

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

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IN THE MATTER OF: KLAUS ALOIS ROBERT OFFENBACHER) FILE NO. 0700259
_____))

CONSENT ORDER OF DISMISSAL

TO THE RESPONDENT: Klaus Alois Robert Offenbacher
(CRD#: 1280108)
421 Valley Road
Itasca, Illinois 60143

C/o First Analysis Securities Corporation
One South Wacker Drive Suite 3900
Chicago, Illinois 60606

C/o Miriam G. Bahcall, Esq.
Morgan, Lewis & Bockius LLP
77 W. Wacker Drive
Chicago, Illinois 60601

WHEREAS, Respondent on the 29th day of August 2007 executed a certain Stipulation to Enter Consent Order of Dismissal (the "Stipulation"), which hereby is incorporated by reference herein.

WHEREAS, by means of the Stipulation, Respondent has admitted to the jurisdiction of the Secretary of State and service of the Notice of Hearing of the Secretary of State, Securities Department, dated June 19, 2007, in this proceeding (the "Notice") and Respondent has consented to the entry of this Consent Order of Dismissal ("Consent Order").

WHEREAS, by means of the Stipulation, the Respondent acknowledged, without admitting or denying the truth thereof, that the following allegations contained in the Notice of Hearing shall be adopted as the Secretary of State's Findings of Fact:

1. That at all relevant times, the Respondent was registered with the Secretary of State as a salesperson in the State of Illinois pursuant to Section 8 of the Act.

2. That on March 29, 2007, NASD entered a Letter Of Acceptance, Waiver And Consent (AWC) submitted by the Respondent regarding File No. 20060063414-01 which sanctioned the Respondent as follows:
 - a. Fined \$25,000; and
 - b. 90 day suspension in all capacities, with credit to be given for the 60 day suspension without pay imposed by the member firm with which he was associated and previously served. He will be suspended for an additional 30 days.
3. That the AWC found:
 - a. The Respondent was the registered representative with a member firm responsible for repurchasing Material Science Corporation ("MSC") stock on behalf of the issuer pursuant to the company's stock repurchase program, which was subject to the provisions of the Securities Exchange Act of 1934 and SEC Rule 10b-18 ("Rule 10b-18").
 - b. On August 21, 2006, the Respondent received authorization from MSC to repurchase 100,000 shares of MSC stock pursuant to the repurchase program.
 - c. The same day, the Respondent located an owner of MSC stock willing to sell its entire holding of 174,300 shares at a price of \$9.90 per share.
 - d. Later that day, the Respondent attempted to contact the principals of MSC to determine if they would be willing to purchase 174,300 shares of MSC stock at a price of \$9.90 per share, but he was unable to locate the principals on that day.
 - e. On August 21, 2006, MSC stock opened at a price of \$9.95 per share and closed at a price of \$9.80 per share.
 - f. The Respondent received confirmation on August 22, 2006 from MSC's principals that they were willing to purchase 174,300 shares of MSC stock at a price of \$9.90 per share. He then informed the seller that he had a buyer who was willing to purchase 174,300 shares of MSC stock at a price of \$9.90 per share.
 - g. To repurchase the stock in accordance with the provisions of Rule 10b-18, the issuer's purchase:
 - (i) could not be the opening (regular way) purchase reported in the consolidated system; and

- (ii) could not exceed the highest independent bid or the last independent transaction price, whichever was higher, quoted or reported in the consolidated system at the time the Rule 10b-18 purchase was effected.
 - h. The following events occurred on August 22, 2006:
 - i. At 9:03:37 the Respondent instructed an institutional floor broker on the Chicago Stock Exchange to purchase 1,000 shares of MSC stock at \$9.90 per share in the event MSC opened below such price in order to move the price of MSC stock to \$9.90 per share, which was the price that he needed in order to execute the cross trade as agreed to by the issuer and the seller.
 - ii. MSC stock opened on the New York Stock Exchange at \$9.75 per share, which was below the prior day's closing price and below the parameters of where the Respondent could execute the cross trade because it would not satisfy the seller's price requirement.
 - iii. At 9:31:02, the institutional floor broker purchased 1,000 shares of MSC stock at a price of \$9.90 per share, increasing the price of MSC stock from the opening price of \$9.75 per share.
 - iv. A few seconds later, the Respondent executed a cross transaction for 174,300 shares of MSC stock at \$9.90 per share between the issuer and the seller.
 - i. The Respondent knowingly and intentionally artificially increased the market price of MSC stock on August 22, 2006 in an attempt to comply with the provisions of Rule 10b-18 and still execute the cross transaction between the issuer and the seller at the negotiated price.
 - j. The conduct described in paragraphs a through i constitutes violations of NASD Conduct Rules 2110, 2120, 3310 and IM-3310.
- 4. That Section 8.E(1)(j) of the Act provides, *inter alia*, that the registration of a salesperson may be revoked 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 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.

WHEREAS, by means of the Stipulation Respondent has acknowledged, without admitting or denying the averments, that the following shall be adopted as the Secretary of State's Conclusion of Law:

The Respondent's registration as a salesperson in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(j) of the Act.

WHEREAS, by means of the Stipulation Respondent has acknowledged and agreed that He has submitted with the Stipulation a certified or cashier's check in the Amount of Five Hundred Dollars (\$500.00). Said check has been made payable to the Office of the Secretary of State, Securities Audit and Enforcement Fund and represents reimbursement to cover the cost incurred during the investigation of this matter.

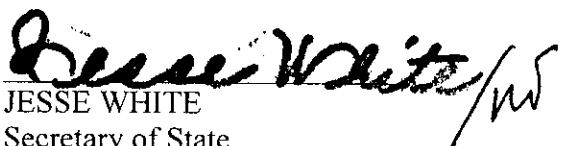
WHEREAS, by means of the Stipulation, the Respondent has acknowledged and agreed that he has submitted a certain Affidavit, which contains an undertaking that he has entered into and shall continue to adhere to upon entry of the Consent Order. Said Undertaking is incorporated by reference herein and made a part hereof.

WHEREAS, the Secretary of State, by and through his duly authorized representative, has determined that the matter related to the aforesaid formal hearing may be dismissed without further proceedings.

NOW THEREFORE IT SHALL BE AND IS HEREBY ORDERED THAT:

1. The notice of Hearing dated June 19, 2007 is dismissed.
2. The Respondent has paid costs of investigation in this matter in the amount of Five Hundred dollars (\$500.00), payable to the Office of the Secretary of State, Securities Audit and Enforcement Fund, and on the 29th day of August 2007 has submitted Five Hundred dollars (\$500.00) in payment thereof.
3. The formal hearing scheduled on this matter is hereby dismissed without further proceedings.

ENTERED This 4th day of September 2007.


JESSE WHITE
Secretary of State
State of Illinois

AFFIDAVIT

STATE OF ILLINOIS)
COUNTY OF COOK)

FILE NO. 0700259

Klaus Alois Robert Offenbacher, being duly sworn and under oath, and otherwise competent to testify, depose and state as follows:

1. I am presently employed by First Analysis Securities Corporation ("FASC"), a registered dealer in Illinois.
2. I am the Respondent in the proceeding brought by the Secretary of State of Illinois (the "Department"), File No. 0700259 (the "Administrative Action").
3. I have agreed to resolve the Administrative Action by means of a Consent Order of Dismissal (the "Consent Order").
4. As part of the Stipulation to Enter Consent Order of Dismissal, I have agreed to continue to participate in a program of enhanced and heightened supervision instituted by FASC on October 24, 2006 and further detailed on October 27, 2006 ("Program"). The Program is and shall be conducted by FASC and shall continue to remain in effect until modified or terminated by FASC (the "Term"). Paragraphs 5 through 7 set forth the provisions and procedures to be followed.
5. The Program is and shall be conducted personally by the Respondent's Branch Manager and/or by FASC's Designated Illinois Principal ("the program Supervisor").
6. I have and shall continue to participate in a program of enhanced and heightened supervision as defined by correspondence I received on or around October 24, 2006 from Paul S. Kropke and further detailed in an "e" mail message on October 27, 2006 from Mr. Kropke. The Program shall continue to remain in effect until modified or terminated by FASC.

7. I specifically recognize and agree that should I violate the terms of this Undertaking, such a violation in and of itself can constitute grounds for revocation or suspension of my registration as a salesperson in the State of Illinois pursuant to Sections 12.D and 8.E(1)(g) of the Act and/or the granting of such other relief under the Act, including but not limited to the imposition of a monetary fine, as pursuant to Section 12 of the Illinois Securities Law of 1953 [815 ILCS 5] and 14111. Adm. Code 130.

[Handwritten Signature]

Dated: This 29th day of August 2007

Subscribed and Sworn to before me This 29th day of August 2007.

Dated: This 29th day of August 2007.

Deborah McCaskill-Walton
Notary Public

