

Senate Engrossed

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**MICHELE REAGAN
SECRETARY OF STATE**

State of Arizona
Senate
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First Regular Session
2017

**CHAPTER 118
SENATE BILL 1287**

AN ACT

AMENDING SECTION 44-1844, ARIZONA REVISED STATUTES; RELATING TO SALES OF
SECURITIES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 44-1844, Arizona Revised Statutes, is amended to
3 read:

4 44-1844. Exempt transactions

5 A. Except as provided in subsections B and C of this section,
6 sections 44-1841 and 44-1842, section 44-1843.02, subsections B and C and
7 sections 44-3321 and 44-3325 do not apply to any of the following classes
8 of transactions:

9 1. Transactions by an issuer not involving any public offering.

10 2. The sale of securities by an executor, administrator, guardian
11 or conservator or by a bank the business of which is supervised and
12 regulated by an agency of this state or of the United States, as trustee
13 under a will or trust agreement, or by a receiver or trustee in insolvency
14 or bankruptcy approved by a court of competent jurisdiction of this state
15 or the United States.

16 3. The sale in good faith and not for the purpose of avoiding the
17 provisions of this chapter by a pledgee of securities pledged for a bona
18 fide debt.

19 4. The sale in good faith and not for the purpose of avoiding the
20 provisions of this chapter of securities, including securities that when
21 originally issued were exempt pursuant to subsection D of this section, by
22 the bona fide owner of such securities, other than an issuer or
23 underwriter, in an isolated transaction, in which the securities are sold
24 either directly or through a dealer as agent for the owner but where the
25 sales are not made in the course of repeated or successive transactions of
26 similar character by the owner and are not made directly or indirectly for
27 the benefit of the issuer or an underwriter of the securities. For the
28 purposes of this paragraph, the sale is not considered to be made in the
29 course of repeated or successive transactions of similar character by the
30 owner if both of the following apply:

31 (a) The sale is of a security that when originally issued was
32 exempt pursuant to subsection D of this section.

33 (b) At least ~~nine~~ SIX months have passed ~~from~~ AFTER the date of the
34 last sale of the security by the issuer to a resident of this state.

35 5. The distribution by a corporation of capital stock or other
36 securities to its stockholders or other security holders as a stock
37 dividend or other distribution out of retained earnings.

38 6. Any transaction or series of transactions incident to a
39 statutory or judicially approved reorganization, merger, triangular
40 merger, consolidation, or sale of assets, incident to a vote by securities
41 holders pursuant to the articles of incorporation, the applicable
42 corporate statute or other controlling statute, a partnership agreement or
43 the controlling agreement among securities holders.

44 7. The exchange of securities by an issuer with its existing
45 security holders exclusively, where no commission or remuneration is paid

1 or given, directly or indirectly, for soliciting the exchange, if such
2 exchange has been duly authorized and has been approved by the holders of
3 not less than a majority of the outstanding securities of each class
4 affected by the exchange.

5 8. An offer or sale of securities to a bank, a savings institution,
6 a trust company, an insurance company, an investment company as defined in
7 the investment company act of 1940, a pension or profit sharing trust or
8 other financial institution or institutional buyer or a dealer whether the
9 purchaser is acting for itself or in a fiduciary capacity.

10 9. The issuance and delivery of securities in exchange for other
11 securities of the same issuer pursuant to a right of conversion entitling
12 the holder of the securities surrendered in exchange to make such
13 conversion.

14 10. The issuance and delivery of securities of a corporation,
15 limited liability company or limited partnership to the original
16 incorporators, organizers or general partners, not exceeding ten in
17 number, where the securities are not acquired by the incorporators,
18 organizers or general partners for the purpose of sale to others and are
19 not directly or indirectly sold to a third party within twenty-four months
20 unless an incorporator, organizer or general partner experiences a bona
21 fide change of financial circumstances within such time period, providing
22 original incorporators, organizers or general partners are notified of
23 their right pursuant to title 10 or 29 to review the financial books and
24 records of the corporation, limited liability company or limited
25 partnership at reasonable times.

26 11. A nonissuer transaction in an outstanding security, including
27 the sale by a dealer, including an underwriter no longer acting as an
28 underwriter in respect to the securities involved, of securities sold and
29 distributed to the public, but not including securities constituting an
30 unsold allotment to or subscription by the dealer as a participant in the
31 distribution of the securities by the issuer or by or through an
32 underwriter, if the class of security has been outstanding in the hands of
33 the public for not less than ninety days preceding the date of the
34 transaction and a recognized manual of securities designated by the
35 commission by rule or order at the time of sale contains the names of the
36 issuer's officers and directors, a statement of financial condition of the
37 issuer as of a date within eighteen months of the date of the sale and a
38 statement of income or operations for each of the two fiscal years next
39 before the date of the statement of financial condition or for the period
40 from the commencement of the issuer's existence to the date of the
41 statement of financial condition if the period is less than two years.

42 12. The sale by a dealer, including an underwriter no longer acting
43 as an underwriter in respect to the securities involved, of securities of
44 an issue sold and distributed to the public, but not including securities
45 constituting an unsold allotment to or subscription by the dealer as a

1 participant in the distribution of the securities by the issuer or by or
2 through an underwriter, if securities of such issue have been registered
3 by description under sections 44-1871 through 44-1875 or registered by
4 qualification under sections 44-1891 through 44-1902.

5 13. The sale of commodity investment contracts traded on a
6 commodities exchange recognized by the commission at the time of sale.

7 14. The sale or issuance of any investment contract or other
8 security in connection with an employee's pension, profit sharing, stock
9 purchase, stock bonus, savings, thrift, stock option or other similar
10 employee benefit plan that meets the requirements for qualification under
11 the United States internal revenue code.

12 15. Transactions within the exclusive jurisdiction of the commodity
13 futures trading commission as granted under the commodity exchange act.

14 16. Transactions involving the purchase of one or more precious
15 metals that require, and under which the purchaser receives, within seven
16 calendar days after the payment in good funds of any portion of the
17 purchase price, physical delivery of the quantity of the precious metals
18 purchased by such payment. For the purposes of this paragraph, physical
19 delivery is deemed to have occurred if, within such seven day period, the
20 quantity of precious metals purchased by such payment is delivered,
21 whether in specifically segregated or fungible bulk form, into the
22 possession of a depository other than the seller which is a financial
23 institution, a depository the warehouse receipts of which are recognized
24 for delivery purposes for any commodity on a contract market designated by
25 the commodity futures trading commission or a storage facility licensed or
26 regulated by the United States or any agency of the United States and such
27 depository or other person that qualifies as a depository issues and the
28 purchaser receives a certificate, document of title, confirmation or other
29 instrument evidencing that such quantity of precious metals has been
30 delivered to the depository and is being and will continue to be held by
31 the depository on the purchaser's behalf, free and clear of all liens and
32 encumbrances, other than liens of the purchaser, tax liens, liens agreed
33 to by the purchaser, or liens of the depository for fees and expenses,
34 that have previously been disclosed to the purchaser. For the purposes of
35 this paragraph, "financial institution" means a bank, savings institution
36 or trust company organized under, or supervised pursuant to, the laws of
37 the United States or of this state.

38 17. Transactions involving a commodity investment contract solely
39 between persons engaged in producing, processing, using commercially or
40 handling as merchants each commodity subject to the contract or any
41 by-product.

42 18. A nonissuer transaction in an outstanding security, including
43 the sale by a dealer, including an underwriter no longer acting as an
44 underwriter in respect to the securities involved, of securities sold and
45 distributed to the public, but not including securities constituting an

1 unsold allotment to or subscription by the dealer as a participant in the
2 distribution of the securities by the issuer or by or through an
3 underwriter if both of the following apply:

4 (a) The class of security has been outstanding in the hands of the
5 public for not less than ninety days preceding the date of the
6 transaction.

7 (b) The securities are listed on an automated quotation system of a
8 national securities association registered under the securities exchange
9 act of 1934.

10 19. Transactions involving the sale of securities to persons who
11 are not residents of this state and are not present in this state if all
12 of the following conditions are met:

13 (a) The securities being offered are not blind pool offerings.

14 (b) At least ten days before the offering date:

15 (i) The issuer certifies that the securities being offered will be
16 offered and sold in compliance with the securities act of 1933 and the
17 laws and regulations of those states in which the offers and sales will be
18 made.

19 (ii) The issuer files as a notice filing one copy of any offering
20 materials that may be required by the SEC or the laws and rules of those
21 states in which the offers and sales will be made.

22 (iii) The issuer submits a filing fee of two hundred dollars.

23 (c) Within ten working days of completion of the offering the
24 issuer files a description of the actions taken as to compliance with the
25 securities act of 1933 and the laws and rules of those states in which the
26 offers and sales were made.

27 (d) The transaction complies with any rule adopted by the
28 commission further restricting the exemption created by this paragraph to
29 prevent any fraudulent practices.

30 20. Transactions involving offers or sales of one or more
31 promissory notes directly secured by a first lien on a single parcel of
32 real estate on which is located a dwelling or other residential or
33 commercial structure and participation interest in those notes that are
34 exempt under section 4(5) of the securities act of 1933.

35 21. Offerings of securities of not more than one million dollars or
36 the limit established under 17 Code of Federal Regulations section 230.504
37 as follows:

38 (a) An unlimited number of sophisticated purchasers may be
39 involved.

40 (b) Written offering documents providing full and adequate
41 disclosure of material facts must be provided to each purchaser.

42 (c) Advertising is not allowed without a waiver from the director.

43 (d) The sum of the following amounts may not exceed the greater of
44 one million dollars or the limit established under 17 Code of Federal
45 Regulations section 230.504:

1 (i) The dollar value for the amount of securities being offered.

2 (ii) The aggregate offering price of all securities of the issuer
3 sold within the twelve months before the date of the offering.

4 (iii) The aggregate offering price of all securities of the issuer
5 sold during the course of the offering if the securities were sold in
6 reliance on 15 United States Code section 77c(b) or in violation of 15
7 United States Code section 77e(a).

8 (e) Provisions on offerings to sophisticated purchasers are as
9 follows:

10 (i) An offering to sophisticated purchasers under this section
11 allows sales to either an accredited investor as defined in 17 Code of
12 Federal Regulations section 230.501 or a person, acting alone or with a
13 purchaser representative, who the dealer reasonably believes has the
14 knowledge and experience in financial and business matters to be capable
15 of evaluating the merits and risks of the proposed investment. The dealer
16 must reasonably believe that the person has knowledge and experience
17 before a person becomes a purchaser.

18 (ii) The issuer shall display the following notice on the cover
19 page of the disclosure document in a conspicuous manner in at least
20 twelve-point boldface type:

21 In making an investment decision, investors shall rely
22 on their own examination of the issuer and the terms of the
23 offering, including the merits and risks involved. These
24 securities have not been recommended by any federal or state
25 securities commission or division or regulatory authority.
26 Furthermore, the foregoing authorities have not confirmed the
27 accuracy or determined the adequacy of this document. Any
28 representation to the contrary is a criminal offense. These
29 securities are subject to restrictions on transferability and
30 resale and may not be transferred or resold, except as allowed
31 by 17 Code of Federal Regulations and applicable state
32 securities laws, pursuant to registration or exemption from
33 registration. Investors must be aware that they are required
34 to bear the financial risks of this investment for an
35 indefinite period of time.

36 (f) One copy of the notice on form D filed with the SEC is filed
37 with the commission not later than fifteen calendar days after the first
38 sale of securities in or from this state.

39 (g) An offering to purchasers under this section allows all of the
40 following:

41 (i) Sales to be made only by a dealer who is not the issuer and who
42 is registered in this state.

43 (ii) The dealer to conduct the sales if the dealer reasonably
44 believes that adequate diligence and review have been applied in

1 connection with the offering and the dealer adequately determines the
2 suitability of the offering to a purchaser.

3 (iii) Sales if the dealer reasonably believes that the security is
4 suitable for the purchaser after reasonable inquiry concerning the
5 purchaser's investment objectives, financial situation and needs and after
6 consideration of any other information known by the dealer.

7 (h) The exemption may not be used if an issuer or person affiliated
8 with the issuer or offering is subject to disqualification pursuant to any
9 of the following:

10 (i) This chapter.

11 (ii) A rule or order of the commission.

12 (iii) The securities act of 1933 (15 United States Code section
13 77c(a)(11)).

14 (iv) The securities act of 1933, 17 Code of Federal Regulations
15 section 230.262.

16 (i) The commission may set aside disqualification if:

17 (i) On a showing of good cause and without prejudice to any other
18 action by the commission, the commission determines that it is not
19 necessary that an exemption be denied under the circumstances.

20 (ii) The issuer establishes that it made a factual inquiry into
21 whether any disqualification existed under subdivision (h) of this
22 paragraph but did not know and could not have known with the exercise of
23 reasonable care that a disqualification existed. The nature and scope of
24 the requisite inquiry will vary based on the circumstances of the subject
25 issuer and the other offering participants.

26 B. Subsection A, paragraph 11 of this section does not apply to
27 either of the following:

28 1. Sales by a dealer or salesman who is not registered in this
29 state.

30 2. Solicited sales to or purchases from a resident of this state by
31 a dealer who does not have, before the initial solicitation, a written new
32 account form signed by the resident or a customer agreement signed by the
33 resident and a previous sale or purchase of a security with the resident.

34 C. The commission may by order revoke or suspend the exemption
35 under subsection A, paragraph 11 or 18 of this section with respect to any
36 securities or the use of the exemption under subsection A, paragraph 11 of
37 this section by any dealer if it finds that the further sale in this state
38 of the securities or by the dealer would work, or tend to work, a fraud or
39 deceit on the purchaser.

40 D. Sections 44-1841 and 44-1842, section 44-1843.02, subsections B
41 and C and sections 44-3321 and 44-3325 do not apply to the offer or sale
42 of a security by the issuer of the security if all of the following apply:

43 1. The issuer of the security is:

44 (a) A RESIDENT OF THIS STATE AS DESCRIBED IN 17 CODE OF FEDERAL
45 REGULATIONS SECTION 230.147 OR 230.147A.

1 ~~(a)~~ (b) A business entity organized under the laws of this state.

2 ~~(b)~~ (c) Authorized to do business in this state.

3 ~~(c)~~ (d) Doing business in this state pursuant to the securities
4 act of 1933, 17 Code of Federal Regulations section 230.147~~(c)~~ OR
5 230.147A.

6 2. The transaction meets the requirement of the federal exemption
7 for intrastate offerings in the securities act of 1933 (15 United States
8 Code section 77c(a)(11) OR 77e) and 17 Code of Federal Regulations section
9 230.147 OR 230.147A.

10 3. The aggregate offering price of the securities complies with the
11 following:

12 (a) If the issuer has not undergone and made available to each
13 prospective purchaser and the commission the opinion letter and applicable
14 documentation resulting from a financial audit of its most recently
15 completed fiscal year that complies with generally accepted accounting
16 principles, the sum of all cash and other consideration to be received for
17 all sales of securities in reliance on this exemption may not exceed one
18 million dollars in a twelve-month period.

19 (b) If the issuer has undergone and made available to each
20 prospective purchaser and the commission the opinion letter and applicable
21 documentation resulting from a financial audit of its most recently
22 completed fiscal year that complies with generally accepted accounting
23 principles, the sum of all cash and other consideration to be received for
24 all sales of securities in reliance on this exemption may not exceed two
25 million five hundred thousand dollars in a twelve-month period.

26 (c) An offer or sale to an officer, director, partner, trustee or
27 individual occupying similar status or performing similar functions with
28 respect to the issuer or to a person owning ten percent or more of the
29 outstanding shares of any class or classes of securities of the issuer
30 does not count toward the monetary limitations prescribed in this
31 paragraph.

32 4. All sales that are part of the same offering, made in reliance
33 on this exemption, meet all of the terms and conditions of this exemption.
34 Offers and sales that are made more than six months ~~before the start of an~~
35 ~~offering or are made more than six months~~ after completion of an offering
36 may not be considered part of the offering if during ~~those~~ THAT six-month
37 ~~periods~~ PERIOD there are no offers or sales of securities by or for the
38 issuer that are of the same or a similar class as those offered or sold
39 under this exemption, other than offers and sales to individuals
40 identified in the disclosure document.

41 5. The issuer does not accept more than ten thousand dollars from
42 any single purchaser unless the purchaser is an accredited investor as
43 defined by the securities act of 1933, 17 Code of Federal Regulations
44 section 230.501.

1 6. Unless waived by written consent of the director, not less than
2 ten days before the commencement of an offering of securities, pursuant to
3 this exemption, the issuer submits all of the following to the commission:

4 (a) A notice filing on a form prescribed by the commission.

5 (b) A copy of the disclosure document to be provided to prospective
6 purchasers pursuant to paragraph 16 of this subsection.

7 (c) A copy of the escrow agreement entered into pursuant to
8 paragraph 7 of this subsection.

9 (d) Any other documents or information the commission may require
10 to administer and enforce this exemption.

11 7. All cash and other consideration paid for securities sold
12 pursuant to an offering pursuant to this exemption are directed to and
13 deposited into a single escrow account maintained by a bank, A credit
14 union or ~~other~~ ANOTHER depository financial institution in this state that
15 is authorized to do business in this state and that maintains deposit or
16 share insurance on its deposits or shares OR BY AN ESCROW AGENT THAT IS
17 LICENSED BY THE DEPARTMENT OF FINANCIAL INSTITUTIONS. The escrow agent
18 for the escrow account shall maintain the records necessary to obtain
19 pass-through insurance for the escrowed funds. The commission may request
20 information from the ESCROW AGENT OR financial institution necessary to
21 ensure compliance with this paragraph. Any information received by the
22 commission is confidential and not subject to disclosure, unless the
23 director authorizes the disclosure of the information as not contrary to
24 the public interest. The bank, regulated trust company or corporate
25 fiduciary, savings bank, savings and loan association or credit union in
26 which the investor monies are deposited is only responsible to act at the
27 direction of the party establishing the escrow agreement and does not have
28 any duty or liability, contractual or otherwise, to any investor or other
29 person.

30 8. Offers made pursuant to this exemption state a target offering
31 amount and an offering deadline. The offering deadline may not be less
32 than twenty-one days and not more than one year from the date the offer is
33 made.

34 9. The sum of all cash and other consideration received and held in
35 escrow, as required by paragraph 7 of this subsection, may not be less
36 than eighty percent of the target offering amount on expiration of the
37 offering deadline or the early closing of the offering, pursuant to
38 paragraph 11 of this subsection, and if this requirement is not met the
39 transaction is void and the escrow agent shall return all funds deposited
40 into the escrow account to the purchasers.

41 10. A purchaser is permitted to cancel the purchaser's commitment
42 to invest at any time before forty-eight hours before expiration of the
43 offering deadline if notice of cancellation is delivered electronically or
44 physically in writing to the individual or addresses identified in the
45 disclosure document. If a purchaser is given notice of an early closing,

1 pursuant to paragraph 11 of this subsection, the purchaser may cancel the
2 commitment within seventy-two hours of delivery of the notice.

3 11. If an issuer closes an offering before the offering deadline,
4 the issuer delivers notice of the closing to each purchaser pursuant to
5 the notice provisions set forth in the disclosure document prescribed by
6 paragraph 16 of this subsection and posts the notice conspicuously on each
7 internet website on which the offer was posted, at least five days before
8 the early closing.

9 12. Before or as a result of the offering, the issuer is not any of
10 the following:

11 (a) An investment company, as defined by the investment company act
12 of 1940 (15 United States Code section 80a-3(a)).

13 (b) An entity that would be an investment company but for the
14 exclusions provided in the investment company act of 1940 (15 United
15 States Code section 80a-3(c)).

16 (c) Subject to the reporting requirements of the securities
17 exchange act of 1934 (15 United States Code section 78o(d)).

18 (d) A company that has not yet defined its business operations,
19 that does not have a business plan or a stated investment goal for the
20 funds being raised or that plans to engage in a merger or acquisition with
21 an unspecified business entity.

22 13. The issuer informs all prospective purchasers of securities
23 that the securities have not been registered under federal or state
24 securities laws and that the securities are subject to limitations on
25 resale. The issuer shall display the following notice on the cover page
26 of the disclosure document in a conspicuous manner in at least
27 twelve-point boldface type:

28 In making an investment decision, investors shall rely on
29 their own examination of the issuer and the terms of the
30 offering, including the merits and risks involved. These
31 securities have not been recommended by any federal or state
32 securities commission or division or regulatory
33 authority. Furthermore, the foregoing authorities have not
34 confirmed the accuracy or determined the adequacy of this
35 document. Any representation to the contrary is a criminal
36 offense. These securities are subject to restrictions on
37 transferability and resale and may not be transferred or
38 resold, except as permitted by 17 Code of Federal Regulations
39 section 230.147(e) OR 230.147A and the applicable state
40 securities laws, pursuant to registration or exemption
41 therefrom. Investors shall be aware that they will be
42 required to bear the financial risks of this investment for an
43 indefinite period of time.

44 14. The issuer requires each purchaser to certify in writing or
45 electronically as follows:

1 I understand and acknowledge that I am investing in a
2 high-risk, speculative business venture. I may lose all of my
3 investment, or under some circumstances more than my
4 investment, and I can afford this loss. This offering has not
5 been reviewed or approved by any state or federal securities
6 commission or division or other regulatory authority and no
7 such person or authority has confirmed the accuracy or
8 determined the adequacy of any disclosure made to me relating
9 to this offering. The securities I am acquiring in this
10 offering are illiquid, there is no ready market for the sale
11 of such securities, it may be difficult or impossible for me
12 to sell or otherwise dispose of this investment and,
13 accordingly, I may be required to hold this investment
14 indefinitely. I may be subject to tax on my share of the
15 taxable income and losses of the company, whether or not I
16 have sold or otherwise disposed of my investment or received
17 any dividends or other distributions from the company.

18 15. The issuer obtains from each prospective purchaser evidence
19 that the prospective purchaser is a resident of this state and, if
20 applicable, is an accredited investor. A prospective purchaser's
21 residence shall be determined in accordance with the securities act of
22 1933, 17 Code of Federal Regulations section 230.147~~(d)~~ OR 230.147A. An
23 affirmative representation made by an individual that the individual is a
24 resident of this state and proof of at least one of the following is
25 sufficient evidence that the individual is a resident of this state:

26 (a) A valid driver license or nonoperating identification license
27 issued pursuant to title 28.

28 (b) A current voter registration for this state.

29 (c) General property tax records showing that the individual owns
30 and occupies property in this state as the individual's principal
31 residence.

32 16. The issuer shall provide a disclosure document to each
33 prospective purchaser at the time the offer of securities is made that
34 contains all of the following:

35 (a) A description of the company, its type of entity, the address
36 and telephone number of its principal office, its history, its business
37 plan and the intended use of the offering proceeds, including any amounts
38 to be paid as compensation or otherwise to any owner, executive officer,
39 director, managing member or other person occupying a similar status with
40 the company or performing similar functions on behalf of the issuer.

41 (b) The identity of all persons owning more than ten percent of the
42 ownership interests of any class of securities of the company.

43 (c) The identity of the executive officers, directors, managing
44 members and other persons occupying a similar status or performing similar

1 functions in the name of and on behalf of the issuer, including their
2 titles and prior experience.

3 (d) The terms and conditions of the securities being offered and of
4 any outstanding securities of the company.

5 (e) The offering deadline and the target offering amount.

6 (f) Any conditions on which the issuer may exercise its right to
7 close an offering before the offering deadline, including the notice that
8 will be provided to both purchasers and potential purchasers if the
9 offering is closed before the offering deadline and the method in which
10 the notice will be delivered.

11 (g) Either the percentage ownership of the company represented by
12 the offered securities or the valuation of the company implied by the
13 price of the offered securities.

14 (h) The price per share, unit or interest of the securities being
15 offered.

16 (i) Any restrictions on transfer of the securities being offered.

17 (j) A disclosure of any anticipated future issuance of securities
18 that might dilute the value of securities being offered.

19 (k) The identity of any person who has been or will be retained by
20 the issuer to assist the issuer in conducting the offering and sale of the
21 securities, including any internet website operator. This subdivision
22 does not apply to persons acting solely as accountants, attorneys or
23 employees whose primary job responsibilities involve operating the
24 business of the issuer except that the identity of any person assisting
25 the issuer in raising capital must be disclosed.

26 (l) A description of the consideration being paid to any person
27 identified in subdivision (k) of this paragraph, for such assistance to
28 the issuer.

29 (m) A description of any litigation, legal proceedings or pending
30 regulatory action involving the company or its management.

31 (n) The names and addresses, including the uniform resource
32 locator, of each internet website that the issuer will use to offer or
33 sell securities pursuant to this exemption.

34 (o) The name of the individual and addresses to which purchasers
35 may deliver cancellations pursuant to paragraph 10 of this subsection.
36 Issuers shall provide the name of at least one individual with both an
37 electronic and a physical address to which cancellations may be delivered.

38 (p) Current financial statements certified by the principal
39 executive officer shall be true and complete in all material respects. If
40 applicable, the documentation required by paragraph 3, subdivision (b) of
41 this subsection shall also be provided.

42 (q) Any additional information material to the offering including,
43 if appropriate, a written statement of significant factors that make the
44 offering speculative or risky. This statement shall be concise and

1 organized logically and shall not be limited to risks that could apply to
2 any issuer or any offering.

3 17. The exemption is not used if an issuer or person affiliated
4 with the issuer or offering is subject to disqualification pursuant to:

5 (a) This chapter.

6 (b) A rule or order of the commission.

7 (c) The securities act of 1933 (15 United States Code section
8 77c(a)(11)).

9 (d) The securities act of 1933, 17 Code of Federal Regulations
10 section 230.262.

11 18. The commission may set aside disqualification if:

12 (a) On a showing of good cause and without prejudice to any other
13 action by the commission, the commission determines that it is not
14 necessary that an exemption be denied under the circumstances.

15 (b) The issuer establishes that it made a factual inquiry into
16 whether any disqualification existed under this subsection but did not
17 know and could not have known in the exercise of reasonable care that a
18 disqualification existed. The nature and scope of the requisite inquiry
19 will vary based on the circumstances of the subject issuer and the other
20 offering participants.

21 19. The sale is made exclusively through one or more internet
22 websites that are operated by the issuer of the securities sold, BY a
23 dealer who is registered pursuant to article 9 of this chapter or by a
24 person who does not receive a commission or remuneration, directly or
25 indirectly, for the offer or sale of the security and who makes a notice
26 filing pursuant to paragraph 6 of this subsection. Each issuer and
27 website operator shall comply with the following:

28 (a) Before any offer or sale of securities, the issuer shall
29 provide to the website operator evidence that the issuer is organized
30 under the laws of this state and is authorized to do business in this
31 state.

32 (b) The website operator shall limit website access to the offer or
33 sale of securities only to residents of this state.

34 (c) The website operator may not be a purchaser in any offering
35 made pursuant to this exemption. This subdivision does not apply if the
36 website operator is the issuer of the securities offered or sold pursuant
37 to this exemption.

38 (d) The website operator may not hold an interest in or be
39 affiliated with or under common control with any issuer making an offer or
40 sale pursuant to this exemption. This subdivision does not apply if the
41 website operator is the issuer of the securities offered or sold pursuant
42 to this exemption.

43 (e) Before and throughout the term of any offering, the website
44 operator shall give the commission access to the internet website on which
45 any offering is made pursuant to this exemption.

1 (f) The issuer may distribute a limited notice stating that the
2 issuer is conducting an offering pursuant to this exemption, the name of
3 the website operator through which the offer is being conducted and a link
4 directing potential purchasers to the internet website of the website
5 operator. The notice shall contain a disclaimer that states that the
6 offering is limited to residents of this state.

7 20. The issuer makes and keeps all accounts, correspondence,
8 memoranda, papers, books and other records that the commission prescribes
9 by rule or order. All required records shall be:

10 (a) Preserved for three years unless the commission prescribes
11 otherwise for particular types of records, by administrative rule or
12 order.

13 (b) Maintained within this state, or at the request of the
14 commission be made available at any time for examination by the commission
15 in the issuer's principal office or by production of exact copies in this
16 state.

17 21. The issuer provides, free of charge, a quarterly report to the
18 issuer's purchasers until no securities issued under this exemption are
19 outstanding. The issuer may satisfy this reporting requirement by making
20 the information available on an internet website if the information is
21 made available within forty-five days after the end of each fiscal quarter
22 and remains available until the succeeding quarterly report is
23 issued. The issuer shall also provide a written copy of the report to any
24 purchaser on request. The report shall contain all of the following:

25 (a) Any compensation received by each director or executive
26 officer, including cash compensation earned since the previous report and
27 on an annual basis, any bonuses, stock options or other rights to receive
28 securities of the issuer or any affiliate of the issuer and payments that
29 reduce personal living expenses such as a company vehicle, free housing,
30 meals or club dues.

31 (b) An analysis by the issuer's management of the business
32 operations and financial condition of the issuer.

33 E. The director may adopt rules based on 17 Code of Federal
34 Regulations section 230.504 and revise the rules as necessary to keep them
35 current with the federal law.

APPROVED BY THE GOVERNOR MARCH 29, 2017.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MARCH 29, 2017.

Passed the House March 23, 20 17,

Passed the Senate February 16, 20 17,

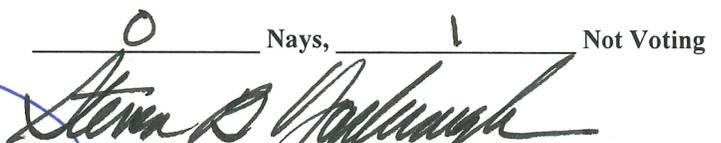
by the following vote: 55 Ayes,

by the following vote: 29 Ayes,

0 Nays, 5 Not Voting

0 Nays, 1 Not Voting


Speaker of the House


President of the Senate


Chief Clerk of the House


Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

27 day of March, 20 17

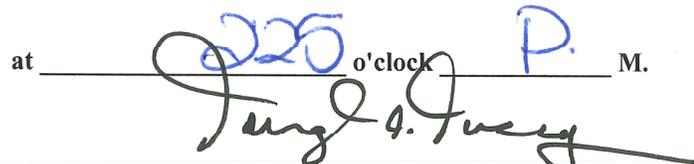
at 1:51 o'clock P. M.


Secretary to the Governor

Approved this 20th day of

March, 20 17,

at 2:25 o'clock P. M.


Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 29 day of March, 20 17,

at 4:59 o'clock P. M.


Secretary of State

S.B. 1287