

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF:)

MERITUS CAPITAL MANAGEMENT, INC.,)
MERITUS FINANCIAL GROUP, INC., AND)
LYNN MARIE SCHMIDT)

) FILE NO.
) 1500017
)
)

Temporary Order Of Suspension

To the respondents:

Meritus Capital Management
CRD # 123247
Attn: Lynn Marie Schmidt
645 Tollgate Road, Suite 140
Elgin, IL 60123

Meritus Financial Group
CRD # 128957
Attn: Lynn Marie Schmidt
645 Tollgate Road, Suite 140
Elgin, IL 60123

Lynn Marie Schmidt
CRD # 2702014
645 Tollgate Road, Suite 140
Elgin, IL 60123

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Lynn Marie Schmidt
645 Tollgate Road, Suite 140
Elgin, IL 60123

On information and belief, I, Jesse White, Secretary of State of Illinois, through my designated representative, who has been fully advised in the premises by the staff of the Securities Department, Office of the Secretary of State, herein find:

1. Meritus Capital Management, Inc. ("Meritus Capital") is a State Covered Investment Adviser that that prior to 12/31/2014 was registered with the State of Illinois Securities Department (the "Department") as a Investment Adviser pursuant to Section 8 of the Act. Despite Meritus Capital failing to renew its annual registration, Meritus Capital continues to hold itself out as an Investment Adviser.
2. Meritus Capital's principal place of business is 645 Tollgate Road, Suite 140 Elgin, IL 60123.
3. Meritus Financial Group, Inc. ("Meritus Financial ") is a broker-dealer that that prior to 12/31/2014 was registered with the State of Illinois Securities Department as a broker-dealer pursuant to Section 8 of the Act. Despite Meritus Financial failing to renew its annual registration, Meritus Financial continues to hold itself out as an entity engaged in the business of offering, selling or otherwise dealing with the trading of securities.
4. Meritus Financial's principal place of business is 645 Tollgate Road, Suite 140 Elgin, IL 60123.
5. Lynn Marie Schmidt ("Schmidt") is a 100% owner of both Meritus Financial and Meritus Capital. Prior to 12/31/2014, Schmidt was registered with the State of Illinois Securities Department as a Investment Adviser Representative of Meritus Capital . Schmidt was also registered as a *Principal and Salesperson of Meritus Financial*. Despite Schmidt failing to renew her annual registration, Schmidt continues to operate both Meritus Capital and Meritus Financial.

FAILING TO REPORT TERMINATION OF CUSTODY AND CLEARING ARRANGEMENT.

6. Meritus Capital registered with the Illinois Securities Department by filing a registration statement (ADV) with the Department.

7. Meritus Capital's Form ADV indicated that Meritus Capital had a custody and clearing arrangement with Sterne Agee & Leach. In this arrangement Sterne Agee & Leach, would maintain custody of the securities held by the customers of Meritus Capital.
8. Since under the agreement, Sterne Agee & Leach would be responsible for the safekeeping and custody of client's funds, Meritus Capital would not be obligated to comply with the additional reporting and capital requirements of a firm that maintains custody of client's funds.
9. Meritus Financial registered with the Illinois Securities Department by filing a registration statement (From BD) with the Department.
10. Meritus Financial Form BD indicated that Meritus Financial had a custody and clearing arrangement Sterne Agee & Leach. In this arrangement Sterne Agee & Leach, would maintain custody of the securities held by the customers of Meritus Financial.
11. Since under the agreement, Sterne Agee & Leach would be responsible for the safekeeping and custody of client's funds, Meritus Financial would not be obligated to comply with the additional reporting and capital requirements of a firm that maintains custody of client's funds.
12. On or Around November 2014, Sterne Agee & Leach notified both Meritus Capital and Meritus Financial that Sterne Agee & Leach was terminating its clearing and custody arrangements with both firms.
13. Section 8.D. (13) requires any change which renders no longer accurate any information contained in any application for registration of an investment adviser shall be reported to the Secretary of State within 10 business days after the occurrence of the change.
14. Section 8.B. (11) of the Act requires any change which renders no longer accurate any information contained in any application for registration of a dealer shall be reported to the Secretary of State within 10 business days after the occurrence of such change.
15. By and through the actions of Schmidt, Meritus Capital failed to notify the Secretary of State of the termination of the clearing arrangement contained in Meritus Capital's registration statement.
16. By and through the actions of Schmidt, Meritus Capital failed to notify the Secretary of State of the termination of the clearing arrangement contained in Meritus Financial's registration statement.

17. Section 12.D of the Act provides that it shall be a violation of the provisions of this 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 this Act.
18. Section 8.E(1)(g) Of the act provides the registration of a dealer, salesperson, investment adviser, or investment adviser representative may be denied, suspended or revoked if the Secretary of State finds that the dealer, salesperson, investment adviser, or investment adviser representative or any principal officer, director, partner, member, trustee, manager or any person who performs a similar function of the dealer, or investment adviser has violated any of the provisions of this Act.
19. That by virtue of the foregoing, the Respondent's Meritus Capital registration as an Investment Adviser in the State of Illinois is subject to suspension pursuant to Section 8.E(1)(g) of the Act.
20. That by virtue of the foregoing, Respondent's Meritus Financial registration as a Dealer in the State of Illinois is subject to suspension pursuant to Section 8.E(1)(g) of the Act.
21. That by virtue of the foregoing, Respondent's Lynn Marie Schmidt registration as a Securities Salesperson is subject to suspension pursuant to Section 8.E(1)(g) of the Act.
22. That by virtue of the foregoing, Respondent's Lynn Marie Schmidt registration as a Investment Adviser Representative is subject to suspension pursuant to Section 8.E(1)(g) of the Act.

FAILING TO REPORT THE DEPARTURE OF THE CHIEF COMPLIANCE OFFICER.

23. Meritus Capital registered with the Illinois Securities Department by filing a registration statement (ADV) with the Department.
24. Meritus Capital's Form ADV indicated that Scott A. Schmidt was acting as the firms Chief Compliance Officer. In addition, Scott A. Schmidt was registered as an Investment Adviser Representative of Meritus Capital .
25. Meritus Financial registered with the Illinois Securities Department by filing a registration statement (From BD) with the Department.
26. Meritus Financial Form BD indicated that that Scott A. Schmidt was acting as the firms Chief Compliance Officer.

27. On or Around November 2014, Scott A. Schmidt's association with Meritus Capital and Meritus Financial ended. Since that time, both Meritus Capital and Meritus Financial have been operating without a Chief Compliance Officer.
28. Section 8.D. (13) requires any change which renders no longer accurate any information contained in any application for registration of an investment adviser shall be reported to the Secretary of State within 10 business days after the occurrence of the change.
29. Section 8.B. (11) of the Act requires any change which renders no longer accurate any information contained in any application for registration of a dealer shall be reported to the Secretary of State within 10 business days after the occurrence of such change.
30. Rule 130.839(e) requires that in the event the investment adviser representative's activities are terminated, the investment adviser shall file a Form U5 with FINRA, utilizing the CRD, within 30 days after the termination. To date, Meritus Capital has failed to file a U5 relating to Scott A. Schmidt departure.
31. By and through the actions of Schmidt, Meritus Capital failed to notify the Secretary of State that Scott A. Schmidt was no longer acting as the Chief Compliance Officer of Meritus Capital.
32. By and through the actions of Schmidt, Meritus Financial failed to notify the Secretary of State t that Scott A. Schmidt was no longer acting as the Chief Compliance Officer of Meritus Financial.
33. Section 12.D of the Act provides that it shall be a violation of the provisions of this 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 this Act.
34. Section 8.E(1)(g) Of the act provides the registration of a dealer, salesperson, investment adviser, or investment adviser representative may be denied, suspended or revoked if the Secretary of State finds that the dealer, salesperson, investment adviser, or investment adviser representative or any principal officer, director, partner, member, trustee, manager or any person who performs a similar function of the dealer, or investment adviser has violated any of the provisions of this Act.
35. That by virtue of the foregoing, the Respondent's Meritus Capital registration as an Investment Adviser in the State of Illinois is subject to suspension pursuant to Section 8.E(1)(g) of the Act.

36. That by virtue of the foregoing, the Respondent's Meritus Financial registration as a Dealer in the State of Illinois is subject to suspension pursuant to Section 8.E(1)(g) of the Act.
37. That by virtue of the foregoing, the Respondent's Lynn Marie Schmidt registration as a Securities Salesperson is subject to suspension pursuant to Section 8.E(1)(g) of the Act.
38. That by virtue of the foregoing, the Respondent's Lynn Marie Schmidt registration as a Investment Adviser Representative is subject to suspension pursuant to Section 8.E(1)(g) of the Act.

**FAILING TO REPORT THE DEPARTURE OF THE FINANCIAL
OPERATIONS PRINCIPAL**

39. Meritus Financial registered with the Illinois Securities Department by filing a registration statement (Form BD) with the Department.
40. Meritus Financial Form BD indicated that that Terri Skapyak was acting as the firm's financial operations principal.
41. On or Around December 2014, Terri Skapyak resigned from Meritus Financial.
42. By and through the actions of Schmidt, Meritus Financial failed to notify the Secretary of State t that Terri Skapyak was no longer acting as the firm's financial operations principal.
43. Section 8.B. (11) of the Act requires any change which renders no longer accurate any information contained in any application for registration of a dealer shall be reported to the Secretary of State within 10 business days after the occurrence of such change.
44. Section 12.D of the Act provides that it shall be a violation of the provisions of this 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 this Act.
45. Section 8.E(1)(g) Of the act provides the registration of a dealer, salesperson, investment adviser, or investment adviser representative may be denied, suspended or revoked if the Secretary of State finds that the dealer, salesperson, investment adviser, or investment adviser representative or any principal officer, director, partner, member, trustee, manager or any person who performs a similar function of the dealer, or investment adviser has violated any of the provisions of this Act.

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46. That by virtue of the foregoing, the Respondent's Meritus Financial registration as a Dealer in the State of Illinois is subject to suspension pursuant to Section 8.E(1)(g) of the Act.
47. That by virtue of the foregoing, the Respondent's Lynn Marie Schmidt registration as a Securities Salesperson is subject to suspension pursuant to Section 8.E(1)(g) of the Act.

NOW THEREFORE IT IS HEREBY ORDERED THAT: pursuant to the authority granted by Section 11.F of the Act:

1. Respondent Meritus Capital Management, Inc. is **SUSPENDED** from engaging in the business of an Investment Adviser in or from this State for a period of 90 days or until the further Order of the Secretary of State.
2. Respondent Meritus Financial Group, Inc. is **SUSPENDED** from offering or selling securities in or from this State for a period of 90 days or until the further Order of the Secretary of State.
3. Respondent's Lynn Marie Schmidt registration as a Securities Salesperson is **SUSPENDED** for a period of 90 days or until the further Order of the Secretary of State.
4. Respondent's Lynn Marie Schmidt registration as a Investment Adviser Representative is **SUSPENDED** for a period of 90 days or until the further Order of the Secretary of State

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NOTICE is hereby given that Respondents may request a hearing on this matter by transmitting such request in writing to James Nix, Senior Attorney, Illinois Securities Department, 69 West Washington Street, Suite 1220, Chicago, Illinois 60602. Such request must be made within thirty (30) calendar days of the date of entry of the Temporary Order of Suspension. Upon receipt of a request for hearing, a hearing will be scheduled as soon as reasonable practicable. A request for hearing will not stop the effectiveness of this Temporary Order and will extend the effectiveness of this Temporary Order for sixty days from the date the hearing request is received by the Department.

Failure by any respondent to request a hearing within thirty (30) calendar days after entry of this temporary order of suspension shall constitute an admission of any facts alleged herein and shall constitute a sufficient basis to make this temporary order of suspension final.

Dated: This 16th day of January 2015.



JESSE WHITE
Secretary of State
State of Illinois

Attorney for the Secretary of State:

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