

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

_____))
IN THE MATTER OF: JAYME A. KURTYKA) FILE NOS. 0500697 &
_____)) 0600004

SUMMARY ORDER OF DENIAL

TO THE RESPONDENT: Jayme A. Kurtyka
(CRD#: 1171623)
471 Spring Cress Lane
West Chicago, Illinois 60185

C/o Advanced Equities, Inc.
311 South Wacker Drive
Suite 1650
Chicago, Illinois 60606

WHEREAS, on December 19, 2005, Advanced Equities, Inc., a registered dealer and investment advisor, filed Form U-4 applications for registration of Jayme A. Kurtyka (the "Respondent") as a salesperson and as an investment advisor representative in the State of Illinois;

WHEREAS, pursuant to the authority granted under Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act"), the Secretary of State has determined that the Respondent's application for registration as a salesperson and as an investment advisor representative in the State of Illinois is subject to a Summary Order of Denial;

WHEREAS, the Secretary of State finds that the grounds for such Summary Order of Denial are as follows:

1. That on February 16, 2005, NASD entered an Order Accepting Offer of Settlement (Order) submitted by the Respondent regarding File No. CAF040067 which imposed the following sanctions:
 - a. Suspended from association with any member of NASD in any capacity for 30 days;
 - b. fined \$17,500; and

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- c. required to requalify by examination as a Series 7 General Securities Representative.
2. That the Order found:
 - a. In or about December 1998, the Respondent solicited MK, who was 57 years old at the time, to open a securities account ("Securities Account") with the Member. MK's account-opening forms, which were completed by the Respondent, showed that her annual income as a real estate sales person was \$30,000 and that her liquid net worth was \$625,000. MK told the Respondent that her liquid net worth was the result of a recent, large inheritance from her aunt. MK's investment objectives were listed on the account-opening forms as income, long-term growth and occasional short-term trading with moderate risk exposure. MK deposited approximately \$633,000 in cash and securities into her Securities Account with the Member. This account was almost all of MK's liquid net worth. The Respondent was responsible for servicing the Securities Account for MK.
 - b. In or about January 1999, the Respondent recommended that MK invest in ISG Investment Partners I Limited Partnership ("ISG I" or "Partnership"). ISG I was an investment vehicle designed to pool investments of public investors, who would become limited partners of ISG I. The general partner of ISG I was ISG Management, LLC ("Management"). The Respondent acted as the portfolio manager of ISG I and made all investment decisions for ISG I throughout the period of its operation from in or about March 1999 through in or about June 2002. ISG I was required to pay an annual management fee of 1% of net assets, and a performance-based fee 20% of each limited partner's share of net profits to Management. The Respondent received 50% of the annual management fee. He received 68% of the performance-based fee assessed for the Partnership's performance in 1999, the only profitable year for ISG I.
 - c. In or about March 1999, MK transferred \$400,000 from her Securities Account to ISG I. In total, sixteen limited partners invested a total of \$6,536,940.80 in ISG I.
 - d. The Respondent began trading ISG I in or about March 1999. The trading for ISG I from in or about March 1999 to in or about June 2002, included: purchasing and selling equity securities outright and on margin; selling equity securities short on margin; purchasing and selling puts and calls on margin; and purchasing \$500,000 of a private placement, which was not publicly traded.

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While the Respondent purchased and sold securities in many market sectors, he focused ISG I's investments in the technology, telecommunications and pharmaceutical sectors. In addition, at times up to 20% of ISG I's assets were invested by the Respondent in a single equity security position. He received the following amounts as management fees from ISG I: \$22,820 for 1999; \$36,605.50 for 2000 and \$3,171 for 2001. ISG I only made a profit in 1999, so the Partnership was only charged a performance-based fee in 1999, and the Respondent received \$448,290 of the total performance-based fee of \$655,721.

- e. In MK's Securities Account, from in or about March 1999 to in about June 2001, the Respondent recommended transactions resulting in a heavy concentration in the technology, telecommunications and pharmaceutical sectors. For example, by the end of October 1999, 20.40% of MK's Securities Account and 19.11% of the ISG I account were invested in 24/7 Media Inc., meaning that at that time almost 40% of MK's funds were invested in a single company. In addition, from in or about March 1999, to in or about July 2001, the Respondent recommended and placed most of the purchases of securities for MK's Securities Account on margin. The amount margined was as high as \$260,536.66, when the equity of the account at that time was only \$209,018.94, and at the end of February 2001, the debit balance of MK's Securities Account was \$90,093, with a total asset value of only \$19,166. The total margin interest charged on MK's Securities Account was \$29,746.72.
- f. From in or about January 1999, through in or about August 2001, the Respondent recommended and effected purchases or sales of securities transactions for MK's Securities Account, including purchasing securities on margin, and in or about March 1999, the Respondent recommended and effected the purchase of \$400,000 worth of ISG I. Such recommendations and purchases and sales were made by the Respondent without having a reasonable basis for believing that the recommendations and resultant transactions were suitable for MK, based upon MK's age, total net worth, liquid net worth, investment experience, financial situation and investment objectives.
- g. From in or about January 1999, until in or about August 2001, the Respondent exercised discretion in the Securities Account of MK without obtaining: written authorization from MK to handle the Securities Account as a discretionary account; and written acceptance of the Securities Account as a discretionary account by the Member.

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- h. The Respondent prepared, or caused to be prepared, and mailed, or caused to be mailed, to the 16 limited partners of ISG I a form letter dated January 2000 ("January 2000 Form Letter"). Since the January 2000 Form Letter was mailed to more than one customer, *the material is considered "sales literature" as that term is defined under NASD Conduct Rule 2210.*
 - i. The January 2000 Form Letter, which the Respondent prepared, or caused to be prepared, and mailed, or caused to be mailed, is not fair and balanced and omits material facts or qualification, which caused the form letter to be misleading or contained exaggerated, unwarranted or misleading statements or claims, in that the January 2000 Form Letter:
 - i. *Claimed that the fund gained just over 66.2% on a "time-weighted" basis from March through December 1999, and on a "dollar-for-dollar" basis, \$1.00 invested in March became \$1.62 by year-end. The letter disclosed that the performance numbers are net of everything but the performance-based fee. Since the performance-based fee was 20% of each limited partner's allocated share of the profits, including unrealized gains, the amount of the fees should have been disclosed, or the performance numbers should have considered these fees.*
 - ii. *Contained the statement that "Hot issue IPOs have not been a material part of the Partnership's performance, to date, but considering our access to [the Member's] flow, those issues are at our disposal," implied that the fund can profit from "hot IPOs" at will and belies the risk and volatility inherent in purchasing IPOs.*
 - j. The January 2000 Form Letter also compared ISG I's performance against that of the S&P 500 Index, the Dow Jones Industrial Average, and the Russell 2000 Index, but failed to contain a fair and balanced presentation in that it failed to disclose the material differences between the general nature of the fund's portfolio and the indexes. This violates the Rule's requirement that comparisons must provide a fair and balanced presentation including any material differences between the subjects of comparison. Based on the foregoing, the Respondent violated NASD Rules 2110, 2210, 2310, IM-2310-2 and 2510.
3. That Section 8.E(1)(j) of the Act provides, *inter alia*, that the registration of a salesperson or investment advisor representative may be denied if the Secretary of State finds that such salesperson or investment advisor

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representative has been suspended by any self-regulatory organization registered under the Federal 1934 Act or the Federal 1974 Act arising from any fraudulent or deceptive act or a practice in violation of any rule, regulation or standard duly promulgated by the self-regulatory organization.

4. That the NASD is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.
5. That by virtue of the foregoing, the Respondent's registration as a salesperson and as an investment advisor representative in the State of Illinois is subject to denial pursuant to Section 8.E(1)(j) of the Act.

NOW IT IS HEREBY ORDERED THAT:

The Respondent's applications for registration as a salesperson and as an investment advisor representative in the State of Illinois are DENIED, subject to the further Order of the Secretary of State.

A public hearing will be set within thirty (30) days of the Respondent's filing a written request for hearing with the Secretary of State at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602. Said hearing will be at the aforesaid address before a Hearing Officer duly designated by the Secretary of State. A copy of the Rules under the Act pertaining to contested cases is attached to this Order.

YOUR FAILURE TO REQUEST A HEARING WITHIN THIRTY (30) DAYS AFTER RECEIPT OF THIS ORDER SHALL CONSTITUTE AN ADMISSION OF ANY FACTS ALLEGED HEREIN AND SHALL CONSTITUTE A SUFFICIENT BASIS TO MAKE THIS ORDER FINAL.

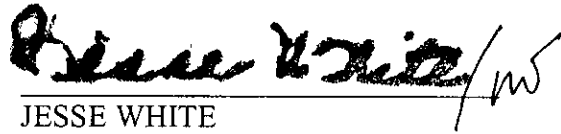
You are further notified that if you request a hearing that you may be represented by legal counsel, may present evidence; may cross-examine witnesses and otherwise participate. Failure to so appear shall constitute default, unless any Respondent has upon due notice moved for and obtained a continuance.

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Delivery of this Order or any subsequent notice to the designated representative of any Respondent constitutes service upon such Respondent.

ENTERED: This 12th day of January 2006.

A handwritten signature in black ink, appearing to read "Jesse White" with a stylized flourish at the end.

JESSE WHITE
Secretary of State
State Illinois

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