

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

IN THE MATTER OF: Keith Gregory Daubenspeck

FILE NO. 1200545

CONSENT ORDER

TO THE RESPONDENT:

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

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

WHEREAS, Respondent on the 18th day of March, 2013 executed a certain Stipulation to Enter Consent Order of Revocation (the "Stipulation"), which hereby is incorporated by reference herein.

WHEREAS, by means of the Stipulation, Respondent has admitted to the jurisdiction of the Secretary of State and service of the Amended Notice of Hearing of the Secretary of State, Securities Department, dated January 10, 2013 in this proceeding (the "Notice") and Respondent has consented to the entry of this Consent Order ("Consent Order")

WHEREAS, by means of the Stipulation, the Respondent acknowledged, without admitting or denying the truth thereof, that the following allegations contained in the Corrected Notice of Hearing shall be adopted as the Secretary of State's Findings of Fact:

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.
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 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

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sanctions and a Cease and Desist Order against respondent Daubenspeck, among others:

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

On September 18, 2012, The Securities 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

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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 1993.

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.

WHEREAS, by means of the Stipulation, the Respondent acknowledged, without admitting or denying the truth thereof, that the following shall be adopted as the Secretary of State's additional Findings of Fact:

6. That Section 8.E(3) of the Act provides, inter alia, withdrawal of an application for registration or withdrawal from registration as a salesperson becomes effective 30 days after receipt of an application to withdraw or within such shorter period of time as the Secretary of State may determine. If no proceeding is pending or instituted and withdrawal automatically becomes effective, the Secretary of State may nevertheless institute a revocation or suspension proceeding within 2 years after withdrawal became effective and enter a revocation or suspension order as of the last date on which registration was effective.

WHEREAS, by means of the Stipulation Respondent has acknowledged, without admitting or denying the averments, that the following shall be adopted as the Secretary of State's Conclusion of Law:

The Respondent's registration as a Salesperson in the State of Illinois is subject to revocation pursuant to Sections 8.E(1)(j) and 8.E(3) of the Act.

WHEREAS, by means of the Stipulation Respondent has acknowledged and agreed that should he reapply for registration as a Salesperson in the State of Illinois;

- (a) Respondent shall be subject to a program of heightened supervision for a period of one (1) year, to commence with the date of his re-employment as a Salesperson.

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WHEREAS, the Secretary of State, by and through his duly authorized representative, has determined that the matter related to the aforesaid formal hearing may be dismissed without further proceedings.

NOW THEREFORE IT SHALL BE AND IS HEREBY ORDERED THAT.

1. Respondent shall be subject to a program of heightened supervision for a period of one (1) year, to commence with the date of his re-employment as a Salesperson.
2. The formal hearing scheduled on this matter is hereby dismissed without further proceedings.

ENTERED: This 19th day of March 2013.


JESSE WHITE
Secretary of State
State of Illinois

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