



STATE OF MISSOURI  
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:

JEFFREY JAMES MEJIA,

*Respondent.*

Serve: Jeffrey James Mejia  
1339 Gardenia Drive  
Sebastian, Florida 32976

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Case No. AP-13-16

**ORDER TO CEASE AND DESIST AND ORDER TO SHOW CAUSE WHY  
RESTITUTION, DISGORGEMENT, CIVIL PENALTIES, AND COSTS  
SHOULD NOT BE IMPOSED**

On August 22, 2013, the Enforcement Section of the Securities Division of the Office of Secretary of State (the "Enforcement Section"), through its Assistant Commissioner Mary S. Hosmer, submitted a Petition for Order to Cease and Desist and Order to Show Cause Why Restitution, Disgorgement, Civil Penalties, and Costs Should Not Be Imposed.

**I. FACTUAL BACKGROUND**

The petition alleges the following facts:

**A. Respondent and Related Parties**

1. Jeffrey James Mejia ("Mejia") is a fifty-three (53) year-old Florida resident with a mailing address of 1339 Gardenia Drive, Sebastian, Florida 32976. Prior to 2012, Mejia resided in Columbia, Missouri.
2. Mejia is registered with the Missouri Department of Insurance Financial Institutions & Professional Registration with a license number of 0187459.
3. A check of the Central Registration Depository ("CRD") records reveals that at all times relevant to this matter, Mejia was not registered as a broker-dealer, broker-dealer agent, investment adviser, or investment adviser representative in the State of Missouri.

4. T.D. Ameritrade, Inc. (“Ameritrade”) is a Missouri registered broker-dealer with a home office address of 200 South 108<sup>th</sup> Avenue, Omaha, Nebraska 68154. Ameritrade is registered in Missouri through the CRD with number 7870.
5. As used herein, the term “Respondent” refers to Mejia.

### **B. Enforcement Section Investigation**

6. Mejia offered and sold securities to at least five (5) investors who invested in excess of one hundred sixty thousand dollars (\$160,000). Four (4) of the investors were Missouri residents who invested more than one hundred twenty-two thousand dollars (\$122,000). Mejia convinced at least four (4) individuals to open Ameritrade accounts and allow Mejia to trade securities in these Ameritrade accounts on the investors’ behalf. Mejia charged at least some of these clients for Mejia’s services. Mejia is not registered in Missouri as a broker-dealer, broker-dealer agent, investment adviser, or an investment adviser representative.

### **Missouri Residents 1 and 2**

7. In March 2006, a seventy (70) year-old Sedalia, Missouri resident (“MR1”) and MR1’s seventy (70) year-old spouse (“MR2”) attended an investment seminar that was conducted by Mejia.
8. MR1 and MR2 believed Mejia was an “independent” investment advisor/stock trader.
9. At subsequent meetings Mejia presented MR1 and MR2 with a proposal for MR1 and MR2 to purchase an equity-indexed annuity from EquiTrust Life Insurance Company (“EquiTrust”) that Mejia explained would enable MR1 and MR2 to receive a ten percent (10%) bonus on their investment.<sup>1</sup>
10. In June 2006, MR1 transferred one hundred three thousand fifty-five dollars (\$103,055) from other annuities to an EquiTrust equity-indexed annuity (“EquiTrust Annuity”), incurring a small surrender charge.
11. In or around June 2006, MR2 transferred thirty-one thousand four hundred forty-five dollars (\$31,445) from another annuity to an EquiTrust equity-indexed annuity.
12. In or around November 2009, Mejia called MR1 and MR2 and stated that EquiTrust was being “downgraded” and that Mejia was concerned with the safety of MR1’s and MR2’s money at EquiTrust.
13. Mejia told MR1 and MR2 that Mejia had made money for other clients by buying and selling stock through accounts at Ameritrade.

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<sup>1</sup> The EquiTrust annuity has a fourteen (14) year vesting period, and MR1 and MR2 could incur surrender penalties for withdrawals over ten percent (10%) of the annuity value within that fourteen (14) year period.

14. Mejia told MR1 and MR2 that Mejia had turned a retirement account with one hundred forty thousand dollars (\$140,000) into two hundred fifty thousand dollars (\$250,000) in two (2) years.
15. Mejia stated that Mejia would do all the buying and selling within the Ameritrade accounts for MR1 and MR2.
16. Mejia told MR1 and MR2 that they should not let Ameritrade know Mejia was trading in MR1's and MR2's accounts.
17. Mejia would discuss his compensation with MR1 and MR2 after Mejia made money in MR1's and MR2's Ameritrade accounts.
18. On September 24, 2009, MR1 and MR2 each signed an Ameritrade account application that Mejia had completed.

#### **MR1's Ameritrade Account**

19. On November 12, 2009, MR1 transferred eighty-one thousand nine hundred sixty-eight dollars (\$81,968) from MR1's EquiTrust annuity to MR1's Ameritrade account and incurred a surrender charge of nineteen thousand five hundred eighty-six dollars (\$19,586).
20. On November 17, 2009, MR1's Ameritrade account had a balance of eighty-one thousand nine hundred sixty-eight dollars (\$81,968).
21. Between November 2009 and November 2011, MR1's Ameritrade account and an Ameritrade account in the name of Jeff J. Mejia SEP IRA ("Mejia's Account") were repeatedly accessed by the same Internet Protocol ("IP") addresses.<sup>2</sup>
22. On some of the dates that Mejia's Account and MR1's Ameritrade account were accessed by the same IP address, trades took place in MR1's Ameritrade account.
23. Between November 17, 2009, and September 30, 2012, at least twenty (20) stock transactions took place in MR1's Ameritrade account including nineteen (19) transactions involving the purchase or sale of stock in foreign, speculative, volatile, and/or penny stock companies.
24. On September 30, 2012, MR1's Ameritrade account had a balance of twelve thousand nine hundred fifty dollars (\$12,950).

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<sup>2</sup> An Internet Protocol address is a numerical label assigned to a computer device when that device connects to the internet.

25. MR1 never purchased or sold, nor directed Mejia to purchase or sell any stock, within MR1's Ameritrade account.

#### **MR2's Ameritrade Account**

26. On November 10, 2009, MR2 transferred twenty-five thousand ten dollars (\$25,010) from MR2's EquiTrust annuity to MR2's Ameritrade account and incurred a surrender charge of five thousand nine hundred seventy-six dollars (\$5,976).
27. On December 11, 2009, MR2's Ameritrade account had a balance of twenty-five thousand ten dollars (\$25,010).
28. Between November 2009 and November 2011, MR2's Ameritrade account and Mejia's Account were repeatedly accessed by the same IP addresses.
29. On some of the dates that Mejia's Account and MR2's Ameritrade account were accessed by the same IP address, trades took place in MR2's Ameritrade account.
30. Between December 31, 2009, and September 30, 2012, all seven (7) stock transactions that took place in MR2's Ameritrade account involved the purchase or sale of stock in foreign, speculative, volatile and/or penny stock companies.
31. On September 30, 2012, MR2's Ameritrade account had a balance of six thousand four hundred seventy-two dollars (\$6,472).
32. MR2 never purchased or sold any stock, nor directed Mejia to purchase or sell any stock, within MR2's Ameritrade account.

#### **Missouri Residents 3 and 4**

33. In 2003, a seventy-three (73) year-old Belton, Missouri resident ("MR3") and MR3's seventy-one (71) year-old spouse ("MR4") attended a "free lunch" seminar conducted by Mejia.
34. In or around March 2010, Mejia met with MR3 and MR4 and suggested that MR3 and MR4 invest money with Mejia at Ameritrade.
35. Mejia told MR3 and MR4 that Mejia would make up for any losses MR3 and MR4 might incur in the Ameritrade account.
36. Mejia telephoned Ameritrade and established the Ameritrade account for MR3 and MR4. Mejia assigned a password to MR3 and MR4's Ameritrade account that was not known to MR3 or MR4.
37. On March 3, 2010, MR3 and MR4 deposited sixteen thousand dollars (\$16,000) in their Ameritrade account.

38. In early 2010, a margin loan was taken out in MR3 and MR4's Ameritrade account.
39. MR3 and MR4 did not request any margin loans or give Mejia permission to take any margin loans out in MR3 and MR4's Ameritrade account.
40. Between March 2010 and November 2011, MR3 and MR4's Ameritrade account and Mejia's Account were repeatedly accessed by the same IP addresses.
41. On one of the dates that Mejia's Account and MR3 and MR4's Ameritrade account were accessed by the same IP address, a trade took place in MR3 and MR4's Ameritrade account.
42. Between March 2010 and November 2012, at least twenty-eight (28) stock transactions took place in MR3 and MR4's Ameritrade account.
43. Of these transactions, twenty-two (22) were purchases or sales of stock in a foreign, speculative, and penny stock company and two (2) were transactions involving the purchase and sale of a leveraged inverse exchange-traded fund.
44. During this time, MR3 and MR4 never purchased or sold, nor directed Mejia to purchase or sell any stock, within MR3 and MR4's Ameritrade account.
45. MR3 and MR4 did not have access to MR3 and MR4's Ameritrade account, nor did MR3 and MR4 receive statements regarding MR3 and MR4's Ameritrade account.
46. On December 3, 2012 (and after not being able to reach Mejia for approximately three (3) weeks), MR3 called Ameritrade to inquire about the balance of MR3 and MR4's account.
47. MR3 did not know the password to the account and had to establish MR3's identity before Ameritrade personnel told MR3 that the account had a balance of approximately one thousand two hundred dollars (\$1,200).
48. On or around December 2012, Mejia met with MR3 and MR4 and Mejia stated he would make up for the losses that MR3 and MR4 had incurred in their Ameritrade account.
49. Mejia claimed that Mejia had paid MR3 and MR4 back eleven thousand dollars (\$11,000) of their losses by rolling over MR4's EquiTrust annuity into a new annuity that provided a bonus.<sup>3</sup>

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<sup>3</sup> Typically, annuity bonuses are conditional on the fulfillment of a lengthy surrender period. If the policy is surrendered before the expiration of that surrender period, the investor will pay a surrender penalty. In addition, if an annuity is surrendered prior to the end of that period, all or a portion of the bonus may not be considered as part of the surrender value of the policy.

50. Mejia told MR3 and MR4 that Mejia would write a check to MR4 for the remainder of the losses in the Ameritrade account.
51. In or around April 2013, Mejia paid approximately three thousand dollars (\$3,000) in cash to MR3 and MR4 to make up for the over fourteen thousand dollars (\$14,000) in losses in MR3 and MR4's Ameritrade account.

### **Kansas Residents 1 and 2**

52. In or around April 2009, a seventy-three (73) year-old Louisburg, Kansas resident ("KR1") and KR1's seventy-two (72) year-old spouse ("KR2") met with Mejia at their home.
53. At this meeting Mejia stated that Mejia was knowledgeable about the stock market and had made money for other clients by investing funds for these investors.
54. Mejia claimed he could turn KR1 and KR2's forty thousand dollars (\$40,000) into one hundred thousand dollars (\$100,000) through investments.
55. KR1 and KR2 made an agreement with Mejia that if KR1's Ameritrade account went up by a certain percentage that KR1 and KR2 would pay Mejia a commission.
56. On April 14, 2009, Mejia completed an Ameritrade account application for KR1.
57. In or around April 2009, KR1 placed forty thousand dollars (\$40,000) in KR1's Ameritrade account.
58. In the spring of 2009, Mejia took out a margin loan in KR1's Ameritrade account.
59. Neither KR1 nor KR2 took out a margin loan in KR1's Ameritrade account nor gave Mejia permission to take out a margin loan.
60. In September 2009, KR1's Ameritrade account had:
  - a. stock positions of eighty-four thousand three hundred twenty-seven dollars (\$84,327);
  - b. a margin loan of forty-two thousand five hundred thirty-seven dollars (\$42,537);  
and
  - c. a total balance of forty-one thousand seven hundred eighty-nine dollars (\$41,789).
61. In September 2009, Mejia told KR1 and KR2 that they owed Mejia four thousand nine hundred and fifty-seven dollars (\$4,957) because KR1's Ameritrade account had increased from the initial investment to over sixty-five thousand dollars (\$65,000).

62. On September 19, 2009, KR1 and KR2 gave Mejia a check for four thousand nine hundred and fifty-seven dollars (\$4,957) to pay Mejia for his trading activities.
63. Between April 2009 and April 2010, over sixty-two (62) transactions were made in KR1's Ameritrade account involving the purchase or sale of stock in foreign, speculative, and/or penny stock companies.
64. Between November 2009 and May 2010, KR1's Ameritrade account and Mejia's Account were repeatedly accessed by the same IP addresses.
65. During this time, KR1 never purchased or sold, nor directed Mejia to purchase or sell any stock, within KR1's Ameritrade account.
66. On some of the same dates that Mejia's Account and KR1's Ameritrade account were accessed by the same IP address, trades took place in KR1's account.
67. A review of a website that determines a geographic location from an IP address revealed that the user that transacted business in KR1's Ameritrade account and accessed and/or transacted business in Mejia's Account was located in Missouri.
68. KR1 and KR2 received statements from Ameritrade in the mail and were also able to check the account's performance online after Mejia explained how to set up a username and password.
69. In or around May 2010, KR1 and KR2 saw that the value of KR1's Ameritrade account had dropped to approximately nineteen thousand dollars (\$19,000). KR1 called Ameritrade and directed them to sell the securities in the account and send KR1 the balance of the Ameritrade account.

## **II. COMMISSIONER'S DETERMINATION AND FINDING**

70. The **COMMISSIONER DETERMINES** that Respondent Mejia violated Section 409.4-401(a) by transacting business as a broker-dealer in the State of Missouri when Respondent was not registered as a broker-dealer when he:
  - a. set up Ameritrade accounts for MR1, MR2, MR3, MR4, and KR1;
  - b. purchased and/or sold securities in these customer accounts;
  - c. received compensation from at least one of these customers; and
  - d. made arrangements with other customers to be paid from the profits in their Ameritrade accounts.
71. The **COMMISSIONER FURTHER DETERMINES** that Respondent Mejia violated section 409.4-403(a) when Respondent transacted business in the State of Missouri as an

investment adviser when Respondent was not registered as an investment adviser when he:

- a. conducted investment seminars in this State;
- b. recommended the purchase or the sale of securities in the Ameritrade accounts of MR1, MR2, MR3, MR4, and KR1;
- c. received compensation for advising at least one of these customers; and
- d. made arrangements with other customers to be paid from the profits in their Ameritrade accounts.

72. The **COMMISSIONER FURTHER DETERMINES** that Respondent Mejia violated section 409.5-501(2) in the State of Missouri when, in connection with the offer, sale or purchase of a security to MR1, MR2, MR3, MR4, or KR1, Respondent omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to, the following:

- a. that Mejia was not registered to transact business as a broker-dealer in Missouri;
- b. that Mejia was not registered to transact business as an investment adviser in Missouri;
- c. that Mejia had "made money for other clients" by buying and selling stock through Ameritrade, but did not disclose how Mejia could trade securities without being registered in Missouri or provide any financial information about Mejia's past business dealings with these other clients;
- d. that Mejia had turned a retirement account with one hundred forty thousand (\$140,000) into two hundred fifty thousand dollars (\$250,000) in two (2) years, but did not disclose what Mejia had invested in or provide financial information to substantiate this claim;
- e. that Mejia had made "a lot of clients money by investing their money in the stock market," and that Mejia was knowledgeable about the stock market without disclosing that Mejia had never been registered as a broker-dealer or investment adviser;
- f. omitting to state that Mejia traded on margin in the Ameritrade accounts Mejia controlled;
- g. omitting to state the risks associated with trading on margin in the Ameritrade accounts Mejia controlled;



- h. omitting to state the risks associated with investing in speculative and/or penny stocks; or
  - i. omitting to state the risks associated with investing in speculative and/or penny stocks in margin accounts.
73. The **COMMISSIONER FURTHER DETERMINES** that Respondent Mejia violated section 409.5-501(3) in the State of Missouri when, in connection with the offer, sale or purchase of a security to MR1, MR2, MR3, MR4, or KR1, Respondent engaged in an act, practice, or course of business that would operate as a fraud or deceit upon Ameritrade, MR1, MR2, MR3, MR4, or KR1 by:
- a. completing the applications to open accounts for others at Ameritrade;
  - b. setting up passwords and user names for these Ameritrade account holders;
  - c. retaining these user names and passwords to electronically access the account holder's Ameritrade account;
  - d. recommending to some account holders that they liquidate long-term annuity products and incur surrender fees to fund Mejia's trading activity in the account holders Ameritrade account;
  - e. advising account holders not to tell Ameritrade representatives about Mejia's trading activity in the account holder's Ameritrade account;
  - f. conducting the buying and selling within the Ameritrade account under the account holder's user name and password;
  - g. taking out margin loans at Ameritrade without the account holder's authorization;
  - h. buying securities on margin at Ameritrade without the account holder's authorization;
  - i. requesting compensation from an account holder based on the inflated value of an Ameritrade account; or
  - i. claiming that Mejia would make up for losses incurred by the account holder at Ameritrade, but failing to provide Mejia's personal financial information to support this claim or failing to tell the account holder how these losses would be determined.
74. The **COMMISSIONER FURTHER DETERMINES** that at the time Respondent Mejia engaged in the above conduct, MR1, MR2, MR3, MR4, and KR1 were over the age of sixty (60) years old and were elderly persons as that term is defined under Section 409.6-604(d)(3)(B), RSMo. (Cum. Supp. 2011).

75. The **COMMISSIONER FURTHER DETERMINES** that, by violating Sections 409.4-401(a), 409.4-403(a), and 409.5-501 in the State of Missouri, Respondent Mejia engaged in an illegal act, practice, or course of business in this State, and such conduct is, therefore, subject to the Commissioner's authority under Section 409.6-604, RSMo. (Cum. Supp. 2011).
76. The Commissioner finds, pursuant to Section 409.6-605(b), that the Order in Section III is necessary or appropriate in the public interest or for the protection of investors and is consistent with the purposes of the Missouri Securities Act of 2003.

### **III. ORDER**

**NOW THEREFORE**, it is hereby ordered that Respondent, his agents, employees and servants, and all other persons participating in or about to participate in the above-described violations with knowledge of this Order are prohibited from violating or materially aiding in any violation of Section 409.4-401(a), RSMo. (Cum. Supp. 2011), by transacting business as an unregistered broker-dealer; violating or materially aiding in any violation of Section 409.4-403(a), RSMo. (Cum. Supp. 2011), by transacting business as an unregistered investment adviser; violating or materially aiding in any violation of Section 409.5-501, RSMo. (Cum. Supp. 2011), 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.

### **IV. STATEMENT**

Pursuant to Section 409.6-604(b), RSMo. (Cum. Supp. 2011), the **Commissioner hereby states** that he will determine whether to grant the Enforcement Section's requests for:

- (1) civil penalties of up to ten thousand dollars (\$10,000) against Respondent for multiple violations of Section 409.4-401(a), RSMo. (Cum. Supp. 2011),
- (2) civil penalties of up to ten thousand dollars (\$10,000) against Respondent for multiple violations of Section 409.4-403(a), RSMo. (Cum. Supp. 2011),
- (3) civil penalties of up to ten thousand dollars (\$10,000) for more than one violation against Respondent, for violations of Section 409.5-501, RSMo. (Cum. Supp. 2011),
- (4) civil penalty of up to twenty-five thousand dollars (\$25,000) against Respondent for at least five (5) violations of Section 409.5-501, RSMo. (Cum. Supp. 2011), against elderly persons,

- (5) for restitution for any loss, possibly to include the amount of any actual damages that may have been caused by Respondent Mejia's conduct, and interest at the rate of eight percent (8%) per year from the date of the violation causing the loss,
- (6) for the disgorgement of any profits arising from the violation of Section 409.5-501, RSMo. (Cum. Supp. 2011), and
- (7) for costs pursuant to Section 409.6-604(e), RSMo. (Cum. Supp. 2011),

at a hearing on the merits or, if none is requested, in a Final Order.

Pursuant to Section 409.6-604(b), RSMo. (Cum. Supp. 2011), the **COMMISSIONER FURTHER STATES** that any person subject to this order may request a hearing. Such person must make this request with Commissioner no later than 30 days from the date that the person was served with the order ("date of service"). If the Commissioner receives such a request, the hearing will be set within 15 days. If the Commissioner does not receive such a request 30 days from the date of service and no hearing is otherwise ordered, then this order becomes final by operation of law.

**SO ORDERED:**

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS THIRD DAY OF SEPTEMBER 2013.

JASON KANDER  
SECRETARY OF STATE

*Andrew M. Hartnett*

ANDREW M. HARTNETT  
COMMISSIONER OF SECURITIES





STATE OF MISSOURI  
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF: )

JEFFREY JAMES MEJIA, )

*Respondent.* )

Serve: Jeffrey James Mejia )  
1339 Gardenia Drive )  
Sebastian, Florida 32976 )

Case No. AP-13-16

**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. (Cum. Supp. 2011), and 15 CSR 30-55.020.

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:

**Andrew M. Hartnett, 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 3rd day of September 2013, a copy of the foregoing Order to Cease and Desist and Order to Show Cause Why Restitution, Civil Penalties, and Costs Should Not Be Imposed, and a copy of the Petition For Order to Cease and Desist and Order to Show Cause Why Restitution, Civil Penalties, and Costs Should Not Be Imposed, in the above styled case was **mailed by Certified U.S. mail to:**

Jeffrey James Mejia  
1339 Gardenia Drive  
Sebastian, Florida 32976

**and by hand delivery to:**

Mary S. Hosmer  
Assistant Commissioner of Securities  
Missouri Securities Division

  
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John Hale, Securities Office Manager