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**IN THE UNITED STATES DISTRICT COURT FOR THE
WESTERN DISTRICT OF WASHINGTON
AT TACOMA**

COMMODITY FUTURES TRADING
COMMISSION,

Plaintiff,

v.

AARON MICHAEL SCOTT,

Defendant.

No. 3:18-CV-5802

**COMPLAINT FOR INJUNCTIVE
RELIEF, CIVIL MONETARY
PENALTIES, AND OTHER RELIEF**

JURY DEMAND

Plaintiff Commodity Futures Trading Commission (“CFTC”) alleges as follows:

I. INTRODUCTION

1. From at least October 2013 through April 2014 (the “Relevant Period”), Defendant Aaron Michael Scott (“Scott”), and his now-defunct company BMC Worldwide, Inc. d/b/a Blue Moon Coins (“Blue Moon”), fraudulently solicited customers to purchase gold and silver (“precious metals”) from Blue Moon and misappropriated customer money to pay for personal and business expenses.

2. During the Relevant Period, Scott and Blue Moon obtained approximately \$1,360,000 from at least 133 customers located throughout the United States, and

1 elsewhere, related to those customers' purchases of precious metals from Blue Moon.
2 Scott and Blue Moon delivered little to no precious metals to their customers with the
3 funds they obtained. Instead, Scott and Blue Moon defrauded their customers by lying
4 to them and misappropriating their funds.

5 3. During the course of their scheme, Scott and Blue Moon made
6 misrepresentations and omissions to customers in order to induce their purchases of
7 precious metals. Scott and Blue Moon falsely claimed, among other things, that Blue
8 Moon had sufficient precious metals in stock to fulfill customer orders or that Blue
9 Moon would fulfill customer orders by purchasing precious metals from a supplier.
10 They also falsely claimed that Blue Moon had the ability to and would deliver the
11 precious metals to customers. Scott and Blue Moon then attempted to hide their
12 scheme through additional misrepresentations and omissions to customers.

13 4. Blue Moon did not maintain an inventory of precious metals sufficient to
14 fulfill customer orders during the Relevant Period. In many cases, Scott and Blue
15 Moon made no effort to procure precious metals to fulfill customer orders. Instead,
16 Scott and Blue Moon simply misappropriated the vast majority of customer funds for
17 their own use.

18 5. Through this conduct, Scott and Blue Moon have engaged, are engaging,
19 or are about to engage in fraudulent acts and practices in violation of Section 6(c)(1) of
20 the Commodity Exchange Act ("Act"), 7 U.S.C. § 9(1) (2012), and CFTC Regulation
21 ("Regulation") 180.1(a)(1)-(3), 17 C.F.R. § 180.1(a)(1)-(3) (2018).

22 6. Scott was a controlling person of Blue Moon throughout the Relevant
23 Period and did not act in good faith or knowingly induced Blue Moon's violations of
24 the Act and Regulations described herein. Therefore, Scott is liable for Blue Moon's
25 violations of the Act and Regulations, pursuant to Section 13(b) of the Act,
26 7 U.S.C. § 13c(b) (2012).

27 7. Accordingly, pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2012),
28 the CFTC brings this action to enjoin such unlawful acts and practices and to compel

1 compliance with the Act. The CFTC also seeks civil monetary penalties and remedial
2 ancillary relief, including, but not limited to, trading and registration bans, restitution,
3 disgorgement, rescission, post-judgment interest, and such other equitable relief as this
4 Court may deem necessary and appropriate.

5 8. Unless restrained and enjoined by this Court, Scott is likely to continue
6 engaging in the acts and practices alleged in this complaint or in similar acts and
7 practices, as more fully described below.

8 **II. JURISDICTION AND VENUE**

9 9. This Court has jurisdiction over this action under 28 U.S.C. § 1331 (2012)
10 (federal question jurisdiction) and 28 U.S.C. § 1345 (2012) (district courts have
11 original jurisdiction over civil actions commenced by the United States or by any
12 agency expressly authorized to sue by Act of Congress). Section 6c(a) of the Act,
13 7 U.S.C. § 13a-1(a) (2012), authorizes the CFTC to seek injunctive and other relief
14 against any person whenever it appears to the CFTC that such person has engaged, is
15 engaging, or is about to engage in any act or practice constituting a violation of any
16 provision of the Act or any rule, regulation, or order thereunder.

17 10. Venue properly lies in this District pursuant to 7 U.S.C. § 13a-1(e),
18 because the acts and practices in violation of the Act and Regulations occurred within
19 this District.

20 **III. PARTIES**

21 11. Plaintiff **Commodity Futures Trading Commission** is an independent
22 federal regulatory agency charged by Congress with the administration and
23 enforcement of the Act and Regulations. The CFTC is headquartered at 1155 21st
24 Street, NW, Washington, DC 20581.

25 12. Defendant **Aaron Michael Scott** is an individual who resides in Portland,
26 Oregon. Scott was the sole owner, president, and secretary of Blue Moon during the
27 Relevant Period. Scott has never been registered with the CFTC in any capacity.
28

1 **IV. RELEVANT NON-PARTY**

2 13. **BMC Worldwide, Inc. d/b/a Blue Moon Coins** was a Washington
3 corporation organized in October 2013 that was administratively dissolved in May
4 2014. Its principal place of business was located in Vancouver, Washington. Blue
5 Moon has never been registered with the CFTC in any capacity.

6 **V. FACTS**

7 **A. Scott and Blue Moon Fraudulently Solicited Customers To Purchase**
8 **Precious Metals by Making Material Misrepresentations and Omitting**
9 **Material Facts.**

10 14. During the Relevant Period, Scott and Blue Moon represented to members
11 of the public that Blue Moon was a highly reputable precious metals firm that sold and
12 delivered precious metals to its customers. Scott and Blue Moon held Blue Moon out
13 as a stable, established dealer in precious metals through its website,
14 www.blumooncoins.com (“Website”).

15 15. Scott and Blue Moon used the Website to tout Blue Moon’s “years of
16 experience . . . in the precious metal and collectible coin industry.” Scott and Blue
17 Moon also claimed to have a network of worldwide contacts throughout the industry.
18 Scott and Blue Moon marketed Blue Moon’s purported ability to offer lower prices
19 than its industry competitors and attributed its pricing to its “exclusive access to an
20 extensive, well-established network of buyers and sellers.”

21 16. During the Relevant Period, Scott and Blue Moon falsely represented that
22 Blue Moon maintained an inventory of precious metals in stock and would deliver a
23 customer’s order from that inventory upon receipt of payment. At other times during
24 the Relevant Period, Scott and Blue Moon falsely represented that Blue Moon would
25 fulfill customer orders by obtaining the precious metals from a third-party supplier and
26 promised delivery within a certain number of days.

27 17. During the Relevant Period, Scott and Blue Moon falsely represented that
28 precious metals were being shipped quickly to customers after placement of orders and

1 receipt of customer funds. In particular, the Website falsely claimed that the average
2 order fulfillment and shipping time for customer orders was twelve to fifteen business
3 days. In other instances, Scott and Blue Moon directly and falsely informed customers
4 that delivery would be made in seven to thirty business days.

5 18. During the Relevant Period, Scott and Blue Moon falsely represented to
6 certain customers that, after receiving the customer's order, Blue Moon had purchased
7 precious metals to fulfill that customer's order and that precious metals were being
8 shipped to that customer.

9 19. Scott and Blue Moon also concealed and prolonged their fraudulent
10 scheme by continuing to make false representations. To explain why customers had
11 not received their orders, Scott and Blue Moon blamed, among other things, weather,
12 supplier problems, being "slammed," armored trucks being behind schedule,
13 unspecified corporate changes, and other excuses. To further placate customers, Scott
14 and Blue Moon also promised to make partial shipments or to upgrade their orders.

15 20. Scott and Blue Moon knew these representations were false when they
16 made them. Scott and Blue Moon intended to and did misappropriate the vast majority
17 of customer funds received during the Relevant Period. Consequently, Blue Moon
18 lacked sufficient funds to meet the obligations Blue Moon had incurred with respect to
19 its customers' orders. Scott and Blue Moon's representations regarding purported
20 delays were similarly false. In many cases, Scott and Blue Moon had already
21 misappropriated the funds associated with customer purchases by the time the excuses
22 were stated to the customers.

23 21. Rather than disclose that the business was failing to fulfill customer
24 orders and misappropriating customer funds, Scott and Blue Moon continued to
25 advertise and hold Blue Moon out as a legitimate precious metals supplier capable of
26 fulfilling customer orders. When customers would grow weary of Scott and Blue
27 Moon's repeated excuses, in many instances, customers would cancel their order and
28 demand a refund. Instead of honoring refund requests, Scott and Blue Moon typically

1 ceased further communications with the customers.

2 22. Customers would not have purchased precious metals from or through
3 Blue Moon if they had known that Scott and Blue Moon were unable to fulfill orders
4 as promised, or that Scott and Blue Moon were misappropriating customer funds.

5 **B. Scott and Blue Moon Misappropriated Blue Moon Customers' Funds.**

6 23. During the Relevant Period, Scott and Blue Moon misappropriated
7 approximately \$1,360,000 from 133 customers in connection with their fraudulent
8 scheme. Scott and Blue Moon used customer funds from precious metals purchases to
9 pay Blue Moon's operating expenses, refund other disgruntled customers or fulfill
10 other customer orders in the nature of a Ponzi scheme, pay unrelated debts, and invest
11 in other businesses.

12 **C. Scott Attempted To Avoid Any Responsibility for His Misconduct.**

13 24. Scott filed a Chapter 7 bankruptcy petition on May 29, 2015, attempting
14 to discharge debts owing to Blue Moon customers based on unfulfilled orders. In his
15 bankruptcy petition and during the course of his bankruptcy case Scott admitted that at
16 least 133 customers were owed approximately \$1,360,000 on account of their unfilled
17 precious metals orders placed with Blue Moon.

18 25. After receiving complaints from Blue Moon customers, the United States
19 Trustee opened an investigation into Scott's conduct. In response, Scott waived a
20 possible bankruptcy discharge of his debts, and the bankruptcy proceeding was closed
21 in June 2016.

22 **D. Scott Acted as Controlling Person for Blue Moon.**

23 26. During the Relevant Period, Scott was the President, Secretary, and sole
24 owner of Blue Moon.

25 27. During the Relevant Period, Scott made all financial and strategic
26 business decisions for Blue Moon.

27 28. During the Relevant Period, Scott directed, among other things, the
28 opening of bank accounts and signing of contracts on behalf of Blue Moon, the

1 payment of Blue Moon's operating expenses, that customer funds be invested in other
2 businesses, that customer funds be used to satisfy other financial obligations unrelated
3 to customers' purchases, the publication of information on the Website, and responses
4 to customer inquiries.

5 29. Scott knowingly induced Blue Moon's fraudulent acts by virtue of
6 directing those fraudulent acts.

7 **E. Scott and Blue Moon Offered Contracts of Sale of Commodities in**
8 **Interstate Commerce.**

9 30. During the Relevant Period, Scott and Blue Moon obtained approximately
10 \$1,360,000 from at least 133 customers for the purpose of entering into contracts of
11 sale of gold and silver in interstate commerce.

12 31. Gold and silver are commodities pursuant to Section 1a(9) of the Act,
13 7 U.S.C. § 1a(9) (2012).

14 32. As part of their scheme, Scott and Blue Moon used the mails or other
15 instrumentalities of interstate commerce to: (1) receive checks, wires, and credit card
16 payments from Blue Moon customers; (2) make representations to Blue Moon
17 customers; and (3) disseminate fraudulent order status information to Blue Moon
18 customers.

19 **VI. VIOLATIONS OF THE ACT AND REGULATIONS**

20 **FRAUD**

21 **Violations of Section 6(c)(1) of the Act, 7 U.S.C. § 9(1) (2012), and**
22 **Regulation 180.1(a)(1)-(3), 17 C.F.R. § 180.1(a)(1)-(3) (2018)**

23 33. The allegations in paragraphs 1 through 32 are re-alleged and
24 incorporated herein by reference.

25 34. By reason of the conduct described above, Scott and Blue Moon, in
26 connection with a contract of sale of commodities in interstate commerce, intentionally
27 or recklessly: (1) used or employed, or attempted to use or employ, manipulative
28 devices, schemes, or artifices to defraud; (2) made, or attempted to make, any untrue or

1 misleading statements of material fact or omissions of material fact; or (3) engaged, or
2 attempted to engage, in acts, practices, or courses of business, which operated or would
3 have operated as a fraud or deceit upon Blue Moon's customers.

4 35. By reason of the foregoing, Scott and Blue Moon violated 7 U.S.C. § 9(1)
5 and 17 C.F.R. § 180.1(a)(1)-(3).

6 36. At all times relevant to this Complaint, Scott controlled Blue Moon,
7 directly or indirectly, and did not act in good faith or knowingly induced, directly or
8 indirectly, Blue Moon's conduct alleged in this Count; therefore, pursuant to Section
9 13(b) of the Act, 7 U.S.C. § 13c(b) (2012), Scott is liable for Blue Moon's violations
10 of 7 U.S.C. § 9(1) and 17 C.F.R. § 180.1(a)(1)-(3).

11 37. Each act of using or employing, or attempting to use or employ,
12 manipulative devices, schemes, or artifices to defraud; making, or attempting to make,
13 any untrue or misleading statements of material fact or omissions of material fact; or
14 engaging, or attempting to engage, in acts, practices, or courses of business, which
15 operated or would have operated as a fraud or deceit upon Blue Moon's customers,
16 including, but not limited to, those specifically alleged herein, is alleged as a separate
17 and distinct violation of 7 U.S.C. § 9(1) and 17 C.F.R. § 180.1(a)(1)-(3).

18 **VII. RELIEF REQUESTED**

19
20 The CFTC respectfully requests that this Court, as authorized by Section 6c of
21 the Act, 7 U.S.C. § 13a-1 (2012), and pursuant to its own equitable powers:

22 A. Find that Scott and Blue Moon violated Section 6(c)(1) of the Act, 7
23 U.S.C. § 9(1) (2012), and Regulation 180.1(a)(1)-(3), 17 C.F.R. § 180.1(a)(1)-(3)
24 (2018);

25 B. Enter an order of permanent injunction enjoining Scott, and his affiliates,
26 agents, servants, employees, successors, assigns, attorneys, and all persons in active
27 concert with them, who receive actual notice of such order by personal service or
28 otherwise, from violating 7 U.S.C. § 9(1), and 17 C.F.R. § 180.1(a)(1)-(3);

1 C. Enter an order of permanent injunction restraining and enjoining Scott,
2 and his affiliates, agents, servants, employees, successors, assigns, attorneys, and all
3 persons in active concert with them, from directly or indirectly:

- 4 1) Trading on or subject to the rules of any registered entity (as that term
5 is defined by Section 1a(40) of the Act, 7 U.S.C. § 1a(40) (2012));
- 6 2) Entering into any transactions involving “commodity interests” (as that
7 term is defined in Regulation 1.3, 17 C.F.R. § 1.3 (2018)), for accounts
8 held in the name of any Defendant or for accounts in which any
9 Defendant has a direct or indirect interest;
- 10 3) Having any commodity interests traded on any Defendant’s behalf;
- 11 4) Controlling or directing the trading for or on behalf of any other
12 person or entity, whether by power of attorney or otherwise, in any
13 account involving commodity interests;
- 14 5) Soliciting, receiving, or accepting any funds from any person for the
15 purpose of purchasing or selling of any commodity interests;
- 16 6) Applying for registration or claiming exemption from registration with
17 the CFTC in any capacity, and engaging in any activity requiring such
18 registration or exemption from registration with the CFTC except as
19 provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9) (2018);
20 and
- 21 7) Acting as a principal (as that term is defined in Regulation 3.1(a),
22 17 C.F.R. § 3.1(a) (2018)), agent, or any other officer or employee of
23 any person registered, exempted from registration, or required to be
24 registered with the CFTC except as provided for in
25 17 C.F.R. § 4.14(a)(9).

26 D. Enter an order directing Scott, as well as any third-party transferee and/or
27 successors thereof, to disgorge, pursuant to such procedure as the Court may order, all
28 benefits received including, but not limited to, salaries, commissions, loans, fees,

1 revenues, and trading profits derived, directly or indirectly, from acts or practices
2 which constitute violations of the Act as described herein, including pre-judgment and
3 post-judgment interest;

4 E. Enter an order requiring Scott to make restitution to persons who have
5 sustained losses proximately caused by the violations described herein, including pre-
6 judgment and post-judgment interest;

7 F. Enter an order directing Scott to rescind, pursuant to such procedures as
8 the Court may order, all contracts and agreements, whether implied or express, entered
9 into between Blue Moon and any of the customers whose funds were received by Blue
10 Moon as a result of the acts and practices which constituted violations of the Act as
11 described herein;

12 G. Enter an order directing Scott to pay a civil monetary penalty assessed by
13 the Court, in an amount not to exceed the penalty prescribed by Section 6c(d)(1) of the
14 Act, 7 U.S.C. § 13a-1(d)(1) (2012), as adjusted for inflation pursuant to the Federal
15 Civil Penalties Inflation Adjustment Act Improvements Act of 2015, Pub. L. 114-74,
16 129 Stat. 584, title VII, § 701, *see* Regulation 143.8, 17 C.F.R. § 143.8 (2018), for each
17 violation of the Act, as described herein;

18 H. Enter an order requiring Scott to pay costs and fees as permitted by
19 28 U.S.C. §§ 1920 and 2413(a)(2) (2012); and

20 I. Enter an order providing such other and further relief as this Court may
21 deem necessary and appropriate under the circumstances.

1 Dated: October 3, 2018

Respectfully submitted,

2 **COMMODITY FUTURES TRADING**
3 **COMMISSION**

4
5 By: /s James M. Humphrey IV

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6 **COMMODITY FUTURES TRADING**
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