

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

4 IN THE MATTER OF DETERMINING ) Order No. S-11-0575-11-CO01  
5 whether there has been a violation of the )  
6 Securities Act of Washington by: ) **CONSENT ORDER**  
7 Eddyline Kayaks, LLC; Thomas V. Derrer; )  
and Elisabeth C. Derrer, )  
Respondents )

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8 **INTRODUCTION**

9 Pursuant to the Securities Act of Washington, chapter 21.20 RCW, the Securities Division of the  
10 Department of Financial Institutions (“Securities Division”) and Respondents, Eddyline Kayaks, LLC;  
11 Thomas V. Derrer; and Elisabeth C. Derrer, do hereby enter into this CONSENT ORDER in settlement  
12 of the matters alleged herein. Respondents, Eddyline Kayaks, LLC; Thomas V. Derrer; and Elisabeth C.  
13 Derrer, neither admit nor deny the Findings of Fact and Conclusions of Law as stated below.

14 **FINDINGS OF FACT**

15 Respondents

16  
17 1. Eddyline Kayaks, LLC (“Eddyline”) is a Washington limited liability company that has its  
18 principal place of business at 11977 Westar Lane in Burlington, Washington. Eddyline was formed on  
19 February 11, 2004. Eddyline is a wholly-owned subsidiary of Derrer Designs, Ltd. (“Derrer Designs”).  
20 Derrer Designs is a Washington corporation that was incorporated on January 28, 1982. Since its  
21 formation, Eddyline has been in the business of manufacturing and selling sea kayaks.

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23 2. Thomas V. Derrer (“Thomas Derrer”) is a managing member of Eddyline. Since its formation,  
24 Thomas Derrer has been the Chief Executive Officer and the chief kayak designer for Eddyline.  
25 Thomas Derrer is also the President of Derrer Designs.

1 3. Elisabeth C. Derrer (“Lisa Derrer”) is a managing member of Eddyline. Since its formation,  
2 Lisa Derrer has been the Chief Financial Officer for Eddyline. Lisa Derrer is also the Secretary of  
3 Derrer Designs. Derrer Designs is the sole member of Eddyline. Thomas Derrer and Lisa Derrer are the  
4 sole shareholders of Derrer Designs. They have been married for more than thirty years.

5 Offering of Investments

6 4. From 2004 through 2011, Respondents offered and sold two different types of investments that  
7 were issued by Eddyline: “extended consignment program” investments and “consignment program”  
8 investments. In 2011, the total principal amount for all of the outstanding investments was more than  
9 \$680,000. The investments were offered and sold to more than sixty investors. The proceeds from the  
10 sale of the investments were pooled together and were used to provide operating capital for Eddyline.  
11

12 Extended Consignment Program Investments

13 5. From 2004 through 2011, Respondents offered and sold “extended consignment program”  
14 investments with terms of two years, three years or five years. During 2011, Eddyline had more than  
15 \$265,000 worth of outstanding extended consignment program investments for more than twenty  
16 investors. The annual interest rate for Eddyline’s extended consignment program investments has  
17 ranged from at least 9% to 10%. Simple interest was paid on the extended consignment program  
18 investments and accumulated interest was paid at the end of each year.

19 Consignment Program Investments

20 6. From 2004 through 2011, Respondents also offered and sold “consignment program”  
21 investments issued by Eddyline. During 2011, Eddyline had more than \$415,000 worth of outstanding  
22 consignment program investments for more than forty investors. The consignment program investments  
23 have eight-month terms and annual interest rates ranging from 7% to 9%. Simple interest was paid  
24 monthly on the consignment program investments.  
25

1 Eddyline Investors

2 7. Eddyline investors were generally retail customers who purchased kayaks from Eddyline. The  
3 investors were primarily Washington residents. The investors did not participate in the management of  
4 Eddyline or its business activities and the investors did not have any control over the use of their  
5 invested funds. The investors were relying upon Respondents to generate a return on their investments.

6 Misrepresentations and Omissions

7 8. When offering and selling the Eddyline investments, Respondents represented to both extended  
8 consignment program investors and to consignment program investors that their investments would be  
9 “guaranteed” by a kayak with a retail value of \$1,500 for every \$1,000 invested. The “guarantee” claim  
10 was false and misleading because there was no separate source of any guarantee to ensure repayment of  
11 the investors and because the investors did not have any security interests in the kayaks that were owned  
12 or produced by Eddyline. Instead, during February 2009, Respondents gave Whidbey Island Bank a  
13 security interest in all of Derrer Designs’ inventory, chattel paper, accounts, equipment and general  
14 intangibles. Some investments were sold without disclosing to the investors that the bank had a  
15 superseding security interest in all of the kayaks that were owned or produced by Eddyline.

16 9. When offering and selling the Eddyline investments, Respondents each failed to disclose  
17 significant risks of the investments. Respondents each failed to disclose that there was no collateral to  
18 secure the investments. Respondents each failed to disclose the specific intended use of investor funds.  
19 Respondents each failed to give investors financial information about Eddyline, including financial  
20 statements for the company. Respondents each failed to disclose the sales and operating history for  
21 Eddyline. Respondents each failed to disclose the dollar amount of the extended consignment program  
22 investments and the consignment program investments that were outstanding. Respondents each failed  
23 to disclose other risks associated with the investment, including, but not limited to, illiquidity,  
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1 dependence on a few key personnel, competition within the industry and the company's failure to  
2 protect its technology.

3 Registration Status

4 10. Eddyline is not currently registered to sell its securities in the state of Washington and has not  
5 previously been so registered.

6 11. Thomas Derrer is not currently registered as a securities broker-dealer or securities salesperson  
7 in the state of Washington and has not previously been so registered.

8 12. Lisa Derrer is not currently registered as a securities broker-dealer or securities salesperson in  
9 the state of Washington and has not previously been so registered.

10  
11 Based upon the Findings of Fact, the following Conclusions of Law are made:

12 **CONCLUSIONS OF LAW**

13 I.

14 The offer or sale of the investments described above constitutes the offer or sale of a security as  
15 defined in RCW 21.20.005(10) and (12), in the form of an investment contract.

16 II.

17 As set forth in the Findings of Fact, Respondents, Eddyline, Thomas Derrer and Lisa Derrer, have  
18 each offered and sold unregistered securities in violation of RCW 21.20.140, the securities registration  
19 section of the Securities Act of Washington.

20 III.

21 As set forth in the Findings of Fact, Thomas Derrer and Lisa Derrer have each violated RCW  
22 21.20.040, the securities broker-dealer and securities salesperson registration section of the Securities  
23 Act of Washington, by offering or selling said securities while not registered as a securities broker-  
24 dealer or securities salesperson in the state of Washington.  
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IV.

As set forth in the Findings of Fact, Respondents, Eddyline, Thomas Derrer and Lisa Derrer, in connection with the offer or sale of said securities, have each made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, in violation of RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

**CONSENT ORDER**

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

IT IS AGREED AND ORDERED that Respondents, Eddyline Kayaks, LLC; Thomas V. Derrer; and Lisa C. Derrer, and their agents and employees each shall cease and desist from violating RCW 21.20.140, the securities registration section of the Securities Act of Washington.

IT IS FURTHER AGREED AND ORDERED that Thomas V. Derrer and Lisa C. Derrer, and their agents and employees each shall cease and desist from violating RCW 21.20.040, the securities broker-dealer and securities salesperson registration section of the Securities Act of Washington.

IT IS FURTHER AGREED AND ORDERED that Respondents, Eddyline Kayaks, LLC; Thomas V. Derrer; and Lisa C. Derrer, and their agents and employees each shall cease and desist from violating RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

IT IS FURTHER AGREED that prior to the entry of this Consent Order, Eddyline Kayaks, LLC shall repay all of its outstanding investments, including investments in both the extended consignment participation program and the consignment participation program, as sworn to in affidavits from each of the Respondents: Eddyline Kayaks, LLC; Thomas V. Derrer; and Lisa C. Derrer.

1 IT IS FURTHER AGREED that prior to the entry of this Consent Order, an independent public  
2 accountant shall review and certify the amount of the outstanding investments in Eddyline Kayaks, LLC  
3 prior to repayment.

4 IT IS FURTHER AGREED that prior to the entry of this Consent Order, the law firm of Brownlie  
5 Evans Wolf & Lee, LLP will mail checks drawn on its attorney trust account to all of the Eddyline  
6 investors in full repayment of all principal and accrued interest that is owing to the investors.

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

9 IT IS FURTHER AGREED that Respondents, Eddyline Kayaks, LLC; Thomas V. Derrer; and  
10 Elisabeth C. Derrer, each enter into this Consent Order freely and voluntarily and with a full  
11 understanding of its terms and significance.

12 IT IS FURTHER AGREED that in consideration of the foregoing, Respondents, Eddyline Kayaks,  
13 LLC; Thomas V. Derrer; and Elisabeth C. Derrer, each waive their right to a hearing and to judicial  
14 review of this matter pursuant to RCW 21.20.440 and Chapter 34.05 RCW.

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16  
17 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

18  
19 Signed this \_\_\_29th\_\_\_ day of \_\_\_\_\_ June \_\_\_\_\_, 2011

20  
21 Signed by: Approved for entry by:  
22 Eddyline Kayaks, LLC  
23  
24 By /s/ Thomas V. Derrer \_\_\_\_\_ /s/ Simon P. Brownlie \_\_\_\_\_  
25 Managing Member Simon P. Brownlie  
WSBA #26291

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Signed by:

/s/ Thomas V. Derrer  
Thomas V. Derrer, Individually

Signed by:

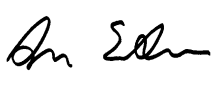
/s/ Elisabeth C. Derrer  
Elisabeth C. Derrer, Individually

SIGNED and ENTERED this 30th day of June, 2011

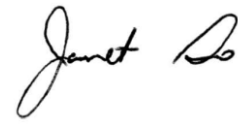


WILLIAM M. BEATTY  
Securities Administrator

Approved by:

  
Suzanne E. Sarason  
Chief of Enforcement

Presented by:

  
Janet So  
Enforcement Attorney

Reviewed by:

  
Robert Kondrat  
Financial Legal Examiner Supervisor