

1 GARY Y. LEUNG (Cal. Bar No. 302928)  
Email: [leungg@sec.gov](mailto:leungg@sec.gov)  
2 DAVID M. ROSEN (Cal. Bar No. 150880)  
Email: [rosend@sec.gov](mailto:rosend@sec.gov)

3 Attorneys for Plaintiff  
4 Securities and Exchange Commission  
Michele Wein Layne, Regional Director  
5 Lorraine Echavarria, Associate Regional Director  
John W. Berry, Regional Trial Counsel  
6 5670 Wilshire Boulevard, 11th Floor  
Los Angeles, California 90036  
7 Telephone: (323) 965-3998  
Facsimile: (323) 965-3908

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9 **UNITED STATES DISTRICT COURT**  
10 **SOUTHERN DISTRICT OF CALIFORNIA**

11 SECURITIES AND EXCHANGE  
12 COMMISSION,

13 Plaintiff,

14 vs.

15 PAUL LEE MOORE,

16 Defendant.

COMPLAINT '15CV1575 CAB NLS

17  
18 Plaintiff Securities and Exchange Commission (“SEC”) alleges:

19 **JURISDICTION AND VENUE**

20 1. The Court has jurisdiction over this action pursuant to Sections 20(b),  
21 20(d)(1) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§  
22 77t(b), 77t(d)(1) & 77v(a), Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27(a) of the  
23 Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1),  
24 78u(d)(3)(A), 78u(e) & 78aa(a), and Sections 209(d), 209(e)(1) and 214 of the  
25 Investment Advisers Act of 1940 (“Advisers Act”), 15 U.S.C. §§ 80b-9(d), 80b-9(e)(1)  
26 and 90b-14.

27 2. Venue is proper in this district pursuant to Section 22(a) of the Securities  
28 Act, 15 U.S.C. § 77v(a), Section 27(a) of the Exchange Act, 15 U.S.C. § 78aa(a), and

1 Section 214 of the Advisers Act, 15 U.S.C. § 80b-14, because certain of the  
2 transactions, acts, practices and courses of conduct constituting violations of the  
3 federal securities laws occurred within this district.

4 **SUMMARY**

5 3. This case involves Paul Lee Moore's theft of approximately \$1.975  
6 million from investors. Moore operated a now-defunct California corporation called  
7 Coast Capital Management, LLC ("Coast Capital"). He represented to investors that  
8 he would manage their securities accounts, and from April 2009 to May 2013, Moore  
9 and Coast Capital raised approximately \$2.6 million, from about 40 investors across  
10 the United States. To attract investors, Moore lied to Coast Capital's clients about his  
11 education, past employment experience, registration as a registered investment  
12 adviser, and assets under management. And rather than investing their savings,  
13 Moore misappropriated roughly \$1.975 million in investor funds. He spent that  
14 money for his own benefit on personal entertainment, travel, retail goods, meals, and  
15 pornographic internet sites. Moore's fraud was also a Ponzi scheme. When faced  
16 with redemption requests from certain investors, Moore paid these investors with  
17 \$625,000 in funds that came from other investors.

18 4. To conceal his fraud, Moore sent bogus account statements to Coast  
19 Capital's clients. These fabricated statements falsely represented to investors that  
20 they owned securities which Moore had never actually purchased. They also showed  
21 significant—albeit entirely fictional—investment returns, leaving clients with the  
22 false impression that Moore had profitably invested their savings. In addition, Moore  
23 used these fabricated account statements to lure new clients to Coast Capital:  
24 defrauded clients showed these statements, including their sham investment returns,  
25 to their friends, family and business associates, many of whom then became Coast  
26 Capital clients.

27 5. As a result of the conduct alleged herein, Moore has violated the  
28 antifraud provisions of the Securities Act, the Exchange Act, and the Advisers Act.



1 that the manager of Coast Capital (which is alternatively defined as both “the  
2 Company” and “the Manager”) was Coast Capital itself, and that Moore was an  
3 associate of “the Manager,” who also served as the investment manager of “the  
4 Company.”

5 12. The subscription agreement represented that Coast Capital was  
6 “operated as a fund under Section 3(c)(1) of the [Investment Company Act of] 1940.”

7 13. Finally, according to both the PPM and Moore’s oral statements to  
8 investors, Moore and Coast Capital undertook to invest investor funds in the stock  
9 market, and in exchange, would charge a 10-15% annual fee based upon the profits  
10 generated from the investments.

11 14. Although the initial documents that investors received and signed  
12 disclosed that they were investing in a hedge fund called Coast Capital, Moore’s  
13 subsequent actions made it appear that he was simply purchasing and selling  
14 securities on their behalf through individual brokerage accounts allegedly maintained  
15 at Morningstar, the well-known investment research firm.

16 15. Specifically, Moore provided investors with fictitious individual account  
17 summary statements, also accessible online through Morningstar’s website, detailing  
18 purported purchases and sales of securities made on their behalf in their individual  
19 accounts. All of the account statements that investors received were created by  
20 Moore, who generated them by entering fictitious trades into a subscription-based  
21 Morningstar software program. The “account statements” contained various  
22 quantitative information, such as the names and amounts of the securities the investor  
23 purportedly held, account activity related to said securities, net worth summaries,  
24 asset allocations, investment performance, and unrealized gains, and other  
25 information that, along with the Morningstar emblem, led many clients to believe that  
26 they held a brokerage account with Morningstar. However, Moore never bought or  
27 sold for his clients any of the securities positions reflected in these bogus  
28 “Morningstar” statements.

1           16. Moore generally obtained leads from existing clients. For example, an  
2 existing client would recommend Coast Capital and Moore to a family member,  
3 friend or business associate. Often times, the existing client would show the  
4 prospective client the existing client's purported Morningstar account statement  
5 indicating a large, unrealized gain. Based upon the recommendation and the  
6 Morningstar report, both of which appeared to substantiate Moore's investment  
7 acumen, the prospective client would then open an account with Coast Capital and  
8 Moore.

9           17. But it was all a facade. Indeed, as Moore began to receive redemption  
10 requests, he attempted to repay some clients with checks when he had insufficient  
11 funds in Coast Capital's bank account, and told others that redemption checks were  
12 forthcoming when they were not.

## 13 **B. Fraudulent Acts and Statements**

### 14 **1. Moore's Fraudulent Scheme**

15           18. Rather than investing their money in either a hedge fund or an individual  
16 brokerage account, Moore misappropriated \$1.975 million of the \$2.6 million he  
17 raised from investors. Moore, who was a signatory to Coast Capital's bank account,  
18 used investor money to pay for his personal expenses, including travel, merchandise,  
19 meals, entertainment, personal financial investments, and payments to pornographic  
20 internet sites.

21           19. Moore invested in the stock market only about \$55,000 of the \$2.6  
22 million he raised from clients. Even then, he placed client money in his own  
23 securities account, giving him – rather than his clients – legal title to the funds and  
24 the securities that he purchased.

25           20. In addition, Moore never segregated the client funds that he deposited  
26 into Coast Capital's bank account.

27           21. Coast Capital never generated any legitimate investment income.

28           22. Instead, Moore made Ponzi-like payments to some investors.

1 Specifically, the remaining \$625,000 that Moore raised and did not misappropriate  
2 was repaid to approximately 17 clients.

3 23. The 17 clients that Moore repaid, however, were actually paid with  
4 funds from other clients.

5 24. In fact, four of Moore's clients received approximately \$157,000 more  
6 than they originally invested.

7 25. Consequently, Moore misused every dollar of the \$2.6 million he raised.

8 26. Rather than investing client money, Moore used client funds from April  
9 2009 to May 2013 as follows:

- 10 i. He made about \$625,657 in Ponzi payments to redeeming  
11 investors.
- 12 ii. He took about \$508,684 in cash withdrawals.
- 13 iii. He spent approximately \$294,317 on personal travel.
- 14 iv. He bought approximately \$284,304 in retail merchandise for  
15 himself.
- 16 v. He paid administrative salaries of about \$157,350 to others.
- 17 vi. He spent about \$137,943 on personal meals and groceries.
- 18 vii. He spent about \$104,736 on personal entertainment.
- 19 viii. He lost approximately \$85,000 on currency future trades for his  
20 own account.
- 21 ix. He paid for approximately \$68,081 in electronics for himself.
- 22 x. He paid about \$55,762 in office rent.
- 23 xi. He diverted \$55,000 to his personal brokerage account.
- 24 xii. He spent about \$14,000 on internet pornography.
- 25 xiii. He spent approximately \$204,166 on miscellaneous personal  
26 expenses.

27 27. In order to hide his fraud, Moore sent fabricated account statements to  
28 Coast Capital's clients which falsely represented to investors that they owned

1 securities which Moore had never purchased. These bogus account statements  
2 showed substantial investment returns that were entirely made-up by Moore.

3 28. At all relevant times, Moore knowingly, recklessly or negligently  
4 perpetrated this fraudulent scheme.

5 **2. Misrepresentations about Moore's Education, Past Employment,**  
6 **Registration Status and Assets Under Management**

7 29. Moore also misrepresented his education, past employment position and  
8 employer, registration status, and assets under management.

9 30. Moore falsely touted his education and professional experience to  
10 clients. Specifically, Moore misrepresented on Coast Capital's website that he  
11 attended and graduated from the University of Minnesota with a B.A. in Quantitative  
12 Economics, when in fact he never graduated from college. He also made similar oral  
13 misrepresentations to clients.

14 31. In addition, Moore misrepresented on the Coast Capital's website and to  
15 clients that he worked at Piper Jaffrey as a senior analyst or trader when in fact he  
16 was never employed at the firm.

17 32. Moore also misrepresented to clients that Coast Capital and his assets  
18 under management were between \$5 million to \$17 million, when in fact, Moore and  
19 Coast Capital had no assets under management because Moore either spent what he  
20 raised on personal expenses, or repaid principal to other clients.

21 33. Finally, Moore misrepresented that he was a registered investment  
22 adviser to at least two clients, when he has never been registered as such.

23 34. Information about Moore's education, past employment position and  
24 employer, registration status and assets under management was material investors  
25 because, among other reasons, all of these misstatements led investors to believe that  
26 Moore possessed investment acumen and experience which he in fact did not.

27 35. Moore knew, or was reckless or negligent in not knowing, that these  
28 misrepresentations and omissions were false and misleading when made.



1 and unless restrained and enjoined will continue to violate, Section 17(a)(2) of the  
2 Securities Act, 15 U.S.C. § 77q(a)(2).

3 **THIRD CLAIM FOR RELIEF**

4 **Fraud in Connection With the Sale of Securities**

5 **Violations of Section 10(b) of the Exchange Act**

6 **and Rules 10b-5(a) and (c) Thereunder**

7 42. The SEC realleges and incorporates by reference paragraphs 1 through  
8 35 above.

9 43. Defendant Moore, by engaging in the conduct described above, directly  
10 or indirectly, in connection with the purchase or sale of a security, by the use of  
11 means or instrumentalities of interstate commerce, of the mails, or of the facilities of  
12 a national securities exchange, with scienter:

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

14 (b) engaged in acts, practices, or courses of business which operated  
15 or would operate as a fraud or deceit upon other persons.

16 44. By engaging in the conduct described above, Defendant Moore violated,  
17 and unless restrained and enjoined will continue to violate, Section 10(b) of the  
18 Exchange Act, 15 U.S.C. § 78j(b), and Rules 10b-5(a) and (c) thereunder, 17 C.F.R.  
19 §§ 240.10b-5(a) & 240.10b-5(c).

20 **FOURTH CLAIM FOR RELIEF**

21 **Fraud in the Offer and Sale of Securities**

22 **Violations of Sections 17(a)(1) and (3) of the Securities Act**

23 45. The SEC realleges and incorporates by reference paragraphs 1 through  
24 35 above.

25 46. Defendant Moore, by engaging in the conduct described above, in the  
26 offer or sale of securities by the use of means or instruments of transportation or  
27 communication in interstate commerce or by use of the mails, directly or indirectly

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

1 or

2 (b) engaged in transactions, practices, or courses of business which  
3 operated or would operate as a fraud or deceit upon the purchaser.

4 47. By engaging in the conduct described above, Defendant Moore violated,  
5 and unless restrained and enjoined will continue to violate, Sections 17(a)(1) and (3)  
6 of the Securities Act, 15 U.S.C. § 77q(a)(1) and (3).

7 **FIFTH CLAIM FOR RELIEF**

8 **Fraud by an Investment Adviser**

9 **Violations of Sections 206(1) and (2) of the Advisers Act**

10 48. The SEC realleges and incorporates by reference paragraphs 1 through  
11 35 above.

12 49. Moore, by engaging in the conduct described above, directly or  
13 indirectly, by use of the mails or means and instrumentalities of interstate  
14 commerce:

15 (a) with scienter, employed or is employing devices, schemes or  
16 artifices to defraud clients or prospective clients; or

17 (b) engaged in or is engaging in transactions, practices, or courses of  
18 business which operated as a fraud or deceit upon clients or  
19 prospective clients.

20 50. By engaging in the conduct described above, Moore violated, and  
21 unless restrained and enjoined will continue to violate, Sections 206(1) and (2) of  
22 the Advisers Act, 15 U.S.C. §§ 80b-6(1) and (2).

23 **SIXTH CLAIM FOR RELIEF**

24 **Fraud Involving a Pooled Investment Vehicle**

25 **Violations of Sections 206(4) of the Advisers Act and Rule 206(4)-8**

26 51. The SEC realleges and incorporates by reference paragraphs 1 through  
27 35 above.

28 52. Moore, by engaging in the conduct described above, while acting as an

1 investment adviser to a pooled investment vehicle, directly or indirectly, by use of the  
2 mails or means or instrumentalities of interstate commerce:

- 3 (a) Made untrue statements of a material fact or omitted to state a  
4 material fact necessary in order to make the statements made, in the  
5 light of the circumstances under which they were made, not  
6 misleading, to any investor or prospective investor in the pooled  
7 investment vehicle; or  
8 (b) Engaged in acts, practices, or course of business that were  
9 fraudulent, deceptive, or manipulative with respect to any investor  
10 or prospective investor in the pooled investment vehicle.

11 53. By engaging in the conduct described above, Moore violated, and unless  
12 restrained and enjoined will continue to violate, Section 206(4) of the Advisers Act, 15  
13 U.S.C. § 80b-6(4), and Rule 206(4)-8 thereunder, 17 C.F.R. 17 § 275.206(4)-8.

14 **PRAYER FOR RELIEF**

15 WHEREFORE, the SEC respectfully requests that the Court:

16 **I.**

17 Issue findings of fact and conclusions of law that Defendant committed the  
18 alleged violations.

19 **II.**

20 Issue judgments, in forms consistent with Fed. R. Civ. P. 65(d), permanently  
21 enjoining Defendant, and his agents, servants, employees, and attorneys, and those  
22 persons in active concert or participation with any of them, who receive actual notice  
23 of the judgment by personal service or otherwise, and each of them, from violating  
24 Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a) and Section 10(b) of the  
25 Exchange Act, 15 U.S.C. §§ 78j(b), Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5,  
26 and Sections 206(1), 206(2), and 206(4) of the Advisers Act, 15 U.S.C. §§ 80b-6(1),  
27 (2) and (4), and Rule 206(4)-8 thereunder, 17 C.F.R. § 275.206(4)-8.

1 **III.**

2 Order Defendant to disgorge all ill-gotten gains he received, together with  
3 prejudgment interest thereon.

4 **IV.**

5 Order Defendant to pay civil penalties under Section 20(d) of the Securities  
6 Act, 15 U.S.C. § 77t(d), Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3),  
7 and Section 209(e) of the Advisers Act, 15 U.S.C. § 80b-9(e).

8 **V.**

9 Retain jurisdiction of this action in accordance with the principles of equity and  
10 the Federal Rules of Civil Procedure in order to implement and carry out the terms of  
11 all orders and decrees that may be entered, or to entertain any suitable application or  
12 motion for additional relief within the jurisdiction of this Court.

13 **VI.**

14 Grant such other and further relief as this Court may determine to be just and  
15 necessary.

16 Dated: July 16, 2015

17 *s/ Gary Y. Leung*

18 \_\_\_\_\_  
Gary Y. Leung

19 E-mail: leungg@sec.gov

David M. Rosen

20 E-mail: rosend@sec.gov

21 Attorneys for Plaintiff

22 Securities and Exchange Commission  
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