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

IN THE MATTER OF DETERMINING ) Order No.: S-18-2446-19-CO01  
Whether there has been a violation of the )  
Securities Act of Washington by: ) CONSENT ORDER  
)  
West Coast Commodities LLC, )  
David C. Hamby, )  
)  
Respondents )

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**INTRODUCTION**

Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division of the Department of Financial Institutions (“Securities Division”) and Respondents West Coast Commodities LLC and David C. Hamby, do hereby enter into this Consent Order in settlement of the matters alleged herein. Respondents West Coast Commodities LLC and David C. Hamby, neither admit nor deny the Findings of Fact and Conclusions of Law as stated below.

**FINDINGS OF FACT**

**Respondents**

1. West Coast Commodities LLC (“West Coast”) is a Washington entity formed on February 1, 2010 and administratively dissolved on July 3, 2017. West Coast had its principal place of business in Washougal, Washington. West Coast was formed to purchase agricultural commodities in bulk quantities for resale to individual users.

2. David C. Hamby resided in Washougal, Washington. Hamby was the manager and the sole member of West Coast.

**Nature of the Conduct**

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*Overview*

3. From at least August 2009 through February 2015, West Coast and Hamby sold investments totaling at least \$575,000 to at least five investors, including at least three Washington residents. The investors learned about the West Coast investment through word of mouth and there were no written offering materials. The investors expected to earn a profit on their investments.

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*Investor Information*

4. Most of the West Coast investors were friends or acquaintances of Hamby, but one of the investors had no prior business or personal relationship with Hamby before making their investment. At least three of the investors were near retirement age and were investing their retirement savings with West Coast and Hamby.

5. The investors were relying upon West Coast and Hamby to generate a return on the investments. The investors were not financially sophisticated. The investors did not participate in the business or management of West Coast and they had no control over the use of their invested funds.

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*Terms of the Investment*

6. Without disclosing the risks of the investment, West Coast and Hamby misleadingly represented that investors would earn higher than market returns on their investments and that the investments could be easily liquidated. West Coast and Hamby represented that investors would have a return of 1.5% per month (an 18% annual return) on the investments. West Coast and Hamby also represented that an investor could withdraw all of their funds at any time with prior notice, ranging from 30 days to 90 days.

7. Hamby represented that West Coast would use the investors' funds for working capital to operate the West Coast business. Hamby represented that West Coast would purchase bulk quantities of agricultural commodities and resell the commodities for a profit. For example, Hamby told one investor

1 that West Coast was purchasing railway carloads of cracked corn and selling the corn to dairy farmers for  
2 feeding their dairy cattle.

3 *Failure to Disclose the Intended Use of An Investor's Funds*

4 8. Hamby failed to disclose to a 2015 investor that instead of using all of the investor's funds as  
5 working capital for West Coast, Hamby would use a portion of the funds (at least \$1,200 out of a \$15,000  
6 investment) to repay another West Coast investor.

7 *Misleading Monthly Account Statements*

8 9. Hamby misleadingly gave the investors "monthly earnings statements" without disclosing  
9 that the investors were not members of West Coast and did not share in the company's earnings or losses.  
10 The monthly account statements listed the investor's current account balance, contributions, earnings, and  
11 disbursements. Although West Coast had net operating losses for some months, each of the monthly  
12 account statements listed investment earnings, without reporting any losses.

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14 10. In response to a Securities Division subpoena that required the production of all of West  
15 Coast's annual financial statements, West Coast and Hamby failed to produce the West Coast annual  
16 financial statements for 2013, for 2014, and for 2015. The income statements that were produced indicated  
17 that West Coast had a net operating profit of \$141,704 for 2009, a net operating loss of \$57,885 for 2010, a  
18 net operating profit of \$71,562 for 2011, a net operating profit of \$110,035 for 2012, a net operating loss of  
19 \$58,390 for January through September of 2013, and a net operating loss of \$35,650 for January through  
20 February of 2014.

21 11. Hamby gave investors a December 2010 monthly account statement with misleading  
22 comments about the company's financial performance. Hamby stated "I'm happy to report that in 2010  
23 sales reached almost 2.5 Million dollars. Thanks to your involvement with investing in WCC we are  
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1 looking forward to another successful year in 2011....” Hamby and West Coast failed to disclose to the  
2 investors that West Coast had a net operating loss of \$57,885 for 2010.

3 *Failure to Disclose Other Material Information*

4 12. When soliciting the investments, West Coast and Hamby failed to disclose other material  
5 information about the investments, including the risk of loss of the investment. West Coast and Hamby  
6 failed to disclose the company’s operating history and failed to provide financial statements for West Coast.  
7 They failed to disclose that the company had no reserves for repaying investors upon demand. They failed  
8 to disclose the minimum required capitalization for the company. They failed to disclose the risk of  
9 inadequate capitalization. They failed to disclose the risk of loss due to commodity price fluctuations and  
10 changing market conditions. They failed to disclose the risk of loss due to competition from other  
11 commodity dealers.

12 *Unpaid Amounts Due to Investors and Bankruptcy*

13 13. In April 2015, one of the investors requested a \$50,000 withdrawal from their West Coast  
14 investment. Within 30 days, the investor received a payment of approximately \$4,000. Eventually, the  
15 investor received payments totaling approximately \$18,500, but the investor never received any further  
16 payments on the investment. In March 2017, the investor filed a civil lawsuit against Hamby and West  
17 Coast. In September 2017, the investor was awarded a default civil judgment of \$173,427.96, plus interest,  
18 costs, and legal fees.

19 14. On January 30, 2019, Hamby filed for Chapter 7 bankruptcy and listed the West Coast  
20 investors as creditors in the bankruptcy. According to the bankruptcy petition, West Coast closed its  
21 business in 2015. The company’s only remaining asset was approximately \$54,500 of uncollectible  
22 accounts receivable. In addition to the investor’s default civil judgment, the bankruptcy petition listed a  
23 combined estimated principal balance of approximately \$135,000 that was due to the other four investors.  
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**Registration Status**

15. West Coast is not currently registered to sell its securities in the state of Washington and has not previously been so registered.

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

**CONCLUSIONS OF LAW**

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

2. West Coast and Hamby have each violated RCW 21.20.140, because, as set forth in the Findings of Fact, Respondents offered and/or sold securities for which no registration is on file with the Securities Administrator.

3. West Coast and Hamby have each violated RCW 21.20.010, because, as set forth in the Findings of Fact, Respondents made untrue statements of material fact or omitted to state material facts necessary to make the statements made, in light of the circumstances in which they were made, not misleading.

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

**CONSENT ORDER**

IT IS AGREED AND ORDERED that Respondents, West Coast Commodities LLC and David C. Hamby, 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 Respondents, West Coast Commodities LLC and David C. Hamby, 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.

1 IT IS FURTHER AGREED AND ORDERED that Respondent David C. Hamby shall be liable for  
2 and shall pay investigative costs of \$2,500. Hamby shall make an initial payment of \$500 prior to the entry  
3 of this Consent Order. The remaining \$2,000 balance shall be paid in \$200 consecutive monthly  
4 installments that will be due on the first day of each month following the entry of the Consent Order.

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

6 IT IS FURTHER AGREED that Respondents West Coast Commodities LLC and David C. Hamby  
7 entered into this Consent Order freely and voluntarily and with a full understanding of its terms and  
8 significance.

9 IT IS FURTHER AGREED that in consideration of the foregoing, Respondents, West Coast  
10 Commodities LLC and David C. Hamby, have each waived their right to a hearing and to judicial review of  
11 this matter pursuant to RCW 21.20.440 and Chapter 34.05 RCW.

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

13  
14 Signed this \_\_\_17th\_\_\_ day of \_\_\_\_\_ June \_\_\_\_\_, 2019

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16 Signed by:  
17 West Coast Commodities LLC

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19   /s/  \_\_\_\_\_  
20 David C. Hamby  
21 Managing Member

22  
23 Signed by:  
24   /s/  \_\_\_\_\_  
25 David C. Hamby, Individually

1 Approved as to form by:

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3 /s/\_\_\_\_\_

4 Robert C. Laskowski  
5 Attorney for Respondents  
6 Oregon State Bar #711021

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6 SIGNED and ENTERED this 13th day of August, 2019

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11 \_\_\_\_\_  
12 William M. Beatty  
13 Securities Administrator

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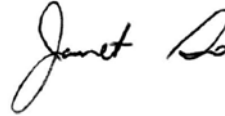
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13 Approved by:

Presented by:

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16 \_\_\_\_\_  
17 Suzanne Sarason  
18 Chief of Enforcement

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20 Janet So  
21 Financial Legal Examiner

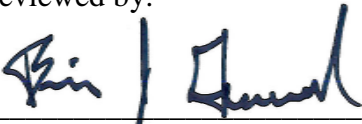
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18 Reviewed by:

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21 Brian Guerard  
22 Financial Legal Examiner Supervisor

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