

1 **STATE OF WASHINGTON**
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**
3 **SECURITIES DIVISION**

4 IN THE MATTER OF DETERMINING
5 whether there has been a violation
6 of the Securities Act of Washington by:

7 Financial Solutions II, LLC; Neal T. Ische;
8 and Theodore C. Dutcher,

9 Respondents

Order Number S-10-261-11-FOO1

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL
ORDER TO CEASE AND DESIST, TO
IMPOSE A FINE, AND TO CHARGE
COSTS, AS TO NEAL T. ISCHE

10 **INTRODUCTION**

11 On May 20, 2011, the Securities Administrator of the State of Washington issued Statement of
12 Charges and Notice of Intent to Enter an Order to Cease and Desist, to Impose a Fine, and to Charge Costs
13 S-10-261-11-SC01 (hereinafter "Statement of Charges"), against Respondent Neal T. Ische. The
14 Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing
15 ("Notice"), and an Application for Adjudicative Hearing ("Application for Hearing") were served on
16 Respondent Neal T. Ische on June 1, 2011.

17 The Notice advised that a written application for an administrative hearing on the Statement of
18 Charges must be received within twenty days from the date of receipt of the notice. Respondent Neal T.
19 Ische failed to request an administrative hearing within twenty days of receipt of the Statement of Charges
20 and Notice of Opportunity for Hearing, either on the Application for Hearing provided or otherwise.

21 The Securities Administrator therefore will adopt as final the Findings of Fact and Conclusions of
22 Law as set forth in the Statement of Charges and enter a final order against Neal T. Ische to cease and
23 desist from violations of the Securities Act, and to impose a fine and to charge costs.

24 The Securities Administrator makes the following Findings of Fact and Conclusions of Law:

25 ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL
ORDER TO CEASE AND DESIST, TO
IMPOSE A FINE, AND TO CHARGE COSTS,
AS TO NEAL T. ISCHE

1 **FINDINGS OF FACT**

2 Respondents

3 1. Financial Solutions II, LLC (“Financial Solutions”) is a Nevada limited liability company that
4 was formed on March 4, 2004. From at least 2004 through 2006, Financial Solutions offered and/or
5 sold investments in natural gas production.

6 2. Neal T. Ische (“Ische”) is a Washington resident and was a managing member of Financial
7 Solutions.

8 3. Theodore C. Dutcher (“Dutcher”) is a Colorado resident and was a managing member of
9 Financial Solutions.

10 Offering of Investments

11 4. From at least 2004 through 2006, Respondents offered and/or sold more than \$950,000 worth
12 of investments in natural gas production to at least twelve investors or prospective investors, including
13 at least four Washington residents. The investments were purportedly going to finance natural gas
14 production from a gas field that was located in or near Morgantown, Kentucky or from a neighboring
15 gas field that was known as the Canmer field.

16 5. When offering and selling investments, Ische, and sometimes Dutcher, would personally
17 contact prospective investors to solicit their investments. Ische would often show prospective investors
18 a geological survey map of the gas field that would ostensibly provide a return on the investment.
19 Sometimes Ische or Dutcher would refer to geological reports when soliciting investments. In emails
20 or letters to prospective investors, Ische and Dutcher each made representations about the likely
21 volume of gas production and about the projected return on investments.

22 6. When offering and selling investments, Respondents each represented that investor funds
23 would be combined with company funds or with other investor funds to finance natural gas production.

1 Respondents represented that Financial Solutions would share in the profits and the financial return
2 from the gas production. Respondents also represented that investors would earn a profit from their
3 investment.

4 7. The investors generally had no prior experience with making natural gas investments or
5 managing natural gas production ventures. The investors were relying upon Respondents to generate a
6 return on their investment. To confirm the sale of some investments, Ische or Dutcher gave investors a
7 “Joint Venture Agreement” that described the terms of particular investments. Although the
8 agreements were characterized as a “joint venture,” the investors were passive participants who did not
9 have any role in the activities that would generate a return on the investment.

10 8. The investors and prospective investors were senior citizens, who wanted a secure retirement
11 income from their investments. Some of the investors used credit card loans or home equity loans to
12 finance their investments. At least one of the investors invested Individual Retirement Account funds.

13 9. To date, only one of the investments has been repaid in full. Most of the remaining investors
14 have received a return of less than 25% of their total investment. Some investors have received little or
15 no return on their investment.

16 Misrepresentations and Omissions

17 10. When offering and selling investments, Respondents each misrepresented the safety of the
18 investments. Respondents each misrepresented to some investors that their funds would be held in an
19 escrow account, while directing the investors to transfer their funds to a bank account that was
20 controlled by Respondents. Respondents each misrepresented to certain investors that their
21 investments were fully collateralized, without identifying any specific collateral that was pledged to
22 investors.

1 11. When offering and selling investments, Dutcher gave at least three different investors a
2 repayment letter that guaranteed the full repayment of their investment within a three-month or four-
3 month time period, with no reasonable basis for guaranteeing repayment. In one of the letters, Dutcher
4 referred to his personal guarantee, without ever providing any personal guarantee to secure the
5 investment.

6 12. When offering and selling investments, Respondents each misrepresented financial
7 information about the investments. Respondents misrepresented to some investors that Financial
8 Solutions had committed 100% funding for constructing a gathering system for selling natural gas
9 through a pipeline, when no such funding was provided and no gathering system was owned by the
10 investors. Respondents misrepresented to some investors that Financial Solutions owned a 25% share
11 of a gas delivery contract with an aluminum smelter plant, with delivery amounts ranging from at least
12 four million to five million cubic feet of gas per day, when Financial Solutions owned no such
13 contractual interest and had no ability to deliver gas in those quantities and when the investors had no
14 ownership interest in any such gas delivery contract. Respondents each misrepresented to some
15 investors that Financial Solutions had invested amounts ranging from at least \$500,000 to \$1,000,000
16 in the Morgantown gas production venture, when no investments were made by Financial Solutions.

17 13. When offering and selling investments, Respondents gave some investors misleading
18 financial projections for their investments. For example, Respondents each represented that a
19 Morgantown investor would earn more than a 300% return on the investment, without providing any
20 reasonable basis for the projection and without deducting the operating costs for the venture that would
21 purportedly generate the return on investment.

22 14. When offering and selling investments, Respondents each failed to disclose significant risks
23 of the investments. Respondents failed to disclose the business experience and the oil and gas

1 background of the managers of the purported gas production ventures. Respondents failed to disclose
2 the specific intended use of investor funds and any minimum amount of required funds. When offering
3 and selling some investments, Respondents failed to identify the issuer of the investments and investors
4 later received K-1 annual income tax returns or other ownership information from companies that they
5 did not recognize. Respondents failed to give investors any financial statements for the issuer or for
6 any purported guarantor of the investments.

7 15. When offering and selling investments, Respondents each failed to disclose important
8 information about the gas wells that were located in the Morgantown and Canmer gas fields.
9 Respondents failed to disclose the ownership, the operating history, the production volumes, and the
10 operating costs for the wells. For the Morgantown investments, Respondents represented to some
11 investors or prospective investors that they were investing in a proven gas field with established
12 production levels, but failed to disclose that one of the wells was a dry hole and that another well was
13 leaking. Respondents also failed to disclose that the Morgantown gas field was subject to significant
14 water damage at the time that Morgantown investments were being offered and sold to investors.

15 Registration Status

16 16. Ische is not currently registered as a securities broker-dealer or a securities salesperson in the
17 state of Washington and have not previously been so registered.

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

19 **CONCLUSIONS OF LAW**

20 I.

21 The offer or sale of the investments that are described above constitute the offer or sale of a
22 security, as defined in RCW 21.20.005(10) and (12).

1 II.

2 As set forth in the Findings of Fact, Respondent Neal T. Ische has violated RCW 21.20.140, the
3 securities registration section of the Securities Act of Washington, because no registration for such
4 offer or sale was on file with the Washington Securities Administrator.

5 III.

6 As set forth in the Findings of Fact, Respondent Neal T. Ische has violated RCW 21.20.040, the
7 securities broker-dealer and securities salesperson registration section of the Securities Act of
8 Washington, by offering or selling said securities while not registered as a securities broker-dealer or
9 securities salesperson in the state of Washington.

10 IV.

11 As set forth in the Findings of Fact, Respondent Neal T. Ische has violated RCW 21.20.010, the
12 anti-fraud section of the Securities Act of Washington, because, in connection with the offer and sale of
13 said securities, Respondent Neal T. Ische made untrue statements of a material fact or omitted to state
14 material facts necessary in order to make the statements made, in the light of the circumstances under
15 which they were made, not misleading.

16 **FINAL ORDER**

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

18 It is hereby ORDERED that Respondent Neal T. Ische and his agents and employees each shall
19 cease and desist from offering or selling securities in violation of RCW 21.20.140, the securities
20 registration section of the Securities Act of Washington.

21 It is further ORDERED that Respondent Neal T. Ische and his agents and employees each shall
22 cease and desist from acting as an unregistered securities broker-dealers or salesperson in violation of

1 RCW 21.20.040, the broker-dealer and securities salesperson registration section of the Securities Act
2 of Washington.

3 It is further ORDERED that Respondent Neal T. Ische and his agents and employees each shall
4 cease and desist from violating RCW 21.20.010, the anti-fraud section of the Securities Act of
5 Washington.

6 It is further ORDERED that Respondent Neal T. Ische shall be liable for and shall pay a fine in
7 the amount of \$10,000.

8 It is further ORDERED that Respondent Neal T. Ische shall be liable for and shall pay
9 investigative costs of \$5,000.

10 **AUTHORITY AND PROCEDURE**

11 This Final Order is entered pursuant to the provisions of RCW 21.20.390 and RCW 21.20.395, and
12 is subject to the provisions of RCW 21.20.440 and Chapter 34.05 RCW. Respondent Neal T. Ische has
13 the right to petition the superior court for judicial review of this agency action under the provisions of
14 chapter 34.05 RCW. For the requirements for filing a Petition for Judicial Review, see RCW 34.05.510
15 and sections following. Pursuant to 21.20.395, a certified copy of this order may be filed in Superior
16 Court. If so filed, the clerk shall treat the order in the same manner as a Superior Court judgment as to the
17 fine, and the fine may be recorded, enforced, or satisfied in like manner.

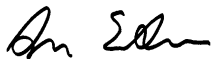
1 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

2 DATED and ENTERED this 11th day of July, 2011

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6 WILLIAM M. BEATTY
Securities Administrator

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8 Approved by:

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10 Suzanne E. Sarason
11 Chief of Enforcement

Presented by:

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13 Janet So
14 Enforcement Attorney

15 Reviewed by:

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17 Robert Kondrat
18 Financial Legal Examiner Supervisor

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