

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING) Order Number S-09-039-09-SC01
Whether there has been a violation of the)
Securities Act of Washington by:) STATEMENT OF CHARGES AND
) NOTICE OF INTENT TO ENTER
IFT Holdings, Inc., f/k/a) ORDER TO CEASE AND DESIST,
Integrated Fuel Technologies, Inc.;) TO IMPOSE FINES, AND TO
Robert M. Firebaugh;) RECOVER COSTS
Michael W. Conrad;)
Wooly Rhino, LLC;)
Adam G. Kremin,)
Respondents)

THE STATE OF WASHINGTON TO: IFT Holdings, Inc., f/k/a
Integrated Fuel Technologies, Inc.
Robert M. Firebaugh
Michael W. Conrad
Wooly Rhino, LLC
Adam G. Kremin

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, IFT Holdings, Inc., f/k/a Integrated Fuel Technologies, Inc.; Robert M. Firebaugh; Michael W. Conrad; Wooly Rhino, LLC; and Adam G. Kremin 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, to impose fines pursuant to RCW 21.20.395, and to recover costs pursuant to RCW 21.20.390(5). The Securities Administrator finds as follows:

STATEMENT OF CHARGES AND
NOTICE OF INTENT TO
ENTER ORDER TO CEASE AND DESIST,
IMPOSE FINES, AND RECOVER COSTS

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DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760

1 **TENTATIVE FINDINGS OF FACT**

2 Respondents

3 1. IFT Holdings Inc. is a corporation originally formed in Nevada in April 2007,
4 and until approximately October 2008, was formerly known as (f/k/a) Integrated Fuel
5 Technologies, Inc. (“IFT”). IFT used business addresses in Kirkland, Washington and
6 Spokane Valley, Washington. IFT’s business originally centered on a fuel doser (a fuel
7 additive delivery system), but later changed to the development of a catalyst that removes
8 nitrogen oxide (NOx) from diesel engine emissions. IFT’s website, www.iftnw.com, invites
9 “potential investors” to send an e-mail to the company regarding investment opportunities.
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11 2. Robert M. Firebaugh (“Firebaugh”) is a resident of Kirkland, Washington. At
12 various times, Firebaugh used the title of Chairman, President, Secretary, and Chief
13 Technology Officer (“CTO”) of IFT.

14 3. Michael W. Conrad (“Conrad”) is a resident of Greenacres, Washington.
15 Conrad used the title of General Manager in connection with his activities relating to IFT.

16 4. Woolly Rhino, LLC (“Woolly Rhino”) is an inactive Washington limited liability
17 company formed in February 2007 that used a business address in Spokane Valley,
18 Washington. Conrad was the sole Member of Woolly Rhino, LLC.

19 5. Adam G. Kremin (“Kremin”) is a resident of Washington who previously
20 worked for IFT.
21

IFT Offering

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

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

8. Between approximately May 2007 and June 2007, Conrad and Firebaugh arranged for approximately eight investors to purchase shares of IFT stock. Investors paid for IFT stock by writing checks totaling more than \$700,000 to Conrad's company, Wooly Rhino. Conrad deposited these funds into a bank account in the name of Wooly Rhino, and subsequently made transfers of investor funds to other accounts used by Firebaugh.

9. Some of these initial investors were provided with an Investment Receipt signed by Conrad on Wooly Rhino letterhead, which reflected the fact that their funds were for the purpose of investing in IFT. Investors were also provided with a one-page Stock Issuance and Option to Purchase Agreement, which was signed by Firebaugh and, in some instances, by Conrad. Under the terms of the Agreement, investors were to receive stock in IFT, a percentage of the first year net profits (proportional to their ownership interest), plus a percentage of the profits from the first purchase order from a major manufacturer.

1 10. In June 2007, one IFT investor paid over \$300,000 to Woolly Rhino.
2 Undisclosed to the investor, a commission of \$35,000 was paid to Conrad's father (now
3 deceased), who was involved in soliciting the investor.

4 11. Kremin also offered and sold IFT stock to investors. Kremin led investors to
5 believe that they had only a short amount of time to invest because the stock sale was closing
6 within days. In approximately August 2008, Kremin recruited an existing investor to find
7 additional investors for IFT and several persons invested in IFT as a result. In some
8 instances, no written offering documents were provided to the prospective investors. Instead,
9 prospective investors were referred to IFT's website, which contained minimal information.
10 In accordance with Kremin's instructions, several investors made their investments in cash.
11

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

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

14 15. The Respondents also failed to disclose material information regarding the
15 financial condition of IFT; failed to provide current financial statements; and failed to disclose
16 material information regarding loans that had been made to IFT and to IFT's management,
17 including, but not limited to, a \$157,727.72 promissory note entered into between Conrad and
18 a major IFT shareholder.
19

20 16. Through written documents and oral solicitations, the Respondents made
21 misleading statements regarding the projected returns that investors would earn and the timing
22 of those returns, without providing and explaining the assumptions underlying those
23 projections.

24 17. The Respondents failed to disclose the speculative nature of the stock; the lack
25 of an established public market for the stock; the fact that there was no assurance that a public

1 market would develop for the stock; and the fact that the stock offering was not registered.
2 The written offering materials distributed by the Respondents failed to adequately disclose the
3 risks associated with the investment, including the risks of investing in a development stage
4 company with no established track record; the risk of dilution through the issuance of additional
5 shares of stock; and the risks associated with inexperienced management.

6 Registration Status

7 18. IFT Holdings, Inc., f/k/a Integrated Fuel Technologies, Inc., is not currently and
8 has not previously been registered to sell its securities in the state of Washington, and has not
9 filed a claim of exemption from registration.
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11 19. Robert M. Firebaugh is not currently registered as a securities salesperson or
12 broker-dealer in the State of Washington and has not previously been so registered.

13 20. Michael W. Conrad is not currently registered as a securities salesperson or
14 broker-dealer in the State of Washington and has not previously been so registered.

15 21. Woolly Rhino, LLC is not currently registered as a broker-dealer in the State of
16 Washington and has not previously been so registered.

17 22. Adam G. Kremin is not currently registered as a securities salesperson or
18 broker-dealer in the State of Washington and has not previously been so registered.
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1 Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:

2 **CONCLUSIONS OF LAW**

3 1. The offer or sale by Respondents of the stock described above constitutes the
4 offer and/or sale of a security as defined in RCW 21.20.005(10) and (12).

5 2. Respondents IFT Holdings, Inc., f/k/a Integrated Fuel Technologies, Inc.;
6 Robert M. Firebaugh; Michael W. Conrad; Woolly Rhino, LLC; and Adam G. Kremin have each
7 violated RCW 21.20.140, because they offered and/or sold securities for which there is no
8 registration on file with the Securities Administrator.

9 3. Respondents Robert M. Firebaugh; Michael W. Conrad; Woolly Rhino, LLC; and
10 Adam G. Kremin have each violated RCW 21.20.040 by offering or selling said securities while
11 not registered as a securities salesperson or broker-dealer in the State of Washington.

12 4. The offer or sale of the stock described above were made in violation of RCW
13 21.20.010 because, as set forth in the Tentative Findings of Fact, the Respondents made
14 misstatements of material fact or omitted to state material facts necessary in order to make the
15 statements made, in light of circumstances under which they were made, not misleading.

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

17 Pursuant to RCW 21.20.390, and based on the above Tentative Findings of Fact and
18 Conclusions of Law, the Securities Administrator intends to order that Respondents
19 IFT Holdings, Inc., f/k/a Integrated Fuel Technologies, Inc.; Robert M. Firebaugh;
20 Michael W. Conrad; Woolly Rhino, LLC; and Adam G. Kremin, and their agents and employees,
21 shall each cease and desist from violations of RCW 21.20.140, RCW 21.20.040, and
22 RCW 21.20.010.
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2 **NOTICE OF INTENT TO IMPOSE FINES**

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

- 5 a. Respondent Robert M. Firebaugh shall be liable for and pay a fine of \$30,000;
6 b. Respondent Michael W. Conrad shall be liable for and pay a fine of \$10,000; and
7 c. Respondent Adam G. Kremin shall be liable for and pay a fine of \$5,000.
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10 **NOTICE OF INTENT TO RECOVER COSTS**

11 Pursuant to RCW 21.20.390(5), and based upon the Tentative Finds of Fact and
12 Conclusions of Law, the Securities Administrator intends to order that Respondents
13 Robert M. Firebaugh; Michael W. Conrad; Wooly Rhino, LLC; and Adam G. Kremin shall be
14 liable jointly and severally for and pay the Securities Division the costs, fees, and other expenses
15 incurred in the conduct of the administrative investigation and hearing of this matter of not less
16 than \$5,000.

17 **AUTHORITY AND PROCEDURE**

18 This Statement of Charges is entered pursuant to the provisions of chapter 21.20 RCW
19 and is subject to the provisions of RCW 34.05. The Respondents may each make a written
20 request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND
21 OPPORTUNITY FOR HEARING accompanying this order.
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23 If a Respondent does not request a hearing, the Securities Administrator intends to adopt
24 the above Tentative Findings of Fact and Conclusions of Law as final and enter a final order to
25 cease and desist and impose the fines and costs sought, as to that Respondent.

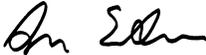
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Dated and Entered this 24th day of November, 2009.



MICHAEL E. STEVENSON
Securities Administrator

Approved by:



Suzanne E. Sarason
Chief of Enforcement

Presented by:



Robert Kondrat
Enforcement Attorney

Reviewed by:



Martin Cordell
Financial Legal Examiner Supervisor