



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:

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

Respondent.

)
)
) Case No. AP-16-42
)
)

CONSENT ORDER

SUMMARY OF ENFORCEMENT SECTION’S ALLEGATIONS

1. The Enforcement Section of the Missouri Securities Division of the Office of Secretary of State (“Enforcement Section”), through Director of Enforcement Sandra J. McDowell, has alleged that, from April 8, 2013 to June 17, 2016, Shannon Kathleen Daniels (“Daniels” or “Respondent”), while registered as an investment adviser representative and broker-dealer agent for U.S. Bancorp Investments, Inc. (“USBI”), engaged in dishonest or unethical practices in the securities business and engaged 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 when Daniels withdrew a total of \$457,040.53 from a client’s account without the client’s knowledge or consent, and that this constitutes grounds to discipline revoke, suspend, condition or limit Daniels’ registration in Missouri pursuant to Section 409.4-412 and Section 409.6-604, RSMo (2013).¹
2. Respondent and the Enforcement Section desire to settle the allegations and the matters raised by the Enforcement Section relating to the Respondent’s alleged violations of Section 409.4-412(d)(13) and 409.5-501 or 409.5-502.

CONSENT TO JURISDICTION

3. Respondent and the Enforcement Section stipulate and agree that the Missouri Commissioner of Securities (“Commissioner”) has jurisdiction over the Respondent and these matters pursuant to the Missouri Securities Act of 2003, Chapter 409, *et seq.*

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

4. Respondent and the Enforcement Section stipulate and agree that the Commissioner has authority to enter this Order pursuant to Section 409.6-604(h), which provides:

“The commissioner is authorized to issue administrative consent orders in the settlement of any proceeding in the public interest under this act.”

WAIVER AND EXCEPTION

5. Respondent waives Respondent’s right to a hearing with respect to this matter.
6. Respondent waives any right that Respondent may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order. Respondent specifically forever releases and holds harmless the Missouri Office of Secretary of State, Secretary of State, Commissioner, and their respective representatives and agents from any and all liability and claims arising out of, pertaining to, or relating to this matter.
7. Respondent stipulates and agrees with the Enforcement Section that, should the facts contained herein prove to be false or incomplete in a material way, the Enforcement Section reserves the right to pursue any and all legal or administrative remedies at its disposal.

CONSENT TO COMMISSIONER’S ORDER

8. Respondent and the Enforcement Section stipulate and agree to the issuance of this Consent Order without further proceedings in this matter, agreeing to be fully bound by the terms and conditions specified herein.
9. Respondent agrees not to take any action or to make or permit to be made any public statement creating the impression that this Order is without factual basis. Nothing in this paragraph affects Respondent’s (a) testimonial obligations; (b) right to take legal or factual positions in connection with litigation, arbitration, or other legal proceeding in which the Commissioner is not a party; or (c) right to make public statements that are factual.
10. Respondent agrees that Respondent is not the prevailing party in this action since the parties have reached a good faith settlement.
11. Respondent neither admits nor denies the allegations made by the Enforcement Section, but consents to the Commissioner’s Findings of Fact, Conclusions of Law, and Order as set forth below solely for the purposes of resolving this proceeding and any proceeding that may be brought to enforce the terms of this Consent Order.

COMMISSIONER'S FINDINGS OF FACT,
CONCLUSIONS OF LAW, AND ORDER

I. FINDINGS OF FACT

12. From April 8, 2013 to June 17, 2016, Daniels 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.

A. Respondents and Relevant Parties

13. Daniels is a forty-three (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.
14. 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.
15. MTFS is a fictitious name that was registered in Missouri on November 5, 2013, and its listed owner is Daniels.
16. 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.

Missouri Resident ("MR")

17. MR, a sixty-nine (69) year old Jackson, Missouri resident, became a client of Daniels on 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.
18. 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.

19. 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.
20. 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.
21. 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 MTF's Commerce Bank account then transferred to Daniels's personal Commerce Bank account;
 - c. the sole purpose of establishing MTF's was to funnel funds from MR to the MTF's 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 he "thought [she] was doing that well"; and
 - g. no one else knew of Daniels' embezzlement.
22. Daniels provided officials at USBI a hand-written statement admitting to and taking responsibility for taking funds from MR's account.
 23. After the interview, Daniels was terminated from USBI.
 24. 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.
 25. USBI has compensated MR for MR's losses in the account.

II. CONCLUSIONS OF LAW

26. The Commissioner finds that Respondent engaged in dishonest and unethical practices in the securities business in the State of Missouri and, in connection with the offer, sale or purchase of a security or the provision of investment advice, engaged in an act, practice or course of business that would operate as a fraud or deceit upon another person, and that this conduct constitutes grounds to discipline Respondent under Section 409.4-412 and Section 409.6-604.
27. The Commissioner, after consideration of the stipulations set forth above and on the consent of Respondent and the Enforcement Section, finds and concludes that the Commissioner has jurisdiction over Respondent and this matter and that the following

Order is in the public interest, necessary for the protection of public investors and consistent with the purposes intended by Chapter 409.

III. ORDER

NOW, THEREFORE, it is hereby Ordered that:

1. Respondent, her agents, employees and servants, and all other persons participating in the above-described violations with knowledge of this order are permanently enjoined and restrained from engaging in dishonest and unethical practices in the securities business in the State of Missouri and, in connection with the offer, sale or purchase of a security or the provision of investment advice, engaging in an act, practice or course of business that would operate as a fraud or deceit upon another person in violation of Sections 409.4-412(d)(13) and 409.5-501 or 409.5-502.
2. Respondent hereby agrees to be **BARRED**, effective immediately, from registration as an investment adviser, investment adviser representative, broker-dealer, or agent in the State of Missouri.
3. Respondent is ordered to pay \$457,040.53 in restitution. These payments shall be paid as ordered by the United States District Court, Eastern District of Missouri, as part of any sentence in *USA v. Daniels*, Case No. 1:16-cr-00087-SNLJ-ACL01.
4. Respondent is ordered to pay \$50,000 to the Investor Education and Protection Fund. This payment shall be suspended for 5 years, or until the terms and conditions of Respondent's sentencing concerning restitution as noted in paragraph 3 above are met. All suspended payments and unpaid portions of amounts ordered above shall become due immediately upon the sooner of (1) Respondent's noncompliance with the terms of this Consent Order or the terms of any federal criminal sentence issued, or (2) a finding, after notice and opportunity for a hearing, by the Commissioner or a court of competent jurisdiction that Respondent has violated the Missouri Securities Act. Such immediately due payments shall be in addition to all other penalties then available under the law.
5. After 5 years from the date of this Consent Order, provided Respondent has complied with all terms of this Consent Order, all suspended payments referenced in paragraph 4 above are waived.
6. Upon Respondent's failure to comply with the terms of this Consent Order, all remaining payments shall become immediately due and payable upon operation of law, and such immediately due payments shall be in addition to all other penalties then available under the law.
7. Respondent shall pay her own costs and attorneys' fees with respect to this matter.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS 16th DAY OF February, 2016.



John R. Ashcroft
SECRETARY OF STATE

David M. Minnick

David Minnick
COMMISSIONER OF SECURITIES

Consented to by:

THE ENFORCEMENT SECTION OF THE
MISSOURI SECURITIES DIVISION

S. J. McDowell

Sandra J. McDowell
Counsel for Petitioner

Shannon K. Daniels

Shannon K. Daniels, RESPONDENT

Approved as to Form:

Curtis O. Poore

Curtis O. Poore
Attorney for Respondent