

STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION

IN THE MATTER OF DETERMINING ) Order Number S-08-014-08-FO01  
Whether there has been a violation of the )  
Securities Act of the State of Washington by: ) ENTRY OF FINDINGS OF FACT AND  
 ) CONCLUSIONS OF LAW AND FINAL  
 ) ORDER TO CEASE AND DESIST AND TO  
 ) CHARGE COSTS  
Michael Kerner )  
Respondent )

THE STATE OF WASHINGTON TO: Michael Kerner

On April 7, 2008, the Securities Administrator of the State of Washington issued S-08-014-08-SC01, hereinafter referred to as Statement of Charges, against Michael Kerner. 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 Michael Kerner on April 11, 2008 via certified mail.

The Notice of Opportunity for Hearing advised Michael Kerner 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. Michael Kerner failed to request an administrative hearing within 20 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.

The Securities Administrator makes the following findings of fact and conclusions of law.

1 **FINDINGS OF FACT**

2 **I. RESPONDENT**

3 1. Michael Kerner (“Kerner”) is a resident of the State of Washington.

4 **II. BACKGROUND INFORMATION**

5 2. Taecan.com Inc. (“Taecan”) was a non-public, for profit Washington Corporation  
6 formed in 1996. From approximately 1999 through 2001, Taecan conducted an offering of its  
7 stock. The stock offering purported to be a non-public offering.  
8

9 3. In early 2001, Kerner was offered the opportunity to purchase Taecan stock in its  
10 purported non-public offering. In order to increase the number of shares he could purchase,  
11 Kerner solicited funds from at least one investor.

12 **III. NATURE OF THE OFFERING**

13 4. In April 2001, Kerner offered and sold an investment in the form of an  
14 opportunity to acquire Taecan stock shares to at least one investor. The investment made totaled  
15 at least \$50,000. The investor was neither sophisticated in financial matters nor accredited. An  
16 accredited investor is defined as a person with an annual income of at least \$200,000 or a total  
17 net worth over \$1,000,000.

18 5. Kerner told the investor that a company called Taecan was a private internet start-  
19 up company that was going to be providing online continuing legal education services for  
20 attorneys. Kerner also told the investor that various larger companies were “getting involved”  
21 with Taecan and that a buyout of Taecan was imminent. According to Kerner, Taecan shares  
22 were priced about a \$1 per share, but that after the buyout and initial public offering, they would  
23 probably be worth \$10 per share.  
24  
25



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

2 **CONCLUSIONS OF LAW**

3 1. The offer and sale of the opportunity to purchase stock described above  
4 constitutes the offer and sale of a security as defined in RCW 21.20.005(10) and (12).

5 2. In connection with the offer and sale of said securities, Respondent, Michael  
6 Kerner, violated RCW 21.20.010 because, as set forth in the Tentative Findings of Fact,  
7 Respondent made misstatements of material facts and/or omitted to state material facts necessary  
8 in order to make the statements made, in light of circumstances under which they were made, not  
9 misleading and/or engaged in acts and practices that operated as fraud or deceit.  
10

11 3. Michael Kerner violated RCW 21.20.140 by offering and selling unregistered  
12 securities.

13 4. Michael Kerner violated RCW 21.20.040 by offering and selling said securities  
14 while not registered as a securities salesperson or broker-dealer in the State of Washington.  
15

16 Based upon the foregoing, and finding it in the public interest,

17 **FINAL ORDER**

18 It is hereby ORDERED that the Respondent, Michael Kerner, and his agents and  
19 employees, each cease and desist from offering and/or selling securities in any manner in  
20 violation of RCW 21.20.140, the section of the Securities Act of Washington requiring  
21 registration.  
22

23 It is further ORDERED that the Respondent, Michael Kerner, and his agents and  
24 employees, each cease and desist from violation of RCW 21.20.040, the broker-dealer and  
25 securities salesperson registration section of the Securities Act.

1 It is further ORDERED that the Respondent, Michael Kerner, and his agents and  
2 employees, each cease and desist from violation of RCW 21.20.010, the anti-fraud section of the  
3 Securities Act.

4 It is further ORDERED that the Respondent, Michael Kerner, is liable to pay the  
5 Securities Division the costs, fees and other expenses incurred in the conduct of the  
6 administrative investigation in the amount of \$2,000.

7 **AUTHORITY AND PROCEDURE**

8 This Final Order is entered pursuant to the provisions of RCW 21.20.390 and is subject to  
9 the provisions of Chapter 34.05 RCW. The Respondent has the right to petition the superior  
10 court for judicial review of this agency action under the provisions of chapter 34.05 RCW. For  
11 the requirements for filing a Petition for Judicial Review, see RCW 34.05.510 and sections  
12 following. Pursuant to 21.20.395, a certified copy of this order may be filed in Superior Court. If  
13 so filed, the clerk shall treat the order in the same manner as a Superior Court judgment as to the  
14 fine and the fine may be recorded, enforced, or satisfied in like manner.

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

16 DATED AND ENTERED this 20<sup>th</sup> day of May, 2008

17 

18 MICHAEL E. STEVENSON  
19 Securities Administrator

20 Approved by:

Presented by:

21 

22 Martin Cordell  
23 Chief of Enforcement

24 

25 Patrick Kim  
Enforcement Attorney