

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 9355 / August 31, 2012

SECURITIES EXCHANGE ACT OF 1934
Release No. 67768 / August 31, 2012

INVESTMENT ADVISERS ACT OF 1940
Release No. 3452 / August 31, 2012

INVESTMENT COMPANY ACT OF 1940
Release No. 30189 / August 31, 2012

ADMINISTRATIVE PROCEEDING
File No. 3-15002

In the Matter of

Jay T. Comeaux

Respondent.

**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**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), Sections 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”), and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Jay T. Comeaux (“Comeaux” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent 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, Respondent consents to the entry of this 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 (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds¹ that:

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/advisory representative of SGC. Before joining SGC, Comeaux worked for nine years at another brokerage in Baton Rouge, LA. Comeaux is 64 years old and lives in Houston, Texas. During the relevant time 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

¹ The findings herein are made pursuant to Respondent’s Offer of Settlement. These findings are 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. The findings herein are not binding on any other person or entity in this or any other proceeding.

SGC's total revenues. In 2007 and 2008, SGC financial advisers sold over \$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.”

Violations

15. The representations described above were materially false and misleading.

16. Comeaux and the SGC FAs he supervised owed a duty of fair dealing to their customers. Because they could not confirm SIB’s representations regarding the safety of the SIB CD and the liquidity of SIB’s investment portfolio, SGC, Comeaux, and the SGC FAs he supervised did not have a reasonable basis to recommend SIB CDs to investors.

17. When Comeaux and the other SGC FAs provided investment advice to their clients in connection with recommending SIB CDs and other investments, they owed their clients a duty to exercise the utmost good faith in dealing with clients, a duty to disclose all material facts, a duty to employ reasonable care to avoid misleading clients, and a duty to disclose all material, actual or potential conflicts of interest. By failing to fully disclose SGC’s and their own financial interest in selling the SIB CDs, SGC, Comeaux, and SGC’s FAs failed to disclose material conflicts of interest.

18. As a result of the conduct described above, SGC, SIB, and Comeaux willfully violated and Comeaux willfully aided and abetted and caused SGC’s and SIB’s violations of Section 17(a) of the Securities Act, which prohibits fraudulent conduct in the offer or sale of

securities. SGC and SIB also willfully violated and Comeaux willfully aided and abetted and caused SGC's and SIB's 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, SGC violated and Comeaux willfully aided and abetted and caused SGC's 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.

IV.

Respondent undertakes to the following: 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 (i) agrees to appear and be interviewed by Commission staff at such times and places as the staff requests upon reasonable notice; (ii) will accept service by mail or facsimile transmission of notices or subpoenas issued by the Commission for documents or testimony at depositions, hearings, or trials, or in connection with any related investigation by Commission staff; (iii) appoints Respondent's undersigned attorney as agent to receive service of such notices and subpoenas; and (iv) consents to personal jurisdiction over Respondent in any United States District Court for purposes of enforcing any such subpoena.

V.

Pursuant to this Order, Respondent agrees to additional proceedings in this proceeding 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 is in the public interest. In connection with such additional proceedings: (a) Respondent agrees that he will be precluded from arguing that he did not violate the federal securities laws described in this Order; (b) Respondent agrees that he may not challenge the validity of this Order; (c) solely for the purposes of such additional proceedings, the allegations of the Order shall be accepted as and deemed true by the hearing officer; and (d) the hearing officer may determine the issues raised in the additional proceedings on the basis of affidavits, declarations, excerpts of sworn deposition or investigative testimony, and documentary evidence. To the extent that any of Respondent's assets are subject to the control of the court-appointed receiver in *SEC v. Stanford*, those assets, the value of which will be determined at the time of entry of a final order in this matter, will be credited against any monetary sanctions ordered against Respondent in this matter.

VI.

In view of the foregoing, the Commission deems it appropriate in the public interest to impose the sanctions agreed to in the Offer, and to institute proceedings to determine what, if any, disgorgement and civil penalties are appropriate.

Accordingly, pursuant to Section 8A of the Securities Act, Sections 15(b) and 21C of the Exchange Act, Sections 203(f) and 203(k) of the Advisers Act, and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondent Comeaux shall cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Advisers Act;

B. Respondent Comeaux shall be, and hereby is, barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal adviser, transfer agent, or nationally recognized statistical rating organization; prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter; and barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

C. Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

VII.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section V hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

If Respondent fails to appear at a hearing after being duly notified, Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice, 17 C.F.R. § 201.360(a)(2).

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Elizabeth M. Murphy
Secretary