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**UNITED STATES DISTRICT COURT**  
**SOUTHERN DISTRICT OF CALIFORNIA**

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

vs.

JOHN N. MATSON and SOUTH BAY  
ACQUISITIONS, LLC,

Defendants.

Case No. '24CV1342 H KSC

**COMPLAINT**

**JURY TRIAL DEMAND**

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

**SUMMARY**

1. This matter involves a Ponzi scheme and misappropriation of client assets by defendant John Matson (“Matson”), a former registered representative and associated person of a dually registered broker-dealer and investment adviser firm,

1 and his company, South Bay Acquisitions, LLC (“South Bay”), based in Manhattan  
2 Beach, California (collectively “Defendants”).

3  
4 2. Between January 2012 and September 2021, Matson sold securities with  
5 a face value of \$1,560,000 issued by South Bay to five investors (collectively “the  
6 investors”), raising approximately \$1,535,000. The securities, which were denoted  
7 “LLC Bonds” and were functionally promissory notes, included language stating that  
8 the Defendants would manage the proceeds as fiduciaries and promising 12 to 20%  
9 interest.  
10

11  
12 3. Despite his obligation to act as a fiduciary, and without disclosure to  
13 investors, Matson immediately and consistently transferred money from South Bay or  
14 otherwise diverted South Bay funds (including some South Bay funds earned from  
15 another source) to his personal account, in transactions totaling approximately  
16 \$1,566,250 through July 2023, where it was used for personal expenses. He also used  
17 investor funds to pay promised returns to earlier investors.  
18

### 19 VIOLATIONS

20  
21 4. Defendants South Bay and Matson have engaged in acts and practices  
22 that violated Sections 17(a)(1), 17(a)(2) and 17(a)(3) of the Securities Act of 1933  
23 (“Securities Act”) [15 U.S.C. §§ 77q(a)(1), 77q(a)(2) and 77q(a)(3)]; Section 10(b) of  
24 the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)] and Rule  
25 10b-5 thereunder [17 C.F.R. § 240.10b-5].  
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3 **JURISDICTION AND VENUE**

4 5. The SEC brings this action pursuant to authority conferred upon it by  
5 Sections 20(b) and 20(d) of the Securities Act [15 U.S.C. §§ 77t(b) and 77t(d)], and  
6 Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d) and 78(u)(e)], to  
7  
8 enjoin the defendants from engaging in the transactions, acts, practices, and courses of  
9 business alleged in this complaint, and transactions, acts, practices, and courses of  
10 business of similar purport and object, for civil penalties and for other equitable relief.

11  
12 6. This Court has jurisdiction over this action pursuant to Section 22(a) of  
13 the Securities Act [15 U.S.C. § 77v(a)], and Sections 21(d), 21(e) and 27 of the  
14 Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa].

15  
16 7. Venue is proper in this District because defendant Matson resides within  
17 this District.

18  
19 8. In connection with the conduct described in this Complaint, Defendants  
20 directly or indirectly made use of the mails, the means and instrumentalities of  
21 interstate commerce, or the means or instruments of transportation or communication  
22 in interstate commerce. Among other things, Defendants used the wires and the  
23 facilities of interstate banks and brokerage firms to move and hold funds obtained  
24 pursuant to the scheme, and used telephones to communicate with investors.  
25

26  
27 9. Defendants, unless restrained and enjoined by this Court, will continue to  
28 engage in the acts, practices, and courses of business alleged in the complaint, and in

1 transactions, acts, and courses of business of similar purport and object.

2 **DEFENDANTS**

3  
4 10. **John N. Matson**, age 67, is a resident of San Diego, California. From  
5 March 2007 to July 2015 and from November 2017 to December 2022, Matson was a  
6 registered representative and investment adviser representative of a dually-registered  
7 broker-dealer and investment adviser, BD-1. From June 2015 through November  
8 2017, Matson was a registered representative and investment adviser representative  
9 of another broker-dealer, BD-2. FINRA barred him from association with any  
10 FINRA member firm in late 2022 in connection with his conduct described herein.  
11

12  
13 11. **South Bay Acquisitions, LLC** is a limited liability company organized  
14 in California with its principal place of business in Manhattan Beach, California.  
15 South Bay is not registered with the Commission in any capacity.  
16

17 **VIOLATIVE CONDUCT**

18  
19 12. In November 2011, while working for BD-1, Matson organized South  
20 Bay with his wife. The purpose of the entity was to seek out investment opportunities  
21 including investments in private companies, real estate, and lending.  
22

23 13. Shortly after forming South Bay, Matson solicited a customer  
24 (Customer-A) of BD-1 to invest with South Bay as a higher-yield alternative, denoted  
25 an “LLC Bond,” to the options available at BD-1.  
26

27 14. In January 2012, Customer-A invested \$395,000 in South Bay pursuant  
28 to a \$400,000 subscription agreement for an LLC Bond. The agreement provided for

1 15% annual non-compound interest paid monthly for a period of ten years and  
2 principal to be returned on the last day of the term. According to the terms of the  
3 agreement, the investment proceeds could be used for various investments, and South  
4 Bay represented that it would manage the funds as a fiduciary.  
5

6 15. Despite Matson's fiduciary responsibility, the investor's funds were not  
7 invested in any securities. Instead, within nine days, Matson caused South Bay to  
8 transfer \$35,000 to Matson's personal account. Matson used investor funds to make  
9 payments back to the investor and to transfer \$5,000 to Matson's account monthly  
10 until April 13, 2012, when South Bay invested \$100,000 in its only documented  
11 investment.  
12  
13

14 16. Customer-A reinvested her principal and invested an additional  
15 \$200,000 in South Bay in September 2021 in exchange for \$3,500 in monthly  
16 payments, renewable annually.  
17

18 17. Matson sold five more South Bay, LLC bond subscription agreements to  
19 four other investors, some of which were customers of BD-1, based on similar  
20 representations.  
21

22 18. Customer-B invested \$280,000 in exchange for a five-year, 20 percent  
23 interest \$300,000 subscription agreement in August 2013.  
24

25 19. Customer-C invested \$180,000 in two transactions: \$80,000 in  
26 November 2014 and \$100,000 in January 2015 each for five years with 15 percent  
27 interest.  
28

1           20. A couple, collectively Customer-D, invested \$180,000 for a five-year  
2 agreement at 15 percent interest in May 2015.

3  
4           21. Customer-E invested \$300,000 in a five-year agreement at 12 percent  
5 interest in February 2019.

6           22. In total, Matson solicited and raised \$1,535,000 for SBA in exchange  
7 for \$1,560,000 in subscription agreements between January 2012 and September  
8 2021. The representations regarding the use of proceeds, i.e. that funds could be used  
9 to make various investments, and that investor funds would be managed as a  
10 fiduciary, were consistent across every agreement.  
11  
12

13           23. Matson understood throughout the scheme that a fiduciary was required  
14 to do what was in the best interest of his clients.  
15

16           24. On information and belief, South Bay conducted virtually no business  
17 and only made one investment—a \$100,000 investment in a private company for  
18 50,000 shares in April 2012. South Bay subsequently sold 10,000 shares of its  
19 investment in May 2018 for \$250,000 and another 20,000 shares in April 2020 for  
20 \$400,000. South Bay still holds 20,000 shares of the private company.  
21

22           25. After April 2012, South Bay continued to make payments to investors  
23 and frequently transferred investor funds to Matson’s account until September 2022  
24 when the account had insufficient funds to make payments owed to investors.  
25

26           26. In November 2014, February 2019 and November 2021, South Bay had  
27 insufficient funds to make required payments and redemptions until new investor  
28

1 money was received. Whenever the South Bay account had sufficient funds, Matson  
2 frequently transferred money to his personal account.

3  
4 27. In addition to using new investor funds to make monthly payments to  
5 other investors, Matson also diverted \$950,000 intended for the South Bay account to  
6 his personal account, including investment proceeds from South Bay's sole  
7 documented investment. In total, Matson received approximately \$1,566,250 in  
8 funds from Customers A-E from South Bay or in diverted South Bay funds. Matson  
9 did not disclose to the customers the material fact that he had used their funds to  
10 transfer funds to himself or that investor funds would be used to repay other investors  
11 at any time.  
12

13  
14 28. Despite his fiduciary responsibility, upon information and belief, Matson  
15 did not pay interest on the funds received and did not disclose the material fact of his  
16 self-dealing to the investors.  
17

18  
19 29. Beginning in 2016, after South Bay experienced near defaults in its  
20 ability to make required periodic payments to the Customers, Matson made deposits  
21 into South Bay which totaled approximately \$1,468,100 through mid-2023, or  
22 approximately \$98,000 less than he had received from investors. The sources of  
23 these funds were personal loans from family, financing, and his own retirement  
24 assets.  
25

26  
27 30. By September 2022, South Bay began to default on payments. South  
28 Bay then unilaterally reduced the payment amounts and provided no defined timeline

1 for the return of principal to the remaining investors.

2 31. As of May 2023, one investor has not received payments equal to her  
3 principal investment and another's second investment remains underpaid. These  
4 investors have been harmed by losing approximately \$280,000 in principal. No  
5 investor has received a return of their principal and the interest they were promised.  
6

7  
8 **COUNT I—FRAUD**

9 **Violations of Section 17(a)(1) of the Securities Act**  
10 **[15 U.S.C. § 77q(a)(1)]**

11 32. Paragraphs 1 through 31 are hereby re-alleged and are incorporated  
12 herein by reference.  
13

14 33. From at least 2012 to the present, Defendants, in the offer and sale of the  
15 securities described herein, by the use of means and instruments of transportation and  
16 communication in interstate commerce and by use of the mails, directly and  
17 indirectly, employed devices, schemes and artifices to defraud purchasers of such  
18 securities, all as more particularly described above.  
19

20 34. While engaging in the course of conduct described above, Defendants  
21 acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a  
22 severe reckless disregard for the truth.  
23

24 35. By reason of the foregoing, Defendants, directly and indirectly, have  
25 violated and, unless enjoined, will continue to violate Section 17(a)(1) of the  
26 Securities Act [15 U.S.C. § 77q(a)(1)].  
27  
28

**COUNT II—FRAUD**

**Violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act**  
**[15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)]**

36. Paragraphs 1 through 31 are hereby re-alleged and are incorporated herein by reference.

37. From at least 2012 to the present, Defendants, in the offer and sale of the securities described herein, by use of means and instruments of transportation and communication in interstate commerce and of the mails, directly and indirectly:

a. obtained money and property by means of untrue statements of material fact and omissions 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

b. engaged in transactions, practices and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities,

all as more particularly described above.

38. By reason of the foregoing, Defendants directly and indirectly, have violated and unless enjoined, will continue to violate Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)].

**COUNT III—FRAUD**

**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]**

39. Paragraphs 1 through 31 are hereby re-alleged and are incorporated herein by reference.

40. From at least 2012 to the present, Defendants, in connection with the purchase and sale of securities described herein, by the use of the means and instrumentalities of interstate commerce and by use of the mails, directly and indirectly:

- a. employed devices, schemes, and artifices to defraud;
- b. made untrue statements of material facts and 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, and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities,

all as more particularly described above.

41. In engaging in such conduct, Defendants acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.



1 IV.

2 Ordering Defendants to disgorge their ill-gotten gains, together with  
3  
4 prejudgment interest.

5 V.

6 Ordering Defendants to pay civil penalties pursuant to Section 20(d) of the  
7 Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15  
8 U.S.C. § 78u(d)(3)].  
9

10 VI.

11 Retaining jurisdiction over this action to implement and carry out the terms of  
12 all orders and decrees that may be entered, or to entertain any suitable application or  
13  
14 motion for additional relief within the jurisdiction of this Court.  
15

16 VII.

17 Granting such other and further relief as this Court deems just and appropriate.  
18

19 **JURY TRIAL DEMAND**

20 The Commission hereby demands a jury trial as to all issues so triable.  
21

22 This 30th day of July, 2024.

23 Respectfully submitted,

24 */s/ William P. Hicks*

25 \_\_\_\_\_  
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