

1 DEPARTMENT OF CONSUMER AND BUSINESS SERVICES  
 2 DIVISION OF FINANCE AND CORPORATE SECURITIES  
 3 SECURITIES SECTION  
 4 BEFORE THE DIRECTOR OF THE DEPARTMENT OF CONSUMER AND  
 5 BUSINESS SERVICES

6	In the Matter of:	)	A-02-0022
7	TARAMAR VENTURE CAPITAL, LLC;	)	ORDER TO CEASE AND DESIST
8	KNC SOFTWARE, LLC	)	ORDER ASSESSING CIVIL PENALTY
9	dba KIDSNET CONNECT;	)	ORDER DENYING EXEMPTIONS
10	MARVIN BUTLER,	)	and
11	PETER M. FAGNANT, and	)	CONSENT TO ENTRY OF ORDER
12	DAWN LILLIE aka	)	AS TO PETER M. FAGNANT
	DAWN LILLIE FLORES,	)	
	Respondents.	)	

13 WHEREAS the Director of the Department of Consumer and  
 14 Business Services for the State of Oregon (the Director) has  
 15 conducted an investigation of certain securities activities  
 16 conducted by Taramar Venture Capital, LLC; KNC Software, LLC  
 17 dba Kidsnet Connect, Marvin Butler, Peter M. Fagnant, and Dawn  
 18 Lillie aka Dawn Lillie Flores, and the Director has determined  
 19 that Peter M. Fagnant offered and sold securities in the State  
 20 of Oregon in violation of the Oregon Securities Law;

21 WHEREAS Peter M. Fagnant wishes to resolve and settle this  
 22 matter with the Director:

23 NOW THEREFORE, as evidenced by the authorized signature  
 24 subscribed on this Order, Peter M. Fagnant hereby **CONSENTS** to  
 25 entry of this Order to Cease and Desist upon the Director's  
 26 Findings of Fact and Conclusions of Law as stated hereinafter.

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1 residents between November 13, 1996, and September 21, 1999,  
2 from the sale of units of membership interests in KNC.

3 9. Respondents were never licensed to sell securities in  
4 Oregon.

5 10. The units of membership interests in KNC that  
6 Respondents sold to Oregon investors were never registered with  
7 the Oregon Division of Finance and Corporate Securities.

8 11. KNC and Taramar, through their salespersons,  
9 represented to investors that the offering was closing soon,  
10 underwriting was arranged, KNC was going public, and an IPO was  
11 imminent.

12 12. Some of KNC's salespersons initially contacted  
13 investors through cold calls.

14 13. Respondents provided copies of a "confidential  
15 offering memorandum" to the investors. The memorandum describes  
16 a \$3 million offering consisting of 300 units of membership  
17 interests in KNC at the purchase price of \$10,000 per unit. The  
18 offering memorandum indicates that Taramar founded and organized  
19 KNC.

20 14. The KNC offering memorandum states that investor funds  
21 will be used for research and development, equipment purchases,  
22 legal and brokerage fees, advertising and sales, overhead, and  
23 other expenses.

24 15. Lillie offered and sold units of membership interests  
25 issued by KNC to seven Oregon residents.

26 16. Fagnant invested a total of \$43,000 in KNC, and he

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1 introduced 14 Oregon investors to the KNC investments.

2 17. Fagnant received a commission or other form of  
3 remuneration in connection with the sale of some of the units of  
4 membership interests in KNC to Oregon residents.

5 18. Butler was the subject of a cease and desist order,  
6 issued in June 1995, by the State of Alaska, Division of  
7 Banking, Securities, and Corporations, for violations of  
8 securities laws.

9 19. Taramar Venture Capital, Kidsnet Connect and Dawn  
10 Lillie were the subjects of a cease and desist order, issued  
11 June 1997, by the State of Washington, Securities Division, for  
12 violations of securities laws.

13 20. Taramar, KNC, Butler, Fagnant, and Lillie failed to  
14 adequately disclose to investors the prior cease and desist  
15 orders issued against Taramar Venture Capital, Kidsnet Connect,  
16 Marvin Butler, and Dawn Lillie.

17 **CONCLUSIONS OF LAW**

18 The Director **CONCLUDES** that:

19 1. The units of membership interests issued by KNC Software,  
20 LLC dba Kidsnet Connect are "securities" under ORS  
21 59.015(19) (a) (2001).

22 2. The securities issued by KNC Software, LLC dba Kidsnet  
23 Connect and sold to Oregon investors were not registered  
24 securities under ORS Chapter 59 and OAR Chapter 441.

25 3. Respondent Peter M. Fagnant sold unregistered securities  
26 to Oregon investors, in violation of ORS 59.055.

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1 4. Respondent Peter M. Fagnant acted as a securities  
2 "salesperson" as defined in ORS 59.015(18)(a), by representing  
3 an issuer of securities in effecting transactions in securities.

4 5. Respondent Peter M. Fagnant transacted business in  
5 Oregon as a securities salesperson without a license, in  
6 violation of ORS 59.165.

7 6. In connection with the offer and sale of securities to  
8 Oregon investors, Respondent Peter M. Fagnant omitted to state  
9 a material fact, in violation of ORS 59.135(2), by failing to  
10 adequately disclose that Marvin Butler was the subject of a  
11 prior cease and desist order issued by the State of Alaska.

12 7. In connection with the offer and sale of securities to  
13 Oregon investors, Respondent Peter M. Fagnant omitted to a state  
14 material fact, in violation of ORS 59.135(2), by failing to  
15 adequately disclose that Taramar Venture Capital, Kidsnet  
16 Connect and Dawn Lillie were the subjects of a prior cease and  
17 desist order issued by the State of Washington.

18 **ORDER**

19 **NOW, THEREFORE, THE DIRECTOR ISSUES THE FOLLOWING ORDERS:**

20 1. Pursuant to ORS 59.245, Respondent Peter M. Fagnant is  
21 **ORDERED TO CEASE AND DESIST** from:

22 a. Offering or selling unregistered securities in  
23 the State of Oregon, in violation of ORS 59.055;

24 b. Transacting business in Oregon as a securities  
25 salesperson without a license, in violation of ORS 59.165;

26 c. Making any untrue statements of a material fact

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1 or omitting to state a material fact necessary in order to make  
2 the statements made, in light of the circumstances under which  
3 they are made, not misleading, pursuant to ORS 59.135(2); and

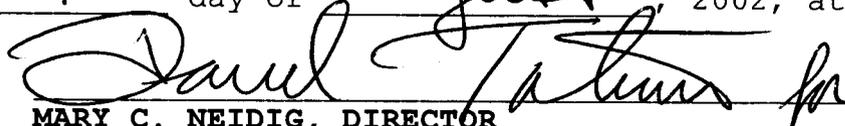
4 d. Violating any provision of ORS Chapter 59  
5 and Oregon Administrative Rules Chapter 441.

6 2. Pursuant to ORS 59.045(2), Respondent Peter M.  
7 Fagnant is **DENIED** the use of any exemptions that would otherwise  
8 be available to him under ORS 59.025 and 59.035, concerning  
9 securities and transactions exempt from the registration  
10 requirements of the Oregon Securities Law.

11 3. Pursuant to the authority of ORS 59.995, the DIRECTOR  
12 hereby **ASSESSES** a **CIVIL PENALTY** in the amount of \$15,000  
13 (fifteen thousand dollars) against Respondent Peter M. Fagnant,  
14 payment of \$15,000 of the civil penalty (fifteen thousand  
15 dollars) of which is suspended so long as Respondent Peter M.  
16 Fagnant fully complies with all terms of this Order; **PROVIDED**  
17 **HOWEVER**, that the suspended portion of this penalty will be  
18 immediately due and payable upon a determination by the Director  
19 that Respondent Peter M. Fagnant has violated any term of this  
20 Order, or any provision of ORS Chapter 59 or Oregon  
21 Administrative Rules Chapter 441.

22 The entry of this order in no way limits further remedies  
23 which may be available to the Director under Oregon law.

24 Dated this 7<sup>th</sup> day of August, 2002, at  
25 Salem, Oregon.

26   
**MARY C. NEIDIG, DIRECTOR**  
**DEPARTMENT OF CONSUMER & BUSINESS SERVICES**  
**STATE OF OREGON**

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1 CONSENT OF PETER M. FAGNANT TO ENTRY OF ORDER

2 I, Peter M. Fagnant, state that I am a resident of the  
3 state of Oregon; that I have read the foregoing Order and that I  
4 know and fully understand the contents hereof; that I have been  
5 advised of my right to a hearing , and that I am represented by  
6 counsel in this matter; that without admitting or denying the  
7 factual allegations herein, I voluntarily consent to the entry  
8 of this Order without any force or duress, expressly waiving any  
9 right to a hearing in this matter; that I understand that the  
10 Director reserves the right to take further actions against me  
11 to enforce this Order or to take appropriate action upon  
12 discovery of other violations of the Oregon Securities Law by  
13 me; and that I will fully comply with the terms and conditions  
14 stated herein.

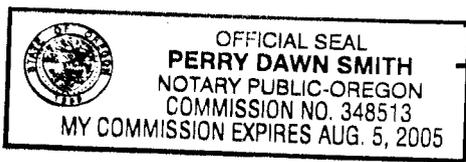
15 I understand that this Consent Order is a public document.

16 Dated this 6<sup>th</sup> day of AUGUST, 2002.

17 Peter M Fagnant  
18 **PETER M. FAGNANT**

19  
20 **SUBSCRIBED AND SWORN** before me this 6<sup>th</sup> day of August 2002.  
21 2002.

22 Perry Dawn Smith  
23 Perry Dawn Smith  
24 Printed name of Notary Public)



25 **NOTARY PUBLIC** for State of: Oregon  
26 My commission expires: 8-5-05

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