

STATE OF WISCONSIN  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
DIVISION OF SECURITIES

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In the Matter of

PETITION FOR ORDER

DONALD KERNAN, LLC f/k/a  
DREAMERTOPIA, LLC,  
DREAMERTOPIA CAPITAL  
MANAGEMENT, LLC, DREAMERTOPIA  
INVESTMENTS, LP, DREAMERTOPIA  
CORP., and DONALD ALAN KERNAN,  
JR.,

File No. S-228123(EX)

Respondents.

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The staff of the State of Wisconsin, Department of Financial Institutions, Division of Securities, Bureau of Enforcement, has conducted an investigation in this matter pursuant to Wis. Stat. § 551.602, and as a result thereof alleges as follows:

1. Donald Kernan, LLC (“Kernan, LLC”) was a Wisconsin limited liability company created on February 12, 2010 as DreamerTopia, LLC. An amendment was filed on August 29, 2011 changing its name to Donald Kernan, LLC. It was administratively dissolved on March 12, 2013. Its most recent registered agent is Donald Alan Kernan, Jr., located at 8187 North 67<sup>th</sup> Street, Brown Deer, Wisconsin 53223.
2. DreamerTopia Capital Management, LLC (“DTCM”), is a Wisconsin limited liability company formed on September 12, 2012, whose registered agent is Business Filings Incorporated, located at 8040 Excelsior Drive, Madison, Wisconsin 53717. It did not list a principal place of business in its organizational document, but its contracts and pitch book indicate an address of 3900 West Brown Deer Road, Brown Deer, Wisconsin 53209.
3. DreamerTopia Investments, LP (“DTILP”) is a Delaware limited partnership formed on September 20, 2012, whose registered agent is Business Filings Incorporated located at 108 West 13<sup>th</sup> Street, Wilmington, Delaware 19801. The general partner of DTILP is DTCM., and its principal place of business is believed to be the same.
4. DreamerTopia Corp. is a Wisconsin corporation formed on September 1, 2011 with a registered agent Donald Alan Kernan, Jr. located at 8187 North 67<sup>th</sup> Street, Brown Deer, Wisconsin 53223. It is currently delinquent with the Division of Corporate and Consumer Services (“DCCS”) of the Wisconsin Department of Financial Institutions.
5. Donald Alan Kernan, Jr. (“Kernan”) is an adult residing at 8187 North 67<sup>th</sup> Street, Brown Deer, Wisconsin 53223. He is the president and managing member of Kernan, LLC, DTCM, and DreamerTopia Corp. He also is the registered agent of DreamerTopia

Dance, Corp., a delinquent Wisconsin corporation formed on November 17, 2011, and upon information and belief is the president of that entity as well.

6. Neither Kernan nor any of his entities have ever been registered as a broker-dealer or agent to offer or sell securities in Wisconsin or any other state, and nor have they ever been registered as an investment adviser or investor adviser representative with any state or the U.S. Securities & Exchange Commission ("SEC").

7. Kernan has never been registered with the National Futures Association ("NFA") to conduct commodities or foreign currency trading as a broker or agent, nor have any of the entities he manages been registered with the NFA as commodities brokers or pools.

8. On or before July 13, 2011, a resident of the State of Washington contacted Kernan after learning that Kernan was a representative for a high-yield investment program in Panama known as Safe Depository. The Washington resident wanted to invest in Safe Depository because its website advertised high returns, and the resident needed money for medical bills.

9. Kernan told the Washington resident that Safe Depository was doing well for investors and that Kernan's own investment in Safe Depository would result in a payout of \$3.2 million dollars.

10. The Washington resident did not have the \$40,000 minimum investment required by Safe Depository, so Kernan told him he would intervene on his behalf with the owners of Safe Depository, since he knew the owners and was willing to intervene because he had a close relationship with God.

11. Kernan directed the Washington resident to send his investment money to the Chase Bank account owned by DreamerTopia, LLC, and that Kernan would invest it in Safe Depository and provide the Washington resident with a Safe Depository account number so he could track it himself. Kernan promised that the Washington resident would receive a payout of \$42,000 on his Safe Depository investment in August of 2011.

12. On July 13, 2011, the Washington resident wired \$21,000 to the DreamerTopia, LLC account at Chase Bank, which had a balance of -165.51 on July 12, 2011. In addition to the Washington resident's check, another \$9392.32 was deposited into that account according to the statement ending July 29, 2011. A check for \$1000 was paid to Towana Kernan with a memo "personal use," as well as ATM/debit, electronic and fee withdrawals totaling \$25,004.44. A review of the statement shows no evidence that any money was sent to Safe Depository on behalf of the Washington resident, and the vast majority of charges appeared to be personal in nature. The ending balance on July 29, 2011 was \$4,401.67.

13. In August, 2011, Kernan told the Washington investor that a glitch caused his money to be combined with that of others, so he would not be able to get his return until the end of October, 2011. When October, 2011 came, Kernan told the Washington

investor that Safe Depositary was going out of business and he was “on his own” as far as getting his investment returned.

14. Kernan has never repaid the Washington investor anything. Many websites following high-yield investment programs until they crash started to report that Safe Depositary was a scam in October, 2011. However, no evidence exists of any deposit by Kernan into Safe Depositary on behalf of the Washington investor.

15. In June, 2012, Kernan offered and sold to two investors in Wisconsin an opportunity to invest in his private equity fund DTILP through its general partner DTCM, sending them a private placement memorandum by email. The two investors each invested over \$12,500 cash into the fund, as well as allowing Kernan to apply for credit cards in their names to obtain cash that would be put into DTILP on their behalf. Kernan charged thousands of dollars onto those accounts but he has fallen behind in payments on them, subjecting the Wisconsin investors to huge debts they are unable to pay.

16. In soliciting the investments of these Wisconsin investors, Kernan failed to disclose to the investors that he had obtained investment money from the Washington investor in 2011 using misrepresentations and omissions about the use of the investment money and to date he has never repaid the Washington investor as promised.

17. All the transactions leading Wisconsin investors to provide investment money and use of credit to Kernan and his entities for the DTILP private equity fund constitute investment contracts as defined by Wis. Stat. § 551.102(28)(e).

18. Kernan utilizes linkedin.com as a tool to enhance his credibility to investors; however, his linkedin.com profile states that he is a “Registered Investment Adviser, License 65” from January 2013 through the present. As stated in ¶6, Kernan has never been registered as an investment adviser in Wisconsin or elsewhere, and he has never taken the exams required to obtain such registration.

19. The DTILP investment contracts have never been registered for sale in Wisconsin pursuant to Wis. Stat. § 551.201.

20. All Respondents directly or indirectly offered and sold unregistered securities in Wisconsin in violation of Wis. Stat. § 551.201.

21. In offering the investment contracts to the investors, Kernan, Kernan, LLC, DreamerTopia Corp. and DTCM violated Wis. Stat. § 551.401 by transacting business as an unregistered broker-dealer in Wisconsin.

22. In offering the investment contracts to the investors, Kernan violated Wis. Stat. § 551.402 by transacting business as an unregistered agent for his entities in Wisconsin.

23. In creating DTILP, Kernan and his entities were acting as unregistered investment advisers to the Wisconsin investors in violation of Wis. Stat. § 551.401.

24. Kernan, Kernan, LLC, DreamerTopia Corp. and DTCM violated Wis. Stat. § 551.501(2) by making misrepresentations and omissions necessary in order to make the statements made not misleading in connection with the sale of the DTILP investment contracts as set forth above in ¶¶ 15-22.

Therefore, the staff of the Bureau of Enforcement petitions the Administrator of the Division of Securities for the issuance of the attached Order pursuant to Wis. Stats. Ch. 551.

Dated this 26<sup>th</sup> day of December, 2013.



Mark E. Dorman  
Examiner



Leslie M. Van Buskirk  
Attorney Supervisor