



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)
)
SHANNON KATHLEEN DANIELS, CRD No. 4606771,)
d/b/a MTSF,) Case No. AP-16-42
)
Respondent.)
)
Serve: Shannon Kathleen Daniels)
2701 Tanglewood Drive)
Cape Girardeau, Missouri, 63701)

**ORDER TO CEASE AND DESIST AND ORDER TO SHOW CAUSE WHY
RESTITUTION, CIVIL PENALTIES, COSTS, AND OTHER
ADMINISTRATIVE RELIEF SHOULD NOT BE IMPOSED**

On November 29, 2016, the Enforcement Section of the Missouri Securities Division of the Office of Secretary of State (“Enforcement Section”), through Director of Enforcement John R. Phillips, submitted a Petition for Order to Cease and Desist and Order to Show Cause why Restitution, Civil Penalties, Costs, and Bars/Conditions Should not be Imposed (“Petition”). After reviewing the Petition, the Commissioner issues the following order:

I. ALLEGATIONS OF FACT

The Petition alleges the following facts:

A. Introduction

From April 8, 2013 to June 17, 2016, Shannon Kathleen Daniels (“Daniels”), a registered investment advisor representative and broker-dealer agent for U.S. Bancorp Investments, Inc. (“USBI”), withdrew a total of \$457,040.53 from a client’s account without the client’s knowledge or consent. Daniels admitted to the misappropriation of the client’s funds to USBI officials and has been indicted by the U.S Attorney’s Office for the Eastern District of Missouri for several counts of embezzlement. Daniels has been terminated from USBI, and USBI has compensated the client for losses in the account.

B. Respondent and Relevant Parties

1. Daniels is a 43 year-old Missouri resident with a last known address of 2701 Tanglewood

Drive, Cape Girardeau, Missouri, 63701. From November 30, 2011 to June 29, 2016, Daniels was an investment adviser representative and broker-dealer agent for U.S. Bancorp Investments, Inc. (“USBI”). Daniels is assigned the Central Registration Depository (“CRD”) number 4606771.

2. Daniels was terminated from USBI on June 29, 2016, for misappropriation of client funds. On or about August 18, 2016, Daniels was indicted by the U.S. Attorney’s Office for the Eastern District of Missouri for several counts of embezzlement.
3. MTFs is a fictitious name that was registered in Missouri on November 5, 2013, and its listed owner is Daniels.
4. USBI has been a Missouri registered broker-dealer since October 30, 1989, and a Missouri registered investment adviser during the period May 25, 2002 through July 24, 2007. USBI has been a federal covered investment adviser since July 24, 2007. Its main office is located at 60 Livingston Avenue, EP-MN-WN3C, St. Paul, Minnesota, 55107 and its assigned CRD number is 17868.

C. Missouri Resident (“MR”)

5. MR, a 69 year-old Jackson, Missouri resident, became a client of Daniels in or around February 2010. Daniels oversaw several accounts for MR that included certificates of deposit, annuities, a revocable trust savings account and a money market savings account.
6. On or about June 20, 2016, a fraud investigator from Commerce Bank notified officials with USBI that Daniels was depositing large cashier’s checks from MR into Commerce Bank accounts controlled by Daniels.
7. A further investigation by USBI indicated the following cashier’s checks, totaling \$457,040.53, were issued after withdrawals from MR’s money market savings account and deposited into the following accounts:
 - a. on April 8, 2013, a \$30,000 cashier’s check payable to Daniels’ son that was initially deposited into the son’s Commerce Bank account and then transferred to Daniels’ personal Commerce Bank account;
 - b. on July 8, 2013, a \$21,697.18 cashier’s check payable to Daniels’ son that was initially deposited into the son’s Commerce Bank account and then transferred to Daniels’ personal Commerce Bank account;
 - c. on November 4, 2013, a \$75,000 cashier’s check payable to MTFs Fund that was initially deposited into an MTFs Commerce Bank account and then transferred to Daniels’ personal Commerce Bank account;
 - d. on June 20, 2014, a \$57,831.05 cashier’s check payable to MTFs Fund that was initially deposited into an MTFs Commerce Bank account and then transferred to Daniels’ personal Commerce Bank account;

- e. on January 8, 2015, a \$75,089.70 cashier's check payable to MTFS Fund that was initially deposited into an MTFS Commerce Bank account and then transferred to Daniels' personal Commerce Bank account;
 - f. on August 13, 2015, a \$63,000 cashier's check payable to MTFS Fund that was initially deposited into an MTFS Commerce Bank account and then transferred to Daniels' personal Commerce Bank account;
 - g. on January 8, 2016, a \$65,000 cashier's check payable to MTFS Fund that was initially deposited into an MTFS Commerce Bank account and then transferred to Daniels' personal Commerce Bank account; and
 - h. on June 17, 2016, a \$69,422.60 cashier's check payable to MTFS Fund that was initially deposited into an MTFS Commerce Bank account and then transferred to Daniels' personal Commerce Bank account.
8. MR told officials at USBI that MR had no knowledge of the withdrawals and didn't know Daniels' son or anything about MTFS Fund. Furthermore, MR told officials at USBI that MR didn't understand the complexities of investing and trusted Daniels to make investment decisions for MR.
9. On June 29, 2016, officials at USBI interviewed Daniels about the suspicious activity. Daniels told the officials, among other things, the following:
- a. Daniels withdrew funds from MR's account from April 8, 2013 to June 17, 2016 and deposited the first two (2) cashier's checks into a Commerce Bank account in the name of Daniels' son and then transferred the funds to Daniels' personal Commerce Bank account;
 - b. the remaining cashier's checks were deposited into the MTFS Commerce Bank account then transferred to Daniels' personal Commerce Bank account;
 - c. the sole purpose of establishing MTFS was to funnel funds from MR to the MTFS Commerce Bank account then to Daniels' personal Commerce Bank account;
 - d. Daniels had felt financial pressure since 2007 or 2008 when Daniels' husband quit his job. Daniels used the funds to support living expenses, a \$34,000 kitchen remodeling job between March 2016 and June 2016, and to purchase a 2016 Ford Explorer;
 - e. Daniels chose MR because "it seemed easy";
 - f. Daniels' husband was not aware of the embezzlement and "thought I was doing that well"; and
 - g. no one else knew of Daniels' embezzlement.

10. Daniels provided officials at USBI a hand-written statement admitting to and taking responsibility for taking funds from MR's account.
11. After the interview, Daniels was terminated from USBI.
12. On or about August 18, 2016, Daniels was indicted by the U.S. Attorney's Office for the Eastern District of Missouri for several counts of embezzlement.
13. USBI has compensated MR for MR's losses in the account.

II. COMMISSIONER'S DETERMINATIONS AND FINDINGS

Count 1

Section 409.4-412(d)(13) - Multiple Violations of Dishonest and Unethical Practices Regarding Theft of MR's Funds by Daniels

14. **THE COMMISSIONER DETERMINES** that Respondent Daniels engaged in dishonest and unethical practices in the securities business in the State of Missouri by, among other things, purloining MR's funds via multiple cashier's checks to the benefit of Respondent, Respondent's immediate family, and/or MTSF.
15. Respondent Daniels was registered as a broker-dealer agent and investment adviser representative in the State of Missouri at the time these activities occurred.
16. Respondent Daniels committed multiple violations of Section 409.4-412(d)(13), RSMo. (Cum. Supp. 2013)¹ by repeatedly stealing money from MR's investment accounts.
17. Respondent Daniels' dishonest and unethical activities constitute grounds to discipline Respondent and such conduct is, therefore, subject to the Commissioner's authority under Section 409.4-412.

Count 2

Section 409.4-412(d)(2) – Multiple Violations of Willful Violation or Willful Failure to Comply with the Missouri Securities Act of 2003 for Repeated Thefts of MR's Funds

18. **THE COMMISSIONER FURTHER DETERMINES** that Respondent Daniels willfully violated or willfully failed to comply with the Missouri Securities Act of 2003.
19. Respondent Daniels repeated thefts of MR's funds over the course of more than three years were willful violations of the Missouri Securities Act of 2003.

¹ Unless otherwise specified, all statutory references are to the 2013 cumulative supplement to the Revised Statutes of Missouri.

20. Respondent Daniels was registered as a broker-dealer agent and investment adviser representative in the State of Missouri at the time these activities occurred.
21. Respondent Daniels' conduct in violation of Section 409.4-412(d)(2) constitutes grounds to discipline Respondent and such conduct is, therefore, subject to the Commissioner's authority under Section 409.4-412.

Count 3

Sections 409.5-501 or 409.5-502 - Multiple Violations of Engaging in an Act, Practice, or Course of Business that Would Operate as a Fraud or Deceit Upon Another Person in Connection with the Offer, Sale, or Purchase of a Security or Provision of Investment Advice Regarding the Repeated Thefts of MR's Funds

22. **THE COMMISSIONER FURTHER DETERMINES** that in connection with the offer, sale or purchase of a security or the provision of investment advice, Respondent Daniels engaged in an act, practice or course of business that would operate as a fraud or deceit upon another person by purloining MR's funds for the benefit of herself, her immediate family, and/or MTSF.
23. At the time Respondent Daniels engaged in this conduct, MR was over the age of 60 years-old and was an elderly person as that term is defined under Section 409.6-604(d)(3)(B).
24. Respondent Daniels engaged in an act, practice, or course of business that would operate as a fraud or deceit upon another person in violation of Section 409.5-501 or 409.5-502.
25. Respondent Daniels' conduct in violation of Section 409.5-501 or 409.5-502 constitutes engaging in an illegal act, practice, or course of business, and such conduct is, therefore, subject to the Commissioner's authority under Section 409.6-604.
26. This order is in the public interest and is consistent with the purposes of the Missouri Securities Act of 2003. See Section 409.6-605(b).

III. ORDER

NOW THEREFORE, it is hereby ordered that Respondent, her agents, employees and servants, and all other persons participating in or about to participate in the above-described violations with knowledge of this order be prohibited from violating or materially aiding in any violation of:

- A. Section 409.5-501 by, in connection with the offer or sale of securities, making an untrue statement of a material fact or omitting to state a material fact necessary in order to make the statement made, in light of the circumstances under which it is made, not misleading or engaging in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person; and

- B. Section 409.5-502 by engaging in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person in connection with the provision of investment advice.

IV. STATEMENT

Pursuant to Section 409.4-412, the Commissioner hereby states that he will determine whether to grant the Enforcement Section's requests for:

- A. \$50,000 civil penalty against Respondent Daniels for several violations of Sections 409.4-412(d)(13) and 409.4-412(d)(2);
- B. an order censuring Respondent Daniels for violations of Section 409.4-412(d); and
- C. an order barring Respondent Daniels from providing investment advice and/or transacting business as a broker-dealer agent in the State of Missouri.

Pursuant to Section 409.6-604, the Commissioner hereby states that he will determine whether to grant the Enforcement Section's requests for:

- A. \$15,000 civil penalty against Respondent Daniels for more than one violation of Section 409.5-501 or 409.5-502, when at least one of these violations was committed against an elderly person;
- B. an order against Respondent Daniels to pay restitution for any loss, including the amount of any actual damages that may have been caused by the conduct, and interest at the rate of 8% per year from the date of the violation causing the loss, or disgorge any profits arising from the violation of Section 409.5-501 or 409.5-502, in a final order, unless Respondent Daniels request a hearing and show cause why this restitution or disgorgement should not be imposed; and
- C. an order against Respondent Daniels to pay the costs of the investigation in this proceeding, after review of evidence submitted by the Enforcement Section.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS FIFTH DAY OF DECEMBER, 2016.



JASON KANDER
SECRETARY OF STATE

Andrew M. Hartnett

ANDREW M. HARTNETT
COMMISSIONER OF SECURITIES



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:

SHANNON KATHLEEN DANIELS, CRD No. 4606771,
d/b/a MTSF,

Case No. AP-16-42

Respondent.

Serve: Shannon Kathleen Daniels
2701 Tanglewood Drive
Cape Girardeau, Missouri 63701

NOTICE

TO: Respondent and any unnamed representatives aggrieved by this Order:

You may request a hearing in this matter within thirty (30) days of the receipt of this Order pursuant to Sections 409.6-604(b), 409.4-412(f), RSMo. (Cum. Supp. 2013), and 15 CSR 30-55.020.

Within fifteen (15) days after receipt of a request in a record from a person or persons subject to this order, the Commissioner will schedule this matter for a hearing.

A request for a hearing must be mailed or delivered, in writing, to:

Andrew M. Hartnett, Commissioner of Securities
Office of the Secretary of State, Missouri
600 West Main Street, Room 229
Jefferson City, Missouri, 65102

CERTIFICATE OF SERVICE

I hereby certify that on this 5th day of December, 2016, a copy of the foregoing Order to Cease and Desist and Order to Show Cause why Restitution, Civil Penalties, Costs and Other Administrative Relief Should not be Imposed in the above styled case was **sent by U.S.**

Certified mail to:

Shannon Kathleen Daniels
2701 Tanglewood Drive
Cape Girardeau, Missouri 63701

And hand delivered to:

John R. Phillips, Director of Enforcement
Securities Division
Missouri Secretary of State's Office
600 West Main Street, Room 229
Jefferson City, Missouri 65101


Marsha Presley
Securities Office Manager