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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:

Fantazimo Food, Inc.,
Peter E. Gradwohl,

Respondents

Order Number S-10-306-12-FO01

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL
ORDER TO CEASE AND DESIST, TO
IMPOSE A FINE, AND TO CHARGE
COSTS

INTRODUCTION

On October 10, 2012, the Securities Administrator of the State of Washington issued Statement of Charges and Notice of Intent to Enter an Order to Cease and Desist, to Impose a Fine, and to Charge Costs (“Statement of Charges”), Order Number S-10-306-12-SC01, against Respondents. The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing (“Notice”) and an Application for Adjudicative Hearing (“Application for Hearing”) were served on Respondents, Fantazimo Food, Inc. and Peter E. Gradwohl, on October 12, 2012.

The Notice advised 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. Respondents Fantazimo Food, Inc. and Peter E. Gradwohl have each failed to request an administrative hearing within twenty days of receipt of the Statement of Charges and Notice of Opportunity for Hearing, either on the Application for Hearing provided or otherwise.

The Securities Administrator therefore will adopt as final the Findings of Fact and Conclusions of Law as set forth in the Statement of Charges and enter a final order against Respondents Fantazimo Food,

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL
ORDER TO CEASE AND DESIST, TO
IMPOSE A FINE, AND TO CHARGE COSTS

1 Inc. and Peter E. Gradwohl to cease and desist from violations of the Securities Act, to impose a fine, and
2 to charge costs.

3 The Securities Administrator makes the following Findings of Fact and Conclusions of Law:

4 **FINDINGS OF FACT**

5 Respondents

6 1. Fantazimo Food, Inc. (“Fantazimo”) is a Washington corporation that was incorporated on
7 July 9, 2009. Fantazimo operates a school lunch delivery business in the greater Seattle area. Its
8 principal place of business is located in Edmonds, Washington.

9 2. Peter E. Gradwohl (“Gradwohl”) is the President of Fantazimo. Prior to operating
10 Fantazimo, Gradwohl had been a registered securities salesperson. From approximately May 1992
11 until July 1997, Gradwohl was a registered securities salesperson in the state of Washington.

12
13 Offering of Convertible Promissory Notes and Warrants

14 3. During 2009 and 2010, Respondents offered \$250,000 worth of convertible promissory
15 notes that were issued by Fantazimo. The offering of promissory notes had a stated minimum
16 investment of \$25,000 per investor. The notes were to pay 8% simple interest annually. The notes
17 were convertible into Fantazimo common stock within eighteen months from the closing date of the
18 offering. For every two dollars that was invested in the convertible promissory notes, an investor
19 would also receive a warrant to purchase one share of Fantazimo common stock at a price of ten
20 cents per share.

21 4. During 2009 and 2010, Respondents each offered and sold approximately \$246,000 worth
22 of Fantazimo convertible promissory notes and warrants to at least six Washington investors.

23 Respondents gave the investors promissory notes and warrant purchase agreements, but did not

1 provide written disclosure materials about the investment. To date, one of the investors has received
2 a repayment of \$70,000 on a \$100,000 initial investment. The remaining investments have never
3 been repaid. All of the promissory notes are now past due and the warrants have never been
4 exercised.

5 Misrepresentations or Omissions

6 5. When offering and selling the convertible promissory notes and warrants, Respondents each
7 failed to disclose material information about the investment. Respondents each failed to disclose the
8 exercise price for converting the promissory notes into shares of Fantazimo common stock.
9 Respondents each failed to disclose to investors the minimum amount of capital that would be
10 required to operate Fantazimo. Respondents each failed to give investors financial information about
11 Fantazimo, including financial statements disclosing the results of its business operations and the
12 assets and liabilities of the company. Respondents each failed to specify the intended use of investor
13 funds. Respondents also failed to disclose other significant risks of the investment, including the risk
14 of dependence on a few key personnel, the risk of inadequate capitalization, the risk of investing in
15 an unproven business venture, and the risk of losing the entire amount invested.

16 6. When offering and selling the convertible promissory notes and warrants, Respondents each
17 failed to disclose the track record and the business history of Gradwohl. Respondents each failed to
18 disclose to investors that in July 1997, Gradwohl was terminated by his securities broker-dealer for
19 accepting approximately \$50,000 in checks that were made payable to Gradwohl personally for
20 investment purposes. Respondents each failed to disclose to investors that in November 1997,
21 Gradwohl was fined \$20,000 and barred by the National Association of Securities Dealers (now
22 known as the Financial Industry Regulatory Authority) from being registered as a securities
23 salesperson because Gradwohl had misused \$50,000 of customer funds.

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

2 **CONCLUSIONS OF LAW**

3 1. As set forth in the Findings of Fact, the offer or sale of the convertible promissory notes
4 and the stock warrants described above constitutes the offer or sale of a security as defined in RCW
5 21.20.005(14) and (17).

6 2. As set forth in the Findings of Fact, Respondents, Fantazimo Food, Inc. and Peter E.
7 Gradwohl, have each made untrue statements of material fact or omitted to state material facts
8 necessary in order to make the statements made, in the light of the circumstances under which they
9 are made, not misleading, in violation of RCW 21.20.010, the anti-fraud section of the Securities Act
10 of Washington.

11 **FINAL ORDER**

12 Based upon the foregoing and finding it in the public interest:

13 It is hereby ORDERED that Respondents Fantazimo Food, Inc. and Peter E. Gradwohl and their
14 agents and employees each shall cease and desist from offering or selling securities in violation of
15 RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

16 It is further ORDERED that Respondent Peter E. Gradwohl shall be liable for and shall pay a
17 fine in the amount of \$5,000.

18 It is further ORDERED that Respondent Peter E. Gradwohl shall be liable for and shall pay
19 investigative costs of \$2,500.

20 **AUTHORITY AND PROCEDURE**

21 This Final Order is entered pursuant to the provisions of RCW 21.20.390 and RCW 21.20.395, and
22 is subject to the provisions of RCW 21.20.440 and Chapter 34.05 RCW. Respondents Fantazimo Food,
23 Inc. and Peter E. Gradwohl each have the right to petition the superior court for judicial review of this

1 agency action under the provisions of chapter 34.05 RCW. For the requirements for filing a Petition for
2 Judicial Review, see RCW 34.05.510 and sections following. Pursuant to RCW 21.20.395, a certified
3 copy of this order may be filed in Superior Court. If so filed, the clerk shall treat the order in the same
4 manner as a Superior Court judgment as to the fine, and the fine may be recorded, enforced, or satisfied in
5 like manner.

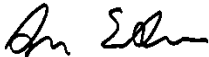
6 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

7 DATED and ENTERED this 7th day of November, 2012

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11 WILLIAM M. BEATTY
12 Securities Administrator

13 Approved by:

14 

15 Suzanne E. Sarason
16 Chief of Enforcement

Presented by:

17 

18 Janet So
19 Enforcement Attorney

20 Reviewed by:

21 

22 Robert Kondrat
23 Financial Legal Examiner Supervisor

24 ENTRY OF FINDINGS OF FACT AND
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