



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

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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.<sup>1</sup>

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** solicited 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 Post  
21 Office Box 372, 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 all times material herein, licensed to sell securities in Oregon. **HATHAWAY**’s last known  
25 address is 11080 SW Lucas Drive, Tualatin, Oregon 97062.  
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<sup>1</sup> According to records maintained by the Oregon Judicial Information Network (OJIN), Washington County Circuit  
**PAGE 3-CONSENT ORDER TO CEASE AND DESIST, DENYING EXEMPTIONS, AND ASSESSING  
CIVIL PENALTIES AS TO KURT BLACK ONLY, NO. S-09-0013**

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

4 **Part Two: An Overview**

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

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

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

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

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

21 11. Purchasers of **RKANE** promissory notes and gold certificates had no role, direct or  
22 indirect, in the management or operation of **RKANE**, **RIMROCK**, and/or **THREE NINES**  
23 **MINERALS**, or any placer gold mine affiliated with these entities. Investors were entirely  
24 dependent on the purported expertise of the management of these entities, and their success at  
25 gold mining efforts, for repayment of their investment at the agreed upon terms.

26 \_\_\_\_\_  
Court Judge Marco Hernandez issued a warrant for Proudfoot’s arrest on March 30, 2009 (Case No. CO85604CW).  
<sup>2</sup> Placer mining seeks to obtain gold from relatively close to the earth’s surface.

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

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

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

17           19. The PLACER GOLD PROJECT booklet stated that the project employed  
18 experienced mining staff, who would use “*innovative and proprietary processing technology*”  
19 that “*have roots in hard rock mining and the oil and gas industry*” to prove the ground before  
20 mining, remove waste material, and recover fine gold. The promoters asserted that their  
21 “*vertically integrated, closed house operation for placer mining*” would avoid the need to  
22 outsource the processing and enrichment of gold. **RKANE**, **RIMROCK**, and **THREE NINES**  
23 **MINERALS** represented that their aim was to mine over \$1,500,000 or more in gold in the first  
24 month of operations, and that they had “*an agreement to sell gold to three European bullion*  
25 *banks*”, which was “*a truly extraordinary contract.*”  
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1           20. The PLACER GOLD PROJECT booklet contained a full-page management  
2 biography of **BLACK**, with particular attention to **BLACK**'s career as an attorney and pro tem  
3 Judge. The biography asserted that **BLACK**'s practice had an emphasis in business law.

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

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

21           23. **RKANE, RIMROCK, and THREE NINES MINERALS** compensated  
22 **PROUDFOOT** and **HATHAWAY** for their sales efforts. **PROUDFOOT** received a salary of  
23 \$10,000 per month. **HATHAWAY** was initially promised a percentage of gold mining profits,  
24 ranging from 1% to 3.65%, as compensation. This arrangement was subsequently altered  
25 because mining had not taken place, with the result that **HATHAWAY** ultimately received  
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1 \$56,000 in sales commissions. Though **BLACK** received a salary of \$5,000 per month, he was  
2 not separately compensated for sales efforts.

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

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

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

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

21 **PROUDFOOT** explained that the certificate entitled D-T to purchase \$50,000 of Three Nines  
22 mined gold at \$300 an ounce. D-T was told that he could sell the gold at the spot market price,  
23 then \$600 an ounce, which would yield a return in excess of \$100,000. (**PROUDFOOT**  
24 explained that since individuals are not permitted to sell raw gold bullion, D-T would have to use  
25 “connections” the “world-renowned” expert **PROUDFOOT** consulted with had to monetize the  
26 gold.)

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1 additional capital investment, and the issuer may be unable to raise additional funding on  
2 favorable terms.

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

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

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

20 34. Respondents, in connection with the sale of **RKANE** promissory notes and gold  
21 certificates to members of the public, failed to disclose that **PROUDFOOT** had previously been  
22 a Respondent in two Cease and Desist Orders issued by the Director, who concluded that  
23 **PROUDFOOT** had violated Oregon securities laws. Furthermore, Respondents failed to  
24 disclose that, as a result of said misconduct, the Director permanently revoked **PROUDFOOT**’s  
25 license to sell securities in 1991, and expressly ordered that he **CEASE AND DESIST** from (A)  
26 “offering for sale and/or selling securities which are not registered with the State of Oregon”; (B)



1 “selling securities unless licensed in this State pursuant to the Oregon Securities Law”; (C)  
2 “employing any person to act as a salesperson in this state without benefit of licensing.”

3 35. Respondents, in connection with the sale of **RKANE** promissory notes and gold  
4 certificates to members of the public, failed to disclose that **BLACK**’s license to practice law  
5 had been suspended in 2002 by the Oregon State Bar, and had not been reinstated.

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

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

18 38. Respondents, in connection with the sale of **RKANE** promissory notes and gold  
19 certificates to members of the public, failed 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 39. Respondents, in connection with the sale of **RKANE** promissory notes and gold  
23 certificates to members of the public, failed to disclose that they were not licensed to sell  
24 securities in or from the State of Oregon, as required by law.

### 25 CONCLUSIONS OF LAW

26 The Director **CONCLUDES** that:



1           40. The **RKANE** “promissory notes” and “gold certificates” constitute “securities”, as  
2 defined in ORS 59.015 (19) (a).

3           41. The **RKANE** securities were not registered with the Director prior to offer or sale, in  
4 violation of ORS 59.055.

5           42. The **RKANE** securities were offered for sale in or from the State of Oregon by  
6 unlicensed persons, in violation of ORS 59.165.

7           43. Respondents, in connection with the sale of **RKANE** promissory notes and gold  
8 certificates to members of the public, omitted to state a material fact necessary in order to make  
9 all statements made, in the light of the circumstances under which they are made, not misleading,  
10 in violation of ORS 59.135 (2), by failing to disclose reasonably foreseeable risks associated  
11 with an investment in a venture operating a yet-to-be operational gold mine in Canada. These  
12 risks include, but are not limited to, the fact that: (1) estimates of proven and probable gold  
13 reserves are highly uncertain, and the volume and grade of gold actually recovered may vary  
14 substantially from the issuer’s estimates; (2) increased operating costs, including higher  
15 expenditures for fuel, electricity, and labor, could affect the issuer’s profitability; (3) mine  
16 closure and remediation costs emanating from a finding of liability as the result of environmental  
17 harm may substantially exceed the issuer’s limited provisions for said occurrence; (4) mining  
18 operations transpiring in a foreign country may be subject to changes in laws, regulations, or  
19 permitting; (5) the issuer may be forced to rely, in whole or in part, on unaffiliated third parties  
20 to conduct mining operations, with the result that the inability to replace a contractor, and its  
21 operating equipment, may affect the issuer’s profitability; (6) mining activities may require  
22 additional capital investment, and the issuer may be unable to raise additional funding on  
23 favorable terms.

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

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

7 46. 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 they had a contract to sell gold to three  
10 European bullion banks.

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

21 48. Respondents, in connection with the sale of **RKANE** promissory notes and gold  
22 certificates to members of the public, omitted to state a material fact necessary in order to make  
23 all statements made, in the light of the circumstances under which they are made, not misleading,  
24 in violation of ORS 59.135 (2), by failing to disclose that **BLACK**'s license to practice law had  
25 been suspended in 2002 by the Oregon State Bar, and had not been reinstated.

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1           54. **BLACK** is, pursuant to the authority contained in ORS 59.995, ordered to pay the  
2 sum of **TWO HUNDRED FIFTY THOUSAND DOLLARS** (\$250,000) as a civil penalty for  
3 all violations of ORS 59.055, ORS 59.135, and ORS 59.165 described herein. Of this amount,  
4 the sum of **TWO HUNDRED TWENTY FIVE THOUSAND DOLLARS** (\$225,000) shall be  
5 **SUSPENDED** so long as Respondent does not violate the Oregon Securities Law and/or its  
6 accompanying administrative rules – or the terms of this Order - for a period of **NINE** (9)  
7 **YEARS** from the date of entry of this Order. (To the extent that Respondent is found to have  
8 committed any such violation, the entire sum of **TWO HUNDRED FIFTY THOUSAND**  
9 **DOLLARS** (\$250,000), minus amounts previously paid, shall be immediately due and owing).  
10 The remaining **TWENTY FIVE THOUSAND DOLLARS** (\$25,000) shall be paid in monthly  
11 installments of **TWO HUNDRED FIFTY DOLLARS** (\$250), due on the first (1<sup>st</sup>) calendar day  
12 of each month. (Time shall be deemed to be of the essence; receipt of any payment beyond the  
13 tenth (10<sup>th</sup>) calendar day of any month will be deemed to be a violation of this Order.)

14           55. **BLACK** is, pursuant to the authority contained in ORS 59.045, **DENIED** the use of  
15 any exemptions to securities registration requirements authorized by ORS 59.025 and ORS  
16 59.035, until further Order of the Director. Furthermore, any entities in which **BLACK** is,  
17 directly or through the use of an agent, a control person is, pursuant to the authority contained in  
18 ORS 59.045, **DENIED** the use of any exemptions to securities registration requirements  
19 authorized by ORS 59.025 and ORS 59.035, until further Order of the Director.

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1 **IT IS SO ORDERED.**

2  
3 Dated this 5th day of March, 2012 at Salem, Oregon.

4 Patrick M. Allen, Director  
5 Department of Consumer and Business Services

6 */s/ David Tatman*

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David C. Tatman, Administrator  
8 Division of Finance And Corporate Securities  
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**CONSENT TO ENTRY OF ORDER**

Respondent **KURT BLACK** states: that he has read the foregoing Order and fully understands the contents thereof; that he voluntarily, and without any force or duress, consents to the entry of this Order; that he voluntarily, and deliberately, has chosen not to retain counsel in connection with this matter; that he expressly withdraws any written request for a hearing he has filed in connection with this matter; that the Order contains the complete agreement of the parties, and that no additional promises or assurances have been made to him by the Director with respect to matters contained in the Order; that he has been, to the best of his knowledge, fully truthful in connection with representations he has made to the Director about his current financial circumstances; that he understands that the Director reserves the right to take action necessary to enforce this Order, or to take appropriate action upon discovery of other violations of the Oregon Securities Law and/or its accompanying administrative rules not described herein; that he understands that this Order is a public document; that he will fully comply with the terms and conditions of the Order; and that, if called upon to do so, he will testify fully and truthfully regarding the facts of this matter at any hearing conducted in response to a request submitted by another Respondent involved in this matter.

/s/ Kurt Black  
Kurt Black

Dated: 2-28-2012

/s/ Margaret Clark  
(Printed Name of Notary Public)  
Notary Public  
for the State of: OREGON  
My commission expires: April 12, 2015

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