In the Matter of

JEFFREY L. GIBSON
c/o Timothy R. Simonds
Presley & Simonds
1612 Gunbarrel Road
Suite 102
Chattanooga, Tennessee 37421

OPINION OF THE COMMISSION

BROKER-DEALER PROCEEDING
INVESTMENT ADVISER PROCEEDING

Grounds for Remedial Action

Injunction

Respondent was permanently enjoined from violations of the federal securities laws. Held, it is in the public interest to bar respondent from association with a broker or dealer or investment adviser.

APPEARANCES:

Timothy R. Simonds and Buddy B. Presley, Jr., of Presley & Simonds, for Jeffrey L. Gibson.

Alana R. Black, for the Division of Enforcement.

Appeal filed: October 13, 2006
Last brief received: January 18, 2007
Oral Argument: January 30, 2008
I.

Jeffrey L. Gibson, a part owner and associated person of Gibson Gaither Wealth Management Advisors, an investment adviser, and, during the period at issue, an associated person with H. Beck, Inc., appeals from an initial decision of an administrative law judge. The law judge found that Gibson had been enjoined from violating antifraud provisions of the securities laws. Based on that injunction, the law judge barred Gibson from associating with any broker or dealer or investment adviser. We base our findings on an independent review of the record, except with respect to those findings not challenged on appeal.

II.

In August 2005, the Commission filed an injunctive complaint (the "Complaint") against Gibson and a company he wholly owned and controlled, Investment Property Management, LLC ("IPM"). In the United States District Court for the Northern District of Georgia. The Complaint alleged that Gibson and IPM violated Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934, and Exchange Act Rule 10b-5, and Sections 206(1) and 206(2) of the Investment Advisers Act of 1940, between 2002 and 2005, in connection with the offer and sale of limited partnership interests in American Car Wash Fund, LP ("ACW"). The Complaint alleged that Gibson formed ACW in November 2002 to buy and manage coin-operated car-wash businesses in northern Georgia and that, through IPM, Gibson sold forty-three limited-partnership interests raising approximately $875,000. In addition, the Complaint alleged that "[a]proximately 38 of the limited partners were also clients of Gibson's advisory business."

The Complaint further alleged that "[a]lmost as soon as he began selling interests in ACW, Gibson began misappropriating investor funds for his use." According to the Complaint, Gibson wrote checks payable to cash on ACW bank accounts, ultimately misappropriating "a total of approximately $450,000." Although not detailed in the Complaint, Gibson has asserted, and the Division of Enforcement ("the Division") does not dispute, that these funds were used to

1/ Records of the Central Registration Depository reflect that Gibson was a registered representative with H. Beck, Inc. until July 2, 2006.
purchase certain otherwise unidentified commercial real property. According to the Complaint, the private placement memorandum ("PPM") that Gibson provided to prospective investors "stated that after organizational expenses, investors' funds would be invested in money market funds or government securities until the funds could be invested in projects." Gibson's actions in misappropriating these funds, the Complaint stated, were "contrary to representations made to investors by Gibson concerning the intended use of investors' funds" and "exceeded any payments to which [Gibson and IPM] may have been entitled under the" PPM. The PPM was never amended to reflect the actual use of the funds.

The Complaint alleged that the misappropriations continued up to the time the Complaint was filed. The Complaint also alleged that "[s]ubsequent to the sales of securities," Gibson and IPM sought to "lull investors into believing that their investments [were] profitable and to conceal the misappropriation of funds" by sending letters to the investors describing "annualized rates of return, dividends and purchases of various properties" without disclosing "the ongoing misuse of proceeds by" Gibson and IPM. In response to questioning at oral argument, counsel for Gibson acknowledged that Gibson made misrepresentations to investors with respect to the disposition of the offering's proceeds.

In lieu of trial, Gibson and IPM consented, without admitting or denying the allegations of the Complaint, to entry of the injunction against them, agreeing as part of the settlement that "in any disciplinary proceeding before the Commission based on the entry of the injunction . . . [they] underst[ood] that they [would] not be permitted to contest the factual allegations of the [Complaint]." Gibson and IPM further agreed "not to take any action or to make or permit to be made any public statement denying, directly or indirectly, any allegation in the [Complaint] or creating the impression that the [Complaint] is without factual basis; and . . . [to] withdraw any papers filed in this [injunctive] action to the extent that they deny any allegation in the [Complaint]." After Gibson executed the consent agreement for himself and IPM, the district court permanently enjoined Gibson from violating the antifraud provisions of the securities laws, ordered him to pay a civil penalty of $25,000 and to disgorge $427,701.73 in ill-gotten gains, and enjoined Gibson and IPM from serving as a general partner or otherwise controlling ACW either "directly or through any entity under their control." Gibson subsequently liquidated assets

6/ At oral argument, counsel for Gibson stated that the properties were held in the name of "Gibson Properties, LLC." Neither the record nor the parties at oral argument address the ownership or structure of Gibson Properties.

7/ The consent agreement also provided that it did not affect Gibson's and IPM's "(i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which the Commission is not a party."

8/ SEC v. Gibson, 4:05-CV-163-RLV (N.D. Ga. May 9, 2006). The Complaint alleged that the misappropriations totaled approximately $450,000 and requested that Gibson be

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purchased with the misappropriated investors' funds and used the proceeds to pay the court-ordered civil penalty and disgorgement.

On June 6, 2006, we initiated this administrative proceeding on the basis of the injunction pursuant to Exchange Act Section 15(b) and Advisers Act Section 203(f). 9/ Gibson admitted in his answer to the Order Instituting Proceedings that he was associated with a broker-dealer and an investment adviser and that an injunction had been entered against him in connection with the purchase or sale of securities.

After two pre-hearing conferences, the Division moved for summary disposition pursuant to Commission Rule of Practice 250, relying on the allegations of the Complaint and the injunction. 10/ Gibson attached his own declaration and declarations from thirty-one ACW investors (the "Investor Declarations") to his brief in opposition to the Division's motion. Gibson's declaration stated that he had a clean disciplinary record, that he cooperated with the Commission's investigation, and that he paid the fine and disgorgement ordered by the district court. The Investor Declarations, each in the form of an ACW partnership resolution, were substantively identical to each other, and noted, among other things, that the declarant had reviewed Gibson's answer to the Complaint. Each declarant also marked boxes to indicate his or her agreement with two preprinted statements, one "ratifying" all of Gibson's actions with respect to ACW, and the other stating that the declarant "accept[ed] the Services of [Gibson] . . . and request[ed] that [Gibson] continue to act on [his or her] behalf as Investment Adviser." The law judge granted the Division's motion for summary disposition, finding that Gibson had failed to create a genuine dispute of material fact. Concluding that "Gibson's misappropriation of investor funds shows a lack of honesty and judgment and indicates that he is unsuited to function in the securities industry," the law judge determined that the public interest required that Gibson be barred.

III.

A. Exchange Act Sections 15(b)(6) and 15(b)(4)(C) and Advisers Act Sections 203(f) and 203(e)(4) authorize us to sanction any person associated with a broker or dealer or investment adviser who has been enjoined from "engaging in or continuing any conduct or

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8/ (...continued) directed to provide an accounting of the entire $875,000 raised. As part of the settlement, Gibson agreed to pay $427,701.73 in disgorgement. On July 11, 2006, the district court issued an order that increased the disgorgement amount ordered to $427,760.23, to reflect the total amount paid by Gibson.


10/ 17 C.F.R. § 201.250.
practice in connection with the purchase or sale of any security." 11/ The record establishes, and Gibson does not dispute, that, at the time at issue, he was associated with a broker-dealer and an investment adviser and that an injunction has been entered against his engaging in conduct in connection with the purchase or sale of securities. We find, therefore, that the statutory requirements for the imposition of sanctions have been satisfied.

In assessing the need for sanctions in the public interest, we consider the following factors: the egregiousness of the respondent's actions, the isolated or recurrent nature of the infraction, the degree of scienter involved, the sincerity of the respondent's assurances against future violations, the respondent's recognition of the wrongful nature of his or her conduct, and the likelihood that the respondent's occupation will present opportunities for future violations. 12/

As part of his settlement, Gibson agreed not to contest the factual matters raised in the underlying injunctive proceeding in any subsequent Commission proceeding based on the injunction. Although Gibson does not challenge the allegations of misconduct, he asserts that a bar in this case is "an overly excessive disciplinary sanction." He argues that "a fine and/or short-term suspension would be the most severe punishment warranted under the Steadman factors in this case."

We disagree with Gibson and find that a consideration of the Steadman factors supports the law judge's determination to impose a bar. Gibson's conduct was egregious. He was enjoined based on allegations that he misappropriated approximately $450,000 from a group of investors, many of whom were his investment advisory clients to whom he owed a fiduciary duty. 13/ Gibson misappropriated funds by writing checks on ACW's account made payable to "cash," which made it more difficult to detect his misconduct. He continued to solicit funds using a PPM that he knew misstated the use of the proceeds. Also during this period, he sent the investors lulling communications, and, as his counsel acknowledged, he misrepresented how the proceeds were being used.

We believe that a consideration of the second Steadman factor, the isolated or recurrent nature of the misconduct, supports the imposition of a bar. Gibson's misappropriations occurred

11/ 15 U.S.C. §§ 78o(b)(6), 78o(b)(4)(C), 80b-3(f), and § 80b-3(e)(4).
12/ Steadman v. SEC, 603 F.2d 1126, 1140 (5th Cir. 1979).
13/ An investment adviser has a fiduciary role that imposes "an affirmative duty of 'utmost good faith, and full and fair disclosure of all material facts,' as well as an affirmative obligation to employ reasonable care to avoid misleading clients." Michael Batterman, Investment Advisers Act Rel. No. 2334 (Dec. 3, 2004), 84 SEC Docket 1349, 1359 (footnotes omitted) (quoting Capital Gains Research Bureau v. SEC, 375 U.S. 180, 194 (1963)), aff'd, No. 05-0404 (2d Cir. 2003).
over three years and, as discussed above, involved several, different types of misconduct. They also involved a large number of his clients.

As to the third Steadman factor, we believe his actions evince a high degree of scienter. He used the PPM to solicit investments for three years although he knew the PPM's representations with respect to the use of proceeds were misleading and that his actions were clearly contrary to those representations. He also took actions to disguise his conduct, both by writing checks to cash and lulling his investors. Moreover, Gibson's conduct did not stop until we filed the Complaint.

Gibson states that two of the Steadman factors weigh in his favor because he understands the wrongfulness of his past conduct and is sincere in his assurances against future violations. Gibson further points to various circumstances which he claims are mitigating, including his settlement of the injunctive action, his cooperation with our staff investigation of this matter once his conduct was discovered, and his prompt payment of the fine and disgorgement amounts ordered by the district court. "All these facts," according to Gibson, "show [his] good faith and sincere efforts . . . to rectify and correct his actions . . . [and his recognition] of the wrongful nature of his past conduct." Gibson further asserts that "no loss was suffered by Gibson's investors/customers" and that those investors have "shown their support for him" by executing the Investor Declarations and agreeing to testify on his behalf. Finally, he notes that he has no prior disciplinary history during more than twenty-five years in the securities industry, which, he claims, supports a finding that he is unlikely to commit future violations.

While we do not dispute Gibson's assertions regarding his acknowledgment of wrongdoing and his assurances against future misconduct, those assertions do not overcome the other factors that indicate the gravity of the threat to investors that Gibson would present if he were permitted to remain in the securities industry. Although Gibson eventually cooperated in the investigation of this matter, he had earlier taken steps to prevent detection of the fraud. Moreover, although Gibson was ultimately able to liquidate the property that had been improperly acquired with the misappropriated funds, and thereby pay the amounts ordered by the district court, we do not believe that Gibson deserves much credit for this result. **14/ Funds that the investors believed would be held in low-risk money-market instruments pending investment in the car-wash ventures specified in the PPM were, instead, used without notice or disclosure to purchase unrelated commercial real property held by Gibson Properties. Gibson's actions exposed his investors to risks of which they were never aware and to which they had not agreed beforehand.**

While many of ACW's investors executed declarations in support of Gibson, several of those investors apparently did not do so, and their opinions are unknown. In any event, we do not believe that the views of the investors who executed the Investor Declarations should be

**14/ The record contains no information regarding the ultimate return, if any, realized through an investment in ACW.**
determinative. As we have held, we look beyond the interests of particular investors, in assessing the need for sanctions, to the protection of investors generally. 15/ Moreover, like the Division, we believe that Gibson's ability to retain the support of his investors under the circumstances of this case is a testament to his persuasiveness and increases our concern about his potential to engage in similar misconduct in the future. 16/

Nor do we consider his prior disciplinary record determinative. 17/ Although the record contains no evidence of past misconduct by Gibson, his actions here cannot be characterized as isolated. As mentioned, the misappropriations occurred over a three-year period, beginning while Gibson was still selling the partnership interests at issue, using a PPM that did not disclose his actual use of the funds, and not ending until after the Division filed the injunctive action. Gibson thus engaged in repeated fraudulent conduct over an extended period, suggesting the likelihood of future misconduct.

The final Steadman factor also supports a decision to bar Gibson. We believe that Gibson's twenty-five-year career in the securities industry and professional credentials suggest that Gibson would, if permitted, continue to work in the securities industry and that, in doing so,
would be presented with further opportunities to engage in misconduct. In assessing the potential effects on the public interest, we consider it significant that, as part of his fraudulent scheme, Gibson targeted clients from his investment advisory business. Gibson's willingness to exploit his position as an investment adviser -- which placed him in a fiduciary relationship with his advisory clients -- underscores his lack of integrity and unfitness to remain in the securities industry.

B. We now turn to Gibson's objection to the law judge's grant of the Division's motion for summary disposition. Gibson contends that, by granting the motion for summary disposition, the law judge prevented him from presenting "a considerable amount" of evidence -- as yet unidentified, but presumably including his own testimony and the testimony of ACW investors -- with relevance to the sanctioning determination. According to Gibson, "the application of the Steadman factors (such as sincerity of assurances against future wrongdoing, recognition of wrongdoing, etc), is 'in large part, based on a credibility determination by the Administrative Law Judge' made during an evidentiary hearing on the merits."

We find nothing inappropriate about the grant of summary disposition here. Our Rules of Practice provide that a law judge may grant summary disposition where "there is no genuine issue with regard to any material fact and the party making the motion is entitled to a summary disposition as a matter of law." Use of the summary disposition procedure has been repeatedly upheld in cases such as this one where the respondent has been enjoined or convicted, and the sole determination concerns the appropriate sanction. As we observed in Conrad P.

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18/ See Charles Phillip Elliott, 50 S.E.C. 1273, 1276 (1992) (stating that the securities industry is "a business that presents many opportunities for abuse and overreaching"), aff'd, 36 F.3d 86 (11th Cir. 1994) (per curiam).

19/ See, e.g., SEC v. Washington Inv. Network, 475 F.3d 392, 404 (D.C. Cir. 2007) (stating that investment advisers act "as fiduciaries" to their clients); see also SEC v. Capital Gains Research Bureau, Inc., 375 U.S. 180, 194 (1963) (stating that an investment adviser has "an affirmative duty of 'utmost good faith, and full and fair disclosure of all material facts,' as well as an affirmative obligation 'to employ reasonable care to avoid misleading' his clients").

20/ Rule of Practice 250(b), 17 C.F.R. § 201.250(b).

21/ See, e.g., Jose Zollino, Securities Exchange Act Rel. No. 55107 (Jan. 16, 2007), 89 SEC Docket 2598; Batterman, 84 SEC Docket 1356; Charles Trento, Securities Act Rel. No. 8391 (Feb. 23, 2004), 82 SEC Docket 785; Joseph P. Galluzzi, 55 S.E.C. 1110 (2002); John S. Brownson, 55 S.E.C. 1023 (2002), petition denied, 66 Fed. Appx. 687 (9th Cir. 2003). In Brownson, we observed, as Gibson notes, that summary disposition is not appropriate where the respondent "may present genuine issues with respect to facts that (continued...)
Seghers, 22/ “courts have upheld summary disposition where no genuine issue of material fact is in dispute. 23/ In addition, courts have sustained Commission findings that sanctions were in the public interest following administrative hearings based on summary disposition. 24/”

Rule of Practice 250(a) gives an advantage to the party opposing summary disposition: "[t]he facts of the pleadings of the party against whom the motion is made shall be taken as true . . . ." 25/ Once the Division's motion showed that it had satisfied the criteria for summary disposition, Gibson was required to produce documents, affidavits or some other evidence to demonstrate that there was a genuine and material factual dispute that the law judge could not resolve without a hearing. 26/ Gibson failed to produce such evidence.

(continued...)
Gibson was not denied an opportunity to present evidence but, in fact, as part of the summary disposition procedure, was called upon to present evidence so that the law judge could determine whether he could "present genuine issues with respect to facts" that could mitigate his misconduct. 27/ The evidence that Gibson produced did not create a genuine factual issue with respect to sanctions or any other material issue in the case.

Gibson contends that his acknowledgment of his misconduct and assurances of no further misconduct required a hearing to assess his credibility. However, as discussed, we have accepted Gibson's assertions, but nevertheless have determined that they do not outweigh the other Steadman factors that weigh in favor of barring Gibson from continuing in the industry.

When, at oral argument, Gibson's counsel was asked to identify disputed factual matters, he only referred to what he claimed was the law judge's improper finding that Gibson had contravened the terms of the settlement agreement by providing his answer to the Complaint to investors who signed declarations. Gibson's brief asserts that the record contains no evidence regarding the "circumstances surrounding the investors' receipt and review of the pleadings and their execution of the written declarations." He argues that, in the absence of such evidence, the law judge's conclusion that Gibson acted improperly in using the answer in obtaining the Investor Declarations is "unsupported by the record." 28/ We do not need to decide this issue, however, because we do not base our determination to bar Gibson on his possible misuse of the answer.

Gibson's declaration addresses his clean disciplinary record, cooperation, and his prompt payment of the civil penalty and disgorgement, but those facts were not disputed. The Investor Declarations, which purport to ratify Gibson's actions and express the declarants' preference that Gibson remain their investment adviser, were taken to be true for the purposes of the motion. Hence, it is difficult to see how live testimony regarding the investors' attitude toward Gibson would affect the sanctioning determination. While Gibson asserts that he has additional evidence to present at an evidentiary hearing, he failed before the law judge and fails now to identify that

26/ (...continued)
party has carried its burden of establishing its entitlement to judgment on the factual record, "its opponent must do more than simply show that there is some metaphysical doubt as to the material facts." Matsushita Elec. Indus. Co. v. Zenith Radio Corp., 475 U.S. 574, 586 (1986). The opposing party must set forth specific facts showing a genuine issue for a hearing and may not rest upon mere allegations or denials in its submissions to the judge to create a genuine issue.

27/ See Brownson, 55 S.E.C. at 1028 n.12 (approving summary disposition when respondent failed to identify "genuine issues with respect to facts that could mitigate his . . . misconduct").

28/ See supra note 16.
evidence or show how it would create a genuine issue regarding mitigation. Therefore, we find no error in the law judge's grant of summary disposition.

* * * *

Gibson's injunction, based on allegations that he had defrauded forty-three investors of approximately $450,000 over a three-year period in a manner designed to avoid detection, raises significant doubts about his fitness to remain in the securities industry. Antifraud injunctions have especially serious implications for the public interest. 29/ As we have held, "an antifraud injunction can . . . indicate the appropriateness in the public interest" of a bar from participation in the securities industry. 30/ As we have also held, "[f]idelity to the public interest" requires a severe sanction when a respondent's misconduct involves fraud because the "securities business is one in which opportunities for dishonesty recur constantly." 31/ Under the circumstances, therefore, we have determined that barring Gibson serves the public interest. 32/

An appropriate order will issue. 33/

By the Commission (Chairman COX and Commissioners ATKINS, NAZARETH, and CASEY).

Nancy M. Morris
Secretary

29/ See Michael T. Studer, Exchange Act Rel. No. 50411 (Sept. 20, 2004), 83 SEC Docket 2853, 2861 (stating that "the fact that a person has been enjoined from violating antifraud provisions 'has especially serious implications for the public interest'"); Melton, 56 S.E.C. at 713 ("Based on our experience enforcing the federal securities laws, we believe that ordinarily, and in the absence of evidence to the contrary, it will be in the public interest to . . . suspend or bar from participation in the securities industry . . . a respondent who is enjoined from violating the antifraud provisions.")

30/ Batterman, 84 SEC Docket at 1358-59.


32/ See Batterman, 84 SEC Docket at 1349 (respondents in follow-on case barred based on antifraud injunction); Studer, 83 SEC Docket at 2853 (same); Nolan Wayne Wade, 56 S.E.C. 748 (2003) (same); Lowry, 55 S.E.C. at 1133 (same).

33/ We have considered all of the parties' contentions. We have rejected or sustained them to the extent that they are inconsistent or in accord with the views expressed in this opinion.
ORDER IMPOSING REMEDIAL SANCTIONS

On the basis of the Commission's Opinion issued this day, it is

ORDERED that Jeffrey L. Gibson be barred from association with any broker or dealer; and it is further

ORDERED that Jeffrey L. Gibson be barred from association with any investment adviser.

By the Commission.

Nancy M. Morris
Secretary