

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 72797 / August 8, 2014

INVESTMENT COMPANY ACT OF 1940
Release No. 31201 / August 8, 2014

ADMINISTRATIVE PROCEEDING
File No. 3-16008

In the Matter of

**CRUCIBLE CAPITAL
GROUP, INC. and
CHARLES MOORE,**

Respondents.

**ORDER INSTITUTING
ADMINISTRATIVE AND CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTIONS 15(b) AND 21C OF THE
SECURITIES EXCHANGE ACT OF 1934
AND SECTION 9(b) OF THE
INVESTMENT COMPANY ACT OF 1940**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 9(b) of the Investment Company Act of 1940 against Crucible Capital Group, Inc. (“Crucible”) and Charles Moore (“Moore”) (collectively, “Respondents”).

II.

After an investigation, the Division of Enforcement alleges that:

SUMMARY

1. This action arises out of extensive failures by Crucible, a registered broker-dealer, to maintain minimum net capital and to accurately make and preserve certain required records. These violations occurred between December 2012 and September 2013 (the “relevant period”).

RESPONDENTS

2. Crucible, located in New York, New York, was formed in 2003 and has been registered with the Commission as a broker-dealer since September 2005. Crucible’s business consists of assisting microcap issuers in raising capital. Crucible is wholly owned by Moore, its

founder, president, and sole shareholder. The firm has been subject to several disciplinary actions, including two for net capital and books-and-records violations. In August 2008, the Financial Industry Regulatory Authority (“FINRA”) approved a Letter of Acceptance, Waiver, and Consent, under which Crucible consented to findings that it maintained inaccurate financial books and records and filed inaccurate FOCUS Reports in each of six months in 2006. In January 2011, Crucible was assessed a \$10,000 fine and consented to findings that it, acting through Moore, maintained inaccurate financial books and records and filed inaccurate FOCUS Reports in each of three months in 2008. Finally, in April 2013, FINRA approved a settlement in which Crucible was censured and fined \$12,500 and Moore was censured and fined \$10,000 for, among other things, maintaining inaccurate financials and books and records and filing inaccurate FOCUS Reports.

3. Moore, age 62, resides in East Brunswick, New Jersey. He is the founder, president, and sole shareholder of Crucible and Angelic Holdings LLC (“Angelic”). He holds Series 7, 24, 28, 62, and 63 licenses and at all relevant times has been a registered representative of Crucible. As noted above, Moore has been censured by FINRA and has settled charges with FINRA relating to Crucible’s maintenance of inaccurate books and records.

OTHER RELEVANT ENTITIES

4. Angelic, located in New York, New York, is an unregistered entity wholly owned by Moore. Angelic is party to an expense-sharing agreement with Crucible.

FACTUAL BACKGROUND

Crucible’s Business and Its Relationship to Angelic

5. Since 2009, Crucible’s business has consisted of assisting clients, which appear to primarily if not exclusively be microcap issuers, with their long-term capital-structure plans and capital-raising activities. Crucible’s claimed capital-raising services include arranging private equity financing and debt facilities; private debt and bank debt via unsecured loans and/or credit facilities; and bank debt, including but not limited to revolving lines of credit, asset-based loans, and other types of credit facilities.

6. Angelic is a shell company wholly owned by Moore. Angelic purportedly performs due-diligence reviews of the entities that hire Crucible to assist them in raising capital. But it performs those services in name only: the services are performed by Crucible employees (Angelic has no employees independent of Crucible’s), and Angelic has no operations or sources of revenue independent of the fees that Crucible’s clients pay Angelic for the due-diligence services.

7. During the relevant period, Angelic was thinly capitalized. It purportedly had net income of \$178 in January 2013; (\$13,067) in February 2013; \$78 in March 2013; (\$6,517) in April 2013; \$27 in May 2013; \$2,795 in June 2013; (\$9,732) in July 2013; and (\$9,507) in August 2013. The balance in Angelic’s bank accounts as of August 31, 2013 was \$3,252, and Angelic had no other known assets.

8. Throughout the relevant period, Moore caused Crucible and Angelic to enter into an Expense Sharing Agreement (the “Agreement”) by signing the Agreement on both parties’ behalf. Moore had the parties enter into the Agreement so that Crucible’s vendors would issue their invoices to Angelic for the services they performed for Crucible. Crucible’s primary vendors were the firm that supplied its Financial and Operations Principal (FINOP), its outside law firm, and its e-mail archivist. Moore separately caused Crucible to tell these vendors that they should not send their invoices to Crucible through the firm’s e-mail system.

Crucible Consistently Operated While Out of Net Capital During the Relevant Period

9. Rule 15c3-1 under the Exchange Act [17 CFR 240.15c3-1] requires broker-dealers generally effecting transactions in securities to “at all times have and maintain net capital” no less than the greatest of the highest minimum requirement applicable to its business. Under Rule 15c3-1(c)(2) [17 CFR 240.15c3-1(c)(2)], a broker-dealer’s “net capital” is defined to mean its “net worth,” subject to certain adjustments. A broker-dealer’s net worth, in turn, is calculated by subtracting its liabilities from its assets.

10. The net capital rule requires broker-dealers to maintain different minimum amounts of net capital based on the nature of a firm’s business. The minimum net capital requirement is the greater of a fixed-dollar amount specified in the rule or an amount determined by applying one of two financial ratios. The minimum fixed dollar amount for Crucible was \$5,000.¹ Based on the application of this rule, Crucible’s required net capital amount from December 2012 through September 2013 ranged from \$5,000 to \$5,396 as set forth in paragraph 14 below.

11. The net capital rule requires a broker-dealer to perform two calculations: (i) a computation of the minimum amount of net capital the broker-dealer must maintain; and (ii) a computation of the amount of net capital the broker-dealer is maintaining.

12. Generally, a broker-dealer computing net capital first calculates its net worth, computed in accordance with generally accepted accounting principles; deducts the value of certain illiquid assets; and also takes haircuts from the market value of certain securities it holds. The resulting figure must be above the firm’s required minimum net capital to comply with the net capital rule.

13. From December 2012 through September 2013, Crucible operated with significant net capital deficiencies.

¹ Under Rule 15c3-1(a)(2)(vi), a broker-dealer, such as Crucible, “that does not receive, directly or indirectly, or hold funds or securities for, or owe funds or securities to, customers and does not engage in any of the activities described in paragraphs (a)(2)(i) through (v) of this rule shall maintain net capital of not less than \$5,000.”

14. In its FOCUS Reports, Crucible reported that its actual net capital substantially exceeded its required net capital at month end, as shown below.

Month	Required Net Capital	Crucible's Reported Net Capital
Dec. 2012	\$5,199	\$81,084
Jan. 2013	\$5,000	\$53,961
Feb. 2013	\$5,000	\$26,670
Mar. 2013	\$5,000	\$21,504
Apr. 2013	\$5,000	\$21,707
May 2013	\$5,000	\$41,358
June 2013	\$5,016	\$15,117
July 2013	\$5,282	\$10,882
Aug. 2013	\$5,396	\$8,039
Sept. 2013	\$5,089	\$8,911

Crucible substantially overstated its net capital, however, and in fact had a net capital deficiency on each of those reporting dates. Crucible overstated its net capital as a result of several improper practices.

15. First, Crucible improperly failed to include as its own liability the outstanding amount that its FINOP provider had invoiced to Angelic for services performed for Crucible. Between December 31, 2012 and September 31, 2013, that outstanding liability was between approximately \$50,783 and \$60,875. Crucible's failure to treat that liability as its own caused it to operate without adequate net capital from January 2013 through September 2013.

16. Crucible's failure to include the outstanding balance invoiced to Angelic as its own liability was improper because the FINOP provider furnished a FINOP to Crucible and not Angelic. In addition, and as described at Paragraph 7 above, Angelic did not have adequate resources independent of Crucible to pay its obligations to the FINOP provider or the other vendors. As Angelic's sole officer and shareholder, Moore knew or recklessly disregarded the fact that Angelic did not have adequate resources independent of Crucible to pay its obligations to those vendors.

17. The Commission staff and FINRA have provided guidance that for a broker-dealer to be relieved, for net capital purposes, of liabilities as a result of an expense sharing agreement with a third party, the third party must have adequate resources. In a July 11, 2003 letter, the Commission's then-Division of Market Regulation offered guidance on the application of the financial responsibility rules (that is, the net capital rule, Rule 15c3-1, and the reporting and recordkeeping requirements under Rules 17a-3 through 17a-5) when a broker-dealer has a third party, which may be a parent, holding company, or affiliate, assume responsibility for paying the broker-dealer's expenses. In October 2003, the National Association of Securities Dealers ("NASD") issued Notice to Members 03-63 (the "NASD Notice"), which commented on the Division of Market Regulation's letter. Both the Division of Market Regulation's letter and the NASD Notice stated that for a broker-dealer to be relieved, for net capital purposes, of liabilities as

a result of an expense sharing agreement with a third party, certain conditions must be met, including that the broker-dealer can demonstrate that the third party has adequate resources independent of the broker-dealer to pay the liability or expense. Because the debt to the FINOP provider was for services performed for Crucible, and because Angelic did not have adequate resources independent of Crucible to pay its obligations to the FINOP provider, Crucible was required to, but did not, treat that obligation as its own liability.

18. The improper practice described above in paragraphs 15, 16, and 17 caused Crucible to operate without sufficient net capital from January through September 2013.

19. In addition, Crucible employed a second improper practice that separately caused it to operate without sufficient net capital throughout December 2012 and until at least January 21, 2013. For example, at the end of December 2012, Crucible included as an allowable asset 3 million shares of common stock of a microcap issuer that Crucible valued at \$110,000. However, it was not until at the earliest January 21, 2013, that Crucible obtained a letter required by the transfer agent, opining that the transfer agent could remove the restrictive legend from the certificate representing these shares. Accordingly, the shares were subject to a restriction and thus non-marketable and should not have been included as an allowable asset until at least January 21, 2013.

Books-and-Records and Financial Reporting Failures

20. As a result of the above-described errors in calculating its net capital, Crucible failed to make and keep accurate records of its net capital calculation and filed ten FOCUS Reports during the relevant period that contained its inaccurate asset, liability, and net capital computations.

21. In addition, during an examination conducted by the Commission's Broker-Dealer Examination staff ("exam staff"), Crucible, acting at Moore's direction, provided the exam staff with falsified documents that substantially understated Angelic's, and therefore Crucible's, liabilities to vendors.

22. In addition, in 2013, Crucible, acting at Moore's direction, arranged to have some of its vendors send their invoices to Crucible staff at their personal email addresses. Accordingly, Crucible failed to keep certain records relating to its business as a broker-dealer and FINRA member.

VIOLATIONS

23. A broker-dealer violates Section 15(c)(3) of the Exchange Act and Rule 15c3-1 thereunder when it uses the mails, or any means or instrumentality of interstate commerce, to effect any transaction in, or to induce or attempt to induce the purchase or sale of, any security (other than exempt securities) while not maintaining its required minimum net capital.

24. A broker-dealer violates Section 17(a)(1) of the Exchange Act and Rules 17a-3 and 17a-4 thereunder when it fails to make and keep current, and preserve, certain books and records and when those records are not accurate. *See In the Matter of the Application of PennMont*

Securities, Exchange Act Release No. 54434 (Sept. 13, 2006). Rule 17a-3(a)(2) requires every broker-dealer to, among other things, make and keep ledger accounts (or other records) reflecting all assets and liabilities. The rule requires that such computations shall be prepared currently at least once a month. Rule 17a-4(b)(3) requires a broker-dealer to preserve for at least three years “[a]ll bills receivable or payable . . . paid or unpaid, relating to the business of such member, broker, or dealer” and Rule 17a-4(j) requires a broker-dealer to promptly give to a representative of the Commission, upon its request, “legible, true, complete, and current copies of those records . . . that are required to be preserved under this section.” Rule 17a-5(a) requires certain broker-dealers to file FOCUS Reports that, among other things, contain a net capital computation. Rule 17a-11(b)(1) requires every broker-dealer registered with the Commission under Section 15 of the Exchange Act whose net capital declines below the minimum amount required to notify the Commission of that deficiency the same day.

25. As a result of the conduct described above, Crucible willfully violated Sections 15(c)(3) and 17(a)(1) of the Exchange Act and Rules 15c3-1, 17a-3(a)(2), 17a-4(b)(3), 17a-4(j), 17a-5(a), and 17a-11(b)(1) thereunder.

26. As a result of the conduct described above, including by causing Crucible and Angelic to enter into the Agreement when he knew or recklessly disregarded the fact that the FINOP was actually performing its services for Crucible and not Angelic, and Angelic did not have adequate resources independent of Crucible to pay the amounts owed its vendors, Moore willfully aided and abetted and caused Crucible’s violations of Sections 15(c)(3) of the Exchange Act and Rule 15c3-1, which require broker-dealers to maintain minimum net capital. As a result of the conduct described above, including by causing Crucible to calculate its net capital improperly when he knew or recklessly disregarded the fact that the erroneous net capital computation would be included in Crucible’s FOCUS Reports, and by directing a Crucible employee to falsify documents to substantially understate Angelic’s, and therefore, Crucible’s, liabilities to vendors and provide those documents to representatives of the Commission and by ensuring in 2012 that vendor invoices would not be sent to Crucible through the firm’s email system, Moore willfully aided and abetted and caused Crucible’s violations of Section 17(a)(1) of the Exchange Act and Rules 17a-3(a)(2), 17a-4(b)(3), 17a-4(j), 17a-5(a), and 17a-11(b)(1) thereunder, which require broker-dealers to make and keep current and preserve books and records, and to make certain reports and filings with the Commission.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative and cease-and-desist proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondents an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Respondents pursuant to Section 15(b) of the Exchange Act including, but not limited to, disgorgement and civil penalties pursuant to Section 21B of the Exchange Act;

C. What, if any, remedial action is appropriate in the public interest against Respondent Moore pursuant to Section 9(b) of the Investment Company Act including, but not limited to, disgorgement and civil penalties pursuant to Section 9 of the Investment Company Act; and

D. Whether, pursuant to Section 21C of the Exchange Act, Respondents should be ordered to cease and desist from committing or causing violations of and any future violations of Sections 15(c)(3) and 17(a)(1) of the Exchange Act and Rules 15c3-1, 17a-3(a)(2), 17a-4(b)(3), 17a-4(j), 17a-5(a), and 17a-11(b)(1) thereunder, whether Respondents should be ordered to pay a civil penalty pursuant to Section 21B(a) of the Exchange Act, and whether Respondents should be ordered to pay disgorgement pursuant to Sections 21B(e) and 21C(e) of the Exchange Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened not earlier than 30 days and not later than 60 days from service of this Order at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondents shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondents fail to file the directed answer, or fail to appear at a hearing after being duly notified, the Respondents may be deemed in default and the proceedings may be determined against them upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondents as provided for in the Commission's Rules of Practice.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not “rule making” within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Jill M. Peterson
Assistant Secretary