

Initial Decision Release No. 1246  
Administrative Proceeding  
File No. 3-18276

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

In the Matter of

**Patric Ken Baccam a/k/a Khanh  
Sengpraseuth**

**Initial Decision of Default**  
March 23, 2018

Appearance: Nicholas C. Margida for the Division of Enforcement,  
Securities and Exchange Commission

Before: James E. Grimes, Administrative Law Judge

### **Summary**

I grant the Division of Enforcement's motion for sanctions. Respondent Patric Ken Baccam is barred from associating with a broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, and from participating in an offering of any penny stock.

### **Procedural Background**

The Securities and Exchange Commission initiated this proceeding in November 2017, when it issued an order instituting proceedings (OIP) under Section 15(b) of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940.<sup>1</sup> This is a follow-on proceeding based on an injunction entered in 2017 by the United States District Court for the Central District of California. The Division alleges that from 2002 through 2011, Baccam was a registered representative associated with an entity that was

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<sup>1</sup> OIP at 1; *see* 15 U.S.C. §§ 78o(b), 80b-3(f).

dually registered with the Commission as a broker-dealer and an investment adviser.<sup>2</sup> It also alleges that the district court enjoined Baccam from violating Section 17(a) of the Securities Act of 1933, Exchange Act Sections 10(b) and 15(a), and Exchange Act Rule 10b-5.<sup>3</sup> Finally, the Division asserts that it made certain allegations in its injunctive complaint.<sup>4</sup>

Baccam was served with the OIP in November 2017.<sup>5</sup> After he failed to answer the OIP, I ordered him to show cause why he should not be found in default.<sup>6</sup> Because Baccam did not respond to the order to show cause, I found him in default and granted the Division leave to file a motion for sanctions.<sup>7</sup>

The Division filed a timely motion supported by a declaration and twelve exhibits (cited as “Div. Ex. \_”).<sup>8</sup> Baccam did not file an opposition to the Division’s motion.

### **Findings of Fact**

The findings and conclusions in this initial decision are based on the record and on facts officially noticed under Rule 323.<sup>9</sup> Because Baccam is in

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<sup>2</sup> OIP at 1.

<sup>3</sup> OIP at 2; *see* 15 U.S.C. §§ 77q(a), 78j(b), 78o(a); 17 C.F.R. § 240.10b-5.

<sup>4</sup> OIP at 2. Because paragraph II.B.3 of the OIP begins with the phrase “[t]he Commission’s complaint alleged, among other things, that,” the only thing that this paragraph does is establish what the Commission previously alleged. Because Baccam is in default, I deem this allegation true. *See* 17 C.F.R. §§ 201.155(a), .220(f). But this merely means that I deem true that the Commission’s complaint made the referenced allegations. The allegations themselves, by contrast, are not deemed true because they are not directly recited in the OIP as the Division’s present allegations.

<sup>5</sup> *See Patric Ken Baccam*, Admin. Proc. Rulings Release No. 5406, 2017 SEC LEXIS 4148 (ALJ Dec. 19, 2017).

<sup>6</sup> *Id.*

<sup>7</sup> *Patric Ken Baccam*, Admin. Proc. Rulings Release No. 5430, 2018 SEC LEXIS 3, at \*1–2 (ALJ Jan. 2, 2018).

<sup>8</sup> Citations to exhibits reference Bates numbers or internal pagination. Bates number references omit alphanumeric prefixes and any leading zeros.

default, I have deemed true the allegations in the OIP and, consistent with Commission precedent, will rely on those allegations in conjunction with other evidence in the record.<sup>10</sup> In making the findings below, I have applied preponderance of the evidence as the standard of proof.<sup>11</sup>

Baccam passed his Series 6 and 63 exams in 2000 but never passed his Series 7 exam.<sup>12</sup> He could thus solicit, purchase, and sell investment-company and variable-contract products but not stocks or bonds.<sup>13</sup> From 2002 through 2011, Baccam was a registered representative associated with Centaurus Financial, Inc., an entity dually registered with the Commission as a broker-dealer and an investment adviser.<sup>14</sup> Baccam has not been associated with a registered broker-dealer or investment adviser since 2011.<sup>15</sup>

In the latter part of 2010, Baccam's friend, Conley Moret, asked Baccam about the possibility that he might refer his Centaurus clients to Moret.<sup>16</sup> Moret proposed to solicit the clients' investment in promissory notes that

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<sup>9</sup> 17 C.F.R. § 201.323. I take official notice of the contents of the docket in *SEC v. Baccam*, No. 5:17-cv-0172 (C.D. Cal.), which is the litigation on which this administrative proceeding is based.

<sup>10</sup> *Baccam*, 2018 SEC LEXIS 3, at \*1; see 17 C.F.R. § 201.155(a); *David E. Lynch*, Exchange Act Release No. 46439, 2002 WL 1997953, at \*1 & n.12 (Aug. 30, 2002) (instructing that, "if additional evidence is adduced in a proceeding against a respondent" who is in default, "the decisionmaker properly should consider that evidence in the determination of the proceeding").

<sup>11</sup> See *John Francis D'Acquisto*, Advisers Act Release No. 1696, 1998 WL 34300389, at \*2 (Jan. 21, 1998).

<sup>12</sup> Div. Ex. 3 at 63–65.

<sup>13</sup> See *id.*; FINRA, *Qualification Exams*, <http://www.finra.org/industry/qualification-exams>.

<sup>14</sup> OIP at 1; Div. Ex. 3 at 62, 65.

<sup>15</sup> OIP at 1.

<sup>16</sup> Div. Ex. 3 at 163.

would be used “[t]o buy . . . and flip homes.”<sup>17</sup> He offered Baccam a 10% commission for each referred client who invested.<sup>18</sup>

Without telling Centaurus, Baccam agreed and began “pitch[ing]” the notes to his clients.<sup>19</sup> Baccam visited his clients in their homes and suggested that because of then-current market conditions, investing with Moret would be a sound investment decision.<sup>20</sup> Between late 2010 and late 2011, Baccam convinced five clients, including his cousin, Vila Baccam, to invest over \$250,000 in seven Moret promissory notes.<sup>21</sup> The promissory notes were backed by neither the investment properties nor any other collateral.<sup>22</sup>

In 2011, Baccam started conducting business under the name PR Group, an alter ego he never incorporated.<sup>23</sup> According to Baccam, he set up PR Group to “flip homes” using funds raised through promissory notes.<sup>24</sup>

Baccam solicited his Centaurus clients in person to invest in PR Group, which he said was solely in the business of “buy[ing] . . . and flip[ping] homes.”<sup>25</sup> He did not tell investors who would actually buy and renovate the investment properties or that he lacked any relevant experience.<sup>26</sup> Baccam told investors that PR Group notes were a better investment than the

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<sup>17</sup> *Id.* at 163–64.

<sup>18</sup> *Id.* at 169–70, 231.

<sup>19</sup> *Id.* at 172; *see id.* at 158. Baccam failed to disclose this activity to Centaurus on his Outside Business Activity Questionnaires. *See* Div. Ex. 5. He expressly disclaimed any private securities transactions. *Id.* at 424.

<sup>20</sup> Div. Ex. 3 at 172, 183.

<sup>21</sup> *Id.* at 182–83, 463–64.

<sup>22</sup> *Id.* at 169.

<sup>23</sup> *Id.* at 143–44.

<sup>24</sup> *Id.* at 144.

<sup>25</sup> *Id.* at 300

<sup>26</sup> *Id.* at 301.

variable annuities they held with Centaurus.<sup>27</sup> He also assured investors that they would receive annual interest payments.<sup>28</sup>

In January 2011, for example, Kathleen Biggs invested \$29,000 in a PR Group note.<sup>29</sup> Biggs's note promised a 12% annual return.<sup>30</sup> Baccam did not sign the note. Instead, he had Martha Vasquez-Nuno—a clerk he employed for \$10 per hour at a separate entity<sup>31</sup>—sign the note as PR Group's "managing member."<sup>32</sup> Baccam's name is not listed on the note.

In March, Baccam sent Biggs a welcome letter signed by Vasquez-Nuno.<sup>33</sup> Baccam identified himself as the representative for his Centaurus clients who purchased PR Group notes, thus creating the false impression that he was not associated with PR Group.<sup>34</sup> The letter described PR Group as Biggs's "Investment planning partner" and said that PR Group was a "respected, established Investment Planning services provider," which had "earned a reputation for experience, innovation to customer satisfaction [sic]."<sup>35</sup>

None of these assertions in the letter were true.<sup>36</sup> During a deposition, Baccam was unable to explain what "respected" meant in this context.<sup>37</sup> And

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<sup>27</sup> *Id.* at 303.

<sup>28</sup> *Id.* at 304. Baccam denied that he used the word "guaranteed." *Id.* But he agreed that he told his investors that they would be paid interest and their loans would be paid back. *Id.* at 305.

<sup>29</sup> Div. Ex. 7 at 109–11.

<sup>30</sup> *Id.* at 109.

<sup>31</sup> Div. Ex. 3 at 111.

<sup>32</sup> Div. Ex. 7 at 109-10.

<sup>33</sup> Div. Ex. 3 at 320; Div. Ex. 8 at 122; *see also* Div. Ex. 8 at 128 (letter to separate investor).

<sup>34</sup> Div. Ex. 3 at 321–22; Div. Ex. 8 at 122.

<sup>35</sup> Div. Ex. 8 at 122; *see* Div. Ex. 3 at 322. In February, another investor, Lori Sheridan, bought a \$36,000 note with a promised annual return of 10%. Div. Ex. 7 at 129–30. Sheridan also received a welcome letter signed by Vasquez-Nuno. Div. Ex. 8 at 128.

<sup>36</sup> *Id.* at 324–25.

when he referred to PR Group’s reputation and experience, he said that he was actually referring to himself.<sup>38</sup> But by having Vasquez-Nuno sign the PR Group note and its welcome letter, Baccam conveyed the impression that he was not associated with PR Group.

In October 2011, Biggs purchased a second note, also with 12% return, for \$32,750.<sup>39</sup> In total, Baccam raised \$407,300 from the sale of PR Group notes.<sup>40</sup>

Baccam founded PRIM Group, LLC, in July 2011, as its sole owner and member.<sup>41</sup> Through PRIM Group, Baccam intended “to buy . . . and flip homes.”<sup>42</sup> Baccam sold a PRIM Group promissory note in November 2011 in the amount of \$100,000.<sup>43</sup> After that, Baccam decided to sell promissory notes through Precision Research Group, LLC, an entity discussed below.<sup>44</sup>

In the fall of 2011, Baccam learned that Moret would not be able to make the annual payments due on the notes he sold Baccam’s clients.<sup>45</sup> Using PRIM Group funds,<sup>46</sup> Baccam then lent Moret the money needed to make all of the annual payments owing in 2011 on the notes sold to Baccam’s

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<sup>37</sup> *Id.* at 325.

<sup>38</sup> *Id.*

<sup>39</sup> *Id.* at 318–19; Div. Ex. 7 at 113–15.

<sup>40</sup> Margida Decl. ¶ 4.a. This portion of the declaration by the Division’s counsel summarizes the investigative findings of one of the Commission’s staff accountants based on the accountant’s review and analysis of the bank records of the entities controlled by Baccam. *Id.* I find the summary sufficiently relevant, material, and reliable to consider. 17 C.F.R. § 201.320(b); accord Fed. R. Evid. 1006 (permitting summary evidence where underlying records have been made available for inspection or copying).

<sup>41</sup> Div. Ex. 9 at 378; Div. Ex. 3 at 94–96.

<sup>42</sup> Div. Ex. 3 at 96.

<sup>43</sup> *Id.* at 140, 212; Div. Ex. 10 at 183–84.

<sup>44</sup> Div. Ex. 3 at 140.

<sup>45</sup> *Id.* at 192–93.

<sup>46</sup> *Id.* at 210, 213–14.

Centaurus clients.<sup>47</sup> This included \$9,600 to make an annual payment Gregory Montecino.<sup>48</sup> Baccam did not tell Montecino that he (Baccam) financed the \$9,600 interest payment.<sup>49</sup> After Moret paid Montecino from the funds Baccam loaned Moret, Montecino purchased a \$76,000 note from PR Group.<sup>50</sup>

In December 2011, PRIM Group purchased a home in which Baccam and his wife later lived.<sup>51</sup> Baccam paid \$110,000 for the home using funds raised through the sale of promissory notes.<sup>52</sup> Baccam spent at least \$190,000 in investor funds renovating the house.<sup>53</sup> PRIM Group sold the home in July 2012, to Baccam’s niece, Queena Phommasene, for \$200,000.<sup>54</sup> Baccam and his wife continued to reside in the home, however.<sup>55</sup>

In March 2012, Baccam learned that Moret had stopped making payments on Vila Baccam’s note.<sup>56</sup> When Baccam confronted Moret, Moret said that he planned to file for bankruptcy and “walk away from” the obligation to pay on the notes.<sup>57</sup> Baccam then used PR Group funds to make monthly payments to his cousin, totaling roughly \$115,000.<sup>58</sup>

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<sup>47</sup> *Id.* at 203; *see id.* at 210, 463.

<sup>48</sup> *Id.* at 190–95, 463.

<sup>49</sup> *Id.* at 193, 358–59.

<sup>50</sup> *Id.* at 358–59.

<sup>51</sup> *Id.* at 48.

<sup>52</sup> *Id.* at 49–51. It is not entirely clear how much of the funds for purchase and renovation came from PRIM Group or from PR Group. *See id.* at 48, 298. Given the amounts Baccam raised from each entity’s notes, most of the funding necessarily came from PR Group.

<sup>53</sup> *Id.* at 105–06, 297.

<sup>54</sup> *Id.* at 48–49.

<sup>55</sup> *Id.* at 47–48.

<sup>56</sup> *Id.* at 216–17.

<sup>57</sup> *Id.* at 217.

<sup>58</sup> *Id.* at 220, 298–300. When he testified about paying his cousin with funds raised via PR Group promissory notes, Baccam said: “It could have, yes”; “You know what, it might have”; and “Probably so.” *Id.* at 299–300.

Baccam formed Precision Research Group LLC, in May 2012,<sup>59</sup> as a successor to PR Group.<sup>60</sup> He established Precision to finance PRIM Group's operations<sup>61</sup> and sought to hide his involvement with Precision. Its articles of organization with the state of California listed Phommasene as its agent for service of process and Karla Figueroa, as its organizer.<sup>62</sup> Baccam claimed not to know Figueroa.<sup>63</sup> Although the articles listed Baccam's address for Phommasene, his name did not appear on the articles.<sup>64</sup>

Precision's operating agreement furthered Baccam's efforts to hide his involvement with Precision. Baccam didn't sign it; it was signed by Phommasene and Baccam's wife, Imelda Baccam, who were respectively described as its vice president and president.<sup>65</sup> The agreement also stated that each had contributed \$1,000 and received a 50% interest in Precision.<sup>66</sup> In reality, neither woman had any role in Precision's operations, and their capital contributions came via Baccam from PRIM Group.<sup>67</sup> Because Precision had no other employees, and Phommasene and Imelda Baccam had no actual job responsibilities,<sup>68</sup> Baccam was necessarily the only person associated with Precision.

Baccam raised funds by selling Precision promissory notes to his clients.<sup>69</sup> He eventually raised \$204,100 from the sale of Precision promissory notes.<sup>70</sup> The Precision notes did not mention Baccam and instead listed his

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<sup>59</sup> Div. Ex. 9 at 296; Div. Ex. 3 at 129; *see* Div. Ex. 3 at 132 (Baccam affirming that Precision Research Group "is your company").

<sup>60</sup> Div. Ex. 3 at 143.

<sup>61</sup> *Id.* at 139.

<sup>62</sup> Div. Ex. 9 at 296.

<sup>63</sup> Div. Ex. 3 at 130–32.

<sup>64</sup> Div. Ex. 9 at 296; Div. Ex. 3 at 129–30.

<sup>65</sup> Div. Ex. 3 at 135–36.

<sup>66</sup> *Id.*

<sup>67</sup> *Id.* at 135–38, 141.

<sup>68</sup> *Id.* at 137–38, 142.

<sup>69</sup> *Id.* at 139.

<sup>70</sup> Margida Decl. ¶ 4.2.

sister-in-law, Eliva Bolanos, as its managing member.<sup>71</sup> Bolanos never actually worked for Precision.<sup>72</sup>

In June 2012, PRIM Group bought a home in Illinois from Baccam's sister's friend who "wanted to unload it."<sup>73</sup> Baccam used PRIM Group funds to pay the mortgage on the property.<sup>74</sup> Using PRIM Group and PR Group funds, Baccam paid over \$30,000 to "a friend of a friend," who "was not really a contractor," to renovate the house.<sup>75</sup>

In January 2017, the Commission filed a civil complaint in the Central District of California against Baccam, Precision, and PRIM Group.<sup>76</sup> The Commission alleged that Baccam committed fraud in the offer or sale of securities, in violation of Securities Act Section 17(a)(1) through (3), committed fraud in connection with the purchase and sale of securities, in violation of Exchange Act Section 10(b) and Exchange Act Rule 10b-5(a) through (c), and acted as an unregistered broker, in violation of Exchange Act Section 15(a).<sup>77</sup>

In June 2017, the district court granted the Commission's motion for default judgment against Baccam and permanently enjoined him from violating the provisions charged in the Commission's complaint.<sup>78</sup> The court also found that Baccam profited from his scheme in the amount of \$203,756.<sup>79</sup> It thus found him jointly and severally liable for that amount, plus \$29,881 in interest, and additionally ordered him to pay a civil monetary penalty of \$203,756.<sup>80</sup>

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<sup>71</sup> See Div. Ex. 12; Div. Ex. 3 at 112.

<sup>72</sup> Div. Ex. 3 at 142.

<sup>73</sup> *Id.* at 108–10.

<sup>74</sup> *Id.* at 109–11.

<sup>75</sup> *Id.* at 106–07, 298.

<sup>76</sup> Div. Ex. 1.

<sup>77</sup> *Id.* at 23–30; see 15 U.S.C. §§ 77q(a)(1)–(3), 78j(b), 78o(a); 17 C.F.R. § 240.10b-5(a)–(c).

<sup>78</sup> Div. Ex. 2 at 1–3.

<sup>79</sup> *Id.* at 3.

<sup>80</sup> *Id.* at 3, 5.

## Conclusions of Law

Under the Exchange Act, the Commission may bar Baccam from associating with a broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, or from participating in an offering of any penny stock if, as is relevant here, (1) he was associated with or seeking to become associated with a broker or dealer at the time of his misconduct; (2) he was enjoined “from engaging in or continuing any conduct or practice . . . in connection with the purchase or sale of any security”; and (3) imposing a bar is in the public interest.<sup>81</sup> The Advisers Act gives the Commission similar authority with respect to a person associated with or seeking to be associated with an investment adviser.<sup>82</sup>

As to the first factor, Baccam was associated with a broker or dealer throughout the time of his misconduct and he was associated with an investment adviser for most of that time. He was associated with Centaurus, a registered broker-dealer and investment adviser through the end of 2011.<sup>83</sup> This time period encompassed all the notes he sold as investments, except the Precision notes he sold after he formed it in 2012.

As to the Precision notes, a *broker* is a “person engaged in the business of effecting transactions in securities for the account of others.”<sup>84</sup> A person is *engaged in the business* if he or she buys or sells securities in “more than a few isolated transactions.”<sup>85</sup> Baccam held himself out as a broker as to Precision: he hid his involvement with Precision, actively solicited investors, and handled client funds. In combination, these activities show that he acted as a broker as to the Precision notes.<sup>86</sup>

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<sup>81</sup> 15 U.S.C. § 78o(b)(4)(C), (6)(A)(iii).

<sup>82</sup> 15 U.S.C. § 80b-3(e)(4), (f). The Advisers Act does not authorize imposition of a penny stock bar.

<sup>83</sup> OIP at 1.

<sup>84</sup> 15 U.S.C. § 78c(a)(4)(A).

<sup>85</sup> *Anthony Fields, CPA*, Securities Act Release No. 9727, 2015 WL 728005, at \*18 (Feb. 20, 2015) (quoting *Gordon Wesley Sodorff*, Exchange Act Release No. 31134, 1992 WL 224082, at \*4 (Sept. 2, 1992)).

<sup>86</sup> *See Fields*, 2015 WL 728005, at \*18 (discussing “[a]ctivities that are indicative of being a broker”); *see also Erik W. Chan*, Securities Act Release No. 8078, 2002 WL 507022, at \*7 n.42 (Apr. 4, 2002) (“A person effects

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As to the second factor, the district court permanently enjoined Baccam from committing fraud in connection with the purchase or sale of any security and in the offer or sale of any security.<sup>87</sup> It also permanently enjoined him from “effect[ing] transactions in, or . . . induc[ing] or attempt[ing] to induce, the purchase or sale of any security, without being registered as a broker or dealer with the Commission.”<sup>88</sup> The terms of this injunction meet the second requirement that Baccam have been enjoined from “engaging in . . . *any* conduct . . . in connection with the . . . sale of *any* security.”<sup>89</sup>

To determine whether to impose a bar, I must consider the public-interest factors discussed in *Steadman v. SEC*.<sup>90</sup> The public interest factors include:

the egregiousness of the respondent’s actions, the isolated or recurrent nature of the infraction, the degree of scienter involved, the sincerity of the respondent’s assurances against future violations, the respondent’s recognition of the wrongful nature of his conduct, and the likelihood that the respondent’s occupation will present opportunities for future violations.<sup>91</sup>

The Commission also considers the deterrent effect of administrative sanctions.<sup>92</sup> The public interest inquiry is “flexible, and no one factor is

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transactions if he or she participates in . . . helping an issuer to identify potential purchasers of securities, soliciting securities transactions, and participating in the order-taking or order-routing process (for example, by taking transaction orders from customers).”).

<sup>87</sup> Div. Ex. 2 at 1–2.

<sup>88</sup> *Id.* at 2–3.

<sup>89</sup> 15 U.S.C. §§ 78o(b)(4)(C) (emphasis added), 80b-3(e)(4).

<sup>90</sup> 603 F.2d 1126, 1140 (5th Cir. 1979), *aff’d on other grounds*, 450 U.S. 91 (1981); *see Toby G. Scammell*, Advisers Act Release No. 3961, 2014 WL 5493265, at \*5 (Oct. 29, 2014).

<sup>91</sup> *David R. Wulf*, Exchange Act Release No. 77411, 2016 WL 1085661, at \*4 (Mar. 21, 2016) (citing *Vladimir Boris Bugarski*, Exchange Act Release No. 66842, 2012 WL 1377357, at \*4 & n.18 (Apr. 20, 2012)).

<sup>92</sup> *Peter Siris*, Exchange Act Release No. 71068, 2013 WL 6528874, at \*11 n.72 (Dec. 12, 2013), *pet. denied*, 773 F.3d 89 (D.C. Cir. 2014). Although relevant, general deterrence is not determinative in assessing whether the

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dispositive.”<sup>93</sup> Before imposing a bar, an administrative law judge must specifically determine why the Commission’s interests in protecting the investing public would be served by imposing an industry bar.<sup>94</sup>

In considering the public interest, I am mindful that “in most” cases involving fraud, the public-interest analysis will weigh in favor of a “severe sanction.”<sup>95</sup> And because “[t]he securities industry presents continual opportunities for dishonesty and abuse,” it “depends heavily on the integrity of its participants and on investors’ confidence.”<sup>96</sup>

Turning to the *Steadman* factors, it is evident that the public interest and the Commission’s interest in protecting the public weigh in favor of an industry bar. For starters, Baccam operated his businesses as a Ponzi scheme, using later investors’ funds to pay earlier investors, including his cousin.

Baccam also hid his involvement with his businesses so that his investors would not know that, despite his lack of relevant experience, he would be the person buying and flipping homes. After hiding his involvement, Baccam falsely told PR Group investors that it was a “respected, established Investment Planning services provider,” which had “earned a reputation for experience, innovation to customer satisfaction [sic].”<sup>97</sup> None of these assertions were remotely accurate.

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public interest weighs in favor of imposing a bar. *PAZ Sec., Inc. v. SEC*, 494 F.3d 1059, 1066 (D.C. Cir. 2007).

<sup>93</sup> *Mohammed Riad*, Exchange Act Release No. 78049A, 2016 WL 3627183, at \*44 (July 7, 2016), *pet. filed*, No. 16-1275 (D.C. Cir. Aug. 4, 2016).

<sup>94</sup> *Mark Feathers*, Exchange Act Release No. 73634, 2014 WL 6449870, at \*1 (Nov. 18, 2014); *see Ross Mandell*, Exchange Act Release No. 71668, 2014 WL 907416, at \*2 (Mar. 7, 2014), *vacated in part on other grounds*, Exchange Act Release No. 77935, 2016 WL 3030883 (May 26, 2016).

<sup>95</sup> *Siris*, 2013 WL 6528874, at \*11 n.71 (quoting *Jeffrey L. Gibson*, Exchange Act Release No. 57266, 2008 WL 294717, at \*7 (Feb. 4, 2008), *pet. denied*, 561 F.3d 548 (6th Cir. 2009)).

<sup>96</sup> *Feathers*, 2014 WL 6449870, at \*3 (alteration in original) (quoting *Tzemach David Netzer Korem*, Exchange Act Release No. 70044, 2013 WL 3864511, at \*6 & n.53 (July 26, 2013)).

<sup>97</sup> *E.g.*, Div. Ex. 8 at 122, 128; *see* Div. Ex. 3 at 322.

Baccam used investor funds to benefit himself, his family, and his friends. He used investor funds to purchase and renovate a home in which he and wife lived.<sup>98</sup> When Moret was unable to pay Baccam's cousin, Baccam used investor funds to pay her.<sup>99</sup> He apparently selected a house in Illinois to purchase based on the fact that his sister's friend "wanted to unload it."<sup>100</sup> And the person he selected to renovate the house was "a friend of a friend," who "was not really a contractor."<sup>101</sup> Lying to investors while using their funds to support one's lifestyle and run a Ponzi scheme easily qualifies as egregious.

Baccam's conduct was recurrent. He established three companies using the same model and solicited multiple investors.<sup>102</sup>

Baccam's conduct evidenced a high degree of scienter. It was no accident that he used investor funds to make his cousin whole or purchase a home in which he lived. Nor did he mistakenly hide his involvement in his businesses while installing people in what appeared to be controlling positions in those businesses.<sup>103</sup> It is plain that Baccam intended to do these things.

Baccam has neither made assurances against future violations nor shown that he recognizes the wrongful nature of his conduct. Instead he defaulted in district court and in this proceeding.

Given the fact of Baccam's violations and his failure to make any assurances against future violations or show that he recognizes the

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<sup>98</sup> Div. Ex. 3 at 48–51, 105–06, 297.

<sup>99</sup> *Id.* at 216–17, 220, 298–300.

<sup>100</sup> *Id.* at 108–10.

<sup>101</sup> *Id.* at 106–07, 298.

<sup>102</sup> *See id.* at 94–96, 129, 132, 139, 143–44, 300; Div. Ex. 9; Margida Decl. ¶ 4.

<sup>103</sup> *See, e.g.,* Div. Ex. 3 at 135–142 (Baccam stating that is "correct" that he didn't have a reason for listing his wife and his niece as the president and vice president of Precision even though neither had any role in its operation or formation beyond contributing their names to the paperwork).

wrongfulness of his conduct, I determine that if Baccam remains in the securities industry, he is likely to engage in future misconduct.<sup>104</sup>

Finally, imposing a bar will serve the Commission's interest in deterring others from engaging in similar misconduct.

In sum, Baccam's egregious conduct harmed investors and if he were able to remain in the industry, he would have the opportunity to cause additional harm. The Commission's interest in protecting the investing public would be served by imposing an industry and penny stock bar.

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<sup>104</sup> See *Korem*, 2013 WL 3864511, at \*6 n.50 (“[T]he existence of a violation raises an inference that it will be repeated.” (alteration in original) (quoting *Geiger v. SEC*, 363 F.3d 481, 489 (D.C. Cir. 2004))); cf. *John A. Carley*, Securities Act Release No. 8888, 2008 WL 268598, at \*22 (Jan. 31, 2008) (determining whether to impose a cease-and-desist order and holding that “[o]ur finding that a violation is egregious ‘raises an inference that [the misconduct] will be repeated’” (quoting *Geiger v. SEC*, 363 F.3d at 489)), *remanded on other grounds sub nom. Zacharias v. SEC*, 569 F.3d 458 (D.C. Cir. 2009).

## Order

The Division of Enforcement's motion for sanctions is GRANTED.

Under Section 15(b) of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940, Patric Ken Baccam is BARRED from associating with a broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization.

Under Section 15(b) of the Securities Exchange Act of 1934, Patric Ken Baccam is BARRED from participating in an offering of any penny stock.

This initial decision will become effective in accordance with and subject to the provisions of Rule 360.<sup>105</sup> Under 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.<sup>106</sup> 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 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 occurs, the initial decision shall not become final as to that party.

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James E. Grimes  
Administrative Law Judge

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<sup>105</sup> See 17 C.F.R. § 201.360.

<sup>106</sup> See 17 C.F.R. § 201.111.