

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

IN THE MATTER OF: CHARLES J. DUSHEK,)
CAPITAL MANAGEMENT ASSOCIATES, INC.,)
and its partners, members, officers, directors, agents,)
employees, affiliates, successors and assigns)
_____)

File No C0900465

SUMMARY ORDER OF SUSPENSION

TO THE RESPONDENTS: CAPITAL MANAGEMENT ASSOCIATES, INC.
(CRD #123730)
Attn: Charles J. Dushek
801 Warrenville Road
Lisle, Illinois 60532

CHARLES J. DUSHEK
(CRD #2120926)
801 Warrenville Road
Lisle, Illinois 60532

WHEREAS, on May 23, 2013, The Securities And Exchange Commission (SEC), filed Form U-6 Disclosure Reporting Pages (DRP) indicating that on May 15, 2013 a civil complaint had been filed against Respondents Capital Management Associates Inc. ("CMA") and Charles J Dushek ("Dushek") alleging, inter alia, that Respondent CMA's principals, Respondent Dushek and his son, conducted a fraudulent cherry-picking scheme that garnered the Dusheks nearly \$2 million in illicit profits.

WHEREAS, on May 29, 2013, Respondents filed a Form ADV application for registration of Respondent CMA, amending ADV—Part 2B for a Mr C. Lukas, *only*. They failed to report the civil complaint that the SEC had file against them.

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 Respondent CMA's registration as an investment advisor in the State of Illinois is subject to a Summary Order of Suspension.

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

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Respondent Dushek's registration as an investment advisor representative in the State of Illinois is subject to a Summary Order of Suspension.

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

1. That at all relevant times, Respondent CMA was registered with the Secretary of State as an Investment Advisor in the State of Illinois pursuant to Section 8 of the Act.
2. That at all relevant times, Respondent Dushek was registered with the Secretary of State as an Investment Advisor Representative in the State of Illinois pursuant to Section 8 of the Act.
3. That at all relevant times Respondent Dushek was both registered through and a control person of Respondent CMA, being both a direct owner and executive officer of CMA.
4. That on May 16, 2013, The Securities And Exchange Commission filed a complaint in the United States District Court For The Northern District Of Illinois against Respondents Charles J Dushek, Capital Management Associates, Inc. and Charles S. Dushek alleging Respondent Dushek, his son, and Respondent CMA, with securities fraud, among other violations of the securities laws, for defrauding the firm's clients in a cherry picking scheme that garnered the Dusheks nearly \$2 million in illicit profits. The SEC alleges that the Dusheks placed millions of dollars in securities trades without designating in advance whether they were trading personal funds or client funds. They delayed allocating the trades so they could cherry pick winning trades for their personal accounts and dump losing trades on the accounts of unwitting clients at Respondent CMA. Meanwhile, Respondent CMA misrepresented the firm's proprietary trading activities to clients, many of whom were senior citizens. According to the SEC's complaint, the scheme lasted from 2008 to 2012 at Respondent CMA. The Dusheks made more than 13,500 purchases of securities during that period totaling more than \$350 million. The Dusheks typically waited at least one trading day - and often several days - before allocating the trades to client accounts or their personal accounts, and by that time they knew whether the trades were profitable. The Dusheks ultimately kept most of the winning trades and assigned most of the losses to clients. At the time of the trading, they did not keep any written record of whether they were trading client funds or personal funds. The Dusheks' extraordinary trading success reflects the breadth of their scheme. For 17 consecutive quarters from 2008 to 2012, the Dusheks reaped positive returns at the time of allocation while their clients suffered negative returns during those same 17 quarters. One of Respondent Dushek's personal accounts increased in value by almost 25,000 percent from 2008 to 2011 while many of his clients' accounts decreased in value. The SEC alleges that the illicit trading profits from his personal accounts were Respondent Dushek's only source of regular income

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outside of social security. It alleges that he drew no salary or other compensation as president of Respondent CMA and relied on profits from the scheme to make mortgage payments on his 6,500 square foot luxury home featuring separate equestrian facilities. He also spent the money on luxury vehicles including a Mercedes Benz SL550, membership in a luxury vacation resort, and vacations abroad. According to the SEC's complaint, Respondent CMA misrepresented its proprietary trading activities to clients in a brochure that is part of the firm's Form ADV. The brochure falsely claimed that Respondent Dushek maintained "reports" of his proprietary trading activities that he submitted to an associate for review, when in fact he did not maintain such reports nor have any associate review his trades. The brochure further stated, "we do not merge or aggregate any client order with any employee order." that claim also was false. When the Dusheks placed orders, there were no client orders or employee orders, but instead merely block purchases in Respondent CMA's brokerage accounts that were later allocated to client accounts or personal accounts. The SEC's complaint alleges that all of the Respondents violated the antifraud provisions in Section 10(b) of the Securities Exchange act of 1934 and Rule 10b-5 thereunder, that Respondent Dushek and his son aided and abetted those violations, and that Respondent Dushek is liable for those violations as a control person of Respondent CMA. The complaint also alleges that Respondents CMA and Dushek violated the antifraud provisions in sections 206(1) and (2) of the investment Advisers act of 1940, and that Respondent Dushek and his son aided and abetted those violations.

5. That Section 8.B(8)(b)(11) of the Act requires that any change which renders no longer accurate any information contained in any application for registration or re-registration of a dealer shall be reported to the Secretary of State within ten business days after the occurrence of such change.
6. That FORM ADV at question 11.H(2) asks:

Is the *applicant* or a *control affiliate* now the subject of any regulatory *proceeding* that could result in a "yes" answer to any part of 11.H(1)?
7. That the Respondents failed to report to the Secretary of State or on Respondent CMA's FORM ADV that a direct owner and executive officer of Respondents CMA and Charles J. Dushek, were the subject of the SEC's civil proceeding discussed at Paragraph 4, above.
8. That the Respondents have failed and refused and continue to refuse to file disclosure of the SEC civil proceeding against Respondents CMA and Dushek on Respondents CMA and Dushek's Form ADV.
9. That Section 12.D of the Act provides, inter alia, that it shall be a violation of the provisions of the Act for any person to fail to file with the Secretary of State any application, report or document required to be filed under the provisions of the Act or any rule or regulation made by the Secretary of State pursuant to the Act.

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7. That by virtue of the foregoing, the Respondents have committed a violation of Section 12.D of the Act.
8. That Section 8.E(1)(g) of the Act provides that the registration of a investment advisor may be suspended if they have violated any of the provisions of this Act.
9. That by virtue of the foregoing, the Respondent CMA's registration as an investment advisor in the State of Illinois is subject to suspension pursuant to Section 8.E(1)(g) of the Act.
10. That Section 8.E(1)(g) of the Act provides that the registration of a investment advisor representative may be suspended if he has violated any of the provisions of this Act
11. That by virtue of the foregoing, the Respondent Dushek's registration as a investment advisor representative in the State of Illinois is subject to suspension pursuant to Section 8.E(1)(g) of the Act.

NOW IT IS HEREBY ORDERED THAT:

Respondent Capital Management Associates, Inc.'s registration as an Investment Advisor in the State of Illinois shall be **SUSPENDED**, effective June 17, 2013, subject to the further Order of the Secretary of State.

Respondent Charles J. Dushek's registration as a Investment Advisor Representative in the State of Illinois shall be **SUSPENDED**, effective June 17, 2013, 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 held 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

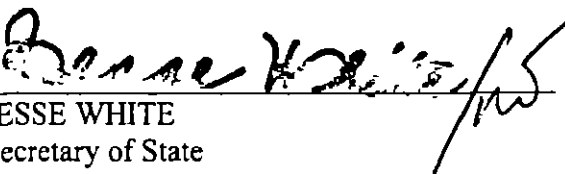
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You are further notified that if you request a hearing that you may be represented by legal counsel, may present evidence; may cross-examine witnesses and otherwise participate. Failure to so appear shall constitute default unless any Respondent has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

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

Dated This 14th day of June, 2013



JESSE WHITE
Secretary of State
State of Illinois

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