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1	CLOTHILDE V. HEWLETT				
ا ء	Commissioner				
2	MARY ANN SMITH				
3	Deputy Commissioner				
	DANIEL P. O'DONNELL				
4	Assistant Chief Counsel				
5	RYAN M. CASSIDY (State Bar No. 340274)				
	Counsel				
6	Department of Financial Protection and Innovation				
7	2101 Arena Boulevard				
′	Sacramento, eri 7505 i				
8	Telephone: (916) 764-8358				
	Attorneys for Complainant				
9	REFORE THE DEPARTMENT OF FINAL	NCIAL PROTECTION AND INNOVATION			
10	OF THE STATE OF CALIFORNIA				
11	In the Matter of:				
12		STATEMENT IN SUPPORT OF ORDER			
	THE COMMISSIONER OF FINANCIAL	LEVYING ADMINISTRATIVE			
13	PROTECTION AND INNOVATION,	PENALTIES			
14	Complainant,				
17	V.	(Cal. Corp. Code § 25252)			
15	<b>v</b> .				
16	HEDONOVA LLC, HEDONOVA RESEARCH				
10	LLC, ALEXANDER CAVENDISH,				
17					
10	Respondents.				
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- 1	1				

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

I.

## **STATEMENT OF FACTS**

- 1. At all relevant times herein, Hedonova LLC (The Fund), is and was a Delaware limited liability company, located at 633 West Fifth Street, Los Angeles, California 90071, operating a public website (Hedonova.io), through which it conducted business.
- 2. At all relevant times, Hedonova Research LLC (Hedonova Research), is and was a Delaware limited liability company, located at 8 The Green, Suite B, Dover, Delaware 19901, operating as the managing member and Investment Manager of The Fund.

- 3. At all relevant times, Alexander Cavendish (Cavendish), is and was the Chief Executive Officer of The Fund and the managing member of Hedonova Research LLC.
- 4. The Fund, Hedonova Research, and Cavendish are collectively referred to as Respondents.
- 5. The Commissioner brings this action pursuant to the provisions of the Corporate Securities Law of 1968 (Cal. Corp. Code §§ 25000-25707) (CSL), which covers the offer and sale of securities.

## Violations of Corporations Code Section 25401 (Misrepresentations and Omissions of Material Facts)

- 6. Beginning in or about September 2022, Respondents, offered and/or sold securities, in the form of limited liability company membership interests in Hedonova, in California, through general solicitation on their websites.
- 7. Respondents sold securities to at least 146 investors, residing in California and elsewhere, in at least 146 separate transactions, raising at least \$5,688,390.23.
- 8. In connection with the offer and sale of these securities, Respondents made untrue statements of material facts, including but not limited to:
- a. HSBC was the Fund's banker. In fact, HSBC, one of the largest banking and financial services institutions in the world, is not the Fund's banker. Rather, The Fund custodies its money with a non-bank, which is not "FDIC insured," or with a small bank in Virginia who was found by the Office of the Comptroller of the Currency (OCC) to have engaged in unsafe or unsound practices, on August 17, 2022 (*See* https://www.occ.gov/static/enforcement-actions/ea2022-043.pdf).
- b. Deloitte LLP was the Fund's auditor. In fact, Deloitte LLP, the largest professional auditing firm in the world, has never been the Fund's auditor, nor have the Respondents ever signed an engagement letter with Deloitte LLP.
- c. The Fund would mail a copy of the audited financial statements no later than 120 days after its fiscal year-end. In fact, no audited financial statements were prepared and distributed within 120 days after its fiscal year-end for fiscal years 2022 and 2023.

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9. Corporations Code section 25401 prohibits the offer or sale of securities in this state by means of written or oral communications that include untrue statements of material fact or omit materials facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. The omissions and misrepresentations of Respondents are material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

## II.

## ORDER LEVYING ADMINISTRATIVE PENALTIES

- 10. The Commissioner re-alleges and incorporates by reference paragraphs 1-9 of this Statement in Support, also contained in the Commissioner's Desist and Refrain Order, as though fully set forth herein.
- 11. 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.
- 12. Based on the foregoing findings, the Commissioner finds that the Respondents offered and sold securities in an amount of at least \$5,688,390.23, and made untrue statements of material facts, to at least 146 investors, in violation of Corporations Code section 25401.
- 13. Pursuant to Corporations Code section 25252(a), the Commissioner hereby provides notice of intent to levy administrative penalties against The Fund, Hedonova Research, and Cavendish, for the statutory amount of not more than one thousand dollars (\$1,000) for the first violation, not more than two thousand five hundred dollars (\$2,500.00) for each subsequent violation, or according to proof, for Hedonova Research LLC and Alexander Cavendish's willful violations of the CSL.

WHEREFORE, good cause showing, and pursuant to Corporations Code section 25252(a), the Commissioner prays for an order levying administrative penalties, individually, jointly and severally, against Hedonova Research LLC and Alexander Cavendish, as follows:

a. That pursuant to Corporations Code section 25252(a), the Commissioner levy administrative penalties of \$1,000.00 for the first violation of Corporations Code section 25401 and

	\$2,500.00 for each subsequent violation of Corporations Code section 25401, as listed low, for a total					
	amount of \$1,093,500.00 or according to proof:					
	i.	First violation: \$	\$1,000.0	00 for misrepresentation in paragraph 8a, made in		
		one transaction;				
	ii.	Additional violations: \$2,500.00 for the misrepresentation in paragraph				
		8a, made in the remaining 145 transactions;				
	iii.	Additional violations: \$2,500.00 for the misrepresentation in paragraph				
		8b, made in 146 transactions; and				
	iv.	Additional viola	tions: \$	2,500.00 for the misrepresentation in paragraph		
		8c, made in 146	transac	tions.		
	The total amount of administrative penalties for violations of Corporations Code section 25401 is					
\$1,093,500.00, or according to proof.						
	DATED: May 2, 2024 Sacramento, California		Comm	HILDE V. HEWLETT issioner ment of Financial Protection and Innovation		
			Ву	RYAN M. CASSIDY Counsel Enforcement Division		