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

IN THE MATTER OF DETERMINING) Order No.: S-16-1945-17-CO01
Whether there has been a violation of the)
Securities Act of Washington by:) CONSENT ORDER
)
Ecocruise Electric Transportation, Inc.,)
Steven D. Leighty,)
)
)
Respondents)

INTRODUCTION

On October 27, 2016, the Securities Administrator of the Securities Division of the Department of Financial Institutions (“Securities Division”) issued a Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, to Impose a Fine, and to Charge Costs (“Statement of Charges”), Order Number S-16-1945-16-SC01, against Respondents Ecocruise Electric Transportation, Inc. and Steven D. Leighty. Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division and Respondents Ecocruise Electric Transportation, Inc. and Steven D. Leighty do hereby enter into this Consent Order in settlement of the matters set forth in the Statement of Charges and as alleged below. Respondents Ecocruise Electric Transportation, Inc. and Steven D. Leighty neither admit, nor deny the Findings of Fact and Conclusions of Law as stated below.

FINDINGS OF FACT

Respondents

1. Ecocruise Electric Transportation, Inc. (“Ecocruise”) is an active Washington corporation formed on August 22, 2012. From at least August 2012 until August 2016, Ecocruise had its principal place of business in Seattle, Washington. Ecocruise is in the business of developing and producing

1 “neighborhood electric vehicles” that have a limited driving range of 35 to 80 miles between charges.
2 Neighborhood electric vehicles are generally restricted to a maximum speed of 25 miles per hour.

3 2. Steven D. Leighty (“Leighty”) is the President and CEO of Ecocruise. From at least August
4 2012 until August 2016, Leighty resided in Seattle, Washington.

5 **Overview**

6 3. Between at least August 2011 and May 2016, Leighty and Ecocruise offered and sold at least
7 \$630,000 worth of Ecocruise stock to at least ten investors, including at least four Washington residents.
8 Most of the investors were friends or family members of Ecocruise staff and were personally solicited by
9 Leighty to invest. At least one investor was solicited to invest approximately one year before Ecocruise was
10 incorporated.

11 4. Leighty provided at least three investors with different versions of a repayment agreement
12 that was captioned “Investment Agreement,” “Investment Repayment Agreement,” or “Investment
13 Repayment Contract.” In the agreements, the Respondents led investors to believe they would earn
14 extraordinary returns on their investments, while failing to provide them with any written disclosures
15 regarding the financial condition of the company, the operating history of the company, or the risks of the
16 investment.
17 investment.

18 **Public Investment Solicitation**

19 5. In October 2014, a newspaper in Ballard, Washington published an article about Ecocruise
20 that was later posted on the company’s website. The article stated in part that “Ecocruise is looking for
21 potential investors.” This article remained on the Ecocruise website until at least 2016, but according to
22 Leighty, no one ever responded to the public solicitation.
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Misrepresentations or Omissions

1
2 6. When offering and selling Ecocruise stock, the Respondents misrepresented material
3 information about the investment. The Respondents misleadingly represented to at least three investors that
4 they would double or triple their investments within two or three years. These claims were memorialized in
5 written investment agreements. The agreements represented that investors would receive Ecocruise
6 common stock and full repayment of their investment. The repayment claims had no reasonable basis,
7 given the fact that Ecocruise had yet to make any customer sales or generate any income for repaying
8 investors. To date, none of those investors have received any repayment of their investments.

9 7. The Respondents misleadingly represented that investors would earn extraordinary returns on
10 their investments, without disclosing the financial condition of Ecocruise. The Respondents failed to provide
11 financial statements, and failed to disclose that the company did not prepare annual financial statements for
12 2014 and 2015. The Respondents failed to disclose the company's financial operating history. The
13 Respondents failed to disclose the company's assets and liabilities. The Respondents failed to disclose the
14 amount of capital that would be required to operate the company and to meet the company's vehicle
15 production and sales goals.
16

17 8. The Respondents misleadingly represented that Ecocruise had an established product line.
18 The Ecocruise website, www.ecocruise.com, included drawings or pictures of several different types of
19 neighborhood electric vehicles, including a golf cart, a delivery cart, a delivery van, and a small pickup.
20 The website misleadingly stated that the company had "several lines of vehicles." The Respondents failed
21 to disclose that most of the vehicles were only prototypes. The Respondents failed to disclose that only one
22 model, the Crusier Sport, had ever been produced in larger quantities. As of August 2016, approximately 90
23 Crusier Sport vehicles had been manufactured and assembled, but fewer than 20 had been delivered. The
24 remaining vehicles were still at a factory in China.
25

1 9. The Respondents failed to disclose that Leighty and Ecocruise had experienced significant
2 manufacturing problems with electric vehicles. The Respondents failed to disclose that in approximately
3 2008, Leighty had formed an electric scooter business that encountered problems with its battery charger.
4 The Respondents failed to disclose that Ecocruise had encountered significant production problems with its
5 prototypes. For example, the brake cylinders did not function properly, which required a redesign and a
6 larger cylinder. The lead acid batteries leaked, so the company had to switch to lithium ion batteries. The
7 three kilowatt motors did not mesh properly with the vehicle's gears, so the company had to switch to five
8 kilowatt motors.

9 10. The Respondents failed to disclose that Ecocruise had decided not to produce two of the
10 vehicles (the EZIP vehicles) pictured on its website, due to manufacturing problems. An inspection report
11 stated that the EZIP vehicle welds were uneven, the doors did not slide properly, the steering was rough, and
12 the carbon fiber had fit and finish issues.

13 11. The Respondents failed to disclose other product manufacturing risks. The Respondents
14 failed to disclose that Ecocruise used different Chinese manufacturers for several components of its
15 vehicles, including the body, frame, fiberglass, brakes, and steering wheel. The Respondents failed to
16 disclose the risk of having to develop and maintain manufacturing and assembly procedures for a variety of
17 parts and processes (including parts fabrication, body molding, paint, finish, welds, the electrical system,
18 vehicle gauges, motor charging, battery charging, tires, wheels, lights, seats, suspension, doors and/or
19 windshields).

20 12. The Respondents failed to disclose that Ecocruise did not have any protection for its
21 intellectual property, including its product designs. The Respondents failed to disclose that Ecocruise did
22 not own any patents, copyrights, or trademarks.
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1 13. The Ecocruise website misleadingly listed multiple product warranties, but failed to disclose
2 material information about the warranty coverage and product liability risks. The Respondents failed to
3 disclose that at least some of the warranties came from Chinese manufacturers. The Respondents failed to
4 disclose the estimated amount required and the amount available for warranty claims. The Respondents
5 failed to disclose that inadequate warranty coverage might subject Ecocruise to bad publicity, refund claims,
6 and litigation risks. The Respondents failed to disclose the risk of product recalls and product liability
7 claims. The Respondents failed to disclose that lithium ion batteries were a fire risk and that the vehicle
8 braking mechanisms might not function properly. The Respondents failed to disclose that a failure to
9 maintain adequate reserves or insurance for warranty claims, product recalls, and product liability claims
10 could jeopardize the company's continued existence.

11 14. The Respondents failed to disclose material risks about marketing the Ecocruise vehicles.
12 The Respondents failed to disclose that there was no proven market for the vehicles and no assurance of
13 profitability. The Respondents failed to disclose that Ecocruise would be competing against larger, more
14 established, and better capitalized companies for vehicle sales and market share. The Respondents failed to
15 disclose any risks associated with changing technology in the electric vehicle market.
16

17 15. The Respondents misleadingly represented that Ecocruise vehicles were "street legal" and
18 would be sold in many different locations, but the Respondents failed to disclose the status of its efforts to
19 obtain required regulatory approvals for its vehicles. Depending upon the type and location of the vehicle,
20 approvals would be required from different sources. For example, approvals might be required from the
21 National Highway Traffic Safety Administration, the U.S. Department of Transportation, the European
22 Environment Agency, the California Air Resources Board, or other regulators. The Respondents failed to
23 disclose the cost and the risk of delay in obtaining vehicle regulatory approvals.
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1 Based upon the above Findings of Fact, the following Conclusions of Law are made:

2 **CONCLUSIONS OF LAW**

3 1. The offer and/or sale of the stock and investments described above constitute the offer and/or
4 sale of a security as defined in RCW 21.20.005(14) and (17).

5 2. The Respondents Ecocruise Electric Transportation, Inc. and Steven D. Leighty have each
6 violated RCW 21.20.140, because, as set forth in the Tentative Findings of Fact, the Respondents offered
7 and/or sold securities for which no registration is on file with the Securities Administrator.

8 3. Respondent Steven D. Leighty has violated RCW 21.20.040 by offering and/or selling said
9 securities while not being registered as a securities salesperson or broker-dealer in the state of Washington.

10 4. The Respondents Ecocruise Electric Transportation, Inc. and Steven D. Leighty have each
11 violated RCW 21.20.010, because, as set forth in the Tentative Findings of Fact, the Respondents made
12 untrue statements of material fact or omitted to state material facts necessary to make the statements made,
13 in light of the circumstances in which they were made, not misleading.
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16 Based upon the foregoing and finding it in the public interest:

17 **CONSENT ORDER**

18 IT IS AGREED AND ORDERED that Respondents Ecocruise Electric Transportation, Inc. and
19 Steven D. Leighty, their agents, and employees each shall cease and desist from violating RCW 21.20.140,
20 the securities registration section of the Securities Act of Washington.

21 IT IS FURTHER AGREED AND ORDERED that Respondent Steven D. Leighty, his agents, and
22 employees each shall cease and desist from violating RCW 21.20.040, the securities salesperson and broker-
23 dealer registration section of the Securities Act of Washington.
24

1 Signed by:

2
3 /s/ _____
Steven D. Leighty, Individually

4
5 Approved as to form by:

6
7 /s/ _____
Eric Lansverk for HCMP, Attorney for Respondents
8 WSBA #17218


9
10 SIGNED and ENTERED this 1st day of February, 2017

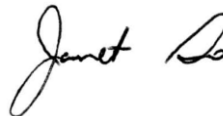
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14 _____
William M. Beatty
Securities Administrator

15 Approved by:

Presented by:

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19 _____
Suzanne Sarason
Chief of Enforcement

20 _____
Janet So
Financial Legal Examiner

21 Reviewed by:

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23 _____
Robert Kondrat
24 Financial Legal Examiner Supervisor