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**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING  
whether there has been a violation  
of the Securities Act of Washington by:

Jeffrey A. Mascio,

Respondent.

Order No.: S-17-2194-18-SC01

STATEMENT OF CHARGES AND  
NOTICE OF INTENT TO ISSUE AN  
ORDER TO CEASE AND DESIST, DENY  
FUTURE REGISTRATIONS, IMPOSE A  
FINE, AND CHARGE COSTS

THE STATE OF WASHINGTON TO:

Jeffrey A. Mascio

**STATEMENT OF CHARGES**

Please take notice that the Securities Administrator of the State of Washington has reason to believe that the Respondent Jeffrey A. Mascio has violated the Securities Act of Washington and that his violations justify the entry of an order of the Securities Administrator to cease and desist from such violations pursuant to RCW 21.20.390, to deny future securities registration applications pursuant to RCW 21.20.110(1), to impose a fine pursuant to RCW 21.20.395, and to recover costs pursuant to RCW 21.20.390. The Securities Administrator finds as follows:

**TENTATIVE FINDINGS OF FACT**

**Respondent**

1. Jeffrey A. Mascio ("Mascio") (CRD No. 4221227) is a resident of Highlands Ranch, Colorado. Between 2000 and 2016, Mascio was employed in the financial services industry by various investment advisers and broker-dealers. Most recently, between November 2005 and December 2016, Mascio was the co-founder, President and Chief Compliance Officer of Meridian Capital Advisors, LLC, a

1 state-registered investment adviser. Mascio has never been registered with the Securities Division in any  
2 capacity. Mascio was a registered securities salesperson in other states until March 2015 and was a  
3 registered investment adviser representative in other states until December 2016. Mascio is not currently  
4 employed in the financial services industry.

### 5 **Other Related Party**

6 2. Meridian Capital Advisors, LLC (“Meridian Capital Advisors”) (CRD No. 138310) was a  
7 Colorado limited liability company formed in October 2005 and dissolved in May 2017, with a principal  
8 place of business in Englewood, Colorado. Meridian Capital Advisors was a state registered investment  
9 adviser. Between approximately 2006 and 2016, Meridian Capital Advisors was registered at various times  
10 with Colorado, Georgia, North Carolina, South Carolina, and Texas. Meridian Capital Advisors has never  
11 been registered with the Securities Division in any capacity. In approximately January 2017, Mascio sold  
12 Meridian Capital Advisors to another investment adviser firm and exited the business.

### 14 **Introduction**

15 3. Between 2011 and 2015, Mascio provided investment advisory services to two Washington  
16 residents (a married couple), from a principal place of business in Colorado. As an investment adviser  
17 representative, Mascio was a fiduciary and had a duty to act primarily for the benefit of his clients. In May  
18 2015, the Washington residents authorized a performance-based fee structure, which allowed Mascio to  
19 share in positive gains generated in their accounts. Between June and September 2015, incentivized by this  
20 fee structure, Mascio made high risk securities trades in the residents’ accounts in an attempt to generate  
21 high returns. These trades were unsuitable for the Washington residents given their investment objectives  
22 and risk tolerance, and resulted in a loss of over \$750,000 dollars in their accounts. Mascio also executed  
23 unauthorized trades for the residents’ accounts because he continued to make high risk securities trades in  
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1 their accounts after they requested that he stop.

2 **Nature of the Conduct**

3 4. In 2009, the residents moved from South Carolina to Washington. After the move, the  
4 Washington residents continued to receive investment advisory services from a firm based in South  
5 Carolina. In approximately January 2011, the firm merged with Meridian Capital Advisors and as a result,  
6 Mascio became the residents' investment adviser representative.

7 5. The Washington residents communicated their investment objectives to Mascio. In  
8 approximately June 2011, the residents sent an email to Mascio stating that their investment objectives  
9 were to help their children with college, to help their aging parents, and for their own retirement. Mascio  
10 prepared a Retirement Policy Statement, dated August 15, 2011, for the Washington residents. According  
11 to this document, the residents' risk tolerance was "Moderately Aggressive" and their long-term investment  
12 objective was to "grow moderately."

13 6. Between 2011 and 2015, the Washington residents had approximately four brokerage  
14 accounts that Mascio managed. Mascio had discretionary trading authority in all of the residents' accounts.  
15 By May 2015, the residents' accounts had a total value of approximately \$1.1 million dollars.

16 *Account Changes in May 2015*

17 7. In May 2015, changes were made to the residents' accounts that prompted the residents to  
18 reconfirm their investment objectives and risk tolerance with Mascio. The residents agreed to change the  
19 fee structure on their accounts to a performance-based fee. Previously, Mascio was compensated for  
20 managing the residents' accounts by charging a percentage of the value of assets under management. The  
21 performance-based fee allowed Mascio to receive up to 20% of the account performance if he generated a  
22 positive return in the residents' accounts. Mascio also notified the residents that Meridian Capital Advisors  
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1 was changing its primary custodian and that the residents' accounts would be transferred to a different  
2 brokerage firm.

3 8. On May 27, 2015, the Washington residents signed an Investment Management Agreement  
4 with Meridian Capital Advisors, in which they authorized Mascio to receive a performance-based fee.  
5 When completing the Investment Management Agreement, the Washington residents were prompted to  
6 select their primary investment objectives. The residents selected "Capital Appreciation" and "Speculation  
7 and trading profits" (the agreement stated that speculation and trading profits must be selected in order to  
8 qualify for a performance-based fee). However, on the same day that the Washington residents signed the  
9 agreement, they sent Mascio an email stating that they were concerned about speculative or highly  
10 leveraged trading in their accounts. In his response, Mascio stated that he would "not be venturing into  
11 high risk high speculation markets."

12 9. Also on May 27, 2015, the residents confirmed the investment objectives for their accounts  
13 with the new custodian. Meridian Capital Advisors provided the residents' account opening information to  
14 the new custodian, and requested that the residents login to their online accounts to verify the accuracy of  
15 the information. The residents reviewed and electronically signed the account opening forms for their  
16 accounts, which listed "Growth" and "Trading Profits" as their investment objectives for each account.  
17 "Growth" and "Trading Profits" are mid-range investment objectives that have a moderate degree of  
18 risk. The investment objectives with the highest risk, such as "Speculation" or "Hedging," were not  
19 selected for the residents' accounts.  
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21 *Unsuitable VXX Trades*

22 10. In June 2015, Mascio made two iPath S&P 500 VIX Short-Term Futures ("VXX") options  
23 trades in the Washington residents' largest account. Mascio told the Washington residents that they could  
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1 expect a six-figure profit from the trades. The residents discovered that VXX was a high risk investment,  
2 and they asked Mascio not to make any more VXX trades in their accounts. In July 2015, Mascio closed  
3 the positions for a net profit of approximately \$251,361.

4 11. Despite the Washington residents' request, in August and September 2015, Mascio made  
5 additional VXX trades in the residents' four brokerage accounts. Mascio made approximately eight VXX  
6 options trades and he also purchased shares of VXX. By approximately September 2015, the residents'  
7 accounts had lost over \$750,000 due to the VXX positions.

8 12. In September 2015, the Washington residents requested that Mascio close remaining VXX  
9 positions in their accounts. Mascio confirmed that he would do so, and he notified the residents that he was  
10 resigning as their investment adviser representative. In approximately October 2015, the Washington  
11 residents closed the brokerage accounts that Mascio managed and transferred out their remaining funds.

12 13. The VXX trades were not suitable for the Washington residents. VXX is an exchange-  
13 traded note ("ETN") that is designed to provide investors with exposure to equity market volatility by  
14 tracking the S&P 500 VIX Short-Term Futures Index. VXX is suitable for investors with a high risk  
15 tolerance and speculative investment objective. The VXX trades were not suitable for the Washington  
16 residents given their moderate risk tolerance and desire to avoid speculative trades.  
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### 18 **Registration Status**

19 14. Jeffrey A. Mascio has never been registered as a securities salesperson, broker-dealer,  
20 investment adviser, or investment adviser representative in the State of Washington.  
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23 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:  
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**CONCLUSIONS OF LAW**

1. Respondent Jeffrey A. Mascio acted as an investment adviser and/or an investment adviser representative, as defined in RCW 21.20.005(8) and (9), by selecting securities to purchase and sell for customer accounts in return for compensation.

2. Respondent Jeffrey A. Mascio purchased and sold securities for customer accounts that were unsuitable for the customer given the customer’s financial situation and needs, in violation of RCW 21.20.702(1). Such conduct is also a dishonest or unethical practice as defined by WAC 460-24A-220(1), and is grounds for the denial of any future securities registration applications pursuant to RCW 21.20.110(1)(g).

3. Respondent Jeffrey A. Mascio executed unauthorized trades for customer accounts, which is a dishonest or unethical business practice as defined by WAC 460-24A-220(4). Such conduct is grounds for the denial of any future securities registration applications pursuant to RCW 21.20.110(1)(g).

**NOTICE OF INTENT TO ISSUE AN ORDER TO CEASE AND DESIST**

Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that the Respondent Jeffrey A. Mascio shall cease and desist from violations of RCW 21.20.702.

**NOTICE OF INTENT TO DENY FUTURE REGISTRATIONS**

Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that any future securities registration applications of the Respondent Jeffrey A. Mascio as an investment adviser, broker-dealer, investment adviser representative, or securities salesperson shall be denied.

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**NOTICE OF INTENT TO IMPOSE A FINE**

Pursuant to RCW 21.20.395, and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that the Respondent Jeffrey A. Mascio shall be liable for and pay a fine of \$20,000.

**NOTICE OF INTENT TO CHARGE COSTS**

Pursuant to RCW 21.20.390(5), and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that the Respondent Jeffrey A. Mascio shall be liable for and pay the Securities Division the costs, fees and other expenses incurred in the administrative investigation and hearing of this matter in an amount not less than \$5,000.

**AUTHORITY AND PROCEDURE**

This Statement of Charges is entered pursuant to the provisions of RCW 21.20.390 and RCW 21.20.395, and is subject to the provisions of RCW 34.05. The Respondent may make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Statement of Charges.

If the Respondent does not request a hearing, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final, enter a permanent cease and desist order as to the Respondent, enter a permanent order to deny future securities registration applications, and impose the fines and costs sought.

DATED AND ENTERED this 27th day of August, 2018.

By: 

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William M. Beatty  
Securities Administrator

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Approved by:

\_\_\_\_\_  
Suzanne Sarason  
Chief of Enforcement

Presented by:

*Bridgett Fisher*  
\_\_\_\_\_  
Bridgett Fisher  
Financial Legal Examiner

Reviewed by:

*Robert Kondrat*  
\_\_\_\_\_  
Robert Kondrat  
Financial Legal Examiner Supervisor