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

IN THE MATTER OF DETERMINING) Order No.: S-14-1479-17-SC01
Whether there has been a violation of the)
Securities Act of Washington and the Busi-) STATEMENT OF CHARGES AND
ness Opportunity Fraud Act of Washington) NOTICE OF INTENT TO
by:) ENTER ORDER TO CEASE AND DESIST,
) TO IMPOSE FINES,
TIMOTHY DION WETZEL; ROBERT) AND TO CHARGE COSTS
THOMAS KELLY; WETZEL OIL INC.;)
WETZEL ENERGY TECHNOLOGY COM-)
PANY INC.; BETTER FUEL NORTH)
WEST, A WETCO COMPANY, INC.; and)
BETTER FUEL GROUP NW, INC.)
)
Respondents.)

11 THE STATE OF WASHINGTON TO:

**Timothy Dion Wetzel;
Robert Thomas Kelly;
Wetzel Oil Inc.;
Wetzel Energy Technology Company Inc.;
Better Fuel North West, a WETCO
Company, Inc.; and
Better Fuel Group NW, Inc.**

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STATEMENT OF CHARGES

16 Please take notice that the Securities Administrator of the state of Washington has reason to believe
17 that Respondents, Timothy Dion Wetzel; Robert Thomas Kelly; Wetzel Oil Inc.; Wetzel Energy Technolo-
18 gy Company Inc.; Better Fuel North West, a WETCO Company, Inc.; and Better Fuel Group NW, Inc.,
19 have each violated the Securities Act of Washington and the Business Opportunity Fraud Act of Washing-
20 ton. The Securities Administrator believes those violations justify the entry of an order against the Re-
21 spondents to cease and desist from such violations pursuant to RCW 21.20.390 and RCW 19.110.150, to
22 charge costs pursuant to RCW 21.20.390, and to impose fines under RCW 21.20.395. The Securities Ad-
23 ministrator finds as follows:
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TENTATIVE FINDINGS OF FACT

Respondents

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3 1. Wetzel Oil Inc. (“WOI”) was a Nevada corporation formed on June 14, 2011 and dissolved
4 on March 21, 2013. During the period relevant to this Statement of Charges, WOI’s principal place of
5 business was in Kent, Washington. WOI claimed to be in the business of developing, producing and selling
6 proprietary renewable diesel fuel, and selling licenses to allow others to produce the fuel.

7 2. Wetzel Energy Technology Company Inc. (“WETCO”) is a Washington corporation formed
8 on March 27, 2013. During the period relevant to this Statement of Charges, WETCO’s principal place of
9 business was in Tacoma, Washington. WETCO sells licenses and fuelmaking equipment to investors that
10 purportedly allowed the investors to produce, market and sell its proprietary renewable fuel. WETCO
11 maintains a website at www.wetzelenergy.com.

12 3. Better Fuel North West, a WETCO Company, Inc. (“BFNW”) is a Nevada corporation
13 formed on October 2, 2014. Its Nevada business license expired in October 2016. During the period rele-
14 vant to this Statement of Charges, its principal place of business was in Tacoma, Washington. BFNW pur-
15 chased a WETCO license to produce, market and sell WETCO’s renewable fuel.

16 4. Better Fuel Group NW, Inc. (“Better Fuel Group”) is a Nevada corporation formed on Oc-
17 tober 28, 2014. Its Nevada business license expired in October 2016. Its principal place of business is in
18 Bellevue, Washington. Better Fuel Group is in the business of finding and selling WETCO business oppor-
19 tunities to investors.

20 5. Timothy Dion Wetzel (“Wetzel”) resided in Renton, Washington during the period relevant
21 to this Statement of Charges. Wetzel was, at various times, the President and Director of WOI; the Presi-
22 dent, Treasurer and Chairman of WETCO; and the President, CEO, Treasurer and Director of BFNW.
23 Wetzel claims to have invented the renewable fuel(s) used in the WOI and WETCO businesses.
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ness and make money. Wetzel and Kelly offered and sold business opportunities through WETCO that consisted of a license to produce his renewable fuel and a fuelmaking machine.

11. Together, Wetzel and Kelly sold these investments to at least 26 distinct investors, at least 19 of whom were Washington residents. Many of the WETCO and BFNW investors were friends and family of Kelly and his wife, and many invested in multiple investments. Kelly purchased a business opportunity himself and formed BFNW with Wetzel to produce and sell the fuel. He also purchased a WETCO “distributorship” that gave him the exclusive right to find business opportunity investors in the Pacific Northwest. Kelly formed Better Fuel Group to carry out this function. The following table summarizes the investments that Wetzel and Kelly sold:

Issuer & Investment Type	Approximate Date of Sale	Number of Investors	Minimum Amount Raised	Salespeople
WOI – Stock	2011 to 2012	7	\$177,775	Wetzel
WETCO – Stock	2013 to 2015	9	\$66,750	Wetzel and Kelly
WETCO - Business Opportunities	2013 to 2015	9	\$422,064	Wetzel, Kelly, Better Fuel Group, and Garibello
WETCO - Promissory Notes	No later than July 2015 to 2016	5	\$58,000 - \$109,000	Wetzel and Kelly
BFNW - Stock	2014 to 2015	8	\$105,000	Wetzel and Kelly

12. To sell these investments, Wetzel and Kelly generally told investors that Wetzel had invented the SnxF line of fuel (including a purported improvement called SnxF2) that could make millions in annual profit for the producer. They also told investors that Wetzel owned patents or pending patents that protected the SnxF fuel and related technology, when in fact he did not. Wetzel and Kelly told WOI, WETCO, and BFNW securities investors that they could profit from those companies’ fuel sales. Those who pur-

1 chased WETCO business opportunities could profit by producing and selling the renewable fuel them-
2 selves.

3 13. Wetzel and Kelly made many material misrepresentations and omissions to their investors
4 when they sold the investments. Most notably, they misrepresented information about Wetzel's ownership
5 of patents or pending patents, use of investor funds, and profit potentials. They also failed to disclose risks
6 of the investment and information about Wetzel's criminal and financial history.

7 14. To date, the business opportunities and securities investors have lost much, if not all, of their
8 investments. No business opportunity investor has been able to start their fuelmaking business. Wetzel and
9 Kelly never made enough renewable fuel through WOI, WETCO, or BFNW to provide any return to
10 shareholders or noteholders, to the Division's knowledge. Instead, Wetzel used a significant portion of in-
11 vestor funds for what appear to be personal expenses. In 2016, Wetzel and Kelly abandoned the business
12 plan that they sold to investors, and have since moved on to a new renewable fuel project overseas. They
13 offered their investors the opportunity to invest in this new project.

14 **Timothy Wetzel's Criminal and Financial History**

15 15. Timothy Wetzel has been convicted of several crimes that all of the Respondents failed to
16 disclose to many, if not all, of the investors. In 1997, Wetzel was convicted in Oregon of one felony count
17 of racketeering, two felony counts of aggravated theft in the first degree, and nine felony counts of theft in
18 the first degree. Wetzel, a licensed contractor at the time, and his co-conspirators were accused of stealing
19 over \$212,000 from nearly 30 victims, many of whom were elderly. Wetzel was sentenced to multiple con-
20 current sentences that resulted in a 36 month prison term. In 2002, Wetzel was convicted in Oregon of one
21 count of Attempt to Commit a Class C Felony and one count of Contracting Without Registration, both
22 misdemeanors. He was sentenced to 36 months of probation. Wetzel's 1997 and 2002 convictions will col-
23 lectively be referred to as "Criminal Convictions" in this Statement of Charges.
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1 16. Kelly, through Better Fuel Group, sold WETCO business opportunities and securities even
2 after he was told of some of Wetzel's Criminal Convictions. In April 2015, Kelly was informed by a WOI
3 investor that Wetzel had been convicted of theft and racketeering. After being told this information, Kelly
4 and Better Fuel Group sold one WETCO license and a \$10,000 WETCO promissory note to one investor,
5 and a WETCO license to at least one other investor. Kelly and Better Fuel Group never disclosed Wetzel's
6 Criminal Convictions to at least one of these investors, if not both.

7 17. Wetzel also has a lengthy history of judgments and liens that all of the Respondents failed to
8 disclose to many, if not all, of the investors. In 2001, the state of California filed a tax lien against Wetzel
9 for \$80,648 due to unpaid state taxes. From 2009 to 2011, at least four judgments were entered against
10 Wetzel totaling at least \$179,764 plus interest for unpaid loans. In 2007, Wetzel filed for Chapter 7 bank-
11 ruptcy in Oregon. In that proceeding, over \$2 million in creditor claims were filed against him. The creditor
12 claims included an IRS claim for \$1,565,394.06 for unpaid federal income taxes, penalties and interest aris-
13 ing out of Wetzel's failure to file income tax returns and/or to pay federal income tax for 12 of the 16 years
14 between 1991 and 2007. When the bankruptcy case was dismissed in 2007, Wetzel was prohibited from
15 discharging any of the debts that were, or could have been, included in the bankruptcy case. Wetzel's liens,
16 judgments and bankruptcy will collectively be referred to as "Financial Delinquencies" in this Statement of
17 Charges.
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19 **Wetzel's Renewable Diesel Technology and Patent Applications**

20 18. Respondents told investors that the SnxF line of fuel that Wetzel purportedly invented could
21 be made by mixing diesel, a chemical stabilizer, and feedstock such as waste vegetable oil or industrial
22 waste. They claimed to have free or cheap sources of feedstock lined up. They represented to investors that
23 the fuel could be made using a filtering process called EXIMO with a machine of the same name, both of
24 which Wetzel also purportedly invented. The Securities Division could not confirm the viability of the
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1 SnxF and EXIMO technologies from any source other than Wetzel or Kelly.

2 19. Respondents told investors that Wetzel, WOI, or WETCO owned patents or pending patents
3 that protected the SnxF and EXIMO inventions. With the possible exception of statements made to one in-
4 vestor, these statements were false when made. At no time did any of the Respondents ever own any pa-
5 tents, to the Division's knowledge. Wetzel is the only Respondent to have filed any patent application, but
6 neither of the two patent applications that he filed led to him owning full patents.

7 20. Wetzel filed the first patent application, Provisional Patent Application No. 60739673, in
8 November 2005 to patent a renewable fuel similar to SnxF.¹ However, around 2009, he sold the underlying
9 invention and assigned the patent application to a Washington company while the application was still
10 pending. In January 2010, the U.S. Patent and Trademark Office (the "USPTO") granted a full patent for
11 the invention, Patent No. 7648539 ("Patent"), to the purchaser. Wetzel himself never owned the patent.

12 21. Wetzel filed his second patent application in May 2013 when he filed Provisional Patent
13 Application No. 61825950. Wetzel claimed to the Securities Division that this provisional patent applica-
14 tion covered the SnxF and EXIMO technologies, but the Division cannot confirm this because Wetzel has
15 refused to disclose the application. Wetzel abandoned this application when he failed to file a nonprovi-
16 sional patent application within one year, as required by federal patent law.² Wetzel and WETCO sold one
17 investment, a WETCO business opportunity, during the one-year period that the second patent application
18 was pending. To the Division's knowledge, Respondents did not own any pending patents when they sold
19 investments to any other investor.
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21 **2010 Injunction**

22 22. Wetzel and WOI failed to disclose to at least one, if not all, WOI investors that Wetzel was
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24 ¹ In November 2006, Wetzel continued the patent process by filing Nonprovisional Patent Application No. 11602621.

25 ² The USPTO does not disclose provisional patent applications that do not later become nonprovisional patent applications.

1 subject to an injunction that implicated his WOI activities and put him and WOI at risk of litigation. In
 2 February 2010, a Washington court enjoined Wetzel, any company he owned, or any person he worked
 3 with from developing, producing, or selling any fuel similar to the fuel that was covered by the Patent
 4 (“2010 Injunction”). The 2010 Injunction arose from a lawsuit brought against Wetzel by his former busi-
 5 ness partners alleging that he committed securities fraud, among other things, when he sold stock to them.
 6 Wetzel and WOI were likely prohibited by the 2010 Injunction from producing and selling the SnxF re-
 7 newable fuel because it appears to be similar to the renewable fuel that is protected by the Patent. The 2010
 8 Injunction was in effect during the entire time Wetzel sold WOI investments. It expired in February 2013.

9 **WOI Stock Investments**

Issuer & Investment Type	Approximate Date of Sale	Number of Investors	Minimum Amount Raised	Salespeople
WOI – Stock	2011 to 2012	7	\$177,775	Wetzel

14 23. In June 2011, Wetzel incorporated WOI in Nevada and began selling WOI stock to investors
 15 within months. Wetzel told investors that WOI was in the business of producing and selling SnxF renewa-
 16 ble fuel. Wetzel also told investors that he had another invention that could make SnxF fuel using treated
 17 sewage as a feedstock. He called this invention Sewage to Fuel, or “STF,” and falsely claimed that he had a
 18 patent or pending patent for the STF technology. Wetzel represented to WOI investors that they would get
 19 a return for their investment in an exit event such as an IPO or merger. He also represented that they could
 20 get a return from royalties paid by licensees who had purchased the right to make the SnxF fuel.

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1 24. From about July 2011 to about November 2012, Wetzel sold at least at least \$177,775 in
2 WOI stock to at least seven investors.³ All of the known investors were Washington residents at the time.
3 Many of the investors did not have any experience with the renewable fuel industry when they invested.

4 25. Wetzel gave several investors positions as WOI directors or officers at, or shortly after, the
5 time that they invested, but these investors were dependent on Wetzel's supposed fuelmaking expertise to
6 keep WOI operational. None of these investors had the experience or expertise necessary to participate
7 meaningfully in managing WOI or to make the renewable fuel themselves, and none appeared to have been
8 involved in the day-to-day management of WOI. Wetzel prevented one investor, who received a seat on the
9 board of directors with his investment, from exercising his duties as a director.

10 26. In addition to his false statements regarding the patents and pending patents, Wetzel made
11 several other material misrepresentations to WOI investors when he sold them stock. Wetzel made finan-
12 cial projections to several investors without providing the basis and assumptions underlying the projec-
13 tions. For example, Wetzel told one investor to expect a return on investment of 20% to 30% per year but
14 failed to detail how he arrived at this projection.

15 27. Wetzel also misrepresented how he would use investor funds to several investors. He told
16 those investors that he would use their funds for business-related purposes such as purchasing equipment or
17 shooting a video demonstration. Instead, he used much of their investment funds for other purposes. For
18 example, of the \$29,525 that Wetzel raised from two investors, he spent at least \$17,175 (about 58%), of
19 their investments funds at the casino, to pay for retail purchases and dining expenses, and on transfers to
20 other unknown accounts and ATM withdrawals. Wetzel spent many of the other WOI investors' funds in a
21 similar manner.
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24 ³ Not included in this total is an unknown amount of WOI stock that Wetzel sold to a Washington LLC. According to Wetzel,
25 the LLC received 4% of outstanding preferred stock with their purchase of the rights to market and sell his renewable fuel in
China for \$100,000. It is unknown how much of the \$100,000 that the LLC paid can be apportioned to the stock purchase as
opposed to the China rights. Wetzel has never provided a true and complete accounting of WOI stock sales to the Division.

1 28. Wetzel also omitted key information to WOI investors. For example, he did not disclose to
2 many investors that the preferred shares that he sold to them were not authorized, nor did he disclose the
3 risks associated with holding unauthorized stock. Wetzel only authorized 1,000 shares of stock when he
4 incorporated WOI. Wetzel could not provide any documentation to the Securities Division showing that
5 WOI has ever had more stock authorized. Wetzel sold at least 615,000 shares of unauthorized preferred
6 stock for at least \$86,000 to investors. By doing so, Wetzel subjected WOI to the risk of litigation from the
7 investors who held the non-existent stock. Wetzel also subjected these investors to the possibility that the
8 investors would be unable to receive anything of value or a return on their investment in the event of a
9 WOI merger or IPO.

10 29. Wetzel also failed to disclose to WOI investors information about his Criminal Convictions
11 and Financial Delinquencies. He failed to inform at least one, if not all, of the investors of the 2010 Injunc-
12 tion. He also failed to provide investors with adequate, if any, risk disclosures.

13 30. Wetzel produced and sold very little renewable diesel during WOI's existence and thus did
14 not generate much revenue for WOI. He wound up WOI and dissolved the company in March 2013, after
15 an investor began questioning him about the lack of fuel production and how he had used the investor's
16 investment. Most, if not all, of the investors have lost their entire WOI investments.

18 **WETCO and BFNW Investments**

19 Overview & Background

20 31. A week after dissolving WOI in March 2013, Wetzel incorporated WETCO. Wetzel almost
21 immediately began selling investments using a purportedly new version of his renewable fuel called
22 SnxF2. Wetzel sold WETCO stock and a "turnkey" business opportunity, which included a license and
23 fuelmaking machine, to those who wanted to start their own fuelmaking business producing his new re-
24 newable fuel. Other than selling investments, WETCO had little to no apparent business activity through
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1 the rest of 2013 and into part of 2014. Wetzel was in China during much of this time attempting, but fail-
2 ing, to set up a fuelmaking plant for the investors discussed earlier in Footnote 3.

3 32. Around September 2014, Wetzel met Respondent Robert Kelly, who was Wetzel's real es-
4 tate agent. Kelly decided to join Wetzel and the WETCO business about a month later. He purchased a
5 business opportunity from WETCO and formed BFNW to carry out the fuelmaking business. Kelly also
6 began assisting Wetzel in selling investments in WETCO and BFNW.

7 33. In November 2014, WETCO leased a warehouse space in Tacoma, Washington, and located
8 its fuelmaking plant and office there. BFNW's office was also located at the Tacoma plant.

9 34. From August 2013 to approximately January 2016, Wetzel, WETCO, and later Kelly,
10 BFNW, and Better Fuel Group, a company that Kelly formed to find business opportunity investors, raised
11 at least \$651,814 by selling BFNW stock, as well as WETCO business opportunities, stock, and promissio-
12 nary notes. They sold these investments to at least 19 different investors, many of whom had no experience
13 with the renewable fuel industry. In selling these investments, Wetzel, Kelly, WETCO, BFNW, and Better
14 Fuel Group made several misrepresentations and omissions to investors.
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16 35. Most, if not all, of the WETCO and BFNW investors have lost their entire investments or
17 have not received any return on their investments. WETCO, and by extension its business opportunity in-
18 vestors, experienced permitting issues that prohibited them from producing the renewable fuel. Other than
19 BFNW, no WETCO business opportunity investor was ever able to start fuel production, and those who
20 paid for a fuelmaking machine never actually received one. Instead, WETCO used much of its investor
21 funds to pay for what appear to be non-business-related expenses or to pay for expenses that differed from
22 what was disclosed to investors.

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WETCO Business Opportunity Investments

Issuer & Investment Type	Approximate Date of Sale	Number of Investors	Minimum Amount Raised	Salespeople
WETCO - Business Opportunities	2013 to 2015	9	\$422,064	Wetzel, Kelly, Better Fuel Group, and Garibello

The WETCO Business Opportunity

36. Within months of forming WETCO in March 2013, Wetzel began looking for investors to purchase WETCO business opportunities. A business opportunity, according to the Business Opportunity Fraud Act, Ch. 19.110 RCW (the “Act”), is a type of investment that involves “the sale or lease of any product, equipment, supply, or service which is sold or leased to enable the purchaser to start a business.” The investment must also contain at least one other characteristic listed in the statute to be a business opportunity. One of these characteristics requires that the business opportunity costs at least \$300 to purchase, and that the seller promises to provide the purchaser with a sales or marketing program that will enable the purchaser to make more than what they paid for the business opportunity.

37. Wetzel, Kelly, WETCO, and Better Fuel Group (collectively, the “WETCO Business Opportunity Sellers”) sold WETCO licenses, fuelmaking equipment, and supplies to investors, or licensees, that constituted business opportunities. The licenses, equipment and supplies were supposed to enable the licensees to start their own fuelmaking businesses producing and selling WETCO renewable fuel. They promised that WETCO would provide licensees with full training and support in running their fuelmaking business, and would give licensees access to their purported “established customer base.” Licensees could locate their fuelmaking business at their own plant, or, for an additional monthly fee, at the WETCO plant in Tacoma for WETCO to operate on the licensees’ behalf under its “business incubator” program.

1 38. WETCO charged licensees \$125,000 for the license fee and \$125,000 for the fuelmaking
2 equipment. WETCO was then supposed to purchase fuelmaking machines for the licensees so that they
3 could begin generating revenue within a couple months. Though the WETCO Business Opportunity Sellers
4 tried to charge \$250,000 for the business opportunities, they at times sold the business opportunities for
5 much less. They also allowed licensees to pay a deposit and finance the remainder of their business oppor-
6 tunity cost from the licensees' monthly fuel revenue.

7 *The Sale of WETCO Business Opportunities*

8 39. From August 2013 to October 2015, the WETCO Business Opportunity Sellers sold busi-
9 ness opportunities to at least nine investors, seven of whom were Washington residents. Many of the inves-
10 tors were Kelly's friends, family, or business acquaintances. WETCO received at least \$422,064 in license
11 fees and equipment payments from these investors. Only one investor may have paid the full \$250,000
12 price for the business opportunity.

13 40. Kelly, through Better Fuel Group, found at least three of the nine known investors. The in-
14 vestors that Kelly brought in paid at least \$218,000 of the \$422,064 in cash that WETCO actually received
15 from investors. WETCO promised to pay Better Fuel Group a commission for each business opportunity
16 investor it found, but never did so. Wetzel also recruited an individual named Maurice Garibello to find
17 investors in the Los Angeles area. Garibello found at least one investor near Los Angeles.

18 WETCO Stock and Promissory Note Investments

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20 Issuer & Investment Type	21 Approximate Date of Sale	22 Number of Investors	23 Minimum Amount Raised	24 Salespeople
25 WETCO – Stock	2013 to 2015	9	\$66,750	Wetzel and Kelly
WETCO - Promissory Notes	No later than July 2015 to 2016	5	\$58,000 to \$109,000	Wetzel and Kelly

1 41. In addition to selling business opportunities, Wetzel also sold WETCO stock very soon after
2 incorporating WETCO. Together, Wetzel, Kelly, and WETCO (collectively, the “WETCO Securities
3 Sellers”) sold WETCO stock, and later promissory notes, to many of the same investors who invested in
4 business opportunities. They told several WETCO securities investors that WETCO would use Wetzel’s
5 renewable fuel technology to make money and that investors would get a return from the profits. However,
6 the WETCO Securities Sellers did not detail to investors how exactly they would get a return.

7 42. From April 2013 to at least October 2015, the WETCO Securities Sellers raised at least
8 \$66,750 in cash by selling WETCO stock to at least eight investors.⁴ From no later than July 2015 to ap-
9 proximately January 2016, the WETCO Securities Sellers sold between \$58,000 to \$109,000 in promissory
10 notes to at least five investors.⁵ In one note, WETCO agreed to pay the investor 7 cents per gallon in lieu of
11 interest. The note matured in six months. Because Wetzel and Kelly did not provide the Division with
12 much information regarding the terms of the WETCO notes, it is unknown if the other notes had similar
13 terms.
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15 BFNW Stock Investments

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17 Issuer & Investment Type	Approximate Date of Sale	Number of Investors	Minimum Amount Raised	Salespeople
18 BFNW - Stock	2014 to 2015	8	\$105,000	Wetzel and Kelly

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20 43. In addition to selling the above WETCO investments, Wetzel and Kelly also sold stock in
21 BFNW, the company that they formed to produce the renewable fuel under the WETCO business oppor-
22 tunity that Kelly purchased. Wetzel, Kelly, and BFNW (collectively, the “BFNW Securities Sellers”) told

23 ⁴ They also sold stock to additional investors for “services rendered,” but did not specify the value of those services. Two addi-
24 tional investors received a small amount of WETCO stock with their BFNW stock investments.

25 ⁵ Kelly, in sworn testimony, indicated WETCO may have sold \$109,000 in promissory notes, but declined to provide the Divi-
sion with complete records. Only \$58,000 of actual or likely promissory note funds can be identified in the bank records, though
the bank records show a number of deposits that may also have been funds from the sale of promissory notes.

1 potential investors about WETCO's fuelmaking business and represented that BFNW would make fuel us-
2 ing WETCO's renewable fuel technology. The BFNW Securities Sellers told several BFNW investors that
3 they would receive a return on their stock investment from the fuel that BFNW produced and sold, but did
4 not provide further details about how that would occur.

5 44. From October 2014 to March 2015, the BFNW Securities Sellers sold at least \$105,000 in
6 stock to at least seven investors, five of whom were Washington residents.⁶ At least three of these investors
7 purchased, or would later purchase, WETCO business opportunities. The BFNW stock sales included Wet-
8 zel selling 65,000 of his founder's shares for \$35,000 to three investors, one of whom resided in Washing-
9 ton.

10 Misrepresentations and Omissions

11 45. In selling the above WETCO and BFNW investments, Wetzel, Kelly, WETCO, BFNW, and
12 Better Fuel Group made several misrepresentations and omissions, including, but not limited to, the follow-
13 ing:

14 a. They falsely told several investors that WETCO or Wetzel owned patents or pending
15 patents that protected the technology that WETCO, BFNW, and the WETCO licensees would use.
16 With the possible exception of the first business opportunity investor who invested in August 2013,
17 WETCO and Wetzel never had any patents or pending patents at the time that Wetzel and Kelly
18 made these representations. With regard to the first investor, Wetzel did have a pending patent ap-
19 plication at the time of that investment, but the Securities Division cannot confirm what invention
20 Wetzel sought to patent with that application (see Paragraphs 19 to 21).

21 b. They told several investors that their investments would provide six and seven-figure
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24 ⁶ In addition, they issued 300,000 shares to another investor for "services rendered" but did not specify the value of those ser-
25 vices.

1 returns within the first year, but failed to disclose the basis or assumptions underlying their profit
2 projections.

3 c. They misrepresented the commercial viability and potential profitability of Wetzel's
4 purported renewable fuel. To the Division's knowledge, the fuel had never been proven to be com-
5 mercially viable or profitable, especially at the level that they were representing to investors.

6 d. They represented to investors that WETCO, BFNW and the WETCO business op-
7 portunity investors would use industrial waste materials as the feedstock to create the renewable
8 fuel, but failed to disclose that the use of the materials did not comply with regulatory requirements.
9 After selling the investments, Wetzel and Kelly discovered that WETCO would not be able to ob-
10 tain the necessary permits to enable licensees to use this feedstock at the Tacoma plant or anywhere
11 else. Wetzel and Kelly, along with their feedstock supplier, tried to work with the Washington De-
12 partment of Ecology ("Ecology") to modify the supplier's permit to allow the feedstock to be used
13 or processed at the supplier's facilities, but abandoned these efforts after one meeting with Ecology.

14 e. They failed to disclose to investors Wetzel's Criminal Convictions and Financial De-
15 linquencies.

16
17 46. In addition, Wetzel, Kelly, WETCO, and Better Fuel Group misrepresented to several inves-
18 tors how they would use the investors' funds. The WETCO Securities Sellers represented to several of their
19 respective investors that the investors' funds would be used to pay for business-related expenses. The
20 WETCO Business Opportunity Sellers told licensees who paid for fuelmaking machines that their funds
21 would be used to purchase the machines. However, Wetzel, Kelly, and WETCO used investor funds to pay
22 for expenses that differed from what they disclosed to investors. For example:

23 a. WETCO used much of the funds that it raised from selling WETCO stock invest-
24 ments to pay for dining, casino, and retail expenses; payments to Wetzel and his girlfriend, rent for
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1 Wetzel's condo; and in ATM withdrawals. For example, they spent at least \$19,110 of the \$26,250
2 that they raised from two stock investors in this way.

3 b. Kelly told one WETCO promissory note investor that his \$10,000 investment would
4 be used to purchase waste vegetable oil that WETCO would use to make fuel. However, WETCO
5 used the funds to pay for other business expenses. Of the remaining funds that can be identified as
6 promissory note investments, WETCO spent much of those funds in a similar manner.

7 c. Of the \$179,612, at minimum, that WETCO collected from licensees specifically to
8 purchase fuelmaking machines and other supplies for those licensees, WETCO spent much of those
9 funds on other expenses. For example, one licensee paid about \$35,600 for fuelmaking equipment
10 and feedstock. WETCO spent at least \$14,380 on commission payments to Garibello, who found
11 this investor; payments to Wetzel; ATM withdrawals; rent for Wetzel's condo; utilities; and dining,
12 restaurant, retail, and travel expenses. WETCO spent at least \$66,450 of \$115,000 it collected from
13 two other licensees in a similar manner. None of these licensees ever received the equipment or
14 supplies that they paid for.
15

16 47. The WETCO Business Opportunity Sellers made additional misrepresentations and omis-
17 sions specific to WETCO licensees, including, but not limited, to the following:

18 a. They did not provide licensees with the business opportunity disclosure document
19 that is required by the Act. The disclosure document is intended to protect investors by providing
20 them with certain material information about the business opportunity, including the total number
21 of business opportunities sold or leased, the number of failed business opportunities, the sell-
22 er's financial condition, and certain background information about the seller's principals. If they
23 had provided a disclosure document to their investors, the Business Opportunity Sellers would have
24 been required to disclose most of Wetzel's Financial Delinquencies, the lawsuit in which Wetzel
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1 was sued for securities fraud and resulted in the 2010 Injunction, details of Wetzel's past fuelmak-
2 ing businesses, and WETCO's financial condition, among other information.

3 b. They misrepresented to several licensees that they would begin generating revenue
4 within months of investing but failed to disclose that prior licensees had experienced delays in re-
5 ceiving their machines.

6 WETCO and BFNW Investors Lose Their Investments

7 48. To the Division's knowledge, most, if not all, of the WETCO and BFNW investors have lost
8 their entire investments. WETCO did not appear to make any fuel and derived virtually all of its income
9 from the sale of WETCO business opportunity and securities investments. BFNW purportedly produced
10 and sold only about 10,000 to 20,000 gallons of fuel to various customers. It is not known how much
11 BFNW made from these sales.

12 49. WETCO never provided any of the licensees who paid for fuelmaking machines with any
13 machine. As the months, and even years, passed by and no machines arrived for these licensees, the Busi-
14 ness Opportunity Sellers began to provide licensees with various shipping-related excuses. For example, at
15 one point they claimed that the licensees' machines, which were purportedly being shipped from China,
16 were held up by "customs." Around late 2015, they began telling licensees that the delay was due to the
17 unexpected permitting issues with Ecology surrounding the use of the industrial waste materials.

18 50. At about the same time that Wetzel and Kelly met with Ecology and told licensees about the
19 permitting issues, WETCO faced eviction from its Tacoma plant for failure to pay rent. Kelly told licensees
20 and shareholders that WETCO was moving out of their Tacoma plant because they no longer needed it due
21 to their new focus on selling a new fuelmaking machine that Wetzel purportedly invented. Wetzel and
22 Kelly moved out of the Tacoma plant around May 2016.
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2016 New Investment Offering

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2 51. Around August 2016, Kelly began emailing existing WETCO licensees information about
3 WETCO's new venture in China. He told licensees that WETCO had found a partner in China who agreed
4 to enter into a joint venture with WETCO. The joint venture would produce and sell WETCO's purported
5 new fuelmaking machine at a plant in China that would be funded by the Chinese partner. Kelly further
6 told licensees that WETCO intended to open a demonstration facility in Nevada as a showroom for the ma-
7 chine. Kelly told licensees that WETCO had signed the joint venture deal with their Chinese partner and
8 that "[t]he deal has been funded. The deal is well underway."

9 52. In October 2016, Wetzel, Kelly, and WETCO offered the licensees a new investment oppor-
10 tunity in this new joint venture. They offered licensees three new investment options: 1) be returned twice
11 the amount "the licensee expended for their [WETCO business opportunity] purchase" plus 7% interest as
12 WETCO received funds, likely in early 2017, from the Chinese venture; 2) convert twice the purchase
13 price plus 7% interest into shares of a new entity they intended to form, Wetzel Fuel Las Vegas, that would
14 operate the demonstration facility in Nevada; or 3) pay \$15,000 to reserve one of five available opportuni-
15 ties to purchase 7,500 shares in the WETCO joint venture with the partners in China, with the option of ap-
16 plying the license fee that they paid to WETCO (or any loan balances that they owed to WETCO to pur-
17 chase their business opportunity) to buy additional shares. Kelly told the licensees that the last option ex-
18 pired in six days.

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20 53. Wetzel, Kelly, and WETCO made several misrepresentations and omissions in offering this
21 latest investment to licensees. In an email that Wetzel was copied on, Kelly told licensees that the "deal is
22 estimated to be worth about \$300,000,000 over 3 years in machine, chemical, and filter sales worldwide."
23 Kelly did not provide the basis for this projection other than "a Tim Wetzel prediction" that crude oil
24 would remain at \$45-55 per barrel in 2017. They also failed to disclose any risks of the investment or pro-
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1 vide much information about any of the entities involved, including the purported Chinese partner.

2 54. To the Division's knowledge, no licensee has accepted any of the three investment options.

3 **Registration Status**

4 55. WOI is not currently registered to sell its securities in the state of Washington and has not
5 previously been so registered, nor has it filed a claim of exemption from registration.

6 56. WETCO is not currently registered to sell its securities in the state of Washington and has
7 not previously been so registered, nor has it filed a claim of exemption from registration.

8 57. BFNW is not currently registered to sell its securities in the state of Washington and has not
9 previously been so registered, nor has it filed a claim of exemption from registration.

10 58. Timothy Dion Wetzel is not currently registered as a securities salesperson or broker-dealer
11 in the state of Washington and has not previously been so registered.

12 59. Robert Thomas Kelly is not currently registered as a securities salesperson or broker-dealer
13 in the state of Washington and has not previously been so registered.

14 60. WETCO is not currently registered to sell its business opportunities in the state of Washing-
15 ton and has not previously been registered.

16 61. Better Fuel Group is not currently registered to sell WETCO's business opportunities in the
17 state of Washington and has not previously been registered.

18 62. Timothy Dion Wetzel is not currently registered to sell WETCO's business opportunities in
19 the state of Washington and has not previously been registered.

20 63. Robert Thomas Kelly is not currently registered to sell WETCO's business opportunities in
21 the state of Washington and has not previously been registered.

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

2 **CONCLUSIONS OF LAW**

3 1. The offer and/or sale of WOI stock described above constitute the offer and/or sale of a se-
4 curity as defined in RCW 21.20.005(14) and (17).

5 2. The offer and/or sale of WETCO stock, promissory notes and other evidence of indebted-
6 ness described above constitute the offer and/or sale of a security as defined in RCW 21.20.005(14) and
7 (17).

8 3. The offer and/or sale of BFNW stock described above constitute the offer and/or sale of a
9 security as defined in RCW 21.20.005(14) and (17).

10 4. The offer of stock in the WETCO/China joint venture described above constitutes the offer
11 of a security as defined in RCW 21.20.005(14) and (17).

12 5. The offer of Wetzel Fuel Las Vegas stock described above constitutes the offer of a security
13 as defined in RCW 21.20.005(14) and (17).

14 6. Timothy Dion Wetzel, WOI, WETCO and BFNW have each violated RCW 21.20.140, be-
15 cause, as set forth in the Tentative Findings of Fact, they have offered and/or sold securities for which no
16 registration is on file with the Securities Administrator.

17 7. Timothy Dion Wetzel and Robert Thomas Kelly have each violated RCW 21.20.040 by of-
18 fering and/or selling said securities while not being registered as a securities salesperson or broker-dealer in
19 the state of Washington.

20 8. Timothy Dion Wetzel, Robert Thomas Kelly, WOI, WETCO and BFNW have each violated
21 RCW 21.20.010, because, as set forth in the Tentative Findings of Fact, they (1) employed a device,
22 scheme, or artifice to defraud; (2) made untrue statements of material fact or omitted to state material facts
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necessary to make the statements made, in light of the circumstances in which they were made, not misleading; and (3) engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit upon any person, in connection with the offer and/or sale of securities.

9. The offers and/or sale of the WETCO fuelmaking license and equipment described above constitute the offer and/or sale of a business opportunity as defined in RCW 19.110.020(1) and RCW 19.110.030(1).

10. Timothy Dion Wetzel, Robert Thomas Kelly, WETCO and Better Fuel Group have each violated RCW 19.110.050 because, as set forth in the Tentative Findings of Fact, they have offered and/or sold business opportunities for which no registration is on file with the Securities Administrator.

11. Timothy Dion Wetzel, Robert Thomas Kelly, WETCO and Better Fuel Group have each violated RCW 19.110.070 because they failed to provide purchasers with a business opportunity disclosure document.

12. Timothy Dion Wetzel, Robert Thomas Kelly, WETCO and Better Fuel Group have each violated RCW 19.110.120 because, in connection with the offer and/or sale of the business opportunities, they made untrue statements of material fact or omitted to state material facts necessary to make the statements made, in light of the circumstances in which they were made; employed a device, scheme or artifice to defraud; and engaged in an act, practice or course of business which operated or would operate as a fraud or deceit upon any person.

NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST

Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that:

a. Pursuant to RCW 21.20.390(1), Timothy Dion Wetzel; Wetzel Oil Inc.; Wetzel Energy Technology Company Inc.; Better Fuel North West, a WETCO Company, Inc.; and their agents and em-

1 ployees each shall cease and desist from violations of RCW 21.20.140.

2 b. Pursuant to RCW 21.20.390(1), Timothy Dion Wetzel, Robert Thomas Kelly, and their
3 agents and employees each shall cease and desist from violations of RCW 21.20.040.

4 c. Pursuant to RCW 21.20.390(1), Timothy Dion Wetzel; Robert Thomas Kelly; Wetzel Oil
5 Inc.; Wetzel Energy Technology Company Inc.; Better Fuel North West, a WETCO Company, Inc.; and
6 their agents and employees each shall cease and desist from violations of RCW 21.20.010.

7 d. Pursuant to RCW 19.110.150(1), Timothy Dion Wetzel; Robert Thomas Kelly; Wetzel En-
8 ergy Technology Company Inc.; Better Fuel Group NW, Inc.; and their agents and employees each shall
9 cease and desist from violations of RCW 19.110.050, RCW 19.110.070, and RCW 19.110.120.

10 **NOTICE OF INTENT TO IMPOSE FINES**

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

13 a. Respondent Timothy Dion Wetzel shall be liable for and shall pay a fine of \$80,000 for of-
14 fering and selling WOI stock in violation of the Securities Act of Washington.

15 b. Timothy Dion Wetzel, Robert Thomas Kelly, and Wetzel Energy Technology Company
16 Inc., shall be jointly and severally liable for and shall pay a fine of \$140,000 for offering and selling
17 WETCO stock and promissory notes in violation of the Securities Act of Washington.

18 c. Respondents Timothy Dion Wetzel; Robert Thomas Kelly; and Better Fuel North West, a
19 WETCO Company, Inc. shall be jointly and severally liable for and shall pay a fine of \$80,000 for offering
20 and selling BFNW stock in violation of the Securities Act of Washington.

21 **NOTICE OF INTENT TO CHARGE COSTS**

22 Pursuant to 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law, the
23 Securities Administrator intends to order that:

1 a. Respondent Timothy Dion Wetzel shall be liable for and shall pay the costs, fees, and other
2 expenses incurred in the administrative investigation and hearing of this matter, in an amount not less than
3 \$20,000;

4 b. Respondents Timothy Dion Wetzel, Robert Kelly, and Wetzel Energy Technology Compa-
5 ny Inc. shall be jointly and severally liable for and shall pay the costs, fees, and other expenses incurred in
6 the administrative investigation and hearing of this matter, in an amount not less than \$20,000.

7 c. Respondents Timothy Dion Wetzel; Robert Kelly; and Better Fuel North West, a WETCO
8 Company, Inc. shall be jointly and severally liable for and shall pay the costs, fees, and other expenses in-
9 curred in the administrative investigation and hearing of this matter, in an amount not less than \$10,000.

10 **AUTHORITY AND PROCEDURE**

11 This Statement of Charges is entered pursuant to the provisions of Chapters 21.20 RCW and 19.110
12 RCW, and is subject to the provisions of Chapter 34.05 RCW. The Respondents Timothy Dion Wetzel;
13 Robert Thomas Kelly; Wetzel Oil Inc.; Wetzel Energy Technology Company Inc.; Better Fuel North West,
14 a WETCO Company, Inc.; and Better Fuel Group NW, Inc. may each make a written request for a hearing
15 as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING
16 accompanying this Order. If a Respondent does not make a hearing request in the time allowed, the Securi-
17 ties Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final
18 and to enter a permanent order to cease and desist as to that Respondent, to impose any fines sought against
19 that respondent, and to charge any costs sought against that Respondent.
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Signed and Entered this 1st day of June, 2017.



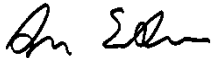
WILLIAM M. BEATTY
Securities Administrator

Presented by:



HUONG LAM
Financial Legal Examiner

Approved by:



SUZANNE SARASON
Chief of Enforcement

Reviewed by:



JACK MCCLELLAN
Financial Legal Examiner Supervisor