

# NEWS

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United States Department of Justice  
U.S. Attorney, District of New Jersey  
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***Ralph J. Marra, Jr., Acting U.S. Attorney***

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## Pittsgrove Man Pleads Guilty to Operating a \$1.9 Million Investment Fraud Scheme

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(More)

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CAMDEN – A Pittsgrove man pleaded guilty today to federal charges of mail fraud and filing a false tax return in connection with a \$1.9 million investment fraud scheme, Acting U.S. Attorney Ralph J. Marra announced.

Jeffrey J. Southard, 44, entered his plea in U.S. District Court in Camden before Judge Robert B. Kugler. Southard pleaded guilty to a two-count Information that charges him with committing mail fraud and signing a false tax return. Judge Kugler scheduled sentencing for Sept. 15.

As part of Southard's plea, he agreed to make full restitution of approximately \$1.8 million, which represents the total losses resulting from his scheme.

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.

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 claim to have been victimized by the fraudulent conduct of the defendant.

At his plea hearing, Southard admitted that from as early as December 2001 until May 2008 he devised and 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.

Southard admitted that he often provided his 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. Southard admitted that he caused these allegedly fraudulent statements to be mailed to his clients.

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 dividend 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 addition to the federal charges, Southard is also facing pending state charges.

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, Judge Kugler will 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 Acting Special Agent in Charge Julio La Rosa in Springfield, and Investigators with the N.J. Division of Criminal Justice, under the direction of Deborah Gramiccioni, Director, with the investigation leading to the guilty plea.

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

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