

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA**

CASE NO.

SECURITIES AND)
EXCHANGE COMMISSION,)
)
Plaintiff,)
v.)
)
MATTHEW A. CONNOR,)
)
Defendant.)
_____)

COMPLAINT

Plaintiff Securities and Exchange Commission alleges as follows:

I. INTRODUCTION

1. From at least December 2009 through January 2010, Defendant Matthew A. Connor engaged in a fraudulent market manipulation scheme involving the stock of KCM Holdings Corp.

2. Connor's friend and business associate, Donald Klein, paid a bribe to a purported corrupt broker, who was a friend and business associate of a middleman, to induce the purchase of shares of KCM Holdings in the open market.

3. Connor, who assisted KCM Holdings and Klein in their business dealings, agreed to assist the corrupt broker in handling matched trades of KCM Holdings stock and in coordinating press releases to help mask the fraud.

4. In addition, Connor helped coordinate the payment of a bribe to the corrupt broker.

5. Unbeknownst to Connor, the corrupt broker was a creation of the FBI, and the middleman was a witness cooperating with the FBI.

6. Connor engaged in this scheme in an effort to generate the appearance of market interest in KCM Holdings, induce public purchases of the stock, and artificially increase its trading price and volume.

7. Based upon the allegations in this Complaint, Connor violated Section 17(a)(1) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. § 77q(a)(1) and Section 10(b) and Rule 10b-5(a) and (c) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5(a) and (c). Unless restrained and enjoined, he is reasonably likely to continue to violate the securities laws.

8. The Commission respectfully requests that the Court enter: (a) a permanent injunction restraining and enjoining Connor from violating the federal securities laws; (b) an order directing Connor to pay disgorgement with prejudgment interest; (c) an order directing Connor to pay civil money penalties; and (d) an order barring Connor from participating in any offering of a penny stock.

II. DEFENDANT AND RELATED ISSUER

Defendant

9. During the time period described in the Complaint, Connor was a business associate of Klein who purported to consult with KCM Holdings and Klein. He resides in Amherst, Virginia.

Related Issuer

10. During the time period described in the Complaint, KCM Holdings was a Nevada corporation with its principal place of business in Frisco, Texas. The company purported to be a

holding company in the business of “strategic business venture incubation.” Its stock was quoted on OTC Link operated by OTC Markets Group, Inc. under the symbol “KCM Holdings.” Its securities have never been registered with the Commission. During the relevant time period, Klein was its president and CEO.

11. KCM Holdings’ stock is a “penny stock” as defined by the Exchange Act. At all times relevant to this Complaint, the stock’s shares traded at its high of 0.16 per share and its average trading was at three cents per share. During the same time period, KCM Holdings’ stock did not meet any of the exceptions to penny stock classification pursuant to Section 3(a)(51) and Rule 3a51-1 of the Exchange Act. For example, the company’s stock did not trade on a national securities exchange and was not an “NMS stock,” as defined in 17 C.F.R. § 242.600(b)(47). Furthermore, the company did not have net tangible assets (i.e., total assets less intangible assets and liabilities) in excess of \$5,000,000 and did not have average revenue of at least \$6,000,000 for the last three years. *See* Exchange Act, Rule 3a51-1(g).

III. JURISDICTION AND VENUE

12. The Court has jurisdiction over this action pursuant to Sections 20(d) and 22(a) of the Securities Act, 15 U.S.C. §§ 77t(d) and 77v(a), and Sections 21(d) and 27 of the Exchange Act, 15 U.S.C. §§ 78u(d) and 78aa.

13. This Court has personal jurisdiction over Connor, and venue is proper in this District because many of his acts and transactions constituting violations of the Securities Act and the Exchange Act occurred in the District. For example, on January 19, 2010, Connor, on behalf of Klein and KCM Holdings, wired \$3,000 to a bank account in Broward County as a bribe to the broker.

14. The Defendant, directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce, or of a means or instrumentality of interstate commerce, or of the mails, in connection with the conduct alleged in this Complaint.

IV. THE FRAUDULENT SCHEME

15. In December 2009, Connor and Klein began discussions with the cooperating witness regarding a possible market manipulation scheme involving KCM Holdings' common stock. The scheme's goal was to create the false impression the stock was developing an active public market supporting a rising stock price.

16. Connor, who described himself to the cooperating witness as a "hired problem solver," and whom Klein described as a "deal maker," was involved in the promotion of KCM Holdings common stock and assisted Klein in his business dealings involving the company.

17. According to the scheme, Klein and KCM Holdings would make undisclosed inducement payments to the cooperating witness's purported broker. In order to help mask the fraud, Connor would make the first payment. In exchange for the payment, the broker would buy shares of KCM Holdings common stock in the open market using money held in his customers' discretionary accounts.

18. As part of the scheme, the parties agreed the broker would engage in matched trades of KCM Holdings stock with a specific stockholder who was affiliated with Klein.

19. In addition, Klein told the cooperating witness he and Connor would "coordinate press" and agreed to strategically time press releases regarding KCM Holdings to mask the fraud.

20. On January 19, 2010, Connor wired \$3,000 from his bank account to the cooperating witness to forward to the broker. This money was a “down payment” on inducement payments that were to be paid to the corrupt broker in exchange for his purchases of company stock.

21. On January 21, 2010, the FBI purchased 80,000 shares of KCM Holdings in the open market for a total cost of \$5,040.

22. The average daily trading volume for KCM Holdings’ shares was approximately 528,410 shares per day for the previous ten trading days, and the FBI’s purchase constituted approximately 34% of the volume for that day.

23. Of the shares the FBI purchased, Klein arranged for a matched sell order for 60,000 shares of KCM Holdings common stock - representing almost 26% of the day’s volume - for \$3,780. The matched sell order originated from a brokerage account in which Connor had trading authorization.

24. Also on January 21, 2010, KCM Holdings issued the press release it had provided to the cooperating witness two days earlier. The company issued this press release to create the false impression the buying activity was spurred by positive news about KCM Holdings.

COUNT I

Fraud In Violation of Section 17(a)(1) of the Securities Act

25. The Commission realleges and incorporates paragraphs 1 through 24 of this Complaint.

26. From at least December 2009 through January 2010, Connor, directly and indirectly, by use of the means or instruments of transportation or communication in interstate

commerce and by use of the mails, in the offer or sale of securities, as described in this Complaint, knowingly, willfully or recklessly employed devices, schemes or artifices to defraud.

27. By reason of the foregoing, Connor, directly and indirectly, violated and, unless enjoined, is reasonably likely to continue to violate, Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1).

COUNT II

Fraud in Violation of Section 10(b) and Rule 10b-5(a) and (c) of the Exchange Act

28. The Commission realleges and incorporates paragraphs 1 through 24 of this Complaint.

29. From at least December 2009 through January 2010, Connor, directly and indirectly, by use of any means or instrumentality of interstate commerce, or of the mails, in connection with the purchase or sale of securities, knowingly, willfully or recklessly:

(a) employed devices, schemes, or artifices to defraud; or

(b) engaged in acts, practices, or courses of business which operated or would have operated as a fraud or deceit upon any person.

30. By reason of the foregoing, Connor, directly or indirectly, violated and, unless enjoined, is reasonably likely to continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5(a) and (c).

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court:

I.

Declaratory Relief

Declare, determine, and find that Connor has committed the violations of the federal

securities laws alleged in this Complaint.

II.

Permanent Injunctive Relief

Issue a Permanent Injunction restraining and enjoin Connor from violating Section 17(a)(1) of the Securities Act and Section 10(b) and Rule 10b-5(a) and (c) of the Exchange Act, as indicated above.

III.

Disgorgement

Issue an Order directing Connor to disgorge all ill-gotten gains, including prejudgment interest, resulting from the acts or courses of conduct alleged in this Complaint.

IV.

Penalties

Issue an Order directing Connor to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d).

V.

Penny Stock Bar

Issue an Order barring Connor from participating in any offering of a penny stock, pursuant to Section 20(g) of the Securities Act, 15 U.S.C. § 77t(g), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d), for the violations alleged in this Complaint.

VI.

Further Relief

Grant such other and further relief as may be necessary and appropriate.

VII.

Retention of Jurisdiction

Further, the Commission respectfully requests that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that it may enter, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

Respectfully submitted,

June 4, 2012

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