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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
Securities Act of Washington by:

RICHARD THOMAS ZIESKE; GRACE E-DAT,
INC.; GRACE E-DAT02, LP and GRACE CAPITAL
INVESTMENTS LLC
Respondents

SDO - 103 - 02
S-02-044-02-TO04

**AMENDED SUMMARY ORDER TO CEASE AND
DESIST AND NOTICE OF INTENT TO IMPOSE A
FINE**

Case No. 02-02-068/S-02-044

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THE STATE OF WASHINGTON TO: RICHARD THOMAS ZIESKE

INTRODUCTION

On July 9, 2002, the Securities Administrator of the State of Washington issued a Summary Order to Cease and Desist and Notice of Intent to Impose a Fine, SDO-060-02. After the entry of that order, new information that requires the amendment of the prior order has come to the attention of the Securities Administrator. The Securities Administrator now proceeds to amend the prior order to incorporate the new information.

AMENDED STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Richard Thomas Zieske, Grace E-DAT, Inc., Grace E-DAT02, LP and Grace Capital Investments LLC, have each violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 to cease and desist from such violations. The Securities Administrator finds that delay in ordering Respondents to cease and desist from such violations would be hazardous to

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1 the investors and to the public and that a Summary Order to Cease and Desist should be entered immediately. The
2 Securities Administrator finds as follows:

3 **TENTATIVE FINDINGS OF FACT**

4 **I. POOLING INVESTOR FUNDS FOR STOCK TRADING BY RICHARD ZIESKE**

5 Richard Thomas Zieske ("Zieske") is a Washington resident who has offered and sold securities
6 from 1999 through 2002 in three different business entities: Grace E-DAT, Inc., Grace E-DAT02, LP
7 and Grace Capital Investments LLC.

8 When offering and selling securities, Zieske told investors that their money would be pooled to
9 day trade or buy and sell publicly traded stock. Zieske represented that his stock trading would
10 generate a profit for investors and that Zieske would share in the profits. Zieske also received
11 compensation for his trading. However, from January 2001 through April 2002, Zieske appears to have
12 generated a net trading loss of more than \$400,000.

14 **II. GRACE E-DAT, INC.**

15 During 1999 and 2000, to raise money for stock trading, Zieske offered and sold approximately
16 \$100,000 worth of common stock in Grace E-DAT, Inc., a Nevada corporation, to approximately
17 twelve Washington investors. Zieske was vice president of Grace E-DAT, Inc.

18 **III. GRACE E-DAT02, LP**

19 In 2001 and 2002, Zieske has continued to raise money for stock trading by offering and selling
20 limited partnership interests in Grace E-DAT02, LP, a Washington limited partnership. Zieske is the
21 general partner of Grace E-DAT02, LP.
22

1 In response to a Securities Division subpoena, Zieske produced records showing that he had
2 offered and sold approximately \$950,000 worth of Grace E-DAT02, LP limited partnership interests to
3 approximately 80 Washington investors. However, the Securities Division has found that Zieske has
4 actually offered and sold approximately \$1,340,000 worth of Grace E-DAT02, LP limited partnership
5 interests to approximately 100 investors.

6 On July 10, 2002, in response to a Securities Division subpoena, Zieske testified under oath that
7 he had repaid all of the limited partners in Grace E-DAT02, LP. However, the Securities Division has
8 found that out of a total of approximately \$994,000 worth of refund checks that Zieske issued,
9 approximately \$175,000 worth of checks were returned for insufficient funds.

11 IV. GRACE CAPITAL INVESTMENTS LLC

12 In June 2002, Zieske has continued to raise money for stock trading by offering and selling
13 limited liability company interests in Grace Capital Investments LLC, a Washington limited liability
14 company. Zieske is the managing member of Grace Capital Investments LLC.

15
16 On July 10, 2002, in response to a Securities Division subpoena, Zieske testified under oath that
17 he had not sold any interests in Grace Capital Investments LLC. However, Zieske has offered and sold
18 approximately \$250,000 worth of limited liability company interests to at least four Washington
19 investors.

20 V. FAILURE TO DISCLOSE MATERIAL INFORMATION

21
22 In connection with the offer and sale of stock in Grace E-DAT, Inc. and the offer and sale of
23 limited partnership interests in Grace E-DAT02, LP, Zieske has misrepresented or failed to disclose

1 material information. Zieske has given investors offering materials with pro forma financial
2 statements showing projected net profits of more than \$1 million per year for Grace E-DAT, Inc. and
3 for Grace E-DAT02, LP without providing any reasonable basis for those projections.

4 In connection with the offer and sale of stock in Grace E-DAT, Inc., the offer and sale of
5 limited partnership interests in Grace E-DAT02, LP and the offer and sale of limited liability company
6 interests in Grace Capital Investments LLC, Respondents have each failed to disclose material
7 information. They have failed to disclose Zieske's actual stock trading results. They have failed to
8 disclose Zieske's business and financial background and his experience as a stock trader. They have
9 failed to provide financial statements. They have failed to specify the intended use of investor funds.
10 They have failed to disclose that Zieske was going to deposit funds from Grace E-DAT02, LP investors
11 in Grace E-DAT, Inc. accounts. They have failed to disclose Zieske's expected trading strategies and
12 the risks associated with those strategies. They have failed to disclose the risks of market loss, margin
13 trading and liability for failure to comply with securities laws.
14

15 VI. OFFER AND SALE OF INFOSPI.COM STOCK

16 In 2001, Zieske offered and sold approximately \$200,000 worth of InfoSPI.com stock to at least
17 twelve investors. On July 10, 2002, in response to a Securities Division subpoena, Zieske falsely
18 testified under oath that neither he nor any entity that he controlled had received checks for the
19 purchase of InfoSPI.com common stock, yet the investors gave their checks to Zieske and made their
20 checks payable to Zieske or to one of his companies.
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22 When offering and selling the InfoSPI.com stock, Zieske failed to disclose the risks of the
23 investment, the intended use of the investor funds, the limited transferability of the stock and the
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1 background of the company's management. Zieske also failed to give the investors any financial
2 statements for the company.

3 Zieske then failed to purchase any InfoSPI.com stock on behalf of the individual investors.
4 Zieske did purchase 27,500 shares of InfoSPI.com stock for Grace Capital Holdings, LLC, in which
5 Zieske claimed to be the sole member. Zieske also purchased 2,750 shares of InfoSPI.com stock for
6 Grace E-DAT, Inc.

7 VII. UNREGISTERED SECURITIES

8 Zieske's offering of Grace E-DAT, Inc. stock, Grace E-DAT02, LP limited partnership units
9 and Grace Capital Investments LLC limited liability company units have never been registered with the
10 Washington Securities Division under the Securities Act of Washington, ch. 21.20 RCW. InfoSPI.com
11 stock has also never been registered with the Washington Securities Division under the Securities Act
12 of Washington.
13

14 VIII. UNLICENSED PERSON

15 Richard Thomas Zieske has never been licensed as an investment adviser or investment
16 adviser salesperson in the state of Washington under the Securities Act of Washington.
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18 IX. UNLICENSED COMPANIES

19 Grace E-DAT, Inc., Grace E-DAT02, LP and Grace Capital Investments LLC have never been
20 licensed as an investment adviser in the state of Washington under the Securities Act of Washington.
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X. AVOIDING THE PROTECTIONS OF LICENSING

By failing to become properly licensed as an investment adviser, Respondents have avoided statutory requirements designed to protect investors from harm. These include: testing to ensure a minimum level of competence in providing investment advisory services, capitalization requirements to promote financial stability, bookkeeping rules to ensure that accurate records are kept, and a prohibition against unethical practices.

XI. EMERGENCY SITUATION AND THREAT TO THE INVESTING PUBLIC

The Securities Administrator finds that Respondents are currently engaged in unlicensed investment adviser activities and that this conduct presents a threat to the investing public. The Securities Administrator finds that an emergency exists and that Respondents should be summarily ordered to cease and desist from violations of the Securities Act.

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

CONCLUSIONS OF LAW

I.

As described above, the offer and sale of common stock, limited partnership interests and limited liability company units each constitute the offer and sale of a security, as defined in RCW 21.20.005(10) and (12).

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II.

Richard Thomas Zieske has violated RCW 21.20.040 by providing investment services while not registered appropriately as an investment adviser or investment adviser salesperson in the State of Washington.

III.

Grace E-DAT, Inc., Grace E-DAT02, LP and Grace Capital Investments LLC have each violated RCW 21.20.040 by providing investment services while not registered as an investment adviser in the state of Washington.

IV.

Respondents have each violated RCW 21.20.140 by offering and selling unregistered securities in the State of Washington.

V.

Respondents have each violated RCW 21.20.010 in connection with the offer and sale of securities by omitting material facts necessary in order to make the statements, in light of the circumstances in which they were made, not misleading.

The Securities Administrator concludes that an emergency exists, that continued violations of RCW 21.20.010, RCW 21.20.040 and RCW 21.20.140 constitute a threat to the investing public, and that a Summary Order to Cease and Desist from those violations is in the public interest and necessary for the protection of the investing public.

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SUMMARY ORDER

Based upon the foregoing, NOW, THEREFORE, IT IS HEREBY SUMMARILY ORDERED that Respondents, their agents and employees shall each cease and desist from providing investment adviser services in any manner in violation of RCW 21.20.040, the licensing section of the Securities Act of Washington.

It is further SUMMARILY ORDERED that Respondents, their agents and employees shall each cease and desist from violation of RCW 21.20.140, the securities registration section of the Securities Act of Washington.

It is further SUMMARILY ORDERED that Respondents, their agents and employees shall each cease and desist from violation of RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

NOTICE OF INTENT TO IMPOSE A FINE

As described in the foregoing Tentative Findings of Fact and Conclusions of Law, based upon Richard Thomas Zieske’s unlicensed investment adviser activity, based upon his repeated offers and sales of unregistered securities and based upon his material misrepresentations and omissions in connection with the offers and sales of those securities, the Securities Administrator finds that there have been knowing or reckless violations of the Securities Act that justify the imposition of a fine pursuant to RCW 21.20.395. Therefore, the Securities Administrator intends to order Richard Thomas Zieske to pay a fine of \$20,000.

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CONTINUING INVESTIGATION

The Securities Division is continuing to investigate to determine whether there has been any misuse of investor funds by Respondents.

AUTHORITY AND PROCEDURE

This Order is entered pursuant to the provisions of RCW 21.20.390 and RCW 21.20.395 and is subject to the provisions of the Administrative Procedures Act, Chapter 34.05 RCW. Respondents may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this order.

If a respondent fails to request a hearing, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law and enter a Final Order to Cease and Desist against the respondent and impose any fines sought against the respondent.

WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

DATED this 2nd day of December, 2002



DEBORAH R. BORTNER
Securities Administrator

Approved by:

Presented by:

Michael E. Stevenson
Chief of Enforcement

Janet So
Financial Legal Examiner

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