

1  
2  
3  
4  
5  
6  
7

**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 Number S-18-2501-19-SC01

STATEMENT OF CHARGES AND NOTICE  
OF INTENT TO ENTER ORDER TO CEASE  
AND DESIST, TO CHARGE COSTS, AND  
TO IMPOSE FINES

8 THE STATE OF WASHINGTON TO: New Wave Innovations Ltd.  
Allan Magneson

9  
10

**STATEMENT OF CHARGES**

11 Please take notice that the Securities Administrator of the State of Washington has reason to  
12 believe that the Respondents, New Wave Innovations Ltd. and Allan Magneson, have each violated the  
13 Securities Act of Washington. The Securities Administrator believes that these violations justify the  
14 entry of an order to cease and desist and to charge costs pursuant to RCW 21.20.390. The Securities  
15 Administrator further believes that these violations justify the imposition of fines, pursuant to RCW  
16 21.250.395, against the Respondents. The Securities Administrator finds as follows:

17

**TENTATIVE FINDINGS OF FACT**

18

**Respondents**

19 1. New Wave Innovations Ltd. ("New Wave") is an Alberta corporation, incorporated on July  
20 10, 2003. New Wave maintains a principal place of business in Sherwood Park, Alberta. New Wave  
21 purports to be developing a silent dental drill.

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

24 STATEMENT OF CHARGES AND NOTICE OF INTENT TO  
ENTER ORDER TO CEASE AND DESIST, TO CHARGE  
COSTS, AND TO IMPOSE FINES

1

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

25

1 **Overview**

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

10 **Nature of the Conduct**

11 *Solicitation of Potential Investors*

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

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

8           6.       Magneson and New Wave omitted material information concerning Magneson's  
9 professional background. Magneson stated to potential investors at multiple meetings that he holds an  
10 engineering degree. However, Magneson failed to disclose at these meetings that he had no experience in  
11 manufacturing a product, or engaging a third party to manufacture a product. New Wave also failed to  
12 disclose Magneson's lack of experience marketing a product at these meetings.

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

19          8.       Magneson and New Wave made misstatements of material fact concerning the filing of  
20 patent applications to protect intellectual property related to New Wave's drill. In 2007, Magneson told a  
21 meeting of potential investors that he had filed one patent application related to the drill, and that he  
22 intended to file more. Also in 2007, Magneson represented to potential investors that he had received a

1 patent related to the drill. However, New Wave did not file an application with the US Patent and  
2 Trademark office until June 2010. Further, the Canadian Intellectual Property Office has not issued any  
3 patent to Magneson or New Wave.

4 *Offering Materials*

5 9. In 2007, Magneson and New Wave distributed a document entitled “Summary Business  
6 Plan” (the “business plan”) to potential investors. In the business plan, New Wave represented that  
7 patients would demand that their dentists use New Wave’s drill, once they become aware of it. Magneson  
8 and New Wave also stated in the business plan that New Wave’s drill would enjoy an immediate market  
9 share, and would be profitable “at an early stage,” and that the drill would “revolutionize dentistry.”  
10 Magneson and New Wave further stated in the business plan that its target date for the drill’s launch was  
11 May or June 2008. New Wave failed to disclose bases for its statement concerning the timing of the drill’s  
12 launch and for its statement concerning the drill having early success.

13 10. Magneson and New Wave also distributed a document titled “Share Value Statement” to  
14 potential investors. In this document, New Wave stated that an investor who purchased one percent of the  
15 available shares for \$74,880, would enjoy an increase in share value of \$74,880 to \$435,600 in year one,  
16 \$435,600 to \$2,160,000 in year two, and from \$2,160,000 to \$4,356,000 in year three. New Wave did not  
17 provide a basis for these projections, nor did it identify the assumptions made in deciding that the shares  
18 would increase in value as put forth in this document. New Wave further failed to disclose in the Share  
19 Value Statement how it determined the initial share value used in these projections. New Wave also failed  
20 to disclose in this document that a public market might not develop for its shares, and that such a  
21 development may severely limit the number of potential purchasers of investors’ stock, which would  
22 reduce the investors’ opportunity to realize the increase in share value.

1 *Post Investment Developments*

2 11. Magneson maintained some regular contact with Washington investors for several years  
3 after their final investments. Magneson sent emails to them to explain why New Wave was not paying the  
4 returns discussed while soliciting investors.

5 12. Magneson and New Wave have held a number of meetings for shareholders, ostensibly to  
6 keep the investors abreast with developments at New Wave, since Magneson last solicited potential  
7 investors in Washington. For instance, in May 2017, Magneson and New Wave announced Annual and  
8 Special Meetings of shareholders to take place in Alberta, and at which attendees would receive “certified  
9 financials,” and vote on a new slate of directors. Washington investors did not attend this meeting.

10 13. Neither Magneson, nor New Wave have made any payment to Washington investors related  
11 to their investments in New Wave stock, despite repeated requests. In early 2018, Magneson stopped  
12 returning the phone calls of one investor who had asked Magneson to return her money.

13 *Enforcement Action by the Alberta Securities Commission*

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

19 15. In May 2018, the ASC issued a Notice of Hearing in this matter. In the Notice of Hearing,  
20 the ASC alleged that Magneson sold approximately \$6.6 million of New Wave stock to 168 investors, 142  
21 of whom were residents of Alberta, between June 2011 and December 2016. The Notice of Hearing  
22 alleged that, despite representations to investors that New Wave would use their money for developing and

1 marketing the drill, Magneson diverted approximately \$4.1 million of investors' funds to himself for the  
2 benefit of his family. The ASC further alleged that Magneson directed \$1.4 million of that amount  
3 towards loans related to residential properties held by Magneson and his wife, and \$1.1 million to his  
4 daughters. The ASC also alleged that Magneson used investors' funds to make payments totaling  
5 \$266,000 for family vehicles, and \$213,000 toward property taxes and utilities payments. The ASC also  
6 alleged that Magneson withdrew nearly \$340,000 in cash from investors' funds.

7 16. The ASC held a four day hearing on this matter beginning on July 26, 2019.

### 8 **Registration Status**

9 17. New Wave Innovations Ltd. is not currently registered to sell its securities in the State of  
10 Washington, and has not previously been so registered.

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

### 13 **CONCLUSIONS OF LAW**

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

15 1. The offer and sale of stock described above constitute the offer and sale of a security as  
16 defined in RCW 21.20.005(14) and (17).

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

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



1 permanent order against that Respondent denying the Respondent's future securities salesperson  
2 registration.

3  
4 DATED AND ENTERED this 21st day of August, 2019.

5  
6 

7  
8 \_\_\_\_\_  
9 William M. Beatty  
10 Securities Administrator

11 Approved by:

12 

13  
14 \_\_\_\_\_  
15 Suzanne Sarason  
16 Chief of Enforcement

17 Presented by:

18 

19 \_\_\_\_\_  
20 Edward R. Thunen  
21 Financial Legal Examiner

22 Reviewed by:

23 

24 \_\_\_\_\_  
25 Jack McClellan  
Financial Legal Examiner Supervisor