



**State of Tennessee**  
**Department of State**  
Administrative Procedures Division  
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**January 8, 2020**

Virginia Smith, Esq.  
Tennessee Department of Commerce and  
Insurance  
General Civil - Legal Division  
500 James Robertson Parkway, 12th Floor  
Nashville, TN 37243

Bay County Florida Jail  
ATTN: Shaneal Yogesh Patel, Inmate ID  
#1657057  
5700 Star Lane  
Panama City, FL 32404

Shaneal Yogesh Patel  
6 Hamilton Station Crossing  
Apt 312  
Lebanon, TN 37087

SHaneal Yogesh Patel  
898 Eastwood Drive  
Fulton, KY 42041

**RE: TENNESSEE DEPARTMENT OF COMMERCE AND INSURANCE V. SHANEAL  
YOGESH PATEL, APD Case No. 12.06-190876J**

Enclosed is a/an *IO OF DEFAULT AND DISMISSAL* rendered in this case.

Administrative Procedures Division  
Tennessee Department of State

Enclosure(s)

**RECEIVED**

**JAN 10 2020**

**DEPT. OF COMMERCE AND INSURANCE  
LEGAL OFFICE**

**BEFORE THE COMMISSIONER OF THE TENNESSEE DEPARTMENT OF  
COMMERCE AND INSURANCE**

**IN THE MATTER OF:**

**TENNESSEE DEPARTMENT OF  
COMMERCE AND INSURANCE,  
*Petitioner,***

**v.**

**SHANEAL YOGESH PATEL,  
*Respondent.***

**APD Case No. 12.06-190876J**

**INITIAL ORDER OF DEFAULT AND DISMISSAL**

This matter was heard on December 2, 2019, in Nashville, Tennessee, before Claudia Padfield, Administrative Law Judge, assigned by the Secretary of State, Administrative Procedures Division, to sit for the Commissioner of the Tennessee Department of Commerce and Insurance. Virginia Smith, Assistant General Counsel, represented Petitioner, the Board of Securities Division (“Division”), in this matter. Shaneal Yogesh Patel (“Respondent”) was not present nor was an attorney present on behalf of Respondent. The record was closed on December 18, 2019, upon receipt of the NOTICE OF FILING OF TRANSCRIPT. The date by which an INITIAL ORDER is due is January 18, 2020.

**NOTICE OF DEFAULT**

Petitioner moved for default based on failure of Respondent, or a representative on his behalf, to appear at the scheduled hearing after receiving proper notice thereof. In support of the motion, Petitioner attempted to serve Respondent via certified mail at a Fulton, Kentucky, address and at a Lebanon, Tennessee address, both of which were returned as “unclaimed”. Ms. Smith emailed the NOTICE OF HEARING AND CHARGES to the email address provided by Respondent but did not receive a response. The NOTICE and prior correspondence were sent to Petitioner without any indication that the mailing was from the Division, and said mailing was

delivered on October 24, 2019. Upon learning Petitioner was incarcerated in Florida, the Division mailing the NOTICE to the jail, but this mailing was returned as Petitioner was released from that facility in July 2019. Upon learning Petitioner was again incarcerated in Florida, the Division sent all correspondence, all potential exhibits, the previous court orders, and information as how to participate in the hearing telephonically on November 25, 2019, to the jail.

At the hearing on December 2, 2019, someone did call the telephone number provided in the ORDER GRANTING PETITIONER'S MOTION TO PERMIT THE RESPONDENT, ANDREW MURDOCK, AND JADE YOUNGER TO PARTICIPATE IN THE CONTESTED CASE HARING BY TELEPHONE issued on November 18, 2019. However, upon identification of Ms. Smith and this tribunal, no one responded even though the phone was connected. The telephone line for participation remained open throughout the default hearing, but no further attempts to participate were attempted by anyone. The record indicates that service was legally sufficient in accordance with TENNESSEE CODE ANNOTATED ("TENN. CODE ANN.") §§ 4-5-307 and 62-5-105; and TENNESSEE COMPILATION RULES AND REGULATIONS ("TENN. COMP. R. & REGS.") 1360-04-01-.06 and 1360-04-01-.15(c). Respondent was held in **DEFAULT**, and the Department was permitted to proceed on an uncontested basis.

#### **INITIAL ORDER**

The subject of this hearing was the proposed disciplinary action of Respondent and entry of an Order assessing civil penalties against Respondent for violations of TENN. CODE ANN. § 48-1-109 and TENN. CODE ANN. § 48-1-121.

After consideration of the evidence and entire record in this matter, it is determined that Respondent's acts and conduct constitute violations and Respondent is **ORDERED** to pay a civil monetary penalty of \$30,000. Respondent is **ORDERED** to pay all costs associated with the bringing of this action, including prosecutorial, investigatory, and hearing costs, in the amount of

\$3,000.00. Respondent shall have **60 days** from the date of entry of this INITIAL ORDER to pay the civil monetary penalty and the assessed costs.

### **SUMMARY OF THE EVIDENCE**

Amber Patterson, State Investigator for the Financial Services Investigation Unit of the Department of Commerce and Insurance, testified at the hearing on behalf of the Division. Six exhibits were entered into evidence. EXHIBIT 1 consists of the audio recording of the Division's interview with Respondent, December 20, 2017. COLLECTIVE EXHIBIT 2 consists of the "Investor Agreement Contract" signed by Respondent and Jade Younger, and the signed page of the agreement between Respondent and Andrew Murdoch. EXHIBIT 3 consists of screenshots of text messages between Respondent and Mr. Murdoch. EXHIBIT 4 consists of screenshots of text messages between Respondent and Mr. Younger. EXHIBIT 5 consists of Respondent's Venmo Global Asset Protection transaction history. COLLECTIVE EXHIBIT 6 consists of the Affidavit of the Custodian of Business Records for Woodforest National Bank, the Woodforest National Bank records for Respondent's account, and the analysis of Woodforest National Bank records.

### **FINDINGS OF FACT**

1. Per an "Investor Agreement Contract" between Respondent, and Jade Younger of July 26, 2016, Mr. Younger invested \$3,000 with Respondent. Much of the contract is nonsensical, but the stated purpose of the agreement is for "income generating projects and/or investment in stocks." COLLECTIVE EXHIBIT 2, p. 3. A similar contract was entered between Respondent and Andrew Murdock, who invested \$4,900 with Respondent. Both contracts referenced "The School of Stocks LLC". COLLECTIVE EXHIBIT 2, pp. 1 and 6.

2. At the time Respondent entered into the contracts with Mr. Younger and Mr. Murdock, Mr. Murdock and Mr. Younger were residents of the State of Tennessee.

3. "The School of Stocks LLC" was not, and has never been, a registered entity in the State of Tennessee or any other state.

4. Respondent was not, and has never been, licensed as an agent, adviser, broker, broker-dealer, or any other registered securities professional in the State of Tennessee or any other state.

5. After depositing funds from Mr. Murdock on July 7, 2016, into his account, Respondent used the funds over the next several days to pay for charges at Asian Massage and Spa, Verizon Wireless, Casey's (a convenience store), Wendy's, McDonald's, Walgreens, and various other stores. The funds were not used to purchase investments of any kind. Before depositing Mr. Murdock's funds, Respondent had \$.35 in his account. COLLECTIVE EXHIBIT 6, p. 4.

6. Similarly, after receiving funds from Mr. Younger on July 24, 2016, Respondent used the funds at a variety of stores including a liquor store, Wal-Mart, Starbucks, and Babies R Us. These funds were also not used to purchase investments of any kind.

7. Respondent reported to Mr. Murdock and Mr. Younger that he had gains of five percent or ten percent per week. Respondent never reported any losses to Mr. Younger or to Mr. Murdock.

8. Respondent held himself out as the owner of "School of Stocks", a day trader, and a portfolio manager.

9. When interviewed by the Division, Respondent stated he used investors' money to invest in stocks. Respondent stated the market took a downturn and caused him to lose the investment monies.

10. Respondent reported he was self-employed and was not employed by anyone. Respondent stated he was the only officer and owner of "The School of Stocks", which had no

other employees. Respondent reported he had no other source of income other than from investors.

### APPLICABLE LAW

1. The Tennessee Securities Act of 1980, as amended, TENN. CODE ANN. §§ 48-1-101 to 48-1-201 (“Act), places the responsibility of the Administration of the act on the Commissioner of the Department (“Commissioner”. provides The Uniform Administrative Procedures Act, compiled in title 4, chapter 5, governs all matters and procedures respecting the hearing and judicial review of any contested case arising under this chapter.

2. TENN. CODE ANN. § 4-5-101 et. al (Uniform Administrative Procedures Act).

3. TENN. CODE ANN. § 4-5-307, which states, as follows:

In a contested case, all parties shall be afforded an opportunity for hearing after reasonable notice. (b) In all proceedings the notice shall include: (1) A statement of the time, place, nature of the hearing, and the right to be represented by counsel; A statement of the legal authority and jurisdiction under which the hearing is to be held, including a reference to the particular sections of the statutes and rules involved; and (3) A short and plain statement of the matters asserted. If the agency or other party is unable to state the matters in detail at the time the notice is served, the initial notice may be limited to a statement of the issues involved. Thereafter, upon timely, written application a more definite and detailed statement shall be furnished ten (10) days prior to the time set for the hearing.

4. TENN. CODE ANN. § 4-5-320, which states, in pertinent part, as follows:

(c) No revocation, suspension, or withdrawal of any license is lawful unless, prior to the institution of agency proceedings, the agency gave notice by mail to the licensee of facts or conduct that warrant the intended action, and the licensee was given an opportunity to show compliance with all lawful requirements for the retention of the license. If the agency finds that public health, safety, or welfare imperatively requires emergency action, and incorporates a finding to that effect in its order, summary suspension of a license may be ordered pending proceedings for revocation or other action. These proceedings shall be promptly instituted and determined.

5. TENN. CODE. ANN. § 48-1-109 states, in part, as follows:

(a) It is unlawful for any person to transact business from, in, or into this state as a broker-dealer . . . unless such person is registered as a broker-dealer . . . under this part . . . .

(c) It is unlawful for any person to transact business from, in, or into this state as an investment adviser or investment adviser representative unless:

(1) The person is registered as an investment adviser or investment adviser representative under this part;

(e) The commissioner may, after notice and an opportunity for a hearing under the Uniform Administrative Procedures Act, compiled in title 4, chapter 5, impose a civil penalty against any person found to be in violation of this section, or any regulation, rule or order adopted or issued under this section, in an amount not to exceed ten thousand dollars (\$10,000) per violation, or in an amount not to exceed twenty thousand dollars (\$20,000) per violation if an individual who is a designated adult is a victim.

6. TENN. CODE. ANN. § 48-1-112 states, in pertinent part, as follows:

(a) The commissioner may by order deny, suspend, or revoke any registration under this part if the commissioner finds that:

(1) The order is in the public interest and necessary for the protection of investors; and

(2) The applicant or registrant or, in the case of a broker-dealer or investment adviser, any affiliate, partner, officer, director, or any person occupying a similar status or performing similar functions:

(B) Has willfully violated or willfully failed to comply with any provision of this part or a predecessor chapter or any rule or order under this part of a predecessor chapter, including, without limitation, any new capital requirements;

(G) Has engaged in dishonest or unethical practices in the securities business.

7. TENN. CODE ANN. § 48-1-121 states, in pertinent part, as follows:

(a) It is unlawful for any person, in connection with the offer, sale or purchase of any security in this state, directly or indirectly, to:

(1) Employ any device, scheme, or artifice to defraud;

(2) Make any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading; or

- (3) Engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.
- (d) The commissioner may, after notice and opportunity for a hearing under the Uniform Administrative Procedures Act, compiled in title 4, chapter 5, impose a civil penalty against any person to be in violation of this section, or any regulation, rule or order adopted or issued under this section, in an amount not exceed five thousand dollars (\$5,000) per violation . . . .<sup>1</sup>
8. TENN. COMP. R. & REGS. 0780-04-03-.02(6)(C)(26) states,

The following are deemed “dishonest or unethical business practices” by an investment adviser or an investment adviser representative under T.C.A. § 48-1-112(a)(2)(G), to the extent permitted under Section 203A of the Investment Advisers Act, without limiting those terms to the practices specified herein:

- (26) Failing to provide information requested by the Division pursuant to the Act or these Rules.

### CONCLUSIONS OF LAW

1. The Division has met its burden of proof by a preponderance of the evidence that Respondent is in violation of TENN. CODE ANN. § 48-1-109 for the unlawful transaction of business as an investment adviser representative and broker-dealer. Having found to have committed two violations of this statute, Respondent is assessed a civil penalty of \$10,000 each violation, for a total civil assessment of \$20,000.

2. The Division has met its burden of proof by a preponderance of the evidence that Respondent is in violation of TENN. CODE ANN. § 48-1-121 for fraud and misrepresentation. Having found to have committed two violations of this statute, Respondent is assessed a civil penalty of \$5,000 for each violation, for a total civil assessment of \$10,000.

### ORDER

It is therefore **ORDERED** that Respondent pay a civil penalty in the amount of \$30,000 to the Tennessee Department of Commerce and Insurance, ATTN: Legal Division, Davy

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<sup>1</sup> The listed amount of the civil penalty is what was permitted by statute at the time of Petitioner’s misdeeds and are not reflective of the amount of the civil penalty currently permitted by statute.

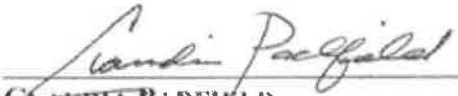


Crockett Tower, 500 James Robinson Parkway, Nashville, Tennessee 37243. This civil penalty is to be paid within 60 days from the date of entry of this INITIAL ORDER.


It is further **ORDERED** that Respondent pay all costs associated with the bringing of this action, including prosecutorial, investigatory, and hearing costs, in the amount of \$3,000.00. Respondent shall have 60 days from the date of entry of this INITIAL ORDER to pay the assessed costs to the above-listed address.

It is so **ORDERED**.

This INITIAL ORDER entered and effective this the **8th day of January, 2020**.

  
\_\_\_\_\_  
CLAUDIA PADFIELD  
ADMINISTRATIVE JUDGE  
ADMINISTRATIVE PROCEDURES DIVISION  
OFFICE OF THE SECRETARY OF STATE

Filed in the Administrative Procedures Division, Office of the Secretary of State, this the **8th day of January, 2020**.

  
\_\_\_\_\_  
STEPHANIE SHACKELFORD, DIRECTOR  
ADMINISTRATIVE PROCEDURES DIVISION  
OFFICE OF THE SECRETARY OF STATE

**NOTICE OF APPEAL PROCEDURES**

**REVIEW OF INITIAL ORDER**

The Administrative Judge's decision in your case **BEFORE THE COMMISSIONER OF THE TENNESSEE DEPARTMENT OF COMMERCE AND INSURANCE (COMMISSIONER)**, called an Initial Order, was entered on **January 8, 2020**. The Initial Order is not a Final Order but shall become a Final Order unless:

1. **A Party Files a Petition for Reconsideration of the Initial Order:** You may ask the Administrative Judge to reconsider the decision by filing a Petition for Reconsideration. Mail to the Administrative Procedures Division (APD) a document that includes your name and the above APD case number, and states the specific reasons why you think the decision is incorrect. The APD must **receive** your written Petition no later than 15 days after entry of the Initial Order, which is no later than **January 23, 2020**. A new 15 day period for the filing of an appeal to the **COMMISSIONER** (as set forth in paragraph (2), below) starts to run from the entry date of an order disposing of a Petition for Reconsideration, or from the twentieth day after filing of the Petition if no order is issued.

The Administrative Judge has 20 days from receipt of your Petition to grant, deny, or take no action on your Petition for Reconsideration. If the Petition is granted, you will be notified about further proceedings, and the timeline for appealing (as discussed in paragraph (2), below) will be adjusted. If no action is taken within 20 days, the Petition is deemed denied. As discussed below, if the Petition is denied, you may file an appeal. Such an Appeal must be **received** by the APD no later than 15 days after the date of denial of the Petition. See TENN. CODE ANN. §§ 4-5-317 and 4-5-322.

2. **A Party Files an Appeal of the Initial Order:** You may appeal the decision to the **COMMISSIONER**. Mail to the APD a document that includes your name and the above APD case number, and states that you want to appeal the decision to the **COMMISSIONER**, along with the specific reasons for your appeal. The APD must **receive** your written Appeal no later than 15 days after the entry of the Initial Order, which is no later than **January 23, 2020**. The filing of a Petition for Reconsideration is not required before appealing. See TENN. CODE ANN. § 4-5-317.
3. **The COMMISSIONER decides to Review the Initial Order:** In addition, the **COMMISSIONER** may give written notice of the intent to review the Initial Order, within 15 days after the entry of the Initial Order.

If either of the actions set forth in paragraphs (2) or (3) above occurs prior to the Initial Order becoming a Final Order, there is no Final Order until the **COMMISSIONER** renders a Final Order.

If none of the actions in paragraphs (1), (2), or (3) above are taken, then the Initial Order will become a Final Order. **In that event, YOU WILL NOT RECEIVE FURTHER NOTICE OF THE INITIAL ORDER BECOMING A FINAL ORDER.**

**STAY**

In addition, you may file a Petition asking the Administrative Judge for a stay that will delay the effectiveness of the Initial Order. A Petition for a stay must be **received** by the APD within 7 days of the date of entry of the Initial Order, which is no later than **January 15, 2020**. See TENN. CODE ANN. § 4-5-316.

**NOTICE OF APPEAL PROCEDURES**

**REVIEW OF A FINAL ORDER**

1. **A Party may file a Petition for Reconsideration of the Final Order:** When an Initial Order becomes a Final Order, a party may file a Petition asking for reconsideration of the Final Order. Mail to the Administrative Procedures Division (APD) a document that includes your name and the above APD case number, and states the specific reasons why you think the Final Order is incorrect. If the Initial Order became a Final Order without an Appeal being filed, and without the **COMMISSIONER** deciding to modify or overturn the Initial Order, the Administrative Judge will consider the Petition. If the **COMMISSIONER** rendered a Final Order, the **COMMISSIONER** will consider the Petition. The APD must **receive** your written Petition for Reconsideration no later than 15 days after: (a) the issuance of a Final Order by the **COMMISSIONER**; or (b) the date the Initial Order becomes a Final Order. If the Petition is granted, you will be notified about further proceedings, and the timeline for appealing the Final Order will be adjusted. If no action is taken within 20 days of filing of the Petition, it is deemed denied. *See* TENN. CODE ANN. § 4-5-317.
2. **A Party Files an Appeal of the Final Order:** A person who is aggrieved by a Final Order in a contested case may seek judicial review of the Final Order by filing a Petition for Review “in the Chancery Court nearest to the place of residence of the person contesting the agency action or alternatively, at the person’s discretion, in the chancery court nearest to the place where the cause of action arose, or in the Chancery Court of Davidson County,” within 60 days of (a) the date of entry of a Final Order; or (b) the date the Initial Order becomes a Final Order. *See* TENN. CODE ANN. § 4-5-322. The filing of a Petition for Reconsideration is not required before appealing. *See* TENN. CODE ANN. § 4-5-317. A reviewing court also may order a stay of the Final Order upon appropriate terms. *See* TENN. CODE ANN. §§ 4-5-322 and 4-5-317.
3. **A Party may request a stay of the Final Order:** A party may file a Petition asking for a stay that will delay the effectiveness of the Final Order. If the Initial Order became a Final Order without an Appeal being filed, and without the **COMMISSIONER** deciding to modify or overturn the Initial Order, the Administrative Judge will consider the Petition. If the **COMMISSIONER** rendered a Final Order, the **COMMISSIONER** will consider the Petition. A Petition for a stay of a Final Order must be **received** by the APD within 7 days after the Initial Order becomes a Final Order. *See* TENN. CODE ANN. § 4-5-316.

**FILING**

To file documents with the Administrative Procedures Division, use this address:

Secretary of State  
Administrative Procedures Division  
William R. Snodgrass Tower  
312 Rosa L. Parks Avenue, 8<sup>th</sup> Floor  
Nashville, TN 37243-1102  
Fax: (615) 741-4472