

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION

SECURITIES AND EXCHANGE COMMISSION,	:	
	:	
	:	
Plaintiff,	:	Civil Action No.
	:	
v.	:	
	:	Electronically Filed
FREDERICK M. STOW,	:	
	:	JURY DEMAND
Defendant.	:	

COMPLAINT

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

SUMMARY

1. This case concerns the systematic theft of two elderly brokerage customers’ funds by their registered representative over the course of more than three years. From October 29, 2015 through April 29, 2019, Defendant Frederick M. Stow (“Stow”), a registered representative associated with Raymond James & Associates, Inc. (“Raymond James”), sold securities from the individual retirement account (“IRA”) of Customer A, a World War II-era veteran. Stow then forged wire transfer letters of authorization to transfer the proceeds of the securities sales to his own bank account without Customer A’s knowledge or consent. Within weeks after Customer A passed away at the age of 98, which resulted in the account being frozen, Stow began misappropriating funds from Customer B, another elderly customer. After repeated requests from Customer A’s executor for an explanation of the wire transfers, Stow

confessed to his supervisor that he had stolen money from Customer A's accounts. In total, Stow misappropriated \$943,500 from the two customers.

JURISDICTION AND VENUE

2. The Commission brings this action pursuant to Section 21(d) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78u(d)] to enjoin such acts, transactions, practices, and courses of business and to obtain disgorgement, and such other and further relief as the Court may deem just and appropriate.

3. This Court has jurisdiction over this action pursuant to Sections 21(d) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d) and 78aa].

4. Venue in this district is proper pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa]. Among other things, certain of the acts, transactions, practices, and courses of business constituting the violations alleged herein occurred within the Middle District of Tennessee. Moreover, Defendant resides within this district.

5. In connection with the conduct alleged in this complaint, Defendant, directly or indirectly, singly or in concert, has made use of the means or instrumentalities of interstate commerce or of the mails, or of the facilities of a national securities exchange.

DEFENDANT

6. **Frederick M. Stow**, 65, is a resident of Franklin, Tennessee. Stow has been a registered representative since 1978. Stow was most recently associated with Raymond James in its Cool Springs, Tennessee branch office from 2013 until his employment was terminated on May 29, 2019. Stow currently is employed part-time in local retail stores. Stow has no prior disciplinary history.

RELEVANT ENTITY

7. **Raymond James & Associates, Inc.** is a corporation that is organized under the laws of the State of Florida and has its principal place of business in St. Petersburg, Florida. Raymond James has been registered with the Commission as a broker-dealer since 1962 and as an investment adviser since 1974. The firm is a wholly owned subsidiary of Raymond James Financial, Inc., a publicly held corporation traded on the New York Stock Exchange.

FACTS

8. Stow first solicited Customer A, a retired airline pilot and World War II-era veteran, as a customer in approximately 1982.

9. Until Customer A's death in March 2019, Stow acted as Customer A's registered representative for three brokerage accounts that Customer A owned: (i) an IRA; (ii) a family trust account; and (iii) a living trust account. Stow changed firms numerous times and Customer A elected to move his accounts with Stow each time, ultimately transferring his accounts to Raymond James when Stow joined the firm in 2013.

10. Over time, Stow inserted himself into the personal and financial affairs of Customer A. In the later years of Customer A's life, he frequently visited Customer A at his home, where he lived alone but received full-time nursing care.

11. In October 2015, Stow began misappropriating funds from Customer A's IRA account. Stow accomplished this by forging wire transfer letters of authorization ("LOA") to permit transfers from Customer A's IRA account to a SunTrust Bank account that Stow owned jointly with his wife. In total, Stow made 74 transfers without authorization from Customer A's IRA account to Stow's own bank account.

12. The LOAs falsely identified the receiving account as Customer A's account, even though the corresponding account number was for Stow's account, thus obscuring on the face of the document the fact that Stow was the beneficiary of the transfers. Thereafter, Stow began selling securities in Customer A's IRA account and transferring the proceeds to Stow's own bank account.

13. Customer A passed away on March 28, 2018. A few days after Customer A's death, the executor for his estate informed Raymond James of his passing, and requested related account information from Stow. Soon after, Raymond James froze Customer A's accounts.

14. On April 29, 2019, Stow misappropriated \$32,000 from Customer B, another elderly brokerage customer, by wire transferring money from Customer B's brokerage account to a different SunTrust bank account that Stow owned. Stow made this transfer without Customer B's knowledge or consent.

15. On May 20, 2019, after repeated requests from the executor for an explanation of the wire transfers, Stow told his supervisor that he had stolen money from Customer A's accounts.

16. From October 29, 2015 through April 29, 2019, Stow stole approximately \$911,500 from Customer A and approximately \$32,000 from Customer B.

CLAIM FOR RELIEF

Violations of 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]

17. The Commission realleges and incorporates by reference each and every allegation in paragraphs 1 through 16, inclusive, as if they were fully set forth herein.

18. By engaging in the conduct described above, Defendant Stow, knowingly or recklessly, in the purchase or sale of securities, directly or indirectly, by the use of any means or instrumentalities of interstate commerce, or of the mails or of any facility of any national securities exchange:

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

By engaging in the foregoing conduct, Defendant Stow violated, and unless 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].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court enter a final judgment:

I.

Permanently restraining and enjoining Defendant and his agents, servants, employees, attorneys, and all persons in active concert or participation with him who receive actual notice of the injunction by personal service or otherwise, from violating, directly or indirectly, 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];

II.

Ordering Defendant to disgorge any and all ill-gotten gains, together with prejudgment interest, derived from the activities set forth in this Complaint;

III.

Ordering Defendant to pay civil penalties pursuant to Section 21A(a)(2) of the Exchange Act [15 U.S.C. § 78u-1(a)(2)]; and

IV.

Retaining jurisdiction of this action for purposes of enforcing and Final Judgment and Order.

Respectfully submitted,

Dated: June 11, 2020

s/ M. Graham Loomis
(pro hac vice pending)
Georgia Bar No. 457868
Regional Trial Counsel
United States Securities and Exchange Commission
Atlanta Regional Office
950 East Paces Ferry Road N.E., Suite 900
Atlanta, Georgia 30326
(404) 842-7622
loomism@sec.gov

Attorney for Plaintiff