

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2012030532101**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: First Chicago Advisors, Inc.
Member
CRD No. 143137

Steven E. Knoop
Registered Representative
CRD No. 1453557

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondents submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against us alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. We hereby accept and consent, without admitting or denying the findings, 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, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

First Chicago Advisors, Inc. ("First Chicago" or "the Firm") is currently, and was during all times relevant hereto, a member of FINRA and registered with the U.S. Securities and Exchange Commission. The Firm has been a member of FINRA since July 9, 2007. Its primary business is limited to providing advisory/consulting services to companies involved in or considering whether to engage in mergers and acquisitions. First Chicago is currently registered in four states and employs one registered representative.

Steven E. Knoop ("Knoop") entered the securities industry in September 1993 with a FINRA-registered firm. Knoop has been registered with First Chicago as a General Securities Principal and as an Introducing Broker-Dealer Financial and

Operations Principal since July 2007, as a Limited Representative – Investment Banking since November 2009, and as an Operations Professional since October 2011.

RELEVANT DISCIPLINARY HISTORY

First Chicago Advisors and Knoop have no disciplinary history.

OVERVIEW

Between January 1, 2011 and January 20, 2012, First Chicago Advisors, Inc., by and through Steven Knoop, (1) failed to evidence an adequate review of registered representatives' correspondence relating to the Firm's securities business, and (2) failed to establish and implement an adequate supervisory system for reviewing registered representatives' correspondence, in violation of NASD Rules 3010(a) and 3010(d)(1), and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

1. At all relevant times, Knoop was the President, Chief Compliance Officer and FINOP of First Chicago.
2. For the period of January 1, 2011 through January 20, 2012, First Chicago used an outside vendor email provider to capture and maintain emails for the firm. One of the vendor's email message review reports revealed that 122,442 emails were captured, but only 18 were actually reviewed by Knoop.
3. During the same time period, First Chicago, acting through Knoop, did not have a supervisory system and written supervisory procedures for reviewing, and documenting his review of emails to and from First Chicago registered representatives. Specifically, the written procedures regarding review of email correspondence failed to: (1) specifically identify who was responsible for the supervision and review of correspondence; (2) memorialize steps and reviews to be taken; (3) specify the frequency of the review; and (4) specify how such reviews were to be documented.
4. The acts, practices and conduct described above constitute separate and distinct violations of NASD Rules 3010(a) and 3010(d)(1), and FINRA Rule 2010.

- B. We also consent to the imposition of the following sanctions: a censure and \$5,000 fine against First Chicago, and a censure and \$5,000 fine against Knoop.¹

We agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. We have submitted Election of Payment forms showing the method by which we propose to pay the fine imposed.

We specifically and voluntarily waive any right to claim that we are unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

We specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, we specifically and voluntarily waive any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

We further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance

¹ Pursuant to the General Principles Applicable to all Sanction Determinations contained in the Sanction Guidelines, FINRA imposed a lower fine in this case against the firm, after it considered, among other things, the firm's revenues and financial resources. See Notice to Members 06-55.

or rejection.

III.

OTHER MATTERS

We understand that:

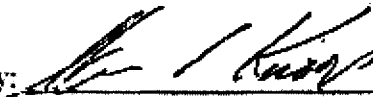
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against us; and
- C. If accepted:
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against us;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about our disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. We may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. We may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects our: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. We may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. We understand that we may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

I, Steven E. Knoop, individually and as a person duly authorized to act on behalf of the firm, certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me or First Chicago to submit it.

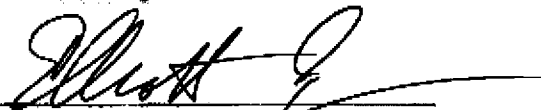
01/12/2015
Date (mm/dd/yyyy)


Steven E. Knoop, Respondent

First Chicago Advisors, Inc., Respondent

By: 

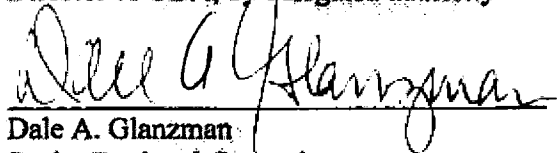
Reviewed by:


Elliott R. Curzon, Esq.
Counsel for Respondents
Dechert, LLP
1775 I Street, N.W.
Washington, D.C. 20006-2401
(202) 261-3341

Accepted by FINRA:

02/03/2015
Date

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


Dale A. Glanzman
Senior Regional Counsel
FINRA Department of Enforcement
55 West Monroe Street, Suite 2700
Chicago, IL 60603
(312)899-4312

Attachment: Election of Payment Forms