



as his mortgage and a car. He also used the money provided by newer investors to make interest and principal payments to earlier investors. Norkus never disclosed to investors that he was using their money in this fashion.

4. By engaging in this conduct, which is described more fully below, Defendants violated Section 17(a) of the Securities Act of 1933 (the “Securities Act”) [15 U.S.C. § 77(q)(a)], Section 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5 ] promulgated thereunder.

### **JURISDICTION AND VENUE**

5. The Commission brings this action pursuant to Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)].

6. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa].

7. Venue is proper in this District because the Defendants reside in this District, and many of the acts, transactions and conduct which constitute the violations alleged in this Complaint occurred within this District.

### **DEFENDANTS**

8. Financial Update, Inc. (“Financial Update”) was incorporated in the state of Illinois and was headquartered in Oakbrook, Illinois. Financial Update purported to be in the business of insurance and annuity sales.

9. Algird M. Norkus (“Norkus”), age 66, is a resident of Sugar Grove,

Illinois. Norkus was president of Financial Update since its inception in 1987. Norkus passed the Series 6 and 63 licensing exams administered by the Financial Industry Regulatory Authority and also became a Certified Financial Planner according to the records of the Certified Financial Planner Board of Standards, Inc. From January 1996 through August 2010, Norkus was a registered representative for various entities that had registered with the Commission as broker-dealers, some of which were also dually registered as investment advisers.

### **THE FRAUDULENT SCHEME**

10. Beginning as early as 1993, Norkus, acting as President of Financial Update, solicited persons to invest in promissory notes issued by Financial Update, which purportedly was in the business of selling insurance.

11. At least 17 investors from states including Illinois, Ohio, Iowa and Florida invested at least \$6.4 million in the Financial Update promissory notes.

12. Norkus told the investors that their money was going to be used to fund Financial Update's business activities. Norkus further specified to many of the investors that he was going to use their money to acquire lists of persons who had been refused insurance by other insurance companies and then attempt to sell insurance to the persons on those lists.

13. Norkus documented the investments by signing a "Promissory Agreement" or "Corporate Agreement" with the investors. Under the terms of the Agreement, Financial Update was to make monthly interest payments at interest rates ranging from 11% to 24% per annum and was to return the principal normally after five years.

14. Norkus also provided the investors with a personal written guaranty of their investments and told at least one investor that there was “no risk” to the investment.

15. Norkus located prospective investors through many means. Several of the investors were Norkus’s close friends and/or neighbors. At least one investor met Norkus at a free lunch seminar given by an insurance company. Also, some investors were referred to Norkus by other investors.

16. According to certain investors, some of whom were elderly and/or unsophisticated, Norkus gained their confidence by becoming their friend and confidant for some time before soliciting money and by giving them significant personal attention which included at times: (1) paying personal visits to investors’ homes; and (2) taking the investors out to lunch.

17. Investors generally received their required monthly interest payments until July 2010, but did not receive their August payment.

18. Instead of using investors’ money as promised, Norkus used their money to pay for personal expenses such as his mortgage and a car. He also used the money provided by newer investors to make interest and principal payments to earlier investors. Norkus never disclosed to investors that he was using their money in this fashion.

19. In August 2010, Norkus was confronted by two investors who had not received a required interest payment on their Financial Update promissory note(s). In response, Norkus confessed to the investors that he had been running a Ponzi scheme, and that he had not used investors’ money to fund Financial Update’s business activities as he had represented.

**COUNT I**

**Violations of Section 17(a)(1) of the Securities Act**

20. Paragraphs 1 through 19 are realleged and incorporated by reference as if set forth fully herein.

21. From as early as 1993 through at least July 2010, Defendants knowingly or recklessly, in the offer and sale of securities, by the use of the means and instruments of transportation and communication in interstate commerce and by the use of the mails, directly and indirectly, have employed devices, schemes and artifices to defraud.

22. By reason of the foregoing, Defendants have violated and, unless enjoined, will continue to violate Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

**COUNT II**

**Violations of Section 17(a)(2) and 17(a)(3) of the Securities Act**

23. Paragraphs 1 through 19 are realleged and incorporated by reference as if set forth fully herein.

24. From as early as 1993 through at least July 2010, Defendants knowingly, recklessly or negligently, in the offer and sale of securities, by the use of the means and instruments of transportation and communication in interstate commerce and by the use of the mails, directly and indirectly, have: (a) obtained money and property by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (b) engaged in transactions, practices or courses of business which operated or would operate as a fraud and deceit upon purchasers of securities or other persons.

25. By reason of the foregoing, Defendants have violated and, unless enjoined, will continue to violate Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. § 77q(a)(2) and § 77q(a)(3)].

**COUNT III**  
**Violations of Section 10(b) of the  
Exchange Act and Rule 10b-5 Promulgated Thereunder**

26. Paragraphs 1 through 19 are realleged and incorporated by reference as if set forth fully herein.

27. From as early as 1993 through at least July 2010, Defendants knowingly or recklessly, in connection with the purchase and sale of securities, directly and indirectly, by the use of the means and instrumentalities of interstate commerce and of the mails, have: (a) employed devices, schemes and artifices to defraud; (b) made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaged in acts, practices and courses of business which operated or would operate as a fraud and deceit upon the purchasers of securities or other persons.

28. By reason of the foregoing, Defendants have violated and, unless enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated thereunder.

**PRAYER FOR RELIEF**

**WHEREFORE**, the Commission respectfully requests that this Court enter an Order:

**I.**

Finding that Defendants committed the violations charged and alleged herein;

**II.**

Permanently enjoining the Defendants and their agents, servants, employees and attorneys and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from violating, directly or indirectly, Sections 17(a)(1), 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. § 77q(a)(1), 77q(a)(2), and 77q(a)(3)], Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated thereunder;

**III.**

Requiring Defendants to disgorge the ill-gotten gains that they received as a result of their wrongful conduct, including prejudgment interest;

**IV.**

Requiring Defendants to pay civil penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)];

**V.**

Retaining jurisdiction of this action in accordance with the principals of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered or to entertain any suitable application or

motion for additional relief within the jurisdiction of this Court;

**VI.**

Granting relief to prevent further secretion or dissipation of assets purchased with investor funds; and

**VII.**

Granting any other relief this Court deems appropriate.

Respectfully Submitted,

/s/ Scott B. Tandy

Scott Tandy (Illinois Bar No. 6226214)  
Steven C. Seeger (Illinois Bar No. 6243849)  
SECURITIES AND EXCHANGE COMMISSION  
175 West Jackson Boulevard, Suite 900  
Chicago, Illinois 60604  
Telephone: (312) 353-7435  
Facsimile: (312) 353-7398  
E-mail: [tandys@sec.gov](mailto:tandys@sec.gov)  
[seegers@sec.gov](mailto:seegers@sec.gov)

*Attorneys for Plaintiff, the Securities and Exchange  
Commission*