

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

**CONSENT ORDER AS TO ECITY, INC. AND BENEDICT H.
VAN**

SUMMARY OF ENFORCEMENT SECTION'S ALLEGATIONS

1. The Enforcement Section of the Missouri Securities Division ("Enforcement Section") has alleged that eCity, Inc. and Benedict H. Van, ("Respondents") offered and sold unregistered, non-exempt securities, employed unregistered agents who transacted business in the state of Missouri and 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 and in engaging in an act, practice, or course of business that would operate as a fraud or deceit in violation of Section 409.3-301, 409.4-402, and 409.5-501, RSMo. (Cum. Supp. 2011), and that this constitutes grounds to issue an order pursuant to Section 409.6-604, RSMo. (Cum. Supp. 2011).
2. Respondents and the Enforcement Section desire to settle the allegations and the matters raised by the Enforcement Section relating to the Respondents' alleged violations of Section 409.3-301, 409.4-402, and 409.5-501, RSMo. (Cum. Supp. 2011).

CONSENT TO JURISDICTION

3. Respondents and the Enforcement Section stipulate and agree that the Missouri

Commissioner of Securities ("Commissioner") has jurisdiction over the Respondents and these matters pursuant to the Missouri Securities Act of 2003, Chapter 409, *et seq.*

4. Respondents and the Enforcement Section stipulate and agree that the Commissioner has authority to enter this Order pursuant to Section 409.6-604(h), RSMo. (Cum. Supp. 2011), which provides:

"The commissioner is authorized to issue administrative consent orders in the settlement of any proceeding in the public interest under this act."

WAIVER AND EXCEPTION

5. Respondents waive their right to a hearing with respect to this matter.
6. Respondents waive any rights that they may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order. Respondents specifically forever releases and holds harmless the Missouri Office of Secretary of State, Secretary of State, Commissioner, and their respective representatives and agents from any and all liability and claims arising out of, pertaining to, or relating to this matter.
7. Respondents stipulate and agree with the Enforcement Section that, should the facts contained herein prove to be false or incomplete, the Enforcement Section reserves the right to pursue any and all legal or administrative remedies at its disposal.

CONSENT TO COMMISSIONER'S ORDER

8. Respondents and the Enforcement Section stipulate and agree to the issuance of this Consent Order without further proceedings in this matter, agreeing to be fully bound by the terms and conditions specified herein.
9. Respondents agree not to take any action or to make or permit to be made any public statement creating the impression that this Order is without factual basis. Nothing in this paragraph affects Respondents' (a) testimonial obligations; (b) right to take legal or factual position in defense of litigation or in defense of other legal proceedings in which the Commissioner is not a party; or (c) right to make public statements that are factual.
10. Respondents agree that Respondents' are not the prevailing party in this action since the parties have reached a good faith settlement.
11. Respondents neither admit nor deny the allegations made by the Enforcement Section, but consent to the Commissioner's Findings of Fact, Conclusions of Law, and Order as set forth below solely for the purposes of resolving this proceeding and any proceeding that may be brought to enforce the terms of this Consent Order.

COMMISSIONER'S FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

I. FINDINGS OF FACT

12. 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.
13. 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.
14. 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.
15. 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.
16. 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.
17. Lori Arzamendi ("Arzamendi") was a director of GenShare and an employee of 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.
18. As used herein, the term "Respondents" refers to eCity and Van.
19. 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.
20. 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

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.
28. 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).
29. On or about July 25, 2008, Arzamendi provided MR1 with a purchaser questionnaire ("Purchaser Questionnaire").
30. 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."
31. 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.
32. 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).
33. 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.
34. 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.
35. 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 and Steve Wurzburg ("Wurzburg") signed as the secretary of eCity. Wurzburg is a partner in the law firm that serves as eCity's outside legal counsel. This stock certificate was dated July 31, 2008.

36. Before MR1 sent funds to invest in eCity in June and July of 2008, MR1 had not spoken with Van regarding MR1's investment in eCity.
37. In late 2008 or early 2009, MR1 spoke directly with Van. Van told MR1, among other things, that:
 - a. Van knew that Blandin had procured MR1's investment in eCity and that MR1's funds were transferred to eCity from Blandin;
 - b. eCity received a wire transfer of nine thousand dollars (\$9,000) from MR1;
 - c. Blandin had asked eCity to register the shares in a name other than MR1; and
 - d. Van would no longer be working with Blandin or GenShare due to this occurrence.
38. 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.
39. 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.
40. 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.
41. 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.
42. In response to these inquiries made by MR1, Van replied, "We don't do that."
43. 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.
44. 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."
45. To date, MR1 has not received any dividends and has not received a return of MR1's principal investment.
46. 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.
47. 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. did not list Blandin or Arzamendi as promoters of eCity; and
 - iii. 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 to the Enforcement Section regarding a prior relationship of eCity with MR1;
 - e. 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;
 - f. on December, 15, 2011, Wurzburg stated that eCity was conducting an internal investigation into its stock transactions with MR1 and Blandin; but the full results of this investigation were never shared with the Enforcement Section; and
 - g. eCity subsequently informed the Enforcement Section that eCity never paid Blandin, Arzamendi, or GenShare any money and in particular did not provide them with any compensation in connection with MR1's investment.
48. 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.

49. 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*).
50. On November 14, 2011, the California Commissioner of Corporations adopted the ALJ's decision.
51. 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.
52. 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. CONCLUSIONS OF LAW

53. The Commissioner finds Respondents offered and sold unregistered, non-exempt securities, employed unregistered agents who transacted business in the state of Missouri and 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 and in engaging in an act, practice, or course of business that would operate as a fraud or deceit and that this conduct constitutes grounds to issue an order pursuant to Section 409.6-604 RSMo. (Cum. Supp. 2011).

54. The Commissioner, after consideration of the stipulations set forth above and on the consent of Respondents and the Enforcement Section, finds and concludes that the Commissioner has jurisdiction over Respondents and this matter and that the following Order is in the public interest, necessary for the protection of public investors and consistent with the purposes intended by Chapter 409, RSMo. (Cum. Supp. 2011).

III. ORDER

NOW, THEREFORE, it is hereby Ordered that:

1. Respondents, their agents, employees and servants, and all other persons participating in the above-described violations with knowledge of this order are permanently enjoined and restrained from offering and selling unregistered, non-exempt securities, employing unregistered agents, omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and in engaging in an act, practice, or course of business that would operate as a fraud or deceit in violation of Sections 409.3-301, 409.4-402, and 409.5-501, RSMo. (Cum. Supp. 2011).
2. Respondents are ordered to pay twenty-nine thousand dollars (\$29,000) in restitution, which includes interest calculated at the rate of eight percent (8%) per annum. Five thousand dollars (\$5,000) of this amount shall be sent within ten (10) days of the effective date of this Consent Order to the Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101, and shall be payable to the Missouri Secretary of State's Investor Restitution Fund. Twenty-four thousand dollars (\$24,000) of this amount shall be sent on or before December 31, 2012 to the Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101, and shall be payable to the Missouri Secretary of State's Investor Restitution Fund. These payments will be distributed by that Fund to the investor as identified in Exhibit A.
3. Respondents shall pay to the Missouri Secretary of State's Investor Education and Protection Fund the sum of ten thousand dollars (\$10,000). This payment will be suspended provided that Respondents comply with the terms of this Consent Order, and provided that Respondents do not violate the securities act for a period of three (3) years. The suspended payment shall, for three (3) years from the execution of this document, become immediately payable, under operation of law, upon Respondents' failure to comply with the terms of this order, and such immediately due payment shall be in addition to all other penalties then available under the law. The Commissioner may refer this matter for enforcement as provided in Sections 409.6-603 and 409-6-604, RSMo. (Cum. Supp. 2011).
4. Respondents are jointly and severally ordered to pay five thousand dollars (\$5,000) as the cost of this investigation. This payment will be suspended provided that Respondents comply with the terms of this Consent Order, and provided that Respondents do not violate the securities act for a period of three (3) years. The suspended payment shall, for three (3) years from the execution of this document, become immediately payable, under operation of law, upon Respondents' failure to comply with the terms of this order, and such immediately due payment shall be in addition to all other penalties then available under the law. The Commissioner may refer this matter for enforcement as provided in Sections 409.6-603 and 409-6-604,

RSMo. (Cum. Supp. 2011).

5. Respondents shall pay their own costs and attorneys' fees with respect to this matter.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS 5TH DAY OF OCTOBER, 2012.

ROBIN CARNAHAN
SECRETARY OF STATE

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

Consented to by:
THE ENFORCEMENT SECTION OF THE
MISSOURI SECURITIES DIVISION

Mary S. Hosmer
Assistant Commissioner of Securities

eCITY, Inc.

Benedict H. Van

Approved as to Form:

Stephen M. Wurzburg
Attorney for Respondents

CONSENT - EXHIBIT A
AP-12-04 / I2011-119

IN THE MATTER OF: eCITY, INC. and BENEDICT H. VAN, Respondents

MR \$29,000