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

11 In the Matter of:

12 THE COMMISSIONER OF FINANCIAL
13 PROTECTION AND INNOVATION,

14 Complainant,

15 v.

16 WEST COAST SETTLEMENTS LLC, and
17 JOHN MURATORE,

18 Respondents.

NOTICE OF INTENT TO ISSUE ORDER
LEVYING ADMINISTRATIVE PENALTIES
AND STATEMENT IN SUPPORT
PURSUANT TO CORPORATIONS CODE
SECTION 25252

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 **STATEMENT OF FACTS**

23 1. At all relevant times, West Coast Settlements LLC (The Fund), is and was a California
24 limited liability company located at 17011 Beach Blvd, Suite 900, Huntington Beach, California
25 92647.

26 2. At all relevant times, John Muratore (Muratore), is and was the managing member of
27 The Fund.

28 3. The Fund and Muratore are collectively referred to as Respondents.

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Violations of Corporations Code Section 25110
(Unqualified, Non-Exempt Offer and Sale of Securities)

4. Beginning in or about July 2019 through December 2021, Respondents offered and sold securities in the form of membership interests in The Fund.

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

6. Respondents and their agents sold these securities to at least 102 investors, residing in California and elsewhere, in at least 102 separate transactions. Respondents raised at least \$9,991,137.27 from investors.

7. Corporations Code section 25110 prohibits the offer or sale of unqualified, non-exempt securities in issuer transactions in the State of California. The securities offered and sold by the Respondents are subject to qualification under the Corporate Securities Law of 1968 (Cal. Corp. Code §§ 25000-25707) (CSL). These securities were offered or sold in this state in issuer transactions. The Department has not issued a permit or other form of qualification authorizing any person to offer or sell these securities in this state. The offer or sale of these securities is not exempt.

Violations of Corporations Code Section 25401
(Misrepresentations and Omissions of Material Facts)

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

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

Violations of Corporations Code Section 25230

(Conducting Business as an Investment Adviser without a Certificate)

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

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

12. At all relevant times, Muratore never held a broker-dealer certificate nor an investment adviser certificate, pursuant to Corporations Code sections 25210 and 25230.

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

Violations of Corporations Code Section 25235 (a)

(Employment of a Device, Scheme, or Artifice to Defraud any Client or Prospective Client)

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

15. Corporations Code section 25235 (a) prohibits an investment adviser from employing a device, scheme, or artifice to defraud any client or prospective client.

Violations of CCR Section 260.237 and Corporations Code Section 25235 (d)

(Fraudulent, Deceptive, or Manipulative Act, Practice or Course of Business By Failing to Follow Safekeeping Requirements While having Custody)

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

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1 17. CCR section 260.237 prohibits an investment adviser licensed or required to be
2 licensed from having custody of client funds and securities, unless specific safekeeping requirements
3 are followed. Furthermore, Corporations Code section 25235 prohibits an investment adviser from
4 engaging in fraudulent, deceptive, or manipulative acts, practices or courses of business.

5 **II.**

6 **NOTICE OF INTENT TO ISSUE ORDER LEVYING ADMINISTRATIVE PENALTIES**

7 18. The Commissioner re-alleges and incorporates by reference paragraphs 1 to 18 of this
8 Statement in Support, also contained in the Commissioner's Desist and Refrain Order, as though fully
9 set forth herein.

10 19. Corporations Code section 25252 authorizes the Commissioner to issue an order
11 levying administrative penalties against any person for willful violations of any provision of CSL and
12 any rules promulgated thereunder.

13 20. Based on the foregoing findings, the Commissioner finds that the WCS and Muratore
14 offered and sold unqualified, non-exempt securities in an amount of at least \$9,991,137.27, and made
15 material omissions of fact, to at least 102 investors, in at least 102 transactions, in violation of
16 Corporations Code sections 25110 and 25401.

17 21. Further, the Commissioner finds that Muratore has conducted business as an
18 investment adviser in this state without first securing from the Commissioner a certificate,
19 authorizing them to do so, in violation of Corporations Code section 25230.

20 22. Further, the Commissioner finds that Muratore employed a scheme to defraud clients,
21 in violation of Corporations Code section 25235 (a).

22 23. Further, the Commissioner finds that Muratore engaged in a fraudulent, deceptive, or
23 manipulative act, practice or course of business, including holding custody of client funds and
24 securities, without following specific safekeeping requirements, in violation of Corporations Code
25 section 25235 (d) and CCR section 260.237.

26 24. Pursuant to California Corporations Code section 25252(b), the Commissioner hereby
27 provides notice of intent to levy administrative penalties against John Muratore for the statutory
28 amount of not more than five thousand dollars (\$5,000.00) for the first violation, not more than ten

1 thousand dollars (\$10,000.00) for the second violation, and not more than fifteen thousand dollars
2 (\$15,000.00) for each subsequent violation, or according to proof, for Muratore’s willful violations of
3 the CSL.

4 WHEREFORE, good cause showing, and pursuant to Corporations Code section 25252(b),
5 the Commissioner prays for an order levying administrative penalties, against John Muratore, as
6 follows:

7 a. That pursuant to Corporations Code section 25252(b), the Commissioner levy
8 administrative penalties of \$5,000.00 for the first violation of Corporations Code section 25110,
9 \$10,000.00 for the second violation of Corporations Code section 25110, and \$15,000.00 for each
10 subsequent violation, as listed below, for a total amount of \$1,515,000.00 or according to proof:

- 11 i. First violation: \$5,000.00 for the first sale of a security;
- 12 ii. Section violation: \$10,000.00 for the second sale of security; and
- 13 iii. Additional violations: \$15,000.00 for the remaining 100 transactions.

14 b. That pursuant to Corporations Code section 25252(b), the Commissioner levy
15 administrative penalties of \$15,000.00 for each violation of Corporations Code section 25401, as
16 listed below, for a total amount of \$1,530,000.00 or according to proof:

- 17 i. \$15,000.00 for the omission in paragraph 8a, made in 102 transactions.

18 c. That pursuant to Corporations Code section 25252(b), the Commissioner levy
19 administrative penalties of \$15,000.00 for each violation of Corporations Code section 25230, as
20 listed below, for a total amount of \$15,000.00 or according to proof:

- 21 i. \$15,000.00 for the first violation of Corporations Code section 25230.

22 d. That pursuant to Corporations Code section 25252(b), the Commissioner levy
23 administrative penalties of \$15,000.00 for each violation of Corporations Code section 25235 (a), as
24 listed below, for a total amount of \$15,000.00 or according to proof:

- 25 i. \$15,000.00 for the first violation of Corporations Code section 25235(a).

26 e. That pursuant to Corporations Code section 25252(b), the Commissioner levy
27 administrative penalties of \$15,000.00 for each violation of CCR section 260.237 and Corporations
28 Code section 25235 (d), as listed below, for a total amount of \$45,000.00 or according to proof:

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i. \$15,000.00 for the three violations in paragraph 17 for fiscal years 2019, 2020, and 2021.

The total amount of administrative penalties for violations of Corporations Code sections 25110, 25230, 25401, 25235(a), and 25235 (d), is \$3,120,000.00, or according to proof.

Dated: December 19, 2023
Sacramento, California

CLOTHILDE V. HEWLETT
Commissioner of Financial Protection and Innovation

By _____
RYAN M. CASSIDY
Counsel
Enforcement Division