

1 LYNN M. DEAN (Cal. Bar No. 205562)  
Email: DeanL@sec.gov  
2 PATRICIA PEI (Cal. Bar No. 274957)  
Email: PeiP@sec.gov

3 Attorneys for Plaintiff  
4 Securities and Exchange Commission  
Michele Wein Layne, Regional Director  
5 Alka N. Patel, Associate Regional Director  
Amy J. Longo, Regional Trial Counsel  
6 444 S. Flower Street, Suite 900  
Los Angeles, California 90071  
7 Telephone: (323) 965-3998  
Facsimile: (213) 443-1904

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

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12  
13 **SECURITIES AND EXCHANGE**  
**COMMISSION,**

14 Plaintiff,

15 vs.

16  
17 **NL TECHNOLOGY, LLC,**  
**JONNY NGO, and DONATO BACA,**  
18 **JR.,**

19 Defendants.

Case No.

**COMPLAINT**

20  
21 Plaintiff Securities and Exchange Commission (“SEC”) alleges:

22 **SUMMARY**

23 1. Over a four-year period from 2013 to 2017, defendants Jonny Ngo and  
24 Donato “Mick” Baca, Jr. raised more than \$61 million from over 350 investors,  
25 falsely telling them their monies would be used to fund defendant NL Technology,  
26 LLC’s wholesale electronics import business, by purchasing bulk electronics abroad  
27 for resale in the United States. Defendants promised returns of 5% to 15% over  
28

1 periods as short as two weeks to 45 days, assuring investors their monies would be  
2 secured by collateral interests in receivables and other property.

3 2. In reality, NL Technology engaged in little to no actual wholesale import  
4 business activity. Rather, Ngo and Baca converted virtually all of the investors'  
5 monies, using them to make Ponzi payments to prior investors and to fund Ngo's and  
6 Baca's extravagant lifestyles—including purchasing lavish personal items such as  
7 luxury cars, watches, and homes, and spending the money at casinos. To conceal  
8 their fraud, Ngo fabricated bank statements and financial records, forged checks and  
9 invoices, created phony email addresses, and even impersonated third parties with  
10 whom NL Technology was supposedly doing business.

11 3. As their scheme fell apart beginning in April 2017, Ngo and Baca  
12 stopped making payments to most investors, giving a litany of false excuses for why  
13 the payments had ceased, while encouraging investors to put in more money. When a  
14 major investor uncovered the fraud in mid-May, Baca immediately disavowed  
15 knowledge of the scheme, but concealed the information from other investors.  
16 Instead, Baca told investors who contacted him to continue investing directly with  
17 Ngo, who himself continued to raise money for NL Technology through July 2017.

18 4. By engaging in this conduct, Defendants committed violations of  
19 Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933 ("Securities Act") and  
20 Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule  
21 10b-5 thereunder. The SEC seeks permanent injunctions, disgorgement with  
22 prejudgment interest, and civil penalties against all three Defendants.

### 23 JURISDICTION AND VENUE

24 5. The Court has jurisdiction over this action pursuant to Sections 20(b),  
25 20(d)(1) and 22(a) of the Securities Act, 15 U.S.C. §§ 77t(b), 77t(d)(1) & 77v(a), and  
26 Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27(a) of the Exchange Act, 15 U.S.C.  
27 §§ 78u(d)(1), 78u(d)(3)(A), 78u(e) & 78aa(a).

28 6. Defendants have, directly or indirectly, made use of the means or

1 instrumentalities of interstate commerce, of the mails, or of the facilities of a national  
2 securities exchange in connection with the transactions, acts, practices and courses of  
3 business alleged in this complaint.

4 7. Venue is proper in this district pursuant to Section 22(a) of the Securities  
5 Act, 15 U.S.C. § 77v(a), and Section 27(a) of the Exchange Act, 15 U.S.C. § 78aa(a),  
6 because certain of the transactions, acts, practices and courses of conduct constituting  
7 violations of the federal securities laws occurred within this district. In addition,  
8 venue is proper in this district because defendant NL Technology has its principal  
9 place of business in this district and defendants Ngo and Baca reside in this district.

#### 10 THE DEFENDANTS

11 8. **NL Technology, LLC** is a California limited liability company  
12 headquartered in San Diego, California, that was in operation from approximately  
13 mid-2011 until February 2018. During the relevant period, the company had a  
14 storefront location in San Diego, offering cell phone and computer repairs; it also  
15 purported to import wholesale electronic and technology-related products for resale in  
16 the United States. NL Technology has never registered an offering of securities  
17 under the Securities Act or a class of securities under the Exchange Act.

18 9. **Jonny Ngo**, age 32, is a resident of San Diego, California. Ngo is the  
19 owner and president of NL Technology. Ngo holds no securities licenses, and has  
20 never been registered with the SEC in any capacity.

21 10. **Donato “Mick” Baca, Jr.**, age 36, is a resident of San Diego,  
22 California. Baca is the sole proprietor of MR Media Inc. (“MR Media”), an internet  
23 marketing company. Beginning in late 2013 and continuing through at least early  
24 2017, Baca held himself out at various times as the chief executive officer, president,  
25 co-owner, co-founder, and/or partner of NL Technology. Baca holds no securities  
26 licenses, and has never been registered with the SEC in any capacity.

1 **THE ALLEGATIONS**

2 **A. Ngo's Solicitation and Acceptance of Investors' Funds**

3 11. Beginning in 2013 through as late as July 2017, Ngo solicited and  
4 accepted at least \$61.5 million from at least 350 individuals, purportedly to invest in  
5 NL Technology's wholesale electronics business.

6 12. Ngo told investors orally and in writing that their monies would be used  
7 to fund purchase orders of electronic parts and goods, such as iPhone screens and  
8 drones, which NL Technology claimed to have purchased in bulk from an overseas  
9 supplier and sold at a substantial markup in the United States.

10 13. NL Technology's investment terms were typically two weeks to 45 days  
11 in duration, with promised returns typically between 5% and 15%.

12 14. Once investors agreed to invest in NL Technology, Ngo provided them  
13 with substantially identical investment contracts to sign. The contracts purported to  
14 be between the investor and "Jonny Ngo, [an] individual who also does business as  
15 NL Technology," with a signature line for "Jonny Ngo, individually, and as  
16 proprietor of NL Technology."

17 15. The investment contracts represented, among other things, that:

18 (a) Ngo, who was in the business of purchasing electronic goods at  
19 wholesale and reselling them, was "in need of additional capital in order to receive  
20 bulk pricing" on "commercial lots" of these items;

21 (b) Ngo would use the investor funds to place the orders for these  
22 lots;

23 (c) The investor, in exchange, would receive a "participation interest  
24 in the profits derived" from those orders;

25 (d) The investor funds would be deposited "in a business checking  
26 account used by [Ngo] for business purposes," and "w[ould] not be used for any  
27 purpose other than to place the [wholesale orders];" and,

28 (e) The investor received a "security interest" in various assets,

1 including NL Technology's accounts receivable, Ngo's personal automobile, and  
2 the company itself.

3 16. After signing the investment contracts, investors transferred money to  
4 Ngo via check, wire transfer, or cash.

5 17. Most of the investor funds were pooled and deposited directly into a  
6 bank account in NL Technology's name; occasionally, funds were also deposited  
7 directly into Ngo's personal account.

8 18. Payments were made to investors from these same accounts, either by  
9 check, wire transfer, or cash.

10 19. Although all of the investments were marketed as short-term, many of  
11 the investors chose to continuously "roll" their investments forward into new  
12 contracts, rather than taking delivery of the principal owed at the end of the  
13 investment period.

14 20. By the end of July 2017, the bank accounts associated with Ngo and NL  
15 Technology were depleted.

16 **B. Baca's Solicitation and Acceptance of Investors' Funds**

17 21. In or about late 2013, certain NL Technology investors (the "second-tier  
18 investors") began recruiting and managing other NL Technology investors.

19 22. These second-tier investors would provide prospective investors with the  
20 same form investment contract, signed by Ngo on behalf of NL Technology, and  
21 would facilitate the transfers of money to and from Ngo.

22 23. Baca initially became involved with NL Technology as a second-tier  
23 investor, describing himself to prospective investors in October 2013 as "simply an  
24 investor who has helped gather investors."

25 24. By as early as December 2013, however, Baca began routinely  
26 representing himself to prospective and actual investors as, at varying times, a "co-  
27 owner," "president," "CEO," "partner," and "founder" of NL Technology, and as  
28 someone closely involved in "run[ning] all facets" of the business—often copying

1 Ngo on his communications to investors.

2 25. In addition to reiterating the same representations Ngo was making  
3 about NL Technology's business and the nature of the investment, Baca regularly  
4 provided updates about NL Technology's operations in emails to investors or via  
5 public posts on social media.

6 26. For example, in or about January 2015, Baca posted on Facebook that  
7 NL Technology "now has its drones being sold inside of Electronic Fry's," a major  
8 electronics retailer. Similarly, in or about January 2017, Baca sent an email to an  
9 acquaintance whose brother and mother were both investors, stating that NL  
10 Technology was "on pace for over 60 million in sales in 2016."

11 27. Ngo at times provided Baca drafts of investor communications, and  
12 asked Baca to improve the drafts, before showing them to prospective investors.

13 28. Baca himself created presentations describing the NL Technology  
14 business and investment model to show to investors.

15 29. Baca also issued some investment contracts to investors himself,  
16 revising them to reflect new dates and terms and reusing Ngo's electronic signature.

17 30. Baca was also directly involved in transfers of money to and from NL  
18 Technology investors.

19 31. Typically, Baca directed the investors he recruited to write checks or  
20 wire funds directly to NL Technology.

21 32. Between January 2016 and February 2017, however, Baca personally  
22 accepted seven different transfers of funds from investors, totaling \$310,000.

23 33. Baca deposited these funds into either his personal account or an account  
24 under the name of his sole proprietorship, MR Media.

25 34. Baca also made a number of payments to NL Technology investors out  
26 of these same accounts.

27 35. Baca further led investors to believe that the safety and performance of  
28 the NL Technology investments were directly linked to his own financial standing.

1           36. When soliciting investors for NL Technology, Baca provided a letter,  
2 purportedly signed by an accounting professional, attesting to Baca's personal  
3 ownership of liquid assets of over \$1.7 million, along with a copy of his driver's  
4 license; once the investor agreed to invest, Baca added his own automobile as  
5 collateral in the investment contracts.

6           **C. Defendants' Misappropriation of Investors' Funds**

7           37. Between January 2015 and May 2017, NL Technology received  
8 transfers from investors totaling approximately \$61.5 million.

9           38. Ngo was the sole signatory on the NL Technology and his own bank  
10 accounts, and thus the only person able to authorize disbursements and withdrawals  
11 from these accounts.

12           39. Between January 2016 and February 2017, investors transferred an  
13 additional \$310,000 to accounts under Baca's sole control, for investment in NL  
14 Technology.

15           40. Defendants misappropriated investor funds from the accounts controlled  
16 by Ngo and Baca into which investor funds flowed.

17           41. Defendants made materially false and misleading statements regarding  
18 their use of investor funds, to entice investors to invest in NL Technology and to  
19 dissuade investors from withdrawing their money.

20           42. Financial records of the known accounts associated with NL  
21 Technology, Ngo, and Baca do not reflect more than *de minimis* financial activity  
22 relating to the wholesale import of electronics.

23           43. Rather, financial records of the known accounts associated with NL  
24 Technology, Ngo, and Baca indicate that nearly all of the funds raised from investors  
25 were spent in one of the three following ways:

26           **1. Ponzi payments made with investors' monies**

27           44. The majority of NL Technology's investor funds were used to repay  
28 other investors. About \$52 million—or around 85% of the investor money raised—

1 was returned to investors directly from an NL Technology bank account via check,  
2 wire transfer, or intra-bank transfer.

3 45. Payments to investors comprised approximately 3,800 separate  
4 transactions between January 2015 and May 2017 alone.

5 46. NL Technology, Ngo, and Baca each made Ponzi payments to investors  
6 out of accounts under their control, for the purpose of creating the false impression  
7 that NL Technology was successfully conducting a wholesale electronics business.

8 47. As a result of these Ponzi payments, many investors were convinced to  
9 reinvest with NL Technology, and many recommended the investment to family and  
10 friends, who also invested, thereby perpetuating the scheme.

## 11 **2. Payments made to Baca with investors' monies**

12 48. Baca personally misappropriated at least \$4.7 million of investor funds,  
13 including:

14 (a) Baca received direct payments totaling \$5.3 million to either his  
15 personal account or to an account in the name of MR Media, over which he had  
16 sole control;

17 (b) An additional \$57,000 in payments were purportedly made on  
18 Baca's behalf to outside entities, including \$20,000 wired to an auto dealership and  
19 designated for a Maserati under Baca's name; and

20 (c) Baca also deposited the \$310,000 he raised from NL Technology  
21 investors between January 2016 and February 2017 into his own accounts.

22 49. Although some of these funds were later used to make payments to  
23 investors or back to NL Technology, Baca spent a majority of the funds on personal  
24 expenses, including rent, luxury watches, payments on personal credit cards, and a  
25 down payment on a \$3.5 million home.

## 26 **3. Payments for Ngo's personal expenses**

27 50. Ngo spent most of the remaining funds in the NL Technology accounts  
28 on a variety of personal expenses, including various luxury cars, car-related