



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)	
)	
DANIEL S. MADASZ, SR.;)	Case No.: AP-20-18
MADASZCONSULTING, LLC; and)	
DSM ENTERPRISES, LLC,)	
)	
<i>Respondents.</i>)	
)	
Serve: Daniel S. Madasz, Sr.)	
DSM Enterprises, LLC)	
MadaszConsulting, LLC)	
c/o Anthony L. Gosserand)	
Van Osdol, PC)	
1000 Walnut Street, Suite 1500)	
Kansas City, MO 64106)	
tgosserand@vanosdolkc.com)	

**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 23, 2020, the Enforcement Section of the Missouri Securities Division of the Office of Secretary of State (“the Enforcement Section”), through Director of Enforcement Douglas M. Jacoby, submitted an Amended Petition for Order to Cease and Desist and Order to Show Cause Why Restitution, Civil Penalties, Costs, and Other Administrative Relief Should Not Be Imposed (“the Amended Petition”). After reviewing the Amended Petition, the Missouri Commissioner of Securities (“the Commissioner”) issues the following order:

I. ALLEGATIONS OF FACT

The Amened Petition alleges the following facts:

A. Introduction

Between August 5, 2015, and March 14, 2019 (“Relevant Period”), Respondents DSM Enterprises, LLC (“DSM”), and Daniel S. Madasz, Sr. (“Madasz”) offered and sold \$167,500 in promissory notes to three (3) investors as a means of garnering their funds under the purported management of DSM and Madasz, despite neither DSM or Madasz having been registered as an investment adviser or investment adviser representative, respectively, in the State of Missouri. Additionally,

once Madasz gained control of the investors' funds, he misappropriated the funds through various personal bank accounts and the bank accounts of his two businesses, DSM and MadaszConsulting, LLC ("MadaszConsulting"), for his own personal benefit.

B. Respondent and Related Parties

1. Madasz is a sixty-nine-year-old Missouri resident with a last known address of 11906 E. 203rd St., Raymore, Missouri 64083. During the Relevant Period, Madasz was the sole managing member of DSM and MadaszConsulting.
2. Review of Central Registration Depository ("CRD") records indicates that, during the Relevant Period, Madasz was not registered or exempt from registration in Missouri as an agent or investment adviser representative.
3. Luke M. Madasz ("Luke") is a twenty-five-year-old Missouri resident with a last known address of 14703 Grand Summit Blvd., Unit #A, Grandview, Missouri 64030. Luke is the son of Madasz. During the Relevant Period, Luke was the president of DSM.
4. Review of CRD records indicates that, during the Relevant Period, Luke was not registered or exempt from registration in Missouri as an agent or investment adviser representative.
5. Kenneth D. Marg ("Marg") is a sixty-five-year-old Arizona resident with a last known address of 8408 East Welsh Trail, Scottsdale, Arizona 85254. During the Relevant Period, Marg was a managing member and president of Skytec Security Services, LLC.
6. John Myers ("Myers") is a sixty-three-year-old Arizona resident with a last known address of 6341 East Sunnyside Drive, Scottsdale, Arizona 85254. Myers is the founder of Skytec Security Services, LLC, and several other entities bearing the Skytec name. During the Relevant Period, Myers was a managing member of Skytec Security Services, LLC.
7. David Robins ("Robins") is a sixty-eight-year-old Kansas resident with a last known address of 516 S Floyd St., Wichita, Kansas 67209. During the Relevant Period, Robins was purportedly an independent foreign exchange day trader.
8. DSM is a Missouri limited liability company with a last known principal place of business at 11906 E. 203rd Street, Raymore, Missouri 64083. DSM was organized by Madasz in August 2015 with no defined business purpose. At all times relevant to this matter Madasz was the sole managing member of DSM.
9. Review of CRD records indicates that, during the Relevant Period, DSM was not registered or exempt from registration in Missouri as a broker-dealer or investment adviser.
10. MadaszConsulting is a Missouri corporation organized by Madasz in 2011, with a last known place of business at 7500 College Blvd., Suite 500, Overland Park, Kansas 66210. MadaszConsulting purportedly offered advisory services to individuals in the areas of tax

planning, retirement planning, insurance, trusts, and benefits planning, as well as specialized services to business entities, including assistance with formation, review, and drafting corporate documentation and the provision of accounting and capital raising services. Since June 13, 2013, MadaszConsulting has been subject to administrative dissolution by the Missouri Secretary of State's Office for failing to file a correct and current annual report.

11. Review of CRD records indicates that, during the Relevant Period, MadaszConsulting was not registered or exempt from registration in Missouri as a broker-dealer or investment adviser.
12. Skytec Security Services, LLC (f/k/a Skyline Security Services LLC) ("Skytec Corporate" or the "Company"), is a Delaware limited liability company formed on July 22, 2013, with a last known primary place of business at 9375 E. Shea Blvd., Suite 208, Scottsdale, Arizona 85260. Skytec Corporate's business focused on selling and installing security monitoring equipment to homes and businesses across the United States. During the Relevant Period, Myers and Marg were the managing members of Skytec Corporate.
13. Skytec Security & Automation Services, LLC ("SSAS") is a non-existent entity. Although the name "Skytec Security & Automation Services, LLC" and "Skytec Security & Automation Services" are referenced in Skytec Organization marketing materials as former names for Skytec Corporate, no state records support such name changes ever having occurred.
14. Skytec Security Kansas City, LLC ("Skytec Kansas City"), is a Delaware limited liability company formed through an organizer at LegalZoom.com on October 28, 2014, with a primary business address at 8603 E Royal Palm Rd., Scottsdale, Arizona 85258. Although the name of this entity was used as a transactional counterparty in the case of a promissory note with one investor in this matter, the entity appears to have had no business or bank account. Instead, the investor's funds were deposited into a bank account of another entity with a similar sounding name: Skytec Service KC, LLC ("Skytec Service KC"). According to records at Enterprise Bank, where Madasz and Myers established a checking account for Skytec Service KC on June 16, 2016, Skytec Service KC is represented as a Kansas limited liability company; however, no record of such entity exists in the State of Kansas records. Madasz, Myers, and Marg were all signatories on the Enterprise Bank account of Skytec Service KC until Madasz succeeded as sole signatory on May 12, 2017. Based on information and belief, Madasz, Myers, and Marg were each 1/3 owners of Skytec Service KC, which purportedly engaged in a "roofing and security systems" business during the Relevant Period.
15. Skytec Roofing, LLC ("Skytec Roofing"), is a Delaware limited liability company formed through an organizer at LegalZoom.com on June 17, 2015. Skytec Roofing, which was owned by Myers and Marg, purported to be in the roofing repair business. On June 1, 2018, Skytec Roofing's registration was administratively canceled by Delaware as a result of

“neglect, refusal, or failure to pay its annual taxes.”¹

16. Skytec Funding Company, LLC (“Skytec Funding”), is a Delaware limited liability company formed through an organizer at LegalZoom.com on July 22, 2013. On June 1, 2016, Skytec Funding’s registration was administratively canceled by Delaware as a result of “neglect, refusal, or failure to pay its annual taxes.” According to marketing materials produced by Myers and Marg, Skytec Funding appeared to be a niche vehicle through which Skytec Corporate intended to purchase the (post-installation) multi-year alarm system monitoring contracts from its regional affiliates and capitalize on the difference between the purchase price of such contracts and the contracts’ potential future cash flows.
17. For purposes of this Petition, Skytec Corporate, Skytec SAS, Skytec Kansas City, Skytec Service KC, Skytec Roofing and Skytec Funding shall collectively be referred to hereinafter as the “Skytec Organization.”

C. **Enforcement Section's Investigation**

Background

18. On January 24, 2014, Madasz received confirmation via email from Marg and Myers of an offer to join Skytec Corporate as a full-time employee. Madasz was to join Skytec Corporate as Senior Vice President of Business Development. Madasz’s immediate duties included, among other things, raising capital for the development of Skytec Corporate’s regional operations. As the Senior Vice President of Business Development, Madasz would receive a salary from Skytec Corporate of \$11,000 per month.
19. Madasz accepted the offer and officially joined Skytec Corporate on February 1, 2014.
20. To source investors, Madasz principally targeted individuals who were current clients of his defunct consulting enterprise, MadaszConsulting; individuals who, in many instances, had known Madasz for years and implicitly trusted him.
21. From February 2014 through October 2014, Madasz raised at least \$1,064,544.00 for the Skytec Organization through the sale of high yield unsecured promissory notes and other securities to ten individual investors.² At least seven of the investors were MadaszConsulting clients.
22. Madasz’s fund raising was so successful for Skytec Corporate that the money was coming in faster than Skytec Corporate could deploy the funds in its business operations. As a consequence, Madasz, Myers, and Marg discussed beneficial temporary options for the funds until such time that the funds may be needed.

¹ Myers and Marg also formed a similarly named entity, Skytec Roofing LLC (with no comma), in Arizona on October 15, 2015, listing a principal business address at 8502 E Via De Ventura #240, Scottsdale, Arizona 85258. According to the Arizona Secretary of State’s website, this entity is listed as active and in good standing.

² Not all investors were Missouri residents.

23. In response to their discussion, Madasz introduced Myers and Marg to Robins. According to Madasz, Robins was purportedly one of the most gifted foreign currency (“FX”) traders in the world that no one had ever heard of. Given Robins’s alleged unparalleled trading prowess in the FX market, Madasz suggested that Skytec Corporate open an FX trading account with Robins and let Robins temporarily trade the money Skytec had raised from investors.
24. On November 7, 2014, Myers, on behalf of SSAS, executed a six-year³ unsecured promissory note with Robins (“Robins Note”).⁴ Among other things, the Robins Note contained the following terms:
- a. In exchange for placing \$250,000 (of investor funds) with Robins, Robins agreed to pay SSAS a return in the form of ten percent monthly interest (*i.e.*, an annual interest rate of 120%);
 - b. “[Robins] has the right to invest money received via this note under the following guidelines:
 - Money may be invested in and only in foreign exchange market (forex, FX)(*sic*).
 - The broker used to invest the funds of this Note is the decision of [Robins]”;
 - c. “Weekly Reports of trading results shall be forwarded each week to [SSAS] within 72 hours of completion of the Friday trading, or the last trading day of the week, if prior to Friday of each week. This report should be the official report as prepared by the brokerage company utilized for trading in the noted exchange”; and
 - d. “Both [Robins] and [SSAS] request an early termination provision. This agreement may be terminated for any cause by either party.”
25. The Robins Note also contains the following language:

In the event of death of [Robins], and prior to maturity of the Note, [SSAS] is requesting a life insurance policy on the life of [Robins]. The principal and interest due at the date of death will be the benefit of [SSAS] (sic). This will be in the form of an assignment which will

³ The Robins Note confusingly references two maturity dates: November 7, 2020 (implying a six-year term to maturity) and November 7, 2024 (implying a ten-year term to maturity).

⁴ The Robins Note superseded a similar promissory note executed by the parties on October 3, 2014, for \$100,000. The \$100,000 associated with the prior note in October is included as part of the \$250,000 Robins Note. Myers provided Robins the funds in two separate tranches: on October 14, 2014, Myers transferred \$100,050 from the Wells Fargo account of Skytec Corporate ending in #9789 (“Account #9789”) to the Wells Fargo account of Skytec Funding ending in #0039 (“Account #0039”), and then wired \$100,000 from Account #0039 to Robins; on November 6, 2014, Myers transferred \$150,000 from Account 9789 to Account #0039 and then wired \$150,000 from Account #0039 to Robins.

be executed on the proper form that the insurance company will provide. Benefits will be assigned to [SSAS] only while the agreement is in effect. [Robins] will provide a copy of the executed assignment to [SSAS].

26. Between January 20, 2015, and May 6, 2015, Madasz raised an additional \$600,000 for Skytec Corporate through the sale of unsecured promissory notes to three individual investors. At least two of the investors were Madasz Consulting clients.
27. From October 31, 2014, to August 19, 2019, Robins paid a total of \$381,613.34⁵ in payments to Skytec Corporate, presumably on the Robins Note. Robins made no further payments on the Robins note to Skytec Corporate after August 19, 2019.
28. Despite being paid a salary of \$11,000 per month by Skytec Corporate, Madasz apparently struggled with his personal finances.
29. On August 5, 2015, Madasz organized DSM. According to the filings made for DSM with the State of Missouri's Business Services Division, DSM had no defined business purpose.
30. By October 2015, Skytec Corporate, due to a lack of funds, stopped paying Madasz his salary.

Investment by Missouri Resident 1 ("MR1")

31. On August 26, 2015, Madasz offered and sold a then sixty-eight-year-old Belton, Missouri, resident, MR1, a three-year unsecured promissory note issued by DSM in the amount of \$20,000. Madasz, as sole member of DSM, countersigned the document on behalf of DSM. According to the terms of the note,
 - a. the note would earn twenty-four percent (24%) annual interest rate, payable monthly;
 - b. the note would mature on August 26, 2018; and
 - c. DSM had the right to invest money received via this note.
32. By the Respondents' own admission, the DSM promissory note was – and was represented by Respondents to MR1 as – a security. Included at the top of the first page of the note, in all capital letters, was the following Securities Act of 1933 disclosure:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION

⁵ It is unclear whether Robins generated these funds through FX trading or another source.

THEREOF. NO SUCH SALE OR DISTRIBUTION MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933 (the "Securities Act Disclosure").

33. MR1 tendered to Madasz a personal check, dated August 26, 2015, in the amount of \$20,000. Interestingly, MR1 had written out the check to "Daniel S. Madasz, Sr." rather than DSM, which was MR1's transactional counterparty on the promissory note.
34. A review of bank records from Madasz's personal bank account at Bank of America ("Account #4791") shows the deposit of MR1's check #1031 in the amount of \$20,000 on August 27, 2015.
35. Instead of promptly transferring the funds to DSM's Bank of America account ("Account #6532"), Madasz left MR1's funds comingled with his own personal funds in Account #4791.
36. A review of Account #4791 for the period of August 27, 2015, through September 10, 2015, shows, based on a first-in-first-out ("FIFO") analysis, that Madasz misappropriated MR1's investment for Madasz's own personal use – paying for everyday goods and services for Madasz and his family, including, but not limited to, the following:
 - a. purchases at McDonald's in Belton, MO;
 - b. a \$1,500 payment to a personal credit card;
 - c. a \$3,000 donation, in the name of Madasz, to the Grace Point Baptist Church;
 - d. gasoline purchases at Sam's Club in Grandview, MO;
 - e. payment of the mortgage on Madasz's personal residence;
 - f. purchases from Netflix;
 - g. tuition and sport fees for one of Madasz's thirteen children totaling \$792 to Blue Ridge Christian School in Kansas City; and
 - h. a \$1,000 payment to a MadaszConsulting client from whom Madasz and his wife received a personal loan in April 2015.
37. Bank records show that, as a result of the misappropriation described above, of the \$20,000 MR1 invested in DSM, only \$9,097.58 ever made it into DSM's Account #6532, by way of a \$13,000 transfer Madasz made on September 1, 2015, from Madasz's personal

Account #4791 to DSM's Account #6532 – \$9,097.58 of which represented MR1's funds and the remaining \$3,902.42 represented other monies Madasz had received into Account #4791.

38. Following the \$13,000 transfer of funds from Madasz's personal Account #4791 to DSM's Account #6532, Madasz wrote a check from DSM's Account #6532 in the amount of \$13,000 paid, generically, to the order of "Skytec." Although bank records confirm that the check was cashed against DSM's Account #6532 and deposited into the Wells Fargo bank account of Skytec Funding Company, LLC, ending in #0039, it is unclear why Madasz paid this amount to the Skytec Organization, as no documentation appears to exist to validate the reason for the transaction.
39. Based on the foregoing activity, Madasz completely exhausted MR1's investment within fourteen days after its receipt into Madasz's personal bank Account #4791.
40. To date, bank records indicate that Madasz and DSM have only returned \$1,200 to MR1 on MR1's investment in the DSM promissory note.
41. The estimated total loss to MR1 on the DSM promissory note, including interest, is \$33,200.

Investments by Kansas Resident 1 ("KR1") and Illinois Resident 1 ("IR1")

42. Madasz met KR1 – a then fifty-one-year-old Overland Park, Kansas resident – through the Kansas City chapter of the American Club Association ("ACA"), a private club dedicated to serving professionals, executives and business owners. KR1 had been a member for more than ten years by the time Madasz began attending ACA meetings in August 2015.
43. Soon after joining ACA, Madasz began soliciting the services of MadaszConsulting to ACA members, including KR1.
44. Madasz represented himself to KR1 and others at ACA as a registered investment adviser representative.
45. In February 2016, KR1 agreed to engage MadaszConsulting through the small, private business KR1 owned and operated to advise KR1 on, among other things, retirement planning. In compensation for Madasz's advice, KR1 paid Madasz a flat fee of \$1,900.
46. According to the engagement letter KR1 executed with MadaszConsulting on February 5, 2016, MadaszConsulting was to "carefully review current retirement plan vehicles," which included KR1's current Roth IRA at Security Financial Resources, Inc. ("SFR")⁶, and "suggest considerations to use the current instruments to their highest and best use."

⁶ SFR, a wholly owned subsidiary of Security Benefit Life Insurance Company, is a nationwide provider of retirement plan services.

47. In the course of providing such advice, Madasz recommended KR1 allow Madasz to manage the assets in KR1's Roth IRA through one of Madasz's other companies, DSM, which Madasz represented to KR1 as a registered investment adviser. To accomplish this, Madasz suggested KR1 liquidate the current investments KR1 had in his Roth IRA – a combination of equity and fixed income funds – and invest in a DSM promissory note.
48. Based on information and belief, Madasz understood that the DSM promissory note he intended to sell KR1 would most likely not be supported by SFR's Operations Department and, thus, would not be an allowable investment in KR1's SFR-custodied Roth IRA. So, Madasz advised KR1 to move KR1's Roth IRA from SFR to a custodian with which Madasz already knew, from experience, would allow such a transaction: IRA Services Trust Company ("IRA Services Trust").
49. In his conversations with KR1, Madasz learned that KR1's mother IR1, an eighty-one-year-old East Peoria, Illinois resident, was ailing in health and was receiving costly long-term medical care. KR1 conveyed KR1's concern to Madasz about the ability of IR1's savings⁷ to sufficiently afford the cost of IR1's long-term care. Madasz responded by offering KR1, as co-trustee⁸ of IR1's assets, to place some of IR1's savings with DSM, also through the purchase of a DSM promissory note, and allow Madasz to manage money for both KR1 and IR1.
50. In the context of managing money for both KR1 and IR1, Madasz mentioned Robins to KR1 and suggested that DSM could place all or a portion of KR1 and IR1's funds with Robins to invest in the FX market. Madasz represented to KR1 that Robins could make a lot of money for KR1 and IR1.
51. Based on representations Madasz had made to KR1, KR1 agreed to let Madasz manage the entire balance in KR1's Roth IRA and, in agreement with KR1's co-trustee brother, \$40,000 of IR1's savings. In doing so, KR1 was clear with Madasz that, as a result of IR1's desperate need for a quick profit, Madasz could invest the entire \$40,000 portion of IR1's funds with Robins, but that, with respect to KR1's Roth IRA savings, Madasz was to give Robins no more than 10-15% of KR1's money and invest the rest of KR1's money in safe, conservative investments.
52. Soon thereafter, in anticipation of selling a DSM promissory note to KR1 as a means of effectively transferring the entire balance in KR1's Roth IRA at SFR under the investment management of DSM and Madasz, Madasz advised KR1 to move KR1's then current Roth IRA from its current custodian, SFR, where the account had been covered by a registered agent of OFG Financial Services, Inc.,⁹ to IRA Services Trust, where the account would be covered by Madasz.

⁷ IR1's savings constituted cash residing in a bank account.

⁸ KR1 was one of two trustees overseeing IR1's assets, which had been placed in an irrevocable trust. The other co-trustee was KR1's brother.

⁹ OFG Financial Services, Inc. is a FINRA member broker-dealer and an SEC registered investment advisor,

53. A review of KR1's Roth IRA account statement, as of February 24, 2016, shows the entire account balance of \$103,305.37 fully invested in a combination of equity and fixed income funds.
54. A review of the on-boarding documents at IRA Services Trust, which were completed by Madasz and Luke on or around February 26, 2016, list Madasz as the "authorized financial representative and/or agent" for KR1's Roth IRA.
55. On or around March 3, 2014, following the establishment of KR1's new Roth IRA at IRA Services Trust, Luke completed the transfer authorization form that instructed SFR to rollover KR1's Roth IRA from Security Benefit to IRA Services Trust and sent the form to KR1 for signature. Among other things, the transfer authorization form provided that it shall "authorize the delivering firm to sell any non-transferable money fund shares, and any shares of other mutual funds that you have requested be sold, and transfer the proceeds as cash."
56. On March 7, 2016, the investments in KR1's Roth IRA at SFR were liquidated. The approximate amount of cash in KR1's Roth IRA at SFR following the liquidations was \$108,118.83.
57. On or about March 8, 2016, the entire balance of \$108,118.83 was withdrawn from KR1's Roth IRA at SFR and deposited into KR1's newly opened Roth IRA at IRA Services Trust.
58. On or around March 14, 2016, following completion of the rollover,
 - a. Luke completed an IRA Services Trust *Investment Authorization* form, which detailed to IRA Services Trust that KR1 was to purchase an unsecured promissory note from DSM in the amount of \$107,500, and a *Wire Request* form, that instructed IRA Services Trust to wire \$107,500 from KR1's Roth IRA at IRA Services Trust to DSM's BofA Account #6532. Luke sent the completed forms to KR1 via email for signature;
 - b. Luke also completed an IRA Services Trust *Prohibited Transactions Questionnaire* form, including responding to the all questions on the form that should have been completed personally by KR1, and sent the document via email to KR1 for signature; and
 - c. KR1 signed all three of the aforementioned documents and returned them via email to Luke, who then forwarded the documents to IRA Services Trust for processing.
59. On or around March 14, 2016, Madasz offered KR1 a DSM promissory note. To lure KR1 into the investment, Madasz promised KR1 that DSM would agree to pay KR1 monthly interest at a rate of twelve percent (12%) annually.
60. On March 14, 2016, KR1 executed a three-year unsecured promissory note with DSM in

the amount of \$107,500. Madasz, as the sole managing member of DSM, countersigned the document on behalf of DSM.

61. Among other things, the DSM promissory note document contained the following representations:
 - a. “In addition, at the discretion of [DSM], **additional** monthly interest may be paid to the Holder” (emphasis added); and
 - b. “Internally, there will be an end of monthly accounting of all funds verifying the presence of principal after accounting for interest which will be paid out for that particular month’s interest due. A CPA will, on a quarterly basis, verify the monthly accounting. These reports will be emailed to the Holder.”
62. To date, KR1 neither received any interest payments nor any such reports.
63. Similar to the DSM note purchased by MR1, the note purchased by KR1 also contained a Securities Act Disclosure at the top of the document.
64. A review of records from DSM’s Account #6532 shows a wire deposit on March 17, 2016, from IRA Services Trust, for the benefit of KR1’s Roth IRA, in the amount of \$107,500.
65. On that same date, March 14, 2016, KR1, as co-trustee of IR1’s irrevocable trust, executed another three-year unsecured promissory note with DSM in the amount of \$40,000.¹⁰ Madasz, as sole managing member of DSM, countersigned the document on behalf of DSM.
66. The language of the DSM promissory note purchased by IR1’s irrevocable trust is identical in all respects to the DSM promissory note purchased by KR1 through KR1’s Roth IRA, except where the maturity date on KR1’s promissory note was March 14, 2019, the maturity date on IR1’s promissory note was listed as March 11, 2019.
67. For IR1’s investment in the DSM promissory note, KR1 presented Madasz with a check, dated March 14, 2016, drawn from IR1’s Gifford State Bank account in the amount of \$40,000 and paid to the order of DSM.
68. A review of bank records for DSM’s Account #6532 shows the following deposits:
 - a. on March 17, 2016, \$107,500 from IRA Services Trust for the benefit of KR1’s Roth IRA; and
 - b. on March 14, 2016, a mobile deposit of \$40,000.
69. The balance in DSM’s Account #6532 prior to these two deposits was \$7.00.

¹⁰ KR1’s co-trustee brother was also a signatory on the DSM promissory note.

70. Despite Madasz's representations to KR1 and IR1 that DSM and Madasz would invest KR1 and IR1's funds as instructed and on their behalf, Madasz, once in possession of KR1 and IR1's funds, misappropriated the funds for Madasz's own personal benefit.
71. Following receipt of KR1 and IR1's funds into DSM's Account #6532, Madasz immediately transferred all but \$10.00 of KR1 and IR1's funds to his personal Account #4791. Madasz used the \$10.00 to pay a portion of a \$15.00 wiring fee assessed on the inbound wire of KR1's \$107,500 deposit to Account #6532.
72. A review of bank records for Madasz's personal Account #4791 shows the following incoming deposits totaling \$147,490:
 - a. an on-line transfer on March 17, 2016 in the amount of \$107,500 from Account #6532;
 - b. an on-line transfer on March 21, 2016 in the amount of \$3,990 from Account #6532; and
 - c. an on-line transfer on March 21, 2016 in the amount of \$36,000 from Account #6532.
73. On March 21, 2016, upon receiving the \$147,490 into his personal Account #4791, Madasz, in blatant disregard of KR1's previous investment instructions (to Madasz) to not invest more than 10-15% of KR1's funds in FX trading, transferred \$147,400 – representing \$40,000 of IR1's investment and \$107,400, or 99%, of KR1's investment – to a trading account registered in Madasz's name at FXCM ("Trading Account #9782"). Madasz left \$90.00 of KR1's funds commingled in Madasz's personal Account #4791, which became fungible and, on a FIFO analysis, was used to pay Madasz's Sprint mobile phone bill on March 18, 2016.
74. On March 21, 2016, upon receiving the \$147,490 into Trading Account #9782, Madasz transferred roughly half the funds, \$73,400, to another FXCM trading account registered in Madasz's name ("Trading Account #0199").
75. A review of records from Trading Account #9782 and Trading Account #0199 show consistent day trading in both accounts from March 23, 2016, to May 23, 2016. It is unclear who was trading the two accounts. By May 23, 2016, Trading Account #0199 had sustained trading losses and commission expenses of \$9,933.20 and Trading Account #9782 had sustained trading losses and commission expenses of \$8,947.38. Additionally, \$3,569.50 had been withdrawn out of the two accounts by Madasz during that same period.
76. On June 3, 2016, Madasz depleted the entire remaining balance of \$63,847.38 in Trading Account #0199 by transferring \$400.00 over to Trading Account #9782 and \$63,447.38 to Madasz's personal Account #4791 where the money became commingled and fungible

with Madasz's personal funds.

77. On the same day, June 3, 2016, Madasz also depleted the entire remaining balance of \$66,602.62 in Trading Account #9782 (which now included the additional \$400.00) out of the account by transferring \$66,602.62 to Madasz's personal Account #4791¹¹ where the money became commingled and fungible with Madasz's personal funds.
78. Over the ensuing weeks, Madasz moved KR1 and IR1's remaining funds, back and forth, as needed, between Madasz's personal Account #4791, the DSM Account #6532 and the BofA bank account of MadaszConsulting ending in #0432, for his own personal benefit.
79. For example, a review of bank records for DSM's personal Account #4791, for the period June 3, 2016, through July 31, 2016, shows, based on a FIFO analysis, that KR1 and IR1's funds were used by Madasz to pay for, among other things, the following:
 - a. a trip to Cameroon in Central Africa;
 - b. payment, in the amount of \$3,137.72, to a loan provider to pay down personal debt;
 - c. food and drink at McDonald's in Grandview, MO;
 - d. purchases at Sam's Club in Raymore, MO;
 - e. payment of the family's water bills in May and June;
 - f. payment of the balance on a personal credit card; and
 - g. \$2,000 in total payments to three individuals from whom Madasz and his wife received personal loans.
80. Additionally, a review of bank records for Madasz's personal Account #6532, for the period June 3, 2016, through July 31, 2016, shows, based on a FIFO analysis, that KR1 and IR1's funds were used by Madasz to pay for, among other things, the following:
 - a. food and drink at D'Bronx Deli in Overland Park, KS;
 - b. \$49,996.97 funding to Skytec Roofing;¹² and
 - c. \$12,656.43 funding to Skytec Service KC.¹³
81. KR1 never received any interest payments from the DSM promissory note or a return of KR1's principal investment of \$107,500.

¹¹ \$5,100 of the funds were posted back to the debit card linked to Account #4791 on June 8, 2016.

¹² No documentation appears to exist to validate the reason for this transaction.

¹³ No documentation appears to exist to validate the reason for the transaction.

82. To date, KR1 has an estimated loss, including unpaid interest, on the DSM promissory note of \$146,200.
83. Bank records from Madasz's personal Account #4791 and DSM Account #6532 show Madasz making payments to IR1, from March 2017 through September 2017, totaling only \$3,600.
84. To date, IR1 has an estimated loss, including unpaid interest, on the DSM promissory note of \$50,800.

II. COMMISSIONER'S DETERMINATIONS AND FINDINGS

COUNT I - Violation of Transacting Business as an Unregistered Investment Adviser

85. **THE COMMISSIONER DETERMINES** that Respondent MadaszConsulting, through the actions of its employees and associated individuals, specifically Respondent Madasz, engaged, for compensation, in the business of advising others as to the advisability of investing in or purchasing securities, in violation of Section 409.4-403(a).
86. Respondent MadaszConsulting's violation of Section 409.4-403(a) falls within the scope of Section 409.6-610(c)(1) because at the time of the violation, Respondent MadaszConsulting was organized under the laws of the State of Missouri and its managing member, Respondent Madasz, through who MadaszConsulting acted, was a resident of Missouri.
87. Respondent MadaszConsulting's violation of Section 409.4-403(a) constitutes an illegal act, practice, or course of business that is subject to the Commissioner's authority under Section 409.6-604.

COUNT II – Violation of Transacting Business as an Unregistered Investment Adviser Representative

88. **THE COMMISSIONER FURTHER DETERMINES** that Respondent Madasz transacted business in the State of Missouri as an investment adviser representative without being registered or exempt from registration as an investment adviser representative in the State of Missouri, in violation of Section 409.4-404(a).
89. Respondent Madasz's violation of Section 409.4-404(a) falls within the scope of Section 409.6-610(c)(1) because at the time of the violation, Respondent Madasz was a resident of Missouri and acting on behalf of MadaszConsulting, which was organized under the laws of the State of Missouri.
90. Respondent Madasz's violation of Section 409.4-404(a) constitutes an illegal act, practice, or course of business subject to the Commissioner's authority under Section 409.6-604.

COUNT III – Violation of Employing an Unregistered Investment Adviser Representative

91. **THE COMMISSIONER FURTHER DETERMINES** that Respondent MadaszConsulting employed or associated with individuals, specifically Respondent Madasz, who were required to be registered as investment adviser representatives in the State of Missouri, in violation of Section 409.4-403(d).
92. Respondent MadaszConsulting’s violation of Section 409.4-403(d) falls within the scope of Section 409.6-610(c)(1) because at the time of the violation, Respondent MadaszConsulting was organized under the laws of the State of Missouri and Respondent Madasz was a resident of Missouri.
93. Respondent MadaszConsulting’s violation of Section 409.4-403(d) constitutes an illegal act, practice, or course of business subject to the Commissioner’s authority under Section 409.6-604.

COUNT IV – Multiple Violations of Section 409.5-501

94. **THE COMMISSIONER FURTHER DETERMINES** that by engaging in the conduct as set forth above, in at least three instances, Respondents DSM and Madasz, in connection with the offer and sale of a security: (i) employed a device, scheme, or artifice to defraud, (ii) made untrue statements of material fact or omitted to a state material fact necessary in order to make the statement made, in light of the circumstances under which it is made, not misleading, and (iii) engaged in an act, practice or course of business that operates or would operate as a fraud or deceit upon another person, in violation of Section 409.5-501.
95. Respondents DSM and Madasz’s violations of Section 409.5-501 fall within the scope of Section 409.6-610(c)(1) because at the time of the violations, Respondent DSM, as issuer of the securities, was organized under the laws of the State of Missouri and Respondent Madasz, through who DSM acted, was a resident of Missouri.
96. At the time Respondents engaged in the conduct set forth above, MR1 and IR1 were more than sixty-years-old and were elderly persons as that term is defined under Section 409.6-604(d)(3)(B).
97. Respondents’ violations of Section 409.5-501 constitute engagement in an illegal act, practice, or course of business subject to the Commissioner’s authority under Section 409.6-604.

COUNT V – Violation of Section 409.5-502(2)

98. **THE COMMISSIONER FURTHER DETERMINES** that Respondents MadaszConsulting and Madasz, in connection with advising others for compensation, engaged in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person, in violation of Section 409.5-502(2).

99. Respondents MadaszConsulting and Madasz's violation of Section 409.5-502(2) fall within the scope of Section 409.6-610(f) because at the time of the violation, Respondent MadaszConsulting, as investment adviser, was organized under the laws of the State of Missouri and Respondent Madasz, through who MadaszConsulting acted, was a resident of Missouri.
100. Respondents MadaszConsulting and Madasz's violation of Section 409.5-502(2) constitutes an engagement in an illegal act, practice, or course of business subject to the Commissioner's authority under Section 409.6-604.
101. An 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 Respondents, their 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 409.4-403(a) by transacting business as an unregistered investment adviser;
- B. Section 409.4-403(d) by employing an unregistered investment adviser representative;
- C. Section 409.4-404(a) by transacting business as an unregistered investment adviser representative;
- D. 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
- E. Section 409.5-502, by, in connection with advising others for compensation, engaging in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

IV. STATEMENT

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

- A. \$25,000 against Respondent MadaszConsulting for one violation of Section 409.4-403(a), in a final order, unless Respondent MadaszConsulting requests a hearing and shows cause why the penalties should not be imposed;


- B. \$25,000 against Respondent MadaszConsulting for one violation of Section 409.4-403(d), in a final order, unless Respondent MadaszConsulting requests a hearing and shows cause why the penalties should not be imposed;
- C. \$25,000 against Respondent Madasz for one violation of Section 409.4-404(a), in a final order, unless Respondent Madasz requests a hearing and shows cause why the penalties should not be imposed;
- D. \$105,000 against Respondents DSM and Madasz, jointly and severally, for three violations of Section 409.5-501, when at the time the violations were committed two investors were elderly persons, in a final order, unless Respondents request a hearing and show cause why the penalties should not be imposed;
- E. \$25,000 against Respondents MadaszConsulting and Madasz, jointly and severally, for one violation of Section 409.5-502, in a final order, unless Respondents MadaszConsulting and Madasz request a hearing and show cause why the penalties should not be imposed;
- F. an order to pay restitution in the amount of \$230,200 against Respondents, jointly and severally, plus annual interest at a rate of eight percent from the dates of the violations, for any loss, including the amount of any actual damages that may have been caused by the Respondents' conduct;
- G. an order awarding costs of the investigation against Respondents, jointly and severally, in this proceeding, awarding an amount to be determined after review of evidence submitted by the Enforcement Section, unless Respondents request a hearing and shows cause why an award should not be made; and
- H. an order providing such other relief as he deems just. All of the preceding relief is sought on behalf of the persons injured by the acts and practices of all Respondents that constitute violations of the Missouri Securities Act.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS 4th DAY OF DECEMBER, 2020.



JOHN R. ASHCROFT
SECRETARY OF STATE



DAVID M. MINNICK
COMMISSIONER OF SECURITIES



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)
)
DANIEL S. MADASZ, SR.;) Case No.: AP-20-18
MADASZCONSULTING, LLC; and)
DSM ENTERPRISES, LLC,)
)
Respondents.)
)
Serve: Daniel S. Madasz, Sr.)
DSM Enterprises, LLC)
MadaszConsulting, LLC)
c/o Anthony L. Gosserand)
Van Osdol, PC)
1000 Walnut Street, Suite 1500)
Kansas City, MO 64106)
tgosserand@vanosdolkc.com)

NOTICE

TO: Respondents 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 Section 409.6-604(b), RSMo, and 15 CSR 30-55.020. Any request for a hearing before the Commissioner must contain:

- a. a brief statement of the facts;
- b. a summary of the factual and legal issues involved;
- c. a request for relief;
- d. suggestions in support of the relief sought, including the relevant statutes;
- e. the name of the party requesting the hearing; and
- f. the name of the attorney representing the party, if any.

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:

David M. Minnick, 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 4th day of December, 2020, 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 **mailed via certified U.S. mail and emailed to:**

Anthony L. Gosserand
VAN OSDOL, PC
1000 Walnut Street, Suite 1500
Kansas City, MO 64106
tgosserand@vanosdolkc.com

Attorney for Respondents

And hand delivered to:

Douglas M. Jacoby
Director of Enforcement
Securities Division
Missouri Secretary of State's Office
600 West Main Street, Room 229
Jefferson City, Missouri 65101


Laurie Dawson
Securities Office Manager