**Section 130.493 Crowdfunding Pursuant to Section 4.T of the Act − Issuers**

a) Duties of the Issuer

For purposes of this Section, "investor" means a purchaser or prospective purchaser, and "internet portal" means a registered internet portal as defined in Section 8d(b) of the Act and required by Section 4.T of the Act and Section 130.494 of this Part.

1) Filing Requirements and Forms

A) Notice Filing. The issuer shall file a notice on Form CF (Crowdfunding Issuer Form) with the Secretary of State not less than 15 days before the earlier of the first offer or sale of securities or the use of any general solicitation with respect to the offering. The Form CF must include the offering statement and all required information and documentation specified on the form.

B) Annual Renewal. The notice filed pursuant to this subsection (a)(1) shall be effective for up to 12 months, subject to annual renewal. The annual renewal shall be filed on Form CF within 30 days before the expiration of the original filing, and shall include a sales report indicating the number of investors in the offering and the number of, and value of, securities sold.

C) Termination of Offering. The issuer shall file Form CF-T with the Secretary of State, and provide a copy to the relevant internet portal, no later than 15 days after the termination of the offering. Termination shall include those offering that are completed for purposes of this exemption.

D) Filing Fees. The filing of Form CF, including the filing of a renewal Form CF and an amended Form CF, shall include the payment of the filing fee of $100 required by Section 18.1 of the Act.

E) Review of Filing. If, upon review of the Form CF, the Secretary of State determines that the form is incomplete, or that the offering should not be permitted, the Secretary of State shall notify the issuer (and the broker, dealer or internet portal if applicable) on or before the initial commencement date of the offering. Absent that notification, the offering is deemed permitted. Nothing in this Part limits the authority of the Secretary of State to investigate, issue orders or enforce any provisions of the Act or rules thereunder with regard to the filing of Form CF and the subject offering.

2) Escrow Agreements and Accounts

A) The issuer shall enter into an escrow agreement with a qualified escrowee, providing that, at a minimum:

i) all funds to be received in connection with the proposed offering shall be delivered to, and held by, the qualified escrowee pursuant to the terms of the escrow agreement; and

ii) the issuer shall not have access to the escrow funds, or any portion of those funds, until the aggregate funds received by the qualified escrowee in connection with the proposed offering equal or exceed the minimum amount of securities to be sold as established by the issuer.

B) Investors shall receive a return of the entirety of their investment funds if the target offering amount is not raised by the deadline date established in the offering materials.

3) Required Disclosures. In additional to all other material disclosures that are required by law or rules, the issuer must disclose the following to investors:

A) Offering Maximum and Minimum Amounts. The issuer shall establish a maximum amount and a minimum amount of securities to be sold and a deadline date for selling the designated minimum amount of securities. This information shall be conspicuously disclosed in any agreement evidencing the investor's subscription agreement to purchase the securities. The minimum amount designated for sale shall be no less than 50% of the maximum amount.

B) Cancellation Rights. An investor may cancel, without penalty, an investment commitment until 5 business days after making the commitment. The issuer shall conspicuously disclose in the investor's subscription agreement this right of cancellation. Upon receipt of the notice after cancellation, the intermediary shall direct the refund of investor funds within 5 business days.

4) General Announcement of Offering. The issuer, through an internet portal or otherwise, may distribute a general announcement preceding the general solicitation or offering that is limited to the following information: a statement that the issuer is conducting an offering in reliance on Section 4T of the Act; the legal identity, business location and website of the issuer; the name and web address (or internet link) of the registered internet portal, broker, funding portal or dealer handling the offering; the maximum and minimum amount of the offering; a one sentence description of the business of the issuer; the telephone number or email address of the representative of the issuer and a statement noting that only Illinois residents are eligible to participate in the offering. An issuer, or person acting on behalf of the issuer, may communicate with investors and potential investors about the terms of the offering through communication channels provided by the internet portal, provided that the issuer identifies itself as the issuer in all communications. Persons acting on behalf of the issuer must identify their affiliation with the issuer in all communications. The issuer (and to the extent an internet portal is used, that internet portal) shall take reasonable measures to limit access to any information concerning the offer or sale of the subject securities to residents of Illinois.

5) Early Completion of Offering. If an issuer reaches the maximum offering amount prior to the deadline identified in its offering materials, the issuer may close the offering on a date earlier than the deadline identified in its offering materials.

6) Material Changes of the Offering. If there is a material change to the terms of the offering or to the information provided by the issuer, the issuer must provide notice of the material changes to the Secretary of State, the relevant internet portal and the investors (communication to investors may occur through the internet portal).

7) Return of Funds if Offering is Not Completed. If an issuer does not complete an offering, the internet portal must, within 5 business days:

A) Notify each investor of the cancellation, disclosing the reason for the cancellation and the amount of funds that the investor is expected to receive;

B) Direct the refund of investor funds;

C) Prevent investors from making investment commitments with respect to that offering on the issuer's internet platform.

8) Investor Qualification

A) Each time before accepting any investment commitment (including any additional investment commitment from the same person), an issuer must have a reasonable basis for believing that the investor satisfies the requirements of Section 4.T of the Act and this Section.

B) The issuer may rely on an investor's representations regarding compliance with the investment limitation requirements concerning the investor's annual income and net worth, and the amount of the investor's other investments made pursuant to Section 4.T of the Act, unless the issuer has reason to question the reliability of the representation. The issuer may obtain the required investor affirmations through the internet portal.

C) The issuer may establish Illinois residency by relying on:

i) a valid Illinois driver's license or official personal identification card issued by the Illinois Secretary of State;

ii) a current Illinois voter registration; or

iii) general property tax records showing the investor owns and occupies property in Illinois as his or her principal residence.

9) Financial Disclosures. The issuer shall provide at least annually to each purchaser, free of charge, financial statements of the issuer, which shall be audited or reviewed by a public accountant that is independent of the issuer. If audited statements or reviewed statements are not available, the issuer shall provide financial statements that are certified by the principal executive officer of the issuer attesting that the financials are fair, complete and accurate. Financial statements shall include blanace sheets, statements of comprehensive income, statements of cash flows, statements of changes in stockholders' equity and notes to the financial statements. The issuer or internet portal shall inform investors when the information becomes available and shall make the information accessible to investors through the issuer's or internet portal's website. The financial statements shall be available no later than 120 days after the end of each fiscal year, and shall remain available until the succeeding financial statements until the earlier of:

A) the date the issuer liquidates or dissolves (other than by administrative dissolution) in accordance with applicable law;

B) the date the issuer, or another party, purchases or repurchases all of the securities issued by the issuer under Section 4T of the Act, including any payment in full of debt securities or any complete redemption of redeemable securities.

b) Disqualifications. No exemption under Section 4.T of the Act and this Section shall be available for a sale of securities if the issuer, any predecessor of the issuer, any affiliated issuer, any director, officer, general partner or managing member of the issuer, any beneficial owner of 20% or more of the issuer's outstanding voting equity securities, calculated on the basis of voting power, any promoter connected with the issuer in any capacity at the time of the sale, any person that has been or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with the sales of securities, or any general partner, director, officer or managing member of any such solicitor:

1) Is or has been subject to any of the statutory disqualification provisions set forth in Section 8.E(1) of the Illinois Securities Act; or

2) Has filed a registration statement within the last 5 years that is the subject of a currently effective registration stop order entered by any state securities administrator or the U.S. Securities and Exchange Commission.

(Source: Added at 41 Ill. Reg. 451, effective December 28, 2016)