

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 11244 / September 27, 2023

SECURITIES EXCHANGE ACT OF 1934
Release No. 98575 / September 27, 2023

ADMINISTRATIVE PROCEEDING
File No. 3-21743

<p>In the Matter of</p> <p style="text-align:center">CLOUDASTRUCTURE, INC.</p> <p>Respondent.</p>
--

ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933 AND SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER

I.

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”) and Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Cloudatastructure, Inc. (“Cloudatastructure” or “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, 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 and Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that

Summary

From 2020 through 2021, Clouداstructure engaged in a scheme to raise investor funds by paying undisclosed compensation for the purportedly independent recommendation from Palm Beach Venture ("Palm Beach"), an investment newsletter. Investors were given the misleading impression that Palm Beach's endorsement of Clouداstructure was objective and independently formed when, in fact, Clouداstructure knew, or was reckless in not knowing, that it was paying for the promotion. Clouداstructure paid Palm Beach's chief analyst and author, William Mikula, for this endorsement by lavishly entertaining him and through a sham consulting agreement with his affiliates who funneled a portion of their Clouداstructure consulting fees to Mikula as payment for Palm Beach's promotion of Clouداstructure. During this same period, Clouداstructure distributed to investors, and filed with the Commission, offering circulars which outlined how investor funds would be spent but Clouداstructure knew, or was reckless in not knowing, that a portion of the funds would be used to pay for the Palm Beach promotion. This fact was not included in the offering circulars, and this omission rendered the offering circulars false and misleading. As a result of its conduct, Clouداstructure violated the anti-fraud provisions of the federal securities laws.

Respondent

1. **Clouداstructure** is a cloud-controlled video surveillance company incorporated in Delaware with its principal place of business in Miami, Florida. During the relevant period, Clouداstructure was headquartered in San Mateo, California. Clouداstructure's offering statement for an offering of securities under Regulation A ("Reg A") was qualified in July 2020. Clouداstructure was required to file periodic reports, including offering circulars and annual reports, with the Commission pursuant to Reg A.

Relevant Individuals

2. **Sheldon Richard Bentley a/k/a Rick Bentley** ("Bentley"), age 55, is a resident of Truckee, California. Bentley founded Clouداstructure in 2003 and has served as the chief executive officer and as a director of Clouداstructure's board since that time. The Commission filed a civil enforcement action against Bentley for his role in the misconduct described in this Order. *SEC v. Bentley*, No. 2:23-cv-02119-JDP (filed Sept. 27, 2023, E.D. Cal.).

3. **William Mikula a/k/a Jonathan W. Mikula** ("Mikula"), age 38, is a resident of Woodstock, Georgia. Mikula was chief analyst and author of Palm Beach Venture, a newsletter published by Palm Beach Research Group, from at least 2019 through late 2021. The Commission

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.

has charged Mikula in three separate matters, most recently for receiving undisclosed payments in connection with the promotion of Cloudatastructure and other Reg A issuers through Palm Beach. *SEC v. Mikula, et al.* (2022), 2:22-cv-07096-SB-PLA (filed Sept. 30, 2022, C.D. Cal.).

Facts

4. From September 2020 through 2021, Cloudatastructure participated in a fraudulent promotional scheme, paying undisclosed compensation to be promoted by Palm Beach, which published an investor newsletter.

5. From September 2020 through 2021, Palm Beach circulated emails, at least one article, and videos touting Cloudatastructure to its subscribers. The article and some of the emails included a false disclaimer stating that neither Palm Beach “nor its affiliates receive compensation for bringing this deal to you.”

6. During this same period, Cloudatastructure raised approximately \$30 million in its Reg A offering from thousands of investors through the fraudulent Palm Beach promotion.

7. The scheme began by September 2020, when Cloudatastructure’s then chief executive officer, Bentley, agreed to enter into a purported consulting agreement with Mikula’s friend and associate (the “middleman”). Pursuant to this agreement, Cloudatastructure engaged an entity affiliated with the middleman (“Consulting Entity”) to ostensibly provide consulting services. In turn, the middleman and his Consulting Entity funneled a portion of the consulting fees to Mikula for the promotion of Cloudatastructure’s Reg A offering. At that time Mikula was Palm Beach’s chief analyst and author.

8. Bentley negotiated the terms of the consulting agreement with the middleman. At the time of these negotiations, Bentley knew that the middleman was Mikula’s close friend and associate.

9. On September 4, 2020, Cloudatastructure entered into the consulting agreement with the Consulting Entity. On January 21, 2021, Cloudatastructure executed an amendment to the consulting agreement.

10. On September 8, 2020, Bentley received an email with a Palm Beach article promoting Cloudatastructure’s Reg A offering. The email and article included the false disclaimer that neither Palm Beach nor its affiliates were compensated for the endorsement. Bentley forwarded the article to others. On this same day, Bentley emailed Cloudatastructure’s accounting group asking that the Consulting Entity be paid promptly.

11. Pursuant to the consulting agreement, from September 2020 through August 2021, Cloudatastructure issued eight payments to the Consulting Entity totaling \$650,000 for purported consulting services. Neither the middleman nor his Consulting Entity provided any measurable consulting services to Cloudatastructure.

12. The middleman and his Consulting Entity funneled at least a quarter of these consulting fees to Mikula.

13. Cloudatastructure also compensated Mikula for the promotion by paying for his lavish entertainment expenses.

14. From September 2020 through mid-2021, Cloudatastructure spent over \$350,000 in connection with entertaining Mikula and the middleman, among others. These lavish entertainment expenses included hotel accommodations, meals and bottle service at clubs, yacht rentals, the engagement of entertainers, and other such expenses.

15. Cloudatastructure knew, or was reckless in not knowing, that it was paying for Palm Beach's endorsement through the consulting agreement with the Consulting Entity.

16. Cloudatastructure knew, or was reckless in not knowing, that it was paying lavish entertainment expenses for Mikula in exchange for the Palm Beach promotion.

17. From mid-2020 through mid-2021, Cloudatastructure provided investors, and filed with the Commission, offering circulars in connection with its Reg A offering.

18. These offering circulars outlined how investor funds would be used and disclosed that a portion of funds would be used to cover consulting costs. The offering circulars omitted that funds had been, or would be, used to pay for Palm Beach's recommendation.

19. Cloudatastructure knew, or was reckless in not knowing, that the offering circulars it was distributing to investors during the relevant period were misleading because they failed to disclose that Respondent was using investor funds to pay for the Palm Beach promotion.

Violations

20. As a result of the conduct described above, Cloudatastructure violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in the offer or sale of securities and in connection with the purchase or sale of securities.

IV.

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

Accordingly, pursuant to Section 8A of the Securities Act and 21C of the Exchange Act, it is hereby ORDERED that:

A. Respondent cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

B. Respondent shall pay civil penalties of \$558,071 to the Securities and Exchange Commission. Payment shall be made in the following installments: (1) \$139,517.75 within ten days of the entry of this Order; (2) \$139,517.75 within 120 days of the entry of this Order; (3) \$139,517.75 within 240 days of the entry of this Order; and (4) \$139,517.75, plus the interest that has accrued, within 365 days of the entry of this Order. Payments shall be applied first to post order interest, which accrues pursuant to 31 U.S.C. § 3717. Prior to making the final payment set forth herein, Respondent shall contact the staff of the Commission for the amount due. If Respondent fails to make any payment by the date agreed and/or in the amount agreed according to the schedule set forth above, all outstanding payments under this Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

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 Cloudatastructure 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 Katharine Zoladz, Division of Enforcement, Securities and Exchange Commission, 444 South Flower Street, Suite 900, Los Angeles, CA 90071.

C Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, a Fair Fund is created for the penalties referenced in Paragraph B above. The Fair Fund may be combined with any other fund established in any related civil injunctive action or administrative proceeding arising out of the same investigative matter that is the basis of this action. 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