

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

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

12 WHEREAS, the Director of the Department of Consumer and Business Services for the
13 State of Oregon (hereafter “the Director”), acting pursuant to the authority contained in ORS
14 59.005 *et seq.*, the Oregon Securities Law, has conducted an investigation into the activities of
15 RKANE III, LLC (“RKANE”), RIMROCK III, LTD. (“RIMROCK”), THREE NINES
16 MINERALS, LTD. (“THREE NINES”), HARRY PROUDFOOT III (“PROUDFOOT”),
17 FAMILY BENEFITS USA, LLC (“FAMILY BENEFITS USA”), KURT BLACK
18 (“BLACK”), and LYLE HATHAWAY (“HATHAWAY”);

19 WHEREAS, the Director issued an ORDER TO CEASE AND DESIST, DENYING
20 EXEMPTIONS, AND ASSESSING CIVIL PENALTIES, naming the above noted parties as
21 Respondents, on October 26, 2011 (hereafter “the Order”);

22 WHEREAS, on November 4, 2011 RKANE III, LLC was duly served with a true copy
23 of the Order and Notice by United States Mail, postage prepaid, and addressed to Respondent
24 RKANE III, LLC at the following last known address: Post Office Box 50729, Henderson,
Nevada 89016. This mailing was not returned to the sender.

25 WHEREAS, on November 4, 2011 RKANE III, LLC was duly served with a true copy
26 of the Order and Notice by certified United States Mail (Item #7008 1830 0003 3147 2638),





1 postage prepaid, and addressed to Respondent **RKANE III, LLC** at the following last known
2 address: Post Office Box 50729, Henderson, Nevada 89016. On November 27, 2011 the United
3 States Post Office returned this mailing to the sender, marked “Unclaimed.”

4 **WHEREAS**, on November 4, 2011 **RIMROCK III, LTD.** was duly served with a true
5 copy of the Order and Notice by United States Mail, postage prepaid, and addressed to
6 Respondent **RIMROCK III, LTD.** at the following last known address: Post Office Box 50729,
7 Henderson, Nevada 89016. This mailing was not returned to the sender.

8 **WHEREAS**, on November 4, 2011 **RIMROCK III, LTD.** was duly served with a true
9 copy of the Order and Notice by certified United States Mail (Item #7008 1830 0003 3147
10 2645), postage prepaid, and addressed to Respondent **RIMROCK III, LTD.** at the following
11 last known address: Post Office Box 50729, Henderson, Nevada 89016. On November 27, 2011
12 the United States Post Office returned this mailing to the sender, marked “Unclaimed.”

13 Respondents **RKANE III, LLC**, and **RIMROCK III, LTD.** have not made a written
14 request for a contested case hearing in this matter and the time to do so has expired.

15 **NOW THEREFORE**, after consideration of the Investigation Reports and
16 accompanying exhibits compiled in this matter, the Director hereby issues the following
17 Findings of Fact, Conclusions of Law, and Final Order:

18 **FINDINGS OF FACT**

19 The Director **FINDS** that:

20 **Part One: Involved Parties**

21 1. **RKANE** was a manager-managed Nevada limited liability company (Nevada
22 Secretary of State Business Registry # NV20051273891) formed on March 14, 2005. **RKANE**
23 raised funds, through the offer and sale of “promissory notes” and “gold certificates” to Oregon
24 residents, for the purported purpose of developing and operating a gold mine in British
25 Columbia, Canada. **RKANE** was not, during all times material herein, licensed to sell securities
26



1 in Oregon. **RKANE** was controlled by **PROUDFOOT** and **BLACK**. Its last known address is
2 Post Office Box 50729, Henderson, Nevada 89016.

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

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

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

25

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

3 10. **RKANE, RIMROCK, and THREE NINES MINERALS** raised funds through the
4 sale of **RKANE** “promissory notes” and “gold certificates” to members of the public. Investors
5 would usually, but not uniformly, receive a promissory note bearing a face value of 50% of their
6 investment, along with a gold certificate bearing a value equivalent to 50% of their investment.
7 (In some instances, the above percentages varied; in others, an investor did not receive a gold
8 certificate.) An **RKANE** promissory note matured five (5) years after issuance, and bore interest
9 consisting of “*five percent of one percent of the net profits before taxes, of the mining... or*
10 *interest [on the principal amount] at the rate of five (5%) percent, whichever is more.*” **RKANE**
11 represented that it would commence payment of interest two (2) years from the date of the note.
12 By contrast, an **RKANE** gold certificate granted the holder the right to receive a specifically
13 enumerated sum of troy ounces of gold at a date certain (often, but not uniformly, six months
14 after the date of investment).

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

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

25 13. **BLACK** was in charge of mining-related operations for **RKANE, RIMROCK, and**
26 **THREE NINES MINERALS**. In addition, **BLACK** was the primary author of all versions of

1 written materials given to prospective investors. Furthermore, on at least two occasions **BLACK**
2 engaged in the offer and/or sale of **RKANE** promissory notes and gold certificates to Oregon
3 residents.

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

13 **Part Three: The Sales Process**

14 15. Prospective investors were typically first contacted by **HATHAWAY**.
15 **HATHAWAY** reached out to personal acquaintances, and acquaintances of existing investors,
16 over the telephone and asked “Are you open to learning about a way to make some extra
17 money?” Preferring to avoid describing details about the opportunity on the phone,
18 **HATHAWAY** suggested that interested individuals meet with him in person.

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

24 17. The PLACER GOLD PROJECT booklet was the only document prospective
25 investors received before making an investment. By way of example, the August 2006 version
26 consisted of a two-page executive summary, a nine-page description of the property to be mined





1 and the process **RKANE, RIMROCK, and THREE NINES MINERALS** claimed would be
2 used to do so, management biographies for **PROUDFOOT** and **BLACK**, and a description of
3 certain financial assumptions.

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

9 19. The PLACER GOLD PROJECT booklet stated that the project employed
10 experienced mining staff, who would use “*innovative and proprietary processing technology*”
11 that “*have roots in hard rock mining and the oil and gas industry*” to prove the ground before
12 mining, remove waste material, and recover fine gold. The promoters asserted that their
13 “*vertically integrated, closed house operation for placer mining*” would avoid the need to
14 outsource the processing and enrichment of gold. **RKANE, RIMROCK, and THREE NINES**
15 **MINERALS** represented that their aim was to mine over \$1,500,000 or more in gold in the first
16 month of operations, and that they had “*an agreement to sell gold to three European bullion*
17 *banks*”, which was “*a truly extraordinary contract.*”

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

21 21. When prospective investors who had met with **HATHAWAY** and read the PLACER
22 GOLD PROJECT booklet attended a meeting with **HATHAWAY** and **PROUDFOOT**,
23 **PROUDFOOT** would tout the extraordinary returns anticipated from mining operations.
24 **PROUDFOOT** made numerous and varied representations to prospective investors during these
25 sessions. For example, **PROUDFOOT** told one prospective investor that her investment was
26 very “liquid”, and that she – or any other investor in the project – could receive the full amount



1 of her original investment upon thirty (30) days written notice. **PROUDFOOT** told another
2 investor that the Canadian government was rendering substantial assistance to the gold mining
3 project, as it had a strong interest in the success of the venture.

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

12 23. **RKANE, RIMROCK, and THREE NINES MINERALS** compensated
13 **PROUDFOOT** and **HATHAWAY** for their sales efforts. **PROUDFOOT** received a salary of
14 \$10,000 per month. **HATHAWAY** was initially promised a percentage of gold mining profits,
15 ranging from 1% to 3.65%, as compensation. This arrangement was subsequently altered
16 because mining had not taken place, with the result that **HATHAWAY** ultimately received
17 \$56,000 in sales commissions. Though **BLACK** received a salary of \$5,000 per month, he was
18 not separately compensated for sales efforts.

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

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

24 25. **PROUDFOOT** told D-T that he represented “Three Nines”, which planned to engage
25 in surface mining for gold approximately 100 miles north of McKenzie, British Columbia.
26 **PROUDFOOT** claimed that Three Nines held an indefinite lease on a substantial sized tract



1 from the Canadian government. **PROUDFOOT** asserted that Three Nines had assayed 21,000
2 tons of placer rock on the parcel, and found it to contain much gold. Furthermore,
3 **PROUDFOOT** told D-T that he took samples of dirt from various locations on the property to
4 “one of the world’s foremost experts in gold mining”, who told him it was rich with coarse gold.

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

9 27. **PROUDFOOT** told D-T that if he invested \$100,000 he would receive a return of at
10 least \$100,000 at the end of the first year, though it was possible that he would receive a higher
11 amount, a sum of up to \$300,000. **PROUDFOOT** told D-T that the return on his investment,
12 based on a percentage of mining profits, would rise substantially after the first few years, as
13 Three Nines produced increasing quantities of gold. Concurrently, **PROUDFOOT** said, D-T
14 would also receive a gold certificate, valued at half of his initial investment, or \$50,000.
15 **PROUDFOOT** explained that the certificate entitled D-T to purchase \$50,000 of Three Nines
16 mined gold at \$300 an ounce. D-T was told that he could sell the gold at the spot market price,
17 then \$600 an ounce, which would yield a return in excess of \$100,000. (**PROUDFOOT**
18 explained that since individuals are not permitted to sell raw gold bullion, D-T would have to use
19 “connections” the “world-renowned” expert **PROUDFOOT** consulted with had to monetize the
20 gold.)

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

26



1 Respondents asserted they would be mining *“the largest placer properties in British Columbia.”*
2 In point of fact, according to official records maintained by the British Columbia Ministry of
3 Energy and Mines, **RKANE** only held Crown claims in good standing (Tenure ID #519696,
4 #519697, and #533993) totaling 224 acres (91 hectares) between 2004-2007.

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

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

15 35. Respondents, in connection with the sale of **RKANE** promissory notes and gold
16 certificates to members of the public, failed to disclose that **PROUDFOOT** had previously been
17 a Respondent in two Cease and Desist Orders issued by the Director, who concluded that
18 **PROUDFOOT** had violated Oregon securities laws. Furthermore, Respondents failed to
19 disclose that, as a result of said misconduct, the Director permanently revoked **PROUDFOOT**’s
20 license to sell securities in 1991, and expressly ordered that he **CEASE AND DESIST** from (A)
21 *“offering for sale and/or selling securities which are not registered with the State of Oregon”*; (B)
22 *“selling securities unless licensed in this State pursuant to the Oregon Securities Law”*; (C)
23 *“employing any person to act as a salesperson in this state without benefit of licensing.”*

24 36. Respondents, in connection with the sale of **RKANE** promissory notes and gold
25 certificates to members of the public, failed to disclose that **BLACK**’s license to practice law
26

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350 Winter Street NE, Suite 410
Salem, OR 97301-5888
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1 had been suspended in 2002 by the Oregon State Bar as the result of violations of the Oregon
2 Rules of Professional Conduct governing attorneys, and had not been reinstated.

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

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

15 39. Respondents, in connection with the sale of **RKANE** promissory notes and gold
16 certificates to members of the public, failed to disclose that the promissory notes and gold
17 certificates were not registered as securities with the Oregon Division of Finance and Corporate
18 Securities, as mandated by law.

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

22 CONCLUSIONS OF LAW

23 The Director **CONCLUDES** that:

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

26



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

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

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

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

26



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

5 47. 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 a contract to sell gold to three
8 European bullion banks.

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

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

25 50. Respondents, in connection with the offer and sale of **RKANE** promissory notes and
26 gold certificates to members of the public, made an untrue statement of a material fact, in



1 violation of ORS 59.135 (2), by representing that an investment was very “liquid”, and that an
2 investor could receive the full amount of their original investment upon thirty (30) days written
3 notice.

4 51. 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 the government of Canada had a strong interest
7 in the success of the mining venture, and was rendering substantial assistance to the project.

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

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

19 **ORDER**

20 Therefore, the Director **ORDERS** that:

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

24 55. Respondents **RKANE** and **RIMROCK** are, pursuant to the authority contained in
25 ORS 59.995, ordered, jointly and severally, to pay the sum of **ONE HUNDRED FIFTY**
26 **EIGHT THOUSAND DOLLARS** (\$158,000) as a civil penalty for all violations of ORS

1 59.055 described herein; **ONE HUNDRED FIFTY EIGHT THOUSAND DOLLARS**
2 (\$158,000) as a civil penalty for all violations of ORS 59.135 described herein; and **ONE**
3 **HUNDRED FIFTY EIGHT THOUSAND DOLLARS** (\$158,000) as a civil penalty for all
4 violations of ORS 59.165 described herein, for a total civil penalty of **FOUR HUNDRED**
5 **SEVENTY FOUR THOUSAND DOLLARS** (\$474,000).

6 56. **RKANE, RIMROCK**, and any successors or assigns, are, pursuant to the authority
7 contained in ORS 59.045, **DENIED** the use of any exemptions to securities registration
8 requirements authorized by ORS 59.025 and ORS 59.035, until further Order of the Director.

9 **IT IS SO ORDERED.**

10

11 Dated this 9th day of February 2012 NUNC PRO TUNC October 26, 2011 at Salem, Oregon.

12

Patrick M. Allen, Acting Director
Department of Consumer and Business Services
/s/ David Tatman

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David C. Tatman, Administrator
Division Of Finance And Corporate Securities

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