

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

IN THE MATTER OF: MADISON AVENUE SECURITIES, INC.

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) **No. C1000341**
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NOTICE OF HEARING

**TO THE RESPONDENT: MADISON AVENUE SECURITIES, INC.
CRD #23224
15050 AVENUE OF SCIENCE
SUITE 150
SAN DIEGO, CALIFORNIA 92128**

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953, [815 ILCS 5/1 *et seq.*] (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 14th day of December, 2011 at the hour of 10:00 a.m., or as soon thereafter as counsel may be heard, before James Kopecky, or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order should be entered against Madison Avenue Securities, Inc. (at times hereinafter "Madison Avenue Securities" or "Respondent") which will suspend or revoke Madison's dealer registration, prohibit it from offering or selling securities in the State of Illinois and grant such other relief as may be authorized under the Act including but not limited to imposition of a monetary fine in the maximum amount pursuant to Section 11 of the Act, payable within ten (10) days of the entry of the Order.

The grounds for such proposed action are as follows:

1. Respondent Madison Avenue Securities, Inc. has been registered as a securities broker/dealer in the State of Illinois since January 3, 2006 and has made notification filings in Illinois as a Federally Covered Investment Adviser since March 10, 2009. Madison Avenue Securities headquarters is located at 15050 Avenue of Science, San Diego, California. It has 7 branch offices in Illinois and 27 salespersons and 13 Investment Adviser Representatives registered in Illinois. Nationwide, Madison Avenue Securities has approximately 175 registered representatives.
2. Algird M. Norkus (CRD #2672384) ("Norkus") was at all relevant times herein a registered salesperson (On September 28, 2010 Norkus' salesperson registration was suspended and he was prohibited from offering or selling securities in or

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from Illinois.) for Madison Avenue Securities within the State of Illinois under the provisions of Section 8.A of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") including the period between January 2006 and August 2010 (the "Relevant Period").

3. Financial Update, Inc. (hereinafter at times "Financial Update") was at all relevant times herein an Illinois corporation with a last known business address of P.O. Box 4932, Oak Brook, Illinois 60533.
4. Norkus at all relevant times herein was the President, Secretary, and sole controlling employee and agent of Financial Update.
5. During the Relevant Period Respondent Madison Avenue Securities was aware of the existence of Financial Update, which Norkus had reported to Madison Avenue Securities as an "outside activity" and/or a "business activity".
6. During the Relevant Period Norkus defrauded approximately 59 individuals, both Illinois and out of state residents ("Investors") by accepting approximately \$12,361,550 from Investors for a purported business opportunity with Financial Update, and then converted and used the Investors' money for his own personal purposes rather than attempting to invest their money as promised.
7. By virtue of the acts set forth above Madison Avenue Securities' salesperson, Algird M. Norkus, and Financial Update, Inc. violated Sections 12.F and 12.G of the Act.
8. Accordingly, on September 28, 2010, and pursuant to a separate Order issued by the Secretary of State of Illinois, Algird M. Norkus and Financial Update, Inc. were prohibited from offering or selling securities in the State of Illinois; and the registration of Algird M. Norkus as a salesperson of securities in the State of Illinois was permanently suspended.
9. Approximately 15 of the Investors were clients of Norkus through Madison Avenue Securities, and were owners of variable annuity life insurance policies.
10. Norkus convinced these Investors to liquidate their variable annuity life insurance policies who then used their proceeds to invest in Norkus' fraudulent scheme.
11. Throughout the time in which Norkus was a salesperson and agent of Madison Avenue Securities, and specifically during the Relevant Period, Madison Avenue Securities had a duty to supervise Norkus' activities involving the sales and management of securities and insurance.

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12. However, Madison Avenue Securities failed to supervise Norkus by having no procedures in place to determine which, if any, variable life insurance policies had been liquidated or were about to be liquidated.
13. Madison Avenue Securities reported on the FINRA CRD that Norkus was working from a branch office in Schererville, Indiana.
14. At no time during the Relevant Period did Norkus maintain or keep any of his securities, insurance or any other business files at the Schererville, Indiana office, nor did he work from that office.
15. No Madison Avenue Securities supervisor or auditor or compliance officer met with Norkus, or reviewed his books and accounts, or investigated his outside securities sales activities at any time during the period.
16. During the Relevant Period Madison Avenue Securities supervisors reviewed only Norkus' customers' securities accounts from their headquarters office in San Diego, California, but failed to review his bank accounts or other documentation that may have allowed them to discover Norkus' fraudulent activities.
17. In fact, all of the Madison Avenue Securities supervision of Norkus was attempted to be done through the San Diego office which is approximately 2000 miles and two time zones away from Illinois where Norkus was selling insurance, liquidating customers' insurance policies, and selling promissory notes and other securities.
18. Although Madison Avenue Securities employs approximately 175 registered representatives nationwide it provides only two supervisors, both in San Diego, to oversee all of these representatives, thereby maintaining an overworked and inefficient supervisory staff.
19. In fact, Norkus was unsupervised throughout the Relevant Period, and during the Relevant Period worked from his home or other unauthorized branch location.
20. The FINRA Rules of Supervision, Section 3010, provide, *inter alia*, "each member shall establish and maintain a system to supervise the activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD Rules".
21. Section 8.E.(1)(e)(i) of the Act provides, *inter alia*, that "...the registration of a dealer...may be denied, suspended or revoked if the Secretary of State finds that the dealer...has failed reasonably to supervise the securities activities of any of its salespersons..."

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22. By virtue of the foregoing the registration of Madison Avenue Securities, Inc. as a Dealer is subject to a suspension or revocation pursuant to Section 8.E.1(e) (i) of the Act.
23. Section 11.E(4) of the Act provides, *inter alia*, that if the Secretary of State, after finding that any provision of the Act has been violated, may impose a fine as provided by rule, regulation or order not to exceed \$10,000.00 for each violation of the Act.
24. By virtue of the foregoing, Madison Avenue Securities, Inc. is subject to a fine of up to \$10,000.00 per violation, an order of censure and an order that suspends or revokes its Dealer registration in the State of Illinois.

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 or a Special Appearance pursuant to Section 130.1107 of the Rules, or other responsive pleading within thirty days of the receipt of this notice. Your failure to do so within the prescribed time shall be deemed an admission of the allegations contained in the Notice of Hearing and waives your right to a 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.

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

Dated this 18th day of October, 2011.



Jesse White
Secretary of State
State of Illinois

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