

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

IN THE MATTER OF. Keith Gregory Daubenspeck

FILE NO. 1200545

AMENDED NOTICE OF HEARING

TO THE RESPONDENT:

Keith Gregory Daubenspeck
1807 N. Fremont
Chicago, Illinois 60614-1409

Advanced Equities, Inc
311 South Wacker
Suite 1650
Chicago, Illinois 60605

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602 on the 27th the day of February, 2013 at the hour of 10:00 a.m. or as soon as possible thereafter, before James Kopecky, or such other duly designated Hearing Office of the Secretary of State.

Said hearing will be held to determine whether an order shall be entered revoking Keith Gregory Daubenspeck (the "Respondent") registration as a Salesperson in the State of Illinois and/or granting such other relief as may be authorized under the Act including but not limited to the imposition of a monetary fine in the Maximum amount pursuant to Section 11.E(4) of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

1. That at all relevant times, the Respondent was registered with the Secretary of State as a Salesperson in the State of Illinois pursuant to Section 8 of the Act.

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2. That on September 18, 2012 the Securities and Exchange Commission (“SEC”) entered Administrative releases. No. 9362, No. 67878, No 3467 in Administrative Proceeding No. 3-15031, In the Matter of Keith Gregory Daubenspeck, among others, an Order Instituting Administrative and Cease-and-Desist proceedings pursuant to Section 8A of the Securities Act of 1933, Section 15(b) of the Securities Exchange Act of 1934 and Sections 203(e) and 203(f) of The Investment Advisers Act of 1940, making findings, and imposing remedial sanctions and a Cease and Desist Order against respondent Daubenspeck, as follows:
 1. Respondent Daubenspeck be, and hereby is, suspended from association in a supervisory capacity with any broker, dealer, investment adviser, municipal securities dealer or transfer agent for a period of twelve (12) months, effective on the second Monday following the entry of this Order.
 2. Respondent Daubenspeck shall pay within thirty (30) days of the entry of this Order, pay a civil money penalty in the amount of \$50,000 to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C 3717.
3. This matter involves misstatements and omissions and supervisory failures during a \$150 million late stage private equity offering in 2009 and a follow-up offering in 2010 by registered broker-dealer and investment adviser Advanced Equities, Inc. (“Advanced Equities”) on behalf of a non-public alternative energy company located in the Silicon Valley region of California (“Company A”). During the 2009 offering, Company A was in “stealth mode” and released very little information about itself. Dwight O. Badger (“Badger”), one of Advanced Equities’ registered principals, led Advanced Equities’ sales efforts for the offering and personally conducted numerous sales calls with investors and Advanced Equities’ registered representatives (whom it called “brokers”) Badger also held five internal sales calls with Advanced Equities’ brokers. During both the internal and external sales calls, Badger made several significant misstatements about Company A’s finances, including, among other things (a) misstating that Company A had order backlogs in excess of \$2 billion, when in fact Company A’s actual backlog ranged between approximately \$10 million and \$42 million; (b) misstating that the U.S. Department of Energy had already granted Company A a loan of between \$250 million and \$300 million, when in fact Company A had just recently applied for a \$96.8 million loan; and (c) misstating that Company A had a \$1 billion order from a national grocery store chain, when in fact the grocery store chain only had entered into an order for \$2 million and signed a non-binding letter of intent to purchase additional energy in the future. In addition, Advanced Equities’ other registered principal and Badger’s supervisor, Keith G. Daubenspeck (“Daubenspeck”), failed to respond to red flags that indicated that Badger and certain of Advanced Equities’ other brokers were making misstatements to investors and thus, failed reasonably to supervise with a

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view toward preventing and detecting their violations of the federal securities laws.

On September 18, 2012, The Securities and Exchange commission announced its determination to accept the offer of settlement made by Keith Daubenspeck, the chairman of the board of AEI's parent company ("Daubenspeck"), and issued an order instituting administrative proceedings and imposing remedial sanctions ("the order"). In the order, the SEC alleged that AEI, through one of its registered principals, made misleading statements about backlog, contracts and a department of energy application during the offering of the Securities of a privately held company in 2009 and in 2010 in violation of Section 17(A)(2) and (3) of the Securities Act of 1933

- 4 That Section 8.E(1)(k) of the Act provides, inter alia, that the registration of an Salesperson may be revoked if the Secretary of State finds that such Salesperson has had any order entered against it after notice and opportunity for hearing by the Securities and Exchange Commission ("SEC"), or arising from any fraudulent or deceptive act or practice in violation of any statute, rule or regulation administered or promulgated by the Commission.
5. The SEC enters orders after Notice and a Hearing as specified in Section 8.E(1)(k) of the Act
6. That by virtue of the foregoing, the Respondent's registration as an Salesperson *representative in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(k) of the Act.*

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 ILL. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this Notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing

Furthermore, you may be represented by legal counsel; may present evidence, may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default; unless any Respondent has upon due notice moved for and obtained a continuance.

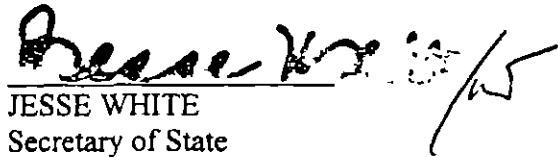
A copy of the Rules, promulgated under the Act and pertaining to hearing held by the Office of the Secretary of State, Securities Department, can be found at www.cyberdriveillinois.com.

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Delivery of Notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This 10th day of May 2013



JESSE WHITE
Secretary of State
State of Illinois

Attorney for the Secretary of State:

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Illinois Securities Department
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Hearing Officer:
James L. Kopecky