

STATE OF NEW HAMPSHIRE
BUREAU OF SECURITIES REGULATION
DEPARTMENT OF STATE
25 CAPITOL STREET
CONCORD, NH 03301

CONSENT ORDER

Karl E. Hahn, CRD # 2487638

INV-2010000015

For purposes of settling the above-referenced matter and in lieu of further administrative proceedings, Karl E. Hahn has submitted an offer of settlement, which the Bureau of Securities Regulation, Department of State, State of New Hampshire (hereinafter referred to as the "Bureau") has determined to accept. Accordingly, Karl E. Hahn and the Bureau do hereby agree as follows:

STATEMENT OF FACTS

I. The staff of the Bureau and Karl E. Hahn agree to the following facts:

1. Karl E. Hahn (hereinafter referred to as "Hahn") is a licensed registered representative formerly employed by Oppenheimer & Co. Inc. (hereinafter referred to as "Oppenheimer") at their branch office location of 30 Penhallow Street, Suite 100, Portsmouth, NH 03801. Hahn's CRD number is 2487638. Oppenheimer is both a brokerage and investment adviser firm with a main office location of 125 Broad Street, 16th floor, New York, NY 10004. Oppenheimer's CRD number is 249. Hahn had been working for Oppenheimer since June 2009.
2. Hahn was previously employed as a registered representative for Deutsche Bank Securities Inc. (hereinafter referred to as "DBSI") from February 2008 to May 2009. DBSI's CRD number is 2525. Prior to DBSI, Hahn was employed at Merrill Lynch,

Pierce, Fenner & Smith, Inc. (hereinafter referred to as "Merrill") from September 2004 to February 2008. Merrill's CRD number is 7691.

3. Investor #1 and Investor #2 are husband and wife since 2002. They are from Incline Village, Nevada. Investor #3 is the ex-husband of Investor #1 and is from Portsmouth, New Hampshire. Investor #1 and Investor #3 had been high net-worth clients of Hahn since 2006 while he was employed at Merrill. Investor #2 had been a client of Hahn since at least 2009, while he was employed at DBSI. For Investor #1, Investor #2, and Investor #3, Hahn formerly provided financial and investment advice and acts as financial manager over their assets.
4. Throughout 2008 and 2009, while employed at DBSI, Hahn introduced his neighbor, an insurance agent and owner of a Portsmouth, New Hampshire insurance company, to his clients, Investor #1, Investor #2 and Investor #3. The purpose of these introductions and various meetings was to discuss the benefits of obtaining high value life insurance policies for these high net worth clients. At these meetings with Hahn and his clients, the insurance agent explained that the premiums for these policies would be financed from a third party lender, a premium finance company. The premium financing company would require collateral in order to make the loan, either in the form of an expensive irrevocable letter of credit issued by a bank or a control agreement effectively locking assets in a designated securities account. The appeal of this transaction was a large death benefit meant to assist their heirs in paying estate taxes upon their death. Between 2008 and 2009, Investor #1, Investor #2, and Investor #3 purchased these high value life insurance policies and provided collateral to obtain the financing through one of the methods discussed above.
5. Hahn alleged that the insurance agent involved received millions of dollars in insurance commissions related to the transactions described in number 4 above. While being examined under oath at an investigative deposition conducted by the Bureau on January 20, 2011, Hahn claimed to have received no compensation from these activities; however, Hahn admitted that his father, with whom he lives with, had received

approximately six hundred thousand dollars (\$600,000) in split commissions with the insurance agent for at least two out of the three life insurance transactions discussed above. Hahn also admitted under oath that he did not disclose to Investor #1, Investor #2 or Investor #3 that his father would be receiving approximately six hundred thousand dollars (\$600,000) in insurance commissions generated from their transactions. Hahn further acknowledges under oath that his father receiving split commissions for these transactions was a conflict of interest and he should have made his clients aware. Investor #3 verified by phone interview with the Bureau dated February 10, 2011, that he was not made aware by Hahn that Hahn's father would be receiving commissions from his insurance transaction. Deutsche Bank's policy manual entitled "Outside Business Activities and Affiliations Policy," which was in place while Hahn was employed at DBSI, states that: "To avoid potential conflicts of interest or even the potential appearance of a conflict of interest, employees must disclose and obtain prior approval for certain outside business activities or affiliations." DBSI, through their outside counsel, maintains to the Bureau that Hahn failed to disclose to proper officials at DBSI that his father would be receiving commissions from the insurance transactions with Hahn's clients. DBSI's counsel further maintains to the Bureau that DBSI policy required Hahn to disclose these commissions and it would not have been permitted.

6. While being examined under oath by the Bureau on January 20, 2011, Hahn was asked, while employed at DBSI or Oppenheimer, whether he solicited Investor #3 to withdraw one million nine-hundred thousand dollars (\$1,900,000) from his DBSI account managed by Hahn for an outside investment venture. Hahn answered: "No." The Bureau also asked Hahn under oath whether or not he had solicited Investor #3 to make any investment of any value outside his employment at DBSI or Oppenheimer and again Hahn answered: "No." Finally, Hahn was asked under oath whether Investor #3 had withdrawn one million nine hundred thousand dollars (\$1,900,000) from his account managed by Hahn and gave it to Hahn to invest, and again Hahn replied: "No."
7. On February 3, 2011, the Bureau received an email communication and a document attachment from Hahn's counsel, Andrew Shulman, of Getman, Schulthess & Steere,

P.A. The email communication explained that Hahn wished to "correct and supplement" statements made during his deposition at the Bureau on January 20, 2011. The email communication indicated that there was an attached letter explaining the corrections Hahn wishes to make. The email communication further indicated that Hahn would provide a signed copy of the attached letter "in the near future." On the second page, second paragraph of that attached letter, it states that, while at DBSI, Investor #3 "asked for ideas to substantially increase his returns in a short time frame" and Hahn "recommended that he participate in real estate investments outside of Deutsche Bank." The attached letter goes on to explain that Investor #3 did withdraw approximately one million nine hundred thousand dollars (\$1,900,000) from his DBSI account for this outside investment; Hahn admits that he "had effective control of these funds." Neither the email communication nor the attached letter provide any indication that Hahn did not understand the question being asked of him that day during the deposition or any indication that Hahn felt that the transcript of the deposition had been inaccurately transcribed.

8. While being examined under oath by the Bureau on January 20, 2011, Hahn was asked whether he was in substantially less of a financial position as he had been in a few years ago, to which he replied: "Very substantially." Also while examined that day, Hahn admitted that his residence in Portsmouth New Hampshire was currently under foreclosure and was scheduled to be sold at foreclosure auction in the near future. Hahn maintained that this home would not be foreclosed on, that he working out a payment plan with a lender, and that he didn't think that he needed to file for bankruptcy. Since the January 20, 2011 deposition of Mr. Hahn, his residence has since been foreclosed upon.
9. While being examined under oath by the Bureau on January 20, 2011, Hahn stated that he had borrowed between three and four hundred thousand dollars (\$300,000 to \$400,000) from his father sometime after his father had received the approximately six hundred thousand dollars (\$600,000) in split commissions discussed above.

10. On January 25, 2011, a default judgment was entered in Portsmouth District Court against Hahn in a civil suit brought against him by a local landscaping company for unpaid bills relating to landscaping services provided at Hahn's residence. Hahn failed to appear to the hearing, was ordered in default and ordered to pay \$2,958.25 (Case No. 470-2010-CV-00161). Hahn represents that he has paid this judgment in full (but Bureau staff has not independently verified this).

II. For the following facts, Hahn asserts his privilege against self-incrimination, as guaranteed by Part 1, Article 15 of the New Hampshire Constitution and the Fifth Amendment of the United States Constitution. As such, the Bureau is entitled to all reasonable adverse inferences from this assertion of the privilege. See, Baxter v. Palmigiano, 425 U.S. 308 (1976); Fischer v. Hooper, 143 N.H. 585 (1999).

11. On February 8, 2011, the Bureau obtained, through Investor #3's attorney, a document entitled "Karl Hahn Investment Diary," written by Investor #3 and dated June 12, 2010, which explained the one million nine hundred thousand dollar (\$1,900,000) transaction discussed above. Accompanying that letter were bank statements from Investor #3's DBSI account and Bank of America personal checking account. Investor #3 maintains in the "Karl Hahn Investment Diary" that Hahn called him while he was in Paris, France in March 2009 to offer him an investment opportunity where both Investor #3 and Hahn himself would loan three million eight hundred thousand dollars (\$3,800,000) to three different undisclosed persons and would be paid back within ninety (90) days with a 20% return on investment. Investor #3 maintains that Hahn asked him to do this transaction away from the attention of DBSI by depositing the investment monies into Hahn's father's personal checking account. Investor #3 also maintains that Hahn asked him to keep this investment transaction private and further asked him not tell his family or friends. Investor #3 maintains that he agreed to go through with this private investment opportunity. Investor #3 maintained, in a telephone interview with the Bureau dated February 10, 2011, that he repeatedly asked for the investment contract and other paperwork surrounding this investment deal and was repeatedly given excuses and promises that the paperwork would arrive soon. In that phone interview, Investor

#3 maintains that he never received any paperwork for this transaction. By 2010, Investor #3 maintains that his initial investment of one million nine hundred thousand dollars (\$1,900,000) had not yet been returned and he was solicited by Hahn to send Hahn's father an additional three hundred and eighty five thousand dollars (\$385,000) over a series of transactions after being given various reasons for needing additional funding in order to complete the investment opportunity and return all the original funds and earned interest. As a result, Investor #3 maintains that the following transactions and circumstances occurred (which are corroborated by bank statements provided to the Bureau):

1. On 03/02/2009, Investor #3 deposited three hundred thousand dollars (\$300,000) into Hahn's father's personal Bank of America checking account with the intention it would be treated by Hahn as partial funding towards the real estate investment opportunity described above.
2. On 04/15/2009, Investor #3 transferred one million nine hundred thousand dollars (\$1,900,000) from his DBSI account to his personal Bank of America checking account.
3. On 04/15/2009, Investor # 3 transferred one million six hundred thousand dollars (\$1,600,000) from his personal Bank of America checking account into Hahn's father's personal Bank of America checking account with the intention it would be treated by Hahn as full funding of one million nine hundred thousand dollars (\$1,900,000) agreed upon for the real estate investment opportunity described above.
4. On 02/16/2010, Investor #3 transferred two hundred and fifty thousand dollar (\$250,000) from his personal Bank of America checking account into Hahn's father's personal Bank of America checking account after Hahn alleged to Investor #3 that the investment properties purchased with their funds were in need of

repairs before they could be sold to a hedge fund in Illinois and additional monies were necessary before their profit could be had.

5. On 03/16/2010, Investor #3 transferred one hundred thousand dollars (\$100,000) from his personal Bank of America checking account into Hahn's father's personal Bank of America checking account after Hahn alleged that the investment properties were damaged by high winds and additional repairs needed to be made before the properties could be sold to the Illinois hedge fund.
6. On 04/19/2010, Investor #3 transferred thirty five thousand dollars (\$35,000) from his personal Bank of America checking account to Hahn's father's personal Bank of America checking account after Hahn alleged that additional monies were necessary for clerical items.

As of February 10, 2011, Investor #3 maintains that he has not recovered any of the two million two hundred and eighty-five thousand dollars (\$2,285,000) in funds that were transferred to Hahn's father. Furthermore, according to DBSI's policy manual entitled "Employee and Employee-Related Accounts Trading Policy," which was in place while Hahn was employed at DBSI, Hahn must disclose to his supervisor and compliance department at DBSI all personal and beneficially owned investment accounts and obtain written approval if the monies are not maintained in a "Designated Broker" account. The policy manual mandates disclosure of investment accounts for relatives residing with the employee and accounts for an individual who is supported to a material extent by the employee. Hahn, in his investigative deposition on January 21, 2011, stated to the Bureau that his father both resided with him for many years while employed at DBSI and that he financially supported his father entirely. DBSI maintains, through their counsel, that Hahn never obtained written permission for an investment account with his DBSI client, Investor #3 to be held in his father's account, an account which was not a "designated broker" by DBSI standards. Hahn is in violation of this policy manual for failing to obtain written permissions for these outside activities

STATEMENTS OF LAW

The staff of the Bureau and Hahn hereby agree that the following conclusions of law are supported by:

- (a) the stipulated facts set forth in Section I of the Statement of Facts, and
- (b) the facts that can be found as a result of (i) the adverse inference from Hahn's assertion of his Fifth Amendment privilege in Section II of the Statement Of Facts and (ii) the assertions of fact by Bureau Staff in Section II of the Statement of Facts, which Hahn has neither admitted nor denied.

1. Hahn asserts his Fifth Amendment privilege, and does not make any factual statements with respect to the following conclusions of law to the extent that they relate to matters described in Section II of the Statement of Facts. Hahn is a "person" within the meaning of RSA 421-B:2, XVI.
2. RSA 421-B:10, I, (a) and (b)(7), allows the secretary of state to deny, suspend, or revoke any license or application if he finds that it is in the public interest and the registered representative has engaged in dishonest or unethical practices in the conduct of business in the State of New Hampshire or elsewhere. Hahn is subject to this provision.
3. RSA 421-B:10, I, (a) and (b)(14), allows the secretary of state to deny, suspend, or revoke any license or application if he finds that it is in the public interest and for other good cause shown. Hahn is subject to this provision.
4. RSA 421-B:10, III, provides that the secretary of state may issue an order requiring the persons to whom any license has been granted to show cause why the license should not be revoked. RSA 421-B:10, III, further provides that the secretary of state may by order summarily postpone or suspend any license pending final determination of any order to show cause, provided he finds that

the public interest would be irreparably harmed by delay in issuing such order. Hahn is subject to these provisions.

5. Pursuant to RSA 421-B:8, X, persons licensed under RSA 421-B to conduct securities business shall abide by the rules of the Securities and Exchange Commission, National Association of Securities Dealers ("NASD"), national and regional stock exchanges, and other self-regulating organizations which have jurisdiction over the licensee, which set forth standards of conduct in the securities industry. Pursuant to RSA 421-B:10(b)(2), the secretary of state may by order deny, suspend, or revoke any license or application, or bar any person from licensure if he finds the person licensed has willfully violated or failed to comply with any provision of this title or a predecessor law, or of any other state's or Canadian province's securities laws, or the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, the Investment Company Act of 1940, or any rule under any of such statutes, or any order thereunder of which he has notice and to which he is subject. Hahn is found to be in violation of these provisions.
6. Pursuant to RSA 421-B:4, I, (a) and (b), It is unlawful for any person who receives any consideration from another person primarily for advising the other person as to the value of securities or their purchase or sale, whether through the issuance of analyses or reports or otherwise, to employ any device, scheme, or artifice to defraud another person or to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon the other person. Hahn is found to be in violation of this provision.
7. RSA 421-B:10, I, (a) and (b)(13), allows the secretary of state to deny, suspend, or revoke any license or application if he finds that it is in the public interest and the registered representative has made any material misrepresentation to the Secretary of State or has withheld or concealed information. Hahn is found to be violation of this provision.

8. RSA 421-B:10, VI, provides that the secretary of state, may upon hearing, assess an administrative fine of not more than \$2,500 per violation, in lieu of or in addition to, an order to revoke or suspend any license or application. Hahn is subject to this provision.
9. Pursuant to RSA 421-B:23, I, whenever it appears to the secretary of state that any person has engaged or is about to engage in any act or practice constituting a violation of this chapter or any rule under this chapter, he shall have the power to issue and cause to be served upon such person an order requiring the person to cease and desist from violations of this chapter. Hahn is subject to this provision.
10. Pursuant to RSA 421-B:26, III, any person who, either knowingly or negligently, violates any provisions of this chapter may, upon hearing, and in addition to any other penalty provided for by law, be subject to such suspension, revocation or denial of any registration or license, or an administrative fine not to exceed \$2,500, or both. Each of the acts specified shall constitute a separate violation. Hahn is subject to this provision.
11. Pursuant to RSA 421-B:26, V, after notice and hearing, the Secretary of State may enter an order of rescission, restitution, or disgorgement directed to a person who has violated RSA 421-B. Hahn is subject to this provision.
12. Pursuant to RSA 421-B:26, VIII, any person who, either knowingly or negligently, engages in any conduct prohibited by RSA 421-B:10,I, (b)(7), may, upon hearing, and in addition to any other penalty provided for by law, be subject to an administrative fine not to exceed \$2,500, or both. Each of the acts specified shall constitute a separate violation. Hahn is subject to this provision.

UNDERTAKING

In view of the foregoing, Hahn agrees to the following:

1. Hahn agrees that he voluntarily consented to the entry of this Consent Order and represents and avers that no employee or representative of the Bureau has made any promise, representation, or threat to induce his execution.
2. Hahn agrees to waive his right to an administrative hearing and any appeal therein under this chapter.
3. Hahn agrees that this Consent Order is entered into for the purpose of resolving only the matter as described herein. This Consent Order shall have no collateral estoppel, res judicata or evidentiary effect in any other lawsuit, proceeding, or action, not described herein. Likewise, this Consent Order shall not be construed to restrict the Bureau's right to initiate an administrative investigation or proceeding relative to conduct by Hahn which the Bureau has no knowledge of at the time of the date of the final entry of this Consent Order.
4. Hahn 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 allegation that he admitted to in this Consent Order or create the impression that the Consent Order is without factual basis.
5. Hahn agrees that the Bureau is entitled to recover the costs of its investigation in the amount of fifteen thousand dollars (\$15,000). Hahn does not contest the amount owed, however, Hahn represents a current inability to pay this fine. As such, the Bureau and Hahn agree to keep this matter open as the Bureau and Hahn negotiate a payment plan based upon financial information to be submitted by Hahn to the Bureau for consideration. If the Bureau and Hahn are unable to agree on an appropriate payment plan, or if Hahn fails to honor an agreed upon payment plan, both parties reserve the right to petition the director for relief.
6. Hahn's broker-dealer representative license with Oppenheimer (currently under summary suspension) is hereby permanently revoked. Also, upon Execution of this

Consent Order, Hahn agrees to an absolute lifetime bar from any securities licensure in the State of New Hampshire, as presently codified in RSA 421-B.

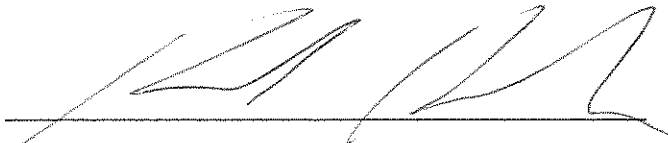
7. Hahn and the Bureau agree to keep this matter open to permit the Bureau to petition for restitution for Investor # 3 at any time in the amount of two million, two hundred and eighty-five thousand dollars (\$2,285,000), plus reasonable interest. Hahn does not contest this restitution award. The issue of restitution is presently being deferred solely due to a concurrent federal proceeding where restitution may be awarded. The Bureau will reassess this issue of restitution every six months from the date of this Consent until the Bureau is either satisfied with any restitution awarded in any other proceeding or the Bureau decides to petition for restitution.
8. Hahn will keep the Bureau informed of any developments, restitution awards, or any other changes with respect to his concurrent federal criminal proceeding.
9. If Hahn does not meet the conditions set forth in this Consent Order, this Order shall be voidable by the Bureau and the Bureau may continue its enforcement action related to the claims discussed above.
10. Hahn shall provide the Bureau with his current residential address, mailing address and email address in writing, within ten days of signing this order. Hahn will also notify the Bureau of any address changes within one week of moving from his current address. Should the Bureau petition the Director for relief related to a failure to comply with this Order, restitution, or costs owed, the Bureau will notify and serve Hahn through certified mail, return receipt requested at the updated address that Hahn has provided to this office. Should the certified mail return undelivered, notice to Hahn's most recent address filed with this office, and notice by his email address filed with this office, shall be deemed sufficient notice.
11. A failure to timely provide such contact information as required in Undertaking # 10 above shall be deemed in violation of this order, permitting the Bureau to rescind this agreement and continue its enforcement matter.

12. Hahn agrees that the Bureau shall retain jurisdiction in this matter and that this case shall remain as an open enforcement matter. Hahn may petition the Director to close this matter once he has satisfied all elements of the Undertaking stated above, particularly Undertaking number 5 and 7.

PURSUANT TO RSA 421-B:24, Any person who willfully violates any provisions of RSA 421-B:3, 421-B:4, 421-B:5 or fails to comply with an order from the secretary of state to cease and desist or for an injunction issued pursuant to RSA 421-B:23, or who fails to comply with an order to pay a fine, penalty, rescission, restitution, or disgorgement greater than \$10,000 pursuant to RSA 421-B:10, 421-B:23, or 421-B:26, or who violates RSA 421-B:19 knowing that the statement was false or misleading in any material respect, shall be guilty of a class B felony. Each of the acts specified shall constitute a separate offense and a prosecution or conviction for any one of such offenses shall not bar prosecution or conviction for any other offense.

SO CONSENTED.

Executed this ¹³ day of October, 2011



Karl Hahn

Executed this 15th day of October, 2011



STATE OF NEW HAMPSHIRE
DEPARTMENT OF STATE
BUREAU OF SECURITIES REGULATION
Joseph Long, Hearing Officer