

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387



1 **WHEREAS**, on November 4, 2011 **HATHAWAY** was duly served with a true copy of
2 the Order and Notice by certified United States Mail (Item #7008 1830 0003 3147 2690),
3 postage prepaid, and addressed to Respondent **HATHAWAY** at the following last known
4 address: 11080 SW Lucas Drive, Tualatin, Oregon 97062. This mailing was returned to the
5 sender by the United States Postal Service, marked “Undeliverable As Addressed, Unable to
6 Forward.”

7 **WHEREAS**, on February 1, 2012 **HATHAWAY** was duly served with a true copy of
8 the Order and Notice by United States Mail, postage prepaid, and addressed to Respondent
9 **HATHAWAY** at the following last known address: 11301 SE 10th Street, Vancouver,
10 Washington 98664. This mailing was returned to the sender by the United States Postal Service,
11 marked “Return To Sender, Insufficient Address, Unable To Forward, Return To Sender.”

12 **WHEREAS**, on February 1, 2012 **HATHAWAY** was duly served with a true copy of
13 the Order and Notice by certified United States Mail (Item #7008 1830 0003 3147 3468),
14 postage prepaid, and addressed to Respondent **HATHAWAY** at the following last known
15 address: 11301 SE 10th Street, Vancouver, Washington 98664. This mailing was returned to the
16 sender by the United States Postal Service, marked “Return To Sender, Insufficient Address,
17 Unable To Forward, Return To Sender.”

18 **WHEREAS**, Respondent **HATHAWAY** has not made a written request for a contested
19 case hearing in this matter and the time to do so has expired;

20 **NOW THEREFORE**, after consideration of the Investigation Reports and
21 accompanying exhibits compiled in this matter, and of the testimony given under oath before the
22 Director by Respondent **HATHAWAY**, the Director hereby issues the following Findings of
23 Fact, Conclusions of Law, and Final Order:

23 //
24 //
25 //
26 //

1 **FINDINGS OF FACT**

2 The Director **FINDS** that:

3 **Part One: Involved Parties**

4 1. **RKANE** was a manager-managed Nevada limited liability company (Nevada
5 Secretary of State Business Registry # NV20051273891) formed on March 14, 2005. **RKANE**
6 raised funds, through the offer and sale of “promissory notes” and “gold certificates” to Oregon
7 residents, for the purported purpose of developing and operating a gold mine in British
8 Columbia, Canada. **RKANE** was not, during all times material herein, licensed to sell securities
9 in Oregon. **RKANE** was controlled by **PROUDFOOT** and **BLACK**. Its last known address is
10 Post Office Box 50729, Henderson, Nevada 89016.

11 2. **RIMROCK** was a Nevada for-profit corporation (Nevada Secretary of State Business
12 Registry # NV20051274345) incorporated on March 14, 2005. **RIMROCK**, which served as
13 manager of **RKANE**, raised funds on behalf of **RKANE** from Oregon residents through the offer
14 and sale of “promissory notes” and “gold certificates.” **RIMROCK** was not, during all times
15 material herein, licensed to sell securities in Oregon. **RIMROCK** was controlled by
16 **PROUDFOOT** and **BLACK**. Its last known address is Post Office Box 50729, Henderson,
17 Nevada 89016.

18 3. **THREE NINES MINERALS** was a for-profit Canadian (British Columbia)
19 corporation. **THREE NINES MINERALS** was, on information and belief, a wholly owned
20 subsidiary of **RIMROCK**. **THREE NINES MINERALS** raised funds on behalf of **RKANE**
21 from Oregon residents through the offer and sale of “promissory notes” and “gold certificates.”
22 **THREE NINES MINERALS** was not, during all times material herein, licensed to sell
23 securities in Oregon. **THREE NINES MINERALS** was controlled by **PROUDFOOT** and
24 **BLACK**. Its last known address is 666 Burrard Street, Vancouver, British Columbia, Canada
25 V6C 2Z7.

26

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387





1 4. **PROUDFOOT** was involved in the formation and/or management of **RKANE**,
2 **RIMROCK**, and **THREE NINES MINERALS**. **PROUDFOOT** owned 33% of the
3 membership units of **RKANE**. **PROUDFOOT** raised funds on behalf of **RKANE** through the
4 offer and sale of “promissory notes” and “gold certificates” to Oregon residents. **PROUDFOOT**
5 was not, during all times material herein, licensed to sell securities in Oregon. (The Director
6 permanently revoked **PROUDFOOT**’s license to sell securities in 1991.) **PROUDFOOT**’s last
7 known address is 2220 East Steen Road, Spokane Valley, Washington 99037.¹

8 5. **FAMILY BENEFITS USA** was a manager-managed Nevada limited liability
9 company (Nevada Secretary of State Business Registry # NV20001085538) formed on
10 September 1, 2000. **PROUDFOOT** owned 100% of the membership units of **FAMILY**
11 **BENEFITS USA**. **FAMILY BENEFITS USA** raised funds, purportedly on behalf of **RKANE**,
12 from Oregon residents through the offer and sale of “promissory notes” and “gold certificates.”
13 **FAMILY BENEFITS USA** was not, during all times material herein, licensed to sell securities
14 in Oregon. **FAMILY BENEFITS USA** was controlled by **PROUDFOOT**. Its last known
15 address is 944 Mesquite Springs Drive #102, Mesquite, Nevada 89016.

16 6. **BLACK** was involved in the formation and/or management of **RKANE**,
17 **RIMROCK**, and **THREE NINES MINERALS**. **BLACK** owned 33% of the membership units
18 of **RKANE**. **BLACK** raised funds on behalf of **RKANE** through the offer and sale of
19 “promissory notes” and “gold certificates” to Oregon residents. **BLACK** was not, during all
20 times material herein, licensed to sell securities in Oregon. **BLACK**’s last known address is 302
21 South River Street, Enterprise, Oregon 97828.

22 7. **HATHAWAY** raised funds on behalf of **RKANE** through the offer and sale of
23 “promissory notes” and “gold certificates” to Oregon residents. **HATHAWAY** was not, during
24
25

26 ¹ According to records maintained by the Oregon Judicial Information Network (OJIN), Washington County Circuit Court Judge Marco Hernandez issued a warrant for Proudfoot’s arrest on March 30, 2009 (Case No. CO85604CW).

1 all times material herein, licensed to sell securities in Oregon. **HATHAWAY**'s last known
2 address is 11080 SW Lucas Drive, Tualatin, Oregon 97062.

3 8. Richard Weiss owned 33% of the membership units of **RKANE**. Richard Weiss was
4 involved in mining operations in British Columbia, Canada for **RKANE**, **RIMROCK**, and
5 **THREE NINES MINERALS**.

6 **Part Two: An Overview**

7 9. **RKANE** raised approximately \$2,600,000 from 158 investors between 2004-2007 for
8 the purpose of developing and operating a placer gold mine in British Columbia, Canada.²

9 **RKANE**, **RIMROCK**, and **THREE NINES MINERALS** represented that they had the
10 exclusive right to mine for gold on a large tract near Manson Creek, British Columbia, Canada.

11 10. **RKANE**, **RIMROCK**, and **THREE NINES MINERALS** raised funds through the
12 sale of **RKANE** "promissory notes" and "gold certificates" to members of the public. Investors
13 would usually, but not uniformly, receive a promissory note bearing a face value of 50% of their
14 investment, along with a gold certificate bearing a value equivalent to 50% of their investment.

15 (In some instances, the above percentages varied; in others, an investor did not receive a gold
16 certificate.) An **RKANE** promissory note matured five (5) years after issuance, and bore interest
17 consisting of "*five percent of one percent of the net profits before taxes, of the mining... or*
18 *interest [on the principal amount] at the rate of five (5%) percent, whichever is more.*" **RKANE**
19 represented that it would commence payment of interest two (2) years from the date of the note.

20 By contrast, an **RKANE** gold certificate granted the holder the right to receive a specifically
21 enumerated sum of troy ounces of gold at a date certain (often, but not uniformly, six months
22 after the date of investment).

23 11. Purchasers of **RKANE** promissory notes and gold certificates had no role, direct or
24 indirect, in the management or operation of **RKANE**, **RIMROCK**, and/or **THREE NINES**
25 **MINERALS**, or any placer gold mine affiliated with these entities. Investors were entirely

26 _____

² Placer mining seeks to obtain gold from relatively close to the earth's surface.





1 dependent on the purported expertise of the management of these entities, and their success at
2 gold mining efforts, for repayment of their investment at the agreed upon terms.

3 12. **PROUDFOOT** spearheaded fundraising by **RKANE**, **RIMROCK**, and **THREE**
4 **NINES MINERALS** through the offer and sale of **RKANE** promissory notes and gold
5 certificates. **PROUDFOOT** supervised **HATHAWAY**, and also met personally with many
6 prospective investors in Oregon. **PROUDFOOT** assisted **BLACK** in the preparation of written
7 materials given to prospective investors.

8 13. **BLACK** was in charge of mining-related operations for **RKANE**, **RIMROCK**, and
9 **THREE NINES MINERALS**. In addition, **BLACK** was the primary author of all versions of
10 written materials given to prospective investors. Furthermore, on at least two occasions **BLACK**
11 engaged in the offer and/or sale of **RKANE** promissory notes and gold certificates to Oregon
12 residents.

13 14. Prospective investors would generally be contacted via telephone by a salesperson
14 affiliated with **RKANE**, **RIMROCK**, and **THREE NINES MINERALS** to gauge their general
15 interest in making an investment. Those desiring to learn more would be invited to meet in
16 person with a salesperson, and would be given a "PLACER GOLD PROJECT" booklet
17 containing a description of the gold mining project, management biographies, and certain
18 financial assumptions and cash flow projections. (The cover of the booklet prominently listed the
19 entities involved as "RKane III Limited Liability Company, Rimrock III, Ltd., Three Nines
20 Minerals, Ltd.") A number of different versions of this booklet were used in 2006 and 2007. A
21 second in-person meeting with salespersons would often follow.

Part Three: The Sales Process

22
23 15. Prospective investors were typically first contacted by **HATHAWAY**.
24 **HATHAWAY** reached out to personal acquaintances, and acquaintances of existing investors,
25 over the telephone and asked "Are you open to learning about a way to make some extra
26



1 money?” Preferring to avoid describing details about the opportunity on the phone,
2 **HATHAWAY** suggested that interested individuals meet with him in person.

3 16. At an initial in-person session with a prospective investor, **HATHAWAY** generically
4 described a business seeking to mine for gold in British Columbia. He gave each prospective
5 investor the most current version of the PLACER GOLD PROJECT booklet to take with them,
6 and suggested that they schedule another meeting, at which he would be joined by
7 **PROUDFOOT**.

8 17. The PLACER GOLD PROJECT booklet was the only document prospective
9 investors received before making an investment. By way of example, the August 2006 version
10 consisted of a two-page executive summary, a nine-page description of the property to be mined
11 and the process **RKANE**, **RIMROCK**, and **THREE NINES MINERALS** claimed would be
12 used to do so, management biographies for **PROUDFOOT** and **BLACK**, and a description of
13 certain financial assumptions.

14 18. The PLACER GOLD PROJECT booklet informed prospective investors that mining
15 would take place in British Columbia, Canada. It represented that the “*placer gold properties*
16 *consist of a Crown Lease at 3,700 acres and contiguous claims of 1,700 acres, are the largest*
17 *placer properties in British Columbia at approximately 5400 acres.*” (A “Crown Lease” is a
18 mineral rights lease obtained from the Canadian government.)

19 19. The PLACER GOLD PROJECT booklet stated that the project employed
20 experienced mining staff, who would use “*innovative and proprietary processing technology*”
21 that “*have roots in hard rock mining and the oil and gas industry*” to prove the ground before
22 mining, remove waste material, and recover fine gold. The promoters asserted that their
23 “*vertically integrated, closed house operation for placer mining*” would avoid the need to
24 outsource the processing and enrichment of gold. **RKANE**, **RIMROCK**, and **THREE NINES**
25 **MINERALS** represented that their aim was to mine over \$1,500,000 or more in gold in the first
26

1 month of operations, and that they had “an agreement to sell gold to three European bullion
2 banks”, which was “a truly extraordinary contract.”

3 20. The PLACER GOLD PROJECT booklet contained a full-page management
4 biography of **BLACK**, with particular attention to **BLACK**’s career as an attorney and pro tem
5 Judge. The biography asserted that **BLACK**’s practice had an emphasis in business law.

6 21. When prospective investors who had met with **HATHAWAY** and read the PLACER
7 GOLD PROJECT booklet attended a meeting with **HATHAWAY** and **PROUDFOOT**,
8 **PROUDFOOT** would tout the extraordinary returns anticipated from mining operations.
9 **PROUDFOOT** made numerous and varied representations to prospective investors during these
10 sessions. For example, **PROUDFOOT** told one prospective investor that her investment was
11 very “liquid”, and that she – or any other investor in the project – could receive the full amount
12 of her original investment upon thirty (30) days written notice. **PROUDFOOT** told another
13 investor that the Canadian government was rendering substantial assistance to the gold mining
14 project, as it had a strong interest in the success of the venture.

15 22. **RKANE**, **RIMROCK**, and **THREE NINES MINERALS** did not ask prospective
16 investors to complete a subscription agreement, or submit any other form or document, in order
17 to purchase a promissory note and gold certificate. Investors purchasing promissory notes and
18 gold certificates valued at approximately \$1,900,000 were asked to make checks payable to
19 **RIMROCK**, while investors purchasing promissory notes and gold certificates valued at
20 approximately \$700,000 were asked to make checks payable to **FAMILY BENEFITS USA**.
21 Investors received a Promissory Note and Gold Certificate in the mail. Each instrument was
22 signed by **PROUDFOOT**, who did so as “Director” of **RIMROCK**.

23 23. **RKANE**, **RIMROCK**, and **THREE NINES MINERALS** compensated
24 **PROUDFOOT** and **HATHAWAY** for their sales efforts. **PROUDFOOT** received a salary of
25 \$10,000 per month. **HATHAWAY** was initially promised a percentage of gold mining profits,
26 ranging from 1% to 3.65%, as compensation. This arrangement was subsequently altered



1 because mining had not taken place, with the result that **HATHAWAY** ultimately received
2 \$56,000 in sales commissions. Though **BLACK** received a salary of \$5,000 per month, he was
3 not separately compensated for sales efforts.

4 **Part Four: Proudfoot Meets A Prospective Investor**

5 24. On occasion, **PROUDFOOT** met, individually, with a prospective investor whose
6 acquaintance he did not make through the involvement of **HATHAWAY**. By way of example,
7 on July 12, 2007 **PROUDFOOT** met with an investor (“D-T”) at a restaurant in Woodburn,
8 Oregon.

9 25. **PROUDFOOT** told D-T that he represented “Three Nines”, which planned to engage
10 in surface mining for gold approximately 100 miles north of McKenzie, British Columbia.
11 **PROUDFOOT** claimed that Three Nines held an indefinite lease on a substantial sized tract
12 from the Canadian government. **PROUDFOOT** asserted that Three Nines had assayed 21,000
13 tons of placer rock on the parcel, and found it to contain much gold. Furthermore,
14 **PROUDFOOT** told D-T that he took samples of dirt from various locations on the property to
15 “one of the world’s foremost experts in gold mining”, who told him it was rich with coarse gold.

16 26. **PROUDFOOT** complained to D-T that, had it not have been for the actions of
17 **BLACK**, the mining operation would already have commenced. **PROUDFOOT** claimed that
18 **BLACK** embezzled \$330,000 from a Three Nines bank account. **PROUDFOOT** asserted that as
19 soon as these funds were replaced mining could begin.

20 27. **PROUDFOOT** told D-T that if he invested \$100,000 he would receive a return of at
21 least \$100,000 at the end of the first year, though it was possible that he would receive a higher
22 amount, a sum of up to \$300,000. **PROUDFOOT** told D-T that the return on his investment,
23 based on a percentage of mining profits, would rise substantially after the first few years, as
24 Three Nines produced increasing quantities of gold. Concurrently, **PROUDFOOT** said, D-T
25 would also receive a gold certificate, valued at half of his initial investment, or \$50,000.
26 **PROUDFOOT** explained that the certificate entitled D-T to purchase \$50,000 of Three Nines



1 mined gold at \$300 an ounce. D-T was told that he could sell the gold at the spot market price,
2 then \$600 an ounce, which would yield a return in excess of \$100,000. (**PROUDFOOT**
3 explained that since individuals are not permitted to sell raw gold bullion, D-T would have to use
4 “connections” the “world-renowned” expert **PROUDFOOT** consulted with had to monetize the
5 gold.)

6 28. In response to D-T’s inquiry about the level of risk associated with the investment,
7 **PROUDFOOT** asserted that, on a scale of one to ten, with one representing funds being held in
8 a savings account and ten representing the riskiest investment possible, this investment was a
9 three. **PROUDFOOT** told D-T that the venture was no riskier than putting money into a
10 company that manufactures any other consumer product.

11 29. Several days later, **PROUDFOOT** had another conversation with D-T and a third
12 party, conducted by telephone, and reiterated the claims he made to D-T during their face-to-face
13 meeting.

14 **Part Five: Misrepresentations and Omissions**

15 30. Respondents, in connection with the sale of **RKANE** promissory notes and gold
16 certificates to members of the public, made a series of untrue statements of material fact, or
17 omitted to state material facts necessary in order to make statements made, in the light of the
18 circumstances under which they were made, not misleading.

19 31. Respondents, in connection with the sale of **RKANE** promissory notes and gold
20 certificates to members of the public, failed to disclose reasonably foreseeable risks associated
21 with an investment in a venture operating a yet-to-be operational gold mine in Canada. These
22 risks include, but are not limited to, the fact that: (1) estimates of proven and probable gold
23 reserves are highly uncertain, and the volume and grade of gold actually recovered may vary
24 substantially from the issuer’s estimates; (2) increased operating costs, including higher
25 expenditures for fuel, electricity, and labor, could affect the issuer’s profitability; (3) mine
26 closure and remediation costs emanating from a finding of liability as the result of environmental

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387



1 harm may substantially exceed the issuer’s limited provisions for said occurrence; (4) mining
2 operations transpiring in a foreign country may be subject to changes in laws, regulations, or
3 permitting; (5) the issuer may be forced to rely, in whole or in part, on unaffiliated third parties
4 to conduct mining operations, with the result that the inability to replace a contractor, and its
5 operating equipment, may affect the issuer’s profitability; (6) mining activities may require
6 additional capital investment, and the issuer may be unable to raise additional funding on
7 favorable terms.

8 32. Respondents, in connection with the sale of **RKANE** promissory notes and gold
9 certificates to members of the public, represented that they had the exclusive right to conduct
10 gold mining operations on approximately 5400 acres, including a Crown Lease of 3,700 acres.
11 Respondents asserted they would be mining “*the largest placer properties in British Columbia.*”
12 In point of fact, according to official records maintained by the British Columbia Ministry of
13 Energy and Mines, **RKANE** only held Crown claims in good standing (Tenure ID #519696,
14 #519697, and #533993) totaling 224 acres (91 hectares) between 2004-2007.

15 33. Respondents, in connection with the sale of **RKANE** promissory notes and gold
16 certificates to members of the public, represented that they would use “*innovative and*
17 *proprietary processing technology*” to prove the ground before mining, remove waste material,
18 and recover fine gold, all of which will “*dramatically improve production and [gold] yields.*”
19 Respondents had no reasonable basis in fact to make this assertion, as said “*processing*
20 *technology*” was wholly theoretical, was based on concepts espoused by individuals without any
21 formal metallurgy training, and was entirely untested in practice.

22 34. Respondents, in connection with the sale of **RKANE** promissory notes and gold
23 certificates to members of the public, represented that they had a “*truly extraordinary*” contract
24 to “*sell gold to three European bullion banks.*” In point of fact, no such agreement existed.

25 35. Respondents, in connection with the sale of **RKANE** promissory notes and gold
26 certificates to members of the public, failed to disclose that **PROUDFOOT** had previously been

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-5881
Telephone: (503) 578-4387



1 a Respondent in two Cease and Desist Orders issued by the Director, who concluded that
2 **PROUDFOOT** had violated Oregon securities laws. Furthermore, Respondents failed to
3 disclose that, as a result of said misconduct, the Director permanently revoked **PROUDFOOT**'s
4 license to sell securities in 1991, and expressly ordered that he **CEASE AND DESIST** from (A)
5 “offering for sale and/or selling securities which are not registered with the State of Oregon”; (B)
6 “selling securities unless licensed in this State pursuant to the Oregon Securities Law”; (C)
7 “employing any person to act as a salesperson in this state without benefit of licensing.”

8 36. Respondents, in connection with the sale of **RKANE** promissory notes and gold
9 certificates to members of the public, failed to disclose that **BLACK**'s license to practice law
10 had been suspended in 2002 by the Oregon State Bar as the result of violations of the Oregon
11 Rules of Professional Conduct governing attorneys, and had not been reinstated.

12 37. Respondents, in connection with the sale of **RKANE** promissory notes and gold
13 certificates to members of the public, represented that the investment was very “liquid”, and that
14 an investor could receive the full amount of their original investment upon thirty (30) days
15 written notice. In point of fact, Respondents had no basis to make said representation, as
16 **RKANE** did not set up a “sinking fund” or other corpus designed to ensure it had sufficient
17 liquidity to refund investments.

18 38. Respondents, in connection with the sale of **RKANE** promissory notes and gold
19 certificates to members of the public, represented that the government of Canada had a strong
20 interest in the success of the mining venture, and was rendering substantial assistance to the gold
21 mining project. In point of fact, Respondents had no basis to make said representation, as they
22 did not receive financial, technical, or regulatory compliance support from any Canadian
23 jurisdiction, or agency thereof.

24 39. Respondents, in connection with the sale of **RKANE** promissory notes and gold
25 certificates to members of the public, failed to disclose that the promissory notes and gold
26



1 certificates were not registered as securities with the Oregon Division of Finance and Corporate
2 Securities, as mandated by law.

3 40. Respondents, in connection with the sale of **RKANE** promissory notes and gold
4 certificates to members of the public, failed to disclose that they were not licensed to sell
5 securities in or from the State of Oregon, as required by law.

6 **CONCLUSIONS OF LAW**

7 The Director **CONCLUDES** that:

8 41. The **RKANE** “promissory notes” and “gold certificates” constitute “securities”, as
9 defined in ORS 59.015 (19) (a).

10 42. The **RKANE** securities were not registered with the Director prior to offer or sale, in
11 violation of ORS 59.055.

12 43. The **RKANE** securities were offered for sale in or from the State of Oregon by
13 unlicensed persons, in violation of ORS 59.165.

14 44. Respondents, in connection with the sale of **RKANE** promissory notes and gold
15 certificates to members of the public, omitted to state a material fact necessary in order to make
16 all statements made, in the light of the circumstances under which they are made, not misleading,
17 in violation of ORS 59.135 (2), by failing to disclose reasonably foreseeable risks associated
18 with an investment in a venture operating a yet-to-be operational gold mine in Canada. These
19 risks include, but are not limited to, the fact that: (1) estimates of proven and probable gold
20 reserves are highly uncertain, and the volume and grade of gold actually recovered may vary
21 substantially from the issuer’s estimates; (2) increased operating costs, including higher
22 expenditures for fuel, electricity, and labor, could affect the issuer’s profitability; (3) mine
23 closure and remediation costs emanating from a finding of liability as the result of environmental
24 harm may substantially exceed the issuer’s limited provisions for said occurrence; (4) mining
25 operations transpiring in a foreign country may be subject to changes in laws, regulations, or
26 permitting; (5) the issuer may be forced to rely, in whole or in part, on unaffiliated third parties

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387



1 to conduct mining operations, with the result that the inability to replace a contractor, and its
2 operating equipment, may affect the issuer’s profitability; (6) mining activities may require
3 additional capital investment, and the issuer may be unable to raise additional funding on
4 favorable terms.

5 45. Respondents, in connection with the offer and sale of **RKANE** promissory notes and
6 gold certificates to members of the public, made an untrue statement of a material fact, in
7 violation of ORS 59.135 (2), by representing that they had the exclusive right to conduct gold
8 mining operations on approximately 5400 acres, including a Crown Lease of 3,700 acres.

9 46. Respondents, in connection with the sale of **RKANE** promissory notes and gold
10 certificates to members of the public, made an untrue statement of a material fact, in violation of
11 ORS 59.135 (2), by representing that they would be able to dramatically improve gold yields
12 through the use of purportedly innovative and proprietary processing technology.

13 47. Respondents, in connection with the offer and sale of **RKANE** promissory notes and
14 gold certificates to members of the public, made an untrue statement of a material fact, in
15 violation of ORS 59.135 (2), by representing that they had a contract to sell gold to three
16 European bullion banks.

17 48. Respondents, in connection with the sale of **RKANE** promissory notes and gold
18 certificates to members of the public, omitted to state a material fact necessary in order to make
19 all statements made, in the light of the circumstances under which they are made, not misleading,
20 in violation of ORS 59.135 (2), by failing to disclose that **PROUDFOOT** had previously been a
21 Respondent in two Cease and Desist Orders issued by the Director, and that, as a result of said
22 misconduct, the Director had revoked **PROUDFOOT**’s license to sell securities and expressly
23 ordered that he **CEASE AND DESIST** from (A) “offering for sale and/or selling securities
24 which are not registered with the State of Oregon”; (B) “selling securities unless licensed in this
25 State pursuant to the Oregon Securities Law”; (C) “employing any person to act as a salesperson
26 in this state without benefit of licensing.

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387





1 49. Respondents, in connection with the sale of **RKANE** promissory notes and gold
2 certificates to members of the public, omitted to state a material fact necessary in order to make
3 all statements made, in the light of the circumstances under which they are made, not misleading,
4 in violation of ORS 59.135 (2), by failing to disclose that **BLACK**'s license to practice law had
5 been suspended in 2002 by the Oregon State Bar as the result of violations of the Oregon Rules
6 of Professional Conduct governing attorneys, and had not been reinstated.

7 50. Respondents, in connection with the offer and sale of **RKANE** promissory notes and
8 gold certificates to members of the public, made an untrue statement of a material fact, in
9 violation of ORS 59.135 (2), by representing that an investment was very "liquid", and that an
10 investor could receive the full amount of their original investment upon thirty (30) days written
11 notice.

12 51. Respondents, in connection with the offer and sale of **RKANE** promissory notes and
13 gold certificates to members of the public, made an untrue statement of a material fact, in
14 violation of ORS 59.135 (2), by representing that the government of Canada had a strong interest
15 in the success of the mining venture, and was rendering substantial assistance to the project.

16 52. Respondents, in connection with the sale of **RKANE** promissory notes and gold
17 certificates to members of the public, omitted to state a material fact necessary in order to make
18 all statements made, in the light of the circumstances under which they are made, not misleading,
19 in violation of ORS 59.135 (2), by failing to disclose that the promissory notes and gold
20 certificates were not registered as securities with the Oregon Division of Finance and Corporate
21 Securities, as mandated by law.

22 53. Respondents, in connection with the offer and sale of **RKANE** promissory notes and
23 gold certificates to members of the public, omitted to state a material fact necessary in order to
24 make all statements made, in the light of the circumstances under which they are made, not
25 misleading, in violation of ORS 59.135 (2), by failing to disclose that the Respondents were not
26 licensed to sell securities in or from the State of Oregon, as required by law.

ORDER

Therefore, the Director **ORDERS** that:

54. Respondent **HATHAWAY** shall, pursuant to the authority contained in ORS 59.245, **CEASE AND DESIST** from engaging in the offer or sale of securities in violation of Oregon law, administrative rules, or the terms of this Order.

55. Respondent **HATHAWAY** is, pursuant to the authority contained in ORS 59.995, ordered to pay the sum of **FIFTY SIX THOUSAND DOLLARS** (\$56,000) as a civil penalty for all violations of ORS 59.055 described herein; **FIFTY SIX THOUSAND DOLLARS** (\$56,000) as a civil penalty for all violations of ORS 59.135 described herein; and **FIFTY SIX THOUSAND DOLLARS** (\$56,000) as a civil penalty for all violations of ORS 59.165 described herein, for a total civil penalty of **ONE HUNDRED SIXTY EIGHT THOUSAND DOLLARS** (\$168,000).

56. Respondent **HATHAWAY** is, pursuant to the authority contained in ORS 59.045, **DENIED** the use of any exemptions to securities registration requirements authorized by ORS 59.025 and ORS 59.035, until further Order of the Director.

IT IS SO ORDERED.

Dated this 17th day of February 2012 NUNC PRO TUNC October 26, 2011 at Salem, Oregon.

Patrick Allen, Director
Department of Consumer and Business Services
/s/ David Tatman
David C. Tatman, Administrator
Division Of Finance And Corporate Securities

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 578-4387

