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

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

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

Respondents

Order Number S-10-261-12-FOO2

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 FINANCIAL SOLUTIONS
II, LLC AND THEODORE C. DUTCHER

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INTRODUCTION

On May 20, 2011, the Securities Administrator of the State of Washington issued Statement of Charges and Notice of Intent to Enter an Order to Cease and Desist, to Impose a Fine, and to Charge Costs S-10-261-11-SC01 (hereinafter "Statement of Charges"), against Respondents Financial Solutions II, LLC and Theodore C. Dutcher. The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing ("Notice"), and an Application for Adjudicative Hearing ("Application for Hearing") were served on Respondents Financial Solutions II, LLC and Theodore C. Dutcher on June 10, 2011.

The Notice advised that a written application for an administrative hearing on the Statement of Charges must be received within twenty days from the date of receipt of the notice. Respondents Financial Solutions II, LLC and Theodore C. Dutcher each made a timely hearing request. On May 21, 2012, Respondents Financial Solutions II, LLC and Theodore C. Dutcher each withdrew their hearing request.

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AND THEODORE C. DUTCHER

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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 Conclusions of
2 Law as set forth in the Statement of Charges and enter a final order against Financial Solutions II, LLC
3 and Theodore C. Dutcher to cease and desist from violations of the Securities Act, and to impose a fine,
4 and to charge costs.

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

6 **FINDINGS OF FACT**

7 Respondents

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

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

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

15 Offering of Investments

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

21 5. When offering and selling investments, Ische, and sometimes Dutcher, would personally
22 contact prospective investors to solicit their investments. Ische would often show prospective investors

1 a geological survey map of the gas field that would ostensibly provide a return on the investment.
2 Sometimes Ische or Dutcher would refer to geological reports when soliciting investments. In emails
3 or letters to prospective investors, Ische and Dutcher each made representations about the likely
4 volume of gas production and about the projected return on investments.

5 6. When offering and selling investments, Respondents each represented that investor funds
6 would be combined with company funds or with other investor funds to finance natural gas production.
7 Respondents represented that Financial Solutions would share in the profits and the financial return
8 from the gas production. Respondents also represented that investors would earn a profit from their
9 investment.

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

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

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

1 Misrepresentations and Omissions

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

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

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

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

8 14. When offering and selling investments, Respondents each failed to disclose significant risks
9 of the investments. Respondents failed to disclose the business experience and the oil and gas
10 background of the managers of the purported gas production ventures. Respondents failed to disclose
11 the specific intended use of investor funds and any minimum amount of required funds. When offering
12 and selling some investments, Respondents failed to identify the issuer of the investments and investors
13 later received K-1 annual income tax returns or other ownership information from companies that they
14 did not recognize. Respondents failed to give investors any financial statements for the issuer or for
15 any purported guarantor of the investments.

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

3 Registration Status

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

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

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

9 **CONCLUSIONS OF LAW**

10 I.

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

13 II.

14 As set forth in the Findings of Fact, Respondents Financial Solutions II, LLC and Theodore C.
15 Dutcher have each violated RCW 21.20.140, the securities registration section of the Securities Act of
16 Washington, because no registration for such offer or sale was on file with the Washington Securities
17 Administrator.

18 III.

19 As set forth in the Findings of Fact, Respondent Theodore C. Dutcher has violated RCW
20 21.20.040, the securities broker-dealer and securities salesperson registration section of the Securities
21 Act of Washington, by offering or selling said securities while not registered as a securities broker-
22 dealer or securities salesperson in the state of Washington.

1 IV.

2 As set forth in the Findings of Fact, Respondents Financial Solutions II, LLC and Theodore C.
3 Dutcher have each violated RCW 21.20.010, the anti-fraud section of the Securities Act of Washington,
4 because, in connection with the offer and sale of said securities, Respondents each made untrue
5 statements of a material fact or omitted to state material facts necessary in order to make the statements
6 made, in the light of the circumstances under which they were made, not misleading.

7 **FINAL ORDER**

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

9 It is hereby ORDERED that Respondents Financial Solutions II, LLC and Theodore C. Dutcher
10 and their agents and employees each shall cease and desist from offering or selling securities in
11 violation of RCW 21.20.140, the securities registration section of the Securities Act of Washington.

12 It is further ORDERED that Respondent Theodore C. Dutcher and his agents and employees
13 each shall cease and desist from acting as an unregistered securities broker-dealer or salesperson in
14 violation of RCW 21.20.040, the securities broker-dealer and salesperson registration section of the
15 Securities Act of Washington.

16 It is further ORDERED that Respondents Financial Solutions II, LLC and Theodore C. Dutcher
17 and their agents and employees each shall cease and desist from violating RCW 21.20.010, the anti-
18 fraud section of the Securities Act of Washington.

19 It is further ORDERED that Respondent Theodore C. Dutcher shall be liable for and shall pay a
20 fine in the amount of \$10,000.

21 It is further ORDERED that Respondent Theodore C. Dutcher shall be liable for and shall pay
22 investigative costs of \$5,000.

1 **AUTHORITY AND PROCEDURE**

2 This Final Order is entered pursuant to the provisions of RCW 21.20.390 and RCW 21.20.395, and
3 is subject to the provisions of RCW 21.20.440 and Chapter 34.05 RCW. Respondents Financial Solutions
4 II, LLC and Theodore C. Dutcher each have the right to petition the superior court for judicial review of
5 this agency action under the provisions of chapter 34.05 RCW. For the requirements for filing a Petition
6 for Judicial Review, see RCW 34.05.510 and sections following. Pursuant to 21.20.395, a certified copy
7 of this order may be filed in Superior Court. If so filed, the clerk shall treat the order in the same manner
8 as a Superior Court judgment as to the fine, and the fine may be recorded, enforced, or satisfied in like
9 manner.

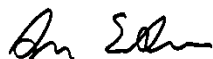
10 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

11 DATED and ENTERED this 21st day of May, 2012

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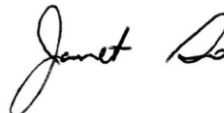
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15 WILLIAM M. BEATTY
16 Securities Administrator

17 Approved by:

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20 Suzanne E. Sarason
21 Chief of Enforcement

Presented by:

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23 

24 Janet So
25 Enforcement Attorney

26 Reviewed by:

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28 CONCLUSIONS OF LAW AND FINAL
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Robert Kondrat
Financial Legal Examiner Supervisor

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