STATE OF CONNECTICUT

DEPARTMENT OF BANKING

44 Capitol Avenue, Hartford, CT 06106

Howard B. Brown
Commissioner

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Deputy Commissioner

SECURITIES AND BUSINESS INVESTMENTS DIVISION

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IN THIS ISSUE:

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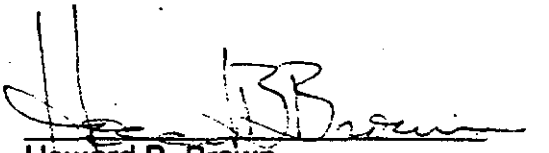
A WORD FROM THE BANKING COMMISSIONER

The year 1990 gave rise to a sense of economic insecurity throughout the nation as real estate markets dropped precipitously and the financial markets reacted accordingly. Compounding the problem, our nation's commercial and industrial corporations tightened their belts to improve bottom line performance adding to the recessionary spiral. We, in the Northeast, were not immune. When times are good, the regulator's task is relatively uncomplicated. When there is an economic downturn, however, the regulator is faced with the job of balancing the need to encourage capital formation with the necessity of protecting investors from various investment frauds that tend to proliferate during such times.

Our enforcement and examination programs are designed to detect and combat prohibited acts. We realize, however, that the best remedy for preventing fraud is facilitating compliance with existing laws and regulations. In the business opportunity registration area, for example, we have developed registration guidelines for sellers which explain and simplify the registration process. Many times, business opportunity sellers are not represented by counsel and are not well versed in the technical requirements of the statute. Similarly, as part of our investor education efforts, we are in the processing of developing brochures on investor protection issues, and disseminating Investor Alert publications to various senior citizen groups as well as educational institutions.

This issue of the Bulletin also contains a cautionary article on the use of hedge clauses by investment advisers, an area concerning which we have received many questions. Also included is an advisory interpretation on sales programs marketing programs offered in conjunction with business opportunity promotions.

It is my hope that the Bulletin will continue to provide a valuable source of information to its readers.



Howard B. Brown
Banking Commissioner

NASAA RELATED ACTIVITIES

At its 1990 Fall Conference held in Billings, Montana, the membership of the North American Securities Administrators Association, Inc. ("NASAA") elected Ralph A. Lambiase, Director of the Securities and Business Investments Division of the Connecticut Department of Banking, to its nine member board.

In addition, two individuals in the Securities and Business Investments Division will be serving on NASAA committees in 1991. Cynthia Antanaitis, Assistant Director of the division, was appointed to the Investor Alert Committee. John P. Walsh, Principal Examiner with the division, was appointed to the NASAA Enforcement Zone Committee.

STAFF CONTRIBUTIONS

The agency recently acknowledged the contributions of three examiners in the Securities and Business Investments Division. Appointed to Principal Examiner was William E. Olesky who has been with the Division since July 1982. Mr. Olesky is responsible for overseeing the day-to-day operations of the Division's Securities Registration Section. Upgraded to Senior Examiner were Salvatore Cannata, who has been with the division for over five years and specializes in enforcement, and Jeffrey Goodson, a seven year veteran of the division. Mr. Goodson's job duties focus on broker-dealer registration.

In an effort to strengthen its enforcement capabilities, the Division also hired David Jankoski as a securities examiner.

COMMISSIONER CLARIFIES BUSINESS OPPORTUNITY DEFINITION

Text of Advisory Interpretation on Sales Program and Marketing Program

This department is in receipt of your letter dated April 20, 1990 to Daniel F. Scudder, Senior Administrative Attorney previously with this department, concerning the above captioned matter. The department is also in receipt of your letter dated June 20, 1990 and accompanied by the Company's training materials (the "Training Materials"). The information contained in your correspondence is incorporated by reference herein.

Your letter raises the issue of whether Sections 36-504(6)(C) and 36-504(6)(D) of the Connecticut Business Opportunity Investment Act are applicable to the opportunities being offered by the Company. Section 36-504(6) of the Act defines the term "business opportunity" to mean:

> [T]he sale or lease, or offer for sale or lease of any products, equipment, supplies or services which are sold or offered for sale to the purchaser-investor for the purpose of enabling the purchaser-investor to start a business, and in which the seller represents ... (C) that the seller guarantees, either conditionally or unconditionally, that the purchaser-investor will derive income from the business opportunity ... or (D) that the seller will provide a sales program or marketing program to the purchaser-investor ....

In your correspondence you stated that, "it is clear that you have a relatively sound understanding as to what the marketing literature of [the Company] states. The problem is, however, that your understanding as to the extent of services provided by [the Company] is not completely accurate". At the department's request, the Training Materials were submitted for review to clarify the department's understanding of the services provided by the Company.

Again, your correspondence raises the issue of whether the Company's representations that it will provide advertising materials to purchaser-investors and that it will train purchasers on how to attract clients constitute representations that the Company will provide a "sales program" or "marketing program" within the meaning of Section 36-504(6)(D) of the Act. Neither the legislative history of Section 36-504 of the Act nor relevant case law provide a clear definition or construction of the terms "sales program" or "marketing program". The department takes the position that the terms "sales program" or "marketing program" means advice or training pertaining to the sale of any products, equipment, supplies or services which advice or training is provided to the purchaser-investor by the seller or a person recommended by the seller, and which includes but is not limited to, preparing and providing (1) promotional literature, brochures, pamphlets or advertising materials; (2) training regarding the promotion, operation or management of the business opportunity, or (3) operational, managerial, technical or financial guidelines or assistance.

In its Purchase Agreement and Order, the Company states that "[the Company] will also provide Trainee with suggested advertising materials, which Trainee may revise as needed". In your correspondence you represent that these advertising materials are merely examples and not standard forms to be used by purchasers of the opportunity. It appears to be the Company's position that examples of advertising materials would not come within the meaning of a "sales program" or "marketing program". Based upon the department's application of those terms, it appears that any advertising materials that are prepared and provided by the seller, such as those the Company's trainer provides, would come within those terms as defined above.

Furthermore, on page 6-2 of the Training Materials, under the heading "Approaching Prospective Clients and Who Are They?", the Company indicates that it will demonstrate how to approach and make a presentation to prospective clients. Such activity would appear to be included within the term "sales program" or "marketing program". While we continue to debate whether Section 36-504(6)(C) of the Act applies to the Company's activities, based upon the foregoing, it is still the opinion of this department that Section 36-504(6)(D) of the Act clearly applies and that registration of the business opportunity is necessary.

Howard B. Brown
Banking Commissioner
July 31, 1990

BUSINESS OPPORTUNITY REGISTRATION

GUIDELINES FOR SELLERS

HOW TO USE THESE GUIDELINES

Establishing a business opportunity or franchise can provide an economic benefit to sellers and purchaser-investors alike. From the purchaser's perspective, buying a business opportunity involves an important investment decision. From the seller's point of view, selling a business opportunity promotes business expansion. Chapter 662a of the Connecticut General Statutes, the Connecticut Business Opportunity Investment Act ensures that business opportunity purchasers receive full disclosure necessary to make an informed investment decision. That objective is accomplished through the registration process. The purpose of these Guidelines is to simplify compliance with the Act for sellers and thus benefit both sellers and buyers. Should questions arise, however, Section 36-503 et seq. of the Connecticut General Statutes should be consulted and independent legal advice obtained, if necessary. View these Guidelines as a compliance aid rather than as a substitute for reading the statute and its amendments. To date, no regulations have been promulgated under the Connecticut Business Opportunity Investment Act.

The fact that a registration application was filed or that a business opportunity is registered does not mean that the Banking Commissioner has passed on the merits of, recommended or approved any business opportunity. Under Section 36-512(b) of the Connecticut Business Opportunity Investment Act, it is unlawful to state otherwise to a prospective purchaser-investor.

BUSINESS OPPORTUNITY REGISTRATION

GUIDELINES FOR SELLERS

WHO MUST REGISTER?

Under §36-508(a) of the Connecticut Business Opportunity Investment Act, any person who advertises, sells, contracts, offers for sale or promotes a non-exempt business opportunity in Connecticut or from Connecticut must register that business opportunity.

WHEN DO I FILE?

An application for business opportunity registration should be filed prior to the sale or offer for sale of a business opportunity (§36-505(a)).

HOW MUCH DOES REGISTRATION COST?

Business Opportunity Initial Registration Fee		$200
Renewal Registration Fee	$100	
Pre-Effective Amendment	No Fee	
Post-Effective Amendment	No Fee	
Post-Sale Registration		$250
Exemptions		No Fee

TO WHOM SHOULD I MAKE THE CHECK PAYABLE?

Checks should be made payable to "Treasurer, State of Connecticut."

IS THE REGISTRATION FEE REFUNDABLE?

The registration fee is non-refundable.

WHERE CAN I OBTAIN REGISTRATION FORMS?

Registration forms may be obtained by telephoning the Securities and Business Investments Division of the State of Connecticut Department of Banking at (203) 566-4560 or writing to the Division at 44 Capitol Avenue, Hartford, Connecticut 06106.

WHERE DO I SEND THE APPLICATION?

The application should be mailed to the Securities and Business Investments Division of the Connecticut Department of Banking, 44 Capitol Avenue, Hartford, Connecticut 06106.

WHO SHOULD SIGN THE APPLICATION?

If the Seller is a corporation, an authorized officer should sign.
If the Seller is a partnership, a general partner should sign.

INITIAL REGISTRATION

What Do I File?

1. Application Form, including a copy of the table of contents of any operations manual to be provided to purchaser-investors (Form CT-CBOIA-1)
2. Consent to Service of Process (Form CT-CBOIA-2)
3. Disclosure Document (described below)
4. Financial Statements (described below)
5. 1 copy of any contracts, agreements, brochures, advertisements and promotional materials
6. Bond or proof of trust account (if applicable)

When Must the Seller Get a Bond?

A bond is required if the Seller 1) conditionally or unconditionally guarantees that the purchaser-investor will derive income from the business opportunity; or 2) represents that, in the event of purchaser-investor dissatisfaction, the Seller will make a full or partial refund of the price paid for the business opportunity or repurchase any of the products, equipment, supplies or chattels it supplied.

The surety company must be authorized to do business in Connecticut. Alternatively, the Seller may establish a trust account with a licensed insured bank or savings institution in Connecticut. The amount of the bond or trust account cannot be less than $50,000. The Banking Commissioner, however, can require a greater amount if he thinks it necessary to protect purchaser-investors. The bond or trust account must be in favor of the State of Connecticut.

RENEWAL REGISTRATION

Who Must File?

The Seller files for renewal registration.

When Do I File?

The Seller must file its application for renewal registration within 120 days after the close of its most recent fiscal year and each year thereafter.

What Do I File?

1. Application (Form CT-CBOIA-1), with amendments as of the date of filing
2. Disclosure Document (described below), with amendments as of the date of filing
3. Financial Statements (described below)
4. Annual renewal fee of $100
5. Consent to Service of Process (Form CT-CBOIA-2)
6. 1 copy of any contracts, agreements, brochures, advertisements and promotional materials
7. Bond or proof of trust account (if applicable)

What Happens If I Do Not Renew the Registration?

The registration is deemed terminated.

WHEN IS A REGISTRATION EFFECTIVE?

A registration is effective on order of the Commissioner (§36-505(d)).

PRE-EFFECTIVE AMENDMENTS

A pre-effective amendment changes a pending application for registration before the registration has become effective. Submit documents underlined in red to show changes from the previous filings. Send only one red-lined copy. Do not send an unmarked copy.

POST-EFFECTIVE AMENDMENTS

A post-effective amendment is submitted after a registration has become effective. Changes from the prior filing should be underlined in red. Send only one red-lined copy and do not send an unmarked copy.

ON-GOING OBLIGATIONS OF THE SELLER

The Seller is obligated to 1) immediately notify the Commissioner of any material change in the information contained in the Seller's registration application; 2) amend financial statements not less than quarterly; and 3) amend the Disclosure Document, as appropriate.

POST-SALE REGISTRATION

What is a Post-Sale Registration?

When any business opportunities have been improperly offered or sold absent registration, post-sale registration provides a way to register them after the fact. Post-sale registration is discretionary with the Commissioner who must believe that no person has been defrauded, prejudiced or damaged by the noncompliance or sale and that no person will be defrauded, prejudiced or damaged by the post-sale registration. Under §36-505(e)(4), a post-sale registration will not affect the prosecution of a statutory violation.

What to File

1. Forms and documents for initial registration (see above)
2. Post-sale forms (Form CT-CBOIA-3)
3. Registration fee of $200 plus $50 post-sale fee

WHAT IF I BELIEVE THE BUSINESS OPPORTUNITY IS EXEMPT FROM REGISTRATION?

Exemptions from registration are contained in Section 36-508(e) of the Connecticut Business Opportunity Investment Act. The burden of proving an exemption or an exclusion from the "business opportunity" definition is on the person who claims the exemption or exclusion. If you claim an exemption you must still file a Consent

to Service of Process (Form CT-CBOIA-2). That form need not be filed if you are claiming that an exclusion from the "business opportunity" definition applies. In either case, you may (but are not required to do so) opt to seek a written advisory interpretation from the agency on whether the exemption or exclusion applies. Requests for advisory interpretations carry no fee and should set forth the legal reasoning behind your position.

FINANCIAL STATEMENTS

As part of its business opportunity registration application, the Seller must file certain financial statements with the agency:

1. The Seller's balance sheet, income statement and statement of changes in financial condition as of a date not more than 4 months prior to the time the registration application is filed; and

2. The Seller's balance sheet, income statement and statement of changes in financial position for the most recent fiscal year. These must be audited by an independent public accountant or independent certified public accountant; and

3. The Seller's balance sheet, income statement and statement of changes in financial position for the prior two fiscal years. These must be reviewed by an independent certified public accountant who provides an opinion that he or she is not aware of any material modifications that should be made to the financial statements for them to be in conformity with generally accepted accounting principles.

Material Changes in Financial Statements

If any material changes in the Seller's financial condition occur after the financial statements are prepared, the Seller must disclose the changes and explain their significance to the business opportunity's operation.

Waiver of Audited Financial Statements

The Connecticut Business Opportunity Investment Act allows the Commissioner to waive audited financial statements if the Seller has been in business for less than 1 year and has not previously had certified audits. However, the unaudited financial statements must be reviewed by an independent certified public accountant who provides an opinion that he or she is not aware of any material modifications that should be made to the financial statements for them to be in conformity with generally accepted accounting principles.

Consolidated Financial Statements

The Commissioner may accept consolidated financial statements from the Seller and any person controlling the Seller who absolutely and unconditionally guarantees to assume the Seller's duties and obligations under the business opportunity agreement should the Seller become unable to perform.

Escrow or Impoundment of Funds Paid by Purchaser-Investors

If the Seller fails to demonstrate that adequate financial arrangements have been made to fulfill the obligations in the business opportunity agreement, the Commissioner is authorized to require the escrow or impoundment of fees and other funds paid by purchaser-investors until the obligations have been fulfilled. At the option of the Seller, the Commissioner may also order that a surety bond be furnished if the Commissioner finds that this would be necessary and appropriate to protect purchaser-investors.

DISCLOSURE DOCUMENT

A. **Cover Sheet**

Contents:

The cover sheet only contains 4 items: a) title; b) Connecticut legend; c) the name of the Seller and d) the date of the Disclosure Document.

Title:

The cover sheet must bear the title **"DISCLOSURES REQUIRED BY CONNECTICUT LAW"** in **boldface** capital letters. Use at least ten-point type.

Legend:

The Connecticut legend goes underneath the title and reads as follows: "The State of Connecticut does not approve, recommend, endorse or sponsor any business opportunity. The information contained in this disclosure has not been verified by the state. If you have any questions about this investment, see an attorney before you sign a contract or agreement."

Cover Sheet Placement:

If the Seller uses a disclosure document prepared in accordance with the Federal Trade Commission's rule on disclosure requirements and prohibitions, 16 C.F.R. 436, as amended, place the Connecticut cover sheet immediately after the cover sheet required by the FTC rule.

B. **Table of Contents**

The Table of Contents immediately follows the Connecticut cover sheet.

C. **Uniform Franchise Offering Circular (UFOC)**

A Seller may substitute the UFOC for the Disclosure Document required by the Connecticut Business Opportunity Investment Act if: 1) the UFOC contains the Connecticut cover sheet described in the Act; 2) any information required by the Act which is not contained in the UFOC is included as an addendum to the Disclosure Document; and 3) the Seller files a cross-reference sheet indicating the location of the disclosures required by the Connecticut Act.

D. **Contents of the Disclosure Document**

The Disclosure Document must contain at least the following items. In preparing the Disclosure Document, respond to each item in the order listed below. Use complete sentences. Remember that you are preparing the document for a purchaser-investor who may know little or nothing about the business. If an item does not apply, you must specifically say so. The Seller may choose to supplement the information in the Disclosure Document with more detailed information contained in other documents. If so, however, the Seller must also give copies of those supplementary documents to the purchaser-investor at the same time the purchaser-investor receives the Disclosure Document. The captions we use below are only intended to help you prepare the Disclosure Document.

1. **Name and Address**

   a) What is the Seller's official name, address and principal place of business?

   b) What is the official name, address and principal place of business of any affiliated firm or predecessor of the Seller?

2. **Form of Business**

   a) Does the Seller do business as a individual, partnership or corporation? (specify)

   b) If the Seller is a corporation, when and where was it incorporated?

3. **Business Name**

   Under what name does the Seller do business or does it intend to do business? (Under certain circumstances, this may vary from the Seller's official name)

4. **Trademarks and Service Marks**

   a) Describe any trademarks and service marks which identify the product(s), equipment, supplies or services the purchaser-investor will offer, sell or distribute.

   b) Describe any trademarks and service marks under which the purchaser-investor will operate.

5. **Business Experience of Principals**

   For the past 5 years, give the principal occupation, nature of business engaged in, type of business engaged in, employer name(s), current addresses and titles for the following people: the Seller's current directors; the Seller's current executive officers; the Seller's current trustees (if the Seller is a trust); the Seller's current general partners (if the Seller is a partnership); and anyone charged with responsibility for the Seller's business activities (Examples: chief operating officer; financial, marketing, training and service officers).

6. **Business Experience of the Seller and its Affiliates**

a) Describe the business experience of 1) the Seller; 2) the Seller's parent firm (if any); 3) the Seller's holding company (if any); 4) the Seller's affiliate(s), if any; and 5) the Seller's predecessor(s), if any.

b) How long has each: 1) conducted a business of the type the purchaser-investor will operate? 2) offered or sold a business opportunity for that business? and 3) offered or sold business opportunities in any other line of business? What was that other line of business?

7. **Disciplinary Sanctions**

Review your list of individuals and entities described in response to items 5 and 6 immediately above. Answer the following for each one listed. NOTE: Whenever the word "fraud" is used in the questions that follow, examples would include: violations of any business opportunity law, franchise law, securities law or unfair or deceptive practices law as well as embezzlement, fraudulent conversion, misappropriation of property and restraint of trade. There may be other examples we have not specifically mentioned.

a) **Criminal Actions**

Over the past 7 fiscal years, has anyone on your list been convicted of, or pled nolo contendere ("no contest") to, a felony charge involving fraud? Who?

b) **Civil Actions**

The following questions apply to civil actions covering the past 7 fiscal years which either 1) involved fraud allegations or 2) were brought by a present or former purchaser-investor and involve (or involved) the business opportunity relationship: (a) Has anyone on your list had a final civil judgment rendered against him holding him liable in such a civil action? (b) has he or she settled such a civil action out of court? and (c) has he or she been a party to any such civil action?

c) **Injunctive and Restrictive Orders**

The following questions apply to currently effective injunctive or restrictive orders issued by any state or federal agency or court and either 1) relating to or affecting business opportunity activities or the seller/purchaser-investor relationship or 2) involving fraud: (a) Is anyone on your list subject to such an order? and (b) is anyone on your list a party to a currently pending proceeding seeking such an order?

If you answered "yes" to (a), (b) or (c) above, give the identity and location of the court or agency; the date of the conviction, judgment or decision; what penalty was imposed; what damages were assessed; the terms of settlement; the terms of the order; and the date, nature and issuer of each order or ruling.

You may include a summary opinion of counsel concerning pending litigation only if you get the attorney's written permission to use his or her opinion and that written consent is included in the Disclosure Document.

8. **Insolvency and Bankruptcy**

Review your list of individuals and entities described in response to items 5 and 6 immediately above. During the previous 7 fiscal years, has anyone on your list:

a) Filed in bankruptcy?
b) Been adjudged bankrupt?
c) Been reorganized due to insolvency?
d) Been a principal, director, executive officer or partner of an entity that has filed in bankruptcy, been adjudged bankrupt or was reorganized due to insolvency while the person on your list held that position or within one year after he or she left?

If you answered "yes" to any of the above, give the name and location of the individual or entity that filed in bankruptcy, was adjudged bankrupt or was reorganized, the date the filing, adjudication or reorganization occurred and other material facts.

9. **Description of the Business Opportunity**

Describe the business opportunity the Seller is offering.

a) What actual services will the Seller perform for the purchaser-investor?

b) What equipment will the Seller supply to the purchaser-investor?

c) What actual services will the purchaser-investor perform (Example: complying with Seller-established procedures on operating the business)?

10. **Purchaser-Investor's Total Outlay**

a) Describe the total funds (this must be a sum certain) the Seller requires the purchaser-investor to pay to:

   1) Any specifically named person.
   2) Any other person known to the Seller who receives any consideration incidental to the transaction.

b) Describe the total funds the Seller or its affiliate(s) wholly or partly collects on behalf of any party to obtain or commence business opportunity operations. Examples: Initial fees; deposits, down payments; prepaid rent; and equipment and inventory purchases. Indicate if the fees or deposits are not returnable and if they are returnable only under certain conditions, state what those conditions are.

NOTE: If the Seller just approves the purchaser-investor's decision to do business with another person whom the purchaser-investor selects, the Seller need not make such disclosure.

11. **Purchaser-Investor Recurring Expenses**

Describe any recurring funds the purchaser-investor must pay anyone to carry on the business. Examples: Royalties; leases; advertising fees; training fees; sign rental fees; equipment or inventory purchases; other.

12. **Purchaser-Investor Business Commitments**

Give the name of every individual or entity (including the Seller and its affiliates) with whom the Seller directly or indirectly requires or advises the purchaser-investor to do business.

13. **Purchaser-Investor Specific Expenses**

a) What real estate, services, supplies, products, inventory, signs, fixtures or equipment does the Seller directly or indirectly require the purchaser-investor to buy, lease or rent?

b) If the purchase, lease or rental must be made from a specific individual or entity (including the Seller) what is that individual's or entity's name and address? NOTE: The Seller may wish to provide the list in a separate document and deliver that document to the purchaser-investor with the Disclosure Document. If so, make sure to disclose the existence of that separate document in the Disclosure Document.

14. **Supplier-Generated Revenue to Seller**

Will the Seller (or its affiliates) receive revenue or other consideration from suppliers to purchaser-investors in return for goods or services the Seller requires or advises purchaser-investors to obtain from those suppliers? If so, describe how the amount of revenue or other consideration will be calculated. Include the actual amount of revenue or other consideration if that information is readily available.

15. **Seller-Assisted Financing**

Will the Seller (or its affiliates) directly or indirectly offer financing to purchaser-investors? If so, a) what are the material terms and conditions of the financing arrangement? b) what are the terms by which the Seller will receive any payment from anyone offering financing to the purchaser-investor or any person arranging financing for the purchaser-investor?

16. **Operational Restrictions**

Does the business opportunity agreement or the Seller's business practice 1) limit the goods or services the purchaser-investor can offer for sale? 2) limit the customers to whom the purchaser-investor may sell goods or services? 3) limit the geographical area in which the purchaser-investor may offer or sell goods or services? 4) give the purchaser-investor territorial protection? If so, describe the limitations or the territorial protection.

17. **Purchaser-Investor Participation in Operations**

Does the Seller require (or is it necessary) that the purchaser-investor participate personally in the direct operation of the business? To what extent?

18. **Business Opportunity Agreement**

The following questions cover the business opportunity agreement and any related agreements:

a) What is the term of the agreement?
b) Will the agreement be affected by other agreements (e.g. leases or subleases)? What are they?
c) Under what conditions may the purchaser-investor renew or extend?
d) Under what conditions may the Seller refuse to renew or extend?
e) Under what conditions may the purchaser-investor terminate the agreement?
f) Under what conditions may the Seller terminate the agreement?
g) After the Seller terminates the business opportunity, what are the purchaser-investor's obligations (including lease or sublease obligations)? After the purchaser-investor terminates the business opportunity, what are his or her obligations (including lease or sublease obligations)? What are the purchaser-investor's obligations after the business opportunity expires?
h) What is the purchaser-investor's interest once the business opportunity terminates? Once the Seller or the purchaser-investor refuses to renew or extend the business opportunity?
i) Under what conditions may the Seller repurchase the business opportunity, whether at its option or by exercising a right of first refusal? If the Seller may opt to repurchase the business opportunity, 1) will the business opportunity be subject to an independent appraisal? 2) Will a predetermined formula dictate the repurchase price? 3) will goodwill or other intangibles be recognized in the repurchase price?
j) When may the purchaser-investor sell or assign all or part of his interest in the business opportunity? How much will the Seller get if the sale or assignment is effected?
k) When may the Seller sell or assign all or part of its interest?
l) Under what conditions may the purchaser-investor modify the agreement?
m) Under what conditions may the Seller modify the agreement?
n) What rights does the purchaser-investor's heir or personal representative have should he die or become incapacitated?
o) What does the agreement say about any covenant not to compete?

19. **Seller's Business Opportunity Track Record**

a) Within the calendar year immediately preceding, and as of a date 30 days prior to, your filing of information with our agency:

1) How many business opportunities have been operating?
2) How many company-owned outlets have been operating?

b) What are the names, addresses and phone numbers of [select one]: 1) the 10 business opportunity outlets closest to the purchaser-investor's intended location; 2) all of the Seller's purchaser-investors; or 3) if there are more than 10 purchaser-investors, all purchaser-investors located in the state where the purchaser-investor lives or where the proposed business opportunity will be located? [If the number of purchaser-investors to be disclosed is more than 50, the list can be included in a separate document and delivered to the purchaser-investor with the Disclosure Document. However, be sure to disclose the existence of the separate document in the Disclosure Document.]

c) Within the calendar year immediately preceding, and as of a date 30 days prior to, your filing of information with our agency:

1) How many business opportunities were voluntarily terminated or not renewed by purchaser-investors during or after the termination of the business opportunity agreement?

2) How many business opportunities did the Seller reacquire by purchase during and upon expiration of the business opportunity agreement?

3) How many business opportunities did the Seller otherwise reacquire during and upon expiration of the business opportunity agreement?

4) How many business opportunities did the Seller refuse to renew?

5) How many business opportunities did the Seller cancel or terminate during the term of the agreement? After the agreement expired?

6) For each number of business opportunities you have provided in response to items (I) through (5) immediately above, state the reasons for the reacquisitions, terminations and refusals to renew and the number of business opportunities falling in each category (examples: failure to comply with quality control standards; failure to make sufficient sales; other contract breaches).

20. **Site Selection**

If the Seller promises that services will be performed in connection with site selection, describe the full nature of those services.

For every business opportunity agreement entered into within the calendar year immediately preceding, and as of a date 30 days prior to, your filing of information with our agency:

a) Disclose how much time has elapsed between the signing of the business opportunity agreement and the site selection; and

b) If the Seller will provide operating business opportunity outlets, disclose how much time has elapsed between the signing of each agreement and the start of the purchaser-investor's business.

NOTE: In addressing items (a) and (b) above, the Seller may provide a distribution chart using meaningful classifications which describe the time that has elapsed.

21. **Initial Training to the Purchaser-Investor**

If the Seller offers an initial training program or tells the purchaser-investor that the Seller will provide him or her with initial training, state: a) the nature and type of training; b) the minimum amount of training (if any) the purchaser-investor will receive; and c) how much the purchaser-investor will pay for the training.

22. **Public Figures**

Will the name of a public figure be used in connection with a recommendation to buy the business opportunity? Is the name of a public figure part of the operation's name? Is a public figure represented to be involved with the Seller's management? If so,

a) What is the nature and extent of the public figure's involvement and his or her obligations to the Seller? (Example: What promotional assistance will the public figure provide to the Seller and to the purchaser-investor?)

b) What is the public figure's total investment in the business opportunity operation? and

c) What fee(s) must the purchaser-investor pay for the public figure's involvement or assistance?

23. **Seller's Estimates or Projections of Sales or Earnings**

If the Seller will use estimated or projected business opportunity sales or earnings:

a) State what those estimates or projections are;

b) Explain the bases and assumptions underlying the estimates or projections and include any supporting data; and

c) Include the following statement in not less than twelve point upper and lower case **boldface** type:

"Caution: These figures are only estimates of what we think you may earn. There is no assurance you will do as well. If you rely upon our figures, you must accept the risk of not doing as well."

24. Seller's Sales or Earnings Claims

If the Seller makes any sales or earnings claims (including statements on the range of sales or earnings that may be achieved), look to the 3 year period preceding the date of the Disclosure Document and indicate:

a) What is the total number of purchaser-investors of business opportunities involving the products, equipment, supplies or services being offered who, to the Seller's knowledge, actually received earnings in the amount or range specified? How long did it take them to receive earnings in that amount or range?

b) What is the total number of purchaser-investors of business opportunities involving the products, equipment, supplies or services being offered?

Next, include the following statement in not less than twelve-point upper and lower case **boldface** type:

"Caution: Some business opportunities have (sold) (earned) this amount. There is no assurance you will do as well. If you rely upon our figures, you must accept the risk of not doing as well."

25. **Bond or Trust Deposit Information (if applicable)**

If Section 36-507 of the Connecticut Business Opportunity Investment Act requires the Seller to secure a bond or establish a trust account, use the following applicable legend:

a) **Bond legend**: "As required by Connecticut law, the seller has secured a bond issued by [Insert name and address of surety company], a surety company authorized to do business in this state. Before signing a contract to purchase this business opportunity, you should check with the surety company to determine the bond's current status."

b) **Trust account legend**: "As required by Connecticut law, the seller has established a trust account [insert account number] with [insert the name and address of the bank or savings institution]. Before signing a contract to purchase this business opportunity, you should check with the bank or savings institution to determine the current status of the trust account."

26. **Contract Cancellation**

Include the following statement:

"If the seller fails to deliver the products, equipment or supplies or fails to render the services necessary to begin substantial operation of the business within forty-five days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be cancelled."

27. **Financial Statements**

Include a copy of the same financial statements that you have filed with your application for business opportunity registration under §36-508(b) of the Act.

28. **Seller Sales Representatives**

List each person who will represent the Seller in offering or selling business opportunities in Connecticut.

a) What is his or her business address and telephone number?

b) By whom is he or she presently employed?

c) What is his or her employment or occupational history for the past 10 years? List the names of the employers, the positions held and the starting and termination dates for each position.

29. **Disciplinary Sanctions Against Seller Sales Representatives**

Review your list of Seller sales representatives provided in response to item (28) above. Answer the following for each Seller sales representative listed. NOTE: Whenever the word "fraud" is used in the questions that follow, examples would include: violations of any business opportunity law, franchise law, securities law or unfair or deceptive practices law as well as embezzlement, fraudulent conversion, misappropriation of property and restraint of trade. There may be other examples we have not specifically mentioned.

a) **Criminal Actions**

Over the past 7 fiscal years, has any Seller sales representative been convicted of, or pled nolo contendere ("no contest") to, a felony charge involving fraud? Who?

b) **Civil Actions**

The following questions apply tocivil actions covering the past 7 fiscal years which either 1) involved fraud allegations or 2) were brought by a present or former purchaser-investor and involve (or involved) the business opportunity relationship: (a) Has the Seller sales representative had a final civil judgment rendered against him holding him liable in such a civil action? (b) has the Seller sales representative settled such a civil action out of court? and (c) has the Seller sales representative been a party to any such civil action?

c) **Injunctive and Restrictive Orders**

The following questions apply to currently effective injunctive or restrictive orders issued by any state or federal court or administrative agency and either 1) relating to or affecting business opportunity activities or the seller/purchaser-investor relationship or 2) involving fraud: (a) Is the Seller sales representative subject to such an order? and (b) is the Seller sales representative a party to a currently pending proceeding seeking such an order?

If you answered "yes" to (a), (b), or (c) above, give the identity and location of the court or agency; the date of the conviction, judgment, order or decision; what penalty was imposed; what damages were assessed; the terms of settlement or the terms of the order.

30. **Risk Factors**

The risk factors section of the Disclosure Document should summarize in concise captioned paragraphs any factors that make the business opportunity investment highly risky or speculative. **Examples**: no profitable operations within the past 3 years; the Seller's erratic financial position; the nature of the particular business the Seller engages in or plans to engage in; adverse background information on the Seller's executive officers and directors (e.g. prior business failures, criminal convictions, adjudications of personal bankruptcy); Seller's management has little or no experience in the particular business; key customers whose loss would materially cause the Seller's business to experience adverse effects (include the customers' names and their relationship to the Seller).

If appropriate, you may refer to other sections of the Disclosure Document containing more detailed information.

ENFORCEMENT HIGHLIGHTS

ADMINISTRATIVE SANCTIONS

Cease and Desist Orders

- **Joseph Jenkins**

  On July 11, 1990, the department issued an Order to Cease and Desist against Joseph Jenkins, a former representative of Wellshire Securities, Inc. of New York, New York. The Order was predicated on allegations that Jenkins violated Section 36-474(a) of the Connecticut Uniform Securities Act by transacting business in Connecticut as an agent of Wellshire Securities, Inc. while unregistered. Since the respondent did not request a hearing within the prescribed time period, the order became permanent on August 23, 1990.

- **Robert S. Ritson**

  On July 11, 1990, the agency issued an Order to Cease and Desist against Robert S. Ritson of 999 Asylum Avenue, Hartford, Connecticut. The Order was based on allegations that during 1987, Ritson violated Section 36-474(c) of the Connecticut Uniform Securities Act by transacting business as an investment adviser while unregistered, and that he violated Section 36-473(b)(1) of the Act by failing to enter into a written advisory contract with clients which disclosed that he would not be compensated on the basis of a share of his clients' profits resulting from his recommendations. The Order further alleged that Ritson violated Section 36-492 of the Act by falsely stating under oath that he had not effected the purchase of securities on behalf of persons to whom he rendered investment advice. A hearing was held on the matter, and the hearing officer's decision is pending.

- **BI Research, Inc.**

  On September 26, 1990, the department issued an Order to Cease and Desist against BI Research, Inc., now or formerly of 9 Wagon Wheel Road, West Redding, Connecticut. The Order was based on allegations that since at least 1987, the corporation had transacted business as an investment adviser absent registration in violation of Section 36-474(c) of the Connecticut Uniform Securities Act. The Order was withdrawn on January 4, 1991, and the corporation became registered as an investment adviser.

- **BAK Systems, Ltd., a/k/a Business and Kontrol Systems, Ltd., Leon A. King and Donald Burgess - Cease and Desist Order Becomes Permanent**

On October 4, 1990, a March 1, 1990 Order to Cease and Desist issued against Leon A. King became permanent since Mr. King failed to request a hearing on the allegations in the Order. Similarly, on May 4, 1990, the Order became permanent as to BAK Systems, Ltd., a/k/a Business and Kontrol Systems, Ltd., and Donald Burgess since neither respondent requested a hearing. BAK Systems, Ltd. conducts or conducted business at 234 S. Quinsigamond Avenue, Shrewsbury, Massachusetts. King and Burgess were agents of the corporation. The March 1, 1990 Order had alleged that the corporation, King and Burgess offered and sold securities to one or more persons in Connecticut during 1987 and 1988 while such securities were not registered under Section 36-485 of the Connecticut Uniform Securities Act.

- **Commercial Management Service, Inc., et al.**

On October 31, 1990, the department issued an Order to Cease and Desist and Notice of Right to Hearing against Commercial Management Service, Inc. ("CMSI"), John Witek, Jr., Wayne Francis Ruocco, Hollis Wilburn Huston, Donald Lewis Brooks, Gary Richard Zemanek, Pioneer Financial Services, Inc. and DLB Financial Services, Inc. Pioneer Financial Services, Inc. maintains an office at 57 Windsorville, Road, South Windsor, Connecticut; and DLB Financial Services, Inc. maintains or has maintained an office at 2045 John Fitch Boulevard, South Windsor. CMSI was a Rhode Island corporation with its principal place of business at Landmark Center, 535 Centerville Road, Warwick, Rhode Island.

The agency's Order was based on allegations that CMSI, Ruocco, Pioneer Financial Services, Inc., Witek, Zemanek, Brooks, DLB Financial Services, Inc. and Huston sold unregistered equipment lease notes of CMSI in violation of Section 36-485 of the Connecticut Uniform Securities Act; that Pioneer Financial Services, Inc. and DLB Financial Services, Inc. transacted business as a broker-dealer in violation of Section 36-474(a) of the Act; that Ruocco and Witek transacted business as unregistered agents of Pioneer Financial Services, Inc. in violation of Section 36-474(a) of the Act; that Brooks, Huston and Zemanek transacted business as unregistered agents of DLB Financial Services, Inc. in violation of Section 36-474(a) of the Act; and that both DLB Financial Services, Inc. and Pioneer Financial Services, Inc. violated Section 36-474(b) of the Act by employing unregistered agents. Since CMSI did not request a hearing within the prescribed time period, the Order became permanent as to it on December 3, 1990. A hearing has been scheduled with respect to the other respondents.

Donald Lewis Brooks, First American Financial Group, Inc., John Francis Witek, Jr. and Gary Richard Zemanek

On December 5, 1990, the department issued an Order to Cease and Desist against John Francis Witek, Jr., Gary Richard Zemanek, Donald Lewis Brooks and First American Financial Group, Inc. The order was predicated on allegations that, in violation of Section 36-485 of the Connecticut Uniform Securities Act, the respondents offered and sold unregistered interests in a letter of credit investment program developed by Swiss American Fidelity Insurance Company and Guarantee, Ltd., a Bahamian corporation. The order also alleged that First American Financial Group, Inc., now or formerly of 260 West Exchange Street, Providence, Rhode Island, effected transactions in the letter of credit program absent registration as a broker-dealer in contravention of Section 36-474(a) of the Connecticut General Statutes and employed Witek and Zemanek as unregistered agents. Similarly, Witek and Zemanek purportedly violated Section 36-474(a) of the Connecticut General Statutes by transacting business as agents of First American Financial Group, Inc. absent registration. The order also alleged that the respondents violated Section 36-472 of the Connecticut Uniform Securities Act by omitting to disclose material facts necessary to make the statements made, in the light of the circumstances under which they were made not misleading, and by engaging in conduct that operated as a fraud or deceit on purchasers of interests in the letter of credit investment program. A hearing has been scheduled on the allegations in the Order to Cease and Desist.

Whitehead, Ltd. d/b/a Consignment Galleries, Walter J. Wright and Richard J. Wall

On December 5, 1990, the agency issued an Order to Cease and Desist against Whitehead, Ltd., d/b/a Consignment Galleries, now or formerly of 27 Signal Road, Stamford, Connecticut, Walter J. Wright, and Richard J. Wall, its representatives. The order was based on allegations that Whitehead, Ltd., through Wright and Wall, sold unregistered art consignment business opportunities in violation of Sections 36-505(a), 36-508(a) and 36-510 of the Connecticut Business Opportunity Investment Act, and failed to provide a disclosure document to purchasers in accordance with Section 36-506(a) of the Act. The order also alleged that the respondents violated Section 36-510(6)(B) of the Act by failing to disclose material information concerning certain lawsuits filed against Wright and Wall. The order afforded all respondents an opportunity for hearing on the allegations therein. Since no hearing was requested within the prescribed time period by respondents Whitehead, Ltd. and Wall, the order became permanent as to them on December 31, 1990.

- **Union Credit Corporation and Douglas R. Damon**

On December 14, 1990, the department issued an Order to Cease and Desist against Union Credit Corporation, now or formerly of 345 North Canal, Chicago, Illinois and its representative Douglas R. Damon. The Order was based on allegations that the corporation and Damon sold unregistered securities in Connecticut in violation of Section 36-485 of the Connecticut Uniform Securities Act. The Order also alleged that the corporation and Damon violated Section 36-474 of the Act since Damon was not registered as an agent of the issuer in Connecticut. Since neither respondent requested a hearing within the prescribed time period, the Order became permanent as to both on February 5, 1991.

- **Nationwide Screen Printing, Brian F. Morelli and Laura Morelli**

On December 24, 1990, the agency issued an Order to Cease and Desist against Nationwide Screen Printing, now or formerly of 3305 Rehobeth Church Road, Greensboro, North Carolina, and its representatives, Brian and Laura Morelli. The order was based on allegations that Nationwide Screen Printing, through Brian F. Morelli and Laura Morelli, offered unregistered screen printing business opportunities in violation of Sections 36-505(a), 36-508(a) and 36-510(1) of the Connecticut Business Opportunity Investment Act. Since neither Nationwide Screen Printing nor Brian and Laura Morelli requested a hearing, the Order became permanent as to all respondents.

Stipulation Agreements

- **PW Securities, Inc.**

On August 14, 1990, the department entered into a Stipulation Agreement with PW Securities, Inc., a registered broker-dealer with its principal office in Clearwater, Florida. The Stipulation Agreement followed a Securities and Business Investments Division investigation which revealed indications that, in 1987 and 1988, while simultaneously acting as agents of the firm, Wayne Francis Ruocco, Donald Lewis Brooks, John Francis Witek, Jr., Gary Richard Zemanek and Hollis Wilburn Huston offered or sold securities of Commercial Management Service, Inc. in Connecticut when such securities were not registered under Section 36-485 of the Connecticut Uniform Securities Act. The Stipulation Agreement was also based on allegations that, in connection with such activity by the five agents, PW Securities, Inc. engaged in conduct which, if proven, would constitute a basis for the revocation or suspension of its broker-dealer registration in Connecticut under Sections 36-484(a)(2)(K) and 36-484(a)(2)(H) of the Connecticut Uniform Securities Act and the Regulations thereunder.

Pursuant to the Stipulation Agreement, the firm agreed as follows: 1) within 45 days following the department's execution of the Agreement, the firm would engage, and notify the agency in writing of the identity of, a registered principal who would assume the supervisory functions performed by Leonard Bakulski, the branch manager who supervised the five agents, and who would devote a substantial portion of his or her working hours to supervision; 2) within 45 days following the execution of the Agreement by the department, the firm would institute periodic training courses for Connecticut agents, branch office managers and other supervisory personnel, which would include a review of the firm's supervisory procedures and the agency's policy statements on supervisory responsibilities and independent contractors; 3) the firm would ensure that, for a 2 year period, quarterly compliance meetings by Connecticut branch managers and tri-annual compliance visits by home office personnel were conducted; 4) the firm would review, revise and enforce its supervisory procedures to prevent future regulatory violations; 5) the firm would pay the cost, not to exceed $1,000, of one or more examinations of its branch offices to be conducted by the agency within one year following the department's execution of the Stipulation Agreement; and 6) the firm would pay the agency an administrative fine of $5,000 and reimburse the department $10,000 for its costs of investigation.

Kern, Suslow Securities, Inc.

On August 17, 1990, the department entered into a Stipulation Agreement with Kern, Suslow Securities, Inc. of 50 Broad Street, New York, New York. The Stipulation Agreement followed an investigation by the Securities and Business Investments Division which revealed indications that the firm had executed securities transactions for a Connecticut client while it was not registered as a broker-dealer under the Connecticut Uniform Securities Act. Pursuant to the Stipulation Agreement, the firm agreed to 1) review and revise its supervisory procedures as necessary to ensure compliance with regulatory requirements; 2) inform the Connecticut client of the firm's unregistered status; 3) purchase $2,250 worth of Investor Alert books from the publisher thereof to be distributed by the firm and the Division to investors; and 4) reimburse the Division $500 for the cost of an examination to be conducted within one year following the date the Stipulation Agreement was executed by the Commissioner.

Republic Securities, Inc.

On September 14, 1990, the agency entered into a Stipulation Agreement with Republic Securities, Inc. of 208 South LaSalle Street, Suite 600, Chicago, Illinois. The Stipulation Agreement followed a Securities and Business Investments Division investigation which revealed indications that the brokerage firm had executed securities transactions for three Connecticut residents while the firm was not registered as a broker-dealer in the state. Pursuant to the Stipulation Agreement, the firm agreed to pay the agency a $1,150 fine and to review and revise its supervisory procedures as necessary to prevent future regulatory violations.

Smokers Management of Massachusetts Limited Partnership, Smokers Aid of Connecticut Limited Partnership and Bernard J. Spears

On November 2, 1990, the department entered into a Stipulation Agreement with Smokers Management of Massacusetts Limited Partnership ("SMM"), Smokers Aid of Connecticut Limited Partnership ("SAC") and Bernard J. Spears, all of 5 Northbrook Court, East Hartford, Connecticut 06108. The Stipulation Agreement followed a Securities and Business Investments Division investigation which uncovered indications that Bernard J. Spears offered and sold unregistered securities of SMM and SAC in violation of Section 36-485 of the Connecticut Uniform Securities Act.

Pursuant to the Stipulation Agreement, SMM, SAC and Bernard J. Spears agreed to cease and desist from directly or indirectly offering or selling securities within or from Connecticut absent registration under Section 36-485 of the Act. In addition, Bernard J. Spears agreed that he would not represent a broker-dealer or issuer in effecting or attempting to effect securities purchases or sales unless he were registered.

Emil Joseph Isaacs

On December 4, 1990, the agency entered into a Stipulation Agreement with Emil Joseph Isaacs. The Stipulation Agreement followed a July 11, 1990 Notice of Intent to Revoke Registration as an Agent which alleged that in 1986 and 1987, Isaacs offered and sold unregistered notes of Pinegrove, Inc. in contravention of Section 36-485 of the Connecticut Uniform Securities Act and that, in so doing, Isaacs transacted business as an unregistered agent of the corporation in violation of Section 36-474(a) of the Act. Pinegrove, Inc. is a South Carolina corporation now or formerly of Myrtle Beach, South Carolina and Orange, Connecticut.

Pursuant to the Stipulation Agreement, Isaacs agreed that 1) his registration as an agent would be suspended until January 1, 1991 and 2) during the suspension and for three years thereafter, concluding on January 1, 1994, Isaacs would not apply for registration as an agent, investment adviser or investment adviser agent nor would he engage in activities that would trigger such status.

EMG Advisors, Inc.

On December 14, 1990, the department entered into a Stipulation Agreement with EMG Advisors, Inc. of 57 Unquowa Road, Fairfield, Connecticut. The Stipulation Agreement followed a Securities and Business Investments Division investigation which revealed indications that the concern had transacted business as an investment adviser absent registration under the Connecticut Uniform Securities Act. Pursuant to the Stipulation Agreement, EMG Advisors, Inc. agreed to 1) retain an independent consultant to review its supervisory procedures; 2) implement the recommendations of the consultant within thirty days following receipt of the consultant's report and recommendations; and 3) reimburse the agency $1,250 for its costs of investigation.

Kimberly Ann Porter

On December 19, 1990, the agency entered into a Stipulation and Agreement with Kimberly Ann Porter. The Stipulation followed a November 1, 1990 Notice of Intent to Fine which was based on allegations that Ms. Porter transacted business as an unregistered agent of issuer in violation of Section 36-474(a) of the Connecticut Uniform Securities Act. Ms. Porter purportedly represented Spectrum Resources, Inc., a Utah corporation, in effecting sales of Spectrum Resources, Inc. restricted stock to one or more persons in Connecticut during June, 1988. Pursuant to the Stipulation and Agreement, Ms. Porter agreed to refrain for twenty-three months from transacting business as an agent in Connecticut and from applying for agent registration in the state; the twenty-three month period would start running from Ms. Porter's July 31, 1989 termination of employment with Whale Securities Co., L.P. The Stipulation further provided that, at the expiration of the twenty-three month period, Ms. Porter could apply for agent registration in Connecticut, subject to the following conditions: 1) for an additional two year period commencing on the date of her agent registration, Ms. Porter would not act as a principal or in a supervisory capacity at any Connecticut location of a broker-dealer where she might be employed, nor would she act in such capacity with respect to any Connecticut-domiciled account, regardless of the location of her employment; and 2) for an additional two year period commencing on the date of her agent registration, Ms. Porter would be subject to direct, on-site supervision by a principal approved by the department. The Stipulation also provided that the allegations in the Notice of Intent to Fine would not serve as a basis for denying Ms. Porter's agent registration application should she choose to reapply in accordance with the Stipulation. Pursuant to the Stipulation and Agreement, the agency issued an order withdrawing the Notice of Intent to Fine on December 19, 1990.

Kessler-Ehrlich Investments, Inc.

On December 24, 1990, the department entered into a Stipulation Agreement with Kessler-Ehrlich Investments, Inc. of 143 Union Boulevard, Suite 505, Lakewood, Colorado. The Stipulation Agreement followed a Securities and Business Investments Division investigation which revealed indications that the firm had transacted business as an unregistered broker-dealer in violation of Section 36-474(a) of the Connecticut Uniform Securities Act and employed unregistered agents in violation of Section 36-474(b) of the Act. Pursuant to the Stipulation Agreement, the firm agreed to 1) review and modify its supervisory procedures to prevent and detect regulatory violations; 2) pay a $1,000 fine to the state; and 3) offer to rescind all Connecticut transactions effected prior to registration.

Licensing Actions

- **Allegiance Securities, Inc. - Registration Denied; Firm Fined $70,000**

  On July 10, 1990, the department entered an Order denying the broker-dealer registration of Allegiance Securities, Inc., a Georgia corporation with its principal place of business at 39 Broadway, New York, New York. The agency found that the firm had wilfully violated Section 36-474(a) of the Connecticut Uniform Securities Act by transacting business as a broker-dealer absent registration. The agency also found that Allegiance Securities, Inc. wilfully violated Section 36-474(b) of the Act by employing J.R. Bautista, Jr., Bruce Bee Belodoff, Steven Arnold Berman, Karl Francis Birkenfeld, Edward Morley Delamarter, Michael Charles Ermilio, Irwin Lee Frankel, William Salvatore Killeen, Frank Anthony Grillo and James Christopher Valentino as agents while they were not registered as such with the firm. The department also found that, by allowing the ten individuals to transact business in Connecticut absent registration, the firm failed reasonably to supervise its agents.

  Also on July 10, 1990, the department ordered that the firm be assessed a $70,000 civil penalty based upon its violations of subsections (a) and (b) of Section 36-474 of the Connecticut Uniform Securities Act.

- **Emil Joseph Isaacs - Notice of Intent to Revoke Issued**
  (See Description Under Stipulation Agreements)

- **GSG Global Securities Group, Inc. - Registration Cancelled**

  On August 9, 1990, the department entered an order cancelling the broker-dealer registration of GSG Global Securities Group, Inc., now or formerly of 55 Northern Boulevard, Great Neck, New York. The Order was based on a finding that the firm had ceased conducting business as a broker-dealer, and was preceded by a July 18, 1990 Notice of Intent to Cancel Registration. GSG Global Securities Group, Inc. did not request a hearing on the matter.

- **Wellshire Securities, Inc. - Broker-dealer Registration Revoked**

  On September 26, 1990, the department issued an order revoking the broker-dealer registration of Wellshire Securities, Inc., now or formerly of 19 Rector Street, New York, New York. The Order was based on findings that the firm had been temporarily enjoined by the United States District Court for the Southern District of New York from violating Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. The firm had been the subject of an August 14, 1990 Notice of Intent to Revoke registration based on the same grounds.

Gershon Tannenbaum - Agent Registration Revoked Following Summary Suspension

On November 1, 1990, the department issued an Order revoking the registration of Gershon Tannenbaum as an agent of First Choice Securities Corp. The Order was based on findings that 1) Tannenbaum was the subject of an injunctive order issued by the Superior Court of New Jersey, Chancery Division; 2) by failing to disclose the existence of the New Jersey injunction in his application for registration, and failing to amend that application accordingly, Tannenbaum wilfully violated Section 36-492 of the Connecticut Uniform Securities Act and Section 36-500-13(c) of the Regulations thereunder; and 3) the application's failure to include a reference to the New Jersey injunction made the application materially false or misleading. The revocation order was uncontested.

Tannenbaum had been the subject of a Notice of Intent to Revoke Registration as an Agent and an Order summarily suspending registration, both of which were issued on September 4, 1990.

Blinder Robinson & Company, Inc. - Broker-dealer Registration Cancelled

On November 19, 1990, the agency issued an Order cancelling the broker-dealer registration of Blinder, Robinson & Company, Inc. in Connecticut. The Order, which followed an October 23, 1990 Notice of Intent to Cancel Registration as a Broker-dealer, was based on allegations that the firm had ceased conducting business. The firm, now or formerly of 6455 South Yosemite Street, Englewood, Colorado, filed for bankruptcy on August 1, 1990. A Securities Investor Protection Corporation Trustee was subsequently appointed.

Financial Planners International Corporation - Notice of Intent to Deny Withdrawn

On January 11, 1991, the department withdrew a December 5, 1990 Notice of Intent to Deny Registration as an Investment Adviser with respect to Financial Planners International Corporation, now or formerly of 11 Lake Avenue Extension, Danbury, Connecticut. The Notice had been based on allegations that the firm did not meet the qualification standards for registration in that at least two of its active officers did not have sufficient securities-related experience as required by Section 36-500-6(c)(2) of the Regulations promulgated under the Connecticut Uniform Securities Act. The withdrawal order was entered in light of the firm's withdrawal of its registration application.

Consent Orders

David Lee Sudarsky d/b/a Elite Systems

On September 4, 1990, the department entered a Consent Order with respect to David Lee Sudarsky d/b/a Elite Systems, now or formerly of 117 Farmstead Road, East Hartford, Connecticut and 140 Glastonbury Boulevard, Suite 301, Glastonbury, Connecticut. The Consent Order followed a Securities and Business Investments Division investigation which revealed that Elite Systems, an unincorporated entity, and David Lee Sudarsky were selling what appeared to be an unregistered business opportunity. Prospective purchaser-investors would receive promotional materials urging them to join Elite Systems' Executive Income Program. By drawing money orders payable to persons listed in the materials, as well as a money order payable to Elite Systems, and remitting all the money orders to Elite, purchaser-investors would receive marketing brochures as well as a cassette tape instructing them on how to make money in direct marketing. The department coordinated its investigation with that of the United States Postal Service.

The Consent Order also followed an April 3, 1990 Order to Cease and Desist and Notice of Intent to Fine. The Order to Cease and Desist became permanent since neither respondent requested a hearing. The department's Consent Order therefore addressed only those allegations made in the Notice of Intent to Fine. On May 29, 1990, Sudarsky individually, and as owner of Elite Systems, executed an Agreement Containing Consent Order to Cease and Desist with respect to the U.S. Postal Service matter. That Agreement required that $70,000 to be used for consumer refunds be deposited in an interest bearing bank account maintained by a third party trustee. On July 11, 1990, in consideration of the postal Agreement, the U.S. Postal Service ordered that a cease and desist order be issued against Elite Systems and Sudarsky and that further proceedings in the matter be suspended indefinitely.

The department's Consent Order required that David Sudarsky d/b/a Elite Systems pay to the State a $10,000 fine; that Sudarsky furnish the agency with a copy of the certification furnished to the Postal Service indicating that all refund requests had been forwarded to the trustee for payment; that Sudarsky not directly or indirectly engage in any activity constituting grounds for civil, administrative or criminal sanctions under the state's securities and business opportunity laws; and that prior to engaging in any activity within the scope of the securities or business opportunity laws, Sudarsky engage legal counsel to advise him on regulatory compliance, and provide written notice to the department concerning the nature of such activity at least 30 days prior to such activity's commencement.

- **Thomas Dorsey George**

  On November 1, 1990, the agency entered a Consent Order with respect to Thomas Dorsey George. George had been the subject of an August 21, 1989 Order to Cease and Desist and an April 9, 1990 Notice of Intent to Fine, both of which contained allegations that were resolved via the Consent Order. The Consent Order permanently barred George from acting as an investment adviser, holding himself out as an investment adviser or acting as an investment adviser agent in Connecticut. The Order, however, permitted George to apply for investment adviser or investment adviser agent registration after seven years had elapsed upon a showing of "good cause." The Consent Order also barred George from acting as an agent for three years, following which he could apply for registration which would be subject to restrictions for a two year period. On November 2, 1990, the agency issued an order withdrawing the April 9, 1990 Notice of Intent to Fine issued with respect to George and North Atlantic Planning Corporation.

Administrative Fines

- **Allegiance Securities, Inc.**
  (See Description Under Licensing Actions)

- **Value Investments, Ltd., Rex N. Dungan and Ray Rodier Collectively Fined $37,000**
  (Also see Civil Referrals)

  On August 14, 1990, the department ordered that Value Investments, Ltd., now or formerly of 9100 Bluebonnet Centre, Suite 501, Baton Rouge, Louisiana, pay a $17,000 civil penalty to the State of Connecticut for violating various provisions of the Connecticut Business Opportunity Investment Act. The department also ordered that Rex N. Dungan and Ray Rodier, representatives of the corporation, each pay a $10,000 civil penalty to the state.

  In its order, the agency found that, during January and June 1989, the corporation, through Dungan and Rodier, offered to sell or sold services and supplies to one or more persons in Connecticut for the purpose of enabling such persons to start a loan brokerage business. The agency also found that the corporation, Dungan and Rodier violated Sections 36-505(a) and 36-508(a) of the Connecticut General Statutes by failing to effect a business opportunity registration. In addition, the department found that the respondents failed to provide a disclosure document to prospective purchaser-investors in violation of Section 36-506(a) of the Connecticut General Statutes; failed to obtain a surety bond or establish a trust account in violation of Section 36-507; and failed to observe the prohibition against selling unregistered business opportunities contained in Section 36-510(1). The agency also concluded that the corporation violated Section 36-508(f) of the Connecticut General Statutes by failing to immediately notify the department of material changes in the concern's registration application.

Value Investments, Ltd., Dungan and Rodier were also the subject of a March 23, 1990 Order to Cease and Desist which none of them contested. On April 27, 1990, the agency issued a Stop Order denying effectiveness to the corporation's pending business opportunity registration.

- **Steven Arnold Berman, Edward Morley Delamarter, Michael Charles Ermilio, Irwin Lee Frankel and Frank Anthony Grillo Collectively Fined $36,000**

On September 14, 1990, the department issued Findings of Fact, Conclusions of Law and orders against Steven Arnold Berman, Edward Morley Delamarter, Michael Charles Ermilio, Irwin Lee Frankel and Frank Anthony Grillo, agents of Allegiance Securities, Inc. The five agents had been the subject of a June 28, 1989 Order to Cease and Desist and Notice of Intent to Fine which alleged that they had transacted business as unregistered agents of the firm commencing in late 1988 in violation of Section 36-474(a) of the Connecticut Uniform Securities Act. Following an administrative hearing, the agency upheld the cease and desist order against each agent based on violations of Section 36-474(a). The agency also ordred that the following civil penalties be assessed against each agent: $7,500 against Berman, $1,000 against Delamarter, $7,500 against Ermilio, $10,000 against Frankel and $10,000 against Grillo.

- **Kimberly Ann Porter**
(See Description Under Stipulation Agreements)

Miscellaneous Orders

- **National Medical Consultants, Inc. - Notice of Intent to Issue Stop Order Withdrawn**

On August 1, 1990, the agency entered an Order withdrawing a February 28, 1990 Notice of Intent to Issue a Stop Order denying effectiveness to the business opportunity registration of National Medical Consultants, Inc. National Medical Consultants, Inc. is a Colorado corporation with its principal place of business at 179 Parkside Drive, Suite 204, Colorado Springs, Colorado. The Notice of Intent to Issue a Stop Order had been based on allegations that the corporation's application for business opportunity registration was materially incomplete. The withdrawal order was based on a finding that the conditions prompting the issuance of the Notice of Intent to Issue a Stop Order had changed.

- **North Atlantic Planning Corporation and Thomas Dorsey George - Notice of Intent to Fine Withdrawn**
(See Description Under Consent Orders)

- **Kimberly Ann Porter - Notice of Intent to Fine Withdrawn**
(See Description Under Stipulation Agreements)

CIVIL REFERRALS

Value Investments, Ltd., Rex N. Dungan and Ray Rodier

On October 15, 1990, the agency referred a matter involving Value Investments, Ltd., Rex N. Dungan and Ray Rodier to the Office of the Attorney General for the collection of a civil penalty. Value Investments, Ltd, is a Louisiana corporation which offered and sold unregistered business opportunities in Connecticut through its representatives Dungan and Rodier in violation of the Connecticut Business Opportunity Investment Act.

Value Investments, Ltd., Dungan and Rodier were the subject of a March 23, 1990 Order to Cease and Desist and Notice of Intent to Fine. The Order to Cease and Desist became permanent on April 10, 1990 since none of the respondents requested a hearing. The respondents defaulted at an April 25, 1990 hearing on the Notice of Intent to Fine. On August 14, 1990, the Commissioner issued Findings of Fact, Conclusions of Law and an order imposing civil penalties of $17,000 against the corporation, $10,000 against Dungan and $10,000 against Rodier. Neither the corporation nor its representatives have paid the civil penalty to date.

Roger Morgan v. Howard B. Brown, Commissioner of Banking
Paul Legassey v. Howard B. Brown, Commissioner of Banking

In December, 1990, the department, through the Office of the Attorney General, filed an appeal in the companion cases of Roger Morgan v. Howard B. Brown, Commissioner of Banking and Paul Legassey v. Howard B. Brown, Commissioner of Banking (A.C. 9603). The cases arose when the trial court granted motions to quash bank subpoenas issued by the agency. The issues raised by the department on appeal included 1) whether a bank customer had standing under Section 36-91 of the Connecticut General Statutes to contest the manner or mode of service of an administrative subpoena on the bank, including the payment of witness fees; 2) whether the State was exempt from paying witness fees when it issued administrative subpoenas to summon witnesses to appear and produce records before it; and 3) whether a state administrative subpoena could be served validly on a financial institution by serving a person designated by the institution to accept service, even where the person did not hold an office or position set forth in Section 52-57(c) of the Connecticut General Statutes. The matter is currently pending.

ADVISERS CAUTIONED ON USE OF HEDGE CLAUSES

Introduction

During the preregistration period for investment advisers, the staff of the Securities and Business Investments Division (the "Division") routinely reviews advisory agreements for compliance with The Connecticut Uniform Securities Act ("CUSA") and corresponding regulations.

As part of this review, staff members will not only ensure that certain contractual provisions required by Section 36-473(b) of CUSA are included (e.g., nonassignment clauses, descriptions of services and fees), but may also offer comments to applicants regarding language which may be considered potentially misleading or otherwise inconsistent with the antifraud provisions contained in Section 36-473(a).[1]

In recent months, the staff has observed an increase in the attempted use by investment adviser applicants of contractual language that seeks to limit or entirely avoid their civil liability for various types of conduct or omissions arising from the advisory relationship. Although no law specifically precludes the use of such provisions, commonly referred to as "hedge clauses," CUSA's antifraud provisions may be violated if an advisory client is lead to believe that the client has either waived a right of action he or she may have under state or federal securities law or common law, or is mislead as to the nature of those rights.

Legal Analysis

Since no state or federal law addresses the permissibility of hedge clauses per se, such provisions must be examined on a case-by-case basis to determine whether the actual language might be considered false or misleading and, therefore, contrary to the antifraud provisions contained in Section 36-473(a) of CUSA. Inasmuch as there appears to be no relevant Connecticut case law, it is appropriate to look to federal authorities since the antifraud provisions in Section 206 of the Investment Advisers Act of 1940 (the "1940 Act") and Section 36-473(a) of CUSA are largely identical. See State of Connecticut v. Farrah, [1978-81 Transfer Binder] Blue Sky L. Rep. (CCH) ¶ 71,537 (Conn. Sup. Ct. 1979).

The basic test for determining the legality of a particular hedge clause is contained in an early release of the Securities and Exchange Commission (the "SEC"). Release No. 40-58, (April 18, 1951), Fed. Sec. L. Rep. (CCH) ¶ 56,384-6. It is interesting to note that this release was written not only in the context of investment advisory agreements, but was also intended to address the use of hedge clauses by brokers and dealers. The release simply states that "the anti-fraud provisions of the Securities and Exchange Commission statutes are violated by the employment of any legend, hedge clause, or other provision which is likely to lead an investor to believe that he

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[1]It should be kept in mind, however, that under Section 36-493(a)(2) of CUSA, effective registration does not constitute a finding by the Commissioner that any document filed with him, including the investment advisory contract, is "true, complete and not misleading." (emphasis added)

has in any way waived any right of action he may have ...." This test is consistent with Section 215(a) of the 1940 Act which states that "[a]ny condition, stipulation, or provision binding any person to waive compliance with any provision of this title or with any rule, regulation or order thereunder shall be void."

Similarly, Section 36-498(h) of CUSA states that "[a]ny condition, stipulation or provision binding any person acquiring any security or receiving investment advice to waive compliance with any provision of this chapter or any regulation or order hereunder is void." It may, therefore, also be misleading under Section 36-473 for an adviser to hedge any liability under the state securities laws.

In determining whether a particular hedge clause does, in fact, mislead the client into believing that he has waived any state or federal right of action, it should be remembered that any breach of an adviser's fiduciary duty to his client may, ipso facto, give rise to a fraud action under the securities laws. Along these lines, the SEC has noted that "[a]n investment adviser is a fiduciary. As such he is required by the common law to serve the interest of his client with undivided loyalty .... [A] breach of this duty may constitute a fraud within the meaning of clauses (1) and (2) of Section 206 of the Investment Advisers Act (as well as the anti-fraud provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934)." Release No. 40-40 (Jan. 5, 1945), Fed. Sec. L. Rep. (CCH) ¶ 56,374. Thus, an adviser's hedging of liability may also contravene common law standards of fiduciary responsibility.

Both the SEC and the United States Supreme Court have held that the common law standards embodied in the antifraud statutes hold advisers to an affirmative duty of utmost good faith and full and fair disclosure when dealing with clients. Even a negligent misrepresentation or failure to disclose material facts (especially in the case of a conflict or potential conflict of interest) places the adviser in violation of the antifraud provisions whether or not there is specific intent or gross negligence or malfeasance. SEC v. Capital Gains Research Bureau, Inc., 375 U.S. 180 (1963) (negligence alone gives rise to fraud liability under Section 206(2) of the 1940 Act - no need to show scienter); cf. Steadman v. SEC, 602 F.2d 1126 (5th Cir. 1979) (scienter is required under Section 206(1), but not under Section 206(2) of the 1940 Act). Under CUSA, the fiduciary nature of the adviser's role carries even greater implications, since Section 36-498(b)(1) expressly provides for civil damages against any person who violates Section 36-473(a), regardless of scienter.[2] This should be contrasted with the 1940 Act which fails to provide for any express civil liability (with the exception of rescissionary and restitutionary actions under Section 215(b)) or implied right of action under Section 206. Transamerica Mortgage Advisors v. Lewis, 444 U.S. 11 (1979); accord Neilson v. Professional Financial Management Ltd., [1988-1989 Transfer Binder] Fed. Sec. L. Rep. (CCH) ¶ 93,938 (D. Minn. April 15, 1987). Moreover, in addition to providing for civil fraud actions, Section 36-498(b) holds investment advisers strictly liable for violations of Sections 36-473(b), 36-473(c), 36-474(c) and 36-493(b) of CUSA.

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[2]Section 36-498(b)(1) itself carries no scienter requirement. However, since Connecticut's advisory fraud provision is modeled after Section 206 of the 1940 Act, it is arguable that pursuant to SEC v. Capital Gains Research Bureau, Inc. and Steadman v. SEC, only actions under clause (2) of Section 36-473(a) can succeed without a showing of intent.

In short, CUSA's prohibitions and standards relating to investment advisers constitute a codification of advisers' absolute duties as common law fiduciaries. Thus, any hedge clause which seeks to avoid an adviser's liability for acts or omissions done in good faith or without intent may be inherently misleading.

SEC Examples

In several advisory interpretations made publicly available, the SEC has applied the analytical framework discussed above in determining the legality of a particular hedge clause or waiver. For example, in a 1972 letter, the SEC opined that a hedge clause which attempted to waive liability for acts constituting "ordinary negligence" was misleading, notwithstanding further language in the advisory agreement which specifically disclaimed any waiver for "acts or omissions which constitute fraudulent representations under applicable State or Federal common law or statute, gross negligence, willful misconduct or violations of the Investment Advisers Act of 1940, [or] any other applicable State or Federal statute or regulation thereunder." Jonathan-Forbes Incorporated (available Jan. 26, 1972); see also O.T.C. Fact Sheets (available June 5, 1972) (disclaimer in advisory agreement that "[information] is believed reliable, but due to possible typesetting errors its accuracy and completeness cannot be guaranteed" held misleading since it implies that typesetting errors are the only possible cause of inaccuracy or incompleteness in a fact sheet).

Similarly, the SEC has found to be misleading another hedge clause which sought to limit liability to acts done in bad faith or pursuant to willful misconduct but also explicitly provided that rights under state or federal law cannot be relinquished. In reaching this conclusion it was noted that "it is unlikely that a client who is unsophisticated in the law would realize that he may have a right of action under federal or state law even where his adviser has acted in good faith." First National Bank of Akron (available Feb. 27, 1976); see also Municipal Advisory Council of Texas (available Oct. 23, 1975); Omni Management Corporation (available July 15, 1974).

Recent State Filings

Several recent investment adviser applications filed with the Division have contained advisory contracts with hedge clauses which the agency believed would be potentially misleading to clients. For example, one agreement stated that "[a]dviser shall not be liable for any loss or depreciation in the value of the account unless it shall have failed to act in good faith or with reasonable care." The staff advised the applicant that this clause could be construed as inconsistent with Section 36-473(a) of CUSA since, under both state and federal law, an investment adviser is a fiduciary who may be subject to civil liability even when he or she acts in good faith and with reasonable care. Furthermore, under Section 36-498(h), such a provision would most likely be unenforceable and void.

Another advisory contract contained the following provision:

> While [Adviser] agrees to use its best efforts in the management of the portfolio, [Adviser] shall not be responsible for errors in judgment or losses incurred on investments made in good faith, and its liability shall be limited expressly to losses resulting from fraud or malfeasance, or from violation of applicable law.

Again, the department viewed this language as potentially misleading to clients, given the adviser's duties as a fiduciary. Moreover, the adviser's statement that it assumes liability for "violation of applicable law" only compounded the problem since it was unlikely that the client would realize that "applicable law" does, under several circumstances, provide a right of action for even good faith "errors in judgment."

For similar reasons, the staff took issue with a contract which stated that:

> It is understood that we will expend our best efforts in the supervision of the portfolio, but we assume no responsibility for action taken or omitted in good faith if negligence, willful or reckless misconduct, or violation of applicable law is not involved.

Although this hedge clause correctly excepts from its coverage acts involving "negligence, willful or reckless misconduct, or violation of applicable law," it is still misleading to waive liability for "action taken or omitted in good faith." As noted earlier, an investment adviser is a fiduciary subject, under certain circumstances, to liability even when he has acted in good faith and without evil intent. Moreover, since it is "applicable law" itself which holds that advisers are fiduciaries, such a provision is nonsensical and confusing.

Conclusion

When drafting agreements which seek to limit an adviser's civil liability, applicants and their counsel should bear in mind that as fiduciaries, investment advisers are held to an affirmative duty of utmost good faith and full and fair disclosure when dealing with clients. Moreover, under CUSA, advisers are held to a strict liability standard for certain violations of that Act. Thus, language that seeks to limit liability to negligence or fraud would be misleading and untrue, even when qualified by a statement which excepts violations of state and federal law.

The purpose of this discussion is not to prohibit the use of all hedge clauses. For example, the agency has not objected to clauses which limit the investment adviser's liability for losses caused by conditions and events beyond its control, such as war, strikes, natural disasters, new government restrictions, market fluctuations, communications disruptions, etc. Such provisions are acceptable since they do not attempt to limit or misstate the adviser's fiduciary obligations to its clients.

Any questions regarding this issue are welcome and should be directed to the Securities and Business Investments Division or Legal Division of the Department of Banking.

YEAR-END STATISTICAL SUMMARY

July 1, 1990 - December 31, 1990

REGISTRATION	Securities	Bus. Opportunities
Coordination	848	n/a
Qualification	9	n/a
Regulation D Filings	627	n/a
Other Exemption or Exclusion Notices	111	19
Business Opportunity (Initial)	n/a	29
Business Opportunity (Renewal)	n/a	8

LICENSING & BRANCH OFFICE REGISTRATION	Broker-dealers	Inv. Advisers	Issuers
Firm Initial Registrations Processed	101	58	n/a
Firms Registered as of 12/31/90	1,517	605	n/a
Agent Initial Registrations Processed	7,408	421	n/a
Agents Registered as of 12/31/90	48,685	3,023	108
Branch Office Registrations Processed	50	13	n/a
Branch Offices Registered as of 12/31/90	449	94	n/a

INVESTIGATIONS	Securities	Bus. Opportunities
Investigations Opened	100	32
Investigations Closed	103	23
Investigations in Progress	103	30
Subpoenas Issued	34	6

ADMINISTRATIVE ENFORCEMENT ACTIONS	Number	Parties
Securities		
Cease and Desist Orders	6	17
Denial, Suspension & Revocation Notices	4	4
Denial, Suspension & Revocation Orders	4	4
Cancellation Notices	2	2
Cancellation Orders	2	2
Notices of Intent to Fine	1	1
Orders Imposing Fine	6	6
Notices of Intent to Issue Stop Order	0	0
Stop Orders Issued	0	0
Miscellaneous Orders	3	4
Consent Orders Executed	1	1
Stipulation Agreements Executed	9	11
New Referrals (Civil)	2	4
New Referrals (Criminal)	4	7

Business Opportunities

Cease and Desist Orders	2	6
Notices of Intent to Fine	0	0
Orders Imposing Fine	1	3
Notices of Intent to Issue Stop Order	0	0
Stop Orders Issued	0	0
Miscellaneous Orders	0	0
Consent Orders	1	2
Stipulation Agreements Executed	0	0
New Referrals (Civil)	1	3
New Referrals (Criminal)	0	0

Monetary Remedies	$ Assessed
Orders Imposing Fine (Securities)	143,000
Consent Orders (Business Opportunities)	10,000
Stipulation Agreements (Securities)	20,650
Total	$173,650