

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 83801 / August 8, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-18626

In the Matter of

STEVE BAILEN,

Respondent.

ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Steve Bailen (“Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, Respondent admits the Commission’s jurisdiction over him and the subject matter of these proceedings, and the findings contained in Section III.2 below, and consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds that

1. During the period of his offenses described below in Section III.3, Bailen acted as an unregistered broker dealer who, for compensation in the form of undisclosed commissions taken directly from investor proceeds, engaged in the business of soliciting and

advising others as to the advisability of investing in, purchasing, or selling securities in the form of fractionalized interests in claimed patents tied to N1 Technologies, Inc. (“N1”), which were often sold as convertible into stock. Bailen is 59 years old and a resident of North Miami, Florida.

2. On December 18, 2017, Bailen pled guilty to one count of conspiracy to commit wire fraud and mail fraud, in violation of Title 18, United States Code, Section 1349, and contrary to Title 18, United States Code, Sections 1341 and 1343, before the United States District Court for the Southern District of Florida, in United States v. Steve Bailen, Case No. 17-20676-CR-JEM.

3. In connection with that plea, Bailen admitted that:

- a. From approximately 2013 through 2017, Bailen conspired with the principals of N1 and others in a scheme to defraud over 70 individuals through the sale of fractionalized interests in claimed patents tied to N1, which were often sold as convertible into stock, ultimately raising approximately \$3 million from the fraudulent scheme;
- b. N1’s principals hired Bailen to sell claimed patent interests to investors and he shared in the proceeds from such sales by receiving undisclosed commissions and fees;
- c. During the course of the conspiracy, Bailen was paid approximately \$488,000 in commissions;
- d. Bailen received commission payments for successfully soliciting investors and he also received commission payments from other sale persons’ clients;
- e. Bailen knew that while he was selling interests in claimed patents, which were convertible into stock, he made between 30% and 40% in commissions;
- f. To artificially inflate the stock price of N1 and its affiliated companies and to make N1 more attractive to potential investors, N1 principals provided money on multiple occasions to Bailen to purchase N1 stock; and
- g. Bailen made numerous materially false and misleading statements to induce investors to provide him and his co-conspirators money, including that: (i) N1 had and possessed actual patents on its inventions; (ii) an investor was purchasing an ownership unit of a patent with a corresponding United States Patent and Trademark Office number; (iii) the value of the N1 patents were worth millions; and (iv)

investors funds would be used by N1 on things other than commissions and fees.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Bailen's Offer.

Accordingly, it is hereby ORDERED pursuant to Section 15(b)(6) of the Exchange Act, that Respondent Bailen be, and hereby is barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and

Pursuant to Section 15(b)(6) of the Exchange Act, Respondent Bailen be, and hereby is barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages 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.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Brent J. Fields
Secretary