

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

IN THE MATTER OF:)	
)	
Timothy Knauf)	File No: 1300029
(CRD# 1902373), d/b/a)	
Midwest Financial Associates)	
)	
)	

CONSENT ORDER

TO THE RESPONDENT: Timothy Knauf
(CRD# 1902373)
555 S. Perryville Road
Rockford, IL 61108

Midwest Financial Associates
555 S. Perryville Road
Rockford, IL 61108

WHEREAS, Respondent Timothy Knauf and Midwest Financial Associates, Inc., on the ___ day of March, 2013 executed a certain Stipulation to Enter Consent Order ("the Stipulation"), which hereby is incorporated by reference herein.

WHEREAS, by means of the Stipulation, Respondents have admitted to the jurisdiction of the Secretary of State.

WHEREAS, by means of the Stipulation, Respondents acknowledged service of the Department's Notice of Hearing dated March __, 2013 in this proceeding (the "Notice") and has consented to the entry of this Consent Order ("Consent Order").

WHEREAS, by means of the Stipulation, Timothy Knauf has acknowledged that the following shall be adopted as the Secretary of State's Findings of Fact:

1. Respondent Timothy Knauf ("Knauf") is an individual with last known addresses of 555 S. Perryville Road, Rockford, IL 61108.
2. Knauf is President of Midwest Financial Associates, Inc. ("Midwest"). Knauf is the sole investment adviser representative of Midwest.
3. Knauf was also previously registered as a securities salesperson in the State of Illinois.

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4. FINRA is a private, non-governmental organization that is registered with the United States Securities and Exchange Commission as a self-regulatory organization pursuant to the Securities Exchange Act of 1934.
5. Section 12 (D) of the Illinois Securities Law of 1953 [815 ILCS 5/1 et seq] ("the Act") states, *inter alia*, that it shall be a violation of the provision of this Act for any person to fail to file with the Secretary of State any application, report or document required to be filed under the provisions of this Act or any rule or regulation made by the Secretary of State pursuant to this Act or to fail to comply with the terms of any order of the Secretary of State issued pursuant to Section 11 hereof:

Knauf did not timely disclose the notice (commonly known as a WELLS letter) that he received from FINRA regarding the commencement of a proceeding on his individual registration or on Midwest's Form ADV.

6. In order to resolve an investigation initiated by FINRA, Knauf submitted a Letter of Acceptance, Waiver and Consent ("AWC") to FINRA that was accepted on February 5th, 2013. Although Knauf neither admitted nor denied the allegations, the AWC established the following facts and conduct:
 - a. Knauf received payments for referring clients to Crawford Asset Management ("CAM"), a registered investment adviser;
 - b. Knauf did not directly or promptly inform First Heartland Capital, a registered broker-dealer with whom he associated, of his referrals to CAM; and
7. In submitting the AWC to FINRA, Knauf consented to a suspension from associating with any FINRA member firm in any and all capacities for a period of 60 days and a \$5,000 fine.
8. Section 8.E(1)(j) of the Act provides, *inter alia*, that the registration of an investment adviser representative may be suspended or revoked if the Secretary of State finds that such investment adviser representative has had membership in or association with any self-regulatory organization registered under the Federal 1934 Act or the Federal 1974 Act suspended, revoked, refused, expelled, cancelled, barred, limited in any capacity, or otherwise adversely affected in a similar manner arising from any fraudulent or deceptive act or a practice in violation of any rule, regulation or standard duly promulgated by the self-regulatory organization.
9. Section 11.F(7) of the Act states, *inter alia*, that whenever the Secretary of State finds that a person is currently expelled from, refused membership in or association with, or limited in any material capacity by a self-regulatory organization registered under the Federal 1934 Act or Federal 1974 Act because of a fraudulent or deceptive act or a practice in violation of a rule, regulation, or standard duly promulgated by the self-regulatory organization, the Secretary of State may, at his or her discretion, enter a

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Summary order of Prohibition, which shall prohibit the offer or sale of any securities by the person in this State.

WHEREAS, by means of the Stipulation, Respondents have acknowledged that the following shall be adopted as the Secretary of State's Conclusions of Law:

1. Illinois has jurisdiction over this matter pursuant to the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act").
2. The Illinois Securities Department finds that the above conduct subjects Knauf to sanctions pursuant to Sections 8.E (1)(j), 11.F(7) and 12(D) of the Act.

WHEREAS, by means of the Stipulation, the parties acknowledged and agreed that Respondent shall pay ten thousand dollars (\$10,000.00) to the Illinois Secretary of State, Securities Audit and Enforcement Fund. Said payment shall be made no later than thirty (30) days after the entry of this Consent Order.

WHEREAS, by means of the Stipulation, Midwest acknowledged and agreed that it shall refund advisory fees to his clients for the period during which Midwest Financial Associates did not update the ADV to disclose the pending FINRA matter.

WHEREAS, by means of the Stipulation, Knauf acknowledged and agreed that he is currently serving a sixty (60) day suspension from associating with any FINRA member firm in any and all capacities (the "FINRA suspension"). The FINRA suspension began on February 19, 2013.

WHEREAS, by means of the Stipulation, Knauf acknowledged and agreed that upon the entry of this Consent Order, his registration shall be reviewed by a licensed attorney once a year:

WHEREAS, by means of the Stipulation, the parties acknowledged and agreed that the foregoing and the entry of this Consent Order shall resolve among the Respondents and the Illinois Secretary of State the matter that is FINRA proceeding and the Respondents' failure to timely update their respective registration documents to disclose the FINRA proceeding:

NOW THEREFORE, IT IS HEREBY ORDERED THAT:

1. Respondent, Timothy Knauf, shall pay ten thousand dollars (\$10,000.00) to the Illinois Secretary of State, Securities Audit and Enforcement Fund. Said payment shall be made no later than thirty (30) days after the entry of this Consent Order.
2. Within 30 days of the entry of this Consent Order, Respondent, Midwest Financial Associates, Inc., shall write and deliver a letter to all of its advisory clients for the period during which it did not update its Form ADV to disclose the pending FINRA matter which letter will inform the clients that the Form ADV was not timely updated to disclose the FINRA proceeding and that the client may receive a refund of advisory fees for the period during which Midwest Financial Associates had not timely updated the Form

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ADV. The letter shall request that the client respond within 30 days affirmatively or negatively to the offer to refund the advisory fees. Respondent Midwest Financial Associates, Inc. shall maintain copies of the letters, responses and, once a client requests a refund, evidence of the delivery of such refund to the client within 30 days of the request.

3. Respondent, Timothy Knauf, acknowledged and agreed that upon the entry of this Consent Order, his registration shall be reviewed by a licensed attorney once a year.
4. The Notice of Hearing dated March ____, 2013, as it relates to Respondent Timothy Knauf and Midwest Financial Associates is dismissed without further proceedings.


Entered: This 28th day of March, 2013.



JESSE WHITE
Secretary of State
State of Illinois

NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12.D of the Act. Any person or entity who fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of the Order shall be guilty of a Class 4 Felony.

Attorney for the Secretary of State:



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