**Section 130.494 Crowdfunding Pursuant to Section 4.T of the Act – Internet Portals**

a) Definition. "Internet portal" has the meaning ascribed in Section 2.36 of the Act. Additionally, in this Section, when the context so indicates, the term "internet portal" also means the entity maintaining the internet portal.

b) Internet Portals. Internet portals serving as platforms for crowdfunding activity as described in Section 4.T of the Act must be registered with the Secretary of State. Brokers registered under the Securities Exchange Act of 1934, or registered as funding portals under the Securities Act of 1933, or registered as dealers with the Secretary of State, are exempt from registering as internet portals under this subsection (b)(1), but are subject to all other provisions of this Section.

1) Filing Requirements, Forms and Fees

A) Internet portals shall file Form IP with the Secretary of State in accordance with the instructions on the form. The registration shall be effective for one year.

B) The Form IP, including a renewal application or amended form, shall be accompanied by all relevant documentation required by the form and a filing fee of $300, as required by Section 18.1 of the Act.

C) Annual renewal applications shall be filed within 30 days prior to the expiration of the one year registration period by filing Form IP.

D) Amendments or modifications to Form IP shall be filed within 10 days after any information previously submitted on Form IP becoming inaccurate.

E) Withdrawals of registration shall be filed promptly on Form IP-W, in accordance with the instructions on the form, upon ceasing to operate as a funding portal. Withdrawal will be effective on the later of 30 days after receipt of Form IP-W by the Secretary of State (after the internet portal is no longer operational), or by a later date to which the internet portal consents, or by a later date the Secretary of State, by order, may determine based on the public interest or the protection of investors. If a Secretary of State proceeding is pending pursuant to Section 11 of the Act when the application is filed or a proceeding is instituted within 30 days after the application is filed, withdrawal becomes effective at the time and upon the conditions the Secretary of State, by order, determines, based on the public interest and protection of investors. The Secretary of State may deny the withdrawal application if the internet portal's registration is revoked or canceled by the Secretary of State.

2) The internet portal shall make and preserve the records listed in this subsection (b)(2) for 5 years, the first 2 years in an easily accessible place.

A) Records that shall be maintained are:

i) All records related to any investor who purchases or attempts to purchase securities through the internet portal;

ii) All records related to issuers who offer and sell or attempt to offer and sell securities through the internet portal and the control persons of those issuers;

iii) Records of all communications that occur on or through the internet portal's platform;

iv) All records required to demonstrate compliance with the Act and this Part;

v) All notices provided to issuers and investors through the platform or otherwise;

vi) All written agreements (or copies of those agreements) entered into by the internet portal relating to its business as an internet portal;

vii) Summaries of transactions effected through the internet portal;

viii) A log reflecting the progress of each issuer offering, including total dollar amounts raised toward meeting the target offering amount;

ix) Organizational documents and such other documents as are relevant to the business of the internet portal.

B) The records required pursuant to this subsection (b)(2) may be prepared and maintained by a third party on behalf of the internet portal.

3) Communication Channels. An internet portal must provide on its platform communication channels by which persons can communicate with one another and with representatives of the issuer about offerings made available on the internet portal's platform, provided:

A) The internet portal does not participate in these communications other than to establish guidelines for communication and remove abusive or potentially fraudulent communications;

B) The internet portal permits access to view the discussions made in the communication channels to those investors and potential investors who have opened an account with the internet portal and have been vetted as eligible investors;

C) The internet portal restricts posting of comments in the communication channels to those persons who have opened an account with the internet portal on its platform; and

D) The internet portal requires that any person posting a comment in the communication channels clearly and prominently disclose with each posting his or her full name and whether he or she is a founder or an employee of an issuer engaging in promotional activities on behalf of the issuer, or is otherwise compensated, whether in the past or prospectively, to promote the issuer's offering.

4) Notice of Investment Commitment. An internet portal must promptly, upon receipt of an investment commitment from an investor, give or send to the investor a notification disclosing:

A) the dollar amount of the commitment;

B) the price and amount of the securities, if known;

C) the name of the issuer; and

D) the date and time by which the investor may cancel the investment commitment.

5) Confirmation of Transaction. An internet portal must, at or before the completion of a transaction in a security in reliance on Section 4.T of the Act, provide to each investor a notification disclosing:

A) the date of the transaction;

B) the type of security the investor is purchasing;

C) the identity, price and number of securities purchased by the investor;

D) the number of securities sold by the issuer in the transaction and the prices at which the securities were sold;

E) if a debt security, the interest rate and the yield to maturity calculated from the price paid and the maturity date;

F) if a callable security, the first date the security can be called by the issuer; and

G) the manner, including the source and form, in which the internet portal is compensated in connection with offerings and sales of securities.

c) Payments to Third Parties. An internet portal may not compensate any person for providing the internet portal with the personally identifiable information of any investor or potential investor in securities offered or sold in reliance on Section 4.T of the Act.

d) The internet portal shall establish and maintain reasonable measures to limit access to any information concerning an offer or sale of the subject securities (other than the information of the type permitted in connection with a general announcement by the issuer pursuant to the Act and Section 130.493) to only residents of Illinois.

e) The internet portal shall have a reasonable basis for believing that an issuer seeking to offer and sell securities through its portal complies with the provisions of Section 4.T of the Act and Section 130.493. In satisfying the requirement, the portal shall:

1) Conduct reasonable due diligence, including a validation of the issuer's status and a review of the offering documents and such other documentation as necessary to ensure compliance with the Act and Section 130.493;

2) Validate the existence of the required escrow agreement;

3) Complete the due diligence review for each offering to be posted on the internet portal prior to allowing the offering to be posted; and

4) Maintain and preserve all material documents reviewed by the internet portal in connection with its due diligence review.

f) The internet portal shall deny access to its platform to an issuer if the portal has a reasonable basis for believing that the issuer or the offering presents the potential for fraud or otherwise raises investor protection concerns.

g) Any director, officer or partner of an internet portal, or any person occupying a similar status or performing a similar function, may not have a financial interest in an issuer that is offering or selling securities in reliance on Section 4.T of the Act through its portal, nor receive a financial interest in the issuer as compensation for the services provided to the issuer in connection with the offer of sale of the securities. An internet portal may not have a financial interest in an issue that is offering or selling securities in reliance on Section 4.T of the Act through the internet portant unless:

1) the internet portal receives the financial interest from the issuer as compensation for the services provided to, or for the benefit of, the issuer in connection with the offer or sale of the securities being offered or sold in reliance on Section 4.T of the Act through the internet portal's platform; and

2) the financial interest consists of securities with the right of distribution or payment that is equal or junior to the priority and rights of the investors in the offering.

h) An internet portal may waive its compensation and fees in the case of a failed offering. Notwithstanding the waiver, all provisions of the Act and this Part shall apply, except that the waiver shall not be considered a success-based fee structure.

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