

# State of Missouri Office of Secretary of State

Case No. AP-12-04

IN THE MATTER OF:

ECITY, INC.; GENSHARE ACQUISITION, INC.;  
BENEDICT H. VAN; ENRICO BLANDIN; and  
LORI ARZAMENDI,

Respondents.

Serve: eCity, Inc.

Benedict Van, Registered Agent at:  
726 Everett Avenue  
Palo Alto, California 94301

Serve: GenShare Acquisition, Inc.

Enrico Blandin, Registered Agent at:  
6329 Rain Meadows Lane  
Citrus Heights, California 95621

Serve: Benedict H. Van at:

575 Middlefield Road, Suite 160  
Palo Alto, California 94301

Serve: Enrico Blandin at:

11088 Santiam River Court  
Rancho Cordova, California 95670

Serve: Lori Arzamendi at:

224 Tattinger Court  
El Dorado Hills, California 95762

**ORDER TO CEASE AND DESIST AND ORDER TO SHOW  
CAUSE WHY  
RESTITUTION, CIVIL PENALTIES, AND COSTS SHOULD  
NOT BE IMPOSED**

On February 7, 2012, the Enforcement Section of the Securities Division of the Office of Secretary of State (the "Enforcement Section"), through the Securities Division's Assistant Commissioner Mary S. Hosmer, submitted a Petition for Order to Cease and Desist and Order to Show Cause Why Restitution, Civil Penalties, and Costs Should Not Be Imposed.

After reviewing the petition, the Commissioner issues the following findings of fact, conclusions of law and order:

### **I. FINDINGS OF FACT**

1. eCity, Inc. ("eCity"), is a Delaware Corporation and conducts business in the State of California. eCity maintains a mailing address of 2077 Gold Street #263, Palo Alto, California 95002. eCity lists Benedict Van at 726 Everett Avenue, Palo Alto, California 94301, as its registered agent for service of process.
2. GenShare Acquisition, Inc. ("GenShare"), is a California corporation with an address of 6329 Rain Meadow Lane, Citrus Heights, California 95621. GenShare lists Enrico Blandin at 6329 Rain Meadow Lane, Citrus Heights, California 95621, as its registered agent for service of process. A check of the records maintained by the Commissioner indicates that GenShare has never been registered as a broker-dealer in the State of Missouri.
3. hereUare, Inc. ("hereUare"), is a Delaware Corporation and conducts business in the State of California. hereUare maintains a mailing address of 228 Hamilton Avenue, 3rd Floor, Palo Alto, California 94301.
4. Benedict H. Van ("Van") is the chief executive officer of eCity. Van is the chief executive officer of hereUare. Van maintains a mailing address of 575 Middlefield Road, Suite 160, Palo Alto, California 94301. A check of the records maintained by the Commissioner indicates that Van has never been registered as a securities agent in the State of Missouri.
5. Stephen M. Wurzburg ("Wurzburg") is the secretary of eCity, is listed as an executive officer for eCity<sup>1</sup> and is a partner in the law firm of Pillsbury Winthrop Shaw Pittman LLP ("Pillsbury"), eCity's legal counsel. Pillsbury and Wurzburg also are legal counsel for hereUare. Wurzburg maintains a mailing address of 2475 Hanover Street, Palo Alto, California 94304. A check of the records maintained by the Commissioner indicates that Wurzburg has never been registered as a securities agent in the State of Missouri.
6. Enrico Blandin ("Blandin") is an owner of GenShare. Blandin maintains a mailing address of 11088 Santiam River Court, Rancho Cordova, California 95670. A check of the records maintained by the Commissioner indicates that Blandin has never been registered as a securities agent in the State of Missouri.
7. Lori Arzamendi ("Arzamendi") was a director of GenShare and served as a representative of eCity and is on the Executive Advisory Board for hereUare. Arzamendi maintains a last known mailing address of 224 Tattinger Court, El Dorado Hills, California 95762. A check of the records maintained by the Commissioner indicates that Arzamendi has never been registered as a securities agent in the State of Missouri.

[\[1\]](#) On December 15, 2011, Wurzburg sent an email that stated that "the Form D for eCity incorrectly listed Steve Wurzburg as an executive officer of eCity. Mr. Wurzburg is merely Secretary of eCity."

8. As used herein, the term "Respondents" refers to eCity, GenShare, Van, Blandin, and Arzamendi.
9. In or around April 2008, Blandin met a sixty-five (65) year-old St. Louis, Missouri resident ("MR1") at a community development conference in St. Louis, Missouri.
10. Blandin solicited investments in eCity common stock from several conference attendees, including MR1. Blandin told MR1, among other things, that:
  - a. eCity designed "virtual cities" for advertising;
  - b. eCity was looking for investors;
  - c. eCity was going to be the greatest thing since Google;
  - d. eCity's stock was selling at \$2.00 per share, but was about to double;
  - e. if MR1 invested in eCity, MR1 would receive dividends;
  - f. MR1 could invest in eCity stock through Blandin's company, GenShare; and
  - g. MR1 could contact Arzamendi, a representative of eCity, with additional questions.
11. MR1 told an investigator with the Enforcement Section that during the April 2008 meeting, Blandin did not, among other things:
  - a. explain to MR1 the definition of an accredited or sophisticated investor;
  - b. ask MR1 if MR1 was an accredited or sophisticated investor; or
  - c. explain why MR1 was required to be an accredited or sophisticated investor to participate in the eCity offering.
12. On or about June 14, 2008, MR1 sent a check to Blandin for sixteen thousand dollars (\$16,000) made payable to eCity for an investment in eCity stock.
13. On or about June 20, 2008, Blandin provided MR1 with a purchase agreement ("The Agreement"). The Agreement set forth, among other things, the following:
  - a. eCity is the "company" and GenShare is the "purchaser;"
  - b. eCity sells to GenShare twelve thousand five hundred (12,500) shares of the eCity common stock;
  - c. the purchase price was two dollars (\$2.00) per share or twenty-five thousand dollars (\$25,000) in the aggregate; and
  - d. Blandin signed as the "purchaser" for GenShare.
14. On or about June 20, 2008, Blandin sent MR1 a partnership agreement ("Partnership Agreement"). The Partnership Agreement stated, among other things, the following:

- a. GenShare relinquished twelve thousand five hundred (12,500) shares of eCity stock to MR1;
  - b. GenShare and MR1 were the "Partners;"
  - c. the Partners were to do business under the name of GenShare;
  - d. MR1 owned eighty (80%) percent of the eCity stock while GenShare owned the remaining twenty (20%) percent;
  - e. GenShare had not made any cash contributions in the partnership; and
  - f. partnership funds would be kept in an account at GenShare.
15. MR1 did not sign or return the Partnership Agreement to Blandin.
16. On or about July 3, 2008, MR1 invested an additional nine thousand dollars (\$9,000) in eCity stock. MR1 wired transferred the nine thousand dollar investment to an account MR1 believed Blandin controlled.
17. On or before July 25, 2008, MR1 contacted Arzamendi about MR1's investment in eCity. MR1 told Arzamendi that the funds MR1 invested in eCity were all the funds MR1 had for MR1's retirement. Arzamendi told MR1, among other things, that:
- a. the investment would be a good opportunity;
  - b. Blandin had invested other money with eCity;
  - c. Blandin would be "set for life" because of the eCity investment;
  - d. MR1 could have invested directly with eCity;
  - e. eCity would require that Blandin transfer MR1's full investment to eCity; and
  - f. MR1 would retain one hundred (100%) percent of the investment.
18. On or about July 25, 2008, Arzamendi sent MR1 an eCity purchase agreement ("eCity Agreement"). The eCity Agreement stated, among other things, that MR1 was purchasing twelve thousand five hundred (12,500) shares of eCity common stock for two dollars (\$2.00) per share for a total investment of twenty-five thousand dollars (\$25,000).
19. On or about July 25, 2008, Arzamendi provided MR1 with a purchaser questionnaire ("Purchaser Questionnaire").
20. On an attached note to the Purchaser Questionnaire, Arzamendi instructed MR1 to initial the selection that "best suits you, if not a corporation, I would initial a natural person, 9th line from [the] top."
21. Arzamendi did not inquire about MR1's status as an accredited or sophisticated investor nor did Arzamendi discuss with MR1 the definition of an accredited or sophisticated investor or why MR1's status as an accredited or sophisticated investor

was important to MR1's investment in eCity.

22. The selection that Arzamendi instructed MR1 to initial stated, among other things, that MR1 had a net worth, or joint net worth together with MR1's spouse, that exceeded one million dollars (\$1,000,000).
23. MR1 told an investigator with the Enforcement Section, among other things, that:
  - a. MR1 completed the Purchaser Questionnaire as instructed by Arzamendi;
  - b. MR1 did not understand the meaning of the term "accredited investor;" and
  - c. MR1 did not understand why MR1 was required to complete the Purchaser Questionnaire after MR1 had invested in eCity stock.
24. The Enforcement Section's investigation revealed that MR1 did not fit the definition of an accredited investor at the time MR1 invested in eCity in the summer of 2008 or at the time MR1 completed the Purchaser Questionnaire.
25. On September 2, 2008, eCity sent MR1 a stock certificate for twelve thousand five hundred (12,500) shares of eCity common stock. Van signed this eCity stock certificate as the president of eCity. This stock certificate was dated July 31, 2008.
26. Before MR1 sent funds to invest in eCity in June and July of 2008, MR1 had not spoken with Van or Wurzburg regarding MR1's investment in eCity.
27. In late 2008 or early 2009, MR1 spoke directly with Van. Van told MR1, among other things, that:
  - a. Van knew that Blandin had obtained MR1's investment and had received MR1's money;
  - b. MR1's funds were transferred to eCity from Blandin; and
  - c. Van would no longer be working with Blandin or GenShare due to this occurrence.
28. During this late 2008 or early 2009 conversation between Van and MR1, Van did not, among other things:
  - a. ask how MR1 was solicited by Blandin;
  - b. ask what Blandin told MR1 about the eCity investment; or
  - c. request any clarifying information about MR1's accredited investor status.
29. After receiving information that Blandin had solicited an investor in Missouri under the circumstances described above, neither Van nor eCity reported this conduct to the State of Missouri Securities Division.
30. Several months after initially speaking with Van, MR1 contacted Van to request the return of MR1's investment. Van told MR1, among other things, that:

- a. Van did not have the money to pay MR1; and
  - b. Van could not pay MR1 without returning money to other investors.
31. MR1 subsequently requested that Van provide MR1 with eCity's address, a list of the board of directors, and information about the use of MR1's funds.
32. In response to these inquiries made by MR1, Van replied, "We don't do that."
33. On or about April 13, 2010, MR1 and Van began corresponding via e-mail. During this correspondence MR1 told Van that MR1 was promised dividends by Blandin through the solicitation of MR1's investment.
34. Van told MR1, among other things, that:
- a. "the company never promised any kind of dividends;"
  - b. Van did not know what MR1 was told; and
  - c. "you are harassing me . . . please let me do my job."
35. To date, MR1 has not received any dividends and has not received a return of MR1's principal investment.
36. A check of the records maintained by the Missouri Commissioner of Securities confirmed that:
- a. in August 2008, eCity filed notice with the United States Securities and Exchange Commission ("SEC") that eCity was offering securities in reliance on an exemption under Section 4(6), 17 CFR 230.501 et seq. or 15 U.S.C. 77d(6) ("Regulation D Notice Filing"); and
  - b. eCity filed with the State of Missouri, a copy of the Regulation D Notice Filing on August 8, 2008.
37. The Enforcement Section's investigation revealed that:
- a. eCity's Regulation D Notice Filing with the State of Missouri:
    - i. listed Van as Director of eCity;
    - ii. listed Wurzburg as an executive officer of eCity;
    - iii. did not list Blandin or Arzamendi as promoters of eCity; and
    - iv. stated that eCity did not intend to sell to non-accredited investors in this offering;
  - b. eCity accepted investor funds from MR1 that were solicited by Blandin;
  - c. eCity allowed Arzamendi to instruct potential investors how to complete the accredited investor questionnaire;

- d. eCity provided no information regarding a prior relationship with MR1;
  - e. eCity provided no information regarding its relationship with Blandin or Arzamendi;
  - f. on December 12, 2011, the Enforcement Section sent information to Wurzburg regarding Blandin and Arzamendi and the facts surrounding the solicitation and sale of eCity stock to MR1;
  - g. on December, 15, 2011, Wurzburg stated that eCity was conducting an internal investigation into its stock transactions with MR1 and Blandin; and
  - h. neither Wurzburg nor eCity have supplied additional information regarding the results of this investigation or eCity's relationship with Blandin, Arzamendi or MR1.
38. On February 16, 2011, hereUare and Van were issued a Desist and Refrain Order from the State of California Department of Corporations ("California Order"). The California Order alleged that in 2007, hereUare and Van generally solicited investors and failed to disclose material information to investors including the true financial status of hereUare.
39. These allegations against hereUare and Van were affirmed by an Administrative Law Judge ("ALJ") in the State of California on October 11, 2011, (*In the Matter of the Desist and Refrain Order Issued to: Benedict H. Van aka Hung Viet Van, hereUare Inc., et al. Case Number 10735, Office of Administrative Hearings OAH No. 2011040529, State of California, October 11, 2011*).
40. On November 14, 2011, the California Commissioner of Corporations adopted the ALJ's decision.
41. On December 14, 2011, Van and hereUare filed a petition seeking relief from the ALJ's decision on the California Order in a California Superior Court.
42. Respondents failed to disclose to MR1, among other things:
- a. that Blandin was not registered to offer or sell securities in Missouri;
  - b. that Arzamendi was not registered to offer or sell securities in Missouri;
  - c. that GenShare was not registered to offer or sell securities in Missouri;
  - d. that eCity employed unregistered agents to transact business in Missouri;
  - e. that GenShare employed an unregistered agent to transact business in Missouri;
  - f. the financial condition of eCity;
  - g. the background and experience of the officers and directors of eCity;
  - h. the risks of the investment in eCity;

- i. that eCity stock was not legally saleable in the State of Missouri;
- j. that in 2007, Van, the Director of eCity, had generally solicited investors in another company, hereUare, at meetings and seminars without qualification or registration; or
- k. that in 2007, Van failed to disclose material information to investors regarding the finances of hereUare.

## **II. STATUTORY PROVISIONS**

- 43. Section 409.1-102(1), RSMo. (Cum. Supp. 2009), defines "Agent" as "an individual, other than a broker-dealer, who represents a broker-dealer in effecting or attempting to effect purchases or sales of securities or represents an issuer in effecting or attempting to effect purchases or sales of the issuer's securities. But a partner, officer, or director of a broker-dealer or issuer, or an individual having a similar status or performing similar functions is an agent only if the individual otherwise comes within the term. The term does not include an individual excluded by rule adopted or order issued under this act."
- 44. Section 409.1-102(4), RSMo. (Cum. Supp. 2009), defines "Broker-dealer" as "a person engaged in the business of effecting transactions in securities for the account of others or for the person's own account . . . ."
- 45. Section 409.1-102(17), RSMo. (Cum. Supp. 2009), defines "Issuer" as "a person that issues or proposes to issue a security . . . ."
- 46. Section 409.1-102(19), RSMo. (Cum. Supp. 2009), defines "Offer to purchase" as "an attempt to offer to obtain, or solicitation of an offer to sell, a security or interest in a security for value. The term does not include a tender offer that is subject to Section 14(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78n(d))."
- 47. Section 409.1-102(26), RSMo. (Cum. Supp. 2009), defines "Sale" as "every contract of sale, contract to sell, or disposition of, a security or interest in a security for value, and 'offer to sell' includes every attempt or offer to dispose of, or solicitation of an offer to purchase, a security or interest in a security for value."
- 48. Section 409.1-102(28), RSMo. (Cum. Supp. 2009), defines "Security" as "a note; stock; treasury stock; security future; bond; debenture; evidence of indebtedness; certificate of interest of participation in a profit-sharing agreement; collateral trust certificate; preorganization certificate or subscription; transferable share; investment contract; voting trust certificate; certificate of deposit for a security; fractional undivided interest in oil, gas, or other mineral rights; put, call, straddle, option, or privilege on a security, certificate of deposit, or group or index of securities, including an interest therein or based on the value thereof; put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency; or in general, an interest or instrument commonly known as a 'security'; or a certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing."
- 49. Section 409.3-301, RSMo. (Cum. Supp. 2009), states:

It is unlawful for a person to offer or sell a security in this state unless:

- (1)The security is a federal covered security;
- (2)The security, transaction, or offer is exempted from registration under sections 409.2-201 to 409.2-203; or
- (3)The security is registered under this act.

50. Section 409.4-401, RSMo. (Cum. Supp. 2009), states:

It is unlawful for a person to transact business in this state as a broker-dealer unless the person is registered under this act as a broker-dealer or is exempt from registration as a broker-dealer under subsection (b) or (d).

51. Section 409.4-402(a), RSMo. (Cum. Supp. 2009), states:

It is unlawful for an individual to transact business in this state as an agent unless the individual is registered under this act as an agent or is exempt from registration as an agent under subsection (b).

52. Section 409.4-402(d), RSMo. (Cum. Supp. 2009), states:

It is unlawful for a broker-dealer, or an issuer engaged in offering, selling, or purchasing securities in this state, to employ or associate with an agent who transacts business in this state on behalf of broker-dealers or issuers unless the agent is registered under subsection (a) or exempt from registration under subsection (b).

53. Section 409.5-501, RSMo. (Cum. Supp. 2009), states:

It is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly:

- (1)To employ a device, scheme, or artifice to defraud;
- (2)To make an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statement made, in the light of the circumstances under which it is made, not misleading; or
- (3)To engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

54. Section 409.5-503, RSMo. (Cum. Supp. 2009), states:

(a)In a civil action or administrative proceeding under this act, a person claiming an exemption, exception, preemption, or exclusion has the burden to prove the applicability of the claim.

55. Section 409.6-601, RSMo. (Cum. Supp. 2009), states:

(a) This act shall be administered by the commissioner of securities who shall be appointed by and act under the direction of the secretary of state, and shall receive compensation as provided by law.

56. Section 409.6-602, RSMo. (Cum. Supp. 2009), states:

(a) The commissioner may:

(1) Conduct public or private investigations within or outside of this state which the commissioner considers necessary or appropriate to determine whether a person has violated, is violating, or is about to violate this act or a rule adopted or order issued under this act, or to aid in the enforcement of this act or in the adoption of rules and forms under this act;

(2) Require or permit a person to testify, file a statement, or produce a record, under oath or otherwise as the commissioner determines, as to all the facts and circumstances concerning a matter to be investigated or about which an action or proceeding is to be instituted;

(3) Publish a record concerning an action, proceeding, or an investigation under, or a violation of, this act or a rule adopted or order issued under this act if the commissioner determines it is necessary or appropriate in the public interest and for the protection of investors;

(b) For the purpose of an investigation under this act, the commissioner or its designated officer may administer oaths and affirmations, subpoena witnesses, seek compulsion of attendance, take evidence, require the filing of statements, and require the production of any records that the commissioner considers relevant or material to the investigation.

57. Section 409.6-604, RSMo. (Cum. Supp. 2009), states:

(a) If the commissioner determines that a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of this act or a rule adopted or order issued under this act or that a person has materially aided . . . an act, practice or course of business constituting a violation of this act . . . the commissioner may:

(1) Issue an order directing the person to cease and desist from engaging in the act, practice, or course of business or to take other action necessary or appropriate to comply with this act;

(2)Require or permit a person to testify, file a statement, or produce a record, under oath or otherwise as the commissioner determines, as to all the facts and circumstances concerning a matter to be investigated or about which an action or proceeding is to be instituted;

(3)Publish a record concerning an action, proceeding, or an investigation under, or a violation of, this act or a rule adopted or order issued under this act if the commissioner determines it is necessary or appropriate in the public interest and for the protection of investors;

(b)An order under subsection (a) is effective on the date of issuance. Upon issuance of the order, the commissioner shall promptly serve each person subject to the order with a copy of the order and a notice that the order has been entered. The order must include a statement whether the commissioner will seek a civil penalty or costs of the investigation, a statement of the reasons for the order, and notice that, within fifteen days after receipt of a request in a record from the person, the matter will be scheduled for a hearing. If a person subject to the order does not request a hearing and none is ordered by the commissioner within thirty days after the date of service of the order, the order becomes final as to that person by operation of law. If a hearing is requested or ordered, the commissioner, after notice of and opportunity for hearing to each person subject to the order, may modify or vacate the order or extend it until final determination.

(c)If a hearing is requested or ordered pursuant to subsection (b), a hearing before the commissioner must be provided. A final order may not be issued unless the commissioner makes findings of fact and conclusions of law in a record in accordance with the provisions of chapter 536, RSMo, and procedural rules promulgated by the commissioner. The final order may make final, vacate, or modify the order issued under subsection (a).

(d)In a final order under subsection (c), the commissioner may:

(1)Impose a civil penalty up to one thousand dollars for a single violation or up to ten thousand dollars for more than one violation;

(2)Order a person subject to the order to pay restitution for any loss, including the amount of any actual damages that may have been caused by the conduct and interest at the rate of eight percent per year from the date of the violation causing the loss or disgorge any profits arising from the violation;

(3)In addition to any civil penalty otherwise provided by law, impose an additional civil penalty not to exceed five thousand dollars for each such violation if the commissioner finds that a person subject to the order has violated any provision of this act and that such violation was committed against an elderly or disabled person. For purposes of this section, the following terms mean:

(A)'Disabled person', a person with a physical or mental impairment that substantially limits one or more of the major life activities of such individual, a record of such impairment, or being regarded as having such an

impairment;

(B)'Elderly person', a person sixty years of age or older.

(e)In a final order, the commissioner may charge the actual cost of an investigation or proceeding for a violation of this act or a rule adopted or order issued under this act. These funds may be paid into the investor education and protection fund.

58. Section 409.6-605(b), RSMo. (Cum. Supp. 2009), the commissioner may:

(b)Under this act, a rule or form may not be adopted or amended, or an order issued or amended, unless the commissioner finds that the rule, form, order, or amendment is necessary or appropriate in the public interest or for the protection of investors and is consistent with the purposes intended by this act. In adopting, amending, and repealing rules and forms, section 409.6-608 applies in order to achieve uniformity among the states and coordination with federal laws in the form and content of registration statements, applications, reports, and other records, including the adoption of uniform rules, forms, and procedures.

### **III. CONCLUSIONS OF LAW**

#### **Multiple Violations of Offering and Selling Unregistered, Non-Exempt Securities**

59. Paragraphs 1 through 58 are incorporated by reference as though fully set forth herein.
60. Respondents offered and sold a security as those terms are defined in Sections 409.1-102(26) and (28), RSMo. (Cum. Supp. 2009).
61. At all times relevant, records maintained by the Commissioner contained no registration or granted exemption for the securities offered and sold by Respondents.
62. Respondent eCity made a Regulation D Notice Filing in Missouri, however, the registration exemptions set forth in Regulation D were not applicable to Respondent eCity's offering of common stock because Respondent eCity used general solicitation in connection with the offering.
63. Respondent eCity contacted a Missouri resident, who did not have any pre-existing substantive relationship with Respondent eCity.
64. Respondent eCity engaged in a general solicitation by failing to take adequate steps to restrict access to the offering. In particular, Respondent eCity:
  - a. allowed Respondent Blandin to solicit potential investors before Respondent eCity had made a determination that the potential investors were accredited or sophisticated;
  - b. allowed MR1 to purchase securities in eCity before Respondent eCity had

- reasonably made a determination that MR1 was accredited or sophisticated;
- c. allowed Respondent Arzamendi to send an eCity Purchaser Questionnaire to MR1 after MR1 had sent funds to invest in eCity; and
  - d. allowed Respondent Arzamendi to instruct MR1 to complete the eCity Purchaser Questionnaire indicating that MR1 was accredited without a reasonable basis for believing that MR1 was accredited.
65. When presented with the above facts, Respondent eCity did not provide evidence proving the applicability of the purported claim of exemption as required by Section 409.5-503, RSMo. (Cum. Supp. 2009).
66. Respondents did not comply with the requirements of this Regulation D Notice Filing exemption; therefore Respondent eCity's offering was not exempt from registration.
67. Respondents violated Section 409.3-301, RSMo. (Cum. Supp. 2009), when they offered and sold securities in Missouri without these securities being (1) a federal covered security, (2) exempt from registration under Sections 409.2-201 or 409.2-203, RSMo. (Cum. Supp. 2009), or (3) registered under the Missouri Securities Act of 2003.
68. Respondents' actions of offering and selling securities that were not registered, exempt or a federal covered security constitute an illegal act, practice, or course of business and thus such actions are subject to the Commissioner's authority under Section 409.6-604, RSMo. (Cum. Supp. 2009).

#### **Transacting Business as an Unregistered Broker-Dealer**

69. Paragraphs 1 through 58 are incorporated by reference as though fully set forth herein.
70. At all times relevant, records maintained by the Missouri Commissioner of Securities contained no registration or granted exemption for Respondent GenShare to transact business as a broker-dealer in or from the State of Missouri.
71. Respondent GenShare violated Section 409.4-401(a), RSMo. (Cum. Supp. 2009), when it offered securities and attempted to effect purchases or sales of securities to or with a Missouri investor without being registered or exempt from registration as a broker-dealer.
72. Respondent GenShare's actions in transacting business as an unregistered broker-dealer constitute an illegal act, practice, or course of business and thus such actions are subject to the commissioner's authority under Section 409.6-604(a), RSMo. (Cum. Supp. 2009).

#### **Multiple Violations of Transacting Business as an Unregistered Agent**

73. Paragraphs 1 through 58 are incorporated by reference as though fully set forth herein.
74. At all times relevant, records maintained by the Commissioner contained no

registration or granted exemption for Respondent Blandin to transact business as an agent in the State of Missouri.

75. At all times relevant, records maintained by the Commissioner contained no registration or granted exemption for Respondent Arzamendi to transact business as an agent in the State of Missouri.
76. Respondent Blandin violated Section 409.4-402(a), RSMo. (Cum. Supp. 2009), when he offered and/or sold securities to a Missouri investor without being registered or exempt from registration as an agent.
77. Respondent Arzamendi violated Section 409.4-402(a), RSMo. (Cum. Supp. 2009), when she offered and/or sold securities to a Missouri investor without being registered or exempt from registration as an agent.
78. The actions of Respondent Blandin and Respondent Arzamendi in transacting business as an unregistered agent constitute an illegal act, practice, or course of business and thus such actions are subject to the Commissioner's authority under Section 409.6-604, RSMo. (Cum. Supp. 2009).

#### **Multiple Violations of Employing an Unregistered Agent**

79. Paragraphs 1 through 58 are incorporated by reference as though fully set forth herein.
80. Respondent eCity employed Respondent Blandin and/or Respondent Arzamendi who transacted business on behalf of eCity. These activities constitute transacting business in the State of Missouri.
81. At all times relevant, records maintained by the Commissioner contained no registration or granted exemption for any agents of eCity to transact business in the State of Missouri.
82. Respondent eCity violated Section 409.4-402(d), RSMo. (Cum. Supp. 2009), when they employed unregistered agents who transacted business in the State of Missouri.
83. Respondent eCity's actions of employing unregistered agents who transacted business in this state constitute an illegal act, practice, or course of business and thus such actions are subject to the commissioner's authority under Section 409.6-604, RSMo. (Cum. Supp. 2009).

#### **Multiple Violations of Employing an Unregistered Agent**

84. Paragraphs 1 through 58 are incorporated by reference as though fully set forth herein.
85. Respondent GenShare employed Respondent Blandin who transacted business on behalf of GenShare. These activities constitute transacting business in the State of Missouri.
86. At all times relevant, records maintained by the Commissioner contained no registration or granted exemption for any agents of Respondent GenShare to transact

business in the State of Missouri.

87. Respondent GenShare violated Section 409.4-402(d), RSMo. (Cum. Supp. 2009), when it employed an unregistered agent who transacted business in the State of Missouri.
88. Respondent GenShare's actions of employing unregistered agents who transacted business in this state constitutes an illegal act, practice, or course of business and thus such actions are subject to the commissioner's authority under Section 409.6-604, RSMo. (Cum. Supp. 2009).

**Multiple Violations of Omitting to State Material Facts or Engaging in An Act, Practice, or Course of Business that Would Operate as a Fraud or Deceit Upon Another Person in Connection with the Offer or Sale of a Security**

89. Paragraphs 1 through 58 are incorporated by reference as though fully set forth herein.
90. In connection with the offer, sale or purchase of a security, Respondents eCity, Genshare, Blandin and Arzamendi omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to, the following:
  - a. Respondent Blandin was not registered to offer or sell securities in Missouri;
  - b. Respondent Arzamendi was not registered to offer or sell securities in Missouri;
  - c. Respondent GenShare was not registered to offer or sell securities in Missouri;
  - d. Respondent eCity employed unregistered agents to transact business in Missouri;
  - e. Respondent GenShare employed an unregistered agent to transact business in Missouri;
  - f. the financial condition of Respondent eCity;
  - g. the background and experience of the officers and directors of Respondent eCity;
  - h. the risks of the investment in Respondent eCity;
  - i. that Respondent eCity stock was not legally saleable in the State of Missouri;
  - j. that in 2007, Respondent Van had generally solicited investors in another company, hereUare, at meetings and seminars without qualification or registration; or
  - k. that in 2007, Respondent Van failed to disclose material information to investors regarding the finances of hereUare.

91. Respondents eCity, GenShare, Blandin, and Arzemendi violated Section 409.5-501,

- RSMo. (Cum. Supp. 2009), when they omitted to state material facts necessary to make statements made, in light of the circumstances under which they were made, not misleading, in connection with the offer or sale of a security.
92. In connection with the offer, sale or purchase of a security, Respondents eCity, GenShare, Blandin, and Arzamendi engaged in an act, practice or course of business that operated or would operated as a fraud or deceit upon MR1 by:
- a. allowing unregistered agents to solicit potential investors before Respondent eCity had made a determination that the potential investors were accredited or sophisticated;
  - b. allowing investors to purchase securities in eCity before Respondent eCity had reasonably made a determination that the investors were accredited or sophisticated;
  - c. allowing unregistered agents to send eCity purchaser questionnaires to investors after the investor had sent funds to purchase eCity stock; or
  - d. allowing unregistered agents to instruct investors to complete documents indicating status as an accredited investor without a reasonable basis for believing that the investor was accredited.
93. Respondents eCity, GenShare, Blandin, and Arzamendi violated Section 409.5-501, RSMo. (Cum. Supp. 2009), when they engaged in an act, practice or course of business that operated as a fraud or deceit upon investors in connection with the offer or sale of a security.
94. The actions of Respondents eCity, GenShare, Blandin, and Arzamendi in omitting to state material facts, and engaging in an act, practice or course of business that operated as a fraud or deceit, constitute illegal acts, practices, or courses of business and thus such actions are subject to the Commissioner's authority under Section 409.6-604, RSMo. (Cum. Supp. 2009).
95. This order is in the public interest and is consistent with the purposes of the Missouri Securities Act of 2003. See Section 409.6-605(b), RSMo. (Cum. Supp. 2009).

#### **IV. ORDER**

**NOW, THEREFORE,** it is hereby ordered that Respondents, their agents, employees and servants, and all other persons participating in or about to participate in the above-described violations with knowledge of this order are prohibited from:

- A. violating or materially aiding in any violation of Section 409.3-301, RSMo. (Cum. Supp. 2009), by offering or selling any securities as defined by Section 409.1-102(28), RSMo. (Cum. Supp. 2009), in the State of Missouri unless those securities are registered with the Securities Division of the Office of the Secretary of State in accordance with the provisions of Section 409.3-301;
- B. violating or materially aiding in any violation of Section 409.4-401(a), RSMo. (Cum. Supp. 2009), by transacting business as an unregistered broker-dealer;

- C. violating or materially aiding in any violation of Section 409.4-402(a), RSMo. (Cum. Supp. 2009), by transacting business as an unregistered agent;
- D. violating or materially aiding in any violation of Section 409.4-402(d), RSMo. (Cum. Supp. 2009), by employing an unregistered agent; and
- E. violating or materially aiding in any violation of Section 409.5-501, RSMo. (Cum. Supp. 2009), by, in connection with the offer or sale of securities, omitting to state a material fact necessary in order to make a statement made, in light of the circumstances under which it is made, not misleading or engaging in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

**IT IS FURTHER ORDERED** that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2009), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000) against each Respondent for multiple violations of Section 409.3-301, RSMo. (Cum. Supp. 2009), in a final order, unless Respondents request a hearing and show cause why the penalty should not be imposed.

**IT IS FURTHER ORDERED** that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2009), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of a civil penalty of up to one thousand dollars (\$1,000) against Respondent GenShare for violation of Section 409.4-401(a), RSMo. (Cum. Supp. 2009), in a final order after hearing, unless Respondent GenShare requests a hearing and shows cause why the penalty should not be imposed.

**IT IS FURTHER ORDERED** that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2009), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000) against Respondent Blandin for multiple violations of Section 409.4-402(a), RSMo. (Cum. Supp. 2009), in a final order, unless Respondent Blandin requests a hearing and shows cause why the penalty should not be imposed.

**IT IS FURTHER ORDERED** that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2009), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000) against Respondent Arzamendi for multiple violations of Section 409.4-402(a), RSMo. (Cum. Supp. 2009), in a final order, unless Respondent Arzamendi requests a hearing and shows cause why the penalty should not be imposed.

**IT IS FURTHER ORDERED** that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2009), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000) against Respondent eCity, for multiple violations of Section 409.4-402(d), RSMo. (Cum. Supp. 2009), in a final order, unless Respondent eCity requests a hearing and shows cause why the penalty should not be imposed.

**IT IS FURTHER ORDERED** that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2009), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000) against

Respondent GenShare for multiple violations of Section 409.4-402(d), RSMo. (Cum. Supp. 2009), in a final order, unless Respondent GenShare requests a hearing and shows cause why the penalty should not be imposed.

**IT IS FURTHER ORDERED** that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2009), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000) against each of Respondent eCity, GenShare, Blandin, and Arzamendi for multiple violations of Section 409.5-501, RSMo. (Cum. Supp. 2009), in a final order, unless such Respondents request a hearing and show cause why the penalty should not be imposed.

**IT IS FURTHER ORDERED** that, as the Enforcement Section has petitioned for an order of restitution, the Commissioner will determine whether to order Respondents to pay restitution for any loss, possibly to include the amount of any actual damages that may have been caused by the conduct of Respondents, and interest at the rate of eight percent per year from the date of the violation causing the loss, or disgorge any profits, arising from the violation of Sections 409.3-301, 409.4-402, and 409.5-501, RSMo. (Cum. Supp. 2009), after review of evidence submitted by the Enforcement Section, in a final order, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2009), unless Respondents request a hearing and show cause why this restitution or disgorgement should not be imposed.

**IT IS FURTHER ORDERED** that, as the Enforcement Section has petitioned for an award for the costs of the investigation against Respondents in this proceeding the commissioner will issue a final order, pursuant to Section 409.6-604(e), RSMo. (Cum. Supp. 2009), awarding an amount to be determined after review of evidence submitted by the Enforcement Section, unless Respondents request a hearing and show cause why such award should not be made.

**SO ORDERED:**

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,  
MISSOURI THIS 21<sup>ST</sup> DAY OF FEBRUARY, 2012.

ROBIN CARNAHAN  
SECRETARY OF STATE

(Signed/Sealed)  
MATTHEW D. KITZI  
COMMISSIONER OF SECURITIES



State of Missouri  
Office of Secretary of State

Case No. AP-12-04

IN THE MATTER OF:

ECITY, INC.; GENSHARE ACQUISITION, INC.;  
BENEDICT H. VAN; ENRICO BLANDIN; and  
LORI ARZAMENDI,

Respondents.

Serve: eCity, Inc.

Benedict Van, Registered Agent at:  
726 Everett Avenue  
Palo Alto, California 94301

Serve: GenShare Acquisition, Inc.

Enrico Blandin, Registered Agent at:  
6329 Rain Meadows Lane  
Citrus Heights, California 95621

Serve: Benedict H. Van at:

575 Middlefield Road, Suite 160  
Palo Alto, California 94301

Serve: Enrico Blandin at:

11088 Santiam River Court  
Rancho Cordova, California 95670

Serve: Lori Arzamendi at:

224 Tattinger Court  
El Dorado Hills, California 95762

**NOTICE**

**TO: Respondents and any unnamed representatives aggrieved by this Order:**

You may request a hearing in this matter within thirty (30) days of the receipt of this Order pursuant to Section 409.6-604(b), RSMo. (Cum. Supp. 2009), and 15 CSR 30-55.020.

Within fifteen (15) days after receipt of a request in a record from a person or persons subject to this order, the Commissioner will schedule this matter for hearing.

A request for a hearing must be mailed or delivered, in writing, to:

**Matthew D. Kitzi, Commissioner of Securities**  
**Office of the Secretary of State, Missouri**  
**600 West Main Street, Room 229**  
**Jefferson City, Missouri 65102**

### CERTIFICATE OF SERVICE

I hereby certify that on this 21<sup>st</sup> day of February, 2012, a copy of the foregoing Order to Cease and Desist in the above styled case was mailed by Certified U.S. mail to:

eCity, Inc.  
Benedict Van, Registered Agent  
575 Middlefield Road, Suite 160  
Palo Alto, California 94301

Genshare Acquisition, Inc.  
Enrico Blandin, Registered Agent  
6329 Rain Meadows Lane  
Citrus Heights, California 95621

Benedict H. Van  
575 Middlefield Road, Suite 160  
Palo Alto, California 94301

Enrico Blandin  
11088 Santiam River Court  
Rancho Cordova, California 95670

Lori Arzamendi  
224 Tattinger Court  
El Dorado Hills, California 95762

**And by-hand delivery to:**

Mary Hosmer  
Assistant Commissioner  
Missouri Securities Division

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John Hale, Specialist

