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

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IN THE MATTER OF DETERMINING) Order No. S-16-1868-18-CO03
Whether there has been a violation of the)
Securities Act of Washington by:) CONSENT ORDER AS TO
) PACIFIC WATERCRAFT GROUP, INC.
Pacific Watercraft Group, Inc.,)
Scott E. Anderson,)
Robin Lynn Sells,)
)
Respondents.)

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INTRODUCTION

On July 17, 2017, 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 Fines, and to Charge Costs (“Statement of Charges”), Order Number S-16-1868-17-SC01, against Respondents Pacific Watercraft Group, Inc., Scott E. Anderson, and Robin Lynn Sells. Pursuant to the Securities Act of Washington, Chapter 21.20 RCW, the Securities Division and Respondent Pacific Watercraft Group, Inc. do hereby enter into this Consent Order in settlement of the matters set forth in the Statement of Charges and as alleged below. Respondent Pacific Watercraft Group, Inc. neither admits nor denies the Findings of Fact and Conclusions of Law as stated below.

FINDINGS OF FACT

Respondents

1. Pacific Watercraft Group, Inc. is a Washington corporation formed on July 15, 2010 with its principal place of business in Newcastle, Washington. Pacific Watercraft Group, Inc. was formed to engage in the design, development, and commercialization of a solo watercraft. On November 17, 2010, Pacific Watercraft Holdings Ltd., a Washington company, was formed to act as Pacific Watercraft Group, Inc.’s parent company. Before Pacific Watercraft Holdings Ltd. was formed, and after it became inactive on March 1, 2012, Pacific Watercraft Group, Inc. sometimes did business as Pacific Watercraft Holdings Ltd. For the purposes

1 of this order, Pacific Watercraft Group, Inc. and Pacific Watercraft Holdings Ltd. will collectively be referred
2 to as “Pacific Watercraft.”

3 2. Scott E. Anderson (“Anderson”) is a resident of Seattle, Washington. Anderson was a director
4 of Pacific Watercraft Holdings Ltd., and he is a director and Vice President of Manufacturing of Pacific
5 Watercraft Group, Inc.

6 3. Robin Lynn Sells (“Sells”) is a resident of Newcastle, Washington. Sells was founder and a
7 director of Pacific Watercraft Holdings, Ltd., and he is founder, a director, and President of Pacific Watercraft
8 Group, Inc.

9 **Background**

10 4. Since at least 1990, Sells has been involved in attempts to manufacture and sell a solo
11 watercraft, which is a self-propelled watercraft that allows a person to water-ski without assistance from others.
12 These companies included Ski-Free Watersports, Inc., Solo Watersports, Inc., and Ski-Free Watersports
13 Development, Inc. In or around the summer of 2010, Sells and Anderson created Pacific Watercraft Group,
14 Inc. to pursue the development, manufacture, and commercialization of a solo watercraft named Solo, along
15 with related products.

16 **Nature of the Conduct**

17 Overview

18 5. Beginning in 2010 and continuing through 2015, Pacific Watercraft, Sells, and Anderson
19 offered unregistered investments in Pacific Watercraft to a number of prospective investors, including
20 members of angel investor and venture capital groups, investment bankers, Anderson’s friends, business
21 acquaintances, and a Pacific Watercraft customer. As a result of these offers, Pacific Watercraft, Sells, and
22 Anderson sold \$90,000 of shares in Pacific Watercraft to three investors, two of whom were Washington
23 residents. At least one investor did not have an existing, substantive relationship with any of the respondents
24 at the time the investment was offered and sold.

The Offering

1 6. In July 2010, Sells, Anderson, and Pacific Watercraft began offering up to \$2 million of shares
2 in Pacific Watercraft to develop and commercialize its products. Between July 2010 and June 2013, Sells,
3 Anderson, and Pacific Watercraft sold 900 shares of Pacific Watercraft to three investors. Sells and Pacific
4 Watercraft continued to offer both debt and equity investments in Pacific Watercraft through at least November
5 2015.

6 7. In July 2010, Anderson offered and sold 250 shares of Pacific Watercraft to a Washington
7 investor for \$25,000.

8 8. In or around December 2011, Sells demonstrated an old Solo model to a married couple who
9 were interested in purchasing a new Solo model. The couple had seen a picture of the new Solo model on
10 Pacific Watercraft's website, and they traveled to Washington from Arizona to see the demonstration. In
11 December 2011, the couple purchased a new Solo model for \$17,995, but it was never delivered. In April
12 2018, Pacific Watercraft refunded the couple the money that they paid for the new Solo.

13 9. In January 2012, Sells sold the couple 500 shares of Pacific Watercraft for \$50,000.

14 10. In June 2013, Anderson offered and sold 150 shares of Pacific Watercraft to a Washington
15 investor for \$15,000.

Registration Status

16 11. Pacific Watercraft Group, Inc. is not currently registered to sell its securities in the state of
17 Washington and has not previously been so registered, nor has it filed a claim of exemption from registration.

18 12. Scott E. Anderson is not currently registered as a securities salesperson or broker-dealer in the
19 state of Washington and has not previously been so registered.

20 13. Robin Lynn Sells is not currently registered as a securities salesperson or broker-dealer in the
21 state of Washington and has not previously been so registered.

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

2 **CONCLUSIONS OF LAW**

3 1. The offer and sale of stock in Pacific Watercraft Group, Inc. as described above constitutes the
4 offer and sale of a security as defined in RCW 21.20.005(14) and RCW 21.20.005(17).

5 2. Respondent Pacific Watercraft Group, Inc. has violated RCW 21.20.140 because, as set forth
6 in the Findings of Fact, Respondent offered and sold securities for which no registration is on file with the
7 Securities Administrator.

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

9 **CONSENT ORDER**

10 IT IS AGREED AND ORDERED that Respondent Pacific Watercraft Group, Inc., its agents, and its
11 employees shall cease and desist from violating RCW 21.20.140, the securities registration section of the
12 Securities Act of Washington.

13 IT IS FURTHER AGREED AND ORDERED that Respondent Pacific Watercraft Group, Inc. is liable
14 for and shall pay a fine of \$2,500 on or before 30 days from the entry of this Consent Order.

15 IT IS FURTHER AGREED AND ORDERED that Respondent Pacific Watercraft Group, Inc. is liable
16 for and shall pay investigative costs of \$3,000 on or before 30 days from the entry of this Consent Order.

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

18 IT IS FURTHER AGREED that Respondent Pacific Watercraft Group, Inc. entered into this Consent
19 Order freely and voluntarily and with a full understanding of its terms and significance.

20 IT IS FURTHER AGREED that in consideration of the foregoing, Respondent Pacific Watercraft
21 Group, Inc. waives its right to a hearing and to judicial review of this matter pursuant to RCW 21.20.440 and
22 Chapter 34.05 RCW.

1 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

2
3 Signed this 30th day of July, 2018.

4 Signed by:
5 Pacific Watercraft Group, Inc.

Approved as to form by:

6
7 /s/
8 Robin Lynn Sells
9 President

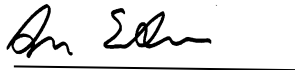
/s/
John Bender, Attorney for Respondents
WSBA No. 19540

10 SIGNED and ENTERED this 6th day of August, 2018.

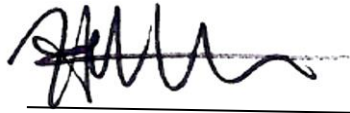
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15 William M. Beatty
16 Securities Administrator

17 Approved by: Presented by:

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20 Suzanne Sarason
21 Chief of Compliance

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23 Holly Mack-Kretzler
24 Financial Legal Examiner

25 Reviewed by:

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Robert Kondrat
Financial Legal Examiner Supervisor