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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 Business Opportunity Fraud Act of the
State of Washington by:

Vendcorp Support Services; Kenneth D.
Grammer d/b/a Gramco, LLC; their agents
and employees,

Respondents.

S-02-317-03-FO01

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL ORDER
TO CEASE AND DESIST

Case Number S-02-317

THE STATE OF WASHINGTON TO:

Vendcorp Support Services
Kenneth D. Grammer d/b/a Gramco, LLC
10900 NE 8th, Suite 1027
Bellevue, Washington 98004

On April 21, 2003, the Securities Administrator of the State of Washington issued Amended Summary Order to Cease and Desist and Denial of Registration Renewal, Order Number S-02-317-03-TO01 hereinafter referred to as the Summary Order.

The Summary Order, together with a Notice of Opportunity to Defend and Opportunity for Hearing, hereinafter referred to as "Notice of Opportunity for Hearing" and an Application for Adjudicative Hearing, hereinafter referred to as "Application for Hearing", were sent via first class mail to Respondents on April 23, 2003. The Notice of Opportunity for Hearing advised Respondents that a written application for an administrative hearing on the Statement of Charges must be received within twenty days from the date of receipt of the notice. Vendcorp Support Services and Kenneth D. Grammer d/b/a Gramco LLC submitted a

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1 timely Application for Adjudicative Hearing on April 11, 2003. However, on July 23, 2003, the Securities
2 Division received a document that withdrew Respondents' application. The Securities Administrator therefore
3 will adopt as final the findings of fact and conclusions of law as set forth in the Statement of Charges.

4
5 The Securities Administrator makes the following findings of fact and conclusions of law:

6
7 **FINDINGS OF FACT**

8 **I. Respondents**

9 1. Vendcorp Support Services ("VSS") is a Washington business with a primary place of business
10 located at 10900 NE 8th ST, Suite 1027, Bellevue, WA 98004.

11 2. Kenneth D. Grammer ("Grammer") is a Washington resident and the owner of Vendcorp Support
12 Services and Gramco, LLC at all times relevant to this matter.

13 3. Gramco, LLC is a Washington Limited Liability Company with a primary place of business
14 located at 10900 NE 8th ST, Suite 1027, Bellevue, WA 98004. Kenneth D. Grammer is the sole owner of
15 Gramco.

16 **II. Prior Violations and Orders**

17 4. On October 16, 1996, Grammer d/b/a Vendcorp applied to the Securities Division for a business
18 opportunity registration permit to offer and sell vending machine opportunities. In registration
19 application number BO-0332, Grammer admitted having sold or leased eighteen business opportunities
20 between June, 1996 and the date of the application. Grammer failed to provide written disclosure
21 documents and to disclose material facts such as his business background and financial condition to the
22 purchasers.
23

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1 5. On November 19, 1996, the Securities Division entered into a Consent Order (Order Number
2 SDO 96-078) with Grammer, d/b/a Vendcorp, in settlement of allegations that Grammer d/b/a Vendcorp
3 had violated the Washington Business Opportunity Fraud Act, Chapter 19.110 RCW. Under the terms of
4 the Consent Order, Kenneth D. Grammer was ordered to cease and desist from the offer and sale of
5 business opportunities in the state of Washington in violation of the RCW 19.110.120, the anti-fraud
6 provisions of the Business Opportunity Fraud Act, and was ordered to disclose the existence of the
7 Consent Order in Vendcorp's disclosure document. In addition, Grammer d/b/a Vendcorp was ordered to
8 cease and desist from offering or selling unregistered business opportunities in Washington pursuant to
9 RCW 19.110.050(1), the registration requirement provision of the Business Opportunity Fraud Act.

10 6. Registration of the Vendcorp vending machine opportunity was made effective on November 15,
11 1996, (Registration File No. BO-0332), and Grammer d/b/a Vendcorp obtained a registration permit that
12 expired on November 15, 1997. The registration permit was subsequently renewed until November 15,
13 1998, but Grammer d/b/a Vendcorp did not again renew the business opportunity registration permit
14 upon its lapse on November 15, 1998.

15 7. On September 3, 1999, Grammer d/b/a Vendcorp Refreshments Inc. and VSS Refreshments filed
16 an application for registration to obtain a permit to sell a vending machine opportunity. Application
17 number BO-0449 was denied due to the fact that Grammer had sold at least one unregistered business
18 opportunity to a Washington resident prior to filing for registration.
19

20 8. On September 20, 1999, the Securities Division entered Summary Order to Cease and Desist,
21 SDO-46(A)-99, relating to Kenneth D. Grammer d/b/a/ Vendcorp, Vendcorp Refreshments, Inc., and
22 VSS Refreshments. The Order alleged that Respondents had violated the Washington Business
23

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1 Opportunity Fraud Act, Chapter 19.110 RCW. The order required that Grammer, Vendcorp, Vendcorp
2 Refreshments, Inc. and VSS Refreshments immediately cease and desist from offering or selling business
3 opportunities in violation of RCW 19.110.050(1) and RCW 19.110.120.

4 9. On April 4, 2000 Kenneth D. Grammer d/b/a Vendcorp Support Services filed application for
5 registration number BO-0462.

6 10. On April 12, 2000, the Securities Division entered a Consent Order (Order Number SDO 41-00)
7 relating to Kenneth D. Grammer, d/b/a Vendcorp, Vendcorp Refreshments, Inc. and VSS Refreshments
8 in settlement of allegations that the Respondents had violated the Washington Business Opportunity
9 Fraud Act, Chapter 19.110 RCW. Under the terms of the Consent Order, Kenneth D. Grammer was
10 ordered to cease and desist from the offer and sale of business opportunities in the state of Washington in
11 violation of the RCW 19.110.120, the anti-fraud provisions of the Business Opportunity Fraud Act, and
12 was ordered to disclose the existence of the Consent Order in Vendcorp's disclosure document. In
13 addition, Grammer d/b/a Vendcorp was ordered to cease offering or selling business opportunities in this
14 state unless a current business opportunities registration number was obtained pursuant to RCW
15 19.110.050(1), the registration requirement provision of the Business Opportunity Fraud Act.
16

17 11. On April 13, 2000, Kenneth D. Grammer filed a Business Opportunity registration application for
18 Vendcorp Support Services, file number BO-0462. The application was approved and license number
19 70011345 was issued. The registration was renewed on April 13, 2001, effective until April 13, 2002.
20 The file was subsequently renewed again on April 22, 2002 and currently remains in effect until April 13,
21 2003.

22 II. Registration Status

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1 12. Vendcorp Support Services and Kenneth D. Grammer were registered to sell vending machine
2 business opportunities under license number 70011345. This registration was effective until April 13,
3 2003.

4 13. On March 20, 2003, Vendcorp Support Services filed a Business Opportunity Application to
5 renew license number 70011345.

6 III. Nature of the Business Opportunity

7 14. In July 2001, Grammer d/b/a Gramco placed an advertisement in a local newspaper that stated:
8

9 Vending Business, FT/PT
10 W/ Existing Accounts & New Machines
11 W/ As little as \$3k Down.
12 Depression Proof, immed cash flow.
13 Call Ken 206-619-4400: 888-836-3267

14 15. On July 30, 2001, at least one Washington resident contacted Grammer regarding the business
15 opportunity. The Washington resident met with Grammer at a coffee shop in Woodinville, WA later that
16 same day. Grammer described the vending business and displayed a brochure describing different
17 vending machines and different packages that the Washington resident could purchase.

18 16. The Washington resident agreed to purchase a package that included 4 new machines and two
19 locations. Grammer would procure both the machines and the locations for the purchaser. This package
20 would cost the investor \$12,000 for the machines and the locations.

21 17. On July 31, 2001, the purchaser and Grammer met in Bellevue, WA. At that time, the purchaser
22 gave Grammer a deposit in the amount of \$3,573.70, in the form of a personal check. The check was
23 made out to Gramco, LLC. The purchaser signed a contract called "Installment Sales Contract and

1 Security Agreement” (“Agreement”). The Agreement states that the purchaser agreed to purchase “Plan
2 A”.

3 18. The Agreement failed to provide the following notifications:

- 4 a. “Do not sign this contract if any of the spaces for agreed terms are blank.”
5 b. “Do not sign this contact unless you received a written disclosure document from the
6 seller at least forty-eight hours before signing.”
7 c. “You are entitled to a copy of this contact at the time you sign it.”
8 d. “You have seven days exclusive of Saturday, Sunday and holidays to cancel this contract
9 for any reason by sending written notice to the seller by certified mail, return receipt
10 requested.”

11 19. Vendcorp Support Services and Grammer d/b/a Gramco failed to provide the Washington
12 resident with a business opportunity disclosure document. Vendcorp Support Services and Grammer
13 failed to notify the Washington resident of the previous Consent Orders that he had entered into with the
14 Securities Division.
15

16 20. Vendcorp Support Services and Grammer d/b/a Gramco failed to provide the Washington
17 resident with a current financial statement for Vendcorp Support Services.
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19

20 Based upon the above Findings of Fact, the following Conclusions of Law are made:
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22 **CONCLUSIONS OF LAW**

23 I.

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DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760

1 The offer and/or sale of the vending machine business opportunity described above constitutes the
2 offer and/or sale of a business opportunity as defined in RCW 19.110.020(1).

3 II.

4 The offer and/or sale of said business opportunity was made in violation of RCW 19.110.070 and
5 RCW 19.110.120 because Respondents failed to provide material information to purchasers
6 concerning Vendcorp Support Services; including but not limited to business experience, litigation
7 history and financial statements for Vendcorp Support Services.

8 III.

9 The offer and/or sale of said business opportunity was made in violation of RCW 19.110.110
10 because Respondents failed to provide purchasers with the required business opportunity contract
11 notifications.
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15 **FINAL ORDER**

16 It is hereby ORDERED that the Vendcorp Support Services and Kenneth D. Grammer d/b/a Gramco
17 LLC, their agents, and employees each cease and desist from offering and/or selling business
18 opportunities in any manner in violation of RCW 19.110.070, the section of the Business Opportunity
19 Fraud Act requiring a disclosure document to be provided.

20 It is further ORDERED that Vendcorp Support Services and Kenneth D. Grammer d/b/a Gramco
21 LLC, their agents, and employees each cease and desist from violation of RCW 19.110.120, the anti-
22 fraud section of the Business Opportunity Fraud Act.
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1 It is further ORDERED that Vendcorp Support Services and Kenneth D. Grammer d/b/a Gramco
2 LLC, their agents, and employees each cease and desist from violation of RCW 19.110.110, the
3 provision of the Business Opportunity Fraud Act requiring specific contract notifications.
4

5 This Order is entered pursuant to RCW 19.110.150 and is subject to the provisions of ch. 34.05 RCW.
6

7 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.
8

9 DATED this 31st day of July, 2003.
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12

13 


14 DEBORAH R. BORTNER
15 Securities Administrator

16 Presented by:

17 

18 Susan H. Anderson
19 Financial Legal Examiner

20 Approved by:

21 

22 Michael E. Stevenson
23 Chief of Enforcement

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