

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
No. E8A2004064801

TO: Department of Enforcement
NASD

RE: Timothy G. Clouse, Respondent
Limited Registered Principal
(CRD No. 1647709)

Pursuant to Rule 9216 of NASD Code of Procedure, I, Timothy G. Clouse, submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against me alleging violations based on the same factual findings.

I understand that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Enforcement and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
3. If accepted:
 - a. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against me;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about my disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and
 - d. I 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

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is without factual basis. Nothing in this provision affects my testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

I also understand that my experience in the securities industry and disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

Timothy G. Clouse ("Clouse") entered the securities industry on June 22 1987, as an Investment Company and Variable Contracts Products Representative of a member of NASD. On June 23, 1987, Clouse also became registered as an Investment Company and Variable Contracts Products Principal of a member of NASD. On April 25, 2003, Clouse became registered as an Investment Company and Variable Contracts Products Representative of ABN Amro Financial Services, Inc., now known as LaSalle Financial Services, Inc. ("Member"), a member of NASD. On May 5, 2003, Clouse also became registered with the Member as a General Securities Representative. He was registered in such capacities until June 1, 2004. From June 4, 2004 to May 26, 2005, Clouse was registered with another member of NASD in the same capacities as well as an Investment Company and Variable Contracts Products Principal of a member of NASD. He is not currently registered with any member of NASD, and has no history of disciplinary action.

I.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against me;
- 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 NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I 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.

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

II.

ACCEPTANCE AND CONSENT

A. I 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 NASD, or to which NASD 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 NASD:

- 1. On June 9, 2003, Clouse partially completed and signed five forms entitled "Annuities and Securities Acknowledgement" for RS's purchases of shares of "529 Alliance Capital Quality Bond" funds for his five grandchildren. RS signed the five forms as well on June 9, 2003. At the time that RS signed the five forms, they stated that there was a front-end charge of 0%, and the portions related to the sales/surrender charges were left blank. After RS signed the Forms, Clouse inserted information about the sales and surrender charges that RS incurred through his purchase of the 529 Alliance Capital Quality Bond fund on the five forms, without informing RS that he was altering the forms, and while informing RS that he would not incur any charge as a result of the purchase, in violation of NASD Conduct Rule 2110.**
- 2. On February 9, 2004, Clouse partially completed and signed a form entitled "Mutual Fund/Unit Investment Trust Acknowledgment" for SC's purchase of \$175,000 worth of Class A mutual fund shares of "Federated Kaufman" fund. SC signed the form as well on February 6, 2004. After SC signed the Form, Clouse masked the sales charge information that he had written on the form and replaced different information about sales charges on the form. Clouse initially wrote that SC was entitled to a volume discount of \$4,375 or 2.5% of the investment, and that SC would incur a total upfront charge of \$5,250 or 3% of the investment. Clouse then wrote that SC was only entitled to a volume discount of \$3,062 or 1.75% and would be charged a total upfront charge of \$6,562 or 3.75%, without informing SC that he was altering the form that she signed, in**

violation of NASD Conduct Rule 2110.

3. On March 30, 2004, Clouse partially completed and signed a form entitled "Mutual Fund/Unit Investment Trust Acknowledgment" for UB's purchase of \$26,461.47 worth of shares of "Federate Gov't. Income" fund. RS signed the form as well on March 30, 2004. At the time that UB signed the form, it stated that there was a total upfront charge of 0%, and the portions related to the disclosure of the contingent deferred sales charges were left blank. After UB signed the Form, Clouse inserted information about the sales and surrender charges that UB incurred through her purchase of the Federate Gov't. Income fund on the form, without informing UB that he was altering the document, in violation of NASD Conduct Rule 2110.
4. On April 16, 2004, Clouse partially completed and signed a form entitled "Mutual Fund/Unit Investment Trust Acknowledgment" for JG's purchase of \$105,500 worth of shares of "Federated Bond Funds." JG signed the form as well on April 16, 2004. At the time that UB signed the form, it stated that there was a total upfront charge of 0%, and the portions related to the disclosure of the contingent deferred sales charges were left blank. After JG signed the Form, Clouse inserted information about the sales and surrender charges that JG incurred through her purchase of the Federate Gov't. Income fund on the form, without informing JG that he was altering the document, and while informing JG that he would not incur any charge as a result of the purchase, in violation of NASD Conduct Rule 2110.

- B. I also consent to the imposition, at a maximum, of the sanction of a bar from association with any member of NASD in any capacity.

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

III.

OTHER MATTERS

- A. I understand that if I am barred or suspended from associating with any NASD member, I become subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, I may not be associated with any NASD member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. (See NASD Rule 8310 and IM-8310-1.)

I 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, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce me to submit it.

Date

Timothy G. Clouse
Limited Registered Principal

Reviewed by:

Counsel for Respondent

Accepted by NASD:

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Date

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

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