



General Assembly

February Session, 2004

***Raised Bill No. 360***

LCO No. 1389

\*01389\_\_\_\_\_BA\_\*

Referred to Committee on Banks

Introduced by:  
(BA)

***AN ACT CONCERNING THE CONNECTICUT UNIFORM SECURITIES ACT.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 36b-6 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective October 1, 2004*):

3 (a) No person shall transact business in this state as a broker-dealer  
4 unless [he] such person is registered under sections 36b-2 to 36b-33,  
5 inclusive. No person shall transact business in this state as a broker-  
6 dealer in contravention of a currently effective sanction imposed by the  
7 Securities and Exchange Commission or by a self-regulatory  
8 organization, of which such person is a member, that is registered  
9 under federal laws administered by the Securities and Exchange  
10 Commission if the sanction would prohibit such person from effecting  
11 transactions in securities in this state. No individual shall transact  
12 business as an agent in this state unless [he] such individual is (1)  
13 registered as an agent of the broker-dealer or issuer whom [he] such  
14 individual represents in transacting such business, or (2) an associated  
15 person who represents a broker-dealer in effecting transactions  
16 described in subdivisions (2) and (3) of [section] Section 15(h) of the

17 Securities Exchange Act of 1934. No individual shall transact business  
18 in this state as an agent of a broker-dealer in contravention of a  
19 currently effective sanction imposed by the Securities and Exchange  
20 Commission or a self-regulatory organization registered under the  
21 federal laws administered by the Securities and Exchange Commission  
22 of which the employing broker-dealer is a member, if the sanction  
23 would prohibit the individual employed by such broker-dealer from  
24 effecting transactions in securities in this state.

25 (b) No issuer shall employ an agent unless such agent is registered  
26 under sections 36b-2 to 36b-33, inclusive. No broker-dealer shall  
27 employ an agent unless such agent is (1) registered under sections 36b-  
28 2 to 36b-33, inclusive, or (2) an associated person who represents a  
29 broker-dealer in effecting transactions described in subdivisions (2)  
30 and (3) of [section] Section 15(h) of the Securities Exchange Act of 1934.  
31 The registration of an agent is not effective during any period when  
32 [he] such agent is not associated with a particular broker-dealer  
33 registered under [said] sections 36b-2 to 36b-33, inclusive, or a  
34 particular issuer. When an agent begins or terminates a connection  
35 with a broker-dealer or issuer, or begins or terminates those activities  
36 which make [him] such individual an agent, both the agent and the  
37 broker-dealer or issuer shall promptly notify the commissioner.

38 (c) No person shall transact business as an investment adviser,  
39 within or from this state, unless registered as such by the  
40 commissioner as provided in sections 36b-2 to 36b-33, inclusive, or  
41 exempted pursuant to subsection (e) of this section. No individual  
42 shall transact business as an investment adviser agent, within or from  
43 this state, unless [he] such individual is registered as an investment  
44 adviser agent of the investment adviser for whom [he] such individual  
45 acts in transacting such business. No investment adviser shall engage  
46 an investment adviser agent unless such investment adviser agent is  
47 registered under said sections. The registration of an investment  
48 adviser agent is not effective during any period when [he] such  
49 investment adviser agent is not associated with a particular investment

50 adviser. When an investment adviser agent begins or terminates a  
51 connection with an investment adviser, both the investment adviser  
52 agent and the investment adviser shall promptly notify the  
53 commissioner. If an investment adviser or investment adviser agent  
54 provides such notice, such investment adviser or investment adviser  
55 agent shall not be liable for the failure of the other to give such notice.

56 (d) No broker-dealer or investment adviser shall transact business  
57 from any place of business located within this state unless that place of  
58 business is registered as a branch office with the commissioner  
59 pursuant to this subsection, [, provided an investment adviser that is  
60 registered with the Securities and Exchange Commission may, in lieu  
61 of filing an application for branch office registration, file a notice with  
62 the commissioner for each branch office of the adviser located within  
63 this state together with a nonrefundable notice fee of one hundred  
64 dollars per branch office.] An application for branch office registration  
65 shall be made on forms prescribed by the commissioner and shall be  
66 filed with the commissioner, together with a nonrefundable  
67 application fee of one hundred dollars per branch office. A broker-  
68 dealer or investment adviser [, other than an investment adviser that is  
69 registered with the Securities and Exchange Commission,] shall  
70 promptly notify the commissioner in writing if such broker-dealer or  
71 investment adviser (1) engages a new manager at a branch office in  
72 this state, (2) acquires a branch office of another broker-dealer or  
73 investment adviser in this state, or (3) relocates a branch office in this  
74 state. In the case of a branch office acquisition or relocation, such  
75 broker-dealer or investment adviser shall pay to the commissioner a  
76 nonrefundable fee of one hundred dollars. [An investment adviser that  
77 is registered with the Securities and Exchange Commission shall notify  
78 the commissioner of an acquisition or relocation of any branch office of  
79 the investment adviser in this state in the same manner as and  
80 concurrently with the notification of such information to the Securities  
81 and Exchange Commission and shall pay to the commissioner a  
82 nonrefundable fee of one hundred dollars.] Each registrant or  
83 applicant for branch office registration [, and each investment adviser

84 with a branch office in this state that is registered with the Securities  
85 and Exchange Commission,] shall pay the actual cost, as determined  
86 by the commissioner, of any reasonable investigation or examination  
87 made of such registrant [,] or applicant [or investment adviser] by or  
88 on behalf of the commissioner.

89 (e) The following investment advisers are exempted from the  
90 registration requirements under subsection (c) of this section: Any  
91 investment adviser that (1) is registered or required to be registered  
92 under Section 203 of the Investment Advisers Act of 1940; (2) is  
93 excepted from the definition of investment adviser under Section  
94 202(a)(11) of the Investment Advisers Act of 1940; or (3) has no place of  
95 business in this state and, during the preceding twelve months, has  
96 had no more than five clients who are residents of this state. Any  
97 investment adviser claiming an exemption pursuant to subdivision (1)  
98 or (2) of this subsection that is not otherwise excluded under  
99 subsection (10) of section 36b-3, shall first file with the commissioner a  
100 notice of exemption together with a consent to service of process as  
101 required by subsection (g) of section 36b-33. The notice of exemption  
102 shall contain such information as the commissioner may require and  
103 shall be accompanied by a nonrefundable fee of two hundred fifty  
104 dollars. Such notice of exemption shall be valid until December thirty-  
105 first of the calendar year in which it was first filed and may be  
106 renewed annually thereafter upon submission of such information as  
107 the commissioner may require together with a nonrefundable fee of  
108 one hundred fifty dollars. If any investment adviser that is exempted  
109 from registration pursuant to subdivision (1) or (2) of this subsection  
110 fails or refuses to pay any fee required by this subsection, the  
111 commissioner may require such investment adviser to register  
112 pursuant to subsection (c) of this section. For purposes of this  
113 subsection, a delay in the payment of a fee or an underpayment of a  
114 fee which is promptly remedied shall not constitute a failure or refusal  
115 to pay such fee.

116 (f) Any broker-dealer or investment adviser ceasing to transact

117 business at any office in this state shall, in addition to providing  
118 written notice to the commissioner prior to the termination of business  
119 activity at that office, (1) provide written notice to each customer or  
120 client serviced by such office at least ten business days prior to the  
121 termination of business activity at that office, or (2) demonstrate to the  
122 commissioner, in writing, the reasons why such notice to customers or  
123 clients cannot be provided within the time prescribed. If the  
124 commissioner finds that the broker-dealer or investment adviser  
125 cannot provide notice to customers or clients at least ten business days  
126 prior to the termination of business activity, the commissioner may  
127 exempt the broker-dealer or investment adviser from giving such  
128 notice. The commissioner shall act upon a request for such exemption  
129 within five business days following [his] receipt by the commissioner  
130 of the written request for such an exemption. The notice to customers  
131 or clients shall contain the following information: The date and reasons  
132 why business activity will terminate at the office; if applicable, a  
133 description of the procedure the customer or client may follow to  
134 maintain the customer's account at any other office of the broker-  
135 dealer or investment adviser; the procedure for transferring the  
136 customer's or client's account to another broker-dealer or investment  
137 adviser; and the procedure for making delivery to the customer or  
138 client of any funds or securities held by the broker-dealer or  
139 investment adviser.

140 (g) Any broker-dealer or investment adviser ceasing to transact  
141 business at any office in this state as a result of executing an agreement  
142 and plan of merger or acquisition shall provide written notice to the  
143 commissioner and to each customer or client serviced by such office  
144 not later than the date such merger or acquisition is completed. The  
145 notice provided to each customer or client shall contain the  
146 information specified in subsection (f) of this section.

147 (h) Any broker-dealer or investment adviser ceasing to transact  
148 business at any office in this state as a result of the commencement of a  
149 bankruptcy proceeding by such broker-dealer or investment adviser or

150 by a creditor or creditors of such broker-dealer or investment adviser  
151 shall immediately upon the filing of a petition with the bankruptcy  
152 court, provide written notice to the commissioner. The commissioner  
153 shall determine the time and manner in which notice shall be provided  
154 to each customer or client serviced by such office.

155 (i) For purposes of subsections (d), (f), (g) and (h) of this section,  
156 "investment adviser" means an investment adviser registered or  
157 required to be registered with the commissioner.

158 Sec. 2. Section 36b-8 of the general statutes is repealed and the  
159 following is substituted in lieu thereof (*Effective October 1, 2004*):

160 On receipt of the application for registration as a branch office,  
161 broker-dealer, agent, investment adviser or investment adviser agent,  
162 the commissioner may make such investigation of the applicant and  
163 [his] the applicant's affairs as [he] the commissioner deems necessary  
164 or advisable. Upon completion of such investigation, the commissioner  
165 shall, subject to [his] the authority of the commissioner to deny, revoke  
166 or suspend such registration, enter the name of such person on a  
167 register of branch offices, broker-dealers, agents, investment advisers  
168 or investment adviser agents, as the case may be, to be kept in [his] the  
169 office of the commissioner, properly indexed and open to the public.  
170 The information to be entered on the register shall be the name,  
171 address and date of registration or renewal and, in the case of broker-  
172 dealers or investment advisers, whether such registrant is an  
173 individual, partnership, corporation or other form of association.  
174 When the registration of any such person is suspended or revoked, the  
175 commissioner shall so note on the appropriate register.

176 Sec. 3. Section 36b-12 of the general statutes is repealed and the  
177 following is substituted in lieu thereof (*Effective October 1, 2004*):

178 (a) Each person applying for registration as a broker-dealer or  
179 investment adviser shall pay to the commissioner or to any person  
180 designated by the commissioner in writing to collect such fee on [his

181 behalf a] behalf of the commissioner, a nonrefundable fee of two  
182 hundred fifty dollars. [which shall not be refunded.]

183 (b) Each person applying for registration as an agent or investment  
184 adviser agent shall pay to the commissioner or to any person  
185 designated by the commissioner to collect such fee on [his behalf a]  
186 behalf of the commissioner, a nonrefundable fee of fifty dollars. [which  
187 shall not be refunded.]

188 (c) Each registration issued pursuant to this section shall expire at  
189 the close of business on December thirty-first of [each calendar year  
190 unless renewed] the calendar year in which the registration became  
191 effective.

192 (d) [Each] (1) Except as provided in subdivision (2) of this  
193 subsection, each person registered as an agent or investment adviser  
194 agent, requesting transfer of [his] the registration of such agent or  
195 investment adviser agent to another registered broker-dealer or  
196 investment adviser, shall pay to the commissioner or to any person  
197 designated by the commissioner in writing to collect such fee on [his]  
198 behalf of the commissioner, a nonrefundable fee of fifty dollars for  
199 each transfer requested.

200 (2) Each broker-dealer or investment adviser receiving a mass  
201 transfer shall pay to the commissioner or to any person designated by  
202 the commissioner in writing to collect such fee on behalf of the  
203 commissioner, a nonrefundable fee of fifty dollars for each agent or  
204 investment adviser agent whose registration is transferred. For  
205 purposes of this subsection, "mass transfer" means a transfer of  
206 multiple agents of a broker-dealer or investment adviser agents of an  
207 investment adviser from a transferring broker-dealer or investment  
208 adviser to a receiving broker-dealer or investment adviser due to a  
209 cessation of business activity, succession, acquisition, merger,  
210 consolidation or other reorganization affecting the transferring broker-  
211 dealer or investment adviser.

212 (e) Each person [so] applying for registration under subsection (a) or  
213 (b) of this section and any registrant applying for renewal of such  
214 registration under section 36b-13 shall pay the actual cost, as  
215 determined by the commissioner, of any reasonable investigation or  
216 examination made of such applicant or registrant by or on behalf of the  
217 commissioner.

218 Sec. 4. Section 36b-15 of the general statutes, as amended by section  
219 87 of public act 03-19 and section 20 of public act 03-259, is repealed  
220 and the following is substituted in lieu thereof (*Effective October 1,*  
221 *2004*):

222 (a) The commissioner may by order deny, suspend or revoke any  
223 registration or by order restrict or impose conditions on the securities  
224 or investment advisory activities that an applicant or registrant may  
225 perform in this state if the commissioner finds that (1) the order is in  
226 the public interest, and (2) the applicant or registrant or, in the case of a  
227 broker-dealer or investment adviser, any partner, officer, or director,  
228 any person occupying a similar status or performing similar functions,  
229 or any person directly or indirectly controlling the broker-dealer or  
230 investment adviser: (A) Has filed an application for registration which  
231 as of its effective date, or as of any date after filing in the case of an  
232 order denying effectiveness, was incomplete in any material respect or  
233 contained any statement which was, in light of the circumstances  
234 under which it was made, false or misleading with respect to any  
235 material fact; (B) has wilfully violated or wilfully failed to comply with  
236 any provision of sections 36b-2 to 36b-33, inclusive, or a predecessor  
237 statute or any regulation or order under said sections or a predecessor  
238 statute; (C) has been convicted, within the past ten years, of any  
239 misdemeanor involving a security, any aspect of the securities  
240 business, or any felony, provided any denial, suspension or revocation  
241 of such registration shall be in accordance with the provisions of  
242 section 46a-80; (D) is permanently or temporarily enjoined by any  
243 court of competent jurisdiction from engaging in or continuing any  
244 conduct or practice involving any aspect of the securities or

245 commodities business; (E) is the subject of a cease and desist order of  
246 the commissioner or an order of the commissioner denying,  
247 suspending, or revoking registration as a broker-dealer, agent,  
248 investment adviser or investment adviser agent; (F) is the subject of  
249 any of the following sanctions that are currently effective or were  
250 imposed within the past ten years: (i) An order issued by the securities  
251 administrator of any other state, Canadian province or territory, or by  
252 the Securities and Exchange Commission or the Commodity Futures  
253 Trading Commission denying, suspending or revoking registration as  
254 a broker-dealer, agent, investment adviser, investment adviser agent or  
255 a person required to be registered under the Commodity Exchange  
256 Act, 7 USC 1 et seq., as from time to time amended, and the rules and  
257 regulations thereunder, or the substantial equivalent of those terms as  
258 defined in sections 36b-2 to 36b-33, inclusive, (ii) an order of the  
259 Securities and Exchange Commission or Commodity Futures Trading  
260 Commission suspending or expelling such applicant, registrant or  
261 person from a national securities or commodities exchange or national  
262 securities or commodities association registered under the Securities  
263 Exchange Act of 1934 or the Commodity Exchange Act, 7 USC 1 et seq.,  
264 as from time to time amended, or, in the case of an individual, an order  
265 of the Securities and Exchange Commission or an equivalent order of  
266 the commodity futures trading commission barring such individual  
267 from association with a broker-dealer or an investment adviser, (iii) a  
268 suspension, expulsion or other sanction issued by a national securities  
269 exchange or other self-regulatory organization registered under federal  
270 laws administered by the Securities and Exchange Commission or the  
271 Commodity Futures Trading Commission if the effect of the sanction  
272 has not been stayed or overturned by appeal or otherwise, (iv) a  
273 United States Post Office fraud order, or (v) a cease and desist order  
274 entered by the Securities and Exchange Commission or the securities  
275 agency or administrator of any other state or Canadian province or  
276 territory; but the commissioner may not (I) institute a revocation or  
277 suspension proceeding under this subparagraph more than five years  
278 from the date of the sanction relied on, and (II) enter an order under

279 this subparagraph on the basis of an order under any other state act  
280 unless that order was based on facts which would constitute a ground  
281 for an order under this section; (G) may be denied registration under  
282 federal law as a broker-dealer, agent, investment adviser, investment  
283 adviser agent or as a person required to be registered under the  
284 Commodity Exchange Act, [as amended,] 7 USC 1 et seq., as from time  
285 to time amended, and the rules and regulations promulgated  
286 thereunder, or the substantial equivalent of those terms as defined in  
287 sections 36b-2 to 36b-33, inclusive; (H) has engaged in fraudulent,  
288 dishonest or unethical practices in the securities or commodities  
289 business, including abusive sales practices in the business dealings of  
290 such applicant, registrant or person with current or prospective  
291 customers or clients; (I) is insolvent, either in the sense that the  
292 liabilities of such applicant, registrant or person exceed the assets of  
293 such applicant, registrant or person, or in the sense that such applicant,  
294 registrant or person cannot meet the obligations of such applicant,  
295 registrant or person as they mature; but the commissioner may not  
296 enter an order against a broker-dealer or investment adviser under this  
297 subparagraph without a finding of insolvency as to the broker-dealer  
298 or investment adviser; (J) is not qualified on the basis of such factors as  
299 training, experience, and knowledge of the securities business, except  
300 as otherwise provided in subsection (b) of this section; (K) has failed  
301 reasonably to supervise: [the] (i) The agents or investment adviser  
302 agents of such applicant or registrant, if the applicant [,] or registrant  
303 [or person] is a broker-dealer or investment adviser; or (ii) the agents  
304 of a broker-dealer or investment adviser agents of an investment  
305 adviser, if such applicant, registrant or other person is or was an agent,  
306 investment adviser agent or other person charged with exercising  
307 supervisory authority on behalf of [the] a broker-dealer [, or such  
308 applicant's or registrant's investment adviser agents if the applicant or  
309 registrant is an] or investment adviser; (L) in connection with any  
310 investigation conducted pursuant to section 36b-26 or any examination  
311 under subsection (d) of section 36b-14, has made any material  
312 misrepresentation to the commissioner or upon request made by the

313 commissioner, has withheld or concealed material information from,  
314 or refused to furnish material information to the commissioner,  
315 provided, there shall be a rebuttable presumption that any records,  
316 including, but not limited to, written, visual, audio, magnetic or  
317 electronic records, computer printouts and software, and any other  
318 documents, that are withheld or concealed from the commissioner in  
319 connection with any such investigation or examination are material,  
320 unless such presumption is rebutted by substantial evidence; or (M)  
321 has failed to pay the proper filing fee; but the commissioner may enter  
322 only a denial order under this subparagraph, and the commissioner  
323 shall vacate any such order when the deficiency has been corrected.  
324 The commissioner may not institute a suspension or revocation  
325 proceeding on the basis of a fact or transaction known to the  
326 commissioner when the registration became effective unless the  
327 proceeding is instituted within one hundred eighty days of the  
328 effective date of such registration.

329 (b) The following provisions govern the application of  
330 subparagraph (J) of subdivision (2) of subsection (a) of this section: (1)  
331 The commissioner may not enter an order against a broker-dealer on  
332 the basis of the lack of qualification of any person other than (A) the  
333 broker-dealer [himself if he] if the broker-dealer is an individual, or (B)  
334 an agent of the broker-dealer; (2) the commissioner may not enter an  
335 order against an investment adviser on the basis of the lack of  
336 qualification of any person other than (A) the investment adviser  
337 [himself if he] if the investment adviser is an individual, or (B) any  
338 other person who represents the investment adviser in doing any of  
339 the acts which make [him] the investment adviser an investment  
340 adviser; (3) the commissioner may not enter an order solely on the  
341 basis of lack of experience if the applicant or registrant is qualified by  
342 training or knowledge or both; (4) the commissioner shall consider that  
343 an agent who will work under the supervision of a registered broker-  
344 dealer need not have the same qualifications as a broker-dealer; (5) the  
345 commissioner shall consider that an investment adviser is not  
346 necessarily qualified solely on the basis of experience as a broker-

347 dealer or agent. When [he] the commissioner finds that an applicant  
348 for initial or renewal registration as a broker-dealer is not qualified as  
349 an investment adviser, [he] the commissioner may by order condition  
350 the applicant's registration as a broker-dealer upon [his] the applicant's  
351 not transacting business in this state as an investment adviser; (6) the  
352 commissioner may by regulation provide for an examination, which  
353 may be written or oral or both, to be taken by any class of or all  
354 applicants, as well as persons who represent or will represent an  
355 investment adviser in doing any of the acts which make [him] the  
356 investment adviser an investment adviser.

357 (c) The commissioner may by order summarily postpone or suspend  
358 registration pending final determination of any proceeding under this  
359 section. Upon the entry of the order, the commissioner shall promptly  
360 notify the applicant or registrant, as well as the employer or  
361 prospective employer if the applicant or registrant is an agent or an  
362 investment adviser agent, that it has been entered and of the reasons  
363 therefor and that within fifteen days after the receipt of a written  
364 request the matter will be set down for hearing. If no hearing is  
365 requested and none is ordered by the commissioner, the order will  
366 remain in effect until it is modified or vacated by the commissioner. If  
367 a hearing is requested or ordered, the commissioner, after notice of  
368 and opportunity for hearing, may modify or vacate the order or extend  
369 it until final determination.

370 (d) If the commissioner finds that any registrant or applicant for  
371 registration is no longer in existence or has ceased to do business as a  
372 broker-dealer, agent, investment adviser or investment adviser agent,  
373 or is subject to an adjudication of mental incompetence or to the  
374 control of a committee, conservator, or guardian, or cannot be located  
375 after reasonable search, the commissioner may by order cancel the  
376 registration or application.

377 (e) (1) Withdrawal from registration as a broker-dealer, agent,  
378 investment adviser or investment adviser agent, or withdrawal of an

379 application for registration as a broker-dealer, agent, investment  
380 adviser or investment adviser agent, becomes effective ninety days  
381 after receipt of an application to withdraw such registration or a notice  
382 of intent to withdraw such application for registration or within such  
383 shorter period of time as the commissioner may determine, unless a  
384 denial, revocation or suspension proceeding is pending when the  
385 application or notice is filed or a proceeding to deny, revoke, suspend  
386 or impose conditions upon the withdrawal is instituted within ninety  
387 days after the application or notice is filed. If a proceeding is pending  
388 or instituted, withdrawal becomes effective at such time and upon  
389 such conditions as the commissioner by order determines. If no  
390 proceeding is pending or instituted and withdrawal automatically  
391 becomes effective, the commissioner may nevertheless institute a  
392 denial, revocation or suspension proceeding under subsection (a) of  
393 this section within one year after withdrawal became effective.

394 (2) If the registration of a broker-dealer, agent, investment adviser  
395 or investment adviser agent expires due to the registrant's failure to  
396 renew, within one year of such expiration, the commissioner may  
397 nevertheless institute a revocation or suspension proceeding or issue  
398 an order suspending or revoking the registration under subsection (a)  
399 of this section.

400 (f) No order may be entered under this section except as provided in  
401 subsection (c) of this section without (1) appropriate prior notice to the  
402 applicant or registrant and to the employer or prospective employer if  
403 such applicant or registrant is an agent or investment adviser agent, (2)  
404 opportunity for hearing, and (3) written findings of fact and  
405 conclusions of law.

406 (g) Notwithstanding the provisions of subsection (a) of this section,  
407 the commissioner may deny an application for registration as a broker-  
408 dealer, agent, investment adviser, investment adviser agent or branch  
409 office if the applicant fails to respond to any request for information  
410 required under sections 36b-2 to 36b-33, inclusive, or the regulations

411 adopted pursuant to said sections. The commissioner shall notify the  
412 applicant in writing that if such information is not submitted within  
413 sixty days the application shall be deemed abandoned and denied. An  
414 application filing fee paid prior to the date an application is denied  
415 pursuant to this subsection shall not be refunded. Denial of an  
416 application pursuant to this subsection shall not preclude the applicant  
417 from submitting a new application for registration under said sections.  
418 The hearing requirement provided for in subsection (f) of this section  
419 shall not apply to the denial of an application issued pursuant to this  
420 subsection.

421 Sec. 5. Subsection (b) of section 36b-21 of the general statutes, as  
422 amended by section 146 of public act 03-6 of the June 30 special  
423 session, is repealed and the following is substituted in lieu thereof  
424 (*Effective October 1, 2004*):

425 (b) The following transactions are exempted from sections 36b-16  
426 and 36b-22: (1) Any isolated nonissuer transaction, whether effected  
427 through a broker-dealer or not; (2) any nonissuer transaction by a  
428 registered agent of a registered broker-dealer in a security of a class  
429 that has been outstanding in the hands of the public for at least ninety  
430 days provided, at the time of the transaction: (A) The security is sold at  
431 a price reasonably related to the current market price of the security;  
432 (B) the security does not constitute the whole or part of an unsold  
433 allotment to, or a subscription or participation by, the broker-dealer as  
434 an underwriter of the security; (C) a nationally recognized securities  
435 manual contains (i) a description of the business and operations of the  
436 issuer; (ii) the names of the issuer's officers and directors or, in the case  
437 of a non-United-States issuer, the corporate equivalents of such  
438 persons in the issuer's country of domicile; (iii) an audited balance  
439 sheet of the issuer as of a date within eighteen months, or in the case of  
440 a reorganization or merger where the parties to the reorganization or  
441 merger had such audited balance sheet, a pro forma balance sheet; and  
442 (iv) an audited income statement for each of the issuer's immediately  
443 preceding two fiscal years, or for the period of existence of the issuer, if

444 in existence for less than two years, or in the case of a reorganization or  
445 merger where the parties to the reorganization or merger had such  
446 audited income statement, a pro forma income statement; and (D) the  
447 issuer of the security has a class of equity securities listed on a national  
448 securities exchange registered under the Securities Exchange Act of  
449 1934, or designated for trading on the National Association of  
450 Securities Dealers Automated Quotation System, unless the issuer,  
451 including any predecessors of the issuer (i) has been engaged in  
452 continuous business for at least three years, or (ii) has total assets of at  
453 least two million dollars based on an audited balance sheet of the  
454 issuer as of a date within eighteen months, or in the case of a  
455 reorganization or merger where the parties to the reorganization or  
456 merger had such audited balance sheet, a pro forma balance sheet. The  
457 exemption in this subdivision shall not be available for any  
458 distribution of securities issued by a blank check company, shell  
459 company, dormant company or any issuer that has been merged or  
460 consolidated with or has bought out a blank check company, shell  
461 company or dormant company unless the issuer or any predecessor  
462 has continuously operated its business for at least the preceding five  
463 years and has had gross operating revenue in each of the preceding  
464 five years, including gross operating revenue of at least five hundred  
465 thousand dollars per year in three of the preceding five years; (3) any  
466 nonissuer distribution of an outstanding security if the security has a  
467 fixed maturity or a fixed interest or dividend provision and there has  
468 been no default during the current fiscal year or within the three  
469 preceding fiscal years, or during the existence of the issuer and any  
470 predecessors if less than three years, in the payment of principal,  
471 interest or dividends on the security; (4) any nonissuer transaction  
472 effected by or through a registered broker-dealer pursuant to an  
473 unsolicited order or offer to buy; but the commissioner may by  
474 regulation require that the customer acknowledge upon a specified  
475 form that the sale was unsolicited, and that a signed copy of each such  
476 form be preserved by the broker-dealer for a specified period or that  
477 the confirmation delivered to the purchaser or a memorandum

478 delivered in connection therewith shall confirm that such purchase  
479 was unsolicited by the broker-dealer or any agent of the broker-dealer;  
480 (5) any transaction between the issuer or other person on whose behalf  
481 the offering is made and an underwriter, or among underwriters; (6)  
482 any transaction in a bond or other evidence of indebtedness secured by  
483 a real or chattel mortgage or deed of trust or by an agreement for the  
484 sale of real estate or chattels, if the entire mortgage, deed of trust or  
485 agreement, together with all the bonds or other evidences of  
486 indebtedness secured thereby, is offered and sold as a unit; (7) any  
487 transaction by an executor, administrator, state marshal, marshal,  
488 receiver, trustee in bankruptcy, creditors' committee in a proceeding  
489 under the Bankruptcy Act, guardian or conservator; (8) any transaction  
490 executed by a bona fide pledgee without any purpose of evading  
491 sections 36b-2 to 36b-33, inclusive; (9) any offer or sale to a bank and  
492 trust company, a national banking association, a savings bank, a  
493 savings and loan association, a federal savings and loan association, a  
494 credit union, a federal credit union, trust company, insurance  
495 company, investment company as defined in the Investment Company  
496 Act of 1940, pension or profit-sharing trust, or other financial  
497 institution or institutional buyer, or to a broker-dealer, whether the  
498 purchaser is acting for itself or in some fiduciary capacity; (10) (A)  
499 subject to the provisions of this subdivision, any transaction not  
500 involving a public offering within the meaning of Section 4(2) of the  
501 Securities Act of 1933, but not including any transaction specified in  
502 the rules and regulations thereunder. (B) Subject to the provisions of  
503 this subdivision, any transaction made in accordance with the uniform  
504 exemption from registration for small issuers authorized in Section  
505 [19(c)(3)(C)] 19(d)(3)(C) of the Securities Act of 1933. (C) The  
506 exemptions set forth in subparagraphs (A) and (B) of this subdivision  
507 shall not be available for transactions in securities issued by any blank  
508 check company, shell company or dormant company. (D) The  
509 exemptions set forth in subparagraphs (A) and (B) of this subdivision  
510 may, with respect to any security or transaction or any type of security  
511 or transaction, be modified, withdrawn, further conditioned or waived

512 as to conditions, in whole or in part, conditionally or unconditionally,  
513 by the commissioner, acting by regulation, rule or order, on a finding  
514 that such regulation, rule or order is necessary or appropriate in the  
515 public interest or for the protection of investors. (E) A nonrefundable  
516 fee of one hundred fifty dollars shall accompany any filing made with  
517 the commissioner pursuant to this subdivision; (11) any offer or sale of  
518 a preorganization certificate or subscription if (A) no commission or  
519 other remuneration is paid or given directly or indirectly for soliciting  
520 any prospective subscriber, (B) the number of subscribers does not  
521 exceed ten, and (C) no payment is made by any subscriber; (12) any  
522 transaction pursuant to an offer to existing security holders of the  
523 issuer, including persons who at the time of the transaction are holders  
524 of convertible securities, nontransferable warrants or transferable  
525 warrants exercisable within not more than ninety days of their  
526 issuance, if (A) no commission or other remuneration other than a  
527 standby commission is paid or given directly or indirectly for soliciting  
528 any security holder in this state, or (B) the issuer first files a notice, in  
529 such form and containing such information as the commissioner may  
530 by regulation prescribe, specifying the terms of the offer and the  
531 commissioner does not by order disallow the exemption within the  
532 next ten full business days; (13) any offer, but not a sale, of a security  
533 for which registration statements have been filed under both sections  
534 36b-2 to 36b-33, inclusive, and the Securities Act of 1933, if no stop  
535 order or refusal order is in effect and no public proceeding or  
536 examination looking toward such an order is pending under either  
537 said sections or the Securities Act of 1933; (14) any transaction exempt  
538 under Section 4(6) of the Securities Act of 1933, and the rules and  
539 regulations thereunder. The issuer shall, prior to the first sale, file with  
540 the commissioner a notice, in such form and containing such  
541 information as the commissioner may by regulation, rule or order  
542 prescribe. A nonrefundable fee of one hundred fifty dollars shall  
543 accompany any such filing made pursuant to this subdivision; (15) any  
544 transaction if all the following conditions are satisfied: (A) The offer  
545 and sale is effectuated by the issuer of the security; (B) the total

546 number of purchasers of all securities of the issuer does not exceed ten.  
547 A subsequent sale of securities that (i) is registered under sections  
548 36b-2 to 36b-33, inclusive, (ii) is sold pursuant to an exemption under  
549 said sections other than this subdivision, or (iii) involves covered  
550 securities, shall not be integrated with a sale pursuant to this  
551 exemption in computing the number of purchasers hereunder. For the  
552 purpose of this subdivision, each of the following is deemed to be a  
553 single purchaser of a security: A husband and wife, a child and the  
554 parent or guardian of such child when the parent or guardian holds  
555 the security for the benefit of the child, a corporation, a partnership, an  
556 association or other unincorporated entity, a joint stock company or a  
557 trust, but only if the corporation, partnership, association,  
558 unincorporated entity, joint stock company or trust was not formed for  
559 the purpose of purchasing the security; (C) no advertisement, article,  
560 notice or other communication published in any newspaper, magazine  
561 or similar medium, or broadcast over television or radio, or any other  
562 general solicitation is used in connection with the sale; and (D) no  
563 commission, discount or other remuneration is paid or given directly  
564 or indirectly in connection with the offer and sale, and the total  
565 expenses, excluding legal and accounting fees, in connection with the  
566 offer and sale do not exceed one per cent of the total sales price of the  
567 securities. For purposes of this subdivision, a difference in the  
568 purchase price among the purchasers shall not, in and of itself, be  
569 deemed to constitute indirect remuneration; (16) any transaction  
570 exempt under Rule 701, 17 CFR Section 230.701 promulgated under  
571 Section 3(b) of the Securities Act of 1933; (17) any other transaction that  
572 the commissioner may exempt, conditionally or unconditionally, on a  
573 finding that registration is not necessary or appropriate in the public  
574 interest or for the protection of investors.

575 Sec. 6. Subsection (f) of section 36b-29 of the general statutes, as  
576 amended by section 22 of public act 03-259, is repealed and the  
577 following is substituted in lieu thereof (*Effective October 1, 2004*):

578 (f) No person may bring an action under this section more than two

579 years after the date of the contract of sale or of the contract for  
 580 investment advisory services, except that [(1) with respect to actions  
 581 arising out of intentional misrepresentation or fraud in the purchase or  
 582 sale of any interest in any limited partnership not required to be  
 583 registered under the Securities Act of 1933, no person may bring an  
 584 action more than one year from the date when the misrepresentation  
 585 or fraud is discovered, except that no such action may be brought more  
 586 than five years from the date of such misrepresentation or fraud, and  
 587 (2)] with respect to actions arising out of intentional misrepresentation  
 588 or fraud in the purchase or sale of securities, [other than securities  
 589 described in subdivision (1) of this subsection,] no person may bring  
 590 an action more than [one year] two years from the date when the  
 591 misrepresentation or fraud is discovered or in the exercise of  
 592 reasonable care should have been discovered, except that no such  
 593 action may be brought more than [three] five years from the date of  
 594 such misrepresentation or fraud.

This act shall take effect as follows:	
Section 1	<i>October 1, 2004</i>
Sec. 2	<i>October 1, 2004</i>
Sec. 3	<i>October 1, 2004</i>
Sec. 4	<i>October 1, 2004</i>
Sec. 5	<i>October 1, 2004</i>
Sec. 6	<i>October 1, 2004</i>

**Statement of Purpose:**

To prohibit a broker-dealer or agent from transacting securities-related business in Connecticut if the transaction would be in contravention of a currently effective sanction imposed by the Securities and Exchange Commission or a self-regulatory organization; to clarify that certain registration and notice provisions of the Connecticut Uniform Securities Act apply only to investment advisers registered or required to be registered under the act; to clarify that all registrations for broker-dealers, investment advisers, agents and investment adviser agents expire on December thirty-first of the year in which they are issued; to modify the payment of securities agent and investment adviser agent transfer fees as the result of a mass transfer; to allow the Banking

Commissioner to deny, revoke or suspend the registration of an applicant or registrant when an agent, investment adviser agent or other person charged with exercising supervisory authority on behalf of a broker-dealer or investment adviser fails to perform required supervisory duties; to conform the statute of limitations in civil actions with federal law for intentional misrepresentations or fraud in the purchase or sale of securities, including limited partnerships; and to make technical corrections.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*