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BEFORE THE ARIZONA CORPORATION COMMISSION

AZ CORP COMMISSION  
DOCKET CONTROL

COMMISSIONERS

DOUG LITTLE - Chairman  
BOB STUMP  
BOB BURNS  
TOM FORESE  
ANDY TOBIN

2016 JUL 1 AM 10 24

In the matter of: )  
 Robert J. Moss and Jennifer L. Moss, husband )  
 and wife, )  
 The Fortitude Foundation, an Arizona )  
 corporation, )  
 Ventures 7000, LLC, an Oklahoma limited )  
 liability company, )  
 Jeffrey D. McHatton and Starla T. McHatton, )  
 husband and wife, )  
 Robert D. Sproat and Jane Doe Sproat, )  
 husband and wife, )  
 Kevin Krause and Jane Doe Krause, husband )  
 and wife, and )  
 Vernon R. Twyman, Jr., a single man, )  
 Respondents. )

DOCKET NO. S-20953A-16-0061

**SECURITIES DIVISION'S MOTION FOR  
LEAVE TO FILE AMENDED  
TEMPORARY ORDER TO CEASE AND  
DESIST AND NOTICE OF  
OPPORTUNITY FOR HEARING**

Arizona Corporation Commission

**DOCKETED**

**JUL 1 2016**

DOCKETED BY	<i>JK</i>
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Pursuant to R14-3-106(E), the Securities Division ("Division") of the Arizona Corporation Commission ("Commission") respectfully moves for an order granting it leave to file its proposed Amended Temporary Order to Cease and Desist and Notice of Opportunity for Hearing ("Amended TC & D"). A copy of the proposed Amended TC & D is attached as Exhibit 1. Attached as Exhibit 2 is a redline showing how the text of the Amended TC & D differs from that of the original Temporary Order to Cease and Desist and Notice of Opportunity filed on February 23, 2016 ("Original TC & D").

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

COMMISSIONERS

DOUG LITTLE - Chairman  
BOB STUMP  
BOB BURNS  
TOM FORESE  
ANDY TOBIN

In the matter of:  
Robert J. Moss and Jennifer L. Moss, husband and wife,  
The Fortitude Foundation, an Arizona corporation,  
Ventures 7000, LLC, an Oklahoma limited liability company,  
Jeffrey D. McHatton and Starla T. McHatton, husband and wife,  
Robert D. Sproat and Jane Doe Sproat, husband and wife,  
Kevin Krause and Jane Doe Krause, husband and wife, and  
Vernon R. Twyman, Jr., a single man,  
Respondents.

DOCKET NO. S-20953A-16-0061  
**SECURITIES DIVISION’S MOTION FOR LEAVE TO FILE AMENDED TEMPORARY ORDER TO CEASE AND DESIST AND NOTICE OF OPPORTUNITY FOR HEARING**

Pursuant to R14-3-106(E), the Securities Division (“Division”) of the Arizona Corporation Commission (“Commission”) respectfully moves for an order granting it leave to file its proposed Amended Temporary Order to Cease and Desist and Notice of Opportunity for Hearing (“Amended TC & D”). A copy of the proposed Amended TC & D is attached as Exhibit 1. Attached as Exhibit 2 is a redline showing how the text of the Amended TC & D differs from that of the original Temporary Order to Cease and Desist and Notice of Opportunity filed on February 23, 2016 (“Original TC & D”).



1 and has been set for a hearing;<sup>2</sup> at the beginning,<sup>3</sup> during,<sup>4</sup> and at the close of trial;<sup>5</sup> after a judgment  
 2 has been entered;<sup>6</sup> and even on remand following an appeal<sup>7</sup>). “It would be unreasonable to restrict  
 3 a party’s ability to amend to a particular stage of the action inasmuch as the need to amend may not  
 4 appear until after discovery has been completed or testimony has been taken at trial.” 6 Wright &  
 5 Miller, *Federal Practice & Procedure* § 1488.

## 6 **II. The Division Should Be Granted Leave To File Its Amended TC & D.**

7 The proposed Amended TC & D, among other things:

- 8 • Alleges that Respondent Kevin Krause is a married man, names his “Jane Doe” spouse, and  
 9 seeks to determine the liability of his marital community for his alleged violations of the  
 10 Securities Act, A.R.S. § 44-1801 *et seq.* (“Act”);
- 11 • Increases the number of investors to whom Respondents allegedly sold securities in violation  
 12 of the Act from eight to ten investors;
- 13 • Decreases the amount of restitution Respondents allegedly owe from \$1,223,800 to  
 14 \$1,192,175;
- 15 • Alleges that Respondent Kevin Krause has a prior Commission Order against him for  
 16 securities fraud dated February 2, 2006, Decision No. 68461, which he and the other  
 17 Respondents failed to disclose to investors; and
- 18 • Alleges an additional investment scam, this one involving a purported African diamond,  
 19 which Respondents perpetrated against the tenth investor in October 2014.

22 <sup>2</sup> *State Federal Sav. & Loan Ass’n of Lubbock v. Campbell*, 848 F.2d 1186, 1189 (11<sup>th</sup> Cir. 1988)  
 (trial court properly permitted party to amend counterclaim three days before trial).

23 <sup>3</sup> *Seifert v. Solem*, 387 F.2d 925, 929 (7<sup>th</sup> Cir. 1967) (trial court properly granted plaintiff leave to  
 24 amend his complaint on the first day of trial to include a claim for exemplary damages).

25 <sup>4</sup> *Zatina v. Greyhound Lines, Inc.*, 442 F.2d 238, 242-43 (8<sup>th</sup> Cir. 1971) (trial court properly allowed  
 26 amendment at close of testimony).

<sup>5</sup> *Ford v. Burke*, 529 F. Supp. 373, 379 (N.D. N.Y. 1982) (granting motion to amend at the close of  
 the evidence).

<sup>6</sup> *Newark Branch, N.A.A.C.P. v. Town of Harrison, N.J.*, 907 F.2d 1408, 1417 (3<sup>d</sup> Cir. 1990).

<sup>7</sup> *Modrey v. American Gage & Mach. Co.*, 478 F.2d 470, 473 n.4 (2<sup>d</sup> Cir. 1973).



1 ORIGINAL and 6 copies of the foregoing  
2 filed this 1<sup>st</sup> day of July, 2016, with:

3 Docket Control  
4 Arizona Corporation Commission  
5 1200 W. Washington St.  
6 Phoenix, AZ 85007

7 COPY of the foregoing hand-delivered  
8 this 1<sup>st</sup> day of July, 2016, to:

9 The Honorable Marc E. Stern  
10 Administrative Law Judge  
11 Arizona Corporation Commission  
12 1200 W. Washington St.  
13 Phoenix, AZ 85007

14 COPIES of the foregoing sent via U.S. Mail  
15 this 1<sup>st</sup> day of July, 2016, to:

16 Jeffrey D. McHatton and Starla T. McHatton, and The Fortitude Foundation  
17 P.O. Box 1983  
18 Higley, Arizona 85236

19 Robert J. Moss and Jennifer L. Moss  
20 125 West Baylor Lane  
21 Gilbert, AZ 85233  
22 Respondents Pro Se

23 Kevin H. Krause and Jane Doe Krause  
24 4245 E. Cielo Azul  
25 Tucson AZ 85711  
26 Respondents Pro Se

Ventures 7000, LLC  
C/O Vernon Twyman, Jr., Manager  
11063D S. Memorial Drive, Suite 320  
Tulsa, Oklahoma 74133



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# Exhibit 1

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 DOUG LITTLE - Chairman  
4 BOB STUMP  
5 BOB BURNS  
6 TOM FORESE  
ANDY TOBIN

7 In the matter of:	)	DOCKET NO. S-20953A-16-0061
8 Robert J. Moss and Jennifer L. Moss, husband and wife,	)	<b>AMENDED TEMPORARY ORDER TO CEASE AND DESIST AND NOTICE OF OPPORTUNITY FOR HEARING</b>
9 The Fortitude Foundation, an Arizona corporation,	)	
10 Ventures 7000, LLC, an Oklahoma limited liability company,	)	
11 Jeffrey D. McHatton and Starla T. McHatton, husband and wife,	)	
12 Robert D. Sproat and Jane Doe Sproat, husband and wife,	)	
13 Kevin Krause and Jane Doe Krause, husband and wife, and	)	
14 Vernon R. Twyman, Jr., a single man,	)	
15 Respondents.	)	

16  
17  
18  
19 **NOTICE: THIS ORDER IS EFFECTIVE IMMEDIATELY**  
20 **EACH RESPONDENT HAS 20 DAYS TO REQUEST A HEARING**  
21 **EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER**

22 The Securities Division ("Division") of the Arizona Corporation Commission  
23 ("Commission") alleges that respondents ROBERT J. MOSS, THE FORTITUDE FOUNDATION  
24 and VENTURES 7000, LLC are engaging in or are about to engage in, and that respondents  
25 JEFFREY D. MCHATTON, ROBERT SPROAT, KEVIN KRAUSE and VERNON R.  
26 TWYMAN, JR., have engaged in, acts and practices that constitute violations of A.R.S. § 44-1801,

1 *et seq.*, the Arizona Securities Act (“Securities Act”), and that the public welfare requires immediate  
2 action.

3 **I.**

4 **JURISDICTION**

5 1. The Commission has jurisdiction over this matter pursuant to Article XV of the  
6 Arizona Constitution and the Securities Act.

7 **II.**

8 **RESPONDENTS**

9 2. Respondent ROBERT J. MOSS (“MOSS”) has been a director and/or trustee, or held  
10 himself out as being a director and/or trustee, of Respondent THE FORTITUDE FOUNDATION,  
11 an Arizona non-profit corporation, since at least June 21, 2012. Since at least that date, MOSS has  
12 resided in Arizona.

13 3. Since at least July 9, 2013, MOSS also has been a director of Respondent  
14 VENTURES 7000, LLC, an Oklahoma limited liability company.

15 4. MOSS has not been registered by the Commission as a securities salesman or dealer.

16 5. Upon information and belief, since at least June 21, 2012, MOSS has been a married  
17 man, JENNIFER L. MOSS has been his spouse, and MOSS has acted for his own benefit and for the  
18 benefit or in furtherance of his marital community. JENNIFER L. MOSS is joined in this action under  
19 A.R.S. § 44-2031(C) solely for purposes of determining the liability of the marital community.

20 6. Respondent THE FORTITUDE FOUNDATION (“TFF”) is an Arizona non-profit  
21 corporation formerly known as Charles E. McHatton Ministries, Inc., which was incorporated on April  
22 10, 1992. Since at least 1996, TFF has listed business addresses in Cave Creek, Glendale, Phoenix,  
23 Mesa, and Higley, Arizona. TFF has not been registered by the Commission as a securities salesman  
24 or dealer.

1           7.       Respondent VENTURES 7000, LLC (“VENTURES 7000”) is an Oklahoma limited  
2 liability company based in Tulsa, Oklahoma that was organized on May 16, 2011. VENTURES  
3 7000 has not been registered by the Commission as a securities salesman or dealer.

4           8.       Respondent JEFFREY D. MCHATTON (“MCHATTON”) has been a director of  
5 TFF since January 1, 2001, and TFF’s President since January 31, 2008. Since at least June 21,  
6 2012, MCHATTON has resided in Arizona. MCHATTON has not been registered by the  
7 Commission as a securities salesman or dealer.

8           9.       Upon information and belief, since at least June 21, 2012, MCHATTON has been a  
9 married man, STARLA T. MCHATTON has been his spouse, and MCHATTON has acted for his  
10 own benefit and for the benefit or in furtherance of his marital community. STARLA T.  
11 MCHATTON is joined in this action under A.R S. § 44-2031(C) solely for purposes of determining  
12 the liability of the marital community.

13           10.      Respondent ROBERT B. SPROAT (“SPROAT”) has been a director and/or trustee,  
14 or held himself out as being a director and/or trustee, of TFF since at least June 21, 2012. Since at  
15 least that date, SPROAT has resided in Arizona. SPROAT has not been registered by the  
16 Commission as a securities salesman or dealer.

17           11.      Upon information and belief, since at least June 21, 2012, SPROAT has been a  
18 married man, JANE DOE SPROAT has been his spouse, and SPROAT has acted for his own benefit  
19 and for the benefit or in furtherance of his marital community. JANE DOE SPROAT is joined in this  
20 action under A.R S. § 44-2031(C) solely for purposes of determining the liability of the marital  
21 community.

22           12.      Respondent KEVIN KRAUSE has acted as a securities salesman for TFF and  
23 received at least one sales commission payment on May 23, 2013. Upon information and belief,  
24 since at least January 1, 2013, KRAUSE has resided in Arizona. KRAUSE has not been registered  
25 by the Commission as a securities salesman or dealer.

26





1 for such a time as this, to be able to help heal the world and show the world the  
2 love of the Father, in a tangible way.... [T]he call of the Lord on their lives is  
3 to advance His Kingdom by creating jobs [] that fund and finance new  
technologies through many different channels, that ultimately, bring the  
salvation and love of Jesus Christ to this needy and destitute world.

- 4 25. Since 2012, MOSS, MCHATTON, SPROAT and TFF have represented to investors:
- 5 a) They facilitate job creation and economic development in new technologies for  
6 "Food, Water, Shelter and Sustainable Power."
  - 7 b) They facilitate "Humanitarian projects Locally, Regionally, Nationally and  
8 Globally."
  - 9 c) They would establish "an Aviation Service – no charge to missionaries and  
10 pastors."
  - 11 d) They "Support synergies re: Disaster Relief / Humanitarian Aid."
  - 12 e) They "Currently have projects totaling \$5 Billion Dollars – Globally."

- 13 26. TFF's promotional materials represent to investors:
- 14 a) "TFF's Charter requires that it distribute 90% of net earned income to further  
15 [philanthropic and humanitarian] causes."
  - 16 b) "We are here to serve our brothers and sisters in different divisions of kingdom  
17 business through our REALationships (Trust in Transaction)."
  - 18 c) "TFF has developed financial strategies via joint ventures to be able to harmonize  
19 humanity and advance His Kingdom by creating exponential returns through our  
20 various exclusive Joint Venture projects and asset management opportunities."

21 27. Two entities that TFF states it has done joint ventures with since 2012 are the Wycliffe  
22 Trust and VENTURES 7000, both of which are based in Oklahoma.

23 28. TWYMAN is a principal of the Wycliffe Trust and a director and executive officer of  
24 VENTURES 7000.

25 29. Wycliffe Trust is not affiliated with Wycliffe Bible Translators, Inc., a 501(c)(3)  
26 corporation.

1           30.     Since 2012, TFF has promoted its joint ventures with TWYMAN's Wycliffe Trust  
2 and VENTURES 7000 by representing the religious ethos of those entities. For example, in 2012,  
3 while soliciting potential investors to invest in a TTF-Wycliffe Trust joint venture, TFF represented:

4                   Wycliffe Trust (Wycliffe) is a United States based complex trust  
5 encompassing both for-profit and non-profit objectives. To further these  
6 objectives, Wycliffe owns interests in various business enterprises, both in  
7 the United States and abroad. More than 70% of the net profits generated  
8 by Wycliffe from these business enterprises are allocable to a broad range of  
9 Judeo-Christian based charitable, educational, religious humanitarian and  
10 philanthropic causes.

11           31.     In April 2013, while soliciting potential investors to invest in a TTF-VENTURES  
12 7000 joint venture, TFF and VENTURES 7000 represented:

13                   **We will uphold** the highest standards of conduct in our business ventures  
14 and investments, basing our decisions and actions on sound business and  
15 economic doctrines with an intense commitment to a Biblically based code  
16 of business ethics.

17                   ...  
18                   **Our foundational principles** of honesty, integrity, productivity,  
19 stewardship, transparency and fairness are based upon three Judeo-Christian  
20 Golden Rules, which declare "... in everything, do to others what you would  
21 have them do to you..." (Matthew 7:12) "... Let each of you look out not  
22 only for his own interests, but also the interests of others." (Philippians 2:4)  
23 and "... Brothers and sisters, don't ever get tired of doing what is right." (2  
24 Thessalonians 3:13).

25           32.     In August 2015, while soliciting potential investors to invest in a TTF-VENTURES  
26 7000 joint venture, TFF and VENTURES 7000 represented that they "earnestly covet your continued  
prayers and spiritual support as our Heavenly Father is our first and most important level of  
protection and source of wisdom in everything we do!"

          33.     On April 18, 1997, the U.S. Securities and Exchange Commission ("S.E.C.") brought  
an enforcement action against TWYMAN in the United States District Court for the Northern District  
of Oklahoma. The S.E.C. alleged that when TWYMAN was the chief executive officer of BeneFund,  
Inc., he engaged in a fraudulent scheme to promote BeneFund's stock by making false and

1 misleading statements concerning the use of investors' funds, the value of BeneFund's assets and the  
2 future marketability of BeneFund stock.

3 34. The S.E.C.'s action against TWYMAN concluded on November 4, 1998, when  
4 TWYMAN consented to the U.S. District Court's entry of a permanent injunction enjoining him  
5 from future violations of the antifraud and registration provisions of the federal securities laws, and  
6 barring him from serving as an officer or director of a publicly traded company ("the S.E.C. Consent  
7 Order against TWYMAN").

8 35. Since at least November 2012, MOSS has promoted himself on his LinkedIn profile  
9 webpage as a global executive, investment banker and philanthropist who specializes in "[b]ringing  
10 together the top minds in Corporate Finance in order to create vision, enhance growth strategies,  
11 develop sound REALationships (trust vs. transaction) and accelerate profitability."

12 36. As of November 2012, MOSS's LinkedIn profile webpage, which at least one  
13 investor reviewed before investing \$100,000 with MOSS and TFF, contained numerous references  
14 touting MOSS' Christian values and integrity, including:

- 15 a) "I first had the pleasure of meeting Rob at a Christian organization.... Rob did a  
16 superb job of leading [the organization] to new heights and keeping us on target.  
17 I consider Rob to be an incredible strategic business thinker, a visionary and a  
18 man of unquestionable integrity."
- 19 b) "Rob is a man of his word, when he says he will provide a result you can count  
20 on it."
- 21 c) "Rob is an outstanding individual with a high degree of integrity and honor."
- 22 d) "Rob is one of the brightest and most creative executives I've ever worked with.  
23 He's committed, driven, sincere and completely trustworthy."
- 24 e) "[H]is integrity is beyond reproach."
- 25 f) "He is a man of character whose values intersect with his actions and behaviors  
26 both personally and professionally.... Rob can be trusted to do what he says."

1 g) “[W]hat I like best is his integrity and character. Rob has a true vision and heart  
2 to serve the Lord and build the Kingdom of God....”

3 37. On August 26, 2008, the California Corporations Commissioner found that MOSS  
4 had committed securities fraud by selling unqualified securities by means of misrepresentations and  
5 omissions of a material fact in violation of the anti-fraud provision of Section 25401 of California’s  
6 Corporate Securities Law of 1968.

7 38. The California Corporations Commissioner entered a Desist and Refrain Order  
8 against MOSS (“the 2008 California Desist and Refrain Order”) prohibiting him from “offering or  
9 selling any securities in the State of California ... by means of any written or oral communication  
10 which includes an untrue statement of material fact or omits to state a material fact necessary in order  
11 to make the statements made, in the light of the circumstances under which they were made, not  
12 misleading.”

13 39. While promoting his purported Christian values and “unquestionable integrity,”  
14 MOSS did not reference on his LinkedIn profile the 2008 California Desist and Refrain Order that  
15 found he committed securities fraud.

16 THE PHILIPPINE GOLD RECOVERY PROGRAM

17 40. In approximately May or June 2012, SPROAT introduced an Arizona resident  
18 (“INVESTOR ONE”), whom SPROAT knew, to MOSS and MCHATTON at a Bible study meeting  
19 at a church in Phoenix, Arizona.

20 41. MOSS, MCHATTON and SPROAT solicited INVESTOR ONE to invest through  
21 TFF in a project with VENTURES 7000 and two subsidiaries of Wycliffe Trust to recover gold  
22 bullion from the Philippines.

23 42. MOSS gave INVESTOR ONE a “Ventures 7000 Philippine Gold Recovery Projects  
24 Financing Proposal Summary,” which represented that VENTURES 7000 was seeking to raise  
25 \$250,000 to recover sunken and hidden treasure in the form of gold bullion from two sites in the  
26 Philippines.

1           43.    The “Ventures 7000 Philippine Gold Recovery Projects Financing Proposal  
2 Summary” described the first site as “Target # 1 – Bay Project.” It stated:

3           [VENTURES 7000] is seeking capital to complete the recovery of 20 metric  
4 tons of gold bullion that is residing in less than 300 feet on the floor of the  
5 Philippine Sea.... Toward the end of World War II, this gold bullion was  
6 dropped overboard by the captain of a Japanese warship.... He took this  
7 action when he realized that they would be engaged by a US Navy Task  
8 Force that had moved into the area to interdict their convoy. Rather than risk  
9 losing the war booty in deep waters at sea he chose to drop the bullion in  
10 shallow waters with the intention of returning later to retrieve it. This action  
11 proved to be a wise strategy in that the Japanese vessel was, in fact, later  
12 sunk in battle.

13           Fortunately, before abandoning ship, one of the junior bridge officers was  
14 able to save the charts indicating where the treasure had been tossed  
15 overboard... Now, through a special arrangement, the location coordinates  
16 are exclusively in the hands of Ventures 7000.

17           ...

18           The recovery operation is expected to take less than six weeks.

19           44.    The “Ventures 7000 Philippine Gold Recovery Projects Financing Proposal  
20 Summary” described the second site as “Target # 2 – Bahama Mama.” It stated:

21           [VENTURES 7000] is seeking additional financing to complete final  
22 geophysical pinpointing and preparations for the recovery of a known and  
23 confirmed site containing gold bullion hidden by ex-President Ferdinand  
24 Marcos.... The total potential recovery at this site is believed to be 1,287  
25 metric tons of gold bullion based on inventories provided by the general who  
26 had control of the site and its operations till [*sic*] the very end of its use by  
former President Marcos in 1986.

          45.    The “Ventures 7000 Philippine Gold Recovery Projects Financing Proposal  
Summary” that MOSS provided to INVESTOR ONE stated: “[VENTURES 7000] estimates the total  
amount of additional capital necessary to complete the funding of the Bay Project and pinpoint the  
gold bullion at Bahama Mama to be approximately \$250,000. The total amount of time necessary  
to complete this recovery and generate proceeds therefrom will be less than 120 days from the time  
that full funding is in place.”

1           46.    The “Ventures 7000 Philippine Gold Recovery Projects Financing Proposal  
2 Summary” projected that a person who provided the entire \$250,000 VENTURES 7000 was seeking  
3 would receive “an estimated return of **9.5 to 1** within 6 to 9 months of total funding and a combined  
4 estimated return from both the Bay Project and the Bahama Mama Project of **45 to 1** over an 18 to  
5 24 month period.”

6           47.    The “Ventures 7000 Philippine Gold Recovery Projects Financing Proposal  
7 Summary” ended by stating: “Once recovered, [the gold bullion] will be used to improve the lives  
8 of millions of people, both in the Philippines and elsewhere. In addition to the monies that will flow  
9 into government coffers and those donations made by Ventures 7000’s financial partners, 70% of  
10 Venture 7000’s net recovery proceeds will go to fund humanitarian and philanthropic endeavors  
11 throughout the world.”

12           48.    INVESTOR ONE decided to invest. On June 21, 2012, he wired \$250,000 to a JP  
13 Morgan Chase Bank account ending in Xx4993 in the name of “Quicksilver Realty.”

14           49.    “Quicksilver Realty” is not an entity registered with the Commission to do any business  
15 in Arizona.

16           50.    MCHATTON is the account holder for the JP Morgan Chase Bank account ending in  
17 Xx4993. The account documents list “Quicksilver Realty” as a dba of MCHATTON.

18           51.    In exchange for his \$250,000 investment, INVESTOR ONE received: (i) a \$250,000  
19 Promissory Note from TFF signed by MOSS, MCHATTON and SPROAT as its trustees; and (ii) a  
20 Memorandum of Understanding signed by MOSS, MCHATTON and SPROAT as TFF’s directors.

21           52.    The Memorandum of Understanding stated that TFF was engaged in a Joint Venture  
22 Agreement with Wycliffe Trust and VENTURES 7000, and TFF would use 85% of INVESTOR  
23 ONE’s \$250,000 “to fund the various business ventures and investment opportunities being  
24 undertaken pursuant to the Joint Venture Agreement.... The balance of said loan proceeds will be  
25 retained by TFF as operating funds and fees permitting TFF to properly monitor and manage said  
26 business ventures and investment opportunities.”

1           53.     Although MOSS, TFF and VENTURES 7000 represented in 2012, “The total amount  
2 of time necessary to complete this recovery and generate proceeds therefrom will be less than 120  
3 days from the time that full funding is in place,” they have not repaid INVESTOR ONE his \$250,000  
4 investment.

5                           TFF’S, MOSS’ AND MCHATTON’S SALE OF ADDITIONAL INVESTMENTS  
6                                           TO INVESTOR ONE

7           54.     On June 25, 2012, MOSS sold INVESTOR ONE \$18,750 worth of stock in Christian  
8 Angel Capital Network, which was then a Nevada corporation. According to the Nevada Secretary  
9 of State’s records, Christian Angel Capital Network was dissolved on May 29, 2015.

10          55.     On July 6, 2012, INVESTOR ONE wired \$111,800 to the “Quicksilver Realty”  
11 account at JP Morgan Chase Bank ending in Xx4993 that MCHATTON controlled.

12          56.     INVESTOR ONE’s \$111,800 wire was for his purchase of a promissory note issued  
13 by TFF and signed by MOSS and MCHATTON as its directors.

14          57.     The promissory note stated that TFF would use INVESTOR ONE’s funds to  
15 participate in a joint venture with a company in Nassau, Bahamas to “Buy/Sell ... Cession of rights  
16 of one (1) Brazilian LTN ‘H’ series bond # 308.656.”

17          58.     The promissory note provided that TFF was to repay INVESTOR ONE’s principal  
18 plus a one-hundred percent (100%) profit within one month, with those monies coming from the sale  
19 of the Brazilian bond.

20          59.     On August 27, 2012, INVESTOR ONE wired \$18,000 to the “Quicksilver Realty”  
21 account at JP Morgan Chase Bank ending in Xx4993 that MCHATTON controlled.

22          60.     INVESTOR ONE’s \$18,000 wire was for his purchase of a promissory note issued  
23 by “Quicksilver Realty, a business services company,” and signed by MCHATTON as its Managing  
24 Director and MOSS as its representative.

25          61.     As alleged above, “Quicksilver Realty” is not an entity registered with the Commission  
26 to do any business in Arizona and MCHATTON uses that name as a dba.



1 conductors -- and then resale (*sic*) that lead to companies engaged in the  
2 production of semiconductors and related components.”

3 b) The joint venture “has located a large supply of Low-Alpha Lead in the range of  
4 200 to 500 years old in a specific and proprietary location. Through an exclusive  
5 REALationship (trust IN transaction) we are acquiring a very unique 100-200 ton  
6 deposit.”

7 c) “Pricing: Projected base purchase price of product is estimated at less than  
8 \$10.00/lb and projected sales price is between \$1,100.00/lb and \$4,400.00/lb  
9 depending on the alpha level (reading/signature) of the lead.”

10 d) “The total amount of funding necessary to effectively capitalize this project is  
11 \$1,500,000.”

12 e) The \$1,500,000 would be raised from the sale of 15 promissory notes in the  
13 amount of \$100,000 per note.

14 f) The projected return on investment would be as follows: within 90 to 120 days of  
15 their investment, (i) investors would be repaid their principal, and (ii) they would  
16 receive a five-hundred percent (500%) return on their investment.

17 g) “The element of risk for this venture is relatively small....”

18 h) “The bottom line is that although the potential upside of this investment is  
19 extremely high, the downside risk is less than many traditional funding  
20 platforms.”

21 i) With this “exclusive opportunity with Wycliffe Trust,” TFF is “sitting on a  
22 fortune.”

23 69. TTF and MOSS sold promissory notes and/or investment contracts within or from  
24 Arizona on or about the following dates in the following amounts in connection with TFF’s plan to  
25 acquire and then sell low alpha lead with the Wycliffe Trust:

26 ...

INVESTOR	DATE	AMOUNT
INVESTOR ONE	10/30/2012	\$125,000.00
INVESTOR TWO	10/31/2012	\$75,000.00
INVESTOR THREE	11/14/2012	\$100,000.00
INVESTOR FOUR	11/20/2012	\$50,000.00
INVESTOR FIVE	12/4/2012	\$100,000.00
INVESTOR SIX	12/19/2012	\$50,000.00
INVESTOR SEVEN	1/9/2013	\$50,000.00
INVESTOR EIGHT	4/20/2013	\$13,000.00
INVESTOR EIGHT	5/20/2013	\$31,000.00

70. TTF and MOSS sold the low alpha lead promissory notes and/or investment contracts to INVESTORS ONE through EIGHT, in part, by promoting MOSS as a business executive and philanthropist who exemplifies Christian values and unquestionable integrity, without disclosing the 2008 California Desist and Refrain Order that found MOSS committed securities fraud.

71. In addition, TTF and MOSS sold the low alpha lead promissory notes and/or investment contracts to INVESTORS ONE through EIGHT by touting the supposed Christian ethos of its joint venture partner, the Wycliffe Trust, without disclosing the S.E.C. Consent Order against its principal, TWYMAN, which arose from allegations he engaged in a scheme to commit securities fraud.

72. TTF, MOSS and MCHATTON instructed INVESTORS ONE through SEVEN to wire their investment payments the "Quicksilver Realty" account ending in Xx4993 at JP Morgan Chase Bank, which MCHATTON controlled.

73. INVESTOR EIGHT wrote his investment checks payable to "Quicksilver Realty."

1           74. Most of the investors did not question why they were making their payments for  
2 investments with TFF payable to “Quicksilver Realty.”

3           75. INVESTORS TWO through SIX invested in TFF’s low alpha lead promissory notes  
4 and/or investment contracts in part because MOSS and TFF represented that TFF would repay the  
5 investors all of their principal plus a 500% return within 90 to 120 days of their investment.

6           76. Based on MOSS’ and TFF’s promissory notes, TFF was supposed to have repaid  
7 INVESTORS ONE through SEVEN all of their collective \$550,000 principal investment amounts  
8 in the low alpha lead project, plus returns of \$2.75 million, by no later than April 19, 2013.

9           77. Between the dates of their respective investments and when TFF was supposed to  
10 have repaid all of their principal plus the promised 500% returns, TFF made only a few interest  
11 payments to INVESTORS ONE through SEVEN totaling less than two percent (2%) of their  
12 principal investment amounts. Then TFF failed to repay them anything at all.

13           78. By April 19, 2013, TFF had defaulted on all of its promissory notes and/or investment  
14 contracts with INVESTORS ONE through SEVEN.

15           79. In approximately April 2013, KRAUSE solicited INVESTOR EIGHT to invest in a  
16 promissory note and/or investment contract to fund TFF’s low alpha lead joint venture project.

17           80. KRAUSE told INVESTOR EIGHT his [KRAUSE’s] role was to raise money for TFF  
18 by recruiting investors.

19           81. KRAUSE told INVESTOR EIGHT he [KRAUSE] would receive a percentage of the  
20 money invested by the investors he recruited.

21           82. KRAUSE endorsed the low alpha lead investment opportunity, told INVESTOR  
22 EIGHT he had invested \$25,000 in it himself, and recommended that INVESTOR EIGHT invest in  
23 it too.

24           83. KRAUSE told INVESTOR EIGHT to expect to receive a 400% to 500% return on  
25 the amount he invested in the low alpha lead project.

26

1           84.    KRAUSE did not disclose to INVESTOR EIGHT that on February 2, 2006, in  
2 Decision No. 68461, the Commission entered an Order to Cease and Desist, Order to Disgorge  
3 Commissions and Order for Administrative Penalties (“2006 Order”) against KRAUSE. In the 2006  
4 Order, the Commission found that KRAUSE had committed securities fraud in violation of A.R.S. §  
5 44-1991 and registration violations in connection with his sale of investment contracts involving an  
6 oil well.

7           85.    At KRAUSE’s urging, INVESTOR EIGHT met with MOSS, MCHATTON and  
8 SPROAT in approximately April 2013 at a restaurant in Tucson.

9           86.    MOSS told INVESTOR EIGHT that KRAUSE was “their guy in Tucson.”

10          87.    MOSS told INVESTOR EIGHT that TFF would use his investment monies to recover  
11 low alpha lead from a location in South America.

12          88.    MOSS told INVESTOR EIGHT to expect a return of five times the amount of his  
13 investment within 90 days.

14          89.    INVESTOR EIGHT decided to invest. On April 20, 2013, INVESTOR EIGHT  
15 provided a check payable to Quicksilver Realty for \$13,000.00, which MCHATTON deposited to  
16 his JP Morgan Chase Bank account ending in Xx4993.

17          90.    On May 20, 2013, INVESTOR EIGHT provided another check payable to  
18 Quicksilver Realty for \$26,000.00 and \$5,000.00 in cash.

19          91.    MCHATTON deposited INVESTOR EIGHT’s \$26,000.00 check to MCHATTON’s  
20 JP Morgan Chase Bank account ending in Xx4993.

21          92.    On May 23, 2013, MCHATTON wrote a check for \$1,000.00 from his JP Morgan  
22 Chase Bank account ending in Xx4993 payable to KRAUSE with the notation, “For [INVESTOR  
23 EIGHT].”

24          93.    When INVESTOR EIGHT invested in April and May 2013, Respondents did not  
25 disclose to him:

- 1 a) the existence of the Commission's 2006 Order finding that KRAUSE had  
2 committed securities fraud and other violations;
- 3 b) the existence of the 2008 California Desist and Refrain Order finding that MOSS  
4 had committed securities fraud;
- 5 c) the existence of the S.E.C. Consent Order against TWYMAN, the principal of  
6 TFF's co-joint venturers Wycliffe Trust and VENTURES 7000; or
- 7 d) that TFF was in default on all of its promissory notes and/or investment contracts  
8 with INVESTORS ONE through SEVEN because it had failed to timely repay  
9 them their principal let alone the promised 500% returns.

10 94. INVESTOR EIGHT would not have invested with Respondents if he had known of  
11 the Commission's 2006 Order against KRAUSE, the 2008 California Desist and Refrain Order  
12 against MOSS, the S.E.C. Consent Order against TWYMAN, or that TFF was already in default on  
13 its obligations to other investors.

14 THE CONVERSION OF TFF'S LOW ALPHA LEAD PROMISSORY NOTES INTO  
15 REVENUE SHARING AGREEMENTS FOR THE GOLD RECOVERY PROJECT

16 95. By late April 2013, with TFF not having paid any returns on its low alpha lead  
17 investments, TFF and MOSS began soliciting investors to convert those investments into ones for  
18 the purported gold recovery project in the Philippines.

19 96. Despite the fact that TFF had failed to recover any low alpha lead, on April 26, 2013,  
20 MOSS and TFF emailed investors stating: "[W]e (TFF) DO NOT explore, mine or dig – we simply  
21 recover real product & hard assets."

22 97. MOSS and TFF stated: "The Fortitude Foundation ... desires to bring like-minded  
23 Kingdom partners in to participate w/us under a Revenue Sharing arrangement in our Gold Recovery  
24 Project that may provide exponential returns.... Under this plan we have in place the mechanism to  
25 recover vast quantities of high quality gold bullion, and other collectible and precious stones, which  
26 may yield rapid and mid-term high yields."

1           98.    MOSS and TFF invited investors in the low alpha lead project to exchange their  
2 promissory notes for “Revenue Share” units in the purported gold recovery project in the Philippines  
3 with VENTURES 7000.

4           99.    An attachment to the April 26, 2013 email from MOSS and TFF projected investors  
5 would receive “an estimated return of **19.8 to 1** within 12 months of total funding and a combined  
6 estimated return from both the Bay Project and the Bahama Mama Project of **51.8 to 1** over an 18 to  
7 36 month period.”

8           100.   Another attachment to the email asserted TFF’s and VENTURES 7000’s “intense  
9 commitment to a Biblically based code of business ethics,” and their “foundational principles of  
10 honesty, integrity, productivity, stewardship, transparency and fairness,” without disclosing the 2008  
11 California Desist and Refrain Order against MOSS or the S.E.C. Consent Order against TWYMAN.

12           101.   INVESTOR ONE, INVESTOR FIVE and INVESTOR SEVEN agreed to exchange  
13 their respective low alpha lead promissory notes for Revenue Sharing Units in the purported gold  
14 recovery project.

15           INVESTOR NINE’S INVESTMENT IN THE PHILIPPINE GOLD RECOVERY PROGRAM

16           102.   In May 2013, KRAUSE solicited INVESTOR NINE to invest through TFF in a  
17 promissory note and/or investment contract to fund the purported gold recovery project in the  
18 Philippines.

19           103.   KRAUSE described it as a “really good deal” and urged INVESTOR NINE to talk to  
20 MOSS, which he subsequently did.

21           104.   MOSS represented that for a \$100,000 investment, INVESTOR NINE would receive  
22 his \$100,000 back within 180 days, and then would receive an additional \$500,000 back over the  
23 next five years.

24           105.   On May 15, 2013, INVESTOR NINE wired \$100,000 to MCHATTON’s JP Morgan  
25 Chase Bank account ending in Xx4993.

26

1           106. In return, INVESTOR NINE received a promissory note from TFF signed by MOSS,  
2 MCHATTON and SPROAT.

3           107. When INVESTOR NINE invested in May 2013, KRAUSE, MOSS, MCHATTON  
4 and SPROAT did not disclose to him:

- 5                   a) the existence of the Commission's 2006 Order finding that KRAUSE had  
6                   committed securities fraud and other violations;
- 7                   b) the existence of the 2008 California Desist and Refrain Order finding that MOSS  
8                   had committed securities fraud;
- 9                   c) the existence of the S.E.C. Consent Order against TWYMAN, the principal of  
10                  TFF's co-joint venturers Wycliffe Trust and VENTURES 7000; or
- 11                  d) that TFF was in default on all of its promissory notes and/or investment contracts  
12                  with INVESTORS ONE through SEVEN because it had failed to timely repay  
13                  them their principal let alone the promised 500% returns.

14                                   INVESTOR TEN'S INVESTMENT IN THE AFRICAN DIAMOND

15           108. In approximately October 2014, INVESTOR TEN was introduced to MOSS,  
16 MCHATTON and SPROAT.

17           109. At a meeting in Mesa, Arizona, MOSS and MCHATTON solicited INVESTOR TEN  
18 to invest through TFF in a promissory note and/or investment contract that purportedly involved a  
19 very large diamond that belonged to a family in Africa.

20           110. MOSS told INVESTOR TEN the family was so poor that it needed investors to fund  
21 the processing, cutting and sale of the diamond.

22           111. MOSS said the investors would earn a very good return once the cut diamonds were  
23 sold.

24           112. MOSS represented INVESTOR TEN would receive his money back within 90 days.

25           113. On October 10, 2014, INVESTOR TEN invested \$100,000, which consisted of all his  
26 savings and a loan he took out to make the investment.

1           114. In return, INVESTOR TEN received a “Profit Participation In Revenue Share  
2 Agreement” signed by MOSS and MCHATTON as TFF’s directors, which promised to repay  
3 \$100,000 plus “profit participation.”

4           115. When INVESTOR TEN invested in October 2014, MOSS, MCHATTON and  
5 SPROAT did not disclose to him:

- 6                   a) the existence of the 2008 California Desist and Refrain Order finding that MOSS  
7                   had committed securities fraud;
- 8                   b) the existence of the S.E.C. Consent Order against TWYMAN, the principal of  
9                   TFF’s co-joint venturers Wycliffe Trust and VENTURES 7000; or
- 10                  c) that TFF was in default on all of its promissory notes and/or investment contracts  
11                  with INVESTORS ONE through NINE because it had failed to timely repay them  
12                  their principal let alone the promised 500% returns

13           116. TFF has failed to repay INVESTOR TEN the \$100,000 he invested concerning the  
14 purported African diamond.

15           117. Respondents have failed to repay INVESTORS ONE through NINE the principal  
16 amounts they invested in the low alpha lead project and the gold recovery project, which collectively  
17 total \$944,000.

18           118. TFF has failed to repay INVESTOR ONE the \$111,800 he invested concerning the  
19 purported Brazilian bond.

20           119. INVESTOR ONE has not received any dividends, return of his \$18,750 principal or  
21 payment of any kind in connection with the stock in the Christian Angel Capital Network that MOSS  
22 and TFF sold him.

23 ....

24 ....

25 ....

26 ....





## VII.

## VIOLATION OF A.R.S. § 44-1991

## (Fraud in Connection with the Offer or Sale of Securities)

135. In connection with the offer or sale of securities within or from Arizona, Respondents are, directly or indirectly: (i) employing a device, scheme, or artifice to defraud; (ii) making untrue statements of material fact or omitting to state material facts that are necessary in order to make the statements made not misleading in light of the circumstances under which they are made; or (iii) engaging in transactions, practices, or courses of business that operate or would operate as a fraud or deceit upon offerees and investors. Respondents' conduct includes, but is not limited to, the following:

a) promoting themselves as Christian businessmen of unquestionable integrity and asserting TFF's and VENTURE 7000's "intense commitment to a Biblically based code of business ethics" and "foundational principles of honesty, integrity, productivity, stewardship, transparency and fairness," without disclosing: (i) the 2008 California Desist and Refrain Order that found MOSS committed securities fraud; (ii) the Commission's 2006 Order finding that KRAUSE had committed securities fraud; or (iii) the S.E.C. Consent Order against TWYMAN, which arose from allegations he engaged in a scheme to commit securities fraud;

b) soliciting and inducing INVESTOR EIGHT to invest in TFF's low alpha lead project without disclosing that TFF was in default on all of its low alpha lead promissory notes and/or investment contracts with INVESTORS ONE through SEVEN because it had failed to timely repay them their principal and had failed to pay them the promised 500% returns;

c) soliciting and inducing INVESTOR NINE to invest in TFF's gold recovery project without disclosing that TFF was in default on all of its promissory notes and/or investment contracts with INVESTORS ONE through SEVEN because it had failed to timely repay them their principal and had failed to pay them the promised 500% returns;







1 **Order shall remain effective from the date a hearing is requested until a decision is entered.**

2 After a hearing, the Commission may vacate, modify, or make permanent this Temporary Order, with  
3 written findings of fact and conclusions of law. A permanent Order may include ordering restitution,  
4 assessing administrative penalties, or other action.

5 If a request for hearing is not timely made, the Division will request that the Commission make  
6 permanent this Temporary Order, with written findings of fact and conclusions of law, which may  
7 include ordering restitution, assessing administrative penalties, or other relief.

8 Persons with a disability may request a reasonable accommodation such as a sign language  
9 interpreter, as well as request this document in an alternative format, by contacting Shaylin A.  
10 Bernal, ADA Coordinator, voice phone number 602/542-3931, e-mail [sabernal@azcc.gov](mailto:sabernal@azcc.gov).  
11 Requests should be made as early as possible to allow time to arrange the accommodation.

12 **XII.**

13 **ANSWER REQUIREMENT**

14 Pursuant to A.A.C. R14-4-305, if a Respondent or Respondent Spouse requests a hearing,  
15 the requesting respondent must deliver or mail an Answer to this Temporary Order and Notice to  
16 Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007,  
17 within 30 calendar days after the date of service of this Temporary Order and Notice. Filing  
18 instructions may be obtained from Docket Control by calling (602) 542-3477 or on the  
19 Commission's Internet web site at [www.azcc.gov/divisions/hearings/docket.asp](http://www.azcc.gov/divisions/hearings/docket.asp).

20 Additionally, the answering Respondent must serve the Answer upon the Division. Pursuant  
21 to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a  
22 copy of the Answer to the Division at 1300 West Washington, 3<sup>rd</sup> Floor, Phoenix, Arizona, 85007,  
23 addressed to James D. Burgess.

24 The Answer shall contain an admission or denial of each allegation in this Temporary Order  
25 and Notice and the original signature of the answering Respondent or the Respondent's attorney. A  
26

1 statement of a lack of sufficient knowledge or information shall be considered a denial of an  
2 allegation. An allegation not denied shall be considered admitted.

3       When the answering Respondent intends in good faith to deny only a part or a qualification  
4 of an allegation, the Respondent shall specify that part or qualification of the allegation and shall  
5 admit the remainder. Respondent waives any affirmative defense not raised in the Answer.

6       The officer presiding over the hearing may grant relief from the requirement to file an  
7 Answer for good cause shown.

8       BY ORDER OF THE ARIZONA CORPORATION COMMISSION, this \_\_\_\_\_ day of  
9 July, 2016.

10 \_\_\_\_\_  
11 Matthew J. Neubert  
12 Director of Securities  
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# Exhibit 2

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 DOUG LITTLE - Chairman  
4 BOB STUMP  
5 BOB BURNS  
6 TOM FORESE  
7 ANDY TOBIN

8 In the matter of: ) DOCKET NO. S-20953A-16-0061  
9 Robert J. Moss and Jennifer L. Moss, husband ) **AMENDED TEMPORARY ORDER TO**  
10 and wife, ) **CEASE AND DESIST AND NOTICE OF**  
11 The Fortitude Foundation, an Arizona ) **OPPORTUNITY FOR HEARING**  
12 corporation, )  
13 Ventures 7000, LLC, an Oklahoma limited )  
14 liability company, )  
15 Jeffrey D. McHatton and Starla T. McHatton, )  
16 husband and wife, )  
17 Robert D. Sproat and Jane Doe Sproat, )  
18 husband and wife, )  
19 Kevin Krause, ~~a single man~~ and Jane Doe )  
20 Krause, husband and wife, and )  
21 Vernon R. Twyman, Jr., a single man, )  
22 Respondents. )

23 **NOTICE: THIS ORDER IS EFFECTIVE IMMEDIATELY**  
24 **EACH RESPONDENT HAS 20 DAYS TO REQUEST A HEARING**  
25 **EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER**

26 The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondents ROBERT J. MOSS, THE FORTITUDE FOUNDATION and VENTURES 7000, LLC are engaging in or are about to engage in, and that respondents JEFFREY D. MCHATTON, ROBERT SPROAT, KEVIN KRAUSE and VERNON R. TWYMAN, JR., have engaged in, acts and practices that constitute violations of A.R.S. § 44-1801,

1 *et seq.*, the Arizona Securities Act (“Securities Act”), and that the public welfare requires immediate  
2 action.

3 **I.**

4 **JURISDICTION**

5 1. The Commission has jurisdiction over this matter pursuant to Article XV of the  
6 Arizona Constitution and the Securities Act.

7 **II.**

8 **RESPONDENTS**

9 2. Respondent ROBERT J. MOSS (“MOSS”) has been a director and/or trustee, or held  
10 himself out as being a director and/or trustee, of Respondent THE FORTITUDE FOUNDATION,  
11 an Arizona non-profit corporation, since at least June 21, 2012. Since at least that date, MOSS has  
12 resided in Arizona.

13 3. Since at least July 9, 2013, MOSS also has been a director of Respondent  
14 VENTURES 7000, LLC, an Oklahoma limited liability company.

15 4. MOSS has not been registered by the Commission as a securities salesman or dealer.

16 5. Upon information and belief, since at least June 21, 2012, MOSS has been a married  
17 man, JENNIFER L. MOSS has been his spouse, and MOSS has acted for his own benefit and for the  
18 benefit or in furtherance of his marital community. JENNIFER L. MOSS is joined in this action under  
19 A.R.S. § 44-2031(C) solely for purposes of determining the liability of the marital community.

20 6. Respondent THE FORTITUDE FOUNDATION (“TFF”) is an Arizona non-profit  
21 corporation formerly known as Charles E. McHatton Ministries, Inc., which was incorporated on April  
22 10, 1992. Since at least 1996, TFF has listed business addresses in Cave Creek, Glendale, Phoenix,  
23 Mesa, and Higley, Arizona. TFF has not been registered by the Commission as a securities salesman  
24 or dealer.

1           7.     Respondent VENTURES 7000, LLC (“VENTURES 7000”) is an Oklahoma limited  
2 liability company based in Tulsa, Oklahoma that was organized on May 16, 2011. VENTURES  
3 7000 has not been registered by the Commission as a securities salesman or dealer.

4           8.     Respondent JEFFREY D. MCHATTON (“MCHATTON”) has been a director of  
5 TFF since January 1, 2001, and TFF’s President since January 31, 2008. Since at least June 21,  
6 2012, MCHATTON has resided in Arizona. MCHATTON has not been registered by the  
7 Commission as a securities salesman or dealer.

8           9.     Upon information and belief, since at least June 21, 2012, MCHATTON has been a  
9 married man, STARLA T. MCHATTON has been his spouse, and MCHATTON has acted for his  
10 own benefit and for the benefit or in furtherance of his marital community. STARLA T.  
11 MCHATTON is joined in this action under A.R.S. § 44-2031(C) solely for purposes of determining  
12 the liability of the marital community.

13           10.    Respondent ROBERT B. SPROAT (“SPROAT”) has been a director and/or trustee,  
14 or held himself out as being a director and/or trustee, of TFF since at least June 21, 2012. Since at  
15 least that date, SPROAT has resided in Arizona. SPROAT has not been registered by the  
16 Commission as a securities salesman or dealer.

17           11.    Upon information and belief, since at least June 21, 2012, SPROAT has been a  
18 married man, JANE DOE SPROAT has been his spouse, and SPROAT has acted for his own benefit  
19 and for the benefit or in furtherance of his marital community. JANE DOE SPROAT is joined in this  
20 action under A.R.S. § 44-2031(C) solely for purposes of determining the liability of the marital  
21 community.

22           12.    Respondent KEVIN KRAUSE has acted as a securities salesman for TFF and  
23 received at least one sales commission payment on May 23, 2013. Upon information and belief,  
24 since at least January 1, 2013, KRAUSE has resided in Arizona ~~and been a single man.~~ KRAUSE  
25 has not been registered by the Commission as a securities salesman or dealer.

1 ~~+2.13.~~ Upon information and belief, since at least January 1, 2013, KRAUSE has been a  
2 married man, JANE DOE KRAUSE has been his spouse, and KRAUSE has acted for his own benefit  
3 and for the benefit or in furtherance of his marital community. JANE DOE KRAUSE is joined in this  
4 action under A.R.S. § 44-2031(C) solely for purposes of determining the liability of the marital  
5 community.

6 ~~+3.14.~~ Respondent VERNON R. TWYMAN, JR. has been the manager, a director and an  
7 executive officer of VENTURES 7000 since at least July 9, 2013. Upon information and belief,  
8 TWYMAN is an unmarried resident of Oklahoma. TWYMAN has not been registered by the  
9 Commission as a securities salesman or dealer.

10 ~~+4.15.~~ MOSS, TFF, VENTURES 7000, MCHATTON, SPROAT, KRAUSE and  
11 TWYMAN may be referred to individually as a "Respondent" or collectively as "Respondents" as  
12 the context so requires.

### III.

#### SUMMARY OF RESPONDENTS' OFFERINGS

15 ~~+5.16.~~ Since at least June 2012, MOSS, MCHATTON, SPROAT and TFF have offered and  
16 sold a variety of unregistered securities consisting of: (i) interests in a purported project to recover  
17 sunken and hidden gold bullion from the waters and jungles of the Philippines; (ii) interests in a  
18 purported project to recover valuable low alpha lead from an undisclosed location in South America;  
19 (iii) shares of stock in a now-defunct Nevada corporation, the Christian Angel Capital Network; ~~and~~  
20 (iv) a promissory note to be paid with the proceeds of TFF's sale of a purported Brazilian bond; ~~and~~  
21 (v) a promissory note to be paid with the proceeds of the sale of a large diamond in Africa.

22 ~~+6.17.~~ Through these ~~four~~five offerings, none of which were registered as securities with the  
23 Commission, Respondents raised at least \$1,~~223,800~~192,175.00 from ~~eighteen~~ investors.

24 ~~+7.18.~~ In promoting and selling these investments, MOSS, MCHATTON and SPROAT  
25 touted themselves as Christian businessmen who abide by "the highest standards of conduct ... with  
26 an intense commitment to a Biblically based code of business ethics."

1 [18-19.](#) MOSS, MCHATTON and SPROAT attracted other Christian businessmen to invest  
2 in TFF by representing that its joint ventures to recover gold bullion from the Philippines and low  
3 alpha lead from South America would yield “exponential returns” of 500% or more within months.

4 [19-20.](#) MOSS, MCHATTON and SPROAT represented that after TFF had paid those returns  
5 to the investors, it would use its own vast profits from selling the gold bullion and low alpha lead to  
6 fund humanitarian projects and “advance His Kingdom by creating jobs ... and financ[ing] new  
7 technologies ... that ultimately, bring the salvation and love of Jesus Christ to this needy and destitute  
8 world.”

9 [20-21.](#) While touting that information to investors, Respondents did not disclose that MOSS  
10 is the subject of a 2008 Order from the State of California that found he had violated the antifraud and  
11 qualification provisions of California’s securities statute by selling unqualified securities by means of  
12 misrepresentations and omissions of material facts.

13 [21-22.](#) Respondents also did not disclose that TWYMAN, who is a principal of TFF’s joint  
14 venture partners in the purported gold bullion and low alpha lead recovery projects, is the subject of  
15 a 1998 federal court order, which enjoined him from violating the antifraud and registration  
16 provisions of the federal securities laws and barred him from serving as an officer or director of a  
17 publicly traded company.

18 [22-23.](#) Of the \$1,~~233,800~~192,175.00 that Respondents have raised since 2012, they have  
19 repaid less than two percent (2%) to their investors.

20 **IV.**

21 **FACTS**

22 23. Since at least 2012, MOSS, MCHATTON and SPROAT have promoted TFF to  
23 potential investors as a non-profit run by “three men of God who were called with a Divine purpose  
24 to help heal the needy, and in doing so bring salvation to their hearts for the Kingdom of God.”

25 24. One description MOSS, MCHATTON and SPROAT provided to investors states:

26 The founders of Fortitude Foundation are comprised of a preacher, and  
entrepreneur and a U.S. soldier. God has blessed the Foundation with finances

1 for such a time as this, to be able to help heal the world and show the world the  
2 love of the Father, in a tangible way.... [T]he call of the Lord on their lives is  
3 to advance His Kingdom by creating jobs [] that fund and finance new  
4 technologies through many different channels, that ultimately, bring the  
5 salvation and love of Jesus Christ to this needy and destitute world.

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25. Since 2012, MOSS, MCHATTON, SPROAT and TFF have represented to investors:

- a) They facilitate job creation and economic development in new technologies for  
"Food, Water, Shelter and Sustainable Power."
- b) They facilitate "Humanitarian projects Locally, Regionally, Nationally and  
Globally."
- c) They would establish "an Aviation Service – no charge to missionaries and  
pastors."
- d) They "Support synergies re: Disaster Relief / Humanitarian Aid."
- e) They "Currently have projects totaling \$5 Billion Dollars – Globally."

26. TFF's promotional materials represent to investors:

- a) "TFF's Charter requires that it distribute 90% of net earned income to further  
[philanthropic and humanitarian] causes."
- b) "We are here to serve our brothers and sisters in different divisions of kingdom  
business through our REALationships (Trust in Transaction)."
- c) "TFF has developed financial strategies via joint ventures to be able to harmonize  
humanity and advance His Kingdom by creating exponential returns through our  
various exclusive Joint Venture projects and asset management opportunities."

27. Two entities that TFF states it has done joint ventures with since 2012 are the Wycliffe  
Trust and VENTURES 7000, both of which are based in Oklahoma.

28. TWYMAN is a principal of the Wycliffe Trust and a director and executive officer of  
VENTURES 7000.

29. Wycliffe Trust is not affiliated with Wycliffe Bible Translators, Inc., a 501(c)(3)  
corporation.

1           30.     Since 2012, TFF has promoted its joint ventures with TWYMAN's Wycliffe Trust  
2 and VENTURES 7000 by representing the religious ethos of those entities. For example, in 2012,  
3 while soliciting potential investors to invest in a TTF-Wycliffe Trust joint venture, TFF represented:

4                   Wycliffe Trust (Wycliffe) is a United States based complex trust  
5 encompassing both for-profit and non-profit objectives. To further these  
6 objectives, Wycliffe owns interests in various business enterprises, both in  
7 the United States and abroad. More than 70% of the net profits generated  
8 by Wycliffe from these business enterprises are allocable to a broad range of  
9 Judeo-Christian based charitable, educational, religious humanitarian and  
10 philanthropic causes.

11           31.     In April 2013, while soliciting potential investors to invest in a TTF-VENTURES  
12 7000 joint venture, TFF and VENTURES 7000 represented:

13                   **We will uphold** the highest standards of conduct in our business ventures  
14 and investments, basing our decisions and actions on sound business and  
15 economic doctrines with an intense commitment to a Biblically based code  
16 of business ethics.

17                   ...  
18                   **Our foundational principles** of honesty, integrity, productivity,  
19 stewardship, transparency and fairness are based upon three Judeo-Christian  
20 Golden Rules, which declare "... in everything, do to others what you would  
21 have them do to you..." (Matthew 7:12) "... Let each of you look out not  
22 only for his own interests, but also the interests of others." (Philippians 2:4)  
23 and "... Brothers and sisters, don't ever get tired of doing what is right." (2  
24 Thessalonians 3:13).

25           32.     In August 2015, while soliciting potential investors to invest in a TTF-VENTURES  
26 7000 joint venture, TFF and VENTURES 7000 represented that they "earnestly covet your continued  
prayers and spiritual support as our Heavenly Father is our first and most important level of  
protection and source of wisdom in everything we do!"

          33.     On April 18, 1997, the U.S. Securities and Exchange Commission ("S.E.C.") brought  
an enforcement action against TWYMAN in the United States District Court for the Northern District  
of Oklahoma. The S.E.C. alleged that when TWYMAN was the chief executive officer of BeneFund,  
Inc., he engaged in a fraudulent scheme to promote BeneFund's stock by making false and

1 misleading statements concerning the use of investors' funds, the value of BeneFund's assets and the  
2 future marketability of BeneFund stock.

3 34. The S.E.C.'s action against TWYMAN concluded on November 4, 1998, when  
4 TWYMAN consented to the U.S. District Court's entry of a permanent injunction enjoining him  
5 from future violations of the antifraud and registration provisions of the federal securities laws, and  
6 barring him from serving as an officer or director of a publicly traded company ("the S.E.C. Consent  
7 Order against TWYMAN").

8 35. Since at least November 2012, MOSS has promoted himself on his LinkedIn profile  
9 webpage as a global executive, investment banker and philanthropist who specializes in "[b]ringing  
10 together the top minds in Corporate Finance in order to create vision, enhance growth strategies,  
11 develop sound REALationships (trust vs. transaction) and accelerate profitability."

12 36. As of November 2012, MOSS's LinkedIn profile webpage, which at least one  
13 investor reviewed before investing \$100,000 with MOSS and TFF, contained numerous references  
14 touting MOSS' Christian values and integrity, including:

- 15 a) "I first had the pleasure of meeting Rob at a Christian organization.... Rob did a  
16 superb job of leading [the organization] to new heights and keeping us on target.  
17 I consider Rob to be an incredible strategic business thinker, a visionary and a  
18 man of unquestionable integrity."
- 19 b) "Rob is a man of his word, when he says he will provide a result you can count  
20 on it."
- 21 c) "Rob is an outstanding individual with a high degree of integrity and honor."
- 22 d) "Rob is one of the brightest and most creative executives I've ever worked with.  
23 He's committed, driven, sincere and completely trustworthy."
- 24 e) "[H]is integrity is beyond reproach."
- 25 f) "He is a man of character whose values intersect with his actions and behaviors  
26 both personally and professionally.... Rob can be trusted to do what he says."

1 g) “[W]hat I like best is his integrity and character. Rob has a true vision and heart  
2 to serve the Lord and build the Kingdom of God....”

3 37. On August 26, 2008, the California Corporations Commissioner found that MOSS  
4 had committed securities fraud by selling unqualified securities by means of misrepresentations and  
5 omissions of a material fact in violation of the anti-fraud provision of Section 25401 of California’s  
6 Corporate Securities Law of 1968.

7 38. The California Corporations Commissioner entered a Desist and Refrain Order  
8 against MOSS (“the 2008 California Desist and Refrain Order”) prohibiting him from “offering or  
9 selling any securities in the State of California ... by means of any written or oral communication  
10 which includes an untrue statement of material fact or omits to state a material fact necessary in order  
11 to make the statements made, in the light of the circumstances under which they were made, not  
12 misleading.”

13 39. While promoting his purported Christian values and “unquestionable integrity,”  
14 MOSS did not reference on his LinkedIn profile the 2008 California Desist and Refrain Order that  
15 found he committed securities fraud.

16 THE PHILIPPINE GOLD RECOVERY PROGRAM

17 40. In approximately May or June 2012, SPROAT introduced an Arizona resident  
18 (“INVESTOR ONE”), whom SPROAT knew, to MOSS and MCHATTON at a Bible study meeting  
19 at a church in Phoenix, Arizona.

20 41. MOSS, MCHATTON and SPROAT solicited INVESTOR ONE to invest through  
21 TFF in a project with VENTURES 7000 and two subsidiaries of Wycliffe Trust to recover gold  
22 bullion from the Philippines.

23 42. MOSS gave INVESTOR ONE a “Ventures 7000 Philippine Gold Recovery Projects  
24 Financing Proposal Summary,” which represented that VENTURES 7000 was seeking to raise  
25 \$250,000 to recover sunken and hidden treasure in the form of gold bullion from two sites in the  
26 Philippines.

1 43. The "Ventures 7000 Philippine Gold Recovery Projects Financing Proposal  
2 Summary" described the first site as "Target # 1 – Bay Project." It stated:

3 [VENTURES 7000] is seeking capital to complete the recovery of 20 metric  
4 tons of gold bullion that is residing in less than 300 feet on the floor of the  
5 Philippine Sea.... Toward the end of World War II, this gold bullion was  
6 dropped overboard by the captain of a Japanese warship.... He took this  
7 action when he realized that they would be engaged by a US Navy Task  
8 Force that had moved into the area to interdict their convoy. Rather than risk  
9 losing the war booty in deep waters at sea he chose to drop the bullion in  
10 shallow waters with the intention of returning later to retrieve it. This action  
11 proved to be a wise strategy in that the Japanese vessel was, in fact, later  
12 sunk in battle.

13 Fortunately, before abandoning ship, one of the junior bridge officers was  
14 able to save the charts indicating where the treasure had been tossed  
15 overboard... Now, through a special arrangement, the location coordinates  
16 are exclusively in the hands of Ventures 7000.  
17 ...

18 The recovery operation is expected to take less than six weeks.

19 44. The "Ventures 7000 Philippine Gold Recovery Projects Financing Proposal  
20 Summary" described the second site as "Target # 2 – Bahama Mama." It stated:

21 [VENTURES 7000] is seeking additional financing to complete final  
22 geophysical pinpointing and preparations for the recovery of a known and  
23 confirmed site containing gold bullion hidden by ex-President Ferdinand  
24 Marcos.... The total potential recovery at this site is believed to be 1,287  
25 metric tons of gold bullion based on inventories provided by the general who  
26 had control of the site and its operations till [sic] the very end of its use by  
former President Marcos in 1986.

45. The "Ventures 7000 Philippine Gold Recovery Projects Financing Proposal  
Summary" that MOSS provided to INVESTOR ONE stated: "[VENTURES 7000] estimates the total  
amount of additional capital necessary to complete the funding of the Bay Project and pinpoint the  
gold bullion at Bahama Mama to be approximately \$250,000. The total amount of time necessary  
to complete this recovery and generate proceeds therefrom will be less than 120 days from the time  
that full funding is in place."

1           46. The "Ventures 7000 Philippine Gold Recovery Projects Financing Proposal  
2 Summary" projected that a person who provided the entire \$250,000 VENTURES 7000 was seeking  
3 would receive "an estimated return of 9.5 to 1 within 6 to 9 months of total funding and a combined  
4 estimated return from both the Bay Project and the Bahama Mama Project of 45 to 1 over an 18 to  
5 24 month period."

6           47. The "Ventures 7000 Philippine Gold Recovery Projects Financing Proposal  
7 Summary" ended by stating: "Once recovered, [the gold bullion] will be used to improve the lives  
8 of millions of people, both in the Philippines and elsewhere. In addition to the monies that will flow  
9 into government coffers and those donations made by Ventures 7000's financial partners, 70% of  
10 Venture 7000's net recovery proceeds will go to fund humanitarian and philanthropic endeavors  
11 throughout the world."

12           48. INVESTOR ONE decided to invest. On June 21, 2012, he wired \$250,000 to a JP  
13 Morgan Chase Bank account ending in Xx4993 in the name of "Quicksilver Realty."

14           49. "Quicksilver Realty" is not an entity registered with the Commission to do any business  
15 in Arizona.

16           50. MCHATTON is the account holder for the JP Morgan Chase Bank account ending in  
17 Xx4993. The account documents list "Quicksilver Realty" as a dba of MCHATTON.

18           51. In exchange for his \$250,000 investment, INVESTOR ONE received: (i) a \$250,000  
19 Promissory Note from TFF signed by MOSS, MCHATTON and SPROAT as its trustees; and (ii) a  
20 Memorandum of Understanding signed by MOSS, MCHATTON and SPROAT as TFF's directors.

21           52. The Memorandum of Understanding stated that TFF was engaged in a Joint Venture  
22 Agreement with Wycliffe Trust and VENTURES 7000, and TFF would use 85% of INVESTOR  
23 ONE's \$250,000 "to fund the various business ventures and investment opportunities being  
24 undertaken pursuant to the Joint Venture Agreement.... The balance of said loan proceeds will be  
25 retained by TFF as operating funds and fees permitting TFF to properly monitor and manage said  
26 business ventures and investment opportunities."

1           53.     Although MOSS, TFF and VENTURES 7000 represented in 2012, "The total amount  
2 of time necessary to complete this recovery and generate proceeds therefrom will be less than 120  
3 days from the time that full funding is in place," they have not repaid INVESTOR ONE his \$250,000  
4 investment.

5 ---

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8                   TFF'S, MOSS' AND MCHATTON'S SALE OF ADDITIONAL INVESTMENTS

9                                   TO INVESTOR ONE

10           54.     On June 25, 2012, MOSS sold INVESTOR ONE \$18,750 worth of stock in Christian  
11 Angel Capital Network, which was then a Nevada corporation. According to the Nevada Secretary  
12 of State's records, Christian Angel Capital Network was dissolved on May 29, 2015.

13           55.     On July 6, 2012, INVESTOR ONE wired \$111,800 to the "Quicksilver Realty"  
14 account at JP Morgan Chase Bank ending in Xx4993 that MCHATTON controlled.

15           56.     INVESTOR ONE's \$111,800 wire was for his purchase of a promissory note issued  
16 by TFF and signed by MOSS and MCHATTON as its directors.

17           57.     The promissory note stated that TFF would use INVESTOR ONE's funds to  
18 participate in a joint venture with a company in Nassau, Bahamas to "Buy/Sell ... Cession of rights  
19 of one (1) Brazilian LTN 'H' series bond # 308.656."

20           58.     The promissory note provided that TFF was to repay INVESTOR ONE's principal  
21 plus a one-hundred percent (100%) profit within one month, with those monies coming from the sale  
22 of the Brazilian bond.

23           59.     On August 27, 2012, INVESTOR ONE wired \$18,000 to the "Quicksilver Realty"  
24 account at JP Morgan Chase Bank ending in Xx4993 that MCHATTON controlled.

25

26

1           60.    INVESTOR ONE's \$18,000 wire was for his purchase of a promissory note issued  
2 by "Quicksilver Realty, a business services company," and signed by MCHATTON as its Managing  
3 Director and MOSS as its representative.

4           61.    As alleged above, "Quicksilver Realty" is not an entity registered with the Commission  
5 to do any business in Arizona and MCHATTON uses that name as a dba.

6           62.    The promissory note provided that "Quicksilver Realty" was to repay INVESTOR  
7 ONE's \$18,000 plus one percent (1%) interest per month within twelve (12) months.

8           63.    The promissory note stated that "Quicksilver Realty" intended to use INVESTOR  
9 ONE's funds "as it chooses for business expenses on future and current on-going JV – Joint Venture  
10 projects and opportunities."

11          64.    Although the promissory note was by "Quicksilver Realty," INVESTOR ONE  
12 understood he was investing the \$18,000 with TFF.

13          65.    In connection with their offers and sales to INVESTOR ONE of the promissory notes  
14 concerning TFF's joint ventures to purportedly recover gold bullion from the Philippines and to  
15 profit from a Brazilian bond, and their offer and sale of stock in Christian Angel Capital Network,  
16 MOSS, MCHATTON, SPROAT and TFF promoted themselves as Christian businessmen of  
17 unquestionable integrity, without disclosing the 2008 California Desist and Refrain Order that found  
18 MOSS committed securities fraud.

19          66.    In addition, MOSS, MCHATTON, SPROAT and TFF sold these promissory notes  
20 and stock to INVESTOR ONE by representing the supposedly humanitarian and philanthropic  
21 purposes of its joint venture partners, VENTURES 7000 and the Wycliffe Trust, without disclosing  
22 the S.E.C. Consent Order against those entities' principal, TWYMAN, which arose from allegations  
23 he engaged in a scheme to commit securities fraud.

24                                    THE LOW ALPHA LEAD PROJECT

25          67.    Between October 30, 2012 and May 20, 2013, MOSS, MCHATTON, SPROAT and  
26 TFF offered and sold promissory notes and investment contracts within or from Arizona to

1 INVESTOR ONE and at least seven (7) other investors in connection with TFF's plan to acquire and  
2 then sell low alpha lead.

3 68. MOSS and TFF represented to investors that:

- 4 a) TFF was in a joint venture with the Wycliffe Trust to "acquire low alpha and ultra  
5 low alpha lead -- a very valuable metal used in the manufacturing of semi-  
6 conductors -- and then resale (*sic*) that lead to companies engaged in the  
7 production of semiconductors and related components."
- 8 b) The joint venture "has located a large supply of Low-Alpha Lead in the range of  
9 200 to 500 years old in a specific and proprietary location. Through an exclusive  
10 REALationship (trust IN transaction) we are acquiring a very unique 100-200 ton  
11 deposit."
- 12 c) "Pricing: Projected base purchase price of product is estimated at less than  
13 \$10.00/lb and projected sales price is between \$1,100.00/lb and \$4,400.00/lb  
14 depending on the alpha level (reading/signature) of the lead."
- 15 d) "The total amount of funding necessary to effectively capitalize this project is  
16 \$1,500,000."
- 17 e) The \$1,500,000 would be raised from the sale of 15 promissory notes in the  
18 amount of \$100,000 per note.
- 19 f) The projected return on investment would be as follows: within 90 to 120 days of  
20 their investment, (i) investors would be repaid their principal, and (ii) they would  
21 receive a five-hundred percent (500%) return on their investment.
- 22 g) "The element of risk for this venture is relatively small...."
- 23 h) "The bottom line is that although the potential upside of this investment is  
24 extremely high, the downside risk is less than many traditional funding  
25 platforms."  
26

1 i) With this "exclusive opportunity with Wycliffe Trust," TFF is "sitting on a  
2 fortune."

3 69. TTF and MOSS sold promissory notes and/or investment contracts within or from  
4 Arizona on or about the following dates in the following amounts in connection with TFF's plan to  
5 acquire and then sell low alpha lead with the Wycliffe Trust:

6 ...  
7 ...  
8 ...

INVESTOR	DATE	AMOUNT
INVESTOR ONE	10/30/2012	\$125,000.00
INVESTOR TWO	10/31/2012	\$75,000.00
INVESTOR THREE	11/14/2012	\$100,000.00
INVESTOR FOUR	11/20/2012	\$50,000.00
INVESTOR FIVE	12/4/2012	\$100,000.00
INVESTOR SIX	12/19/2012	\$50,000.00
INVESTOR SEVEN	1/9/2013	\$50,000.00
INVESTOR EIGHT	4/20/2013	\$13,000.00
INVESTOR EIGHT	5/20/2013	\$31,000.00

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22 70. TTF and MOSS sold the low alpha lead promissory notes and/or investment contracts  
23 to INVESTORS ONE through EIGHT, in part, by promoting MOSS as a business executive and  
24 philanthropist who exemplifies Christian values and unquestionable integrity, without disclosing the  
25 2008 California Desist and Refrain Order that found MOSS committed securities fraud.  
26

1           71. In addition, TFF and MOSS sold the low alpha lead promissory notes and/or  
2 investment contracts to INVESTORS ONE through EIGHT by touting the supposed Christian ethos  
3 of its joint venture partner, the Wycliffe Trust, without disclosing the S.E.C. Consent Order against  
4 its principal, TWYMAN, which arose from allegations he engaged in a scheme to commit securities  
5 fraud.

6           72. TFF, MOSS and MCHATTON instructed INVESTORS ONE through SEVEN to  
7 wire their investment payments the "Quicksilver Realty" account ending in Xx4993 at JP Morgan  
8 Chase Bank, which MCHATTON controlled.

9           73. INVESTOR EIGHT wrote his investment checks payable to "Quicksilver Realty."

10          74. Most of the investors did not question why they were making their payments for  
11 investments with TFF payable to "Quicksilver Realty."

12          75. INVESTORS TWO through SIX invested in TFF's low alpha lead promissory notes  
13 and/or investment contracts in part because MOSS and TFF represented that TFF would repay the  
14 investors all of their principal plus a 500% return within 90 to 120 days of their investment.

15          76. Based on MOSS' and TFF's promissory notes, TFF was supposed to have repaid  
16 INVESTORS ONE through SEVEN all of their collective \$550,000 principal investment amounts  
17 in the low alpha lead project, plus returns of \$2.75 million, by no later than April 19, 2013.

18          77. Between the dates of their respective investments and when TFF was supposed to  
19 have repaid all of their principal plus the promised 500% returns, TFF made only a few interest  
20 payments to INVESTORS ONE through SEVEN totaling less than two percent (2%) of their  
21 principal investment amounts. Then TFF failed to repay them anything at all.

22          78. By April 19, 2013, TFF had defaulted on all of its promissory notes and/or investment  
23 contracts with INVESTORS ONE through SEVEN.

24          79. In approximately April 2013, KRAUSE solicited INVESTOR EIGHT to invest in a  
25 promissory note and/or investment contract to fund TFF's low alpha lead joint venture project.  
26

1           80.     KRAUSE told INVESTOR EIGHT his [KRAUSE's] role was to raise money for TFF  
2 by recruiting investors.

3           81.     KRAUSE told INVESTOR EIGHT he [KRAUSE] would receive a percentage of the  
4 money invested by the investors he recruited.

5           82.     KRAUSE endorsed the low alpha lead investment opportunity, told INVESTOR  
6 EIGHT he had invested \$25,000 in it himself, and recommended that INVESTOR EIGHT invest in  
7 it too.

8           83.     KRAUSE told INVESTOR EIGHT to expect to receive a 400% to 500% return on  
9 the amount he invested in the low alpha lead project.

10           84.     KRAUSE did not disclose to INVESTOR EIGHT that on February 2, 2006, in  
11 Decision No. 68461, the Commission entered an Order to Cease and Desist, Order to Disgorge  
12 Commissions and Order for Administrative Penalties ("2006 Order") against KRAUSE. In the 2006  
13 Order, the Commission found that KRAUSE had committed securities fraud in violation of A.R.S. §  
14 44-1991 and registration violations in connection with his sale of investment contracts involving an  
15 oil well.

16           84-85. At KRAUSE's urging, INVESTOR EIGHT met with MOSS, MCHATTON and  
17 SPROAT in approximately April 2013 at a restaurant in Tucson.

18           85-86. MOSS told INVESTOR EIGHT that KRAUSE was "their guy in Tucson."

19           86-87. MOSS told INVESTOR EIGHT that TFF would use his investment monies to recover  
20 low alpha lead from a location in South America.

21           87-88. MOSS told INVESTOR EIGHT to expect a return of five times the amount of his  
22 investment within 90 days.

23           88-89. INVESTOR EIGHT decided to invest. On April 20, 2013, INVESTOR EIGHT  
24 provided a check payable to Quicksilver Realty for \$13,000.00, which MCHATTON deposited to  
25 his JP Morgan Chase Bank account ending in Xx4993.

1 ~~89-90.~~ On May 20, 2013, INVESTOR EIGHT provided another check payable to  
2 Quicksilver Realty for \$26,000.00 and \$5,000.00 in cash.

3 ~~90-91.~~ MCHATTON deposited INVESTOR EIGHT's \$26,000.00 check to MCHATTON's  
4 JP Morgan Chase Bank account ending in Xx4993.

5 ~~91-92.~~ On May 23, 2013, MCHATTON wrote a check for \$1,000.00 from his JP Morgan  
6 Chase Bank account ending in Xx4993 payable to KRAUSE with the notation, "For [INVESTOR  
7 EIGHT]."

8 ~~92-93.~~ When INVESTOR EIGHT invested in April and May 2013, Respondents did not  
9 disclose to him:

10 a) the existence of the Commission's 2006 Order finding that KRAUSE had  
11 committed securities fraud and other violations;

12 a)b) the existence of the 2008 California Desist and Refrain Order finding that  
13 MOSS had committed securities fraud;

14 b)c) the existence of the S.E.C. Consent Order against TWYMAN, the principal of  
15 TFF's co-joint venturers Wycliffe Trust and VENTURES 7000; or

16 e)d) that TFF was in default on all of its promissory notes and/or investment  
17 contracts with INVESTORS ONE through SEVEN because it had failed to timely  
18 repay them their principal let alone the promised 500% returns.

19 ~~93-94.~~ INVESTOR EIGHT would not have invested with Respondents if he had known of  
20 the Commission's 2006 Order against KRAUSE, the 2008 California Desist and Refrain Order  
21 against MOSS, the S.E.C. Consent Order against TWYMAN, or that TFF was already in default on  
22 its obligations to other investors.

23 THE CONVERSION OF TFF'S LOW ALPHA LEAD PROMISSORY NOTES INTO  
24 REVENUE SHARING AGREEMENTS FOR THE GOLD RECOVERY PROJECT

1 [94-95.](#) By late April 2013, with TFF not having paid any returns on its low alpha lead  
2 investments, TFF and MOSS began soliciting investors to convert those investments into ones for  
3 the purported gold recovery project in the Philippines.

4 [95-96.](#) Despite the fact that TFF had failed to recover any low alpha lead, on April 26, 2013,  
5 MOSS and TFF emailed investors stating: “[W]e (TFF) DO NOT explore, mine or dig – we simply  
6 recover real product & hard assets.”

7 [96-97.](#) MOSS and TFF stated: “The Fortitude Foundation ... desires to bring like-minded  
8 Kingdom partners in to participate w/us under a Revenue Sharing arrangement in our Gold Recovery  
9 Project that may provide exponential returns.... Under this plan we have in place the mechanism to  
10 recover vast quantities of high quality gold bullion, and other collectible and precious stones, which  
11 may yield rapid and mid-term high yields.”

12 [97-98.](#) MOSS and TFF invited investors in the low alpha lead project to exchange their  
13 promissory notes for “Revenue Share” units in the purported gold recovery project in the Philippines  
14 with VENTURES 7000.

15 [98-99.](#) An attachment to the April 26, 2013 email from MOSS and TFF projected investors  
16 would receive “an estimated return of **19.8 to 1** within 12 months of total funding and a combined  
17 estimated return from both the Bay Project and the Bahama Mama Project of **51.8 to 1** over an 18 to  
18 36 month period.”

19 [99-100.](#) Another attachment to the email asserted TFF’s and VENTURES 7000’s “intense  
20 commitment to a Biblically based code of business ethics,” and their “foundational principles of  
21 honesty, integrity, productivity, stewardship, transparency and fairness,” without disclosing the 2008  
22 California Desist and Refrain Order against MOSS or the S.E.C. Consent Order against TWYMAN.

23 [100-101.](#) INVESTOR ONE, INVESTOR FIVE and INVESTOR SEVEN agreed to  
24 exchange their respective low alpha lead promissory notes for Revenue Sharing Units in the  
25 purported gold recovery project.

26 **INVESTOR NINE’S INVESTMENT IN THE PHILIPPINE GOLD RECOVERY PROGRAM**

1 102. In May 2013, KRAUSE solicited INVESTOR NINE to invest through TFF in a  
2 promissory note and/or investment contract to fund the purported gold recovery project in the  
3 Philippines.

4 103. KRAUSE described it as a "really good deal" and urged INVESTOR NINE to talk to  
5 MOSS, which he subsequently did.

6 104. MOSS represented that for a \$100,000 investment, INVESTOR NINE would receive  
7 his \$100,000 back within 180 days, and then would receive an additional \$500,000 back over the  
8 next five years.

9 105. On May 15, 2013, INVESTOR NINE wired \$100,000 to MCHATTON's JP Morgan  
10 Chase Bank account ending in Xx4993.

11 106. In return, INVESTOR NINE received a promissory note from TFF signed by MOSS,  
12 MCHATTON and SPROAT.

13 107. When INVESTOR NINE invested in May 2013, KRAUSE, MOSS, MCHATTON  
14 and SPROAT did not disclose to him:

15 a) the existence of the Commission's 2006 Order finding that KRAUSE had  
16 committed securities fraud and other violations;

17 b) the existence of the 2008 California Desist and Refrain Order finding that MOSS  
18 had committed securities fraud;

19 c) the existence of the S.E.C. Consent Order against TWYMAN, the principal of  
20 TFF's co-joint venturers Wycliffe Trust and VENTURES 7000; or

21 d) that TFF was in default on all of its promissory notes and/or investment contracts  
22 with INVESTORS ONE through SEVEN because it had failed to timely repay  
23 them their principal let alone the promised 500% returns.

24 INVESTOR TEN'S INVESMENT IN THE AFRICAN DIAMOND

25 108. In approximately October 2014, INVESTOR TEN was introduced to MOSS,  
26 MCHATTON and SPROAT.

1 109. At a meeting in Mesa, Arizona, MOSS and MCHATTON solicited INVESTOR TEN  
2 to invest through TFF in a promissory note and/or investment contract that purportedly involved a  
3 very large diamond that belonged to a family in Africa.

4 110. MOSS told INVESTOR TEN the family was so poor that it needed investors to fund  
5 the processing, cutting and sale of the diamond.

6 111. MOSS said the investors would earn a very good return once the cut diamonds were  
7 sold.

8 112. MOSS represented INVESTOR TEN would receive his money back within 90 days.

9 113. On October 10, 2014, INVESTOR TEN invested \$100,000, which consisted of all his  
10 savings and a loan he took out to make the investment.

11 114. In return, INVESTOR TEN received a "Profit Participation In Revenue Share  
12 Agreement" signed by MOSS and MCHATTON as TFF's directors, which promised to repay  
13 \$100,000 plus "profit participation."

14 115. When INVESTOR TEN invested in October 2014, MOSS, MCHATTON and  
15 SPROAT did not disclose to him:

16 a) the existence of the 2008 California Desist and Refrain Order finding that MOSS

17 had committed securities fraud;

18 b) the existence of the S.E.C. Consent Order against TWYMAN, the principal of

19 TFF's co-joint venturers Wycliffe Trust and VENTURES 7000; or

20 c) that TFF was in default on all of its promissory notes and/or investment contracts

21 with INVESTORS ONE through NINE because it had failed to timely repay them

22 their principal let alone the promised 500% returns

23 116. TFF has failed to repay INVESTOR TEN the \$100,000 he invested concerning the  
24 purported African diamond.

1 ~~101.117.~~ Respondents have failed to repay INVESTORS ONE through ~~EIGHTNINE~~  
2 the principal amounts they invested in the low alpha lead project and the gold recovery project, which  
3 collectively total ~~\$844944~~,000.

4 ~~102.118.~~ TFF has failed to repay INVESTOR ONE the \$111,800 he invested  
5 concerning the purported Brazilian bond.

6 ~~119.~~ INVESTOR ONE has not received any dividends, return of his \$18,~~000~~750 principal  
7 or payment of any kind in connection with the stock in the Christian Angel Capital Network that  
8 MOSS and TFF sold him.

9 ....

10 ....

11 ....

12 ~~103.~~ ....

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13 THE CONTINUED OFFERING OF UNREGISTERED SECURITIES BY MOSS, TFF,  
14 AND VENTURES 7000

15 ~~104.120.~~ On August 13, 2015, MOSS and TFF sent an email to at least INVESTORS  
16 TWO, FIVE and SIX, each an Arizona resident, soliciting further investments in the purported  
17 Philippine gold recovery project.

18 ~~105.121.~~ MOSS' email of August 13, 2015 stated: "

19 ~~106.122.~~ The attachment to MOSS' email was titled "Ventures 7000 Official News  
20 Brief" and featured a picture of TWYMAN on the first page.

21 ~~107.123.~~ The "Ventures 7000 Official News Brief" stated:

22 In the years that have transpired since first establishing operations, our vision  
23 of positively impacting the world through recovery and distribution of immense  
24 wealth has never wavered!

24 ...

25 We are poised on the threshold of achieving all that we have so diligently  
26 pursued! In fact, our prospects for phenomenal success have never been greater  
nor more tangible than they are today!

...

1 Ventures 7000 has successfully identified and verified multiple treasure sites  
2 over the years. **We have now shifted from a “treasure hunting mode” to a**  
3 **“treasure recovery mode!”** This shift presages the ability for Ventures 7000  
4 to engage in the net revenue distribution process in the foreseeable future.  
Future updates may contain some financial tips on lessening the tax blow of  
impending partner distributions.

5 ~~108.124.~~ The “Ventures 7000 Official News Brief” offered further investments in the  
6 purported gold recovery project by stating: “As we finally move into the final recovery stage, there  
7 will be a small window of opportunity for existing partners to increase their investment position by  
8 purchasing additional revenue sharing units at a reduced rate and thereby increase their distribution  
9 payout.”

10 ~~109.125.~~ Since August 2015, MOSS, TFF and VENTURES 7000 have offered the  
11 revenue sharing units without disclosing that the \$250,000 offering in June 2012, which INVESTOR  
12 ONE funded, had failed to pay any returns.

13 ~~110.126.~~ The revenue sharing units being offered by MOSS, TFF and VENTURES  
14 7000 are not registered as securities with the Arizona Corporation Commission.

15 ~~111.127.~~ TFF’s promissory notes and investment contracts are not registered as  
16 securities with the Arizona Corporation Commission.

17 ~~112.128.~~ The shares of Christian Angel Capital Network stock that MOSS and TFF sold  
18 INVESTOR ONE are not registered as securities with the Arizona Corporation Commission.

19 ~~113.129.~~ No Respondent is or ever has been registered with the Arizona Corporation  
20 Commission as a dealer or salesman.

21 ...  
22 ...  
23 ...  
24 ...

V.

**VIOLATION OF A.R.S. § 44-1841**

**(Offer and Sale of Unregistered Securities)**

~~110.130.~~ From on or about June 21, 2012, Respondents have been offering or selling securities in the form of promissory notes and/or investment contracts by TFF and VENTURES 7000, and shares of stock in Christian Angel Capital Network, within or from Arizona.

~~111.131.~~ The securities referred to above are not registered pursuant to Articles 6 or 7 of the Securities Act.

~~112.132.~~ This conduct violates A.R.S. § 44-1841.

VI.

**VIOLATION OF A.R.S. § 44-1842**

**(Transactions by Unregistered Dealers or Salesmen)**

~~113.133.~~ From on or about June 21, 2012, Respondents have been offering or selling securities in the form of promissory notes and/or investment contracts by TFF and VENTURES 7000, and shares of stock in Christian Angel Capital Network, within or from Arizona, while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

~~114.134.~~ This conduct violates A.R.S. § 44-1842.

VII.

**VIOLATION OF A.R.S. § 44-1991**

**(Fraud in Connection with the Offer or Sale of Securities)**

~~115.135.~~ In connection with the offer or sale of securities within or from Arizona, Respondents are, directly or indirectly: (i) employing a device, scheme, or artifice to defraud; (ii) making untrue statements of material fact or omitting to state material facts that are necessary in order to make the statements made not misleading in light of the circumstances under which they are made; or (iii) engaging in transactions, practices, or courses of business that operate or would operate as a

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1 fraud or deceit upon offerees and investors. Respondents' conduct includes, but is not limited to, the  
2 following:

3 a) promoting themselves as Christian businessmen of unquestionable integrity  
4 and asserting TFF's and VENTURE 7000's "intense commitment to a Biblically based code of  
5 business ethics" and "foundational principles of honesty, integrity, productivity, stewardship,  
6 transparency and fairness," without disclosing: (i) the 2008 California Desist and Refrain Order  
7 that found MOSS committed securities fraud ~~or~~; (ii) the Commission's 2006 Order finding that  
8 KRAUSE had committed securities fraud; or (iii) the S.E.C. Consent Order against TWYMAN,  
9 which arose from allegations he engaged in a scheme to commit securities fraud;

10 b) soliciting and inducing INVESTOR EIGHT to invest in TFF's low alpha lead  
11 project without disclosing that TFF was in default on all of its low alpha lead promissory notes  
12 and/or investment contracts with INVESTORS ONE through SEVEN because it had failed to  
13 timely repay them their principal and had failed to pay them the promised 500% returns; ~~and~~

14 c) soliciting and inducing INVESTOR NINE to invest in TFF's gold recovery  
15 project without disclosing that TFF was in default on all of its promissory notes and/or investment  
16 contracts with INVESTORS ONE through SEVEN because it had failed to timely repay them their  
17 principal and had failed to pay them the promised 500% returns;

18 d) soliciting and inducing INVESTOR TEN to invest in TFF's purported  
19 involvement with the processing and sale of a large African diamond without disclosing that TFF was  
20 in default on all of its promissory notes and/or investment contracts with INVESTORS ONE  
21 through NINE; and

22 e)e) offering additional Philippine gold recovery project revenue sharing units in  
23 August 2015 without disclosing that the \$250,000 offering in June 2012, which INVESTOR ONE  
24 funded, has failed to yield any recovery of gold bullion or to pay any returns.

25 ~~116.136.~~ This conduct violates A.R.S. § 44-1991.  
26

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VIII.

**CONTROL PERSON LIABILITY PURSUANT TO A.R.S. § 44-1999**

1  
2  
3 ~~+17,137.~~ From at least June 21, 2012 through the present, MCHATTON has been a  
4 director and/or trustee, or held himself out as being a director and/or trustee, of TFF.

5 ~~+18,138.~~ From June 21, 2012 through the present, MCHATTON directly or indirectly  
6 controlled TFF within the meaning of A.R.S. § 44-1999. Therefore, MCHATTON is jointly and  
7 severally liable to the same extent as TFF for its violations of A.R.S. § 44-1991 from June 21, 2012  
8 through the present.

9 ~~+19,139.~~ From at least June 21, 2012 through the present, MOSS has been a director  
10 and/or trustee, or held himself out as being a director and/or trustee, of TFF.

11 ~~+20,140.~~ From June 21, 2012 through the present, MOSS directly or indirectly  
12 controlled TFF within the meaning of A.R.S. § 44-1999. Therefore, MOSS is jointly and severally  
13 liable to the same extent as TFF for its violations of A.R.S. § 44-1991 from June 21, 2012 through the  
14 present.

15 ~~+21,141.~~ From at least June 21, 2012 through the present, SPROAT has been a director  
16 and/or trustee, or held himself out as being a director and/or trustee, of TFF.

17 ~~+22,142.~~ From June 21, 2012 through the present, SPROAT directly or indirectly  
18 controlled TFF within the meaning of A.R.S. § 44-1999. Therefore, SPROAT is jointly and severally  
19 liable to the same extent as TFF for its violations of A.R.S. § 44-1991 from June 21, 2012 through the  
20 present.

21 ~~+23,143.~~ Since at least July 9, 2013, TWYMAN has been the manager, a director and  
22 an executive officer of VENTURES 7000; and MOSS has been a director of VENTURES 7000.

23 ~~+24,144.~~ From at least July 9, 2013, TWYMAN and MOSS directly or indirectly  
24 controlled VENTURES 7000 within the meaning of A.R.S. § 44-1999. Therefore, TWYMAN and  
25 MOSS are jointly and severally liable to the same extent as VENTURES 7000 for its violations of  
26 A.R.S. § 44-1991 from July 9, 2013 through the present.

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IX.

TEMPORARY ORDER

Cease and Desist from Violating the Securities Act

THEREFORE, based on the above allegations, and because the Commission has determined that the public welfare requires immediate action,

IT IS ORDERED, pursuant to A.R.S. § 44-1972(C) and A.A.C. R14-4-307, that Respondents MOSS, TFF and VENTURES 7000, their agents, servants, employees, successors, assigns, and those persons in active concert or participation with Respondents MOSS, TFF and VENTURES 7000 CEASE AND DESIST from any violations of the Securities Act.

IT IS FURTHER ORDERED that this Temporary Order to Cease and Desist shall remain in effect for 180 days unless sooner vacated, modified, or made permanent by the Commission.

IT IS FURTHER ORDERED that if a request for hearing is made, this Temporary Order shall remain effective from the date a hearing is requested until a decision is entered unless otherwise ordered by the Commission.

IT IS FURTHER ORDERED that this Order shall be effective immediately.

X.

REQUESTED RELIEF

The Division requests that the Commission grant the following relief:

1. Order Respondents to permanently cease and desist from violating the Securities Act pursuant to A.R.S. §§ 44-2032, 44-1961 and 44-1962;
2. Order Respondents to take affirmative action to correct the conditions resulting from Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. §§ 44-2032, 44-1961 and 44-1962;
3. Order Respondents to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;



1 If a request for hearing is not timely made, the Division will request that the Commission make  
2 permanent this Temporary Order, with written findings of fact and conclusions of law, which may  
3 include ordering restitution, assessing administrative penalties, or other relief.

4 Persons with a disability may request a reasonable accommodation such as a sign language  
5 interpreter, as well as request this document in an alternative format, by contacting Shaylin A.  
6 Bernal, ADA Coordinator, voice phone number 602/542-3931, e-mail [sabernal@azcc.gov](mailto:sabernal@azcc.gov).  
7 Requests should be made as early as possible to allow time to arrange the accommodation.

8 **XII.**

9 **ANSWER REQUIREMENT**

10 Pursuant to A.A.C. R14-4-305, if a Respondent or Respondent Spouse requests a hearing,  
11 the requesting respondent must deliver or mail an Answer to this Temporary Order and Notice to  
12 Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007,  
13 within 30 calendar days after the date of service of this Temporary Order and Notice. Filing  
14 instructions may be obtained from Docket Control by calling (602) 542-3477 or on the  
15 Commission's Internet web site at [www.azcc.gov/divisions/hearings/docket.asp](http://www.azcc.gov/divisions/hearings/docket.asp).

16 Additionally, the answering Respondent must serve the Answer upon the Division. Pursuant  
17 to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a  
18 copy of the Answer to the Division at 1300 West Washington, 3<sup>rd</sup> Floor, Phoenix, Arizona, 85007,  
19 addressed to James D. Burgess.

20 The Answer shall contain an admission or denial of each allegation in this Temporary Order  
21 and Notice and the original signature of the answering Respondent or the Respondent's attorney. A  
22 statement of a lack of sufficient knowledge or information shall be considered a denial of an  
23 allegation. An allegation not denied shall be considered admitted.

24 When the answering Respondent intends in good faith to deny only a part or a qualification  
25 of an allegation, the Respondent shall specify that part or qualification of the allegation and shall  
26 admit the remainder. Respondent waives any affirmative defense not raised in the Answer.

