

WHEREAS, the Department and the Respondent desire to resolve this matter without further administrative action, and for the sole purpose of settling this administrative proceeding, without adjudication of any issues of law or fact, and without admitting any allegations referred to in the Findings of Fact or Conclusions of Law

WHEREAS, by means of the Stipulation, Respondent, Madison Avenue Securities, LLC, acknowledged, without admitting nor denying the truth thereof, that the following allegations shall be, and are, adopted as the Secretary of State's Findings of Fact:

1. Respondent, Madison Avenue Securities, LLC, ("Madison Avenue Securities") has been registered as a securities 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.
2. Algird M. Norkus (CRD #2672384) ("Norkus") was a registered securities salesperson of Madison Avenue Securities from May 19, 2006 through August 24, 2010 (the "Relevant Period"). His registration was permanently suspended on September 28, 2010 retroactive to his registration withdrawal on August 24, 2010.
3. Separate and apart from Madison Avenue Securities, Norkus was a licensed insurance agent who maintained his own insurance agency business, Financial Update, Inc.
4. Norkus founded Financial Update, Inc. ("Financial Update") in or about 1987 as an insurance agency which he owned and operated at all relevant 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.
5. Norkus, at all relevant times herein, was the President, Secretary, and sole controlling employee and agent of Financial Update.
6. On or about April 26, 2006, as part of Norkus' application for affiliation with Madison Avenue Securities, Norkus executed and submitted a Request to Engage in Independent Activities and an executed Independent Activity Questionnaire. In the Request to Engage in Independent Activities, Norkus notified Madison Avenue Securities that he was currently engaged in "Insurance" activities through his firm Financial Update and affirmatively represented to Madison Avenue Securities that he was not engaged in and would not engage in private securities transaction in connection with his outside business activity.

7. In or about 1993 through August 2010, Norkus defrauded approximately 59 individuals, (including at least forty persons beginning prior to his registration as a salesperson with Madison Avenue Securities) who were Illinois and out of state residents ("Investors") by selling Financial Update promissory notes and accepting approximately \$7.4 million from Investors for a purported business opportunity with Financial Update. Norkus converted and used the Investors' money for his own personal purposes rather than investing the money as Norkus represented to Investors.
8. By virtue of the acts set forth above, Algird M. Norkus, and Financial Update, Inc. violated Sections 12.F and 12.G of the Act.
9. Madison Avenue Securities only discovered Norkus' fraud after receiving communications from several Financial Update investors regarding their promissory notes in August 2010. In response to which, Madison Avenue Securities then investigated, terminated Norkus and reported Norkus' conduct to the Department and other authorities.
10. On September 28, 2010, and pursuant to a separate Order issued by the Secretary of State, Algird M. Norkus and Financial Update, Inc. were permanently prohibited from offering or selling securities in the State of Illinois and the registration of Algird M. Norkus as a securities salesperson in the State of Illinois was permanently suspended.
11. On October 14, 2010, the Securities and Exchange Commission (SEC) filed a civil complaint against Norkus and Financial Update alleging that Norkus and Financial Update had defrauded investors in a \$6.4 million dollar Ponzi scheme dating back to 1993.
12. On October 19, 2010, pursuant to the SEC civil complaint, Norkus and Financial Update agreed to a permanent injunction, asset freeze and disgorgement.
13. On February 7, 2011, The US Attorney's Office for the Northern District of Illinois filed a criminal information against Norkus alleging that he had engaged in a \$9 million dollar fraudulent investment scheme involving mail fraud.
14. On January 20, 2012, based upon his plea of guilty to one count of mail fraud, Norkus was sentenced to 63 months of imprisonment and restitution of \$4,560,975.40.
15. At least two of the Investors were clients of Norkus through Madison Avenue Securities and were the owners of variable annuity products.

16. Norkus convinced these Investors to liquidate and switch their variable annuity products to fixed annuity products and then later, in a second transaction, liquidate these fixed annuities to invest in Norkus' fraudulent scheme by purchasing promissory notes or "Corporate Agreements" issued by *Financial Update*.
17. Throughout the time in which Norkus was a securities salesperson of Madison Avenue Securities, Madison Avenue Securities, pursuant to Section 8.E.(1)(iv) of the Act, had a duty maintain and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of its salespersons that are reasonably designed to achieve compliance with applicable securities laws and regulations.
18. Madison Avenue Securities reported on the Central Registration Depository (CRD) that it assigned Norkus to work from a branch office in Lansing, Illinois and later in Schererville, Indiana for purposes of conducting his registered securities business with Madison Avenue Securities
19. During the Relevant Period Norkus also maintained an office location for purposes of performing securities business of Madison Avenue Securities at his residence in Oakbrook, Illinois that he did not report to Madison Avenue Securities.
20. Madison Avenue Securities, never conducted an internal audit of Norkus at this residential office location in Oak Brook, Illinois from 2006-2010.
21. Madison Avenue Securities conducted internal audits of the Lansing, Illinois branch office in 2007 and the Schererville, Indiana branch office in 2010.
22. Copies of the internal audits for both branch offices were provided to the Department. None of the internal audit reports indicated that Algird Norkus was present or interviewed during the internal audits.
23. All of Madison Avenue Securities' supervision of Norkus was attempted from the San Diego office which is approximately 2000 miles and two time zones away from Illinois where Norkus was selling promissory notes and other securities.
24. Between May 2006 and August 2010, Madison maintained two OSJ supervisors, both in San Diego California, to supervise on a nationwide basis its registered representatives.
25. Section 8.E.(1)(e)(iv) 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 to maintain and enforce written procedures to supervise the types of businesses in which it engages and to supervise the activities of its salespersons that are reasonably designed to achieve compliance with applicable securities laws and regulations.

26. 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) (iv) of the Act.
27. 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.
28. 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.

WHEREAS, by means of the Stipulation Respondent Madison Avenue Securities, LLC acknowledged, without admitting nor denying the truth thereof, that the following shall be, and is, adopted as the Secretary of State's Conclusion of Law:

1. Madison Avenue Securities' registration as a dealer may be subject to sanctions pursuant to Section 8.E.1(e)(iv) of the Act.

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


1. Respondent shall make an offer totaling up to \$95,000 to resolve the claims of the Financial Update investors and in the amounts as set forth in Exhibit A of this Stipulation within 45 (Forty-five) days of the date of entry of the Consent Order. Respondent shall submit to the Department a release and offer letter not objectionable to the Department within 10 (Ten) business days of the date of entry of the Consent Order. Respondent shall further provide the Department with satisfactory proof of completion of the offer and payment, if made, within 120 (One Hundred and Twenty) days of the date of entry of the Consent Order. Any unclaimed payment shall, after 180 (One Hundred and Eighty) days of the date of the Consent Order be converted to a monetary payment made payable to the Illinois Secretary of State, Securities Audit and Enforcement Fund. Any offer consistent with the amounts set forth in Exhibit A that is affirmatively rejected in writing and which is not otherwise resolved within 180 (One Hundred and Eighty) days of the date of the Consent Order shall be deducted from the amount payable above. Madison Avenue Securities shall keep the Department apprised of its efforts within the 180 (One Hundred and Eighty) day time frame referred to herein.
2. The Respondent shall make the following enhancements to its supervisory procedures:

- a. Conduct an internal audit of each of its Illinois located branch offices which have not already been audited within one year of the date of entry of the Consent Order. Such audits shall be conducted within 9 months of the date of entry of the Consent Order. Thereafter, Respondent shall conduct these audits on a two year cycle, or more frequently as necessary.
 - b. Require its salespersons and investment advisers to complete the Outside Business Activity Questionnaire semi-annually or more frequently as necessary, beginning within 90 (Ninety) days of the date of entry of the Consent Order.
 - c. Hire and retain a new OSJ Regional Manager who will be responsible for supervisory issues for a region of states including Illinois within 180 days of the date of entry of the Consent Order.
 - d. Update its Private Securities Transactions form describing each registered representatives duties under State and Federal Securities requirements within 90 (Ninety) days of the date of entry of the Consent Order.
3. The Respondent shall make a monetary payment of \$20,000 to the Securities Audit and Enforcement Fund made payable to the Secretary of State within 30 (Thirty) days of the date of entry of the Consent Order.
4. That Madison Avenue Securities' consent to the provisions of the Stipulation and the Consent Order represents a compromise of disputed claims and defenses and does not constitute an admission of wrongdoing or liability of any kind in relation to Norkus or Financial Update Inc. or otherwise. With the exception of a proceeding to enforce the terms of the Stipulation and the Consent Order, it is the intent of the Parties that nothing herein, including this Stipulation and the Consent Order, shall be admissible or useable in a court of law or other proceeding as the adjudication of any fact, including for the purpose of establishing or attempting to establish that Madison Avenue Securities engaged in any wrongdoing of any kind. For any person or entity not a party to the Stipulation and Consent Order, the Stipulation and the Consent Order do not create or limit defenses of Madison Avenue Securities to any claims.
5. The Stipulation and this Consent Order are not intended to be a final order based upon violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct. Furthermore, the Order waives any disqualification in the Illinois Securities laws, or rules or regulations hereunder, including any disqualifications from relying upon the registration exemptions or safe harbor provisions to which the Respondent or any of its affiliates may be subject. This Order is not intended to form the basis of any

disqualifications under Section 3(a)(39) of the Securities Exchange Act of 1934 or Rule 506 of the Regulation D under the Securities Act of 1933. This Order is not intended to form the basis of disqualification under the FINRA rules prohibiting continuance in membership or disqualification under the SRO rules prohibiting continuance in membership.

6. The Stipulation and this Consent Order are not intended to subject Respondent, or any of its affiliates and their current or former officers, directors, managing members or employees, to any disqualifications under the laws of the United States, any state, the District of Columbia, Puerto Rico, or the U.S. Virgin Islands, or under the rules or regulations of any securities or commodities regulator or self-regulatory organization, including, without limitation, any disqualification from relying upon state or federal registration exemptions or safe harbor provisions. In addition, the Stipulation and the Consent Order are not intended to form the basis for any such disqualification.
7. The Stipulation and the Consent Order will not disqualify Respondent, or any of its affiliates and their current or former officers, directors, managing members or employees, from any business that they otherwise are qualified, licensed, or permitted to perform under applicable securities laws or regulations of Illinois and any disqualifications from relying upon this state's registration exemptions or safe harbor provisions that arise from the Stipulation and/or Consent Order are hereby waived.
8. The Stipulation and the Consent Order will be binding upon Respondent, its affiliates, successors, and assigns with respect to all conduct subject to the provisions above and all future obligations, responsibilities, undertakings, commitments, limitations, restrictions, events, and conditions.
9. The Notice of Hearing and Amended Notice of Hearing in this matter is hereby dismissed.

Dated: This 19th day of June, 2015.


JESSE WHITE
Secretary of State
State of Illinois

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