

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING) Order Number S-09-039-09-CO01
Whether there has been a violation of the)
Securities Act of Washington by:) CONSENT ORDER AS TO
) IFT HOLDINGS, INC.
IFT Holdings, Inc., f/k/a)
Integrated Fuel Technologies, Inc.;)
Robert M. Firebaugh;)
Michael W. Conrad;)
Wooly Rhino, LLC;)
Adam G. Kremin,)
Respondents)

INTRODUCTION

On November 24, 2009, the Securities Administrator of the State of Washington issued Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, Impose Fines, and Recover Costs S-09-039-09-SC01, hereinafter referred to as “Statement of Charges,” against Respondent IFT Holdings, Inc., f/k/a Integrated Fuel Technologies, Inc. The Securities Division and Respondent IFT Holdings, Inc., f/k/a Integrated Fuel Technologies, Inc. do hereby enter into this Consent Order in settlement of the matters alleged herein. The Respondent IFT Holdings, Inc., f/k/a Integrated Fuel Technologies, Inc. neither admits nor denies the Findings of Fact and Conclusions of Law stated below.

FINDINGS OF FACT

Respondents

1. IFT Holdings Inc. is a corporation originally formed in Nevada in April 2007, and until approximately October 2008, was formerly known as (f/k/a) Integrated Fuel Technologies, Inc. (“IFT”). IFT used business addresses in Kirkland, Washington and

1 Spokane Valley, Washington. IFT's business originally centered on a fuel doser (a fuel
2 additive delivery system), but later changed to the development of a catalyst that removes
3 nitrogen oxide (NOx) from diesel engine emissions. IFT's website, www.iftnw.com, invites
4 "potential investors" to send an e-mail to the company regarding investment opportunities.

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6 2. Robert M. Firebaugh ("Firebaugh") is a resident of Kirkland, Washington. At
7 various times, Firebaugh used the title of Chairman, President, Secretary, and Chief
8 Technology Officer ("CTO") of IFT.

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10 3. Michael W. Conrad ("Conrad") is a resident of Greenacres, Washington.
11 Conrad used the title of General Manager in connection with his activities relating to IFT.

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13 4. Woolly Rhino, LLC ("Woolly Rhino") is an inactive Washington limited liability
14 company formed in February 2007 that used a business address in Spokane Valley,
15 Washington. Conrad was the sole Member of Woolly Rhino, LLC.

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17 5. Adam G. Kremin ("Kremin") is a resident of Washington who previously
18 worked for IFT.

19 IFT Offering

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21 6. Between approximately May 2007 and September 2008, the Respondents
22 offered and sold stock in IFT for \$100 per share to approximately 60 investors, raising
23 approximately \$2,000,000. Most of these investors were Washington residents.

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25 7. In approximately April 2007, Firebaugh recruited Conrad to find investors for
IFT. Conrad solicited individuals that he knew through his church and other sources.
Through most of 2007 and 2008, Conrad worked with Firebaugh to find new investors for
IFT. Conrad sent out e-mails to prospective investors, and attached copies of offering

1 materials, including a business plan. Conrad also arranged for prospective investors to speak
2 with Firebaugh at meetings or by telephone.

3 8. Between approximately May 2007 and June 2007, Conrad and Firebaugh
4 arranged for approximately eight investors to purchase shares of IFT stock. Investors paid for
5 IFT stock by writing checks totaling more than \$700,000 to Conrad's company, Wooly
6 Rhino. Conrad deposited these funds into a bank account in the name of Wooly Rhino, and
7 subsequently made transfers of investor funds to other accounts used by Firebaugh.
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9 9. Some of these initial investors were provided with an Investment Receipt signed
10 by Conrad on Wooly Rhino letterhead, which reflected the fact that their funds were for the
11 purpose of investing in IFT. Investors were also provided with a one-page Stock Issuance and
12 Option to Purchase Agreement, which was signed by Firebaugh and, in some instances, by
13 Conrad. Under the terms of the Agreement, investors were to receive stock in IFT, a
14 percentage of the first year net profits (proportional to their ownership interest), plus a
15 percentage of the profits from the first purchase order from a major manufacturer.
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17 10. In June 2007, one IFT investor paid over \$300,000 to Wooly Rhino.
18 Undisclosed to the investor, a commission of \$35,000 was paid to Conrad's father (now
19 deceased), who was involved in soliciting the investor.
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21 11. Kremin also offered and sold IFT stock to investors. Kremin led investors to
22 believe that they had only a short amount of time to invest because the stock sale was closing
23 within days. In approximately August 2008, Kremin recruited an existing investor to find
24 additional investors for IFT and several persons invested in IFT as a result. In some
25 instances, no written offering documents were provided to the prospective investors. Instead,

1 prospective investors were referred to IFT's website, which contained minimal information.
2 In accordance with Kremin's instructions, several investors made their investments in cash.

3 12. As part of the offering, investors were provided with written and oral
4 representations regarding the returns they would earn. Some investors were also provided
5 with an "IFT Addendum" dated April 5, 2008 that was signed by Firebaugh. The Addendum
6 represented that upon receipt of the "first proceeds from our first contract", IFT would repay
7 "all principal investment plus an APR of 8.5%." Other investors received a stock sales
8 agreement that represented that investors would receive an annual dividend that equaled a
9 return of at least 8% on their investment. Firebaugh caused one investor to cash out a 401(k)
10 retirement account, by leading her to believe that if she invested \$50,000 in IFT, she would be
11 make a million dollars on her investment, and that she would begin to see returns on her
12 investment in two to four months. Another investor solicited by Firebaugh invested \$100,000
13 in IFT, after being told that he would likely earn close to \$1 million due to a large pending
14 contract, and that he would receive a return on his investment within a year.

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16 Misrepresentations and Omissions

17 13. When offering the stock, the Respondents failed to disclose material information
18 regarding IFT's management, including, but not limited to: their background and lack of
19 experience in emission control technology; Firebaugh's prior business ventures that resulted
20 in losses to investors; management's stock ownership and personal stock sales by Firebaugh
21 and Conrad; and the fact that Firebaugh had been the subject of several lawsuits in connection
22 with his prior business activities, had multiple judgments entered against him, and had filed
23 for bankruptcy in 2005.
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1 14. The Respondents also failed to disclose material information regarding: the prior
2 use of offering proceeds; the compensation paid to the company's management and
3 significant employees and consultants; and Firebaugh's use of investor funds in IFT bank
4 accounts for tens of thousands of dollars in personal expenses.

5 15. The Respondents also failed to disclose material information regarding the
6 financial condition of IFT; failed to provide current financial statements; and failed to disclose
7 material information regarding loans that had been made to IFT and to IFT's management,
8 including, but not limited to, a \$157,727.72 promissory note entered into between Conrad and
9 a major IFT shareholder.

10 16. Through written documents and oral solicitations, the Respondents made
11 misleading statements regarding the projected returns that investors would earn and the timing
12 of those returns, without providing and explaining the assumptions underlying those
13 projections.

14 17. The Respondents failed to disclose the speculative nature of the stock; the lack
15 of an established public market for the stock; the fact that there was no assurance that a public
16 market would develop for the stock; and the fact that the stock offering was not registered.
17 The written offering materials distributed by the Respondents failed to adequately disclose the
18 risks associated with the investment, including the risks of investing in a development stage
19 company with no established track record; the risk of dilution through the issuance of
20 additional shares of stock; and the risks associated with inexperienced management.
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1 Registration Status

2 18. IFT Holdings, Inc., f/k/a Integrated Fuel Technologies, Inc., is not currently and
3 has not previously been registered to sell its securities in the state of Washington, and has not
4 filed a claim of exemption from registration.
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6 Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:
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8 **CONCLUSIONS OF LAW**

9 1. The offer or sale by Respondent IFT Holdings, Inc., f/k/a Integrated Fuel
10 Technologies, Inc., of the stock described above constitutes the offer and/or sale of a security
11 as defined in RCW 21.20.005(10) and (12).

12 2. Respondent IFT Holdings, Inc., f/k/a Integrated Fuel Technologies, Inc. violated
13 RCW 21.20.140, because it offered and/or sold securities for which there is no registration on
14 file with the Securities Administrator.

15 3. The offer or sale of the stock described above were made in violation of RCW
16 21.20.010 because, as set forth in the Tentative Findings of Fact, the Respondent IFT Holdings,
17 Inc., f/k/a Integrated Fuel Technologies, Inc. made misstatements of material fact or omitted to
18 state material facts necessary in order to make the statements made, in light of circumstances
19 under which they were made, not misleading.
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2 **CONSENT ORDER**

3 Based upon the foregoing and finding it in the public interest:

4 IT IS AGREED AND ORDERED that Respondent IFT Holdings, Inc., f/k/a
5 Integrated Fuel Technologies, Inc., and their agents and employees each shall cease and
6 desist from violating RCW 21.20.010, the anti-fraud section of the Securities Act of
7 Washington.
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9 IT IS FURTHER AGREED AND ORDERED that Respondent IFT Holdings, Inc.,
10 f/k/a Integrated Fuel Technologies, Inc. and their agents and employees each shall cease and
11 desist from offering or selling securities in violations of RCW 21.20.140, the securities
12 registration section of the Securities Act of Washington.

13 IT IS FURTHER AGREED that Respondent IFT Holdings, Inc., f/k/a Integrated Fuel
14 Technologies, Inc. enters into this Consent Order freely and voluntarily and with a full
15 understanding of its terms and significance.

16 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this
17 Order.
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1 IT IS FURTHER AGREED that in consideration of the foregoing, Respondent IFT
2 Holdings, Inc., f/k/a Integrated Fuel Technologies, Inc. waives their rights to a hearing in this
3 matter and judicial review of this order pursuant to RCW 21.20.440 and RCW 34.05.

4 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

5 SIGNED this 9th day of December, 2009.

6 Signed by:

7 IFT Holdings, Inc.

8 By ____/s/_____
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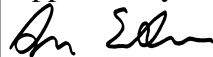
10 John Harms, President
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12 DATED and ENTERED this 25th day of January, 2010.
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15 MICHAEL E. STEVENSON
16 Securities Administrator

17 Approved by:

18 

19 Suzanne E. Sarason
20 Chief of Enforcement

Presented by:

21 

22 Robert Kondrat
23 Enforcement Attorney

24 Reviewed by:

25 

Martin Cordell
Financial Legal Examiner Supervisor