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

IN THE MATTER OF DETERMINING) Order No. S-14-1594-16-CO01
Whether there has been a violation of the)
Securities Act of Washington by:)
) CONSENT ORDER
All Wave Engineering, Inc.,)
d/b/a All Wave Innovations, Inc.;)
Gregory T. Elseth;)
Rolly E. Fuller;)
Ronald S. Bowles;)
)
Respondents.)

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INTRODUCTION

11 On January 4, 2016, the Securities Administrator of the Securities Division of the Department of
12 Financial Institutions (“Securities Division”) issued a Statement of Charges and Notice of Intent to Enter
13 Order to Cease and Desist, to Impose Fines, and to Charge Costs (“Statement of Charges”), Order Number
14 S-14-1594-15-SC01, against Respondents All Wave Engineering, Inc., d/b/a All Wave Innovations, Inc.;
15 Gregory T. Elseth; Rolly E. Fuller; and Ronald S. Bowles. Pursuant to the Securities Act of Washington,
16 Chapter 21.20 RCW, the Securities Division and Respondents do hereby enter into this Consent Order in
17 settlement of the matters set forth in the Statement of Charges and as alleged below. Respondents neither
18 admit nor deny the Findings of Fact and Conclusions of Law as stated below.

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FINDINGS OF FACT

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Respondents

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

1 Elseth and Bowles for allegedly misappropriating confidential information belonging to Company A,
2 converting Company A's property, and unfairly competing with Company A. In March 2008, to settle the
3 matter, Elseth and Bowles consented to the entry of a stipulated permanent injunction (hereinafter "March
4 2008 injunction").

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

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

18 10. Between April 2008 and April 2010, while the March 2008 injunction was in effect, All
19 Wave, Elseth, Fuller, and Bowles offered and sold approximately \$144,000 of All Wave stock to 22
20 investors. Seven of these investors received All Wave stock in lieu of payment for services rendered,
21 including former employees of Company A. At least two investors did not have a preexisting relationship
22 with All Wave at the time they were offered and sold the All Wave stock. At least two investors were not
23 accredited investors at the time they were offered and sold the All Wave stock. At least one investor had
24 little to no investment experience at the time the investment was offered and sold.
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1 11. All Wave, Elseth, Fuller, and Bowles did not provide prospective investors with written
2 offering documents disclosing material information about the investment. Among other things,
3 Respondents failed to disclose that All Wave's stock was unregistered, that there was no market for the
4 stock, and that any subsequent sale of the stock by investors would require registration or an exemption
5 from registration. Respondents also failed to disclose the amount of capital that All Wave needed to raise,
6 and that All Wave was underfunded. Respondents failed to disclose that All Wave's lack of funding
7 reduced its ability to purchase supplies and equipment and to pay Elseth an income, which delayed further
8 development of the NDT product.

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

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

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

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

10 15. In the offering documents, All Wave, Elseth, Fuller, and Bowles failed to disclose material
11 information related to the financial condition of All Wave, including that All Wave was underfunded, and
12 that All Wave owed debts to certain shareholders. In addition, All Wave, Elseth, Fuller, and Bowles failed
13 to disclose the general and specific risks of investing in All Wave, including the risk of litigation due to
14 possible violations of the March 2008 injunction.
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16 16. Respondents also failed to disclose the risk of litigation that arose in mid-2010, after All
17 Wave failed to repay a \$20,000 loan from a shareholder. All Wave, Elseth and Bowles solicited the
18 shareholder for a loan in January 2010. All Wave, Elseth, and Bowles solicited the loan to pay legal
19 expenses. To fund the loan, the shareholder withdrew funds from a retirement account, and the parties
20 agreed that All Wave would repay the loan after it secured the financing that it was currently pursuing. All
21 Wave did not secure the financing it was pursuing, and All Wave was unable to repay the loan. In October
22 2011, the shareholder filed a lawsuit against All Wave, Fuller, and Elseth.

23 17. Over the years, Elseth, Fuller, and Bowles made misleading statements to prospective
24 investors regarding the development and marketing of All Wave's NDT product. Elseth, Fuller, and Bowles
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1 told prospective investors that All Wave was within two or three months of having a product ready for sale.
2 Elseth told at least one prospective investor that the product would be ready for sale in six weeks. Bowles
3 told another prospective investor that All Wave would go public in one year. Elseth, Fuller, and Bowles
4 told other prospective investors that All Wave would make a profit in one to two years. Elseth, Fuller, and
5 Bowles told several prospective investors that the product would have a large impact on the NDT industry,
6 and Elseth told prospective investors that cornering even 5% of the NDT market would result in millions of
7 dollars of profits for All Wave and its investors. All Wave, Elseth, Fuller, and Bowles failed to disclose to
8 prospective investors that development of the product had been delayed multiple times due to, among other
9 things, unforeseen technical difficulties with the product, and All Wave's lack of funding. Because All
10 Wave was underfunded, it could not pay Elseth a regular salary, and Elseth reduced his time working on the
11 product. In at least one instance, Elseth halted work on the product for a month due to demands by
12 shareholders that Elseth work for less pay. To date, All Wave has not marketed a NDT product or earned
13 any revenue.

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15 18. In January 2013, Company A began contempt proceedings in federal district court against
16 Elseth and Bowles, alleging that Elseth and Bowles violated the March 2008 injunction. In October 2013,
17 Elseth was found to have violated the injunction by, among other things, developing a NDT product
18 involving ultrasonic technology and soliciting former employees of Company A.

19 **Registration Status**

20 19. All Wave Engineering, Inc. has never been registered to sell its securities in the state of
21 Washington, nor has it filed a claim of exemption from registration.

22 20. Gregory T. Elseth has never been registered as a securities salesperson or broker-dealer in the
23 state of Washington.

1 IT IS FURTHER AGREED AND ORDERED that Respondents Gregory T. Elseth, Rolly E. Fuller,
2 and Ronald S. Bowles, their agents, and their employees, each shall cease and desist from violating RCW
3 21.20.040, the securities salesperson and broker-dealer registration section of the Securities Act of
4 Washington.

5 IT IS FURTHER AGREED AND ORDERED that Respondents All Wave Engineering, Inc.,
6 Gregory T. Elseth, Rolly E. Fuller, and Ronald S. Bowles, their agents, and their employees each shall cease
7 and desist from violating RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

8 IT IS FURTHER AGREED AND ORDERED that Respondent All Wave Engineering, Inc. shall be
9 liable for and shall pay a fine of \$10,000 on or before entry of this Consent Order.

10 IT IS FURTHER AGREED AND ORDERED that Respondent All Wave Engineering, Inc. shall be
11 liable for and shall pay investigative costs of \$5,000 on or before entry of this Consent Order.

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

13 IT IS FURTHER AGREED that Respondents All Wave Engineering, Inc., Gregory T. Elseth, Rolly
14 E. Fuller, and Ronald S. Bowles enter into this Consent Order freely and voluntarily and with a full
15 understanding of its terms and significance.
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17 IT IS FURTHER AGREED that, in consideration of the foregoing, Respondents All Wave
18 Engineering, Inc., Gregory T. Elseth, Rolly E. Fuller, and Ronald S. Bowles waive their right to a hearing
19 and to judicial review of this matter pursuant to RCW 21.20.440 and Chapter 34.05 RCW.
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21 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**
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Signed this 8th day of February, 2016.

Signed by:
All Wave Engineering, Inc.

Approved as to form by:

/s/
Rolly E. Fuller
President

/s/
April Anderson, Attorney for Respondent
WSBA No. 38081

Signed by:

Signed by:

/s/
Rolly E. Fuller, Individually

/s/
Gregory T. Elseth, Individually

Signed by:

/s/
Ronald S. Bowles, Individually

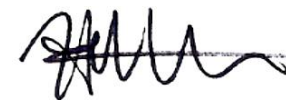
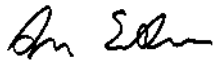
SIGNED and ENTERED this 18th day of February, 2016.



William M. Beatty
Securities Administrator

Approved by:

Presented by:



Suzanne Sarason
Chief of Enforcement

Holly Mack-Kretzler
Financial Legal Examiner

Reviewed by:



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Robert Kondrat
Financial Legal Examiner Supervisor