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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-FO01

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL
ORDER TO CEASE AND DESIST,
IMPOSE FINES, AND RECOVER COSTS
AS TO JAMES E. COWAN

9 THE STATE OF WASHINGTON TO:

James E. Cowan

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INTRODUCTION

12 On April 15, 2014, the Securities Administrator of the State of Washington issued Statement of
13 Charges and Notice of Intent to Issue an Order to Cease and Desist, Impose Fines, and Recover Costs, S-
14 08-012-14-SC01, ("Statement of Charges"), against the Respondents Edvita Corporation, Edvita
15 Publication Venture Fund I, LLC, and James E. Cowan. The Statement of Charges, together with a Notice
16 of Opportunity to Defend and Opportunity for Hearing ("Notice"), and an Application for Adjudicative
17 Hearing ("Application for Hearing"), was served on the Respondent James E. Cowan on approximately
18 May 31, 2014.

19 The Notice advised that a written application for an administrative hearing on the Statement of
20 Charges must be received within twenty days from the date of receipt of the notice. On June 18, 2014,
21 Respondent James E. Cowan returned the Application for Hearing and indicated that he waived the right to
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ENTRY OF FINDINGS OF FACT AND
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RECOVER COSTS AS TO JAMES E. COWAN

1 a hearing. In lieu of requesting a hearing, the Respondent James E. Cowan submitted a written statement
2 for consideration by the Agency Director or Securities Administrator.

3 After considering the written statement and reviewing the investigative record, the Securities
4 Administrator finds no material grounds for amendment of the Statement of Charges, and will therefore
5 adopt as final the findings of fact and conclusions of law as set forth in the Statement of Charges. The
6 Securities Administrator finds as follows:

7 **FINDINGS OF FACT**

8 Respondents

9 1. Edvita Corporation (“Edvita”) was a Washington corporation formed in April 2001. It was
10 formerly known as PeopleTools, Inc. until December 2001. Edvita conducted business under the trade
11 name Edvita Institute. Edvita had a principal place of business at 3820 166th Ave. SE, Bellevue,
12 Washington. It was administratively dissolved on August 2, 2010.

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

18 3. James E. “Ari” Cowan (“Cowan”) is an individual believed to reside in Shoreline, Washington.
19 Cowan was the President and Chief Executive Officer of Edvita from inception until at least March
20 2008.

1 Nature of the Conduct

2 *Introduction*

3 4. Edvita was a start-up company with a mission to reduce and eliminate violence.
4 Edvita provided violence risk assessment programs, educational publications, workshops and
5 presentations, and professional development courses for use in places including schools, workplaces,
6 military organizations, and prisons. From approximately April 2001 through December 2006, Edvita
7 engaged in five rounds of a common stock offering. In addition, from May 2002 through December
8 2003, interests in the Edvita Publication Venture Fund were sold, with the proceeds benefiting Edvita.
9 Approximately 88 investors invested a total of approximately \$1,007,458. The majority of investors
10 were Washington residents; only approximately fourteen investors resided in other states. At least one
11 investor was not an experienced investor and at least four investors had never done a similar investment
12 before.

13 *Edvita Stock Offering*

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

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

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

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

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

20 10. Investors received a PPM specific to the round they were investing in. The PPM provided to
21 Round A investors (“Round A PPM”), dated April 2001, projected revenue of approximately \$1.8

1 million in 2002 and \$4.3 million in 2003. The PPM provided to Round B investors (“Round B PPM”),
2 dated September 2002, projected revenue of approximately \$1.6 million in 2003, \$2 million in 2004,
3 \$6.3 million in 2005, and \$11.2 million in 2006. The PPM provided to Round C investors (“Round C
4 PPM”), dated July 2003, projected revenue of approximately \$2.8 million in 2004 and \$13.9 million in
5 2005.

6 11. The last two rounds (referred to as Rounds D and E) were offered and sold from approximately
7 April 2005 through December 2006. According to offering materials, Edvita was seeking to raise up to
8 \$1 million in both Rounds D and E. The minimum investment amount was \$10,000 per investor, unless
9 otherwise agreed by the company. The common stock price was \$0.35 in Round D and \$0.38 in Round
10 E. According to offering materials, proceeds would be used for the same type of business expenses as
11 stated for the prior rounds.

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

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

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

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

14 16. The PPM provided to Round E investors ("Round E PPM"), dated April 2006, included either a
15 2006 Operating Plan or a 2007-2009 Operating Plan. According to the 2006 Operating Plan, the annual
16 internal rate of return was projected to be 91.8% after five years. According to the 2007-2009 Operating
17 Plan, the annual internal rate of return was projected to be 126.4% over five years.

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

Edvita Publication Venture Fund offering

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

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

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

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

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

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5 Failure to Comply with Regulation D Rule 504

6 23. Edvita Corporation claimed an exemption from registration for an offering of common stock
7 under Regulation D Rule 504 with a notice filing submitted to the Securities Administrator on April 18,
8 2001. Under Rule 504, sales are limited to twenty non-accredited investors from Washington.
9 Respondents failed to comply with this requirement, as common stock was sold to at least twenty-one
10 non-accredited investors in Washington.

11 Registration Status

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

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

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

18 Misrepresentations and Omissions

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

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

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

7 30. According to the Edvita Corporation Round E PPM, Edvita’s use of the Violence Integrative
8 Prevention and Restoration Model (“PAR Model”) was under exclusive license from SpiritRidge
9 Institute, LLC. Cowan did not disclose that he was the founder and Principal of SpiritRidge Institute,
10 LLC or provide the terms of the license agreement. In October 2005, at the Edvita Board of Directors
11 meeting, Cowan requested compensation in the form of royalties in return for providing licensing
12 permission to Edvita for use of the PAR Model.

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

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

16 **CONCLUSIONS OF LAW**

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

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

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

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

8 **FINAL ORDER**

9 Based upon the foregoing and finding it in the public interest:

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11 IT IS HEREBY ORDERED that the Respondent James E. Cowan shall cease and desist from
12 offering or selling securities in violation of RCW 21.20.140, the securities registration section of the
13 Securities Act of Washington.

14 IT IS FURTHER ORDERED that the Respondent James E. Cowan shall cease and desist from
15 violation of RCW 21.20.040, the broker-dealer and securities salesperson registration section of the
16 Securities Act of Washington.

17 IT IS FURTHER ORDERED that the Respondent James E. Cowan shall cease and desist from
18 violation of RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

19 IT IS FURTHER ORDERED that the Respondent James E. Cowan shall be liable for and shall
20 pay a fine of \$20,000.

1 IT IS FURTHER ORDERED that the Respondent James E. Cowan shall be liable for and shall
2 pay investigative costs of \$5,000.

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4 **AUTHORITY AND PROCEDURE**

5 This Final Order is entered pursuant to the provisions of RCW 21.20.390 and RCW 21.20.395,
6 and is subject to the provisions of RCW 21.20.440 and RCW 34.05. The Respondent has the right to
7 petition the superior court for judicial review of this agency action under the provisions of RCW 34.05.
8 For the requirements for filing a Petition for Judicial Review, see RCW 34.05.510 and sections following.
9 Pursuant to RCW 21.20.395, a certified copy of this order may be filed in Superior Court. If so filed, the
10 clerk shall treat the order in the same manner as a Superior Court judgment as to the fine, and the fine
11 may be recorded, enforced, or satisfied in like manner.

12 DATED AND ENTERED this 24th day of July, 2014.

13 By:

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16 _____
17 William M. Beatty
18 Securities Administrator

19 Approved by:

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21 _____
22 Suzanne Sarason
23 Chief of Enforcement

Presented by:

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Bridgett Fisher
Financial Legal Examiner

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Reviewed by:



Robert Kondrat
Financial Legal Examiner Supervisor