

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 95008 / May 31, 2022**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 6036 / May 31, 2022**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-20872**

**In the Matter of**

**MADISON AVENUE  
SECURITIES, LLC**

**Respondent.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS,  
PURSUANT TO SECTION 15(b) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
AND SECTIONS 203(e) AND 203(k) OF THE  
INVESTMENT ADVISERS ACT OF 1940,  
MAKING FINDINGS, AND IMPOSING  
REMEDIAL SANCTIONS AND A CEASE-  
AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) against Madison Avenue Securities, LLC (“Madison” or “Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Sections 203(e) and 203(k) of the Investment Advisers Act of 1940,

Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent’s Offer, the Commission finds<sup>1</sup> that:

#### Summary

1. These proceedings arise out of breaches of fiduciary duty by Madison, a dually-registered investment adviser and broker-dealer, in connection with its receipt of third-party compensation based on advisory client investments. Madison failed to provide full and fair disclosure regarding conflicts of interest associated with its receipt of: (1) revenue sharing payments from its unaffiliated clearing broker (the “Clearing Broker”) as a result of sweeping cash into certain money market mutual funds (“money market funds”) since at least February 2016; (2) fees pursuant to Rule 12b-1 under the Investment Company Act of 1940 (“12b-1 fees”) from at least February 2016 to April 2018; and (3) revenue sharing payments from its Clearing Broker for no-transaction fee (“NTF”) mutual fund investments since at least February 2016. With respect to the 12b-1 fees, Madison, although eligible to do so, did not self-report to the Commission pursuant to the Division of Enforcement’s Share Class Selection Disclosure Initiative (“SCSD Initiative”).<sup>2</sup> Further, Madison breached its duty to seek best execution by causing advisory clients to invest in share classes of mutual funds when share classes of the same funds were available to clients that presented a more favorable value for these clients under the particular circumstances in place at the time of the transactions, and also breached its duty of care by failing to undertake an analysis to determine whether the particular mutual fund share classes and money market funds it recommended were in the best interests of its advisory clients. Finally, Madison failed to adopt and implement written compliance policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder in connection with its practices concerning cash sweep revenue sharing, mutual fund and money market fund share class selection, and NTF revenue sharing. As a result of the conduct described above, Madison willfully violated Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-7 thereunder.

#### Respondent

2. Respondent Madison Avenue Securities, LLC (“Madison”), a Delaware limited liability company, headquartered in San Diego, California, has been registered with the Commission as an investment adviser since 2009 and a broker-dealer since 2005. In its Form ADV filed March 14, 2022, Madison reported that it had approximately \$1.77 billion in regulatory assets under management.

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<sup>1</sup> The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

<sup>2</sup> See Div. of Enforcement, U.S. Sec. & Exch. Comm’n, *Share Class Selection Disclosure Initiative*, <https://www.sec.gov/enforce/announcement/scsd-initiative> (last modified Feb. 12, 2018).

## **Background**

3. Madison provides investment advisory services primarily to individuals. Madison offers these services to clients through various advisory programs on both a discretionary and non-discretionary basis.

4. As an investment adviser, Madison was obligated to disclose all material facts to its advisory clients, including any conflicts of interest between it and its clients, which could affect the advisory relationship. Madison was also obligated to disclose all material facts relating to how those conflicts could affect the investment advice Madison and/or its associated persons provided its clients. To meet this fiduciary obligation, Madison was required to provide its advisory clients with full and fair disclosure that was sufficiently specific so that clients could understand the conflicts of interest concerning Madison's investment advice and have an informed basis on which they could consent to or reject the conflicts.

## **Revenue Sharing From Cash Sweep Money Market Funds**

5. From at least February 2016, Madison recommended that advisory clients choose certain money market funds as sweep account products to hold uninvested cash. A sweep account is a money market fund or bank account used by brokerages to hold uninvested cash (*e.g.*, incoming cash deposits, dividends, or certain investment returns) until the investor or its adviser decides how to invest the money ("Sweep Account"). A money market fund is a type of mutual fund registered under the Investment Company Act of 1940 and regulated pursuant to Rule 2a-7 under that Act. Money market funds generally invest in short term, highly liquid securities with limited credit risk, and are frequently used in Sweep Accounts. The investment yields and expense ratio of a money market fund will differ from fund to fund.

6. During the relevant period, the Clearing Broker agreed to share with Madison a portion of the revenue the Clearing Broker received in connection with certain money market funds offered to Sweep Accounts. Under this arrangement, the Clearing Broker provided Madison with a list of many money market funds offered as Sweep Account options for Madison's advisory clients. The amount of revenue sharing Madison received varied depending on the money market fund recommended by Madison and selected by advisory clients.

7. Madison had a conflict of interest when it recommended Sweep Account money market fund options to its advisory clients for their selection. In particular, the money market fund Sweep Account options available on the Clearing Broker's platform for which Madison received revenue sharing generally charged higher fees and had at times returned lower investment yields to clients. Conversely, the money market fund Sweep Account options available on the Clearing Broker's platform that paid no or lower revenue sharing generally charged lower fees and had at times returned higher investment yields to clients.

8. Madison recommended and invested advisory clients' uninvested cash in Sweep Account money market fund options for which the Clearing Broker had agreed to pay Madison revenue sharing even though the Clearing Broker made other money market funds available to Madison's advisory clients that at times would have paid Madison's clients higher yields, but for

which Madison would have received less or no revenue sharing. When Madison recommended Sweep Account options to its clients, Madison's interests were in conflict with its advisory clients' interests because Madison had an incentive to recommend cash sweep products for its advisory clients' selection that paid revenue sharing to Madison. During the relevant period, Madison received revenue sharing payments from its Clearing Broker for Madison's advisory client investments in cash sweep money market funds.

9. From at least February 2016, Madison did not disclose or adequately disclose in its Forms ADV or otherwise that it received revenue sharing payments from its Clearing Broker on advisory clients' money market fund investments in Sweep Accounts or the conflicts of interest that arose from this arrangement. Specifically, during this period, Madison's Forms ADV Part 2A ("Brochure") did not include any disclosure regarding its receipt of cash sweep revenue sharing payments. Further, prior to May 2020, Madison's investment advisory agreement stated that client cash awaiting investment or reinvestment may be invested in Sweep Accounts at the Clearing Broker, but did not disclose that Madison received any distribution payments based on these accounts. And, Madison's May 2020 revised investment advisory agreement merely stated that Madison "may" receive distribution payments from Sweep Accounts. In March 2021, Madison disclosed on its website that it "receives payments from its [Clearing Broker] when you maintain cash balances in certain money market sweep accounts." This disclosure, however, was inadequate because, for example, it did not disclose to advisory clients the availability of other money market funds available on the Clearing Broker's platform that paid no or lower revenue sharing, generally charged lower fees, and had at times returned higher investment yields to clients. Moreover, this website disclosure was not provided directly to Madison's advisory clients or included in the firm's Brochure.

### **Mutual Fund Share Class Selection and 12b-1 Fees**

10. Mutual funds typically offer investors different types of shares or "share classes." Each share class represents an interest in the same portfolio of securities with the same investment objective. The primary difference among the share classes is the fee structure.

11. For example, some mutual fund share classes charge 12b-1 fees to cover certain costs of fund distribution and sometimes shareholder services. These recurring fees, which are included in a mutual fund's total annual operating expenses, vary by share class, but typically range from 25 to 100 basis points. They are deducted from the mutual fund's assets on an ongoing basis and paid to the fund's distributor or principal underwriter, which generally remits the 12b-1 fees to the broker-dealer that distributed or sold the shares.

12. Many mutual funds also offer share classes that do not charge 12b-1 fees (*e.g.*, "Institutional Class" or "Class" shares (collectively, "Class I shares")).<sup>3</sup> An investor who holds Class I shares of a mutual fund will usually pay lower total annual fund operating expenses over

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<sup>3</sup> Share classes that do not charge 12b-1 fees also go by a variety of other names in the mutual fund industry, such as "Class F2," "Class Y," and "Class Z" shares. As used in this Order, the term "Class I Shares" refers generically to share classes that do not charge 12b-1 fees.

time – and thus will generally earn higher returns – than one who holds a share class of the same fund that charges 12b-1 fees. Therefore, if a mutual fund offers a Class I share, and an investor is eligible to own it, it is often, though not always, better for the investor to purchase or hold the Class I share.

13. From at least February 2016 to April 2018, Madison advised clients to purchase or hold<sup>4</sup> mutual fund share classes that charged 12b-1 fees when lower-cost share classes of those same funds were available to those clients. As a result, Madison received \$16,974.60 in 12b-1 fees that it would not have collected had its advisory clients been invested in the available lower-cost share classes of those funds. In April 2018, Madison began crediting 12b-1 fees back to its advisory clients on a going-forward basis.

14. From at least February 2016 to February 2019, Madison’s Brochure contained the following disclosure regarding 12b-1 fees in its various advisory programs:

Through this program, MAS and its IARs may recommend to clients the purchase or sale of investment company products from which it may receive compensation. Certain mutual funds (and/or their related persons) and certain unit investment trusts in which a client may invest make payments to broker-dealers. Such payments may be distributed pursuant to a 12b-1 distribution plan or pursuant to another arrangement as compensation for distribution or administrative services and may be paid out of the fund’s or the trust’s assets. MAS and/or the IARs may receive such fees or other compensation to the extent permitted by law... The 12b-1 fee, deferred sales charges, and other fee arrangements will be disclosed upon request and are described in the applicable fund’s or trust’s prospectus. Because of these compensation arrangements, a conflict of interest may exist in connection with the recommendation of particular mutual fund or unit investment trust investments for a client’s account.

During this period, Madison’s investment advisory agreement similarly stated that Madison “may retain all or a portion of any 12b-1 fees paid by mutual funds held in [c]lient’s [a]ccount.” Madison updated its Brochure in February 2019 to state that mutual funds “subject to 12b-1 distribution fees will have those fees credited back to [c]lient’s account as they are distributed” and that because of these credits “conflicts of interest have been eliminated in connection with the recommendation of any particular mutual fund in the [a]ccount.” Madison did not, however, identify this updated disclosure as a “material change” in its Brochure.

15. Thus, from at least February 2016 to February 2019, Madison did not disclose in its Brochure or otherwise that it actually received or had received 12b-1 fees. Further, Madison did not adequately disclose all material facts regarding the conflicts of interest that arose when it invested advisory clients in a share class that would generate 12b-1 fee revenue for Madison while a share class of the same fund was available that

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<sup>4</sup> In many cases, mutual funds permit certain advisory clients who hold shares in classes charging 12b-1 fees to convert those shares to Class I shares without cost or tax consequences to the client.

would not provide Madison with that additional compensation. Madison also failed to disclose that it would select more expensive mutual fund share classes even when lower-cost share classes were available to clients.

### **No Transaction Fee Program Revenue Sharing**

16. The Clearing Broker offered an NTF program, which provided Madison access to certain mutual funds that did not charge a transaction fee. From at least February 2016, when Madison's advisory clients invested in mutual funds on the NTF platform, the Clearing Broker shared with Madison a certain percentage of the shareholder services fees that the Clearing Broker received from those NTF mutual funds. These shareholder services fees were expenses of the mutual funds, and thus, advisory clients invested in those funds indirectly paid the fees. Although Madison had attempted to automatically rebate these shareholder services fees to advisory clients, rebates did not occur due to an operational error by the Clearing Broker.

17. From at least February 2016, Madison did not disclose that it received shareholder services fees from advisory client investments in these mutual funds or otherwise put clients on notice regarding the conflicts of interest inherent in this arrangement.

### **Duty of Care Failures**

18. An investment adviser's fiduciary duty includes a duty of care. To fulfill this obligation, an adviser, among other things, must provide investment advice in the best interests of its clients based on the client's objectives and seek best execution for client transactions.<sup>5</sup>

19. By causing certain advisory clients to invest in more expensive share classes of mutual funds when share classes of the same funds were available to the clients that presented a more favorable value under the particular circumstances in place at the time of the transactions, Madison violated its duty to seek best execution for those transactions.

20. Madison also did not fulfill its duty of care obligations when it advised clients to invest in mutual fund share classes and money market funds without undertaking any analysis to determine whether these investments were in the best interests of its advisory clients.

### **Compliance Deficiencies**

21. Since at least February 2016, Madison failed to adopt and implement written compliance policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder concerning disclosure of: its receipt of revenue sharing on cash sweep accounts and NTF share classes and resulting conflicts of interest; and its mutual fund share class selection practices and resulting conflicts of interest, as well as Madison's failure to provide best execution. This failure is highlighted by the fact that, during the relevant period, Madison's

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<sup>5</sup> See, e.g., Interpretive Release Concerning the Scope of Section 28(e) of the Securities Exchange Act of 1934 and Related Matters, Exchange Act Rel. No. 23170 (April 28, 1986).

written supervisory procedure manual actually stated that Madison did not engage in revenue sharing.

### **Violations**

22. As a result of the conduct described above, Madison willfully<sup>6</sup> violated Section 206(2) of the Advisers Act, which makes it unlawful for any investment adviser, directly or indirectly, to “engage in any transaction, practice or course of business which operates as a fraud or deceit upon any client or prospective client.” Scierer is not required to establish a violation of Section 206(2), but rather a violation may rest on a finding of negligence. *SEC v. Steadman*, 967 F.2d 636, 643 n.5 (D.C. Cir. 1992) (citing *SEC v. Capital Gains Research Bureau, Inc.*, 375 U.S. 180, 194-95 (1963)).

23. As a result of the conduct described above, Madison willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder, which require a registered investment adviser to adopt and implement written compliance policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder.

### **Disgorgement**

24. The disgorgement and prejudgment interest ordered in Section IV.C. is consistent with equitable principles and does not exceed Respondent’s net profits from its violations, and will be distributed to harmed investors to the extent feasible. Upon approval of the distribution final accounting by the Commission, any amounts remaining that are infeasible to return to investors, and any amounts returned to the Commission in the future that are infeasible to return to investors, may be transferred to the general fund of the United States Treasury, subject to Section 21F(g)(3) of the Exchange Act.

### **Undertakings**

25. Respondent has undertaken to:
- a. Within 30 days of the entry of this Order, review and correct as necessary all relevant disclosures concerning cash sweep revenue sharing, mutual fund share class selection, and NTF revenue sharing.
  - b. Within 30 days of the entry of this Order, evaluate whether existing advisory clients should be moved to lower cost cash sweep products that do not

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<sup>6</sup> “Willfully,” for purposes of imposing relief under Section 15(b) of the Exchange Act and Section 203(e) of the Advisers Act, “means no more than that the person charged with the duty knows what he is doing.” *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor “also be aware that he is violating one of the Rules or Acts.” *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965). The decision in *The Robare Group, Ltd. v. SEC*, which construed the term “willfully” for purposes of a differently structured statutory provision, does not alter that standard. 922 F.3d 468, 478-79 (D.C. Cir. 2019) (setting forth the showing required to establish that a person “willfully omit[ed]” material information from a required disclosure in violation of Section 207 of the Advisers Act).

result in Madison receiving revenue sharing payments, lower-cost mutual fund share classes, and mutual funds that do not result in Madison receiving NTF revenue sharing, and move clients as necessary.

c. Within 30 days of the entry of this Order, evaluate, update (if necessary), and review for the effectiveness of their implementation, Madison's policies and procedures so that they are reasonably designed to prevent violations of the Advisers Act in connection with cash sweep revenue sharing, mutual fund share class selection, and NTF revenue sharing.

d. Within 30 days of the entry of this Order, notify affected investors (*i.e.*, those former and current advisory clients who were financially harmed by the practices detailed above (hereinafter, "affected investors")) of the settlement terms of this Order by sending a copy of this Order to each affected investor via mail, email, or such other method not unacceptable to the Commission staff, together with a cover letter in a form not unacceptable to the Commission staff.

e. Within 60 days of the entry of this Order, certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Madison agrees to provide such evidence. The certification and supporting material shall be submitted to Gary Y. Leung, Assistant Regional Director, Asset Management Unit, Los Angeles Regional Office, Securities and Exchange Commission, 444 South Flower Street, Suite 900, Los Angeles, CA 90071, or such other address as the Commission staff may provide, with a copy to the Office of Chief Counsel of the Division of Enforcement, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

f. For good cause shown, the Commission staff may extend any of the procedural dates relating to these undertakings. Deadlines for procedural dates shall be counted in calendar days, except that if the last day falls on a weekend or a federal holiday, the next business day shall be considered the last day.

#### **IV.**

In view of the foregoing, the Commission deems it appropriate, and in the public interest to impose the sanctions agreed to in Respondent's Offer.

Accordingly, pursuant to Section 15(b) of the Exchange Act and Sections 203(e) and 203(k) of the Advisers Act, it is hereby ORDERED that:

A. Respondent cease and desist from committing or causing any violations and any future violations of Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-7 promulgated thereunder.

B. Respondent is censured.

C. Respondent shall pay disgorgement, prejudgment interest, and a civil penalty totaling \$803,173.69 as follows:

(i) Respondent shall pay disgorgement of \$579,523.76 and prejudgment interest of \$73,649.93 consistent with the provisions of this Subsection C.

(ii) Respondent shall pay a civil money penalty in the amount of \$150,000 consistent with the provisions of this Subsection C.

(iii) Pursuant to Section 308 of the Sarbanes-Oxley Act of 2002, as amended, a Fair Fund is created for the penalty, disgorgement, and prejudgment interest described above for distribution to affected investors. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

(iv) Within 10 days of the entry of this Order, Respondent shall deposit the disgorgement, prejudgment interest, and civil penalty (collectively, the "Fair Fund") into an escrow account at a financial institution not unacceptable to the Commission staff and Respondent shall provide the Commission staff with evidence of such deposit in a form acceptable to the Commission staff. The account holding the assets of the Fair Fund shall bear the name and the taxpayer identification number of the Fair Fund. If timely deposit into the escrow account is not made, additional interest shall accrue pursuant to Commission Rule of Practice 600 [17 C.F.R. § 201.600] and/or 31 U.S.C. § 3717.

(v) Respondent shall be responsible for administering the Fair Fund and may hire a professional to assist it in the administration of the distribution. The costs and expenses of administering the Fair Fund, including any such professional services, shall be borne by Respondent and shall not be paid out of the Fair Fund.

(vi) Respondent shall distribute from the Fair Fund to each affected investor an amount representing financial harm during the relevant period by the practices discussed above, and, if funds are available, reasonable interest on such amounts, pursuant to a disbursement calculation (the "Calculation") that will be submitted to, reviewed, and approved by the Commission staff in accordance with this Subsection C. The Calculation shall be subject to a *de minimis* threshold. No portion of the Fair Fund shall be paid to any affected investor account in which Respondent, or any of its current or former officers, directors, investment adviser representatives, or associated persons (or any of their spouses or children) have a financial interest.

(vii) Respondent shall, within 90 days of the entry of the Order, submit a Calculation to the Commission staff for review and approval. At or around the time of submission of the proposed Calculation to the staff, Respondent shall make itself available, and shall require any third-parties or professionals retained by Respondent to assist in formulating the methodology for its Calculation and/or administration of the distribution to be available for a conference call with the Commission staff to explain the methodology used in preparing the proposed Calculation and its implementation, and to provide the staff with an opportunity to ask questions. Respondent shall also provide the Commission staff such additional information and supporting documentation as the Commission staff may request for the purpose of its review. In the event of one or more objections by the Commission staff to Respondent's proposed Calculation or any of its information or supporting documentation, Respondent shall submit a revised Calculation for review and approval of the Commission staff or additional information or supporting documentation within 10 days of the date that the Commission staff notifies Respondent of the objection. The revised Calculation shall be subject to all of the provisions of this Subsection C.

(viii) Respondent shall within 30 days of the written approval of the Calculation by the Commission staff, submit a payment file (the "Payment File") for review and acceptance by the Commission staff demonstrating the application of the methodology to each affected investor. The Payment File should identify, at a minimum: (1) the name of each affected investor; (2) tax withholding; (3) reasonable interest paid; (4) the amount of any *de minimis* threshold to be applied; and (5) the exact amount of the payment to be made from the Fair Fund to the affected investor (net tax withholding).

(ix) Respondent shall complete the disbursement of all amounts payable to affected investors within 90 days of the date the Commission staff accepts the

Payment File unless such time period is extended as provided in Paragraph (xiii) of this Subsection C. Respondent shall notify the Commission staff of the date(s) and the amount paid for each distribution.

(x) If Respondent is unable to distribute any portion of the Fair Fund for any reason, including an inability to locate an affected investor or a beneficial owner of an affected investor or any factors beyond Respondent's control, Respondent shall transfer any such undistributed funds to the Commission for transmittal to the United States Treasury in accordance with Section 21F(g)(3) of the Exchange Act when the distribution of funds is complete and before the final accounting provided for in Paragraph (xii) of this Subsection C is submitted to the Commission staff. Payment must be made in one of the following ways:

(a) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(b) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or

(c) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Madison Avenue Securities, LLC as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Gary Y. Leung, Assistant Regional Director, Asset Management Unit, Los Angeles Regional Office, Securities and Exchange Commission, 444 South Flower Street, Suite 900, Los Angeles, CA 90071, or such other address as the Commission staff may provide.

(xi) A Fair Fund is a Qualified Settlement Fund ("QSF") under Section 468B(g) of the Internal Revenue Code ("IRC"), 26 U.S.C. §§ 1.468B.1-1.468B.5. Respondent shall be responsible for all tax compliance responsibilities associated with the Fair Fund, including but not limited to tax obligations resulting from the Fair Fund's status as a QSF. These responsibilities involve reporting and paying requirements of the Fair Fund, including but not limited to: (1) tax returns for the Fair Fund; (2)

information return reporting regarding the payments to investors, as required by applicable codes and regulations; and (3) obligations resulting from compliance with the Foreign Account Tax Compliance Act (FATCA). Respondent may retain any professional services necessary. The costs and expenses of tax compliance, including any such professional services, shall be borne by Respondent and shall not be paid out of the Fair Fund.

(xii) Within 150 days after Respondent completes the disbursement of all amounts payable to affected investors, Respondent shall return all undisbursed funds to the Commission pursuant to the instructions set forth in this Subsection C. The Respondent shall then submit to the Commission staff a final accounting and certification of the disposition of the Fair Fund for Commission approval. The final accounting shall be in a format to be provided by the Commission staff. The final accounting and certification shall include: (1) the amount paid to each affected investor, with the reasonable interest amount and withholding amount, if any, each reported separately; (2) the date of each payment; (3) the check number or other identifier of the money transferred to each affected investor; (4) the amount of any returned payment and the date received; (5) a description of any effort to locate or the reason for nonpayment of an affected investor whose payment was returned or to whom payment was not made for any reason; (6) the total amount, if any, to be forwarded to the Commission for transfer to the United States Treasury; and (7) an affirmation that Respondent has made payments from the Fair Fund to affected investors in accordance with the Calculation approved by the Commission staff. Respondent shall submit the final accounting and certification under a cover letter that identifies Madison as the Respondent in these proceedings and the file number of these proceedings to Gary Y. Leung, Assistant Regional Director, Asset Management Unit, Los Angeles Regional Office, Securities and Exchange Commission, 444 South Flower Street, Suite 900, Los Angeles, CA 90071, or such other address as the Commission staff may provide. Respondent shall provide any and all supporting documentation for the accounting and certification to the Commission staff upon its request, and Respondent shall cooperate with any additional requests by the Commission staff in connection with the accounting and certification.

(xiii) The Commission staff may extend any of the procedural dates set forth in this Subsection C for good cause shown. Deadlines for dates relating to the Fair Fund shall be counted in calendar days, except if the last day falls on a weekend or federal holiday, the next business day shall be considered the last day.

D. Respondent shall comply with the undertakings enumerated in Section III, paragraphs 25.a through 25.e above.

By the Commission.

Vanessa A. Countryman  
Secretary