

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E8A2005004601**

RECEIVED
2008 JUN 27 A 11:49
REGISTRATION & DISCLOSURE

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

RE: Chicago Investment Group, LLC
Member
CRD No. 11853

Richard Lynch
Registered Principal
CRD No. 1938604

George Reilly
Registered Principal
CRD No. 1523041

Pursuant to NASD Rule 9216 of FINRA's Code of Procedure, Chicago Investment Group, LLC, Richard Lynch and George Reilly [or 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. Respondents 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

Chicago Investment Group, LLC ("CIG," "firm" or "Member") became a member of FINRA on July 5, 1983 and became registered with the Securities and Exchange Commission ("SEC") on April 23, 1982. It engages in, among other

000083179 2008

activities, broker-dealer retailing of corporate equity securities over-the-counter, private placements of securities, inter-dealer markets in corporate securities over-the-counter, and trading securities for its own account. Its membership with FINRA and registration with the SEC currently remain in effect.

Richard Lynch ("Lynch") entered the securities industry in April 1989 when he became registered with a FINRA member as a General Securities Representative. In August 1995, he passed the Series 24 while registered with another FINRA member. Lynch is the CEO of CIG where he has been registered since October 1996. He currently remains registered as a General Securities Representative, Municipal Securities Representative and General Securities Principal. Lynch has no disciplinary history.

George Reilly ("Reilly") entered the securities industry in June 1987 when he became registered with an FINRA member as a General Securities Representative. In August 2000, he became registered as a general securities principal while registered with another FINRA member. Reilly became registered with CIG in December 2000 and served as its Chief Compliance Officer until December 2006. Reilly was also the President of CIG until December 2007, at which time his registration with the Member was terminated. Reilly is not currently registered with a FINRA member and FINRA retains jurisdiction over Reilly until December 2009. Reilly has no disciplinary history.

RELEVANT PRIOR DISCIPLINARY HISTORY

In June 2005, CIG was censured and fined \$22,000 in an AWC in which, without admitting or denying the allegations, it consented to the entry of findings that it violated SEC Rules 15c3-1, 17a-3, 17a-5 and NASD Rules 1017, 2110, 3010 and 3110. Among other things, the findings included a failure to prepare accurate trial balances, general ledgers and net capital computations for the periods ending April 2003 and May 2003, and a failure to prepare and maintain adequate written supervisory procedures related to complying with the requirements of state-imposed heightened supervision plans for several of its registered representatives.

OVERVIEW

From November 2003 through June 2004, the Member, acting through Richard Lynch, sold shares of a private placement offering pursuant to a private placement memorandum which contained negligent material misrepresentations or omissions in violation of NASD Rule 2110. Additionally, the Member failed to timely report two settlements and failed to report a \$20 million arbitration award for a

registered representative who was subject to a special supervisory plan, in violation of NASD Rules 3070 and 2110. The Member also failed to keep the registered representative's Form U4 current by filing an amendment to disclose the arbitration award, in violation of Article V, Section 2(c) of FINRA By-Laws, NASD Rule 2110 and in contravention of IM 1000-1. In addition, the Member failed to register three representatives as principals based upon the activities in which each engaged, in violation of NASD Rules 1021, 2110 and 3010. Furthermore, the Member, acting through George Reilly, failed to establish, maintain and enforce an adequate supervisory system and procedures regarding the activities of a registered representative under a special supervisory plan, in violation of NASD Rules 2110 and 3010. Finally, the Member failed to ensure email correspondence sent and received by a registered representative who was under special supervisory plan was maintained in a non-rewritable, non-erasable format and failed to implement and enforce an adequate supervisory system and procedures to ensure compliance with the recordkeeping requirements, in violation of SEC Rule 17a-4 and NASD Rules 2110, 3110 and 3010.

FACTS AND VIOLATIVE CONDUCT

Material Misrepresentations or Omissions Made in Private Placement Memorandum

1. In the fall of 2003, CIG began underwriting the private placement offering for Net Telecommunications Inc. (Net Tel), a development-stage company holding several international brokerage-related assets. Net Tel's president, under the advice of its attorney, prepared the private placement memorandum (PPM) for the offering. Richard Lynch, CIG's CEO, was responsible for supervising CIG's underwriting efforts of the Net Tel offering. Lynch retained independent outside counsel to assist and advise CIG regarding its review of the Net Tel offering, including the PPM.
2. Net Tel's plan of operation was two-fold. First, Net Tel would merge with a company called LaSalle Technology Inc. (LaSalle Technology).¹ Subsequent to the conclusion of the offering, Net Tel had the option to acquire the broker-dealer CIG by acquiring one hundred percent of the outstanding shares of CIG for \$300,000 and 12,000,000 shares of Net Tel.
3. In 2002, LaSalle Technology contracted to acquire a trading software platform called MM². In order to execute trades for customers through MM², LaSalle Technology negotiated a contract with ABN AMRO to act as the executing/clearing agent for these trades. Because ABN AMRO required a

¹ LaSalle Technology is an affiliated entity of CIG. Richard Lynch, the CEO of CIG is also the CEO of LaSalle Technology and owns approximately 38% of LaSalle Technology Inc. The PPM disclosed the affiliations.

broker-dealer on the other side of the trade, CIG introduced the trades that were entered through the MM² trading system.

4. On July 18, 2003, LaSalle Technology and CIG filed a complaint in the Circuit Court of Cook County, Illinois, against MM² and Bernard Rice, the manager of MM², claiming breach of contract, conversion, and misappropriation of trade secrets based upon the theft of intellectual property, equipment and money.² On about July 16, 2003, MM² employees apparently entered the shared office of CIG, LaSalle Technology and MM² after hours and removed all equipment associated with MM². In addition, on July 18, 2003, LaSalle Technology sought a temporary restraining order because the individuals associated with MM² continued to effect trades despite the fact LaSalle Technology was the owner of MM². The alleged theft and legal action taken by LaSalle Technology and CIG are described in Schedule 3.07, which was a separate document sent to prospective investors along with the PPM in the packet of offering documents.
5. CIG commenced a best efforts offering of shares of Net Tel, pursuant to SEC Regulation D, in October 2003. The Net Tel offering consisted of 2,500,000 shares to be sold at a price of \$1.60 per share, for a desired total capital raise of \$4,000,000. The first sale of Net Tel was effected on November 26, 2003, and by June 2004, CIG had raised \$575,650 through the sale of 358,531 shares to nineteen accredited investors.
6. Certain material statements contained in the PPM were either inaccurate or misleading.
7. The PPM provided to investors includes a schedule of Net Tel's projected revenues for the years 2004 through 2006 for each of the major business segments in which it participates. These major business segments include retail brokerage, money market/debit income, high net worth and private banking, investment banking and market making, and brokerage technology services. The MM² software was one of the components needed to achieve the projected revenues. However, the PPM, or alternatively the Schedule 3.07 which was provided to prospective investors along with the PPM, failed to disclose the material fact that the revenue projections could be negatively impacted if any legal action taken regarding the MM² software was unsuccessful.
8. The PPM provided to investors represented that the proceeds from the Net Tel offering were to be used for the acquisition of CIG; payment of debt; acquisition of high net worth firms/brokers; hiring of additional staff; technology development and maintenance; additional acquisitions, working capital, marketing; development of on-line brokerage; and broker fees. The

² The lawsuit is currently pending.

PPM fails to disclose the material fact that a portion of the proceeds would be, and were in fact, used to pay litigation expenses in 2003 and 2004, related to the pending lawsuit regarding the MM² trading software.³

9. Such failure to disclose material facts in connection with the offer of securities constitutes separate and distinct violations of NASD Rule 2110 by CIG, acting through Lynch.

**Failure to Adequately Preserve Electronic Correspondence and
to Maintain and Enforce a Reasonable Supervisory System
and Written Supervisory Procedures**

10. The Securities Exchange Act of 1934 and Securities and Exchange Commission (SEC) Rule 17a-4, promulgated thereunder, require broker-dealers to preserve, for a period of not less than three years, all communications sent and received by them relating to their business, including electronic communications. If communications are preserved electronically, they must be preserved in a non-rewriteable and non-erasable format. NASD Rule 3110 further requires NASD members to comply with SEC Rule 17a-4.
11. DD became registered with CIG on about April 30, 2003. On about January 5, 2004, CIG placed DD on special supervision and DD remained under a special supervisory plan until his termination on about August 18, 2006.
12. From about April 30, 2003 to July 22, 2005, CIG allowed DD to use a non-firm, outside email address to conduct securities business of the firm. During this period, CIG required DD to forward to the compliance office a copy of any securities related email correspondence. CIG did not capture DD's emails electronically, unless DD forwarded a copy, because the server DD used for his electronic correspondence was not connected to CIG's server.
13. The firm maintained some of DD's email in printed form. To the extent DD's emails were retained electronically, the emails were retained on the hard drive of DD's personal computer. Communications preserved in this manner could be deleted permanently or could be altered.
14. Pursuant to Rule 17a-4(f), firms that employ electronic storage media to preserve records must utilize media that, among other things, preserve records "exclusively in a non-erasable and non-rewriteable format." By preserving DD's emails in a manner that permitted deletion and alteration, CIG failed to

³ The funds from the proceeds used to pay the litigation expenses in 2003 and 2004 were reimbursed through a Directors and Officers liability insurance policy, in June 2007.

utilize media that complied with SEC Rule 17a-4, thereby violating SEC Rule 17a-4 and NASD Rules 3110 and 2110.

15. During the same period, CIG's system and procedures were not reasonably designed to achieve compliance with the preservation requirements of Rule 17a-4 with respect to electronic communications. CIG's systems and procedures did not provide for adequate follow up and review to determine that it was in fact complying with the requirement to preserve DD's email sent and received either in paper copy or electronically.
16. By failing to establish and maintain a supervisory system and written supervisory procedures to ensure the retention of DD's electronic correspondence in a manner that was reasonably designed to achieve compliance with securities laws and regulation, requiring retention of emails, CIG violated NASD Rules 3010 and 2110.

Failure to Register Principals in Offices of Supervisory Jurisdiction

17. NASD Rule 3010(g)(1) defines an office of supervisory jurisdiction as an office of a member where, among other things, order execution or market making takes place. NASD Rule 1021 requires registered persons who actively engage in the management of the member's investment banking or securities business to be registered as a principal. Persons who must be registered in such a capacity include managers of offices of supervisory jurisdiction. Rule 3010(a)(4) requires the designation of at least one appropriately registered principal in each office of supervisory jurisdiction.
18. From about August 2003 through May 2005, CIG employed two general securities representatives who each engaged in market making activities at two different offices. In addition, from about March 2004 to May 2005, CIG employed a third general securities representative who engaged in order execution activities at another office. Based on these activities, CIG should have registered each of these three offices as OSJs. As OSJs, these three offices were required to have managers who were registered as principals. Given there were no other registered persons at each of the offices, the three general securities representatives were required to be registered as principals. During this period, CIG failed to register the three general securities representatives as principals.
19. Such acts, practices and conduct constitute separate and distinct violations of NASD Rules 1021, 3010 and 2110 by CIG.

**Failure to Report and Promptly Report 3070 Events
and Amend Form U4**

20. NASD Conduct Rule 3070(b) requires members to report the events outlined in 3070(a), including settlements and arbitration awards for an amount exceeding \$15,000, within ten business days after CIG knew or should have known of the existence of the event.
21. During the month of July 2005, CIG failed to timely report two settlements greater than \$15,000 by DD, a registered representative who was subject to a special supervisory plan, which required disclosure within ten business days after it knew or should have known about it, pursuant to Rule 3070(a). In addition, during the period of February 2006 through August 2006, CIG failed to report an arbitration award greater than \$15,000 by DD, which required disclosure within ten business days after it knew or should have known about it, pursuant to Rule 3070(a).
22. Such acts, practices and conduct constitute separate and distinct violations of NASD Conduct Rules 3070 and 2110 by CIG.
23. Article V, Section 2(c) of the FINRA Bylaws requires that every application for registration must be kept current at all times by supplementary amendments. The amendment must be filed not later than thirty days after learning of the facts or circumstances giving rise to the amendment. FINRA Interpretive Memorandum IM-1000-1 provides that the filing with FINRA of information with respect to membership or registration as a Registered Representative which is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or the failure to correct such filing after notice thereof, may be deemed to be conduct inconsistent with just and equitable principles of trade and when discovered may be sufficient cause for appropriate disciplinary action.
24. During the period from approximately February 2006 through August 2006, CIG failed to file an amendment to the previously filed Form U4 of DD, to reflect a \$20 million arbitration award. The amendment was required to keep the information set forth on DD's Form U4 current and accurate.
25. Such acts, practices and conduct constitute separate and distinct violations of FINRA Bylaws, Article 5, Section 2, NASD Rule 2110 and FINRA Interpretive Memorandum 1000-1 by CIG.

Failure to Establish, Maintain, and Enforce an Adequate Supervisory System and Procedures to Supervise Coleman Flaherty

26. In March 2003, Coleman Flaherty⁴ joined CIG's Boston, Massachusetts office as a General Securities Representative and General Securities Principal. At the time he became registered with CIG, Flaherty had a history of customer complaints, arbitrations, terminations, and a state regulatory action. More than half a dozen of these disclosure events related to allegations of unauthorized trading. Indeed, in 1994, the state of Massachusetts entered a conditional registration order for Flaherty which, based on the allegations of unauthorized trading, required that Flaherty be subject to special supervision, prohibited him from acting in a principal, managerial or supervisory capacity, and prohibited him from exercising discretion in the handling of Massachusetts customers' accounts. From November 2004 until his resignation in September 2005, Flaherty was subject to a special supervisory plan. George Reilly was responsible for supervising individuals requiring special supervision, including Flaherty.
27. In June 2005, CIG received a complaint from Flaherty's customer LP, who lives in the United Kingdom. In his letter dated June 10, 2005, LP alleged there was a high level of activity, unsuitable investments, discretionary trading, and performance losses in his account.
28. In his complaint, LP also listed four checks, along with their dates and respective amounts, which he had sent to Flaherty. Each of the first three checks listed, which were dated for either April 2004 or June 2004, had been deposited into LP's account at CIG. CIG determined that the fourth check in the amount of \$25,000, for which LP had erroneously written a date of July 22, 2005 instead of July 22, 2004, had not been deposited into LP's brokerage account.
29. LP attached to his complaint an email that Flaherty had sent to LP's UK financial advisor on June 8, 2005. Flaherty sent the email to LP's financial advisor from [REDACTED] which was not an email address provided by CIG. In the email, Flaherty explained \$25,000 of LP's funds was used to purchase shares of Net Telecommunications.
30. CIG's written procedures required that upon receipt of a customer complaint, the chief compliance officer, shall, among other things, require a written response from the subject registered representative and any others knowledgeable of the facts. Reilly was the firm's chief compliance officer at

⁴ Coleman Flaherty was barred from the industry in October 2006, in accordance with NASD Rule 9552 non-summary proceedings, for his failure to respond to the staff's requests for information.

the time. On July 6, 2005, CIG compliance personnel sent Flaherty a questionnaire which asked him to explain, among other things, the location of LP's \$25,000, how LP acquired shares of Net Telecommunications, and Flaherty's use of an outside email address.

31. On about September 8, 2005, Flaherty submitted his resignation letter, which was addressed to Reilly. On September 29, 2005, CIG submitted a Form U5, under Reilly's signature, terminating Flaherty's registration with the firm. Prior to his resignation, Flaherty did not provide a completed questionnaire or other written response
32. CIG, acting through Reilly, failed to establish, maintain, and enforce an adequate supervisory system and procedures to supervise Flaherty in that:
 - it failed to require that Flaherty provide a written response to the allegations contained in LP's complaint in accordance with the firm's written procedures;
 - it failed to impose additional supervisory scrutiny of Flaherty's trading activities during its investigation of LP's complaint which alleged serious sales practice violations;
 - it failed to follow up on the red flags which were evident in LP's complaint. If it had, it would have found that, contrary to the verbal, unverified representation that Flaherty made to Reilly, Flaherty received and deposited LP's \$25,000 check into the bank account of an undisclosed outside entity under Flaherty's control while Flaherty was registered with CIG.
 - it failed to conduct a review of Flaherty's outside email address account after learning that Flaherty had communicated with a customer of the firm regarding securities business but instead relied on Flaherty's verbal representation that he had not communicated with any other customer regarding securities business;
 - it failed to include in the special supervisory plan a review of the books and records of Trinity International, although CIG was aware that, prior to his registration with CIG, Flaherty had intended to establish Trinity International as a broker-dealer and, and CIG was aware that, Flaherty had issued shares of Net Telecommunications to LP as a stock dividend from Trinity International.
33. Such acts, practices and conduct constitute separate and distinct violations of NASD Rules 3010 and 2110 by CIG acting through Reilly.

B. Respondents also consent to the imposition of the following sanctions:

Chicago Investment Group, LLC is hereby censured and fined \$75,000, of which \$15,000 is joint and several with Richard Lynch and \$20,000 is joint and several with George Reilly;

Richard Lynch is censured and fined \$15,000 jointly and severally with Chicago Investment Group, LLC;

George Reilly is censured, fined \$20,000 jointly and severally with Chicago Investment Group, LLC, and required to requalify as a general securities principal.

CIG further consents to perform the following undertaking:

(a) CIG shall retain, within 60 days of the date of Notice of Acceptance of this AWC, an Independent Consultant, not unacceptable to FINRA staff, to conduct a comprehensive review of the adequacy of the firm's policies, systems and procedures (written and otherwise) and training relating to the matters described in this AWC, including but not limited to:

- (1) its system of assessing representatives who are either hired with a disciplinary history, complaints or arbitrations, or who develop such a history while they are employed, and determining the appropriate method of supervising such individuals;
- (2) its system for maintaining and preserving electronic communications; and
- (3) its system for conducting adequate due diligence related to its participation in private placement offerings.

(b) CIG shall exclusively bear all costs, including compensation and expenses, associated with the retention of the Independent Consultant.

(c) CIG shall cooperate with the Independent Consultant in all respects, including by providing staff support. CIG shall place no restrictions on the Independent Consultant's communications with FINRA staff and, upon request, shall make available to FINRA staff any and all communications between the Independent Consultant and the Firm and documents reviewed by the Independent Consultant in connection with his or her engagement. Once retained, CIG shall not terminate the relationship with the Independent Consultant without the FINRA staff's written approval; CIG shall not be in and shall not have an attorney-client relationship with the Independent Consultant and shall not seek to invoke the attorney-client privilege or other doctrine or privilege to prevent the

Independent Consultant from transmitting any information, reports or documents to the FINRA.

(d) CIG shall, at the conclusion of the review, which shall be no more than 150 days after the date of Notice of Acceptance of this AWC, require the Independent Consultant to submit to the Firm and FINRA staff a Written Report. The Written Report shall address, at a minimum:

- (1) the adequacy of CIG's policies, systems, procedures and training relating to the supervisory system categories discussed in section (a) above;
- (2) a description of the review performed and the conclusions reached; and
- (3) the Independent Consultant's recommendations for modifications and additions to the Firm's policies, systems, procedures and training.

(e) CIG shall require the Independent Consultant to enter into a written agreement that provides that, for the period of engagement and for a period of two years from completion of the engagement, the Independent Consultant shall not enter into any other employment, consultant, attorney-client, auditing or other professional relationship with CIG, or any of its present or former affiliates, officers, directors, employees, or agents acting in their capacity as such. Any firm with which the Independent Consultant is affiliated in performing his or her duties pursuant to this AWC shall not, without prior written consent of the FINRA staff, enter into any employment, consultant, attorney-client, auditing or other professional relationship with CIG or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

(f) Within 60 days after delivery of the Written Report, CIG shall adopt and implement the recommendations of the Independent Consultant or, if it determines that a recommendation is unduly burdensome or impractical, propose an alternative procedure to the Independent Consultant designed to achieve the same objective. CIG shall submit such proposed alternatives in writing simultaneously to the Independent Consultant and the FINRA staff. Within 30 days of receipt of any proposed alternative procedure, the Independent Consultant shall:

- (1) reasonably evaluate the alternative procedure and determine whether it will achieve the same objective as the Independent Consultant's original recommendation; and
- (2) provide CIG with a written decision reflecting his or her determination.

(g) CIG will abide by the Independent Consultant's ultimate determination with respect to any proposed alternative procedure and must adopt and implement all recommendations deemed appropriate by the Independent Consultant.

(h) Within 30 days after the issuance of the latter of the Independent Consultant's Written Report or written determination regarding alternative procedures (if any), CIG shall provide the FINRA staff with a written implementation report, certified by an officer of CIG, attesting to, containing documentation of, and setting forth the details of, the Firm's implementation of the Independent Consultant's recommendations.

(i) Upon written request showing good cause, the FINRA staff may extend any of the procedural dates set forth above.

(j) Until such time that CIG adopts and implements the recommendations of the Independent Consultant, CIG shall not allow a person to become associated with the firm who has: 1) been the subject of a pending, adjudicated or settled regulatory action or investigation by FINRA, SEC, Commodity Futures Trading Commission, or any federal, state or foreign regulatory agency or self-regulatory organization; or 2) been the subject of a termination for cause or internal review for alleged investment related misconduct without approval from the Independent Consultant with notice to FINRA. No later than 30 days after the date of Notice of Acceptance of this AWC, the President of CIG shall certify that CIG has complied with the provisions set forth in Paragraph (j). The President of CIG shall re-certify compliance with paragraph (j) every 30 days thereafter, until the adoption and implementation of the recommendations of the Independent Consultant.

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

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

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

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Formal Complaint issued specifying the allegations against us;
- B. To be notified of the Formal 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, Respondents specifically and voluntarily waive any right to claim bias or prejudgment of the General Counsel, 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.

Respondents further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of NASD Rule 9143 or the separation of functions prohibitions of NASD 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 or rejection.

III.

OTHER MATTERS

Respondents 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 NASD Rule 9216;

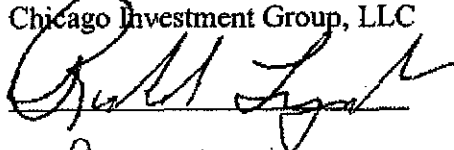
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against us; and
- C. If accepted:
1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against us;
 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my disciplinary record;
 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-3; and
 4. Respondents 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. Respondents 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 my right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Respondents may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they 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.

Respondents certify that they have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that Respondents 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 them to submit it.

2/25/08
Date

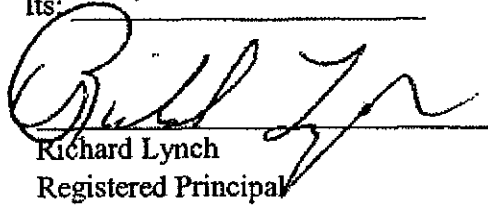
2/25/08
Date

Chicago Investment Group, LLC

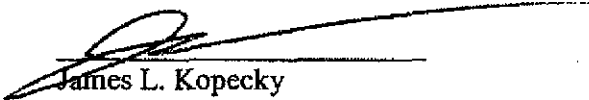


By: Richard Lynch

Its: CEO


Richard Lynch
Registered Principal

Reviewed by:


James L. Kopecky
Counsel for Respondents
James L. Kopecky, P.C.
321 North Clark Street
Suite 2200
Chicago, IL 60610
312.527.3966

Respondents certify that they have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that Respondents 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 them to submit it.

Chicago Investment Group, LLC

Date

By:

Its:

Date

Date

2/23/08

Richard Lynch
Registered Principal

George Reilly
Registered Principal

Reviewed by:

James L. Kopecky
Counsel for Respondents
James L. Kopecky, P.C.
321 North Clark Street
Suite 2200
Chicago, IL 60610
312.527.3966

Accepted by FINRA:

June 19, 2008
Date

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



Marcletta Kerr
Senior Regional Attorney
FINRA Department of Enforcement
55 W. Monroe, 27th Floor
Chicago, IL 60603
312.899.4673; (f) 312.899.4600

STATEMENT OF CORRECTIVE ACTION

Re: No E8A20050046

Since the time of the activities alleged in the Acceptance, Waiver and Consent ("AWC"), Chicago Investment Group, LLC ("CIG") has overhauled its compliance and oversight functions. CIG has hired a new President, Robert Acri. Mr. Acri possesses more than two decades of securities industry experience and is also a licensed attorney. CIG also has hired a new Chief Compliance Officer, Mary Jo Hayes. Ms. Hayes possesses more than two decades of securities compliance and operations experience. Further, CIG has hired a new General Counsel and created the position of Chief Regulatory Officer. Howard Rosenberg has been hired to fill those positions. Mr. Rosenberg came to CIG from the law firm of DLA Piper, and previously served as an attorney with the Division of Enforcement of the U.S. Securities and Exchange Commission.

Other personnel changes have occurred at CIG since the time of the alleged activities. The employment of all CIG employees allegedly involved (with the exception of Richard Lynch) has been terminated. Additionally with specific regard to the Net Tel matter, CIG received and relied upon advice from independent outside counsel. CIG has replaced that counsel, and has worked with new counsel on revamping its proofreading and due diligence process related to private placement offerings.

Finally, CIG has retained the law firm of Katten Muchin Rosenman to rewrite its supervisory procedures. CIG also welcomes the opportunity to hire an independent consultant to conduct a comprehensive review of the adequacy of CIG's policies, systems, procedures and training. To perform this function, CIG has hired David Medow, a former Assistant Regional Director of the U.S. Securities and Exchange Commission.

CIG is proud of the actions listed above, which are designed to ensure that activities similar to those alleged in the AWC do not happen in the future.

* * *

This Statement of Corrective Action is submitted by CIG. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.