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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:

ARPWave LLC;
Denis Thompson;

Respondents

Order No.: S-20-2951-20-CO01

CONSENT ORDER

INTRODUCTION

On July 13, 2020, the Securities Administrator of the Securities Division of the Department of Financial Institutions (“Securities Division”) issued a Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, to Impose Fines, and to Charge Costs (“Statement of Charges”), Order Number S-20-2951-20-SC01, against Respondents ARPWave LLC and Denis Thompson. Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division and ARPWave LLC and Denis Thompson do hereby enter into this Consent Order in settlement of the matters set forth in the Statement of Charges and as alleged below. Respondents ARPWave LLC and Denis Thompson neither admit, nor deny the Findings of Fact and Conclusions of Law as stated below.

FINDINGS OF FACT

Respondents

1. ARPWave LLC (“ARPWave”) is a Minnesota limited liability company formed on January 24, 2007, with its principal place of business in Apple Valley, Minnesota. ARPWave’s primary business is offering a method of therapy for treating chronic pain. In April 2012, the Securities Division entered a consent order with ARPWave for alleged violations of the Business Opportunity Fraud Act of Washington. In the

CONSENT ORDER

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

1 consent order, ARPWave neither admitted nor denied the Securities Division’s findings of fact and
2 conclusions of law, but agreed to cease and desist from violations of the Business Opportunity Fraud Act.

3 2. Denis Thompson (“Thompson”) is a resident of Mesa, Arizona. Thompson is the founder and
4 principal of ARPWave.

5 **Nature of the Conduct**

6 3. On April 10, 2020, an ARPWave staffer, at Thompson’s direction, posted a Craigslist
7 advertisement soliciting investment in ARPWave medical devices. ARPWave targeted the advertisement at
8 Clark and Cowlitz County, two southern Washington counties in the Portland metropolitan area.¹

9 4. In the advertisement, ARPWave claimed that “Covid-19 has created a huge need for our
10 services,” solicited the viewer to “Invest \$300,000.00 for 10 Medical Offices,” and claimed that the
11 investment had a return on investment of “\$80,000.00 per month passive income.”² In correspondence with
12 the Securities Division, Thompson indicated that these figures were based on a 50-50 revenue split between
13 ARPWave and the investor, and assumed that (a) ARPWave would use the invested funds to license ten of its
14 devices to doctors’ offices; (b) that each office would pay ARPWave \$100 per patient session; (c) that each
15 patient would be treated for twenty sessions for a total income of \$2,000 per patient; and (d) that each office
16 would treat eight patients per month. ARPWave and Thompson failed to disclose any information in the
17 advertisement about the likelihood of achieving these figures, or of its historical success in (for instance)

19 ¹ Craigslist is a website where users can post advertisements for various services or physical goods. Craigslist is organized around
20 metropolitan hubs, and requires users to target a specific sub-region of the hub when posting an ad. For instance, a posting on
21 seattle.craigslist.org can be targeted toward “seattle,” “eastside,” “snohomish county,” “kitsap/west puget,” “tacoma/pierce,”
22 “olympia/thurston,” or “south king co.” In this case, ARPWave directed its posting toward the “clark/cowlitz WA” subregion of
23 portland.craigslist.org.

² Notably, this figure represents an annual return on investment of 320%. Securities regulators have consistently warned that
22 advertisements of even double-digit annual returns should be treated with suspicion. For instance, the Securities and Exchange
23 Commission warns that “[p]romises of consistent double-digit returns are consistently frauds.” Securities and Exchange
Commission, “Investing Smart from the Start: Five Questions to Ask Before You Invest,” Dec. 14, 2009, *available at*
<https://www.sec.gov/reportspubs/investor-publications/investorpubsfivequestionshtm.html>

1 placing medical devices in doctors' offices, convincing doctors to treat eight patients per month, or the
2 percentage of patients who have historically completed all twenty sessions in one month. ARPWave and
3 Thompson further failed to disclose their justification for the claim that coronavirus had "created a huge need"
4 for the company's services, or any coronavirus-associated risks, such as the risk that doctors would discourage
5 patients from non-critical treatments during the pandemic.

6 5. Thompson also refused multiple requests from the Securities Division to provide specific
7 information (such as data from actual operations) to support the purported returns in the ad. Thompson also
8 refused to provide correspondence with persons who had responded to the ad.

9 **Registration Status**

10 6. ARPWave is not and has never been registered to sell its securities in the state of Washington,
11 nor has it filed a claim of exemption from registration.

12 7. Thompson is not and has never been registered as a securities salesperson or broker-dealer in
13 the state of Washington.

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

15 **CONCLUSIONS OF LAW**

16 1. 1. The offer of the ARPWave LLC medical device investment described above constitute
17 the offer of a security as defined in RCW 21.20.005(14) and (17).

18 2. ARPWave LLC and Denis Thompson have each violated RCW 21.20.140, because, as set forth
19 in the Tentative Findings of Fact, they offered securities for which no registration is on file with the Securities
20 Administrator.

21 3. Denis Thompson has violated RCW 21.20.040 by offering and/or selling said securities while
22 not being registered as a securities salesperson or broker-dealer in the state of Washington.

1 4. ARPWave LLC and Denis Thompson have each violated RCW 21.20.010, because, as set forth
2 in the Tentative Findings of Fact, they failed to disclose any reasonable basis for the purported returns set
3 forth in the Craigslist advertisement.

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

5 **CONSENT ORDER**

6 IT IS AGREED AND ORDERED that Respondents ARPWave LLC and Denis Thompson, and their
7 agents and employees, each shall cease and desist from violating RCW 21.20.140, the securities registration
8 section of the Securities Act of Washington.

9 IT IS FURTHER AGREED AND ORDERED that Respondent Denis Thompson, and his agents and
10 employees, each shall cease and desist from violating RCW 21.20.040, the securities salesperson and broker-
11 dealer registration section of the Securities Act of Washington.

12 IT IS FURTHER AGREED AND ORDERED that Respondents ARPWave LLC and Denis
13 Thompson, and their agents and employees, each shall cease and desist from violating RCW 21.20.010, the
14 anti-fraud section of the Securities Act of Washington.

15 IT IS FURTHER AGREED AND ORDERED that Respondents ARPWave LLC and Denis Thompson
16 shall be liable for and shall pay investigative costs of \$3,000 on or before entry of this Consent Order.

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

18 IT IS FURTHER AGREED that Respondents ARPWave LLC and Denis Thompson enter into this
19 Consent Order freely and voluntarily and with a full understanding of its terms and significance.

20 IT IS FURTHER AGREED that in consideration of the foregoing, Respondents ARPWave LLC and
21 Denis Thompson waive their right to a hearing and to judicial review of this matter pursuant to RCW
22 21.20.440 and Chapter 34.05 RCW.

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

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Approved by:



Suzanne Sarason
Chief of Enforcement

Presented by:



Adam N. Yeaton
Financial Legal Examiner

Reviewed by:



Jack McClellan
Financial Legal Examiner Supervisor