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10 BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION
OF THE STATE OF CALIFORNIA

11 In the Matter of:

12 THE COMMISSIONER OF FINANCIAL
13 PROTECTION AND INNOVATION,

14 Complainant,

15 v.

16 KISO CAPITAL MANAGEMENT I, LLC, and
17 DAMON DOE

18 Respondents.

NOTICE OF INTENT TO ISSUE ORDER
LEVYING ADMINISTRATIVE
PENALTIES AND STATEMENT IN
SUPPORT PURSUANT TO
CORPORATIONS CODE 25252

19 The Commissioner of Financial Protection and Innovation (Commissioner) is informed and
20 believes, and based upon such information and believe, alleges and charges as follows:

21 **I.**

22 **STATEMENT OF FACTS**

23 1. At all relevant times, Kiso Capital, LP (The Fund), is and was a Delaware limited
24 partnership located at 333 Almaden Blvd, Suite 333, San Jose, California 95113 and 99 Almaden
25 Blvd Ste 975, San Jose, California 95113 operating the email address, damon@kisocapital.com, and
26 telephone number, (408) 673-8806, through which it conducted business.

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2. At all relevant times herein, Kiso Capital Management I, LLC (KCM), is and was a California limited liability company located at 333 Almaden Blvd, Suite 333, San Jose, California 95113 operating as the General Partner of The Fund.

3. At all relevant times, Damon Doe (Doe) is and was the managing member of KCM.

4. KCM and Doe are collectively referred to as Kiso.

Violations of Corporations Code Section 25230

(Conducting Business as an Investment Adviser without a Certificate)

5. Beginning in or about January 2021, Kiso provided investment advisory services to a pooled investment vehicle, Kiso Capital, LP (The Fund), and recommended to members of the public, to invest money in The Fund. At all relevant times, KCM was the investment manager of The Fund and had discretionary authority on how The Fund invested its money, including investing in debt instruments, warrants, and options.

6. From February 2021 - June 2023, KCM provided investment advisory services, to the Fund and collected at least \$172,043.11 in management fees and \$99,203.69 in performance-based fees.

7. From February 2021 - June 2023, Kiso charged performance-based fees to at least 41 investors of the Fund, totaling at least \$99,203.69. Of the 41 investors of the Fund, of which were charged performance fees, 40 investors were not “Qualified Client[s]”¹.

8. At all relevant times, neither the Department nor the United States Securities and Exchange Commission have issued an investment adviser certificate to any of the respondents.

9. Corporations Code section 25230 prohibits an investment adviser from conducting business as an investment adviser in this state without first securing from the Commissioner a certificate, then in effect, authorizing them to do so, or unless they are exempt.

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¹ Rule 205-3(d) of the Investment Advisers Act of 1940

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**Violations of Corporations Code Section 25235 and CCR Section 260.237
(Fraudulent, Deceptive, or Manipulative Act, Practice or Course of Business By Failing to
Follow Safekeeping Requirements While having Custody)**

10. At all relevant times, Kiso had custody of client funds and securities by having signatory authority on The Fund’s bank accounts, and authority to make withdrawals or transfers to outside accounts. However, between February 10, 2021, through September 30, 2023, Kiso failed to follow relevant safekeeping requirements, as set under CCR section 260.237 (a)(3)-(6).

11. CCR section 260.237 prohibits an investment adviser licensed or required to be licensed from having custody of client funds and securities, unless specific safekeeping requirements are followed. Furthermore, Corporations Code section 25235 prohibits an investment adviser from engaging in fraudulent, deceptive, or manipulative acts, practices or courses of business.

II.

NOTICE OF INTENT TO ISSUE ORDER LEVYING ADMINISTRATIVE PENALTIES

12. The Commissioner re-alleges and incorporates by reference paragraphs 1-15 of this Statement in Support, also contained in the Commissioner’s Desist and Refrain Orders and Order to Discontinue Violations, as though fully set forth herein.

13. Corporations Code section 25252 authorizes the Commissioner to issue an order levying administrative penalties against any person for willful violations of any provisions of the CSL and any rules promulgated thereunder.

14. Based on the foregoing findings, the Commissioner finds that Kiso conducted business as an investment adviser in this state without first securing from the Commissioner a certificate, authorizing them to do so, in violation of Corporations Code section 25230.

15. Further, the Commissioner finds that Kiso engaged in a fraudulent, deceptive, or manipulative act, practice or course of business, including holding custody of client funds and securities, without following specific safekeeping requirements, in violation of Corporations Code section 25235 (d) and CCR section 260.237.

16. Pursuant to Corporations Code section 25252 (b), the Commissioner hereby provides notice of intent to levy administrative penalties against KCM and Doe for the statutory amount of not

1 more than five thousand dollars (\$5,000.00) for the first violation, not more than ten thousand dollars
2 (\$10,000.00) for the second violation, and not more than fifteen thousand dollars (\$15,000.00) for
3 each subsequent violation, or according to proof, for Kiso’s willful violations of the CSL.

4 WHEREFORE, good cause showing, and pursuant to Corporations Code section 25252(b),
5 the Commissioner prays for an order levying administrative penalties, individually, jointly and
6 severally, against KCM and Doe, as follows:

7 a. That pursuant to Corporations Code section 25252(b), the Commissioner levy
8 administrative penalties of \$5,000.00 for first violation of Corporations Code section 25230, as listed
9 below, for a total amount of \$5,000.00 or according to proof:

10 i. First violation: \$5,000.00 for the first violation of Corporations Code
11 25230;

12 b. That pursuant to Corporations Code section 25252(b), the Commissioner levy
13 administrative penalties \$10,000.00 for the second violation of CCR section 260.237 and
14 Corporations Code section 25235 (d), and \$15,000.00 for each subsequent violation, as listed below,
15 for a total amount of \$40,000.00 or according to proof:

16 i. Second violation: \$10,000.00 for first violation in paragraph 10 for fiscal
17 year 2021; and

18 ii. Additional violations: \$15,000.00 for the two remaining violations in
19 paragraph 10 for fiscal years 2022 and 2023.

20 The total amount of administrative penalties for violations of Corporations Code sections 25230 and
21 25235 (d), is \$45,000.00, or according to proof.

22 DATED: April 12, 2024
23 Sacramento, California

CLOTHILDE V. HEWLETT
Commissioner
Department of Financial Protection and Innovation

24 By _____
25 RYAN M. CASSIDY
26 Counsel
27 Enforcement Division
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