

STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION

IN THE MATTER OF DETERMINING ) Order No. S-10-261-11-SC01  
whether there has been a violation of the )  
Securities Act of Washington by: ) STATEMENT OF CHARGES AND NOTICE OF  
 ) INTENT TO ENTER AN ORDER TO CEASE AND  
Financial Solutions II, LLC; Neal T. Ische; ) DESIST, TO IMPOSE A FINE, AND TO CHARGE  
and Theodore C. Dutcher, ) COSTS  
 )  
Respondents )

THE STATE OF WASHINGTON TO: Financial Solutions II, LLC  
Neal Thomas Ische  
Theodore Carl Dutcher

**STATEMENT OF CHARGES**

Please take notice that the Securities Administrator of the state of Washington has reason to believe that Respondents, Financial Solutions II, LLC; Neal T. Ische; and Theodore C. Dutcher, have each violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 against each to cease and desist from such violations and to charge costs and under RCW 21.20.395 to impose a fine. The Securities Administrator finds as follows:

**TENTATIVE FINDINGS OF FACT**

Respondents

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



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

7  
8 8. The investors and prospective investors were senior citizens, who wanted a secure retirement  
9 income from their investments. Some of the investors used credit card loans or home equity loans to  
10 finance their investments. At least one of the investors invested Individual Retirement Account funds.

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

#### 14 Misrepresentations and Omissions

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

20  
21 11. When offering and selling investments, Dutcher gave at least three different investors a  
22 repayment letter that guaranteed the full repayment of their investment within a three-month or four-

1 month time period, with no reasonable basis for guaranteeing repayment. In one of the letters, Dutcher  
2 referred to his personal guarantee, without ever providing any personal guarantee to secure the investment.

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

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

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

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

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

#### 16 Registration Status

17 16. Financial Solutions is not currently registered to sell its securities in the state of Washington and  
18 has not previously been so registered.

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

21 18. Dutcher is not currently registered as a securities broker-dealer or a securities salesperson in the  
22 state of Washington and have not previously been so registered.

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

2 **CONCLUSIONS OF LAW**

3 **I.**

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

6 **II.**

7 As set forth in the Tentative Findings of Fact, Respondents have each violated RCW 21.20.140, the  
8 securities registration section of the Securities Act of Washington, because no registration for such offer  
9 or sale was on file with the Washington Securities Administrator.

10 **III.**

11 As set forth in the Tentative Findings of Fact, Neal T. Ische and Theodore C. Dutcher have each  
12 violated RCW 21.20.040, the securities broker-dealer and securities salesperson registration section of the  
13 Securities Act of Washington, by offering or selling said securities while not registered as a securities  
14 broker-dealer or securities salesperson in the state of Washington.

15 **IV.**

16 As set forth in the Tentative Findings of Fact, Respondents have each violated RCW 21.20.010, the  
17 anti-fraud section of the Securities Act of Washington, because, in connection with the offer and sale of  
18 said securities, Respondents each made untrue statements of a material fact or omitted to state material  
19 facts necessary in order to make the statements made, in the light of the circumstances under which they  
20 were made, not misleading.  
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1                                   **NOTICE OF INTENT TO ORDER RESPONDENTS TO CEASE AND DESIST**

2           Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of  
3 Law, the Securities Administrator intends to order that Respondents, Financial Solutions II, LLC; Neal T.  
4 Ische; and Theodore C. Dutcher, each shall cease and desist from any violation of RCW 21.20.010, RCW  
5 21.20.040 and RCW 21.20.140.

6                                   **NOTICE OF INTENT TO IMPOSE A FINE**

7           Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of  
8 Law, the Securities Administrator intends to order that Respondents, Financial Solutions II, LLC; Neal T.  
9 Ische; and Theodore C. Dutcher, shall be jointly and severally liable for and shall pay a fine of \$10,000.

10                                   **NOTICE OF INTENT TO CHARGE COSTS**

11           Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of  
12 Law, the Securities Administrator intends to order that Respondents, Financial Solutions II, LLC; Neal T.  
13 Ische; and Theodore C. Dutcher, shall be jointly and severally liable for and shall pay investigative costs  
14 of \$5,000.

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, Financial Solutions II, LLC; Neal T.  
18 Ische; and Theodore C. Dutcher, may each make a written request for a hearing as set forth in the  
19 NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this  
20 Statement of Charges. If a respondent does not make a hearing request in the time allowed, the Securities  
21 Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and  
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1 to enter a permanent order to cease and desist as to that respondent, to impose any fines sought against  
2 that respondent, and to charge any costs sought against that respondent.

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4 Signed and Entered this 20th day of May, 2011

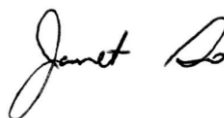
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10 WILLIAM M. BEATTY  
11 Securities Administrator

12 Approved by:

12 Presented by:

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14 \_\_\_\_\_  
15 Suzanne E. Sarason  
16 Chief of Enforcement

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15 Janet So  
16 Enforcement Attorney

17 Reviewed by:

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19 \_\_\_\_\_  
20 Robert Kondrat  
21 Financial Legal Examiner Supervisor