**Section 913.50 The Prospectus**

a) Any prospectus required to be filed with and approved for use by the Director shall contain the following information:

1) The date and form of organization of the issuer;

2) A description of the business done and intended to be done by the issuer;

3) The authorized and issued capital of the issuer and a description of the shares to be offered;

4) The proposed method of sale of the shares, the price thereof to the public, and the underwriting and selling discounts and commissions to be paid, and the persons or groups of persons who are to receive same;

5) The intended use by the issuer of the proceeds of the securities;

6) The names and addresses of all of the officers and directors of the issuer (or the incorporators, organizers, promoters or other persons similarly situated, if the issuer is in the process of organization), and a brief biographical sketch of each, setting forth their business experience and specifically including a statement as to whether each of said persons has or has not had any business experience in the type of insurance in which the company is engaging or proposes to engage, and the extent of such experience, if any;

7) The total remuneration of each person in the preceding paragraph and the rate or basis thereof, if the rate or basis is in excess of $10,000, paid to each by issuer during the fiscal year last past, and proposed to be paid for the then current fiscal year;

8) The names and addresses of all persons owning of record, and of all persons owning beneficially, to the extent known, to the applicant, 10% or more of the outstanding shares of the issuer, and the percentage owned by each;

9) A brief description of material pending or threatened legal proceedings including matters before administrative tribunals involving the issuer, other than ordinary routine litigation pursuant to the business in which such issuer is engaged. Ordinary litigation shall include, but not be limited to, contractual disputes between the issuer and insureds, or the issuer and its agents, or arising out of the prudent administration of the issuer's investments;

10) A description of any stock option, bonus or incentive plans which are in effect or which are proposed;

11) The name of each person or specific class of persons (other than underwriters or dealers, as such) to whom any shares have been sold, within the three year period immediately preceding the date of the application, by the issuer or controlling person at a price varying from that at which the shares are to be offered to the general public pursuant to this application. This shall include a statement of the consideration given or to be given by each such person or class;

12) A statement in boldface on the outside front cover page as follows:

"THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE DIRECTOR OF INSURANCE OF THE STATE OF ILLINOIS, NOR HAS THE DIRECTOR OF INSURANCE OF THE STATE OF ILLINOIS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS";

and in addition, thereto, the following statement is boldface:

"THESE ARE SPECULATIVE SECURITIES.";

13) Financial statements of the issuer prepared in accordance with generally accepted accounting principles. Such statements are to be audited by an independent certified public accountant in accordance with generally accepted auditing standards as follows:

A) Balance Sheet

An audited balance sheet as of a date not more than 120 days prior to the application date (Section 913.40) and for the three prior fiscal years or for the life of the company and its immediate predecessors, if less.

B) Statement of Surplus

Audited for the same period as Section 913.50(a)(13)(A).

C) Profit and Loss or Income Statements

In comparative columnar form, a profit and loss or income statement of each of the last five fiscal years and the period related to the balance sheet submitted in Section 913.50(a)(13)(A). Only the three prior fiscal years, and the period related to the balance sheet submitted in Section 913.50(a)(13)(A) needs to be audited. A statement shall be made relating to any comparable unaudited prior period that all adjustments necessary to a fair statement of the results for such periods, have been included. As supplemental information, a letter describing in detail the nature and amount of any adjustments, other than normal recurring accruals, entering into the determination of the results shown in the unaudited statements shall be submitted.

D) In addition, the Director of Insurance may, in his discretion, require any explanation, reconciliation or elaboration which is deemed appropriate for proper disclosure of relevant facts.

14) Any additional relevant and material statements or information which the Director shall require for the protection of the prospective purchasers of the shares constituting the offering.

b) All information contained in the prospectus shall be stated and set forth in plain, clear and concise language and shall not contain any false, incomplete or misleading statements. All material stated therein must be based upon facts and not upon expectations of future prospects, such as projections of profits, dividends or rises in the securities' market price anticipated to occur in a future period.

c) No shares shall be sold when a prospectus is required by any provision of the Code or of this Rule to be filed with the Department, unless a copy of the prospectus as filed with the Department is given to such purchaser or prospective purchaser prior to payment of all or part of the purchase price.

d) All information contained in a prospectus shall be set forth under appropriate captions or headings reasonably indicative of the principal subject matter set forth thereunder. A reasonably detailed table of contents shall be included showing the subject matter of the various sections or subdivisions and the page number on which each begins.

e) The body of all printed prospectuses shall be in Roman type at least as large as 10-point modern type. However, to the extent necessary for convenient presentation, financial statements and other statistical or tabular data and the notes thereto may be in Roman type at least as large as 8-point modern type. All type shall be leaded at least two points.

f) If, after the date of any prospectus, the applicant desires or the Director requires that the prospectus be amended or supplemented, a copy of such amended or supplemental prospectus shall be filled with the Director. Any such amendment or supplement shall in all respects conform to the requirements of this Rule.

g) If, during any time a permit is outstanding, it shall appear to the Director or to the applicant that any statement or information contained in the prospectus is no longer representative of any material facts, then the applicant shall be required to amend said prospectus in whatever particulars are necessary to correct such defect. Likewise, if it shall appear that any material facts have been omitted, the applicant shall be required to amend said prospectus to correct such defect.

(Source: Amended at 7 Ill. Reg. 6946, effective May 18, 1983)