

JUN 20 2003



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Docket No. RS-00000A-02-0304

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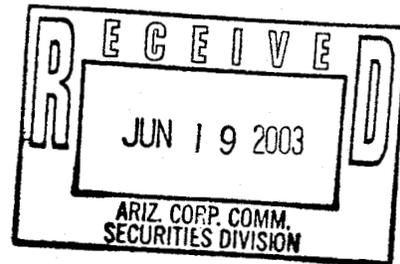
DOCKETED BY *CMR*

TERRY GODDARD
ATTORNEY GENERAL

June 16, 2003

RS-00000A-02-0304

Mark Sendrow
Director of Securities
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007



RE: A.G. Rule No. R03-001; A.A.C. R14-4-116

Dear Mr. Sendrow:

We have reviewed the above-referenced rule adopted by the Arizona Corporation Commission on December 17, 2002. We have determined that the rule is in proper form, is clear, concise and understandable, within the power of the agency to adopt and within legislative standards, and was adopted in compliance with appropriate procedures.

Accordingly, pursuant to A.R.S. § 41-1044, I have affixed my signature to the original Approval of Final Rules and have forwarded it together with the original rule, notice of final rulemaking and economic, small business, and consumer impact statement and four copies of each to the Secretary of State.

We have enclosed a copy for your reference.

Sincerely,

Terry Goddard
Terry Goddard
Attorney General

AGENCY CERTIFICATE

for

NOTICE OF FINAL RULEMAKING

1. Agency name: Arizona Corporation Commission, Securities Division
2. Chapter heading: Chapter 4. Corporation Commission, Securities
3. Code citation for the Chapter: 14 A.A.C. 4
4. The Subchapters, if applicable; the Articles; the Parts, if applicable; and the Sections involved in the rulemaking, listed in alphabetical and numerical order:

Subchapters, Articles, Parts, and Sections

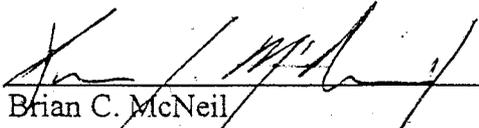
Action

Article 1, Section R14-4-116

Amendment

5. The rule contained in this package is true and correct as made.

6.



Brian C. McNeil
Executive Secretary
Arizona Corporation Commission

18 DEC 02

Date

7. Exempt from Governor's Regulatory Review Council: A.R.S. § 41-1057

APPENDIX B

Arizona Corporation Commission, Securities Division
Chapter 4, Corporation Commission—Securities
A.A.C. R14-4-116. NASAA Statements of Policy

Economic, Small Business, and Consumer Impact Statement

A. Economic, small business, and consumer impact summary.

1. Proposed rulemaking.

The Arizona Corporation Commission (the "Commission") proposes the amendment of Section R14-4-116 ("rule 116").

2. Summary of information included in this report.

The economic, small business, and consumer impact statement for rule 116 analyzes the costs, savings, and benefits that accrue to the Commission, the office of the attorney general, the regulated public, and the general public. With the adoption of the proposed rule, the impact on established Commission procedures, Commission staff time, and other administrative costs is minimal. The estimated additional cost to the office of the attorney general is minimal. The benefits provided by rule 116 are not quantifiable. Rule 116 should benefit the Commission's relations with the regulated public because of specified standards for registration and increased uniformity with other state registration standards. The public will benefit from the continuation of certain standards for registered offerings. The Commission anticipates that the proposed rulemaking will not significantly increase monitoring, record keeping, or reporting burdens on businesses or persons. The costs of implementation or enforcement are not increased or are only marginally increased and such increase does not equal or exceed the reduction in burdens.

3. Name and address of agency employees who may be contacted to submit or request additional data on the information included in this statement.

Cheryl T. Farson
General Counsel
Securities Division
Arizona Corporation Commission
1300 W. Washington, Third Floor
Phoenix, AZ 85007

Sharleen A. Day
Associate General Counsel
Securities Division
Arizona Corporation Commission
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~~Phoenix, AZ 85007~~

B. Economic, small business, and consumer impact statement

The Arizona Corporation Commission (the "Commission") has not conducted any study and is not aware of any study that measure the cost of implementation or compliance with the proposed rule amendment. The time and dollar expenditures necessary to obtain such data are prohibitive. Adequate data, therefore, is not reasonably available to provide quantitative responses to the items required under A.R.S. § 41-1055(B).

1. Proposed rulemaking.

The Commission proposes the amendment of Section R14-4-116 ("rule 116") in order to: (i) provide greater specificity for non-profit religious organizations regarding registration requirements for debt securities; and (ii) provide greater uniformity with other state laws.

Rule 116 formally identifies and incorporates by reference certain policy statements issued by the North American Securities Administrators Association ("NASAA") regarding the registration of securities. The Commission requires issuers registering securities to comply with the terms of these policy statements. The Commission proposes to amend rule 116 to add the NASAA Guidelines for General Obligation Financing by Religious Denominations and the NASAA Statement of Policy Regarding Church Bonds. The NASAA Guideline for General Obligation Financing by

Religious Denominations will be the standard of review for debt issued by a denomination for the purpose of funding projects of various affiliated churches or related religious organizations. The Statement of Policy Regarding Church Bonds will be the standard of review for debt issued by individual religious entities to fund projects associated with the individual entity.

2. Persons who will be directly affected by, bear the costs of, or directly benefit from the proposed rulemaking.

Those affected by rule 116 include non-profit religious organizations seeking to issue debt securities to the public, and the investing public.

Cost bearers.

The costs of compliance with rule 116 will be borne directly by the non-profit religious organizations seeking to issue debt securities to the public. The costs of enforcement of rule 116 will be borne by the Commission and the office of the attorney general. The costs of implementation of the proposed rulemaking will be borne by the Commission.

The costs of compliance and enforcement remain substantially the same as under the criteria by which registration of debt securities are reviewed under A.R.S. §§ 44-1891 and 44-1921. The costs of implementation are minimal. The Commission anticipates that the proposed rulemaking will not significantly increase, monitoring, record keeping, or reporting burdens on businesses or persons. The costs of implementation or enforcement are not increased or are only marginally increased and such increase does not equal or exceed the reduction in burdens.

Beneficiaries.

Persons seeking to purchase debt securities offered by non-profit religious organizations will benefit from the continued imposition of certain standards on registered offerings of debt securities.

3. Cost/benefit analysis.

a. Cost/benefit analysis of the probable costs and benefits to the implementing agency and other agencies directly affected by the implementation and enforcement of the proposed rulemaking.

The benefits of the proposed rulemaking outweigh the probable costs. The implementation costs to the Commission are minimal because the systems, forms, etc., implemented in connection with the criteria by which registration of debt securities are otherwise reviewed under A.R.S. §§ 44-1891 and 44-1921 will not vary materially. The costs to the Commission and the office of the attorney general to enforce the proposed rules remain substantially the same as the costs incurred in connection with the criteria by which registration of debt securities are otherwise reviewed under A.R.S. §§ 44-1891 and 44-1921. The Commission and the office of the attorney general will benefit from the amendment of rule 116 which will (i) provide greater specificity to the non-profit religious organizations regarding registration requirements for debt securities; and (ii) provide greater uniformity with other state laws.

b. Cost/benefit analysis of the probable costs and benefits to a political subdivision of this state directly affected by the implementation and enforcement of the proposed rulemaking.

None.

c. Cost/benefit analysis of the probable costs and benefits to businesses directly affected by the proposed rulemaking, including any anticipated effect on the revenues or payroll expenditures of employers who are subject to the proposed rulemaking.

The benefits of the proposed rulemaking outweigh the probable costs. The Commission anticipates that the costs of compliance by regulated persons will be substantially the same as those incurred under the criteria by which registration of debt securities are otherwise reviewed under A.R.S. §§ 44-1891 and 44-1921. The non-profit religious organizations seeking to issue debt securities to the public will be required to provide specific disclosure of material matters, make certain financial demonstrations, and submit supporting documentation. These requirements should not result in an increase in registration costs to regulated persons as they must already submit similar demonstrations and documents to the Commission for registration. The Commission does not anticipate any effect on the revenues or payroll expenditures of regulated persons.

The non-profit religious organizations should benefit from amendment of rule 116 which will (i) provide greater specificity for non-profit religious organizations regarding registration requirements for debt securities; and (ii) provide greater uniformity with other state laws.

4. General description of the probable impact on private and public employment in businesses, agencies, and political subdivisions of this state directly affected by the proposed rulemaking.

The Commission anticipates that the impact of the proposed rulemaking on public and private employment will be minimal because the proposed rulemaking incorporates in large part benefits and requirements contained in the criteria by which registration of debt securities are otherwise reviewed under A.R.S. §§ 44-1891 and 44-1921. The proposed rulemaking also requires specific disclosure of material matters, financial demonstrations, and the submission of supporting documentation.

5. Statement of the probable impact of the proposed rulemaking on small businesses.

a. An identification of the small businesses subject to the proposed rulemaking.

All non-profit religious organizations seeking to register debt securities for sale to the public are subject to the proposed rulemaking. The Commission anticipates that non-profit religious organizations seeking to register debt securities for sale to the public may include small local religious organizations as well as the larger regional religious organizations. These organizations are not typically considered to be businesses.

b. The administrative and other costs required for compliance with the proposed rulemaking.

The cost of compliance with rule 116 will not differ from those costs associated with registration under the criteria by which registration of debt securities are otherwise reviewed under A.R.S. §§ 44-1891 and 44-1921. Associated costs may even decrease slightly due to increased uniformity with the laws of other states.

c. A description of the methods that the agency may use to reduce the impact on small businesses.

Rule 116 will be imposed only on those non-profit religious organizations seeking to register debt securities for sale to the public which may include small organizations. Such regulation is deemed necessary and appropriate to provide investor protection under the Securities Act. While these organizations are not typically considered to be businesses, the proposed rulemaking incorporates as much uniformity as possible in the interest of reducing the impact of compliance, as described above.

d. The probable cost and benefit to private persons and consumers who are directly affected by the proposed rulemaking.

Nonregulated persons and consumers will bear no direct cost as a result of the proposed rulemaking package. Persons seeking to purchase debt securities that have been registered for sale to the public will benefit from a continued standard of investor protection by ensuring appropriate disclosures are made and that such issuers have the means to service the debt they intend to issue.

6. Statement of the probable effect on state revenues.

The Commission anticipates that the effect on state revenues of the proposed rulemaking will be minimal because the proposed rulemaking has no impact on the fee structure contained in the Securities Act.

7. Description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed rulemaking.

The goal of the proposed rulemaking is to effectuate the least intrusive and costly method of regulation of debt securities offered by non-profit religious organizations required to achieve the statutorily mandated level of public protection.

6. An explanation of the rule, including the agency's reasons for initiating the rule making:

A.A.C. R14-4-116 ("rule 116") formally identifies and incorporates by reference certain policy statements issued by the North American Securities Administrators Association ("NASAA") regarding the registration of securities. The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") requires issuers registering securities to comply with the terms of these policy statements. The Commission proposes to amend rule 116 to add the NASAA Guidelines for General Obligation Financing by Religious Denominations and the NASAA Statement of Policy Regarding Church Bonds. The NASAA Guideline for General Obligation Financing by Religious Denominations will be the standard of review for debt issued by a denomination for the purpose of funding projects of various affiliated churches or related religious organizations. The Statement of Policy Regarding Church Bonds will be the standard of review for debt issued by individual religious entities to fund projects associated with the individual entity. States coordinate in the drafting of NASAA guidelines and adopt them in order to facilitate uniformity among the states regarding the standards imposed on applicants for registration of securities. The Division believes that the adoption of these two NASAA guidelines will benefit both the industry and potential investors by providing appropriate and consistent registration standards. The Division believes the standards in these two NASAA guidelines will protect investors as mandated by the Arizona Securities Act, and will provide investors with necessary information about the issuer's activities and finances in order to make an informed investment decision.

7. A reference to any study relevant to the rule that the agency reviewed and either relied on in its evaluation of or justification for the rule or did not rely on in its evaluation of or justification for the rule, where the public may obtain or review each study, all data underlying each study, any analysis of each study, and other supporting material:

None.

8. A showing of good cause why the rule is necessary to promote a statewide interest if the rule will diminish a previous grant of authority of a political subdivision of this state:

An amendment to rule 116 will not diminish a previous grant of authority.

9. The summary of the economic, small business, and consumer impact:

The economic, small business, and consumer impact statement for the amendments to Section R14-4-116 ("the rule") analyzes the costs, savings, and benefits that accrue to the Commission, the office of the attorney general, the regulated public, and the general public. With the adoption of the proposed rule amendment, the impact on established Commission procedures, Commission staff time, and other administrative costs is minimal. The estimated additional cost to the office of the attorney general is minimal. The benefits provided by the rule amendment are nonquantifiable. The rule should benefit the Commission's relations with the regulated public because it provides definite standards for registration of certain types of securities offerings. The public will benefit from the continuation of certain standards for registered securities offerings. The Commission anticipates that the proposed rulemaking will not significantly increase monitoring, record keeping, or reporting burdens on businesses or persons. The costs of implementation or enforcement are only marginally increased.

10. A description of the changes between the proposed rule, including supplemental notices, and the final rule (if applicable):

None.

11. A summary of the comments made regarding the rule and the agency response to them:

The Commission did not receive written comments to the rule.

12. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:

None.

13. Incorporations by reference and their location in the rule:

All the following are policy statements issued by the North American Securities

Administrators Association and published in the CCH Blue Sky Reporter. All references to the policy statements are located in rule 116(A).

- Guidelines for general obligation financing by religious organizations, adopted April 17, 1994.
- Statement of policy regarding church bonds, adopted April 14, 2002.

14. Was this rule previously made as an emergency rule? If so, please indicate the Register citation:

Not applicable.

15. The full text of the rule follows:

TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND

ASSOCIATIONS; SECURITIES REGULATION

CHAPTER 4. CORPORATION COMMISSION

SECURITIES

ARTICLE 1. IN GENERAL RELATING TO THE ARIZONA SECURITIES ACT

Section 14-4-116.

R14-4-116. NASAA Statements of Policy

R14-4-116. NASAA Statements of Policy

A. Unless otherwise provided in A.R.S. Title 44, Chapter 12, Article 7, Securities or transactions that fall within one or more of the following North American Securities Administrators Association (NASAA) statements of policy shall comply with the requirements of those statements of policy to qualify for registration or renewal under A.R.S. Title 44, Chapter 12, Article 7. This Section shall not apply to the registration of securities under A.R.S. § 44-1901.

1. Statement of policy regarding loans and other material affiliated transactions, amended November 18, 1997.
2. Registration of asset-backed securities, adopted October 25, 1995.
3. NASAA mortgage program guidelines, adopted September 10, 1996.
4. Registration of commodity pool programs, adopted on September 21, 1983, effective January 1, 1984; amended and adopted August 30, 1990.
5. Equipment programs, adopted on November 20, 1986, effective January 1, 1987, amended April 22, 1988, and October 24, 1991.
6. Registration of oil and gas programs, adopted on September 22, 1976, amended October 12, 1977, October 31, 1979, April 23, 1983, July 1, 1984, September 3, 1987, September 14, 1989, and October 24, 1991.
7. Statement of policy regarding real estate investment trusts, revised and adopted on September 29, 1993.
8. Real estate programs, last revised September 29, 1993.
9. Statement of policy regarding unequal voting rights, adopted and effective October 24, 1991.
10. Omnibus Guidelines, adopted on March 29, 1992.
11. Guidelines for general obligation financing by religious denominations, adopted April 17, 1994.
12. Statement of policy regarding church bonds, adopted April 14, 2002.

B. The statements of policy listed in subsection (A) are incorporated by reference. The incorporated statements of policy do not contain later editions or amendments, ~~made after the effective date of this Section.~~ The statements of policy are published in *NASAA Reports* by Commerce Clearing House, Inc., 4025 West Peterson Avenue, Chicago, Illinois 60646. Copies are also available from NASAA, 10 G Street, N.E., Suite 710, Washington D.C. 20002, and at the Office of the Secretary of State and the Commission.