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SECURITIES AND BUSINESS INVESTMENTS DIVISION  
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## A WORD FROM THE BANKING COMMISSIONER

On June 17, 1990, the department sponsored its annual Securities and Banking Forum which, I am pleased to announce, was a success. Credit should be given not only to the participants themselves, who contributed their valuable time and expertise, but to the many representatives of the banking, securities and legal communities who were in attendance. In recognition of the increasing homogenization of the financial services industry, this year's program reflected a blend of securities and banking issues. As a regulator, I am convinced that developments affecting the financial services industry are most keenly felt at the state level where jobs are ultimately affected. Thus, it is critical for state regulators to become attuned to the critical questions confronting the securities and banking industries so that they may more effectively fulfill the vital role of state regulation. The department's Securities and Banking Forum is but one facet of our agenda, as responsible regulators, to open up key areas for discussion.

I also believe that educational efforts should extend to investors and to the broker-dealer agents who service their accounts. Connecticut is extremely supportive of efforts proposed by the National Association of Securities Dealers to require the continuing educational assessment of broker-dealer agents.

This issue of the Bulletin contains an Investor Alert focusing on telemarketing scams, an area rife with the potential for abuse. Also, included is an overview of enforcement actions taken during the first half of 1990.

It is my hope that the Bulletin will continue to provide a valuable service to its readers, and comments are always welcome.



Howard B. Brown  
Banking Commissioner

## COMMISSIONER HOSTS SECURITIES AND BANKING FORUM '90

Approximately 175 individuals from the securities, banking and legal communities gathered at the Sheraton Hotel in Hartford June 17 to attend the department's Securities and Banking Forum '90. Speakers at the program included members of the Commissioner's Advisory Committee on Securities, industry representatives, regulatory officials and department staff members.

Commissioner Brown welcomed the group with comments on issues to be addressed during the securities and banking panels. Ralph A. Lambiase, Director of the department's Securities and Business Investments Division, moderated the first panel on broker-dealer issues. Professor Nicholas Wolfson of the University of Connecticut School of Law spearheaded the broker-dealer panel's discussion on insider trading by presenting an analysis of judicial decisions in the area. Dennis Surprenant, Regional Administrator of the Boston Regional Office of the Securities and Exchange Commission, highlighted the Commission's enforcement efforts regarding insider trading, pointing out that the Commission often looked for various "red flags" including the identity of the insider, the timing of the suspect transaction, the amount of securities purchased, the number of transactions involved and attempts to conceal transactions through the use of nominee accounts and other devices. Orestes Mihaly, Vice President and Assistant General Counsel of Merrill Lynch, Pierce, Fenner and Smith in New York, focused on what internal measures brokerage firms could take to detect insider trading. Kevin Howe of Investors Diversified Services commented on broker-dealer supervisory procedures.

The banking component of the program featured four members of the Commissioner's Advisory Committee on Securities. Harold B. Finn, III, vice-chairperson of the Committee and a partner in the Stamford law firm of Finn Dixon & Herling, analyzed disclosure issues confronting financial institutions. Willard F. Pinney, chairperson of the Committee, and a partner in the Hartford law firm of Murtha, Cullina, Richter and Pinney, discussed officers and directors liability in the banking context. William H. Cuddy, a partner in the Hartford law firm of Day, Berry & Howard, commented on recent developments in interstate banking. Frank J. Marco of Shipman & Goodwin in Hartford gave an overview of new SEC Rule 144A. Robert Rosenthal, Senior Administrative Attorney with the department, explained the department's views on networking arrangements between banks and broker-dealers, with a special emphasis on supervision. Gayle Fierer, Chief Administrative Attorney with the department, capped the program with an analysis of federal preemption issues affecting bank regulation.

### STAFF CONTRIBUTIONS RECOGNIZED

The department recently recognized through promotions the contributions of several examiners in the Securities and Business Investments Division. Appointed to Supervising Examiner was Sidney A. Igdalsky, a 12 year veteran of the Division. Promoted to Principal Examiners were Margot T. O'Grady and John P. Walsh. Promoted to the rank of Senior Examiner were William E. Bartol, Thomas C. Dolan, Kevin R. Maher and Sylvia A. Morgan.

### PRINCIPAL'S EXAMINATION REQUIREMENTS

Over the past several months, the Securities and Business Investments Division has noted that many broker-dealers have added new officers to Schedule A of Form BD without supplying evidence that those officers had passed an examination as principal.

Section 36-500-6(f) of the Regulations of Connecticut State Agencies states that:

Each registered broker-dealer shall supply evidence to the commissioner that all new officers or partners who act as managers shall have taken and successfully passed an examination as principal given by the Securities and Exchange Commission or an independent self-regulating group of the securities industry registered with the Securities and Exchange Commission.

In light of the foregoing, each registered broker-dealer must provide the Division with evidence that each officer acting as a manager has complied with the examination requirement in Section 36-500-6(f) of the Regulations. Failure to comply with regulation is grounds for revocation of registration and it is incumbent upon the registrant to meet said requirements.

## THE EMERGING PHONE SCAMS OF THE 1990S

### ABUSIVE "900" NUMBERS

The 1980s ushered in illicit telemarketers who abused toll-free "800" numbers to rip-off consumers on a nationwide basis. Enter the 1990s ... and "900" numbers, which involve a charge that ranges anywhere from 50 cents to \$50 to the caller's phone bill. While "900" and "976" numbers first appeared in the late 1980s, their use was limited almost strictly to novelty opinion polls and purveyors of phone sex. Now "900" numbers are used for almost every conceivable type of marketing, including catalog sales, children's television programs and charitable appeals. Consumer agencies around the U.S. are reporting a number of increasingly common abuses including: a failure to prominently display the per-call or per-minute charge imposed on callers; long delays between when a call is picked up, often by a machine, and when the caller is finally dealt with (resulting in substantial per-minute bills for being left "on hold"); charges in the \$30-\$50 range for largely worthless packages of generic information; and manipulative appeals aimed directly at children.

In a 1989 case in Washington state, a local advertiser used television spots to encourage children too young to dial the phone themselves to hold the telephone handset near their television set. An automatic dialing tone then was transmitted and parents discovered the resulting charges on their phone bills weeks after the fact. A number of complaints also have been logged against telemarketing firms that promise a VISA or Mastercard "no matter what your past credit history is!" to those who pay \$29.95 to call a "900" number. In one case, callers seeking a "guaranteed" bank card were provided with nothing more than a how-to-kit consisting of 20 typewritten pages devoted to re-establishing credit. In another case reported in Colorado a firm advertised "Cash Loans -- regardless of credit problems -- Money Back Guaranteed" for callers willing to pay \$49 to contact a "976" number. Callers received a generic information package on how to apply for bank loans. As for the guarantee, the fine print read: "If you follow our suggestions and do not get the credit or loan you apply for, send us evidence of your efforts by writing a brief description of each of your contacts and their results, proof of your remittance of our fee, copies of your applications for credit, our original undamaged package and two 'turn down notices' from our referral sources and we will refund your fee to us in full."

### OVERSEAS BOILER ROOMS

Ominous news for consumers in the 1990s: The high pressure "boiler room" telemarketers who hopscotched from Florida to southern California in the 1970s and 1980s are now poised to move offshore. The relocation is not expected to result in a decline in illicit telephone promotions.

\*From "The Emerging Phone Scams of the 1990s," Alliance Against Fraud in Telemarketing (1990).

Rather, the expected result is a new surge of phone con artists, who will be largely beyond "the long arm of the law" and able to operate with impunity in such safe havens as Costa Rica, the Bahamas, Panama, Liberia and South Africa. The decline in international long distance calling rates during the 1990s will make economically feasible the same kind of high volume "cold calls" now engaged in by illicit phone scammers in the U.S. Among products expected to be pushed by these far-flung boiler rooms are precious metals, off-exchange commodity futures, currency rate speculation schemes and low-priced penny stocks. Some U.S. expatriates already have set up shop overseas, including a pair of stock swindlers who established boiler room operations in Europe during the mid-1980s and proceeded to fleece U.S. investors out of an estimated \$1 billion in penny stocks schemes. What does the likelihood that telemarketing fraud will go international in the 1990s mean to consumers? They will have to be doubly wary, not just about what is being pushed over the phone, but also the location of the caller. Some of the global phone scammers are expected to try to put consumers at ease through the use of mail drops and front offices in the U.S., thereby disguising the fact that they are operating from a nation that may refuse to prosecute or extradite them.

### **BOGUS HEALTH CARE PROMOTIONS**

The hottest telemarketing swindles of the late 1980s were prize offer packages used to encourage the purchase of over-priced vitamins and water purifier systems. The newest "wrinkle": health-care related promotions. Capitalizing on the public's recent interest in such products as bran, psyllium, Retin-A and the hair restoring Rogaine, telephone con artists are expected to make a major push into health scams during the 1990s. Among the bogus items and services most likely to be the subject of such appeals are: arthritis remedies, weight-loss plans, sexual aids, baldness remedies, nutrition schemes, "chelation" therapy, muscle stimulators and antifungal drugs for hypersensitivity to "candida," a fungus found naturally in the mouth. Unlike most other telemarketing schemes, there is the potential here of a risk to public health, since poorly or improperly prepared items intended for internal ingestion could result in serious illness or worse.

### **BANK-FINANCED PRECIOUS METALS**

Consumers will lose an estimated \$1 billion in 1990 to "bank-financed" precious metals schemes, now the fastest-growing investment-related telemarketing scam in southern California, which is widely regarded by law enforcement agencies as the national center of phone fraud. Under this promotion, investors make a down payment of 20 percent or more on a quantity of gold and/or silver. The telemarketer then makes arrangements with a bank to finance the rest. It is in this way that the investment is said to be a "bank-financed" or "collateralized-loan" purchase. Buyers are promised huge profits on the strength of assurances of an imminent rise in the price of gold. But consumers learn too late that it is virtually impossible for them to make money, as a result of the maze of commissions, above-market bank interest rates, storage fees and dealer mark-ups that go into a "bank-financed" precious metals program.

Typically, the price of the underlying precious metal would have to rocket up 15-20 percent or more in the short term in order for an investor to even begin to have the prospect for making any money.

Many investors in these schemes find that the charges involved in "bank-financed" programs end up wiping out all or most of their "down payment". Compounding the extremely high risk of loss to investors is the fact that "bank-financed" promotion firms are unregulated by the federal government and most states, though a number of state securities agencies have started to step into this breach.

### **"BLIND POOL" PENNY STOCKS**

It used to be that the promotion of penny stocks -- low priced, unlisted securities ranging in price from one cent to three dollars -- centered around periodic "fads," including the stocks of mining companies, energy firms and, most recently, high-tech organizations. But since the mid-1980s, the penny stock market has shaken off its dependency on these so-called "hot issues," primarily through the spread of so-called "blind pool/blank check" penny stocks. Typically, the offering document for a "blind pool" penny stock contains no meaningful information about how the company plans to spend the proceeds raised from investors. The offerings are so named because investors are said to be "going in blind" and "writing a blank check" to the new firm's management for any use it sees fit. Once relatively rare, "blind pool/blank check" offerings accounted for no fewer than seven out of 10 of all penny stocks by early 1989.

The "blind pool" penny stock has emerged as the huckster's dream. Since there is no solid information about the underlying company, telephone salespeople serve up the most feverish and impassioned speculation about the acquisition and development prospects for "blind pool" stocks. The firms are sometimes said to be on the verge of revealing a cure for AIDS or new hardware for the "Star Wars" strategic defense system. However, few "blind pool" firms amount to anything other than a gravy train for the enrichment of crooked penny stock brokerage firms and insiders, who reap enormous profits at the expense of fast-talked customers. The rise of "blind pool/blank check" penny stocks is at the heart of the recent estimate that Americans lose \$2 billion annually to penny stock swindles, making them "the No. 1 risk to small investors" in the U.S.

### **LOOK-ALIKE ENVELOPE PROMOTIONS**

Who sent that letter to you? During the 1990s, it may be necessary to look twice before answering that question. The reason: An expected explosion in deceptive "look-alike" envelope promotions. Elderly consumers and others already are receiving mailings from private firms that have attempted to duplicate the look of the names and envelopes of major federal agencies, including the Social Security Administration and the Internal Revenue Service.

Frequently, the "copy cat" urgency of these mailings is heightened by hand-stamped messages reading "important notice," "official business," "grant information enclosed" or "open immediately." The "look-alike" envelopes are most often used in order to get consumers to contact a toll-free "800" number and place an order. One concern of federal officials is that the copy cat mailing trend will cause increasingly skeptical consumers to start throwing away genuine government mail.

## ACCELERATED MORTGAGE SCALPERS

Early payment of a home mortgage can save a consumer tens of thousands of dollars in interest costs. For example, adding just \$25 a month to a monthly check on a typical \$75,000 mortgage would save a consumer over \$34,000 in interest costs. But such a pre-payment effort takes discipline -- a fact that has not been lost on dozens of "mortgage acceleration" firms that have sprung up to "help" homeowners convert their mortgages into biweekly loans. Typically, a telephone salesperson will contact a known mortgage payer and work through a bank to automatically withdraw from his or her checking or savings account an amount equal to half of the monthly mortgage payment. The agent bank then holds the money and makes the regular monthly payment to the lending bank, plus a 13th payment at year-end.

What can go wrong with this approach? First, start-up charges can soar to \$1,000 or more, as calculated at 1 percent of the projected interest cost savings. Another \$1,000 or more in costs may be hidden in the fine print that spells out the service charge of \$2.50 or more for the twice-monthly withdrawals. Second, many homeowners fail to understand that these are not truly bi-weekly loans, since the firms usually do nothing more than send the bank a monthly payment, plus an extra check at the end of the year. As a result, the "mortgage acceleration" companies have liberal access to their clients' funds and are able to pocket the interest from their short-term investments in Treasury bills and CDs. Third, some of these promotional firms are new and financially troubled. In 1988, a San Diego-based firm that was one of the first bi-weekly promotional outfits filed for bankruptcy. What should consumers do who want to save money on their mortgage? Discuss the question with the financial institution that holds your mortgage. Also, check out step-by-step mortgage acceleration guides available for as little as \$10.

## SINGLE-USE CREDIT CARDS

The phone call makes it sound as though the \$35 or \$50 you are being charged will get you a VISA or Mastercard. When the card arrives weeks later, the truth is revealed: You have been hit by one of the growing number of single-use credit card promotion schemes. Even though you have paid a substantial premium for the new credit card, it will be useful only for purchasing goods from a specific department store or catalog, which may or may not offer anything of interest to you. Single-use credit cards are not new, but an emerging trend toward the deceptive promotion of them as all-purpose bank cards is. Consumer organizations theorize that the credit card schemers are banking on the fact that credit card holders now are becoming increasingly accustomed to paying annual service and renewal charges. Ironically, it is this growing level of acceptance of surcharges that is being used by schemers to "legitimize" the single-use cards. What should consumers do to protect themselves? Extreme caution should be practiced in opening a new credit card. Be certain to verify the specific purpose of the card. Do not assume that just because a premium is being charged that you are getting a general purpose bank card on the order of Mastercard or VISA.



## **TIMESHARE REALES**

Timeshare owners -- many of whom were burned for the first time in the 1970s and 1980s by fast-talking telemarketers -- stand to be victimized again in increasing numbers during the new decade. An estimated 500,000 of the 1.4 million timeshare properties in the U.S. are now up for resale. The prospects for such resales are not good, given a growing glut of new timeshare properties. Promoters of new timeshare properties continue to sell about 100,000 such deals each year, often by sweet-talking buyers with promises of "free gifts" and assurances that resales are "no problem." For those who want to unload their timeshare interest, a new breed of "resale" firms has sprung up. Typically, a telephone salesperson will claim that the resale market is "hot" and that his or her firm has an excellent track record in moving timeshare units. For a fee of \$300 or \$400, the telemarketer will promise to sell your timeshare unit, sometimes offering a money-back guarantee or a \$1,000 government bond if the resale is not completed within a year. Not only are the owners misled into believing that their units will be sold, but the sellers also misrepresent ... their companies, sometimes falsely claiming to use an international network of both brokers and prospective buyers to sell the timeshare interests. Consumers whose timeshare property is not resold in the promised time frequently find that their "guaranteed" fee is not returned or that the promised bond has an actual value of as little as \$60. As is true of many investment scams, phony timeshare resale schemers are counting on the fact that someone who has been ripped-off once may be susceptible to a second pitch offering a chance to "make up for lost ground" or "get you out in one piece." It is for this reason that "once burned" investment scam victims need to be "twice shy," doubly cautious dealing with someone who offers a quick and easy end to the financial damage done by an earlier scam.

## **PHONY FOREIGN BANKING SCHEMES**

Two factors -- the growing consumer unease with the stability of U.S. financial institutions and the fast-rising popularity of investing overseas -- are expected to pave the way during the 1990s for a surge in fraudulent investment promotions involving foreign banks. In the late 1980s, a number of schemes cropped up around the U.S. in which investment swindlers promised exceptionally high returns on CDs, demand deposits and currency speculation programs offered by foreign financial institutions.

Some schemers also hawked bogus loans, insurance and other financial products at rock-bottom rates far below those available in the U.S. Investors were told that the differences between U.S. and foreign banking laws and procedures allowed these overseas institutions to offer extremely high rates of return. In one recent case, a LaJolla, California-based investment promoter promised hundreds of investors rates of return of 15 percent or more on CDs in Australia, New Zealand and Indonesia banks. Shortly after an administrative proceeding by the California Department of Corporations and an investigation by the FBI were initiated last fall, the LaJolla promoter committed suicide. Tens of millions of dollars -- investment "opportunities" -- have not yet been accounted for.

Also in 1989, state and federal officials broke up a multi-million-dollar investment scheme under which Mexican pesos supposedly were going to be purchased at a discount on a currency exchange. Among the promoters involved in the scheme were the members of a motorcycle gang operating in the Midwest and Southwest.

Fraudulent promoters of overseas schemes will be counting during the 1990s on investors being caught up in the growing euphoria about international investing. The key for consumers who want to safeguard their interests -- and life savings -- will be to remember that what a U.S. bank cannot afford to do is unlikely to be any more profitable for an overseas financial institution.

## ENFORCEMENT HIGHLIGHTS

### ADMINISTRATIVE SANCTIONS

#### Cease and Desist Orders

##### Clifford Cleo Miller

On February 5, 1990, the department issued an Order to Cease and Desist against Clifford Cleo Miller, formerly an agent of First Eagle, Inc., a registered broker-dealer with its principal place of business at 5970 South Greenwood Plaza Boulevard, Englewood, Colorado. The Order was based on allegations that Miller effected securities transactions on behalf of First Eagle, Inc. at a time when he was not registered as an agent of the firm in Connecticut and that, in so doing, Miller violated Section 36-474(a) of the Connecticut Uniform Securities Act. Since Miller did not request a hearing within the prescribed time period, the Order became permanent on February 26, 1990.

##### Harbor Crossing Retirement Community, Inc. S. Lowell Barnes

On February 5, 1990, the department issued an Order to Cease and Desist against Harbor Crossing Retirement Community, Inc., now or formerly of 175 Ferry Road, Old Saybrook, Connecticut and its president, S. Lowell Barnes. The Order alleged that from June 1987 to the present, Harbor Crossing Retirement Community, Inc. and Barnes offered and sold shares of preferred stock in violation of Section 36-485 of the Connecticut General Statutes; that Barnes violated Section 36-474(a) of the Connecticut General Statutes by transacting business as an agent of the issuer while unregistered; and that the corporation had violated Section 36-474(b) of the Connecticut General Statutes by employing Barnes as an agent while he was not registered as such. Since neither Barnes nor the corporation requested a hearing within the prescribed time period, the Order became permanent as to them on February 21, 1990.

##### Richard Charles Ferris

On February 28, 1990, the department issued an Order to Cease and Desist and Notice of Right to Hearing against Richard Charles Ferris. The Order alleged that from approximately June 1988 to December 1988, Ferris was employed by Investors Group, Ltd., a broker-dealer, to represent it in effecting transactions in securities; that during such time Ferris effected securities transactions as an agent of the firm for one or more persons in Connecticut; and that, in so doing, Ferris violated Section 36-474(a) of the Connecticut Uniform Securities Act since he was never registered as an agent of Investors Group, Ltd. in Connecticut. Since Ferris did not request a hearing within the prescribed time period, the Order became permanent on March 28, 1990.

**BAK Systems, Ltd., a/k/a Business and Kontrol Systems, Ltd.**  
**Leon A. King and Donald Burgess**

On March 1, 1990, the department issued an Order to Cease and Desist and Notice of Right to Hearing against BAK Systems, Ltd., a/k/a Business and Kontrol Systems, Ltd., now or formerly of 234 S. Quinsigamond Avenue, Shrewsbury, Massachusetts, and its agents Leon A. King and Donald Burgess. The Order was based on allegations that the corporation, King and Burgess offered and sold securities to one or more persons in Connecticut during 1987 and 1988 and that such securities were not registered under Section 36-485 of the Connecticut Uniform Securities Act. The Order afforded the corporation, King and Burgess an opportunity for hearing on the allegations therein.

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

On March 23, 1990, the department issued an Order to Cease and Desist, Notice of Right to Hearing and Notice of Intent to Fine with respect to Value Investments, Ltd., a Louisiana corporation with its principal place of business at 9100 Bluebonnet Centre, Suite 501, Baton Rouge, Louisiana, and two of its representatives, Rex N. Dungan and Ray Rodier. The department alleged that in January and June 1989, the corporation, through Dungan and Rodier, offered or sold services and supplies to one or more persons in Connecticut for the purpose of enabling those persons to start a loan brokerage business. The agency also alleged that the corporation, Dungan and Rodier represented to potential purchasers that a sales program or marketing program would be provided, and that conditional guarantees of income were made. The department further alleged that, at the time such offers or sales were made, the corporation did not register the arrangement under the Connecticut Business Opportunity Investment Act. The agency also alleged that, although the corporation ultimately did file a business opportunity application in June, 1989, the corporation failed to amend that application to disclose two administrative orders issued by the State of Iowa against the concern in November of that year. Since none of the respondents requested a hearing on the Order to Cease and Desist, that order became permanent as to all respondents on April 10, 1990. A hearing was held on the Notice of Intent to Fine.

On April 27, 1990, the agency issued a Stop Order denying effectiveness to the pending business opportunity registration of Value Investments, Ltd. The Order, which followed a March 23, 1990 Notice of Intent to Issue a Stop Order, was based on findings that Value Investments, Ltd. had wilfully violated 1) Sections 36-505(a) and 36-508(a) of the Connecticut Business Opportunity Investment Act by failing to register its business opportunity; 2) Section 36-506(a) by failing to provide a disclosure document to prospective purchaser-investors; 3) Section 36-508(f) by failing to immediately notify the agency of material changes in its registration application; 4) Section 36-507 by failing to procure a surety bond or establish a trust account; and 5) Section 36-510(1) by offering or selling unregistered business opportunities in the state.

**Elite Systems**  
**David Lee Sudarsky**

On April 3, 1990, the agency issued an Order to Cease and Desist and Notice of Intent to Fine with respect to David Lee Sudarsky and Elite Systems, now or formerly of 117 Farmstead Road, East Hartford, Connecticut and 140 Glastonbury Boulevard, Suite 301, Glastonbury, Connecticut. The department's action was predicated on allegations that Elite Systems and Sudarsky offered or sold a multilevel marketing plan for the purpose of enabling purchasers thereof to start a multilevel marketing business; that Elite Systems and Sudarsky conditionally guaranteed that income would be derived from the multilevel marketing business; that the offers or sales were effected absent registration under the Connecticut Business Opportunity Investment Act; that no disclosure document was provided as required by Section 36-506(a) of the Connecticut General Statutes; that no surety bond or trust account was established pursuant to Section 36-507 of the Connecticut General Statutes; and that Sudarsky and Elite Systems failed to provide substantiating data with respect to interest or earnings claims in violation of Section 36-510(2) of the Connecticut General Statutes. Since neither respondent requested a hearing on the Order to Cease and Desist, the Order to Cease and Desist became permanent on April 25, 1990. A hearing on the Notice of Intent to Fine has been scheduled.

**Commercial Monetary Development, Inc.**  
**Mike Ryan**

On May 30, 1990, the agency issued an Order to Cease and Desist against Commercial Monetary Development, Inc., now or formerly of 7920 Ward Parkway, Kansas City, Missouri and its representative Mike Ryan. The Order was based on allegations that the corporation violated the Connecticut Business Opportunity Investment Act by offering or selling unregistered business opportunities to Connecticut residents for the purpose of enabling those residents to start a loan brokerage business. The Order afforded Commercial Monetary Development, Inc. and Mike Ryan an opportunity for a hearing on the allegations therein.

**Vendall Corporation**  
**Craig Whitaker and Steve Watson**

On June 18, 1990, the department issued an Order to Cease and Desist against Vendall Corporation ("Vendall"), Craig Whitaker and Steve Watson. The Order was based on allegations that Vendall, a Medford, Oregon corporation, through its representatives Craig Whitaker and Steve Watson, violated the Connecticut Business Opportunity Investment Act by offering and selling unregistered vending machine business opportunities to Connecticut residents. Since none of the respondents requested a hearing, the Order became permanent on July 6, 1990.

## Stipulation Agreements

### Gateway Securities, Inc.

On January 11, 1990, the agency entered into a Stipulation Agreement with Gateway Securities, Inc. of 45 East Putnam Avenue, Suite 121, Greenwich, Connecticut. The Stipulation Agreement followed a Securities and Business Investments Division investigation into the firm's business activities, including its role in the offer and sale of securities of an entity known variously as Crystl Dolphin, Crystl Dolphin, Inc., Crystl Dolphin Yachts, Inc., Crystl Yachts, Ltd. and Crystl Dolphin, Ltd. by one David E. Weston, a former agent of Gateway Securities, Inc. The Division's investigation revealed that, from approximately 1986 through 1987, Weston solicited some seven Gateway customers located in Connecticut and neighboring states to invest funds in Crystl Dolphin; that the Connecticut investors alone collectively invested \$75,000 in Crystl Dolphin; that the Crystl Dolphin investment was not registered pursuant to Section 36-485 of the Connecticut General Statutes; that in reality the Crystl Dolphin was Weston's yacht from which he conducted securities business; and that checks received from Weston for interest payments on the Crystl Dolphin investments were credited to customers' accounts at Gateway.

The Division also ascertained that the firm employed one Robert Alan Laitman to transact business as an agent between September 20, 1988 and January 5, 1989 when Laitman was not registered as an agent of Gateway Securities, Inc. in the state. According to the Division, in permitting the Crystl Dolphin interest payments to be credited to customer accounts, Gateway customers were lead to believe that the firm had conducted appropriate due diligence with respect to those transactions and authorized Weston's activities in connection therewith. The Division also alleged that by allowing Weston to effect unregistered securities transactions, Gateway failed to adequately supervise its agents and institute an effective system of supervisory procedures. The Division also maintained that the firm's failure to supervise was evident in its allowing Laitman to transact business as an agent when he was not registered as such. The Division further alleged that the foregoing conduct, if proven, would have constituted grounds for the revocation of Gateway Securities, Inc.'s broker-dealer registration under Section 36-484 of the Connecticut General Statutes and Section 36-500-15 of the Regulations of Connecticut State Agencies.

Pursuant to the Stipulation Agreement, Gateway Securities, Inc. agreed to 1) pay to the agency an administrative fine in the amount of \$15,000 as well as investigative costs of \$10,000; 2) accept a letter of censure from the Commissioner; 3) engage an independent consultant to review its compliance and supervisory policies, practices and procedures; 4) implement the recommendations made by the consultant; 5) notify the Division Director for a period of one year of any oral or written complaints concerning securities matters received from customers and 6) for a period of five business days from the date the Agreement was executed by the Commissioner, restrict its Connecticut securities brokerage activities to unsolicited trades with Connecticut residents.

**First Eagle, Inc.**

On February 5, 1990, the department entered into a Stipulation Agreement with First Eagle, Inc. of 5970 South Greenwood Plaza Boulevard, Suite 111, Englewood, Colorado. The Stipulation Agreement followed an investigation by the department's Securities and Business Investments Division into the sale of securities in Connecticut by agents of the firm's Colorado Springs branch office. The Stipulation Agreement was based on allegations that in 1988, the firm employed Robert J. Arnot and Clifford C. Miller to represent it in effecting securities transactions for Connecticut residents at a time when neither Arnot nor Miller were registered as agents of the firm in Connecticut. Pursuant to the Stipulation Agreement, First Eagle, Inc. agreed to 1) offer to rescind those securities transactions effected in violation of Section 36-474(a) of the Connecticut General Statutes; 2) pay to the agency a fine which included investigative costs of \$1,000; and 3) submit to the agency a written undertaking stating that the firm would implement and enforce supervisory procedures designed to prevent and detect future regulatory violations.

**Gilman Planning Services, Inc.**  
**Jonathan Charles Gilman**

On March 1, 1990, the agency entered into a Stipulation Agreement with Gilman Planning Services, Inc. of 25 Gilman Road, Gilman, Connecticut and Jonathan Charles Gilman, its president and owner. The Stipulation Agreement followed an August 4, 1989 Notice of Intent to Deny Registration as an Investment Adviser issued with respect to the firm and an August 4, 1989 Notice of Intent to Deny Registration as an Investment Adviser Agent issued with respect to Jonathan Charles Gilman.

The Notice of Intent to deny the firm's registration was predicated on allegations that, from 1985 to 1988, the firm had wilfully transacted business as an investment adviser in the state without being registered as such under the Connecticut Uniform Securities Act; that the firm had wilfully violated the antifraud provisions in Section 36-473(2) of the Connecticut General Statutes by representing to clients that it was registered with the department as an investment adviser; that the firm had wilfully failed to maintain tangible assets in excess of liabilities to the extent of at least \$1,000 in violation of Section 36-500-8(c) of the Regulations of Connecticut State Agencies; and that the firm had wilfully violated Section 36-500-13(b)(2)(B)(i) of the Regulations in that it failed to provide the department with telegraphic notice that its tangible assets over liabilities were less than that required by Section 36-500-8(c) of the Regulations, and failed to file with the department up-to-date statements of its financial condition and supplemental schedules and reports.

The Notice of Intent to deny Jonathan Gilman's registration as an investment adviser agent was based on allegations that Gilman wilfully violated the antifraud provisions in Section 36-473(2) of the Connecticut General Statutes by providing clients of Gilman Planning Services, Inc. with a document which falsely represented that the firm was registered as an investment adviser in the state.

Pursuant to the Stipulation Agreement, the firm agreed that, within twenty days following execution of the Stipulation Agreement by the department, it would offer rescission to each of its investment advisory clients. The firm also agreed to reimburse the Securities and Business Investments Division \$3,500 for costs incurred during the Division's investigation. The Stipulation Agreement also provided that the firm and Jonathan Gilman would comply with all regulatory requirements governing investment advisers and investment adviser agents.

#### Harold C. Brown & Co., Inc.

On March 16, 1990, the department entered into a Stipulation Agreement with Harold C. Brown & Co., Inc. of 120 Delaware Avenue, Buffalo, New York. Information obtained by the department's Securities and Business Investments Division indicated that the firm executed securities transactions for thirteen Connecticut customers at a time when the firm was not registered as a broker-dealer in the state.

Pursuant to the Stipulation Agreement, the firm agreed to 1) review and modify its supervisory procedures to detect and prevent future regulatory violations; 2) offer rescission to its Connecticut customers within thirty days following execution of the Stipulation Agreement by the Commissioner; 3) designate an individual to be responsible for ensuring compliance with state registration requirements; and 4) reimburse the agency \$5,000 for its investigative costs within three business days following execution of the Stipulation Agreement by the agency.

#### Robert J. Arnot

On March 19, 1990, the department entered into a Stipulation Agreement with Robert J. Arnot of Pueblo, Colorado. The Stipulation Agreement followed a Securities and Business Investments Division investigation which uncovered indications that Arnot, while employed by First Eagle, Inc., a broker-dealer, executed a securities transaction at a time when he was not registered as an agent of the firm, in alleged violation of Section 36-474(a) of the Connecticut General Statutes. Pursuant to the Stipulation Agreement, Arnot agreed to accept a letter of censure from the Commissioner and to pay a \$300 fine.

#### Allied Capital Group

On March 21, 1990, the department entered into a Stipulation Agreement with Allied Capital Group, now or formerly of 4643 South Ulster Street, Suite 1560, Denver, Colorado. The Stipulation Agreement followed a November 24, 1989 Notice of Intent to Revoke Registration as a Broker-dealer and Notice of Intent to Fine issued with respect to the firm. The Notices had been predicated on allegations that the firm had offered and sold unregistered securities and employed an unregistered agent in contravention of §36-485 and §36-474 of the Connecticut Uniform Securities Act.



In the Stipulation Agreement, the firm admitted the factual allegations in the Notices and represented that it had ceased conducting business as a broker-dealer. In partial consideration of the Commissioner entering into the Stipulation Agreement, Allied Capital Group procured from its president, Peter F. Mercaldi, Jr. an undertaking pursuant to which Mercaldi agreed 1) to refrain for three years from acting in a supervisory capacity with respect to any broker-dealer transacting business in Connecticut; and 2) not to transact business as a broker-dealer agent in Connecticut for thirty consecutive business days from the effective date of the Stipulation Agreement.

#### **AIC Investment Advisors, Inc.**

On April 9, 1990, the department entered into a Stipulation Agreement with AIC Investment Advisors, Inc. of 7 North Street, Pittsfield, Massachusetts. The Stipulation Agreement followed a Securities and Business Investments Division investigation which indicated that the firm had transacted business in the state as an investment adviser commencing in 1987 without being properly registered under the Connecticut Uniform Securities Act.

Pursuant to the Stipulation Agreement, AIC Investment Advisors, Inc. agreed to 1) offer to rescind investment advisory contracts entered into with Connecticut clients; and 2) reimburse the agency up to \$500 for the cost of an examination to be conducted within one year from the execution of the Stipulation Agreement by the department.

#### **John Francis Perry**

On April 18, 1990, the department entered into a Stipulation Agreement with John Francis Perry of Vernon, Connecticut. The Stipulation Agreement followed a Securities and Business Investments Division investigation which uncovered indications that, while an agent of Anchor National Financial Services, Inc. in 1985 and 1986, Perry effected transactions for clients in the securities of Beaver Associates I Limited Partnership without submitting the trades for recording on the records of Anchor National Financial Services, Inc. The investigation also revealed that Perry purportedly recommended the purchase of Beaver Associates I Limited Partnership units to a client without regard to the client's sophistication level. Pursuant to the Stipulation Agreement, Perry agreed to 1) refrain from purchasing, selling or recommending exempt private placement securities on behalf of customers or clients; and 2) offer restitution to the investor who purchased Beaver Associates I Limited Partnership units.

#### **Susan Clancy Dougherty**

On April 19, 1990, the department entered into a Stipulation Agreement with Susan Clancy Dougherty d/b/a Susan C. Dougherty & Associates of 11 Griswold Court, Waterford, Connecticut. The Stipulation Agreement followed a Securities and Business Investments Division investigation which revealed indications that

Susan C. Dougherty & Associates had transacted business as an investment adviser absent registration in alleged violation of Section 36-474(a) of the Connecticut Uniform Securities Act and that Susan C. Dougherty had purportedly violated Section 36-473(a) of the Act by holding Susan C. Dougherty & Associates out to the public as a "Registered Investment Adviser" when it was not registered. Pursuant to the Stipulation Agreement, Susan C. Dougherty & Associates agreed to offer rescission to investment advisory clients, and both Susan Clancy Dougherty and Susan C. Dougherty & Associates agreed to comply with regulatory requirements governing investment advisers and investment adviser agents.

**Darwood Associates, Inc.**

On April 27, 1990, the department entered into a Stipulation Agreement with Darwood Associates, Inc. of 200 Liberty Street, New York, New York. The Stipulation Agreement followed a Securities and Business Investments Division investigation which indicated that the firm had executed securities transactions for one or more Connecticut clients at a time when it was not registered as a broker-dealer in the state. Pursuant to the Stipulation Agreement, the firm agreed to 1) review and revise, as necessary, its supervisory procedures to detect and prevent future regulatory violations, and 2) reimburse the agency \$500 for investigative costs.

**Templeton Funds, Inc.**

**Templeton Funds Management, Inc.**

On April 27, 1990, the department entered into a Stipulation Agreement with Templeton Funds Management, Inc. ("TFM") and Templeton Funds, Inc. ("TFI"), both of 700 Central Avenue, St. Petersburg, Florida. The Stipulation Agreement followed a Securities and Business Investments Division investigation that revealed that from approximately February 22, 1989 to August 30, 1989, sales of Templeton World Fund shares were made to Connecticut residents at a time when such shares were either not registered under Section 36-485 of the Connecticut Uniform Securities Act or when an exemption pursuant to Section 36-490(b)(11)(B) of the Act was not perfected through the filing of a notice with the agency. Pursuant to the Stipulation Agreement, 1) TFI and TFM agreed to review and modify their compliance procedures to detect and prevent future regulatory violations; 2) TFI and TFM agreed to comply with post-effective filing requirements and file renewal applications for Fund shares in a timely manner; and 3) TFM agreed to pay the agency a monetary settlement of \$5,000 constituting reimbursement for investigative costs and registration fees.

**Tweedy, Browne L.P.**

On May 18, 1990, the agency entered into a Stipulation Agreement with Tweedy, Browne L.P. of 52 Vanderbilt Avenue, New York, New York. The Stipulation Agreement followed a Securities and Business Investments Division investigation into allegations that the entity transacted business as an investment adviser and as a broker-dealer absent registration under the Connecticut Uniform Securities Act.

In furtherance of its desire to settle the matter, Tweedy, Browne Company, L.P. represented that it would make a \$5,000 contribution to a Connecticut charity. Pursuant to the Stipulation Agreement, Tweedy, Browne Company L.P. agreed to 1) review and modify its supervisory procedures to detect and prevent future regulatory violations; 2) reimburse the Division \$10,000 for investigative costs; 3) pay a \$10,000 fine; and 4) pay the cost, not to exceed \$1,000, of an examination of its books and records to be conducted by the Division within 18 months following execution of the Stipulation Agreement.

#### **Shaun K. Cummings**

On May 21, 1990, the agency entered into a Stipulation Agreement with Shaun K. Cummings, an agent of J. T. Moran & Co., Inc. and the subject of an October 13, 1989 Notice of Intent to Revoke Registration as an Agent as well as a Notice of Intent to Fine. Pursuant to the Stipulation Agreement, Mr. Cummings agreed that, for a ten day period, he would refrain from offering or selling to Connecticut residents securities exempt from registration under Section 36-490(b)(2)(A) of the Connecticut Uniform Securities Act (the manual exemption).

#### **Paul M. Demoor**

On May 21, 1990, the department entered into a Stipulation Agreement with Paul M. Demoor, an agent of J. T. Moran & Co., Inc. and the subject of an October 13, 1989 Notice of Intent to Revoke Registration as an Agent, as well as a Notice of Intent to Fine.

Pursuant to the Stipulation Agreement, Mr. Demoor agreed to 1) pay a fine of \$2,470; 2) be barred for a 60 day period from soliciting for purchase or sale any securities having a bid price of less than \$3.00 at the time of the solicitation or sale, other than exchange listed securities, securities quoted on the National Market System of the NASD, investment company shares, securities whose income is exempt from federal taxation and any bond or similar type of security; and 3) refrain for 10 days from offering or selling to Connecticut residents securities exempt from registration under Section 36-490(b)(2)(A) of the Connecticut Uniform Securities Act (the manual exemption).

#### **Gregory P. Ferguson**

On May 21, 1990, the agency entered into a Stipulation Agreement with Gregory P. Ferguson, an agent of J. T. Moran & Co., Inc. and the subject of an October 13, 1989 Notice of Intent to Revoke Registration as an Agent, as well as a Notice of Intent to Fine. Pursuant to the Stipulation Agreement, Mr. Ferguson agreed to 1) pay a fine of \$1,615; 2) be barred for a 60 day period from soliciting for purchase or sale any securities having a bid price of less than \$3.00 at the time of the solicitation or sale, other than exchange listed securities, securities quoted on the National Market System of the NASD, investment company shares, securities whose income is exempt from federal taxation and any bond or similar type of security; and 3) refrain for 10 days from offering or selling to Connecticut residents securities exempt from registration under Section 36-490(b)(2)(A) of the Connecticut Uniform Securities Act (the manual exemption).

**Michael J. Garand**

On May 21, 1990, the department entered into a Stipulation Agreement with Michael J. Garand, an agent of J. T. Moran & Co., Inc. and the subject of an October 13, 1989 Notice of Intent to Revoke Registration as an Agent, as well as a Notice of Intent to Fine.

Pursuant to the Stipulation Agreement, Mr. Garand agreed to 1) pay a fine of \$1,710; 2) be barred for a 60 day period from soliciting for purchase or sale any securities having a bid price of less than \$3.00 at the time of the solicitation or sale, other than exchange listed securities, securities quoted on the National Market System of the NASD, investment company shares, securities whose income is exempt from federal taxation and any bond or similar type of security; and 3) refrain for 10 days from offering or selling to Connecticut residents securities exempt from registration under Section 36-490(b)(2)(A) of the Connecticut Uniform Securities Act (the manual exemption).

**Kevin H. Kading**

On May 21, 1990, the agency entered into a Stipulation Agreement with Kevin H. Kading, an agent of J. T. Moran & Co., Inc. and the subject of an October 13, 1989 Notice of Intent to Revoke Registration as an Agent, as well as a Notice of Intent to Fine. Pursuant to the Stipulation Agreement, Mr. Kading agreed to pay a \$5,000 fine and to accept a letter of censure from the Commissioner.

**Arthur J. Kruesi**

On May 21, 1990, the department entered into a Stipulation Agreement with Arthur J. Kruesi, an agent of J. T. Moran & Co., Inc. and the subject of an October 13, 1989 Notice of Intent to Revoke Registration as an Agent, as well as a Notice of Intent to Fine. Pursuant to the Stipulation Agreement, Mr. Kruesi agreed to refrain for 10 days from offering or selling to Connecticut residents securities exempt from registration under Section 36-490(b)(2)(A) of the Connecticut Uniform Securities Act (the manual exemption).

**Christian P. Lord**

On May 21, 1990, the department entered into a Stipulation Agreement with Christian P. Lord, an agent of J. T. Moran & Co., Inc. and the subject of an October 13, 1989 Notice of Intent to Revoke Registration as an Agent, as well as a Notice of Intent to Fine. Pursuant to the Stipulation Agreement, Mr. Lord agreed to 1) pay a fine of \$570; and 2) be barred for a 60 day period from soliciting for purchase or sale any securities having a bid price of less than \$3.00 at the time of the solicitation or sale, other than exchange listed securities, securities quoted on the National Market System of the NASD, investment company shares, securities whose income is exempt from federal taxation and any bond or similar type of security.

**Andrew R. McIntire**

On May 21, 1990, the agency entered into a Stipulation Agreement with Andrew R. McIntire, an agent of J. T. Moran & Co., Inc. and the subject of an October 13, 1989 Notice of Intent to Revoke Registration as an Agent, as well as a Notice of Intent to Fine. Pursuant to the Stipulation Agreement, Mr. McIntire agreed to 1) pay a fine of \$760; and 2) refrain for 10 days from offering or selling to Connecticut residents securities exempt from registration under Section 36-490(b)(2)(A) of the Connecticut Uniform Securities Act (the manual exemption).

**Brian P. McManus**

On May 21, 1990, the department entered into a Stipulation Agreement with Brian P. McManus, an agent of J. T. Moran & Co., Inc. and the subject of an October 13, 1989 Notice of Intent to Revoke Registration as an Agent, as well as a Notice of Intent to Fine. Pursuant to the Stipulation Agreement, Mr. McManus agreed to 1) pay a fine of \$500; and 2) be barred for a 60 day period from soliciting for purchase or sale any securities having a bid price of less than \$3.00 at the time of the solicitation or sale, other than exchange listed securities, securities quoted on the National Market System of the NASD, investment company shares, securities whose income is exempt from federal taxation and any bond or similar type of security.

**Daniel Moscatiello**

On May 21, 1990, the department entered into a Stipulation Agreement with Daniel Moscatiello, an agent of J. T. Moran & Co., Inc. and the subject of an October 13, 1989 Notice of Intent to Revoke Registration as an Agent, as well as a Notice of Intent to Fine. Pursuant to the Stipulation Agreement, Mr. Moscatiello agreed to 1) pay a fine of \$760; and 2) be barred for a 60 day period from soliciting for purchase or sale any securities having a bid price of less than \$3.00 at the time of the solicitation or sale, other than exchange listed securities, securities quoted on the National Market System of the NASD, investment company shares, securities whose income is exempt from federal taxation and any bond or similar type of security.

**Terence G. O'Brien**

On May 21, 1990, the department entered into a Stipulation Agreement with Terence G. O'Brien, an agent of J. T. Moran & Co., Inc. and the subject of an October 13, 1989 Notice of Intent to Revoke Registration as an Agent, as well as a Notice of Intent to Fine. Pursuant to the Stipulation Agreement, Mr. O'Brien agreed to 1) pay a fine of \$665; and 2) refrain for 10 days from offering or selling to Connecticut residents securities exempt from registration under Section 36-490(b)(2)(A) of the Connecticut Uniform Securities Act (the manual exemption).

**Andrew F. O'Connell**

On May 21, 1990, the department entered into a Stipulation Agreement with Andrew F. O'Connell, an agent of J. T. Moran & Co., Inc. and the subject of an October 13, 1989 Notice of Intent to Revoke Registration as an Agent, as well as a Notice of Intent to Fine. Pursuant to the Stipulation Agreement, Mr. O'Connell agreed to 1) pay a fine of \$1,140; and 2) refrain for 10 days from offering or selling to Connecticut residents securities exempt from registration under Section 36-490(b)(2)(A) of the Connecticut Uniform Securities Act (the manual exemption).

**Michael J. Parenti, Sr.**

On May 21, 1990, the agency entered into a Stipulation Agreement with Michael J. Parenti, Sr., an agent of J. T. Moran & Co., Inc. and the subject of an October 13, 1989 Notice of Intent to Revoke Registration as an Agent, as well as a Notice of Intent to Fine.

Pursuant to the Stipulation Agreement, Mr. Parenti agreed to 1) pay a fine of \$855; and 2) be barred for a 60 day period from soliciting for purchase or sale any securities having a bid price of less than \$3.00 at the time of the solicitation or sale, other than exchange listed securities, securities quoted on the National Market System of the NASD, investment company shares, securities whose income is exempt from federal taxation and any bond or similar type of security.

**Michael A. Perillo**

On May 21, 1990, the department entered into a Stipulation Agreement with Michael A. Perillo, an agent of J. T. Moran & Co., Inc. and the subject of an October 13, 1989 Notice of Intent to Revoke Registration as an Agent, as well as a Notice of Intent to Fine.

Pursuant to the Stipulation Agreement, Mr. Perillo agreed to 1) pay a fine of \$950; and 2) be barred for a 60 day period from soliciting for purchase or sale any securities having a bid price of less than \$3.00 at the time of the solicitation or sale, other than exchange listed securities, securities quoted on the National Market System of the NASD, investment company shares, securities whose income is exempt from federal taxation and any bond or similar type of security.

**John Ruis**

On May 21, 1990, the agency entered into a Stipulation Agreement with John Ruis, an agent of J. T. Moran & Co., Inc. and the subject of an October 13, 1989 Notice of Intent to Revoke Registration as an Agent, as well as a Notice of Intent to Fine.

Pursuant to the Stipulation Agreement, Mr. Ruis agreed to 1) pay a fine of \$1,140; and 2) be barred for a 60 day period from soliciting for purchase or sale any securities having a bid price of less than \$3.00 at the time of the solicitation or sale, other than exchange listed securities, securities quoted on the National Market System of the NASD, investment company shares, securities whose income is exempt from federal taxation and any bond or similar type of security.

**Eugene R. Tournour**

On May 21, 1990, the department entered into a Stipulation Agreement with Eugene R. Tournour, an agent of J. T. Moran & Co., Inc. and the subject of an October 13, 1989 Notice of Intent to Revoke Registration as an Agent, as well as a Notice of Intent to Fine. Pursuant to the Stipulation Agreement, Mr. Tournour agreed to refrain for 10 days from offering or selling to Connecticut residents securities exempt from registration under Section 36-490(b)(2)(A) of the Connecticut Uniform Securities Act (the manual exemption).

**Michael F. Umbro**

On May 21, 1990, the department entered into a Stipulation Agreement with Michael F. Umbro, an agent of J. T. Moran & Co., Inc. and the subject of an October 13, 1989 Notice of Intent to Revoke Registration as an Agent, as well as a Notice of Intent to Fine.

Pursuant to the Stipulation Agreement, Mr. Umbro agreed to 1) pay a fine of \$4,465; 2) be barred for a 60 day period from soliciting for purchase or sale any securities having a bid price of less than \$3.00 at the time of the solicitation or sale, other than exchange listed securities, securities quoted on the National Market System of the NASD, investment company shares, securities whose income is exempt from federal taxation and any bond or similar type of security; and 3) refrain for 10 days from offering or selling to Connecticut residents securities exempt from registration under Section 36-490(b)(2)(A) of the Connecticut Uniform Securities Act (the manual exemption).

**PaineWebber, Inc.**

On May 24, 1990, the agency entered into a Stipulation Agreement with PaineWebber, Inc. of 1285 Avenue of the Americas, New York, New York. The Stipulation Agreement followed a Securities and Business Investments Division investigation which alleged that, between October 1988 and February 1989, the firm employed one James Alan Joseph as an agent while Joseph was not registered as such in violation of Section 36-474(b) of the Connecticut Uniform Securities Act. Pursuant to the Stipulation Agreement, the firm agreed to 1) pay a \$2,400 fine to the State of Connecticut and 2) review and modify its supervisory procedures to detect and prevent violations of the Connecticut Uniform Securities Act and the Regulations thereunder.

**Steven W. Albert**

On June 15, 1990, the agency entered into a Stipulation Agreement with Steven W. Albert, an agent of J. T. Moran & Co., who was the subject of an October 13, 1989 Order to Cease and Desist and Notice of Intent to Fine. The Order to Cease and Desist and Notice of Intent to Fine followed a Securities and Business Investments Division investigation into the sale of unregistered securities by the firm and its agents.

Pursuant to the Stipulation Agreement, Steven W. Albert agreed to refrain for ten days from offering or selling to Connecticut residents securities which were exempt from registration under Section 36-490(b)(2)(A) of the Connecticut Uniform Securities Act (the manual exemption).

**Steven D. Allbright**

On June 15, 1990, the department entered into a Stipulation Agreement with Steven D. Allbright, an agent of J. T. Moran & Co., who was the subject of an October 13, 1989 Notice of Intent to Revoke Registration as an agent and Notice of Intent to Fine. The Notice of Intent to Revoke Registration and Notice of Intent to Fine followed a Securities and Business Investments Division investigation into the sale of unregistered securities by the firm and its agents.

Pursuant to the Stipulation Agreement, Steven D. Allbright agreed to 1) pay a \$570 fine to the agency; and 2) be barred for 60 days from soliciting for purchase or sale any security having a bid price of less than \$3.00 at the time of such solicitation or sale, other than securities listed on a national securities exchange or quoted on the National Market System of the NASD, securities of investment companies formed under the Investment Company Act of 1940, securities whose income is exempt from federal taxation and bonds or similar types of securities.

**Steven Michael Damiani**

On June 15, 1990, the department entered into a Stipulation Agreement with Steven Michael Damiani, an agent of J. T. Moran & Co., who was the subject of an October 13, 1989 Notice of Intent to Revoke Registration as an Agent and Notice of Intent to Fine. The Notice of Intent to Revoke Registration and Notice of Intent to Fine followed a Securities and Business Investments Division investigation into the sale of unregistered securities by the firm and its agents.

Pursuant to the Stipulation Agreement, Steven Michael Damiani agreed to 1) pay a \$560 fine to the agency; and 2) refrain for ten days from offering or selling to Connecticut residents securities which were exempt from registration under Section 36-490(b)(2)(A) of the Connecticut Uniform Securities Act (the manual exemption).

**Leo Liberato DiLoreto**

On June 15, 1990, the agency entered into a Stipulation Agreement with Leo Liberato DiLoreto, an agent of J. T. Moran & Co., who was the subject of an October 13, 1989 Order to Cease and Desist and Notice of Intent to Fine. The Order to Cease and Desist and Notice of Intent to Fine followed a Securities and Business Investments Division investigation into the sale of unregistered securities by the firm and its agents.

Pursuant to the Stipulation Agreement, Leo Liberato DiLoreto agreed to refrain for ten days from offering or selling to Connecticut residents securities which were exempt from registration under Section 36-490(b)(2)(A) of the Connecticut Uniform Securities Act (the manual exemption).



**Eugene R. Ellis, II**

On June 15, 1990, the agency entered into a Stipulation Agreement with Eugene R. Ellis, II, an agent of J. T. Moran & Co., who was the subject of an October 13, 1989 Order to Cease and Desist and Notice of Intent to Fine. The Order to Cease and Desist and Notice of Intent to Fine followed a Securities and Business Investments Division investigation into the sale of unregistered securities by the firm and its agents.

Pursuant to the Stipulation Agreement, Ellis agreed to 1) pay a \$250 fine to the agency; 2) be barred for three years from soliciting for purchase or sale any security in the State of Connecticut; and 3) after expiration of the bar, refrain for ten days from offering or selling to Connecticut residents securities which were exempt from registration under Section 36-490(b)(2)(A) of the Connecticut Uniform Securities Act (the manual exemption).

**Lawrence A. Emmons**

On June 15, 1990, the department entered into a Stipulation Agreement with Lawrence A. Emmons, an agent of J. T. Moran & Co., who was the subject of an October 13, 1989 Notice of Intent to Revoke Registration as an Agent and Notice of Intent to Fine. The Notice of Intent to Revoke Registration as an Agent and Notice of Intent to Fine followed a Securities and Business Investments Division investigation into the sale of unregistered securities by the firm and its agents.

Pursuant to the Stipulation Agreement, Emmons agreed to 1) pay a \$500 fine to the agency; 2) be barred for two years from soliciting for purchase or sale any security in the State of Connecticut and 3) commencing upon the expiration of the bar, refrain for ten days from offering or selling to Connecticut residents securities which were exempt from registration under Section 36-490(b)(2)(A) of the Connecticut Uniform Securities Act (the manual exemption).

**Mathew M. Folds**

On June 15, 1990, the agency entered into a Stipulation Agreement with Mathew M. Folds, an agent of J. T. Moran & Co., who was the subject of an October 13, 1989 Notice of Intent to Revoke Registration as an Agent and Notice of Intent to Fine. The Notice of Intent to Revoke Registration and Notice of Intent to Fine followed a Securities and Business Investments Division investigation into the sale of unregistered securities by the firm and its agents.

Pursuant to the Stipulation Agreement, Folds agreed to refrain for ten days from offering or selling to Connecticut residents securities which were exempt from registration under Section 36-490(b)(2)(A) of the Connecticut Uniform Securities Act (the manual exemption).

**John C. Gaudio**

On June 15, 1990, the department entered into a Stipulation Agreement with John C. Gaudio, an agent of J. T. Moran & Co., who was the subject of an October 13, 1989 Order to Cease and Desist and Notice of Intent to Fine. The Order to Cease and Desist and Notice of Intent to Fine followed a Securities and Business Investments Division investigation into the sale of unregistered securities by the firm and its agents.

Pursuant to the Stipulation Agreement, Gaudio agreed to 1) pay a \$500 fine to the agency; 2) be barred for two years from soliciting for purchase or sale any security in the State of Connecticut; and 3) commencing upon the expiration of the bar, refrain for ten days from offering or selling to Connecticut residents securities which were exempt from registration under Section 36-490(b)(2)(A) of the Connecticut Uniform Securities Act (the manual exemption).

**Michael Kingman Hsu**

On June 15, 1990, the agency entered into a Stipulation Agreement with Michael Kingman Hsu, an agent of J. T. Moran & Co., who was the subject of an October 13, 1989 Order to Cease and Desist and Notice of Intent to Fine. The Order to Cease and Desist and Notice of Intent to Fine followed a Securities and Business Investments Division investigation into the transaction of business by unregistered agents of J. T. Moran & Co.

Pursuant to the Stipulation Agreement, Hsu agreed to 1) offer to rescind those trades executed for Connecticut clients through J. T. Moran & Company, Inc. and 2) pay a \$1,000 fine to the agency.

**Kenneth J. Murphy**

On June 15, 1990, the department entered into a Stipulation Agreement with Kenneth J. Murphy, an agent of J. T. Moran & Co., who was the subject of an October 13, 1989 Notice of Intent to Revoke Registration as an Agent and Notice of Intent to Fine. The Notice of Intent to Revoke Registration and Notice of Intent to Fine followed a Securities and Business Investments Division investigation into the sale of unregistered securities by the firm and its agents.

Pursuant to the Stipulation Agreement, Murphy agreed to 1) pay a \$500 fine to the agency; and 2) be barred for 60 days from soliciting for purchase or sale any security having a bid price of less than \$3.00 at the time of such solicitation or sale, other than securities listed on a national securities exchange or quoted on the National Market System of the NASD, securities of investment companies formed under the Investment Company Act of 1940, securities whose income is exempt from federal taxation and bonds or similar types of securities.

**Stephen P. Porzio**

On June 15, 1990, the agency entered into a Stipulation Agreement with Stephen P. Porzio, an agent of J. T. Moran & Co., who was the subject of an October 13, 1989 Notice of Intent to Revoke Registration as an Agent and Notice of Intent to Fine. The Notice of Intent to Revoke Registration and Notice of Intent to Fine followed a Securities and Business Investments Division investigation into the sale of unregistered securities by the firm and its agents.

Pursuant to the Stipulation Agreement, Porzio agreed to 1) pay a \$2,470 fine to the agency; and 2) be barred for 60 days from soliciting for purchase or sale any security having a bid price of less than \$3.00 at the time of such solicitation or sale, other than securities listed on a national securities exchange or quoted on the National Market System of the NASD, securities of investment companies formed under the Investment Company Act of 1940, securities whose income is exempt from federal taxation and bonds or similar types of securities.

**Bradley J. Simonelli**

On June 15, 1990, the department entered into a Stipulation Agreement with Bradley J. Simonelli, an agent of J. T. Moran & Co., who was the subject of an October 13, 1989 Order to Cease and Desist and Notice of Intent to Fine. The Order to Cease and Desist and Notice of Intent to Fine followed a Securities and Business Investments Division investigation into the sale of unregistered securities by the firm and its agents.

Pursuant to the Stipulation Agreement, Simonelli agreed to 1) pay a \$500 fine to the agency; 2) be barred for 2 years from soliciting for purchase or sale any security in the State of Connecticut and 3) commencing upon the expiration of the bar, refrain for ten days from offering or selling to Connecticut residents securities which were exempt from registration under Section 36-490(b)(2)(A) of the Connecticut Uniform Securities Act (the manual exemption).

**John F. Townsend**

On June 15, 1990, the agency entered into a Stipulation Agreement with John F. Townsend, an agent of J. T. Moran & Co., who was the subject of an October 13, 1989 Notice of Intent to Revoke Registration as an Agent and Notice of Intent to Fine. The Notice of Intent to Revoke Registration and Notice of Intent to Fine followed a Securities and Business Investments Division investigation into the sale of unregistered securities by the firm and its agents.

Pursuant to the Stipulation Agreement, Townsend agreed to 1) pay a \$1,000 fine to the agency; and 2) be barred for 3 years from soliciting for purchase or sale any security having a bid price of less than \$3.00 at the time of such solicitation or sale, other than securities listed on a national securities exchange or quoted on the National Market System of the NASD, securities of investment companies formed under the Investment Company Act of 1940 and securities whose income is exempt from federal taxation.

## Licensing Actions

### Biscayne Securities Corporation - Registration Cancelled

On January 19, 1990, the agency issued an Order Cancelling Registration as a Broker-dealer with respect to Biscayne Securities Corporation, now or formerly of 7175 West Oakland Park Boulevard, Lauderhill, Florida. The Order was based on a finding that the firm had ceased conducting business as a broker-dealer.

### Dunhill, Lord & Company - Registration Cancelled

On January 19, 1990, the department issued an Order Cancelling Registration as a Broker-dealer with respect to Dunhill, Lord & Company, now or formerly of 1452 West Cypress Creek Road, Fort Lauderdale, Florida. The Order found that the firm was no longer conducting business as a broker-dealer.

### State Street Securities, Inc. - Registration Cancelled

On January 19, 1990, the department issued an Order Cancelling Registration as a Broker-dealer with respect to State Street Securities, Inc., now or formerly of 450 Australian Avenue South, Suite 5000, West Palm Beach, Florida. The Order found that the firm had ceased conducting business as a broker-dealer.

### Winston-Frost Securities, Inc. - Registration Cancelled

On January 19, 1990, the agency issued an Order Cancelling Registration as a Broker-dealer with respect to Winston-Frost Securities, Inc., now or formerly of 11 Park Place, New York, New York. The Order was based on a finding that the firm had ceased conducting retail securities business.

### Investors Group, Ltd. - Registration Revoked

On January 19, 1990, the department entered an Order Revoking Registration as a Broker-dealer with respect to Investors Group, Ltd., a firm with its principal place of business in McLean, Virginia. In the Order, the Commissioner found that Investors Group, Ltd. had 1) wilfully violated Section 36-474 of the Connecticut Uniform Securities Act by conducting business as a broker-dealer in the state at a time when it was not registered; and 2) employed one Richard Ferris as an agent while Ferris was not registered as an agent of the firm in Connecticut in wilful violation of Section 36-474(b) of the Connecticut General Statutes. The agency also determined that Gratian Yatsevitch, formerly president of the firm, had wilfully violated Section 36-492 of the Connecticut General Statutes by filing a materially false and misleading statement with the department concerning Investors Group, Ltd.'s securities related activities in the state.

**First State Investments, Inc. - Registration Cancelled**

On January 24, 1990, the department issued an Order Cancelling Registration as a Broker-dealer with respect to First State Investments, Inc, now or formerly of 224 Spring Street, Little Rock, Arkansas. The Order contained findings that the firm had sold substantially all of its assets to Allison Rosenblum & Hannahs, Inc. on or about January 1989 and had ceased conducting business as a result.

**T. J. Holt & Company, Inc. - Registration Revoked**

On January 24, 1990, the department issued an Order Revoking Registration as an Investment Adviser with respect to T. J. Holt & Company, Inc., an investment adviser with its principal place of business at 16 Side Hill Road, Westport, Connecticut. The Order was based on findings that, from April through September 1989, the firm wilfully violated Section 36-500-8(c) of the Connecticut Uniform Securities Act Regulations by failing to have and maintain tangible assets in excess of liabilities to the extent of at least \$1,000.

**Wakefield Financial Corporation - Registration Cancelled**

On January 24, 1990, the department issued an Order Cancelling Registration as a Broker-dealer with respect to Wakefield Financial Corporation, now or formerly of 80 Broad Street, New York, New York. The order was based on findings that the firm had ceased conducting business as a broker-dealer.

**J. T. Moran & Co., Inc. - Registration Revoked Following Summary Suspension**

On March 7, 1990, the agency issued an Order revoking the broker-dealer registration of J. T. Moran & Co., Inc., now or formerly of 45 Broadway, New York, New York. The Order was based on findings by the agency that the firm had failed to have and maintain the minimum net capital prescribed by Rule 15c3-1 promulgated under the Securities Exchange Act of 1934 and therefore wilfully violated Section 36-500-8(b)(1) of the Connecticut Uniform Securities Act Regulations. The firm had been the subject of a January 19, 1990 Order of Summary Suspension predicated on similar grounds.

**Cooperative Funeral Fund, Inc. and Mark Curtis Mannix - Notices of Intent to Deny Issued and Withdrawn**

On April 9, 1990, the department issued a Notice of Intent to Deny Registration as an Investment Adviser with respect to Cooperative Funeral Fund, Inc. of 44 Irwin Street, Winthrop, Massachusetts. The Notice was based on allegations that Mark Curtis Mannix, president of Cooperative Funeral Fund, Inc. was convicted in 1983 by the Circuit Court of the 17th Judicial Court of Florida of trafficking in cannabis in an amount in excess of 100 pounds but less than 2,000 pounds; and that the firm lacked the requisite experience to become registered as an investment adviser.

On the same day, a Notice of Intent to Deny Registration as an Investment Adviser Agent was issued with respect to Mark Curtis Mannix. The Notice was predicated on Mannix's 1983 drug trafficking conviction in Florida.

On May 21, 1990, the agency entered two orders withdrawing the Notices of Intent to deny the registration of Cooperative Funeral Fund, Inc. and Mark Curtis Mannix, respectively, as an investment adviser and investment adviser agent. The orders were entered in consideration of an agreement by Cooperative Funeral Fund, Inc. and Mannix to restrict their activities such that 1) for a period of 5 years, Cooperative Funeral Fund, Inc. would provide investment advice to Escrow Agents solely for escrow funds pursuant to Pre-need Funeral Contracts; 2) Cooperative Funeral Fund, Inc. would obtain permission from the agency prior to expanding its investment advisory services; 3) Cooperative Funeral Fund, Inc. would not take custody of client or escrow funds; 4) Cooperative Funeral Fund, Inc. would notify the department prior to filing any application for broker-dealer registration; and 5) in the event Mark Mannix is arrested for any violation of law that could lead to a felony conviction, Mr. Mannix would immediately surrender the investment adviser registration of Cooperative Funeral Fund, Inc.

**Shearson Lehman Hutton, Inc. - Notice of Intent to Revoke Registration as a Broker-dealer and Investment Adviser Issued; Hearing Scheduled on Notice of Intent to Fine**

On June 26, 1990, the department issued a Notice of Intent to Revoke the broker-dealer and investment adviser registrations of Shearson Lehman Hutton, Inc. The Notice was based on allegations that during 1989, the firm wilfully violated Section 36-474(c) of the Connecticut Uniform Securities Act by employing unregistered investment adviser agents. The Notice afforded Shearson Lehman Hutton, Inc. the opportunity to request a hearing on the allegations therein.

Also on June 26, 1990, the agency issued a Notice of Intent to Fine with respect to Shearson Lehman Hutton, Inc. The Notice of Intent to Fine, which was predicated on the firm's alleged employment of unregistered investment adviser agents in violation of Section 36-474(c) of the Connecticut Uniform Securities Act, scheduled an August 9, 1990 hearing date on the question of whether a civil penalty should be imposed against the firm.

**Consent Orders**

**J. R. Bautista, Jr.**

On January 17, 1990, the department entered a Consent Order with respect to J. R. Bautista, Jr. who was previously the subject of a June 28, 1989 Notice of Intent to Fine and Order to Cease and Desist. Pursuant to the Consent Order, Bautista was prohibited for eighteen months from engaging in the solicitation for purchase or sale of any security not listed on an exchange registered with the Securities and Exchange Commission. The Consent Order also required that Bautista pay a fine of \$450 to the state. On February 20, 1990, the agency entered an Order Withdrawing the Notice of Intent to Fine Bautista.

### **Bruce Bee Belodoff**

On February 5, 1990, the agency entered a Consent Order with respect to Bruce Bee Belodoff, previously the subject of a June 28, 1989 Order to Cease and Desist and Notice of Intent to Fine. The Order to Cease and Desist and Notice of Intent to Fine was an outgrowth of an investigation by the department's Securities and Business Investments Division into the activities of Allegiance Securities, Inc., a Georgia corporation with its principal place of business at 39 Broadway, New York, New York. Belodoff purportedly represented Allegiance Securities, Inc. in effecting securities transactions while he was not registered as an agent of the firm in Connecticut. The Consent Order required that Belodoff 1) refrain for an eighteen month period from soliciting for purchase or sale any securities not listed on an exchange; 2) refrain for an eighteen month period from engaging in the solicitation for purchase or sale of any non-exchange listed securities for which the bid price had not exceeded three dollars for five consecutive days within the preceding twelve months; 3) submit to the agency a statement from his employing broker-dealer undertaking to supervise Belodoff's activities to ensure compliance with the Consent Order and with Connecticut's securities laws; and 4) pay an administrative fine of \$150.

On February 20, 1990, the department entered an Order Withdrawing the Notice of Intent to Fine Belodoff.

### **Integrated Resources Equity Corporation**

On April 9, 1990, the department entered a Consent Order with respect to Integrated Resources Equity Corporation. The Consent Order was based on allegations that during 1988 the firm failed to reasonably supervise its agent, Morton J. Potoff, in that it allowed Potoff to split commissions received in connection with the sale of securities in Connecticut with a person not registered as a broker-dealer or agent, a basis for the suspension or revocation of the firm's broker-dealer registration under Section 36-484 of the Connecticut Uniform Securities Act. The Order required that the firm reimburse the department \$7,500 for its investigative costs.

### **Morton J. Potoff**

On April 9, 1990, the department entered a Consent Order with respect to Morton J. Potoff, formerly a registered agent with Integrated Resources Equity Corporation. The Order followed a Securities and Business Investments Division investigation which uncovered evidence that, while employed as an agent of Integrated Resources Equity Corporation in 1988, Potoff improperly divided commissions received in connection with the sale of securities in Connecticut with a person not registered as an agent or broker-dealer. Potoff neither admitted nor denied that he had engaged in practices constituting a basis for administrative action under Section 36-484 of the Connecticut Uniform Securities Act. The terms of the Order required that Potoff 1) pay a \$9,700 fine to State of Connecticut; 2) reimburse the agency \$2,500 for its investigative costs; 3) accept a letter of caution from the Commissioner; and 4) review and modify the supervisory procedures of MJP Associates, Inc. to detect and prevent future regulatory violations. In furtherance of his desire to settle the matter, Potoff also acknowledged that he had made a \$5,000 contribution to a local charity.

## Stop Orders

### Armenian Express U.S.A., Inc.

On February 5, 1990, the department issued a Stop Order revoking effectiveness of the securities registration of Armenian Express U.S.A., Inc., a Delaware corporation with its principal place of business at 447 West Fifth Street, Oxnard, California. The agency found that Armenian Express U.S.A., Inc. had wilfully violated Section 36-488(b) of the Connecticut General Statutes by failing to pay the proper filing fee for the registration of its securities. While the corporation had remitted a check to the agency for the fee, that check was returned for insufficient funds, and the corporation failed to cure the deficiency despite repeated requests by the agency.

### Vendx Marketing, Inc.

On February 27, 1990, the department issued a Notice of Intent to Issue a Stop Order denying effectiveness to the pending business opportunity registration of Vendx Marketing, Inc. The corporation, based at 1550 Jones Avenue, Suite G, Idaho Falls, Idaho is in the business of offering and selling vending machines. The agency's action was predicated on allegations that Vendx Marketing, Inc. failed to make proper disclosures in its registration application, including, but not limited to, the fact that the department had on November 17, 1989 issued against the corporation an Order to Cease and Desist. The Notice of Intent to Issue a Stop Order afforded Vendx Marketing, Inc. an opportunity for hearing on the allegations therein.

### Value Investments, Ltd. (See description under Cease and Desist Orders)

### National Medical Consultants, Inc.

On February 28, 1990, the agency issued a Notice of Intent to Issue a Stop Order denying effectiveness to the pending business opportunity registration of National Medical Consultants, Inc., a Colorado corporation with its principal place of business at 179 Parkside Drive, Suite 204, Colorado Springs, Colorado.

The Notice alleged that National Medical Consultants, Inc. stated in its application for business opportunity registration that it would offer or sell services and supplies in Connecticut for the purpose of enabling purchasers thereof to set up a management consulting business for the medical profession and that it would render general management services, including financial services and financial advice. The Notice also alleged that the application was materially incomplete in that it did not disclose the nature of the financial advice and services to be rendered. The Notice further alleged that the application was materially incomplete in that it did not disclose the effect the corporation's financial condition could have on business opportunity operations in Connecticut. The Notice afforded National Medical Consultants, Inc. an opportunity for hearing on the allegations therein.



## **Administrative Fines**

• **Value Investments, Ltd., Rex N. Dungan, Ray Rodier** (See description under Cease and Desist Orders)

• **Elite Systems, David Lee Sudarsky** (See description under Cease and Desist Orders)

### **North Atlantic Planning Corporation and Thomas Dorsey George**

On April 9, 1990, the department issued a Notice of Intent to Fine with respect to North Atlantic Planning Corporation, now or formerly of 270 Farmington Avenue, Suite 210, Farmington, Connecticut, and its president Thomas Dorsey George. The Notice was based on allegations that North Atlantic Planning Corporation transacted business as an investment adviser in the state in 1987, 1988 and 1989 at a time when it was not registered as such under the Connecticut Uniform Securities Act; and that the firm engaged in an act, practice or course of business which operated as a fraud and deceit upon its advisory clients. Among other things, North Atlantic Planning Corporation allegedly misrepresented the objectivity of its investment recommendations and the connection between its president, Thomas George, and Integrated Resources Equity Corporation, a registered broker-dealer. George purportedly was registered as an agent of Integrated Resources Equity Corporation's Farmington branch office known as MJP Associates, Inc. The Notice further alleged that George violated Section 36-473(a)(2) of the Connecticut Uniform Securities Act by misrepresenting to clients that he was not connected with Integrated Resources Equity Corporation in any way.

A hearing on the Notice of Intent to Fine was scheduled.

• **Shearson Lehman Hutton, Inc.** (See description under Licensing)

## **Miscellaneous Orders**

• **J. R. Bautista, Jr. - Notice of Intent to Fine Withdrawn** (See description under Consent Orders)

• **Bruce Bee Belodoff - Notice of Intent to Fine Withdrawn** (See description under Consent Orders)

**Kortright Market Systems, Inc. - Notice of Intent to Revoke Withdrawn**

On January 3, 1990, the department issued an Order withdrawing a May 31, 1989 Notice of Intent to Revoke the investment adviser registration of Kortright Market Systems, Inc. of 31 Bloomingdale Drive, Scarsdale, New York. Kortright had entered into a Stipulation Agreement with the department on December 1, 1989 pursuant to which it agreed to 1) file timely financial reports in compliance with Connecticut law as long as it remained registered as an investment adviser in the state and 2) reimburse the agency \$500 to cover investigative costs.

**Cooperative Funeral Fund, Inc. and Mark Mannix - Notices of Intent to Deny Withdrawn** (See description under Licensing)

**Civil Referrals**

**J. T. Moran & Company, Inc.**

On February 27, 1990, the agency referred to the Office of the Attorney General a matter involving J. T. Moran & Co., Inc. The department requested that the Attorney General enforce the terms of a January 16, 1990 Stipulation Agreement which required, among other things, that the firm pay a fine of \$75,000 to the State and make partial restitution to numerous Connecticut residents who purchased securities of J. T. Moran Financial Corporation. Subsequent to the agreement, administrative proceedings were initiated against the firm based upon its failure to meet net capital requirements.

**Gratian Michael Yatsevitch, III**

On March 15, 1990, the department referred to the Office of the Attorney General a matter involving Gratian Michael Yatsevitch, III. The agency requested that the Attorney General enforce a November 17, 1989 Order imposing a \$7,500 fine against Yatsevitch for filing a materially misleading statement with the agency concerning the activities of Investors Group, Ltd., a brokerage firm of which Yatsevitch was president.

**Other Matters**

During the first half of 1990, the agency also requested that the Office of the Attorney General defend an application to quash issued with respect to a department subpoena, enforce a subpoena issued under the Connecticut Uniform Securities Act and represent the agency with respect to a complaint filed with the Freedom of Information Commission.

MID-YEAR STATISTICAL SUMMARY

January 1, 1990 - June 30, 1990

<u>REGISTRATION</u>	<u>Securities</u>	<u>Bus. Opportunities</u>
Coordination	870	n/a
Qualification	16	n/a
Regulation D Filings	685	n/a
Other Exemption or Exclusion Notices	93	19
Business Opportunity (Initial)	n/a	19
Business Opportunity (Renewal)	n/a	16

LICENSING & BRANCH OFFICE

<u>REGISTRATION</u>	<u>Broker-dealers</u>	<u>Inv. Advisers</u>	<u>Issuers</u>
Firm Initial Registrations Processed	101	52	n/a
Firms Registered as of 6/30/90	1,555	554	n/a
Agent Initial Registrations Processed	10,396	372	n/a
Agents Registered as of 6/30/90	51,010	2,700	100
Branch Office Registrations Processed	99	20	n/a
Branch Offices Registered as of 6/30/90	387	54	n/a

INVESTIGATIONS

	<u>Securities</u>	<u>Bus. Opportunities</u>
Investigations Opened	89	10
Investigations Closed	66	11
Investigations in Progress	103	28
Subpoenas Issued	61	2

ADMINISTRATIVE ENFORCEMENT ACTIONS

	<u>Number</u>	<u>Parties</u>
<u>Securities</u>		
Cease and Desist Orders	4	7
Denial, Suspension & Revocation Notices	3	3
Denial, Suspension & Revocation Orders	4	4
Cancellation Notices	0	0
Cancellation Orders	6	6
Notices of Intent to Fine	2	3
Orders Imposing Fine	0	0
Notices of Intent to Issue Stop Order	0	0
Stop Orders Issued	1	1
Miscellaneous Orders	5	5
Consent Orders Executed	4	4
Stipulation Agreements Executed	44	46
New Referrals (Civil)	5	5
New Referrals (Criminal)	0	0
<u>Business Opportunities</u>		
Cease and Desist Orders	4	10
Notices of Intent to Fine	2	5
Orders Imposing Fine	0	0
Notices of Intent to Issue Stop Order	3	3
Stop Orders Issued	1	1
Miscellaneous Orders	0	0
Consent Orders	0	0
Stipulation Agreements Executed	0	0
New Referrals (Civil)	0	0
New Referrals (Criminal)	0	0
<u>Monetary Remedies</u>		
	<u>\$ Exacted</u>	
Orders Imposing Fine (Securities)	0	
Consent Orders (Securities)	20,300	
Stipulation Agreements (Securities)	93,150	
Total	\$113,450	