1951 SESSION LAWS
STATE OF ARIZONA

Twentieth Legislature
FIRST REGULAR SESSION

1950
FIRST & SECOND
SPECIAL SESSIONS
NINETEENTH LEGISLATURE

REFERENDUM MEASURES PASSED IN 1950

Wesley Bolin
Secretary of State
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<td>Relating to securities and issuers of, dealers in, and salesmen of securities, and the regulation thereof by the Arizona corporation commission; providing for penalties and remedies; and repealing articles 10 and 11 of chapter 53, Arizona Code, Annotated, 1939, as amended. Approved March 6, 1951. Effective Midnight June 16, 1951.</td>
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have dealings, and of any separate fund of the state, or touching any duty of his office.

5. Give information in writing to either house of the legislature or any person authorized by law to examine his accounts or papers, whenever required, upon any subject relating to the fiscal affairs of the state or touching any duty of his office.

6. Settle with the state treasurer once each month, count the cash, verify the balances of state funds carried on deposit with various banks, take up all cancelled vouchers and give the treasurer a receipt therefor, and immediately after each examination of the treasurer's accounts and books report the result thereof to the governor. The state treasurer shall assist the auditor in the examination and submit his books and accounts to the auditor when required.

Sec. 3. EMERGENCY. To preserve the public peace, health, and safety it is necessary that this Act become immediately operative. It is therefore declared to be an emergency measure, to take effect as provided by law.

Approved by the Governor—March 6, 1951.

Filed in the Office of the Secretary of State—March 6, 1951.

CHAPTER 18

(House Bill No. 92)

AN ACT

RELATING TO SECURITIES AND ISSUERS OF, DEALERS IN, AND SALESMEN OF SECURITIES, AND THE REGULATION THEREOF BY THE ARIZONA CORPORATION COMMISSION; PROVIDING FOR PENALTIES AND REMEDIES; AND REPEALING ARTICLES 10 AND 11 OF CHAPTER 53, ARIZONA CODE, ANNOTATED, 1939, AS AMENDED.

Be it Enacted by the Legislature of the State of Arizona:

Section 1. SHORT TITLE. This Act shall be known as the Securities Act of Arizona.

Sec. 2. DEFINITIONS. When used in this Act, unless the context otherwise requires:
“commission” shall mean the Arizona corporation commission;

“director” shall mean the director of the securities division of the Arizona corporation commission;

“person” shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust or any other unincorporated organization;

“security” or “securities” shall include any note, stock, treasury stock, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, certificate of interest in any trust or unincorporated association, any preorganization certificate, agreement or subscription, voting trust certificate, investment contract, any fractional interest in an oil, gas or mineral lease, claim, permit or right, any assignment of subdivided portions of any oil, gas or mineral lease, permit, claim or right which is subdivided for the purpose of a public offering, any certificate of interest in title to property, earnings or profits, or, in general, any instrument commonly known as a security, including any guarantee of, temporary or interim receipt for, certificate for, or warrant or right to subscribe to any of the foregoing;

“issuer” shall mean any person who issues or proposes to issue any security; except that (1) with respect to certificates of deposit, voting-trust certificates, collateral-trust certificates, certificates of interest or shares in an unincorporated investment trust, whether or not of the fixed, restricted management, or unit type, issuer shall mean the person or persons performing the acts and assuming the duties of depositor or manager pursuant to the provisions of the trust or other agreement or instrument under which such securities are issued; (2) with respect to equipment-trust certificates or like securities, issuer shall mean the person by whom the equipment or property is or is to be used; and (3) with respect to fractional interests in an oil, gas or other mineral lease, permit, claim or right, issuer shall mean the owner thereof or any interest therein (whether whole or fractional), fractional interests in which are created for the purpose of a public offering;

“dealer” shall mean any person, other than a bank, savings institution or trust company the business of which is supervised and regulated by an agency of this state or of the United States, or a salesman for a registered dealer, who engages in this state, either for all or part of his time, (1) directly or indirectly, as agent, broker or principal in the business of offering, buying, selling or otherwise dealing or trading in securities issued by another person or, (2) an issuer who engages
either directly or through an officer, director, employee or agent (which officer, director, employee or agent is not registered as a dealer under this Act), in selling securities issued by such issuer; but such definition shall not include a person having no place of business within this state who sells or offers to sell securities exclusively to dealers registered under this Act, or a person insofar as he buys or sells securities for his own account, either individually or in some fiduciary capacity, but not as a part of a regular business;

“registered dealer” shall mean a dealer registered under this Act;

“salesman” shall mean an individual, other than a dealer, employed or appointed or authorized by a dealer to sell securities in this state. The partners or executive officers of a registered dealer shall not be deemed to be salesmen within the meaning of this definition;

“registered salesman” shall mean a salesman registered under this Act;

“underwriter” shall mean any person who has acquired from an issuer with a view to, or sells for an issuer in connection with, the distribution of any securities or participates or has a direct or indirect participation in any such undertaking, or participates or has a participation in the direct or indirect underwriting of any such undertaking; but such term shall not include a person whose interest is limited to a commission from an underwriter or dealer not in excess of the usual and customary distributor’s or seller’s commission;

“sale” or “sell” shall mean any sale or other disposition of a security or interest in a security for value, and every contract to make any such sale or disposition. Any security given or delivered with, or as a bonus on account of, any purchase of securities or any other thing, shall be conclusively presumed to constitute a part of the subject of such purchase and to have been sold for value;

“offer to sell” or “offer for sale” shall mean any attempt or offer to dispose of, or solicitation of an order or offer to buy, a security or interest in a security for value, any sale or offer for sale of a warrant or right to subscribe to another security of the same issuer or of another issuer, and any sale or offer for sale of a security which gives the holder thereof a present or future right or privilege to convert such security into another security of the same issuer or of another issuer, shall be deemed an offer to sell the security to be acquired pursuant to such right or privilege, but the existence thereof shall not
be construed as affecting the registration or exemption under this Act of the security to which it attaches;

"securities act of 1933" shall mean the act of the Congress of the United States known as the securities act of 1933, as now or hereafter amended;

"securities exchange act of 1934" shall mean the act of the Congress of the United States known as the securities exchange act of 1934, as now or hereafter amended.

Sec. 3. SALE OF UNREGISTERED SECURITIES PROHIBITED. It shall be unlawful to sell or offer for sale any securities, within or from this state, except those exempt under section 4 or those sold in transactions exempt under section 5 unless such securities shall have been registered by description under section 6, or registered by qualification under section 7. Any violation of this section shall be a felony subject to penalty as provided in section 18.

Sec. 4. EXEMPT SECURITIES. Section 3 and section 9 of this Act shall not apply to any of the following classes of securities:

(A) Securities issued or guaranteed by the United States, or by any state, territory or insular possession thereof, or by any political subdivision of any such state, territory or insular possession, or by the District of Columbia, or by any agency or instrumentality of one or more of any of the foregoing.

(B) Securities issued by a national bank or a bank or credit or loan association organized pursuant to an act of Congress and supervised by the United States or any agency thereof, or issued by a state bank, savings institution or trust company the business of which is supervised and regulated by an agency of this state or of the United States.

(C) Securities issued by a building and loan association subject to supervision by an agency of this state.

(D) Insurance or endowment policies, annuity contracts or optional annuity contracts, issued by a person subject to the supervision of the insurance commissioner, bank commissioner or any agency performing like functions of the United States, any state or the District of Columbia.

(E) Securities issued or guaranteed either as to principal, interest or dividend by a railroad or public utility if the issuance of its securities is regulated by an agency of the United States, or of any state, territory or insular possession thereof,
or of the District of Columbia, or of the Dominion of Canada or any province thereof; also equipment trust certificates in respect to equipment conditionally sold or leased to a railroad or public utility, if other securities issued by such railroad or public utility would be exempt under this subsection.

(F) Securities issued by a corporation organized and operated exclusively for religious, educational, benevolent, fraternal, charitable, or reformatory purposes and not for pecuniary profit, and no part of the net earnings of which inures to the benefit of any private stockholder or individual, excluding, however, securities made liens upon revenue producing property subject to taxation.

(G) Securities fully listed, or regularly approved for full listing upon the issuance thereof, upon the New York stock exchange, the New York curb exchange, midwest stock exchange, or any other national securities exchange registered under the securities exchange act of 1934 which is designated by the commission as hereinafter provided; and all securities senior or equal in rank to any securities so listed or approved for listing, or represented by subscription rights which have been so listed or approved. The commission may by order designate any registered national securities exchange in addition to those specified in this subsection, if it finds that it would be in the public interest for securities listed thereon to be exempt under this subsection. The commission shall have power at any time by order to withdraw the designation therefor so granted.

(H) Negotiable promissory notes or commercial paper; provided, that such issue of notes or commercial paper matures in not more than twelve (12) months from date of issue and shall be issued within three (3) months after the date of sale; and provided further, that such sale of notes or commercial paper arises out of current transactions or the proceeds of which have been or are to be used for current transactions.

(I) Securities issued or guaranteed by any foreign government, with which the United States is at the time of the sale thereof maintaining diplomatic relations, or issued or guaranteed by any political subdivision of such foreign government having the power of taxation, where none of the securities of such foreign government or political subdivision are in default either as to principal or interest, and which securities when offered for sale in this state are acknowledged as valid obligations by such foreign government or political subdivision and registered under the securities act of 1933.

(J) Notes or bonds secured by a mortgage or deed of trust
on real estate or chattels, or a contract or an agreement for the sale of real estate or chattels, when the entire mortgage, contract or agreement, together with all notes or bonds secured thereby is sold or offered for sale to a single purchaser or at a single sale.

Sec. 5. EXEMPT TRANSACTIONS. Section 3 and section 9 of this Act shall not apply to any of the following classes of transactions:

(A) The sale of securities by an executor, administrator, guardian or conservator, or by a bank or trust company (the business of which is supervised and regulated by an agency of this state or of the United States) as trustee under a will or trust agreement, or by a receiver or trustee in insolvency or bankruptcy approved by a court of competent jurisdiction of this state or of the United States.

(B) The sale in good faith and not for the purpose of avoiding the provisions of this Act by a pledgee of securities pledged for a bona fide debt.

(C) The sale in good faith and not for the purpose of avoiding the provisions of this Act of securities by the bona fide owner thereof, other than an issuer or underwriter, in an isolated transaction, in which such securities are sold either directly or through a dealer as agent for the owner but where such sales are not made in the course of repeated or successive transactions of similar character by such owner, and are not made, directly or indirectly, for the benefit of the issuer or an underwriter of such securities.

(D) The distribution by a corporation of capital stock or other securities to its stockholders or other security holders as a stock dividend or other distribution out of earned surplus.

(E) The issuance and delivery of securities of a corporation to another corporation or to the security holders thereof in exchange for all or substantially all of the assets of such other corporation, or in connection with a consolidation or merger of such corporations.

(F) The exchange of securities by an issuer with its existing security holders exclusively, where no commission or remuneration is paid or given, directly or indirectly, for soliciting such exchange; provided, that such exchange of securities has been duly authorized and has been approved by the holders of not less than a majority of the outstanding securities of each class affected thereby.
(G) The sale of securities to any bank, savings institution, trust company, insurance company, dealer, any agency or instrumentality of the United States or of any state, or to any person a principal part of whose business consists of buying securities.

(H) The issuance and delivery of any securities in exchange for any other securities of the same issuer pursuant to a right of conversion entitling the holder of the securities surrendered in exchange to make such conversion.

(I) The issuance and delivery of securities of a corporation to the original incorporators, not exceeding ten (10) in number, where such securities are not acquired by such incorporators for the purpose of sale to others.

(J) The sale by a dealer (including an underwriter no longer acting as an underwriter in respect to the securities involved) of securities theretofore sold and distributed to the public, but not including securities constituting an unsold allotment to or subscription by such dealer as a participant in the distribution of such securities by the issuer or by or through an underwriter, provided information as to the issuer of such securities appears in a recognized manual of securities at the time of sale. The commission may by order revoke or suspend the exemption under this subsection with respect to any securities if it finds that the further sale thereof in this state would work, or tend to work, a fraud or deceit upon the purchaser.

Sec. 6. REGISTRATION BY DESCRIPTION. (A) The following securities shall be entitled to registration by description in the manner provided in this section: Securities of an issuer which (1) has been in continuous operation for not less than three (3) years and which (2) has shown, for a period of not less than three (3) years during the five (5) years next prior to the date of registration under this section, average annual net earnings after deducting all prior charges except charges upon securities to be retired out of the proceeds of sale, as follows:

(a) In the case of interest-bearing securities, not less than one and one-half times the annual interest charges on such securities and on all other outstanding interest-bearing securities of equal rank.

(b) In the case of securities having a specified dividend rate, not less than one and one-half times the annual dividend requirements on such securities and on all outstanding securities of equal rank.
(c) In the case of securities wherein no dividend rate is specified, not less than 5 per cent upon all outstanding securities of equal rank, together with the amount of such securities then offered for sale, based upon the maximum price at which such securities are to be offered for sale. An issuer who owns more than 50 per cent of the outstanding voting stock of a corporation shall be permitted to include the earnings of such corporation applicable to the payment of dividends upon the stock so owned in the earnings of the issuer of the securities being registered by description.

(B) PROCEDURE FOR REGISTRATION BY DESCRIPTION. Securities entitled to registration by description shall be registered by the payment of the registration fee prescribed in subsection (D), and the filing with the commission by the issuer or by a registered dealer of the following:

(1) A registration statement signed and verified under oath by the issuer or dealer filing such statement and including the following together with such other information as may be prescribed by the commission:

(a) Name and business address of person filing statement;

(b) Name and business address of issuer, and address of issuer’s principal office in this state, if any;

(c) Title of securities being registered, total amount of securities to be offered, offering price per unit and in the aggregate, amount of underwriting discounts or commissions or other selling expense per unit and in the aggregate, and the net amount to be received by the issuer per unit and in the aggregate;

(d) Amount of securities to be offered in this state, offering price per unit and in the aggregate, and the amount of the registration fee computed in accordance with subsection (D);

(e) If the securities are registered under the securities act of 1933, a copy of the definitive prospectus filed with the securities and exchange commission;

(f) A statement of the facts showing that the securities are entitled to be registered by description, together with a balance sheet, surplus statements and profit and loss statements meeting the standards of subsection (A), prepared in accordance with generally accepted accounting principles and certified by an independent public or certified public accountant.

(2) If the person who is registering the securities is not a
registered dealer or is not a corporation organized under the
laws of this state, a consent to service of process conforming
to the requirements of section 14 of this Act.

(C) RECORD AND RENEWAL OF REGISTRATION. Upon the receipt of a registration statement, payment of the registration fee, and, if required, a consent to service of process, the director shall record the registration of the securities by description in a register of securities. A registration statement filed under this section shall be effective when filed with the commission. When so registered by description the securities may be sold in this state by any registered dealer or by any registered salesman employed by a registered dealer. Such registration shall be effective for a period of one year and may be renewed for additional periods of one year, if the securities are entitled to registration under this section at the time of renewal, by the filing of a new registration statement under this section, together with payment of the renewal fee prescribed in subsection (D).

(D) FEES. For the registration of securities by description there shall be paid to the commission a registration fee of $1/10 of 1% of the aggregate offering price of the securities which are to be sold in this state, but in no case shall such registration fee be less than $25.00 or more than $500.00. For the renewal of the registration of securities by description there shall be paid to the commission a renewal fee of $25.00.

(E) REGISTRATION OF ADDITIONAL SECURITIES. Additional amounts of securities registered under this section may, with the consent of the commission, be registered by payment of an additional registration fee, which shall be computed as provided in subsection (D) of this section as a separate fee for each additional amount registered.

(F) FILING OF ADDITIONAL INFORMATION. If at any time, in the opinion of the commission or the director, the information set forth in a registration statement filed under this section is insufficient to establish the fact that the securities described therein are entitled to registration by description, the commission or the director may require the issuer or dealer who filed such statement to file such further information as may be necessary to establish the fact that such securities are entitled to registration by description.

Sec. 7. REGISTRATION BY QUALIFICATION. Securities required to be registered by qualification under this Act before they may be sold in this state shall be registered as provided in this section.
(A) APPLICATION FOR REGISTRATION. Application for registration of securities by qualification shall be made by the issuer of the securities by the filing with the commission of the following:

(1) An application for registration, which shall include the following together with such other information as the commission may prescribe:

(a) Name and address of issuer, and address of issuer's principal office in this state, if any;

(b) Title of securities to be registered and total amount of each class of such securities to be offered in this state and elsewhere;

(c) Amount of each class of securities to be offered in this state, offering price per unit and in the aggregate, and the amount of the registration fee;

(d) If a registration statement as to the securities has been filed under the securities act of 1933: (1) The date on which the registration statement was filed to register the securities under that act; and (2) the effective date of the registration statement, if effective.

(e) Eligibility of securities for sale in other states as of date of application: (1) States in which it is proposed to offer the securities for sale to the public; (2) states, if any, in which the securities are eligible for sale to the public; (3) states, if any, which have refused, by order or otherwise, to authorize sale of securities to the public, or have revoked or suspended the right to sell the securities, or in which an application for qualification has been withdrawn.

(2) There shall be submitted as part of such application for registration a copy of each of the following:

(a) Issuer's charter or other instrument of organization and by-laws, together with all amendments thereto;

(b) The indenture and all supplements thereto under which the securities are to be issued;

(c) The basic underwriting agreement if any, and any agreement or agreements among underwriters and dealers pertaining to the distribution of the securities within this state;

(d) Opinion or opinions of counsel as to the validity of issuance of the securities;
(e) A specimen certificate of each security to be registered.

Any of the foregoing documents (a) to (e), inclusive, may be submitted in preliminary form in which case a definitive copy of each shall be filed promptly after execution.

(3) A prospectus which shall include the following together with such other information as the commission may prescribe:

(a) The name and address of the issuer, date of incorporation or organization, general character of business transacted or to be transacted, and a description of the principal assets of the issuer;

(b) The name and address and business experience of each officer and director of the issuer if a corporation or unincorporated association, of each trustee or other fiduciary if a trust, or of each partner if a partnership;

(c) The total authorized capital of the issuer, the total amount of each class of securities authorized, the total amount of securities of each class issued and outstanding. The total amount of each class of securities held by each officer or director if a corporation or unincorporated association, by each trustee or other fiduciary if a trust, by each partner if a partnership, and by each beneficial owner of 10% or more of any class of securities;

(d) The total amount of securities of each class issued or to be issued for options, contracts, leases, patents, assignments, services or expenses, good will, or other intangible assets, the name and address of each person to whom such securities have been or are to be issued, and the consideration received or to be received by the issuer therefor;

(e) The title and amount of the securities to be offered, the offering price per unit and in the aggregate, the name and address of the principal underwriter and the nature of the underwriting commitment, the amount of underwriting discounts or commissions or other selling expenses per unit and in the aggregate, and the net per unit and in the aggregate to be received by the issuer. The statement of underwriting discounts or commissions or other selling expense shall include the maximum amount to be paid by the issuer in cash or otherwise, directly or indirectly, in connection with the sale of the securities;

(f) The specific purposes for which funds to be derived from the sale of the securities are to be used, and the approximate amount to be devoted to each such purpose;
(g) A description of all material contracts to which the issuer is a party and of all material litigation involving the issuer;

(h) A balance sheet as of a date not more than ninety (90) days prior to the date of filing, and, if such balance sheet is not certified, also a certified balance sheet as of a date not more than one year prior to the date of filing unless the fiscal year of the issuer has ended within ninety (90) days prior to the date of filing in which case the certified balance sheet may be as of the end of the preceding fiscal year;

(i) Profit and loss and surplus statements for each of the three (3) fiscal years preceding the date of the most recent balance sheet filed and for the period, if any, between the close of the most recent of such fiscal years and the date of the most recent balance sheet filed; or, if the issuer has been in existence for less than three (3) fiscal years, profit and loss and surplus statements for the period of the issuer’s existence.

Financial statements required under this subsection shall be prepared in accordance with generally accepted accounting principles and certified, if certification is necessary, by an independent public or certified public accountant.

If the issuer has one or more subsidiaries, the commission or the director may require, in addition to the balance sheet and profit and loss and surplus statements required by items (h) and (i) hereof, a consolidated balance sheet and consolidated profit and loss and surplus statements for the issuer and its subsidiaries as of the same dates as the balance sheet and profit and loss and surplus statements required by items (h) and (i).

If the securities being registered have been or are to be registered under the securities act of 1933, there may be filed in lieu of the prospectus prescribed in this subsection the definitive prospectus of the issuer filed under the securities act of 1933, if dated within thirty (30) days of the application for registration under this section.

If any material change occurs in the matters set forth in the prospectus filed under this subsection, or if any material change occurs in the plan of business of the issuer as set forth in the prospectus, each such change shall be included in an amended prospectus or in a supplement to the prospectus which shall be promptly filed with the commission.

(4) An examination fee of $25.00 and a registration fee of 1/10th of 1% of the aggregate offering price of securities to be
sold in this state, but in no case shall such registration fee be less than $25.00 or more than $500.00.

(5) If the issuer is not domiciled in this state and is not a corporation organized under the laws of this state, a consent to service of process conforming to the requirements of section 14 of this Act.

(B) AMENDMENT OF WITHDRAWAL OF APPLICATION. In the absence of proceedings under section 8 for denial, suspension or revocation of the registration of the securities, or with the consent of the commission after the institution of such proceedings, an applicant may at any time amend or withdraw an application for registration, prospectus, financial statement or other exhibit filed under this section. If an application for registration is withdrawn with the consent of the commission before the effective date of registration the registration fee shall be returned. Any document withdrawn under this subsection shall be marked as withdrawn but retained among the records of the commission.

(C) SIGNATURE AND VERIFICATION OF APPLICATION. The application shall be signed and verified under oath by the issuer. If the issuer is a corporation, trust or other unincorporated association, the application shall be signed by its principal executive officers, and shall be accompanied by a certified copy of a resolution approved by the requisite majority of the board of directors or other governing body.

(D) REGISTRATION OF SECURITIES. The director shall within a reasonable time examine an application for registration by qualification and all documents and exhibits filed therewith. When an applicant has fully complied with the provisions of this section and the rules and regulations of the commission thereunder, the director shall register the securities in a register of securities, subject to such limitations and conditions as may be imposed by the commission in accordance with this Act, unless the commission finds cause for denial as provided in section 8. After such registration the securities may be sold by any registered dealer or by any registered salesman employed by such dealer. The director shall give notice to the issuer by registered mail of the effective date of registration.

(E) REGISTRATION OF ADDITIONAL SECURITIES. Additional amounts of securities registered under this section may, with the consent of the commission, be registered by payment of an additional registration fee, which shall be computed as provided in subsection (A) (3) as a separate fee for each additional amount registered.
(F) RENEWAL OF REGISTRATION. Registration under this section shall be effective for a period of one (1) year and may be renewed for additional periods of one (1) year by filing, by a date not later than fifteen (15) days prior to expiration of registration, of a prospectus meeting the requirements of subsection (A) (3) and containing information as of a date not more than ninety (90) days before the date of filing, together with the payment of a renewal fee of $25.00.

(G) DELIVERY OF PROSPECTUS TO PURCHASERS. There shall be delivered to each purchaser of securities registered by qualification, before the conclusion of any contract of sale of such securities, a copy of the prospectus meeting the requirements of subsection (A) (3), or of subsection (F) if the prospectus is used more than one year from the effective date of registration of the securities.

Sec. 8. DENIAL, SUSPENSION OR REVOCATION OF REGISTRATION OF SECURITIES. (A) DENIAL OF REGISTRATION BY QUALIFICATION. The commission may enter an order denying the registration of any securities to be registered by qualification, if, after a hearing or notice and opportunity for hearing as provided in section 12, it finds that:

(1) The application for registration, prospectus, any financial statement, or any document or exhibit filed with the application, or any amendment or supplement thereto is incomplete, inaccurate or misleading, or the information contained therein is insufficient for a true appraisal of the securities; or

(2) The issuer or any dealer or salesman designated to engage in the sale of the securities has violated any provision of this Act or any rule, regulation or order of the commission thereunder; or

(3) The sale of the securities works or would tend to work a fraud or deceit upon the purchasers thereof, or is or would be unfair or inequitable to the purchasers; or

(4) The issuer is insolvent, or is in an unsound financial condition; or

(5) The issuer has refused to permit the commission to examine into its affairs, or has failed or refused to furnish information required by the Act or any rule, regulation or order of the commission thereunder; or

(6) The issuer, any officer or director of the issuer if a corporation or unincorporated association, any trustee or other
fiduciary of the issuer if a trust, any partner of the issuer if a partnership, or any person controlling, controlled by or under common control with the issuer, (a) has been convicted within five (5) years preceding the filing of the application for registration of securities, or at any time thereafter, of any felony or misdemeanor involving any transaction in securities, or of which fraud is an essential element; or (b) is subject to any order, judgment or decree of any court of competent jurisdiction entered within three (3) years of the date of filing of such application enjoining or restraining it or him from engaging in or continuing any conduct or practice in connection with the sale or purchase of securities.

(B) REVOCATION OF REGISTRATION OF SECURITIES. The commission may revoke the registration of any securities registered under this Act if, after a hearing or notice and opportunity for hearing as provided in section 12, it finds:

(1) That any of the grounds for denial specified in subsection (A) exist; or

(2) Securities registered by description are not entitled to registration by description.

(C) ENTRY OF DENIAL OR REVOCATION ORDER. If, after a hearing or notice and opportunity for hearing as provided in section 12, the commission finds grounds for denying or revoking registration of securities, it may enter an order denying or revoking the registration of such securities. Such order shall state specifically the grounds for its issuance. Upon the entry of an order denying or revoking the registration of securities, the director shall send notice of such order by registered mail to the issuer of such securities and to all registered dealers engaged in the sale thereof.

(D) SUSPENSION OF REGISTRATION OF SECURITIES. If the commission has reasonable grounds to believe that the registration of any securities under this Act should be revoked on any ground specified in this section, it may enter an order suspending the registration of such securities pending an examination into the affairs of the issuer of such securities or pending a hearing or opportunity for hearing as provided in section 12; provided, that no such suspension of registration shall be effective for more than thirty (30) days, except with the consent of the registrant. Such suspension order shall state specifically the grounds upon which it is issued. Upon the entry of an order suspending the registration of any securities, or of an order withdrawing a suspension order previously issued, the director shall send notice of such order to the issuer of
such securities and to all registered dealers engaged in the sale thereof.

Sec. 9. TRANSACTIONS BY UNREGISTERED DEALERS AND SALESMEN PROHIBITED. It shall be unlawful for any dealer to sell or purchase or offer to sell or offer to buy any securities, or for any salesman to sell or offer for sale any securities within or from this state unless such dealer or salesman is registered as such pursuant to the provisions of section 10. Any violation of this section shall be a felony subject to penalty as provided in section 18.

Sec. 10. REGISTRATION OF DEALERS AND SALESMEN. (A) APPLICATION OF REGISTRATION OF DEALERS. Application for registration as a dealer may be made by any person. Such application for registration shall be signed by the applicant and duly verified by oath. The application shall be filed with the commission, and shall contain the following together with such other information as the commission may prescribe:

(1) The name of the applicant.

(2) The address of the principal place of business of the applicant and the addresses of all branch offices, if any, of the applicant in this state.

(3) The form of business organization and the date of organization of the applicant.

(4) The names and business addresses of all members, partners, officers, directors, trustees or managers of the applicant; a statement of the limitations, if any, of the liability of any partner, member, manager, or trustee; and a statement setting forth in chronological order the business history of each such partner, member, officer, director, trustee or manager during the preceding ten (10) years.

(5) A brief description of the general character of the business conducted or to be conducted by the applicant.

(6) A list of each state in which the applicant is registered as a dealer, and, if registration of the applicant as a dealer has been refused, cancelled, suspended or withdrawn in any state, a complete statement of the facts with respect thereto.

(7) A statement showing whether the applicant is registered as a broker or dealer under the securities exchange act of 1934, and whether any such registration of the applicant has
been denied, revoked or suspended, or made the subject of proceedings for denial, revocation or suspension by the securities and exchange commission.

(8) The name of each organization of dealers or brokers of which the applicant is a member, or before which any application for membership on the part of the applicant is pending, and whether any such membership of the applicant has been denied, revoked or suspended, or made the subject of proceedings for denial, revocation or suspension.

(9) The name of each securities exchange of which the applicant or any of its partners, officers, directors, trustees, members, managers or employees is a member, and whether any such membership has been denied, revoked or suspended, or made the subject of proceedings for denial, revocation or suspension.

(10) A balance sheet, profit and loss and surplus statements, prepared in accordance with generally accepted accounting principles and certified by an independent public or certified public accountant, showing the financial condition of the applicant as of the most recent practicable date prior to the date of such application.

(11) A statement showing whether applicant or any officer, director, partner, member, trustee, or manager of the applicant, has within the past ten (10) years been convicted of or charged with a felony or misdemeanor of which fraud is an essential element, or a felony or misdemeanor involving the purchase or sale of securities, or arising out of the conduct of the business of the applicant as a dealer in securities, and, if so, a complete statement of the facts with respect thereto.

(12) A statement showing whether the applicant, or any officer, director, partner, member, trustee or manager of the applicant, has been enjoined or restrained by a court of competent jurisdiction in connection with any transaction involving the purchase or sale of securities, and, if so, a complete statement of the facts with respect thereto.

(B) CONSENT TO SERVICE AND PAYMENT OF FEES. An application for registration as a dealer shall be accompanied by (1) a written consent to the service of process upon the commission in actions against such dealer, conforming to the requirements of section 14, and (2) payment of the registration fee prescribed by subsection (H).

(C) REGISTRATION OF DEALERS. When an applicant
has fully complied with the provisions of this section and the rules and regulations of the commission thereunder the director shall register such applicant as a dealer in a register of dealers and salesmen, unless the commission finds cause for denial as provided for in section 11. When the director has registered an applicant as a dealer he shall immediately notify the applicant of such registration by registered mail.

(D) APPLICATION FOR REGISTRATION OF SALESMEN. Application for registration as a salesman may be made by any individual. Such application for registration shall be signed by the applicant and by the registered dealer employing or intending to employ such applicant, and shall be duly verified by oath. The application accompanied by the registration fee prescribed in subsection (H) shall be filed with the commission, and shall include the following together with such other information as the commission may prescribe:

(1) Name and residence and business address of the applicant.

(2) Name of the dealer employing or intending to employ the applicant.

(3) Names and addresses of five (5) persons of whom the director may inquire as to the character and business reputation of the applicant.

(4) Age and education of applicant.

(5) The nature of employment and name and address of each employer of the applicant for the ten (10) years immediately preceding the date of application.

(6) A statement showing whether the applicant has been registered as a dealer in or salesman of securities under laws of other states or as a broker or dealer under the securities exchange act of 1934, and, if any such registration has been denied, cancelled, suspended or revoked, a complete statement of the facts with respect thereto.

(7) A statement showing whether the applicant has, within the past ten (10) years, been convicted of or charged with a felony or misdemeanor of which fraud is an essential element, or a felony or misdemeanor involving the purchase or sale of securities, and, if so, a complete statement of the facts with respect thereto.

(8) A statement showing whether the applicant has been
enjoined or restrained by a court of competent jurisdiction in connection with the purchase or sale of securities, and, if so, a complete statement of the facts with respect thereto.

(E) REGISTRATION OF SALESmen. When an applicant has fully complied with the provisions of this section and of the rules and regulations of the commission thereunder the director shall register such applicant as a salesman in a register of dealers and salesmen, unless the commission finds cause for denial as provided for in section 11. When the director has registered an applicant as a salesman he shall immediately notify the applicant of such registration by registered mail.

(F) RECORD AND RENEWAL OF REGISTRATION. The names and addresses of all persons who have been registered as dealers or salesmen, and all orders with respect thereto, shall be recorded in a register of dealers and salesmen in the office of the director. Each registration under this section shall expire one year from the effective date of registration. Registration of dealers and salesmen may be renewed each year, at any time not less than fifteen (15) and not more than sixty (60) days before the expiration thereof, by:

(1) The payment of the required registration fee; and

(2) The filing of a supplemental statement showing any changes in the facts set forth in the original application for registration as thereafter supplemented or amended; and

(3) In the case of a dealer, the filing of a balance sheet, profit and loss and surplus statements, prepared in accordance with generally accepted accounting principles certified by an independent public or certified public accountant, showing the financial condition of such dealer as of the most recent practicable date.

(G) NOTIFICATION OF CHANGE OF DEALER PERSONNEL. Upon any change in the proprietors, partners, officers or directors of a registered dealer, such registered dealer shall promptly notify the director in writing of such changes. The director shall record such changes, without fee, in the register of dealers and salesmen.

(H) FEES. The fee for registration and for each annual renewal thereof shall be:

(1) For each dealer employing not more than 3 salesmen in this state, $50.00.
(2) For each dealer employing more than 3, but not more than 5, salesmen in this state, $75.00.

(3) For each dealer employing more than 5 salesmen in this state, $100.00.

(4) For each salesman, $5.00.

The registration fee for any dealer who deals exclusively in securities of which such dealer is the issuer shall equal 10% of the fees scheduled in (1), (2) and (3) of this subsection.

(I) NOTIFICATION OF TERMINATION OF EMPLOYMENT OF SALESMAN. Each registered dealer shall promptly notify the director of the termination of the employment of a registered salesman; and the registration of such salesman shall automatically be suspended from the time of termination of such employment until such time as he is again employed by a registered dealer, and the director is so notified by such dealer in writing.

(J) FILING OF ADDITIONAL INFORMATION. The commission or the director may also require the submission of such additional information as to applicant's previous history, record or business experience as may be deemed necessary to determine whether the applicant should be registered as a dealer or salesman under this section.

Sec. 11. DENIAL, SUSPENSION OR REVOCATION OF REGISTRATION OF DEALERS AND SALESMEN. (A) DENIAL, REVOCATION OR SUSPENSION OF REGISTRATION OF DEALERS. The commission may, after a hearing or notice and opportunity for hearing as provided in section 12, enter an order denying or revoking, or suspending, such suspension not to exceed a period of one year, the registration of a dealer if the commission finds that the application for registration of such dealer, or any financial statement, or other document or exhibit filed therewith, or any supplement or amendment thereto is incomplete, inaccurate or misleading, or if it finds that such dealer:

(1) Is insolvent or is in an unsound financial condition; or

(2) Has violated any provision of this Act or any rule, regulation or order of the commission thereunder; or

(3) Purchases or sells securities as such variations from current market prices as, in the light of all the circumstances, are unconscionable; or
(4) Has failed to file with the commission any record, report, financial statement or other information required under this Act or any rule, regulation, or order of the commission thereunder, or has refused to permit an examination into his affairs; or

(5) Is lacking in integrity, or is not of good business reputation, or is not qualified by training or experience; or

(6) Has knowingly retained a salesman after notice that such salesman has committed an offense under the Act; or

(7) Has been convicted within ten (10) years preceding the date of filing of such application for registration as a dealer, or at anytime thereafter, of any felony or misdemeanor involving any transaction in securities, or of which fraud is an essential element, or arising out of the conduct of any business in securities; or

(8) Is permanently or temporarily enjoined by order, judgment or decree of any court of competent jurisdiction from engaging in or continuing any conduct or practice in connection with the sale or purchase of securities; or

(9) Is subject to an order of the securities and exchange commission denying or revoking registration as a broker or dealer in securities under the securities exchange act of 1934, or is subject to an order denying or revoking membership in a national securities association registered under the securities exchange act of 1934, or has been suspended for a period exceeding six (6) months or expelled from membership in a national securities exchange registered under the securities exchange act of 1934; or

(10) Has been guilty of any fraudulent act or practice in connection with the purchase or sale of securities.

It shall be sufficient cause for denial, revocation or suspension of registration of a dealer as provided in this section, if such dealer is a partnership, corporation, unincorporated association or trust, if any member of such partnership or any officer or director of such corporation or unincorporated association or any trustee or other fiduciary of such trust, or any person controlling, controlled by, or under common control with such dealer, has been guilty of any act or omission which would be sufficient ground for denying or revoking the registration of an individual dealer.

(B) DENIAL, REVOCATION OR SUSPENSION OF
REGISTRATION OF SALESMEN. The commission may, after a hearing or notice and opportunity for hearing as provided in section 12, enter an order denying or revoking, or suspending, such suspension not to exceed a period of one year, the registration of a salesman if the commission finds that the application for registration of such salesman, or any statement, document or other exhibit filed therewith, or any supplement or amendment thereto, is incomplete, inaccurate or misleading, or if it finds that such salesman:

(1) Has violated any provision of this Act or any rule, regulation or order of the commission thereunder; or

(2) Has failed to file with the commission any record, report or other information required under this Act or any rule, regulation, or order of the commission thereunder, or has refused to permit an examination into his affairs; or

(3) Is lacking in integrity or is not of good business reputation; or

(4) Is not employed by a registered dealer; or

(5) Has been convicted within ten (10) years preceding the date of filing of such application for registration as a salesman, or at anytime thereafter, of any felony or misdemeanor involving any transaction in securities, or of which fraud is an essential element, or arising out of the conduct of any business in securities; or

(6) Is permanently or temporarily enjoined by order, judgment or decree of any court of competent jurisdiction from engaging in or continuing any conduct or practice in connection with the sale or purchase of securities; or

(7) Is subject to an order of the securities and exchange commission denying or revoking registration as a broker or dealer in securities under the securities exchange act of 1934, or is subject to an order denying or revoking membership in a national securities association registered under the securities exchange act of 1934, or has been suspended for a period exceeding six (6) months or expelled from membership in a national securities exchange registered under the securities exchange act of 1934; or

(8) Has been guilty of any fraudulent act or practice in connection with the purchase or sale of securities.

(C) ENTRY OF DENIAL, REVOCATION OR SUSPEN-
SION ORDER. If, after hearing or notice and opportunity for hearing as provided in section 12, the commission finds grounds to deny, revoke or suspend the registration of any dealer or salesman, the director shall enter an order in the register of dealers and salesmen denying, revoking or suspending the registration of such dealer or salesman. Such order shall state specifically the grounds for its issuance. A copy of such order shall be sent by registered mail to the dealer or salesman whose registration is denied, revoked or suspended thereby and, if the denial, revocation or suspension of the registration is that of a salesman, to the registered dealer who employs such salesmen. Denial, suspension or revocation of the registration of a dealer shall also suspend or revoke the registration of all his salesmen; but suspension or revocation of the registration of a salesman solely because he was employed by a dealer whose registration was denied, suspended or revoked shall not prejudice subsequent applications for registration by such salesman.

(D) TEMPORARY SUSPENSION ORDERS. If the commission has reasonable grounds to believe that a registered dealer or salesman has been guilty of any act or omission which would be sufficient ground for denying or revoking the registration of such dealer or salesman, it may enter an order temporarily suspending the registration of such dealer or salesman pending an examination into his affairs, or pending a hearing or notice and opportunity for hearing as provided in section 12; provided, that no such temporary suspension order shall be effective for more than thirty (30) days, except with consent of the registrant. Such suspension order shall state specifically the grounds for its issuance. Upon the entry of such temporary suspension order, or of an order withdrawing a temporary suspension order previously entered, the director shall send a copy of such order, by registered mail, to the dealer or salesman whose registration is affected thereby at his business address, and, if such order affects the registration of a salesman, to the registered dealer who employs such salesman.

Sec. 12. HEARINGS. (A) INITIATION OF HEARINGS. Hearings may be ordered by the commission upon its own initiative or at the written request of any interested person, either before or after registration of securities, dealers, or salesmen:

(1) For the purpose of administering or obtaining information necessary in the enforcement of this Act or the rules, regulations or orders of the commission thereunder; or

(2) To enable the commission to take appropriate action
in connection with any pending application for registration of any securities, or any dealer or salesman; or

(3) To modify the terms and conditions of any registration; or

(4) To determine whether the registration of any securities or of any dealer or salesman should be denied, suspended or revoked.

(B) NOTICE OF HEARING OR OPPORTUNITY FOR HEARING. Before entering an order denying or revoking the registration of any securities as provided in section 8, the commission shall send to the issuer of such securities, (and if the application for registration of such securities was filed by a registered dealer, to such registered dealer), a notice of hearing or notice of opportunity for hearing. Before entering an order denying or revoking or suspending except temporarily the registration of a dealer or salesman as provided in section 11, the commission shall send to such dealer or salesman, (and if a salesman to the registered dealer who employs or intends to employ such salesman), a notice of hearing or notice of opportunity for hearing. Notices of hearing or notices of opportunity for hearing shall be sent by registered mail, return receipt requested, to the addressee's business address, or to the statutory agent of record. Such notice shall contain a statement of the matters to be considered and, if a notice of opportunity for hearing, shall set forth that the person to whom such notice is sent will be afforded a hearing upon request to the commission if such request is made in writing within ten days after receipt of the notice. Whenever a person requests a hearing in accordance with the provisions of this section, the commission shall set a date, time and place for such hearing and shall forthwith notify the person requesting such hearing thereof. The date set for such hearing shall be within fifteen (15) days, but not earlier than five (5) days, after the request for hearing has been made, unless otherwise agreed to by both the commission and the person requesting such hearing. If the hearing is initiated by the commission the notice of hearing shall specify the date, time and place thereof. The date of such hearing shall be within fifteen (15) days of the date of the notice of hearing.

(C) RULES GOVERNING CONDUCT OF HEARINGS. Any hearing under this section may be held before the commission, a member thereof, the director, or other authorized officer of the commission as the commission may direct, and conduct of such hearing shall be governed by this section, and by the rules of practice and procedure which may be adopted by the commission. Neither the commission nor any member thereof, nor the director, nor other authorized officer of the
commission, shall be bound by the technical rules of evidence in the conduct of hearings under this section, and no informality in any proceeding, as in the manner of taking testimony, shall invalidate any order, decision, rule or regulation made, approved or confirmed by the commission. A stenographic record of all proceedings and testimony shall be made of each hearing by a shorthand reporter appointed by the commission, and such record shall be reduced to writing and filed with the commission.

(D) Re-hearings may be instituted or granted by the commission and shall be subject to the provisions of this section.

Sec. 13. APPEALS. (A) NOTICE OF APPEAL. An appeal may be taken from any final order of the commission under this Act by any person adversely affected thereby to the superior court of Maricopa county, Arizona, by serving on the commission within twenty (20) days after the date of entry of such order a written notice of appeal, signed by the appellant, stating:

(1) The order from which the appeal is taken; and

(2) The grounds upon which a reversal or modification of such order is sought; and

(3) A demand for a certified transcript of the record of such proceeding.

(B) CERTIFICATION OF RECORD. Upon receipt of such notice of appeal, the commission shall, within twenty (20) days thereafter, make, certify and deliver to the appellant a transcript of the record of the proceeding from which the appeal is taken; provided, that the appellant shall pay the costs of such transcript. The appellant shall, within five (5) days after receipt of such transcript, file such transcript and a copy of the notice of appeal with the clerk of the court. Said notice of appeal and transcript shall constitute the record on appeal.

(C) MANDATE OF COURT. If the order of the commission shall be reversed or modified, the court shall by its mandate specifically direct the commission as to its further action in the matter, including the making and entering of any order or orders in connection therewith, and the conditions, limitations, or restrictions to be therein contained.

(D) APPEAL TO SUPREME COURT. Any judgment of the superior court of Maricopa county affirming, reversing or modifying an order of the commission may be appealed to
the supreme court of Arizona in the manner of other appeals from judgments of the superior court.

Sec. 14. CONSENT TO SERVICE. Where a consent to service of process is required under this Act, such consent to service of process shall be in the form prescribed by the commission, shall be irrevocable, and shall provide that actions arising out of or involving the sale or purchase of any securities in violation of this Act may be commenced against the person executing such consent in any court of competent jurisdiction and proper venue within this state, by the service of process or pleadings upon the commission. Service of any such process or pleading in any such action against a person who has filed a consent to service with the commission shall, if made on the commission, be made by service of duplicate copies, one of which shall be filed in the office of the director, and the other immediately forwarded by the director by registered mail to the person against whom such process or pleading is directed at his latest address on file in the office of the director.

Sec. 15. FRAUDULENT PRACTICES PROHIBITED. (A) FRAUD IN SALE OR PURCHASE OF SECURITIES. It shall be a fraudulent practice and it shall be unlawful for any person, in connection with any transaction or transactions within or from this state involving any offer to sell or to buy securities, or any sale or purchase of securities, including any securities exempted under section 4 and including any transactions exempted under section 5, directly or indirectly:

(1) To employ any device, scheme or artifice to defraud; or

(2) To make any untrue statement of material fact, or to omit to state any material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or

(3) To engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit.

(B) FILING OF MISLEADING INFORMATION WITH COMMISSION. It shall be a fraudulent practice and it shall be unlawful:

(1) For any person to subscribe to or make or cause to be made any untrue statement of a material fact in any application, registration statement, prospectus, financial statement or document required to be filed under any provision of this Act
or any rule, regulation or order of the commission thereunder; or

(2) To omit or cause to be omitted from any such application, registration statement, prospectus, financial statement, or other statement or document, any material fact or statement necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(C) MISREPRESENTATION OF EFFECT OF REGISTRATION OF SECURITIES. Neither the fact that securities are registered by description under section 6 or by qualification under section 7 nor the fact that registration of such securities has not been denied, suspended or revoked shall be deemed a finding by the commission or by the director that the registration statement, application for registration, prospectus, or any financial statement, or other document or exhibit filed therewith is true or accurate, or does not contain untrue statements of material facts, or omit material facts, or to mean that the commission or the director has passed upon the merits of or otherwise approved the securities so registered, and it shall be a fraudulent practice and it shall be unlawful for any person to make or cause to be made to any prospective purchaser of such securities any statement or other representation contrary to the foregoing.

(D) MISREPRESENTATION OF EFFECT OF REGISTRATION OF DEALERS OR SALESMEN. Neither the fact that a dealer or salesman is registered under section 10 nor the fact that the registration of such dealer or salesman has not been denied, suspended or revoked shall be deemed a finding by the commission or by the director that such dealer or salesman is of good business reputation, or is not lacking in integrity, or is not insolvent, or that the application for registration of such dealer or salesman, or any financial statement, document or exhibit filed therewith is true or accurate, or does not contain untrue statements of material facts or omit material facts, and it shall be a fraudulent practice and it shall be unlawful for any dealer or salesman in connection with any transaction involving the purchase or sale of securities to make any statement or other representation contrary to the foregoing.

(E) VIOLATION MADE FELONY. Any violation of this section shall be a felony subject to penalty as provided in section 18.

Sec. 16. CEASE AND DESIST ORDERS, INJUNCTIONS AND PROSECUTIONS FOR VIOLATIONS. Whenever it shall appear to the commission, either upon complaint
or otherwise, that any person has engaged in, or is engaging in, or is about to engage in any act, practice or transaction which constitutes a violation of this Act or of any rule, regulation or order of the commission thereunder, the commission may, in its discretion:

(1) Issue an order directing such person to cease and desist from engaging in such act, practice or transaction, or doing any act in furtherance thereof.

(2) Apply to the superior court of Maricopa county for an injunction restraining such person from engaging in such act, practice or transaction, or doing any act in furtherance thereof, and upon a proper showing a permanent or temporary injunction or restraining order shall be granted without bond. Process in such actions may be served upon the defendant in any county of this state where such defendant transacts business or where he may be found.

(3) Transmit such evidence as may be available concerning such act, practice or transaction to the attorney general whereupon he may petition the superior court of Maricopa county for the appointment of a conservator to reorganize the affairs of, or a receiver to wind up the affairs of, the violator under this Act. Process in such actions may be served upon the defendant in any county in this state where the defendant transacts business or where he may be found.

(4) Transmit such evidence as may be available concerning such act, practice or transaction to the attorney general who may, in his discretion, cause to be instituted the necessary criminal proceedings in a superior court of any county of this state where the sale or transaction occurred.

Sec. 17. CIVIL REMEDIES. (A) REMEDY FOR VOIDABLE SALES. The sale or contract for sale of any securities to any purchaser in violation of any provision of section 3, 9 or 15 of this Act shall be voidable at the election of the purchaser, who may sue either at law or in equity in any court of competent jurisdiction to recover the consideration paid for such securities, with interest thereon, taxable court costs and reasonable attorneys' fees, less the amount of any income received by dividend or otherwise from ownership of such securities, upon tender of the securities purchased or the contract made, or for damages if he no longer owns the securities.

(B) REMEDY FOR VOIDABLE PURCHASES. The purchase or contract for purchase from a seller of securities made in violation of section 9 or section 15 (A) or (D) of this Act
shall be voidable at the election of the seller of such securities, who may sue either at law or in equity in any court of competent jurisdiction to recover the amount of his damages, with interest thereon, taxable court costs and reasonable attorneys' fees.

(C) LIABILITY OF OFFENDING SELLERS AND PURCHASERS. Any action brought under subsection (A) or (B) may be brought against any person, including any dealer, salesman or agent, who made, participated in or induced the unlawful sale or purchase, and such persons shall be jointly and severally liable to the purchaser or seller entitled to maintain such action.

(D) LIMITATION OF CIVIL ACTIONS. No civil action under this section shall be maintained to enforce any liability based upon a violation of section 3 or 9 of this Act unless brought within one year after the violation upon which it is based. No civil action under this section shall be brought to enforce any liability based upon a violation of section 15 of this Act unless brought within one year after discovery of the fraudulent practice upon which such liability is based, or after such discovery should have been made by the exercise of reasonable diligence, and in no event shall any such action be brought more than three years after the fraudulent practice occurred.

(E) REMEDY NOT EXCLUSIVE. Nothing in this section shall otherwise limit any statutory or common law right of any person in any court for any act involved in the sale of securities.

Sec. 18. PENALTIES. (A) FELONIES. Any person who shall wilfully violate any provision of section 3, section 9, or section 15 of this Act shall be deemed guilty of a felony and upon conviction thereof shall be punished by a fine of not less than $500.00 and not more than $5,000.00, or by imprisonment for not less than one (1) year and not more than ten (10) years, or by both such fine and imprisonment.

(B) MISDEMEANORS. Any person who shall wilfully violate any provision of this Act or any rule, regulation or order of the commission thereunder, for which penalty is not provided in subsection (A), shall be deemed guilty of a misdemeanor and upon conviction thereof shall be punished by a fine of not less than $100.00 and not more than $500.00 or by imprisonment for not more than one (1) year, or by both such fine and imprisonment.

Sec. 19. EVIDENTIARY MATTERS. (A) BURDEN OF
PROOF OF EXEMPTIONS. In any action, civil or criminal, where a defense is based upon any exemption provided for in this Act, the burden of proving the existence of such exemption shall be upon the party raising such defense, and it shall not be necessary to negative any such exemption in any petition, complaint, information or indictment, laid or brought in any proceeding under this Act.

(B) EVIDENCE OF REGISTRATION OR LACK OR REGISTRATION. A certificate signed by the chairman or member of the commission or by the director and under seal of the commission showing that securities have or have not been registered by description as provided in section 6 or registered by qualification as provided in section 7, or that a dealer or salesman has or has not been registered as provided in section 10 shall constitute evidence of the facts so certified and shall be admissible in evidence in any action or proceeding, civil or criminal, in which the question of such registration may be at issue.

(C) EVIDENCE OF RECORD OF PROCEEDINGS. A certificate signed by the chairman or any member of the commission or by the director, and under seal of the commission, in regard to the record of any proceeding under this Act for denial, revocation or suspension of the registration of securities or the registration of any dealer or salesman shall constitute evidence of such record and shall be admissible in any proceeding, civil or criminal, in which such record may be at issue.

Sec. 20. INTENT AND CONSTRUCTION. The intent and purpose of this Act is for the protection of the public, the preservation of fair and equitable business practices, the suppression of fraudulent or deceptive practices in the sale or purchase of securities, and the prosecution of persons engaged in fraudulent or deceptive practices in the sale or purchase of securities. This Act shall not be given a narrow or restricted interpretation or construction, but shall be liberally construed as a remedial measure in order not to defeat the purpose thereof.

Sec. 21. SPECIAL POWERS OF COMMISSION. (A) GENERAL RULE MAKING POWER. The commission shall have authority from time to time to make, amend, and rescind such rules and regulations as may be reasonably necessary to carry out the provisions of this Act.

(B) POWER TO EXEMPT CERTAIN SECURITIES AND TRANSACTIONS. The commission may from time to time by its rules and regulations, and subject to such terms and conditions as may be prescribed therein, add any class of
securities or transactions to the securities or transactions exempted as provided in sections 4 and 5, if it finds that registration of such securities under this Act is not necessary in the public interest and for the protection of investors by reason of the special characteristics of the securities or transactions, the small amount involved, or the limited character of the offering; but no issue of securities shall be exempted under this subsection where the aggregate amount of the issue exceeds $25,000.00.

(C) INVESTIGATIONS. The commission, or the director or other agent or agents designated by the commission may at any time either prior to or subsequent to the registration of any securities or of any dealer or salesman investigate and examine into the affairs of any person issuing or dealing in or selling or intending to issue, deal in or sell securities, or into the affairs of any person when the commission has grounds to believe that such person is or may be issuing or dealing in or selling securities.

(D) POWER TO REQUIRE TESTIMONY AND PRODUCTION OF RECORDS. For the purpose of all investigations or hearings which, in the opinion of the commission, are necessary and proper for the enforcement of this Act, any member of the commission, the director, or any officer or officers designated by the commission are empowered to administer oaths and affirmations, subpoena witnesses, take evidence, and require by subpoena duces tecum or by citation the production of any books, papers, or other documents which the commission deems relevant or material to the inquiry.

(E) PRIVILEGE AGAINST SELF-INCRIMINATION. No person shall be excused from attending and testifying or from producing books, papers, contracts, agreements, and other documents before the commission, or in obedience to the subpoena of the commission, any member thereof, the director, or any officer designated by the commission, or in any cause or proceeding instituted by the commission, on the ground that the testimony or evidence, documentary or otherwise, required of him, may tend to incriminate him or subject him to a penalty or forfeiture; but no individual shall be subjected to criminal prosecution for or on account of any transaction, matter, or thing concerning which he is compelled, after having claimed his privilege against self-incrimination, to testify or produce evidence, documentary or otherwise, except that such individual so testifying shall not be exempt from prosecution and punishment for perjury committed in so testifying.

(F) DEFINITION OF CONTEMPT AND PUNISHMENT THEREFOR. Contumacy or refusal to obey a subpoena or
citation issued by the commission, any member thereof, the
director, or any officer designated by the commission shall be
a contempt of the commission and the commission may, after
notice by citation and after a hearing, punish the person com-
mitting such contempt by a fine of not less than one hundred
dollars ($100.00) nor more than fifteen hundred dollars
($1,500.00), to be recovered as a penalty by an action brought
by the attorney general in the name of the state in the superior
court of Maricopa county. Process in any action brought by
the attorney general under this subsection may be served upon
the defendant in any county of this state in which the defend-
ant transacts business or where he may be found.

(G) ESCROW OF CERTAIN SECURITIES. As a condition
to registration of securities under this Act, the commission
may in its discretion by order require that any securities is-
sued for or which are intended to be issued for any patent
right, copyright, trademark, process, formula, good will, op-
tion, lease, assignment, service, or other intangible asset, or for
fees or expenses in connection with the promotion or or-
ganization of the issuer, shall be deposited in escrow in some
depository satisfactory to the commission under an escrow
agreement subject to the orders of the commission as to with-
drawal or termination, and whereby the owners of such securi-
ties shall not be entitled to sell or transfer such securities
without the consent of the commission. In case of dissolution
or insolvency of the issuer during the time such securities are
held in escrow, the owners of such securities shall not par-
ticipate in any distribution of assets until after the owners of
all other securities shall have been paid in full.

(H) ESCROW OF TREASURY STOCK. The commission
may in its discretion by order require as a condition to regis-
tration of securities under this Act that all treasury stock of
the issuer or other securities issued and thereafter acquired
by the issuer, be deposited in escrow in a suitable depository,
subject to such terms and conditions as to release from escrow
as the commission deems necessary in the circumstances.

(I) IMPOUNDMENT OF FUNDS. As a condition to regis-
tration under this Act of securities of a speculative nature the
commission may by order impose reasonable restrictions and
conditions upon the use and disbursement of funds to be de-
derived from the sale of such securities, including the impound-
ment of such funds in a depository satisfactory to the com-
mission, subject to the orders of the commission and to such
terms and conditions as to release from impound as the com-
mission may deem necessary. For the purpose of this subsec-
tion an issue of a speculative nature means one in which the
business or earnings of the issuer is based upon future develop-
ments and potentials rather than on current tangible assets.
Sec. 22. JURISDICTION AND VENUE OF OFFENSES AND SUITS. The superior courts of this state shall have jurisdiction of offenses and violations of this Act and the rules, regulations and orders of the commission thereunder, and of all suits at law or in equity brought to enforce any liability or duty created under this Act, except actions or proceedings brought under section 16 (2) and (3) of which the superior court of Maricopa county shall have exclusive jurisdiction. Any such suit may be brought in the county wherein the defendant is found, or is an inhabitant or transacts business, or in the county where the transaction took place, and in such cases, process may be served in any other county of which the defendant is an inhabitant or wherever the defendant may be found.

Sec. 23. ADMINISTRATION OF ACT. (A) DIRECTOR OF SECURITIES. The commission shall appoint a director of securities, subject to removal for cause, at a salary of not to exceed six thousand dollars ($6,000.00) per annum, who shall, subject to the authority and under the supervision of the commission, be the administrator of the securities division. He shall be a person at least thirty (30) years of age and shall be qualified in either one or both of the following ways: (1) by broad experience and training in corporate finance or investment banking, or (2) by having earned a college or graduate degree in business administration the major subjects of which have relation to investment banking or corporate finance. The director of securities shall devote his entire time to the discharge of his duties as such.

(B) ASSISTANT DIRECTOR OF SECURITIES. The commission shall appoint an experienced assistant to the director of securities at a salary of not to exceed three thousand dollars ($3,000.00) per annum, to aid in the proper discharge of the duties imposed upon the securities division.

(C) EMPLOYMENT OF ADDITIONAL PERSONNEL. The director with the approval of the commission, may employ from time to time such examiners, investigators and clerical employees as are necessary for the administration of this Act, and they shall perform such duties as the director shall assign.

(D) COMPENSATION OF EMPLOYEES FOR EXPENSES. The director, and any person under his supervision shall be paid, in addition to their regular compensation, the railroad fare, board, lodging and other necessary traveling expenses actually incurred by them in the performance of their duties under this Act. Such traveling expenses shall include the expenses of the director in attending the annual convention of the national association of securities administrators.
(E) COOPERATION WITH OTHER AGENCIES. The director shall cooperate with the administrators of the securities laws of other states and of the United States with a view to achieving maximum uniformity in the interpretation and enforcement of like provisions of the laws administered by them.

(F) All fees collected under this Act shall be turned into the state treasury.

Sec. 24. SEPARABILITY OF PROVISIONS. If any provision or provisions of this Act shall be held invalid, the remainder of this Act shall not be affected thereby.

Sec. 25. REPEAL OF CERTAIN PRIOR ACTS—SAVING OF CERTAIN RIGHTS AND LIABILITIES THEREUNDER.
(A) Articles 10 and 11 of chapter 53, Arizona Code, Annotated, 1939, as amended, are hereby repealed, to take effect upon the day that this Act goes into force, subject to the limitations provided in subsections (B), (C) and (D) of this section.

(B) The provisions of all laws which are repealed by this Act shall remain in force for the prosecution and punishment of any person who, before the effective date of this Act, shall have committed any act contrary to the provisions of any law in force at the time such offence was committed, and such person may be prosecuted and punished under the law as it existed when such violation occurred.

(C) In case of sales, contracts, or agreements made prior to the effective date of this Act, all rights and liabilities of the parties thereto shall remain as provided by the law as it existed at the time such sales, contracts, or agreements were made, and all parts of laws repealed by this Act shall remain in force for the enforcement of such rights and liabilities.

(D) All securities for which a permit, issued by the commission pursuant to the provisions of Article 10, chapter 53, Arizona Code, Annotated, 1939, as amended, is in effect on the day prior to the effective date of this Act, shall be deemed registered by qualification as provided in section 7, if such securities are not exempt under this Act, such registration to be effective for a period of ninety (90) days from the effective date of this Act, or for a period of one (1) year from date of issuance of such permit, whichever is longer; and the commission shall have the same powers with respect to such securities that it has with respect to securities registered under the provisions of this Act. All dealers who are duly registered as dealers and all salesmen who are registered as agents under Article 11 of chapter 53, Arizona Code, Annotated, 1939, as
amended, on the day prior to the effective date of this Act shall be deemed to be duly registered under and subject to the provisions of this Act, such registration to expire one (1) year from the date of issuance of the opinion and order effecting such registration or on the 30th day of June of the year in which this Act becomes effective, whichever is longer; and to be subject to renewal as provided in this Act.

(E) The director provided for by this Act shall succeed the director of securities heretofore acting under the law hereby repealed, and as such successor shall receive all the records, files, papers, and property of said director of securities relating to the administration of said Articles 10 and 11 of chapter 53, Arizona Code, Annotated, 1939, as amended. All proceedings pending before the commission or the director of securities under the law hereby repealed shall be continued under the provisions of this Act by the commission or the director.

Approved by the Governor—March 6, 1951.

Filed in the Office of the Secretary of State—March 6, 1951.

CHAPTER 19

(House Bill No. 173)

AN ACT

MAKING A SUPPLEMENTAL APPROPRIATION TO THE CORPORATION COMMISSION FOR PUBLIC UTILITY INVESTIGATIONS AND HEARINGS; PROVIDING FOR THE MANNER OF PRESENTATION OF CLAIMS AGAINST THE SAME AND FOR THE EMPLOYMENT OF PERSONNEL.

Be it Enacted by the Legislature of the State of Arizona:

Section 1. APPROPRIATION. In addition to the appropriation made under the provisions of subsection 52, section 1, chapter 124, Laws 1949, the sum of fifty thousand dollars ($50,000.00) is appropriated from the general fund to the corporation commission to be available during the remainder of the thirty-ninth fiscal year and the fortieth fiscal year.

Sec. 2. PURPOSE. The purpose of the appropriation made in section 1 is for personal services, travel, current expenses