

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

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REGISTRATION & DISCLOSURE

Department of Enforcement,

Complainant,

v.

CHICAGO INVESTMENT GROUP, LLC
(CRD No. 11853)

and

GEORGE REILLY
General Securities Principal
(CRD No. 1523041)

Respondents.

Disciplinary Proceeding
No. 2007007329501

Hearing Officer Matthew Campbell

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: January 26, 2010

INTRODUCTION

Disciplinary Proceeding No. 2007007329501 was filed on May 1, 2009, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant).

Respondent Chicago Investment Group, LLC submitted an Offer of Settlement (Offer) to Complainant on January 15, 2010. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

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**Order Accepting Offer of Settlement In
Disciplinary Proceeding No. 2007007329501**

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, to the entry of findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

Chicago Investment Group, LLC (Member) became a member of FINRA on July 5, 1983, and became registered with the Securities and Exchange Commission (SEC) on April 23, 1982 as a broker-dealer. The Member's membership with FINRA and registration with the SEC remain currently in effect. The Member conducts a general securities business on a fully disclosed basis. At the time of the events in question, the Member did not have a relevant disciplinary history.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:¹

1. Between January 11, 2005 and September 18, 2006, Respondent executed a total of approximately 3,900 CMO trades. During that time period, Respondent executed 107 CMO riskless principal transactions for customers and charged markups on the trades, which were not fair and reasonable, in consideration of the factors set forth in IM-2440(b). Respondent charged the customers markups that ranged from 5.07% to 10.45%, as shown on Schedule A, attached

¹ The findings herein are pursuant to Respondent Chicago Investment Group, LLC's Offer of Settlement, and are not binding on George Reilly or any other person or entity named as a respondent in any other proceeding.

**Order Accepting Offer of Settlement In
Disciplinary Proceeding No. 2007007329501**

hereto and incorporated by reference. Nothing in the nature of Respondent's business or the securities transactions justified the markups, markdowns, or commissions at these levels.

2. Respondent violated NASD Conduct Rules 2110 and 2440 by failing to charge its customers fair prices in these securities transactions as noted in paragraph 1 above.

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

4. Respondent 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 3 above.

5. From March 14, 2005 and March 30, 2007, Respondent executed approximately 61,500 equity transactions. During that time period, Respondent effected 150 equity transactions for customers and charged markups, markdowns, or commissions on the trades, which were not fair and reasonable, in consideration of the factors set forth in IM-2440(b), 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 Respondent's business or the securities transactions justified the markups, markdowns, or commissions at these levels.

6. On July 20, 2005 and September 28, 2005, Respondent executed two equity transactions for customers through the Midwest Stock Exchange and charged customers commissions on the trades, which were not fair and reasonable pursuant to NASD Rule 2110. Respondent charged the customers' commissions of 5.18% and 6.45% for these transactions as

**Order Accepting Offer of Settlement In
Disciplinary Proceeding No. 2007007329501**

shown on Schedule B. Nothing in the nature of Respondent's business or the securities transactions justified commissions at these levels.

7. Respondent violated NASD Conduct Rules 2110 and 2440 by failing to charge its customers fair prices for the 150 securities transactions as listed in paragraph 5 above, and violated NASD Conduct Rule 2110 by failing to charge its customers fair prices for the two securities transactions as listed in paragraph 6 above, taking into consideration all relevant circumstances.

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

9. Respondent violated NASD Rules 2110 and 6230 by failing to timely and accurately report TRACE-eligible securities transactions as listed in paragraph 8 above.

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

11. From at least March 2005 to March 2007, Respondent failed to establish and maintain an adequate supervisory system, including written procedures, reasonably designed to ensure that TRACE-eligible securities transactions were being timely and accurately reported.

**Order Accepting Offer of Settlement In
Disciplinary Proceeding No. 2007007329501**

12. Respondent 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 5, 6, and 8 above.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that Respondent Chicago Investment Group, LLC be:

1. Censured;
2. Fined \$35,000;
3. Ordered to disgorge \$327.08 to JR, a customer listed on Schedule A who purchased her CMO on September 6, 2005, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from November 21, 2007, until the date this Offer is accepted by the NAC .

Satisfactory proof of payment of the restitution or of reasonable and documented efforts undertaken to effect restitution shall be provided to FINRA staff no later than 120 days after acceptance of this Offer. If for any reason Respondent cannot locate the customer after reasonable and documented efforts within such period, or such additional period agreed to by the staff, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed

**Order Accepting Offer of Settlement In
Disciplinary Proceeding No. 2007007329501**

property, or abandoned property fund for the state in which the customer is last known to have resided; and,

4. Ordered to disgorge amounts charged over 5% in partial restitution to the customers listed on Schedule B attached hereto in the total amount of \$9,130.76, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from the date of the trades, until the date this Offer is accepted by the NAC. Satisfactory proof of payment of the restitution or of reasonable and documented efforts undertaken to effect restitution shall be provided to FINRA staff no later than 120 days after acceptance of this Offer. If for any reason Respondent cannot locate any customer identified in Schedule B after reasonable and documented efforts within such period, or such additional period agreed to by the staff, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed property, or abandoned property fund for the state in which the customer is last known to have resided.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

SO ORDERED.

FINRA

Signed on behalf of the
Director of ODA, by delegated authority



Richard S. Schultz, Esq.
Senior Regional Counsel
FINRA Department of Enforcement, District 8
55 West Monroe Street
Chicago, IL 60603-5052

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

6/22/2005	CS FIRST BOSTON MTG SECS	P	0.27708	0.96875	23,060,000.00	222,316.74	0.96433	10.45%	21,035.18	10,370.58
6/22/2005	CHWALT INC	P	4.70968	4.96876	19,377,000.00	531,083.59	0.96703	5.52%	48,733.29	4,517.27
6/22/2005	FEDL HOME LOAN MTG CORP	P	1.32813	1.40980	20,000,000.00	281,968.00	1.00000	6.16%	18,345.00	3,053.75
6/22/2005	CS FIRST BOSTON MTG SECS	P	0.27708	0.96875	6,000,000.00	48,182.86	0.96433	10.46%	2,376.72	2,376.72
6/22/2005	CHWALT INC	P	4.89750	5.20315	8,300,000.00	463,078.13	1.00000	5.39%	23,840.63	1,688.75
6/22/2005	CHWALT INC	P	1.82813	1.93750	8,990,000.00	174,161.25	1.00000	5.98%	9,832.51	1,815.59
6/22/2005	CHWALT INC	P	4.70968	4.96876	4,740,000.00	227,784.24	0.96703	5.52%	11,921.13	1,128.48
6/22/2005	FEDL HOME LOAN MTG CORP	P	4.87500	5.13250	7,500,045.00	394,817.31	1.00000	5.23%	18,230.12	1,038.76
6/22/2005	CHWALT INC	P	4.70968	4.96876	4,125,000.00	198,293.95	0.96703	5.52%	10,374.40	982.93
6/22/2005	CHWALT INC	P	1.82813	1.93750	4,965,000.00	88,776.19	1.00000	5.98%	5,463.28	887.54
6/22/2005	FIRST HORIZON ALT	P	2.37500	2.50810	5,138,000.00	183,947.18	1.00000	5.90%	8,199.88	880.80
6/22/2005	CHWALT INC	P	4.70968	4.96876	3,091,000.00	148,520.75	0.96703	5.52%	7,775.80	736.64
6/22/2005	CHWALT INC	P	4.70968	4.96876	2,780,000.00	133,571.36	0.96703	5.52%	6,951.72	682.44
6/22/2005	CHWALT INC	P	4.70968	4.96876	2,678,000.00	128,724.39	0.96703	5.52%	6,737.70	638.37
6/22/2005	CHWALT INC	P	4.70968	4.96876	2,060,000.00	98,967.60	0.96703	5.52%	5,180.91	490.87
6/22/2005	CHWALT INC	P	1.82813	1.93750	2,060,000.00	98,967.60	1.00000	5.98%	2,863.13	485.16
6/22/2005	FEDL NATL MTG ASSN IO	P	2.20313	2.31740	11,000,000.00	254,914.00	1.00000	5.16%	12,570.26	453.08
6/22/2005	CHWALT INC	P	1.82813	1.93750	2,458,000.00	48,840.63	1.00000	5.98%	2,728.91	448.32
6/22/2005	CHWALT INC	P	1.89776	1.96750	3,000,000.00	49,796.93	0.96862	6.88%	2,798.42	414.96
6/22/2005	CHWALT INC	P	4.70968	4.96876	1,848,000.00	79,185.44	0.96703	5.52%	4,144.73	382.70
6/22/2005	FEDL NATL MTG ASSN IO	P	4.00000	4.26360	10,000,000.00	420,360.00	1.00000	5.09%	20,360.00	380.00
6/22/2005	CHWALT INC	P	1.89776	1.96750	2,402,000.00	40,633.76	1.00000	5.98%	2,281.88	337.78
6/22/2005	CHWALT INC	P	1.82813	1.93750	1,485,000.00	26,965.63	1.00000	5.98%	1,635.16	269.63
6/22/2005	CHWALT INC	P	1.89776	1.96750	1,245,000.00	24,121.88	1.00000	5.98%	1,361.72	223.71
6/22/2005	CHWALT INC	P	1.82813	1.93750	1,246,000.00	24,121.88	1.00000	5.98%	1,361.72	223.71
6/22/2005	CHWALT INC	P	1.82813	1.93750	1,240,000.00	24,025.90	1.00000	5.98%	1,359.26	222.81
6/22/2005	CHWALT INC	P	1.89776	1.96750	1,325,000.00	22,321.81	0.96429	5.88%	1,235.00	185.29
6/22/2005	CHWALT INC	P	4.70968	4.96876	816,000.00	29,684.64	0.96703	5.52%	1,594.27	147.28
6/22/2005	CHWALT INC	P	1.82813	1.93750	740,000.00	14,357.50	1.00000	5.98%	808.58	132.67
6/22/2005	CHWALT INC	P	1.82813	1.93750	690,000.00	12,787.59	1.00000	5.98%	721.68	118.58
6/22/2005	CHWALT INC	P	4.70968	4.96876	463,000.00	23,712.59	0.96703	5.52%	1,241.10	117.59
6/22/2005	FEDL HOME LOAN MTG CORP	P	3.31250	3.40460	575,000.00	11,140.83	1.00000	5.93%	828.91	103.32
6/22/2005	CHWALT INC	P	4.70968	4.96876	1,582,618.00	56,025.81	0.96162	5.20%	2,717.68	102.25
6/22/2005	CHWALT INC	P	4.70968	4.96876	412,000.00	16,798.36	0.96703	5.52%	1,038.18	86.17
6/22/2005	CHWALT INC	P	4.70968	4.96876	412,000.00	19,798.36	0.96703	5.52%	1,058.18	86.17
6/22/2005	CHWALT INC	P	1.82813	1.93750	465,000.00	27,599.03	1.00000	5.98%	541.41	88.05
6/22/2005	CHWALT INC	P	5.04750	5.31250	645,000.00	27,977.23	0.98829	5.24%	1,383.47	64.38
6/22/2005	CHWALT INC	P	4.70968	4.96876	287,000.00	12,343.70	0.96703	5.52%	648.58	51.24
6/22/2005	CHWALT INC	P	4.70968	4.96876	247,000.00	11,863.21	0.96863	6.82%	58.83	58.83
6/22/2005	CHWALT INC	P	4.70968	4.96876	237,000.00	11,387.71	0.96703	5.52%	66.47	66.47
6/22/2005	CHWALT INC	P	5.04750	5.31250	475,000.00	24,363.82	0.98829	5.24%	1,214.48	66.02
6/22/2005	CHWALT INC	P	5.04750	5.31250	475,000.00	24,363.82	0.98829	5.24%	1,214.48	66.02
6/22/2005	CHWALT INC	P	4.70968	4.96876	211,000.00	10,188.43	0.96703	5.52%	130.07	50.28
6/22/2005	CHWALT INC	P	5.04750	5.31250	390,000.00	19,607.08	0.98829	5.24%	971.55	44.82
6/22/2005	CHWALT INC	P	4.70968	4.96876	164,500.00	7,864.13	0.96703	5.52%	413.72	38.20
6/22/2005	CHWALT INC	P	4.70968	4.96876	154,000.00	7,399.01	0.96703	5.52%	387.31	36.70

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

5/1/2005	CHWALT INC	P	4.70005	4.98775	164,000.00	7,392.51	0.98703	5.52%	987.31	36.70
7/8/2005	RESIDENTIAL ACCREDITED LNS	P	1.53005	1.51718	0,900,000.00	144,050.00	1.00000	5.06%	0,959.37	34.82
11/2/2005	CHWALT INC	P	5.04790	5.31250	285,000.00	14,630.29	0.98529	5.24%	728.69	33.81
11/2/2005	CHWALT INC	P	5.04790	5.31250	285,000.00	14,630.29	0.98529	5.24%	728.69	33.81
11/2/2005	CHWALT INC	P	5.04790	5.31250	285,000.00	14,630.29	0.98529	5.24%	728.69	33.81
11/2/2005	CHWALT INC	P	5.04790	5.31250	285,000.00	14,630.29	0.98529	5.24%	728.69	33.81
11/2/2005	CHWALT INC	P	5.04790	5.31250	285,000.00	14,630.29	0.98529	5.24%	728.69	33.81
5/1/2006	CHWALT INC	P	4.70005	4.98775	123,000.00	6,910.05	0.98703	5.52%	508.35	20.31
5/1/2006	CHWALT INC	P	4.70005	4.98775	123,000.00	6,910.05	0.98703	5.52%	508.35	20.31
11/2/2005	CHWALT INC	P	5.04790	5.31250	240,000.00	12,576.02	0.98529	5.24%	625.42	23.90
11/2/2005	CHWALT INC	P	5.04790	5.31250	240,000.00	12,576.02	0.98529	5.24%	625.42	23.90
11/2/2005	CHWALT INC	P	5.04790	5.31250	240,000.00	12,576.02	0.98529	5.24%	625.42	23.90
5/1/2006	CHWALT INC	P	4.70005	4.98775	102,000.00	4,901.04	0.98703	5.52%	258.53	24.31
5/1/2006	CHWALT INC	P	4.70005	4.98775	102,000.00	4,901.04	0.98703	5.52%	258.53	24.31
5/1/2006	CHWALT INC	P	4.70005	4.98775	102,000.00	4,901.04	0.98703	5.52%	258.53	24.31
11/2/2005	RESIDENTIAL ACCREDITED LNS	P	1.53005	1.51718	5,535,000.00	86,028.58	1.00000	5.04%	4,639.08	23.20
7/8/2005	RESIDENTIAL ACCREDITED LNS	P	1.53005	1.51718	5,535,000.00	86,028.58	1.00000	5.04%	4,639.08	23.20
11/2/2005	CHWALT INC	P	5.04790	5.31250	190,000.00	9,753.53	0.98529	5.24%	485.80	22.41
11/2/2005	CHWALT INC	P	5.04790	5.31250	190,000.00	9,753.53	0.98529	5.24%	485.80	22.41
5/1/2006	CHWALT INC	P	4.70005	4.98775	82,000.00	4,400.55	0.98703	5.52%	231.58	21.02
5/1/2006	CHWALT INC	P	4.70005	4.98775	82,000.00	4,400.55	0.98703	5.52%	231.58	21.02
11/2/2005	CHWALT INC	P	5.04790	5.31250	170,000.00	8,720.84	0.98529	5.24%	434.68	20.05
11/2/2005	CHWALT INC	P	5.04790	5.31250	170,000.00	8,720.84	0.98529	5.24%	434.68	20.05
11/2/2005	CHWALT INC	P	5.04790	5.31250	170,000.00	8,720.84	0.98529	5.24%	434.68	20.05
5/1/2006	CHWALT INC	P	4.70005	4.98775	71,000.00	3,435.53	0.98703	5.52%	179.82	17.94
5/1/2006	CHWALT INC	P	4.70005	4.98775	71,000.00	3,435.53	0.98703	5.52%	179.82	17.94
11/2/2005	CHWALT INC	P	5.04790	5.31250	140,000.00	7,186.81	0.98529	5.24%	357.06	16.51
11/2/2005	CHWALT INC	P	5.04790	5.31250	140,000.00	7,186.81	0.98529	5.24%	357.06	16.51
11/2/2005	CHWALT INC	P	5.04790	5.31250	140,000.00	7,186.81	0.98529	5.24%	357.06	16.51
11/2/2005	CHWALT INC	P	5.04790	5.31250	130,000.00	6,673.47	0.98529	5.24%	332.58	15.33
11/2/2005	CHWALT INC	P	5.04790	5.31250	130,000.00	6,673.47	0.98529	5.24%	332.58	15.33
5/1/2006	CHWALT INC	P	4.70005	4.98775	81,000.00	2,931.01	0.98703	5.52%	153.42	14.54
5/1/2006	CHWALT INC	P	4.70005	4.98775	81,000.00	2,931.01	0.98703	5.52%	153.42	14.54
11/2/2005	CHWALT INC	P	5.04790	5.31250	115,000.00	5,933.45	0.98529	5.24%	294.03	13.56
11/2/2005	CHWALT INC	P	5.04790	5.31250	115,000.00	5,933.45	0.98529	5.24%	294.03	13.56
11/2/2005	CHWALT INC	P	5.04790	5.31250	115,000.00	5,933.45	0.98529	5.24%	294.03	13.56
11/2/2005	CHWALT INC	P	5.04790	5.31250	110,000.00	5,640.75	0.98529	5.24%	281.25	12.97
5/1/2006	CHWALT INC	P	4.70005	4.98775	81,000.00	2,450.52	0.98703	5.52%	128.27	12.15
5/1/2006	CHWALT INC	P	4.70005	4.98775	81,000.00	2,450.52	0.98703	5.52%	128.27	12.15
5/1/2006	CHWALT INC	P	4.70005	4.98775	81,000.00	2,450.52	0.98703	5.52%	128.27	12.15
5/1/2006	CHWALT INC	P	4.70005	4.98775	81,000.00	2,450.52	0.98703	5.52%	128.27	12.15
11/2/2005	RESIDENTIAL ACCREDITED LNS	P	1.53005	1.51718	2,988,000.00	47,998.13	1.00000	5.09%	2,318.75	11.59
11/2/2005	CHWALT INC	P	5.04790	5.31250	85,000.00	4,576.78	0.98529	5.24%	242.00	11.20
11/2/2005	CHWALT INC	P	5.04790	5.31250	85,000.00	4,576.78	0.98529	5.24%	242.00	11.20
11/2/2005	CHWALT INC	P	5.04790	5.31250	85,000.00	4,576.78	0.98529	5.24%	242.00	11.20
7/8/2005	RESIDENTIAL ACCREDITED LNS	P	1.53005	1.51718	2,362,560.00	38,142.07	1.00000	5.08%	1,857.75	9.19
11/2/2005	CHWALT INC	P	5.04790	5.31250	76,000.00	3,850.08	0.98529	5.24%	191.76	8.82

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

DATE	ISSUER	SECURITY	CO	P	62.18000	65.31000	14,000.00	10,448.90	1.00000	5.07%	504.00	6.72
02/12/2005	GENSLER	FED. HOME LOAN MTG CORP	IO	P	5.04700	5.31250	62,000.00	2,823.39	0.98628	5.24%	140.63	8.49
11/41/2005	GENSLER	CHWALT INC	IO	P	5.04700	5.31250	56,000.00	2,823.39	0.98628	5.24%	140.63	6.49
11/42/2005	GENSLER	RESIDENTIAL ACCRD LTD LNS	P	P	1.53608	1.61719	1,463,500.00	23,490.98	1.00000	5.09%	1,158.88	5.79
7/8/2005	GENSLER	RESIDENTIAL ACCRD LTD LNS	P	P	1.53608	1.61719	1,463,500.00	23,490.98	1.00000	5.09%	1,158.88	5.79
11/42/2005	GENSLER	CHWALT INC	IO	P	5.04700	5.31250	43,000.00	2,207.38	0.98628	5.24%	106.04	5.07
11/41/2005	GENSLER	CHWALT INC	IO	P	5.04700	5.31250	32,000.00	1,642.70	0.98628	5.24%	81.52	3.77
7/8/2005	GENSLER	RESIDENTIAL ACCRD LTD LNS	P	P	1.53608	1.61719	890,000.00	14,392.97	1.00000	5.09%	695.31	3.48
7/8/2005	GENSLER	RESIDENTIAL ACCRD LTD LNS	P	P	1.53608	1.61719	890,000.00	9,859.82	1.00000	5.09%	483.28	2.32
7/8/2005	GENSLER	RESIDENTIAL ACCRD LTD LNS	P	P	1.53608	1.61719	890,000.00	9,859.82	1.00000	5.09%	483.28	2.32
7/8/2005	GENSLER	RESIDENTIAL ACCRD LTD LNS	P	P	1.53608	1.61719	890,000.00	9,859.82	1.00000	5.09%	483.28	2.32
02/12/2005	GENSLER	FED. HOME LOAN MTG CORP	P	P	62.18000	65.31000	2,500.00	1,436.82	1.00000	5.07%	69.30	0.92
09/18/2006												
11/41/2005												
11/42/2005												
7/8/2005												
7/8/2005												
11/42/2005												
11/41/2005												
7/8/2005												
7/8/2005												
7/8/2005												
7/8/2005												
09/18/2006												
Total											107	36,782.42