The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), against PIC Renegade Properties, LLC (“PIC Renegade Properties” or “Respondent”).

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, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.
III.

On the basis of this Order and Respondent’s Offer, the Commission finds\(^1\) that:

**Summary**

1. From mid-2015 to 2019, PIC Renegade Properties, the general partner of a real estate investment fund, violated securities offering registration provisions. The fund’s securities offering was not registered with the Commission and no exemption from registration was available.

2. Although the fund was purportedly relying on the registration exemption of Rule 506(c) of Regulation D, it failed to comply with the requirements necessary to avail itself of the exemption. Specifically, PIC Renegade Properties failed to take reasonable steps to verify the accreditation of a number of investors and improperly sold interests in the fund to certain unaccredited investors. Investments in the fund were risky and illiquid. The unpredictable nature of the investments and risk of potentially significant losses underscored the risks from failing to verify all investors were accredited.

**Respondent**

3. **PIC Renegade Properties** is a Delaware limited liability company with its principal place of business in San Juan Capistrano, California. PIC Renegade Properties is the general partner and has exclusive authority to control, manage and direct the business of PICR Fund III. PIC Renegade Properties has never been registered with the Commission in any capacity.

**Related Entity**

4. **PICR Fund III, LP** (“the Fund”) is a Delaware limited partnership with its principal place of business in San Juan Capistrano, California. The Fund, which was established in June 2015, has never been registered with the Commission in any capacity. In December 2019, after Commission staff began an investigation, the Fund retained a third party to verify the accredited status of new investors into the Fund. In about September 2021, the Fund ceased raising money from investors and began liquidating the properties and distributing money to investors.

\(^1\) The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.
Facts

PIC Renegade Properties Conducted an Unregistered Offering

5. In June 2015, PIC Renegade Properties launched the Fund to raise money from investors for the purpose of acquiring and renovating single-family homes for rental or resale.

6. PIC Renegade Properties, the general partner of the Fund, had exclusive authority to control, manage and direct the Fund’s real estate business; accepted the subscriptions into the Fund; regularly accepted investments less than the stated $500,000 minimum subscription amount including investments as low as $29,000; and determined the amount of returns to be distributed to investors on a pro rata basis.

7. PIC Renegade Properties generally solicited investors for the Fund through an unrestricted website, YouTube videos, and a press release. In addition, a number of investors in the Fund were referred by other investors or employees. Prospective investors could access the Fund’s Private Placement Memorandum (“PPM”), subscription agreement, investor questionnaire and other documents on the website. PIC Renegade Properties also provided Fund documents to investors by email or the mails.

8. On June 15, 2015, PIC Renegade Properties filed a Form D Notice of Exempt Offering of Securities stating that the Fund was relying on the registration exemption Rule 506(c) of Regulation D. Rule 506(c) of Regulation D permits an issuer to generally solicit an offering if all purchasers of securities sold are accredited investors and reasonable steps are taken at the time of the investments to verify all purchasers of securities sold are accredited investors.

9. PIC Renegade Properties was not entitled to rely on the Rule 506(c) exemption because it failed to take reasonable steps to verify that those investors qualified as accredited, as defined in Rule 501(a) of Regulation D. For example, it failed to obtain financial information or documents to verify natural person investors had sufficient income or net worth (assets less liabilities excluding the primary residence) or that entity investors had sufficient assets to qualify as accredited.

10. Between July 2015 and 2019, the Fund raised over $54 million from approximately 140 investors in various states.

PIC Renegade Properties Failed to Take Reasonable Steps to Verify Investors Were Accredited

11. PIC Renegade Properties accepted investments from more than two dozen investors without taking reasonable steps to verify that those investors qualified as accredited, as defined in Rule 501(a) of Regulation D. For example, it failed to obtain financial information or documents to verify natural person investors had sufficient income or net worth (assets less liabilities excluding the primary residence) or that entity investors had sufficient assets to qualify as accredited.

12. PIC Renegade Properties failed to adopt written policies and procedures, controls or compliance measures relating to accreditation verification and failed to provide training to
employees involved in soliciting investments to ensure that it only sold Fund securities to accredited investors.

13. Furthermore, PIC Renegade Properties failed to comply with the Fund’s requirement about how to verify investor accreditation. The Fund’s subscription documents stated, “[i]n order to meet the requirements for exemption of the offer and sale of Units from registration under the Securities Act . . . the Fund is required to verify that each [investor] is an accredited investor” and “the Fund must require additional documentation to verify the accredited investor status of each [investor]”. Notwithstanding this requirement, PIC Renegade Properties failed to obtain sufficient documentation verifying the accredited status for the more than two dozen investors.

14. PIC Renegade Properties had investors sign nine-page single spaced subscription agreements stating, among many other things, that the investors agreed they were accredited. Some, but not all, investors also checked a box in the subscription agreement indicating the reason they were accredited. Relying only on an investor to check a box in a questionnaire or sign a form did not constitute reasonable steps to verify investor accreditation.

15. In addition, PIC Renegade Properties accepted investments from some investors after receiving documents indicating the investors did not meet certain accreditation standards. For example, PIC Renegade Properties accepted investments from some individuals who provided documents showing their income in each of the two most recent years was less than the required $200,000 for an individual and less than the required $300,000 for a couple, PIC Renegade Properties accepted investments from some individuals who provided documents showing their net worth (excluding their primary residence) was less than the required $1 million, and PIC Renegade Properties accepted investments from some entities which provided documents showing their assets were less than the required $5 million. In so doing, PIC Renegade Properties failed to consider the information it had about these investors and failed to obtain additional documents or information supporting that the investors were, in fact, accredited.

16. Although PIC Renegade Properties retained a registered brokerage firm from June 7, 2017 to February 2018 to process money raised for the Fund and to verify investors’ accreditation, it raised money from at least two investors during that time period without involving the brokerage firm and without taking sufficient steps to verify the investors’ accreditation.

17. Additionally, PIC Renegade Properties failed to consider the financial status of approximately 15 entity investors (companies, trusts, pension plans, and non-profit organizations), which had different accreditation criteria than individuals. PIC Renegade Properties also was unable to identify entities where it was proper to verify their accreditation by looking at individuals’ finances because it failed to determine all equity owners of companies, all grantors of revocable trusts, whether a pension plan was self-directed and who directed pension plan trades, whether trusts were irrevocable or revocable, how irrevocable trusts were structured and whether entities were non-profit organizations. In addition, it failed to verify that the entities’ assets were over $5 million. Thus, PIC Renegade Properties failed to consider the nature of these entities and failed to take reasonable steps to verify they were accredited investors.
PIC Renegade Properties Sold Interests in the Fund to Unaccredited Investors

18. As a result of PIC Renegade Properties’ failure to take reasonable steps to verify the accreditation of all investors, it sold securities to at least four unaccredited investors.

19. For example, an individual who invested about $115,000 of her retirement funds had insufficient income and net worth to be accredited. The investor provided PIC Renegade Properties with documents showing that her joint net worth with her spouse was only about $800,000 and PIC Renegade Properties failed to obtain information or documents about her and her spouse’s income.

20. As another example, a nonprofit organization was unaccredited because it had about $200,000 in assets when it invested about $109,000 in the Fund. That amount of assets is well below the required $5 million in assets for a nonprofit organization to be accredited. PIC Renegade Properties failed to obtain information or documents about this nonprofit’s assets.

21. In another example, an irrevocable trust established for the care of an elderly grantor, with minimal income and net worth, was unaccredited. When the trust invested $200,000, it had about $600,000 in assets, which is significantly less than the required $5 million in assets for this type of irrevocable trust. PIC Renegade Properties failed to obtain information or documents about this trust’s assets. PIC Renegade Properties received an accountant’s letter purportedly verifying that the trust was accredited as a natural person with over $1 million in net worth. This letter was irrelevant because the investor was an irrevocable trust, not a natural person.

22. No other exemption was available for the Fund’s offering.

23. As a result of the conduct described above, PIC Renegade Properties violated Section 5(a) of the Securities Act, which prohibits the sale of securities through interstate commerce or the mails unless a registration statement is in effect, and Section 5(c) of the Securities Act, which prohibits the offer to sell any security through interstate commerce or the mails, unless a registration statement has been filed as to such security with the Commission.
IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent’s Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 8A of the Securities Act, Respondent PIC Renegade Properties cease and desist from committing or causing any violations and any future violations of Sections 5(a) and 5(c) of the Securities Act.

B. Respondent PIC Renegade Properties shall, within 5 days of the entry of this Order, pay a civil money penalty in the amount of $400,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

Payment must be made in one of the following ways:

(1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

(3) Respondent may pay by certified check, bank cashier’s check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying PIC Renegade Properties as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Stacy Bogert, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549.
C. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent’s payment of a civil penalty in this action (“Penalty Offset”). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission’s counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a “Related Investor Action” means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa A. Countryman
Secretary