

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

IN THE MATTER OF: LOUIS E. STOUGH)
_____))

FILE NO. 0700448

NOTICE OF HEARING

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

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on the 15th day of January, 2008 at the hour of 10:00 a.m. or as soon as possible thereafter, before George Berbas Esq., or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order shall be entered denying Louis E. Stough's (the "Respondent ") (CRD#:1675992) registration as a salesperson in the State of Illinois and/or granting such other relief as may be authorized under the Act including but not limited to the imposition of a monetary fine in the maximum amount pursuant to Section 8.E(1)(j) of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

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 by virtue of the foregoing, the Respondent's registration as a salesperson in the State of Illinois is subject to denial pursuant to Section 8.E(1)(j) of the Act.

Notice of Hearing

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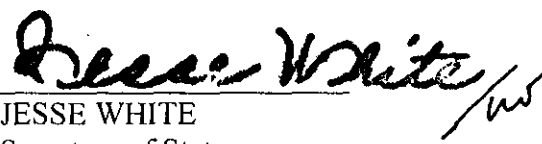
You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 ILL. Adm. Code 130)(the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this Notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default, unless any Respondent has upon due notice moved for and obtained a continuance.

A copy of the Rules, promulgated under the Act and pertaining to hearings held by the Office of the Secretary of State, Securities Department, is included with this Notice.

Delivery of Notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This 5th day of November 2007.


JESSE WHITE
Secretary of State
State of Illinois

Attorney for the Secretary of State:
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Illinois Securities Department
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Hearing Officer:
George Berbas
180 N. LaSalle, Suite 1916
Chicago, Illinois 60601