

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

IN THE MATTER OF DETERMINING ) Order No.: S-13-1332-14-FO01  
Whether there has been a violation of the )  
Securities Act of Washington by: ) ENTRY OF FINDINGS OF FACT AND CONCLUSIONS  
Donald Alan Kernan, Jr.; ) OF LAW AND FINAL ORDER TO CEASE AND DESIST,  
Donald Kernan, LLC f/k/a DreamerTopia, LLC ) TO IMPOSE A FINE, AND TO CHARGE COSTS  
Respondents. )

**THE STATE OF WASHINGTON TO:** Donald Alan Kernan, Jr.;  
Donald Kernan, LLC f/k/a DreamerTopia, LLC

On February 12, 2014, the Securities Administrator of the State of Washington issued Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, to Impose a Fine, and to Charge Costs, order number S-13-1332-14-SC01, hereinafter referred to as "Statement of Charges." The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing, hereinafter referred to as "Notice of Opportunity for Hearing" and an Application for Adjudicative Hearing, hereinafter referred to as "Application for Hearing," were served on Respondents Donald Alan Kernan, Jr. and Donald Kernan, LLC f/k/a DreamerTopia, LLC on March 6, 2014. The Notice of Opportunity for Hearing advised Respondents 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 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 following Findings of Fact and Conclusions of Law as set forth in the Statement of Charges and enter a final order against the Respondents to cease and desist from violations of the Securities Act, to impose a fine, and to charge costs.

1 **FINDINGS OF FACT**

2 Respondents

3 1. Donald Alan Kernan, Jr. (“Kernan”) is a resident of Brown Deer, Wisconsin and a manager of  
4 Donald Kernan, LLC.

5 2. Donald Kernan, LLC is an inactive Wisconsin limited liability company that was known as  
6 DreamerTopia, LLC during the period relevant to this Final Order. In August 2011, DreamerTopia, LLC  
7 changed its name to Donald Kernan, LLC. In March 2013, the Wisconsin Department of Financial  
8 Institutions administratively dissolved Donald Kernan, LLC.

9 Related Entity

10 3. Safe Deposit, S.A. is a Panamanian corporation that did business as Safe Depository during the  
11 period relevant to this Final Order.. Safe Depository is believed to maintain a place of business in Panama  
12 City, Panama.

13 Nature of the Offering

14 4. In May 2011, a Washington resident began searching the Internet for investments that would deliver  
15 high returns in a short period of time. The resident was hoping to raise \$75,000 to pay for a medical  
16 treatment.

17 5. The Washington resident focused his attention on so-called high yield investment programs  
18 (“HYIPs”) after reading online newsletters that purported to review HYIPs. HYIPs are unregistered  
19 investments typically sold by unlicensed individuals. HYIPs promise very high returns at little or no risk to  
20 the investor.

21 6. The Washington resident read a newsletter that provided multiple positive testimonials from  
22 investors about Safe Depository. Safe Depository represents that it engages in speculative stock trading  
23 conducted by traders employed by the company and makes daily payments of interest to investors. Safe  
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1 Depository offers four types of “investment contracts:” the Virtax Fund, the Rovasion Fund, the Orston  
2 Fund, and the Grand Fund. These options differ in the daily interest rate promised and in the minimum  
3 investment amount required.

4 7. This newsletter listed Kernan as a successful HYIP investor and a representative of Safe Depository.  
5 Shortly thereafter, the Washington resident contacted Kernan who agreed to explain HYIPs. Kernan and the  
6 Washington resident engaged in a lengthy exchange of emails, text messages, and phone calls about HYIPs  
7 and Kernan’s success. Kernan told the Washington resident that he had previously invested \$100,000 in  
8 Safe Depository, and that he expected to receive a return of \$3,000,000 on that investment over the  
9 following year. During these exchanges, Kernan also claimed to have close ties with other wealthy investors  
10 who had also had success with HYIPs.

11 8. Neither Kernan nor Safe Depository provided any offering materials to the Washington resident at  
12 any time.

13 9. After the Washington resident expressed interest in investing in Safe Depository, Kernan solicited  
14 the Washington resident to invest \$20,000 in Safe Depository by “piggybacking” the Washington resident’s  
15 investment onto Kernan’s existing account with Safe Depository. Kernan explained that this was the  
16 quickest way for the Washington resident to invest in Safe Depository because of the time required to  
17 establish a new account with Safe Depository and to secure a money transfer service. Kernan told the  
18 Washington resident that this arrangement would double the Washington resident’s investment in no more  
19 than twenty-three business days.

20 10. At this time, Kernan also offered the Washington resident one share in DreamerTopia for \$1,000.  
21 Kernan did not disclose any information about DreamerTopia to the Washington resident. The Washington  
22 resident declined the offer of DreamerTopia stock, but agreed to increase his investment in Safe Depository  
23 through Kernan by \$1,000.  
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1 11. The Washington resident took a \$21,000 cash advance on a credit card at twenty-seven percent  
2 interest in July 2011 and wired the funds to Kernan in Milwaukee, Wisconsin.

3 12. Kernan provided no written evidence of the investment to the Washington resident.

4 Misrepresentations and Omissions

5 13. Kernan told the Washington resident that there were no appreciable risks in investing in Safe  
6 Depository or in the “piggybacking” arrangement. In fact, Kernan claimed the piggybacking arrangement  
7 was safer than establishing an account with Safe Depository, in part because of a “special guarantee fund”  
8 Kernan claimed to maintain. Kernan failed to disclose the risks resulting from the highly speculative nature  
9 of investing in Safe Depository, such as significant risk of a total loss. Kernan also failed to disclose the  
10 risks presented by the “piggybacking” arrangement, such as Kernan comingling investment funds with  
11 Kernan’s personal funds and using the investment funds on personal expenses.

12 14. Kernan made material misstatements concerning his overall financial condition. Despite representing  
13 to the Washington resident that he was a successful investor, Kernan’s business bank account had a negative  
14 balance when the Washington resident invested.

15 15. Kernan failed to fully disclose the basis and assumptions underlying his claim that the Washington  
16 resident would receive a one hundred percent return on his investment in no more than twenty-three  
17 business days.

18 16. Kernan made material misstatements concerning the intended use of the Washington resident’s  
19 funds. The Washington investor’s funds were not transferred to Safe Depository. Furthermore, the majority  
20 of the Washington resident’s funds were used for Kernan’s personal expenses.

21 17. Kernan failed to disclose material information concerning DreamerTopia, including, but not limited  
22 to, the nature of its business and its financial condition.  
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Additional funds obtained by Kernan from the Washington resident

18. The Washington resident did not receive the promised return in the time period Kernan had represented. Kernan provided a number of excuses as to why the Washington resident had not received his return such as having to wait for a broker, misdirecting the Washington resident's investment, and that Safe Depositary's website had been hacked.

19. In October 2011, Kernan solicited money from the Washington resident to fund an attempt to recover his original investment. Kernan stated that he planned to hire a "Credit Number Profile Number" specialist for \$3,500 which Kernan would match and return to the Washington investor one week later. Kernan claimed that this specialist would enable Kernan to secure financing for Kernan's other business which would, in turn, allow Kernan to pay the Washington resident the promised \$42,000.

20. When the Washington resident told Kernan that he had no further funds, Kernan urged the Washington resident to use any available credit. At or around this time, Kernan increased the amount required to hire the specialist by \$500 due to a "handling fee."

21. The Washington resident transferred an additional \$4,000 to Kernan, via PayPal, which he had borrowed from his elderly parents. Kernan did not return either the \$4,000 after one week as promised or the originally promised \$42,000.

22. The Washington resident received \$4,000 from PayPal in December 2011 after filing a claim with the company.

Enforcement Action by Wisconsin Securities Division

23. Between approximately July 2011 and the date of this Statement of Charges, Kernan has raised at least \$500,000 by means similar to those Kernan used to acquire the Washington resident's funds. In or about June 2012, Kernan offered and sold \$12,500 worth of interests in DreamerTopia Investments, LP ("DTILP"), a private equity fund formed by Kernan, to two Wisconsin residents. These two Wisconsin

1 residents also allowed Kernan to obtain credit cards in their names, ostensibly to obtain funds that Kernan  
2 would contribute to DTILP on their behalf.

3 24. On or around December 27, 2013 the Division of Securities of the Wisconsin Department of  
4 Financial Institutions entered a Cease and Desist Order against Kernan and various entities under his  
5 control, including DreamerTopia (the “Wisconsin order”). The Wisconsin order ordered Kernan to cease  
6 and desist from violating the sections of the Wisconsin Uniform Securities Law mandating the registration  
7 of offerings of securities, and of broker-dealers and investment advisers, as well as the Wisconsin Uniform  
8 Securities Law’s anti-fraud section.

9 Registration Status

10 25. Kernan is not currently and has not previously been registered to sell his securities in the State of  
11 Washington and has not filed a claim of exemption.

12 26. DreamerTopia is not currently and has not previously been registered to sell its securities in the State  
13 of Washington and has not filed a claim of exemption.

14 27. Kernan is not currently registered as a securities salesperson or broker-dealer and has not previously  
15 been so registered in the State of Washington.

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18 **CONCLUSIONS OF LAW**

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

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

22 2. The offer and/or sale of said securities is in violation of RCW 21.20.140 because no registration for  
23 such an offer and/or sale is on file with the Securities Administrator.  
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1 3. The offer and/or sale of said securities is in violation of RCW 21.20.040 because Kernan was not  
2 registered as a securities salesperson or broker-dealer at the time of the offer and/or sale of said securities.

3 4. The offer or sale of said securities were in violation of RCW 21.20.010 because Respondents, as set  
4 forth above, made misstatements of material fact or omitted to state facts necessary to make the statements  
5 made, in light of the circumstances under which they were made, not misleading.  
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7 **FINAL ORDER**

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

9 IT IS HEREBY ORDERED that Respondents Donald Alan Kernan, Jr. and Donald Kernan, LLC,  
10 and their agents and employees shall each cease and desist from RCW 21.20.140, the securities registration  
11 section of the Securities Act of Washington.

12 IT IS FURTHER ORDERED that Respondents Donald Alan Kernan, Jr. and Donald Kernan, LLC,  
13 and their agents and employees shall each cease and desist from RCW 21.20.010, the anti-fraud section of  
14 the Securities Act of Washington. Washington.

15 IT IS FURTHER ORDERED that Respondent Donaldn Alan Kernan, Jr. and his agents and  
16 employees shall each cease and desist from violating RCW 21.20.040, the broker-dealer and securities  
17 salesperson registration section of the Securities Act of Washington.  
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19 IT IS FURTHER ORDERED that Respondent Donald Alan Kernan, Jr. shall be liable for and shall  
20 pay a fine of \$10,000.

21 IT IS FURTHER ORDERED that Respondent Donald Alan Kernan, Jr. shall be liable for and shall  
22 pay investigative costs of \$1,000.  
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**AUTHORITY AND PROCEDURE**

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This FINAL ORDER is entered pursuant to the provisions of RCW 21.20.390, and is subject to the provisions of RCW 21.20.120 and Chapter 34.05 RCW. Respondents have the right to petition the superior court for judicial review of this agency action under the provisions of Chapter 34.05 RCW. For the requirements for Judicial Review, see RCW 34.05.510 and sections following. Pursuant to RCW 21.20.395, a certified copy of this Order may be filed in Superior Court. If so filed, the clerk shall treat the Order in the same manner as a Superior Court judgment as to the fine, and the fine may be recorded, enforced, or satisfied in like manner.

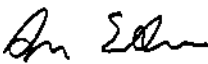
**WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

SIGNED and ENTERED this 28th day of March 2014.



William M. Beatty  
Securities Administrator

Approved by:



Suzanne Sarason  
Chief of Enforcement

Presented by:



Edward R. Thunen  
Financial Lergal Examiner

Reviewed by:



Robert Kondrat  
Financial Legal Examiner Supervisor

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