

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

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

7 Liftport, Inc. dba Liftport Group;
8 Michael Laine,

9 Respondents.

Order Number S-06-077-07-SCO1

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

10 THE STATE OF WASHINGTON TO:

Liftport, Inc. dba Liftport Group
Michael Laine

11 **STATEMENT OF CHARGES**

12 Please take notice that the Securities Administrator of the State of Washington has reason to
13 believe that Respondents, Liftport, Inc. dba Liftport Group and Michael Laine have each violated the
14 Securities Act of Washington and that their violations justify the entry of an order of the Securities
15 Administrator under RCW 21.20.390 against each to cease and desist from such violations. The
16 Securities Administrator believes these are grounds for imposing fines pursuant to RCW 21.20.395, and
17 charging costs pursuant to RCW 21.20.390(5).

18 The Securities Administrator finds as follows:

19 **TENTATIVE FINDINGS OF FACT**

20 Respondent

21 1. Liftport, Inc. dba Liftport Group (“Liftport”), a Washington corporation, was
22 incorporated on July 7, 2003 and is currently conducting business at 245 4th Street Suite 508
23 Bremerton, Washington. Liftport was created to develop an alternative method of sending cargo and

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DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
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1 people to space using a Space Elevator and is supposedly developing the technology to build a space
2 elevator.

3 2. Michael Laine (“Laine”) is a resident of Bremerton, Washington. Laine is the President
4 of Liftport, Inc.

5
6 Nature of the Offering

7 3. Between June 2003 and March 2006, Laine offered and sold investments in Liftport, Inc.
8 to at least 85 investors. At least nine of the investors were Washington residents. Investors found out
9 about the offering via Liftport’s website and at presentations made by Laine. Some of the investors
10 were neither accredited nor sophisticated investors. The investment was in the form of common stock.
11 The stock was sold at \$1.50 per share with a minimum investment of \$500 and a maximum investment
12 of \$10,000. The investments made totaled at least \$117,542; at least \$5,050 of the investments came
13 from Washington residents.

14 4. Liftport maintains a website at www.liftport.com. As early as 2004 the Liftport website
15 contained a section called “Get Involved” and “Help us Grow” which stated, “Money: At present,
16 Liftport, Inc. is in the early start-up stages, and like any start-up, has strong financial needs in order to
17 achieve our goal of building the Space Elevator. We’re interested in scientific grants, sponsorships,
18 private investing, donations, the works. If you think you can help, let us know.” All of the underlined
19 text was hyperlinked to another section on the website which provided an email address for potential
20 investors to use to request further information about Liftport’s investment opportunities.

21 5. At least one Washington resident submitted a request for information on Liftport’s
22 investment opportunities to the email address provided on the Liftport website. At least one resident

1 received an email from Laine with information about an upcoming offering. At least one resident
2 received offering documents from Liftport via email. The offering documents specified Liftport was
3 selling shares of common stock. The shares were offered at \$1.50 per share. There was a \$500
4 minimum investment and a \$10,000 maximum investment. At least one resident purchased shares of
5 common stock.

6 6. The Liftport website also projected that Liftport would develop and build an operational
7 space elevator by 2018. That projection was later changed on the website to 2031.

8 7. As early as the fall of 2005 Laine made presentations about Liftport. After at least one
9 such presentation Laine spoke to a Washington resident about investment opportunities in Liftport.
10 Prior to investing, the resident was sent Liftport offering materials by a representative of the company.
11 The terms of the offering as well as the offering materials were identical to those provided to residents
12 who contacted the company through Liftport's website.

13 8. The offering materials Liftport provided to potential investors in connection with the
14 offering did not include financial statements, a detailed use of proceeds, projected costs to develop and
15 build the space elevator, general risk factors related to the space technology, and specific risk factors
16 related to space elevator production.

17 18 Misrepresentations and Omissions

19 9. Liftport failed to provide material information regarding the company including, but not
20 limited to: financial statements; use of proceeds; projected costs to develop and build the space
21 elevator; general risk factors related to the space technology; and specific risk factors related to space
22 elevator production.

1 10. Liftport failed to provide a reasonable basis for its projection that the space elevator
2 would be completed by 2018 and/or 2031 and failed to disclose limitations on the projection.

3 Registration Status

4 11. Liftport, Inc. is currently not registered to sell its securities in the State of Washington
5 and has not previously been so registered.

6 12. Michael Laine is not currently registered as a securities salesperson or broker-dealer in
7 the State of Washington and has not previously been so registered.

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

9 **CONCLUSIONS OF LAW**

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

12 2. Michael Laine violated RCW 21.20.040, by offering and selling said securities while not
13 registered as a securities salesperson or broker-dealer in the State of Washington.

14 3. Liftport, Inc. violated 21.20.140 by offering and selling unregistered securities.

15 4. In connection with the offer or sale of the said securities Liftport, Inc., violated RCW
16 21.20.010 because, as set forth in the Tentative Findings of Fact, Respondent made misstatements of
17 material fact or omitted to state material facts necessary in order to make the statements made, in light
18 of circumstances under which they were made, not misleading and/or engaged in acts and practices
19 that operated as a fraud or deceit.
20

1 **NOTICE OF INTENT TO ISSUE AN ORDER TO CEASE AND DESIST**

2 Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities
3 Administrator intends to order that Respondents, Liftport, Inc. and Michael Laine, and their agents and
4 employees, shall each permanently cease and desist from violations of RCW 21.20.140 and RCW
5 21.20.010.

6 In addition, the Securities Administrator intends to order that Respondents, Liftport, Inc. and
7 Michael Laine, and their agents and employees, shall each permanently cease and desist from violations of
8 RCW 21.20.040.

9
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 Liftport, Inc. shall be liable for and pay a fine of \$10,000;
14 b. Respondent Michael Laine shall be liable for and pay a fine of \$10,000.

15
16 **NOTICE OF INTENT TO CHARGE COSTS**

17 Pursuant to RCW 21.20.390(5), and based upon the Tentative Findings of Fact and Conclusions of
18 Law, the Securities Administrator intends to order that the Respondents, Liftport, Inc. and Michael Laine,
19 shall be liable for and pay the Securities Division the costs, fees and other expenses incurred in the conduct
20 of the administrative investigation and hearing of this matter.

1 **AUTHORITY AND PROCEDURE**

2 This STATEMENT OF CHARGES AND NOTICE OF INTENT TO ISSUE AN ORDER TO
3 CEASE AND DESIST, IMPOSE FINES, AND CHARGE COSTS is entered pursuant to the provisions of
4 RCW 21.20.390 and RCW 21.20.395 and is subject to the provisions of Chapter 34.05 RCW. Each
5 Respondent may make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO
6 DEFEND AND OPPORTUNITY FOR HEARING accompanying this Order.

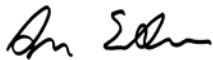
7 If a Respondent does not request a hearing, the Securities Administrator intends to adopt the above
8 Tentative Findings of Fact and Conclusions of Law as final, enter a permanent order against those
9 respondents to cease and desist from violations of the Securities Act, and enter an order imposing the fine
10 and charging costs, as described above.

11 DATED AND ENTERED this day 18th of April, 2007.

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15 _____
16 MICHAEL E. STEVENSON
17 Securities Administrator

18 Approved by:



19 _____
20 Suzanne Sarason
21 Chief of Compliance & Examinations

Presented by:



22 _____
23 Angela R. Vogel
24 Enforcement Attorney