

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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UNITED STATES OF AMERICA :

- v. - :

INDICTMENT

MATTHEW MELTON, :

23 Cr.

Defendant. :

23 CRIM 436

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COUNT ONE
(Securities Fraud)

The Grand Jury charges:

Relevant Entities and Individuals

1. At all times relevant to this Indictment, MATTHEW MELTON, the defendant, was a resident of Puerto Rico. At certain times relevant to this Indictment, MELTON operated various investment vehicles, including Price Physics, which purported to invest in futures contracts using a proprietary trading algorithm.

The Scheme to Defraud

2. From at least in or about 2018 through at least in or about December 2020, MATTHEW MELTON, the defendant, perpetrated a scheme to defraud at least approximately twenty investors out of approximately \$3.3 million by (i) soliciting investments in Price Physics through false and misleading statements; (ii) failing to use investors' funds as promised; and (iii) converting investors' money to his own use.

3. MATTHEW MELTON, the defendant, solicited investors in Price Physics primarily pursuant to loan agreements, and sometimes promissory notes. MELTON made false

and misleading representations to actual and potential investors in in-person meetings, phone calls, loan and other agreements, emails, and text, including as set forth below:

a. MELTON falsely represented to Price Physics investors that investor funds would be “used to generate capital gains via the automated mechanisms developed under the name Price Physics” and that “[t]he proceeds of those gains will fund the loan payments” to investors.

b. MELTON falsely represented to Price Physics investors that an algorithm would generate returns of approximately twelve percent per month. MELTON falsely promised to pay early investors returns of ten percent per month, with MELTON keeping the other two percent as compensation. Later investors were generally promised returns of approximately eight percent per month.

c. MELTON made false representations to investors about the performance and status of their investments.

d. MELTON falsely represented to Price Physics investors why he was not paying them their promised returns, including by claiming that banks were not permitting him to make transfers to investors.

4. In truth and in fact, MATTHEW MELTON, the defendant, invested only a portion of the money he raised from investors, approximately \$870,000, and his trading was generally unprofitable.

5. Moreover, MATTHEW MELTON, the defendant, converted to his own use approximately \$1 million of the approximately \$3.4 million in Price Physics investor funds, using that money to pay MELTON’s personal expenses, including mortgage payments, sailing excursions, credit card bills, and daily living expenses.

6. MATTHEW MELTON, the defendant, also used approximately \$2.7 million of Price Physics investor funds to make payments to earlier investors in a Ponzi-like fashion.

Statutory Allegation

7. From at least in or about 2018 through at least in or about December 2020, in the Southern District of New York and elsewhere, MATTHEW MELTON, the defendant, willfully and knowingly, directly and indirectly, by the use of a means and instrumentality of interstate commerce and of the mails, and a facility of a national securities exchange, used and employed, in connection with the purchase or sale of a security, a manipulative and deceptive device and contrivance, in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by (a) employing a device, scheme, and artifice to defraud; (b) making and causing to be made an untrue statement of a material fact and omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaging in an act, practice, and course of business which operated and would operate as a fraud and deceit upon a person, to wit, MELTON made material misrepresentations to Price Physics investors, and misappropriated investor funds for his own use.

(Title 15, United States Code, Sections 78j(b) and 78ff;
Title 17, Code of Federal Regulations, Section 240.10b-5;
and Title 18, United States Code, Section 2.)

COUNT TWO
(Wire Fraud)

The Grand Jury further charges:

8. The allegations contained in paragraphs 1 through 7 of this Indictment are hereby repeated, re-alleged, and incorporated by reference as if fully set forth herein.

9. From at least in or about 2018 through in or about December 2020, in the Southern District of New York and elsewhere, MICHAEL MELTON, the defendant, knowingly having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, transmitted and caused to be transmitted by means of wire, radio, and television communication in interstate and foreign commerce, writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice, to wit, MELTON, through the use of interstate wire communications, made material misrepresentations to Price Physics investors, and misappropriated investor funds for his own us.

(Title 18, United States Code, Sections 1343 and 2.)

FORFEITURE ALLEGATION

10. As a result of committing the offenses alleged in Counts One and Two of this Indictment, MATTHEW MELTON, the defendant, shall forfeit to the United States pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code Section 2461, any property, real or personal, which constitutes or is derived from proceeds traceable to the commission of the offenses alleged in Counts One and Two of this Indictment.

Substitute Assets Provision

11. If any of the above-described forfeitable property, as a result of any act or omission of MATTHEW MELTON, the defendant,

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third party;
- c. has been placed beyond the jurisdiction of the court;
- d. has been substantially diminished in value; or

e. has been commingled with other property which cannot be divided without difficulty,

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), and Title 28, United States Code Section 2461, to seek forfeiture of any other property of the defendant up to the value of the forfeitable property described above.

(Title 18, United States Code, Section 981(a)(1)(C);
Title 21, United States Code, Section 853(p);
Title 28, United States Code, Section 2461.)



Damian Williams /ASH
DAMIAN WILLIAMS
United States Attorney