



**Advanced Equities, Inc.**

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**FORM ADV PART 2A  
BROCHURE**

03/30/2012

This brochure provides information about the qualifications and business practices of Advanced Equities, Inc ("AEI"). If you have any questions about the contents of this brochure, please contact Saju Bahuleyan at (312) 377-5290 or at [saju.bahuleyan@advancedequities.com](mailto:saju.bahuleyan@advancedequities.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about AEI is also available on the SEC's website at <http://www.adviserinfo.sec.gov>. AEI's IARD/CRD number is 35545 and the SEC Number is 801-67983.

AEI is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

### **Material Changes:**

AEI is no longer affiliated with First Allied Securities, Inc. ("FASI"), Advanced Equities Asset Management, Inc. ("AEAM"), or First Allied Advisory Services, Inc. ("FAAS").

AEI no longer maintains a solicitor's agreement with FAAS and therefore does not receive compensation in exchange for solicitation and referral services.

AEI no longer clears through Pershing, LLC. AEI primarily clears its business through Charles Schwab ("Schwab") and Legent Clearing, LLC ("Legent") and also maintains client assets at Fifth Third Bank.

AEI is no longer offering Dynamic Hedge, LLC Fund through Saliba Portfolio Management, LLC.

AEI has had changes to its officers due to corporate restructuring and personnel turnover. AEI hired Michael Dockendorf as the President. Mr. Byron Crowe, former President of AEI, is now the Chief Operating Officer in addition to being the Chief Financial Officer of the parent company, Advanced Equities Financial Corp. (AEFC). The former Chief Operating Officer, Mr. Shawn Rogers, is now the National Sales Manager. AEI has had changes to its disciplinary information, including the addition and removal of disciplinary events disclosed due to changes in the affiliates and firm's officers.

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## Advisory Business

Advanced Equities, Inc. (“AEI” or “Adviser”) is a broker-dealer registered with the Financial Industry Regulatory Authority (“FINRA”) since 1997 and registered with the Securities and Exchange Commission (“SEC”) as an investment adviser since 2007. AEI is also a member of the Securities Investor Protection Corporation (“SIPC”).

Advanced Equities Financial Corp. (“AEFC”) is the 100 percent owner of AEI. As the parent company of AEI, AEFC also owns several other companies that offer financial products and services (see the section entitled Financial Industry Activities and Affiliation for more information on affiliations). AEI primarily clears its business through Charles Schwab (“Schwab”) and Legent Clearing, LLC (“Legent”) and also maintains client assets at Fifth Third Bank. AEI’s custodians and their addresses are as follows:

**Charles Schwab**  
211 Main St.  
San Francisco, CA 94105

**Legent Clearing, LLC**  
9300 Underwood Ave.  
Omaha, NE 68114

**Fifth Third Bank**  
5050 Kingsley Drive  
MD 1MOB2D, Cincinnati, OH 45263

AEI is not a qualified custodian of any accounts.

### Advisory Services

#### Selection of Third Party Asset Managers

As a registered investment adviser, AEI is engaged in the business of choosing Third Party Asset Managers (TPAMs) for our clients directly or through third party platforms such as Envestnet. In addition to this brochure, IARs are required to provide each client with TPAMs brochures that provide information about their qualification and business practices.

IARs select the appropriate TPAM for their clients based on the needs of each client. IARs determine the clients’ needs by interviewing the clients, having the clients complete investor questionnaires, and completing new account forms. IARs may also service the advisory client by a review of their portfolio composition, execution, reports of activity in clients’ accounts, and financial planning.

AEI allows clients to place restrictions on their choice of money managers. Any restrictions as to security, industry or sector would follow the restrictions policy of the TPAM engaged by the client. Each TPAM has its own policy on whether to allow or accommodate client restrictions.

Some of the TPAMs offer wrap programs. A wrap program is one in which a client pays a single “wrapped” fee which includes the advisory fee and any transaction costs or custodial fees related to management of that account. If a client invests in a non-wrap product, the client will likely be charged fees other than the management fee. Each TPAM has a wrap brochure which discloses this information to the client. In either a wrap or a traditional advisory account, AEI will receive a portion of the fees that the client pays (see *Fees and Expenses* for more detail). Depending on a client’s particular circumstances, either type of product could be more or less beneficial. AEI’s IARs will discuss these options with the client.

### **Advisory Services to Limited Liability Companies**

AEI is also an investment advisor to various Limited Liability Companies (“LLCs”) for which the principals of AEFC are also managing members or principals of a managing member of the LLC. LLCs are created to raise capital for mid to late stage companies. As set forth in the operating agreement for each LLC, AEI may receive a performance fee based on the distribution received by the members of an LLC.

AEI also acts as a broker-dealer for individual investors in various LLCs. As a broker-dealer, AEI acts as placement agent for various companies for which it raises capital. AEI is compensated in two ways as a broker-dealer, AEI receives a **i)** mark up on each individual investment from investors in the various LLCs, and **ii)** placement fees from the company for which it raises capital. Upon a liquidity event, AEI may also receive a performance based fee as described above. A liquidity event is a transaction by a company for which AEI raises capital that results in a distribution to the members of the LLCs that have invested in the company. Examples include, but are not limited to, Initial Public Offerings (IPOs), mergers and sales.

### **Assets Under Management**

AEI calculates the amount of assets that it manages every year. As of December 31<sup>st</sup>, 2011, AEI manages:

- \$867,926,632 in discretionary assets in 209 accounts.

Discretionary assets are assets in which AEI has the authority to buy and sell securities without prior permission from the client. Non-discretionary assets are assets for which AEI must obtain a client’s permission prior to trading in order to buy or sell securities.

Even though all accounts are discretionary accounts, AEI or its IARs do not buy or sell securities for the clients. Discretion on all accounts is exercised by TPAMs for the managed accounts and by managing members for the LLCs.

## Fees and Compensation

### Management Fees

All managed accounts charge a quarterly advisory fee based on the account's balance on the last business day of each calendar quarter (March 31, June 30, September 30, and December 31). This fee is generally charged in advance for the management to be provided over the next calendar quarter. For an account that is opened in the middle of the quarter, that account will be charged a prorated advisory fee for that quarter and the account will be billed when it is opened. For an account that is closed, the account will be charged a prorated fee and the amount that is not earned will be refunded. The following is the maximum fee schedule for the managed accounts. IARs are allowed to negotiate lower fees with their clients.

| Portfolio Size             | Fee   |            |
|----------------------------|-------|------------|
|                            | Max   | Negotiated |
| 1st \$1,000,000            | 3%    | or (____)% |
| \$1,000,000 to \$3,000,000 | 2.75% | or (____)% |
| \$3,000,000 & Higher       | 2.50% | or (____)% |

Advisory fees are debited directly from the account at the beginning of each quarter based upon the value of the assets as of the last business day of the previous quarter. The account statements clients receive from the custodian will reflect the payment of these fees. The above fee schedule is the maximum fee the client pays as management fees. These fees are split among AEI, the TPAM, Programs and Custodians. Even though the above fee schedule is the maximum a client will be charged, the TPAM fee, Program fee, and the Custodial fee may be debited separately and may be displayed as separate line items on client statements.

AEI's Agreement with a TPAM may be terminated by either party upon thirty (30) days' written notice to the other party. The TPAM shall be obligated to pay AEI the amounts to which AEI is entitled pursuant to the fee schedule set forth in the Agreement.

### Transaction Costs

Clients will pay custodial fees and transaction costs for the purchase and sale of securities in their accounts. Clients may incur additional fees charged by the custodian such as electronic funds and wire transfer fees, transfer taxes, exchange fees, etc. AEI may receive part of the commissions paid by the client. A more complete description of AEI's brokerage practices and any conflicts therein may be found in the *Brokerage Practices* section.

In addition, purchasers of mutual fund shares pay management fees to the investment advisers of the mutual funds and certain funds have other types of fees or charges, including 12b-1 fees, administrative fees, or shareholder servicing fees. These fees may be deducted from the net asset value of the mutual funds that are held in a client's portfolio. These types of fees are routinely borne by all mutual fund shareholders as an indirect expense to their account and are in addition to the

management fees charged by AEI.

All fees paid to AEI are separate and distinct from the management fees and expenses charged by any mutual funds. All mutual fund fees and expenses are detailed in the funds' prospectuses and should be carefully reviewed by the client so that they fully understand the total fees and expenses involved.

**Please Note:** Investment advisory representatives of AEI are also licensed as registered representatives of AEI, and as such, may earn commissions and compensation on their advisory clients' trades. This arrangement, including AEI's role as broker-dealer, is discussed more fully in the *Other Financial Industry Activities and Affiliations* section.

### **Performance-Based Fees and Side-By-Side Management**

AEI may be compensated by the LLCs on the terms described in the operating agreement of each LLC. This compensation is a back-end performance fee based on the value of distributions made to the members of an LLC.

None of the LLCs are charged an ongoing management fee.

None of the managed accounts are charged a performance fee.



## **Types of Clients**

AEI services accounts for pooled investment limited liability companies, individuals, high net worth individuals, banking institutions, pension plans, profit sharing plans, charitable organizations, and other corporations and businesses. The majority of these accounts are opened for pooled investments into mid to late stage companies that AEI raises capital for.

## Methods of Analysis, Investment Strategies and Risk of Loss

AEI does not actively manage client accounts. Some of the TPAMs with whom AEI places clients' assets may utilize the fundamentals of modern portfolio theory to determine their asset allocations. They may also employ various software programs that utilize modern portfolio theory to combine various asset classes when designing a portfolio. Each of the Asset Managers may utilize different sources of information in providing investment advice. Additional information about each TPAM's method of analysis and investment strategy is described more completely in their respective ADV Form Part 2As.

In its selection of a TPAM, AEI conducts a review of the TPAMs' managers or platforms before entering into an agreement to refer clients' assets to the TPAM. Each third party money manager is requested to complete a due diligence questionnaire prior to AEI approving them and annually thereafter. In addition, AEI may conduct on site visits and interview officers of TPAMs as part of the due diligence. Finally, AEI may conduct an annual review of the TPAMs offered through its wrap fee programs.

Moreover, in its analysis of selecting TPAMs, AEI has arranged with various wrap fee sponsors to perform due diligence and reporting services on available TPAMs. The wrap fee sponsors also assist IARs in selecting a TPAM that is appropriate for a client's investment objectives.

AEI may rely solely on due diligence performed by third parties such as Envestnet for the TPAMs offered through such third parties.

Investing in securities involves various risks, including market risk, interest rate risk, exchange risk, currency risk, economic risk, political risk, etc. A client should be aware that the value of their portfolio may decrease if there is adverse activity with respect to any of these risks. Also, clients should understand that there is a higher probability of loss in accounts with a high risk tolerance level.

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present a dollar today will not buy as much as a dollar next year because purchasing power is eroding at the rate of inflation.

- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Past performance does not guarantee future results.

## Disciplinary Information

We are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation or a prospective client's evaluation of our advisory business or the integrity of AEI's management.

All of the following disclosures are related to AEI's role as a *broker-dealer* and not as an Investment Advisor.

### **DISCLOSURES**

- AEI received a Wells Notice from the staff of the Chicago regional office of the United States Securities and Exchange Commission (the "SEC") informing it that the staff is considering making a recommendation that the SEC institute a public administrative proceeding against AEI in connection with a private offering. AEI is addressing the staff's concerns and is prepared to defend itself should it become necessary. Date: January 31, 2012
- Mr. Badger and Mr. Daubenspeck received a Wells Notice from the staff of the Chicago regional office of the Securities Exchange Commission informing them that the staff is considering making a recommendation to the SEC that an administrative proceeding be brought against Mr. Badger and Mr. Daubenspeck in connection with a private offering in 2009. Mr. Badger and Mr. Daubenspeck are addressing the staff's concerns and are prepared to defend themselves should it become necessary. Date: January 31, 2012.
- AEI, Mr. Badger and Mr. Daubenspeck are named in an arbitration in which the client alleged (1) violations of Kuwaiti securities law in connection with sale of three private funds; (2) securities fraud and common law fraud, or in the alternative, negligent misrepresentation, in connection with the sale of interests of one of the private funds; and (3) breach of contract and breach of fiduciary duties in connection with the three funds. Date: 10/25/11
- AEI, Mr. Badger and Mr. Daubenspeck are named in a lawsuit in Cook county Circuit Court alleging false and misleading information and omissions relating to private placement offering of Pixelon LLC. Plaintiffs originally filed this action in federal court alleging both federal securities law claims and the state causes of action referred to herein. The federal causes of action were dismissed with prejudice where after Plaintiffs filed this state court action. The case is pending. Date: March 17<sup>th</sup>, 2010.
- Mr. Badger and Mr. Daubenspeck, were named as control persons of AEI relating to the private placement offering of VisionTek. Customers allege written and oral misrepresentations and omissions of material information regarding the private placement of the security. The plaintiffs alleged compensatory damages of \$1,350,000. The case was settled for \$200,000 without any admission of liability on any party's part including Daubenspeck and Badger. Settlement Date: August 2009.

- AEI failed to timely amend broker's records and report FINRA's electronic reporting center (FINRA 3070 reports) regarding settlement of lawsuit, written complaints against firm brokers. Firm was censured and fined \$10,000 by FINRA. Date: May 6<sup>th</sup>, 2009.
- AEI reported inaccurate and untimely trace-eligible securities transactions to the trade reporting and compliance engine. The findings stated that the Firm failed to prepare and preserve appropriate order tickets and trace eligible corporate debt securities. The findings also stated that the firm failed to establish, maintain and enforce adequate written supervisory procedures reasonably designated to achieve compliance with NASD rules concerning Trace reporting and the requirement to employ a registered options principal. The findings also included that the firm failed to qualify and register a registered options principal for the supervision of option transactions in the firms customer options accounts and failed to employ a compliance registered principal to perform frequent appropriate supervisory review of its options business to ensure it was in compliance with securities laws, regulations and NASD rules. FINRA found that the firm failed to maintain an accurate form BD in that it designated a senior registered options principal and individual who was no longer associated with the firm. Firm was censured and fined \$31,000. Date: September 17<sup>th</sup>, 2007.
- Firm failed to provide notification two business days prior to making a withdrawal of capital when these withdrawals exceeded \$500,000 over a 30 calendar day period and 30% of the firm excess net capital for the prior month's end. Firm failed to adequately and properly supervise the options activity conducted in that it failed to have a registered options principal approve the opening of options accounts. Firm failed to have discretionary option accounts accepted by a registered options principal and reviewed by a senior registered option principal, failed to employ a compliance registered options principal to make the required periodic reports to the senior management of the firm and failed to employ a compliance registered options principal to perform frequent appropriate supervisory review of discretionary options accounts. Firm was censured and fined \$17,500 by FINRA. Date: January 13<sup>th</sup>, 2006.
- On April 13<sup>th</sup>, 2005, Mr. Dockendorf, President of AEI, received a customer complaint contending that the firm unduly profited from an IPO that took place in December of 2004. The customer alleged that Mr. Dockendorf purchased shares of the IPO without their prior authorization. The matter was settled August 2<sup>nd</sup>, 2005 for a total of \$9,600, of which Mr. Dockendorf paid \$4,224.
- Mr. Badger and Mr. Daubenspeck, founders of AEI, were named as defendants in a consolidated class action lawsuit filed against Pixelon LLC, a portfolio company for which AEI raised money. Mr. Badger and Mr. Daubenspeck denied any wrongdoing or liability and subsequently Mr. Badger and Mr. Daubenspeck were dismissed with prejudice from the lawsuit as part of the settlement. The settlement did not constitute an admission of any wrongdoing whatsoever by Mr. Badger and Mr. Daubenspeck and no monies were paid in settlement by either by them or AEI. Date: March 24<sup>th</sup>, 2004.
- Mr. Keith Daubenspeck, while he was employed with Stifel Nicholas ("SF") was named in an arbitration in which the client alleged excessive trading, unsuitability, misrepresentation, and failure to follow instruction. SF settled with the customer for \$20,000 with Mr. Daubenspeck paying \$2,500 to avoid the cost of litigation. SF investigated the complaint and determined no

wrong doing by Mr. Daubenspeck. Date: August 24<sup>th</sup>, 1994.

- Mr. Daubenspeck was terminated for violating firm internal policy pertaining to sales practices while employed with Oppenheimer & Co. Mr. Daubenspeck solicited funds from a dozen brokers in the office and used those funds to purchase client leads which turned out to be statements from another brokerage firm and distributed to Oppenheimer brokers. Mr. Daubenspeck alleges that he did not violate firm policy because he alleges that the national sales leads were purchased from Investment Resources, Inc., a sales company from which Oppenheimer had regularly received leads. Date: January 14<sup>th</sup>, 1993.

## Other Financial Industry Activities and Affiliations

### **Advanced Equities, Inc – Broker-Dealer**

AEI is registered as a securities broker-dealer with FINRA and as an investment adviser with the SEC. AEI is also a member of the Securities Investor Protection Corporation (“SIPC”). AEI’s primary business activity is investment banking activities that include acting as a placement agent in private securities offerings and as an underwriter or member of a selling group for public offerings. AEI is also a broker-dealer, and as such, AEI is engaged in the business of buying and selling stocks, bonds, mutual funds, options and direct participation programs on behalf of brokerage clients. All AEI IARs are registered representatives with FINRA, but not all registered representatives are IARs.

The advisory clients of AEI may also be broker-dealer clients, and as such, the IARs and AEI will receive commissions, markups and placement fees on broker-dealer transactions that the clients engage in. In its broker-dealer capacity, AEI, will also act as a placement agent for various companies for whom it raises capital in various private placement offerings. In that capacity, AEI will receive a placement fee from the private placement company. In addition, AEI will be paid a mark up, charged by an LLC, on each client’s transaction. AEI also has the capacity to act as a broker to clients who buy stocks, bonds, mutual funds, unit investment trusts, and options, for which it will receive commissions, sales concessions, front end loads and/or 12b1 fees.

There is a conflict of interest between AEI acting as the broker-dealer for advisory client transactions and as investment advisor to the client due to the fact that there is an incentive to place clients’ advisory transactions with AEI’s own broker-dealer due to the receipt of compensation thereon. AEI monitors for this conflict in the following ways:

- AEI reviews the commission activity in clients’ accounts, in light of industry standards to establish the fairness of transaction costs for client trades;
- AEI discloses to clients in confirmation statements the receipt of commissions by AEI and its registered representatives; and
- AEI reviews client accounts for overreaching.

### **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

AEI has adopted a Code of Ethics, which, among other things, recognizes that we have a fiduciary duty to our clients in connection with providing advisory services, which includes acting in our clients' best interests. Our Code of Ethics focuses on conflicts of interest and trading of securities by our IARs, supervised persons and employees ("access persons"). Among other things, we require our employees to disclose to us on a regular basis for our review their securities holdings and transactions. The Code of Ethics contains provisions for standards of business conduct in order to comply with federal and state securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violations, reporting requirements, gift receipt and delivery, and the safeguarding of material non-public information about client transactions. Our Code of Ethics also incorporates our policies dealing with insider trading and privacy and protection of client information. Upon request, we will provide a copy of our Code of Ethics to our clients or prospective clients.

AEI permits its access person to buy and sell securities that its clients purchase. Since none of the AEI access persons are portfolio managers of advisory accounts, and all the managed accounts are managed by TPAMs, AEI's access persons' participation in the same securities as its clients is purely coincidental. In addition, AEI's principals, officers, employees, and advisory associates may buy and sell for their own accounts the same securities that TPAMs buy and sell for AEI's advisory clients.

AEI may be in possession of potential non-public information in its role as placement agent for portfolio companies and subsequent to the completion of the offering. If AEI or any of its access persons has access to material non-public information about a certain portfolio company, AEI will place the securities of such company on its restricted list, to the extent that such securities become publically traded.



## Brokerage Practices

### Brokerage – Generally

In its investment advisor capacity, AEI primarily custodies its clients accounts at Charles Schwab (“Schwab”) or Fifth Third Bank (“Fifth Third”). AEI is not a qualified custodian of any accounts. AEI does not place client trades through a broker-dealer; that is determined by the TPAM.

#### 1. Soft Dollars

AEI does not receive any soft dollar benefits from choosing a broker-dealer. AEI does not affect client trades. Since we utilize TPAMs to manage our client accounts through 3<sup>rd</sup> party platforms such as Envestnet, we rely on the relationships these TPAMs have in order to execute trades. Envestnet and other 3<sup>rd</sup> party TPAM providers may benefit from their relationship with brokerage firms. These benefits may be passed on to AEI through reduced platform fees.

#### 2. Directed Brokerage

We do not permit clients to direct execution of transactions through a specific broker-dealer. AEI does not execute client trades.

#### 3. Brokerage for Client Referrals

AEI does not direct brokerage in order to obtain client referrals.

#### 4. Trade Aggregation and Trade Errors

AEI does not affect advisory clients’ trades. Therefore, it does not have a trade error or block trading policy.

## **Review of Accounts**

AEI reviews its clients' accounts through its IARs. Each IAR will obtain client information through face to face meetings, telephone conversations, email correspondence, etc. This information includes investment objectives, investment experience, income, net worth, risk tolerance, etc. Clients may be required to complete a client questionnaire to complete the client profile. Clients will be required to complete an Investment Advisory Agreement based on the product chosen. Clients will receive the firm's disclosure brochure (ADV Form Part 2A), the investment advisor's supplemental brochure (ADV Form Part 2B), and disclosure brochure of any TPAM whom they select. The branch manager and the compliance department will review the account documents prior to approving the account.

IARs review their clients managed accounts no less frequently than annually. Since most IARs are also FINRA RR's, they follow the broker-dealer policies associated with updating client new account information. There is no specific number of accounts assigned to each IAR.

Statements are provided to the clients by the applicable qualified custodian at least quarterly if there is no activity and monthly if there is activity. Clients will receive account statements and transaction confirmations, and clients may also receive quarterly performance reports. Although IARs may meet with clients more frequently, they are encouraged to meet with clients at least annually. Clients are encouraged to contact their investment advisor in the case where they have a material change in their life that could affect their investment profile, such as marriage, children going to college, retirement, inheriting a large sum of money, the death of a spouse, etc.

## **Client Referrals and Other Compensation**

### **Payment of Referral Fee**

If a client is introduced to AEI by an unaffiliated solicitor, AEI may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Such referral fee shall be paid solely from AEI's management fee, and shall not result in any additional charge to the client. If the client is introduced to AEI by the unaffiliated solicitor, the solicitor at the time of the solicitation shall disclose the nature of its solicitor relationship, and shall provide each prospective client with a copy of this disclosure brochure together with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between AEI and the solicitor, including the compensation to be received by the solicitor from AEI.

AEI will determine whether any unaffiliated solicitor with which AEI contracts is properly registered in those states where investment advice is provided to residents of that state.

### **Custody**

AEI is not a qualified custodian and as such we do not hold client funds or securities. Clients will receive at least quarterly statements from custodians indicated in the advisor business sections. If the client receives a statement from a TPAM, we urge them to carefully review such statements and compare it with the statements provided by the custodian.

### **Investment Discretion**

AEI has discretionary authority with its advisory clients in the selection of TPAMs. AEI may hire or fire TPAMs depending upon their reviews of the TPAMs' operations, portfolio management theory, or performance.

AEI does not act as a portfolio manager. All of AEI's accounts are managed by TPAMs. TPAMs have discretion over client accounts. For all AEI LLCs, the managing members of the LLCs do not have the authority to buy or sell securities from the LLC accounts. The managing members of the LLCs, who may also be the management personnel of AEI, may have authority to exercise limited discretion in accordance with the applicable operating agreement in order to set the valuation of securities distributed for the purpose of calculating the back end fee.

### **Voting Client Securities**

AEI does not vote client proxies. TPAMs that have discretionary authority over AEI's advisory clients' accounts may vote client proxies. The ADV Form Part 2A will have a description of the proxy policy of each TPAM recommended by AEI and will explain how to obtain a copy of that proxy policy.

|                              |
|------------------------------|
| <b>Financial Information</b> |
|------------------------------|

|  |
|--|
| AEI has not been the subject of a bankruptcy petition at any time during the past ten years. AEI has no financial circumstances to report. |
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## **Additional Information/Privacy Policy**

### **Important information about protecting your private non-public information and procedures when opening a new account at Advanced Equities, Inc.**

We collect and maintain personal information about you so that we can provide financial services to you. Federal law also requires us to collect and maintain personal information about you in order to verify your identity, which helps the government detect money laundering activities and fight the funding of terrorism. The types and categories of information we collect and maintain include:

- Personal and financial information that you provide to us when we open your account, and from time to time in servicing your account, that we may need and may rely on to provide our services to you including your name, address, DOB, and other identifying information. We may also ask to see your driver's license or other identifying documents.
- Information concerning your investment activity that we may generate, such as your account statements and the performance of your accounts.
- Information that we may collect from insurance companies, clearing brokers, custodians or other entities who provide services to you or your investments in connection with the services we may provide to you.

### **We do not share any non-public personal information about you except as follows:**

- Among our affiliated companies who are each bound not to disclose this information to any third parties.
- With other parties as allowed or required by law, such as state and federal government regulators: SEC, FINRA and the state regulatory bodies.
- With unaffiliated entities in connection with a proposed or actual sale, merger, transfer or exchange of all or a portion of our business.
- If our representative servicing your account leaves us to join another firm, the representative may be permitted to retain copies of your information and share it with his/her new firm in order to continue to service your account. If you do not want the representative to retain copies of your information should he or she leaves, please contact our Compliance Department by writing to us at: 311 S. Wacker Drive, Suite 1650, Chicago, IL 60606, Attn: Compliance Department - RIA

### **We do not share any non-public personal information about you with any third-party service providers or joint marketers except as follows:**



- With our third-party service providers that may perform services on our behalf, such as accountants and attorneys.
- With third parties when necessary to process a transaction or service your account, such as insurance companies, mutual fund companies, clearing brokers or custodians.

Our outside service providers are also governed by law, restricting them from disclosing or reusing the information. We maintain physical, electronic and procedural safeguards designed to guard the privacy of your information. In addition, we may share your nonpublic personal information with non-affiliated parties through which your representative may provide other services to you, such as insurance or non-financial services. If you live in Connecticut, Georgia, Illinois, Maine, Maryland, Massachusetts, New York, North Carolina, or North Dakota, our registered representative may also share your non-public personal information, such as your name, address and investments, with the following non-affiliated third parties with your consent: Insurance companies with which your Representative serves as an agent; Other entities through which your Representative may provide unrelated services.

Any information provided to these entities will be subject to their respective privacy policies.