INITIAL DECISION RELEASE NO. 1092
ADMINISTRATIVE PROCEEDING
FILE NO. 3-15936

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

In the Matter of	:	INITIAL DECISION MAKING FINDINGS AND IMPOSING SANCTION BY DEFAULT
CHRISTOPHER A.T. PEDRAS (a/k/a CHRIS PEDRAS a/k/a ANTONE THOMAS PEDRAS)	:	December 19, 2016

APPEARANCE: Karen Matteson for the Division of Enforcement, Securities and Exchange Commission

BEFORE: Carol Fox Foelak, Administrative Law Judge

SUMMARY

This Initial Decision bars Christopher A.T. Pedras (a/k/a Chris Pedras a/k/a Antone Thomas Pedras) from the securities industry. He was previously enjoined against violations of the antifraud and registration provisions of the federal securities laws.

I. INTRODUCTION

The Securities and Exchange Commission instituted this proceeding with an Order Instituting Proceedings (OIP) on June 18, 2014, pursuant to Section 15(b) of the Securities Exchange Act of 1934 (Exchange Act). The proceeding is a follow-on proceeding based on *SEC v. Pedras*, No. 13-cv-7932 (C.D. Cal. June 9, 2014), in which Pedras was enjoined against violations of the antifraud and registration provisions of the federal securities laws.

Pedras, who was recently extradited from Tonga to face criminal charges,[1] was served with the OIP on September 30, 2016, by personal service and did not file an Answer to the OIP, which was due by October 20, 2016. *See* OIP at 3; 17 C.F.R. § 201.220(b). The Division of Enforcement filed a motion for default and for imposition of remedial sanctions on October 27, 2016. Pedras was ordered to show cause, by November 30, 2016, why he should not be deemed to be in default and the requested sanctions be imposed. *Christopher A.T. Pedras*, Admin. Proc. Rulings Release No. 4357, 2016 SEC LEXIS 4261 (A.L.J. Nov. 16, 2016). To date, Pedras has not filed an Answer to the OIP, responded to the order to show cause, responded to the

[1] *See United States v. Pedras*, No. 8:13-cr-219 (C.D. Cal. Aug. 6, 2014), ECF No. 11.

Division's motion, or submitted any other correspondence in this proceeding. Accordingly, he has failed to answer, to respond to a dispositive motion, or otherwise to defend the proceeding within the meaning of 17 C.F.R. § 201.155(a)(2). Therefore, he is in default, and the undersigned finds that the allegations in the OIP are true as to him. *See* OIP at 3; 17 C.F.R. §§ 201.155(a), .220(f). Official notice pursuant to 17 C.F.R. § 201.323 is taken of the docket report and the court's orders in *SEC v. Pedras* and of the public official records of the Commission and other United States Government agencies.

II. FINDINGS OF FACT

Pedras was enjoined in *SEC v. Pedras* from committing violations of Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 and of Sections 10(b) and 15(a) of the Exchange Act and Rule 10b-5 thereunder; the court also ordered Pedras and others, jointly and severally, to pay disgorgement of $3,185,152 plus prejudgment interest of $31,492.64 for a total of $3,216,644.64 and ordered Pedras to pay a third-tier civil penalty of $1,985,152. *SEC v. Pedras*, ECF Nos. 74, 78. The court also froze all monies and assets held in numerous accounts at several banks. *SEC v. Pedras*, ECF No. 78 at 6-9. The judgment was entered by default; the court considered several factors in determining to enter the default judgment, including whether the default was due to excusable neglect. *SEC v. Pedras*, ECF No. 74 at 6-13. The court concluded that, after Pedras had been served with the complaint and a notice of entry of default, he "had ample time to resolve this matter by filing motions or interposing an answer," and thus, his "default was the result of an affirmative decision not to litigate the action rather than excusable neglect." *Id*. at 4-5, 13.

Pedras, a U.S. citizen, has lived in California and New Zealand. OIP at 1. He is not registered with the Commission in any capacity and acted as an unregistered broker. OIP at 1-2; *SEC v. Pedras*, ECF No. 74 at 10-11. He is currently in the United States, at Metropolitan Detention Center Los Angeles, according to the Federal Bureau of Prisons website, of which official notice is taken pursuant to 17 C.F.R. § 201.323.[2]

The following additional facts were established in *SEC v. Pedras*, ECF No. 74 at 3-4, 10-11: Beginning in July 2010, Pedras and others offered and sold unregistered securities based on materially false misrepresentations and omissions. They raised over $5.6 million from more than fifty investors in the United States in two successive phases. First was the "Maxum Gold Trade Program," which they represented to investors as a low risk investment with returns of 4% to 8% per month. The investments were in the form of investment contracts. In fact, the program was a Ponzi scheme. Next, after encountering difficulty in making the promised payouts, they offered the Maxum program investors the "FMP Renal Program," which purported to back kidney dialysis clinics in New Zealand. Victims were told that, by investing in the new program, they could increase the value of their Maxum investments by 80% overnight. None of Pedras's investment promises was true. Neither program was real. Of the $5.6 million raised, $2.4 was paid to investors as "investment returns," and $1.2 million was paid to a small network of sales agents. Pedras appropriated nearly $2 million in cash, purchases, and transfers to his related

[2] *See* https://www.bop.gov/inmateloc/ (last visited Dec. 19, 2016).

companies. The instruments associated with the two programs were not registered with the Commission.

III. CONCLUSIONS OF LAW

Pedras has been enjoined "from engaging in or continuing any conduct or practice in connection with . . . the purchase or sale of any security within the meaning of Sections 15(b)(4)(C) and 15(b)(6)(A)(iii) of the Exchange Act; 15 U.S.C. §§ 78*o*(b)(4)(c), (6)(A)(iii).

IV. SANCTION

As the Division requests, a collateral bar will be ordered.

A. Sanction Considerations

The Commission determines sanctions pursuant to a public interest standard. *See* 15 U.S.C. § 78*o*(b)(6). The Commission considers factors including:

> the egregiousness of the defendant's actions, the isolated or recurrent nature of the infraction, the degree of scienter involved, the sincerity of the defendant's assurances against future violations, the defendant's recognition of the wrongful nature of his conduct, and the likelihood that the defendant's occupation will present opportunities for future violations.

Steadman v. SEC, 603 F.2d 1126, 1140 (5th Cir. 1979) (quoting *SEC v. Blatt*, 583 F.2d 1325, 1334 n.29 (5th Cir. 1978)), *aff'd on other grounds*, 450 U.S. 91 (1981). The Commission also considers the age of the violation and the degree of harm to investors and the marketplace resulting from the violation. *Marshall E. Melton*, Advisers Act Release No. 2151, 2003 SEC LEXIS 1767, at *5 (July 25, 2003). Additionally, the Commission considers the extent to which the sanction will have a deterrent effect. *Schield Mgmt. Co.*, Exchange Act Release No. 53201, 2006 SEC LEXIS 195, at *35 & n.46 (Jan. 31, 2006). The public interest requires a severe sanction when a respondent's past misconduct involves fraud because opportunities for dishonesty recur constantly in the securities business. *See Vladimir Boris Bugarski*, Exchange Act Release No. 66842, 2012 SEC LEXIS 1267, at *18 n.26 (Apr. 20, 2012); *Richard C. Spangler, Inc.*, Exchange Act Release No. 12104, 1976 SEC LEXIS 2418, at *34 (Feb. 12, 1976).

B. Sanction

As described in the Findings of Fact, Pedras's conduct was egregious and recurrent, with two schemes, and involved a high degree of scienter. His occupation, if he were allowed to continue it in the future, would present opportunities for future violations. Absent a bar, he could participate in the securities industry. The violations were recent at the time this proceeding commenced. Pedras has not recognized the wrongful nature of his conduct. The $5.6 million raised from investors is a measure of the direct harm to the marketplace. Further, as the Commission has often emphasized, the public interest determination extends beyond

consideration of the particular investors affected by a respondent's conduct to the public-at-large, the welfare of investors as a class, and standards of conduct in the securities business generally. *See Christopher A. Lowry*, Investment Company Act of 1940 Release No. 2052, 2002 SEC LEXIS 2346, at *20 (Aug. 30, 2002), *aff'd*, 340 F.3d 501 (8th Cir. 2003); *Arthur Lipper Corp.*, Exchange Act Release No. 11773, 1975 SEC LEXIS 527, at *52 (Oct. 24, 1975). An injunction involving dishonesty requires a bar, and because of the Commission's obligation to ensure honest securities markets, an industry-wide bar is appropriate.

The Commission considers an antifraud injunction to be especially serious and to subject a respondent to the severest of sanctions. *Marshall E. Melton*, 2003 SEC LEXIS 1767, at *29-30. Indeed, from 1995 to the present, there have been over thirty-five litigated follow-on proceedings based on antifraud injunctions in which the Commission issued opinions, and all of the respondents were barred[3] – at least thirty-five unqualified bars and three bars with the right to reapply after five years.[4] Further, in every such case that followed the statutory provision of collateral bars, the Commission imposed a collateral bar rather than an industry specific bar, reasoning that the antifraud provisions of the securities laws apply broadly to all securities-related professionals and violations demonstrate unfitness for future participation in the securities industry, even if the disqualifying conduct is not related to the professional capacity in which the respondent was acting when he or she engaged in the misconduct underlying the proceeding. *See John W. Lawton*, Advisers Act Release No. 3513, 2012 SEC LEXIS 3855, at *42-43 (Dec. 13, 2012), *vacated in part on other grounds*, Advisers Act Release No. 4402, 2016 SEC LEXIS 1926 (May 27, 2016).

V. ORDER

IT IS ORDERED that, pursuant to Section 15(b) of the Securities Exchange Act of 1934, Christopher A.T. Pedras (a/k/a Chris Pedras a/k/a Antone Thomas Pedras) IS BARRED from associating with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization and from participating in an offering of penny stock.[5]

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[3] In the cases authorized before the effective date of the Dodd-Frank Act, which authorized collateral bars, the Commission imposed industry-specific bars, such as a bar from association with an investment adviser on a respondent who had been associated with an investment adviser at the time of his violation.

[4] Those three were *Richard J. Puccio*, Exchange Act Release No. 37849, 1996 SEC LEXIS 2987 (Oct. 22, 1996), *Martin B. Sloate*, Exchange Act Release No. 38373, 1997 SEC LEXIS 524 (Mar. 7, 1997), and *Robert Radano*, Advisers Act Release No. 2750, 2008 SEC LEXIS 1504 (June 30, 2008). The Commission's opinions do not make clear the factors that distinguished these cases from those in which unqualified bars were imposed, but there is little difference between a "bar" and a "bar with the right to reapply in five years."

[5] Thus, he would be barred from acting as a promoter, finder, consultant, or agent; or otherwise engaging in activities with a broker, dealer, or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock, pursuant to Exchange Act Section 15(b)(6)(A), (C); 15 U.S.C. § 78*o*(b)(6)(4).

This Initial Decision shall become effective in accordance with and subject to the provisions of Rule 360 of the Commission's Rules of Practice, 17 C.F.R. § 201.360. Pursuant to that Rule, a party may file a petition for review of this Initial Decision within twenty-one days after service of the Initial Decision. A party may also file a motion to correct a manifest error of fact within ten days of the Initial Decision, pursuant to Rule 111 of the Commission's Rules of Practice, 17 C.F.R. § 201.111. If a motion to correct a manifest error of fact is filed by a party, then a party shall have twenty-one days to file a petition for review from the date of the undersigned's order resolving such motion to correct a manifest error of fact. The Initial Decision will not become final until the Commission enters an order of finality. The Commission will enter an order of finality unless a party files a petition for review or a motion to correct a manifest error of fact or the Commission determines on its own initiative to review the Initial Decision as to a party. If any of these events occur, the Initial Decision shall not become final as to that party.[6]

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Carol Fox Foelak
Administrative Law Judge

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[6] A respondent may also file a motion to set aside a default pursuant to 17 C.F.R. § 201.155(b). *See Alchemy Ventures, Inc.*, Exchange Act Release No. 70708, 2013 SEC LEXIS 3459, at *13 & n.28 (Oct. 17, 2013); *see also David Mura*, Exchange Act Release No. 72080, 2014 SEC LEXIS 1530 (May 2, 2014).