STATE OF CONNECTICUT

DEPARTMENT OF BANKING

44 CAPITOL AVENUE HARTFORD, CT 06106

Ralph M. Shulansky
Commissioner

SECURITIES AND BUSINESS INVESTMENTS DIVISION

B U L L E T I N

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A WORD FROM THE BANKING COMMISSIONER

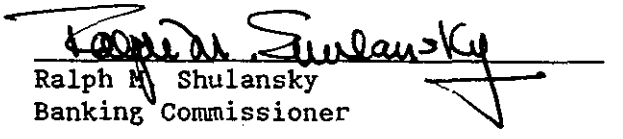
This March I was appointed banking commissioner by Governor Lowell P. Weicker, Jr. My background includes experience as a practicing attorney, state legislator, time spent as head of corporate banking and overseeing commercial lending at a large bank, and as chief financial officer for a major retailer.

To serve as deputy banking commissioner I selected Barbara Storey McGrath, who brings to the position extensive experience as an attorney with a large law firm, where she focused on bank and corporate issues, including initial public offerings, mergers and acquisitions, and other financial services transactions.

Deputy Commissioner McGrath and I look forward to working with Ralph Lambiase and his dedicated staff in the Securities and Business Investments Division of the department. They have done a commendable job protecting Connecticut's investors, and together we will continue that exemplary activity.

This Bulletin issue contains a very timely synopsis of changes in Connecticut's blue sky law made by Public Act 91-145, effective October 1, 1991. The amendments to the Connecticut Uniform Securities Act broaden its current antifraud provisions; modify the bases upon which the department may deny, suspend or revoke broker-dealer, agent or investment adviser registrations; and permit the department to independently seek court orders of restitution for violations, among other changes.

We hope that you find The Bulletin informative and valuable, and we welcome readers' comments.



Ralph M. Shulansky
Banking Commissioner

ENFORCEMENT HIGHLIGHTS

ADMINISTRATIVE SANCTIONS

Twenty-eight Ordered to Cease and Desist

- Daren John DeLuca

On January 31, 1991, following a Securities and Business Investments Division investigation, the Banking Commissioner issued an Order to Cease and Desist against Daren John DeLuca, a former agent of First Fidelity Capital Corporation. First Fidelity Capital Corporation is a broker-dealer which maintained its principal place of business at 15 West 39th Street, New York, New York. The Order was based on allegations that DeLuca transacted business as an agent of First Fidelity Capital in 1989 and 1990 when he was not registered as such under the Connecticut Uniform Securities Act. The Order also alleged that DeLuca offered and sold unregistered securities of Resource Network International and Grudge Music Group, Inc. in violation of Section 36-485 of the Act. Since Mr. DeLuca did not request a hearing within the prescribed time period, the Order became permanent on February 25, 1991.

- Robert S. Ritson - Findings of Fact, Conclusions of Law and Order Issued

On February 5, 1991, following an administrative hearing, the Banking Commissioner issued Findings of Fact, Conclusions of Law and an Order to Cease and Desist against Robert S. Ritson of Hartford, Connecticut. Ritson had been the subject of a July 10, 1990 Order to Cease and Desist which alleged that he 1) transacted business as an investment adviser absent registration under Section 36-474(c) of the Connecticut Uniform Securities Act; and 2) violated Section 36-473(b)(1) of the Act by failing to enter into advisory contracts signed by clients disclosing that he would not be compensated on the basis of a share of client profits. The Order to Cease and Desist also had alleged that Ritson violated Section 36-492 of the Act by making materially false and misleading statements concerning the purchase of securities on behalf of advisory clients.

Based on the hearing record, the Commissioner found that Ritson had, in fact, 1) transacted business as an investment adviser absent registration; and 2) violated Section 36-473(b)(1) of the Act by failing to enter into signed written contracts with clients disclosing that he would not be compensated based on a percentage of client capital gains. The Commissioner was unable to conclude, however, that Ritson effected the purchase of securities on behalf of persons to whom he rendered investment advice. Therefore, the issue of whether Ritson's related statements violated Section 36-492 of the Act was not considered. In light of the Commissioner's findings, it was ordered that Ritson cease and desist from engaging in further violative conduct.

- Richard Thomas Burke and John Scott Tournour - Cease and Desist Order Upheld Following Administrative Hearing

  On March 5, 1991, following an administrative hearing, the Commissioner upheld an October 13, 1989 Order to Cease and Desist issued against Richard Thomas Burke and John Scott Tournour. Based on his review of the record, the Commissioner found that, while employed as agents of J.T. Moran and Company, Inc. in 1988, Burke and Tournour sold unregistered securities in violation of Section 36-485 of the Connecticut Uniform Securities Act. Neither Burke nor Tournour appeared at the hearing. Although Burke and Tournour were also the subject of an October 13, 1989 Notice of Intent to Fine, the issues surrounding that Notice were severed for later consideration.

- Tri-Star Marketing Corporation of North Myrtle Beach and Cathy Teal

  On April 26, 1991, following a Securities and Business Investments Division investigation, the Banking Commissioner issued an Order to Cease and Desist against Tri-Star Marketing Corporation of North Myrtle Beach, an entity with offices at 625 Sea Mountain Highway or One Harbour Place, North Myrtle Beach, South Carolina, and its representative Cathy Teal. The Order was based on allegations that the concern violated the registration and disclosure provisions of the Connecticut Business Opportunity Investment Act by offering and selling products, equipment, supplies and services to enable Connecticut residents to start a business placing cordless telephones and computers in various business establishments. Since neither respondent requested a hearing within the prescribed time period, the Order became permanent as to both respondents on May 24, 1991.

- Quest Energy Partners Joint Venture et al.

  As a result of a Securities and Business Investments Division investigation, on May 14, 1991, the Banking Commissioner entered an Order to Cease and Desist against Quest Energy Partners Joint Venture ("Quest"), International Metals Trading Group, Inc. ("IMTG"), a/k/a International Metals Trading Corp. a/k/a International Metals Corp. a/k/a International Consultants, Inc., International Development Enterprises, Ltd. ("IDEL"), Paul Sharpley, Daniel E. Harney, Stanley Roos and Bruce A. Mackenzie. Quest and IMTG now or formerly had offices located at 1964 Westwood Boulevard, Los Angeles, California. The principal place of business of IDEL is or was located at 17514 Ventura Boulevard, Encino, California. Harney, Roos and Mackenzie were the principals of Quest. IMTG was purportedly the general partner of Quest. Roos was the president and chief executive officer of IMTG as well as a purported director of IMTG. Harney allegedly was the treasurer and "chief trader" of IMTG. Mackenzie was held out by IMTG and Quest as secretary and director of IMTG.

The Order alleged that during 1989 and in violation of Section 36-485 of the Connecticut Uniform Securities Act, Quest, IMTG and Sharpley offered and sold unregistered securities of Quest in the form of oil and gas limited partnership interests and investment contracts. The Order also claimed that Quest employed Sharpley as an unregistered agent of issuer in violation of Section 36-474(b) of the Act and that Sharpley transacted business as an unregistered agent in violation of Section 36-474(a) of the Act. The Order went on to allege that Quest, IMTG, Sharpley, Harney, Roos and Mackenzie each violated Section 36-472 of the Act by making, approving, ratifying or directing the making of materially false or misleading statements contained in the offering materials, including representations as to the exempt status of the offering; the corporate existence of Tugo, Ltd., a purported Nevada corporation; and the refund of subscription payments.

The Order also alleged that Harney and IDEL, a proposed California limited partnership whose business would focus on developing a donut manufacturing facility in China, offered unregistered limited partnership interests and investment contracts in violation of Section 36-485 of the Act; that IDEL violated Section 36-474(b) of the Act by employing Harney as an unregistered agent; and that Harney violated Section 36-474(a) of the Act by transacting business as an agent of IDEL absent registration.

Since respondents Quest, IMTG, IDEL, Harney, Roos and Mackenzie did not request a hearing within the prescribed time period, the Order became permanent as to them on June 3, 1991. Respondent Sharpley also did not request a hearing, and the Order became permanent as to him on July 11, 1991.

- Performax, Inc., Bob LaCoste and Norbert Coelho

On June 21, 1991, following a Securities and Business Investments Division investigation, the Banking Commissioner issued an Order to Cease and Desist against Performax, Inc. of 2000 N. Loop W., Suite 113, Houston, Texas, and its representatives, Bob LaCoste and Norbert Coelho. The Order alleged that the respondents violated the registration provisions in sections 36-505, 36-508 and 36-510 of the Connecticut Business Opportunity Investment Act when they offered unregistered business opportunities involving anti-theft devices for automobiles. The Order also alleged that the respondents violated Section 36-506 of the Act by failing to furnish purchaser-investors with a disclosure document. The Order provided the respondents with an opportunity for a hearing on the allegations therein.

- Vend Tech, Inc. and Larry Ballantyne

On June 21, 1991, the Banking Commissioner issued an Order to Cease and Desist against Vend Tech, Inc. of 205 North 400 West, Salt Lake City, Utah, and its representative, Larry Ballantyne. The Order, which resulted from a Securities and Business Investments Division investigation, alleged that the respondents offered unregistered business opportunities involving

vending machines and assistance in finding locations for those machines. The offer of unregistered business opportunities is a violation of Sections 36-505, 36-508 and 36-510 of the Connecticut Business Opportunity Investment Act. The Order also alleged that the respondents violated the disclosure document delivery requirement in Section 36-506 of the Act. Since neither respondent requested a hearing within the prescribed time period, the Order became permanent as to both respondents on July 11, 1991.

- Your Profit System, Inc., Katherine R. Koser and Dennis Koser

On June 25, 1991, following a Securities and Business Investments Division investigation, the Commissioner issued a Cease and Desist Order against Your Profit System, Inc. of 1421 SW 47th Avenue, Suite 1301, Fort Lauderdale, Florida and its representatives Katherine R. Koser and Dennis Koser. The Order alleged that the corporation and its representatives offered and/or sold vending machine business opportunities in Connecticut absent registration under Sections 36-505, 36-508 and 36-510 of the Connecticut Business Opportunity Investment Act. The Order also alleged that the respondents failed to deliver a disclosure document to purchaser-investors as required by Section 36-506 of the Act. Since none of the respondents requested a hearing within the prescribed time period, the Order became permanent as to each of them on July 12, 1991.

- Beverly Hills Concepts, Inc. and Charles Remington - Cease and Desist Order Upheld Following Administrative Hearing

On June 26, 1991, following an administrative hearing, the Banking Commissioner issued Findings of Fact, Conclusions of Law and an Order in the matter of Beverly Hills Concepts, Inc. and Charles Remington. The corporation and Remington had been the subject of a June 28, 1989 Order to Cease and Desist as well as a June 28, 1989 Notice of Intent to Fine. Both the Cease and Desist Order and the Notice of Intent to Fine had alleged that the corporation and Remington failed to register the corporation's health, body and skin care business opportunity under the Connecticut Business Opportunity Investment Act and failed to furnish Connecticut purchasers with a disclosure document. The Notice of Intent to Fine was withdrawn by the Commissioner on March 22, 1991. Based on the hearing record, the Banking Commissioner found that the corporation and Remington offered and sold unregistered business opportunities in violation of Sections 36-505(a), 36-508(a) and 36-510 of the Connecticut Business Opportunity Investment Act. The Commissioner also found that Beverly Hills Concepts and Remington failed to meet the disclosure document delivery requirement in Section 36-506(a) of the Act. The agency head concluded that sufficient evidence existed to uphold the Cease and Desist Order.

- Instafax Worldwide Communication Centers, Xpressfax Worldwide Communication Centers, Inc., Terry Murphy, The Telcom Group, Inc. and Robin Irvin Barber

On June 27, 1991, the Commissioner issued an Order to Cease and Desist

against Instafax Worldwide Communication Centers ("Instafax"), Xpressfax Worldwide Communication Centers, Inc. ("Xpressfax"), Terry Murphy, The Telcom Group, Inc. ("Telcom") and Robin Irvin Barber. The Order, which followed a Securities and Business Investments Division investigation, alleged violations of the Connecticut Business Opportunity Investment Act. Instafax and Xpressfax now or formerly maintained offices at 635 A. Cooper Court, Schaumberg, Illinois. Telcom now or formerly maintained an office at 801 South Rancho, Suite C-4, Las Vegas, Nevada. The Order alleged that the respondents violated the registration requirements in Sections 36-505, 36-508 and 36-510 of the Act by offering and/or selling unregistered business opportunities involving credit card activated Fax machines. The Order also claimed that the respondents represented that they would assist purchasers in finding locations for the machines. In addition, the Order alleged that the respondents failed to satisfy the disclosure document delivery requirement in Section 36-506 of the Act, and that respondents Telcom and Barber represented that they would provide a sales program or marketing program to purchaser-investors. All respondents were provided with an opportunity for a hearing on the allegations in the Order.

Twenty Enter Into Stipulation Agreements

Shearson Lehman Brothers, Inc.

On January 8, 1991, the Banking Commissioner entered into a Stipulation and Agreement with Shearson Lehman Brothers, Inc., f/k/a Shearson Lehman Hutton, Inc. The Stipulation and Agreement resolved certain allegations in a Notice of Intent to Revoke Registration as a Broker-dealer and Investment Adviser and a Notice of Intent to Fine (the "Notices"), both of which were issued on June 29, 1990 following a Securities and Business Investments Division investigation. The Notices had alleged that the firm violated Section 36-474(c) of the Connecticut Uniform Securities Act by employing, appointing or authorizing numerous individuals to act as investment adviser agents while they were not registered as such under the Act.

Pursuant to the Stipulation and Agreement, the firm agreed to pay $250,000 to the state, $175,000 of which would constitute a civil penalty and $75,000 of which would be paid into an Investor Education Fund administered by the department. The firm acknowledged that it had contributed $75,000 to Connecticut-based charitable organizations in furtherance of its desire to settle the matter.

Under the terms of the Stipulation and Agreement, the firm further agreed to issue a "compliance alert" to all branch offices regarding registration requirements for employees or representatives who referred or might refer

clients to investment advisers. The firm also agreed to ensure that branch office managers appropriately advised representatives on registration requirements. In addition, the firm undertook that, within 120 days following the Commissioner's execution of the Stipulation Agreement, it would 1) make and distribute modifications to its Policies, Regulations and Procedures Manual to ensure that supervising personnel and representatives were aware of Connecticut's registration requirements; 2) conduct training and information sessions for all financial consultants authorized to do business in Connecticut, with an emphasis on the forfeiting of compensation for any activities conducted in contravention of state registration requirements; and 3) submit a written report summarizing those steps taken to comply with key provisions of the Stipulation and Agreement. The Stipulation and Agreement also obligated the firm to pay up to $3,000 for one or more examinations of its offices to be conducted by the agency within 18 months after the Commissioner executed the Stipulation and Agreement. The Stipulation and Agreement also provided that its execution would not be construed by the department to preclude reliance on the private placement exemption in Section 36-490(b)(9) of the Connecticut Uniform Securities Act and Section 36-500-22(b)(9) of the Regulations thereunder.

In consideration of the Agreement, the agency agreed to withdraw the Notices issued on June 29, 1990.

. J. Bush & Co., Incorporated

On January 30, 1991, the Banking Commissioner entered into a Stipulation Agreement with J. Bush & Co., Incorporated of 641 Lexington Avenue, New York, New York 10022. The Stipulation Agreement followed a Securities and Business Investments Division investigation which revealed indications that the firm had transacted business as a broker-dealer and investment adviser in Connecticut absent registration under the Connecticut Uniform Securities Act, and that it had employed and paid commissions and advisory fees to unregistered agents.

Pursuant to the Stipulation Agreement, the firm agreed to: 1) review and modify its supervisory procedures to ensure compliance with regulatory requirements; 2) reimburse the Division $1,000 for its investigative costs; 3) pay $2,500 in back registration fees; 4) reimburse the Division up to $500 to cover the cost of an examination to be conducted within eighteen months following the Commissioner's execution of the Stipulation Agreement; and 5) within twenty days following the Commissioner's execution of the Stipulation Agreement, send written notice to those Connecticut clients with whom it had transacted business during its period of unregistered activity informing them of the firm's unregistered status as a broker-dealer and investment adviser.

. PVC Marketing Systems

On February 1, 1991, the Banking Commissioner entered into a Stipulation

Agreement with PVC Marketing Systems, a division of Property Valuation Consultants, Inc. of 12033 Gailcrest, St. Louis, Missouri 63131. The Stipulation Agreement followed a Securities and Business Investments Division investigation which revealed indications that in November 1989, PVC Marketing Systems offered and sold a business opportunity in Connecticut without registering the business opportunity and delivering a disclosure document under the Connecticut Business Opportunity Investment Act.

Pursuant to the Stipulation Agreement, PVC Marketing Systems agreed to 1) refrain from making further business opportunity offers or sales within or from Connecticut absent registration under the Act; 2) notify the purchaser-investor of his rights and remedies under the Act and, should the purchaser-investor elect to void the business opportunity contract, return to the purchaser-investor all sums paid to PVC Marketing Systems in accordance with Section 36-517(a) of the Act; and 3) reimburse the agency $1,000 for the Division's costs of investigation.

- Barrett & Company

On February 5, 1991, the Banking Commissioner entered into a Stipulation Agreement with Barrett & Company of 1130 Hospital Trust Building, Providence, Rhode Island. The Stipulation Agreement followed a Securities and Business Investments Division investigation which uncovered evidence that the firm transacted business in Connecticut as a broker-dealer while unregistered and employed unregistered agents, all in purported violation of Section 36-474 of the Connecticut Uniform Securities Act.

Pursuant to the Stipulation Agreement, the firm agreed to 1) review and modify its supervisory procedures to prevent and detect regulatory violations; 2) provide notice of its unregistered status to those Connecticut clients with whom it had done business while it was not registered; 3) reimburse the agency $500 for the costs of an examination to be conducted by by the Division within one year following the Commissioner's execution of the Stipulation Agreement; and 4) reimburse the agency $2,500 for the Division's investigative costs.

- M. Rimson & Co., Inc.

On February 5, 1991, the Commissioner entered into a Stipulation Agreement with M. Rimson & Co., Inc. of 160 Broadway, New York, New York. The Stipulation Agreement followed an investigation by the Securities and Business Investments Division which uncovered evidence that M. Rimson & Co., Inc. had transacted business as a broker-dealer in Connecticut while unregistered and employed unregistered agents, all in purported violation of Section 36-474 of the Connecticut Uniform Securities Act.

Pursuant to the Stipulation Agreement, the firm agreed to 1) review and revise its supervisory procedures as necessary to prevent future regulatory

violations; 2) reimburse the agency $2,000 for the Division's costs of investigation; and 3) reimburse the agency up to $1,000 for the costs of an examination to be conducted by the Division within eighteen months following the Commissioner's execution of the Stipulation Agreement.

- Steven Arnold Berman

On February 28, 1991, the Banking Commissioner entered into a Stipulation Agreement with Steven Arnold Berman, a former agent of the New York based broker-dealer, Allegiance Securities, Inc. Mr. Berman had been the subject of a June 28, 1989 Order to Cease and Desist and Notice of Intent to Fine as well as a September 14, 1990 Order Imposing a Civil Penalty. The Orders had alleged that Mr. Berman transacted business as an unregistered agent of Allegiance Securities, Inc. in 1988 and 1989.

Pursuant to the Stipulation Agreement, Mr. Berman agreed to pay a $1,000 fine and to refrain from associating in any capacity with a Connecticut registered broker-dealer for three years from the date of the Stipulation Agreement.

- Anthony J. Concatelli, Jr. d/b/a Rainbow Music Service

On February 28, 1991, the Commissioner entered into a Stipulation Agreement with Anthony J. Concatelli, Jr. d/b/a Rainbow Music Service, of 200 Farnham Road, South Windsor, Connecticut. Rainbow Music Service was a wholesale and mail order business selling records, tapes, music related items and out-of-print books to customers across the United States. The Stipulation Agreement followed a Securities and Business Investments Division investigation which revealed indications that, from approximately December 1985 through 1987, Mr. Concatelli d/b/a Rainbow Music Service, offered and sold securities in the form of Investment Loan Contracts absent registration under Section 36-485 of the Connecticut Uniform Securities Act.

Pursuant to the Stipulation Agreement, Mr. Concatelli, individually and as owner of Rainbow Music Service, agreed to refrain from regulatory violations; not to act as a broker-dealer, agent, investment adviser or investment adviser agent as defined in the Act for a four year period; to consult with legal counsel prior to soliciting or accepting funds for investment purposes from public or private investors within or from Connecticut; and to provide thirty days written notice to the Division of future proposed securities-related activities.

- H.C. Copeland Financial Services, Inc.

On February 28, 1991, the Commissioner entered into a Stipulation Agreement with H.C. Copeland Financial Services, Inc. of Two Tower Center, East Brunswick, New Jersey. The Stipulation Agreement followed a Securities

and Business Investments Division investigation which uncovered indications that the firm had employed unregistered investment adviser agents in violation of Section 36-474(c) of the Connecticut Uniform Securities Act.

Pursuant to the Stipulation Agreement, the firm agreed to 1) pay the agency $1,000 to cover back investment adviser registration fees for the period from January 1984 to December 31, 1989; 2) reimburse the department $2,500 for the Division's costs of investigation; and 3) review and modify the firm's supervisory procedures to detect and prevent regulatory violations. In furtherance of its desire to settle the matter, the firm represented that it had made a charitable contribution of $5,000 to TARGET, a program developed by the National Federation of State High School Associations to assist students in combatting alcohol and drug abuse.

. Tucker Anthony, Incorporated

On February 28, 1991, the Commissioner entered into a Stipulation Agreement with Tucker Anthony, Incorporated of One World Financial Center, 200 Liberty Street, New York, New York. The Stipulation Agreement followed a Securities and Business Investments Division investigation which suggested that the firm had transacted business as an unregistered investment adviser in Connecticut and employed unregistered investment adviser agents in apparent violation of Section 36-474 of the Connecticut Uniform Securities Act.

Pursuant to the Stipulation Agreement, the firm agreed to rescind arrangements made with non-institutional clients prior to registration; reimburse the agency $6,300 for the Division's costs of investigation; pay $1,200 in back registration fees; and reimburse the agency up to $500 for the cost of an examination to be conducted by the Division within eighteen months following the department's execution of the Stipulation Agreement.

. Orion Products Corporation

On March 20, 1991, the Commissioner entered into a Stipulation Agreement with Orion Products Corporation of 4720 Lincoln Boulevard, Suite 320, Marina Del Rey, California. The Stipulation Agreement followed a Securities and Business Investments Division investigation into the corporation's offer and sale of unregistered business opportunities in Connecticut in apparent violation of the Connecticut Business Opportunity Investment Act.

Pursuant to the Stipulation Agreement, Orion Products Corporation agreed to refrain from making further offers or sales of business opportunities in the state absent registration and agreed to reimburse the agency $2,500 for the Division's investigative costs.

- Alpine Capital Management Corporation

On March 20, 1991, the Commissioner entered into a Stipulation Agreement with Alpine Capital Management Corporation of 650 South Cherry Street, Suite 700, Denver, Colorado. The Stipulation Agreement followed a Securities and Business Investments Division investigation which uncovered evidence that the firm had employed unregistered investment adviser agents in apparent violation of Section 36-474(c) of the Connecticut Uniform Securities Act.

Pursuant to the Stipulation Agreement, the firm agreed to reimburse the agency $1,500 for back registration fees and the Division's costs of investigation.

- Brenner Securities Corporation

On April 26, 1991, the Commissioner entered into a Stipulation Agreement with Brenner Securities Corporation of 60 Broad Street, New York, New York. The Stipulation Agreement followed a Securities and Business Investments Division investigation which revealed indications that the firm had transacted business as an unregistered broker-dealer and employed unregistered agents in apparent violation of Section 36-474 of the Connecticut Uniform Securities Act.

Pursuant to the Stipulation Agreement, the firm agreed to 1) institute compliance and surveillance procedures designed to prevent and detect future regulatory violations; 2) reimburse the agency for back registration fees; and 3) notify all affected Connecticut clients in writing of its unregistered status at the time of such clients' securities transactions.

- Golden Harris Capital Group, Inc.

On May 13, 1991, the Commissioner entered into a Stipulation Agreement with Golden Harris Capital Group, Inc. of 741 Northfield Avenue, West Orange, New Jersey. The Stipulation Agreement followed a Securities and Business Investments Division investigation which uncovered evidence that the firm had transacted business as an unregistered broker-dealer and employed unregistered agents in apparent violation of Section 36-474 of the Connecticut Uniform Securities Act.

Pursuant to the Stipulation Agreement, the firm agreed to review and modify its supervisory procedures to prevent and detect future regulatory violations; limit its broker-dealer activities to municipal securities; and pay a $5,000 fine to the state.

- Pace Securities, Inc.

On May 29, 1991, the Commissioner entered into a Stipulation Agreement with

Pace Securities, Inc. of 255 Park Avenue, New York, New York. The Stipulation Agreement followed a Securities and Business Investments Division investigation which uncovered indications that the firm had transacted business as an unregistered broker-dealer and employed unregistered agents in apparent violation of Section 36-474 of the Connecticut Uniform Securities Act.

Pursuant to the Stipulation Agreement, the firm agreed to 1) review and, where appropriate, modify its operational procedures to ensure compliance with regulatory requirements; 2) remit to the agency $1,800 representing, in part, back registration fees; 3) pay $2,200 to the State of Connecticut for allocation to the department's Investor Education Fund; and 4) reimburse the Division for the cost of one or more examinations of the firm's books and records to be conducted within eighteen months following the agency's execution of the Stipulation Agreement.

Landmark of Wallingford, Inc.

On June 5, 1991, the Commissioner entered into a Stipulation Agreement with Landmark of Wallingford, Inc. ("LOWI") of 65 Barnes Road, Wallingford, Connecticut. The Stipulation Agreement followed an investigation by the Securities and Business Investments Division into the alleged offer and sale of LOWI convertible debentures to former subscribers of Landmark Associates Limited Partnership units through LOWI's then secretary and director, Mark S. Germain. The Division alleged, among other things, that the debentures were not registered under Section 36-485 of the Connecticut Uniform Securities Act; that LOWI, as an issuer, employed Germain as an unregistered agent in violation of Section 36-474(b) of the Act; and that Germain offered and/or sold the securities absent proper disclosure in violation of Section 36-472 of the Act.

Pursuant to the Stipulation Agreement, LOWI agreed to 1) refrain from soliciting or accepting investor funds without consulting with legal counsel on compliance with the Connecticut Uniform Securities Act; 2) refrain from offering or selling securities in the state absent registration or an applicable exemption; and 3) not offer or sell securities in Connecticut unless the offers or sales were effected through a) a registered broker-dealer or registered agent of issuer whose name was submitted to the Division in writing prior to commencement of the offering, b) an officer or director of LOWI who, jointly with LOWI and at least thirty days prior to the offering, filed an affidavit with the Division stating that the officer or director would not receive any compensation related to the purchases or sales, or c) an individual who would be otherwise excluded from the definition of agent if, at least thirty days prior to the offering, LOWI submitted a signed opinion of counsel to the Division setting forth the legal basis for the claim of exclusion. In addition, LOWI agreed to reimburse the agency $1,000 for the Division's costs of investigation.

. Mark Steven Germain

On June 5, 1991, the Commissioner entered into a Stipulation Agreement with Mark Steven Germain. The Stipulation Agreement followed a Securities and Business Investments Division investigation into Germain's role in the offer and sale of securities of MSG Showhorse, Ltd. ("Showhorse"), 400 Washington Street, Limited Partnership ("400 Washington Street'), Landmark Associates, Limited Partnership ("Landmark L.P.") and Landmark of Wallingford, Inc. ("LOWI"). The Division had alleged that Germain, alone and/or through affiliated entities, including Realty Capital Associates, offered and sold limited partnership interests in Showhorse and 400 Washington Street absent proper disclosure in contravention of Section 36-472 of the Connecticut Uniform Securities Act and without registering the units under Section 36-485 of the Act.

The Division had further alleged that Germain, alone or through Resource Brokerage Corp., a broker-dealer he controlled, offered and sold limited partnership interests in Landmark L.P. to Connecticut residents, some of whom were clients of The Financial Planning Resource, Inc., an investment adviser owned and controlled by Germain; that following termination of that offering, Germain solicited former Landmark L.P. subscribers to invest in an offering of LOWI convertible subordinated debentures; that the debenture offering was not registered under Section 36-485 of the Act and that Germain, in apparent violation of Section 36-472 of the Act, failed to make proper disclosures in connection with the debenture offering.

Without admitting or denying the Division's allegations, Germain agreed to refrain for five years from 1) organizing, sponsoring, promoting or acting as general partner for any direct participation program or limited partnership involved in offering or selling securities in Connecticut; 2) offering or selling securities of any direct participation program or limited partnership in Connecticut outside the scope of his employment with a Connecticut registered broker-dealer in which he did not have a proprietary interest; and 3) offering or selling securities in Connecticut of any Connecticut based issuer with which he is or was affiliated. The Stipulation Agreement provided, however, that Germain could offer or sell securities of a Connecticut based issuer within the scope of his employment with a Connecticut registered broker-dealer where he did not have a proprietary interest in the broker-dealer and where his sole affiliation with the issuer is or was as a holder of less than ten percent of the issuer's securities purchased in an arms-length transaction through a broker-dealer registered under the Act.

Germain also agreed to 1) accept a letter of censure from the agency; 2) within one year following execution of the Stipulation Agreement by the Commissioner, complete a course of study consisting of at least ten hours

of professional training pertaining to the fiduciary, ethical and blue sky compliance obligations of securities industry personnel; and 3) for one year, refrain from exercising discretionary trading authority over client funds or securities absent prior written approval from the department.

- Association for Investment in United States Guaranteed Assets, Inc.
(See First Sentinel Securities Corp., infra, for related matter)

On June 17, 1991, the Commissioner entered into a Stipulation Agreement with Association for Investment in United States Guaranteed Assets, Inc. ("AIUSGA"), a face-amount certificate company registered under the Investment Company Act of 1940 and located at 535 Connecticut Avenue, Norwalk, Connecticut. The Stipulation Agreement followed a Securities and Business Investments Division investigation which suggested that from approximately 1979 to 1990, AIUSGA offered and sold face-amount certificates from Connecticut to residents of other states in apparent violation of Section 36-485 of the Connecticut Uniform Securities Act.

Pursuant to the Stipulation Agreement, AIUSGA agreed to refrain from offering or selling securities without 1) consulting with legal counsel on the applicability of, and compliance with, Connecticut's securities laws; and 2) complying with applicable regulatory requirements. In addition, AIUSGA agreed to 1) file an application to register its securities in Connecticut no later than thirty days following the agency's execution of the Stipulation Agreement; 2) comply with the post-effective filing requirements in Section 36-500-17-1 of the regulations under the Act; and 3) remit to the agency the sum of $6,600 representing an administrative penalty, back registration fees and costs.

- First Sentinel Securities Corp.
(See Association for Investment in United States Guaranteed Assets, Inc., supra, for related matter)

On June 17, 1991, the Commissioner entered into a Stipulation Agreement with First Sentinel Securities Corp. ("FSSC"), a registered broker-dealer located at 800 Connecticut Avenue, Norwalk, Connecticut. The Stipulation Agreement followed a Securities and Business Investments Division investigation which uncovered evidence that from approximately 1979 to 1990, the firm offered and sold on a best efforts basis face-amount certificates of Association for Investment in United States Guaranteed Assets, Inc., an affiliated investment company, while those securities were not registered under Section 36-485 of the Connecticut Uniform Securities Act. The securities were sold from Connecticut to residents of other states.

Pursuant to the Stipulation Agreement, FSSC agreed to 1) review and, where appropriate, modify its compliance procedures to prevent and/or detect regulatory violations; and 2) reimburse the agency for the cost of an examination of the firm's books and records to be conducted by the Division

within eighteen months following the agency's execution of the Stipulation Agreement.

- Peninsular Securities Company

On June 17, 1991, the Commissioner entered into a Stipulation Agreement with Peninsular Securities Company of 161 Ottawa Avenue, N.W., 100A Waters Building, Grand Rapids, Michigan. The Stipulation Agreement followed a Securities and Business Investments Division investigation which uncovered evidence that the firm had transacted business as an unregistered broker-dealer and employed unregistered agents in apparent violation of Section 36-474 of the Connecticut Uniform Securities Act.

Pursuant to the Stipulation Agreement, the firm agreed to 1) review and modify its supervisory procedures to prevent and detect future regulatory violations; 2) reimburse the Division $1,500 for investigative costs and $1,500 for unpaid registration fees; and 3) within twenty days following the agency's execution of the Stipulation Agreement, notify its Connecticut clients in writing of the firm's unregistered status at the time of the client transactions.

Licensing Actions

- Michael Alite, Jonathan Hutchinson Drury, Jordan Jay Hirsch, David Henry Muschweck a/k/a David Mushweck and Ronald Leslie Wheeler, Jr. - Agent Registrations Revoked Following Hearing

On March 5, 1991, following an administrative hearing, the Commissioner issued an Order revoking the agent registrations of Michael Alite, Jonathan Hutchinson Drury, Jordan Jay Hirsch, David Henry Muschweck a/k/a David Mushweck and Ronald Leslie Wheeler, Jr. The five, who had been employed by J.T. Moran and Company, Inc., had been the subject of an October 13, 1989 Notice of Intent to Revoke Registration as an Agent and Notice of Intent to Fine. The revocation order was based on the five agents' 1988 sales of unregistered securities in violation of Section 36-485 of the Connecticut Uniform Securities Act. None of the respondents appeared at the hearing. The allegations in the Notice of Intent to Fine were severed for consideration at a later date.

Consent Orders

- Donald Lewis Brooks, DLB Financial Services, Inc., John Francis Witek, Jr. and Gary Richard Zemanek

On March 7, 1991, the Commissioner entered Consent Orders with respect

to Donald Lewis Brooks, DLB Financial Services, Inc., John Francis Witek, Jr. and Gary Richard Zemanek. Brooks, DLB Financial Services, Inc., Witek and Zemanek had been the subject of an October 31, 1990 Order to Cease and Desist issued under the Connecticut Uniform Securities Act and based on the offer and sale of unregistered equipment lease notes of Commercial Management Service, Inc., a Rhode Island corporation. Brooks, Witek and Zemanek had also been the subject of a December 5, 1990 Order to Cease and Desist based on the offer and sale of unregistered interests in a letter of credit investment program developed by Swiss American Fidelity Insurance Company and Guarantee, Ltd., a Bahamian corporation.

Pursuant to the Consent Orders, the respondents agreed to 1) refrain from transacting business in Connecticut as an agent, broker-dealer, investment adviser, investment adviser agent or seller of business opportunities for a ten year period; 2) refrain for ten years from acting as a finder for compensation, splitting commissions or receiving referral fees in conjunction with the offer, sale, or purchase of securities, the rendering of investment advice on securities or the offer or sale of business opportunities; 3) in the case of the individual respondents, for ten years, refrain from acting in a proprietary or supervisory capacity with respect to any broker-dealer or investment adviser transacting business in Connecticut and any seller of business opportunities; and 4) notify the Securities and Business Investments Division in writing of any oral or written complaints concerning securities or business opportunities relating to them, or, in the case of the individual respondents, to any entity in which they have a controlling interest.

The Consent Orders, however, permitted the individual respondents, after seven years, to reapply for registration in a non-supervisory capacity and, in the case of both individual and corporate respondents, to request that the restriction on business opportunity sales be removed. Similarly, after seven years, DLB Financial Services, Inc. could apply for registration as a broker-dealer or investment adviser. If a reapplication for registration were received on behalf of the individual respondents, the Consent Orders contemplated that the applicant would furnish a written statement from his employing broker-dealer or investment adviser confirming that he would work in an office where he would be subject to routine on-site supervision by a registered securities principal or branch office manager and that he would represent only one broker-dealer, investment adviser or issuer at any one time.

Hollis Wilburn Huston

On March 7, 1991, the Commissioner entered a Consent Order with respect to Hollis Wilburn Huston. Huston had been the subject of an October 31, 1990 Order to Cease and Desist issued under the Connecticut Uniform Securities Act and based on the offer and sale of unregistered equipment lease notes of Commercial Management Service, Inc., a Rhode Island corporation.

Pursuant to the Consent Order, Huston agreed 1) not to transact business in Connecticut as an agent, broker-dealer, investment adviser, or investment adviser agent for one year; and 2) refrain for two years from acting in a proprietary or supervisory capacity with respect to any broker-dealer or investment adviser transacting business in the state. In permitting the respondent, after one year, to reapply for registration in a non-supervisory capacity, the Consent Order contemplated that Huston would furnish a written statement from his employing broker-dealer or investment adviser confirming that he would work in an office where he was subject to routine on-site supervision by a registered securities principal or branch office manager. The Consent Order also contemplated that, at the expiration of the one-year period, unless written permission from the agency were obtained, Huston would only represent one broker-dealer, investment adviser or issuer at any one time in effecting or attempting to effect securities purchases or sales.

Wayne Francis Ruocco and Pioneer Financial Services, Inc.

On April 2, 1991, the Commissioner entered a Consent Order with respect to Wayne Francis Ruocco and Pioneer Financial Services, Inc. Both Mr. Ruocco and Pioneer Financial Services, Inc. were named in an October 31, 1990 Cease and Desist Order which alleged various violations of the Connecticut Uniform Securities Act stemming from the unregistered sale of equipment lease notes of Commercial Management Service, Inc., a Rhode Island corporation.

Pursuant to the Consent Order, the respondents agreed 1) not to transact business in Connecticut as an agent, broker-dealer, investment adviser, investment adviser agent or seller of business opportunities for seven years; 2) refrain for seven years from acting as a finder for compensation, splitting commissions or receiving referral fees in conjunction with the offer, sale, or purchase of securities, the rendering of investment advice on securities or the offer or sale of business opportunities; 3) in the case of respondent Ruocco, refrain for seven years from acting in a proprietary or supervisory capacity with respect to any broker-dealer or investment adviser transacting business in Connecticut and any seller of business opportunities; and 4) notify the Securities and Business Investments Division in writing of any oral or written complaints concerning securities or business opportunities relating to them, or, in the case of respondent Ruocco, to any entity in which he has a controlling interest.

The Consent Order, however, allowed Ruocco, after five years, to reapply for registration in a non-supervisory capacity and, in the case of both Ruocco and Pioneer, to request that the restriction on business opportunity sales be removed. Similarly, after five years, Pioneer could apply for

registration as a broker-dealer or investment adviser. If a reapplication for registration were received on behalf of Ruocco, the Consent Order contemplated that he would furnish a written statement from his employing broker-dealer or investment adviser confirming that he would work in an office where he was subject to routine on-site supervision by a registered securities principal or branch office manager and that he would represent only one broker-dealer, investment adviser or issuer at any one time.

- Steadman American Industry Fund, Steadman Associated Fund, Steadman Investment Fund and Steadman Oceanographic, Technology & Growth Fund

On April 22, 1991, the Commissioner entered a Consent Order relating to Steadman American Industry Fund, Steadman Associated Fund, Steadman Investment Fund and Steadman Oceanographic, Technology & Growth Fund (collectively, the "Steadman Funds"). The Consent Order followed a February 28, 1991 Notice of Intent to Fine with respect to the Steadman Funds. Each of the Steadman Funds is a no-load, open-end management investment company with its principal office at 1730 K Street, N.W., Washington, DC. The Notice was based on the sale of unregistered fund shares between 1972 and 1988 in alleged violation of Section 36-485 of the Connecticut Uniform Securities Act.

Pursuant to the Consent Order, the Steadman Funds agreed to 1) pay the agency a $12,000 civil penalty, which included investigative costs; 2) cease and desist from violating state securities laws; 3) refrain for one year from offering or selling securities to Connecticut residents other than in connection with the reinvestment of dividends or capital gains distributions at the election of existing security holders; and 4) notify the agency in writing at least fifteen days prior to any liquidation, sale of assets, reorganization or other structural modification involving one or more of the funds.

Stop Orders

- Vendx Marketing, Inc.

On April 8, 1991, the Commissioner denied effectiveness to the pending business opportunity registration of Vendx Marketing, Inc. of 1550 Jones Avenue, Suite G, Idaho Falls, Idaho 83401. The Order was based on findings that the vending machine corporation had failed to make proper disclosures in its application for post-sale registration concerning 1) the need for a surety bond or trust account; 2) the existence of a November 17, 1989 Order to Cease and Desist issued against the corporation by the Commissioner; and 3) the fact that the corporation was offering business opportunities for sale. Neither the Stop Order nor the Order to

Cease and Desist were contested by Vendx Marketing, Inc. in an administrative proceeding. The Cease and Desist Order became permanent as to the corporation on March 13, 1991.

Administrative Fines

- Steadman American Industry Fund, Steadman Associated Fund, Steadman Investment Fund and Steadman Oceanographic, Technology & Growth Fund (See description under Consent Orders)

Miscellaneous Orders

- Financial Planners International Corporation - Notice of Intent to Deny Investment Adviser Registration Withdrawn

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

- Beverly Hills Concepts and Charles Remington - Notice of Intent to Fine Withdrawn (See description under Cease and Desist Orders)

CIVIL LITIGATION

- Howard B. Brown, Banking Commissioner v. R.W. Technology, Inc. et al. Stipulated Judgment as to Defendants R.W. Technology, Inc. and John M. Minicucci

  On January 18, 1991, the Superior Court for the Judicial District of Hartford-New Britain entered judgment as to defendants R.W. Technology, Inc. and John M. Minicucci in accordance with a stipulation between the parties (Howard B. Brown, Banking Commissioner v. R.W. Technology, Inc. et al., No. CV 89-0364211 S). The Stipulated Judgment settled a civil action brought by the Commissioner wherein he alleged that R.W. Technology, Inc. and Minicucci, in connection with the offer, sale or purchase of R.W.

Technology, Inc. common stock, committed fraud by making various misrepresentations to investors. The Commissioner had alleged that the company and Minicucci failed to tell investors that the company's common stock could be purchased in the over-the-counter market at a lower price; promised investors that the company's common stock would soon "go public" when the stock was already trading in the over-the-counter market; described investments in the company as being guaranteed against loss; promised investors that certain major contracts had been signed and would generate profits for the company when the contracts had not been signed and the business had failed to materialize; falsely represented to investors that several products displayed to them were made out of Typlax, a substance manufactured by the company from old tires; distributed to investors glossy brochures depicting products not produced by the company or with Typlax; and paid off prior investors with the proceeds of sales to subsequent investors.

Without admitting or denying the Commissioner's allegations, Minicucci agreed to the entry of a $750,000 judgment against him secured by a one-half interest in certain property located in Naugatuck, Connecticut. The Commissioner agreed not to execute against the Naugatuck interest as long as R.W. Technology, Inc. contributed designated sums each year to the R.W. Restitution Account established under a Report and Recommendation of Plan approved by the United States District Court for the District of Connecticut. R.W. Technology, Inc. was a named defendant in the federal court action brought by the Securities and Exchange Commission (Civil Action No. N-89-486).

Without admitting or denying the Commissioner's allegations, R.W. Technology, Inc. agreed to the entry of a judgment in accordance with the Report and Recommendation of Plan. The Stipulated Judgment also permanently enjoined defendants R.W. Technology, Inc. and Minicucci from engaging in fraud in connection with the offer or sale of any security; and offering or selling the securities of R.W. Technology, Inc. or any of its affiliates, successors or assigns unless the securities were registered with the Commissioner or, with the Commissioner's approval, exempt from registration under Connecticut law.

AMENDMENTS TO CONNECTICUT UNIFORM SECURITIES ACT TAKE EFFECT OCTOBER 1

Public Act 91-145, An Act Concerning the Connecticut Uniform Securities Act, made various amendments to Connecticut's blue sky law. The amendments take effect on October 1, 1991. Following is a summary of key amendments.

Advisory Publications

Prior to the amendments, Section 36-471(f)(4) of the Connecticut Uniform Securities Act (the "Act") excluded from the definition of "investment adviser" a "publisher of any bona fide newspaper, news magazine, or business or financial publication of general, regular, and paid circulation." Still considered an investment adviser, however, was "an investment advisory publication wherein the advice is not solely incidental to that publication." The amendments deleted the exception from the definitional exclusion for investment advisory publications characterized by advice that is not solely incidental to the publication. The deletion conforms the "investment adviser" definition to a greater degree with that contained in the federal Investment Advisers Act of 1940.

Investment Adviser Fraud

The amendments broaden the current antifraud provisions contained in Section 36-473(a) of the Act by eliminating the requirement that the person rendering investment advice receive consideration directly from the advisory client. Instead, consideration received indirectly would be sufficient. In addition, the amendments prohibit false or misleading statements or omissions by any person providing investment advice.

The amendments also extend the antifraud provisions to persons who, for direct or indirect consideration, solicit advisory business.

Denial, Suspension or Revocation of Registration

Section 36-484(a) sets forth the bases for denying, suspending or revoking registration as a broker-dealer, agent and investment adviser. The amendments modify Section 36-484(a)(2)(F) of the Act to allow the department to take action on a registration if, within the last twelve months 1) the applicant or registrant is the subject of a denial, suspension or revocation order issued by a Canadian securities administrator; or 2) the applicant or registrant is the subject of a cease and desist order entered by the Securities and Exchange Commission or by the securities administrator of another state or Canadian province.

The amendments also modify Section 36-484(a)(2)(K) of the Act to provide that failure to reasonably supervise constitutes a basis for the department to deny, suspend or revoke the registration of a broker-dealer agent charged with supervisory authority.

Exemptions

The amendments also modify Section 36-490(a)(8) of the Act to create an exemption for the secondary trading of securities listed or approved for listing on the Chicago Board Options Exchange. In addition, the amendments clarify that NASDAQ National Market System securities are already within the scope of the Section 36-490(a)(8) exemption.

Enforcement

An amendment was also made to Section 36-496(c) of the Act to enable the department to independently seek a court order of restitution. Prior to the amendments, it was first necessary for the agency to seek other equitable relief (e.g. an injunctive order) before the court could consider an order of restitution.

STATE SUPREME COURT DEFINES CUSTOMER'S STANDING TO CHALLENGE ADMINISTRATIVE SUBPOENAS TO BANKS

In the consolidated cases of Morgan v. Brown and Legassey v. Brown, 219 Conn. 204 (1991), the Connecticut Supreme Court reviewed a Superior Court judgment quashing four subpoenas for bank records issued by the Banking Commissioner under Sections 36-91(a) and 36-495 of the Connecticut General Statutes. The subpoenas were issued by the Securities and Business Investments Division in conjunction with an investigation under The Connecticut Uniform Securities Act into the sale of units in four real estate limited partnerships. The Commissioner's authority to undertake the investigation or to issue the subpoenas under Section 36-495 of the Connecticut Uniform Securities Act was not in issue.

In quashing the subpoenas, the trial court found that the Commissioner's service of the subpoenas on the banks was defective in that 1) the Commissioner failed to tender a witness fee to the banks in violation of Section 52-260 of the Connecticut General Statutes; and 2) effecting service on bank personnel with the titles of staff counsel and branch assistant violated Section 52-57(c) of the Connecticut General Statutes. The trial court made its determination notwithstanding the banks' apparent waiver of the procedural defects in service.

The Supreme Court concluded that Section 36-91(b) of the Connecticut General Statutes did not confer standing on bank customers to contest the procedures by which service of process was made on their banks, and that since the banks waived the alleged procedural deficiencies, the subpoenas should not have been quashed on those grounds. Section 36-91 provides that:

> (a) Except as provided in section 36-9m, a financial institution shall disclose financial records pursuant to a lawful subpoena ... served upon it if the party seeking the records causes such subpoena ... or a certified copy thereof to be served upon the customer whose records are being sought, at least ten days prior to the date on which the records are to be disclosed, provided a court of competent jurisdiction, for good cause, may waive service of such subpoena ... or certified copy thereof, upon such customer ... (b) A customer of a financial institution shall have standing to challenge a subpoena of his financial records, by filing an application or motion to quash in a court of competent jurisdiction within the ten-day notice period required by subsection (a) of this section. Upon the filing of such application or motion by the customer, and service of such application or motion upon the financial institution and the person issuing the subpoena, production of the records shall be stayed, without liability to the financial institution, until the court holds a hearing on the motion or application and an order is entered sustaining, modifying or quashing the subpoena ....

The court noted that Section 36-91 provided the customer with an

opportunity to contest the "substantive propriety of the disclosure of his records ... [for example,] that there is no authority for the issuance of the subpoena; or that the customer's financial records are immaterial to the investigation ..." The court added that "[n]othing in the text of § 36-91(b) or in its legislative history suggests, however, that the legislature intended also to confer standing on a bank customer to challenge procedural irregularities in the manner in which an administrative subpoena has been served on the financial institution in which he has his account." Id. at 211. In light of its decision on the standing issue, the court did not specifically address the question of whether witness fees would be required under Section 52-260 of the Connecticut General Statutes in conjunction with state investigatory subpoenas, nor did it analyze the effect of past bank practices on Section 52-57(c) of the Connecticut General Statutes which lists those individuals who may accept service for a private corporation.

The court also stated that under Section 36-91, "a customer undoubtedly also has standing to challenge the timeliness and the manner of service of his own notice." Id. at 211. However, when the customers raised the argument that, although they had been properly served in-hand, they did not receive witness fees, the court drew the line. The court remarked that under Section 52-260(a), the purpose of witness fees was to pay the costs of attendance and travel, and the customers were not required to attend or travel to any designated hearing site. Therefore, the customers' argument was rejected.

The customers had also argued that their rights under Section 36-91 were undermined by the following statement in the cover letters to the banks: "If the documents and records described in the subpoena are delivered to this department prior to the date specified in the subpoena, [the bank] will be advised subsequent to such production if a personal appearance to testify is required." The customers claimed that the statement induced the banks to disclose their financial records prematurely and thus undermined their rights under Section 36-91 to a ten day period to contest the disclosures. That being the case, the customers maintained that the agency violated Section 36-9n of the Connecticut General Statutes. Section 36-9n(b) provides that "[a]ny person who knowingly and wilfully induces or attempts to induce any officer or employee of a financial institution to disclose financial records in violation of sections 36-9j to 36-9m, inclusive, shall be guilty of a class C misdemeanor." The court noted, however, that the pertinent papers were the subpoenas themselves rather than the cover letters, and that the document production date provided for in the subpoenas well exceeded the ten day waiting period. Therefore, the court was unable to find that the Commissioner wilfully subverted the customers' rights to nondisclosure of their financial records.

INTERNATIONAL INVESTMENT FRAUD*

American investors swept up in the new overseas investment craze would do well to temper their euphoria with the utmost caution, since a new breed of con artists is cashing in on the rush to global investing. U.S.-based swindlers with bogus overseas investment schemes and high-pressure telephone "boiler room" sales operations located outside the United States will fleece small investors for tens of billions of dollars during the 1990s, according to the North American Securities Administrators Association (NASAA) and the Council of Better Business Bureaus (CBBB).

A new surge in complaints about overseas investment swindles involving precious metals, penny stocks, mining, coins, currency speculation and "special" foreign banking instruments, such as certificates of deposit (CDs) with "sky-high, no risk" rates, now are being reported to state securities agencies and local Better Business Bureaus (BBBs). State and CBBB officials are warning that the rise of off-shore boiler room operations will make it much more difficult, if not impossible, for investors to recover their funds and for law enforcement agencies to investigate and prosecute. Even mainstream foreign investments sometimes involve special risks and circumstances, due to differing standards of marketplace regulation. Among the new variety of international investment schemes reported in recent months are:

- An estimated $25 million remains unaccounted for in the wake of the suicide [in September, 1989] of a La Jolla, California man who had been under investigation by the California Department of Corporations and the FBI. The promoter ran a Ponzi-like scam in which he solicited funds from investors who were told their funds would be placed in high-yielding CDs in banks in Australia, Indonesia and New Zealand. In one promotional brochure, he had suggested that investors could earn 38 percent net return on the banked funds.

- A shadowy Canadian stock promoter, who sometimes referred to himself as "Count Saladosh of Hungary," disappeared, perhaps to Cuba, in September 1988 when U.S. officials closed in on his boiler room

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*From "Investor Alert: International Investment Fraud" (July 1990). Reprinted by permission of the North American Securities Administrators Association, Inc.

operation in Costa Rica. The high-pressure sales operation is believed to have taken $40 million, mostly from U.S. investors, for investments in sulphur mines and jojoba beans. (Jojoba, the salespeople told investors, can be substituted for the endangered sperm whale blubber now commonly used in perfumes.)

- A pair of East Olympia, Washington men are now in prison as a result of their bizarre proposal for a new international credit system known as "The U.S. Reconomy Programme," which would have involved the private issuance of "Prime Capital Notes," "Guaranty Bonds," and "Good-Faith Credit Bonds" to banks and individuals. The pair claimed that they would offer a "non-Federal Reserve Note Credit Source" backed by assets "more than two and one-half times [those] of Citicorp." The Washington state promoters are believed to have taken in several million dollars from investors around the U.S.

- A Swiss man, who led an intricate double life for a time in Montreal, was arrested [in early 1990] in South America after spending months on the lam in an effort to elude extradition related to investment fraud. He stands accused of having bilked 1,300 Swiss investors out of more than 300 million francs ($167 million) in a phony Colorado oil field scheme. Part of the success of this scheme was attributed to the fact that investors, who were promised a 17 percent return on their oil investments, were given a 3 percent bonus, if they succeeded in recruiting other investors for the promoter.

- As much as $150 million in investor funds were raked in as a result of a suspected swindle that promised 12 percent return per week from the swapping of dollars for Mexican pesos. [State and federal investigators have also been looking into] the currency speculation scheme masterminded by a Tulsa, Oklahoma man, who attracted funds from churchgoers in Kansas, insulation-distributors in northern Texas, professional investors in Colorado and members of a Texas-based motorcycle gang.

A Close Look: The Legitimate Overseas Investment Boom

U.S. investors are reaching overseas in greater numbers and with more money than ever before. In part, this is a reflection of the fact that the international marketplace is becoming increasingly integrated. From 1977 to 1986, the volume of foreign corporate equity issues in the U.S. grew from $414 million to $1.63 billion, while transactions (purchases and sales) of foreign stocks by U.S. investors grew from $15 billion in 1982 to more than $120 billion in 1986. Over the same period, foreign activity in U.S. stocks grew from almost $80 billion to more than $277 billion. The growing pattern of U.S. investors looking overseas has been fueled by a number of recent political

developments, including the opening up of Eastern European markets, the ... reunification of Germany and the thaw in the Cold War between the United States and Soviet Union.

However, investors venturing overseas for the first time need to remember that there are continuing and major differences among national markets in prevailing procedures, practices, rules and fraudulent conditions. For example, the Korean Stock Market, which is considered to be one of the least open in the world, bars nonresidents from owning South Korean stocks, except indirectly through nine trust funds. The Bogota (Columbia) Exchange has been identified by some law enforcement officials as a major front for many illegal operations, including the laundering of drug dollars. The Hong Kong markets have been rocked by recent controversy and scandals, including the closing of the stock exchange for four days during the October 1987 crash, the subsequent bailing out of the futures exchange by the government with $258 million in public funds, the suspension of a dozen futures brokers and the former chairman of the exchange for the alleged embezzlement of clients' money, and the arrest of the stock exchange chairman and seven other officials for taking bribes from companies trying to float new issues.

There also are sometimes different views among nations about what are acceptable market activities. For example, the London Stock Exchange does not ban "bear raids," in which speculators try to drive down the price of a stock through short selling, a practice which is sharply limited under New York Stock Exchange Rules. In some countries, including Italy, Sweden, Belgium and Taiwan, there exist no prohibitions against insider trading. Malaysia, Greece and Kenya are among the nations with no government agency to safeguard the interests of investors and to guard against marketplace misconduct. These are among the issues and differences with which regulators will grapple as the world's marketplaces become even more tightly interwoven during the 1990s. Through NASAA, state securities agencies are now taking a major role in the promotion of uniform registration requirements in the U.S. for foreign offerings and cooperative enforcement agreements in the international arena.

Behind the Surge in Phony Overseas Investments

Con artists are quick to pick up on the psychology of the investment climate and fashion "look alike" investment swindles that mirror "hot" investments in legitimate markets. During the worldwide oil crisis of the 1970s, scammers capitalized on the inclination of investors to dip their toes into the rising oil market by concocting oil and gas lease lottery application mills. After the "Black Monday" stock market crash of 1987, investment swindlers were quick to capitalize on investors' newfound distrust of paper investments by fashioning their own phony versions of "dirt pile" scams that took an estimated $250 million from investors in 1988.

Today, con artists see that U.S. investors are paying increasing attention to overseas investment opportunities. And so it is that the new generation of

scams also has "gone international." Most troubling is a growing pattern of former U.S. boiler room operators who have moved their telephone sales operations outside the U.S., frequently to the Bahamas, Panama, Costa Rica, Europe, Liberia and even South Africa. Some of these veteran con artists originally did their business in Florida and then moved on to southern California, the current U.S. capital of telemarketing fraud, hopscotching once against offshore. The locations of the boiler rooms are carefully chosen, with con artists dialing out of countries, such as Panama and Liberia, which have no extradition arrangements with U.S. law enforcement agencies.

Protecting Yourself from International Securities Swindles

What is true of all securities swindles --- that the best protection is to hang on to your money and not turn it over to a con artist -- is perhaps "truest" when it comes to international securities swindles. Enforcement efforts aimed at con men located overseas are extremely difficult and, in some cases, virtually impossible, due to poor relations between some nations and the absence of crucial enforcement mechanisms, such as extradition treaties. Here are some simple steps that investors can take to protect their interests:

1. Don't be stampeded in the rush to international investing. If you listen to fellow investors and read the business news columns, it is easy to get the impression that everyone is investing overseas. But don't give in to the pressure to send your dollars overseas just for the sake of investing overseas. Make sure your investment is appropriate for your financial objectives and, in particular, your ability to assume risk.

2. Learn something about foreign markets. How are investments regulated in the nation where you are thinking about sending your money? To what extent are investors in this market protected from investment fraud and abuse? What if you have to resolve some sort of dispute related to your investment? To what government agency would you go for assistance in resolving your problem?

3. Remember: International isn't necessarily better. Even if investing overseas is one of the "hottest" activities going today for investors, it doesn't mean that the quality of the investment opportunity in other nations is any higher than those in the U.S. In fact, because of enforcement complications, the actual level of risk in overseas investments --- even in mainstream market products -- may be considerably higher than it is here, where markets are well regulated. (And once your money is gone, it may be impossible to recover, due to the practical difficulties involved in pursuing court action against foreign entities and individuals.) Keep your head on your shoulders when it comes to all the new euphoria and hoopla about international investing.

4. Check with your state securities agency and BBB for complaints. If an investment is being sold to you, its promoter should be registered with

the Securities and Business Investments Division of the Connecticut Department of Banking. Ignore claims that overseas investment promoters are somehow exempt from state and federal securities law registration requirements. (They aren't.) Also, take the time to inquire with your BBB about the company in question. It may have a record of customers' experiences with, or government actions against, the company.

5. Keep in mind that if you are dealing with a stranger about something you can't check out with your own eyes ... trouble may follow. Just because someone says that they have an oil well in Europe or a gold mine in South America does not mean that you have enough information on which to base an investment decision. Don't be deceived by slickly-produced brochures that may make an enterprise look legitimate. If you don't have the contacts or financial resources to personally inspect your investment, consider carefully before giving up your money. In general, investors are best advised to deal with people they know and in investments they understand. If a strange voice over the phone is pressuring you to invest in Singapore options, think twice!

MID-YEAR STATISTICAL SUMMARY

January 1, 1991 - June 30, 1991

REGISTRATION	Securities	Bus. Opportunities
Total Coordination (Initial & Renewal)	2,011	n/a
- Investment Co. Renewals	1,098	n/a
- All Other Coordinations	913	
Qualification (Initial)	4	n/a
Qualification (Renewal)	5	n/a
Regulation D Filings	503	n/a
Other Exemption or Exclusion Notices	134	14
Business Opportunity (Initial)	n/a	33
Business Opportunity (Renewal)	n/a	26

LICENSING & BRANCH OFFICE REGISTRATION	Broker-dealers	Inv. Advisers	Issuers
Firm Initial Registrations Processed	110	70	n/a
Firms Registered as of 6/30/91	1,499	612	n/a
Agent Initial Registrations Processed	9,151	816	n/a
Agents Registered as of 6/30/91	48,663	3,586	119
Branch Office Registrations Processed	97	9	n/a
Branch Offices Registered as of 6/30/91	431	93	n/a
Examinations Conducted	26	12	0

INVESTIGATIONS	Securities	Bus. Opportunities
Investigations Opened	63	101
Investigations Closed	77	78
Investigations in Progress as of 6/30/91	80	45
Subpoenas Issued	36	7

ADMINISTRATIVE ENFORCEMENT ACTIONS	Number	Parties
Securities		
Cease and Desist Orders	4	11
Denial, Suspension & Revocation Notices	0	0
Denial, Suspension & Revocation Orders	1	5
Cancellation Notices	0	0
Cancellation Orders	0	0
Notices of Intent to Fine	1	4

ADMINISTRATIVE ENFORCEMENT ACTIONS (Continued)	Number	Parties
Securities		
Orders Imposing Fine	0	0
Notices of Intent to Issue Stop Order	0	0
Stop Orders Issued	0	0
Miscellaneous Orders	1	1
Consent Orders Executed	6	11
Stipulation Agreements Executed	17	18
New Referrals (Civil)	1	5
New Referrals (Criminal)	1	1
Business Opportunities		
Cease and Desist Orders	6	17
Notices of Intent to Fine	0	0
Orders Imposing Fine	0	0
Notices of Intent to Issue Stop Order	0	0
Stop Orders Issued	1	1
Miscellaneous Orders	1	2
Consent Orders Executed	0	0
Stipulation Agreements Executed	2	2
New Referrals (Civil)	0	0
New Referrals (Criminal)	0	0

Monetary Sanctions	$ Assessed
Consent Orders (Securities)	12,000
Stipulation Agreements (Securities)	291,100
Stipulation Agreements (Bus. Opportunities)	3,500
Total	$306,600