

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-TO01

AMENDED
SUMMARY ORDER TO CEASE AND DESIST
AND DENIAL OF REGISTRATION RENEWAL

Case No. 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

AMENDED STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Vendcorp Support Services, Kenneth D. Grammer d/b/a Gramco, LLC, their agents and employees, have violated the Business Opportunity Fraud Act and that their violations justify the entry of an order of the Securities Administrator under RCW 19.110.150 to cease and desist from such violations. The Securities Administrator finds that delay in ordering the Respondents to cease and desist from such violations would be hazardous to the investors and to the public and that a Summary Order to Cease and Desist should be entered immediately. The Securities Administrator finds as follows:

AMENDED SUMMARY ORDER TO CEASE AND
DESIST AND DENIAL OF REGISTRATION
RENEWAL

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

TENTATIVE FINDINGS OF FACT

I. Respondents

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

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

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

II. Prior Violations and Orders

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

5. On November 19, 1996, the Securities Division entered into a Consent Order (Order Number SDO 96-078) with Grammer, d/b/a Vendcorp, in settlement of allegations that Grammer d/b/a Vendcorp had violated the Washington Business Opportunity Fraud Act, Chapter 19.110 RCW. Under the terms of the Consent Order, Kenneth D. Grammer was ordered to cease and desist from the offer and sale of business opportunities in the state of Washington in violation of the RCW 19.110.120, the anti-fraud provisions of the Business Opportunity Fraud Act, and was ordered to disclose the existence of the

1 Consent Order in Vendcorp's disclosure document. In addition, Grammer d/b/a Vendcorp was ordered to
2 cease and desist from offering or selling unregistered business opportunities in Washington pursuant to
3 RCW 19.110.050(1), the registration requirement provision of the Business Opportunity Fraud Act.

4 6. Registration of the Vendcorp vending machine opportunity was made effective on November 15,
5 1996, (Registration File No. BO-0332), and Grammer d/b/a Vendcorp obtained a registration permit that
6 expired on November 15, 1997. The registration permit was subsequently renewed until November 15,
7 1998, but Grammer d/b/a Vendcorp did not again renew the business opportunity registration permit
8 upon its lapse on November 15, 1998.

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

13 8. On September 20, 1999, the Securities Division entered Summary Order to Cease and Desist,
14 SDO-46(A)-99, relating to Kenneth D. Grammer d/b/a/ Vendcorp, Vendcorp Refreshments, Inc., and
15 VSS Refreshments. The Order alleged that Respondents had violated the Washington Business
16 Opportunity Fraud Act, Chapter 19.110 RCW. The order required that Grammer, Vendcorp, Vendcorp
17 Refreshments, Inc. and VSS Refreshments immediately cease and desist from offering or selling business
18 opportunities in violation of RCW 19.110.050(1) and RCW 19.110.120.

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

21 10. On April 12, 2000, the Securities Division entered a Consent Order (Order Number SDO 41-00)
22 relating to Kenneth D. Grammer, d/b/a Vendcorp, Vendcorp Refreshments, Inc. and VSS Refreshments
23

1 in settlement of allegations that the Respondents had violated the Washington Business Opportunity
2 Fraud Act, Chapter 19.110 RCW. Under the terms of the Consent Order, Kenneth D. Grammer was
3 ordered to cease and desist from the offer and sale of business opportunities in the state of Washington in
4 violation of the RCW 19.110.120, the anti-fraud provisions of the Business Opportunity Fraud Act, and
5 was ordered to disclose the existence of the Consent Order in Vendcorp's disclosure document. In
6 addition, Grammer d/b/a Vendcorp was ordered to cease offering or selling business opportunities in this
7 state unless a current business opportunities registration number was obtained pursuant to RCW
8 19.110.050(1), the registration requirement provision of the Business Opportunity Fraud Act.

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

14 II. Registration Status

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16 12. Vendcorp Support Services and Kenneth D. Grammer were registered to sell vending machine
17 business opportunities under license number 70011345. This registration was effective until April 13,
18 2003.

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

21 III. Nature of the Business Opportunity

22 14. In July 2001, Grammer d/b/a Gramco placed an advertisement in a local newspaper that stated:
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Vending Business, FT/PT
W/ Existing Accounts & New Machines
W/ As little as \$3k Down.
Depression Proof, immed cash flow.
Call Ken 206-619-4400: 888-836-3267

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

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

17. On July 31, 2001, the purchaser and Grammer met in Bellevue, WA. At that time, the purchaser gave Grammer a deposit in the amount of \$3,573.70, in the form of a personal check. The check was made out to Gramco, LLC. The purchaser signed a contract called "Installment Sales Contract and Security Agreement" ("Agreement"). The Agreement states that the purchaser agreed to purchase "Plan A".

18. The Agreement failed to provide the following notifications:

- a. "Do not sign this contract if any of the spaces for agreed terms are blank."
- b. "Do not sign this contact unless you received a written disclosure document from the seller at least forty-eight hours before signing."
- c. "You are entitled to a copy of this contact at the time you sign it."

1 d. "You have seven days exclusive of Saturday, Sunday and holidays to cancel this contract
2 for any reason by sending written notice to the seller by certified mail, return receipt
3 requested."

4 19. Vendcorp Support Services and Grammer d/b/a Gramco failed to provide the Washington
5 resident with a business opportunity disclosure document. Vendcorp Support Services and Grammer
6 failed to notify the Washington resident of the previous Consent Orders that he had entered into with the
7 Securities Division.

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

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11 **IV. Emergency**

12 The Securities Administrator finds that the continued offering of the vending machine
13 opportunity by Respondents in the manner described in these Tentative Findings of Fact, presents a
14 threat to the investing public. An emergency exists, in that further sales of the business opportunity
15 described above would be hazardous to investors and the public of the state of Washington.
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17 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:
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20 **CONCLUSIONS OF LAW**

21 **I.**

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

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

III.

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

The Securities Administrator concludes that an emergency exists, that the continued violations of RCW 19.110.070, RCW 19.110.120, and RCW 19.110.110 constitute a threat to the investing public, and that summary orders to cease and desist from those violations and a summary revocation of registration are in the public interest and necessary for the protection of the investing public.

AMENDED SUMMARY ORDERS

Based on the foregoing, NOW, THEREFORE, IT IS HEREBY SUMMARILY ORDERED That Vendcorp Support Services, Kenneth D. Grammer d/b/a Gramco, LLC, its agents and employees, each cease and desist from offering and/or selling business opportunities in any manner in violation of RCW 19.110.070 and RCW 19.110.120, the anti-fraud sections of the Business Opportunity Fraud Act.

1 It is further SUMMARILY ORDERED that, Vendcorp Support Services, Kenneth D. Grammer
2 d/b/a Gramco, LLC, its agents and employees each cease and desist from offering and/or selling
3 business opportunities in any manner in violation of RCW 19.110.110, the section of the Business
4 Opportunity Fraud Act requiring specific notification language in the business opportunity contract.

5 It is further ORDERED that, the business opportunity registration renewal application of
6 Vendcorp Support Services, filed on March 20, 2003, file number 70011345, is hereby denied.
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8 **AUTHORITY AND PROCEDURE**

9 This Order is entered pursuant to the provisions of RCW 19.110.050 and RCW 19.110.150 and is
10 subject to the provisions of Chapter 34.05 RCW. The Respondents, Vendcorp Support Services,
11 Kenneth D. Grammer d/b/a Gramco, LLC each may make a written request for a hearing as set forth in
12 the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING
13 accompanying this order.
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15 If any respondent does not request a hearing, the Securities Administrator intends to adopt the
16 above Tentative Findings of Fact and Conclusions of Law as final and make the Summary Order to
17 Cease and Desist and Denial of the Registration Renewal permanent as to that respondent.
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19 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

20 DATED this 21 day of April, 2003.
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23 DEBORAH R. BORTNER
24 Securities Administrator

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Presented by:



Susan H. Anderson
Financial Legal Examiner

Approved by:



Michael E. Stevenson
Chief of Enforcement