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SECRETARY OF THE STATE
CONNECTICUT

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**MERRILL & JEPSEN COLLECT \$1.3
MILLION IN PENALTIES FROM COMPANIES
TRANSACTIONING BUSINESS IN CONNECTICUT
WITHOUT LEGAL AUTHORITY**

JOINT EFFORT BENEFITS CONSUMERS, EDUCATES BUSINESSES ON
REQUIREMENT TO REGISTER WITH THE STATE; MORE THAN 320 COMPANIES
PAID PENALTIES FOR VIOLATING THE LAW IN FY 2012

HARTFORD: Connecticut Secretary of the State Denise Merrill and Attorney General George Jepsen today announced that during Fiscal Year 2012, a joint effort by their offices resulted in the collection of more than \$1.3 million in penalties from out-of-state companies operating in Connecticut without legal authority to transact business. The penalties collected during FY 2012 were paid by 321 out-of-state firms, and represents the highest such figure since 2007, when more than \$1.7 Million in fines were collected. The \$1,350,138.86 in penalties collected during FY 2012 top those for FY 2011 by nearly \$40,000.

“Here in Connecticut, we strive for fair competition in the market place so that all businesses in the state have a chance to make a profit in this economic climate,” said Secretary Merrill, Connecticut’s Chief Business Registrar. “Out-of state companies who fail to register and do not obtain a certificate of authority to do business here undercut Connecticut companies and make it difficult to provide accountability for Connecticut consumers. All out-of-state companies should be aware that if they wish to conduct business in the state of Connecticut, they must be registered to do so or they may face penalties.”

“Oftentimes, out-of-state companies are not aware that they must register before conducting business in Connecticut,” said Attorney General Jepsen. “Registering with the state provides consumers with a layer of protection and helps ensure that all businesses

are operating on a level playing field, issues critically important to the state Office of the Attorney General. Through joint enforcement with the Secretary of State, it's my hope that we can educate out-of-state companies so that those operating honestly and in good faith – and by far, the vast majority of businesses do just that – can transact legally and openly in our state.”

Under state law, business corporations, nonstock corporations, limited partnerships, limited liability companies, limited liability partnerships, and statutory trusts formed outside of Connecticut must obtain a certificate of authority from the Secretary of the State's Office and paying the statutorily established fee before transacting business in Connecticut. Approximately 50,000 of these foreign entities have properly filed with the Secretary of the State's Office.

The requirement to obtain authority to do business exists to protect domestic organizations from unfair competition and place domestic and foreign organizations on an equal footing. The law also protects consumers with a grievance against an out-of state firm by requiring businesses to appoint an agent for service of process in Connecticut to accept legal papers if court action is taken. Companies that violate the law face a fine of \$300 for every month the company is transacting business in Connecticut without legal authority. In addition, some business corporations are required to pay the annual license fee required by statute for years they should have been registered with the Secretary of the State's office. After obtaining a certificate of authority to transact business in Connecticut, out-of-state companies must also file a yearly annual report with the Secretary of the State's office.

The joint, multi-year enforcement effort between the offices of the Attorney General and Secretary of the State in Connecticut has aggressively pursued thousands of delinquent out-of-state businesses, bringing legal action when necessary. During FY 2012 this joint effort recovered \$1,350,138.86 in fines from 321 out-of-state companies for violating the statutory requirement to register with the state. Penalties collected from each business in FY 2012 range from \$271.30 to \$18,435. The five largest settlements came from:

| Name of Entity | Amount Collected | State Formed |
|-------------------------------------|-------------------------|---------------------|
| 1. Intuitive Surgical, Inc. | \$18,435.00 | CA |
| 2. Communications Test Design, Inc. | \$17,460.00 | PA |
| 3. Trapeze Software Group, Inc . | \$16,117.50 | AZ |
| 4. Clinical Computer Systems, Inc. | \$15,645.00 | IL |
| 5. Ziff Brothers Investments, LLC | \$15,480.00 | NY |

(A complete list of companies paying fines is attached)

Secretary Merrill added, “Many of the businesses who end up paying penalties were simply unaware of the law and self-report to our office that they are not registered to transact business in Connecticut. Through this enforcement action the Attorney General and I want to make sure that all out of state companies doing business here are in compliance with the law so they can avoid paying penalties in the future.”

Howard Schwartz, Executive Communications Director for the Connecticut Better Business Bureau, said, “We encourage consumers to always check with the Secretary of

the State to verify businesses' registration before making hiring or buying decisions. By doing so, they can help stop companies that operate illegally in Connecticut. Trust is the currency of the marketplace, and businesses must work hard to earn that trust. Proper business licensing in the state is as important as having comprehensive insurance policies to protect both themselves and consumers.”

Assistant Attorney General Thomas Crean represented the Attorney General in these matters, working with Staff Attorney William Silk and paralegal James Augeri from the Secretary of the State's Office.