

1
2
3
4
5
6
7

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

8
9

IN THE MATTER OF DETERMINING) Order No. S-14-1607-15-SC01
Whether there has been a violation of the)
Securities Act of Washington by:) STATEMENT OF CHARGES AND
Jared Grochowski;) NOTICE OF INTENT TO
Reve Enterprises, LLC;) ENTER ORDER TO CEASE AND DESIST,
Respondents.) TO IMPOSE A FINE,
) AND TO CHARGE COSTS
)

10
11
12
13
14
15
16

THE STATE OF WASHINGTON TO: Jared Grochowski
Reve Enterprises, LLC

17
18

STATEMENT OF CHARGES

19
20
21
22
23
24
25

Please take notice that the Securities Administrator of the state of Washington has reason to believe that Respondents Jared Grochowski and Reve Enterprises, LLC have each violated the Securities Act of Washington. The Securities Administrator believes those violations justify the entry of an order against the Respondents to cease and desist from such violations and to charge costs pursuant to RCW 21.20.390, and under RCW 21.20.395 to impose a fine. The Securities Administrator finds as follows:

TENTATIVE 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

3. In 2008, Grochowski raised more than \$240,000 through the offer and sale of limited liability units in Reve Enterprises to more than four investors, including an elderly couple residing in Washington

1 (hereinafter, "Washington investors"). The Washington investors are now approximately 79 and 82 years
2 old.

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

8 5. The Washington investors received an Offering Circular for Reve Enterprises dated April 17,
9 2008. The Offering Circular stated that one million units of Reve Enterprises were being sold for \$5.00 per
10 unit. According to the Offering Circular, funds raised from investors would be used for "improving cash
11 flow, cover operation expenses, placement of funds in a multiple of projects believed to be sound,
12 placement of funds in high return financial vehicles (through professional traders), purchase of real estate
13 and other uses deemed appropriate to the protection and the growth of the funds injected...." [sic] Offering
14 materials represented that a certain portion of investor funds would be "placed with stock traders to help
15 generate a high rate of return" but failed to disclose the names of the traders.
16

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

23 7. The Offering Circular stated that Grochowski was a "seasoned businessman and
24 entrepreneur" and that his "history and background" was "immaculate." The Offering Circular further
25

1 represented that “The management team has years of experience and a proven track record in all the
2 elements involved in this business.” The Offering Circular failed to disclose any details of Grochowski’s
3 prior employment, track record, and business experience. Instead, the Offering Circular stated that a
4 biography could be requested through a website maintained by Grochowski and that “Independent
5 information can also be found online by going to google.com.”

6 8. The Offering Circular stated that a portion of investor funds would be used to purchase real
7 estate. The Offering Circular misleadingly stated that although there is a “certain associated risk” with real
8 estate investments, it is “normally a safe investment.” The Offering Circular failed to disclose the
9 significant risks of real estate investments, including the risk of adverse changes in general or local
10 economic conditions; changes in the supply of, or demand for, similar or competing properties; changes in
11 interest rates; competition for tenants; changes in market rental rates; the inability to lease or sell properties
12 upon termination of existing leases; the inability to collect rent from tenants; the need for property
13 maintenance; changes in tax, real estate, zoning, and environmental laws that may have an adverse impact
14 upon the value of real estate; uninsured property liability, property damage, or casualty losses; and the risk
15 of unexpected expenditures to bring properties into compliance with applicable federal, state and local laws.

16 9. Offering materials misleadingly compared the investment to insurance products and made
17 other misleading statements concerning the risk and liquidity of the investment. Offering materials
18 indicated that the investment strategy of Reve Enterprises was to “Invest like the insurance companies, and
19 generate wealth like the insurance companies.” Offering materials misleadingly stated that Reve Enterprises
20 “pools investors’ money and invests it like the insurance companies – using experts in each category to
21 manage the investments.” The offering materials also indicated that the risk of the investment was
22 comparable to the risk of insurance policies that have “liquid assets present to cover any claim.” Offering
23 materials failed to disclose that, unlike Reve Enterprises, insurance companies are highly regulated and
24
25

1 subject to numerous legal restrictions and regulations that help protect consumers. Unlike Reve Enterprises,
2 insurance-related businesses and their agents are required to be licensed before selling their products or
3 services. Unlike Reve Enterprises, insurance businesses are subject to periodic on-site examination by state
4 regulators, and are required to file annual and quarterly financial reports that regulators use to assess their
5 financial condition. Finally, unlike Reve Enterprises, state insurance regulators require insurance
6 companies to maintain minimum levels of capital in order to continue to conduct business.

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

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

18 12. In correspondence to the Washington investors, Grochowski stated that he could help “turn
19 liabilities such as cars and houses into cash paying assets” On May 16, 2008, the Washington investors
20 took out a second mortgage on their home, and purchased 20,000 units of Reve Enterprises for a total of
21 \$100,000.

22 13. Grochowski provided wire instructions for a bank account in the name of Reve Enterprises.
23 On May 16, 2008, the Washington investors wired \$100,000 from their account in Vancouver, Washington
24
25

1 to an account in the name of Reve Enterprises in Redlands, California. The Washington investors were
2 instructed to send an e-mail to Grochowski confirming that their funds had been sent. The Washington
3 investors later received a transaction receipt from Grochowski, who provided his personal cell phone
4 number and represented that their investment was accruing dividends.

5 14. Between 2008 and 2011, the Washington investors received a number of dividend checks
6 from Grochowski that totaled approximately \$44,500. According to Form 1099's that were provided, the
7 Washington resident received a total of \$12,000 in 2008, \$19,000 in 2009, \$9,300 in 2010, and
8 approximately \$4,200 in 2011. Grochowski initially made monthly payments of \$2,000, which decreased to
9 \$1,000 per month in 2009, before declining to \$700 per month in 2010. In approximately August 2011, the
10 Grochowski indicated that he would no longer be making monthly payments on their investment.

11 15. Between approximately 2012 and 2014, Grochowski provided periodic e-mail updates to the
12 granddaughter of the Washington investors, who was the primary contact person for them, since they did not
13 frequently use e-mail. Grochowski indicated that he was in the process of recovering funds through
14 lawsuits and settlements with third parties, and through the sale of real estate. The Washington investors are
15 presently owed more than \$50,000 on their investment.
16

17 **Other Regulatory Action**

18 16. On October 5, 2011, the California Department of Corporations (now known as the
19 Department of Business Oversight) issued a Desist and Refrain Order against Grochowski and Reve
20 Enterprises for offering and selling units of Reve Enterprises in 2008 to a California resident in violation of
21 the securities laws of California. On March 28, 2012, Reve Enterprises and Grochowski entered into a
22 settlement agreement with the State of California.
23
24
25

Registration Status

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

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

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

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

CONCLUSIONS OF LAW

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

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

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

4. Reve Enterprises, LLC and Jared Grochowski have each violated RCW 21.20.010, because, as set forth in the Tentative Findings of Fact, they made untrue statements of material fact or omitted to state material facts necessary to make the statements made, in light of the circumstances in which they were made, not misleading.

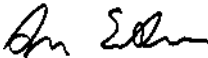
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Signed and Entered this 1st day of May 2015.



William M. Beatty
Securities Administrator

Approved by:



Suzanne Sarason
Chief of Enforcement

Presented by:



Robert Kondrat
Financial Legal Examiner Supervisor