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

IN THE MATTER OF DETERMINING) Order No. S-14-1594-15-SC01
Whether there has been a violation of the)
Securities Act of Washington by:) STATEMENT OF CHARGES AND NOTICE OF
) INTENT TO ENTER ORDER TO CEASE AND
) DESIST, TO IMPOSE FINES, AND TO CHARGE
All Wave Engineering, Inc.,) COSTS
d/b/a All Wave Innovations, Inc.;)
Gregory T. Elseth;)
Rolly E. Fuller;)
Ronald S. Bowles;)
)
Respondents.)

10 THE STATE OF WASHINGTON TO: All Wave Engineering, Inc.,
d/b/a All Wave Innovations, Inc.
11 Gregory T. Elseth
12 Rolly E. Fuller
13 Ronald S. Bowles

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STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the state of Washington has reason to believe that Respondents All Wave Engineering, Inc., d/b/a All Wave Innovations, Inc.; Gregory T. Elseth; Rolly E. Fuller; and Ronald S. Bowles have each violated the Securities Act of Washington. The Securities Administrator believes these violations justify the entry of an order against each respondent to cease and desist from such violations pursuant to RCW 21.20.390, to impose fines pursuant to RCW 21.20.395, and to charge costs pursuant to RCW 21.20.390. The Securities Administrator finds as follows:

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TENTATIVE FINDINGS OF FACT

Respondents

23 1. All Wave Engineering, Inc., d/b/a All Wave Innovations, Inc., (“All Wave”) is a Washington
24 company that was formed on March 19, 2008 and has its principal place of business in Benton County,
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1 Washington. All Wave was previously known as All NDT Engineering, Inc. All Wave is in the business of
2 developing and marketing non-destructive testing (“NDT”) equipment.

3 2. Gregory T. Elseth (“Elseth”) is believed to be a resident of Grandview, Washington. Elseth
4 is a founder and director of All Wave, and he is the inventor of the NDT product that All Wave is
5 developing.

6 3. Rolly E. Fuller (“Fuller”) is a resident of Benton City, Washington. Fuller is a founder and
7 director of All Wave.

8 4. Ronald S. Bowles (“Bowles”) is a resident of West Richland, Washington. Bowles is a
9 founder of All Wave, and he was a director of the company between March 2008 and October 2009, and
10 between January 2010 and March 2011.

11 **Nature of the Conduct**

12 *Overview*

13 5. Between 2008 and 2013, All Wave, Elseth, Fuller, and Bowles (“Respondents”) offered and
14 sold at least \$329,000 of unregistered All Wave stock to 31 investors, at least 28 of whom were Washington
15 residents. Some of these investors were issued All Wave stock in lieu of payment for services rendered. To
16 sell the All Wave stock, Respondents solicited friends, neighbors, family, acquaintances, and business
17 associates, and they accepted referrals from investors and other persons.

18 6. All Wave, Elseth, Fuller, and Bowles did not screen prospective investors to determine their
19 investment sophistication or whether they were accredited investors. In addition, Respondents failed to
20 disclose material information to investors regarding All Wave and the investment, including but not limited
21 to the financial condition of the company, limitations on the resale of the stock, and the risk of litigation due
22 to an injunction entered against Elseth and Bowles in March 2008.
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Background

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2 7. In early 2008, Elseth and Bowles worked for Company A, a company engaged in the design,
3 manufacture, and marketing of NDT technologies. In February 2008, Company A terminated and then sued
4 Elseth and Bowles for allegedly misappropriating confidential information belonging to Company A,
5 converting Company A's property, and unfairly competing with Company A. In March 2008, to settle the
6 matter, Elseth and Bowles consented to the entry of a stipulated permanent injunction (hereinafter "March
7 2008 injunction").

8 8. The March 2008 injunction ordered Elseth and Bowles to refrain from certain activities in the
9 NDT industry from March 26, 2008 through March 26, 2010. Among other things, Elseth and Bowles were
10 enjoined from working for, participating in, or owning an NDT business involved in ultrasound technology,
11 and from soliciting any current or former employees of Company A.

12 9. Despite consenting to the entry of the March 2008 injunction, Elseth and Bowles continued
13 to own and participate in All Wave, a business engaged in developing and manufacturing NDT products
14 involving ultrasound technology. Elseth, Bowles, and Fuller had formed the company, originally named All
15 NDT Engineering, Inc., about a week before the March 2008 injunction was entered. About two weeks
16 after the March 2008 injunction was entered, the company's name was changed to All Wave Engineering,
17 Inc. Within a month of the March 2008 injunction being entered, Elseth and Bowles began soliciting former
18 employees of Company A to invest in and work for All Wave.
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Offering During the Injunction (2008-2010)

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21 10. Between April 2008 and April 2010, while the March 2008 injunction was in effect, All
22 Wave, Elseth, Fuller, and Bowles offered and sold approximately \$144,000 of All Wave stock to 22
23 investors. Seven of these investors received All Wave stock in lieu of payment for services rendered,
24 including former employees of Company A. At least two investors did not have a preexisting relationship
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1 with All Wave at the time they were offered and sold the All Wave stock. At least two investors were not
2 accredited investors at the time they were offered and sold the All Wave stock. At least one investor had
3 little to no investment experience at the time the investment was offered and sold.

4 11. All Wave, Elseth, Fuller, and Bowles did not provide prospective investors with written
5 offering documents disclosing material information about the investment. Among other things,
6 Respondents failed to disclose that All Wave's stock was unregistered, that there was no market for the
7 stock, and that any subsequent sale of the stock by investors would require registration or an exemption
8 from registration. Respondents also failed to disclose the amount of capital that All Wave needed to raise,
9 and that All Wave was underfunded. Respondents failed to disclose that All Wave's lack of funding
10 reduced its ability to purchase supplies and equipment and to pay Elseth an income, which delayed further
11 development of the NDT product.

12 12. All Wave, Elseth, Fuller, and Bowles failed to disclose to at least one investor that Elseth and
13 Bowles were enjoined from working in the NDT industry until March 2010. Respondents failed to disclose
14 the risk of litigation arising from violations of the March 2008 injunction, and that Elseth and Bowles may
15 be in violation of the injunction because, among other things, they owned a business that was developing a
16 NDT product, and they solicited former Company A employees to participate in the business. Respondents
17 also failed to disclose that All Wave investor funds would be used for legal fees associated with the
18 injunction. In addition, All Wave, Elseth, Fuller, and Bowles failed to disclose that litigation could delay
19 the development of All Wave's product, and that the threat of litigation by Company A could impact how
20 and when All Wave marketed any NDT products that Elseth developed.

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22 *Post-Injunction Offering (2010-2013)*

23 13. Between April 2010 and February 2013, All Wave, Elseth, Fuller, and Bowles offered and
24 sold approximately \$185,000 of All Wave Stock to nine investors, two of whom received stock in lieu of
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1 payment for services rendered. At least two investors were not accredited investors at the time they were
2 offered and sold the All Wave stock. At least one of the investors did not have a preexisting relationship
3 with All Wave at the time the stock was offered and sold. In one instance, All Wave paid a 10%
4 commission to an existing shareholder for referring a new investor to All Wave.

5 14. Only one All Wave investor received offering documents prior to investing in All Wave.
6 The investor received a Business Plan and financial projections, which the Respondents created to solicit
7 individuals who could invest a larger amount of capital in All Wave. Fuller offered an investment to two of
8 these individuals, one of whom did not have a preexisting relationship with All Wave at the time the
9 investment was solicited. Elseth, Fuller, and Bowles offered an investment to at least two more individuals,
10 one of whom invested in All Wave in October 2010. The investor purchased a \$150,000 promissory note
11 from All Wave and received 600,000 All Wave shares.

12 15. In the offering documents, All Wave, Elseth, Fuller, and Bowles failed to disclose material
13 information related to the financial condition of All Wave, including that All Wave was underfunded, and
14 that All Wave owed debts to certain shareholders. In addition, All Wave, Elseth, Fuller, and Bowles failed
15 to disclose the general and specific risks of investing in All Wave, including the risk of litigation due to
16 possible violations of the March 2008 injunction.

17 16. Respondents also failed to disclose the risk of litigation that arose in mid-2010, after All
18 Wave failed to repay a \$20,000 loan from a shareholder. All Wave, Elseth and Bowles solicited the
19 shareholder for a loan in January 2010. All Wave, Elseth, and Bowles solicited the loan to pay legal
20 expenses. To fund the loan, the shareholder withdrew funds from a retirement account, and the parties
21 agreed that All Wave would repay the loan after it secured the financing that it was currently pursuing. All
22 Wave did not secure the financing it was pursuing, and All Wave was unable to repay the loan. In October
23 2011, the shareholder filed a lawsuit against All Wave, Elseth, and Bowles.

1 17. Over the years, Elseth, Fuller, and Bowles made misleading statements to prospective
2 investors regarding the development and marketing of All Wave's NDT product. Elseth, Fuller, and Bowles
3 told prospective investors that All Wave was within two or three months of having a product ready for sale.
4 Elseth told at least one prospective investor that the product would be ready for sale in six weeks. Bowles
5 told another prospective investor that All Wave would go public in one year. Elseth, Fuller, and Bowles
6 told other prospective investors that All Wave would make a profit in one to two years. Elseth, Fuller, and
7 Bowles told several prospective investors that the product would have a large impact on the NDT industry,
8 and Elseth told prospective investors that cornering even 5% of the NDT market would result in millions of
9 dollars of profits for All Wave and its investors. All Wave, Elseth, Fuller, and Bowles failed to disclose to
10 prospective investors that development of the product had been delayed multiple times due to, among other
11 things, unforeseen technical difficulties with the product, and All Wave's lack of funding. Because All
12 Wave was underfunded, it could not pay Elseth a regular salary, and Elseth reduced his time working on the
13 product. In at least one instance, Elseth halted work on the product for a month due to demands by
14 shareholders that Elseth work for less pay. To date, All Wave has not marketed a NDT product or earned
15 any revenue.
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17 18. In January 2013, Company A began contempt proceedings in federal district court against
18 Elseth and Bowles, alleging that Elseth and Bowles violated the March 2008 injunction. In October 2013,
19 Elseth was found to have violated the injunction by, among other things, developing a NDT product
20 involving ultrasonic technology and soliciting former employees of Company A.
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22 **Registration Status**

23 19. All Wave Innovations, Inc. has never been registered to sell its securities in the state of
24 Washington, nor has it filed a claim of exemption from registration.
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AUTHORITY AND PROCEDURE

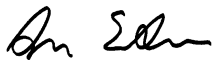
This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject to the provisions of Chapter 34.05 RCW. The respondents, All Wave Engineering, Inc.; Gregory T. Elseth; Rolly E. Fuller; and Ronald S. Bowles, may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Order. If a respondent does not make a hearing request in the time allowed, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and to enter a permanent order to cease and desist as to that respondent, to impose any fines sought against that respondent, and to charge any costs sought against that respondent.

Signed and Entered this 4th day of January 2016.



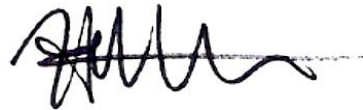
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Approved by:



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