State of California - Department of Corporations

STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS

TO: **Rogel Patawaran**
3399 E. 19th Street
Signal Hill, California 90755

DESIST AND REFRAIN ORDER

(For violations of Sections 25110 and 25401 of the Corporations Code)

The California Corporations Commissioner finds that:

1. At all relevant times herein, Authotecq Systems, Inc. ("Authotecq") was a Delaware corporation with its principal place of business in California at 3399 E. 19th Street, Signal Hill, California 90755. On April 15, 2003, Authotecq was incorporated in California as a foreign corporation.

2. At all relevant times herein, Paysentinel, LLC ("Paysentinel"), formerly known as Valet Pay, LLC, was a California limited liability company that was formed on October 29, 2004, with its principal place of business at 3399 E. 19th Street, Signal Hill, California 90755. In about December 2006, Authotecq renamed and trademarked its flagship payment system to Paysentinel.

3. At all relevant times herein, Rogel Patawaran ("Patawaran") was hereto, a "control" person of Authotecq within the meaning of Corporations Code ("CC") sections 160 and 25403. Under CC section 160(a), "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of the corporation. In addition, Patawaran was a signatory on at least one of Authotecq's bank accounts and either directly or substantially assisted others in violations of CC sections 25110 and 25401.

4. In January 2006, the California Corporations Commissioner ("Commissioner") issued a Desist and Refrain Order ("Order") against Authotecq, James A. Litzinger ("Litzinger"), President of Authotecq and Mike Diaz, a salesagent of Authotecq. The Order demanded that Authotecq desist and refrain from offering and selling securities in California unless it obtains a permit to sell securities

from the Commissioner. Authotecq has never obtained a permit to sell securities in the State of California nor qualified for an exemption under the California Securities Law ("CSL").

5. From at least January 1, 2006 through at least April 20, 2011, Patawaran participated in the offer and sale of unqualified securities in issuer transactions by means of fraud and in violation of the Commissioner's Order, totaling at least $10,000,000 in Authotecq Series A preferred stock. There are currently over 200 known investors in Authotecq.

6. Between January 2006 and April 20, 2011, Authotecq paid $7,360,504 or 72% of total disbursements for that period to Wally World Entertainment, Shadoworks Corp. Inc., Diaz Enterprises, Pacific West Development, 99 63rd Pl (Rent for Litzinger), I.Q. Secure (Greg Chapman and Patawaran), Far West Management (Rent for Patawaran) and for cash withdrawals.

7. Authotecq was not qualified in the State of California, yet Patawaran directly and/or through substantial assistance of others and as the control person of Authotecq: a) solicited investors by means of unsolicited telephone calls, commonly known as "cold calls;" b) used boiler-room sales tactics to pressure members of the public to invest, such as repeatedly asking the same investor to invest additional money leading to multiple subsequent transactions, commonly known as "reloading;" and c) offered securities to investors on its website and distributed offering materials for unqualified securities to the investing public through the mail.

8. Authotecq's stated business is providing an internet banking system that protects the consumer's credit card or ATM bank card when being used to purchase goods and services on-line.

9. Authotecq's Private Placement Memoranda dated August 1, 2009 and January 15, 2010 ("PPMs") claim that proceeds from the offering will be used for continuing to support the operation of their product, "gateway," while strengthening channel programs, brand development, expanding sales and marketing efforts, and server side product enhancement. Authotecq's PPMs claim that money from each of the $2.5 million private offerings will be used to:

a) Continue to fund the secure data center where the Paysentinel gateway is housed;
b) Fund the promotion and sales of the product to credit card independent sales organizations; and

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c) Support general operation costs including sales and marketing of the product.

10. In the 2010 PPM, Authotecq states that projected sales of its gateway payment systems would achieve 1,000 merchants and process 24,000,000 transactions through this system by the end of the first year of sales in 2011. The analysis of Authotecq's City National Bank records from January 1, 2006 through April 20, 2011 did not disclose any receipts or revenue from any merchants.

11. Authotecq's PPMs fail to mention the substantial amount of investor money being paid to Authotecq's employees, affiliates and/or agents.

12. In connection with the offer and sale of these securities, Patawaran made, or caused to be made, misrepresentations of material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading. These misrepresentations and omissions included, but were not limited to, the following:

a. Misrepresentations to investors that the Commissioner's Order was a minor clerical issue that has been fully resolved and that Authotecq filed all the necessary filings with the Commissioner; in actuality, Authotecq never filed an application for a qualification or permit to sell securities or any notice of exemption with the Commissioner;

b. Failing to disclose the Order in the PPMs dated after January 2006;

c. Failing to disclose the Order to investors that invested after January 2006;

d. Failing to disclose the amount of compensation Patawaran and others employed by Authotecq were obtaining from investor money; and

e. Misrepresentations to investors that Authotecq's projected sales of its gateway payment systems would achieve 1,000 merchants and process 24,000,000 transactions through this system by the end of the first year of sales in 2011.

Based on the foregoing findings, the Commissioner is of the opinion that the securities in the form of stock offered and sold by Patawaran are securities subject to qualification under the CSL and are being or have been offered or sold without being qualified, in violation of CC Section 25110.

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Pursuant to Section 25532 of the CSL, Rogel Patawaran is hereby ordered to desist and refrain from the further offer or sale in the State of California of securities, including, but not limited to stock unless and until qualification has been made under said law or unless exempt.

Based on the foregoing findings, the Commissioner is of the opinion that the securities offered and sold by Patawaran were offered and sold in this state by means of written or oral communications that included untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, in violation of CC section 25401.

Pursuant to CC Section 25532 of the CSL, Rogel Patawaran is hereby ordered to desist and refrain from offering or selling or buying or offering to buy any security in the State of California, including, but not limited to stock, by means of any written or oral communication, which includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

This Order is necessary, in the public interest, for the protection of investors and consistent with the purposes, policies, and provisions of the CSL.

Dated: December 10, 2012
Los Angeles, California

JAN LYNN OWEN
California Corporations Commissioner

By_____
MARY ANN SMITH
Deputy Commissioner
Enforcement Division

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