliciting any person in this State except to a dealer~~
24 ~~or an investment advisor registered and in good standing under this~~
25 Act.

26
27 **815 ILCS 5/4 OF THE ILLINOIS SECURITIES LAW OF 1953 IS HEREBY AMENDED**
28 **TO INCLUDE THE FOLLOWING AS NEW SECTION 815 ILCS 5/4(T):**

1
2 T. Any offer or sale of a security by an issuer organized,
3 and as of the time of such offer or sale is in good standing, under
4 the laws of the State of Illinois provided:

5 (a) The offering meets all of the requirements of the
6 federal exemption for intrastate offerings provided in section
7 3(a)(11) of the Securities Act of 1933 (15 USC 77c(a)(11)) and
8 Rule 147 adopted under the Securities Act of 1933 (17 CFR
9 230.147);

10 (b) The aggregate purchase price of all securities sold
11 by an issuer in reliance on the exemption under this subsection,
12 within any twelve (12) month period does not exceed:

13 (i) one million dollars (\$1,000,000); or

14 (ii) two million dollars (\$2,000,000), if the issuer
15 has undergone and made available (directly, or through a
16 qualified internet portal) to each prospective purchaser
17 and the Secretary of State, copies of its most recent
18 financial statements which have been reviewed by an
19 independent auditor and certified by a senior officer of
20 the Issuer as true and correct in all respects;

21 provided, however: (A) amounts received in connection with any
22 offer and/or sale to any accredited investor; to any officer,
23 director, partner, trustee, or individual occupying similar
24 status or performing similar functions with respect to the
25 issuer; and/or to any person owning ten percent (10%) or more of
26 the outstanding capital securities of the issuer (or of the
27 particular class of securities of issuer being offered); shall
28 not count toward the calculation of the foregoing monetary

1 limitations; and (B) in 2019 and every fifth (5th) year
2 thereafter, the Secretary of State shall cumulatively increase
3 the dollar limitations provided in this paragraph (b) to reflect
4 the change in the Consumer Price Index for all Urban Consumers
5 published by the Federal Bureau of Labor Statistics rounding
6 each dollar limitation to the nearest \$50,000;

7 (c) The aggregate amount sold by an issuer to any
8 particular purchaser (other than an accredited investor) within
9 any twelve (12) month period does not exceed:

10 (i) with respect to a purchaser whose net worth or
11 expected annual income in the year of sale is less than
12 \$100,000, an amount equal to \$5,000; or

13 (ii) with respect to a purchaser whose net worth or
14 expected annual income in the year of sale is equal to,
15 or greater than, \$100,000, an amount equal to the lesser
16 of \$100,000 or ten percent (10%) of the purchaser's net
17 worth or expected annual income in the year of sale.

18 provided, however, in 2019 and every fifth (5th) year
19 thereafter, the Secretary of State shall cumulatively increase
20 the dollar limitations provided in this paragraph (c) to reflect
21 the change in the Consumer Price Index for all Urban Consumers
22 published by the Federal Bureau of Labor Statistics rounding
23 each dollar limitation to the nearest \$1,000;

24 (d) The issuer shall:

25 (i) establish a minimum and a maximum amount of
26 securities to be sold and a deadline for selling (or
27 otherwise accepting commitments for the purchase of) the
28 established minimum amount of securities;

1 (ii) conspicuously disclose the foregoing
2 information in any agreement evidencing a purchaser's
3 subscription to purchase the securities of the issuer;

4 (iii) conspicuously disclose in any agreement
5 evidencing a purchaser's subscription to purchase the
6 securities of the issuer that such purchaser may cancel
7 the commitment, at any time upon notice to issuer and
8 without penalty, if the minimum target offering amount is
9 not raised on or before the proposed deadline;

10 (iv) enter into an escrow agreement with an
11 independent escrowee providing for, at a minimum: (1) that
12 any and all funds to be received in connection with the
13 proposed offering shall be delivered to, and held by,
14 independent escrowee pursuant to the terms of the escrow
15 agreement; and (2) issuer shall not have access the escrow
16 funds, or any portion thereof, until the aggregate funds
17 received by the independent escrowee in connection with
18 the proposed offering equals or exceeds the minimum amount
19 of securities to be sold as established by issuer.

20 (e) No commission or other remuneration is paid or given
21 directly or indirectly to any person or entity (including,
22 without limitation, any qualified internet portal) for
23 soliciting any person in this State, except to a dealer or an
24 investment advisor registered and in good standing under this
25 Act.

26 (f) Not less than ten (10) days prior the commencement of
27 an offering of securities in reliance on the exemption under
28 this subsection, the issuer shall:

1 (i) file a notice with the Secretary of State, in
2 writing or in electronic form as prescribed by the
3 Secretary of State, which the Secretary of State shall
4 make available as an electronic document on the Secretary
5 of State's Internet website, containing such information
6 and required deliveries as specified therein. Further, for
7 so long as the offering remains open the issuer shall be
8 required to file a new notice with the Secretary of State
9 in the event any information previously provided has
10 changed and/or has since become erroneous, false or
11 misleading;

12 (ii) deliver a fully executed copy of the escrow
13 agreement required pursuant to paragraph T(d)(iv) above.
14 Further, for so long as the offering remains open the
15 issuer shall be required to promptly deliver to the
16 Secretary of State a fully executed copy of any and all
17 amendments to the escrow agreement. The information
18 provided pursuant to this paragraph will not be a public
19 record and will not be available for public inspection;
20 and

21 (iii) pay the notification filing fee established
22 under Section 11a of this Act;

23 The Secretary of State shall, within a reasonable time,
24 examine the above materials so filed and, unless the Secretary
25 of State notifies issuer (and/or the qualified internet portal,
26 to the extent used), on or before the initial commencement date
27 of the offering, of its determination that any one or more of
28

1 said materials fails to conform to the requirements of this
2 subsection T, the proposed offering shall be deemed permitted.

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

25 (g) The issuer shall provide a copy of the escrow
26 agreement, the disclosure document and any and all other
27 documents and/or information then provided to the Secretary of
28 State under paragraph T(f)(i) and/or T(f)(ii) above to each

1 prospective purchaser at the time the offer of securities is
2 made. Further, for so long as the offering remains open, the
3 issuer shall be required to promptly provide a copy to each
4 prospective and completed purchaser of any and all replacements,
5 modifications, attachments, updates and/or other information
6 provided to the Secretary of State pursuant to paragraph T(f)(i)
7 and/or paragraph T(f)(ii) above. An issuer may satisfy the
8 reporting requirement of this paragraph by making the
9 information available, in a printable format, on its own website
10 or through a qualified internet portal provided such information
11 is promptly made available by issuer and issuer promptly alerts
12 each prospective purchaser/completed purchaser of the
13 availability of the same.

14 (h) All payments for purchase of securities offered
15 pursuant to this exemption are made directly to, and held by,
16 the independent escrowee identified in the escrow agreement
17 required pursuant to paragraph T(d)(iv) above;

18 (i) The issuer shall include (and to the extent a
19 qualified internet portal is used, such qualified internet
20 portal includes) the following legend conspicuously on the cover
21 page of any disclosure document delivered to a prospective
22 purchaser and/or which a prospective purchaser may have been
23 granted electronic access to:

24 IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY
25 ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS
26 OF THE OFFERING, INCLUDING THE MERITS AND RISKS
27 INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED
28 BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR

1 DIVISION OR OTHER REGULATORY AUTHORITY. FURTHERMORE,
2 THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE
3 ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT.
4 ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL
5 OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS
6 ON TRANSFERABILITY AND RESALE AND MAY NOT BE
7 TRANSFERRED OR RESOLD EXCEPT AS PERMITTED BY
8 SUBSECTION (e) OF SEC RULE 147 (17 CFR 230.147 (e)) AS
9 PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS
10 AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS,
11 PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM.
12 INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED
13 TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN
14 INDEFINITE PERIOD OF TIME.

15 (j) The issuer (directly, or through a qualified internet
16 portal) requires each purchaser to certify, in writing or
17 electronically, as follows:

18 I UNDERSTAND AND ACKNOWLEDGE THAT:

19 I am a resident of the State of Illinois.

20 I am investing in a high-risk, speculative
21 business venture. I may lose all of my investment, and
22 I can afford the loss of my investment.

23 This offering has not been reviewed or approved
24 by any state or federal securities commission or
25 division or other regulatory authority and that no
26 such person or authority has confirmed the accuracy or
27 determined the adequacy of any disclosure made to me
28 relating to this offering.

1 The securities I am acquiring in this offering
2 are illiquid, that there is no ready market for the
3 sale of such securities, that it may be difficult or
4 impossible for me to sell or otherwise dispose of this
5 investment, and that, accordingly, I may be required
6 to hold this investment indefinitely.

7 I may be subject to tax on my share of the
8 taxable income and losses of the company, whether or
9 not I have sold or otherwise disposed of my investment
10 or received any dividends or other distributions from
11 the company.

12 (Signature)

13 (k) The issuer (directly, or through a qualified internet
14 portal) obtains from each purchaser of a security offered under
15 this subsection evidence that the purchaser is a resident of
16 this State and, if applicable, is an accredited investor.
17 Without limiting the generality of the foregoing, an issuer may
18 rely:

19 (i) on a copy of a valid Illinois driver's license
20 for purposes of establishing an individual purchaser's
21 residence; and

22 (ii) representations and/or warranties signed, in
23 writing or electronically, by a purchaser for purposes of
24 establishing such purchaser's status as an accredited
25 investor, provided issuer has no knowledge, or other
26 reason to believe, that such representations or warranties
27 are, or may be, false in whole or in part;

28

1 (1) The issuer shall (and to the extent a qualified
2 internet portal is used, such qualified internet portal shall)
3 take commercially reasonable measures to limit access to any
4 information concerning the offer and/or sale of the subject
5 securities to only residents of the State;

6 (m) No offer or sale of a different class or series of
7 security has been made by the issuer in reliance on the
8 exemption under this subsection T during the immediately
9 preceding twelve (12) month period;

10 (n) The issuer (and to the extent a qualified internet
11 portal is used, such qualified internet portal) reasonably
12 believes that all purchasers are purchasing for investment and
13 not for sale in connection with a distribution of the security;

14 (o) Until no securities issued under this exemption are
15 outstanding, the issuer shall provide quarterly to each
16 purchaser, free of charge, internally prepared quarterly
17 financial statements of issuer certified by a senior officer of
18 issuer, together with a report certified by a senior officer of
19 issuer identifying:

20 (i) any and all compensation received by each
21 director (or the like) and executive officer, including
22 cash compensation earned since the previous report and on
23 an annual basis and any bonuses, stock options, other
24 rights to receive securities of the issuer or any
25 affiliate of the issuer, or other compensation received;
26 and

27 (ii) a reasonably detailed analysis by management of
28 the issuer's then current financial condition and any

1 changes or additions to risk factors previously disclosed
2 to purchasers;

3 An issuer may satisfy the reporting requirement of this
4 paragraph by making the information available on its own website
5 or through a qualified internet portal if the information is
6 made available within forty-five (45) days after the end of each
7 fiscal quarter, such information remains available until the
8 succeeding quarterly report is issued, and issuer promptly
9 alerts each purchaser of the availability of the same.

10 (p) The issuer (and to the extent a qualified internet
11 portal is used, such qualified internet portal) shall maintain
12 records of all offers and sales of securities made pursuant to
13 the exemption granted by this subsection and shall provide ready
14 access to such records to the Secretary of State, upon
15 reasonable prior written request.

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

18 (i) an investment company, as defined in Section 3
19 of the Investment Company Act of 1940 (15 U.S.C. 80a-3);

20 (ii) an entity that would be an investment company
21 but for the exclusions provided in Section 3(c) of the
22 Investment Company Act of 1940 (15 U.S.C. 80a-3(c)); or

23 (iii) subject to the reporting requirements of
24 Section 13 or 15(d) of the Securities Exchange Act of 1934
25 (15 U.S.C. 78m or 15 U.S.C. 78o(d);

26 (r) Neither the issuer, nor any person affiliated with
27 the issuer (either before or as a result of the offering), nor
28 the offering itself, nor the qualified internet portal (to the

1 extent used) is subject to disqualification established by the
2 commissioner by rule or contained in the Securities Act of 1933
3 (15 U.S.C. 77c(a)(11)) and Rule 147 adopted under the Securities
4 Act of 1933 (17 CFR 230.262), unless both of the following are
5 met:

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

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

18
19 **815 ILCS 5/8 OF THE ILLINOIS SECURITIES LAW OF 1953 IS HEREBY AMENDED**
20 **TO INCLUDE THE FOLLOWING AS NEW SECTION 815 ILCS 5/8d.:**

21
22 Sec. 8d. Additional provisions related to offerings made through
23 qualified internet portals. An issuer may make an offering and/or
24 sale of securities pursuant to subsection T of Section 4 of this Act
25 through the use of one or more internet portals, provided each such
26 internet portal satisfies the following conditions:

27 (a) The internet portal shall at all times be owned by a
28 corporation or other legal entity which is either organized

1 under the laws of, or is otherwise qualified to do business in,
2 this State and said entity shall be in good standing in the
3 State as of the date of the proposed offering of securities;

4 (b) The internet portal shall establish and maintain a
5 secure method of communication through the internet portal
6 itself that will permit the issuer and investors to communicate
7 with one another.

8 (c) The internet portal shall either:

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

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

17 (iii) be a dealer or an investment advisor
18 registered and in good standing under this Act as of
19 the date of any offer or sale of securities made
20 through the internet portal; or

21 (iv) to the extent the internet portal meets
22 the qualifications for exemption from registration
23 pursuant to subsection (e) below, the internet portal
24 shall have:

25 (A) not later than thirty (30) days
26 prior to the date of the first offer/sale of
27 securities made within the State, filed an
28 application for qualification (or renewal of

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

9 (B) paid the application filing fee
10 established under Section 11a of this Act;

11 The Secretary of State shall, within a reasonable
12 time, examine the filed application and other
13 materials so filed and, unless the Secretary of State
14 notifies the internet portal of the rejection of such
15 application (or renewal application, as applicable) on
16 or before the initial commencement date of the
17 offering, the internet portal shall be deemed to be a
18 qualified internet portal for purposes of this Act.

19 (d) If any change occurs in the information submitted by,
20 or on behalf of, an internet portal to the Secretary of State,
21 an internet portal shall notify the Secretary of State within 30
22 days after such change occurs and shall provide the Secretary of
23 State with such additional information (if any) requested by the
24 Secretary of State in connection therewith;

25 (e) Notwithstanding anything contained in this Act to the
26 contrary, neither an internet portal nor its owning/operating
27 entity shall be required to register as a dealer or as an
28 investment advisor under this Act if each of the following apply

1 with respect to such internet portal and its owning/operating
2 entity:

3 (i) It does not solicit purchases, sales, or offers
4 to buy the securities offered or displayed on the
5 internet portal;

6 (ii) It does not collect and/or hold funds in
7 connection with any purchase, sale, or offer to buy any
8 securities offered or displayed on the internet portal;

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

13 (iv) It is not compensated based on the amount of
14 securities sold, and it does not hold, manage, possess,
15 or otherwise handle investor funds or securities;

16 (v) The fee it charges an issuer for an offering of
17 securities on the Internet portal is a fixed amount for
18 each offering, a variable amount based on the length of
19 time that the securities are offered on the Internet
20 portal, or a combination of such fixed and variable
21 amounts;

22 (vi) It does not identify, promote, or otherwise
23 refer to any individual security offered on the Internet
24 portal in any advertising for the Internet portal;

25 (vii) It does not offer investment advice or
26 recommendations; provided, however, an internet portal
27 shall not be deemed to be offering investment advice or
28 recommendations simply by virtue of:

1 A. selecting in which transactions the
2 internet portal shall serve as an intermediary;

3 B. establishing reasonable selection criteria
4 for an issuer to meet in order to establish an offer
5 or sale of securities through the internet portal;

6 C. establishing reasonable selection criteria
7 for a potential purchaser to meet in order to
8 participate in an offer or sale of securities made
9 through the internet portal; and/or

10 D. terminating an issuer transaction at any
11 time prior to the first sale of the securities of
12 such issuer if the internet portal determines such
13 action is appropriate, after reasonable due
14 diligence, to protect potential purchasers and if the
15 internet portal is able to direct the independent
16 escrowee to return all funds then provided by
17 potential purchasers, if any;

18 (viii) It does not engage in such other
19 activities as the Secretary of State, by rule, determines
20 are prohibited of such an internet portal.

21
22 **815 ILCS 5/11a OF THE ILLINOIS SECURITIES LAW OF 1953 IS HEREBY**
23 **AMENDED TO INCLUDE THE FOLLOWING AS NEW SECTION 815 ILCS**
24 **5/11(a)(1)(oo):**

25
26 (oo) filing a notice pursuant to paragraph (f) of subsection T
27 of Section 4 of this Act;

28

1 815 ILCS 5/11a OF THE ILLINOIS SECURITIES LAW OF 1953 IS HEREBY
2 AMENDED TO INCLUDE THE FOLLOWING AS NEW SECTION 815 ILCS
3 5/11(a)(1)(pp):

4
5 (pp) applying for qualification, or renewing qualification, as a
6 qualified internet portal pursuant to paragraph (iv) of subsection
7 (b) of Section 8.d of this Act;

8
9 815 ILCS 5/18.1 OF THE ILLINOIS SECURITIES LAW OF 1953 IS HEREBY
10 AMENDED TO READ AS FOLLOWS:

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

17		
18	Securities offered or sold under the Uniform Limited	
19	Offering Exemption Pursuant to Section 4.D of the	
20	Act.....	\$100
21		
22	<u>Securities offered or sold under the Uniform Limited</u>	
23	<u>Offering Exemption Pursuant to Section 4.T of the</u>	
24	<u>Act.....</u>	<u>\$100</u>
25		
26	Registration and renewal of a dealer.....	\$300
27		
28	<u>Qualification and renewal of a qualification of an</u>	<u>\$300</u>

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

internet portal

Registration and renewal of an investment adviser	\$200
Federal covered investment adviser notification filing and annual notification filing.....	\$200
Registration and renewal of a salesperson.....	\$75
Registration and renewal of an investment adviser representative and a federal covered investment adviser representative.....	\$75

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

All fees collected by the Secretary of State pursuant to
this amendatory Act of the 93rd General Assembly shall be deposited
into the General Revenue Fund in the State treasury.