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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
whether there has been a violation
of the Securities Act of Washington by:

Edvita Corporation;
Edvita Publication Venture Fund I, LLC;
James E. Cowan,

Respondents.

Order Number S-08-012-14-SC01

STATEMENT OF CHARGES AND
NOTICE OF INTENT TO ISSUE AN
ORDER TO CEASE AND DESIST,
IMPOSE FINES, AND RECOVER COSTS

THE STATE OF WASHINGTON TO:

Edvita Corporation
Edvita Publication Venture Fund I, LLC
James E. Cowan

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that the Respondents Edvita Corporation, Edvita Publication Venture Fund I, LLC, and James E. Cowan have violated the Securities Act of Washington and that the violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 against each to cease and desist from such violations and to charge costs, and under RCW 21.20.395 to impose a fine. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondents

1. Edvita Corporation (“Edvita”) was a Washington corporation formed in April 2001. It was formerly known as PeopleTools, Inc. until December 2001. Edvita conducted business under the trade

1 name Edvita Institute. Edvita had a principal place of business at 3820 166th Ave. SE, Bellevue,
2 Washington. It was administratively dissolved on August 2, 2010.

3 2. Edvita Publication Venture Fund I, LLC (“Edvita Publication Venture Fund”) was a Washington
4 limited liability company formed on May 8, 2002. It was formerly known as Edvita Venture Fund I,
5 LLC until May 13, 2002. Edvita was the Manager of the Edvita Publication Venture Fund. It had a
6 principal place of business at 3820 166th Ave. SE, Bellevue, Washington. It was administratively
7 dissolved on September 1, 2009.

8 3. James E. “Ari” Cowan (“Cowan”) is an individual believed to reside in Shoreline, Washington.
9 Cowan was the President and Chief Executive Officer of Edvita from inception until at least March
10 2008.

11 Nature of the Conduct

12 *Introduction*

13 4. Edvita was a start-up company with a mission to reduce and eliminate violence.
14 Edvita provided violence risk assessment programs, educational publications, workshops and
15 presentations, and professional development courses for use in places including schools, workplaces,
16 military organizations, and prisons. From approximately April 2001 through December 2006, Edvita
17 engaged in five rounds of a common stock offering. In addition, from May 2002 through December
18 2003, interests in the Edvita Publication Venture Fund were sold, with the proceeds benefiting Edvita.
19 Approximately 88 investors invested a total of approximately \$1,007,458. The majority of investors
20 were Washington residents; only approximately fourteen investors resided in other states. At least one
21
22

1 investor was not an experienced investor and at least four investors had never done a similar investment
2 before.

3 *Edvita Stock Offering*

4 5. From April 2001 through December 2006, there were five rounds of a common stock offering in
5 Edvita. The rounds were offered one after another, with offering periods ranging from approximately
6 nine months to one year and ten months. Each unit in the first round consisted of one share of common
7 stock and a one-half warrant. For each subsequent round, each unit consisted solely of common stock.
8 Approximately 87 investors invested a total of approximately \$807,458 in Edvita. At least twenty-one
9 of the Washington resident investors were unaccredited.

10 6. The first three rounds (referred to as Rounds A, B, and C) were offered and sold from
11 approximately April 2001 through June 2004. According to offering materials, Edvita was seeking to
12 raise up to \$100,000 in Round A, \$250,000 in Round B, and \$1 million in Round C. The minimum
13 investment amount was \$5,000 per investor, unless otherwise agreed by the company. The common
14 stock price was \$0.10 in Round A, \$0.25 in Round B, and \$0.30 in Round C. According to offering
15 materials, the proceeds from Rounds A, B and C would be used for start-up expenses such as developing
16 the curriculum and publications, and hiring management.

17 7. Cowan and other officers and directors of Edvita primarily offered the first three rounds of the
18 investment to family, friends and other acquaintances who reside in Washington. Cowan solicited an
19 investment from at least one graduate student doing a learning module for Edvita. The offering also
20 spread through word of mouth referral to other investors.

1 8. Several residents spoke with Cowan about the investment opportunity. Cowan told at least one
2 investor that he was very selective about who the investors were. He told her they would make “tons of
3 money” and they would be millionaires. Cowan told another investor that when the business was
4 eventually sold they would likely make a large profit.

5 9. Investors were sent a cover letter from an officer or director of Edvita with an enclosed Private
6 Placement Memorandum (“PPM”). From July 2003 to February 2004, several cover letters sent to
7 potential Round C investors stated that the stock sale may be suspended or closed soon due to the fact
8 that letters of intent with customers were expected to be signed soon, or because the value of Edvita
9 could increase dramatically due to potential relationships with customers. The letters urged interested
10 investors to invest as soon as possible.

11 10. Investors received a PPM specific to the round they were investing in. The PPM provided to
12 Round A investors (“Round A PPM”), dated April 2001, projected revenue of approximately \$1.8
13 million in 2002 and \$4.3 million in 2003. The PPM provided to Round B investors (“Round B PPM”),
14 dated September 2002, projected revenue of approximately \$1.6 million in 2003, \$2 million in 2004,
15 \$6.3 million in 2005, and \$11.2 million in 2006. The PPM provided to Round C investors (“Round C
16 PPM”), dated July 2003, projected revenue of approximately \$2.8 million in 2004 and \$13.9 million in
17 2005.

18 11. The last two rounds (referred to as Rounds D and E) were offered and sold from approximately
19 April 2005 through December 2006. According to offering materials, Edvita was seeking to raise up to
20 \$1 million in both Rounds D and E. The minimum investment amount was \$10,000 per investor, unless
21 otherwise agreed by the company. The common stock price was \$0.35 in Round D and \$0.38 in Round
22

1 E. According to offering materials, proceeds would be used for the same type of business expenses as
2 stated for the prior rounds.

3 12. As before, many investors in the last two rounds found out about the investment from Cowan or
4 other officers or directors of Edvita. In addition, Cowan solicited members of at least one church in
5 Bellevue. Beginning in approximately 2005, Cowan presented workshops at the church, including a
6 “Violence & Spirituality” series. Many church members either attended a workshop or were introduced
7 to Cowan by other members. Several church members were invited to attend an informational meeting
8 hosted by Edvita and/or to speak directly with Cowan about an investment.

9 13. Beginning in 2005 or 2006, small informational meetings for prospective investors were hosted
10 by Cowan and/or other officers, directors, or employees of Edvita. At the meetings, an overview of
11 Edvita was presented, followed by information on investing in the company. There was a slideshow
12 presentation at at least one meeting. At least one investor who met Cowan through her church attended
13 an informational meeting in approximately October 2006. After the meeting, Cowan called the investor
14 to ask if she wanted to invest.

15 14. Several residents who met Cowan through their church spoke with him further about the
16 investment. At least one investor went to Cowan’s office, where he told her that based on his past
17 successes with similar products, she could more than double her money. He further stated that in the
18 worst case scenario he would sell the company and return all of her money. That investor was also told
19 that if she did not purchase soon, she may not be able to later. Cowan repeatedly asked this investor to
20 refer her friends for an investment.

1 15. In May 2006, Cowan sent a cover letter with an enclosed PPM to at least one prospective Round
2 E investor. The letter stated that current projections anticipate an increase in value of the shares at a rate
3 of 91.8% per year over the next five years, and forecast a payout of dividends of \$0.63 per share in that
4 period. The letter projected that a \$25,000 investment would pay dividends of \$41,447 and increase in
5 value by \$133,113.

6 16. The PPM provided to Round E investors ("Round E PPM"), dated April 2006, included either a
7 2006 Operating Plan or a 2007-2009 Operating Plan. According to the 2006 Operating Plan, the annual
8 internal rate of return was projected to be 91.8% after five years. According to the 2007-2009 Operating
9 Plan, the annual internal rate of return was projected to be 126.4% over five years.

10 17. Investors were instructed to complete subscription agreements and forward them to the Edvita
11 office. Payments were made by wire transfer or checks payable to Edvita. At least one Round E
12 investor received a stock certificate signed by Cowan as the President of Edvita.

13
14 *Edvita Publication Venture Fund offering*

15 18. In approximately April 2002, Class A Preferred Units were offered in the Edvita Publication
16 Venture Fund. The minimum investment amount was \$25,000 per investor, unless otherwise agreed to
17 by the manager, with a total offering amount of up to \$500,000. According to offering materials, the
18 proceeds would be used by Edvita for the production and marketing of the "Violence Response Series"
19 and/or for general business needs.

20 19. Cowan spoke to at least three investors regarding an investment in the Edvita Publication
21 Venture Fund. Two of the investors were familiar with Edvita, as they had previously invested in Round
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1 A of the Edvita common stock offering. At least one investor heard about this investment from another
2 investor.

3 20. According to offering materials, investors would receive a pro rata share of a 30% royalty on
4 gross sales of the Violence Response Series each month until they received distributions equal to 110%
5 of their original investment. Subsequently, investors would receive a pro rata share of a 15% royalty on
6 gross sales of the Violence Response Series each month for two years following completion of the above
7 distributions.

8 21. Offering materials that at least one investor received contained projections on the average annual
9 return on investment. The projections assumed that the first sales would commence in September 2003.
10 The minimum projected average annual return was 24.9% over 49 months, the median projected average
11 annual return was 54% over 39 months, and the maximum projected average annual return was 87.1%
12 over 36 months.

13 22. Between May 2002 and December 2003, four Washington residents decided to invest. The
14 investments made by the four residents totaled \$200,000. Investors either mailed in their payments or
15 delivered payments directly to Cowan.

16
17 Failure to Comply with Regulation D Rule 504

18 23. Edvita Corporation claimed an exemption from registration for an offering of common stock
19 under Regulation D Rule 504 with a notice filing submitted to the Securities Administrator on April 18,
20 2001. Under Rule 504, sales are limited to twenty non-accredited investors from Washington.

1 Respondents failed to comply with this requirement, as common stock was sold to at least twenty-one
2 non-accredited investors in Washington.

3 Registration Status

4 24. Edvita Corporation was not registered to sell securities in the state of Washington during the
5 relevant period.

6 25. Edvita Publication Venture Fund I, LLC was not registered to sell securities in the state of
7 Washington during the relevant period.

8 26. James E. Cowan is not currently registered as a securities salesperson or broker-dealer in the state
9 of Washington and was not registered during the relevant period.

10 Misrepresentations and Omissions

11 27. The Respondents failed to provide a reasonable basis for the revenue projections that were
12 included in the Edvita Corporation Round A PPM, Round B PPM, and Round C PPM, and for the
13 internal rate of return projections included in the Round E PPM.

14 28. Respondent James E. Cowan made misleading statements regarding the returns Edvita
15 Corporation investors could earn, including representing to one investor that they would make “tons of
16 money” and would be millionaires.

17 29. Respondent James E. Cowan failed to provide a reasonable basis for the profit projection he told
18 at least one investor in Edvita Corporation when he represented that she could more than double her
19 money.

20 30. According to the Edvita Corporation Round E PPM, Edvita’s use of the Violence Integrative
21 Prevention and Restoration Model (“PAR Model”) was under exclusive license from SpiritRidge
22

1 Institute, LLC. Cowan did not disclose that he was the founder and Principal of SpiritRidge Institute,
2 LLC or provide the terms of the license agreement. In October 2005, at the Edvita Board of Directors
3 meeting, Cowan requested compensation in the form of royalties in return for providing licensing
4 permission to Edvita for use of the PAR Model.

5 31. The Respondents failed to provide a reasonable basis for the profit projections that were included
6 in the Edvita Publication Venture Fund offering materials.

7 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

8 **CONCLUSIONS OF LAW**

9 1. The offer and sale of the common stock and warrants in Edvita Corporation, and the interests
10 in the Edvita Publication Venture Fund I, LLC, as described above, constitute the offer and sale of
11 securities as defined in RCW 21.20.005(14) and (17).

12 2. The offer and sale of said securities violated RCW 21.20.140 because no registration for such
13 offer and sale is on file with the Securities Administrator.

14 3. James E. Cowan violated RCW 21.20.040 by offering or selling said securities while not
15 registered as a securities salesperson or broker-dealer in the state of Washington.

16 4. The offer or sale of said securities was made in violation of RCW 21.20.010 because, as set
17 forth in the Tentative Findings of Fact, Edvita Corporation, Edvita Publication Venture Fund I, LLC, and
18 James E. Cowan each made untrue statements of material facts or omitted to state material facts
19 necessary in order to make the statements made, in light of the circumstances under which they were
20 made, not misleading.

21 **NOTICE OF INTENT TO ISSUE AN ORDER TO CEASE AND DESIST**

1 Pursuant to RCW 21.20.390(1), and based upon the above Tentative Findings of Fact and
2 Conclusions of Law, the Securities Administrator intends to order that the Respondents Edvita
3 Corporation, Edvita Publication Venture Fund I, LLC, and James E. Cowan shall cease and desist from
4 violations of RCW 21.20.040, RCW 21.20.140 and RCW 21.20.010.

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6 **NOTICE OF INTENT TO IMPOSE FINES**

7 Pursuant to RCW 21.20.395, and based upon the above Tentative Findings of Fact and
8 Conclusions of Law, the Securities Administrator intends to order that:

- 9 1. Respondent Edvita Corporation shall be liable for and pay a fine of \$10,000;
10 2. Respondent Edvita Publication Venture Fund I, LLC shall be liable for and pay a fine of \$5,000;
11 and
12 3. Respondent James E. Cowan shall be liable for and pay a fine of \$20,000.

13 **NOTICE OF INTENT TO CHARGE COSTS**

14 Pursuant to RCW 21.20.390(5), and based upon the above Tentative Findings of Fact and
15 Conclusions of Law, the Securities Administrator intends to order that the Respondents Edvita
16 Corporation, Edvita Publication Venture Fund I, LLC, and James E. Cowan shall be liable for and pay
17 the Securities Division the costs, fees and other expenses incurred in the conduct of the investigation of
18 this matter in an amount not less than \$5,000.

19 **AUTHORITY AND PROCEDURE**

20 This Statement of Charges is entered pursuant to the provisions of RCW 21.20.390 and RCW
21 21.20.395, and is subject to the provisions of RCW 21.20.440 and RCW 34.05. The Respondents may
22

1 make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND
2 OPPORTUNITY FOR HEARING accompanying this Statement of Charges.

3 If a Respondent does not request a hearing, the Securities Administrator intends to adopt the above
4 Tentative Findings of Fact and Conclusions of Law as final, enter a final cease and desist order, and
5 impose the fines and costs sought as to the Respondent.

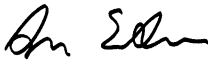
6 DATED AND ENTERED this 15th day of April, 2014.

7 By:

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9 _____
10 William M. Beatty
11 Securities Administrator

12 Approved by:

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14 _____
15 Suzanne Sarason
16 Chief of Enforcement

Presented by:

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18 _____
19 Bridgett Fisher
20 Financial Legal Examiner

21 Reviewed by:

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23 _____
24 Robert Kondrat
Financial Legal Examiner Supervisor