

State of Missouri  
Office of Secretary of State

Case No. AP-04-67

IN THE MATTER OF:

Christopher John Jacob, CRD # 1501352  
801 Castle Forest Court  
Ballwin, Missouri 63021,

Respondent.

**CONSENT ORDER**

WHEREAS, the Missouri Securities Division has alleged that Christopher John Jacob engaged in dishonest or unethical practices in the securities business by failing to observe high standards of commercial honor and just and equitable principles of trade by selling an investor with very little investment experience, five long-term annuities encompassing approximately 90% of the customer's liquid net worth and generating commissions totaling \$103,769 for Mr. Jacob in Missouri and that this constitutes grounds to discipline Jacob's registration in Missouri pursuant to Section 409.204, RSMo 2000.

1. Respondent and the Securities Division desire to settle the allegations and the matters raised by the staff of the Securities Division relating to the alleged violations by Respondent.
2. Respondent and the Securities Division consent to the issuance of this Consent Order, solely for the purposes of this proceeding, prior to a hearing and without any adjudication of any issue of law or fact.
3. Respondent stipulates and agrees to the issuance of this Consent Order without further proceedings in this matter, agreeing to be fully bound by the terms and conditions specified herein.
4. Respondent waives his right to a hearing with respect to this matter.
5. Respondent stipulates and agrees that Respondent waives any rights Respondent may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order and, further, Respondent specifically forever releases and holds harmless the Missouri Office of Secretary of State, Secretary of State, Commissioner of Securities and their respective representatives and agents from any and all liability and claims arising out of, pertaining to or relating to this matter.
6. Respondent stipulates and agrees that, should the facts contained herein prove to be false or incomplete, the Missouri Division of Securities preserves the right to pursue any and all legal or administrative remedies at its disposal.
7. Respondent consents to the issuance of this Order, but neither admits nor denies violation of any provision of Chapter 409, RSMo 2000.
8. Respondent and the Securities Division stipulate and agree to the following Stipulations of Fact:

**STIPULATIONS OF FACT**

9. Christopher John Jacob ("Jacob") is a member of the National Association of Securities Dealers ("NASD") and filed the Uniform Application for Securities Industry Registration or Transfer ("Form U-4") through the Central Registration Depository ("CRD") with number 1501352 and has been registered as a securities agent in Missouri since October 1, 1986 to the present.
10. From July 15, 1997 until April 6, 2001, Jacob was a Missouri-registered agent of First Heartland Capital, Inc., a Missouri-registered broker-dealer.
11. Since April 10, 2001, Jacob has been a securities agent of Transamerica Financial Advisors, Inc., a Missouri-registered broker-dealer.
12. Jacob's business location is a Transamerica Financial Advisors, Inc. branch office located at 12140 Woodcrest Executive Drive, Suite 290, St. Louis, Missouri.
13. In 1997, a 66-year-old Missouri Resident ("MR") sought professional investment advice from a registered security agent of First Heartland Capital, Inc. identified as Christopher John Jacob ("Jacob").
14. In October of 1997, Jacob recommended that MR sell MR's securities and allocate more than 90% of MR's liquid assets into two long-term variable annuity contracts, restricting access to retirement assets without incurring withdrawal fees. As a result of those recommendations, MR purchased two annuities and the commissions generated were shared equally between Jacob and Coleman.

15. In June of 1999, upon the recommendation of Jacob, MR surrendered one annuity contract for the purpose of switching to another variable annuity. Jacob and his supervisor shared equally in the commissions generated from the sale of the replacement annuity contract.
16. The replacement annuity contract resulted in greater expenses for MR due to higher mortality fees and higher surrender fees. The replacement contract also extended the number of years remaining for surrender charges to nine additional years.
17. In less than a two-year period between October 1997 and June 1999, Jacob sold MR three (3) long-term variable annuity contracts that generated commissions totaling \$110,940.
18. On April 10, 2001, Jacob became an agent of Transamerica.
19. In July of 2001, upon the recommendation of Jacob, MR surrendered the replacement annuity purchased in June of 1999 for the purpose of switching to another variable annuity issued by Transamerica.
20. Within a period of less than two full years between 1997 and 1999, Jacob switched MR from the original long-term annuity into another long-term annuity, offering virtually the same benefits, restricting access to retirement assets, charging higher mortality fees, extending the number of years for withdrawal charges and generating additional commissions for Jacob and his supervisor.
21. Jacob engaged in dishonest or unethical practices in the securities business by violating NASD Conduct Rule 2110 by failing to observe high standards of commercial honor and just and equitable principles of trade by selling MR, an investor with very little investment experience, four long-term annuities encompassing approximately 90% of MR's entire net worth, restricting MR's access to those assets and generating repeated commissions for Jacob.
22. This Order is in the public interest.

### **JURISDICTIONAL BASIS**

23. Respondent and the Securities Division stipulate and agree that the Commissioner has jurisdiction over these matters pursuant to the Missouri Securities Act, Chapter 409, et al.
24. Respondent and the Securities Division stipulate and agree that the Commissioner has authority to enter this Consent Order pursuant to Section 409.408, RSMo 2000, which provides:

“[T]he commissioner shall have full power in each case to make such order or orders under this section as he may deem just and he may either prohibit the further sale by such persons of any securities connected with or related to said fraudulent or illegal practices or transaction, or he may fix the terms and conditions on which the sale of such securities may be made, . . . and it is hereby made unlawful for any person having been served with any such order, or having knowledge of the issuance of said order, while said order remains in effect, either as originally issued or as modified, to violate any provisions thereof.”

### **ORDER**

**WHEREAS**, the Commissioner, after consideration of the stipulations set forth above and on the consent of Respondent and the Securities Division, finds the following Order to be in the public interest, necessary for the protection of public investors and consistent with the provisions of Chapter 409, RSMo 2000.

**NOW, THEREFORE**, it is hereby Ordered that:

1. Respondent will be subject to heightened supervision for a period of twelve (12) months for any sales of variable annuities.
2. Respondent shall pay \$150,000 in restitution for the conduct that gave rise to this proceeding. Payment of this amount is due before or contemporaneous with the issuance of this Order.
3. Respondent will pay his own costs and attorneys fees with respect to this matter.
4. Before the execution of this Order, Respondent will pay six thousand dollars (\$6,000) to the Secretary of State's Investor Education and Protection Fund.
5. Within five (5) days of execution of this Order, the Commissioner of Securities shall dismiss, with prejudice, his matter before the Administrative Hearing Commission, *Commissioner of Securirites v. Christopher John Jacob*, Case No. 04-1359 SE.

**SO ORDERED:**

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 6<sup>TH</sup> DAY OF JUNE, 2006

ROBIN CARNAHAN  
SECRETARY OF STATE

(Signed/Sealed)

MATTHEW D. KITZI  
COMMISSIONER OF SECURITIES

Consented to by:  
MISSOURI SECURITIES DIVISION

Mary S. Hosmer  
Assistant Commissioner of Securities

Christopher John Jacob

Approved as to form:

Joseph C. Coates, III  
Attorney for Jacob