

NEWS

United States Department of Justice
U.S. Attorney, District of New Jersey
401 Market Street, Fourth Floor
Camden, New Jersey 08101



Paul J. Fishman, U.S. Attorney

More Information? Contact the Assistant U.S. Attorney or other contact listed below to see if more information is available.

News on the Internet: News Releases, related documents and advisories are posted short-term at our website, along with links to our archived releases at the Department of Justice in Washington, D.C. ***Go to:*** <http://www.usdoj.gov/usao/nj/press/>

Assistant U.S. Attorney
R. STEPHEN STIGALL
856-757-5232

sout1120.rel
FOR IMMEDIATE RELEASE
Nov 20, 2009

Pittsgrove Man Sentenced to 97 Months in Prison for Operating a
\$1.8 Million Investment Fraud Scheme

(More)

Greg Reinert, PAO
Public Affairs Office

856-757-5233
973-645-2888

Breaking News (NJ) <http://www.usdoj.gov/usao/nj/press/>

CAMDEN – A Pittsgrove man was sentenced to 97 months in federal prison today for operating a \$1.8 million investment fraud scheme, U.S. Attorney Paul J. Fishman announced.

U.S. District Judge Robert B. Kugler also ordered Jeffrey J. Southard, 44, to pay approximately \$1.813 million in restitution and to serve three years of supervised release upon the completion of his prison term.

Southard pleaded guilty before Judge Kugler on June 12, 2009, to a two-count Information that charged him with mail fraud and signing a false tax return.

Southard was arrested on Dec 18, 2008, at his residence by Special Agents with the FBI, IRS and the U.S. Department of Labor, along with members of the N.J. Division of Criminal Justice on a federal criminal Complaint, which was issued under seal on Dec. 15, 2008.

According to the Complaint, Southard was a licensed securities broker-dealer who worked for American Express Financial Advisors (“AMEX”) from as early as July 1997 until September 2003, at which point he was suspended and allowed to resign. Southard was then hired in December 2003 by GunnAllen Financial (“GunnAllen”), where he worked until July 2008, at which point the defendant was being investigated internally by GunnAllen regarding the sale of nonexistent investments via an undisclosed and unapproved outside business entity, according to the Complaint.

In August 2008, federal agents began an investigation after being contacted by one of Southard’s clients. According to the Complaint, at least 14 of Southard’s former clients claimed to have been victimized by the fraudulent conduct of the defendant.

At his plea hearing, Southard admitted that from as early as December 2001 through May 2008 he operated a fraudulent scheme whereby he solicited and/or induced his clients to purchase investment vehicles that he described as “Ohio bonds” or “Bank of America bonds.” Southard admitted that these securities actually did not exist. Southard described the phony securities to his victim-clients as guaranteed investments that promised a tax-free rate of return of no less than a certain percentage, which was typically between six and 10 percent, he admitted.

Southard admitted he typically instructed his victims to make their investment checks payable to “JD BAC Financial Service” (“JD BAC”). Southard then deposited the checks into a bank account he had established in the name of JD BAC at Commerce Bank in 1999. Thereafter, Southard spent the funds to pay his mortgage payments, auto payments for his Lincoln Navigator and other vehicles, private schooling for his five children, vacations, cash ATM withdrawals and numerous other personal expenses, according to the Complaint.

In regards to Count One of the information, which charges mail fraud, Southard admitted that on June 4, 2007, for the purpose of executing the fraudulent scheme, he mailed a “statement” that purported to document G.W.’s investment in the phony securities and the tax-exempt

dividends gain that had been earned on the investment for the prior month and the resulting updated total for the investment account.

Southard admitted, in regards to Count Two, that on Sept. 9, 2004, he signed and filed a 2003 U.S. Individual Income Tax Return with the Internal Revenue Service that stated his taxable income from American Express Financial Advisors and JD BAC Financial Services was \$1,670. Southard admitted that the tax return was not true and correct in that the return did not include approximately \$245,042 in taxable income which he was received through his fraudulent scheme.

In determining the actual sentence, Judge Kugler consulted the advisory U.S. Sentencing Guidelines, which provide appropriate sentencing ranges that take into account the severity and characteristics of the offense, the defendant's criminal history, if any, and other factors. The judge, however, is not bound by those guidelines in determining a sentence.

Parole has been abolished in the federal system. Defendants who are given custodial terms must serve nearly all that time.

Fishman credited Special Agents with the FBI's Atlantic City Resident Agency, under the direction of Special Agent in Charge Weysan Dun in Newark, Department of Labor, under the direction of Special Agent in Charge Marjorie Franzman in New York City, IRS's Mays Landing Post of Duty, under the direction of Special Agent in Charge William P. Offord, and Investigators with the N.J. Division of Criminal Justice, under the direction of Deborah Gramiccioni, Director, with investigation of the case.

The government is represented by Assistant U.S. Attorney R. Stephen Stigall of the U.S. Attorney's Office Criminal Division in Camden.

-end-

Defense Attorney: Mr. Mark W. Catanzaro, Esq. Moorestown