

NEWS

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Pittsgrove Man Arrested for \$1.9 Million Investment Fraud

(More)

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CAMDEN – A Pittsgrove man was arrested today on a two-count federal criminal Complaint charging him with mail fraud and engaging in a monetary transaction involving criminally derived property in connection with a \$1.9 million investment fraud scheme, Acting U.S. Attorney Ralph J. Marra announced.

The Complaint, which was issued under seal on Dec. 15 and unsealed following today's arrest, alleges that from June 2002 until May 2008, Jeffrey J. Southard, 44, operated a scheme to defraud investors.

Southard was arrested this morning at his residence by Special Agents with the FBI and members of the N.J. Division of Criminal Justice as he was about to travel to his new job working on a construction crew. The defendant made an initial appearance today before U.S. Magistrate Judge Joel Schneider. Defendant is being held until he can satisfy conditions of bail imposed by Judge Schneider, including a \$250,000 bond secured by certain property, as well as additional conditions imposed by the State of New Jersey.

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 non-existent investments via an undisclosed and unapproved outside business entity, according to the Complaint.

In August 2008, Special agents with the Atlantic City Resident Agency of the FBI began an investigation after being contacted by one of Southard's clients. According to the Complaint, at least 14 of Southard's former clients claim to have been victimized by the fraudulent conduct of the defendant.

According to the Complaint, Southard allegedly solicited and/or induced his clients to purchase investment vehicles that he described as "Ohio bonds" or "Bank of America bonds." Southard also described these investment vehicles 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, according to the Complaint.

According to the Complaint, Southard typically instructed the victims to make their investment checks payable to "JD BAC Financial Service." ("JD BAC") The investigation revealed that the defendant established a bank account in the name of JD BAC at Commerce Bank in 1999. According to the Complaint, the initial investment of each of the alleged victims was, in fact, deposited into this account. Thereafter, the funds were spent on Southard's 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.

Southard often provided these victim-clients with monthly "statements" pertaining to the

purported investments. These statements purported to document the clients' investments as well as the tax-exempt dividend gain that had been earned on the investments for that month and the resulting updated total for the investment accounts, according to the Complaint. Southard caused these allegedly fraudulent statements to be mailed to his clients.

According to the Complaint, in total, Southard's clients invested over \$1.9 million, of which he returned a total of approximately \$480,000 to them through purported "dividends payments."

In November 2008, the New Jersey Bureau of Securities revoked the registration of the defendant after having concluded that defendant offered certain investors the "Ohio bond" that did not, in fact, exist. The defendant is also facing various state charges file by the N.J. Division of Criminal Justice.

Despite the charges set forth in the complaint, every defendant is presumed innocent, unless and until found guilty beyond a reasonable doubt, following a trial at which the defendant has all of the trial rights guaranteed by the U.S. Constitution and federal law.

The charge of mail fraud carries a maximum statutory sentence of 20 years in prison and a fine of \$250,000 or twice the gross loss to victims, whichever is greater. The charge of engaging in a monetary transaction in criminally derived property of a value greater than \$10,000 carries a maximum statutory sentence of 10 years and a fine of up to \$250,000 or twice the gross loss to victims.

In determining an actual sentence, the judge to whom the case is assigned would, upon a conviction, consult 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.

Marra 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 in Newark, and Investigators with the N.J. Division of Criminal Justice, under the direction of Deborah Gramiccioni, Director, with the investigation leading to the criminal Complaint.

The government is represented by Assistant U.S. Attorney Allen Harberg, Jr., of the Criminal Division in Trenton.

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