

Chapter One – Definition of Terms	9
Security	9
Person	11
Broker Dealer	11
Agent	12
Issuer.....	12
Non-Issuer	12
Investment Adviser.....	13
Investment Adviser Representative	13
Institutional Investor.....	14
Accredited Investor.....	14
Qualified Purchaser	14
Private Investment Company.....	14
Offer/Offer to Sell/Offer to Buy	15
Sale/Sell.....	15
Guarantee/Guaranteed	15
Contumacy.....	15
Federally Covered Exemption	16
Option Contracts	16
Call Options.....	16
Put Options	16
Futures and Forwards	16
Secondary Market Orders	17
Market Orders	17
Buy Limit Orders	17
Sell Limit Orders	18
Stop Orders / Stop Loss Orders	18
Buy Stop Orders	18
Sell Stop Orders	18

**Chapter Two - Securities Industry
Rules and Regulations**

The Securities Act of 1933	25
The Prospectus.....	25
The Final Prospectus.....	26
SEC Disclaimer	26
Misrepresentations.....	26
The Securities Exchange Act of 1934.....	27
The Securities Exchange Commission / SEC	27
Extension of Credit	28
Public Utilities Holding Company Act of 1935.....	28
Financial Industry Regulatory Authority / FINRA	28
The Trust Indenture Act of 1939	28
Investment Advisers Act of 1940	29
Advertising and Sales Literature.....	29
Advertising	29
Sales Literature	30
Blind Recruiting Ads	30
Generic Advertising.....	30
Tombstone Ads.....	31
Tombstone Ads Must Include.....	31
Filing and Retention Requirements.....	31
Testimonials.....	31
Free Services.....	32
Misleading Advertising and Sales Literature.....	32
Securities Investor Protection Corporation Act of 1970 (SIPC)	32

Net Capital Requirement.....	32
Customer Coverage	33
Fidelity Bond.....	33
The Securities Acts Amendments of 1975	33
The Insider Trading and Securities Fraud Enforcement Act of 1988	33
Fire Wall	34
The Telephone Consumer Protection Act of 1991	34
Exemption from the Telephone Consumer Protection Act of 1991	35
National Securities Market Improvement Act of 1996	35
The Uniform Securities Act	35

**Chapter Three - Customer Recommendations
Professional Conduct and Taxation**

Professional Conduct by Investment Advisers.....	39
Fair Dealings with Clients.....	40
Churning.....	40
Manipulative and Deceptive Devises	40
Capping	40
Pegging.....	40
Front Running	41
Trading Ahead.....	41
Painting The Tape	41
Unauthorized Trading	41
Fraud	41
Blanket Recommendations.....	41
Selling Dividends	41
Misrepresentations	42
Omitting Material Facts	42
Guarantees.....	42
Recommending Mutual Funds	42
Periodic Payment Plans.....	42
Disclosure of Client Information.....	43
Borrowing and Lending Money	43
Developing The Client Profile	43
Types of Advisory Clients	44
Investment Objectives	45
Income.....	45
Growth	45
Preservation of Capital	45
Tax Benefits	45
Liquidity.....	46
Speculation.....	46
Risk vs. Reward	46
Capital Risk.....	46
Market Risk.....	47
Nonsystematic Risk.....	47
Legislative Risk.....	47
Timing Risk.....	47
Credit Risk	47
Reinvestment Risk	47
Interest Rate Risk	47
Call Risk.....	47
Opportunity Risk	48
Liquidity Risk.....	48
Alpha.....	48

The National Securities Market Improvement Act of 1996	91
Investment Adviser Representative	91
State Investment Adviser Registration.....	91
Capital Requirements.....	92
Advertising and Sales Literature.....	92
Brochure Delivery	93
The Role of the Investment Adviser	94
Additional Compensation for an Investment Adviser.....	94
Agency Cross Transactions	94
Disclosures by an Investment Adviser.....	94
Investment Adviser Contracts.....	95
Additional Roles of Investment Advisers	95
Private Investment Companies/Hedge Funds	96
Fulcrum Fees	96
Wrap Accounts	96
Soft Dollars.....	97

Chapter Six - Securities Registration, Exempt Securities, and Exempt Transactions

Exempt Securities	103
Securities Registration	103
Registration of IPOs Through Coordination.....	103
Registration of Established Issuers/Registration Through Filing or Notification.....	104
Registration of Non-Established Issuers/Registration Through Qualification	105
Exempt Securities Federally Covered Exemption.....	106
Exempt Transactions	106
Private Placements/Regulation D Offerings	107
Rule 147 Intrastate Offering	107
Regulation A Offerings.....	107
Transactions with Financial Institutions	108
Transactions with Fiduciaries	108
Transactions with Underwriters.....	108
Unsolicited Orders	108
Transactions in Mortgage-Backed Securities.....	108
Pledges.....	108
Offers to Existing Securities Holders.....	109
Pre-Organization Certificates.....	109
Isolated Non-Issuer Transactions.....	109
Non-Issuer Transactions	109

Chapter Seven - State Securities Administrator The Uniform Securities Act

Actions by the State Securities Administrator....	115
Cancellation of a Registration	116
Withdrawal of a Registration	116
Actions Against an Issuer of Securities.....	116
Rule Changes	116
Investigations	116
Civil and Criminal Penalties.....	117
Jurisdiction of the State Securities Administrator	118
Administrator's Jurisdiction Over Securities Transactions	118
Right of Rescission.....	120
Statute of Limitations	120

PRE-TEST ANSWER KEY

Chapter One	
Definition of Terms	127
Chapter Two	
Securities Industry Rules and Regulations.....	129
Chapter Three	
Customer Recommendations Professional Conduct and Taxation	130
Chapter Four	
Variable Annuities and Retirement Plans	132
Chapter Five	
Registration of Broker Dealers, Investment Advisers, and Agents.....	133
Chapter Six	
Securities Registration, Exempt Securities and Exempt Transactions	135
Chapter Seven	
State Securities Administrator The Uniform Securities Act ...	137