STATE OF WASHINGTON DEPARTMENT OF FINANCIAL INSTITUTIONS SECURITIES DIVISION

IN THE MATTER OF DETERMINING whether there has been a violation of the Securities Act of Washington by:

SCOTT RAHN (CRD 1959522),

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Order No.: S-20-2966-21-CO01

CONSENT ORDER CONDITIONING INVESTMENT ADVISER REGISTRATION

Respondent.

THE STATE OF WASHINGTON TO: SCOTT RAHN, CRD 1959522

INTRODUCTION

Pursuant to the Securities Act of Washington, Chapter 21.20 RCW, the Securities Administrator 10 of the Department of Financial Institutions, Securities Division ("Securities Division") and the 11 Respondent, Scott Rahn, do hereby enter into this Consent Order in settlement of the matters alleged 12 herein. The Securities Division believes that entry of an agreed consent order is in the public interest and is 13 14 appropriate for the protection of investors. The Securities Division and Respondent jointly set forth the following Findings of Fact and Conclusion of Law. 15 16 **FINDINGS OF FACT** 17 Respondent Respondent is a Washington resident. From February 2014 to October 2019, Respondent 18 1. 19 was registered in Washington state as a securities salesperson of LPL Financial LLC ("LPL"). He was also 20 registered in Washington state as an investment adviser representative of LPL from July 2017 to October 21 2019. From December 2019 to May 2020, Respondent was registered in Washington state as an 22 investment adviser representative of Apex Advisory Group, Inc. On February 23, 2021, Respondent filed 23 CONSENT ORDER CONDITIONING 1 DEPARTMENT OF FINANCIAL INSTITUTIONS INVESTMENT ADVISER REGISTRATION **Securities Division** PO Box 9033 24 Olympia, WA 98507-9033 360-902-8760 25

1	an application for Washington state registration of investment adviser, Rahn Wealth Management, LLC			
2	(CRD 309497), for which Respondent is the principal owner, president, and sole investment adviser			
3	representative. As of the date of this Consent Order, the application is in pending status. Respondent's			
4	Central Registration Depository (CRD) number is 1959522.			
5	Nature of the Conduct			
6	2. In June and July of 2018, Respondent recommended that five customers, in regard to four			
7	accounts, purchase two principal protected notes and fund the purchases with the proceeds from			
8	liquidating the customers' variable annuity. Respondent recommended that each customer purchase the			
9	same principal protected notes ("Notes").			
10	3. The liquidations of the variable annuities caused the customers to incur surrender charges in			
11	amounts of \$2,440.74, \$6,051.25, \$7,011.33, and \$12,511.40.			
12	4. The customers were all senior investors, with approximate ages of 66, 71, 79, 80, and 85			
13	years old.			
14	5. In purchasing the Notes, the customers paid commissions in amounts of \$2,880; \$3,060;			
15	\$4,020; and \$13,200. Respondent received commissions on the sales totaling \$22,002.			
16	6. Respondent's reported basis for the recommendations was the annual fees customers were			
17	paying pursuant to the variable annuities and the disappointing returns on the investments in the variable			
18	annuities. Respondent did not provide documentation demonstrating that the benefits of liquidating out of			
19	the variable annuities outweighed the surrender charges and the loss of other features in the variable			
20	annuities, such as death benefit and annuitization options.			
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1	7. LPL found that the transactions "do not appear to be suitable" for the customers. As a result			
2	of this finding, LPL entered into a heightened supervision plan with Respondent. The heightened			
3	supervision plan began in February of 2019 for a duration of one year.			
4	8. On October 14, 2019, prior to the end of the heightened supervision plan, LPL terminated			
5	Respondent's employment for an unrelated reason.			
6	Based upon the above Findings of Fact, the following Conclusion of Law is made:			
7	CONCLUSION OF LAW			
8	1. Respondent's recommendations that brokerage customers purchase principal protected			
9	notes funded with variable annuity liquidations that required the payment of surrender fees, without			
10	documented consideration of key features of the products, were unsuitable in violation of RCW 21.20.702			
11	and WAC 460-22B-090(7). Such a violation is a basis to condition an application or registration under			
12	RCW 21.20.110(1)(b).			
13	CONSENT ORDER			
14	Based on the foregoing and finding it in the public interest:			
15	IT IS AGREED AND ORDERED that before any investment adviser application for an investment			
16	adviser controlled by Respondent is approved, Respondent and the investment adviser under his control			
17	(collectively, "Investment Adviser") must do the following:			
18	1. Retain an independent compliance firm to which the Securities Division does not object to provide			
19	compliance oversight. The oversight must be conducted for a period of two years beginning on the			
20	date the Securities Division approves the application. The contract with the compliance firm may not			
21	limit the compliance firm's liability and must provide that the compliance firm perform the			
22	following functions:			
23	CONSENT ORDER CONDITIONING INVESTMENT ADVISER REGISTRATION 3 DEPARTMENT OF FINANCIAL INSTITUTIONS Securities Division			
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25	500-702-0700			

1	a. Conduct a quarterly review of all of Investment Adviser's client accounts, including		
2	evaluation of all trades in the accounts for suitability and consistency with Investment		
3	Adviser's fiduciary duty to clients.		
4	b. Provide written evidence of its review to Investment Adviser.		
5	c. Preserve documentation evidencing the compliance firm completed its duties for at least six		
6	years after the client terminates all relationships with Investment Adviser or Investment		
7	Adviser terminates the relationship with the compliance firm, whichever comes first.		
8	d. Make records available for review by the Securities Division.		
9	e. Contact the Securities Division before terminating its contract with Investment Adviser.		
10	IT IS FURTHER AGREED that Investment Adviser will provide written notification to the		
11	Securities Division before terminating its relationship with the compliance firm providing oversight		
12	pursuant to this Consent Order. Investment Adviser must provide written notice to the Securities Division		
13	before hiring any subsequent compliance firms and may only hire a compliance firm to which the Securities		
14	Division does not object.		
15	IT IS FURTHER AGREED that the terms of this Consent Order will apply to any subsequent		
16	investment adviser application for an investment adviser controlled by Respondent, with the exception that		
17	the length of oversight by the compliance firm will be reduced by the number of months of oversight		
18	completed by the compliance firm at the time the subsequent investment adviser's registration is approved.		
19	IT IS FURTHER AGREED that unless and until oversight has been conducted pursuant to this		
20	Consent Order for two years, Investment Adviser may not conduct investment advisory business at any time		
21	during which a compliance firm meeting the requirements of this Consent Order is not retained.		
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1	IT IS FURTHER AGREED that Investment Adviser will comply with RCW 21.20.702, the			
2	suitability section of the Securities Act of Washington.			
3	IT IS FURTHER AGREED that upon discovery of violations of this Consent Order, the Securities			
4	Division will commence action to revoke Investment Adviser's registration or permanently bar Investment			
5	Adviser. Action may be taken against Respondent, any investment adviser controlled by Respondent, or			
6	both.			
7	IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.			
8	IT IS FURTHER AGREED that Respondent enters into this Consent Order freely and voluntarily			
9	with full understanding of its terms and significance.			
10	IT IS FURTHER AGREED that in consideration of the foregoing, Respondent waives his right to a			
11	hearing and to judicial review of this matter pursuant to RCW 21.20.440 and Chapter 34.05 RCW.			
12	AUTHORITY AND PROCEDURE			
13	This Consent Order is entered pursuant to the provisions of Chapter 21.20 RCW and is subject to the			
14	provisions of Chapter 34.05 RCW. Respondent has been notified of his right to an administrative hearing			
15	and has waived that right.			
16	WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.			
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18	SIGNED this <u>2</u> day of March, 2021.			
19	Signed by:			
20				
21	<u>/s/</u> Scott Rahn, CRD 1959522			
22	Scott Raini, CRD 1939322			
23	CONSENT ORDER CONDITIONING 5 DEPARTMENT OF FINANCIAL INSTITUTIONS INVESTMENT ADVISER REGISTRATION 5 Securities Division			
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25	500-702-0700			

1	DATED and ENTERED this <u>6th</u>	day of April, 2021.
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3		Million Meater
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5		WILLIAM M. BEATTY Securities Administrator
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7	Approved by:	Presented by:
8		Brale tolleman
9	Suzanne Sarason Chief of Enforcement	Brook Kellerman Compliance Legal Examiner
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