

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

DEPARTMENT OF ENFORCEMENT,

Complainant

vs.

CHICAGO INVESTMENT GROUP, LLC
(CRD No. 11853)
and



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, [REDACTED] 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, [REDACTED] 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 [REDACTED] – The Member and [REDACTED]
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, [REDACTED] was the President of the Member. [REDACTED] 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 [REDACTED] 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 [REDACTED] 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.

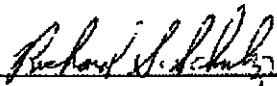
PRAYER FOR RELIEF

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

5/8/2006	5/22/2006	GS FIRST BOSTON MTG SECS	P	0.87708	0.98875	23,060,000.00	222,319.74	0.98433	10.45%	21,036.18	10,970.86
5/1/2006	5/3/2006	CWALT INC	P	4.70868	4.98875	19,377,000.00	931,063.55	0.96703	5.52%	48,733.29	4,617.27
12/8/2005	1/1/2006	FEDL HOME LOAN MTG CORP	P	1.32813	1.40860	20,000,000.00	281,860.00	1.00000	6.15%	16,335.00	3,063.75
9/8/2005	8/22/2005	CS FIRST BOSTON MTG SECS	P	0.87709	0.98875	5,000,000.00	46,162.86	0.98433	10.45%	4,657.01	2,376.72
2/1/2006	1/30/2006	CWALT INC	P	4.93760	5.20313	8,900,000.00	463,078.13	1.00000	5.35%	23,840.63	1,688.75
8/4/2005	5/8/2005	CWALT INC	P	1.82813	1.93760	8,990,000.00	174,161.25	1.00000	5.85%	9,852.51	1,615.39
5/1/2006	5/3/2006	CWALT INC	P	4.70868	4.98875	4,740,000.00	227,754.24	0.96703	5.52%	11,821.13	1,129.48
1/1/2006	1/14/2006	FEDL HOME LOAN MTG CORP	P	4.87500	5.13220	7,500,045.00	394,917.31	1.00000	5.25%	18,230.12	1,008.78
5/1/2006	5/3/2006	CWALT INC	P	4.70868	4.98875	4,125,000.00	198,203.95	0.96703	5.52%	10,374.40	962.63
5/1/2006	5/8/2006	CWALT INC	P	1.82813	1.93760	4,995,000.00	96,778.13	1.00000	5.98%	6,463.28	897.54
3/30/2006	3/30/2006	FIRST HORIZON ALT	P	2.37500	2.50610	6,135,000.00	153,947.18	1.00000	5.80%	8,169.68	880.80
5/1/2006	5/3/2006	CWALT INC	P	4.70868	4.98875	3,061,000.00	146,620.78	0.96703	5.52%	7,778.88	736.54
5/1/2006	5/3/2006	CWALT INC	P	4.70868	4.98875	2,780,000.00	133,677.39	0.96703	5.52%	6,991.72	662.44
5/6/2006	5/3/2006	CWALT INC	P	4.70868	4.98875	2,679,000.00	128,724.39	0.96703	5.52%	6,737.70	638.37
5/1/2006	5/3/2006	CWALT INC	P	4.70868	4.98875	2,060,000.00	98,981.80	0.96703	5.52%	5,180.91	480.87
5/1/2006	5/3/2006	CWALT INC	P	4.70868	4.98875	2,060,000.00	98,981.80	0.96703	5.52%	5,180.91	480.87
5/4/2006	5/8/2006	CWALT INC	P	1.82813	1.93760	2,700,000.00	62,312.50	1.00000	5.98%	2,863.13	485.16
3/1/2006	3/21/2006	FEDL NATL MTG ASSN IO	P	2.20313	2.31740	11,000,000.00	254,914.00	1.00000	5.19%	12,570.25	453.06
5/1/2006	5/8/2006	CWALT INC	P	1.82813	1.93760	2,495,000.00	48,340.63	1.00000	5.98%	2,728.91	446.32
5/10/2006	5/12/2006	CWALT INC	P	1.99375	1.98750	3,000,000.00	49,795.68	0.98362	5.98%	2,788.42	414.96
3/4/2006	3/8/2006	CWALT INC	P	4.70868	4.98875	1,645,000.00	79,165.44	0.96703	5.52%	4,144.73	392.70
5/10/2006	5/12/2006	FEDL NATL MTG ASSN IO	P	4.00000	4.20360	10,000,000.00	420,360.00	1.00000	5.08%	20,360.00	980.00
5/10/2006	5/12/2006	INDYMAC MBS INC / RAST	P	1.59378	1.58750	2,402,000.00	40,533.78	1.00000	5.88%	2,251.88	337.78
5/4/2006	5/8/2006	CWALT INC	P	1.82813	1.93760	1,495,000.00	28,965.63	1.00000	5.98%	1,835.15	268.63
5/4/2006	5/8/2006	CWALT INC	P	1.82813	1.93760	1,245,000.00	24,121.58	1.00000	5.98%	1,361.72	223.71
5/4/2006	5/8/2006	CWALT INC	P	1.82813	1.93760	1,245,000.00	24,121.58	1.00000	5.98%	1,361.72	223.71
5/4/2006	5/8/2006	CWALT INC	P	1.82813	1.93760	1,240,000.00	24,025.00	1.00000	5.98%	1,358.25	222.61
5/10/2006	5/12/2006	CWALT INC	P	1.59375	1.58750	1,325,000.00	22,231.61	0.99429	5.98%	1,235.09	185.28
5/1/2006	5/3/2006	CWALT INC	P	4.70868	4.98875	618,000.00	28,864.54	0.96703	5.52%	1,554.27	147.26
5/1/2006	5/3/2006	CWALT INC	P	1.82813	1.93760	740,000.00	14,337.50	1.00000	5.98%	909.38	132.97
5/4/2006	5/8/2006	CWALT INC	P	1.82813	1.93760	660,000.00	12,797.50	1.00000	5.98%	721.86	118.59
5/4/2006	5/8/2006	CWALT INC	P	4.70868	4.98875	493,500.00	23,712.39	0.96703	5.52%	1,241.16	117.59
5/4/2006	5/8/2006	CWALT INC	P	1.82813	1.93760	575,000.00	11,140.65	1.00000	5.98%	626.91	103.32
3/2/2006	3/2/2006	FEDL HOME LOAN MTG CORP	P	3.31250	3.48480	1,592,618.00	65,025.81	0.99152	5.20%	2,717.88	102.25
5/1/2006	5/3/2006	CWALT INC	P	4.70868	4.98875	412,000.00	19,796.36	0.96703	5.52%	1,036.16	98.17
5/1/2006	5/3/2006	CWALT INC	P	4.70868	4.98875	412,000.00	19,796.36	0.96703	5.52%	1,036.16	98.17
5/4/2006	5/8/2006	CWALT INC	P	1.82813	1.93760	495,000.00	8,590.63	1.00000	5.98%	541.41	88.95
11/2/2005	11/4/2005	CWALT INC	P	5.04790	5.31250	545,000.00	27,977.23	0.99629	5.24%	1,393.47	64.28
5/1/2006	5/3/2006	CWALT INC	P	4.70868	4.98875	257,000.00	12,346.70	0.96703	5.52%	646.36	61.24
5/1/2006	5/3/2006	CWALT INC	P	4.70868	4.98875	247,000.00	11,893.21	0.96683	5.52%	620.95	58.83
5/1/2006	5/3/2006	CWALT INC	P	4.70868	4.98875	237,000.00	11,397.71	0.96703	5.52%	598.06	58.47
11/2/2005	11/4/2005	CWALT INC	P	5.04790	5.31250	475,000.00	24,393.82	0.99629	5.24%	1,214.49	56.02
5/1/2006	5/3/2006	CWALT INC	P	4.70868	4.98875	475,000.00	24,393.82	0.96629	5.24%	1,214.49	56.02
11/2/2005	11/4/2005	CWALT INC	P	5.04790	5.31250	211,000.00	10,136.43	0.96703	5.52%	530.67	50.28
5/1/2006	5/3/2006	CWALT INC	P	4.70868	4.98875	390,000.00	19,507.06	0.96629	5.52%	971.59	44.82
5/1/2006	5/3/2006	CWALT INC	P	4.70868	4.98875	164,800.00	7,904.13	0.96703	5.52%	413.72	39.20
5/1/2006	5/3/2006	CWALT INC	P	4.70868	4.98875	164,800.00	7,904.13	0.96703	5.52%	367.31	36.70

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

5/1/2006	5/3/2006	CWALT INC	P	4.70868	4.96875	164,000.00	7,398.61	0.96703	5.62%	387.91	36.70
7/8/2006	7/8/2006	RESIDENTIAL ACCORD LTD	P	1.53908	1.61719	8,908,000.00	144,059.09	1.00000	5.06%	6,999.37	34.80
11/2/2006	11/4/2006	CWALT INC	P	5.04790	5.31250	286,000.00	14,630.29	0.96829	5.24%	728.69	33.61
11/2/2006	11/4/2006	CWALT INC	P	5.04790	5.31250	286,000.00	14,630.29	0.96829	5.24%	728.69	33.61
11/2/2006	11/4/2006	CWALT INC	P	5.04790	5.31250	286,000.00	14,630.29	0.96829	5.24%	728.69	33.61
11/2/2006	11/4/2006	CWALT INC	P	5.04790	5.31250	286,000.00	14,630.29	0.96829	5.24%	728.69	33.61
11/23/2006	11/4/2006	CWALT INC	P	5.04790	5.31250	286,000.00	14,630.29	0.96829	5.24%	728.69	33.61
5/1/2006	5/3/2006	CWALT INC	P	4.70868	4.96875	128,000.00	6,150.33	0.96703	5.52%	321.92	30.50
5/1/2006	5/3/2006	CWALT INC	P	4.70868	4.96875	128,000.00	6,150.33	0.96703	5.52%	321.92	30.50
11/2/2006	11/4/2006	CWALT INC	P	5.04790	5.31250	248,000.00	12,576.92	0.96829	5.24%	626.42	28.90
11/2/2006	11/4/2006	CWALT INC	P	5.04790	5.31250	230,000.00	11,808.90	0.96829	5.24%	588.07	27.13
11/2/2006	11/4/2006	CWALT INC	P	5.04790	5.31250	230,000.00	11,808.90	0.96829	5.24%	588.07	27.13
5/1/2006	5/3/2006	CWALT INC	P	4.70868	4.96875	102,000.00	4,901.04	0.96703	5.52%	258.53	24.31
5/1/2006	5/3/2006	CWALT INC	P	4.70868	4.96875	102,000.00	4,901.04	0.96703	5.52%	258.53	24.31
11/2/2006	11/4/2006	CWALT INC	P	5.04790	5.31250	200,000.00	10,268.87	0.96829	5.24%	511.36	23.59
7/8/2006	7/8/2006	RESIDENTIAL ACCORD LTD	P	1.53908	1.61719	5,938,000.00	96,028.69	1.00000	5.06%	4,630.06	23.20
7/8/2006	7/8/2006	RESIDENTIAL ACCORD LTD	P	1.53908	1.61719	5,938,000.00	96,028.69	1.00000	5.06%	4,630.06	23.20
11/2/2006	11/4/2006	CWALT INC	P	5.04790	5.31250	180,000.00	9,763.63	0.96829	5.24%	485.80	22.41
11/2/2006	11/4/2006	CWALT INC	P	5.04790	5.31250	180,000.00	9,763.63	0.96829	5.24%	485.80	22.41
5/1/2006	5/3/2006	CWALT INC	P	4.70868	4.96875	92,000.00	4,420.66	0.96703	5.52%	231.38	21.82
11/2/2006	11/4/2006	CWALT INC	P	5.04790	5.31250	170,000.00	8,726.84	0.96829	5.24%	434.66	20.05
5/1/2006	5/3/2006	CWALT INC	P	4.70868	4.96875	80,000.00	3,843.95	0.96703	5.52%	201.20	18.87
11/2/2006	11/4/2006	CWALT INC	P	5.04790	5.31250	160,000.00	8,213.50	0.96829	5.24%	409.09	18.06
11/2/2006	11/4/2006	CWALT INC	P	5.04790	5.31250	150,000.00	7,700.16	0.96829	5.24%	383.52	17.69
5/1/2006	5/3/2006	CWALT INC	P	4.70868	4.96875	71,500.00	3,435.53	0.96703	5.52%	179.82	17.04
11/2/2006	11/4/2006	CWALT INC	P	5.04790	5.31250	140,000.00	7,186.81	0.96829	5.24%	357.96	16.51
11/2/2006	11/4/2006	CWALT INC	P	5.04790	5.31250	140,000.00	7,186.81	0.96829	5.24%	357.96	16.51
11/2/2006	11/4/2006	CWALT INC	P	5.04790	5.31250	140,000.00	7,186.81	0.96829	5.24%	357.96	16.51
11/2/2006	11/4/2006	CWALT INC	P	5.04790	5.31250	130,000.00	6,673.47	0.96829	5.24%	332.39	15.33
5/1/2006	5/3/2006	CWALT INC	P	4.70868	4.96875	61,000.00	2,931.01	0.96703	5.52%	163.42	14.54
11/2/2006	11/4/2006	CWALT INC	P	5.04790	5.31250	116,000.00	5,903.45	0.96829	5.24%	294.03	13.58
11/2/2006	11/4/2006	CWALT INC	P	5.04790	5.31250	116,000.00	5,903.45	0.96829	5.24%	294.03	13.58
11/2/2006	11/4/2006	CWALT INC	P	5.04790	5.31250	116,000.00	5,903.45	0.96829	5.24%	294.03	13.58
11/2/2006	11/4/2006	CWALT INC	P	5.04790	5.31250	110,000.00	5,646.78	0.96829	5.24%	281.25	12.97
5/1/2006	5/3/2006	CWALT INC	P	4.70868	4.96875	51,000.00	2,450.62	0.96703	5.52%	128.27	12.15
5/1/2006	5/3/2006	CWALT INC	P	4.70868	4.96875	51,000.00	2,450.62	0.96703	5.52%	128.27	12.15
5/1/2006	5/3/2006	CWALT INC	P	4.70868	4.96875	51,000.00	2,450.62	0.96703	5.52%	128.27	12.15
5/1/2006	5/3/2006	CWALT INC	P	4.70868	4.96875	51,000.00	2,450.62	0.96703	5.52%	128.27	12.15
11/2/2006	11/4/2006	RESIDENTIAL ACCORD LTD	P	1.53908	1.61719	2,968,000.00	47,998.13	1.00000	5.06%	2,318.76	11.59
7/8/2006	7/8/2006	CWALT INC	P	5.04790	5.31250	96,000.00	4,876.78	0.96829	5.24%	242.90	11.20
11/2/2006	11/4/2006	CWALT INC	P	5.04790	5.31250	86,000.00	4,363.42	0.96829	5.24%	217.33	10.03
7/8/2006	7/8/2006	RESIDENTIAL ACCORD LTD	P	1.53908	1.61719	2,362,300.00	38,042.07	1.00000	5.06%	1,837.78	9.19
11/2/2006	11/4/2006	CWALT INC	P	5.04790	5.31250	75,000.00	3,660.08	0.96829	5.24%	191.76	8.85

[illegible]

[illegible]

[illegible]