

# **SEC VS Unregistered Broker-Dealers**

## **The Good, the Bad and the Ugly**

**by Norman Duffett, President  
Orca Capital Securities, LLC**

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# Orca Capital Securities

- **Registered Broker Dealer**
- **Boutique Investment Bank**
- **Specialize in M&A and equity raises**
- **Also do strategic plans, expert witness work**
- **Over 20 years experience, \$2B in transactions**

# **The Good: Registered Broker-Dealers**

- **Licensed with SEC/FINRA for securities transactions**
- **Application process**
- **Individual licenses**
- **Ongoing compliance (Patriots Act)**
- **Costs**
- **State registrations**
- **Capital – FOCUS filings**

# **The Bad: Unregistered Broker-Dealers**

- **Unintended consequence of registration requirements**
- **Misinform company sellers and/or securities issuers**
- **Come in all shapes and sizes**
  - **Business brokers need licenses for equity deals**
  - **Unregistered investment banks**
  - **Unemployed investment bankers**
  - **Former software entrepreneurs**
  - **Consultants of all sorts**
  - **Lawyers**

# **The Ugly: Unregistered Broker-Dealers**

- **Rescission – company reimburses capital**
- **Bankruptcy – Neogenix case**
- **Fines**
- **Disgorgement of Fees – Duncan Capital**
- **Barred from securities business**

# Crowdsourcing

- **Jumpstart our Business Startups (JOBS) Act**
- **Lifts bans on general solicitation and advertising to accredited investors**
- **Expected to be promulgated by end 2013**
- **Crowdfunding platforms will need to be licensed broker dealers**
- **Implications for investors and startups**

**Thank you.**

**Any questions?**

