

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: Lori Arzamendi at:  
1277 West Walnut Street  
Stockton, California 95203

**CONSENT ORDER AS TO RESPONDENT LORI ARZAMENDI**

**SUMMARY OF ENFORCEMENT SECTION'S ALLEGATIONS**

1. The Enforcement Section of the Missouri Securities Division ("Enforcement Section") has alleged that Lori Arzamendi ("Respondent") materially assisted the sale of unregistered securities in the State of Missouri in violation of Section 409.3-301, RSMo. (Cum. Supp. 2011), and that this constitutes grounds to issue an order pursuant to Section 409.6-604, RSMo. (Cum. Supp. 2011).
2. Respondent and the Enforcement Section desire to settle the allegations and the matters raised by the Enforcement Section relating to the Respondent's alleged violation of Section 409.3-301, RSMo. (Cum. Supp. 2011).

**CONSENT TO JURISDICTION**

3. Respondent and the Enforcement Section stipulate and agree that the Missouri Commissioner of Securities ("Commissioner") has jurisdiction over the Respondent and these matters pursuant to the Missouri Securities Act of 2003, Chapter 409, *et seq.*
4. Respondent 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. Respondent waives her right to a hearing with respect to this matter.
6. Respondent waives any right that she may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order. Respondent 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. Respondent stipulates and agrees 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. Respondent 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. Respondent agrees 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 Respondent's (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. Respondent agrees that Respondent is not the prevailing party in this action since the parties have reached a good faith settlement.
11. Respondent neither admits nor denies the allegations made by the Enforcement Section, but consents 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 ("Van") at 726 Everett Avenue, Palo Alto, California 94301, as its registered agent for service of process.
13. Lori Arzamendi ("Arzamendi") was employed by hereUare, Inc., an entity controlled by Van, the president of eCity. Arzamendi maintains a last known mailing address of 1277 West Walnut Street, Stockton, California 95203. 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.
14. As used herein, the term "Respondent" refers to Arzamendi.
15. In or around June and July 2008 a sixty-five (65) year-old St. Louis, Missouri resident ("MR") heard about an investment in eCity common stock from Enrico Blandin ("Blandin").
16. In June and July, 2008, MR sent twenty-five thousand dollars (\$25,000) to invest in eCity stock.
17. On or before July 25, 2008, MR contacted Arzamendi. Arzamendi told MR, among other things, that the investment would be a good opportunity.
18. On or about July 25, 2008, at Van's direction, Arzamendi sent MR an eCity purchase agreement ("eCity Agreement"). The eCity Agreement provided for the purchase of 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 MR with a purchaser questionnaire ("Purchaser Questionnaire").
20. On an attached note to the Purchaser Questionnaire, Arzamendi advised MR 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 MR's status as an accredited or sophisticated investor nor did Arzamendi discuss with MR the definition of an accredited or sophisticated investor or why MR's status as an accredited or sophisticated investor was important to MR's investment in eCity.
22. The selection that MR initialed, (a natural person that was on the 9th line from the top) stated, among other things, that MR had a net worth, or joint net worth together with MR's spouse, that exceeded one million dollars (\$1,000,000).
23. The Enforcement Section's investigation revealed that MR did not understand the definition of an accredited investor and that MR did not fit the definition of an accredited investor at the time MR invested in eCity in the summer of 2008 or at the time MR completed the Purchaser Questionnaire.
24. 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.
25. Before MR1 sent funds to invest in eCity in June and July of 2008, MR1 had not spoken with Van or any other representative of eCity regarding MR1's investment in eCity.
26. To date, MR has not received any dividends and has not received a return of MR's principal investment.
27. A check of the records maintained by the Missouri Commissioner of Securities confirmed that eCity stock was not registered in Missouri and that Arzamendi was not registered as a securities agent in Missouri.

**II. CONCLUSIONS OF LAW**

28. The Commissioner finds that Respondent materially assisted the sale of unregistered securities in violation of Section 409.3-301, RSMo. (Cum. Supp. 2011), and that this conduct constitutes grounds to issue an order pursuant to Section 409.6-604, RSMo. (Cum. Supp.2011).
29. The Commissioner, after consideration of the stipulations set forth above and on the consent of Respondent and the Enforcement Section, finds and concludes that the Commissioner has jurisdiction over Respondent 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. Respondent Arzamendi, her 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 materially assisting the sale of unregistered securities in violation of Section 409.3-301, RSMo. (Cum. Supp. 2011).
2. Respondent Arzamendi is hereby permanently BARRED from registering as a securities agent or an investment adviser representative in the State of Missouri.
3. Respondent Arzamendi shall pay to the Missouri Secretary of State's Investor Education and Protection Fund the sum of one thousand dollars (\$1,000). This amount shall be sent to the Missouri Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101 and paid in three (3) installments as follows: three hundred thirty-three dollars (\$333.00) shall be payable within ten (10) days of the effective date of this Order; three hundred thirty-three dollars (\$333.00) shall be payable on or before November 1, 2012; and three hundred thirty-four dollars (\$334.00) shall be payable on or before December 1, 2012. These payments shall be payable to the Missouri Secretary of State's Investor Education and Protection Fund. The Commissioner may refer this matter for enforcement as provided in Sections 409.6-603 and 409.6-604 RSMo. (Cum. Supp. 2011).
4. Respondent Arzamendi shall pay her 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 1<sup>ST</sup> 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

Lori Arzamendi, Respondent

Approved as to Form:

Edward F. Mitchell  
Attorney for Respondent