Broker-dealers and Investment Advisers are business entities, firms. Agents and Investment Adviser Representatives are always natural persons/individuals.

If a broker-dealer is located in a state, they register in that state. If a broker-dealer is out-of-state, they only register in the other state if their clients are non-institutional/non-accredited. If their clients are institutional, they don’t have to register in that other state.

If an investment adviser is out-of-state, they only register in the other state if they have more than 5 non-institutional clients. If their clients are institutional, they don’t have to register in that other state. If an investment adviser is in the state, they register in the state unless they are “federal covered,” which means they:
- Manage > $30 million in assets
- Advise mutual funds
- Advise insurance companies

Investment advisers may be federal covered, but the IA reps still register in the state.

An agent is always a natural person and always represents somebody else. If he represents a broker-dealer, he’s an agent, regardless of what he sells. If he represents an issuer, he usually is not an agent. If he represents an issuer, he’s not an agent if:
- The issuer is exempt
- The security is exempt
- The transactions are exempt

Exempt means “excused.” Non-exempt means “not excused.”

“Federal covered” securities are covered at the federal level. If they’re exempt at the federal level, they are “federal covered.” If they register only at the federal level, they are “federal covered.” So “exempt” and “federal covered” are not exactly the same. All exempt securities are “federal covered,” but not all federal covered securities are exempt. GE commercial paper is exempt and federal covered. GE common stock is federal covered, but it does have to register with the SEC because it is non-exempt. It doesn’t have to register with the states, though, which is ultimately what “federal covered” means.

A “federal covered” adviser registers with the SEC. They also may provide the states with:
- Filing fees
- Notice filing
- Consent to service of process

And, they are still subject to anti-fraud rules at the state level.

The securities Administrator has broad powers to investigate, hold hearings, issue rules and orders, grant and take away licenses, and enforce anti-fraud regulations. The Administrator may NOT:
- Sentence people to prison
- Issue injunctions
- Issue orders to deny, suspend, or revoke without prior notice, opportunity for hearing, and written findings of fact/law.

The Administrator has the power to grant licenses but also to deny, suspend, or revoke licenses. A denial, suspension, or revocation implies that somebody done somebody wrong. These orders are issued when they’re in the public interest, provide needed protection to investors, and the applicant/registrant lies, misleads, deceives, or has already been in trouble with other regulators.

An order to cancel is non-punitive, meaning “no punishment.” A license is canceled simply because the party no longer exists or can’t be located.

An order to withdraw is non-punitive. It means that the applicant/registrant has decided to withdraw the application or license. It is effective within 30 days (if not sooner) provided that there are no orders or proceedings against the party submitting the withdrawal.

A legal person is anyone who is NOT:
- Dead
- Minor
- Mentally incompetent

A natural person is an individual and just one example of a legal person.

An agent properly registered in Arizona may offer securities to an existing client vacationing in Colorado without registering in the state of Colorado. However, if the offer violates securities laws, the Administrator in Colorado definitely has authority to take action, because the Uniform Securities Act gives jurisdiction to the Administrator in any state where the offer to sell or solicitation of any offer to buy:
- Originates
- Is directed into
- Is accepted

Think “DOA” for “directed into,” “originates,” “accepted.” The state where a check is written is not material.
A security is an investment of money into something that can be traded for value and which fluctuates. An insured CD or fixed annuity is NOT a security. Maximum criminal penalties are 3 years, $5,000. Statute of limitations is 5 years. Testimony can be required over 5th Amendment objections—but it can’t be used to incriminate the one forced to squeal. Ignorance of the law can keep someone out of prison.

Civil liabilities to someone sold a security/advice in violation of the law include:
- Original price paid, plus interest, less any income received
- Court costs, reasonable attorney’s fees
- NO “pain and suffering”

The statute of limitations is 2 years from discovery, 3 years from violation.