ARIZONA CORPORATION COMMISSION

FOR IMMEDIATE RELEASE: July 7, 2009 CONTACT: Rebecca Wilder (602) 542-0844

Commission Urges Restoration of Budget Provisions to Avoid Economic Harm

Budget Cuts Would Significantly Impact Commission's Ability to Process Formation of New Corporations, Prevent Civil Securities Fraud

PHOENIX, AZ—The Arizona Corporation Commission (ACC) today urged the legislature to adequately fund the Securities and Corporations divisions of the Commission in order to avert possible negative impacts to Arizona's economy.

Under the budget recently passed by the Arizona legislature and approved by Governor Brewer, funding for the Corporations division of the ACC, which processes all new corporation formations in Arizona, will run out in ninety days and funding for the Securities division, responsible for enforcing civil securities fraud in the state of Arizona, will also be impacted within three months.

"The Commission believes that the legislature and Governor should quickly act on a 2010 budget to avoid unnecessary impacts to Arizona's economy," said Commission Chairman Kris Mayes. "Halting the formation of thousands of new businesses and hindering the prosecution of civil securities fraud would further impact an already distressed economy."

In FY 09, the ACC's Corporations Division formed approximately 4,693 new corporations and LLC's per month, for a total of 56,310. With this number as an example, without adequate funding, thousands of businesses will be significantly delayed—often months—in forming in Arizona.

The scenario for the ACC's Securities Division would also be bleak without the passage of a 2010 budget. The Securities Division protects investors—many of whom are elderly and least able to absorb financial losses through fraud—through Commission investigations and the issuance of orders of restitution and imposition of penalties.

In order to protect the mission of the Commission, three critical components must be restored to the budget in order to maintain existing services:

- The Corporations Division must be allowed to move Annual Report fees from the General Fund to the Public Access Fund (PAF) (to match a like amount of appropriation transferred from the GF to the PAF). Without this allowance, the Division can fund expenses with existing cash flow for only the first quarter of the fiscal year. **After September 30, 2009, if no correction is made, this will cause a significant cut (over 50%) to the Corporations Division.**

- The budget must contain Securities Division Fee language allowing the Commissioners to set dealer and salesman fees with a 4/5 or better vote. This ability is critical to providing revenue to cover the Divisions expenditures and appropriation. Since, the Feed bill moved $800,000 of appropriation from the General Fund to the Securities Regulatory Enforcement Fund (SRF), any existing revenue, with no change, would be used to cover current expenditure levels. In other words, if the Fee language is not restored, the division would need to continue its 25% vacancy rate.

- The Commission requests restoration of a Securities Mutual Fund provision, which temporarily shifts revenue from the General Fund to the SRF. This provision is critical as the Division receives almost all revenue in January each year. If this language is not restored, the Securities division will lack cash flow to meet even current expenditure levels from October through December.

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