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9
10 BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION
OF THE STATE OF CALIFORNIA

11 In the Matter of:

12 THE COMMISSIONER OF FINANCIAL
13 PROTECTION AND INNOVATION,

14 Complainant,

15 v.

16 JOHN MURATORE,

17 Respondent.

ACCUSATION IN SUPPORT OF ORDER
BARRING JOHN MURATORE FROM ANY
POSITION OF EMPLOYMENT,
MANAGEMENT OR CONTROL OF ANY
INVESTMENT ADVISER, BROKER-
DEALER OR COMMODITY ADVISER,
PURSUANT TO CORPORATIONS CODE
SECTION 25232.1

18
19 The Commissioner of Financial Protection and Innovation (Commissioner) is informed and
20 believes, and based upon such information and believe, alleges and charges as follows:

21 I.

22 **JURISDICTION AND VENUE**

23 1. The Commissioner is authorized to administer and enforce the provisions of the
24 Corporate Securities Law of 1968 (Cal. Corp. Code §§ 25000-25707) (CSL) and the regulations
25 promulgated thereunder at title 10 of the California Code of Regulations (CCR), which includes the
26 licensure, examination, and regulation of investment advisers.

27 2. The Commissioner brings this action to issue an order barring John Muratore
28 (Muratore) from any position of employment, management or control of any investment adviser,

1 broker-dealer or commodity adviser pursuant to Corporations Code section 25232, 25232.1, and the
2 rules and regulations promulgated thereunder.

3 **II.**

4 **STATEMENT OF FACTS**

5 3. At all relevant times, West Coast Settlements LLC (The Fund), is and was a California
6 limited liability company located at 17011 Beach Blvd, Suite 900, Huntington Beach, California
7 92647.

8 4. At all relevant times, Muratore, is and was the managing member of the Fund.

9 **III.**

10 **THE COMMISSIONER HAS GROUNDS TO BAR JOHN MURATORE**

11 5. Corporations Code section 25232.1 provides, in pertinent part:

12 *The commissioner may, after appropriate notice and opportunity for hearing*
13 *suspend for a period not exceeding 12 months...from any position of*
14 *employment, management or control of any investment adviser, broker-dealer*
15 *or commodity adviser, any officer, director, partner, employee of, or person*
16 *performing similar functions for, an investment adviser, or any other person, if*
17 *he or she finds that the...suspension...is in the public interest and that the*
18 *person has committed any act or omission enumerated in subdivision...(e)...of*
19 *Section 25232.... [Emphasis added.]*

20 6. Corporations Code section 25232, in relevant part, provides:

21 *(e) Has willfully violated any provision of...Title 4 (commencing with Section*
22 *25000)... [Emphasis added.]*

23 In accordance with Corporations Code section 25232.1, the Commissioner may suspend any
24 officer or employee of an investment adviser, based on willful violations of sections of the CSL or
25 rules adopted thereunder. In this case, Muratore willfully violated multiple CSL codes and
26 regulations including: (1) Corporations Code section 25110, by offering and sell securities in this
27 state, unless such security or transaction has been qualified or unless such security is exempted or not
28 subject to qualification; (2) Corporations Code 25401, by offering and selling securities by means of
written or oral communications which included untrue statements of material fact 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; (3) Corporations Code 25230, by conducting business as an

1 investment adviser in this state without first securing from the Commissioner a certificate,
2 authorizing them to do so; (4) Corporations Code 25235 (a), by employing a device, scheme, or
3 artifice to defraud its clients; and (5) Corporations Code 25235 (d) and CCR 260.237, by engaging in
4 a fraudulent, deceptive, or manipulative act, practice or course of business, including holding custody
5 of client funds and securities, without following specific safekeeping requirements.

6 **A. Corporations Code section 25110**

7 7. Between July 2019 through December 2021, Muratore offered and sold securities in
8 the form of membership interests in the Fund.

9 8. The Fund's Private Placement Memorandum (PPM) for these securities told investors
10 and prospective investors that The Fund would use the proceeds of its offering to acquire a Life
11 Settlement Portfolio of up to 30 individual Life Settlement Contracts.

12 9. The securities were offered or sold in this state in issuer transactions. The Department
13 of Financial Protection and Innovation has not issued a permit or other form of qualification
14 authorizing any person to offer or sell these securities in this state and the securities are not exempt
15 from qualification.

16 10. Between July 2019 through December 2021, Muratore sold these securities to at least
17 102 investors, residing in California and elsewhere, in at least 102 separate transactions. Respondents
18 raised at least \$9,991,137.27 from investors.

19 11. Corporations Code section 25110 prohibits the offer or sale of unqualified, non-
20 exempt securities in issuer transactions in the State of California. The securities offered and sold by
21 Muratore are subject to qualification under the CSL. These securities were offered or sold in this state
22 in issuer transactions. The Department has not issued a permit or other form of qualification
23 authorizing any person to offer or sell these securities in this state. The offer or sale of these securities
24 is not exempt.

25 12. Based on the foregoing findings, the Commissioner is of the opinion that the
26 securities, in the form of partnership interests, offered and sold by Muratore, are securities, subject to
27 qualification under the California Corporate Securities Law of 1968 and are being or have been
28 offered or sold without being qualified, in violation of Corporations Code section 25110.

1 **B. Corporations Code section 25401**

2 13. Muratore sent solicitation materials to prospective investors, including a PPM. Also,
3 Muratore and their agents solicited investors and prospective investors through telephone calls and
4 email correspondence.

5 14. In connection with the offers and sales of securities, Respondents omitted to disclose
6 material facts to investors and potential investors, including that John Muratore was using investor
7 money to lease luxury automobiles and pay medical expenses, spending at least \$103,882.24 for
8 personal items.

9 15. Corporations Code section 25401 prohibits the offer or sale of securities in this state
10 by means of written or oral communications that include untrue statements of material fact or omit
11 materials facts necessary in order to make the statements made, in light of the circumstances under
12 which they were made, not misleading. The omissions and misrepresentations of Muratore are
13 material facts necessary in order to make the statements made, in the light of the circumstances under
14 which they were made, not misleading.

15 16. Based on the foregoing findings, the Commissioner is of the opinion that the securities
16 issued by Muratore, were offered and sold in this state by means of written or oral communications
17 which included untrue statements of material fact or omitted to state material facts necessary in order
18 to make the statements made, in the light of the circumstances under which they were made, not
19 misleading, in violation of Corporations Code section 25401.

20 **C. Corporations Code section 25230**

21 17. Between July 2019 through December 2021, Muratore provided investment advisory
22 services to at least one client, The Fund, residing in California, collecting at least \$211,596.51 in
23 management fees.

24 18. The PPM indicated The Fund’s business model was to provide a solution for investing
25 in life settlement contracts. In addition, the PPM indicated that the Manager has broad discretion in
26 the priority, timing, and allocation of funds raised from the offering and was responsible for third
27 party relationship management, due diligence and monitoring of the investment for The Fund.

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1 19. At all relevant times, neither the Department nor the United States Securities and
2 Exchange Commission have issued an investment adviser certificate to Muratore.

3 20. Corporations Code section 25230 prohibits an investment adviser from conducting
4 business as an investment adviser in this state without first securing from the Commissioner a
5 certificate, then in effect, authorizing them to do so or unless they are exempt.

6 21. Based on the foregoing findings, the Commissioner is of the opinion that Muratore
7 conducted business as an investment adviser in this state without first securing from the
8 Commissioner a certificate, authorizing them to do so, in violation of Corporations Code section
9 25230.

10 **D. Corporations Code section 25235 (a)**

11 22. Between July 2019, through December 2021, Muratore used investor money to lease
12 luxury automobiles and pay medical expenses, spending at least \$103,882.24 for personal items.

13 23. Corporations Code section 25235 (a) prohibits an investment adviser to employ any
14 device, scheme, or artifice to defraud any client or prospective client.

15 24. Based on the forgoing findings, the Commissioner is of the opinion that Muratore
16 employed a scheme to defraud clients, by using investor funds for his own personal use, totaling
17 \$103,882.24, in violation of Corporations Code section 25235 (a).

18 **E. CCR section 260.237 and Corporations Code section 25235 (d)**

19 25. At all relevant times, Muratore had custody of client funds and securities by having
20 signatory authority on The Fund’s bank accounts, and authority to make withdrawals or transfers to
21 outside accounts. However, between July 2019, through December 2021, Muratore failed to follow
22 relevant safekeeping requirements, as set out under CCR section 260.237 (a)(3)-(6).

23 26. CCR section 260.237 prohibits an investment adviser licensed or required to be
24 licensed from having custody of client funds and securities, unless specific safekeeping requirements
25 are followed. Furthermore, Corporations Code section 25235 (d) prohibits an investment adviser
26 from engaging in fraudulent, deceptive, or manipulative acts, practices or courses of business.

27 27. Based on the foregoing findings, the Commissioner is of the opinion that the Muratore
28 had custody of client funds and securities, but failed to follow the safekeeping requirements, between

1 July 2019, through December 2021, in violation of CCR section 260.237. Furthermore, Muratore
2 engaged in fraudulent, deceptive and manipulative practices as an investment adviser, within the
3 meaning of Corporations Code section 25235 (d).

4 **IV.**

5 **CONCLUSION**

6 Based upon the foregoing, the Commissioner finds that grounds exist, and that it is in the
7 public interest, to enter an order barring John Muratore from any position of employment,
8 management or control of any investment adviser, broker-dealer or commodity adviser pursuant to
9 Corporations Code section 25232.1. The Commissioner hereby notifies John Muratore of her
10 intention to make such orders final.

11 **PRAYER**

12 **WHEREFORE**, good cause showing, the Commissioner prays for relief, for an order,
13 pursuant to Corporations Code section 25232.1, barring John Muratore, from any position of
14 employment, management or control of any broker-dealer, investment adviser or commodity adviser.

15 DATED: December 19, 2023
16 Sacramento, California

CLOTHILDE V. HEWLETT
Commissioner of Financial Protection and Innovation

17 By: _____
18 Ryan M. Cassidy
19 Counsel
20 Enforcement Division
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