

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

4 In the Matter of: ) No. S-09-0013  
5 )  
6 RKANE III, LLC, RIMROCK III, LTD., ) FINAL ORDER TO CEASE AND  
7 THREE NINES MINERALS, LTD., ) DESIST, DENYING EXEMPTIONS,  
8 HARRY PROUDFOOT III, FAMILY ) AND ASSESSING CIVIL PENALTIES  
9 BENEFITS USA, LLC, KURT BLACK, ) ENTERED AGAINST THREE NINES  
10 and LYLE HATHAWAY, ) MINERALS, LTD., FAMILY BENEFITS  
11 ) USA, LLC, AND HARRY PROUDFOOT  
12 ) III ONLY  
13 Respondents. )  
14 )  
15 )  
16 )  
17 )

12 WHEREAS, the Director of the Oregon Department of Consumer and Business Services  
13 (the "Director") issued an ORDER TO CEASE AND DESIST, DENYING EXEMPTIONS,  
14 AND ASSESSING CIVIL PENALTIES naming, among other parties, THREE NINES  
15 MINERALS, LTD. ("THREE NINES MINERALS"), FAMILY BENEFITS USA, LLC  
16 ("FAMILY BENEFITS USA"), AND HARRY PROUDFOOT III ("PROUDFOOT") as  
17 Respondents, on October 26, 2011 (the "Order");

18 WHEREAS, on November 4, 2011 THREE NINES MINERALS, FAMILY  
19 BENEFITS USA, and PROUDFOOT were duly served with a true copy of the Order and  
20 Notice by United States Mail, postage prepaid, and addressed to their last known addresses;

21 WHEREAS, on December 10, 2011 THREE NINES MINERALS, FAMILY  
22 BENEFITS USA, and PROUDFOOT submitted a timely written request for hearing to the  
23 Director;

24 WHEREAS, on April 8, 2013 the Administrative Law Judge assigned to this matter  
25 (Office of Administrative Hearings Case # 1202815) issued RULINGS ON MOTIONS FOR  
26 RECONSIDERATION AND SUMMARY DETERMINATION, AND PROPOSED

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1 **ORDER**, and informed **THREE NINES MINERALS, FAMILY BENEFITS USA**, and  
2 **PROUDFOOT** of their right to file exceptions to his Proposed Order, and present written  
3 argument in support of any exceptions, to the Director;

4 **WHEREAS**, the Director has not received any exceptions, and the time to present  
5 exceptions has now passed;

6 **WHEREAS**, the Director adopts and incorporates the Administrative Law Judge's  
7 Proposed Order into this **FINAL ORDER TO CEASE AND DESIST, DENYING**  
8 **EXEMPTIONS, AND ASSESSING CIVIL PENALTIES ENTERED AGAINST THREE**  
9 **NINES MINERALS, LTD., FAMILY BENEFITS USA, LLC, AND HARRY**  
10 **PROUDFOOT III ONLY**, subject only to modifications that do not alter the Findings of Fact or  
11 the basis or outcome of the Order;

12 **NOW THEREFORE**, the Director hereby issues the following Findings of Fact,  
13 Conclusions of Law, and Order:

14 **FINDINGS OF FACT**

15 The Director **FINDS** that:

16 **Part One: Involved Parties**

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

24 2. **RIMROCK** was a Nevada for-profit corporation (Nevada Secretary of State Business  
25 Registry # NV20051274345) incorporated on March 14, 2005. **RIMROCK**, which served as  
26 manager of **RKANE**, raised funds on behalf of **RKANE** from Oregon residents through the offer

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1 and sale of “promissory notes” and “gold certificates.” **RIMROCK** was not, during all times  
2 material herein, licensed to sell securities in Oregon. **RIMROCK** was controlled by  
3 **PROUDFOOT** and **BLACK**. Its last known address is Post Office Box 50729, Henderson,  
4 Nevada 89016.

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

13 4. **PROUDFOOT** was involved in the formation and/or management of **RKANE**,  
14 **RIMROCK**, and **THREE NINES MINERALS**. **PROUDFOOT** owned 33% of the  
15 membership units of **RKANE**. **PROUDFOOT** raised funds on behalf of **RKANE** through the  
16 offer and sale of “promissory notes” and “gold certificates” to Oregon residents. **PROUDFOOT**  
17 was not, during all times material herein, licensed to sell securities in Oregon. (The Director  
18 permanently revoked **PROUDFOOT**’s license to sell securities in 1991.) **PROUDFOOT**’s last  
19 known address is #9 Fox Chase Drive, Mount Vernon, Ohio 43050.<sup>1</sup>

20 5. **FAMILY BENEFITS USA** was a manager-managed Nevada limited liability  
21 company (Nevada Secretary of State Business Registry # NV20001085538) formed on  
22 September 1, 2000. **PROUDFOOT** owned 100% of the membership units of **FAMILY**  
23 **BENEFITS USA**. **FAMILY BENEFITS USA** raised funds, purportedly on behalf of **RKANE**,  
24 from Oregon residents through the offer and sale of “promissory notes” and “gold certificates.”  
25 **FAMILY BENEFITS USA** was not, during all times material herein, licensed to sell securities

26

<sup>1</sup> 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).  
**PAGE 3- THREE NINES MINERALS, LTD., FAMILY BENEFITS USA, LLC, AND HARRY PROUDFOOT III FINAL CEASE AND DESIST ORDER NO. S-09-0013**



1 in Oregon. **FAMILY BENEFITS USA** was controlled by **PROUDFOOT**. Its last known  
2 address is 944 Mesquite Springs Drive #102, Mesquite, Nevada 89016.

3 6. **BLACK** was involved in the formation and/or management of **RKANE**,  
4 **RIMROCK**, and **THREE NINES MINERALS**. **BLACK** owned 33% of the membership units  
5 of **RKANE**. **BLACK** raised funds on behalf of **RKANE** through the offer and sale of  
6 “promissory notes” and “gold certificates” to Oregon residents. **BLACK** was not, during all  
7 times material herein, licensed to sell securities in Oregon. **BLACK**’s last known address is Post  
8 Office Box 372, Enterprise, Oregon 97828.

9 7. **HATHAWAY** raised funds on behalf of **RKANE** through the offer and sale of  
10 “promissory notes” and “gold certificates” to Oregon residents. **HATHAWAY** was not, during  
11 all times material herein, licensed to sell securities in Oregon. **HATHAWAY**’s last known  
12 address is 11301 SE 10<sup>th</sup> Street, Vancouver, Washington 98664.

### 13 **Part Two: An Overview**

14 8. **RKANE** raised approximately \$2,600,000 from 158 investors between 2004-2007 for  
15 the purpose of developing and operating a placer gold mine in British Columbia, Canada.<sup>2</sup>  
16 **RKANE**, **RIMROCK**, and **THREE NINES MINERALS** represented that they had the  
17 exclusive right to mine for gold on a large tract near Manson Creek, British Columbia, Canada.

18 9. **RKANE**, **RIMROCK**, and **THREE NINES MINERALS** raised funds through the  
19 sale of **RKANE** “promissory notes” and “gold certificates” to members of the public. Investors  
20 would usually, but not uniformly, receive a promissory note bearing a face value of 50% of their  
21 investment, along with a gold certificate bearing a value equivalent to 50% of their investment.  
22 (In some instances, the above percentages varied; in others, an investor did not receive a gold  
23 certificate.) An **RKANE** promissory note matured five (5) years after issuance, and bore interest  
24 consisting of “*five percent of one percent of the net profits before taxes, of the mining... or*  
25 *interest [on the principal amount] at the rate of five (5%) percent, whichever is more.*” **RKANE**  
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<sup>2</sup> Placer mining seeks to obtain gold from relatively close to the earth’s surface.



1 represented that it would commence payment of interest two (2) years from the date of the note.  
2 By contrast, an **RKANE** gold certificate granted the holder the right to receive a specifically  
3 enumerated sum of troy ounces of gold at a date certain (often, but not uniformly, six months  
4 after the date of investment).

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

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

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

### 24 **Part Three: The Sales Process**

25 13. Prospective investors were typically first contacted by **HATHAWAY**.  
26 **HATHAWAY** reached out to personal acquaintances, and acquaintances of existing investors,



1 over the telephone and asked “Are you open to learning about a way to make some extra  
2 money?” Preferring to avoid describing details about the opportunity on the phone,  
3 **HATHAWAY** suggested that interested individuals meet with him in person.

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

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

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

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

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 18. 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 19. 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 20. **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 21. **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 22. 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 23. **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 24. **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 25. **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

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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 26. 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 27. 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 28. 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 29. 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



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 30. 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 31. 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 32. 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 33. 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



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 34. 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 35. 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 36. 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 37. 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 certificates were not registered as securities with the Oregon Division of Finance and Corporate



1 Securities, as mandated by law.

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

5 **CONCLUSIONS OF LAW**

6 The Director **CONCLUDES** that:

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

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

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

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

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1 operating equipment, may affect the issuer’s profitability; (6) mining activities may require  
2 additional capital investment, and the issuer may be unable to raise additional funding on  
3 favorable terms.

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

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

12 45. 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 they had a contract to sell gold to three  
15 European bullion banks.

16 46. 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 **PROUDFOOT** had previously been a  
20 Respondent in two Cease and Desist Orders issued by the Director, and that, as a result of said  
21 misconduct, the Director had revoked **PROUDFOOT**’s license to sell securities and expressly  
22 ordered that he **CEASE AND DESIST** from (A) “offering for sale and/or selling securities  
23 which are not registered with the State of Oregon”; (B) “selling securities unless licensed in this  
24 State pursuant to the Oregon Securities Law”; (C) “employing any person to act as a salesperson  
25 in this state without benefit of licensing.

26 47. Respondents, in connection with the sale of **RKANE** promissory notes and gold



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

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

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

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

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

26

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**ORDER**

1  
2 Therefore, the Director **ORDERS** that:

3           52. Respondents **THREE NINES MINERALS, FAMILY BENEFITS USA**, and  
4 **PROUDFOOT** shall, pursuant to the authority contained in ORS 59.245, **CEASE AND**  
5 **DESIST** from engaging in the offer or sale of securities in violation of Oregon law,  
6 administrative rules, or the terms of this Order.

7           53. Respondent **THREE NINES MINERALS** is, pursuant to the authority contained in  
8 ORS 59.995, ordered to pay, jointly and severally with **RKANE** and **RIMROCK**, the sum of  
9 **ONE HUNDRED FIFTY EIGHT THOUSAND DOLLARS** (\$158,000) as a civil penalty for  
10 all violations of ORS 59.055 described herein; **ONE HUNDRED FIFTY EIGHT THOUSAND**  
11 **DOLLARS** (\$158,000) as a civil penalty for all violations of ORS 59.135 described herein; and  
12 **ONE HUNDRED FIFTY EIGHT THOUSAND DOLLARS** (\$158,000) as a civil penalty for  
13 all violations of ORS 59.165 described herein, for a total civil penalty of **FOUR HUNDRED**  
14 **SEVENTY FOUR THOUSAND DOLLARS** (\$474,000).

15           54. Respondents **PROUDFOOT** and **FAMILY BENEFITS USA** are, pursuant to the  
16 authority contained in ORS 59.995, ordered, jointly and severally, to pay the sum of **ONE**  
17 **HUNDRED FIFTY EIGHT THOUSAND DOLLARS** (\$158,000) as a civil penalty for all  
18 violations of ORS 59.055 described herein; **ONE HUNDRED FIFTY EIGHT THOUSAND**  
19 **DOLLARS** (\$158,000) as a civil penalty for all violations of ORS 59.135 described herein; and  
20 **ONE HUNDRED FIFTY EIGHT THOUSAND DOLLARS** (\$158,000) as a civil penalty for  
21 all violations of ORS 59.165 described herein, for a total civil penalty of **FOUR HUNDRED**  
22 **SEVENTY FOUR THOUSAND DOLLARS** (\$474,000).

23           55. **THREE NINES MINERALS**, and **FAMILY BENEFITS USA**, and any successors  
24 or assigns, are, pursuant to the authority contained in ORS 59.045, **DENIED** the use of any  
25 exemptions to securities registration requirements authorized by ORS 59.025 and ORS 59.035,  
26 until further Order of the Director. Furthermore, **PROUDFOOT** and any entity in which he is,

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1 directly or through the use of agents, a control person, is, pursuant to the authority contained in  
2 ORS 59.045, **DENIED** the use of any exemptions to securities registration requirements  
3 authorized by ORS 59.025 and ORS 59.035, until further Order of the Director.

4 **IT IS SO ORDERED.**

5 Dated this 17th day of June 2013 at Salem, Oregon.

6  
7 Patrick M. Allen, Director  
8 Department of Consumer and Business Services

9 */s/ David Tatman*  
10 \_\_\_\_\_  
11 David C. Tatman, Administrator  
12 Division Of Finance And Corporate Securities  
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