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IN THE MATTER OF §
PAGANELLI ENTERPRISES, LLC, CHRISTOPHER §
DINO PAGANELLI AND AP HEDGE AKA §
APHEDGE AKA ADVANTAGE PLAYER HEDGE §

Order No. ENF-21-CDO-1854

PAGANELLI ENTERPRISES, LLC, service by certified mail, return receipt requested, addressed to Paganelli Enterprises, LLC, at 5997 Kylie Street, Las Vegas, Nevada 89130, and addressed to Christopher Dino Paganelli, its Managing Member and Registered Agent for Service of Process in Nevada, at 5997 Kylie Street, Las Vegas, Nevada 89130.

CHRISTOPHER DINO PAGANELLI, service by certified mail, return receipt requested, addressed to Christopher Dino Paganelli at 5997 Kylie Street, Las Vegas, Nevada 89130.

AP HEDGE AKA APHEDGE AKA ADVANTAGE PLAYER HEDGE, service by certified mail, return receipt requested, addressed to AP Hedge at 5997 Kylie Street, Las Vegas, Nevada 89130.

EMERGENCY CEASE AND DESIST ORDER

This is your OFFICIAL NOTICE of the issuance by the Securities Commissioner of the State of Texas (the "Securities Commissioner") of an EMERGENCY CEASE AND DESIST ORDER pursuant to Section 23-2 of The Securities Act, Tex. Rev. Civ. Stats. Ann. arts. 581-1-581-45 (the "Securities Act").

The Enforcement Division of the Texas State Securities Board has presented evidence sufficient for the Securities Commissioner to find:

FINDINGS OF FACT

1. Paganelli Enterprises, LLC, ("Respondent Paganelli Enterprises") was organized with the Nevada Secretary of State as a Domestic Limited Liability Company on August 8, 2021. It is being served by certified mail, return receipt requested, addressed to Respondent Paganelli Enterprises at 5997 Kylie Street, Las Vegas, Nevada 89130, and through certified mail, return receipt requested, addressed to Christopher Dino Paganelli, its Managing Member and Registered Agent for Service of Process in Nevada, at 5997 Kylie Street, Las Vegas, Nevada 89130.
2. Christopher Dino Paganelli ("Respondent Paganelli") is the Managing Member and Nevada Registered Agent for Service of Process for Respondent Paganelli Enterprises. He is being served by certified mail, return receipt requested,

addressed to Respondent Paganelli at 5997 Kylie Street, Las Vegas, Nevada 89130.

3. AP Hedge aka APHedge aka Advantage Player Hedge ("Respondent AP Hedge") is an online investment platform managed by Respondents Paganelli Enterprises and Paganelli. It is being served by certified mail, return receipt requested, addressed to Respondent AP Hedge at 5997 Kylie Street, Las Vegas, Nevada 89130.

THE SOLICITATIONS

4. Respondents have been promoting investments tied to gambling through an advertisement published in the financial services section of craigslist.org for residents of Houston, Texas.
5. Respondents are also promoting these gambling investments through a website accessible by the public at APHedge.com (the "AP Hedge Website") and a public Instagram social media handle.
6. Respondents are further promoting these gambling investments through a public YouTube channel that contains videos touting the gambling investments.

THE PITCH

7. The craigslist advertisement, the AP Hedge Website, the Instagram handle and the online videos are collectively claiming investors are "fed up" with earning passive income through traditional investments, such as stocks, bonds, cryptocurrencies, forex and other "basic investment products."
8. The solicitations are also explaining that basic investment products do not perform fast enough, rarely pay up, and are not worth the hassle, headache and stress required to invest with traditional firms.
9. Respondents are offering an alternative investment that permits investors to invest \$10,000 in a gambling program that purportedly provides an average return of \$1,000 per day or \$30,000 per month.

THE GAMBLING INVESTMENTS

10. Respondents are encouraging investors to purchase gambling investments through Venmo or Cash App.
11. Respondents are representing principal is sent directly to advantage players, referred to variously as "APs" and "Verified APs," and that Respondent AP Hedge verifies APs "based on proven track records and ROW (Rate of Wins)."
12. APs exploit innate characteristics of a particular game - typically through gambling - to give the AP an advantage relative to the house and other players.

13. After receiving principal, APs thereafter use the principal to gamble and profit. Investors never need to enter a casino and remain passive.
14. Respondents are representing they will not disclose personal information of APs "for practical reasons relating to [the] risk of Casino(s) Banning APs," and they are also representing that "[d]ue to the risks of being banned from casinos, identities are protected."
15. Respondents are telling investors that 50% of profits will be paid to investors and available within 24 hours, while the remaining 50% of profits will be paid to APs.
16. Respondents are claiming they are not charging fees for the investment, and that they will monetize the scheme by partnering with advertisers at a later date.

THE GUARANTEE

17. Respondents are representing that Respondent AP Hedge is guaranteeing the gambling investments.
18. Respondent AP Hedge is not, however, guaranteeing the profitability or performance of the gambling investments.
19. Instead, Respondent AP Hedge is only guaranteeing that principal will be professionally managed and responsibly handled by APs, and that principal will be strictly utilized for optimum performance betting.

TRUST AND TRANSPARENCY

20. Respondents are claiming that Respondent AP Hedge is completely transparent and trustworthy.
21. For example, Respondents are representing that Respondent AP Hedge provides "complete transparency" to investors and that its "service is founded on trust between guests and verified APs."
22. Respondents are also representing that Respondent AP Hedge "deliver[s] the upmost trust and transparency" and that it focuses on results that "build trust with our [investors] and APs."

REGISTRATION VIOLATIONS

23. Respondents have not been registered as dealers or agents with the Securities Commissioner at any time material hereto.
24. The gambling investments have not been registered by notification, coordination or qualification in Texas, and no permit has been issued for their sale in Texas.
25. Respondents are claiming Respondent AP Hedge is "100% Legal" because Respondent AP is raising capital pursuant to a "Private Placement Exemption."

26. Respondents are also touting Respondent AP Hedge's legitimacy by providing potential investors with a law review article originally published in the University of Nevada Las Vegas Gaming Law Journal that discusses state and federal regulation of gambling investments as securities.
27. Although Respondents are claiming they are operating legally by offering private placements and providing potential investors with the aforementioned law review article, they do not qualify for safe harbor pursuant to Regulation D, Rule 506(b), because they are publicly soliciting the investments.
28. Respondents also do not qualify for safe harbor pursuant to Regulation D, Rule 506(c), because they are not limiting sales to accredited investors and are not taking reasonable steps to ensure that all investors are accredited investors.

FRAUD, DECEIT AND GENERAL BUSINESS INFORMATION

29. In connection with the offer of gambling investments, Respondents are intentionally failing to disclose the identity and role of Respondent Paganelli, as well as his business repute, qualifications and experience, and this information constitutes a material fact.
30. In connection with the offer of gambling investments, Respondents are intentionally failing to disclose the role of Respondent Paganelli Enterprises, as well as its business repute, qualifications and experience, and this information constitutes a material fact.
31. Respondents are representing the "AP Hedge Flagship Headquarters" is located somewhere in Las Vegas, Nevada, and Respondents are providing potential investors with a map of the area in and around downtown Las Vegas, Nevada. These statements are materially misleading or otherwise likely to deceive the public because Respondent AP Hedge has not been organized or incorporated with the Nevada Secretary of State and it is not authorized to transact business with the Nevada Secretary of State as a limited liability company, corporation or other entity.

FRAUD, DECEIT AND THE LOCATION OF RESPONDENTS AP HEDGE AND PAGANELLI ENTERPRISES

32. In connection with the offer of gambling investments, Respondents are intentionally failing to disclose the address of Respondents AP Hedge and Paganelli Enterprises, and this information constitutes a material fact.
33. Respondents are claiming they will not disclose the address for Respondent AP Hedge because the "office is private property" and the "service is online." These statements are materially misleading or otherwise likely to deceive the public because Respondents are encouraging investors to send money to Respondents, Respondents are purportedly using these funds to generate profits and investors

are entitled to know the location of these acts regardless of Respondents' independent classification of its property and services.

FRAUD, DECEIT AND THE ADVANCED PLAYERS

34. In connection with the offer of gambling investments, Respondents are intentionally failing to disclose the following material facts relating to the APs:
- A. The identity of the APs;
 - B. The address of the APs;
 - C. The business repute, qualifications and experience of APs, including the success of APs in gambling and securing profits for investors;
 - D. The process for identifying, selecting and verifying APs, including the process of obtaining information and evaluating credentials;
 - E. The games of skill or chance that APs will play and win to earn a profit; and
 - F. The means for tracking, confirming and auditing the success of APs and the profitability of their gambling.

FRAUD AND THE UNDISCLOSED RISKS

35. In connection with the offer of gambling investments, Respondents are intentionally failing to disclose risks associated with gambling, and this information constitutes a material fact.

DECEPTION AND COMPARISONS TO OTHER SECURITIES AND PRODUCTS

36. As described herein, Respondents are comparing the gambling investments to other products by claiming investors are "fed up" with earning passive income through traditional investments, such as stocks, bonds, cryptocurrencies, forex and other "basic investment products." As also described herein, Respondents are claiming basic investment products do not perform fast enough, rarely pay up, and are not worth the hassle, headache and stress required to invest with traditional firms.
37. These statements are materially misleading or otherwise likely to deceive the public because:
- A. Investments such as stocks and bonds are regulated by federal and state securities laws, including the Securities Act, and these securities laws are designed and implemented to protect investors;
 - B. Firms such as dealers and investment advisers, and employees such as agents and investment adviser representatives, are regulated by federal

and state securities laws, including the Securities Act, and these securities laws are designed and implemented to protect investors;

- C. Respondents are not disclosing their qualifications for evaluating the merits of stocks, bonds and other products; and
- D. Respondents are not disclosing bases for concluding that basic investment products do not perform fast enough, rarely pay up, and are not worth the hassle, headache and stress required to invest with traditional firms.

DECEPTION AND CLAIMS OF LEGALITY

- 38. As described herein, Respondents are claiming Respondent AP Hedge is "100% Legal" because Respondent AP is raising capital pursuant to a "Private Placement Exemption."
- 39. As also described herein, Respondents are also touting Respondent AP Hedge's legitimacy by providing potential investors with a law review article addressing the state and federal regulation of gambling investments as securities.
- 40. These statements are materially misleading or otherwise likely to deceive the public because:
 - A. The gambling investments are securities and any offers of the gambling investments in Texas are regulated by the Securities Act;
 - B. Although Respondents are claiming they are operating legally by offering private placements, they do not qualify for safe harbor pursuant to Regulation D, Rule 506(b), or Regulation D, Rule 506(c);
 - C. Respondents have not been registered as dealers or agents with the Securities Commissioner at any time material hereto; and
 - D. The gambling investments have not been registered in Texas by notification, coordination or qualification, and no permit has been issued for their sale in Texas.

DECEPTION AND THE GUARANTEE

- 41. As described herein, Respondents are representing that Respondent AP Hedge is guaranteeing the gambling investments.
- 42. Their statements are materially misleading or otherwise likely to deceive the public because:
 - A. Respondent AP Hedge is not guaranteeing the profitability or performance of the gambling investments;

- B. Respondent AP Hedge is only guaranteeing that it will perform the acts it is promising to perform – such as ensuring principal will be professionally managed and responsibly handled by APs, and that principal will be strictly utilized for optimum performance betting; and
- C. As described herein, Respondents are not disclosing material information relating to the acts it is promising to perform, including but not limited to the identity of the APs, the process for identifying, selecting and verifying APs and the means for tracking, confirming and auditing the success of APs.

DECEPTION AND TRUST AND TRANSPARENCY

- 43. As described herein, Respondents are representing that Respondent AP Hedge provides “complete transparency” to investors and that its “service is founded on trust between guests and verified APs.”
- 44. As also described herein, Respondents are representing that Respondent AP Hedge “deliver[s] the upmost trust and transparency” and that it focuses on results that “build trust with our [investors] and APs.”
- 45. These statements are materially misleading or otherwise likely to deceive the public because Respondents are not disclosing the material facts set forth herein and are using other deceptive or misleading statements as set forth herein.

CONCLUSIONS OF LAW

- 1. The gambling investments are securities as the term is defined in Section 4.A of the Securities Act.
- 2. Respondents are violating Section 7 of the Securities Act by offering securities for sale in Texas at a time when the securities are not registered with the Securities Commissioner.
- 3. Respondents are violating Section 12 of the Securities Act by offering securities for sale in Texas without being registered pursuant to the provisions of Section 12 of the Securities Act.
- 4. Respondents are engaging in fraud in connection with the offer for sale of securities.
- 5. Respondents are making offers containing statements that are materially misleading or otherwise likely to deceive the public.
- 6. Respondents’ conduct, acts, and practices threaten immediate and irreparable public harm.
- 7. The foregoing violations constitute bases for the issuance of an Emergency Cease and Desist Order pursuant to Section 23-2 of the Securities Act.

ORDER

1. It is therefore ORDERED Respondents immediately CEASE AND DESIST from offering for sale any security in Texas until the security is registered with the Securities Commissioner or is offered for sale pursuant to an exemption from registration under the Texas Securities Act.
2. It is further ORDERED Respondents immediately CEASE AND DESIST from acting as a securities dealer, agent, investment adviser, or investment adviser representative in Texas until they are registered with the Securities Commissioner or are acting pursuant to an exemption from registration under the Texas Securities Act.
3. It is further ORDERED Respondents immediately CEASE AND DESIST from engaging in any fraud in connection with the offer for sale of any security in Texas.
4. It is further ORDERED Respondents immediately CEASE AND DESIST from offering securities in Texas through an offer containing a statement that is materially misleading or otherwise likely to deceive the public.

NOTICE

Pursuant to Section 23-2 of the Securities Act, you may request a hearing before the 31st day after the date you were served with this Order. The request for a hearing must be in writing, directed to the Securities Commissioner, and state the grounds for the request to set aside or modify the Order. Failure to request a hearing will result in the Order becoming final and non-appealable.

You are advised under Section 29.D of the Securities Act any knowing violation of an order issued by the Securities Commissioner under the authority of Section 23-2 of the Securities Act is a criminal offense punishable by a fine or not more than \$10,000, or imprisonment in the penitentiary for two to ten years, or both such fine and imprisonment.

SIGNED AND ENTERED by the Securities Commissioner this 3rd day of November 2021.



TRAVIS J. ILES
Securities Commissioner