

1 **STATE OF WASHINGTON**
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**
3 **SECURITIES DIVISION**

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

5 ARPWave LLC;
6 Denis Thompson;

7 Respondents

Order No.: S-20-2951-20-SC01

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

8 THE STATE OF WASHINGTON TO:

ARPWave LLC
Denis Thompson

9 **STATEMENT OF CHARGES**

10 Please take notice that the Securities Administrator of the state of Washington has reason to believe
11 that Respondents ARPWave LLC and Denis Thompson have each violated the Securities Act of Washington.
12 The Securities Administrator believes those violations justify the entry of an order against the Respondents to
13 cease and desist from such violations and to charge costs pursuant to RCW 21.20.390, and under RCW
14 21.20.395 to impose fines. The Securities Administrator finds as follows:

15 **TENTATIVE FINDINGS OF FACT**

16 **Respondent**

17 1. ARPWave LLC (“ARPWave”) is a Minnesota limited liability company formed on January
18 24, 2007, with its principal place of business in Apple Valley, Minnesota. ARPWave’s primary business is
19 offering a method of therapy for treating chronic pain. In April 2012, the Securities Division entered a consent
20 order with ARPWave for alleged violations of the Business Opportunity Fraud Act of Washington. In the
21 consent order, ARPWave neither admitted nor denied the Securities Division’s findings of fact and
22 conclusions of law, but agreed to cease and desist from violations of the Business Opportunity Fraud Act.
23

STATEMENT OF CHARGES AND NOTICE
OF INTENT TO ENTER ORDER TO
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DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760

1 2. Denis Thompson ("Thompson") is a resident of Mesa, Arizona. Thompson is the founder and
2 principal of ARPWave.

3 **Nature of the Conduct**

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

7 4. In the advertisement, ARPWave claimed that "Covid-19 has created a huge need for our
8 services," solicited the viewer to "Invest \$300,000.00 for 10 Medical Offices," and claimed that the
9 investment had a return on investment of "\$80,000.00 per month passive income."² In correspondence with
10 the Securities Division, Thompson indicated that these figures were based on a 50-50 revenue split between
11 ARPWave and the investor, and assumed that (a) ARPWave would use the invested funds to license ten of its
12 devices to doctors' offices; (b) that each office would pay ARPWave \$100 per patient session; (c) that each
13 patient would be treated for twenty sessions for a total income of \$2,000 per patient; and (d) that each office
14 would treat eight patients per month. ARPWave and Thompson failed to disclose any information in the
15 advertisement about the likelihood of achieving these figures, or of its historical success in (for instance)
16 placing medical devices in doctors' offices, convincing doctors to treat eight patients per month, or the
17 percentage of patients who have historically completed all twenty sessions in one month. ARPWave and
18

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,"
"olympia/thurston," or "south king co." In this case, ARPWave directed its posting toward the "clark/cowlitz WA" subregion of
portland.craigslist.org.

22 ² Notably, this figure represents an annual return on investment of 320%. Securities regulators have consistently warned that
23 advertisements of even double-digit annual returns should be treated with suspicion. For instance, the Securities and Exchange
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 Thompson further failed to disclose their justification for the claim that coronavirus had “created a huge need”
2 for the company’s services, or any coronavirus-associated risks, such as the risk that doctors would discourage
3 patients from non-critical treatments during the pandemic.

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

7 **Registration Status**

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

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

12
13 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

14 **CONCLUSIONS OF LAW**

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

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

20 3. Denis Thompson has violated RCW 21.20.040 by offering and/or selling said securities while
21 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 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

5 Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities
6 Administrator intends to order, pursuant to RCW 21.20.390(1), that Respondents ARPWave LLC and Denis
7 Thompson, and their agents and employees, each shall cease and desist from violations of RCW 21.20.010
8 and RCW 21.20.140, and that Respondent Denis Thompson, and his agents and employees, shall cease and
9 desist from violations of RCW 21.20.040.

10 **NOTICE OF INTENT TO IMPOSE FINES**

11 Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of Law,
12 the Securities Administrator intends to order that:

- 13 a. Respondent ARPWave LLC shall be liable for and shall pay a fine of \$2,500; and
14 b. Respondent Denis Thompson shall be liable for and shall pay a fine of \$2,500.

15 **NOTICE OF INTENT TO CHARGE COSTS**

16 Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law,
17 the Securities Administrator intends to order that Respondents ARPWave LLC and Denis Thompson shall be
18 jointly liable for and shall pay the costs, fees, and other expenses incurred in the administrative investigation
19 and hearing of this matter, in an amount not less than \$500.

20 **AUTHORITY AND PROCEDURE**

21 This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject
22 to the provisions of Chapter 34.05 RCW. The Respondents, ARPWave LLC and Denis Thompson, may each
23 make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND

1 OPPORTUNITY FOR HEARING accompanying this Order. If a Respondent does not make a hearing request
2 in the time allowed, the Securities Administrator intends to adopt the above Tentative Findings of Fact and
3 Conclusions of Law as final and to enter a permanent order to cease and desist as to that Respondent, to
4 impose any fines sought against that respondent, and to charge any costs sought against that Respondent.

5 Signed and Entered this 13th day of July, 2020.

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William M. Beatty
Securities Administrator

11 Approved by:

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14 _____
Suzanne Sarason
Chief of Enforcement

15 Presented by:

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17 _____
Adam N. Yeaton
Financial Legal Examiner

18 Reviewed by:

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20 _____
Jack McClellan
Financial Legal Examiner Supervisor