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1 Mr. Steven J. Muehler
2 [REDACTED]
3 Marina Del Rey, California [REDACTED]
4 Phone: [REDACTED]

5 UNITED STATES OF AMERICA
6 BEFORE THE
7 SECURITIES AND EXCHANGE COMMISSION

9 IN THE MATTER OF:

ADMINISTRATIVE PROCEEDING.: FILE NO. 3-16836

11 STEVEN J. MUEHLER,
12 ALTERNATIVE SECURITIES MARKETS GROUP
13 CORPORATION, AND BLUE COAST SECURITIES
14 CORPORATION, DBA GLOBALCROWDTV, AND
15 BLUE COAST BANC.

16 RESPONSE TO ORDER INSTITUTING
17 ADMINISTRATIVE AND CEASE-AND-DESIST
18 PROCEEDINGS TO SECTIONS 15(D) AND 21C
19 OF THE SECURITIES EXCHANGE ACT OF 1934

20 PRELIMINARY STATEMENT

21 1. On September 28th, 2015, the United States Securities and Exchange Commission (the
22 "Commission") formally alleged that Mr. Steven J. Muehler engaged in: (i) a Fraudulent Scheme and Unlawful
23 Broker-Dealer Activity pursuant to Section 15(b) and 21C of the Securities Exchange Act of 1934 with an Order
24 Instituting Cease-and-Desist Proceedings pursuant to Section 21C of the Securities and Exchange Act of 1934 (the
25 "OIP) (*In the Matter of Steven J. Muehler, Alternative Securities Markets Group Corporation, and Blue Coast
26 Securities Corporation, dba GlobalCrowdTV, Inc. and Blue Coast Banc, Administrative Proceeding File Number 3-
27 16836*) before an SEC Administrative Law Judge ("SEC ALJ") at the Commission to determine, inter alia, whether

1 Mr. Muehler should be ordered to pay a civil penalty pursuant to Section 21B(a) of the Exchange Act and whether
2 Mr. Muehler should be ordered to pay disgorgement pursuant to Sections 21B(e) and 21C(e) of the Act.

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4 2. Pursuant to the Commission's Rules of Practice, Mr. Muehler is required to submit this Answer
5 to the OIP on or about October 23rd, 2015.

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7 3. SEC Administrative proceedings violate Article II of the United States Constitution, which
8 states that the "Executive Power shall be vested in a President of the United States of America".

9
10 4. An SEC ALJ, appointed for a life-term tenure, presides over an administrative proceeding.
11 Statutes and regulations make clear that SEC ALJs are Executive Branch "Officers" within the meaning of Article
12 II. SEC ALJs are NOT mere recommenders to the Commission or mere employees performing fact-gathering
13 exercises for final review by the Commission; rather, they have enormous and practically unchecked authority.
14 Moreover, there is no obvious constitutional warrant for such unchecked or unbalanced administrative power. *See*
15 *SEC v Citigroup Global Markets, Inc., 11-CV-7387 JSR, 2014 WL 3827497 (S.D.N.Y. Aug 5, 2014).*

16
17 5. The SEC ALJ position is established by law and the duties, salary, and means of appointment
18 for the office are specified by statute. They have the power to take testimony, conduct hearings, rule on the
19 admissibility of evidence, and have the power to enforce compliance with discovery orders. The SEC ALJ can
20 render punishment, including civil money penalties and ban an individual for life from the securities business. In the
21 course of carrying out those functions, the SEC ALJs exercise significant discretion.

22
23 6. The SEC ALJs cannot be removed "at will" by the Commission but can only be removed for
24 "good cause". The SEC's own Rules of Practice provide the SEC ALJs with enormous authority over Mr. Muehler
25 in this proceeding and the Commission's review of the SEC ALJs' decision affords that judgment with tremendous
26 deference. In effect and practice, the SEC ALJ renders the decision of the Commission in Administrative
27 Proceedings. An appointee exercising significant authority pursuant to the Laws of the United States is an Officer of
28

1 the United States. *Landry v. FDIC*, 204 F.3d 1125, 1133, 340 U.S. App. D.C. 237, 245 (2000) (citing *Buckley v.*
2 *Valeo*, 424 U.S. 1, 216n. 162, 96S. Ct. 612 (1976)).

3
4 7. The Supreme Court has held that such Officers – charged with executing the Laws, a power
5 vested by the Constitution solely in the President – may not be separated from Presidential Supervision and removal
6 by more than one layer of tenure protection. *Free Enterprise Fund v. Pub. Co. Accounting Oversight Bd.*, 130 S. Ct.
7 3138, 561 U.S. 477 (2010) (“*Free Enterprise*”). In particular, if an officer can only be removed from office for good
8 cause, then the decision to remove that officer cannot be vested in another official, who, too, enjoys good-cause
9 tenure.

10
11 8. Yet, SEC ALJ’s enjoy at least two (and potentially more) layers of tenure protection. The SEC
12 Administrative Proceeding therefore violate Article II and are unconstitutional.

13
14 9. Additionally, as discussed herein, the Commission has singled out Mr. Muehler for disparate
15 treatment in comparison to similarly situated persons, and there is no rational relationship between the disparate
16 treatment and a legitimate government interest.

17
18 10. Without any rational basis, the Commission seeks, among other things, civil penalties from
19 Mr. Muehler in an Administrative Proceeding rather than a Federal Court Action, in doing so, the Commission has
20 unfairly and unconstitutionally singled out Mr. Muehler.

21
22 11. Mr. Muehler DENIES all allegations of wrongdoing and stands ready to mount a defense
23 against each and every one of the Commission’s allegations. Yet, under current Commission rules, Mr. Muehler will
24 be deprived of a Jury Trial, the right to use the discovery procedures of the Federal Court to shape his defense, and
25 the protections of the Federal Rules of Evidence which were crafted to bar unreliable evidence. The Commission is
26 denying Mr. Muehler these rights.

1 12. Mr. Muehler faces a proceeding where the rules prevent the Administrative Law Judge from
2 setting a reasonable trial schedule and issuing other appropriate rulings given the nature and potential complexity of
3 the case.

4
5 13. Mr. Muehler has conferred with representatives of the Commission, and they have offered no
6 explanation as to why Mr. Muehler is being singled out for disparate treatment, even when presented with clear data
7 showing disparate treatment, or to articulate a reason why it was proper to bring the case against Mr. Muehler in an
8 Administrative Proceeding rather than in District Court. In the absence of an explanation, Mr. Muehler is left with
9 the Commission's apparent motives and they are improper.

10
11
12 **RESPONSE TO ALLEGED VIOLATION ONE OF TWO**

13
14 14. The Commission alleges Mr. Muehler "*willfully violated Section 10(b) of the Exchange Act*
15 *Rule 10b-5 thereunder, which makes it unlawful to employ any manipulate or deceptive devices in connection with*
16 *the purchase or sale of securities*"

17
18 15. Since August of 2010, Mr. Muehler has NEVER Sold a Security, Nor has Mr. Muehler offered
19 a Security for Sale.

20
21 16. To date, since August of 2010, Mr. Muehler, nor any Company under the Direction of Mr.
22 Muehler, has NEVER been given any securities for any Company for which services have been rendered.

23
24 17. The Commission to date has not presented any evidence to support its claim that Mr. Muehler
25 has offered a Security for Sale, or that Mr. Muehler has sold a security.

