

UNITED STATES DISTRICT COURT FOR THE
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

TYRONE JOHNNY LACY, JR.,

Defendant.

Case No. 24-cv-1145

**COMPLAINT FOR PERMANENT INJUNCTIVE RELIEF
AND OTHER RELIEF AND DEMAND FOR JURY TRIAL**

The plaintiff, Securities and Exchange Commission (“Commission”), files this Complaint and alleges as follows:

I. SUMMARY

1. This action involves a “free-riding” trading scheme orchestrated by defendant Tyrone Johnny Lacy, Jr. (“Lacy” or “Defendant”), a resident of Seffner, Florida. As in free-riding schemes generally, Lacy fraudulently abused “instant deposit” credit extended by two broker-dealer firms to trade securities without ever funding the brokerage account to which the credit was extended. If the trading was profitable, Lacy would pocket the profit, but if the trading was unprofitable, the brokerage firm would sustain the loss.

2. To effectuate the scheme, Lacy initiated electronic deposits from his bank accounts into his brokerage accounts – despite knowing that his bank accounts had insufficient funds to cover those deposits. Lacy then bought and sold securities in the brokerage accounts, taking advantage of “instant deposit” credit extended by the brokerage firms that allowed him to trade securities before funds from his bank accounts were actually deposited into the brokerage accounts.

3. Pursuant to this scheme, Lacy falsely represented to one brokerage firm his profession, his salary, and the amount of cash he had available; made \$270,000 of unfunded deposits over two brokerage accounts, all of which were later reversed for insufficient funds; based on those phony deposits, bought and sold approximately \$330,000 of equity and exchange-traded securities; caused a brokerage firm to lose over \$1,500 as a result of unfunded trading losses; and personally obtained over \$1,600 of ill-gotten gains as a result of his fraudulent conduct.

4. By engaging in this conduct, Lacy is liable, and unless enjoined, is likely to continue to violate Section 10(b) of the Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

II. VIOLATIONS AND RELIEF SOUGHT

A. *Violations*

5. Lacy, by virtue of his conduct, directly or indirectly, has engaged in violations of Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5 thereunder.

B. *Relief Sought*

6. The Commission seeks against the Defendant: (i) permanent injunctive relief; (ii) a conduct-based injunction prohibiting Lacy from: (a) directly or indirectly trading securities in any brokerage account he owns, controls, or has access to that does not contain settled cash equal to or greater than the amount of the securities trade(s) and (b) opening a brokerage account without first providing to the relevant brokerage firm(s) a copy of the Commission’s filed complaint in this matter and any judgment that the Commission may obtain against him in this matter; (iii) disgorgement, including pre-judgment interest; and (iv) civil monetary penalties.

III. JURISDICTION AND VENUE

7. The Commission brings this action pursuant to authority conferred upon it by Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d)-(e)].

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

9. The Defendant, directly and indirectly, has made use of the mails, the means and instrumentalities of transportation and communication in interstate commerce, and the means and instrumentalities of interstate commerce, in connection with the transactions, acts, practices, and courses of business alleged in this Complaint.

10. Venue lies in this Court pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa] because the Defendant resides within the Middle District of Florida and certain of the transactions, acts, practices, and courses of business constituting violations of the Exchange Act have occurred within the Middle District of Florida. For instance, internet protocol address data indicates that the Defendant initiated deposits and executed securities trades while located in the Middle District of Florida.

IV. THE DEFENDANT

11. **Tyrone Johnny Lacy, Jr.**, age 25, is a resident of Seffner, Florida. During the Relevant Period, defined below, he worked as a warehouse and backroom employee for several retailers and a consumer electronics distributor.

V. FACTS

12. From at least October 1, 2022, to October 26, 2022 (the “Relevant Period”), Lacy engaged in acts, practices, or courses of business that operated as

a fraud upon multiple brokerage firms, and made false and misleading statements to at least one such firm.

A. Lacy Engages in Free-Riding Conduct at Broker A

13. On or about November 19, 2021, Lacy submitted an online application to open an account at Broker A. Broker A opened an account in Lacy's name.

14. Lacy's brokerage account at Broker A included "instant buying power" for pending bank deposits. "Instant buying power" allowed Lacy to buy and sell securities prior to Lacy's bank deposits settling into Lacy's account at Broker A.

15. Using Broker A's online platform, Lacy linked his Broker A account to his bank accounts at Bank X and Bank Y.

16. In October 2022, Lacy initiated three Automated Clearing House deposits totaling \$70,000 from his account at Bank X into his account at Broker A using the online platform at Broker A. Specifically, he initiated (i) a deposit on October 3 in the amount of \$20,000 and (ii) deposits on October 4 and 5, each in the amount of \$25,000. At the time Lacy initiated the deposits, Lacy's account at Bank X did not contain sufficient funds to cover the deposits.

17. On October 6, 7, and 10, 2022, Lacy's deposits into his Broker A account were rejected because Lacy's Bank X account contained insufficient funds to cover the deposits.

18. By initiating \$70,000 in unfunded deposits from his Bank X account to his Broker A account, Lacy implicitly falsely represented that there were sufficient funds in the Bank X account to cover those deposits. Lacy knew or was reckless in not knowing that he was making those implicit statements and that they were false.

19. Those implicit false statements to Broker A were material. A reasonable broker-dealer firm would use those statements in deciding whether to permit Lacy to continue to maintain an account and purchase and sell securities using that account.

20. From October 3 to 10, 2022, Lacy used Broker A's "instant buying power" credit to make approximately \$2,700 of securities purchases. On October 3, 2022, Lacy initiated a purchase order for common stock of Public Company A. On October 4, 2022, Lacy initiated a purchase order for common stock of Public Company B. On October 10, 2022, Lacy initiated a purchase order for common stock of Public Company C. The orders Lacy initiated ultimately resulted in Lacy purchasing common stock in Public Company A, Public Company B, and Public Company C.

21. On October 10, 2022, using the online platform at Broker A, Lacy sold those securities at a net profit.

22. On October 19, 2022, Lacy used Broker A's online platform to withdraw \$183 from his Broker A account and deposit it into his account at Bank Y.

23. Lacy acted with scienter with respect to his free-riding conduct at Broker A. First, when Lacy initiated unfunded deposits on October 3, 4, and 5— and then bought and sold securities based on those deposits— Lacy knew or was reckless in not knowing that his account at Bank X lacked sufficient funds to cover those deposits. In addition, Lacy was aware of free-riding schemes prior to and during the Relevant Period.

B. Lacy Engaged in Free-Riding Conduct at Broker B

24. On or about October 23, 2022, Lacy submitted an online application to open an account at Broker B. Broker B opened an account in Lacy's name.

25. Lacy made false statements to Broker B in his application. In that application, Lacy stated: (1) that his annual income was \$180,000; (2) that his liquid net worth was \$500,000; and (3) that he was an "accounting professional."

26. Those statements were false. At the time he submitted his application, Lacy did not have annual income of \$180,000; did not have liquid net

worth of \$500,000; and was not an accounting professional. Lacy knew or was reckless in not knowing that the statements were false when made.

27. The false statements in Lacy's application to Broker B were material. A reasonable broker-dealer firm would use those statements in deciding whether to permit Lacy to open an account and purchase and sell securities using that account.

28. As the person who made the application, Lacy was the maker of the false statements in the application to Broker B and had ultimate authority over the statements.

29. Lacy's brokerage account at Broker B included "same day trading" instant deposit credit, which allowed Lacy to trade securities prior to the settlement of his deposits from his banks into his account with Broker B.

30. Using the online platform at Broker B, Lacy linked his Broker B account to (i) his account at Bank Y and (ii) his account with a money-transfer application ("Application") that, in turn, was linked to an account at Bank Z.

31. On October 24 and 25, 2022, Lacy used the online platform at Broker B to initiate two \$100,000 deposits to his account at Broker B.

32. Lacy knew or was reckless in not knowing that his Bank Z account lacked sufficient funds to cover the two \$100,000 deposits.

33. In the weeks leading to the October 24 and 25, 2022 transactions, Lacy had used the Application to initiate approximately 20 transactions – for amounts far less than \$100,000 – that were declined for lack of sufficient funds in the linked account at Bank Z.

34. When Lacy initiated these two \$100,000 deposits, the Bank Z account contained a balance of \$7.09.

35. When Lacy initiated the two \$100,000 deposits, he had access to his balance in the Bank Z account through the Application.

36. Two days after each \$100,000 deposit, Bank Z reversed the deposits for lack of funds in Lacy's Bank Z Account.

37. By initiating \$200,000 in unfunded deposits from his Bank Z account to his Broker B account, Lacy implicitly falsely represented that there were sufficient funds in the Bank Z account to cover those deposits.

38. Those implicit false statements to Broker B were material. A reasonable broker-dealer firm would use those statements in deciding whether to permit Lacy to continue to maintain an account and purchase and sell securities using that account.

39. Prior to the reversals by Bank Z, on October 25 and 26, 2022, Lacy made approximately \$329,000 of securities purchases in his Broker B account using the "same day trading" credit extended by Broker B. On October 25, 2022,

Lacy initiated purchase orders of common stock of Public Company D and Public Company E and also purchased shares of Exchange Traded Fund A. On October 26, 2022, Lacy initiated purchase orders of common stock of Public Company B, Public Company F, Public Company G, and Public Company H. The orders Lacy initiated ultimately resulted in Lacy purchasing common stock in Public Company D, Public Company B, Public Company F, Public Company G, and Exchange Traded Fund A.

40. On October 25 and 26, 2022, Lacy sold those securities at a net profit using the online platform at Broker B.

41. On October 25, 2022, Lacy transferred \$1,478 from his Broker B brokerage account to his account at Bank Y.

42. As a result of Lacy's scheme, Broker B lost \$1,516.57, consisting of (i) Lacy's \$1,478 withdrawal and (ii) \$48.57 in unpaid margin interest charged to Lacy's account.

43. Lacy acted with scienter with respect to his free-riding conduct at Broker B. First, Lacy knew, at the time of his statements on his account application, that he was making misrepresentations regarding his annual income, liquid net worth, and profession. Second, when Lacy initiated deposits on October 24 and 25 – and then bought and sold securities based on those deposits – Lacy knew (or was reckless in not knowing) that his account at Bank Z

lacked sufficient funds to cover the deposits. Finally, Lacy was aware of free-riding schemes prior to and during the Relevant Period.

44. Lacy's scienter throughout the Relevant Period – with respect to free-riding conduct and Broker A and Broker B – is further evidenced by a series of additional unfunded deposits made by Lacy at other broker-dealer firms. Specifically, Lacy initiated unfunded deposits at Broker C in August 2022; at Broker D in October 2022; at Broker E in October 2022; at Broker F in October 2022; at Broker G in October 2022 and November 2022; and at Broker H in December 2022.

C. Lacy's Conduct Was in Connection With the Purchase or Sale of Securities.

45. Lacy's conduct, described above, was in connection with the purchase or sale of securities. Lacy fraudulently initiated unfunded deposits from his bank accounts to his brokerage accounts and then used the credit provided by the broker-dealers to purchase and sell securities.

V. CLAIMS FOR RELIEF

COUNT I – FRAUD BY DEFENDANT LACY
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]

46. Paragraphs 1 through 45 are hereby realleged and are incorporated herein by reference.

47. By engaging in the conduct described above, Lacy, knowingly or recklessly, in connection with the purchase or sale of securities, by the use of the means and instrumentalities of interstate commerce or by use of the mails, directly or indirectly:

- 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 light of the circumstances under which they were made, not misleading; and
- c) engaged in acts, practices, or courses of business which would or did operate as a fraud and deceit upon the purchasers of such securities, all as more particularly described above.

48. By reason of the foregoing, Defendant Lacy, directly or indirectly, has 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].

VI. PRAYER FOR RELIEF

WHEREFORE, Plaintiff respectfully prays that the Court enter a Final Judgment:

I.

Finding that Defendant violated the statutes and rules set forth in this Complaint.

II.

Permanently restraining and enjoining Defendant Lacy, and all persons in active concert or participation with him, from violating, directly or indirectly, the statutes and rules set forth in this Complaint.

III.

Permanently restraining and enjoining Defendant Lacy, and all persons in active concert or participation with him, from: (a) directly or indirectly trading securities in any brokerage account he owns, controls, or has access to that does not contain settled cash equal to or greater than the amount of the securities trade(s) and (b) opening a brokerage account without first providing to the relevant brokerage firm(s) a copy of the Commission's filed complaint in this matter and any judgment that the Commission may obtain against him in this matter.

IV.

Ordering Defendant Lacy to disgorge all ill-gotten gains derived from his illegal conduct as set forth in this Complaint, together with prejudgment interest

thereon pursuant to Sections 21(d)(5) and 21(d)(7) of the Exchange Act [15 U.S.C. § 78u(d)(5) and (d)(7)].

V.

Ordering Defendant Lacy, pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)], to pay a civil monetary penalty.

VI.

Retaining jurisdiction over this action to implement and carry out the terms of all orders and decrees that may have been entered.

VI.

Granting such other and further relief as this Court may deem just, equitable, and appropriate in connection with the enforcement of the federal securities laws.

VII. JURY TRIAL DEMAND

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

Dated: May 13, 2024

RESPECTFULLY SUBMITTED,

/s Sharan Lieberman

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