

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant

v.

GEORGE E. REILLY
(CRD No. 1523041)

Respondent.

Disciplinary Proceeding
No. 2007007329501

Hearing Officer – MC

DEFAULT DECISION

May 5, 2010

Respondent violated Conduct Rules 2110 and 3010 by (i) failing to establish and maintain an adequate supervisory system and supervisory procedures, and (ii) failing to supervise to ensure that markups charged to customers in connection with collateralized mortgage obligation bond transactions were fair and reasonable, in compliance with Conduct Rule 2440. Respondent is barred from associating with any FINRA member firm in any capacity.

Appearances

Richard S. Schultz, Senior Regional Counsel, Chicago, IL, for the Department of Enforcement.

No appearance by or on behalf of Respondent George E. Reilly.

DECISION

I. Introduction

The Department of Enforcement filed the attached Complaint in this disciplinary proceeding on May 1, 2009, against Respondents Chicago Investment Group, LLC (“CIG”) and George E. Reilly (“Reilly”). The Complaint contains five Causes of Action. All five Causes of Action allege misconduct by CIG. The second Cause of Action alleges misconduct by both CIG and Reilly. CIG submitted an offer of settlement, which FINRA accepted on January 26, 2010, resolving the allegations against the firm.

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The Second Cause of Action alleges that Reilly violated Conduct Rules 2110 and 3010¹ over a period of two years, from March 2005 to March 2007, by: (i) failing to establish and maintain an adequate supervisory system, and written supervisory procedures, at CIG; and (ii) failing to supervise adequately to ensure that markups on customer transactions in collateralized mortgage obligation bonds ("CMO's") were fair and reasonable.

II. Findings of Fact and Conclusions of Law

A. Reilly is Subject to FINRA's Jurisdiction

Reilly first registered with FINRA in June 1988.² In December 2000, Reilly registered through CIG as a General Securities Representative and General Securities Principal. He retained both registrations through the period relevant to the Complaint, until December 2007. Since then, Reilly has not been associated with any FINRA member firm.³

Enforcement filed the Complaint on May 1, 2009, less than two years after Reilly was last registered with a FINRA member. The Complaint alleges that Reilly's misconduct occurred while he was registered with FINRA through CIG. Therefore, pursuant to Article V Section 4 of the FINRA By-Laws, FINRA retains jurisdiction over Reilly for the purposes of this disciplinary proceeding.

B. Reilly Defaulted

Enforcement served the Complaint and Notice of Complaint on Reilly by first-class and certified mail at his most recent address recorded in the Central Registration Depository ("CRD

¹ As of July 30, 2007, NASD consolidated with the member regulation and enforcement functions of NYSE Regulation and began operating under a new corporate name, the Financial Industry Regulatory Authority (FINRA). References in this decision to FINRA include, where appropriate, NASD. Following consolidation, FINRA began developing a new FINRA Consolidated Rulebook. The first phase of the new consolidated rules became effective on December 15, 2008, including certain conduct rules and procedural rules. *See* Regulatory Notice 08-57 (Oct. 2008). This decision refers to and relies on the NASD Conduct Rules that were in effect at the time of Reilly's alleged misconduct. The applicable rules are available at www.finra.org/rules.

² CX-1, pp. 1, 6.

³ Decl. ¶ 5; CX-1, p. 2.

address”) on May 1, 2009. The first-class mailing was not returned. The certified mail receipt was returned to Enforcement marked, “Return to Sender, Unclaimed, Unable to Forward.”⁴ Reilly did not file an Answer to the Complaint.⁵

Consequently, Enforcement served the Complaint and Second Notice of Complaint on Reilly by first-class and certified mail at his CRD address on June 1, 2009. As before, the first-class mailing was not returned to Enforcement, but the certified mail receipt was returned marked, “Return to Sender, Not Deliverable as Addressed, Unable to Forward.”⁶ Once again, Reilly did not file an Answer.⁷

On June 30, 2009, following receipt of CIG’s Answer, the Hearing Officer issued an Order Setting Initial Pre-Hearing Conference and served it on Reilly at his CRD address, via FedEx and first-class mail. The Initial Pre-Hearing Conference took place by telephone on July 13, 2009. Reilly failed to appear. Immediately following the Initial Pre-Hearing Conference, the Hearing Officer issued an order directing Reilly to appear for a telephonic hearing on July 22, 2009, to show cause why he should not be held in default for his failure to file an Answer to the Complaint. The Order to Show Cause was served on Reilly at his CRD address by both FedEx and first-class mail. Reilly failed to appear at the Show Cause hearing on July 22, 2009.

⁴ Decl. ¶ 7; CX-3. In addition, Enforcement sent the Complaint and Notice of Complaint by first-class and certified mail to the attorney who represented Reilly during the FINRA staff investigation of the matter. The first-class mailing to the attorney was not returned to Enforcement; the receipt for the certified mailing was returned to Enforcement bearing an unrecognizable signature. Decl. ¶ 8; CX-4.

⁵ Decl. ¶ 15.

⁶ Decl. ¶ 10; CX-6. Enforcement sent these documents to Reilly’s attorney as well. The first-class mailing of the Complaint and Second Notice of Complaint was not returned to Enforcement; the certified mail return receipt, however, was signed and returned, although the signature was illegible. Decl. ¶ 11; CX-7.

⁷ Decl. ¶ 15.

Consequently, on July 23, 2009, the Hearing Officer issued an order holding Reilly in default for failing to file an Answer to the Complaint, and failing to appear at the hearing to show cause why he should not be deemed to be in default.⁸

On March 2, 2010, Enforcement filed a Motion for Entry of Default Decision ("Default Motion"), supported by the Declaration of Richard S. Schultz and nine exhibits.⁹ Reilly did not reply to the Default Motion. Accordingly, for the reasons set forth below, the Default Motion is granted.¹⁰

C. Reilly Violated Conduct Rules 2110 and 3010 by Failing to Supervise and Failing to Maintain an Adequate Supervisory System

1. Reilly Supervised CMO Trading at CIG

During the relevant period, Reilly was President of CIG.¹¹ In that capacity, he supervised CIG's trading. He was also responsible for CIG's written supervisory procedures and for compliance with securities laws and FINRA rules in general. Specifically, Reilly supervised CIG's CMO trader and reviewed markups for all CMO transactions.¹²

⁸ Procedural Rule 9269(a)(1) permits the issuance of a default decision against a respondent who (i) fails to answer a complaint in a timely fashion, (ii) fails to appear at a pre-hearing conference held pursuant to Procedural Rule 9241 of which the respondent has due notice, or (iii) fails to appear at any hearing the respondent is required to attend, of which the respondent has due notice.

⁹ Enforcement's exhibits will be referred to as "CX-" with the appropriate exhibit number. References in this Default Decision to the Declaration will be referred to as "Decl." or "Schultz Decl." with citation to specific paragraphs.

¹⁰ The factual determinations in this Default Decision are based on the allegations of the attached Complaint, which are deemed admitted, as well as the Schultz Declaration, and the exhibits filed by Enforcement.

¹¹ Complaint ¶ 8.

¹² Decl. ¶¶ 19-20.

2. CIG Charged Excessive Markups

From on or about January 11, 2005, to September 18, 2006, under Reilly's supervision, CIG executed 107 CMO riskless principal transactions and charged the customers markups that ranged from 5.07% to 10.45%.¹³ Taking into consideration all of the circumstances, these markups were not fair and reasonable, violated Conduct Rule 2440, and failed to comply with the standards enumerated in IM-2440(b).¹⁴ During FINRA's investigation, neither CIG nor Reilly was able to produce any evidence to justify the markups.¹⁵ To the contrary, the CMO trader admitted in an on-the-record interview that he sometimes set sales prices for CMO bonds based upon whatever a customer was willing to pay.¹⁶ In addition, in a number of trades with excessive markups, when CIG had a customer order in hand, CIG first sold the CMO security to another broker-dealer, and then repurchased it before selling it to the customer.¹⁷

3. CIG's Written Supervisory Procedures and Supervisory System Were Inadequate

During the relevant period, CIG's written supervisory procedures did not contain provisions designed to provide reasonable supervisory review of markups and did not provide guidance regarding appropriate markup levels for CMO transactions. The written procedures did not discuss the distinct nature of CMO transactions, did not identify who at CIG was responsible

¹³ Complaint ¶ 5; Schedule A of Complaint.

¹⁴ Complaint ¶ 6.

¹⁵ Once FINRA presents evidence that markups exceed five percent over a firm's contemporaneous cost, the burden shifts to the firm or respondent to establish facts that justify higher markups. *Steven P. Sanders*, 53 S.E.C. 889, 895-896, 1998 SEC LEXIS 2302, *12-*14 (Oct. 26, 1998). Neither CIG nor Reilly established any grounds to justify the CMO markups of more than five percent of the contemporaneous cost of the CMO securities in the 107 transactions. Notably, markups in CMO transactions as low as 1.42% over the prevailing market price have been found to be unreasonable and excessive. *Mark David Anderson*, Exch. Act Rel. No. 48352, 2003 SEC LEXIS 1935, *20-*24 (Aug. 15, 2003).

¹⁶ Decl. ¶ 17.

¹⁷ *Id.*

for reviewing for excessive markups, and did not describe how CIG should have conducted the markup reviews.¹⁸ The brief references in CIG's written procedures concerning markups simply stated that pricing should be competitive and fair and that FINRA's "5% Guideline" applies.¹⁹

4. Reilly Failed to Supervise Reasonably

During the relevant period, Reilly either directly supervised CIG's CMO trader or directly supervised that trader's immediate supervisor. Reilly made notations of his reviews of CMO trades for markups on a daily trade blotter. Reilly did not, however, conduct the reviews to ensure that the markups were fair, reasonable, and consistent with market prices. Reilly had the authority to reverse or cancel any of the CMO trades for unreasonable or excessive markups, but did not do so despite the fact that under his supervision, markups for 107 CMO transactions were excessive, ranging from 5.07% to 10.45%.²⁰

These facts, as alleged in the Complaint and supported by the Schultz Declaration and the exhibits filed by Enforcement, are sufficient to substantiate, for the purposes of this Default Decision, that Reilly violated Conduct Rules 2110 and 3010 by failing to: (i) establish and maintain a supervisory system with written supervisory procedures reasonably designed to prevent excessive markups in CMO transactions; and (ii) exercise his supervisory responsibilities to ensure that CIG's CMO trader, and other CIG representatives, complied with Conduct Rules 2110 and 2440 by charging fair and reasonable markups for CMO transactions.

III. Sanctions

For an individual's failure to supervise, in violation of Conduct Rules 2110 and 3010, the FINRA Sanction Guidelines recommend a fine in the range of \$5,000 to \$50,000, and a

¹⁸ Decl., ¶ 18.

¹⁹ *Id.*

²⁰ Decl. ¶¶ 19-20.

suspension in all supervisory capacities for up to 30 business days. In egregious cases, the Guidelines recommend suspending the responsible individual in any or all capacities for up to two years, or imposing a bar. The Guidelines suggest considering the nature, extent, size and character of the failure to supervise.²¹ For maintaining deficient written supervisory procedures in violation of Conduct Rules 2110 and 3010, the Guidelines recommend a fine of \$1,000 to \$25,000, and consideration of a suspension in any or all capacities for up to one year.²²

In addition, General Principle No. 2 of the General Principles Applicable to All Sanction Determinations states that sanctions should be more severe for someone whose record of misconduct “evidences disregard for regulatory requirements.”²³ FINRA sanctioned Reilly in June 2008 with a censure, fine, and requirement that he requalify as a General Securities Principle for violating Conduct Rule 2110 and 3010, by failing to establish, maintain and enforce adequate supervisory procedures relating to the activities of a registered representative subject to a special supervision plan.²⁴ The following year, in June 2009, FINRA suspended Reilly for two years in all principal capacities and fined him \$50,000 for failing to supervise adequately to prevent market manipulation, and failing to ensure compliance with the Bank Secrecy Act.²⁵

Reilly’s misconduct in this case occurred prior to the imposition of the sanctions in these other disciplinary proceedings. Those disciplinary actions may not be cited, therefore, to justify increased sanctions on the basis that Reilly is a recidivist. They do, however, evidence a disregard for the fundamental requirement, imposed by Conduct Rule 2110 upon all associated

²¹ *FINRA Sanction Guidelines*, p. 108.

²² *Id.*, p. 109.

²³ *Id.*, p. 2.

²⁴ Decl. ¶ 24, CX-1.

²⁵ Decl. ¶ 24.

persons, to observe “high standards of commercial honor and just and equitable principles of trade.” Furthermore, when considered together with the misconduct described in the Complaint in this disciplinary proceeding, the other disciplinary actions taken against Reilly establish that he has engaged in numerous acts of misconduct over an extended period, constituting a pattern of serious misconduct. These are aggravating factors properly considered in fashioning an appropriate sanction.²⁶

To sanction Reilly, Enforcement argues for imposition of a two year suspension from association with any FINRA member firm in any principal or managerial capacity and a \$50,000 fine.²⁷ Considering all of the relevant factors, however, it is evident that a bar is required to address appropriately the egregiousness of Reilly’s misconduct and his disregard for the regulatory requirements imposed by the securities laws in general, and Conduct Rules 2110 and 3010 in particular.

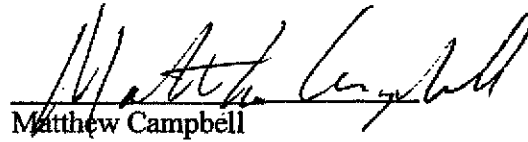
IV. Order

Respondent George E. Reilly is barred from associating with any FINRA member firm in any capacity for violating Conduct Rules 2110 and 3010 by failing to establish and maintain an adequate supervisory system and supervisory procedures, and by failing to supervise to ensure that markups charged to customers in connection with CMO transactions were fair and reasonable.

²⁶ *FINRA Sanction Guidelines*, p. 6 (Principal Considerations in Determining Sanctions, Nos. 1, 8, 9).

²⁷ Default Motion, ¶ 26.

If this Default Decision becomes FINRA's final disciplinary action in this proceeding,
the bar shall become effective immediately.


Matthew Campbell
Hearing Officer

Copies to:

George E. Reilly (via FedEx and first-class mail)
Richard S. Schultz, Esq. (via electronic and first-class mail)
Mark P. Dauer, Esq. (via electronic mail)
David R. Sonnenberg, Esq. (via electronic mail)

**FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant

vs.

CHICAGO INVESTMENT GROUP, LLC
(CRD No. 11853)
and
GEORGE REILLY
General Securities Principal
(CRD No. 1523041)

Respondents.

**Disciplinary Proceeding
No. 2007007329501**

Hearing Officer

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Chicago Investment Group, LLC (Member) charged excessive markups ranging from 5.07% to 10.45% on 107 collateralized mortgage obligation securities (CMOs) transactions. The Member also charged excessive markups, markdowns or commissions ranging from 5.02% to 100% on 152 equity transactions, and failed to accurately report 36 TRACE-eligible securities transactions. In addition, the Member failed to maintain an adequate supervisory system respecting the foregoing areas of its business, and the Member, acting through its president, George Reilly, failed to maintain an adequate supervisory system respecting CMO markups.

RESPONDENTS

2. On or about April 23, 1982, the Member became registered with the Securities and Exchange Commission (SEC) as a broker-dealer, and on or about July 5, 1983, it became a Member of FINRA. The Member's membership with FINRA and

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registration with the SEC remain currently in effect. The Member conducts a general securities business on a fully-disclosed basis.

3. On or about June 9, 1988, Reilly entered the securities industry as a General Securities Representative of a member of FINRA. On or about August 30, 2000, he became registered with a member of FINRA as a General Securities Principal. On or about December 5, 2000, he became registered with the Member in the same capacities. He was registered with the Member in such capacities and other capacities until December 17, 2007. He currently is not registered with any member of FINRA.

FIRST CAUSE FOR COMPLAINT

Conduct Rules 2110 and 2440 by the Member -- The Member Failed to Charge Its Customers Fair and Reasonable Prices For CMO Securities Transactions.

4. Paragraph numbers 1 through 3 above are re-alleged and incorporated herein by reference as paragraph 4.

5. Between on or about January 11, 2005 and on or about September 18, 2006, the Member charged customers markups, which were not fair and reasonable, in consideration of the factors set forth in IM-2440(b). The Member executed 107 CMO riskless principal transactions, and charged the customers markups that ranged from 5.07% to 10.45%, as shown on Schedule A, attached hereto and incorporated by reference. Nothing in the nature of the Member's business or the securities transactions justified the markups, markdowns, or commissions at these levels.

6. As set forth above, the Member violated NASD Conduct Rules 2110 and 2440 by failing to charge its customers fair prices in these securities transactions.

SECOND CAUSE FOR COMPLAINT

Conduct Rules 2110 and 3010 by the Member and Reilly – The Member and Reilly Failed to Establish and Maintain an Adequate Supervisory System Related To Markups on CMO Transactions To Ensure Compliance With NASD Rules.

7. Paragraph numbers 1 through 6 above are re-alleged and incorporated herein by reference as paragraph 7.

8. During all relevant time periods, Reilly was the President of the Member. Reilly approved the markups for CMO trades during the relevant time period by reviewing the daily trade blotter and signing it.

9. From at least March 2005 to March 2007, the Member, acting through Reilly, failed to establish and maintain an adequate supervisory system, including written procedures, and otherwise failed to supervise to ensure that the Member and its registered representatives complied with NASD Rule 2440 and charged markups on CMO transactions that were fair and reasonable.

10. As set forth above, the Member and Reilly violated NASD Conduct Rules 2110 and 3010 by failing to establish and maintain an adequate supervisory system, including written procedures, designed to prevent the violations as noted in paragraph 5 above.

THIRD CAUSE FOR COMPLAINT

NASD Conduct Rules 2110 and 2440 by the Member – The Member Failed to Charge Its Customers Fair and Reasonable Prices For Equity Securities Transactions.

11. Paragraph numbers 1 to 10 above are re-alleged and incorporated herein by reference as paragraph 11.

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12. Between on or about March 14, 2005 and on or about March 30, 2007, the Member charged customers markups, markdowns, or commissions, which were not fair and reasonable, in consideration of the factors set forth in IM-2440(b). The Member executed 150 equity security transactions for customers, and charged markups, markdowns, or commissions that were not fair and reasonable, as shown on Schedule B, attached hereto and incorporated by reference. The amount of the markups, markdowns, or commissions ranged from 5.02% to 100%. Nothing in the nature of the Member's business or the securities transactions justified the markups, markdowns, or commissions at these levels.

13. On or about July 20, 2005 and on or about September 28, 2005, the Member charged customers commissions, which were not fair and reasonable pursuant to NASD Rule 2110. The Member executed two equity security transactions for customers through the Midwest Stock Exchange, and charged the customers commissions of 5.18% and 6.45%, as shown on Schedule B, attached hereto and incorporated by reference. Nothing in the nature of the Member's business or the securities transactions justified commissions at these levels.

14. As set forth above, the Member violated NASD Conduct Rules 2110 and 2440 by failing to charge its customers fair prices for the 150 securities transactions listed in paragraph 12 above, and violated NASD Conduct Rule 2110 by failing to charge its customers fair prices for the two securities transactions listed in paragraph 13 above, taking into consideration all relevant circumstances.

**FOURTH CAUSE FOR COMPLAINT
NASD Rules 2110 and 6230 by the Member – The Member Failed to Timely and
Accurately Report 36 TRACE-Eligible Securities Transactions.**

15. Paragraph numbers 1 through 14 above are re-alleged and incorporated herein by reference as paragraph 15.

16. From on or about November 1, 2006 to on or about January 31, 2007, the Member effected 36 transactions of debt securities that were "TRACE-eligible securities" under NASD Rule 6210(a). The Member failed to timely and accurately report each of the 36 transactions in contravention of NASD Rule 6230.

17. As set forth above, the Member violated NASD Rules 2110 and 6230 by failing to timely and accurately report TRACE-eligible securities transactions.

**FIFTH CAUSE FOR COMPLAINT
Conduct Rules 2110 and 3010 by the Member – The Member Failed to Establish
and Maintain an Adequate Supervisory System Relating to Commissions, Markups
and Markdowns on Equity Transactions and TRACE Reporting To Ensure
Compliance With NASD Rules.**

18. Paragraph numbers 1 through 17 above are re-alleged and incorporated herein by reference as paragraph 18.

19. From at least in or about March 2005 to on or about November 30, 2006, the Member failed to establish and maintain an adequate supervisory system, including written procedures, reasonably designed to ensure that the Member and its registered representatives complied with NASD Rule 2440 and charged markups, markdowns and commissions on equity transactions that were fair and reasonable.

20. From at least in or about March 2005 to in or about March 2007, the Member failed to establish and maintain an adequate supervisory system, including

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written procedures, reasonably designed to ensure that TRACE-eligible securities transactions were being timely and accurately reported.

21. As set forth above, the Member violated NASD Conduct Rules 2110 and 3010 by failing to establish and maintain an adequate supervisory system, including written procedures, designed to prevent the violations as noted in paragraphs 12, 13, and 16 above.

PRAYER FOR RELIEF

WHEREFORE, the Department respectfully requests that the Panel:

- A. order that one or more of the sanctions provided under FINRA Rule 8310(a) be imposed, including that the Respondent be required to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest; and,
- B. order that Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

May 1, 2009

Date


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Mark A. Koerner, Esq. Associate Vice-President
and Regional Chief Counsel
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CMO Transactions Effected by Chicago Investment Group With Markups of Over 5%

Disciplinary Proceeding
No. 2007007328501
Schedule A

CS FIRST BOSTON MFG SECS	P	0.87709	0.98875	23,080,000.00	222,319.74	0.98433	10.45%	21,036.18	10,970.95
CWALT INC	P	4.70868	4.96875	19,377,000.00	931,063.55	0.96703	5.52%	46,733.28	4,617.27
FEDL HOME LOAN MFG CORP	P	1.32813	1.40980	20,000,000.00	281,980.00	1.00000	8.15%	16,335.00	3,053.75
CS FIRST BOSTON MFG SECS	P	0.87709	0.98875	5,000,000.00	48,162.86	0.99433	10.45%	4,557.01	2,376.72
CWALT INC	P	4.93750	5.20313	8,900,000.00	463,078.13	1.00000	5.38%	23,640.63	1,608.75
CWALT INC	P	1.82813	1.93750	8,990,000.00	174,181.25	1.00000	5.98%	9,832.81	1,615.39
CWALT INC	P	4.74068	4.96875	4,740,000.00	227,754.24	0.96703	5.52%	11,921.13	1,129.48
FEDL HOME LOAN MFG CORP	P	4.87500	5.13220	7,500,045.00	384,817.31	1.00000	5.28%	19,290.12	1,008.76
CWALT INC	P	4.70868	4.96875	4,125,000.00	196,203.85	0.96703	5.52%	10,374.40	982.93
CWALT INC	P	1.82813	1.93750	4,985,000.00	96,778.13	1.00000	5.98%	5,483.28	897.54
FIRST HORIZON ALT	P	2.37500	2.50870	6,138,000.00	163,947.18	1.00000	5.60%	8,169.88	880.80
CWALT INC	P	4.70868	4.96875	3,091,000.00	148,520.75	0.96703	5.52%	7,773.89	736.64
CWALT INC	P	4.70868	4.96875	2,780,000.00	133,577.38	0.96703	5.52%	6,991.72	662.44
CWALT INC	P	4.70868	4.96875	2,679,000.00	128,724.38	0.96703	5.52%	6,737.70	638.37
CWALT INC	P	4.70868	4.96875	2,080,000.00	98,981.80	0.96703	5.52%	5,180.91	480.87
CWALT INC	P	4.70868	4.96875	2,080,000.00	98,981.80	0.96703	5.52%	5,180.91	480.87
FEDL NATL MFG ASSN IO	P	1.82813	1.93750	2,700,000.00	52,312.50	1.00000	5.98%	2,953.13	485.16
CWALT INC	P	2.20313	2.31740	11,000,000.00	254,914.00	1.00000	5.19%	12,570.25	453.06
CWALT INC	P	1.82813	1.93750	2,495,000.00	48,340.63	1.00000	5.98%	2,728.91	448.32
CWALT INC	P	1.82813	1.93750	2,495,000.00	48,785.58	0.98362	5.88%	2,766.42	414.98
CWALT INC	P	4.70868	4.96875	1,648,000.00	78,185.44	0.96703	5.52%	4,144.73	392.70
FEDL NATL MFG ASSN IO	P	4.00000	4.20360	10,000,000.00	420,360.00	1.00000	5.09%	20,360.00	360.00
INDYMAC MBS INC / RAST	P	1.58375	1.68760	2,402,000.00	40,533.75	1.00000	5.88%	2,251.88	337.78
CWALT INC	P	1.82813	1.93750	1,495,000.00	28,965.63	1.00000	5.98%	1,635.16	268.63
CWALT INC	P	1.82813	1.93750	1,245,000.00	24,121.88	1.00000	5.98%	1,361.72	223.71
CWALT INC	P	1.82813	1.93750	1,245,000.00	24,121.88	1.00000	5.98%	1,361.72	223.71
CWALT INC	P	1.82813	1.93750	1,240,000.00	24,025.00	1.00000	5.98%	1,356.25	222.81
CWALT INC	P	1.59375	1.68760	1,325,000.00	22,231.61	0.99429	5.88%	1,235.09	185.26
CWALT INC	P	4.70868	4.96875	618,000.00	29,694.54	0.96703	5.52%	1,554.27	147.26
CWALT INC	P	1.82813	1.93750	740,000.00	14,337.50	1.00000	5.98%	809.38	132.97
CWALT INC	P	1.82813	1.93750	680,000.00	12,787.50	1.00000	5.98%	721.88	118.59
CWALT INC	P	4.70868	4.96875	493,600.00	23,712.39	0.96703	5.52%	1,241.16	117.59
CWALT INC	P	1.82813	1.93760	576,000.00	11,140.63	1.00000	5.98%	628.91	103.32
FEDL HOME LOAN MFG CORP	P	3.31250	3.48460	1,692,618.00	55,025.81	0.99152	5.20%	2,717.88	102.25
CWALT INC	P	4.70868	4.96875	412,000.00	19,796.36	0.96703	5.52%	1,036.18	98.17
CWALT INC	P	1.82813	1.93750	495,000.00	9,580.63	1.00000	5.98%	541.41	89.95
CWALT INC	P	5.04790	5.31250	646,000.00	27,977.23	0.98629	5.24%	1,393.47	64.28
CWALT INC	P	4.70868	4.96875	257,000.00	12,348.70	0.96703	5.52%	646.36	61.24
CWALT INC	P	4.70868	4.96875	247,000.00	11,883.21	0.96863	5.52%	620.95	58.83
CWALT INC	P	4.70868	4.96875	237,000.00	11,387.71	0.96703	5.52%	586.06	56.47
CWALT INC	P	5.04790	5.31250	475,000.00	24,383.82	0.98629	5.24%	1,214.49	56.02
CWALT INC	P	4.70868	4.96875	211,000.00	10,138.43	0.96703	5.52%	530.87	50.28
CWALT INC	P	5.04790	5.31250	390,000.00	19,507.06	0.98628	5.24%	971.59	44.82
CWALT INC	P	4.70868	4.96875	164,500.00	7,904.13	0.96703	5.52%	413.72	39.20
CWALT INC	P	4.70868	4.96875	154,000.00	7,399.61	0.96703	5.52%	387.31	36.70

CMO Transactions Effected by Chicago Investment Group With Markups of Over 5%

Disciplinary Proceeding
No. 2007007329501
Schedule A

5/1/2006	5/3/2006	CWALT INC	P	4.70665	4.96875	154,000.00	7,398.61	0.96703	5.52%	387.31	36.70
7/8/2005	7/8/2005	RESIDENTIAL ACCRDT LNS	P	1.53906	1.61719	8,906,000.00	144,059.06	1.00000	5.08%	6,959.37	34.80
11/2/2005	11/4/2005	CWALT INC	P	5.04790	5.31250	285,000.00	14,630.29	0.98629	5.24%	728.69	33.61
11/2/2005	11/4/2005	CWALT INC	P	5.04790	5.31250	285,000.00	14,630.29	0.98629	5.24%	728.69	33.61
11/2/2005	11/4/2005	CWALT INC	P	5.04790	5.31250	285,000.00	14,630.29	0.98629	5.24%	728.69	33.61
11/2/2005	11/4/2005	CWALT INC	P	5.04790	5.31250	285,000.00	14,630.29	0.98629	5.24%	728.69	33.61
5/1/2006	5/3/2006	CWALT INC	P	4.70665	4.96875	128,000.00	6,150.33	0.98703	5.52%	321.92	30.50
5/1/2006	5/3/2006	CWALT INC	P	4.70665	4.96875	125,000.00	5,910.08	0.98703	5.52%	309.35	29.31
11/2/2005	11/4/2005	CWALT INC	P	5.04790	5.31250	245,000.00	12,576.92	0.98629	5.24%	626.42	27.13
11/2/2005	11/4/2005	CWALT INC	P	5.04790	5.31250	230,000.00	11,806.90	0.98629	5.24%	588.07	27.13
11/2/2005	11/4/2005	CWALT INC	P	5.04790	5.31250	102,000.00	4,901.04	0.98703	5.52%	256.53	24.31
5/1/2006	5/3/2006	CWALT INC	P	4.70665	4.96875	102,000.00	4,901.04	0.98703	5.52%	256.53	24.31
7/8/2005	7/8/2005	RESIDENTIAL ACCRDT LNS	P	1.53906	1.61719	200,000.00	4,901.04	0.98703	5.52%	256.53	24.31
7/8/2005	7/8/2005	RESIDENTIAL ACCRDT LNS	P	1.53906	1.61719	5,938,000.00	96,028.59	1.00000	5.08%	4,639.06	23.20
11/2/2005	11/4/2005	CWALT INC	P	5.04790	5.31250	180,000.00	9,753.53	0.98629	5.24%	485.80	22.41
11/2/2005	11/4/2005	CWALT INC	P	5.04790	5.31250	180,000.00	9,753.53	0.98629	5.24%	485.80	22.41
5/1/2006	5/3/2006	CWALT INC	P	4.70665	4.96875	92,000.00	4,420.55	0.98703	5.52%	231.38	21.92
11/2/2005	11/4/2005	CWALT INC	P	5.04790	5.31250	170,000.00	8,726.84	0.98629	5.24%	434.66	20.05
5/1/2006	5/3/2006	CWALT INC	P	4.70665	4.96875	80,000.00	3,843.95	0.98703	5.52%	201.20	18.87
11/2/2005	11/4/2005	CWALT INC	P	5.04790	5.31250	160,000.00	8,213.50	0.98629	5.24%	409.09	18.87
11/2/2005	11/4/2005	CWALT INC	P	5.04790	5.31250	150,000.00	7,700.16	0.98629	5.24%	383.52	17.69
5/1/2006	5/3/2006	CWALT INC	P	4.70665	4.96875	71,500.00	3,435.53	0.98703	5.52%	179.82	17.04
11/2/2005	11/4/2005	CWALT INC	P	5.04790	5.31250	140,000.00	7,186.81	0.98629	5.24%	357.96	16.51
11/2/2005	11/4/2005	CWALT INC	P	5.04790	5.31250	140,000.00	7,186.81	0.98629	5.24%	357.96	16.51
11/2/2005	11/4/2005	CWALT INC	P	5.04790	5.31250	140,000.00	7,186.81	0.98629	5.24%	357.96	16.51
11/2/2005	11/4/2005	CWALT INC	P	5.04790	5.31250	130,000.00	6,673.47	0.98629	5.24%	332.39	16.33
11/2/2005	11/4/2005	CWALT INC	P	5.04790	5.31250	130,000.00	6,673.47	0.98629	5.24%	332.39	16.33
5/1/2006	5/3/2006	CWALT INC	P	4.70665	4.96875	61,000.00	2,831.01	0.98703	5.52%	153.42	14.54
11/2/2005	11/4/2005	CWALT INC	P	5.04790	5.31250	115,000.00	5,903.45	0.98629	5.24%	284.03	13.56
11/2/2005	11/4/2005	CWALT INC	P	5.04790	5.31250	115,000.00	5,903.45	0.98629	5.24%	284.03	13.56
11/2/2005	11/4/2005	CWALT INC	P	5.04790	5.31250	115,000.00	5,903.45	0.98629	5.24%	284.03	13.56
11/2/2005	11/4/2005	CWALT INC	P	5.04790	5.31250	110,000.00	5,646.78	0.98629	5.24%	281.25	12.97
5/1/2006	5/3/2006	CWALT INC	P	4.70665	4.96875	51,000.00	2,450.52	0.98703	5.52%	128.27	12.15
5/1/2006	5/3/2006	CWALT INC	P	4.70665	4.96875	51,000.00	2,450.52	0.98703	5.52%	128.27	12.15
5/1/2006	5/3/2006	CWALT INC	P	4.70665	4.96875	51,000.00	2,450.52	0.98703	5.52%	128.27	12.15
5/1/2006	5/3/2006	CWALT INC	P	4.70665	4.96875	51,000.00	2,450.52	0.98703	5.52%	128.27	12.15
11/2/2005	11/4/2005	CWALT INC	P	5.04790	5.31250	100,000.00	5,133.44	0.98629	5.24%	255.68	11.78
7/8/2005	7/8/2005	RESIDENTIAL ACCRDT LNS	P	1.53906	1.61719	2,968,000.00	47,998.13	1.00000	5.08%	2,316.75	11.59
11/2/2005	11/4/2005	CWALT INC	P	5.04790	5.31250	95,000.00	4,876.76	0.98629	5.24%	242.80	11.20
11/2/2005	11/4/2005	CWALT INC	P	5.04790	5.31250	95,000.00	4,876.76	0.98629	5.24%	242.80	11.20
11/2/2005	7/8/2005	CWALT INC	P	1.53906	1.61719	86,000.00	4,363.42	0.98629	5.08%	217.33	10.03
11/2/2005	11/4/2005	RESIDENTIAL ACCRDT LNS	P	1.53906	1.61719	2,362,360.00	38,042.07	1.00000	5.08%	1,837.76	9.19
11/2/2005	11/4/2005	CWALT INC	P	5.04790	5.31250	75,000.00	3,850.08	0.98629	5.24%	191.76	8.85

**Disciplinary Proceeding
No. 2007007329501
Schedule A**

[illegible]

Disciplinary Proceedings No. 2007/00732680
Schedule E

[illegible]

Discrepancy Proceeding No. 2007/007325601
Schedule B

0001	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0002	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0003	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0004	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0005	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0006	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0007	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0008	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0009	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0010	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0011	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0012	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0013	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0014	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0015	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0016	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0017	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0018	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0019	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0020	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0021	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0022	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0023	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0024	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0025	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0026	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0027	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0028	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0029	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0030	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0031	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0032	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0033	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0034	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0035	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0036	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0037	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0038	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0039	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0040	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0041	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0042	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000	1.00	0.00	0.00	1.00	100,000,000	1,000,000	1.00	100,000,000	1,000,000	1.00	100,000,000
0043	AAV	AAV INC	100 CONCORD RD	CONCORD	MA	01742	617/328-1100					100,000,000	100,000,000	0	2,500,000	1,000,000											

Disciplinary Proceedings No. 2007/00732/0401

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