

4. On July 2, 2008, Southard was discharged from GunnAllen while under internal investigation after allegations were made that accused him of violating investment-related statutes, regulations, rules, or industry standards of conduct.
5. Southard had previously been registered with the Bureau as an agent and investment representative of Ameriprise from September 24, 1997 to September 12, 2003.
6. Southard was allowed to voluntarily resign from Ameriprise while under internal review for fraud or wrongful taking of property, or violating investment-related statutes, regulations, rules or industry standards of conduct.
7. The conduct fully described below originated when Southard was associated with Ameriprise and continued while he was employed at GunnAllen.

THE FRAUDULENT SCHEME

8. Southard marketed an investment he called the "Ohio Bond" ("Ohio Bond") as a safe, tax-free investment through his own personal company, JDBAC Financial ("JDBAC"). Approximately 18 of Southard's clients at Ameriprise and, subsequently, GunnAllen invested in the Ohio Bond.
9. The majority of Southard's clients who invested in the Ohio Bond were senior citizens, some of whom were in their eighties and nineties.
10. The Ohio Bond was neither an Ameriprise nor a GunAllen product. In fact, the Ohio Bond did not exist. It was a Ponzi scheme in which Southard used investor monies for his and his family's personal benefit, as well as to make payments to other Ohio Bond investors.
11. Southard told his clients the Ohio Bond guaranteed various interest rates that ranged anywhere from 6-11% annually.
12. Southard claimed that the Ohio Bonds were being purchased by his brother-in-law in Ohio, so their investment qualified for tax-free status. He also claimed on at least one occasion that the investments were FDIC insured.

13. Southard did not provide any certificates or official documentation of the Ohio bond to any of his clients.
14. Southard also gave his clients the option of receiving a monthly dividend from JDBAC, or to reinvest their interest into their principle.
15. Southard generated JDBAC statements on a monthly basis, which allegedly included information about the Ohio Bond.
16. When clients inquired why the Ohio Bond was not included on their regular brokerage statements from either Ameriprise or GunnAllen, Southard told them it would cost an additional \$30 to include it.
17. Southard perpetuated his fraud on his clients by cultivating personal relationships with them. Southard's clients knew him personally and described him as a "family man", and indicated they liked and trusted him.
18. Southard visited most, if not all, his clients at their homes on a quarterly basis to discuss investment matters. Many of these investors were also clients of Carol Southard, his ex-wife, who prepared tax returns.
19. Following allegations of selling unregistered securities and commingling client and personal funds, Southard was permitted to resign from Ameriprise in September 2003.
20. Ameriprise made no contact with clients to alert them of the nature of Southard's departure. In fact, none of Southard's clients at Ameriprise received letters even confirming that Southard had left the firm at all.
21. Southard told his clients that he was leaving and could do better elsewhere. In response, many of his Ameriprise clients transferred their investments to GunnAllen when Southard made the move in December 2003.
22. From that date until July, 2008, Southard continued to sell the Ohio Bond, misrepresent the nature of the investment and misappropriate investor funds for his own personal use.

23. In July 2008, Southard approached his superiors at GunnAllen and admitted that the IRS was investigating him and also admitted to borrowing client funds. On July 8, 2008, GunnAllen terminated Southard.

24. Southard led his clients to believe that the Ohio Bond was a safe, conservative investment. His conduct is particularly egregious because most of his clients had low to moderate risk tolerance due to their retired or elderly status. Investors' reasons for investing in the Ohio Bond include but are not limited to: saving money for grandchildren, saving for retirement, and supplementing social security.

25. Many investors were greatly impacted by their financial loss. Examples of these investors include, but are not limited to, the following:

INVESTOR O

26. O, a retiree who followed Southard from Ameriprise to GunnAllen, invested approximately \$110,000 in the Ohio Bond over the course of several years.

27. The source of O's funds came from his personal Commerce Bank Account, as well as the O Family Trust account at Ameriprise.

28. Southard claimed the Ohio Bond was guaranteeing O a 10% annual rate of return.

29. When O invested in the Ohio Bond, Southard instructed him to write the check to JDBAC.

30. When O asked Southard what the acronym stood for, Southard told him it was short for the Bank of America Corporation.

31. In addition, while Southard was still with Ameriprise, he prepared O a proposed financial advisory plan in 2002. This plan, written on official Ameriprise letterhead, recommended that O invest in the Ohio Bond.

INVESTOR K

32. K, a retiree from Roadway Trucking, was another one of Southard's clients. Southard cultivated a very close personal relationship with K and his wife. Southard and his wife even went to K's home in Florida for a personal visit.

33. On or about September 2003, Southard offered K the opportunity to invest in the Ohio Bond with a guaranteed 6% rate of return.
34. Over the course of two years, from October 2003 to October 2005, K invested approximately \$313,000.
35. In order to invest in the Ohio Bond, K and his wife sold two homes and K had to liquidate his Janus Mutual Fund account.
36. Southard never told K that his investment would be used for Southard's own personal benefit.

INVESTOR H

37. H became a client of Southard's when her previous agent at Ameriprise left the firm in 2002.
38. Upon meeting Southard, H felt that she could immediately trust him and they developed, what H thought was, a close friendship.
39. Southard continued to foster that friendship by coming to her home on a quarterly basis to discuss her investments. At such meetings, Southard would confide in H about his family and, eventually, his marital problems.
40. H described herself as a very risk averse investor. When Southard offered her the opportunity to invest \$75,000 in the Ohio Bond, she did so because he told her it was "very safe" and "tax-free".
41. The \$75,000 came from a divorce settlement and was the only source of savings H had.
42. At some point in 2004, H received a phone call from the Securities & Exchange Commission inquiring about a \$75,000 loan that it appeared H had made to Jeff and Carol Southard.
43. H responded that she had no idea what they were talking about.
44. She immediately contacted Southard and requested a return of her principle, to which he complied. The source of these funds came from JDBAC's account at Commerce Bank, which was funded primarily by the other Ohio Bond investors.

45. In September 2008, the Internal Revenue Service came to H's home to interview her about Southard. She was shown a copy of a promissory note identifying her as loaning \$75,000 to Jeff and Carol Southard. The only signature on the promissory note was Carol Southard's.
46. H, prior to this September 2008 meeting with the IRS had never seen that promissory note. In fact, the note was date several years before H had ever spoken to Carol Southard.
47. H had never been approached by Jeff or Carol Southard about a personal loan, nor was she ever asked to sign or witness any loan documentation.
48. H maintains that she would never have agreed to loan any money to Jeff or Carol Southard and certainly never through an instrument that didn't even require her signature.

SOUTHARD'S USE OF INVESTOR MONEY

49. In total, Southard solicited approximately \$1,318,000.00 from approximately 18 Ameriprise and GunnAllen clients over the course of six years. (see financial chart indicating Southard's personal use of investor funds, attached hereto as Exhibit A)
50. All of the investor money was deposited into a Commerce Bank account under the name JDBAC. From that account it was transferred into three other personal bank accounts where a large portion was spent on personal items and the rest was used to pay other investors their monthly interest payments and/or any distribution requests. (see Exhibit A)
51. The personal expenses Southard use investor money for include: (see Exhibit A)
- a. Private schools for his five children: \$236,678
 - b. Mortgage payments: \$270,142
 - c. Car payments: \$58,334.62
 - d. ATM Withdrawals: \$87,002.39
 - e. Debit Card Purchases: \$36,175.32

SOUTHARD MADE UNTRUE STATEMENTS OF MATERIAL FACT AND
ENGAGED IN ACTS WHICH OPERATED AS A FRAUD UPON A PERSON

N.J.S.A. 49:3-52(b)

N.J.S.A. 49:3-52(c)

N.J.S.A. 49:3-70.1

52. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.
53. Pursuant to N.J.S.A. 49:3-52
- "It shall be unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly (b) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made...not misleading; (c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person..".
54. For six years, Southard defrauded over eighteen clients out of approximately 1.3 million dollars by selling unregistered, nonexistent securities. He perpetuated his fraud by cultivating close personal relationships with his clients.
55. In addition, he fraudulently guaranteed his clients fixed rates of return on their investments and claimed they were tax free. Upon questioning by some clients, Southard lied and said the Ohio Bond was from the Bank of America Corporation. In other instances, Southard created fraudulent financial statements purporting to be from JDBAC, as well as including the Ohio Bond in financial plans on official Ameriprise letter head to further its appearance of legitimacy.
56. Instead of investing his client's money, he spent a large amount of it on his own personal expenses and used the rest to keep other clients convinced of their own investment's existence and growth.
57. By selling unregistered, nonexistent securities, furthering their appearance of legitimacy by creating false financial statements and fraudulently using Ameriprise letterhead, as

well as misappropriating and commingling client funds, Southard made misrepresentations of fact and engaged in acts which operated as a fraud upon his clients. This conduct is in violation of N.J.S.A. 49:3-52(b) and (c), which is grounds pursuant to N.J.S.A. 49:3-70.1 to assess civil monetary penalties.

SOUTHARD WILLFULLY VIOLATED PROVISIONS OF THE SECURITIES ACT

N.J.S.A. 49:3-58(a)(1)
N.J.S.A. 49:3-58(a)(2)(ii)

58. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

59. Pursuant to N.J.S.A. 49:3-58(a):

"[t]he bureau chief may by order deny, suspend, or revoke any registration if he finds: (1) that the order is in the public interest; and (2) that the applicant or registrant (ii)...has willfully violated or willfully failed to comply with any provision of this act or any rule or order authorized by this act..."

60. By misrepresenting the nature of the investment, fraudulently using Ameriprise letterhead, creating fraudulent financial statements, and misappropriating his clients' money for personal uses, Southard has made material misrepresentations of fact and engaged in an act which operated as a fraud upon Smith. This conduct is a willful violation of N.J.S.A. 49:3-52(b) and (c), which is grounds pursuant to N.J.S.A. 49:3-58(a)(2)(ii) to revoke his agent registration.

61. Based on the behavior mentioned above, the revocation of Southard's agent registration is in the public interest and necessary for the protection of investors.

SOUTHARD ENGAGED IN DISHONEST OR UNETHICAL BUSINESS PRACTICES

N.J.S.A. 49:3-58(a)(1)
N.J.S.A. 49:3-58(a)(2)(vii)

62. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

63. Pursuant to N.J.S.A. 49:3-58(a):

"[t]he bureau chief may by order deny, suspend, or revoke any registration if he finds: (1) that the order is in the public interest; and (2) that the applicant or registrant (vii)...has engaged in dishonest or unethical practices in the securities, commodities, banking, insurance or investment advisory business, as may be defined by rule of the bureau chief."

64. Southard solicited his primarily elderly clients in the offer of an investment product he knew to be nonexistent. To further his scheme, Southard used Ameriprise letterhead and created fraudulent financial statements. He then used his clients' funds, which were meant for saving or retirement purposes, for his own personal benefit. These actions were dishonest and unethical, in violation of N.J.S.A. 49:3-58(a)(2)(vii), and is grounds to revoke Southard's agent registration.

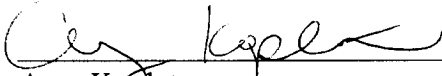
65. Based on the behavior mentioned above, the revocation of Southard's agent and investment representative registrations is in the public interest and necessary for the protection of investors.

CONCLUSION

For the reasons stated above, it is on this 25th **DAY** of November, 2008

ORDERED that the agent and investment representative registrations of Jeffrey Southard be and hereby is **REVOKED** pursuant to N.J.S.A. 49:3-58(a)(1), N.J.S.A. 49:3-58(a)(2)(ii), N.J.S.A. 49:3-58(a)(2)(vii), and N.J.S.A. 49:3-67(a); and further

ORDERED, pursuant to N.J.S.A. 49:3-70.1, Jeffrey Southard is hereby assessed a civil monetary penalty in the amount of \$50,000, and he shall pay restitution to his clients.



Amy Kopleton
Acting Chief, Bureau of Securities

NOTICE OF RIGHT TO HEARING

Pursuant to the Uniform Securities Law (1997), N.J.S.A. 49:3-47 et seq., specifically, N.J.S.A. 49:3-58(c), the bureau chief shall entertain on no less than three days notice, a written application to lift the summary revocation on written application of the applicant or registrant and in connection therewith may, but need not, hold a hearing and hear testimony, but shall provide to the applicant or registrant a written statement of the reasons for the summary revocation.

This matter will be set down for a hearing if a written request for such a hearing is filed with the Bureau within 15 days after the respondent receives this Order. A request for a hearing must be accompanied by a written response, which addresses specifically each of the allegations set forth in the Order. A general denial is unacceptable. At any hearing involving this matter, an individual respondent may appear on his/her own behalf or be represented by an attorney.

Orders issued pursuant to this subsection to suspend or revoke any registration shall be subject to an application to vacate upon 10 days' notice, and a preliminary hearing on the order to suspend or revoke any registration shall be held in any event within 20 days after it is requested, and the filing of a motion to vacate the order shall toll the time for filing an answer and written request for a hearing.

If no hearing is requested, the Order shall be entered as a Final Order and will remain in effect until modified or vacated. If a hearing is held, the Bureau Chief shall affirm, vacate or modify the order in accord with the findings made at the hearing.

NOTICE OF OTHER ENFORCEMENT REMEDIES

You are advised that the Uniform Securities Law provides several enforcement remedies, which are available to be exercised by the Bureau Chief, either alone or in combination. These remedies include, in addition to this action revoking your registration, the right to seek and

obtain injunctive and ancillary relief in a civil enforcement action, N.J.S.A. 49:3-69, and the right to seek and obtain civil penalties in an administrative or civil action, N.J.S.A. 49:3-70.1.

You are further advised that the entry of the relief requested does not preclude the Bureau Chief from seeking and obtaining other enforcement remedies against you in connection with the claims made against you in this action.

