

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E8A2004000301

TO: Department of Enforcement
NASD

RE: Advanced Equities, Inc.
Broker-Dealer
CRD No. 35545

Pursuant to Rule 9216 of NASD Code of Procedure, Advanced Equities, Inc. ("Respondent") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against it alleging violations based on the same factual findings.

Respondent understands that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Enforcement and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against it; and
3. If accepted:
 - a. this AWC will become part of its permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against it;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about its disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and
 - d. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying,

directly or indirectly, any allegation in this AWC or create the impression that the AWC is without factual basis. Nothing in this provision affects its testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

Respondent also understand that its experience in the securities industry and disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

Advanced Equities, Inc. ("Member") became a member of NASD on May 18, 1994, and became registered with the Securities and Exchange Commission ("SEC") on December 7, 1993. The Member primarily engages in private placements, writing options, and acting as a broker/dealer in puts and calls as well as corporate equity securities. The Member's registration with NASD and the SEC currently remain in effect. The Member has no history of prior disciplinary action by the NASD.

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WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against it;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudice of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of Rule 9144,

in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

II.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, without admitting or denying the allegations or findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of NASD, or to which NASD is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by NASD:
1. The Member failed to comply with SEC Rule 15c3-1(e)(1), in that the Member failed to provide notification two business days prior to making withdrawals of capital as of June 2, June 30, and August 11, 2004, when these withdrawals exceeded \$500,000 over a 30 calendar day period and 30% of the Member's excess net capital for the prior month end, in violation of SEC Rule 15c3-1(e)(1) and NASD Conduct Rule 2110.
 2. The Member failed to comply with NASD Membership and Registration Rule 1022(f) in that during the period of January 17, 2004 through May 26, 2004, the Member failed to qualify and register an options principal, in violation of NASD Membership and Registration Rule 1022(f) and Conduct Rule 2110.
 3. The Member failed to adequately and properly supervise the options activity conducted at its firm, in that:
 - a. during the period of September 29, 2003 through April 24, 2004, it failed to have a registered options principal approve the opening of 19 options accounts, in violation of NASD Conduct Rules 2110 and 2860(b)(16);
 - b. during the period of September 29, 2003 through April 24, 2004, it failed to have 7 discretionary option accounts accepted by a registered options principal and reviewed by a senior registered options principal, in violation of NASD Conduct Rules 2110 and 2860(b)(18);
 - c. during the period of January 17, 2004 through May 26, 2004, it failed to employ a compliance registered options principal to make the required periodic reports to the senior management of the Member to secure the Member's compliance with securities laws and regulations and NASD Rules in respect to its options business, in violation of NASD Conduct Rules 2110 and 2860(b)(20);

- d. during the period of January 17, 2004 through May 26, 2004, it failed to employ a compliance registered options principal to perform frequent appropriate supervisory review of options discretionary accounts, in violation of NASD Conduct Rules 2110 and 2860(b)(18).

- B. Respondent also consents to the imposition, at a maximum, of the sanctions of:
1. a censure; and
 2. a fine in the amount of \$17,500.

The sanctions imposed herein shall be effective on a date set by NASD staff.

III.

OTHER MATTERS

- A. Respondent understands that it may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Corrective Action Statement. This Corrective Action Statement does not constitute factual or legal findings by NASD, nor does it reflect the views of NASD or its staff.
- B. Respondent agrees to pay any monetary sanctions imposed on it upon notice that this AWC has been accepted and that such payments are due and payable and has attached an Election of Payment form showing the method by which Respondent proposes to pay any fine imposed.
- C. Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

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Respondent certifies that a duly authorized representative has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce it to submit it.

12/21/2005
Date

Advanced Equities, Inc.

[Signature]
By: JAMES S. FISHER
Its: PRESIDENT

Reviewed by:

Counsel for Respondent

Accepted by NASD:

11/13/06
Date

Signed on behalf of the
Director of ODA, by delegated authority

[Signature]
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