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**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),

Respondent.

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

CONSENT ORDER CONDITIONING
INVESTMENT ADVISER REGISTRATION

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THE STATE OF WASHINGTON TO: SCOTT RAHN, CRD 1959522

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INTRODUCTION

12 Pursuant to the Securities Act of Washington, Chapter 21.20 RCW, the Securities Administrator
13 of the Department of Financial Institutions, Securities Division (“Securities Division”) and the
14 Respondent, Scott Rahn, do hereby enter into this Consent Order in settlement of the matters alleged
15 herein. The Securities Division believes that entry of an agreed consent order is in the public interest and is
16 appropriate for the protection of investors. The Securities Division and Respondent jointly set forth the
17 following Findings of Fact and Conclusion of Law.

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FINDINGS OF FACT

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Respondent

22 1. Respondent is a Washington resident. From February 2014 to October 2019, Respondent
23 was registered in Washington state as a securities salesperson of LPL Financial LLC (“LPL”). He was also
24 registered in Washington state as an investment adviser representative of LPL from July 2017 to October
25 2019. From December 2019 to May 2020, Respondent was registered in Washington state as an
investment adviser representative of Apex Advisory Group, Inc. On February 23, 2021, Respondent filed

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.

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:

- a. Conduct a quarterly review of all of Investment Adviser's client accounts, including evaluation of all trades in the accounts for suitability and consistency with Investment Adviser's fiduciary duty to clients.
- b. Provide written evidence of its review to Investment Adviser.
- c. Preserve documentation evidencing the compliance firm completed its duties for at least six years after the client terminates all relationships with Investment Adviser or Investment Adviser terminates the relationship with the compliance firm, whichever comes first.
- d. Make records available for review by the Securities Division.
- e. Contact the Securities Division before terminating its contract with Investment Adviser.

IT IS FURTHER AGREED that Investment Adviser will provide written notification to the Securities Division before terminating its relationship with the compliance firm providing oversight pursuant to this Consent Order. Investment Adviser must provide written notice to the Securities Division before hiring any subsequent compliance firms and may only hire a compliance firm to which the Securities Division does not object.

IT IS FURTHER AGREED that the terms of this Consent Order will apply to any subsequent investment adviser application for an investment adviser controlled by Respondent, with the exception that the length of oversight by the compliance firm will be reduced by the number of months of oversight completed by the compliance firm at the time the subsequent investment adviser's registration is approved.

IT IS FURTHER AGREED that unless and until oversight has been conducted pursuant to this Consent Order for two years, Investment Adviser may not conduct investment advisory business at any time during which a compliance firm meeting the requirements of this Consent Order is not retained.

1 DATED and ENTERED this 6th day of April, 2021.

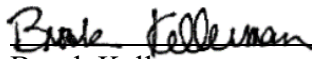
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5 WILLIAM M. BEATTY
6 Securities Administrator

7 Approved by:

Presented by:

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Suzanne Sarason
Chief of Enforcement

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12 Brook Kellerman
13 Compliance Legal Examiner
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