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

IN THE MATTER OF DETERMINING
Whether there has been a violation of the
Securities Act of Washington by:

New Wave Innovations Ltd.;
Allan Magneson

Respondents

Order No.: S-18-2501-19-FO01

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND
FINAL ORDER TO CEASE AND DESIST,
TO CHARGE COSTS, AND TO IMPOSE FINES

THE STATE OF WASHINGTON TO:

New Wave Innovations Ltd.
Allan Magneson

On August 21, 2019, the Securities Administrator of the State of Washington issued Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, To Impose Fines, and To Charge Costs, Order No.S-18-2501-19-SC01 (hereinafter referred to as “Statement of Charges”), against Respondents New Wave Innovations Ltd. and Allan Magneson. The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing, hereinafter referred to as “Notice of Opportunity for Hearing” and an Application for Adjudicative Hearing, hereinafter referred to as “Application for Hearing,” was served on Respondents New Wave Innovations Ltd. and Robert Magneson on August 23, 2019. The Notice of Opportunity for Hearing advised Respondents New Wave Innovations Ltd. and Allan Magneson that a written application for an administrative hearing on the Statement of Charges must be received within twenty days from the date of receipt of the notice. Respondents New Wave Innovations Ltd. and Allan Magneson submitted a statement for the Securities Administrator’s consideration, but failed to request an administrative hearing within twenty days of receipt of the Statement of Charges and Notice of Opportunity for Hearing, either on the Application for Hearing provided, or otherwise.

FINAL ORDER

**DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760**

1 After considering the Respondents' statement, the Securities Administrator will adopt as final the
2 following Findings of Fact and Conclusions of Law as set forth in the Statement of Charges and enter a final
3 order against the Respondents to cease and desist from violations of the Securities Act, and to impose the
4 fines and costs sought in the Statement of Charges.

5 The Securities Administrator makes the following Findings of Fact and Conclusions of Law:

6 **FINDINGS OF FACT**

7 **Respondents**

8 1. New Wave Innovations Ltd. ("New Wave") is an Alberta corporation, incorporated on July
9 10, 2003. New Wave maintains a principal place of business in Sherwood Park, Alberta. New Wave purports
10 to be developing a silent dental drill.

11 2. Allan Magneson ("Magneson") is a resident of Alberta. Magneson is New Wave's lone
12 director.

13 **Overview**

14 3. Between 2005 and 2009, Magneson sold at least \$80,500 worth of New Wave stock to at least
15 nine Washington residents in order to fund the development of a silent dental drill. These Washington
16 investors were neither sophisticated, nor experienced investors. Magneson told many potential investors that
17 his daughter's fear of a conventional drill's noise and vibration motivated him to design a silent drill.
18 Magneson stated to potential investors that the dental profession and others, including Oprah Winfrey, would
19 enthusiastically embrace his drill. Since Magneson last solicited Washington residents, he has provided
20 documents to New Wave investors that represent that the development of New Wave's drill is ongoing and
21 nearing completion.

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1 **Nature of the Conduct**

2 *Solicitation of Potential Investors*

3 4. Beginning in 2005, Magneson made multiple visits to the Ponderosa Falls recreational vehicle
4 (“RV”) park near Cheney during the summers. Magneson held at least ten meetings at the RV park at which
5 he discussed his plans and motivations for the development and marketing of a silent dental drill to potential
6 investors. Attendance at these meetings increased from approximately ten potential investors at the first
7 meetings to more than twenty in subsequent summers. Magneson was the only speaker at these meetings.
8 Magneson stated that he needed the potential investors’ funds for the drill’s “development and testing,” and
9 for “manufacturing” the drill. Magneson also stated that he needed money to complete the final steps before
10 he could market and sell the drill. In a letter dated February 4, 2008, Magneson encouraged existing investors
11 to bring family members and friends to his next appearance at the RV park. On at least one occasion,
12 Magneson offered New Wave stock to any existing investor who brought anyone to a meeting who purchased
13 stock.

14 5. Magneson and New Wave made statements to potential investors about the return that
15 investing in New Wave would provide. In 2007, Magneson stated at an RV park meeting that investors
16 would receive a \$1 million return within two years. Magneson told potential investors at another meeting
17 that, for every dollar they invested, they would receive a return of thirty-five dollars. Magneson represented
18 to another meeting that investors would receive a return of \$500,000 within four years. Magneson and New
19 Wave failed to disclose any basis to support these statements. New Wave also failed to disclose the
20 assumptions made in determining that it would be able to pay these returns.

21 6. Magneson and New Wave omitted material information concerning Magneson’s professional
22 background. Magneson stated to potential investors at multiple meetings that he holds an engineering degree.
23 However, Magneson failed to disclose at these meetings that he had no experience in manufacturing a

1 product, or engaging a third party to manufacture a product. New Wave also failed to disclose Magneson's
2 lack of experience marketing a product at these meetings.

3 7. Magneson and New Wave omitted material information concerning the risks related to
4 investing in New Wave. New Wave failed to disclose the risks related to investing in New Wave to potential
5 investors. These risks included the risk that New Wave's drill might fail in the market, the risk that a
6 competitor could develop a superior product, and the risk that investors could lose their investment funds.
7 Further, Magneson misrepresented at one of the meetings that his drill was so close to being ready to market
8 that any risk was negligible.

9 8. Magneson and New Wave made misstatements of material fact concerning the filing of patent
10 applications to protect intellectual property related to New Wave's drill. In 2007, Magneson told a meeting
11 of potential investors that he had filed one patent application related to the drill, and that he intended to file
12 more. Also in 2007, Magneson represented to potential investors that he had received a patent related to the
13 drill. However, New Wave did not file an application with the US Patent and Trademark office until June
14 2010. Further, the Canadian Intellectual Property Office has not issued any patent to Magneson or New
15 Wave.

16 9. In 2007, Magneson and New Wave distributed a document entitled "Summary Business Plan"
17 (the "business plan") to potential investors. In the business plan, New Wave represented that patients would
18 demand that their dentists use New Wave's drill, once they become aware of it. Magneson and New Wave
19 also stated in the business plan that New Wave's drill would enjoy an immediate market share, and would be
20 profitable "at an early stage," and that the drill would "revolutionize dentistry." Magneson and New Wave
21 further stated in the business plan that its target date for the drill's launch was May or June 2008. New Wave
22 failed to disclose bases for its statement concerning the timing of the drill's launch and for its statement
23 concerning the drill having early success.

1 *Enforcement Action by the Alberta Securities Commission*

2 14. In November 2017, the Alberta Securities Commission (“ASC”) entered an Interim Order
3 against Magneson and New Wave. The Interim Order stated that Magneson must cease trading in all
4 securities, and that the exemptions contained in Alberta’s securities laws are not available to Magneson. The
5 Interim Order also prohibited Magneson from becoming or acting as a director or officer of New Wave.

6 15. In May 2018, the ASC issued a Notice of Hearing in this matter. In the Notice of Hearing,
7 the ASC alleged that Magneson sold approximately \$6.6 million of New Wave stock to 168 investors, 142
8 of whom were residents of Alberta, between June 2011 and December 2016. The Notice of Hearing alleged
9 that, despite representations to investors that New Wave would use their money for developing and marketing
10 the drill, Magneson diverted approximately \$4.1 million of investors’ funds to himself for the benefit of his
11 family. The ASC further alleged that Magneson directed \$1.4 million of that amount towards loans related
12 to residential properties held by Magneson and his wife, and \$1.1 million to his daughters. The ASC also
13 alleged that Magneson used investors’ funds to make payments totaling \$266,000 for family vehicles, and
14 \$213,000 toward property taxes and utilities payments. The ASC also alleged that Magneson withdrew
15 nearly \$340,000 in cash from investors’ funds.

16 16. The ASC held a four-day hearing on this matter beginning on July 26, 2019. Hearings on this
17 matter will resume on October 23, 2019.

18 **Registration Status**

19 17. New Wave Innovations Ltd. is not currently registered to sell its securities in the State of
20 Washington, and has not previously been so registered, nor has it filed a claim of exemption from registration.

21 18. Allan Magneson is not currently registered as a securities salesperson or a broker-dealer in the
22 State of Washington and has not been registered as such.

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 described above constitute the offer and sale of a security as
4 defined in RCW 21.20.005(14) and (17).

5 2. The offer and sale of said stock violated RCW 21.20.140 because no registration is on file
6 for said offering with the Securities Administrator.

7 3. Allan Magneson has violated RCW 21.20.040 by offering and selling said securities while
8 not registered as a securities salesperson or broker-dealer in the State of Washington.

9 4. New Wave Innovations and Allan Magneson each violated RCW 21.20.010 because they
10 made untrue statements of material fact, or omitted to state material facts necessary to make the statements
11 made, in light of the circumstances under which they were made, not misleading.

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

13 **FINAL ORDER**

14 IT IS HEREBY ORDERED that the Respondents New Wave Innovations Ltd. and Allan Magneson,
15 and their agents and employees, shall each cease and desist from offering and/or selling securities in any
16 manner in violation of RCW 21.20.140, the section of the Securities Act of Washington requiring registration
17 of securities.

18 IT IS FURTHER ORDERED that Respondent Allan Magneson and his agents and employees shall
19 each cease and desist from offering and/or selling securities in any manner in violation of RCW 21.20.040,
20 the section of the Securities Act of Washington requiring registration of securities broker-dealers and
21 securities salespersons.

1 IT IS FURTHER ORDERED that Respondents New Wave Innovations Ltd. and Robert Magnuson,
2 and their agents and employees, shall each cease and desist from violating RCW 21.20.010, the anti-fraud
3 section of the Securities Act of Washington.

4 IT IS FURTHER ORDERED that Respondent New Wave Innovations Ltd. shall be liable for and pay
5 a fine in the amount of \$10,000.

6 IT IS FURTHER ORDERED that Respondent Allan Magnuson shall be liable for and pay a fine in the
7 amount of \$10,000.

8 IT IS FURTHER ORDERED that Respondents New Wave Innovations and Allan Magnuson shall be
9 jointly and severally liable for and pay costs in the amount of \$2,500.

10 **AUTHORITY AND PROCEDURE**

11 This FINAL ORDER is entered pursuant to the provisions of RCW 21.20.390, and is subject to the
12 provisions of RCW 21.20.440 and Chapter 34.05 RCW. Respondents have the right to petition the superior
13 court for judicial review of this agency action under the provisions of RCW 34.05. For the requirements for
14 Judicial Review, see RCW 34.05.510 and sections following. Pursuant to RCW 21.20.395, a certified copy
15 of this Order may be filed in Superior Court. If so filed, the clerk shall treat the Order in the same manner as
16 a Superior Court judgment as to the fine, and the fine may be recorded, enforced, or satisfied in like manner.

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

19 SIGNED and ENTERED this 16th day of September 2019.

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William M. Beatty
Securities Administrator

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Approved by:



Suzanne Sarason
Chief of Enforcement

Presented by:



Edward R. Thunen
Financial Legal Examiner

Reviewed by:



Jack McClellan
Financial Legal Examiner Supervisor