

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES ACT OF 1933**  
**Release No. 10309 / February 17, 2017**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 80056 / February 17, 2017**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 4651 / February 17, 2017**

**INVESTMENT COMPANY ACT OF 1940**  
**Release No. 32482 / February 17, 2017**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-15002**

**In the Matter of**

**JAY T. COMEAUX**

**Respondent.**

**ORDER MAKING FINDINGS AND  
IMPOSING DISGORGEMENT AND CIVIL  
PENALTIES**

**I.**

On August 31, 2012, the Securities and Exchange Commission (“Commission” or “we”) issued an Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Sections 15(b) and 21C of the Securities Exchange Act of 1934, Sections 203(f) and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order, and Notice of Hearing (“OIP”) against Jay T. Comeaux (“Respondent” or “Comeaux”). In the OIP, pursuant to the Respondent’s Offer of Settlement, the Commission found that: Respondent willfully violated and willfully aided and abetted and caused violations of Section 17(a) of the Securities Act, which prohibits fraudulent conduct in the offer or sale of securities. Respondent also willfully aided and abetted and caused violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in the purchase or sale of securities. Furthermore, Respondent willfully aided and abetted and caused violations of

Sections 206(1) and 206(2) of the Advisers Act, which make it unlawful for an adviser to employ any device, scheme or artifice to defraud any client or prospective client or to engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client.

For purposes of this order, we assume familiarity with the OIP and review here only appropriate details. Specifically, in addition to the relief ordered in the OIP, we ordered, and Respondent agreed to, additional proceedings to determine what, if any, disgorgement and civil penalties pursuant to Section 8A(e) of the Securities Act, Section 21B of the Exchange Act, Sections 203(i) and 203(j) of the Advisers Act and Section 9(d) of the Investment Company Act against Respondent were in the public interest. The OIP stated, among other things, that “solely for the purposes of such additional proceedings, the allegations of the [OIP] shall be accepted as and deemed true” and that to the extent that Respondent’s assets are under the control of the court-appointed receiver in *SEC v. Stanford International Bank, Ltd.*, No. 3-09-CV-0298-N (N.D. Tex.), the value of those assets “will be credited against any monetary sanctions ordered against Respondent” in these additional proceedings.

Following an Initial Decision on July 2, 2013 where the presiding administrative law judge in the additional proceedings ordered the Respondent to pay disgorgement, the Respondent appealed the law judge’s initial decision. We granted the Respondent’s petition for review and notified the parties that, pursuant to Rule of Practice 411, we would also “consider whether the sanctions imposed by the law judge adequately serve the public interest.” On August 21, 2014, we set aside the disgorgement ordered and remanded the matter for further proceedings consistent with our order dated August 21, 2014 to determine what, if any, disgorgement and civil penalties are in the public interest.

## **II.**

In connection with these further proceedings, Comeaux has submitted an Offer of Settlement (the “Offer”), which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V., Respondent consents to the entry of this Order Imposing Disgorgement and Civil Penalties, as set forth below.

## **III.**

For context, this Order restates the relevant findings below. As noted above, the Respondent and the Commission accepted these findings and deemed them true.

## **Respondent**

1. Respondent Jay T. Comeaux (CRD # 1617778) was President of Stanford Group Company (“SGC”), a Houston-based broker-dealer and investment adviser registered with the Commission, from January 1996 until March 2005. Between March 2005 and February 2009, Comeaux was Executive Director of SGC. As Executive Director, Comeaux managed SGC’s Houston branch office. Comeaux was also a registered representative and advisory representative of SGC. Before joining SGC, Comeaux worked for nine years at another brokerage firm in Baton Rouge, Louisiana. Comeaux is 70 years old and lives in Houston, Texas. During the relevant period, Comeaux held Series 3, 7, 24, 53, 63, and 65 licenses.

## **Other Relevant Entities**

2. SGC was a broker-dealer and investment adviser registered with the Commission. SGC was a wholly-owned subsidiary of Stanford Group Holdings, Inc., which in turn was owned and controlled by Robert Allen Stanford (“Allen Stanford”).

3. Stanford International Bank (“SIB”) was a private international bank domiciled in St. John’s, Antigua and Barbuda. SIB was owned and controlled by Allen Stanford. By 2008, SIB claimed to serve as many as 30,000 clients in 130 countries and to have approximately \$8 billion in assets under management. SGC’s business included sales of SIB certificates of deposit (the “SIB CDs”). Throughout Comeaux’s tenure with SGC, sales of SIB CDs generated more than half of SGC’s total revenues. In 2007 and 2008, SGC financial advisers sold more than \$2 billion in SIB CDs, primarily to U.S. investors.

## **Facts**

### *Comeaux’s Relationship with Stanford*

4. While associated with his former firm, Comeaux managed a portfolio of funds for SIB’s predecessor, Guardian International Bank.

5. In January 1996, Comeaux left his former firm and joined SGC as President. SGC designated Comeaux as the person responsible for “overall supervision of all financial consultants.” SGC referred to its employees who handled advisory clients and brokerage customers as “financial advisers” or “financial consultants” (hereinafter the “FAs”). FAs, including Comeaux, recommended and sold SIB CDs to brokerage customers and, in other instances, recommended to advisory clients portfolio allocation products that included SIB CDs. The SIB CD purchasers were often risk-averse investors.

6. Between 1998 and 2009, Comeaux recommended and sold SIB CDs. Comeaux received commissions of at least \$1.3 million on the sales of the SIB CDs. He also received bonuses and other compensation based on the revenues of the Houston branch.

### *Liquidity of SIB's Investment Holdings*

7. Beginning in October 1998, SGC FAs, including Comeaux, offered and sold SIB CDs to U.S. investors pursuant to a private placement exemption from registration under Regulation D of the federal securities laws. SGC and its FAs, including Comeaux, received significant revenue as a result of recommending the SIB CD to their clients. Comeaux knew that this revenue constituted a substantial portion of SGC's overall revenue during his tenure.

8. SGC trained its FAs, including Comeaux, to tell investors that SIB's portfolio of assets was highly marketable and liquid. However, Comeaux knew that SIB would not disclose the details of its investment holdings to him or other SGC executives or representatives. Despite knowing that SIB's investment portfolio was not transparent to SGC, SGC and Comeaux used promotional marketing material to represent to investors that SIB maintained a "well-diversified portfolio of highly marketable securities issued by stable governments, strong multi-national companies and major international banks."

9. The liquidity of SIB's underlying portfolio was a material feature of SIB's and SGC's marketing of SIB CDs.

10. SIB's portfolio was not invested in highly marketable and liquid assets. Other than his reliance on SIB's representations, Comeaux and other SGC FAs had no basis in fact to make such a representation to investors.

### *Comprehensive Insurance Program*

11. The FAs, including Comeaux, understood that in contrast to certificates of deposit issued by U.S. banks, the SIB CDs were not insured. SGC and Comeaux, however, marketed and sold the SIB CDs using a brochure that discussed the SIB CD to represent to investors that SIB maintained a "comprehensive insurance program" that provided "depositor security."

12. SGC also used training material for SGC FAs, including Comeaux, claiming that (a) SIB maintained a comprehensive insurance program that protected investors; (b) FDIC insurance was "relatively weak" in comparison to SIB's insurance program; and (c) SIB was subject to an extensive risk management analysis conducted by an outside firm to determine whether reasonable care is routinely exercised in the protection of the bank's assets.

13. The alleged "comprehensive insurance program" was a material feature of SIB's and SGC's marketing of SIB CDs.

14. SIB did not maintain a "comprehensive insurance program" that provided depositor security, and had no insurance program that was the equivalent of — or better than — that provided by the FDIC. Further, SIB was not subject to an extensive risk management analysis by an outside firm to determine whether reasonable care is routinely exercised in the

protection of the bank's assets. Comeaux knew that SIB CDs were not covered by a "comprehensive insurance program."

#### IV.

#### **Disgorgement and Civil Penalties**

The Commission finds<sup>1</sup> the following:

15. As a result of the conduct described above, Comeaux received ill-gotten gains of at least \$3,097,964.50 between January 2005 and February 2009.

16. In February 2009, a federal district court in Dallas (the "Court") issued Orders freezing assets and appointing a receiver (the "Receiver") over Allen Stanford, Stanford-related entities (including SIB and SGC), and others. *See SEC v. Stanford International Bank, Ltd., et al.*, Civil Action No. 3-09-CV-0298-N (N.D. Tex. Dallas Division), Doc. 8 (TRO, Order Freezing Assets, Order Requiring an Accounting, Order Requiring Preservation of Documents, and Order Authorizing Expedited Discovery) and Doc. 10 (Order Appointing Receiver). In a related proceeding initiated by the Receiver, the Court issued a Preliminary Injunction that prevents Comeaux from removing assets currently frozen in five accounts located at Pershing LLC and four gold coins in one account with Stanford Coins & Bullion (collectively the "Frozen Assets"). *See Janvey v. Alguire, et al.*, Civil Action No. 3:09-CV-724-N (N.D. Tex. Dallas Division), Doc. 456 (Preliminary Injunction).

17. As a result of the conduct described above, it is in the public interest to require Comeaux to pay a civil money penalty.

#### **Undertakings**

18. In connection with this action and any related judicial or administrative proceeding or investigation commenced by the Commission or to which the Commission is a party, Respondent agrees and undertakes to:

- (i) take all such steps as are necessary to ensure that the Frozen Assets are expeditiously assigned and transferred to the Receiver, including but not limited to executing all required documents and consenting to, or joining in, all motions, if any, required to be filed by the Commission or the Receiver; and
- (ii) relinquish all claims to the Frozen Assets.

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<sup>1</sup> The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

19. In determining whether to accept the Offer, the Commission has considered these undertakings.

## V.

In view of the foregoing, the Commission deems it appropriate in the public interest to impose the sanctions agreed to in Respondent Comeaux's Offer.

Accordingly, pursuant to Section 15(b) of the Exchange Act, and Section 203(f) of the Advisers Act, it is hereby ORDERED that:

A. Respondent shall, within 14 days of the entry of this Order, pay disgorgement of \$3,097,964.50 plus prejudgment interest of \$495,011, and a civil money penalty of \$289,010 for a total payment of \$3,881,985.50. As described in Section IV.B. below, the amount owed by Respondent shall be credited with a dollar-for-dollar offset based on payments made to the Receiver from the Frozen Assets. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600 or pursuant to 31 U.S.C. § 3717. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Jay T. Comeaux as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to David Peavler, Associate Director, Division of Enforcement, Securities and Exchange Commission, 801 Cherry Street, Suite 1900, Fort Worth, TX 76102.

B. Credit to Disgorgement.

- (1) The amount owed in disgorgement by Respondent shall be credited with a dollar-for dollar offset based on payments made to the Receiver from the Frozen Assets.
- (2) For purposes of offsetting the amount Respondent owes in disgorgement, the value of the assets in the five Pershing accounts will be determined based on the value of the accounts at the end of the business day on which Comeaux legally assigns the five accounts to the Receiver.
- (3) Similarly, the value of the four gold coins will be determined by the sum of money acquired by the Receiver from its sales of the gold coins after Comeaux legally assigns them to the Receiver.

C. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended, a Fair Fund is created for the disgorgement, interest, and penalties referenced in paragraph A. above. As payments pursuant to this Order are received from the Respondent in the future, the Commission will order the transfer of such funds to the Receiver for distribution to harmed investors in accordance with the plan approved by the Court in *SEC v. Stanford International Bank, Ltd., et al.*, Civil Action No. 3-09-CV-0298-N (N.D. Tex.). In the event that any such funds are received after all distributions in the Receiver action have concluded, unless the Commission orders otherwise, such future payments shall be transferred to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3).

D. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

## VI.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in the OIP are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields  
Secretary