

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NORTH CAROLINA
SOUTHERN DIVISION**

**SECURITIES AND EXCHANGE
COMMISSION,**

Plaintiff,

v.

AARON O'BRIAN FREEMAN,

Defendant.

Civil Action File No.

JURY DEMAND

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

Plaintiff Securities and Exchange Commission (the “SEC” or “Commission”) files this Complaint for injunctive and other relief and alleges as follows:

OVERVIEW

1. Between January 2024 and February 2024, Defendant Aaron O’Brian Freeman (“Freeman”), a resident of Lake Waccamaw, North Carolina, engaged in a “free-riding” scheme involving multiple brokerage accounts that he controlled, including ones he opened in the names of two relatives, one of whom is disabled.
2. “Free-riding” schemes involve a brokerage customer trading securities

without having sufficient funds to pay for the trading. Such schemes may include taking advantage of the “immediate access” or “instant deposit” credit extended by certain broker-dealers in advance of incoming fund deposits settling into the brokerage account, and buying and selling securities with the hope of withdrawing trading profits before the broker-dealers discover the deposits to be fraudulent.

3. Freeman engaged in his scheme by making fraudulent deposits and transfers into brokerage accounts from bank or other securities accounts he knew were closed or lacked sufficient funds, and then seeking to immediately trade on or withdraw funds from the brokerage accounts before the recipient broker-dealers discovered that the deposited amounts were fraudulent.

4. In total, Freeman initiated nearly \$3.5 million in unfunded deposits, made securities purchases totaling \$889,087.04 using the immediate credit extended by the broker-dealers, and spent approximately \$4,000 in debit card payments on a debit card received from one of the recipient broker-dealers. Each broker-dealer ultimately discovered the scheme, froze Freeman’s access to the accounts, reversed the deposits, and liquidated the positions. Nevertheless, they suffered a total net loss of at least \$5,463.26.

5. Through his misconduct, Freeman violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder.

6. By this action, the SEC seeks permanent injunctive relief,

disgorgement of ill-gotten gains plus prejudgment interest, and civil penalties.

DEFENDANT AND OTHER RELEVANT PARTIES

7. Defendant **Aaron O'Brian Freeman**, 31, is a resident of Lake Waccamaw, North Carolina. Freeman's known bank accounts during the relevant time period reflected little to no deposits or savings on a month-to-month basis. Upon information and belief, Freeman had no significant source of income during the relevant time period.

8. **Maxnificent Carriers, LLC** ("Maxnificent Carriers") purported to be a North Carolina courier and delivery service organized by Freeman in 2022. Per applications to brokerage firms submitted by Freeman for that entity, Freeman claimed he was earning \$250,000 annually through Maxnificent Carriers. Upon information and belief, the company did not engage in any substantial business activities consistent with that reported income. Following its organization, Maxnificent Carriers failed to file any annual report.

9. **Aunt 1**, age 57, of Lake Waccamaw, North Carolina, is Freeman's disabled aunt who lives with Freeman and Freeman's mother, who is Aunt 1's sister.

10. **Aunt 2**, age 55, of Lake Waccamaw, North Carolina, is another one of Freeman's aunts who lives on the same road as Freeman and Aunt 1.

JURISDICTION AND VENUE

11. The SEC brings 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].

12. Freeman, directly or indirectly, made use of the means and instrumentalities of interstate commerce or of the mails in connection with the acts, transactions, practices, and courses of business alleged in this Complaint, including but not limited to, submitting fraudulent brokerage applications and online deposits via the internet.

13. Venue is proper in this District pursuant to Section 27(a) of the Exchange Act [15 U.S.C. § 78aa(a)]. During the relevant time period, Freeman has been and continues to be a resident of Lake Waccamaw, North Carolina, in Columbus County, North Carolina. A substantial number of the acts, transactions, practices, and courses of business that form the basis of the violations alleged in this Complaint occurred in this District.

Freeman Begins His Initial Free-Riding Efforts Through Brokerage Accounts Opened in His Name in November 2023

14. Freeman's initial free-riding efforts began at least as early as November 2023.

15. Such initial "free-riding" began with Freeman opening personal brokerage accounts in his name.

16. Freeman then submitted a series of bogus deposits and account transfers, totaling \$787,000, to five broker-dealers.

17. On November 3, 2023, Freeman submitted an online application and opened a brokerage account at Broker A on which he claimed an income of more than \$250,000 from his purported delivery business, Maxnificent Carriers, and a net worth between \$500,000 and \$999,999.

18. Freeman then initiated \$140,000 in automated clearinghouse (“ACH”) online deposits from his bank accounts at Bank A and Bank B to Freeman’s new account at Broker A.

19. The two attempted deposits of \$100,000 and \$20,000 from Bank A did not process because Freeman’s account at Bank A, which lacked sufficient funds to cover the deposits, was frozen due to Freeman previously trying to deposit altered checks into the account.

20. As a result, Broker A also did not process Freeman’s attempted \$20,000 deposit from Bank B.

21. Freeman did not purchase any securities in his Broker A account.

22. On November 3, 2023, Freeman opened six accounts in his name at Broker B, using an application on which he listed his annual income as \$100,001 or more and his net worth between \$100,001 and \$500,000.

23. He immediately attempted to make six online electronic fund transfer deposits, totaling \$392,000, into his new brokerage accounts at Broker B.

24. However, Freeman's associated Bank A account again lacked sufficient funds to cover the deposits, and the account had already been frozen by the bank. As a result, Freeman's attempted bogus deposits at Broker B were returned for insufficient funds, and he did not purchase any securities at Broker B in November 2023.

25. On November 11, 2023, Freeman opened a brokerage account at Broker C, submitting an application on which he claimed a pretax annual income of \$465,000 and a liquid net worth of \$500,000.

26. Freeman then attempted to transfer a total of \$51,000 from his two Broker D accounts to Broker C, but Broker C rejected the transfers because Freeman's Broker D accounts, opened ten days earlier on November 1, 2023, lacked funds to cover the transfers.

27. As a result, Freeman did not purchase any securities at Broker C in November 2023.

28. Subsequently, on December 1, 2023, Freeman opened a second account at Broker C.

29. He then attempted to deposit into his account at Broker C a \$35,000 ACH deposit from his account at Broker E, which Freeman had opened on or around November 20, 2023.

30. However, Broker C rejected Freeman's attempted \$35,000 deposit from Broker E because Broker C already had flagged Freeman's name for potential fraud.

31. Freeman did not purchase any securities at Broker C in December 2023.

32. On November 27, 2023, Freeman attempted an ACH deposit of \$50,000 from his Bank C account to a brokerage account at Broker F that Freeman applied to open on November 26, 2023.

33. However, Freeman's account at Bank C was unfunded and the attempted deposit was returned. Freeman did not purchase any securities in his Broker F account in November 2023.

34. Similarly, between November 28 and November 29, 2023, Freeman attempted a mobile deposit of four paper checks totaling \$89,000 from his Bank C account into two of his brokerage accounts at Broker E.

35. Freeman also sought to deposit a \$30,000 paper check from his account at Bank D, into one of his Broker E accounts.

36. However, all of Freeman’s attempted deposits at Broker E were returned because his Bank C and Bank D accounts lacked sufficient funds to cover the deposits.

37. Freeman did not purchase any securities in his Broker E accounts in November 2023 or December 2023.

38. The following chart summarizes Freeman’s fraudulent 2023 deposits:

<u>Customer Name</u>	<u>Broker-Dealer</u>	<u>Time Period</u>	<u>Total Deposits Rejected</u>	<u>Bank Balance at Time of Deposits</u>	<u>Security Purchases After Deposits</u>	<u>Net Trading Gain/(Loss)</u>
Freeman	Broker A	Nov. 2023	\$140,000	\$0	None	None
Freeman	Broker B	Nov. 2023	\$392,000	\$0	None	None
Freeman	Broker C	Nov. 2023	\$86,000	\$0	None	None
Freeman	Broker E	Nov. 2023	\$119,000	\$0	None	None
Freeman	Broker F	Nov. 2023	\$50,000	\$0	None	None
Totals:			\$787,000		None	None

Freeman’s Free-Riding Efforts in Early 2024 Expand to Include Accounts in the Names of His Two Aunts

39. Between January 10 and January 12, 2024, Freeman opened two new Merrill Lynch brokerage accounts in the name of Aunt 1, the 57-year-old disabled aunt who lives with Freeman and Freeman’s mother.

40. The accounts in the name of Aunt 1 were opened using the same phone number that Freeman had previously provided to open brokerage accounts in his name at Broker F and later Broker G, and for a subsequent job application at the pork-processing facility where he now works. The applications for the accounts in the name of Aunt 1 also included orders for checkbooks which were mailed to the house where Aunt 1 lives with Freeman, who also had ordered checks for his own Broker F brokerage account when he applied to open the account in November 2023.

41. Mobile check deposits signed by Freeman were then submitted for deposit into Aunt 1's two, newly-created Broker E accounts, consisting of three checks totaling \$74,000 written from Freeman's Bank C bank account, and another check totaling \$5,000 from Freeman's Bank D account.

42. All of the deposits into Aunt 1's accounts were returned because Freeman's bank accounts were either closed or lacked funds to cover the deposits; no securities were purchased in those two Broker E accounts.

43. On January 13, 2024, Freeman opened two new Broker B brokerage accounts, applying for joint accounts under his name and the name of Aunt 1.

44. The application once again listed a phone number for Aunt 1 that was identical to the number that Freeman used to open his other brokerage accounts and on his job application at the pork-processing facility.

45. The Broker B application also listed Aunt 1 as a driver who was employed by Freeman's delivery company, Maxnificent Carriers, despite Aunt 1 being disabled and unemployed during the relevant time period.

46. On January 18, 2024, Broker B approved the joint accounts, and Freeman wrote two \$100,000 checks from his brokerage account at Broker E to Aunt 1 as payee. These checks were then deposited at Broker B with one going into each of the joint brokerage accounts.

47. Both checks were later returned for insufficient funds on January 18, 2024 because Freeman's brokerage account at Broker E was closed. However, the immediate access credit provided by Broker B was used by Freeman to purchase a total of \$35,542.33 in securities in one of Freeman and Aunt 1's joint accounts at Broker B. Before Freeman's deposit was returned, however, he sold the positions in the joint account for a net loss, resulting in a net debit balance of \$769.20.

48. On January 13, 2024, Freeman opened four new brokerage accounts opened solely in Aunt 1's name at Broker B (the "Aunt 1 Broker B Accounts"). In connection with the account openings, paperwork was submitted to Broker B providing permission, purportedly by Aunt 1 through an electronic signature, for Freeman to serve as Aunt 1's agent.

49. Between January 16 and January 22, 2024, Freeman deposited into four of the Aunt 1 Broker B Accounts a total of \$1,974,000 in checks written from

Freeman's closed brokerage account at Broker E. Before the checks reversed, Freeman used Broker B's immediate access credit for those accounts to buy a total of \$336,913.37 in securities, including the stock of several of the same companies that one of the Freeman and Aunt 1 joint accounts had also bought.

50. One of the Aunt 1 Broker B Accounts came with a debit card, which was able to be used for transactions based on: (i) the then-pending bogus deposits made between January 16 and January 22, 2024, consisting of checks written by Freeman to Aunt 1 totaling \$390,000 for that account, and (ii) subsequent trading profits made through free-riding transactions in the other Aunt 1 Broker B Accounts.

51. Between January 17 and January 22, 2024, while Freeman was serving as "agent" to the Aunt 1 Broker B Accounts, the debit card in Aunt 1's name was used to make \$1,506 in ATM cash withdrawals, including fees, as well as \$2,667.10 in purchases. The debit card transactions included utility payments for a phone, a Roku Channel television bill, an electricity account, and restaurant and shopping charges, including \$236.13 at a body piercing studio and \$657.45 at a motorsports store.

52. To pay off the debit card balance at the end of January 2024, Freeman transferred \$4,173.10 in free-riding profits made in the other Aunt 1 Broker B Accounts to Aunt 1's account with the debit card. Those transfers left the debit

card balance at \$0 but, in combination with other net trading losses, resulted in Aunt 1's overall portfolio for the other Aunt 1 Broker B Accounts holding a collective debit balance of \$3,992.50, which remains unpaid.

53. On January 24, 2024, Freeman opened two new brokerage accounts at Broker A in Aunt 1's name, again using applications listing Aunt 1 as a driver for Maxnificent Carriers and listing the phone number Freeman used for his own accounts and personal employment. The Broker A application also falsely stated Aunt 1 had an income of more than \$250,000 and a net worth between \$250,000 and \$499,999. One account was linked to a Broker E brokerage account in Aunt 1's name, while the other account was linked to a Bank C account in Freeman's name.

54. Freeman signed and deposited two checks totaling \$100,000 into the new Broker A accounts in Aunt 1's name; however, the checks were returned for insufficient funds because Freeman had written them from his closed brokerage accounts at Broker E.

55. Also, on January 24, 2024, two transfers were attempted from Aunt 1's Broker B Accounts to her new Broker A accounts, but both attempts—totaling \$130,000—failed because of a lack of funds in those accounts. No securities were ever purchased in Aunt 1's accounts at Broker A.

56. On January 25, 2024, Freeman opened two new accounts at Broker B in the name of Aunt 2 - Freeman's other aunt - a 55-year-old who lived on the same street with other family members in Lake Waccamaw, North Carolina.

57. Similar to the applications for the Aunt 1 accounts, the new applications for the two accounts in Aunt 2's name contained the phone number and email address that Freeman used for his own brokerage accounts and on his work application at the pork-processing facility.

58. On the same day the accounts opened at Broker B, two checks totaling \$200,000 were written from Aunt 1's account at Broker E to Aunt 2 and deposited into Aunt 2's accounts at Broker B. However, those checks were returned because Aunt 1's account at Broker E had been closed. No securities were purchased in Aunt 2's accounts at Broker B.

59. On February 2, 2024, Freeman opened two brokerage accounts in his name at Broker G. On one application, Freeman claimed more than \$250,000 in assets and a net worth between \$250,00 and \$500,000, while claiming on the other application that his net worth was between \$500,00 and \$1 million.

60. Between February 7 and February 12, 2024, Freeman deposited checks totaling \$1,399,000 into his Broker G accounts. All of the checks were returned for insufficient funds between February 7 and 14, 2024, because they

were written from closed brokerage accounts at Broker E either in the name of Freeman or Aunt 1.

61. Before the checks were returned, however, Freeman was able to use the immediate access credit provided by Broker G to buy a total of \$516,631.34 in securities. Although Broker G cancelled the purchases after the deposits reversed, Freeman’s accounts incurred net losses totaling \$701.56 that Freeman did not pay.

62. The following chart summarizes the activity in 2024 in the accounts held in the names of Freeman, Aunt 1, and Aunt 2, as well as the joint accounts of Freeman and Aunt 1:

<u>Customer Name(s)</u>	<u>Broker-Dealer</u>	<u>Time Period</u>	<u>Total Deposits Rejected</u>	<u>Bank Balance at Time of Deposits</u>	<u>Security Purchases After Deposits</u>	<u>Net Trading Gain/(Loss)</u>
Aunt 1	Broker E	Jan. 2024	\$79,000	\$0	None	None
Freeman/Aunt 1 (joint)	Broker B	Jan. 2024	\$200,000	\$0	\$35,542.33	-\$769.20
Aunt 1 (Freeman as Agent)	Broker B	Jan. 2024	\$1,974,000	\$0	\$336,913.37	-\$3,992.50
Aunt 1	Broker A	Jan. 2024	\$230,000	\$0	None	None
Freeman	Broker G	Feb. 2024	\$1,399,000	\$0	\$516,631.34	-\$701.56
Aunt 2	Broker B	Jan. 2024	\$200,000	\$0	None	None
Totals:			\$4,082,000		\$889,087.04	-\$5,463.26

COUNT I- FRAUD

(Violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder)

63. The SEC re-alleges and incorporates by reference Paragraph Nos. 1 through 62.

64. Freeman, by engaging in the conduct described above, directly or indirectly, in connection with the purchase or sale of securities, by use of means or instrumentalities of interstate commerce, or of the mails, and acting with scienter:

- 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 the light of the circumstances under which they were made, not misleading; and
- c. Engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons, including purchasers of securities.

65. By reason of the foregoing, Freeman violated, and unless restrained and 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 prays for:

I.

Findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure, finding that Defendant committed the violations alleged.

II.

An order permanently restraining and enjoining Defendant, and his officers, agents, servants, employees, and attorneys from the violations alleged herein.

III.

An order, pursuant to Sections 21(d)(1) and 21(d)(5) of the Exchange Act [15 U.S.C. §§ 78u(d)(1), (3)], that permanently enjoins Defendant from 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.

An order of disgorgement of all ill-gotten gains received by Defendant as a result of his unlawful conduct plus prejudgment interest thereon pursuant to Sections 21(d)(3), 21(d)(5), and 21(d)(7) of the Exchange Act [15 U.S.C. §§ 78u(d)(3), 78u(d)(5), and 78u(d)(7)].

V.

An order for Defendant to pay a civil monetary penalty pursuant to Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)].

VI.

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

VII.

Grant such other and further relief as this Court may determine to be just, equitable, and necessary.

JURY TRIAL DEMAND

The SEC hereby demands a trial by jury on all issues triable of right.

Dated: September 19, 2025

Respectfully submitted,

/s/ Paul Kim

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