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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING) Order No. S-14-1607-15-CO01
Whether there has been a violation of the)
Securities Act of Washington by:) CONSENT ORDER
)
Jared Grochowski;)
Reve Enterprises, LLC;)
)
Respondents.)
)

INTRODUCTION

On May 1, 2015, the Securities Administrator of the Securities Division of the Department of Financial Institutions (“Securities Division”) issued a Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, to Impose Fines, and to Charges Costs (“Statement of Charges”), Order Number S-14-1607-15-SC01, against Respondents Jared Grochowski and Reve Enterprises, LLC. Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division and Respondents Jared Grochowski and Reve Enterprises, LLC do hereby enter into this Consent Order in settlement of the matters set forth in the Statement of Charges and as alleged below. Respondents Jared Grochowski and Reve Enterprises, LLC neither admit, nor deny the Findings of Fact and Conclusions of Law as stated below.

FINDINGS OF FACT

Respondents

1. Reve Enterprises, LLC (“Reve Enterprises”) is a revoked Nevada limited liability company formed on or about April 18, 2008, that previously had a principal place of business in Redlands, California.
2. Jared D. Grochowski (“Grochowski”) is a resident of South Carolina who previously resided in California. Grochowski was the founder and President of Reve Enterprises.

Nature of the Conduct

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2 3. In 2008, Grochowski raised more than \$240,000 through the offer and sale of limited liability
3 units in Reve Enterprises to more than four investors, including an elderly couple residing in Washington
4 (hereinafter, "Washington investors"). The Washington investors are now approximately 79 and 82 years
5 old.

6 4. The Washington investors received much of the documents regarding the investment from
7 their granddaughter. At the time of the investment, the granddaughter was in a relationship with a relative
8 of Grochowski and spoke to him on multiple occasions. In addition to the Washington investors,
9 Grochowski raised approximately \$140,000 from two residents of California residents, and raised additional
10 funds from his parents.

11 5. The Washington investors received an Offering Circular for Reve Enterprises dated April 17,
12 2008. The Offering Circular stated that one million units of Reve Enterprises were being sold for \$5.00 per
13 unit. According to the Offering Circular, funds raised from investors would be used for "improving cash
14 flow, cover operation expenses, placement of funds in a multiple of projects believed to be sound,
15 placement of funds in high return financial vehicles (through professional traders), purchase of real estate
16 and other uses deemed appropriate to the protection and the growth of the funds injected...." [sic] Offering
17 materials represented that a certain portion of investor funds would be "placed with stock traders to help
18 generate a high rate of return" but failed to disclose the names of the traders.

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20 6. In spite of the fact that Reve Enterprises was a self-described "brand new company" with no
21 operating history, the Offering Circular contained numerous projections, including revenue and dividend
22 projections. The Offering Circular stated that "management expects revenue will grow to over \$3.5
23 million" and projected that net income would exceed \$2.1 million in the first year of operations. Offering
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1 materials projected that investors would be paid dividends of 2% per month, an annualized return of 24%.
2 Grochowski and Reve Enterprises failed to disclose the assumptions underlying these projections.

3 7. The Offering Circular stated that Grochowski was a “seasoned businessman and
4 entrepreneur” and that his “history and background” was “immaculate.” The Offering Circular further
5 represented that “The management team has years of experience and a proven track record in all the
6 elements involved in this business.” The Offering Circular failed to disclose any details of Grochowski’s
7 prior employment, track record, and business experience. Instead, the Offering Circular stated that a
8 biography could be requested through a website maintained by Grochowski and that “Independent
9 information can also be found online by going to google.com.”

10 8. The Offering Circular stated that a portion of investor funds would be used to purchase real
11 estate. The Offering Circular misleadingly stated that although there is a “certain associated risk” with real
12 estate investments, it is “normally a safe investment.” The Offering Circular failed to disclose the
13 significant risks of real estate investments, including the risk of adverse changes in general or local
14 economic conditions; changes in the supply of, or demand for, similar or competing properties; changes in
15 interest rates; competition for tenants; changes in market rental rates; the inability to lease or sell properties
16 upon termination of existing leases; the inability to collect rent from tenants; the need for property
17 maintenance; changes in tax, real estate, zoning, and environmental laws that may have an adverse impact
18 upon the value of real estate; uninsured property liability, property damage, or casualty losses; and the risk
19 of unexpected expenditures to bring properties into compliance with applicable federal, state and local laws.
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21 9. Offering materials misleadingly compared the investment to insurance products and made
22 other misleading statements concerning the risk and liquidity of the investment. Offering materials
23 indicated that the investment strategy of Reve Enterprises was to “Invest like the insurance companies, and
24 generate wealth like the insurance companies.” Offering materials misleadingly stated that Reve Enterprises
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1 “pools investors’ money and invests it like the insurance companies – using experts in each category to
2 manage the investments.” The offering materials also indicated that the risk of the investment was
3 comparable to the risk of insurance policies that have “liquid assets present to cover any claim.” Offering
4 materials failed to disclose that, unlike Reve Enterprises, insurance companies are highly regulated and
5 subject to numerous legal restrictions and regulations that help protect consumers. Unlike Reve Enterprises,
6 insurance-related businesses and their agents are required to be licensed before selling their products or
7 services. Unlike Reve Enterprises, insurance businesses are subject to periodic on-site examination by state
8 regulators, and are required to file annual and quarterly financial reports that regulators use to assess their
9 financial condition. Finally, unlike Reve Enterprises, state insurance regulators require insurance
10 companies to maintain minimum levels of capital in order to continue to conduct business.

11 10. The Washington investors were led to believe that the investment would be liquid and that
12 they could withdraw their funds at any time. Offering materials represented that “Your initial investment
13 can be removed at any time but you will forfeit any interest earned during that period.” In fact, offering
14 materials stated that some of the funds raised by Reve Enterprises would be invested in real estate, an asset
15 that cannot be quickly converted into cash. Reve Enterprises did not in fact maintain sufficient liquid assets
16 to repay the Washington investors when they later requested repayment.

17 11. The Washington investors signed a subscription agreement and filled out a questionnaire
18 with information about their net worth and income. The information provided by the Washington investors
19 showed that they were not accredited investors and had no prior experience investing in a private offering.
20 On the questionnaire, the Washington investors indicated that they could *not* bear the economic risks or
21 afford a complete loss of their investment.

22 12. In correspondence to the Washington investors, Grochowski stated that he could help “turn
23 liabilities such as cars and houses into cash paying assets” On May 16, 2008, the Washington investors
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1 took out a second mortgage on their home, and purchased 20,000 units of Reve Enterprises for a total of
2 \$100,000.

3 13. Grochowski provided wire instructions for a bank account in the name of Reve Enterprises.
4 On May 16, 2008, the Washington investors wired \$100,000 from their account in Vancouver, Washington
5 to an account in the name of Reve Enterprises in Redlands, California. The Washington investors were
6 instructed to send an e-mail to Grochowski confirming that their funds had been sent. The Washington
7 investors later received a transaction receipt from Grochowski, who provided his personal cell phone
8 number and represented that their investment was accruing dividends.

9 14. Between 2008 and 2011, the Washington investors received a number of dividend checks
10 from Grochowski that totaled approximately \$44,500. According to Form 1099's that were provided, the
11 Washington resident received a total of \$12,000 in 2008, \$19,000 in 2009, \$9,300 in 2010, and
12 approximately \$4,200 in 2011. Grochowski initially made monthly payments of \$2,000, which decreased to
13 \$1,000 per month in 2009, before declining to \$700 per month in 2010. In approximately August 2011, the
14 Grochowski indicated that he would no longer be making monthly payments on their investment.
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16 15. Between approximately 2012 and 2014, Grochowski provided periodic e-mail updates to the
17 granddaughter of the Washington investors, who was the primary contact person for them, since they did not
18 frequently use e-mail. Grochowski indicated that he was in the process of recovering funds through
19 lawsuits and settlements with third parties, and through the sale of real estate. The Washington investors are
20 presently owed more than \$50,000 on their investment.

21 **Other Regulatory Action**

22 16. On October 5, 2011, the California Department of Corporations (now known as the
23 Department of Business Oversight) issued a Desist and Refrain Order against Grochowski and Reve
24 Enterprises for offering and selling units of Reve Enterprises in 2008 to a California resident in violation of
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1 the securities laws of California. On March 28, 2012, Reve Enterprises and Grochowski entered into a
2 settlement agreement with the State of California.

3 **Registration Status**

4 17. Reve Enterprises, LLC is not currently registered to sell its securities in the state of
5 Washington and has not previously been so registered. On May 15, 2008, Reve Enterprises, LLC filed a
6 Form D with the U.S. Securities and Exchange Commission and claimed an exemption from registration
7 pursuant to Rule 505 of Regulation D. Reve Enterprises, LLC did not make any exemption filings with the
8 State of Washington.

9 18. Jared Grochowski is not currently registered as a securities salesperson or broker-dealer in
10 the state of Washington and has not previously been so registered.

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

12 **CONCLUSIONS OF LAW**

13 1. The offer and/or sale of the promissory note described above constitute the offer and/or sale
14 of a security as defined in RCW 21.20.005(14) and (17).

15 2. Reve Enterprises, LLC and Jared Grochowski have each violated RCW 21.20.140, because,
16 as set forth in the Tentative Findings of Fact, they offered and/or sold securities for which no registration is
17 on file with the Securities Administrator.

18 3. Jared Grochowski has violated RCW 21.20.040 by offering and/or selling said securities
19 while not being registered as a securities salesperson or broker-dealer in the state of Washington.

20 4. Reve Enterprises, LLC and Jared Grochowski have each violated RCW 21.20.010, because,
21 as set forth in the Tentative Findings of Fact, they made untrue statements of material fact or omitted to state
22 material facts necessary to make the statements made, in light of the circumstances in which they were
23 made, not misleading.
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1 Based upon the foregoing and finding it in the public interest:

2 **CONSENT ORDER**

3 IT IS AGREED AND ORDERED that Respondents Jared Grochowski and Reve Enterprises, LLC;
4 and their agents, and employees each shall cease and desist from violating RCW 21.20.140, the securities
5 registration section of the Securities Act of Washington.

6 IT IS FURTHER AGREED AND ORDERED that Respondent Jared Grochowski, and his agents
7 and employees, each shall cease and desist from violating RCW 21.20.040, the securities salesperson and
8 broker-dealer registration section of the Securities Act of Washington.

9 IT IS FURTHER AGREED AND ORDERED that Respondents Jared Grochowski and Reve
10 Enterprises, LLC and their agents and employees each shall cease and desist from violating RCW
11 21.20.010, the anti-fraud section of the Securities Act of Washington.

12 IT IS FURTHER AGREED AND ORDERED that Jared Grochowski shall be liable for and shall
13 pay investigative costs of \$1,000 on or before entry of this Consent Order.

14 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.

15 IT IS FURTHER AGREED that Respondents Jared Grochowski and Reve Enterprises, LLC entered
16 into this Consent Order freely and voluntarily and with a full understanding of its terms and significance.

17 IT IS FURTHER AGREED that in consideration of the foregoing, Respondents Jared Grochowski
18 and Reve Enterprises, LLC waives their right to a hearing and to judicial review of this matter pursuant to
19 RCW 21.20.440 and Chapter 34.05 RCW.
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21 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

Signed this 16 day of June 2015.

Signed by:

Reve Enterprises, LLC

/s/ Jared Grochowski

Jared Grochowski
Manager

Signed by:

/s/ Jared Grochowski

Jared Grochowski, Individually

SIGNED and ENTERED this 24th day of June 2015.



William M. Beatty
Securities Administrator

Approved by:



Suzanne Sarason
Chief of Enforcement

Presented by:



Robert Kondrat
Financial Legal Examiner Supervisor