



House of Representatives

File No. 737

General Assembly

January Session, 2005

(Reprint of File No. 89)

Substitute House Bill No. 6829
As Amended by House Amendment
Schedule "A"

Approved by the Legislative Commissioner
May 6, 2005

AN ACT UPDATING AND REVISING THE CONNECTICUT UNIFORM SECURITIES ACT.

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

1 Section 1. Section 36b-3 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2005*):

3 As used in sections 36b-2 to 36b-33, inclusive, as amended by this
4 act, unless the context otherwise requires:

5 (1) "Agent" means any individual, other than a broker-dealer, who
6 represents a broker-dealer or issuer in effecting or attempting to effect
7 purchases or sales of securities. "Agent" does not include an individual
8 who represents an issuer in (A) effecting transactions in a security
9 exempted by subdivision (1), (2), (3), (4), (6), (9), (10), (11) or [(21)] (22)
10 of subsection (a) of section 36b-21, as amended by this act, (B) effecting
11 transactions exempted by subsection (b) of section 36b-21, as amended
12 by this act, except for transactions exempted by subdivisions (10), (13)
13 or (14) of said subsection, (C) effecting transactions with existing
14 employees, partners or directors of the issuer if no commission or

15 other remuneration is paid or given directly or indirectly for soliciting
16 any person in this state, or (D) effecting transactions in any covered
17 security, except for covered securities within the meaning of Sections
18 18(b)(2) or 18(b)(4)(D) of the Securities Act of 1933. "Agent" does not
19 include such other persons not within the intent of this subdivision as
20 the commissioner may by regulation or order determine. A general
21 partner, officer or director of a broker-dealer or issuer, or a person
22 occupying a similar status or performing similar functions, is an agent
23 only if [he] such person otherwise comes within this definition and any
24 compensation that [he] such person receives is directly or indirectly
25 related to purchases or sales of securities.

26 (2) "Associated person" has the meaning given to that term in
27 Section 3(a)(21) of the Securities Exchange Act of 1934.

28 (3) "Blank check company" means any company that (A) devotes
29 substantially all of its efforts to establishing a new business in which
30 planned principal operations have not commenced or, that has
31 commenced planned principal operations, but has not derived
32 significant revenue [therefrom] from such operations; and (B) has no
33 specific business plan or purpose or has indicated that its business
34 plan is to engage in a merger or acquisition with an unidentified
35 company or companies, or other entity or person.

36 (4) "Branch office" means any location other than the main office [,
37 identified by any means to the public, customers or clients as a
38 location] at which an agent or investment adviser agent regularly
39 conducts business on behalf of a broker-dealer or investment adviser,
40 [conducts a securities or investment advisory business. "Branch office"
41 does not include (A) a location identified solely in a telephone
42 directory line listing or on a business card or letterhead if (i) the listing,
43 card, or letterhead also sets forth the address and telephone number of
44 a Connecticut office of the broker-dealer or investment adviser from
45 which individuals conducting business from such identified location
46 are directly supervised, and (ii) no more than one agent or investment
47 adviser agent transacts business on behalf of the broker-dealer or

48 investment adviser from such identified location] or any location that
49 is held out as such, excluding: (A) Any location that is established
50 solely for customer service or back office type functions where no sales
51 activities are conducted and that is not held out to the public as a
52 branch office, (B) any location that is the agent's or investment adviser
53 agent's primary residence, provided (i) only agents or investment
54 adviser agents who reside at the location and are members of the same
55 immediate family conduct business at the location, (ii) the location is
56 not held out to the public as an office and the agent or investment
57 adviser agent does not meet with customers at the location, (iii) neither
58 customer funds nor securities are handled at that location, (iv) the
59 agent or investment adviser agent is assigned to a designated branch
60 office, and such designated branch office is reflected on all business
61 cards, stationery, advertisements and other communications to the
62 public by such agent or investment adviser agent, (v) the agent's or
63 investment adviser agent's correspondence and communications with
64 the public are subject to the supervision of the broker-dealer or
65 investment adviser with which such agent or investment adviser agent
66 is associated, (vi) electronic communications, including e-mail, are
67 made through the electronic system of the broker-dealer or investment
68 adviser, (vii) all orders for securities are entered through the
69 designated branch office or an electronic system established by a
70 broker-dealer that is reviewable at the branch office, (viii) written
71 supervisory procedures pertaining to supervision of activities
72 conducted at the residence are maintained by the broker-dealer or
73 investment adviser, and (ix) a list of the residence locations is
74 maintained by the broker-dealer or investment adviser, (C) any
75 location, other than a primary residence, that is used for securities or
76 investment advisory business for less than thirty business days in any
77 one calendar year, provided the broker-dealer or investment adviser
78 complies with the provisions of subparagraph
79 (B)(ii),(iii),(iv),(v),(vi),(vii),(viii) of this subdivision, (D) any office of
80 convenience, where associated persons occasionally and exclusively by
81 appointment meet with customers, which is not held out to the public
82 as an office, (E) any location that is used primarily to engage in

83 nonsecurities activities and from which the agent or investment
84 adviser agent effects no more than twenty-five securities transactions
85 in any one calendar year, provided any advertisement or sales
86 literature identifying such location also sets forth the address and
87 telephone number of the location from which the agent or investment
88 adviser agent conducting business at the nonbranch locations is
89 directly supervised, (F) the floor of a registered national securities
90 exchange where a broker-dealer conducts a direct access business with
91 public customers, (G) a temporary location established in response to
92 the implementation of a business continuity plan, or [(B)] (H) any other
93 location not within the intent of this subdivision as the commissioner
94 may determine. As used in this subdivision, the term "business day"
95 does not include any partial business day, provided the agent or
96 investment adviser agent spends at least four hours on such day at the
97 designated branch office of such agent or investment adviser agent
98 during the hours that such office is normally open for business.

99 (5) "Broker-dealer" means any person engaged in the business of
100 effecting transactions in securities for the account of others or for such
101 person's own account. "Broker-dealer" does not include (A) an agent,
102 (B) an issuer, (C) a bank, as defined in Section 3(a)(6) of the Securities
103 Exchange Act of 1934, when conducting activities that would except it
104 from the definitions of "broker" or "dealer" under Sections 3(a)(4) or
105 3(a)(5) of the Securities Exchange Act of 1934, (D) a person who has no
106 place of business in this state if such person effects transactions in this
107 state exclusively with or through (i) the issuers of the securities
108 involved in the transactions, (ii) other broker-dealers, or (iii) a bank
109 and trust company, a national banking association, a savings bank, a
110 savings and loan association, a federal savings bank, a federal savings
111 and loan association, a credit union, a federal credit union, a trust
112 company, an insurance company, an investment company as defined
113 in the Investment Company Act of 1940, a pension or profit-sharing
114 trust, or other financial institution or institutional buyer, whether
115 acting for itself or as trustee, or (E) such other persons not within the
116 intent of this subdivision as the commissioner may by regulation or

117 order determine.

118 (6) "Commissioner" means the Banking Commissioner or any
119 person appointed or designated by the Banking Commissioner to
120 administer sections 36b-2 to 36b-33, inclusive, as amended by this act.

121 (7) "Covered security" has the meaning given to that term in Section
122 18(b) of the Securities Act of 1933.

123 (8) "Fraud", "deceit" and "defraud" are not limited to common-law
124 deceit.

125 (9) "Guaranteed" means guaranteed as to payment of principal,
126 interest or dividends.

127 (10) "International banking institution" means an international
128 financial institution, as defined in 22 USC 262r, as from time to time
129 amended, of which the United States is a member and whose securities
130 are exempt from registration under the Securities Act of 1933.

131 [(10)] (11) "Investment adviser" means any person who, for
132 compensation, engages in the business of advising others, either
133 directly or through publications or writings, as to the value of
134 securities or as to the advisability of investing in, purchasing or selling
135 securities, or who, for compensation and as a part of a regular
136 business, issues or promulgates analyses or reports concerning
137 securities. "Investment adviser" does not include (A) an investment
138 adviser agent; (B) a bank, as defined in Section 202(a)(2) of the
139 Investment Advisers Act of 1940, or a bank holding company, as
140 defined in the Bank Holding Company Act of 1956, that is excepted
141 from the definition of "investment adviser" in Section 202(a)(11) of the
142 Investment Advisers Act of 1940; (C) a lawyer, accountant, engineer, or
143 teacher whose performance of these services is solely incidental to the
144 practice of such person's profession; (D) a broker-dealer whose
145 performance of these services is solely incidental to the conduct of
146 such person's business as a broker-dealer and who receives no special
147 compensation for them; (E) a publisher of any bona fide newspaper,

148 news magazine, or business or financial publication of general, regular,
149 and paid circulation; (F) a person whose advice, analyses or reports
150 relate only to securities exempted by subdivision (1) of subsection (a)
151 of section 36b-21, as amended by this act; (G) any insurance company
152 under the supervision of the Insurance Commissioner or any affiliate
153 thereof, as defined in subsection (b) of section 38a-129, when providing
154 services to separate accounts of that insurance company or registered
155 investment companies all of whose shares are owned by such
156 insurance company or its insurance company affiliates or by the
157 separate accounts of that insurance company or its insurance company
158 affiliates; and (H) such other persons not within the intent of this
159 subdivision as the commissioner may by regulation or order designate.

160 [(11)] (12) (A) "Investment adviser agent" includes (i) any
161 individual, including an officer, partner or director of an investment
162 adviser, or an individual occupying a similar status or performing
163 similar functions, employed, appointed or authorized by or associated
164 with an investment adviser to solicit business from any person for such
165 investment adviser [, within or from] in this state [,] and who receives
166 compensation or other remuneration, directly or indirectly, for such
167 solicitation; or (ii) any partner, officer, or director of an investment
168 adviser, or an individual occupying a similar status or performing
169 similar functions, or other individual employed, appointed, or
170 authorized by or associated with an investment adviser, who makes
171 any recommendation or otherwise renders advice regarding securities
172 to clients and who receives compensation or other remuneration,
173 directly or indirectly, for such advisory services.

174 (B) "Investment adviser agent" does not include an individual
175 employed, appointed or authorized by, associated with or acting on
176 behalf of an investment adviser exempt from registration under
177 subdivision (1) or (2) of subsection (e) of section 36b-6, as amended by
178 this act, who is a "supervised person", as defined in Section 202(a)(25)
179 of the Investment Advisers Act of 1940, unless such supervised person
180 is an "investment adviser representative", as defined in Securities and
181 Exchange Commission Rule 203A-3, 17 CFR 275.203A-3.

182 (C) "Investment adviser agent" does not include such other
183 individuals not within the intent of this subdivision as the
184 commissioner may by regulation or order designate.

185 [(12)] (13) "Issuer" means any person who issues or proposes to
186 issue any security; except that (A) with respect to [certificates] a
187 certificate of deposit, a voting-trust [certificates] certificate, or a
188 collateral-trust [certificates] certificate, or with respect to [certificates] a
189 certificate of interest or [shares] a share in an unincorporated
190 investment trust not having a board of directors or persons performing
191 similar functions or of the fixed, restricted management, or unit type,
192 "issuer" means [the] any person [or persons] performing the acts and
193 assuming the duties of depositor or manager pursuant to the
194 provisions of the trust or other agreement or instrument under which
195 the security is issued; [and] (B) with respect to [certificates of interest
196 or participation in oil, gas or mining titles or leases, or in payments out
197 of production under such titles or leases, "issuer" means the owner of
198 any such title, lease, right or interest, whether whole or fractional, who
199 creates or sells fractional interests therein] an equipment trust
200 certificate or similar security serving the same purpose, "issuer" means
201 any person who uses or will use the property, any person to whom the
202 property or equipment is or will be leased or conditionally sold or any
203 person who is otherwise contractually responsible for assuring
204 payment of the certificate; and (C) with respect to a fractional
205 undivided interest in oil, gas or other mineral leases or in payments
206 out of production under a lease, right or royalty, "issuer" means any
207 owner of an interest in the lease or in payments out of production
208 under a lease, right or royalty, whether whole or fractional, who
209 creates fractional interests for the purpose of sale.

210 [(13)] (14) "Nonissuer" means not directly or indirectly for the
211 benefit of the issuer.

212 [(14)] (15) "Person" means an individual, a corporation, a limited
213 liability company, a partnership, a limited partnership, a limited
214 liability partnership, an association, a joint-stock company, a trust

215 where the interests of the beneficiaries are evidenced by a security, an
216 unincorporated organization, a government or a political subdivision
217 of a government.

218 [(15)] (16) (A) "Sale" or "sell" includes every contract of sale of,
219 contract to sell, or disposition of, a security or interest in a security for
220 value. (B) "Offer" or "offer to sell" includes every attempt or offer to
221 dispose of, or solicitation of an offer to buy, a security or interest in a
222 security for value. (C) Any security given or delivered with, or as a
223 bonus on account of, any purchase of securities or any other thing shall
224 be conclusively presumed to constitute a part of the subject of such
225 purchase and to have been sold for value. (D) Nothing in this
226 subdivision shall limit or diminish the full meaning of the terms "sale",
227 "sell", "offer" or "offer to sell" as construed by the courts of this state.
228 (E) A purported gift of assessable stock is considered to involve an
229 offer and sale. (F) Every sale or offer of a warrant or right to purchase
230 or subscribe to another security of the same or another issuer, as well
231 as every sale or offer of a security which gives the holder a present or
232 future right or privilege to convert into another security of the same or
233 another issuer, is considered to include an offer of the other security.
234 (G) The terms defined in this subdivision do not include: (i) Any bona
235 fide pledge or loan; (ii) any stock dividend, whether the corporation
236 distributing the dividend is the issuer of the stock or not, if nothing of
237 value is given by stockholders for the dividend other than the
238 surrender of a right to a cash or property dividend when each
239 stockholder may elect to take the dividend in cash or property or in
240 stock; (iii) any act incident to a class vote by security holders on a
241 merger, exchange of securities for securities, consolidation,
242 reclassification of securities, or sale of assets in consideration of the
243 issuance of securities or securities and cash of another person other
244 than an individual; or (iv) any security which is issued in exchange for
245 one or more bona fide outstanding securities, claims or property
246 interests, or partly in such exchange and partly for cash, where the
247 terms and conditions of such issuance and exchange are approved by
248 any state or federal court.

249 [(16)] (17) "Securities Act of 1933", "Securities Exchange Act of 1934",
250 "Public Utility Holding Company Act of 1935", "Investment Advisers
251 Act of 1940" and "Investment Company Act of 1940" mean the federal
252 statutes of those names, as from time to time amended.

253 (18) "Securities and Exchange Commission" means the United States
254 Securities and Exchange Commission.

255 [(17)] (19) "Security" means any note, stock, treasury stock, security
256 future, bond, debenture, evidence of indebtedness, certificate of
257 interest or participation in any profit-sharing agreement, interests of
258 limited partners in a limited partnership, collateral-trust certificate,
259 preorganization certificate or subscription, transferable share,
260 investment contract, voting-trust certificate, certificate of deposit for a
261 security, [certificate of interest or participation in an oil, gas or mining
262 title or lease or in payments out of production under such a title or
263 lease] fractional undivided interest in oil, gas or other mineral rights,
264 put, call, straddle, option, or privilege on any security or group or
265 index of securities, including any interest in or based on the value of
266 such security, group or index, put, call, straddle, option or privilege
267 entered into on a national securities exchange relating to foreign
268 currency, or, in general, any interest or instrument commonly known
269 as a "security", or any certificate of interest or participation in,
270 temporary or interim certificate for, receipt for, guarantee of, or
271 warrant or right to subscribe to or purchase, any of the foregoing.
272 "Security" includes (A) a certificated and an uncertificated security,
273 and (B) as an "investment contract", an interest in a limited liability
274 company or limited liability partnership, but does not include any
275 insurance or endowment policy or annuity contract issued by an
276 insurance company [which] that is subject to regulation by the
277 Insurance Commissioner.

278 (20) "Self-regulatory organization" means a national securities
279 exchange, a national securities association of broker-dealers or a
280 clearing agency registered under the Securities Exchange Act of 1934
281 or the Municipal Securities Rulemaking Board established under the

282 Securities Exchange Act of 1934.

283 [(18)] (21) "Shell company" or "dormant company" means any
284 company which does not pursue nor has the financial capacity to
285 pursue a business plan or purpose.

286 [(19)] (22) "State" means any state, territory or possession of the
287 United States, the District of Columbia and Puerto Rico.

288 Sec. 2. Section 36b-6 of the general statutes is repealed and the
289 following is substituted in lieu thereof (*Effective October 1, 2005*):

290 (a) No person shall transact business in this state as a broker-dealer
291 unless such person is registered under sections 36b-2 to 36b-33,
292 inclusive, as amended by this act. No person shall transact business in
293 this state as a broker-dealer in contravention of a sanction that is
294 currently effective imposed by the Securities and Exchange
295 Commission or by a self-regulatory organization [,] of which such
296 person is a member [, that is registered under federal laws
297 administered by the Securities and Exchange Commission] if the
298 sanction would prohibit such person from effecting transactions in
299 securities in this state. No individual shall transact business as an
300 agent in this state unless such individual is (1) registered as an agent of
301 the broker-dealer or issuer whom such individual represents in
302 transacting such business, or (2) an associated person who represents a
303 broker-dealer in effecting transactions described in subdivisions (2)
304 and (3) of Section 15(h) of the Securities Exchange Act of 1934. No
305 individual shall transact business in this state as an agent of a broker-
306 dealer in contravention of a sanction that is currently effective imposed
307 by the Securities and Exchange Commission or a self-regulatory
308 organization [registered under the federal laws administered by the
309 Securities and Exchange Commission] of which the employing broker-
310 dealer is a member [,] if the sanction would prohibit the individual
311 employed by such broker-dealer from effecting transactions in
312 securities in this state.

313 (b) No issuer shall employ an agent unless such agent is registered

314 under sections 36b-2 to 36b-33, inclusive, as amended by this act. No
315 broker-dealer shall employ an agent unless such agent is (1) registered
316 under sections 36b-2 to 36b-33, inclusive, as amended by this act, or (2)
317 an associated person who represents a broker-dealer in effecting
318 transactions described in subdivisions (2) and (3) of Section 15(h) of the
319 Securities Exchange Act of 1934. The registration of an agent is not
320 effective during any period when such agent is not associated with a
321 particular broker-dealer registered under sections 36b-2 to 36b-33,
322 inclusive, as amended by this act, or a particular issuer. When an agent
323 begins or terminates a connection with a broker-dealer or issuer, or
324 begins or terminates those activities which make such individual an
325 agent, both the agent and the broker-dealer or issuer shall promptly
326 notify the commissioner.

327 (c) (1) No person shall transact business in this state as an
328 investment adviser [, within or from this state,] unless registered as
329 such by the commissioner as provided in sections 36b-2 to 36b-33,
330 inclusive, as amended by this act, or exempted pursuant to subsection
331 (e) of this section. No person shall transact business, directly or
332 indirectly, in this state as an investment adviser if the registration of
333 such investment adviser is suspended or revoked or, in the case of an
334 investment adviser who is an individual, the investment adviser is
335 barred from employment or association with an investment adviser or
336 broker-dealer by order of the commissioner, the Securities and
337 Exchange Commission or a self-regulatory organization.

338 (2) No individual shall transact business in this state as an
339 investment adviser agent [, within or from this state,] unless such
340 individual is registered as an investment adviser agent of the
341 investment adviser for [whom] which such individual acts in
342 transacting such business. An investment adviser agent registered
343 under sections 36b-2 to 36b-33, inclusive, as amended by this act, who
344 refers advisory clients to another investment adviser registered under
345 said sections 36b-2 to 36b-33, inclusive, or to an investment adviser
346 registered with the Securities and Exchange Commission that has filed
347 a notice under subsection (e) of this section, is not required to register

348 as an investment adviser agent of such investment adviser if the only
349 compensation paid for such referral services is paid to the investment
350 adviser with whom the individual is employed or associated. No
351 individual shall transact business, directly or indirectly, in this state as
352 an investment adviser agent on behalf of an investment adviser if the
353 registration of such individual as an investment adviser agent is
354 suspended or revoked or the individual is barred from employment or
355 association with an investment adviser by an order of the
356 commissioner, the Securities and Exchange Commission or a self-
357 regulatory organization.

358 (3) No investment adviser shall engage an investment adviser agent
359 unless such investment adviser agent is registered under [said]
360 sections 36b-2 to 36b-33, inclusive, as amended by this act. The
361 registration of an investment adviser agent is not effective during any
362 period when such investment adviser agent is not associated with a
363 particular investment adviser. When an investment adviser agent
364 begins or terminates a connection with an investment adviser, both the
365 investment adviser agent and the investment adviser shall promptly
366 notify the commissioner. If an investment adviser or investment
367 adviser agent provides such notice, such investment adviser or
368 investment adviser agent shall not be liable for the failure of the other
369 to give such notice.

370 (d) No broker-dealer or investment adviser shall transact business
371 from any place of business located within this state unless that place of
372 business is registered as a branch office with the commissioner
373 pursuant to this subsection. An application for branch office
374 registration shall be made on forms prescribed by the commissioner
375 and shall be filed with the commissioner, together with a
376 nonrefundable application fee of one hundred dollars per branch
377 office. A broker-dealer or investment adviser shall promptly notify the
378 commissioner in writing if such broker-dealer or investment adviser
379 (1) engages a new manager at a branch office in this state, (2) acquires
380 a branch office of another broker-dealer or investment adviser in this
381 state, or (3) relocates a branch office in this state. In the case of a branch

382 office acquisition or relocation, such broker-dealer or investment
383 adviser shall pay to the commissioner a nonrefundable fee of one
384 hundred dollars. Each registrant or applicant for branch office
385 registration shall pay the actual cost, as determined by the
386 commissioner, of any reasonable investigation or examination made of
387 such registrant or applicant by or on behalf of the commissioner.

388 (e) The following investment advisers are exempted from the
389 registration requirements under subsection (c) of this section: Any
390 investment adviser that (1) is registered or required to be registered
391 under Section 203 of the Investment Advisers Act of 1940; (2) is
392 excepted from the definition of investment adviser under Section
393 202(a)(11) of the Investment Advisers Act of 1940; or (3) has no place of
394 business in this state and, during the preceding twelve months, has
395 had no more than five clients who are residents of this state. Any
396 investment adviser claiming an exemption pursuant to subdivision (1)
397 or (2) of this subsection that is not otherwise excluded under
398 subsection [(10)] (11) of section 36b-3, as amended by this act, shall first
399 file with the commissioner a notice of exemption together with a
400 consent to service of process as required by subsection (g) of section
401 36b-33, as amended by this act, and shall pay to the commissioner or to
402 any person designated by the commissioner in writing to collect such
403 fee on behalf of the commissioner a nonrefundable fee of two hundred
404 fifty dollars. The notice of exemption shall contain such information as
405 the commissioner may require, [and shall be accompanied by a
406 nonrefundable fee of two hundred fifty dollars.] Such notice of
407 exemption shall be valid until December thirty-first of the calendar
408 year in which it was first filed and may be renewed annually thereafter
409 upon submission of such information as the commissioner may require
410 together with a nonrefundable fee of one hundred fifty dollars. If any
411 investment adviser that is exempted from registration pursuant to
412 subdivision (1) or (2) of this subsection fails or refuses to pay any fee
413 required by this subsection, the commissioner may require such
414 investment adviser to register pursuant to subsection (c) of this section.
415 For purposes of this subsection, a delay in the payment of a fee or an

416 underpayment of a fee which is promptly remedied shall not
417 constitute a failure or refusal to pay such fee.

418 (f) Any broker-dealer or investment adviser ceasing to transact
419 business at any branch office or main office in this state shall, in
420 addition to providing written notice to the commissioner prior to the
421 termination of business activity at that office, (1) provide written notice
422 to each customer or client serviced by such office at least ten business
423 days prior to the termination of business activity at that office, or (2)
424 demonstrate to the commissioner, in writing, the reasons why such
425 notice to customers or clients cannot be provided within the time
426 prescribed. If the commissioner finds that the broker-dealer or
427 investment adviser cannot provide notice to customers or clients at
428 least ten business days prior to the termination of business activity, the
429 commissioner may exempt the broker-dealer or investment adviser
430 from giving such notice. The commissioner shall act upon a request for
431 such exemption within five business days following receipt by the
432 commissioner of the written request for such an exemption. The notice
433 to customers or clients shall contain the following information: The
434 date and reasons why business activity will terminate at the office; if
435 applicable, a description of the procedure the customer or client may
436 follow to maintain the customer's account at any other office of the
437 broker-dealer or investment adviser; the procedure for transferring the
438 customer's or client's account to another broker-dealer or investment
439 adviser; and the procedure for making delivery to the customer or
440 client of any funds or securities held by the broker-dealer or
441 investment adviser.

442 (g) Any broker-dealer or investment adviser ceasing to transact
443 business at any branch office or main office in this state as a result of
444 executing an agreement and plan of merger or acquisition shall
445 provide written notice to the commissioner and to each customer or
446 client serviced by such office not later than the date such merger or
447 acquisition is completed. The notice provided to each customer or
448 client shall contain the information specified in subsection (f) of this
449 section.

450 (h) Any broker-dealer or investment adviser ceasing to transact
451 business at any branch office or main office in this state as a result of
452 the commencement of a bankruptcy proceeding by such broker-dealer
453 or investment adviser or by a creditor or creditors of such broker-
454 dealer or investment adviser shall, immediately upon the filing of a
455 petition with the bankruptcy court, provide written notice to the
456 commissioner. The commissioner shall determine the time and manner
457 in which notice shall be provided to each customer or client serviced
458 by such office.

459 (i) (1) A broker-dealer or investment adviser may succeed to the
460 current registration of another broker-dealer or investment adviser or
461 to a notice filing of an investment adviser registered with the Securities
462 and Exchange Commission, and an investment adviser registered with
463 the Securities and Exchange Commission may succeed to the current
464 registration of an investment adviser or to a notice filing of another
465 investment adviser registered with the Securities and Exchange
466 Commission, by filing as a successor an application for registration
467 pursuant to section 36b-7, as amended by this act, or a notice pursuant
468 to subsection (e) of this section for the unexpired portion of the current
469 registration or notice filing and paying the fee required by subsection
470 (a) of section 36b-12.

471 (2) A broker-dealer or investment adviser that changes its form of
472 organization or state of incorporation or organization may continue its
473 registration by filing an amendment to its registration if the change
474 does not involve a material change in its management. The
475 amendment shall become effective when filed or on a date designated
476 by the registrant in its filing. The new organization shall be a successor
477 to the original registrant for the purposes of sections 36b-2 to 36b-33,
478 inclusive, as amended by this act. If there is a material change in
479 management, the broker-dealer or investment adviser shall file a new
480 application for registration. A predecessor registered under sections
481 36b-2 to 36b-33, inclusive, as amended by this act, shall stop
482 conducting its securities business or investment advisory business
483 other than winding down transactions and shall file for withdrawal of

484 its broker-dealer or investment adviser registration not later than forty-
485 five days after filing its amendment to effect succession.

486 (3) A broker-dealer or investment adviser that changes its name
487 may continue its registration by filing an amendment to its
488 registration. The amendment shall become effective when filed or on a
489 date designated by the registrant.

490 (4) The commissioner may, by regulation adopted, in accordance
491 with chapter 54, or order, prescribe the means by which a change of
492 control of a broker-dealer or investment adviser may be made.

493 (5) Nothing in this subsection shall relieve a registrant of its
494 obligation to pay agent and investment adviser agent transfer fees as
495 described in subsection (d) of section 36b-12.

496 (j) The commissioner may, by regulation adopted, in accordance
497 with chapter 54, or order, require an agent or investment adviser agent
498 to participate in a continuing education program approved by the
499 Securities and Exchange Commission and administered by a self-
500 regulatory organization or, in the absence of such a program, the
501 commissioner may require continuing education for registered
502 investment adviser agents by regulation or order.

503 [(i)] (k) For purposes of subsections (d), (f), (g) and (h) of this
504 section, "investment adviser" means an investment adviser registered
505 or required to be registered with the commissioner.

506 Sec. 3. Section 36b-7 of the general statutes is repealed and the
507 following is substituted in lieu thereof (*Effective October 1, 2005*):

508 (a) A broker-dealer, agent, investment adviser or investment adviser
509 agent may obtain an initial or renewal registration by filing with the
510 commissioner or other depository as the commissioner may by
511 regulation or order designate an application together with a consent to
512 service of process pursuant to subsection (g) of section 36b-33, as
513 amended by this act. The application shall contain such information as

514 the commissioner may require.

515 (b) The commissioner may, by regulation adopted, in accordance
516 with chapter 54, or order, impose such registration conditions as are
517 not inconsistent with the National Securities Markets Improvement
518 Act of 1996. The commissioner may, by regulation or order, waive, in
519 whole or in part, specific requirements in connection with registration
520 as are in the public interest and for the protection of investors.

521 Sec. 4. Section 36b-14 of the general statutes is repealed and the
522 following is substituted in lieu thereof (*Effective October 1, 2005*):

523 (a) (1) Every registered investment adviser shall make, keep and
524 preserve such accounts, correspondence, memoranda, papers, books
525 and other records as the commissioner by regulation adopted, in
526 accordance with chapter 54, or order prescribes. All such records shall
527 be preserved for such period as the commissioner by regulation or
528 order prescribes.

529 (2) Every investment adviser that is registered with the Securities
530 and Exchange Commission or excepted from the definition of
531 investment adviser under Section 202(a)(11) of the Investment
532 Advisers Act of 1940, and every registered broker-dealer, shall make,
533 keep and preserve such accounts, correspondence, memoranda,
534 papers, books and other records as the Securities and Exchange
535 Commission requires. All such records shall be preserved for such
536 period as the Securities and Exchange Commission requires.

537 (3) [All records referred to in this subsection] Broker-dealer records
538 required to be maintained under subdivision (2) of this subsection may
539 be maintained in any form of data storage acceptable under Section
540 17(a) of the Securities and Exchange Act of 1934 if they are readily
541 accessible to the commissioner. Investment adviser records required to
542 be maintained under this section may be stored on microfilm,
543 microfiche or on an electronic data processing system or similar system
544 utilizing an internal memory device provided that a printed copy of
545 any such record is immediately accessible.

546 (b) (1) Every registered investment adviser shall file such financial
547 reports as the commissioner by regulation prescribes.

548 (2) Every investment adviser that is registered with the Securities
549 and Exchange Commission or excepted from the definition of
550 investment adviser under Section 202(a)(11) of the Investment
551 Advisers Act of 1940, and, subject to Section 15(h) of the Securities
552 Exchange Act of 1934, every registered broker-dealer [] shall file such
553 financial reports as the commissioner by regulation prescribes, except
554 that the commissioner shall not require the filing of financial reports
555 that are not required to be filed with the Securities and Exchange
556 Commission.

557 (c) If the information contained in any document filed with the
558 commissioner under this section is or becomes inaccurate or
559 incomplete in any material respect, the person making the filing shall
560 promptly file a correcting amendment unless notification of the
561 correction has been given under sections 36b-2 to 36b-33, inclusive, as
562 amended by this act.

563 (d) All the records of a registered investment adviser and a
564 registered broker-dealer referred to in subsection (a) of this section are
565 subject at any time or from time to time to such reasonable periodic,
566 special or other examinations by the commissioner, within or without
567 this state, as the commissioner deems necessary or appropriate in the
568 public interest or for the protection of investors. Every registered
569 investment adviser and every registered broker-dealer shall keep such
570 records open to examination by the commissioner and, upon the
571 commissioner's request, shall provide copies of any such records to the
572 commissioner. For the purpose of avoiding unnecessary duplication of
573 examinations, the commissioner, insofar as the commissioner deems it
574 practicable in administering this subsection, may cooperate with the
575 securities administrators of other states, the Securities and Exchange
576 Commission, and any [national securities exchange or national
577 securities association registered under the Securities Exchange Act of
578 1934] self-regulatory organization.

579 (e) Subject to Section 15(h) of the Securities Exchange Act of 1934 or
580 Section 222 of the Investment Advisers Act of 1940, an agent may not
581 have custody of funds or securities of a customer except under the
582 supervision of a broker-dealer and an investment adviser agent may
583 not have custody of funds or securities of a client except under the
584 supervision of an investment adviser. Subject to Section 15(h) of the
585 Securities Exchange Act of 1934 or Section 222 of the Investment
586 Advisers Act of 1940, the commissioner may, by regulation adopted, in
587 accordance with chapter 54, or order, prohibit, limit or impose
588 conditions on a broker-dealer regarding custody of funds or securities
589 of a customer and on an investment adviser regarding custody of
590 funds or securities of a client.

591 Sec. 5. Subsection (a) of section 36b-15 of the general statutes is
592 repealed and the following is substituted in lieu thereof (*Effective*
593 *October 1, 2005*):

594 (a) The commissioner may, by order, deny, suspend or revoke any
595 registration or, by order, restrict or impose conditions on the securities
596 or investment advisory activities that an applicant or registrant may
597 perform in this state if the commissioner finds that (1) the order is in
598 the public interest, and (2) the applicant or registrant or, in the case of a
599 broker-dealer or investment adviser, any partner, officer, or director,
600 any person occupying a similar status or performing similar functions,
601 or any person directly or indirectly controlling the broker-dealer or
602 investment adviser: (A) Has filed an application for registration which
603 as of its effective date, or as of any date after filing in the case of an
604 order denying effectiveness, was incomplete in any material respect or
605 contained any statement which was, in light of the circumstances
606 under which it was made, false or misleading with respect to any
607 material fact; (B) has wilfully violated or wilfully failed to comply with
608 any provision of sections 36b-2 to 36b-33, inclusive, as amended by this
609 act, or a predecessor statute or any regulation or order under said
610 sections or a predecessor statute; (C) has been convicted, within the
611 past ten years, of any misdemeanor involving a security, any aspect of
612 the securities business, or any felony, provided any denial, suspension

613 or revocation of such registration shall be in accordance with the
614 provisions of section 46a-80; (D) is permanently or temporarily
615 enjoined by any court of competent jurisdiction from engaging in or
616 continuing any conduct or practice involving any aspect of the
617 securities or commodities business; (E) is the subject of a cease and
618 desist order of the commissioner or an order of the commissioner
619 denying, suspending, or revoking registration as a broker-dealer,
620 agent, investment adviser or investment adviser agent; (F) is the
621 subject of any of the following sanctions that are currently effective or
622 were imposed within the past ten years: (i) An order issued by the
623 securities administrator of any other state, Canadian province or
624 territory, or by the Securities and Exchange Commission or the
625 Commodity Futures Trading Commission denying, suspending or
626 revoking registration as a broker-dealer, agent, investment adviser,
627 investment adviser agent or a person required to be registered under
628 the Commodity Exchange Act, 7 USC 1 et seq., as from time to time
629 amended, and the rules and regulations thereunder, or the substantial
630 equivalent of those terms, as defined in sections 36b-2 to 36b-33,
631 inclusive, as amended by this act, (ii) an order of the Securities and
632 Exchange Commission or Commodity Futures Trading Commission
633 suspending or expelling such applicant, registrant or person from a
634 national securities or commodities exchange or national securities or
635 commodities association registered under the Securities Exchange Act
636 of 1934 or the Commodity Exchange Act, 7 USC 1 et seq., as from time
637 to time amended, or, in the case of an individual, an order of the
638 Securities and Exchange Commission or an equivalent order of the
639 [commodity futures trading commission] Commodity Futures Trading
640 Commission barring such individual from association with a
641 broker-dealer or an investment adviser, (iii) a suspension, expulsion or
642 other sanction issued by a national securities exchange or other
643 self-regulatory organization registered under federal laws
644 administered by the Securities and Exchange Commission or the
645 Commodity Futures Trading Commission if the effect of the sanction
646 has not been stayed or overturned by appeal or otherwise, (iv) a
647 United States Post Office fraud order, or (v) a cease and desist order

648 entered by the Securities and Exchange Commission, a self-regulatory
649 organization or the securities agency or administrator of any other
650 state or Canadian province or territory; but the commissioner may not
651 (I) institute a revocation or suspension proceeding under this
652 subparagraph more than five years from the date of the sanction relied
653 on, and (II) enter an order under this subparagraph on the basis of an
654 order under any other state act unless that order was based on facts
655 which would constitute a ground for an order under this section; (G)
656 may be denied registration under federal law as a broker-dealer, agent,
657 investment adviser, investment adviser agent or as a person required
658 to be registered under the Commodity Exchange Act, 7 USC 1 et seq.,
659 as from time to time amended, and the rules and regulations
660 promulgated thereunder, or the substantial equivalent of those terms
661 as defined in sections 36b-2 to 36b-33, inclusive, as amended by this
662 act; (H) has engaged in fraudulent, dishonest or unethical practices in
663 the securities or commodities business, including abusive sales
664 practices in the business dealings of such applicant, registrant or
665 person with current or prospective customers or clients; (I) is insolvent,
666 either in the sense that the liabilities of such applicant, registrant or
667 person exceed the assets of such applicant, registrant or person, or in
668 the sense that such applicant, registrant or person cannot meet the
669 obligations of such applicant, registrant or person as they mature; but
670 the commissioner may not enter an order against a broker-dealer or
671 investment adviser under this subparagraph without a finding of
672 insolvency as to the broker-dealer or investment adviser; (J) is not
673 qualified on the basis of such factors as training, experience, and
674 knowledge of the securities business, except as otherwise provided in
675 subsection (b) of this section; (K) has failed reasonably to supervise: (i)
676 The agents or investment adviser agents of such applicant or
677 registrant, if the applicant or registrant is a broker-dealer or investment
678 adviser; or (ii) the agents of a broker-dealer or investment adviser
679 agents of an investment adviser, if such applicant, registrant or other
680 person is or was an agent, investment adviser agent or other person
681 charged with exercising supervisory authority on behalf of a
682 broker-dealer or investment adviser; (L) in connection with any

683 investigation conducted pursuant to section 36b-26, as amended by
684 this act, or any examination under subsection (d) of section 36b-14, as
685 amended by this act, has made any material misrepresentation to the
686 commissioner or upon request made by the commissioner, has
687 withheld or concealed material information from, or refused to furnish
688 material information to the commissioner, provided, there shall be a
689 rebuttable presumption that any records, including, but not limited to,
690 written, visual, audio, magnetic or electronic records, computer
691 printouts and software, and any other documents, that are withheld or
692 concealed from the commissioner in connection with any such
693 investigation or examination are material, unless such presumption is
694 rebutted by substantial evidence; [or] (M) has wilfully aided, abetted,
695 counseled, commanded, induced or procured a violation of any
696 provision of sections 36b-2 to 36b-33, inclusive, as amended by this act,
697 or a predecessor statute or any regulation or order under such sections
698 or a predecessor statute; or (N) has failed to pay the proper filing fee;
699 but the commissioner may enter only a denial order under this
700 subparagraph, and the commissioner shall vacate any such order when
701 the deficiency has been corrected. The commissioner may not institute
702 a suspension or revocation proceeding on the basis of a fact or
703 transaction known to the commissioner when the registration became
704 effective unless the proceeding is instituted within one hundred eighty
705 days of the effective date of such registration.

706 Sec. 6. Section 36b-21 of the general statutes is repealed and the
707 following is substituted in lieu thereof (*Effective October 1, 2005*):

708 (a) The following securities are exempted from sections 36b-16 and
709 36b-22, as amended by this act: (1) Any security including a revenue
710 obligation issued or guaranteed by the United States, any state, any
711 political subdivision of a state, or any agency or corporate or other
712 instrumentality of one or more of the foregoing; or any certificate of
713 deposit for any of the foregoing; (2) any security issued or guaranteed
714 by Canada, any Canadian province, any political subdivision of any
715 such province, any agency or corporate or other instrumentality of one
716 or more of the foregoing, or any other foreign government with which

717 the United States currently maintains diplomatic relations, if the
718 security is recognized as a valid obligation by the issuer or guarantor;
719 (3) any security that is not a "covered security" under Sections 3(a)(2)
720 and 18(b)(4)(C) of the Securities Act of 1933 and that is issued by and
721 [representing] represents or will represent an interest in or a debt of, or
722 guaranteed by, any international banking institution, any bank,
723 savings bank or savings and loan association organized under the laws
724 of the United States, or any bank, savings institution or trust company
725 organized and supervised under the laws of any state; (4) any security
726 issued by and representing or that will represent an interest in or a
727 debt of, or guaranteed by, any federal savings and loan association, or
728 any savings and loan or similar association organized under the laws
729 of any state; (5) any security issued by and representing an interest in
730 or a debt of, or guaranteed by, any insurance company organized
731 under the laws of any state and authorized to do business in this state;
732 (6) any security issued or guaranteed by any federal credit union or
733 any credit union, industrial loan association or similar association
734 organized and supervised under the laws of this state; (7) any security
735 issued or guaranteed by any railroad, other common carrier, public
736 utility or public utility holding company [which] that is (A) [subject to
737 the jurisdiction of the Interstate Commerce Commission or its
738 successor agency] regulated with respect to its rates and charges by the
739 United States or any state; (B) a public utility holding company
740 registered [holding company] under the Public Utility Holding
741 Company Act of 1935 or a subsidiary of such a registered holding
742 company within the meaning of [that] said act; or (C) [regulated in
743 respect of its rates and charges by a governmental authority of the
744 United States or any state; or (D)] regulated [in] with respect [of] to
745 the issuance or guarantee of the security by [a governmental authority of]
746 the United States, any state, Canada or any Canadian province or
747 territory; (8) (A) any security appearing on the list of over-the-counter
748 and foreign securities approved for margin by the Board of Governors
749 of the Federal Reserve System which is not otherwise a covered
750 security, (B) any warrant or right to purchase or subscribe to any
751 security described in subparagraph (A) of this subdivision, and (C) any

752 warrant or right to purchase or subscribe to any security listed or
753 approved for listing upon notice of issuance on (i) the New York Stock
754 Exchange, the American Stock Exchange, the Chicago Board Options
755 Exchange and such other securities exchanges as may be designated by
756 the commissioner from time to time, (ii) the list of over-the-counter
757 securities approved for margin by the Board of Governors of the
758 Federal Reserve System where such security is a covered security, or
759 (iii) the national market system of the National Association of
760 Securities Dealers Automated Quotation System established pursuant
761 to the Securities Exchange Act of 1934; (9) any security issued by any
762 person organized and operated not for private profit but exclusively
763 for religious, educational, benevolent, charitable, fraternal, social,
764 athletic or reformatory purposes, or as a chamber of commerce or trade
765 or professional association; (10) any commercial paper which arises out
766 of a current transaction or the proceeds of which have been or are to be
767 used for current transactions, and which evidences an obligation to
768 pay cash within nine months of the date of issuance, exclusive of days
769 of grace, or any renewal of such paper which is likewise limited, or any
770 guarantee of such paper or of any such renewal; (11) any security
771 issued in connection with an employees' stock purchase, stock option,
772 savings, pension, profit-sharing or similar benefit plan; (12) any
773 security issued by any cooperative apartment corporation incorporated
774 under the laws of this state, located in and operating wholly within the
775 borders of this state, in conjunction with the execution of proprietary
776 leases; (13) any security issued by any person, organized and located in
777 this state and operating exclusively for the purpose of promoting the
778 industrial or commercial development of this state, or such
779 development of any political subdivision thereof or such development
780 of any regional planning area within this state, if such persons are
781 approved by the Commissioner of Economic and Community
782 Development and such approval has been certified, in writing, by said
783 Commissioner of Economic and Community Development to the
784 commissioner; such approval and certification shall be conclusive as to
785 the nature and purpose of such person; (14) any security issued by the
786 Connecticut Development Credit Corporation; (15) any security issued

787 by any nonstock corporation, which is incorporated under the laws of
788 this state as a cooperative marketing corporation and has its principal
789 place of business in this state, and which is a farmers' cooperative
790 organization, as defined in Section 521 of the Internal Revenue Code of
791 1986, or any subsequent corresponding internal revenue code of the
792 United States, as from time to time amended, if such corporation has
793 been certified, in writing, by the Connecticut Department of
794 Agriculture to the commissioner to be a bona fide cooperative
795 marketing corporation; such certification shall be conclusive as to the
796 nature and purpose of such corporation; (16) any security issued by all
797 cooperative associations organized or existing under chapter 595; (17)
798 any security issued by any person organized, located and operating
799 within or from the borders of this state, when selling or offering for
800 sale an interest in real estate limited partnerships or real estate
801 syndications exclusively, if such person has obtained a permit from the
802 Real Estate Commission; (18) any security which, prior to or within
803 sixty days after October 1, 1977, has been sold or disposed of by the
804 issuer or bona fide offered to the public, but this exemption shall not
805 apply to any new offer of any such security by an issuer or
806 underwriter subsequent to such sixty days; (19) any interest or
807 participation in any common trust fund or similar fund established
808 and maintained by a bank, or by one or more banks under common
809 control as otherwise authorized by general statute, exclusively for the
810 collective investment and reinvestment of assets contributed thereto by
811 such bank in its fiduciary capacity; (20) any security issued by a
812 worker cooperative corporation formed under the provisions of
813 sections 33-418f to 33-418o, inclusive; (21) an equipment trust
814 certificate with respect to equipment leased or conditionally sold to a
815 person, if any security issued by the person would be exempt under
816 this section or would be a "covered security" under Section 18(b)(1) of
817 the Securities Act of 1933; and (22) any other security that the
818 commissioner may exempt, conditionally or unconditionally, on a
819 finding that registration is not necessary or appropriate in the public
820 interest or for the protection of investors.

821 (b) The following transactions are exempted from sections 36b-16
822 and 36b-22, as amended by this act: (1) Any isolated nonissuer
823 transaction, whether effected through a broker-dealer or not; (2) any
824 nonissuer transaction by a registered agent of a registered
825 broker-dealer in a security of a class that has been outstanding in the
826 hands of the public for at least ninety days provided, at the time of the
827 transaction: (A) The security is sold at a price reasonably related to the
828 current market price of the security; (B) the security does not constitute
829 the whole or part of an unsold allotment to, or a subscription or
830 participation by, the broker-dealer as an underwriter of the security;
831 (C) a nationally recognized securities manual contains (i) a description
832 of the business and operations of the issuer; (ii) the names of the
833 issuer's officers and directors or, in the case of a [non-United-States]
834 non-United States issuer, the corporate equivalents of such persons in
835 the issuer's country of domicile; (iii) an audited balance sheet of the
836 issuer as of a date within eighteen months, or in the case of a
837 reorganization or merger where the parties to the reorganization or
838 merger had such audited balance sheet, a pro forma balance sheet; and
839 (iv) an audited income statement for each of the issuer's immediately
840 preceding two fiscal years, or for the period of existence of the issuer, if
841 in existence for less than two years, or in the case of a reorganization or
842 merger where the parties to the reorganization or merger had such
843 audited income statement, a pro forma income statement; and (D) the
844 issuer of the security has a class of equity securities listed on a national
845 securities exchange registered under the Securities Exchange Act of
846 1934, or designated for trading on the National Association of
847 Securities Dealers Automated Quotation System, unless the issuer,
848 including any predecessors of the issuer (i) has been engaged in
849 continuous business for at least three years or (ii) has total assets of at
850 least two million dollars based on an audited balance sheet of the
851 issuer as of a date within eighteen months, or in the case of a
852 reorganization or merger where the parties to the reorganization or
853 merger had such audited balance sheet, a pro forma balance sheet. The
854 exemption in this subdivision shall not be available for any
855 distribution of securities issued by a blank check company, shell

856 company, dormant company or any issuer that has been merged or
857 consolidated with or has bought out a blank check company, shell
858 company or dormant company unless the issuer or any predecessor
859 has continuously operated its business for at least the preceding five
860 years and has had gross operating revenue in each of the preceding
861 five years, including gross operating revenue of at least five hundred
862 thousand dollars per year in three of the preceding five years; (3) any
863 nonissuer distribution of an outstanding security if the security has a
864 fixed maturity or a fixed interest or dividend provision and there has
865 been no default during the current fiscal year or within the three
866 preceding fiscal years, or during the existence of the issuer and any
867 predecessors if less than three years, in the payment of principal,
868 interest or dividends on the security; (4) any nonissuer transaction
869 effected by or through a registered broker-dealer pursuant to an
870 unsolicited order or offer to buy; but the commissioner may by
871 regulation require that the customer acknowledge upon a specified
872 form that the sale was unsolicited, and that a signed copy of each such
873 form be preserved by the broker-dealer for a specified period or that
874 the confirmation delivered to the purchaser or a memorandum
875 delivered in connection therewith shall confirm that such purchase
876 was unsolicited by the broker-dealer or any agent of the broker-dealer;
877 (5) any transaction between the issuer or other person on whose behalf
878 the offering is made and an underwriter, or among underwriters; (6)
879 any transaction in a bond or other evidence of indebtedness secured by
880 a real or chattel mortgage or deed of trust or by an agreement for the
881 sale of real estate or chattels, if the entire mortgage, deed of trust or
882 agreement, together with all the bonds or other evidences of
883 indebtedness secured thereby, is offered and sold as a unit; (7) any
884 transaction by an executor, administrator, state marshal, marshal,
885 receiver, trustee in bankruptcy, creditors' committee in a proceeding
886 under the Bankruptcy Act, guardian or conservator; (8) any transaction
887 executed by a bona fide pledgee without any purpose of evading
888 sections 36b-2 to 36b-33, inclusive, as amended by this act; (9) any offer
889 or sale to a bank and trust company, a national banking association, a
890 savings bank, a savings and loan association, a federal savings and

891 loan association, a federal savings bank, a credit union, a federal credit
892 union, trust company, insurance company, investment company as
893 defined in the Investment Company Act of 1940, pension or
894 profit-sharing trust, or other financial institution or institutional buyer,
895 or to a broker-dealer, whether the purchaser is acting for itself or in
896 some fiduciary capacity; (10) (A) subject to the provisions of this
897 subdivision, any transaction not involving a public offering within the
898 meaning of Section 4(2) of the Securities Act of 1933, but not including
899 any transaction specified in the rules and regulations thereunder. (B)
900 Subject to the provisions of this subdivision, any transaction made in
901 accordance with the uniform exemption from registration for small
902 issuers authorized in Section 19(d)(3)(C) of the Securities Act of 1933.
903 (C) The exemptions set forth in subparagraphs (A) and (B) of this
904 subdivision shall not be available for transactions in securities issued
905 by any blank check company, shell company or dormant company. (D)
906 The exemptions set forth in subparagraphs (A) and (B) of this
907 subdivision may, with respect to any security or transaction or any
908 type of security or transaction, be modified, withdrawn, further
909 conditioned or waived as to conditions, in whole or in part,
910 conditionally or unconditionally, by the commissioner, acting by
911 regulation, rule or order, on a finding that such regulation, rule or
912 order is necessary or appropriate in the public interest or for the
913 protection of investors. (E) A nonrefundable fee of one hundred fifty
914 dollars shall accompany any filing made with the commissioner
915 pursuant to this subdivision; (11) any offer or sale of a preorganization
916 certificate or subscription if (A) no commission or other remuneration
917 is paid or given directly or indirectly for soliciting any prospective
918 subscriber, (B) the number of subscribers does not exceed ten, and (C)
919 no payment is made by any subscriber; (12) any transaction pursuant
920 to an offer to existing security holders of the issuer, including persons
921 who at the time of the transaction are holders of convertible securities,
922 nontransferable warrants or transferable warrants exercisable within
923 not more than ninety days of their issuance, if (A) no commission or
924 other remuneration other than a standby commission is paid or given
925 directly or indirectly for soliciting any security holder in this state, or

926 (B) the issuer first files a notice, in such form and containing such
927 information as the commissioner may by regulation prescribe,
928 specifying the terms of the offer and the commissioner does not by
929 order disallow the exemption within the next ten full business days;
930 (13) any offer, but not a sale, of a security for which registration
931 statements have been filed under both sections 36b-2 to 36b-33,
932 inclusive, as amended by this act, and the Securities Act of 1933, if no
933 stop order or refusal order is in effect and no public proceeding or
934 examination looking toward such an order is pending under either
935 said sections or the Securities Act of 1933; (14) any transaction exempt
936 under Section 4(6) of the Securities Act of 1933, and the rules and
937 regulations thereunder. The issuer shall, prior to the first sale, file with
938 the commissioner a notice, in such form and containing such
939 information as the commissioner may by regulation, rule or order
940 prescribe. A nonrefundable fee of one hundred fifty dollars shall
941 accompany any such filing made pursuant to this subdivision; (15) any
942 transaction if all the following conditions are satisfied: (A) The offer
943 and sale is effectuated by the issuer of the security; (B) the total
944 number of purchasers of all securities of the issuer does not exceed ten.
945 A subsequent sale of securities that (i) is registered under sections
946 36b-2 to 36b-33, inclusive, as amended by this act, (ii) is sold pursuant
947 to an exemption under said sections other than this subdivision, or (iii)
948 involves covered securities, shall not be integrated with a sale
949 pursuant to this exemption in computing the number of purchasers
950 hereunder. For the purpose of this subdivision, each of the following is
951 deemed to be a single purchaser of a security: A husband and wife, a
952 child and the parent or guardian of such child when the parent or
953 guardian holds the security for the benefit of the child, a corporation, a
954 partnership, an association or other unincorporated entity, a joint stock
955 company or a trust, but only if the corporation, partnership,
956 association, unincorporated entity, joint stock company or trust was
957 not formed for the purpose of purchasing the security; (C) no
958 advertisement, article, notice or other communication published in any
959 newspaper, magazine or similar medium, [or] broadcast over
960 television or radio [,] or communicated by other electronic means or

961 any other general solicitation is used in connection with the sale; and
962 (D) no commission, discount or other remuneration is paid or given
963 directly or indirectly in connection with the offer and sale, and the
964 total expenses, excluding legal and accounting fees, in connection with
965 the offer and sale do not exceed one per cent of the total sales price of
966 the securities. For purposes of this subdivision, a difference in the
967 purchase price among the purchasers shall not, in and of itself, be
968 deemed to constitute indirect remuneration; (16) any transaction
969 exempt under Rule 701, 17 CFR Section 230.701 promulgated under
970 Section 3(b) of the Securities Act of 1933; and (17) any other transaction
971 that the commissioner may exempt, conditionally or unconditionally,
972 on a finding that registration is not necessary or appropriate in the
973 public interest or for the protection of investors.

974 (c) (1) Any person who offers or sells a security that is a covered
975 security under Section 18(b)(2) of the Securities Act of 1933 shall file
976 with the commissioner, or with any other depository that the
977 commissioner may designate by regulation or order, a notice for each
978 series or portfolio prior to the initial offer of such security in this state,
979 provided such notice requirement does not apply to any offer or sale
980 described in subdivision (9) or (12) of subsection (b) of this section. The
981 notice shall contain such information as the commissioner may require
982 and shall be accompanied by a consent to service of process as
983 required by subsection (g) of section 36b-33, as amended by this act,
984 and a nonrefundable fee of five hundred dollars; (2) any notice filed
985 pursuant to this subsection relating to a security issued by a
986 face-amount certificate company or unit investment trust, as such
987 terms are defined in the Investment Company Act of 1940, shall be
988 valid for a period of one year from the date that such security is
989 declared effective by the Securities and Exchange Commission,
990 without limitation as to the number of shares or aggregate amount.
991 Such notice may be renewed annually thereafter upon submission of
992 such information as the commissioner may require, not earlier than
993 thirty days nor later than five days prior to the date upon which such
994 previously filed notice is due to expire, together with a nonrefundable

995 fee of five hundred dollars; (3) any notice filed pursuant to this
996 subsection relating to a redeemable security issued by an open-end
997 management company, as defined in the Investment Company Act of
998 1940, shall be valid until December thirty-first of the calendar year in
999 which it was first filed, without limitation as to the number of shares
1000 or aggregate amount. Such notice may be renewed annually thereafter
1001 upon submission of such information as the commissioner may require
1002 together with a nonrefundable fee of five hundred dollars.

1003 (d) Any person who offers or sells a security that is a covered
1004 security under Section 18(b)(3) of the Securities Act of 1933 shall file a
1005 consent to service of process with the commissioner as required by
1006 subsection (g) of section 36b-33, as amended by this act, prior to the
1007 first offer or sale of such security in this state.

1008 (e) Any person who offers or sells a security that is a covered
1009 security under Section 18(b)(4)(D) of the Securities Act of 1933 shall file
1010 a notice with the commissioner within fifteen days after the first sale of
1011 such a security in this state. Such notice shall contain such information
1012 as the commissioner may require and shall be accompanied by a
1013 consent to service of process as required by subsection (g) of section
1014 36b-33, as amended by this act, and a nonrefundable fee of one
1015 hundred fifty dollars.

1016 (f) The commissioner may by order (1) deny or revoke any
1017 exemption specified in subdivision (9) or (11) of subsection (a) of this
1018 section or in subsection (b) of this section with respect to a specific
1019 security or transaction, (2) suspend the offer or sale of a covered
1020 security in this state if any person who offers a covered security fails to
1021 comply with any of the requirements set forth in subsections (c), (d) or
1022 (e) of this section, or (3) require any person who offers a covered
1023 security in this state and refuses to pay any fee required by subsections
1024 (c) or (e) of this section to register such security pursuant to section
1025 36b-16. For purposes of this subsection, a delay in the payment of a fee
1026 or underpayment of a fee that is promptly remedied shall not
1027 constitute a refusal to pay such fee. No such order may be entered

1028 without appropriate prior notice to all interested parties, opportunity
1029 for hearing and written findings of fact and conclusions of law, except
1030 that the commissioner may by order summarily deny or revoke any of
1031 the specified exemptions or summarily suspend the offer or sale of any
1032 covered security subject to any of the requirements set forth in
1033 subsections (c), (d) or (e) of this section pending final determination of
1034 any proceeding under this subsection. Upon the entry of a summary
1035 order, the commissioner shall promptly notify all interested parties
1036 that it has been entered and of the reasons therefor and that within
1037 fifteen days of the receipt of a written request the matter will be set
1038 down for hearing. If no hearing is requested and none is ordered by
1039 the commissioner, the order will remain in effect until it is modified or
1040 vacated by the commissioner. If a hearing is requested or ordered, the
1041 commissioner after notice of, and opportunity for, hearing to all
1042 interested persons may modify or vacate the order or extend it until
1043 final determination. No order under this subsection may operate
1044 retroactively. No person may be considered to have violated sections
1045 36b-16 and 36b-22, as amended by this act, by reason of any offer or
1046 sale effected after the entry of an order under this subsection if [he]
1047 such person sustains the burden of proof that [he] such person did not
1048 know, and in the exercise of reasonable care could not have known, of
1049 the order.

1050 (g) In any proceeding under sections 36b-2 to 36b-33, inclusive, as
1051 amended by this act, the burden of proving an exemption, preemption,
1052 exclusion or an exception from a definition is upon the person
1053 claiming it.

1054 Sec. 7. Section 36b-22 of the general statutes is repealed and the
1055 following is substituted in lieu thereof (*Effective October 1, 2005*):

1056 The commissioner may, by regulation adopted, in accordance with
1057 chapter 54, or order, require the filing of any prospectus, pamphlet,
1058 circular, form letter, advertisement or other sales literature or
1059 advertising communication addressed or intended for distribution to
1060 prospective investors, including clients or prospective clients of an

1061 investment adviser registered or required to be registered under
1062 sections 36b-2 to 36b-33, inclusive, as amended by this act, unless the
1063 security or transaction is (1) exempted by subsection (a) or (b) of
1064 section 36b-21, as amended by this act, except for transactions
1065 exempted by subdivision (13) of subsection (b) of said section 36b-21,
1066 or (2) a covered security.

1067 Sec. 8. Section 36b-23 of the general statutes is repealed and the
1068 following is substituted in lieu thereof (*Effective October 1, 2005*):

1069 No person shall make or cause to be made orally or in any
1070 document filed with the commissioner or in any proceeding,
1071 investigation or examination under sections 36b-2 to 36b-33, inclusive,
1072 as amended by this act, any statement [which] that is, at the time and
1073 in the light of the circumstances under which it is made, false or
1074 misleading in any material respect or, in connection with the
1075 statement, omit to state a material fact necessary to make the statement
1076 made, in the light of the circumstances under which it was made, not
1077 false or misleading.

1078 Sec. 9. Subsection (a) of section 36b-26 of the general statutes is
1079 repealed and the following is substituted in lieu thereof (*Effective*
1080 *October 1, 2005*):

1081 (a) The commissioner [, in his discretion,] may, subject to the
1082 provisions of the Freedom of Information Act, as defined in section 1-
1083 200: (1) Make such public or private investigations within or outside of
1084 this state as [he] the commissioner deems necessary to determine
1085 whether any person has violated, is violating or is about to violate any
1086 provision of sections 36b-2 to 36b-33, inclusive, as amended by this act,
1087 or any regulation or order thereunder, or to aid in the enforcement of
1088 said sections or in the prescribing of rules and forms thereunder, (2)
1089 require or permit any person to testify, produce a record or file a
1090 statement in writing, under oath or otherwise as the commissioner
1091 determines, as to all the facts and circumstances concerning the matter
1092 to be investigated or about which an action or proceeding is to be

1093 instituted, and (3) publish information concerning any violation of said
1094 sections or any regulation or order thereunder.

1095 Sec. 10. Section 36b-27 of the general statutes is repealed and the
1096 following is substituted in lieu thereof (*Effective October 1, 2005*):

1097 (a) Whenever it appears to the commissioner after an investigation
1098 that any person [or persons have] has violated, [are] is violating or
1099 [are] is about to violate any of the provisions of sections 36b-2 to
1100 36b-33, inclusive, as amended by this act, or any regulation, rule or
1101 order adopted or issued under said sections, or that the further sale or
1102 offer to sell securities would constitute a violation of said sections or
1103 any such regulation, rule or order, or that any person [or persons have]
1104 has engaged in a dishonest or unethical practice in the securities or
1105 commodities business within the meaning of sections 36b-31-15a to
1106 36b-31-15d, inclusive, of the regulations of Connecticut state agencies,
1107 the commissioner may, in the commissioner's discretion, order [the] (1)
1108 the person, [or persons or] (2) any other person that directly or
1109 indirectly controls such person and that is, was or would be a cause of
1110 the violation of such sections or any such regulation, rule or order, due
1111 to an act or omission such other person knew or should have known
1112 would contribute to such violation, or (3) any other person that has
1113 materially aided, is materially aiding or is about to materially aid in
1114 such violation, to cease and desist from the violations or the causing of
1115 or aiding in the violations of the provisions of said sections or of the
1116 regulations, rules or orders thereunder, or from the further sale or offer
1117 to sell securities constituting or which would constitute a violation of
1118 the provisions of said sections or of the regulations, rules or orders
1119 thereunder, or from further engaging in such dishonest or unethical
1120 practice. After such an order is issued, the person [or persons] named
1121 in the order may, within fourteen days after receipt of the order, file a
1122 written request for a hearing. Any such hearing shall be held in
1123 accordance with the provisions of chapter 54.

1124 (b) Whenever it appears to the commissioner, after an investigation,
1125 that any person [or persons have] has violated any of the provisions of

1126 sections 36b-2 to 36b-33, inclusive, as amended by this act, or any
1127 regulation, rule or order adopted or issued under said sections, or that
1128 the further sale or offer to sell securities would constitute a violation of
1129 said sections or any such regulation, rule or order, or that such person
1130 [or persons have] has engaged in a dishonest or unethical practice in
1131 the securities or commodities business within the meaning of sections
1132 36b-31-15a to 36b-31-15d, inclusive, of the regulations of Connecticut
1133 state agencies, the commissioner may, in addition to any other remedy
1134 under this section, order the person [or persons] to (1) make restitution
1135 of any sums shown to have been obtained in violation of any of the
1136 provisions of said sections or any such regulation, rule or order or as a
1137 result of such dishonest or unethical practice plus interest at the legal
1138 rate set forth in section 37-1, (2) provide disgorgement of any sums
1139 shown to have been obtained in violation of any of the provisions of
1140 said sections or any such regulation, rule or order or as a result of such
1141 dishonest or unethical practice, or (3) both make restitution and
1142 provide disgorgement. After such an order is issued, the person [or
1143 persons] named in the order may, [within] not later than fourteen days
1144 after receipt of the order, file a written request for a hearing. Any such
1145 hearing shall be held in accordance with the provisions of chapter 54.

1146 (c) The commissioner, in the commissioner's discretion, may order
1147 any person who directly or indirectly controls a person liable under
1148 subsection (b) of this section or who has materially aided a person
1149 liable under subsection (b) of this section in violation of any of the
1150 provisions of sections 36b-2 to 36b-33, inclusive, as amended by this
1151 act, or any regulation, rule or order adopted or issued under said
1152 sections 36b-2 to 36b-33, inclusive, to make restitution, provide
1153 disgorgement, or both, of any sums shown to have been obtained as a
1154 result of a dishonest or unethical practice or in violation of any of the
1155 provisions of said sections 36b-2 to 36b-33, inclusive, or any regulation,
1156 rule or order adopted or issued under said sections. Such controlling
1157 person or aider shall be liable jointly and severally with and to the
1158 same extent as the person liable under subsection (b) of this section,
1159 unless such controlling person or aider allegedly liable under this

1160 subsection sustains the burden of proof that such person did not know,
1161 and in the exercise of reasonable care could not have known, of the
1162 existence of facts by reason of which the liability is alleged to exist.
1163 After such an order is issued, the person [or persons] named in the
1164 order may, within fourteen days after receipt of the order, file a written
1165 request for a hearing. Any such hearing shall be held in accordance
1166 with the provisions of chapter 54. There shall be contribution as in
1167 cases of contract among the several persons so liable. [under this
1168 subsection.]

1169 (d) (1) Whenever the commissioner finds as the result of an
1170 investigation that any person [or persons have] has violated any of the
1171 provisions of sections 36b-2 to 36b-33, inclusive, as amended by this
1172 act, or any regulation, rule or order adopted or issued under said
1173 sections, the commissioner may send a notice to (A) such person, [or
1174 persons] (B) any other person that directly or indirectly controls such
1175 person and that was a cause of the violation of said sections or any
1176 such regulation, rule or order, due to an act or omission such other
1177 person knew or should have known would contribute to such
1178 violation, or (C) any other person that has materially aided in such
1179 violation, by registered mail, return receipt requested, or by any
1180 express delivery carrier that provides a dated delivery receipt. Any
1181 such notice shall include: [(A)] (i) A reference to the title, chapter,
1182 regulation, rule or order alleged to have been violated; [(B)] (ii) a short
1183 and plain statement of the matter asserted or charged; [(C)] (iii) the
1184 maximum fine that may be imposed for such violation; and [(D)] (iv)
1185 the time and place for the hearing. Any such hearing shall be fixed for
1186 a date not earlier than fourteen days after the notice is mailed.

1187 (2) The commissioner shall hold a hearing upon the charges made
1188 unless such person [or persons fail] fails to appear at the hearing. Any
1189 such hearing shall be held in accordance with the provisions of chapter
1190 54. After the hearing if the commissioner finds that the person [or
1191 persons have] has violated, caused a violation or materially aided in
1192 the violation of any of the provisions of sections 36b-2 to 36b-33,
1193 inclusive, as amended by this act, or any regulation, rule or order

1194 adopted or issued under said sections, the commissioner may, in the
1195 commissioner's discretion and in addition to any other remedy
1196 authorized by said sections, order that a fine not exceeding one
1197 hundred thousand dollars per violation be imposed upon such person,
1198 [or persons.] If such person [or persons fail] fails to appear at the
1199 hearing, the commissioner may, as the facts require, order that a fine
1200 not exceeding one hundred thousand dollars per violation be imposed
1201 upon such person. [or persons.] The commissioner shall send a copy of
1202 any order issued pursuant to this subsection by registered mail, return
1203 receipt requested, or by any express delivery carrier that provides a
1204 dated delivery receipt, to any person [or persons] named in such order.

1205 (e) Whenever it appears to the commissioner that any person [or
1206 persons have] has violated, [are] is violating or [are] is about to violate
1207 any of the provisions of sections 36b-2 to 36b-33, inclusive, as amended
1208 by this act, or any regulation, rule or order adopted or issued under
1209 said sections, or that the further sale or offer to sell securities would
1210 constitute a violation of said sections or any such regulation, rule or
1211 order, the commissioner may, in the commissioner's discretion and in
1212 addition to any other remedy authorized by this section, [: (1) Bring]
1213 bring an action in the superior court for the judicial district of Hartford
1214 [to enjoin] to: (1) Enjoin the acts or practices and to enforce compliance
1215 with sections 36b-2 to 36b-33, inclusive, as amended by this act, or any
1216 such regulation, rule or order against (A) such person; (B) any other
1217 person who directly or indirectly controls such person and who is, was
1218 or would be a cause of the violation of said sections 36b-2 to 36b-33,
1219 inclusive, or any such regulation, rule or order due to an act or
1220 omission such other person knew or should have known would
1221 contribute to such violation; or (C) any other person who has
1222 materially aided, is materially aiding or is about to materially aid in
1223 such violation. Upon a proper showing, the court may issue a
1224 permanent or temporary injunction, restraining order or writ of
1225 mandamus [shall be granted] and may order other appropriate or
1226 ancillary relief, which may include: (i) An asset freeze, accounting, writ
1227 of attachment, writ of general or specific execution, and appointment

1228 of a receiver or conservator, [may be appointed] who may be the
1229 commissioner or a person recommended by the commissioner, for the
1230 defendant or the defendant's assets. If a person other than the
1231 commissioner is appointed receiver or conservator, the commissioner
1232 shall be a party to the receivership proceeding or conservatorship with
1233 standing to initiate or contest any motion, and the views of the
1234 commissioner shall be entitled to deference unless they are
1235 inconsistent with the plain meaning of sections 36b-2 to 36b-33,
1236 inclusive, as amended by this act. The commissioner may appoint such
1237 employees and retain such consultants as the commissioner deems
1238 necessary for liquidating or administering the affairs of the defendant;
1239 (ii) an order directing the commissioner to take charge and control of a
1240 defendant's property, including investment accounts and accounts in a
1241 depository institution, rents, and profits; to collect debts; and to
1242 acquire and dispose of property; (iii) an order directing the payment of
1243 prejudgment and postjudgment interest; or (iv) an order covering such
1244 other relief as the court considers appropriate. The court shall not
1245 require the commissioner to post a bond; (2) seek a court order
1246 imposing a fine not to exceed one hundred thousand dollars per
1247 violation against [any] the person found to have violated, caused a
1248 violation or materially aided in the violation of any [order issued by
1249 the commissioner] provision of sections 36b-2 to 36b-33, inclusive, as
1250 amended by this act, or any regulation, rule or order adopted or issued
1251 under said sections 36b-2 to 36b-33, inclusive; [or] (3) apply [to the
1252 superior court for the judicial district of Hartford] for an order [of
1253 restitution] whereby the [defendants in such action] person that
1254 violated any of the provisions of said sections 36b-2 to 36b-33,
1255 inclusive, or any regulation, rule or order adopted or issued under said
1256 sections shall be ordered to: [make] (A) Make restitution of those sums
1257 shown by the commissioner to have been obtained by [them] such
1258 person in violation of any of the provisions of said sections [36b-2 to
1259 36b-33, inclusive,] or any such regulation, rule or order, plus interest at
1260 the rate set forth in section 37-3a; (B) provide disgorgement of any
1261 sums shown to have been obtained in violation of any of the
1262 provisions of said sections or any such regulation, rule or order; (C)

1263 both make restitution and provide disgorgement; or (4) apply for an
1264 order whereby any person who directly or indirectly controls a person
1265 liable under subdivision (3) of this subsection, or who has materially
1266 aided a person liable under subdivision (3) of this subsection in a
1267 violation of any of the provisions of sections 36b-2 to 36b-33, inclusive,
1268 as amended by this act, or any regulation, rule or order adopted or
1269 issued under said sections, to make restitution, provide disgorgement,
1270 or both, of any sums shown to have been obtained as a result of such
1271 violation. Such controlling person or aider shall be liable jointly and
1272 severally with and to the same extent as the person liable under
1273 subdivision (3) of this subsection, unless such controlling person or
1274 aider allegedly liable under this subdivision sustains the burden of
1275 proof that such person did not know, and in the exercise of reasonable
1276 care could not have known, of the existence of facts by reason of which
1277 the liability is alleged to exist. Such restitution or disgorgement shall,
1278 at the option of the court, be payable to the receiver or conservator
1279 appointed pursuant to this subsection, or directly to the persons whose
1280 assets were obtained in violation of any provision of sections 36b-2 to
1281 36b-33, inclusive, as amended by this act, or any such regulation, rule
1282 or order.

1283 (f) Any time after the issuance of an order or notice provided for in
1284 subsection (a), (b) or (c) or subdivision (1) of subsection (d) of this
1285 section, the commissioner may accept an agreement by any respondent
1286 named in such order or notice to enter into a written consent order in
1287 lieu of an adjudicative hearing. The acceptance of a consent order shall
1288 be within the complete discretion of the commissioner. The consent
1289 order provided for in this subsection shall contain (1) an express
1290 waiver of the right to seek judicial review or otherwise challenge or
1291 contest the validity of the order or notice; (2) a provision that the order
1292 or notice may be used in construing the terms of the consent order; (3)
1293 a statement that the consent order shall become final when issued; (4) a
1294 specific assurance that none of the violations [or dishonest or unethical
1295 practices] alleged in the order or notice shall occur in the future; (5)
1296 such other terms and conditions as are necessary to further the

1297 purposes and policies of sections 36b-2 to 36b-33, inclusive, as
1298 amended by this act; (6) the signature of each of the individual
1299 respondents evidencing such respondent's consent; and (7) the
1300 signature of the commissioner or of the commissioner's authorized
1301 representative.

1302 Sec. 11. Section 36b-31 of the general statutes is repealed and the
1303 following is substituted in lieu thereof (*Effective October 1, 2005*):

1304 (a) The commissioner may from time to time make, amend and
1305 rescind such regulations, forms and orders as are necessary to carry
1306 out the provisions of sections 36b-2 to 36b-33, inclusive, as amended by
1307 this act, including regulations, forms and orders governing registration
1308 statements, notice filings, applications, and reports, and defining any
1309 terms, whether or not used in said sections, insofar as the definitions
1310 are not inconsistent with the provisions of said sections. For the
1311 purpose of regulations, forms and orders, the commissioner may
1312 classify securities, persons and matters within his or her jurisdiction,
1313 and prescribe different requirements for different classes.

1314 (b) No regulation, form or order may be made, amended or
1315 rescinded unless the commissioner finds that the action is necessary or
1316 appropriate in the public interest or for the protection of investors and
1317 consistent with the purposes fairly intended by the policy and
1318 provisions of sections 36b-2 to 36b-33, inclusive, as amended by this
1319 act. In prescribing regulations, forms and orders, the commissioner
1320 may cooperate with the securities administrators of the other states
1321 and the Securities and Exchange Commission with a view to
1322 effectuating the policy of said sections to achieve maximum uniformity
1323 in the form and content of registration statements, notice filings,
1324 applications and reports wherever practicable.

1325 (c) To encourage uniform interpretation and administration of
1326 sections 36b-2 to 36b-33, inclusive, as amended by this act, and
1327 effective securities regulation and enforcement, the commissioner may
1328 cooperate with the securities agencies or administrators of other states,

1329 Canadian provinces or territories, or other countries, the Securities and
1330 Exchange Commission, the Commodity Futures Trading Commission,
1331 the Securities Investor Protection Corporation, any self-regulatory
1332 organization, any national or international organization of securities
1333 officials or agencies, and any governmental law enforcement or
1334 regulatory agency. The cooperation authorized by this subsection
1335 includes, but is not limited to, the following actions: (1) Establishing
1336 central depositories for the registration of securities or securities
1337 industry personnel under sections 36b-2 to 36b-33, inclusive, as
1338 amended by this act, and for documents or records required or
1339 allowed to be filed with or maintained by the commissioner under
1340 sections 36b-2 to 36b-33, inclusive, as amended by this act; (2)
1341 conducting joint examinations and investigations; (3) sharing and
1342 exchanging information and documents subject to the restrictions of
1343 chapter 3; (4) sharing and exchanging personnel; and (5) executing
1344 joint agreements, memoranda of understanding and orders.

1345 (d) [The] Subject to Section 15(h) of the Securities Exchange Act of
1346 1934 and Section 222 of the Investment Advisers Act of 1940, the
1347 commissioner may, by regulation or order, prescribe: (1) The form and
1348 content of financial statements required under sections 36b-2 to 36b-33,
1349 inclusive, as amended by this act; (2) the circumstances under which
1350 consolidated financial statements shall be filed; and (3) whether any
1351 required financial statements shall be certified by independent [or]
1352 certified public accountants. All financial statements shall be prepared
1353 in accordance with generally accepted accounting principles.

1354 (e) Any regulations issued pursuant to the provisions of sections
1355 36b-2 to 36b-33, inclusive, as amended by this act, shall be adopted in
1356 accordance with the provisions of chapter 54.

1357 (f) The commissioner, or employees of the Department of Banking
1358 authorized by [him] the commissioner, may, whether or not requested
1359 by any person, issue declaratory rulings pursuant to section 4-176 or
1360 written advisory interpretations of sections 36b-2 to 36b-33, inclusive,
1361 as amended by this act, including interpretation of the applicability of

1362 any provision of said sections, or may issue determinations that the
1363 commissioner will not institute a proceeding or an action under
1364 sections 36b-2 to 36b-33, inclusive, as amended by this act, against a
1365 specified person for engaging in a specified act, practice or course of
1366 business if the determination is consistent with the purposes fairly
1367 intended by the policy and provisions of said sections 36b-2 to 36b-33,
1368 inclusive.

1369 (g) Every hearing in an administrative proceeding shall be public.

1370 (h) No provision of sections 36b-2 to 36b-33, inclusive, as amended
1371 by this act, imposing any liability applies to any act done or omitted in
1372 good faith in conformity with any regulation, form, order, [or]
1373 advisory interpretation or no action determination of the
1374 commissioner, notwithstanding that the regulation, form, order, [or]
1375 advisory interpretation or no action determination may later be
1376 amended or rescinded or be determined by judicial or other authority
1377 to be invalid for any reason.

1378 Sec. 12. Subsection (d) of section 36b-32 of the general statutes is
1379 repealed and the following is substituted in lieu thereof (*Effective*
1380 *October 1, 2005*):

1381 (d) Upon request and at such charges as provided for in the
1382 Freedom of Information Act, as defined in section 1-200, the
1383 commissioner shall furnish to any person photostatic or other copies,
1384 certified under [his] the commissioner's seal of office if requested, of
1385 any entry in the register or any document which is a matter of public
1386 record or a certification that such public record does not exist. In any
1387 proceeding or prosecution under sections 36b-2 to 36b-33, inclusive, as
1388 amended by this act, any copy so certified is prima facie evidence of
1389 the contents of the entry or document certified and a certificate by the
1390 commissioner of a record's nonexistence is prima facie evidence of the
1391 nonexistence of such record.

1392 Sec. 13. Section 36b-33 of the general statutes is repealed and the
1393 following is substituted in lieu thereof (*Effective October 1, 2005*):

1394 (a) Sections 36b-4, 36b-5, 36b-6, as amended by this act, 36b-16, 36b-
1395 24 and 36b-29 apply to persons who sell or offer to sell when an offer
1396 to sell is made in this state, or when an offer to buy is made and
1397 accepted in this state.

1398 (b) Sections 36b-4, 36b-5, 36b-6, as amended by this act, and 36b-24
1399 apply to persons who buy or offer to buy when an offer to buy is made
1400 in this state, or when an offer to sell is made and accepted in this state.

1401 (c) For the purpose of this section, an offer to sell or to buy is made
1402 in this state, whether or not either party is then present in this state,
1403 when the offer originates from this state or is directed by the offeror to
1404 this state and received at the place to which it is directed or at any post
1405 office in this state in the case of a mailed offer.

1406 (d) For the purpose of this section, an offer to buy or to sell is
1407 accepted in this state when acceptance is communicated to the offeror
1408 in this state and has not previously been communicated to the offeror,
1409 orally or in writing, outside this state; and acceptance is communicated
1410 to the offeror in this state, whether or not either party is then present in
1411 this state, when the offeree directs it to the offeror in this state
1412 reasonably believing the offeror to be in this state and it is received at
1413 the place to which it is directed or any post office in this state in the
1414 case of a mailed acceptance.

1415 (e) An offer to sell or to buy is not made in this state when the
1416 publisher circulates or there is circulated on the publisher's behalf in
1417 this state any bona fide newspaper or other publication of general,
1418 regular, and paid circulation which is not published in this state, or
1419 which is published in this state but has had more than two-thirds of its
1420 circulation outside this state during the past twelve months, or when a
1421 radio or television program or other electronic communication
1422 originating outside this state is received in this state. A radio or
1423 television program or other electronic communication is considered as
1424 having originated in this state if either the broadcast studio or the
1425 originating source of transmission is located in this state, unless: (1)

1426 The program or communication is syndicated and distributed from
1427 outside this state for redistribution to the general public in this state;
1428 (2) the program or communication is supplied by a radio, television or
1429 other electronic network with the electronic signal originating from
1430 outside this state for redistribution to the general public in this state;
1431 (3) the program or communication is an electronic communication that
1432 originates outside this state and is captured for redistribution to the
1433 general public in this state by a community antenna or cable, radio,
1434 cable television or other electronic system; or (4) the program or
1435 communication consists of an electronic communication that originates
1436 in this state, but which is not intended for distribution to the general
1437 public in this state.

1438 (f) Sections 36b-5, 36b-6, as amended by this act, 36b-23, as amended
1439 by this act, and 36b-24, so far as they apply to investment advisers and
1440 investment adviser agents, apply when any act instrumental in
1441 effecting prohibited conduct is done in this state, whether or not either
1442 party is then present in this state.

1443 (g) Every applicant for registration under sections 36b-2 to 36b-33,
1444 inclusive, as amended by this act, every investment adviser exempt
1445 under subsection (e) of section 36b-6, as amended by this act, and
1446 every issuer, other than the United States, any state, Canada, any other
1447 foreign government with which the United States currently maintains
1448 diplomatic relations, or any issuer of covered securities under Section
1449 18(b)(1) of the Securities Act of 1933, which proposes to offer a security
1450 in this state through any person acting on an agency basis in the
1451 common-law sense shall file with the commissioner, in such form as
1452 the commissioner by regulation prescribes, an irrevocable consent
1453 appointing the commissioner or the commissioner's successor in office
1454 to be his or her attorney to receive service of any lawful process in any
1455 noncriminal suit, action, or proceeding against him or her or his or her
1456 successor executor or administrator which arises under sections 36b-2
1457 to 36b-33, inclusive, as amended by this act, or any regulation or order
1458 thereunder after the consent has been filed, with the same force and
1459 validity as if served personally on the person filing the consent. A

1460 person who has filed such a consent in connection with a previous
1461 registration need not file another. Service may be made by leaving a
1462 copy of the process in the office of the commissioner, but it is not
1463 effective unless (1) the plaintiff, who may be the commissioner in a
1464 suit, action, or proceeding instituted by [him or her] the commissioner,
1465 forthwith sends notice of the service and a copy of the process by
1466 registered mail, return receipt requested, or by any express delivery
1467 carrier that provides a dated delivery receipt, to the defendant or
1468 respondent at the defendant's or respondent's last address on file with
1469 the commissioner, and (2) the plaintiff's affidavit of compliance with
1470 this subsection is filed in the case on or before the return day of the
1471 process, if any, or within such further time as the court allows.

1472 (h) When any person, including any nonresident of this state,
1473 engages in conduct prohibited or made actionable by sections 36b-2 to
1474 36b-33, inclusive, as amended by this act, or any regulation or order
1475 thereunder, and such person has not filed a consent to service of
1476 process under subsection (g) of this section and personal jurisdiction
1477 over such person cannot otherwise be obtained in this state, that
1478 conduct shall be considered equivalent to such person's appointment
1479 of the commissioner or the commissioner's successor in office to be
1480 such person's attorney to receive service of any lawful process in any
1481 noncriminal suit, action, or proceeding against such person or such
1482 person's successor executor or administrator which grows out of that
1483 conduct and which is brought under said sections or any regulation or
1484 order thereunder, with the same force and validity as if served on such
1485 person personally. Service may be made by leaving a copy of the
1486 process in the office of the commissioner, and it is not effective unless
1487 (1) the plaintiff, who may be the commissioner in a suit, action, or
1488 proceeding instituted by [him or her] the commissioner, forthwith
1489 sends notice of the service and a copy of the process by registered mail,
1490 return receipt requested, or by any express delivery carrier that
1491 provides a dated delivery receipt, to the defendant or respondent at
1492 the defendant's or respondent's last known address or takes other
1493 steps which are reasonably calculated to give actual notice, and (2) the

1494 plaintiff's affidavit of compliance with this subsection is filed in the
1495 case on or before the return day of the process, if any, or within such
1496 further time as the court allows.

1497 (i) Service pursuant to subsection (g) or (h) of this section may be
1498 made by the commissioner in an investigation or administrative
1499 proceeding in which the commissioner is the moving party.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2005	36b-3
Sec. 2	October 1, 2005	36b-6
Sec. 3	October 1, 2005	36b-7
Sec. 4	October 1, 2005	36b-14
Sec. 5	October 1, 2005	36b-15(a)
Sec. 6	October 1, 2005	36b-21
Sec. 7	October 1, 2005	36b-22
Sec. 8	October 1, 2005	36b-23
Sec. 9	October 1, 2005	36b-26(a)
Sec. 10	October 1, 2005	36b-27
Sec. 11	October 1, 2005	36b-31
Sec. 12	October 1, 2005	36b-32(d)
Sec. 13	October 1, 2005	36b-33

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 06 \$	FY 07 \$
Banking Dept.	BF - Revenue Gain	Potential Minimal	Potential Minimal

Note: BF=Banking Fund

Municipal Impact: None

Explanation

The bill prohibits investment advisers and their agents from conducting business in Connecticut against the orders of the Commissioner of the Banking Department, the Securities and Exchange Commission, or a self-regulatory organization.

The bill also authorizes the Commissioner to issue cease and desist orders, impose fines, and order restitution and disgorgement against individuals who directly or indirectly violate the Connecticut Uniform Securities Act (CUSA). In FY 04, the Banking Department collected \$455,100 in penalties as a result of violations of various banking laws. To the extent that the bill increases the potential for future violations, the bill could result in a minimal revenue gain.

The bill makes other various changes, none of which have a fiscal impact.

House "A" makes a technical change and has no fiscal impact.

OLR Bill Analysis

sHB 6829 (as amended by House "A")*

**AN ACT UPDATING AND REVISING THE CONNECTICUT
UNIFORM SECURITIES ACT.****SUMMARY:**

This bill:

1. changes and adds a number of definitions in the Connecticut Uniform Securities Act (CUSA);
2. changes the general requirements concerning investment advisers and broker-dealers;
3. changes the laws governing registration requirements under CUSA, broker-dealer records, custody of funds, and the filing of investment adviser literature with the banking commissioner;
4. changes the laws governing false or misleading statements and violations of CUSA;
5. enhances the banking commissioner's authority, including his investigative authority; and
6. makes a number of technical corrections and conforming changes.

*House Amendment "A" makes a technical change.

EFFECTIVE DATE: October 1, 2005

DEFINITIONS (§ 1)**Branch Office**

By redefining “branch office,” the bill exempts from CUSA’s coverage:

1. any location established solely for customer service or back office functions where no sales activities are conducted and that is not held out to the public as a branch office;
2. any location that is the agent’s or investment adviser’s primary residence;
3. any location, other than a primary residence, used for securities or investment advisory business for less than 30 business days in a year;
4. any office of convenience which is not held out to the public as an office;
5. any location that is used primarily for non-securities activities and from which an agent receives no more than 25 securities transactions a year;
6. the floor of a registered national securities exchange where a broker-dealer conducts a direct access business with public customers; and
7. a temporary location established in response to the implementation of a business continuity plan.

Broker- Dealer

Current law excludes from the definition of “broker dealer” a person who does not have a place of business in the state if he handles his transactions exclusively with or through certain entities, including securities issuers, other broker dealers, and certain financial institutions. The bill specifically identifies federal savings banks as exempt financial institutions.

International Banking institution

The bill states that an international banking institution is an international financial institution of which the United States is a member but whose securities are exempt from registration under the Securities Act of 1933.

Issuer

The bill redefines “issuer” with respect to an equipment trust certificate or similar security. For these securities, the bill defines the issuer as an person to whom the property or equipment is or will be leased or conditionally sold or any person who is otherwise contractually responsible for assuring payment of the certificate.

Person

The bill redefines “person” to include limited partnerships and limited liability partnerships.

Securities and Exchange Commission

The bill clarifies that references to the Securities and Exchange Commission mean the United States Securities and Exchange Commission.

Security

The bill expands the definition of “security” to include: commonly recognized securities, such as puts, calls, straddles, options, or privilege in any security or group or index of securities; a certificated and uncertificated security; or an interest in a limited liability company or limited liability partnership as an investment partnership.

Self-Regulatory Organization

The bill defines “self-regulatory organization” as a national securities exchange, a national securities association of broker dealers, or a clearing agency registered under the Securities Exchange Act of 1934 or the Municipal Securities Rule Making Board established under that act.

INVESTMENT ADVISERS AND BROKER-DEALERS (§ 2)

The bill prohibits investment advisers and their agents from conducting business in Connecticut against the orders of the banking commissioner, the Securities and Exchange Commission, or a self-regulatory organization.

It exempts a registered investment adviser agent that refers clients to another investment adviser from registering as an investment adviser agent of that investment adviser if he is not compensated for the referral.

The bill allows broker-dealers and investment advisers to succeed to the registration of another broker-dealer or investment adviser or amend their registration if they change their form of organization or state of incorporation or organization. It authorizes the commissioner to adopt regulations to prescribe how a change of control of a broker-dealer or investment advisor may occur.

Finally, the bill authorizes the commissioner to adopt regulations to require agents and investment adviser agents to participate in some form of continuing education.

REGISTRATION REQUIREMENTS (§ 3)

The bill allows the banking commissioner, by regulation or order, to (1) impose registration conditions that are consistent with the National Securities Markets Improvement Act of 1996 and (2) waive specific requirements in connection with registration if it is in the public interest and for the protection of investors.

BROKER-DEALER RECORDS AND CUSTODY OF FUNDS (§ 4)

Broker-dealer Records

The bill allows broker-dealer records to be kept in any form of data storage acceptable under the Securities Exchange Act as long as they are readily accessible to the commissioner. Current law allows records to be stored on microfiche, microfilm, or an electronic data processing system or similar device.

Custody of Funds

The bill prohibits agents and investment adviser agents from having custody of funds or securities unless it is under the supervision of a broker-dealer or investment adviser and authorizes the banking commissioner to adopt regulations to prohibit, limit, or impose conditions on broker-dealers and investment advisers relating to the

custody of securities or funds.

SUSPENSION, REVOCATION, OR DENIAL OF REGISTRATIONS UNDER CUSA (§ 5)

The bill allows, under certain circumstances, the banking commissioner to, suspend, revoke, or deny a registration based on a cease and desist order issued by self-regulatory organization. The commissioner may already issue such orders based on a cease and desist order issued by the Securities and Exchange Commission, or the securities agency or administrator of any other state or Canadian province or territory. The bill also allows the commissioner to take such action based on the willful aiding or abetting of a violation of CUSA or related regulation.

SECURITIES REGISTRATION EXEMPTIONS (§ 6)

The law generally requires securities to be registered before they may be sold and exempts certain securities from the requirement. The bill exempts bank-issued securities that are not covered securities under the Securities Act of 1933, securities of banks in organization, and certain equipment trust certificates.

The law places the burden of proof on the person claiming an exemption from the securities registration requirement. The bill similarly places the burden on someone asserting preemption or exclusion.

REQUIREMENTS FOR LITERATURE FILING BY AN INVESTMENT ADVISER (§ 7)

This bill clarifies the commissioner's authority to require investment advisers registered, or required to be registered, under CUSA to file sales literature or advertising communications with the commissioner.

FALSE AND MISLEADING STATEMENT (§ 8)

This bill prohibits a person from failing to state a material fact that is necessary to ensure a statement is not false or misleading in a document filed with the commissioner or in any proceeding or examination he conducts.

COMMISSIONER'S INVESTIGATIVE AUTHORITY (§ 9)

The bill enhances the commissioner's authority to investigate by empowering him to require (1) a person to testify or produce a record relating to an investigation or an action about to be instituted and (2) a person to file a written statement about an action that is about to be instituted. Currently, he may require or permit a person to file a written statement regarding a matter that is being investigated.

VIOLATIONS OF CUSA (§ 10)

The bill authorizes the commissioner to issue cease and desist orders against (1) individuals who directly or indirectly control a person who violates CUSA or a related regulation or order and (2) individuals that materially aid in such violation.

It gives the commissioner authority to order restitution and disgorgement for individuals that materially aid in the violations. It makes the "aider" jointly and severally liable with the main actor unless he sustains the burden of proof that he did not know, and could not have known, the relevant facts.

The bill gives the commissioner authority to impose fines on a person who controls a person who violates CUSA or a regulation or order under CUSA, and individuals who aid such action.

Finally, the bill expands the court-ordered remedies the commissioner may seek to include: (1) an asset freeze, accounting, writ of attachment, writ of general or specific execution; (2) an order directing the commissioner to take charge and control of a defendant's property, to collect debts, and to acquire and dispose of property; (3) an order directing the payment of prejudgment and postjudgment interest; or (4) an order covering such other relief as the court considers appropriate.

The law already allows for the appointing of a receiver or conservator. The bill makes the commissioner a party to the receivership or proceeding or conservatorship if a person other than the commissioner is appointed as receiver or conservator. The bill allows the commissioner to appoint employees or retain consultants he deems necessary for liquidating or administering the affairs of the defendant.

NO ACTION LETTERS (§ 11)

The bill allows the banking commissioner, or the employees he authorizes, to issue a “determination” that he will not institute a proceeding against a person for engaging in certain conduct (a no action letter) if the determination is consistent with the intent of CUSA. Currently, the banking commissioner only has the express authority to issue declaratory rulings and written advisory interpretations under CUSA.

The bill applies the existing protection against liability for actions taken in conformity with the banking commissioner’s regulations, forms, orders, or advisory interpretations to no action determinations.

FREEDOM OF INFORMATION REQUESTS (§ 12)

The bill allows the banking commissioner to certify that public records requested under the Freedom of Information Act do not exist and makes the certification prima facie evidence that the requested document does not exist in suits brought under CUSA.

OFFERS TO BUY AND SELL & SERVICE OF PROCESS (§ 13)***Offers to Buy & Sell***

CUSA applies to offers to sell or buy that occur in the state, but the law excludes offers made as part of a radio or television program that originates outside the state. The bill also excludes offers made in any electronic communication originating outside the state.

The bill states that a radio or television program or other electronic communication is considered to have originated in the state if the broadcast studio or the originating source of the transmission is in the state unless the program or communication consists of a communication that originates inside the state but is not intended for distribution to the general public or is distributed from or originates outside of the state for redistribution to the general public and is: (1) syndicated; (2) supplied by radio, television, or electronic network; or (3) captured for redistribution by community antenna or cable, radio, or other electronic system.

Service of Process

Under current law, an individual or group licensed, registered, or conducting business under CUSA must designate the commissioner as his attorney to receive legal papers in any non-criminal action against him arising under CUSA. Further, if the person or group engages in conduct prohibited under CUSA, is not available, and has not made such a designation, the conduct will be deemed the equivalent of making such a designation. The bill allows that the service of legal papers may be made by the commissioner in any investigation or administrative proceeding in which the commissioner is the moving party.

COMMITTEE ACTION

Banks Committee

Joint Favorable Substitute

Yea 18 Nay 0