# STATE OF WASHINGTON DEPARTMENT OF FINANCIAL INSTITUTIONS SECURITIES DIVISION

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2	SECURITIES DIVISION	
3	IN THE MATTER OF DETERMINING )	Ondon Nyymbon C 05 000 05 TO01
4	whether there has been a violation of the	Order Number S-05-089-05-TO01 STATEMENT OF CHARGES AND NOTICE
5	Securities Act of Washington by:	) OF INTENT TO ENTER AN ORDER TO ) CEASE AND DESIST AND NOTICE OF
6	Ensentech, Inc.; Gary G. Scott; Hydro- Clean Fuel Systems, Inc.; Gary L. Davis;	INTENT TO IMPOSE FINES AND CHARGE COSTS
7	their agents and employees;	COSTS
8	Respondents.	
9	Kespondents.	
10	THE STATE OF WASHINGTON TO:	Ensentech, Inc. Gary G. Scott
11		Hydro-Clean Fuel Systems, Inc. Gary L. Davis
12	STATEMENT	OF CHARGES
13	Please take notice that the Securities	Administrator of the State of Washington has
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15		tech, Inc., Gary G. Scott, Hydro-Clean Fuel
16	Systems, Inc., and Gary L. Davis, their ag	gents and employees, have each violated the
17	Securities Act of Washington and that their	violations justify the entry of an order of the
18	Securities Administrator under RCW 21.20.39	0 against each of them to cease and desist from
19	such violations and to impose fines and recov	er costs pursuant to RCW 21.20.390 and RCW
20	21.20.395. The Securities Administrator finds	as follows:
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23	STATEMENT OF CHARGES AND NOTICE OF	1 DEPARTMENT OF FINANCIAL INSTITUTION Securities Division

STATEMENT OF CHARGES AND NOTICE OF INTENT TO ENTER AN ORDER TO CEASE AND DESIST AND NOTICE OF INTENT TO IMPOSE FINES AND CHARGE COSTS PARTMENT OF FINANCIAL INSTITUTIONS Securities Division PO Box 9033 Olympia, WA 98507-9033 360-902-8760

### TENTATIVE FINDINGS OF FACT

## Respondents

- 1. Ensentech, Inc. ("Ensentech") is a Nevada corporation purportedly developing material transporter, dryer, and separator using air flow technology with a test site in Pierce County, Washington. Ensentech's registered agent is Rolan Campbell. Campbell's address is 960 Bollen Circle, Gardnerville, Nevada.
  - 2. Gary G. Scott ("Scott") is the president of Ensentech.

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- 3. Hydro-Clean Fuel Systems, Inc. ("Hydro-Clean"), a Nevada Corporation and "sister company" to Ensentech, is purportedly developing a two stroke generator fueled by a clean system with its principal place of business in Utah. Hydro-Clean's two stroke generator is allegedly compatible with the Ensentech material moving system. Hydro-Clean's registered agent is Rolan Campbell. Campbell's address is 960 Bollen Circle, Gardnerville, Nevada.
  - 4. Gary L. Davis ("Davis") is the president of Hydro-Clean.

## Other Proceedings

5. The Utah Securities Division filed an Order to Show Cause against Hydro-Clean, Gary L. Davis, Cyndy Pedersen, Ensentech, Gary L. Scott, and Jan W. Carlson on or about August 25, 2005 alleging Hydro-Clean, Gary L. Davis, Cyndy Pedersen, Ensentech, Gary L. Scott, and Jan W. Carlson offered and sold unregistered securities.

#### Description of the Offering

- 6. Starting in at least mid-1998 and continuing through at least September of 2004,
  Respondents offered and sold stock in Ensentech and Hydro-Clean to at least fourteen
  Washington residents.

  TATEMENT OF CHARGES AND NOTICE OF

  2 DEPARTMENT OF FINANCIAL INSTITUTION
- 24 STATEMENT OF CHARGES AND NOTICE OF INTENT TO ENTER AN ORDER TO CEASE AND DESIST AND NOTICE OF INTENT TO IMPOSE FINES AND CHARGE COSTS

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1	7. Of the fourteen Washington residents, Scott directly offered and sold stock in	
2	Ensentech to at least one Washington resident in or around August 1998 and to at least two	
3	Washington residents through at least early 2001. Scott also offered and sold stock in Hydro-	
4	Clean starting in mid-2003 to at least two Washington residents.	
5	Misrepresentations and Omissions	
6	8. Respondents failed to provide investors material information about the	
7	investments described above, including, but not limited to, the risks associated with the	
8	investment, and the financial statements of the companies.	
9	Registration Status	
10	9. Ensentech is not registered to sell securities in the state of Washington and has	
11	not previously been so registered.	
12	10. Gary G. Scott is not registered as a securities salesperson or broker-dealer in the	
13	state of Washington and has not previously been so registered.	
14	11. Hydro-Clean is not registered to sell securities in the state of Washington and	
15	has not previously been so registered.	
16	12. Gary L. Davis is not registered as a securities salesperson or broker-dealer in the	
17	state of Washington and has not previously been so registered.	
18	Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:	
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20	CONCLUSIONS OF LAW	
21	1. The offer and/or sale of Ensentech, Inc. and Hydro-Clean Fuel Systems, Inc.	
22	stock described above constitute the offer and/or sale of a security as defined in RCW	
23	21.20.005 (10) and (12).	
24	STATEMENT OF CHARGES AND NOTICE OF 3 DEPARTMENT OF FINANCIAL INSTITUTIONS INTENT TO ENTER AN ORDER TO CEASE AND DESIST AND NOTICE OF INTENT TO IMPOSE FINES AND CHARGE COSTS  DEPARTMENT OF FINANCIAL INSTITUTIONS Securities Division PO Box 9033 Olympia, WA 98507-9033 Olympia, WA 98507-9033 360-902-8760	

- 2. The offer and/or sale of said securities by Respondents, Ensentech, Inc., Gary G. Scott, Hydro-Clean Fuel Systems, Inc., and Gary L. Davis, was made in violation of RCW 21.20.140 because no registration for such offer and/or sale is on file with the Securities Administrator of the state of Washington.
- 3. Respondent Gary G. Scott violated RCW 21.20.040 by offering and/or selling said securities while not being registered as a securities salesperson or broker-dealer in the state of Washington.
- 4. The offer and/or sale of said securities was made in violation of RCW 21.20.010 because, as set forth above, Respondents, Ensentech, Inc., Gary G. Scott, Hydro-Clean Fuel Systems, Inc., and Gary L. Davis in connection with the offer and sale of said securities, made untrue statements of material fact and/or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

#### NOTICE OF INTENT TO ORDER RESPONDENTS TO CEASE AND DESIST

Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondents, Ensentech, Inc., Gary G. Scott, Hydro-Clean Fuel Systems, Inc., and Gary L. Davis, their agents and employees, each shall cease and desist from violations of RCW 21.20.140, RCW 21.20.040, and RCW 21.20.010.

#### NOTICE OF INTENT TO IMPOSE FINES AND CHARGE COSTS

Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator, pursuant to RCW 21.20.390 and RCW 21.20.395, intends to order that Respondents, Ensentech, Inc., Gary G. Scott, Hydro-Clean Fuel Systems, Inc., and Gary L. Davis, shall be jointly and severally liable for and pay to the Securities Division (1) a fine of \$20,000 and (2) the costs, fees, and other expenses incurred in the conduct of the administrative investigation and hearing of this matter, in an amount not less than \$2,000.

#### **CONTINUING INVESTIGATION**

The Securities Division is continuing to investigate this matter, including the practices of Respondents, to determine the full extent of the violations of the Securities Act that may have occurred.

#### **AUTHORITY AND PROCEDURE**

This Statement of Charges is entered pursuant to the provisions of RCW 21.20.390 and 21.20.395 and is subject to the provisions of RCW 34.05. Respondents, Ensentech, Inc., Gary G. Scott, Hydro-Clean Fuel Systems, Inc., and Gary L. Davis, may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this order.

If a Respondent does not request a hearing, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and enter a permanent order against those respondents to cease and desist from violations of the

Securities Act and enter an order imposing the fine and charging costs, as described above.

STATEMENT OF CHARGES AND NOTICE OF INTENT TO ENTER AN ORDER TO CEASE AND DESIST AND NOTICE OF INTENT TO IMPOSE FINES AND CHARGE COSTS

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

1	The Securities Administrator may also file a certified copy of the order in Superior Court and	
2	proceed to collect the fine and costs sought against the respondents in accordance with RCW	
3	20.21.395.	
4	Dated and Entered this 6th day of September, 2005	
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6	Quidel E, Stevenson	
7	MICHAEL E. STEVENSON Securities Administrator	
8	Approved by: Presented by:	
9	Martin Cordell QUI:D	
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11	Martin Cordell Dylan Waits Chief of Enforcement Financial Legal Examiner	
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