

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

4 IN THE MATTER OF DETERMINING) Order No.: S-16-2029-17-C001
5 Whether there has been a violation of the)
6 Securities Act of Washington by:) CONSENT ORDER
7 Lightfleet Corporation,)
8 Respondent.)

9 THE STATE OF WASHINGTON TO: Lightfleet Corporation

10 **INTRODUCTION**

11 Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division of the Department of
12 Financial Institutions (Securities Division) and Respondent Lightfleet Corporation (Lightfleet) enter into this Consent
13 Order to settle the matter described below.

14 Respondent Lightfleet neither admits nor denies the following Findings of Fact and Conclusions of Law.

15 **FINDINGS OF FACT**

16 Respondent

17 1. Lightfleet is an Oregon corporation formed in 2003 for the purpose of developing computer networking
18 technology. Lightfleet has been registered to do business in Washington since 2003. The company has a principal
19 place of business in Camas, Washington.

20 Overview

21 2. To increase transparency in capital formation and capital markets, the Securities Act of Washington requires
22 that securities offerings in the state either be registered or qualify for an exemption from registration. Securities issuers
23 often claim an exemption from registration under Regulation D, Rule 506 of the Securities Act of 1933, an exemption
24 recognized in the Securities Act of Washington. Regulation D, Rule 506 allows issuers to raise capital, subject to
25 specific conditions, without having to complete the more rigorous and costly process required of registered public
offerings of securities.

3. Lightfleet has generally offered and sold securities in Washington since the company's organization. Rather
than register its securities offerings, the company sought to rely on Regulation D, Rule 506 as an exemption from
registration. Although Lightfleet attempted to comply with Regulation D, Rule 506, in some instances, Lightfleet
conducted securities offerings without filing any formal claim of exemption from registration. And, in other instances,
Lightfleet did not comply with all of the requirements of Regulation D, Rule 506.

Lightfleet's Offer and Sale of Securities in Washington

1 4. Since the company's formation in 2003, Lightfleet has raised capital through the sale of stock in the company
and through the issuance of promissory notes.¹

2 5. To raise money, Lightfleet mostly relies on its directors as well as third-parties to solicit investments from
3 family, friends, friends of friends, clients, and existing investors.

4 6. Lightfleet often then arranges for prospective investors to meet with its officers and engineers at its Camas
office to discuss the specifics of investing in Lightfleet and to preview the company's technology.

5 7. Lightfleet typically only provides prospective investors with a subscription agreement prior to their
6 investment. Lightfleet has offered and sold its securities only to accredited investors and, thus, typically has not
7 provided investors with any offering material that includes financial statements for Lightfleet or a disclosure of risks
associated with investing in the company.

8 Lightfleet's Unregistered Securities Offerings

9 8. From 2003 to 2005 and from 2011 to 2015, Lightfleet offered and sold securities in Washington in reliance
10 upon Regulation D, Rule 506; however, the company never filed with the state of Washington any formal claim of
exemption from registration for these offers and sales.

11 Lightfleet's Failure to Comply with Regulation D, Rule 506

12 9. Lightfleet filed a claim of exemption from registration under Regulation D, Rule 506 with the Securities and
Exchange Commission in 2006, 2008, 2010, 2016, and 2017. In the course of offering and selling securities in
13 Washington, in some instances, Lightfleet failed to comply with the provisions of Regulation D, Rule 506.

14 10. WAC 460-44A-503-1(a)(i)(A) requires that an issuer claiming an exemption from registration under
15 Regulation D, Rule 506(b) file with the Securities Division a notice of a claim of exemption from registration no later
than fifteen days after the issuer's first sale of securities in Washington. Although, in March 2010, Lightfleet filed a
16 claim of exemption from registration under Regulation D, Rule 506 with the Securities and Exchange Commission,
17 Lightfleet failed to file with the Securities Division a notice of a claim of exemption from registration for this offering.

18 11. WAC 460-44A-506 prohibits the use of general solicitation in the offer or sale securities pursuant to claim of
19 exemption from registration under Regulation D, Rule 506(b). Since at least August 2016, Lightfleet has maintained
on its website a section that notifies visitors to the webpage of the availability of investment opportunities with
20 Lightfleet. It is unknown whether any visitors to this webpage invested in Lightfleet, however, Lightfleet's solicitation
of securities through its website since at least August 2016, constitutes general solicitation in violation of WAC-460-
21 44A-506.

22 **CONCLUSIONS OF LAW**

23 _____
24 ¹ Lightfleet's promissory notes have differed in their terms: maturity dates have varied from six months to three years, annual
25 interest has ranged from eight to twenty percent, and some promissory notes have allowed for the conversion of the balance of the
promissory note into Lightfleet stock. All Lightfleet promissory notes are unsecured.

1. The offer and sale of stock and promissory notes in Lightfleet Corporation as described above constitutes the offer and sale of securities as defined in RCW 21.20.005(14) and (17).

2. The offer and sale of securities in the instances described above were in violation of RCW 21.20.140 because no registration for such an offer and sale is on file with the Securities Division and no valid claim of exemption under WAC 460-44A-506 exists.

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

CONSENT ORDER

IT IS AGREED AND ORDERED that Respondent Lightfleet Corporation, as well as its agents and employees, shall cease and desist from violating RCW 21.20.140, the section of the Securities Act of Washington requiring that securities offerings be registered or exempt from registration.

IT IS FURTHER AGREED AND ORDERED that Respondent Lightfleet Corporation shall be liable for and shall pay investigative costs of \$3,000 on or before the entry of this Consent Order.

IT IS FURTHER AGREED AND ORDERED that the payment of these costs as described above shall be made as follows: Respondent Lightfleet Corporation shall pay investigative costs of \$1,000 prior to the entry of this Consent Order, \$1,000 in investigative costs by the close of business on October 1, 2018, and \$1,000 in investigative costs by the close of business on November 1, 2018.

IT IS FURTHER AGREED that if Respondent Lightfleet Corporation fails to make any of the scheduled payments described above, the \$3,000 in costs shall become immediately due and payable, and the Securities Division may seek enforcement of this Consent Order pursuant to RCW 21.20.395.

IT IS FURTHER AGREED that Respondent Lightfleet Corporation shall provide all prospective investors with the same kind of information that would be required in Item 3(b) of Part II of Form 1-A (17 CFR 239.90). As part of this risk disclosure, Lightfleet shall disclose to prospective investors the company's past and current efforts to repay its outstanding convertible debentures and promissory notes. Lightfleet shall further provide prospective investors with the company's most recent balance sheet, profit and loss statement, and retained earnings statements, as well as these three documents for the two preceding fiscal years.

IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.

IT IS FURTHER AGREED that Respondent Lightfleet Corporation entered into this Consent Order freely and voluntarily and with a full understanding of its terms and significance.

IT IS FURTHER AGREED that in consideration of the foregoing, Respondent Lightfleet Corporation waives its right to a hearing and to judicial review of this matter pursuant to RCW 21.20.440 and Chapter 34.05 RCW.

WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

Signed this __22nd__ day of _____ August _____ 2018.

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Signed by:
Lightfleet Corporation

/s/
Robert Collier
Chief Financial Officer

Approved as to form by:

/s/
Cliff Spencer, Attorney for Lightfleet Corporation
Oregon Bar Number 954243
Washington Bar Number 33470

Signed and Entered this 4th day of September 2018.

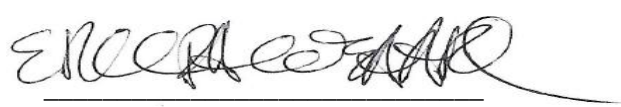


William M. Beatty
Securities Administrator

Approved by:

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