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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, vs. BENJA INCORPORATED and ANDREW J. CHAPIN, Defendants.	Case No. **COMPLAINT**

Plaintiff Securities and Exchange Commission (the "SEC") alleges:

SUMMARY OF THE ACTION

1. During 2018 and 2020, Benja Incorporated ("Benja") and its Chief Executive Officer, Defendant Andrew J. Chapin raised millions of dollars from investors, and banks, by making false representations about Benja's business. Benja, a San Francisco-based e-commerce startup, purports to place online advertisements for major clothing brands to sell excess

merchandise at a discount. In particular, Chapin and Benja falsely claimed to prospective investors that Benja was profitable and had generated millions of dollars in revenue from customers that supposedly included Nike, Patagonia and Fanatics.

2. In reality, Benja did not have contracts with, or revenue from, the major brands it claimed were its customers. Chapin maintained the illusion of Benja's commercial success through a scheme that included using falsified documents in the offering of securities, forging contracts with purported customers, doctoring bank statements, and impersonating customers in calls with at least one investor.

3. The SEC seeks an order from the Court enjoining Defendants Benja and Chapin from future violations of the antifraud provisions of the securities laws; requiring Defendants to each pay a civil monetary penalty, and to disgorge their respective ill-gotten gains or unjust enrichment with prejudgment interest thereon; prohibiting Chapin from acting as an officer or director of any public company; and providing for other appropriate relief.

JURISDICTION AND VENUE

4. The SEC brings this action pursuant to Sections 20(b) and 20(d) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77t(b) and 77t(d)] and Sections 21(d) and 21(e) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78u(d) and 78u(e)].

5. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act, [15 U.S.C. § 77v(a)], and Section 27 of the Exchange Act [15 U.S.C. § 78aa].

6. Defendants, directly or indirectly, made use of the means and instrumentalities of interstate commerce or of the mails in connection with the acts, transactions, practices, and courses of business alleged in this complaint.

7. Venue is proper in this District pursuant to Section 22(a) of the Securities Act, [15 U.S.C. § 77v(a)], and Section 27(a) of the Exchange Act [15 U.S.C. § 78aa(a)]. Acts, transactions, practices, and courses of business that form the basis for the violations alleged in this complaint occurred in the Northern District of California.

8. Under Civil Local Rule 3-2(d), this civil action should be assigned to the San Francisco Division, because a substantial part of the events or omissions which give rise to the

claims alleged herein occurred in San Francisco County; in addition, Defendant Benja's principal place of business is in San Francisco and Defendant Chapin resides in San Francisco.

DEFENDANTS

9. Defendant Andrew J. Chapin, age 31, resides in San Francisco, California. Chapin is Benja's founder and CEO, and has controlled Benja from its formation at least until its bankruptcy filing.

10. Defendant Benja Incorporated is a Delaware Corporation with is principal place of business in San Francisco, California. Benja was founded by Chapin in June 2018, as the successor to another company, EPHE Corp., that Chapin had founded by 2015. Chapin operated EPHE Corp. under the "Benja" name from at least December 2016 until the incorporation of Benja in June 2018. From at least June 2018 through September 2020, Benja purported to be an e-commerce startup that places online advertisements for major clothing brands, enabling those brands to sell excess merchandise at a discount. On or about October 15, 2020, Benja filed for Chapter 11 bankruptcy protection in the United States Bankruptcy Court for the Northern District of California.

FACTUAL ALLEGATIONS

A. Chapin Deceives Investors to Obtain Early Benja Investments

11. In 2017, Chapin operated Benja, then known as EPHE Corp., as a start-up company. In or around early 2017, Benja obtained operating funds through its acceptance into a New York-based "start-up accelerator," which provides funding and business guidance to small, new business ventures.

12. Through Benja's participation in the accelerator, in or around November 2017 Chapin was introduced to a venture capital investor from San Francisco. During the spring of 2018, Chapin and the venture capital investor discussed the potential for an investment in Benja.

13. To entice the San Francisco venture capital investor to make an investment, Chapin made claims to the investor about Benja's business that were not true. In particular, Chapin told the investor that Benja was a profitable company, whose customers included famous brands, including Fanatics, Backcountry.com, and Patagonia.

14. In or around June 2018, Chapin provided to the San Francisco venture capital investor a slide deck, which represented that Nike, Patagonia, and Backcountry.com were all Benja customers of Benja's "merchandise ad network," which purportedly sold advertisement impressions across web, mobile, and social channels. The slide deck, which described Benja as a "group of scrappy hustlers," further claimed that up to that point in 2018, Nike had spent $275,000 with Benja, Patagonia had spent $161,500 with Benja, and Backcountry.com had spent $170,000 with Benja.

15. The representations contained in the slide deck, and made verbally by Chapin to the venture capital investor, were false. Neither Fanatics, Backcountry, Patagonia, or Nike had signed agreements with Benja, nor had any of these companies spent any money with Benja as Defendants had claimed.

16. As the San Francisco venture capital investor and Chapin continued to discuss a potential investment, the investor told Chapin that it would be important to his decision-making to hear from another institutional investor that had also committed to investing in Benja. The investor wanted assurances that another sophisticated investor had vetted Benja as an investment.

17. Soon afterwards, Chapin told the San Francisco venture capital investor that another institutional investor had decided to make a $1 million investment in Benja. In particular, Chapin identified the supposed institutional investor, which was another venture capital firm located in Saint Louis, Missouri, which manages funds that make "early-stage" investments in startup companies.

18. The San Francisco venture capital investor requested to speak with someone from the Saint Louis venture capital firm about their expected investment in Benja. Accordingly, in or around October 23, 2018, Chapin arranged a call between the San Francisco venture capital investor and an individual whom Chapin introduced by name, and who was supposedly the founder and general partner of the Saint Louis venture capital firm. After this call, on or about October 26, 2018, the San Francisco venture capital investor purchased 1,278 shares of Benja common stock for $100,000. The investor wired his $100,000 investment into a bank account owned by Chapin.

19. In reality, the Saint Louis venture capital firm did not invest in Benja. In addition, in or around September 2020, the San Francisco venture capital investor directly contacted the founder and general partner of the Saint Louis venture capital firm, whom he had supposedly spoken with in 2018 in the call arranged by Chapin. The founder and general partner of the Saint Louis firm denied that he had ever taken part in the call or invested in Benja.

20. In early November 2018, the San Francisco venture capital investor introduced an acquaintance of his to Chapin, for the purpose of considering an investment in Benja. On or around November 9, 2018, Chapin spoke with the acquaintance and described Benja's purported business to him. During the discussion, Chapin falsely represented to the acquaintance that Benja's customers included Nike and Fanatics.

21. The acquaintance of the San Francisco venture capital investor also told Chapin that the participation of an institutional investor was important to his investment decision. The acquaintance also wanted assurances that another sophisticated investor had vetted Benja as an investment. Chapin represented to the acquaintance that the same Saint Louis venture capital firm that he had described to the San Francisco investor, and which Chapin identified by name, had recently invested in Benja. At the request of the acquaintance, Chapin arranged a similar call between the acquaintance and a person purportedly associated with the Saint Louis venture capital firm.

22. During the call, which occurred on or around December 1, 2018, an individual that Chapin introduced by name, who was purportedly the founder and general partner of the Saint Louis venture capital firm, described the work the Saint Louis firm had supposedly performed to investigate Benja to determine whether to make an investment. The individual further confirmed to the acquaintance that the Saint Louis firm had invested in Benja. In reality, the Saint Louis venture capital firm did not invest in Benja.

23. On or about December 14, 2018, the acquaintance of the San Francisco venture capital investor purchased 1,278 shares of Benja common stock for $100,000. The acquaintance wired his $100,000 investment into a bank account owned by Chapin.

24. In addition, the San Francisco venture capital investor introduced Chapin to one or

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