

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

\_\_\_\_\_  
IN THE MATTER OF: LOUIS E. STOUGH )  
\_\_\_\_\_) )  
\_\_\_\_\_)

FILE NO. 0700448

CONSENT ORDER OF DISMISSAL

**TO THE RESPONDENT:** Louis E. Stough  
(CRD#: 1675992)  
100 Barclay Blvd. #224  
Lincolnshire, Illinois 60069

Louis E. Stough  
c/o Reliance Worldwide Investments, LLC  
2033 N. Milwaukee Ave. #125  
Riverwoods, Illinois 60015-3581

Stuart D. Polizzi  
Jenner & Block LLP  
One IBM Plaza  
Chicago, IL 60611

WHEREAS, Respondent on the 21st day of January, 2008 executed a certain Stipulation to Enter Consent Order of Withdrawal (the "Stipulation"), which hereby is incorporated by reference herein.

WHEREAS, by means of the Stipulation, Respondent has admitted to the jurisdiction of the Secretary of State and service of the Notice of Hearing of the Secretary of State, Securities Department, dated November 5, 2007 in this proceeding (the "Notice") and Respondent has consented to the entry of this Consent Order of Withdrawal ("Consent Order").

WHEREAS, by means of the Stipulation, the Respondent acknowledged, without admitting or denying the truth thereof, that the following allegations contained in the Notice of Hearing shall be adopted as the Secretary of State's Findings of Fact:

1. That on September 4, 2007, Reliance Worldwide Investments, LLC, a registered dealer, filed a Form U 4 application for registration of the Respondent as a salesperson in the State of Illinois pursuant to Section 8 of the Act.

2. That on April 5, 2005 NASD entered a Letter Of Acceptance, Waiver And Consent (AWC) submitted by the Respondent regarding File No. CE1050001 which sanctioned the Respondent as follows:
  - a. a censure; and
  - b. fine in the amount of \$25,000, which shall be due after notice of acceptance of this AWC; and
  - c. Suspension in all capacities with and NASD member for a period of ten (10) months.
  
3. That the AWC found:
  - a. During the period from approximately August 2002 through January 2003, Stough made unsuitable sales and recommendations to at least twelve individuals. During this period First Command recommended that each of these twelve individuals liquidate their Systematic Investment Plan investments and reinvest the proceeds in Class A shares of mutual funds. In each instance, Stough failed to consider the option of purchasing a fund in the same fund family as the Systematic Plan, thus eliminating the sales charge. Rather, he recommended and sold shares of other fund families, and charged the customer a sales charge of up to 5.75%. Each customer paid these sales charges when a net-asset-value (NAV) transfer to a fund within the same fund family as the Systematic Investment Plan would have included no sales charges.
  
  - b. Stough also failed to inform each customer that he had the option to transfer their assets from the Systematic Investment Plans to other mutual funds in the same family at NAV without incurring sales commissions. In each sale, Stough instructed his client to liquidate the Systematic Investment Plan and place the proceeds in a bank account. Stough then advised each customer to write a check from the bank account and invest the proceeds to purchase new funds, rather than complete a direct fund-to-fund rollover as required by First Command's procedures. Stough also failed to indicate in the documentation for the new purchases that the customer's money for the purchase was derived from Systematic Investment Plan liquidations. Instead, Stough labeled the source of the money as "bank IRA" in his transaction notes that he submitted for First Command's supervisory review. As a result of Stough's conduct that was structured in a manner contrary to First Command procedures, these transactions went undetected for approximately six months.

- c. Stough made unsuitable recommendations to 12 client households in 47 separate transactions generating total commissions of \$34,433.66 to First Command. Stough received \$16,507.24 of the \$34,433.66 generated, with the remainder paid to First Command, First Command supervisors and the fund sponsors. In each of the transactions, the customers could have purchased comparable mutual funds within the same fund family as their original systematic investment plan holding at NAV, thereby avoiding the payment of sales charges.
  - d. For example, customer ECG withdrew \$55,671.76 from one Systematic Investment Plan and subsequently purchased funds in a different fund family as that of the Systematic Investment Plan. Customer ECG paid \$2498.05 in sales charges, when the customer was eligible to purchase funds within the Systematic Investment Fund family that had very similar investment objectives at NAV and therefore no sales charges. Similarly Customer CLG withdrew \$93,310.40 from the one Systematic Investment Plan and subsequently purchased funds in a different fund family. Customer CLG paid \$3269.20 in sales charges, when the Customer was eligible to transfer the assets to funds within the Systematic Investment Plan family at NAV. Another example of Stough's recommendations is that of customer LAT. Customer LAT withdrew \$114,163.30 from the one Systematic Investment Plan and subsequently purchased funds in a different fund family as that of the Systematic Investment Plan. Customer LAT paid \$2286.38 in sales charges, when the Customer was eligible to purchase Comparable funds within the Systematic Investment Plan family at NAV.
  - e. Such acts, practice and conduct set forth above constitute separate and distinct violations of NASD Conduct Rule 2120, 2310 and 2110 by the Respondent.
4. That Section 8.E(1)(j) of the Act provides, inter alia, that the registration of a salesperson may be denied if the Secretary of State finds that such salesperson has been suspended by any self-regulatory organization registered under the Federal 1934 Act or the Federal 1974 Act suspended, revoked, refused expelled, cancelled, barred, limited in and 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.
  5. That NASD is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.

6. That the Respondent's registrations as a salesperson in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(j) of the Act.

WHEREAS, by means of the Stipulation Respondent has acknowledged, without admitting or denying the averments, that the following shall be adopted as the Secretary of State's Conclusion of Law:

The Respondent's registrations as a salesperson in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(j) of the Act.

WHEREAS, by means of the Stipulation, Respondent has acknowledged and agreed that he has executed a certain Affidavit and submitted a certain Affidavit, which contains undertakings that he will adhere to upon entry of the Consent Order. Said Affidavits are incorporated herein and made a part hereof.

WHEREAS, by means of the Stipulation Respondent has acknowledged and agreed that he shall be levied costs incurred during the investigation of this matter in the amount of One Thousand Five Hundred dollars (\$1,500.00). Said amount has been paid by certified or cashier's check, made payable to the Office of the Secretary of State, Securities Audit and Enforcement Fund.

WHEREAS, by means of the Stipulation Respondent has acknowledged and agreed that he has submitted with the Stipulation a certified or cashier's check in the amount of One Thousand Five Hundred dollars (\$1,500.00) to cover costs incurred during the investigation of this matter. Said check has been made payable to the Office of the Secretary of State, Securities Audit and Enforcement Fund.

WHEREAS, by means of the Stipulation Respondent has acknowledged and agreed that he has submitted certain Affidavits, which contains undertakings that he will adhere to upon entry of this Consent Order. Said Affidavit is incorporated herein and made a part hereof.

WHEREAS, the Secretary of State, by and through his duly authorized representative, has determined that the matter related to the aforesaid formal hearing may be dismissed without further proceedings.

NOW THEREFORE IT SHALL BE AND IS HEREBY ORDERED THAT:

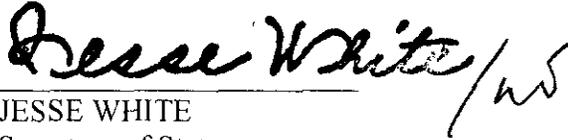
1. The Notice of Hearing dated November 5, 2007 is dismissed.
2. The Respondent acknowledges and agrees that he has executed a certain Affidavits, which contains undertakings that he will adhere to upon entry of the Consent Order. Said Affidavits are incorporated herein and made a part hereof.

Consent Order of Dismissal

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3. The Respondent is levied costs of investigation in this matter in the amount of One Thousand Five Hundred Dollars (\$1,500.00), payable to the Office of the Secretary of State, Securities Audit and Enforcement Fund, and on January 30, 2008 has submitted One Thousand Five Hundred Dollars (\$1,500.00) in payment thereof.
4. The formal hearing scheduled on this matter is hereby dismissed without further proceedings.

ENTERED This 30<sup>th</sup> day of January, 2008.



JESSE WHITE  
Secretary of State  
State of Illinois

NOTICE: Failure to comply with the terms of this Order shall be a violation of the 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.

This is a final order subject to administrative review pursuant to the Administrative Review Law, {735 ILCS 5/3-101 et seq.} and the Rules and Regulations of the Illinois Securities Act, {14 Ill. Admin. Code Ch. I, Section 130.1123}. Any action for Judicial Review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review.

Attorney for the Secretary of State:  
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