

**COMMONWEALTH OF KENTUCKY
PUBLIC PROTECTION CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS
ADMINISTRATIVE AGENCY ACTION NO. 2010-AH-1120**

DEPARTMENT OF FINANCIAL INSTITUTIONS

COMPLAINANT

vs.

FINAL ORDER

STATNET CORPORATION
DR. STEVEN BECKER and
WESLEY JAYNES

RESPONDENTS

STATEMENT OF FACTS

1. The Department of Financial Institutions (“DFI”) is responsible for administering the provisions of Kentucky Revised Statutes (KRS) Chapter 292, the Securities Act of Kentucky (“the Act), as well as any applicable rules, regulations and orders entered pursuant to the Act.

2. StatNet Corporation (“StatNet”) is a Nevada corporation currently in revoked status with the Nevada Secretary of State’s Office.

3. Dr. Steven Becker (“Becker”) is the President of StatNet whose last known address is 10405 Town and Country Way, Suite 402, Houston, TX 77024.

4. Wesley Jaynes (“Jaynes”) is the Vice President of StatNet whose last known address is 6303 Gulfton Street, Houston, TX 77081.

5. In the summer of 2006, Jaynes spoke with Investor #1 by telephone several times regarding StatNet’s business. During these calls, Jaynes solicited Investor #1 to purchase a StatNet debenture.

6. Jaynes told Investor #1 that if Investor #1 purchased the StatNet debenture he would receive a yearly payout equal to 8% of the principal investment amount in August 2007 and August 2008 and a final 8% interest payment plus the principal amount in August 2009.

7. Based upon Jaynes' representations, Investor #1, his father, Investor #2, and his sister, Investor #3 executed "Debenture Subscription Offers" with StatNet. Jaynes signed the "Debenture Subscription Offers" as Vice President of StatNet.

8. Investor #1, Investor #2 and Investor #3 invested \$10,000, \$5,000 and \$5,000 respectively.

9. After executing the "Debenture Subscription Offers", Investor #1, Investor #2 and Investor #3 each received a document titled "8% convertible subordinated debenture" (hereinafter "8% debenture").

10. Shortly thereafter, Investor #1, Investor #2 and Investor #3 each received a StatNet common stock certificate for 10,000 shares of StatNet common stock. Investor #1, Investor #2 and Investor #3 did not elect to convert their 8% debenture to common stock.

11. Investor #1, Investor #2 and Investor #3 did not receive the payments StatNet was obligated to make under the terms of the 8% debenture.

12. In November 2006, Investor #1, Investor #2 and Investor #3 received a letter signed by Becker which offered to sell them ten (10) more StatNet debentures.

13. Jaynes and Becker were not registered with the DFI as issuer agents of StatNet during the time they offered and/or sold the StatNet debentures to Investor #1, Investor #2, and Investor #3.

14. On October 28, 2009, the DFI issued a subpoena to StatNet requiring it to produce certain documents. StatNet has not complied with the subpoena.

15. On November 5^h 2010, the DFI filed an Administrative Complaint against StatNet, Becker, and Jaynes seeking: (a) the imposition of a fifteen thousand dollar (\$15,000) fine for StatNet's violation(s) of the Act; (b) the imposition of a fifteen thousand dollar (\$15,000) fine for Becker's violation(s) of the Act; (c) the imposition of a fifteen thousand dollar (\$15,000) fine for Jaynes' violation(s) of the Act; and (d) an **ORDER** that StatNet, Becker, and Jaynes cease and desist from offering to sell or selling securities in violation of the Act and cease and desist from committing any other violations of the Act.

16. The Administrative Complaint was sent to StatNet's registered agent by certified mail return receipt requested. StatNet's registered agent received the Administrative Complaint on November 9, 2010. StatNet did not respond to the Administrative Complaint.

17. The Administrative Complaint was sent to Becker at his last known address by certified mail return receipt requested. The return receipt shows that the Administrative Complaint was received at Becker's last known address on November 8, 2010. Becker did not respond to the Administrative Complaint.

18. The Administrative Complaint was sent to Jaynes at his last known address by certified mail return receipt requested. The U.S. Post Office returned the Administrative Complaint to the DFI on November 30, 2010. Jaynes did not respond to the Administrative Complaint.

STATUTORY AUTHORITY

19. Pursuant to KRS 292.310(19), the definition of security includes a “debenture.”
20. Pursuant to KRS 292.340, “[i]t is unlawful for any person to offer or sell any security in this state, unless the security is registered under this chapter, or the security or transaction is exempt under this chapter, or the security is a covered security.”
21. Pursuant to KRS 292.310(1), agent means “any individual, other than a broker-dealer, who represents a broker-dealer or issuer in effecting or attempting to effect purchases or sales of securities.”
22. Pursuant to KRS 292.330(3), “[i]t is unlawful for an individual to transact business in this state as an agent unless the individual is registered under this chapter....”
23. Pursuant to KRS 292.330(7), “[i]t is unlawful for any broker-dealer or issuer to employ an agent unless the agent is registered....”
24. Pursuant to KRS 292.320(1), “[i]t is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly:
 - (a) To employ any device, scheme, or artifice to defraud;
 - (b) To make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading; or
 - (c) To engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.
25. Pursuant to KRS 292.460(2), the DFI may require the production of any books, papers, correspondence, memoranda, agreements, or other documents or records which the commissioner deems relevant to the inquiry.

26. Pursuant to KRS 292.500(14), the Commissioner may impose civil fines against any person who violates any provision of this chapter or any rule or order or voluntary agreement entered into under this chapter. Each act or transaction which violates this chapter or administrative regulation, or orders or agreements entered into under this chapter, shall constitute a separate violation.

27. Pursuant to KRS 292.470, whenever it appears to the Commissioner that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of this chapter or any rule or order under this chapter, the commissioner may in his or her discretion bring any or all of the following remedies: (3) Issue a final order, after notice and an opportunity for a hearing, containing findings of fact and conclusions of law, directing any person or persons found to have engaged in, or about to be engaged in, activity that constitutes a violation of this chapter or any rule or order under this chapter:

- (a) To cease and desist from the activity;
- (b) To perform any other reasonable mandates directed by the commissioner pursuant to an appropriate remedy fashioned by the commissioner and reasonably calculated to carry out the provisions of this chapter; or
- (c) To pay fines assessed under KRS 292.500(14) and costs assessed under KRS 292.500(15).

CONCLUSIONS OF LAW

28. The 8% debentures that were sold to Investor #1, Investor #2, and Investor #3 meet the definition of security in KRS 292.310(19).

29. StatNet, Becker, and Jaynes violated KRS 292.340 by offering to sell and/or selling securities in StatNet even though the securities were not registered, exempt from registration, or covered securities.

30. Jaynes acted as an agent by effecting Investor #1, Investor #2, and Investor #3 to purchase securities in StatNet.
31. Becker acted as an agent by attempting to effect Investor #1, Investor #2, and Investor #3 to purchase securities in StatNet.
32. Jaynes and Becker violated KRS 292.330(3) by transacting business as agents of StatNet even though they were not registered as agents.
33. StatNet violated KRS 292.330(7) by employing Jaynes and Becker as agents even though they were not registered as agents.
34. StatNet, Becker, and Jaynes violated KRS 292.320(1) by making misrepresentations and/or omissions of fact about StatNet to Investor #1, Investor #2, and Investor #3 including, but not limited to, StatNet's ability to make the payments due under the 8% debentures, the process for converting the 8% debentures into StatNet common stock, and StatNet's software and patented technology.
35. StatNet violated KRS 292.460(2) by failing to produce the documents requested in the DFI's November 2009 subpoena.
36. The Administrative Complaint was served on StatNet at its last known address.
37. The Administrative Complaint was served on Becker at his last known address.
38. The Administrative Complaint was served on Jaynes at his last known address.

ORDER

THEREFORE, based upon the foregoing statement of facts, statutory authority, and legal conclusions, the Commissioner **HEREBY ORDERS**:

1. StatNet shall pay a fine in the amount of fifteen thousand dollars (\$15,000.00) for violations of the Act.

2. Dr. Steven Becker shall pay a fine in the amount of fifteen thousand dollars (\$15,000.00) for violations of the Act.

3. Wesley Jaynes shall pay a fine in the amount of fifteen thousand dollars (\$15,000.00) for violations of the Act.

4. The Respondents shall **CEASE AND DESIST** from offering to sell or selling securities in violation of the Act and shall **CEASE AND DESIST** from committing any other violations of the Act.

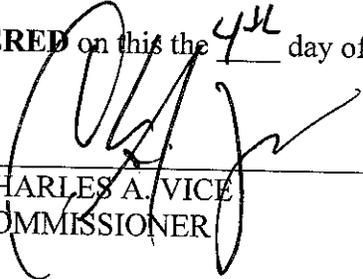
5. This is a **FINAL ORDER**.

This **ORDER** shall become effective upon completion of service as set forth in KRS 13B-050(2).

NOTICE OF APPEAL RIGHTS

Pursuant to KRS 292.490, you are hereby notified that you have the right to appeal this Final Order of the Commissioner. If you choose to appeal, you must file a written Notice of Appeal with the Franklin Circuit Court within thirty (30) days after entry of this Order.

IT IS SO ORDERED on this the 4th day of January 2011.



CHARLES A. VICE
COMMISSIONER

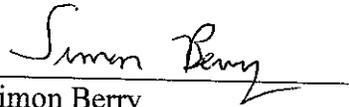
Certificate of Service

I hereby certify that a copy of the foregoing **Final Order** was sent by certified mail, return receipt requested, on this the 5th day of January, 2011, to the following:

Dr. Steven Becker
10405 Town & Country Blvd
Suite 402
Houston, TX 77024

Incorporate-US.Com, LLC
Registered Agent: StatNet Corporation
1285 Baring Blvd #205
Sparks, NV 89434

Wesley Jaynes
6303 Gulfon Street
Houston, TX 77081



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