

BEFORE THE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES

In the Matter of,

AMERICAN SHAMAN
FRANCHISE SYSTEM, LLC,

Respondent.

CONSENT ORDER TO
CEASE AND DESIST

DFI Case No. S-242323 (FX)

I.

The Administrator of the State of Wisconsin, Department of Financial Institutions, Division of Securities (“Division”), having legal authority and jurisdiction to administer and enforce the Wisconsin Franchise Investment Law, Wis. Stats. Ch. 553 (“Ch. 553”) and rules and orders promulgated thereunder, and having determined that this action is necessary and appropriate in the public interest and for the protection of investors, hereby enters this Order as follows:

II.

Division staff have presented evidence sufficient for the Administrator to make the following findings of fact and conclusions of law:

A. Findings of Fact

Respondent

1. American Shaman Franchise System, LLC (“American Shaman”) is a limited liability company organized in the State of Nevada. American Shaman has a last known business address of 2300 Main Street, Suite 165, Kansas City, Missouri 64108.

Conduct

2. American Shaman was previously registered with the Division to sell franchises from April 24, 2018 to April 24, 2019 and July 15, 2019 to July 15, 2020. American Shaman recently filed a registration with the Division on August 26, 2020 which expires on August 26, 2021.
3. American Shaman offered franchises to establish and operate a retail business offering and selling hemp derived products containing cannabidiol (“CBD”).
4. Kathi Miley (“Miley”) has been the Director of Franchise Development of American Shaman since 2018.

5. Miley filed for Chapter 13 Bankruptcy in the Northern District of Ohio on April 17th, 2012. Miley's bankruptcy was discharged on October 7, 2015.
6. Miley was not included as part of the management team in American Shaman's offering circular filed in 2018, though she was later included in the 2019 and 2020 versions.
7. Per American Shaman's offering circulars filed in 2019 and 2020, Miley has been the Director of Franchise Development of American Shaman since 2018.
8. None of the offering circulars filed as part of American Shaman's registration disclosed Miley's bankruptcy.
9. Franchisee TB is an adult female resident of Wisconsin. Franchisee JB is an adult male resident of Wisconsin. He is the husband of Franchisee TB.
10. Prior to January 2019, Franchisees TB and JB found American Shaman online and sent an inquiry about the business. They also conferred with existing franchisees in Wisconsin about their experiences with the company and had communications with Miley in Miley's role as Director of Franchise Development.
11. Subsequently, Franchisee TB and JB entered into franchise agreements with American Shaman on February 2, 2019 and April 29, 2019, respectively. Pursuant to the franchise agreements, Franchisees TB and JB paid an initial franchisee fee of \$10,000 in exchange for two locations, agreed to purchase inventory and supplies from American Shaman or its affiliate, Shaman Botanicals. They were also required to pay a monthly advertising fee of \$800 per month and a technology fee of \$200 per month to American Shaman Franchise System Inc.
12. American Shaman was not registered to sell franchises in Wisconsin at the time that Franchisee JB entered into his agreement.

B. Conclusions of Law

Legal Authority and Jurisdiction

13. The Administrator has legal authority and jurisdiction over the conduct described above, pursuant to Ch. 553 and the rules and orders promulgated thereunder.
14. American Shaman is a franchisor pursuant to Wis. Stat. § 553.03(6).
15. The agreements entered into by American Shaman and Franchisees TB and JB are franchises pursuant to Wis. Stat. § 553.03(4)(a).
16. Pursuant to Wis. Stat. § 553.21, no person may sell any franchise in Wisconsin unless the franchise has been registered under Ch. 553 or is exempted under Wis. Stats. §§ 553.23, 553.235 or 553.25.

17. Pursuant to Wis. Stat. § 553.28(1)(d) the Division may issue an order suspending or revoking the effectiveness of any registration if the Division finds that any person identified in the franchisor's offering circular has been convicted of an offense that is required to be disclosed in the offering circular, or is subject to an order, or has had a civil judgment entered against him or her that is required to be disclosed in the offering circular, and the involvement of the person in the sale or management of the franchise creates an unreasonable risk to prospective franchisees.
18. Pursuant to FTC Rule § 436.5(2)(d) regarding the disclosure requirements for offering circulars, franchisors are required disclose whether the franchisor; any parent; predecessor; affiliate; officer, or general partner of the franchisor, or any other individual who will have management responsibility relating to the sale or operation of franchises offered by this document, has, during the 10-year period immediately before the date of this disclosure document: (i) Filed as debtor (or had filed against it) a petition under the United States Bankruptcy Code ("Bankruptcy Code"); (ii) Obtained a discharge of its debts under the Bankruptcy Code; and (iii) Been a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition under the Bankruptcy Code, or that obtained a discharge of its debts under the Bankruptcy Code while, or within one year after, the officer or general partner held the position in the company.
19. Pursuant to Wis. Stat. § 553.41(1) no person may make or cause to be made, in any document filed with the Division or in any proceeding under Ch. 553, any statement which is, at the time and in the light of the circumstances under which it is made, false or misleading in any material respect or, in connection with any statement required to be made under Wis. Stat. § 553.31 (1), omit to state a material fact necessary in order to make the statement made, in the light of the circumstances under which they are made, not misleading.
20. Pursuant to Wis. Stat. § 553.41(4), no person may make any untrue statement of a material fact in any statement required to be disclosed in writing in a timely manner under Wis. Stat. § 553.27 or omit to state in any such statement any material fact that is required to be stated in the statement.

Violations

21. As described above in ¶¶ 1-12, American Shaman violated Wis. Stat. § 553.21 when they sold a franchise in Wisconsin without being registered with the Division.
22. As described above in ¶¶ 1-12, American Shaman violated Wis. Stat. § 553.28(1)(d) when they filed an offering circular that failed to disclose Miley's bankruptcy.
23. As described above in ¶¶ 1-12, American Shaman violated Wis. Stat. § 553.41(1) when it filed offering circulars which failed to disclose material facts, including but not limited to Miley's role in the company, and Miley's prior bankruptcy.

24. As described above in ¶¶ 1-12, American Shaman violated Wis. Stat. § 553.41(4) when it omitted to state material facts required to be disclosed in writing in the franchisor's offering circular, including but not limited to Miley's role in the company and Miley's prior bankruptcy.

III.

In view of the above findings of fact and conclusions of law, the Administrator deems it necessary and appropriate in the public interest and for the protection of investors, and pursuant to its legal authority and jurisdiction under Ch. 553, to issue the following orders and notices:

A. Consent Orders issued pursuant to Wis. Stat. § 553.60

- (a) IT IS ORDERED that AMERICAN SHAMAN, their agents, servants, officers, employees, successors, affiliates, and every entity and person directly or indirectly controlled or organized by or on behalf of AMERICAN SHAMAN, shall cease and desist from making or causing to be made to any person or entity in Wisconsin any further offers or sales of franchises unless and until such franchises are registered or are exempted from registration under Ch. 553 or successor statute.
- (b) PLEASE TAKE NOTICE that this Order is effective upon the date it is made and filed, pursuant to Wis. Stat. § 553.58(5). This order and made and filed on the date of its issuance.

B. Service of Order

- (c) IT IS FURTHER ORDERED that this Order shall be sent promptly by certified mail to each party named in the order at his or her last known address or to the party's attorney of record or shall be personally served upon the party or the party's attorney of record, pursuant to Wis. Stat. § 553.58(5), Wis. Admin. Code §§ DFI-Sec. 36.01 and DFI-Sec. 8.06. This Order shall also be served upon the office of the Division pursuant to Wis. Stat. § 553.73.
- (d) PLEASE TAKE NOTICE that the date of the service of this Order is the date it is placed in the mail. If the Order is served personally, the date of service is the date personal service is completed upon the Respondents or the Respondent's attorney. You are advised that any willful violation of an Order issued by the Division under Ch. 553 is a criminal offense punishable under the provisions of Wis. Stat. § 553.52.

C. Notifications

- (e) IT IS NOTICED that this Order consented to by AMERICAN SHAMAN prohibits AMERICAN SHAMAN from making or causing to be made any offers or sales of franchises to any person or entity in Wisconsin, per the terms of the consent orders issued pursuant to Wis. Stat. § 553.60.

- (f) IT IS FURTHER NOTICED that this Order is effective on the date it is issued. AMERICAN SHAMAN is advised that any willful violation of an Order issued by the Division under Ch. 553 is a criminal offense punishable under the provisions of Wis. Stat. § 553.52.

EXECUTED at Madison, Wisconsin, this 5th day of May, 2021.



Leslie M. Van Buskirk

Leslie M. Van Buskirk
Administrator

Division of Securities
State of Wisconsin
Department of Financial Institutions
4822 Madison Yards Way
Madison, Wisconsin 53705

BEFORE THE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES

In the Matter of,

AMERICAN SHAMAN
FRANCHISE SYSTEM, LLC,

Respondent.

WAIVER AND CONSENT TO
ORDER

DFI Case No. S-242323 (FX)

The undersigned Respondent, AMERICAN SHAMAN FRANCHISE SYSTEM, LLC, having decided not to contest the issuance of the attached Order, hereby waive their rights to a hearing with respect to this matter, including waiving findings of fact and conclusions of law as may otherwise be required for the Order, and hereby consents to the issuance of the Order. Respondent reserves all defenses for any proceeding not covered by this consent order.

Respondent hereby acknowledges that, in exchange for Respondents' voluntary consents and agreement to cease and desist from further violations of Ch. 553, payment of administrative assessments, and other conditions as described in the attached Order, the Division agrees to resolve this matter by issuance of the attached Order. Subject to Respondents' compliance with the attached Order, the Division agrees to forgo further legal action under Ch. 553. If Respondents fail to comply with any condition or term of the final consent order, the Division reserves all rights under the law to enforce the Order against Respondents.

The undersigned Respondent understands and agrees that the attached Order shall prohibit Respondent from offering and selling franchises in the State of Wisconsin except as allowed and described by the terms of the Order.

The undersigned Respondent understands the Order, when signed by the Administrator of the Division of Securities, is effective on the date issued and that a willful violation of an Order signed by the Administrator is a criminal offense pursuant to Wis. Stat. § 553.52.

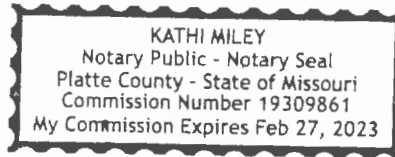
Vince Sanders

STEPHEN VINCENT SANDERS,
personally and on behalf of
AMERICAN SHAMAN FRANCHISE
SYSTEM, LLC

State of Mo.
County of Platte)
Subscribed before me this

23rd of April, 2021.

Kathi Miley
Notary Public



My commission is permanent/expires 2.27.23



State of Wisconsin
Department of Financial Institutions

Tony Evers, **Governor**

Kathy Blumenfeld, **Secretary**

**AFFIDAVIT OF SERVICE
AND COMPLIANCE WITH WIS. STAT. § 551.611**

STATE OF WISCONSIN)
) ss.
COUNTY OF DANE)

I, KATHERINE CLEMENTI, first being duly sworn, depose and state:

1. I am employed with the State of Wisconsin, Department of Financial Institutions, Division of Securities.
2. On the date of this Affidavit and in the course of regularly conducted activity, I have caused to be served by certified mail upon American Shaman Franchise System, LLC at his last known address of 2300 Main Street, Suite 165, Kansas City, MO 64108:
 - i. A copy of the Consent Order to Cease and Desist, Waiver and Consent to Order; DFI Case No. S-242323 (FX); and
 - ii. A copy of this Affidavit of Service.
3. In compliance with Wis. Stat. §§ 227.48, 551.611, and 891.46; and Wis. Admin. Code. §§ DFI-Sec 8.06 and 8.07, I have also caused to be served copies of those same documents upon the Administrator for the Division of Securities.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Katherine Clementi

KATHERINE CLEMENTI

State of Wisconsin
Department of Financial Institutions
Division of Securities

Subscribed and sworn to before me

This 5th day of May, 2021.

Patricia Epstein

Notary Public, State of Wisconsin

My commission expires 1-7-24.



Division of Securities

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