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UNITED STATES DISTRICT COURT
DISTRICT OF OREGON
PENDLETON DIVISION

SECURITIES AND EXCHANGE COMMISSION, Case No.

Plaintiff,

vs.

COMPLAINT
DEMAND FOR JURY TRIAL

JEFFREY HIGGINS,

Defendant,

Plaintiff Securities and Exchange Commission (the “Commission”) alleges:

SUMMARY OF THE ACTION

1. From approximately September 2017 through February 2024, Defendant Jeffrey Higgins (“Defendant”) misappropriated over \$800,000 worth of securities from twelve of his clients (the “Clients”) for his personal benefit.

2. While perpetrating this fraud, Defendant was a registered representative and investment adviser representative associated with a financial firm that was dually-registered with the Commission as a broker-dealer and investment adviser (the “Firm”). Defendant managed the Clients’ brokerage accounts at the Firm, and he also served as the Clients’ investment adviser.

3. Defendant misappropriated the Clients’ securities through a sham investment program that he created called Cumulus through which he would purportedly, with discretionary authority from the Clients, purchase discounted securities at a third-party transfer agent (the “Transfer Agent”) and then sell the securities for a profit.

4. In reality, and unbeknownst to his Clients, the securities Defendant purchased for the Clients were not discounted. Instead, Defendant used Client funds to purchase securities at market prices through the Transfer Agent.

5. After using Client funds to purchase market-rate securities, Defendant misused a bulk transfer process at the Transfer Agent to divert some of those securities to his personal brokerage account at the Firm using falsified documents and signatures.

6. To facilitate his fraud, Defendant also used a personal Hotmail email account to provide fictitious annual reports to his Clients claiming to show increases in the value of their investments, when in reality, Clients’ holdings were worth significantly less than Defendant reported because Defendant was not purchasing the shares at a discount and was misappropriating some of the Clients’ securities.

7. Defendant’s scheme fell apart when he was unable to meet a Client withdrawal request, and in June 2024, Defendant admitted to the General Counsel and the Chief Compliance Officer of the Firm that he had engaged in a scheme to misappropriate securities from his Clients since around 2007.

8. Through his conduct, Defendant has engaged in acts, practices, schemes, transactions, and courses of business that violated Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5], Section 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77q(a)], and Sections 206(1) and 206(2) of the Investment Advisers Act of 1940 (“Advisers Act”) [15 U.S.C. §§ 80b-6(1) and 80b-6(2)]. Unless restrained and enjoined by this Court, Defendant will continue to engage in the acts, practices, schemes, transactions, and courses of business alleged in this Complaint, and in acts, practices, schemes, transactions, and courses of business of similar purport and object.

JURISDICTION AND VENUE

9. The Commission brings this action and this Court has jurisdiction over this action pursuant to Sections 20(b), 20(d), and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d), and 77v(a)]; Sections 21(d), 21(e), and 27(a) of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa(a)]; and Sections 209(d), 209(e), and 214 of the Advisers Act [15 U.S.C. §§ 80b-9(d), 80b-9(e), and 80b-14].

10. Defendant, directly or indirectly, made use of the means and instrumentalities of interstate commerce or of the mails in connection with the acts, practices, schemes, transactions, and courses of business alleged in this Complaint.

11. Venue is proper in this District pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)], Section 27(a) of the Exchange Act [15 U.S.C. § 78aa(a)], and Section 214 of the Advisers Act [15 U.S.C. § 80b-14] because acts, practices, schemes, transactions, and courses of business that form the basis for the violations alleged in this Complaint occurred in this District.

DIVISIONAL ASSIGNMENT

12. Under Civil Local Rule 3-2, this civil action should be assigned to the Pendleton Division because a substantial part of the events or omissions which give rise to the claims alleged herein occurred in Baker County, Oregon.

DEFENDANT

13. Defendant **Jeffrey Higgins**, age 54, currently is a resident of Tamarack, Idaho. He resided in Baker City, Oregon when he undertook the actions set forth herein, including from at least 2017 through 2024. He previously held Series 6, 7, 63, 65, and 66 securities industry licenses.

14. At the time Defendant began the Cumulus program, Defendant was employed by a predecessor to the Firm—another dually registered broker-dealer and investment adviser—whose retail assets were acquired in 2017 by the Firm, which then became Defendant’s employer.

15. Between 2007 and 2024, Defendant worked as both a registered representative and investment adviser representative associated with the Firm and its predecessor entity. In this role, Defendant worked with individual investors serving as their broker and investment adviser.

16. In July 2024, the Financial Industry Regulatory Authority (“FINRA”) barred Defendant from association with any FINRA member firm after Defendant failed to cooperate with FINRA’s request for information relating to conduct set forth in this Complaint.

FACTUAL ALLEGATIONS

A. Defendant’s Cumulus Program

17. Starting in or around 2007, Defendant created and began offering a fake investment program called Cumulus.

18. This program was not offered by the Firm or its predecessor entity, and neither entity approved of the program or was aware of its existence.

19. Over time, Defendant selectively offered the Cumulus program to individuals with whom he had a preexisting personal relationship or who he believed were less likely to question its legitimacy, including several retirement-age individuals.

20. Defendant pitched the program as an arbitrage opportunity whereby Defendant could purchase securities at a discount and then sell them at a profit. Specifically, Defendant told the Clients that, under the Cumulus program, he would transfer Client funds to the Transfer Agent to purchase shares of certain public companies at a discount and then liquidate those securities at market prices to capture the discount value for the Clients.

21. Defendant claimed to be able to take advantage of this process on a continual basis to provide reliable and low risk positive annual returns.

22. Some of the twelve Clients who invested in the Cumulus program resided in Baker County, Oregon.

B. Defendant's False and Misleading Statements Concerning the Cumulus Program and Deceptive Conduct

23. Defendant directly solicited Clients to make investments into the Cumulus program and directly provided false and misleading information to those Clients about the program, including between 2017 and 2024. Defendant was the only person who communicated, orally or in writing, with the Clients concerning the Cumulus program, and Defendant solely controlled the content of those communications. When the Clients invested in the Cumulus program, they relied on the false and misleading statements Defendant made about the Cumulus program.

24. As part of these solicitations, Defendant misrepresented the basic premise of the Cumulus program to Clients. During in-person or telephone conversations, when initially pitching the program to investors, and over time in response to questions from the Clients, including between 2017 and 2024, Defendant falsely claimed that he was able to purchase shares of public companies at a discount and then profit by selling those same shares at market prices. In reality, the shares he purchased were not discounted, and Defendant purchased securities at market prices.

25. Additionally, as part of his initial solicitation and in later communications with the Clients about the Cumulus program, Defendant omitted to tell the Clients that he was misappropriating some of the securities he was purchasing through the program. This critical omission rendered Defendant's other statements about how the Cumulus program operated misleading.

26. Defendant also emailed the Clients misleading annual statements that he created that contained similar misrepresentations about how the program operated. These annual statements were Client specific and contained false information about the value of the shares held by each Client as well as each Client's purported positive returns. Clients received their annual statements from Defendant every year until 2024.

27. After receiving, and in reasonable reliance on, the oral representations from Defendant regarding the Cumulus program described above and the annual statements that Defendant prepared, Clients periodically decided to invest money in the Cumulus program for Defendant to manage. To do so, Clients allowed Defendant to transfer funds from their brokerage accounts, which he managed, to the Transfer Agent. Some clients also wrote checks to the Transfer Agent with the understanding that this money would be invested as Defendant described for the Cumulus program.

28. The Clients invested in the Cumulus program because Defendant promised them low-risk returns that were higher than the Clients could receive through other investment programs. Many of the Clients also trusted Defendant because they had longstanding personal relationships with him.

29. Defendant facilitated the deposit of Client funds into accounts at the Transfer Agent, which he opened in the names of his Clients, to purchase shares directly from various issuers. However, these shares were not purchased at a discount as represented by Defendant, and the Transfer Agent account statements for the Clients show that Defendant purchased the shares at market prices.

30. Because the Transfer Agent account statements could therefore have potentially revealed Defendant's scheme, Defendant took steps to ensure that most of his Clients did not receive records from the Transfer Agent. Many of the Clients were not even aware that Defendant had opened an account in their name at the Transfer Agent. Defendant directed that the Transfer Agent account statements for those Clients be mailed to his personal P.O. Box, and he never shared those records with the applicable Clients.

31. At least one Client asked Defendant for statements showing the transactions Defendant made as part of the Cumulus program. Defendant falsely told that Client that there were no statements showing those transactions.

32. Defendant further used a personal Hotmail email account to communicate with his Clients about the Cumulus program and with the Transfer Agent, in an apparent effort to avoid detection of the scheme. As a registered representative and investment adviser representative, Defendant was required by the Firm to use a business email account that was subject to monitoring for all his communications with the Clients and the Transfer Agent.

33. Defendant also encouraged Clients to speak with him on the phone or in person about the Cumulus program (rather than in writing), and he directed at least one Client not to send him text messages about the Cumulus program to his work phone, which was also subject to monitoring by the Firm.

34. As a result of the steps described above, Defendant's emails and text communications with respect to the Cumulus program avoided oversight by the Firm.

C. Defendant's Misappropriation of Securities from His Clients

35. Defendant benefited from the scheme by misappropriating his Clients' securities purchased as part of the Cumulus program.

36. To effectuate the misappropriation, after Defendant had purchased securities at the Transfer Agent in his Clients' accounts, Defendant took advantage of a bulk transfer process called "DWAC" (Deposit/Withdrawal at Custodian) to transfer securities from multiple accounts at the Transfer Agent in a single, aggregated transaction to the Firm.

37. Because the DWAC transfers from the Transfer Agent to the Firm did not specify who owned which securities in the batch, Defendant was able to direct which Clients' accounts at the Firm received shares, and the amounts, regardless of whether the shares came from those same Clients' accounts at the Transfer Agent.

38. Using the DWAC process, Defendant was able to siphon a portion of the Clients' securities into his own personal account at the Firm.

39. As part of this process, Defendant sent an email from his personal Hotmail email account to the Transfer Agent that attached both a request letter on Firm letterhead and a letter purportedly from each Client requesting the DWAC transfer. The former letter included a "signature guarantee," purportedly from Defendant's supervisor at the Firm, while the latter included purported signatures from Defendant's Clients and his supervisor. Defendant deliberately falsified all of the foregoing signatures.

40. Once the Transfer Agent initiated the bulk transfer process, Defendant emailed the Firm's cashier department using his Firm email account asking the cashier department to accept the bulk transfer.

41. Defendant's email to the Firm cashier department instructed the cashier to distribute the shares to specified Firm accounts, including his personal brokerage account.

42. After receiving these securities in his personal brokerage account, Defendant generally sold them shortly thereafter and used the cash for his personal benefit.

43. Defendant omitted to tell the Clients that he would misappropriate some of the securities he was buying for them through the Cumulus program. That omitted fact was important to the Clients because they would not have invested in the Cumulus program if they had known that Defendant would misappropriate some of their securities.

44. Between 2017 and 2024, Defendant sent instructions on at least 76 occasions to the Transfer Agent and the Firm cashier department that resulted in securities being misdirected from his Clients' accounts at the Transfer Agent to his personal brokerage account at the Firm. During the same period, there were an additional approximately 20 instances where Defendant moved securities among Client accounts at the Transfer Agent and the Firm in an apparent attempt to meet client withdrawal requests.

45. In total between 2017 and 2024, Defendant misdirected approximately 4,582 shares from the twelve Client accounts at the Transfer Agent to his own personal account at the Firm. Based on the market prices of those shares at the time they were transferred, the value of the misappropriated securities was over \$800,000 in total during that period.

D. Defendant Admitted He Misappropriated Client Assets

46. In early 2024, one of Defendant's Clients asked to withdraw his money from the Cumulus program, but Defendant was unable to provide sufficient cash to the Client.

47. On June 17, 2024, Defendant contacted the General Counsel and the Chief Compliance Officer of the Firm and admitted that since 2007 he had used the bulk transfer process to misappropriate his Clients' securities.

48. Defendant also stated that he had targeted the twelve specific Clients at issue because he believed that they were unlikely to make frequent withdrawal requests and did not have a clear understanding of how the stock discount process or bulk transactions worked.

49. Additionally, Defendant admitted that he used a personal Hotmail email account to communicate with the Clients and the Transfer Agent, that he directed Transfer Agent account statements to his P.O. Box instead of the Clients' addresses, and that he created false annual statements reflecting fictitious returns for the Cumulus program.

E. Defendant Acted as an Investment Adviser with Respect to his Clients' Investments in the Cumulus Program

50. All twelve Clients were brokerage customers of the Firm and three of them also had written advisory agreements with the Firm naming Defendant as their investment adviser representative.

51. With respect to the Cumulus program, Defendant provided investment advisory services to all twelve Clients, including investment advice and portfolio management under the Cumulus program, and acted as an investment adviser within the meaning of Section 202(a)(11) of the Advisers Act [15 U.S.C. § 80b-2(a)(11)].

52. Under the Cumulus program, Defendant determined which securities to purchase for the Clients and when to buy and sell these securities. The Clients further gave Defendant full discretionary authority to make these decisions on their behalf. The Clients did not pre-authorize the individual trades or receive advance notification of such trades.

53. The Clients also understood that Defendant acted as their investment adviser with respect to the Cumulus Program.

54. In emails he sent from his personal Hotmail account and from his email account at the Firm, Defendant used a signature block in which he identified himself as an "Investment Advisor Representative."

55. The Clients further understood that Defendant was receiving compensation from managing the Cumulus program. Defendant also received compensation by misappropriating his Clients' securities.

F. Tolling Agreements

56. Defendant signed a tolling agreement with the Commission that suspended the running of the applicable statute of limitations from October 2, 2024 to April 1, 2025. Defendant

subsequently signed one additional tolling agreement that suspended the running of the applicable statute of limitations from June 11, 2025 to December 11, 2025. Each of the two tolling agreements specified a period of time in which “the running of any statute of limitations applicable to any action or proceeding against [Defendant] authorized, instituted, or brought by or on behalf of the Commission or to which the Commission is a party arising out of the investigation (‘any proceeding’), including any sanctions or relief that may be imposed therein, is tolled and suspended.” The tolling agreements further provided that Defendant and any of his agents or attorneys “shall not include the tolling period in the calculation of the running of any statute of limitations or for any other time-related defense applicable to any proceeding, including any sanctions or relief that may be imposed therein, in asserting or relying upon any such time-related defense.”

FIRST CLAIM FOR RELIEF

Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder

57. The Commission re-alleges and incorporates by reference Paragraph Nos. 1 through 56.

58. Defendant, by engaging in the conduct described above, directly or indirectly, in connection with the purchase or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, or of the facilities of a national securities exchange, with scienter:

- a. Employed devices, schemes, or artifices to defraud;
- b. Made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and
- c. Engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons, including purchasers of securities.

59. By reason of the foregoing, Defendant violated, and unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

SECOND CLAIM FOR RELIEF

Violations of Section 17(a) of the Securities Act

60. The Commission re-alleges and incorporates by reference Paragraph Nos. 1 through 56.

61. Defendant, by engaging in the conduct described above, directly or indirectly, in the offer or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails:

- a. with scienter, employed devices, schemes, or artifices to defraud;
- b. obtained money or property by means of untrue statements of material fact or by omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and
- c. engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon purchasers.

62. By reason of the foregoing, Defendant violated, and unless restrained and enjoined will continue to violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

THIRD CLAIM FOR RELIEF

Violations of Section 206(1) of the Advisers Act

63. The Commission re-alleges and incorporates by reference Paragraph Nos. 1 through 56.

64. Defendant, acting as an investment adviser, using the mails and the means and instrumentalities of interstate commerce, directly and indirectly, employed devices, schemes and artifices to defraud one or more advisory clients and/or prospective clients.

65. In engaging in such conduct, Defendant acted with scienter, that is, with intent to deceive, manipulate or defraud or acted with a severely reckless disregard for the truth.

66. By reason of the foregoing, Defendant violated, and unless restrained and enjoined will continue to violate, Section 206(1) of the Advisers Act [15 U.S.C. § 80b-6(1)].

FOURTH CLAIM FOR RELIEF

Violations of Section 206(2) of the Advisers Act

67. The Commission re-alleges and incorporates by reference Paragraph Nos. 1 through 56.

68. Defendant, acting as an investment adviser, using the mails and the means and instrumentalities of interstate commerce, directly and indirectly, engaged in transactions, practices and courses of business which would and/or did operate as a fraud and deceit on one or more advisory clients and/or prospective clients.

69. While engaging in the course of conduct described above, Defendant acted at least negligently.

70. By reason of the foregoing, Defendant violated, and unless restrained and enjoined will continue to violate, Section 206(2) of the Advisers Act [15 U.S.C. § 80b-6(2)].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court:

I.

Enter an order permanently enjoining Defendant from directly or indirectly violating Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], and Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1) and 80b-6(2)].

II.

Enter an order permanently enjoining Defendant from directly or indirectly, including, but not limited to, through any entity owned or controlled by him, participating in the issuance, purchase, offer, or sale of any security, provided, however, that such injunction shall not prevent Defendant from purchasing or selling securities for his own personal accounts, pursuant to Section 21(d)(5) of the Exchange Act [15 U.S.C. § 78u(d)(5)].

III.

Enter an injunction, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure and pursuant to Section 21(d)(5) of the Exchange Act [15 U.S.C. § 78u(d)(5)], permanently

restraining and enjoining Defendant from, directly or indirectly, acting as or being associated with any broker, dealer, or investment adviser.

IV.

Enter an order requiring Defendant to disgorge all ill-gotten gains received as a result of his unlawful conduct plus prejudgment interest thereon pursuant to Sections 21(d)(3), 21(d)(5), and 21(d)(7) of the Exchange Act [15 U.S.C. §§ 78u(d)(3), 78u(d)(5), and 78u(d)(7)].

V.

Enter an order requiring Defendant to pay civil monetary penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)], and Section 209(e) of the Advisers Act [15 U.S.C. § 80b-9(e)].

VI.

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

VII.

Grant such other and further relief as this Court may determine to be just and necessary.

JURY DEMAND

Pursuant to Federal Rule of Civil Procedure 38, the Commission demands a trial by jury on all issues so triable.

Dated: April 6, 2026

Respectfully submitted,

/s/ Duncan C. Simpson LaGoy

Duncan C. Simpson LaGoy

Attorney for Plaintiff

SECURITIES AND EXCHANGE COMMISSION