



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)	
)	
SECURITIES SERVICE NETWORK, INC.;)	
SSN ADVISORY, INC.,)	
)	Case No. AP-15-06
Respondents.)	
)	
Serve:)	
Securities Service Network, Inc.)	
SSN Advisory, Inc.)	
c/o Byron E. Francis)	
Armstrong, Teasdale)	
7700 Forsyth Boulevard, Suite 1800)	
St. Louis, Missouri 63105)	

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 Assistant Commissioner Mary S. Hosmer, has alleged that Securities Service Network, Inc. (“SSN”), failed to reasonably supervise a Missouri-registered agent and investment adviser representative who lost money in client accounts by making unsuitable recommendations to purchase inverse and other exchange traded funds in these accounts, and that this constitutes grounds to discipline SSN’s registration in Missouri pursuant to Section 409.4-412(d)(13), RSMo. (Cum. Supp. 2013). Additionally, SSN Advisory, Inc. (“SSN Advisory”) employed an investment adviser representative that failed to disclose material facts to investors in violation of Section 409.5-501, RSMo. (Cum. Supp. 2013) and this activity constitutes grounds to issue and order against SSN Advisory.
2. Respondents and the Enforcement Section desire to settle the allegations and the matters raised by the Enforcement Section relating to the Respondents’ alleged violations.

CONSENT TO JURISDICTION

3. Respondents and the Enforcement Section stipulate and agree that the Missouri Commissioner of Securities (“Commissioner”) has jurisdiction over the Respondents and these matters pursuant to the Missouri Securities Act of 2003, Chapter 409, *et seq.*
4. Respondents and the Enforcement Section stipulate and agree that the Commissioner has authority to enter this Order pursuant to Section 409.6-604(h), RSMo. (Cum. Supp. 2013), 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. Respondents waive Respondents’ rights to a hearing with respect to this matter.
6. Respondents waive any rights that Respondents may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order. Respondents specifically forever release and hold 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. Respondents stipulate and agree with the Enforcement Section that, should the facts contained herein prove to be false or incomplete, the Enforcement Section reserves the right to pursue any and all legal or administrative remedies at its disposal.

CONSENT TO COMMISSIONER’S ORDER

8. Respondents 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. Respondents agree 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 Respondents’ (a) testimonial obligations; (b) right to take legal or factual positions in defense of litigation or in defense of other legal proceedings in which the Commissioner is not a party; or (c) right to make public statements that are factual.
10. Respondents agree that Respondents are not the prevailing party in this action since the parties have reached a good faith settlement.

11. Respondents neither admit nor deny the allegations made by the Enforcement Section, but consent 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.
12. This Order is not intended to subject SSN, SSN Advisory or their affiliates to disqualification under the laws of the United States or any state or territory, or under the rules or regulations of any securities regulator or self-regulatory organization, including, without limitation, any disqualification from relying upon the state or federal registration exemptions or safe harbor provisions.

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

I. FINDINGS OF FACT

13. SSN is a Missouri-registered broker-dealer with a home office address of 9729 Cogdill Road, Suite 301, Knoxville, Tennessee 37932. SSN is registered in Missouri through the Central Registration Depository ("CRD") with number 13318.
14. SSN Advisory is a federally-covered investment adviser with a home office address of 9729 Cogdill Road, Suite 301, Knoxville, Tennessee 37932. SSN Advisory is notice-filed in Missouri through the CRD with number 126090.
15. Both SSN and SSN Advisory (hereinafter collectively referred to as "SSN Services") were, at all times relevant to this matter, owned by The David L. and Patricia B. Coffey Descendants Trust. SSN and SSN Advisory share the same headquarters, same executive officers, and same compliance staff.
16. Ronald T. Klimas ("Klimas") is, and at all times relevant to this matter has been, the Director of Compliance for SSN. Klimas has also served as the Senior Vice President of Compliance for SSN Advisory since August 14, 2011. From 2003 through August 14, 2011, Klimas was the Chief Compliance Officer for SSN Advisory. Klimas is registered through the CRD with number 2321602.
17. Doug Baxley ("Baxley") is a Tennessee-registered broker-dealer agent with SSN and a Tennessee-registered investment adviser representative with SSN Advisory. Baxley is registered through the CRD with number 3214809. Baxley has served as either the Assistant Compliance Director or the Chief Compliance Officer for SSN Advisory since August 2006 and also performs compliance functions for SSN.
18. Julia E. Chambers ("Chambers") is a Tennessee-registered broker-dealer agent with SSN and a Tennessee-registered investment adviser representative with SSN Advisory.

Chambers is registered through the CRD with number 2303018. At all times relevant to this matter, Chambers has served as a trade review manager for SSN.

19. Jonathan E. Maas (“Maas”) is a Missouri-registered broker-dealer agent with SSN and a Tennessee-registered investment adviser representative with SSN Advisory. Maas is registered through the CRD with number 2793069. At all times relevant to this matter, Maas has served as the Vice President, Director of Trading for SSN.
20. Willard Moore (“Moore”) is a Missouri-registered broker-dealer agent with SSN and a Tennessee-registered investment adviser representative with SSN Advisory. Moore is registered through the CRD with number 1481255. At all times relevant to this matter, Moore served as the direct supervisor of Isaak.
21. At all times relevant to this matter, Klimas, Baxley, Chambers, Maas, and/or Moore were collectively responsible for the control and supervision of the activities of SSN Services’ agents and investment adviser representatives.
22. Dale Isaak (“Isaak”) was both a Missouri-registered broker-dealer agent and investment adviser representative with SSN Services from January 19, 2005, to March 28, 2013. Isaak was registered in Missouri through the CRD with number 2973687. Isaak’s current mailing address is 1101 Webster Crossing Court, Webster Groves, Missouri 63119.
23. William Sherman (“Sherman”) is a Missouri-registered investment adviser representative with Capital Management Services, Inc. Sherman is registered in Missouri through the CRD with number 2382119. Sherman’s current mailing address is 11981 Meadow Run Court, Maryland Heights, Missouri 63043. Sherman also publishes and sells a newsletter (“Sherman Newsletter”) and a market timing strategy (“Sherman Market Timing Strategy” or the “Sherman Market Timing Strategy”).

Summary

24. From January 2010 to December 2011, Isaak used the Sherman Market Timing Strategy in nineteen (19) investment advisory customer accounts at SSN Advisory. Using this market timing strategy, Isaak invested most of these customers’ assets in non-traditional inverse exchange traded funds (“Inverse ETFs”), placing in excess of ninety percent (90%) of some customer’s accounts in these investments. Isaak did not disclose material facts to his customers, many of whom were elderly, about the risky investment strategy he used in their accounts. These transactions were handled through SSN. Isaak’s customers lost in excess of \$900,000 as a result of Isaak’s use of this market timing investment strategy using Inverse ETFs. SSN Services knew that Isaak was using the Sherman Newsletter with his customers, knew Isaak was trading in Inverse ETFs with his elderly customers, but failed to reasonably train personnel regarding Inverse ETFs, reasonably identify and reasonably review these activities to prevent the loss of customer funds. Even though internal SSN Services e-mails referred to Isaak as “a terrible investment advisor,” no one

from SSN Services contacted Isaak's elderly advisory customers to discern what they understood about these transactions.

25. SSN Services failed to reasonably supervise Isaak by, among other things:
 - a. failing to have adequate supervisory systems in place to monitor the sale of ETFs;
 - b. failing to conduct adequate due diligence regarding the risk and features of the ETFs;
 - c. failing to reasonably review the Sherman Newsletter;
 - d. failing to understand how Isaak intended to use the Sherman Newsletter and the Sherman Market Timing Strategy;
 - e. failing to reasonably detect Isaak's use of a market timing strategy in customer accounts;
 - f. failing to reasonably review high concentrations of Inverse ETFs in Isaak's elderly customer accounts;
 - g. failing to train registered personnel about the risks of investing in Inverse ETFs; and
 - h. failing to detect and monitor Isaak's use of a non-registered e-mail address to contact customers regarding this strategy.

26. SSN Services failed to supervise Klimas, Baxley, Maas, Chambers and/or Moore, who each had the ability to affect Isaak's conduct and/or had the responsibility to oversee the procedures and controls at SSN Services. The failures of these procedures and controls included the failure to reasonably review:
 - a. the newsletter approval process;
 - b. the trade review process for complex products and investment strategies;
 - c. the use of non-registered e-mail accounts;
 - d. the remote office audit process;
 - e. high concentration levels of complex products in customer accounts; and
 - f. the need to contact customers after "mistakes" were made in their accounts.

27. SSN Advisory employed Isaak who failed to disclose material facts to his customers, many of whom were elderly, about the risky investment strategy Isaak used in their accounts.
28. SSN Services settled with some of these customers after the Enforcement Section opened its investigation.

Unsuitable Market Timing Strategy

29. The Sherman website defined the Sherman Market Timing Strategy as “a systematic method of buying low and selling high, further enhanced by a superior portfolio-selection method, which combine to take maximum advantage of market opportunities.” The Sherman Market Timing Strategy “uses the Shermanator¹ to identify the emergence of intermediate-term trends, and establishes market positions accordingly – Long, Short, or Cash. . . The Sherman Strategy uses the Shermanator to accurately identify the exhaustion-and-reversal point when an intermediate-term trend ends and another, in the opposite direction, begins. . .”
30. From 1975 to 2001, studies compared the results of market timing strategies as opposed to “buy-and-hold” strategies. These studies indicated that attempts to successfully time the market “require considerable accuracy”², are not only difficult, but “may be sheer folly”³, “require accuracy of 70 to 80 percent to break even”⁴, and that “buy-and-hold strategies beat market timing strategies” over ninety-nine percent (99%) of the time⁵.
31. In January 2010, Isaak began subscribing to Sherman’s daily report, which included buy and sell signals for the day using the Sherman Market Timing Strategy. Additionally, Isaak received the Sherman Newsletter.
32. In or around January 2010, Isaak contacted SSN Services’ compliance department about using the Sherman Newsletters in conjunction with making investment decisions in Isaak’s client accounts. Isaak stated Isaak was advised by SSN Services’ compliance department that nothing precluded Isaak from using outside advice, such as the Sherman Newsletter, in making recommendations to Isaak’s clients.
33. Isaak stated he was told by a representative in SSN Services’ compliance department to conduct due diligence on the Sherman Market Timing Strategy. Isaak then tracked what returns would have been if Isaak had used the Sherman Market Timing Strategy in 2009. Isaak indicated his research revealed that, if Isaak had used this strategy, Isaak would have earned a return of forty-eight point two percent (48.2%) in 2009.

¹ According to Sherman’s website, the “Shermanator” is defined as “a measure of the expansion and contraction of buying in the US stock market, measured in units of market sectors. . .”

² Sharpe’s 1975 article.

³ Jeffrey’s 1984 article.

⁴ Chua 1987 article.

⁵ Bauer 2001 article.

34. Between January 2011 and August 2011, Isaak submitted at least sixteen (16) Sherman Newsletters to SSN Services' compliance department for approval to send to Isaak's current and prospective clients. Isaak received approval from SSN Services for each Sherman Newsletter Isaak submitted.
35. SSN Services approved these newsletters even though SSN Services:
 - a. did not know who Sherman was;
 - b. did not know how Isaak was using the Sherman Newsletter with his clients;
 - c. did not go to Sherman's website;
 - d. did not know if Isaak received the whole Sherman Newsletter;
 - e. did not understand several terms used by Sherman in the Newsletter;
 - f. thought that the Sherman Newsletter had "some type of a system for tracking the market and they feel gives them the ability to make trades and take advantage of changes in the market"; and
 - g. thought that the charts supplied in the Sherman Newsletter were "a signal to do some type of trade."

High Concentration of ETFs and Inverse ETFs in Managed Customer Accounts

36. In or around January 2010, Isaak started using the Sherman Market Timing Strategy to buy and sell ETFs in the managed accounts of some of Isaak's clients at SSN Services. These clients ranged in age from 54 to 81 years of age.
37. Between January 2010 and December 2011, Isaak made trades in the accounts of at least 19 clients based on signals from the Sherman Market Timing Strategy.
38. In February 2011, Isaak recommended that an 81 year-old Missouri resident ("MR1") sell 99% of MR1's mutual fund portfolio and buy ETFs.
39. MR1 stated to an investigator with the Enforcement Section that MR1 believed that MR1 was in a low-risk strategy. During 2011, MR1 lost approximately \$92,000 through Isaak's use of the Sherman Market Timing Strategy.
40. In March 2011, Isaak, acting on signals from the Sherman Market Timing Strategy, purchased an inverse ETF in at least 16 of Isaak's client accounts at SSN Services. The 16 client accounts had an average of 90% of their balances invested in inverse ETFs. The affected clients ranged in age from 54 to 69 years old, and all of the affected clients'

account opening documents listed a “medium” risk tolerance. Isaak subsequently sold that inverse ETF for a loss in all 16 of the client accounts.

41. SSN Services used a transaction blotter report that indicated when a trade executed in a client’s account exceeded 10% of that client’s net worth. The purchase of the inverse ETF in March 2011 included at least 10 client accounts where the amount invested by Isaak in the inverse ETF exceeded 10% of the clients’ net worth.
42. Despite the transaction blotter report, SSN Services never contacted Isaak or Isaak’s clients regarding the purchase of the inverse ETFs in these accounts in March 2011.
43. On September 19, 2011, SSN Services’ Trade Review Team notified Isaak that 2 of Isaak’s client accounts were placed on heightened status due to concerns regarding the suitability of Isaak’s investments in those accounts. Specifically, the Trade Review Team was concerned that the two clients had a “medium” risk tolerance, but also had high concentrations in Inverse ETFs.
44. On October 4, 2011, Isaak replied via e-mail to the SSN Services Trade Review Team regarding the heightened status on the 2 client accounts. Isaak stated, among other things, “The two held accounts...are being **invested in a timing method**. These accounts are not invested at all times. At this time they are in a cash position. I don’t believe this is an aggressive investment. Can you take these accounts off hold?” (Emphasis added).
45. The following day, as a result of Isaak’s correspondence, representatives at SSN Services took the 2 Isaak customer accounts off heightened status.
46. After Isaak revealed that Isaak was investing clients’ funds in a market timing method, SSN Services Trade Review team never informed Isaak’s supervisor or the chief compliance officer about Isaak’s use of a market timing method using inverse ETFs in client accounts.
47. No one at SSN Services performed a due diligence analysis of the Sherman Market Timing Strategy, the manner in which Isaak was using the Sherman Market Timing Strategy, or of the inverse ETFs that were bought and sold in these customer accounts.
48. Moreover, SSN Services Trade Review Team never requested additional information from Isaak about any other clients utilizing the Sherman Market Timing Strategy.
49. No one from the SSN Services Trade Review Team notified Isaak’s supervisor of the high concentration of inverse ETFs in Isaak’s client accounts.

“Mistake Of Sizeable Proportions” in the Sherman Market Timing Strategy

50. On October 24, 2011, Sherman sent a document to Isaak titled, “Mea Culpa”⁶ (“Mea Culpa Letter”), regarding the Sherman Market Timing Strategy. The document stated, among other things:
- a. “the Risk Management rules we recently overlaid on top of the Long/Cash and Long/Short models have been shown to be a mistake of sizeable proportions”;
 - b. “the Risk Management Overlay has forced selling just at the points where the [Sherman Market Timing Strategy] says ‘buying’ should be taking place, and vice versa”; and
 - c. “All of the buying and selling action in the Long/Cash and Long/Short models since late March 2011 has been due to the Risk Management Overlay rules.”
51. Isaak did not provide the Mea Culpa Letter to SSN Services until an investor complained to SSN Services in summer of 2012.
52. In November 2011, Isaak, acting on signals from the Sherman Market Timing Strategy, purchased an inverse ETF and subsequently sold it for a loss in at least 17 client accounts. In 15 client accounts, the clients had a risk tolerance of “medium” on file at SSN Services. The client accounts had an average of 84% of the account balances invested in the inverse ETF.
53. On December 2, 2011, SSN Services Trade Review Team finally asked Isaak to “clarify the investment strategy” for Isaak client accounts that had been invested in the inverse ETF.
54. Isaak responded to SSN Services’ request on December 6, 2011, by sending a document titled “The Long/Cash, Long/Short Strategy in Detail.” The document stated, among other things:
- a. “The strategy identifies the emergence of intermediate – term trends, and establishes market positions accordingly – Long, Short or Cash.”; and
 - b. “The strategy identifies the ...reversal of a downtrend [and allows] the Strategy to “buy low” since the endpoint of the downtrend is by definition the lowest point of the trend.”
55. On December 13, 2011, the SSN Services Trade Review Team sent Isaak an e-mail that addressed 9 clients of Isaak, stating, among other things:
- a. “This level of concentration is more appropriate for clients with a **high/aggressive risk tolerance**” (“High/Aggressive Risk Tolerance”) (Emphasis added);

⁶ “Mea culpa” is a Latin phrase acknowledging a personal fault or error.

- b. **“If these clients are happy with this type of investment strategy, we will just need to get their risk tolerance corrected** on the most recent SSN Account Form”; (Emphasis added) and
 - c. “Do you have any other accounts that are using this same strategy that are not listed below?”
56. SSN Services has no record that Isaak provided the SSN Services Trade Review Team the information requested in this December e-mail regarding the additional clients using the Sherman Market Timing Strategy. Furthermore, SSN Services provided no record that anyone followed up with Isaak regarding the other accounts using the strategy.
57. Although the SSN Services Trade Review Team indicated a concern with the suitability of trades in these client accounts, SSN Services failed to:
- a. interview Isaak regarding Isaak’s use of the Sherman Market Timing Strategy;
 - b. follow up to ensure SSN Services retained a complete list of all of Isaak’s clients using the Sherman Market Timing Strategy;
 - c. conduct due diligence on the Sherman Market Timing Strategy;
 - d. interview Sherman regarding the Sherman Market Timing Strategy;
 - e. contact any of Isaak’s clients regarding their investment objectives; or
 - f. contact any of Isaak’s clients regarding their understanding of the Sherman Market Timing Strategy or the risks of market timing in Inverse ETFs.
58. In response to the December 13, 2011, request from the SSN Services Trade Review Team, Isaak sent amended account forms for a 70 year-old St. Louis, Missouri resident (“MR2”) and MR2’s spouse, a 69 year-old St. Louis, Missouri resident (“MR3”) (“Amended Forms”).
59. No other Isaak client amended their account forms. No one from SSN Services contacted any other Isaak client to determine if Isaak used the Sherman Market Timing Strategy in those clients’ accounts, if this strategy was suitable for the clients’ accounts, and/or if the clients or Isaak understood the non-traditional products being used in the clients’ accounts.
60. Even though internal SSN Services e-mails referred to Isaak as “a terrible investment advisor,” no one from SSN Services contacted Isaak’s elderly advisory customers to discern what they understood about these transactions.

61. The Amended Forms Isaak provided to the SSN Services Trade Review Team for MR2 and MR3 reflected, among other things:
 - a. that the original account forms were dated November 19, 2009, or earlier;
 - b. the risk tolerance section of the original account forms had been amended to include a “High” risk tolerance, in addition to a “Medium” risk tolerance;
 - c. MR2’s and MR3’s initials were adjacent to the section pertaining to risk tolerance;
 - d. no date was included next to the initials; and
 - e. the account forms were not re-dated.
62. No SSN Services employee contacted MR2 or MR3 regarding:
 - a. MR2’s and MR3’s understanding of inverse ETFs;
 - b. MR2’s and MR3’s understanding of the Sherman Market Timing Strategy;
 - c. the risks associated with the Sherman Market Timing Strategy;
 - d. MR2’s and MR3’s understanding about the level of concentration of inverse ETFs in their accounts;
 - e. the risks of this level of concentration in inverse ETFs;
 - f. the date that the risk tolerance increase took place; or
 - g. why MR2 and MR3 changed their investment objective to a High/Aggressive Risk Tolerance.
63. On June 21, 2012, SSN Services received a complaint via e-mail from MR2 and MR3 regarding Isaak’s use of the Sherman Market Timing Strategy in MR2’s and MR3’s SSN accounts.
64. In correspondence to SSN Services MR2 stated that “Isaak should have known that selling shorts was not appropriate for my age/income/net worth. I could not even tell you what they are.”
65. On August 3, 2012, the Enforcement Section received a complaint from MR2 and MR3 regarding losses caused by Isaak in their SSN accounts.
66. This investigation revealed at least 19 of Isaak’s clients at SSN Services incurred losses in excess of \$900,000 from Isaak’s use of the Sherman Market Timing Strategy.

67. After the Enforcement Section opened an investigation of this matter, SSN Services settled with some of these customers.

Non-registered SSN E-mail Account

68. SSN had policies and procedures prohibiting the use of non-registered e-mail addresses by employees for securities business.
69. From July 2006 until at least March 2012, Isaak used a non-registered e-mail address to communicate with SSN Services clients (“Non-registered E-mail Account”).
70. Isaak used the Non-registered E-mail Account to contact clients regarding, among other things:
- a. the Sherman Market Timing Strategy;
 - b. the fees and commissions paid by clients using the Sherman Market Timing Strategy;
 - c. losses in the clients’ managed account; and
 - d. the clients’ complaints about these losses.
71. Between 2010 and 2012, the SSN Services’ Compliance Department conducted annual branch audits at Isaak’s office; however, no audit ever asked to review Isaak’s Non-registered E-mail Account even though:
- a. Isaak had used this Non-registered Email Account with his clients prior to SSN Services establishing an approved e-mail system;
 - b. SSN Services had repeated problems with their approved e-mail system that made it difficult to access this system;
 - c. Isaak received e-mails from the SSN Trading Desk at this Non-registered E-mail Account;
 - d. Isaak sent an e-mail to SSN Compliance Department from the Non-registered E-mail Account;
 - e. Isaak forwarded to SSN Compliance Department an e-mail to a client from Isaak on the Non-registered E-mail Account;
 - f. Isaak admitted to SSN Compliance Department that Isaak had used the Non-registered E-mail Account with a client;

- g. when requested, Isaak did not provide SSN Compliance Department with all e-mails that Isaak had sent from this Non-registered e-mail Account; and
- h. Isaak had repeatedly filed false information with SSN Services regarding his use of a Non-registered E-mail Account.

Isaak OTR

72. On April 5, 2013, Isaak provided an on-the-record statement to the Enforcement Section (“Isaak OTR”). During the Isaak OTR, Isaak stated, among other things:
- a. prior to using the Sherman Market Timing Strategy, Isaak only recommended mutual funds to his customers;
 - b. Isaak did not have any training from SSN about ETFs;
 - c. Isaak could not remember for what “ETF” stood for;
 - d. Isaak talked to MR2 and MR3 about ETFs; and
 - e. when asked what Isaak told his other clients about ETFs and the Sherman sheet, Isaak stated that:

“Well, I’m not going to say I talked about the ETFs in particular to the clients. I talked about the Sherman sheet. I mean, I’m sure if ETFs came up, that this wasn’t the driving point. The driving point is this is what I’m doing. This is what –I think this might work for us. Do you want to do this?”
73. SSN Services failed to establish and maintain a reasonable supervisory system including written supervisory procedures to monitor and review the sale of ETFs including inverse ETFs to its retail customers.
74. SSN Services failed to reasonably review transactions in client’s accounts for suitability.
75. SSN Services failed to conduct training of agents and of supervisory personnel regarding the sale and of ETFs, including non-traditional ETFs.
76. SSN Services failed to reasonably supervise Isaak by failing to have established reasonable policies and procedures and a system for applying these procedures to reasonably detect violations of the securities laws and regulations by, among other things, failing to:
- a. review and approve incoming and outgoing correspondence;

- b. reasonably review marketing materials and newsletters provided to customers;
 - c. detect and review investment strategies used by registered agents and/or investment adviser representatives;
 - d. detect and monitor the sale of Inverse ETFs by registered agents and/or investment adviser representatives;
 - e. detect and monitor the high concentration of Inverse ETFs in customer accounts;
 - f. detect and review client complaints received by registered agents and/or investment adviser representatives;
 - g. detect and monitor the use of Non-registered E-mail Accounts by registered agents and/or investment adviser representatives;
 - h. detect unsuitable investments and unsuitable investment strategies in customer accounts;
 - i. provide the necessary training, direction, and/or tools for supervisors to adequately perform their supervisory duties relating to review of registered agents and/or investment adviser representatives': (1) e-mail accounts; (2) marketing materials; (3) investment strategies; (4) customer complaints; and (5) sales of complex products.
77. As a result of the conduct described above, SSN failed to reasonably supervise Isaak within the meaning of Section 409.4-412, RSMo. (Cum. Supp. 2013).
78. SSN Advisory employed Isaak an investment adviser representative who failed to disclose material facts to investors about Inverse ETFs and failed to disclose material facts about the investment strategy he used in their accounts in violation of Section 409.5-501, RSMo. (Cum. Supp. 2013).
79. SSN provided information not unacceptable to the Enforcement Section that it has in place policies, procedures, and controls to, among other things:
- a. review and approve incoming and outgoing correspondence;
 - b. reasonably review marketing materials and newsletters provided to customers;
 - c. detect and review investment strategies used by registered agents and/or investment adviser representatives;
 - d. detect and monitor the sale of Inverse ETFs by registered agents and/or investment adviser representatives;

- e. detect and monitor the high concentration of Inverse ETFs in customer accounts;
- f. detect and review client complaints received by registered agents and/or investment adviser representatives;
- g. detect and monitor the use of Non-registered E-mail Accounts by registered agents and/or investment adviser representatives;
- h. detect unsuitable investments and unsuitable investment strategies in customer accounts; and
- i. provide the necessary training, direction, and/or tools for supervisors to adequately perform their supervisory duties relating to review of registered agents and/or investment adviser representatives': (1) e-mail accounts; (2) marketing materials; (3) investment strategies; (4) customer complaints; and (5) sales of complex products.

II. CONCLUSIONS OF LAW

- 80. The Commissioner finds Respondents failed to reasonably supervise Isaak, an agent and an investment adviser representative under Respondents' supervision, and that Isaak's clients lost money through Isaak's unsuitable recommendations, and that this conduct constitutes grounds to discipline SSN under Sections 409.4-412(d) (9), RSMo. (Cum. Supp. 2013) and that SSN Advisory employed an investment adviser representative that in connection with the purchase or sale of securities failed to disclose material facts to investors in violation of Section 409.5-501, RSMo. (Cum. Supp. 2013).
- 81. The Commissioner, after consideration of the stipulations set forth above and on the consent of Respondents and the Enforcement Section, finds and concludes that the Commissioner has jurisdiction over Respondents 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, RSMo. (Cum. Supp. 2013).

III. ORDER

NOW, THEREFORE, it is hereby Ordered that:

- 1. Respondents, their 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 failing to supervise an agent and/or an investment adviser representative engaged in dishonest or unethical practices pursuant to Sections 409.4-412(d)(9) and (13), RSMo. (Cum. Supp. 2013) or from violating Section 409.5-501, RSMo. (Cum. Supp. 2013).
- 2. Respondents SSN's registration in Missouri is hereby CENSURED.

3. Respondents SSN and SSN Advisory are jointly and severally ordered to pay \$500,000 in restitution. This payment shall be sent within 10 days of the effective date of this Consent Order to the Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101, and shall be payable to the Missouri Secretary of State's Investor Restitution Fund. This payment will be distributed by that Fund to the investors listed and in the amount specified in Exhibit A.
4. Respondents SSN and SSN Advisory are jointly and severally ordered to pay to the Missouri Secretary of State's Investor Education and Protection Fund the sum of \$35,000. This payment shall be sent within 10 days of the effective date of this Consent Order to the Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101, and shall be payable to the Missouri Secretary of State's Investor Education and Protection Fund. The Division will send the money to the Missouri Secretary of State's Investor Education and Protection Fund.
5. Respondents SSN and SSN Advisory are jointly and severally ordered to pay \$15,000 as the cost of this investigation. This amount shall be sent within 10 days of the effective date of this Consent Order to the Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101, and shall be payable to the Missouri Secretary of State's Investor Education and Protection Fund. The Division will send the money to the Missouri Secretary of State's Investor Education and Protection Fund.
6. Respondents shall pay their 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 5TH DAY OF MARCH, 2015.



JASON KANDER
 SECRETARY OF STATE


Andrew M. Hartnett

ANDREW M. HARTNETT
 COMMISSIONER OF SECURITIES

Consented to by:
 THE ENFORCEMENT SECTION OF THE
 MISSOURI SECURITIES DIVISION

Mary S. Hosmer
 Mary S. Hosmer
 Assistant Commissioner of Securities

SECURITIES SERVICE NETWORK, INC.

BY: 

NAME: Ronald T. Klimm

TITLE: SVP


SSN ADVISORY, INC.

BY: 

NAME: Ronald T. Klimm

TITLE: SVP

Approved as to Form:



Byron Francis
Armstrong Teasdale
Attorney for Securities Service Network, Inc, and
SSN Advisory, Inc.