

**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING ) Order No.: S-15-1783-16-SC01  
Whether there has been a violation of the )  
Securities Act of Washington by: ) STATEMENT OF CHARGES AND  
 ) NOTICE OF INTENT TO ENTER ORDER  
Walter A. Moa Jr.; ) TO CEASE AND DESIST, TO IMPOSE  
James E. Fritz; ) FINES, AND TO CHARGE COSTS  
Roanan Corporation; )  
 )  
 )  
Respondents )

THE STATE OF WASHINGTON TO: Walter Alexander Moa Jr.  
James Edward Fritz  
Roanan Corporation

**STATEMENT OF CHARGES**

Please take notice that the Securities Administrator of the state of Washington has reason to believe that Respondents, Walter A. Moa Jr., James E. Fritz, and Roanan Corporation, have each violated the Securities Act of Washington. The Securities Administrator believes those violations justify the entry of an order against the Respondents to cease and desist from such violations and to charge costs pursuant to RCW 21.20.390, and under RCW 21.20.395 to impose fines. The Securities Administrator finds as follows:

**TENTATIVE FINDINGS OF FACT**

**Respondents**

1. Roanan Corporation ("Roanan") is a Washington corporation incorporated in 1956 as Mineral Basin Corporation. In 1988, the corporation's name was changed to Roanan Corporation. Roanan uses an office in Vancouver, British Columbia. Roanan's primary asset is approximately ten square miles of real property near Hyder, Alaska. Hyder is located at the head of the Portland Canal, a 130-mile fjord that forms a portion of the border between the U.S. and Canada at the southeastern edge of the Alaska

1 Panhandle, approximately two miles from Stewart, British Columbia. Roanan is in the business of trying to  
2 develop commercial projects in Alaska and British Columbia. Roanan currently has more than 400  
3 shareholders, many of whom reside in Washington.

4 2. Walter A. Moa Jr. (“Moa”) is a U.S. citizen who has a primary residence in Vancouver,  
5 British Columbia, and a second residence in Port Townsend, Washington. Moa has been the President of  
6 Roanan since 1988 and the Chief Executive Officer (“CEO”) since approximately 2006.

7 3. James E. Fritz (“Fritz”) resides in Port Townsend, Washington. Fritz has been the Secretary  
8 and Treasurer of Roanan since approximately 2006.

### 9 **Overview**

10 4. Within weeks after entering into a Consent Order with the Securities Division in 2008,  
11 Roanan and Moa resumed sales of unregistered promissory note investments to residents of Washington and  
12 other states. Between July 2008 and October 2015, the Respondents offered and sold approximately  
13 \$775,000 worth of Roanan promissory notes to approximately 40 investors, including at least 20  
14 Washington investors. Many of the Washington investors are senior citizens who live in the Port Townsend  
15 area. Moa and Fritz met with prospective investors to solicit the investments.  
16

17 5. Over the years, the Respondents have described various development projects that were  
18 being pursued by Roanan, including building a deep water port in Hyder, Alaska; purchasing an industrial  
19 terminal shipping facility in nearby Stewart, British Columbia; and building a short-line railway between  
20 Hyder, Alaska and Chipmunk, British Columbia. Roanan has made three offerings of securities to raise  
21 funds and/or facilitate the proposed projects.

### 22 **2008 Enforcement Action and Consent Order**

1 6. From January 2006 through February 2008, Moa and Roanan offered and sold approximately  
2 \$600,000 worth of unregistered Roanan promissory notes to approximately 28 investors. The notes had a  
3 one-year term with 12% annual interest.

4 7. On May 7, 2008, the Securities Division entered a Statement of Charges and Notice of Intent  
5 to Enter Order to Cease and Desist and to Charge Costs (“Statement of Charges”) against Roanan and Moa.  
6 The Statement of Charges alleged that Moa and Roanan had violated the registration provisions of the  
7 Securities Act of Washington (“Securities Act”). The Statement of Charges also alleged that Moa and  
8 Roanan had violated the anti-fraud provisions of the Securities Act by failing to disclose material facts to  
9 investors, including the specific use of proceeds, the minimum amount of proceeds required to achieve the  
10 company’s objectives, the company’s operating history, and the risks of the investments. On July 1, 2008,  
11 without admitting or denying the Securities Division’s allegations, Moa and Roanan entered into a Consent  
12 Order with the Securities Division and agreed to cease and desist from any further violations of the anti-  
13 fraud and registration provisions of the Securities Act.

#### 14 **Post-Order Offering of Promissory Note Investments**

15  
16 8. Within weeks of entering into the July 2008 Consent Order, Moa and Roanan resumed  
17 unregistered sales of promissory notes with the same terms as the prior unregistered offering (a one-year  
18 term and a 12% annual interest rate). The Respondents orally represented to investors that the promissory  
19 notes would be convertible into Roanan stock.

20 9. Between at least 2008 and 2012, the Respondents failed to disclose to investors that Moa and  
21 Roanan had been subject to the May 2008 Statement of Charges and had entered into the July 2008 Consent  
22 Order for alleged securities violations.

23 10. The Respondents orally represented to some investors that they would double, triple, or  
24 quadruple their investments within five years. Fritz represented to at least two investors that they would  
25

1 earn more than a 1,000% return on their investment. The Respondents each failed to disclose any  
2 reasonable basis for these projected returns, or the assumptions upon which they were based.

3 11. When offering and selling the notes, the Respondents gave investors an offering brochure  
4 that described Roanan and its future development plans. The brochure was similar to the offering brochure  
5 used in the prior unregistered offering, but the projected costs increased over time. The brochure omitted  
6 material information about the individual projects and the risks of the promissory note investments.

7 *Deep Water Port Project*

8 12. The Respondents provided investors with an offering brochure that included misleading cost  
9 estimates for a proposed deep water port project in Hyder, Alaska. Between approximately 2008 and 2012,  
10 the Respondents misleadingly represented to investors that the estimated cost of the project was \$60 million.  
11 The Respondents failed to disclose to investors that because there were no completed engineering studies,  
12 the estimated costs might be considerably higher. In 2013, after the initial engineering study was  
13 completed, the estimated cost of the project increased from \$60 million to \$75.9 million (an increase of  
14 approximately 25%). The Respondents also failed to disclose the potential risk of cost overruns due to  
15 project delays, price increases, changes in the project, and other factors.  
16

17 13. During at least 2012, the Respondents failed to disclose the risks of competition from other  
18 sources, including another proposed port (the Stewart World Port) that would be located on the same  
19 waterway (the Portland Canal) where Roanan was planning to build its port. The Stewart World Port was in  
20 the planning and development stage at the time, and it later opened in September 2015. According to Moa,  
21 as of February 2016, the Stewart World Port had received only one shipment of cargo since it opened in  
22 September 2015.

23 14. When offering and selling promissory note investments, the Respondents each failed to  
24 disclose to investors the risk that Roanan's port would be a new venture, with no established track record or  
25

1 operating history. The Respondents failed to disclose that there might be little or no demand for Roanan's  
2 planned port facility. The Respondents failed to disclose that the demand might fluctuate significantly,  
3 depending upon the price of the raw materials that were being shipped, the demand for those materials, and  
4 other factors.

5 15. The Respondents also failed to disclose to investors what revenues, if any, would be  
6 generated from the port. The Respondents failed to disclose how Roanan would benefit from the port  
7 construction.

8 *Purchase of the Stewart Bulk Terminals Facility*

9 16. Between approximately 2008 and 2012, Roanan represented in its offering brochure that the  
10 company was planning to purchase an industrial terminal shipping facility in Stewart, British Columbia.  
11 The Respondents each failed to disclose to investors that Roanan did not have a firm purchase agreement.  
12 The Respondents failed to disclose to later investors that the estimated cost of the purchase had increased  
13 from \$CA8 million to \$CA15 million. The Respondents also failed to disclose to investors that there were  
14 potential environmental risks that might require costly remediation and that no environmental studies had  
15 been completed to assess those risks. The Respondents later discovered that siltation from the Bear River  
16 made it likely that the facility would have to cease its operations sometime within the next ten years. Later  
17 environmental studies also showed that copper sulfides and arsenic were present in the water and in soil  
18 dredged from the facility. Because of the siltation and the environmental contamination, by at least 2015,  
19 Roanan abandoned its plans to purchase the facility.  
20

21 *Railway Construction Project*

22 17. The Respondents also provided investors with misleading cost estimates for a proposed  
23 railway construction project. Between 2008 and 2012, Roanan represented in its offering brochure that the  
24 company was planning to spend \$200 million to build a short-line railway to link Roanan's proposed marine  
25

1 terminal in Hyder, Alaska to a rail line at Chipmunk, B.C. The Respondents failed to disclose to investors  
2 that because Roanan did not have completed engineering studies for estimating the railway construction  
3 costs, the estimated costs could be considerably higher. In January 2013, an engineering cost study was  
4 completed and the cost for building the railway was estimated at \$3,760,858,511, plus or minus 50%. The  
5 minimum estimated cost was approximately \$1.9 billion and the maximum estimated cost was  
6 approximately \$7.5 billion, which far exceeded Roanan's original cost estimates.

7 18. When offering or selling the promissory note investments during at least 2015, Roanan  
8 represented in its offering brochure that the cost of constructing the railway would be \$1.1 billion. The  
9 Respondents each failed to disclose to investors that Roanan had received an engineering study in 2013  
10 showing that the cost of the railway construction could range from \$1.85 billion to \$7.4 billion, and was  
11 estimated to cost approximately \$3.7 billion.

12 19. The Respondents also failed to disclose to investors what revenues, if any, would be  
13 generated from the railway. The Respondents failed to disclose how Roanan would benefit from the railway  
14 construction.  
15

16 *Other Misleading Statements and Omissions*

17 20. The Roanan offering brochure included a false and misleading representation concerning  
18 Moa's (Roanan's CEO) professional qualifications. The brochure falsely stated that Moa is a civil engineer.  
19 In fact, while Moa took engineering classes in college, he never finished his college degree and he has never  
20 never been licensed as a civil engineer.

21 21. The Respondents also failed to disclose material facts relating to Moa's compensation and  
22 potential conflicts of interest. The Respondents each failed to disclose to investors that between 2006 and  
23 2014, Roanan paid more than \$1 million to Moa International Management, a company that is wholly  
24 owned by Moa. The Respondents failed to disclose that Moa International Management was to receive  
25

1 payments of \$10,000 per month from Roanan, provided sufficient funds were available. The Respondents  
2 failed to disclose that the Vancouver, British Columbia office that is used and paid for by Roanan was  
3 leased to another business, My Vancouver Office, that is wholly owned by Moa. The Respondents failed to  
4 disclose that My Vancouver Office rents the office to third parties and provides other administrative support  
5 services, but does not share its revenues with Roanan.

6 22. Between at least 2008 through 2012, when offering and selling the promissory note  
7 investments, the Respondents each failed to disclose the operating and financial history of Roanan. The  
8 Respondents each failed to disclose the material risk of inadequate capitalization: having insufficient funds  
9 to finance the company's business operations and its proposed projects. The Respondents failed to disclose  
10 to some investors that Roanan had been attempting to fund large development projects for many years, but  
11 was never successful in completing any projects. The Respondents failed to provide financial statements or  
12 failed to provide current financial statements to investors. The Respondents failed to disclose that Roanan  
13 was never profitable. The Respondents failed to establish a minimum capitalization or escrow of funds,  
14 which meant that investor funds could be quickly exhausted without developing any revenue sources for  
15 Roanan. The Respondents failed to disclose the specific intended use of investor funds.

16 23. When offering and selling the promissory note investments, the Respondents each failed to  
17 disclose other material risks. The Respondents failed to disclose the risks of being unable to obtain the  
18 necessary permits or approvals for building a port or a railway, which could prevent those projects from  
19 being started or completed. The Respondents failed to disclose that permits for the railway, Roanan's  
20 primary project, would have to be issued from multiple sources, including the U.S. federal government, the  
21 Alaska state government, the Canadian government, the British Columbia provincial government, and  
22 would require approvals from three different First Nations governments in Canada. The Respondents each  
23  
24  
25

1 failed to disclose other risks of the investment, including environmental risks, geological risks, regulatory  
2 risks, market risks, and operations risks associated with each of the proposed projects.

3 24. When offering or selling the promissory note investments during at least 2015, Fritz and Moa  
4 each provided prospective investors with an offering brochure that misleadingly stated that Roanan had  
5 “completed all the filings required to trade publicly, including completion of SEC approved documents and  
6 meeting SEC qualifications, including asset base, shareholder count and audits.” In fact, Roanan’s last  
7 completed audit was done in 1989, and Roanan has never filed a registration statement with the Securities  
8 and Exchange Commission as part of a public offering.

### 9 **Debt Conversion Offering**

10 25. In December 2012, Respondents offered noteholders the opportunity to convert the principal  
11 and accrued interest amount of their notes at 12% annual interest into Roanan stock at a rate of \$0.20 per  
12 share. Most of the noteholders accepted the offer and later received shares of Roanan stock.

### 14 **Securities Registration Status**

15 26. Roanan is not currently registered to sell its securities in the State of Washington. On  
16 December 12, 2012, Roanan filed a claim of exemption from registration with the Securities Division for its  
17 debt conversion offering, pursuant to Regulation D, Rule 506(b) and WAC 460-44A-506. The filing  
18 indicated that \$1,505,145 worth of securities had been sold to 30 investors. Roanan failed to comply with  
19 all of the requirements of WAC 460-44A-506, including the requirement that the Form D be filed within 15  
20 days of the first sale. The Form D filed indicated that the first sale took place months earlier, on July 2,  
21 2012. Roanan made no subsequent registration or exemption filings with the Securities Division. Roanan  
22 never made any registration or exemption filings with the Securities Division for its post-order offering of  
23 promissory note investments.

1 26. Moa is not currently registered as a securities salesperson or broker-dealer in the state of  
2 Washington and has not previously been so registered.

3 27. Fritz is not registered as a securities salesperson or broker-dealer in the state of Washington  
4 and has not previously been so registered.

5 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

6 **CONCLUSIONS OF LAW**

7 1. The offer and/or sale of the promissory note investments described above constitute the offer  
8 and/or sale of a security as defined in RCW 21.20.005(14) and (17).

9 2. Respondents Walter A. Moa Jr., James E. Fritz, and Roanan Corporation have each violated  
10 RCW 21.20.140, because, as set forth in the Tentative Findings of Fact, Respondents offered and/or sold  
11 securities for which no registration is on file with the Securities Administrator.

12 3. Respondents Walter A. Moa Jr. and James E. Fritz have each violated RCW 21.20.040 by  
13 offering and/or selling said securities while not being registered as a securities salesperson or broker-dealer  
14 in the state of Washington.

15 4. Respondents Walter A. Moa Jr., James E. Fritz, and Roanan Corporation have each violated  
16 RCW 21.20.010, because, as set forth in the Tentative Findings of Fact, they each made untrue statements of  
17 material fact or omitted to state material facts necessary to make the statements made, in light of the  
18 circumstances in which they were made, not misleading.

19 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

20  
21 Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities  
22 Administrator intends to order, pursuant to RCW 21.20.390(1), that Respondents Walter A. Moa Jr., James  
23 E. Fritz, and Roanan Corporation, and their agents and employees each shall cease and desist from any  
24

1 violation of RCW 21.20.010 and RCW 21.20.140, and that Respondents Walter A. Moa Jr. and James E.  
2 Fritz, and their agents and employees each shall cease and desist from violations of RCW 21.20.040.

3 **NOTICE OF INTENT TO IMPOSE FINES**

4 Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of  
5 Law, the Securities Administrator intends to order that:

- 6 a. Respondent Walter A. Moa Jr. shall be liable for and shall pay a fine of \$25,000, and
- 7 b. Respondent James E. Fritz shall be liable for and shall pay a fine of \$5,000.

8 **NOTICE OF INTENT TO CHARGE COSTS**

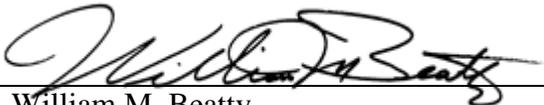
9 Pursuant to 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law, the  
10 Securities Administrator intends to order that Respondent Walter A. Moa Jr. shall be liable for and shall pay  
11 the costs, fees, and other expenses incurred in the administrative investigation and hearing of this matter, in  
12 an amount not less than \$5,000, and that Respondent James E. Fritz shall be liable for and shall pay the  
13 costs, fees, and other expenses incurred in the administrative investigation and hearing of this matter, in an  
14 amount not less than \$2,500.

15 **AUTHORITY AND PROCEDURE**

16 This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is  
17 subject to the provisions of Chapter 34.05 RCW. The Respondents, Roanan Corporation; Walter A. Moa  
18 Jr.; and James E. Fritz, may each make a written request for a hearing as set forth in the NOTICE OF  
19 OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Order. If a  
20 Respondent does not make a hearing request in the time allowed, the Securities Administrator intends to  
21 adopt the above Tentative Findings of Fact and Conclusions of Law as final and to enter a permanent order  
22 to cease and desist as to that Respondent, to impose any fines sought against that respondent, and to charge  
23 any costs sought against that Respondent.  
24  
25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

Signed and Entered this 4th day of April, 2016



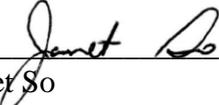
William M. Beatty  
Securities Administrator

Approved by:



Suzanne Sarason  
Chief of Enforcement

Presented by:



Janet So  
Financial Legal Examiner

Reviewed by:



Robert Kondrat  
Financial Legal Examiner Supervisor