

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

4 IN THE MATTER OF DETERMINING ) Order Number S-09-039-09-FO02  
5 Whether there has been a violation of the )  
6 Securities Act of Washington by: ) ENTRY OF FINDINGS OF FACT AND  
7 IFT Holdings, Inc., f/k/a ) CONCLUSIONS OF LAW AND  
8 Integrated Fuel Technologies, Inc.; ) FINAL ORDER TO CEASE AND DESIST,  
9 Robert M. Firebaugh; ) AS TO MICHAEL CONRAD AND  
10 Michael W. Conrad; ) WOOLY RHINO, LLC  
11 Wooly Rhino, LLC; )  
12 Adam G. Kremin, )  
13 Respondents )

11 INTRODUCTION

12 On November 24, 2009, the Securities Administrator of the State of Washington issued  
13 Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, Impose Fines, and  
14 Recover Costs S-09-039-09-SC01 (hereinafter “Statement of Charges”), against Respondents  
15 Michael W. Conrad and Wooly Rhino, LLC. The Statement of Charges, together with a Notice  
16 of Opportunity to Defend and Opportunity for Hearing (“Notice”), and an Application for  
17 Adjudicative Hearing (“Application”), were served on Respondents Michael W. Conrad and  
18 Wooly Rhino, LLC on November 30, 2009.

19 The Notice advised that a written application for an administrative hearing on the  
20 Statement of Charges must be received within twenty days from the date of receipt of the notice.  
21 Respondents Michael W. Conrad and Wooly Rhino, LLC. each failed to request an  
22 administrative hearing within twenty days of receipt of the Statement of Charges and Notice of  
23 Opportunity for Hearing, either on the Application for Hearing provided or otherwise.

24  
25 ENTRY OF FINDINGS OF FACT AND  
CONCLUSIONS OF LAW AND  
FINAL ORDER TO CEASE AND DESIST, AS TO  
MICHAEL CONRAD AND WOOLY RHINO, LLC

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

1 The Securities Administrator therefore will adopt as final the findings of fact and  
2 conclusions of law as set forth in the Statement of Charges and enter a final order against  
3 Respondents Michael W. Conrad and Wooly Rhino, LLC. to cease and desist from violations of  
4 the Securities Act.

## 5 **FINDINGS OF FACT**

### 6 Respondents

7 1. IFT Holdings Inc. is a corporation originally formed in Nevada in April 2007,  
8 and until approximately October 2008, was formerly known as (f/k/a) Integrated Fuel  
9 Technologies, Inc. (“IFT”). IFT used business addresses in Kirkland, Washington and  
10 Spokane Valley, Washington. IFT’s business originally centered on a fuel doser (a fuel  
11 additive delivery system), but later changed to the development of a catalyst that removes  
12 nitrogen oxide (NOx) from diesel engine emissions. IFT’s website, www.iftnw.com, invites  
13 “potential investors” to send an e-mail to the company regarding investment opportunities.  
14

15 2. Robert M. Firebaugh (“Firebaugh”) is a resident of Kirkland, Washington. At  
16 various times, Firebaugh used the title of Chairman, President, Secretary, and Chief  
17 Technology Officer (“CTO”) of IFT.

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

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

23 5. Adam G. Kremin (“Kremin”) is a resident of Washington who previously  
24 worked for IFT.  
25

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.  
24

1 Misrepresentations and Omissions

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.  
9

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

1           17. The Respondents failed to disclose the speculative nature of the stock; the lack  
2 of an established public market for the stock; the fact that there was no assurance that a public  
3 market would develop for the stock; and the fact that the stock offering was not registered.  
4 The written offering materials distributed by the Respondents failed to adequately disclose the  
5 risks associated with the investment, including the risks of investing in a development stage  
6 company with no established track record; the risk of dilution through the issuance of additional  
7 shares of stock; and the risks associated with inexperienced management.  
8

9   Registration Status

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

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

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

15   **CONCLUSIONS OF LAW**

16           1. The offer or sale by Michael W. Conrad and Woolly Rhino, LLC of the stock  
17 described above constitutes the offer and/or sale of a security as defined in RCW  
18 21.20.005(10) and (12).

19           2. Respondents Michael W. Conrad and Woolly Rhino, LLC; have each violated  
20 RCW 21.20.140, because they offered and/or sold securities for which there is no registration on  
21 file with the Securities Administrator.  
22  
23  
24  
25

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

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

### FINAL ORDER

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

It is hereby ORDERED that Respondents Michael W. Conrad and Woolly Rhino, LLC and their agents and employees each shall cease and desist from offering or selling securities in violations of RCW 21.20.140, the securities registration section of the Securities Act of Washington.

It is further ORDERED that Respondents Michael W. Conrad and Woolly Rhino, LLC and their agents and employees each shall cease and desist from acting as an unregistered securities broker-dealers or salespersons in violation of RCW 21.20.040, the broker-dealer and securities salesperson registration section of the Securities Act of Washington.

It is further ORDERED that Respondents Michael W. Conrad and Woolly Rhino, LLC and their agents and employees each shall cease and desist from violating RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

It is further ORDERED that Respondent Michael W. Conrad shall be liable for and pay a fine in the amount of \$10,000.

1 It is further ORDERED that Respondent Michael W. Conrad shall be liable for and pay  
2 costs in the amount of \$1,500.

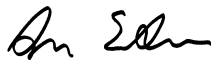
3 **AUTHORITY AND PROCEDURE**

4 This Final Order is entered pursuant to the provisions of RCW 21.20.390 and RCW  
5 21.20.395, and is subject to the provisions of RCW 21.20.440 and Chapter 34.05 RCW. The  
6 Respondents have the right to petition the superior court for judicial review of this agency  
7 action under the provisions of chapter 34.05 RCW. For the requirements for filing a Petition  
8 for Judicial Review, see RCW 34.050.510 and sections following. Pursuant to 21.20.395, a  
9 certified copy of this order may be filed in Superior Court. If so filed, the clerk shall treat the  
10 order in the same manner as a Superior Court judgment as to the fine, and the fine may be  
11 recorded, enforced, or satisfied in like manner.  
12

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

14 DATED and ENTERED this 27th day of January, 2010.


15  
16  
17 Approved by:

18  
19 

20 Suzanne E. Sarason  
21 Chief of Enforcement  
22 Reviewed by:

23 

24 Martin Cordell  
25 Financial Legal Examiner Supervisor

  
MICHAEL E. STEVENSON  
Securities Administrator  
Presented by:



Robert Kondrat  
Enforcement Attorney