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News Release

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Minnesota man pleads guilty for stealing \$8 million from investors, including a Minnesota finance group

A Minnesota man pleaded guilty earlier today in federal court in Minneapolis for his role in a scheme to defraud investors, including a Minnesota-based financial investment group, out of approximately \$8 million. Appearing before United States District Court Judge Patrick J. Schiltz, Kenneth Hasse pleaded guilty to one count of conspiracy to commit wire fraud and one count of filing false income tax returns. Hasse was charged on December 10, 2010.

In his plea agreement, Hasse admitted that between October of 2004 and February of 2007, he conspired with David Hugh McCaffrey and others to defraud the Carlton Financial Corporation, a Minnesota-based investment group, and others out of money by making false representations. Hasse worked as the president of ConServe Corporation, which provided electricity submetering services to apartment complexes. ConServe financed its operations, in part, by attracting investors to finance the installation of the submetering equipment. The Carlton Financial Corporation was one of ConServe's primary investors, providing the company with millions in operating dollars.

Hasse admitted that ConServe defrauded the investors by representing that installation projects were in place or going to be put in place, when, in fact, those representations were false with respect to several of the installations. Based on those representations, however, investors provided financing.

Hasse admitted that during the course of the fraud scheme, false invoices were created that reflected expenses connected to installations that were never done. Those invoices were then submitted to investors, including Carlton. To support the scheme, phony acceptance certificates were also created to "certify" the false installations.

The total amount of loss to investors from the scheme was approximately \$8 million. Hasse

also admittedly filed a false 2004 tax return, the estimated tax loss being approximately \$124,907.

On December 9, 2010, McCaffrey, Con Serve's Chief Executive Officer, was sentenced to 30 months in prison for his role in the scheme. He was charged on April 30, 2010, and pleaded guilty on May 20, 2010.

This case is the result of an investigation by the Wayzata Police Department and the Internal Revenue Service-Criminal Investigation Division. It is being prosecuted by Assistant U.S. Attorney David M. Genrich.

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Per U.S. Department of Justice policy, the U.S. Attorney's Office is not allowed to provide the age and city of residence for defendants charged in criminal tax cases.