



State of Tennessee
Department of State

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July 30, 2024

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**RE: TENNESSEE DEPARTMENT OF COMMERCE AND INSURANCE V. STEPHEN
DOUGLAS FRY, APD Case No. 12.06-242964J**

Enclosed is a/an *AGREED ORDER OF DISMISSAL* rendered in this case.

Administrative Procedures Division
Tennessee Department of State

Enclosure(s)



**STATE OF TENNESSEE
BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE**

**TENNESSEE SECURITIES DIVISION AND)
TENNESSEE INSURANCE DIVISION,)**

Petitioner,)

v.)

STEPHEN D. FRY)

Respondent.)

**APD No: 12.06-242964J
Matter No.: 21-053; 21-143**

AGREED ORDER FOR VOLUNTARY REVOCATION

The Securities Division and Insurance Division of the Tennessee Department of Commerce and Insurance (“Department”), by and through undersigned counsel, and Stephen D. Fry (“Respondent”), hereby stipulate and agree to the entry and execution of this Agreed Order for Voluntary Revocation (“Agreed Order”), subject to the approval of the Commissioner of the Tennessee Department of Commerce and Insurance (“Commissioner”) as follows:

GENERAL STIPULATIONS

1. It is expressly understood that this Agreed Order is subject to the Commissioner’s acceptance and has no force and effect until such acceptance is evidenced by the entry and execution of an order by the Commissioner.

2. This Agreed Order is executed by the parties for the purpose of avoiding further administrative action with respect to this cause. Furthermore, should this Agreed Order not be accepted by the Commissioner, it is agreed that presentation to and consideration of this Agreed Order by the Commissioner shall not unfairly or illegally prejudice the Commissioner from further participation or resolution of these proceedings.

3. The Respondent fully understands that this Agreed Order will in no way preclude additional proceedings by the Commissioner against the Respondent for acts or omissions not specifically addressed in this Agreed Order or for facts and/or omissions that do not arise from the facts or transactions herein addressed.

4. The Respondent fully understands that this Agreed Order will in no way preclude proceedings by state government representatives, other than the Commissioner, for alleged violations of the law addressed specifically in this Agreed Order, violations of law under statutes, rules, or regulations of the State of Tennessee, which may arise out of the facts, acts, or omissions contained in the Findings of Fact and Conclusions of Law stated herein, or which may arise as a result of the entry and execution of this Agreed Order by the Respondent.

5. The Respondent expressly waives all further procedural steps, and expressly waives all rights to seek judicial review of or to otherwise challenge or contest the validity of this Agreed Order, the stipulations and imposition of discipline contained herein, and the consideration and entry and execution of said Agreed Order by the Commissioner.

AUTHORITY AND JURISDICTION

6. The Tennessee Securities Act of 1980, as amended, Tennessee Code Annotated (“Tenn. Code Ann.”) §§ 48-1-101 to 48-1-201 (“Securities Act”), places the responsibility of the administration of the Securities Act on the Commissioner of the Department of Commerce and Insurance (“Commissioner”).

7. Title 56 of the Tenn. Code Ann., specifically Tenn. Code Ann. §§ 56-1-202 and 56-6-112 (the “Insurance Law”) places the responsibility of the administration of the Insurance Law on the Commissioner of Commerce and Insurance.

PARTIES

8. The Commissioner administers the Securities Act through the Securities Division and is authorized to bring this action for the protection of the public.

9. The Commissioner administers the Insurance Law through the Insurance Division and is authorized to bring this action for the protection of the public.

10. Stephen Douglas Fry (“Respondent”) is a resident of Tennessee.

11. The Respondent was registered with the Securities Division until August 28, 2019, and holds Central Registration Depository (“CRD”) number 2928258, assigned by the Financial Industry Regulatory Authority (“FINRA”).

12. The Respondent holds Tennessee resident producer license number 0806280 with the Insurance Division, and National Producer Number (“NPN”) 5168118, assigned by the National Insurance Producer Registry (“NIPR”).

FACTUAL ALLEGATIONS

13. On August 28, 2019, Woodbury Financial Services terminated the Respondent’s employment after a Tennessee resident, Brenda Street (“Street”), filed a complaint alleging her account was depleted without a satisfactory explanation, and the Respondent failed to cooperate with the resulting investigation.

14. On December 10, 2019, the Securities Division issued Order of Investigation number 2019-0045, initiating an investigation of the Respondent for possible violations of the Securities Act.

15. On December 11, 2019, the Insurance Division issued Inquisitorial Order number 19-137, initiating an investigation of the Respondent for possible violations of the Insurance Law.

16. The Insurance Division’s and Securities Division’s investigations were conducted

together by the Department's Financial Services Investigation Unit ("FSIU").

17. FSIU's investigation found that FINRA suspended the Respondent from associating with any FINRA member firm in any capacity on October 21, 2019, for violating FINRA Rule 9552 in failing to respond to a FINRA request for information.

18. Subsequently, the Respondent was automatically, permanently barred from associating with any FINRA member firm in any capacity on December 30, 2019.

19. FSIU's investigation revealed that on or about December 5, 2019, the Respondent pled guilty in federal court to mail and wire fraud and interstate transportation of monies taken by fraud.

20. Respondent was sued in the Chancery Court of Shelby County, Tennessee, for defrauding a mortgage lender, title company, and closing agent in connection with the sale of his personal residence, when the Respondent falsely represented that there was no pending litigation or liens affecting the property being sold.

21. On April 23, 2020, FSIU held a telephonic interview with the Respondent, in which the Respondent admitted to stealing one million, three hundred thousand dollars (\$1,300,000) from his former client, Ms. Street.

22. The Respondent further informed FSIU that he pled guilty in court to stealing Ms. Street's money and that FINRA revoked his membership.

23. On July 21, 2020, the United States Attorney's Office for the Western District of Tennessee entered a sentencing judgment which shows that Respondent pled guilty to Mail Fraud, Wire Fraud Affecting A Financial Institution, and Interstate transportation of Monies Obtained by Fraud. He was sentenced to twelve (12) months of incarceration with three (3) years of supervised release.

APPLICABLE LAW

24. Tenn. Code Ann. § 48-1-112 states, in pertinent part:
- (a) The commissioner may by order deny, suspend, or revoke any registration under this part if the commissioner finds that:
 - (1) The order is in the public interest and necessary for the protection of investors; and
 - (2) The applicant or registrant or, in the case of a broker-dealer or investment adviser, any affiliate, partner, officer, director, or any person occupying a similar status or performing similar functions:
 - ...
 - (B) Has willfully violated or willfully failed to comply with any provision of this part or a predecessor chapter or any rule or order under this part or a predecessor chapter, including, without limitation, any net capital requirements;
 - (C) Has been convicted of any felony, or within the previous ten (10) years has been convicted of a misdemeanor involving a security or any aspect of the securities business or any investment-related business; [or]
 - ...
 - (G) Has engaged in dishonest or unethical practices in the securities business[.]
 - ...
 - (d) In any case in which the commissioner is authorized to deny, revoke, or suspend the registration of a broker-dealer, agent, investment adviser, investment adviser representative, or applicant for broker-dealer, agent, investment adviser, or investment adviser representative registration, the commissioner may, in lieu of or in addition to such disciplinary action, impose a civil penalty in an amount not to exceed five thousand dollars (\$5,000) for all violations for any single transaction, or in an amount not to exceed ten thousand dollars (\$10,000) per violation if an individual who is a designated adult is a victim.

- (h) The commissioner may bar or censure a registrant or an officer, director, partner, or other person occupying a similar status or performing similar functions for a registrant, or restrict, condition, or limit a registrant as to a function or activity of the business for which registration is required in this state.

25. Tenn. Code Ann. § 48-1-121 states:

- (a) It is unlawful for any person, in connection with the offer, sale or purchase of any security in this state, directly or indirectly, to:
 - (1) Employ any device, scheme, or artifice to defraud;
 - (2) Make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading; or
 - (3) Engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.
- (b) It is unlawful for any person who receives any consideration from another person primarily for advising the other person as to the value of securities or their purchase or sale, whether through the issuance of analyses or reports or otherwise, in this state, to:
 - (1) Employ any device, scheme, or artifice to defraud the other person;
 - (2) Engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon the other person; or
 - (3) Take or have custody of any securities or funds of any client except as the commissioner may by rule permit or unless the person is licensed as a broker-dealer under this part.
- (c) It is unlawful for any person to make or cause to be made, in any document filed with the commissioner or in any proceeding under this part, any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading.

- (d) The commissioner may, after notice and opportunity for a hearing under the Uniform Administrative Procedures Act, compiled in title 4, chapter 5, impose a civil penalty against any person found to be in violation of this section, or any rule or order adopted or issued under this section, in an amount not to exceed ten thousand dollars (\$10,000) per violation, or in an amount not to exceed twenty thousand dollars (\$20,000) per violation if an individual who is a designated adult is a victim.

26. Tenn. Code Ann. § 48-1-116 states, in pertinent part:

- (a) The commissioner may from time to time make, promulgate, amend, and rescind such rules, forms, and orders as are necessary to carry out this part, including rules, forms, and orders governing registration statements, applications, reports, and filing fees, and defining any terms, whether or not used in this part, insofar as the definitions are not inconsistent with this part. For the purpose of rules and forms, the commissioner may classify securities, persons, and matters within the commissioner's jurisdiction, and prescribe different requirements for different classes.

27. Tenn. Comp. R. & Regs. 0780-04-03-.02(6) states, in pertinent part:

...

- (b) The following are deemed "dishonest or unethical business practices" by an agent under T.C.A. § 48-1-112(a)(2)(G), without limiting those terms to the practices specified herein:

...

- 9. Executing a transaction on behalf of a customer without authority to do so;
- 10. Exercising any discretionary power in effecting a transaction for a customer's account without first obtaining written discretionary authority from the customer unless the discretionary power relates solely to the time and/or price for the execution of orders; [and]

...

- 17. Violating any rule of a national securities exchange or national securities dealers association of which the agent is

an associated person with respect to any customer, transaction, or business in this state[.]

28. Tenn. Code Ann. § 56-6-112 provides:

- (a) The commissioner may place on probation, suspend, revoke or refuse to issue or renew a license issued under this part or may levy a civil penalty in accordance with this section or take any combination of those actions, for any one (1) or more of the following causes:
 - ...
 - (2) Violating any law, rule, regulation, subpoena or order of the commissioner or of another state's commissioner;
 - ...
 - (6) Having been convicted of a felony; [or]
 - ...
 - (8) Using fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state or elsewhere[.]
 - ...
- (e) The commissioner shall retain the authority to enforce this part and impose any penalty or remedy authorized by this part and this title against any person who is under investigation for or charged with a violation of this part or this title, even if the person's license has been surrendered or has lapsed by operation of law.
- (f) The commissioner may serve a notice or order in any action arising under this part by registered or certified mail to the insurance producer or applicant at the address of record in the files of the department. Notwithstanding any law to the contrary, service in the manner set forth in this subsection (f) shall be deemed to constitute actual service on the insurance producer or applicant.
- (g) If, after providing notice consistent with the process established by § 4-5-320(c), and providing the opportunity for a contested case hearing held in accordance with the Uniform Administrative

Procedures Act, compiled in title 4, chapter 5, the commissioner finds that any person required to be licensed, permitted, or authorized by the division of insurance pursuant to this chapter has violated any statute, rule or order, the commissioner may, at the commissioner's discretion, order:

- (1) The person to cease and desist from engaging in the act or practice giving rise to the violation;
 - (2) Payment of a monetary penalty of not more than one thousand dollars (\$1,000) for each violation, but not to exceed an aggregate penalty of one hundred thousand dollars (\$100,000). This subdivision (g)(2) shall not apply where a statute or rule specifically provides for other civil penalties for the violation. For purposes of this subdivision (g)(2), each day of continued violation shall constitute a separate violation; and
 - (3) The suspension or revocation of the person's license.
- (h) In determining the amount of penalty to assess under this section, the commissioner shall consider:
- (1) Whether the person could reasonably have interpreted such person's actions to be in compliance with the obligations required by a statute, rule or order;
 - (2) Whether the amount imposed will be a substantial economic deterrent to the violator;
 - (3) The circumstances leading to the violation;
 - (4) The severity of the violation and the risk of harm to the public;
 - (5) The economic benefits gained by the violator as a result of noncompliance;
 - (6) The interest of the public; and
 - (7) The person's efforts to cure the violation.

29. FINRA Rule 9552 provides in pertinent part:

- (a) If a member, person associated with a member or person subject to FINRA's jurisdiction fails to provide any information, report, material, data, or testimony requested or required to be filed pursuant to the FINRA By-Laws or FINRA rules, or fails to keep its membership application or supporting documents current, FINRA staff may provide written notice to such member or person specifying the nature of the failure and stating that the failure to take corrective action within 21 days after service of the notice will result in suspension of membership or of association of the person with any member.

CONCLUSIONS OF LAW

30. Respondent willfully violated or willfully failed to comply with any provision of the Securities Act or any rule under the Securities Act when he stole one million, three hundred thousand dollars (\$1,300,000) from his former client, was convicted in federal court, and violated FINRA Rule 9552, in violation of Tenn. Comp. R. & Regs. 0780-04-03-.02(6)(b) and Tenn. Code Ann. § 48-1-112(a)(2)(B).

31. Respondent was convicted of three (3) felonies in federal court, in violation of Tenn. Code Ann. § 48-1-112(a)(2)(C).

32. Respondent committed dishonest and unethical practices in the securities business when he stole one million, three hundred thousand dollars (\$1,300,000) from his former client, was convicted in federal court, and violated FINRA Rule 9552, in violation of Tenn. Comp. R. & Regs. 0780-04-03-.02(6)(b) and Tenn. Code Ann. § 48-1-112(a)(2)(G).

33. Respondent committed fraud when he stole one million, three hundred thousand dollars (\$1,300,000) from his former client, in violation of Tenn. Code Ann. § 48-1-121.

34. Respondent violated a law, rule, regulation, subpoena, or order of the

Commissioner when he stole one million, three hundred thousand dollars (\$1,300,000) from his former client and upon being convicted of a felony in federal court. Such acts are in violation of Tenn. Code Ann. § 56-6-112(a)(2).

35. Respondent was convicted of three (3) felonies in federal court, in violation of Tenn. Code Ann. § 56-6-112(a)(6).

36. Respondent used fraudulent, coercive, or dishonest practices, or demonstrated incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state or elsewhere when he stole one million, three hundred thousand dollars (\$1,300,000) from his former client, in violation of Tenn. Code Ann. § 56-6-112(a)(8).

ORDER

NOW, THEREFORE, on the basis of the foregoing, and the Respondent's waiver of the right to a hearing and appeal under the Law and the Uniform Administrative Procedures Act, Tenn. Code Ann. §§ 4-5-101 *et seq.*, and the Respondent's admission of jurisdiction of the Commissioner, the Commissioner finds that the Respondent, for the purpose of settling this matter, admits the Findings of Fact and Conclusions of Law, and agrees to the entry and execution of this Agreed Order.

IT IS ORDERED, pursuant to Tenn. Code Ann. §§ 48-1-112, 48-1-121, and 56-6-112, that:

1. The Respondent submits to **VOLUNTARY REVOCATION** of his Tennessee insurance producer license number 0806280 and a **BAR** from any future license with the Insurance Division.

2. The Respondent submits to **VOLUNTARY REVOCATION** of any registration with the Securities Division, CRD Number 2928258 and a **BAR** from any future registration with the Securities Division.

3. The Respondents shall **CEASE AND DESIST** from any activities requiring a license under Tenn. Code Ann. § 56-6-103.

4. This Agreed Order represents the complete and final resolution of, and discharge with respect to all administrative and civil, claims, demands, actions, and causes of action by the Commissioner against the Respondent for violations of the Law alleged by or currently known by the Division to have occurred with respect to the transactions involving the above-referenced facts contained herein.

5. This Agreed Order is in the public interest and in the best interests of the parties and represents a compromise and settlement of the controversy between the parties and is for settlement purposes only.

6. By the signature affixed below, the Respondent affirmatively states he has freely agreed to the entry and execution of this Agreed Order, that the Respondent waives the right to a hearing on the matters underlying this Agreed Order or the enforcement of this Agreed Order, and to a review of the Findings of Fact and Conclusions of Law contained herein, and that no threats or promises of any kind have been made to him by the Commissioner, the Division, or any agent or representative thereof.

7. The parties, by signing this Agreed Order, affirmatively state their agreement to be

bound by the terms of this Agreed Order and aver that no promises or offers relating to the circumstances described herein, other than the terms of settlement as set forth in this Agreed Order, are binding upon them.

8. This Agreed Order may be executed in two (2) or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same document. The facsimile, email, or other electronically delivered signatures of the parties shall be deemed to constitute original signatures, and facsimile or electronic copies shall be deemed to constitute duplicate originals.

ENTERED AND EXECUTED July, 25th, 2024

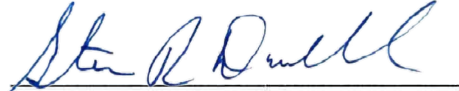


Carter Lawrence (Jul 25, 2024 15:20 CDT)

Carter Lawrence, Commissioner
Department of Commerce and Insurance

This Agreed Order is entered and effective this 30 day of July 2024. Once signed by the Administrative Law Judge presiding over this matter, this matter will be **DISMISSED WITH PREJUDICE** as there are no issues remaining to be resolved.

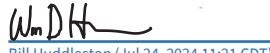
It is so **ORDERED**.



Steve R. Darnell
Administrative Judge
Administrative Procedures Division
Office of the Secretary of State

APPROVED FOR ENTRY AND EXECUTION:

Stephen D. Fry,
Respondent



Bill Huddleston (Jul 24, 2024 11:21 CDT)

Bill Huddleston
Assistant Commissioner for Insurance
Department of Commerce and Insurance



Elizabeth Bowling (Jul 24, 2024 12:18 CDT)

Elizabeth Bowling
Assistant Commissioner for Securities
Department of Commerce and Securities



Courtney A. Smith (Jul 24, 2024 07:42 CDT)

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