

BEFORE THE ARKANSAS SECURITIES COMMISSIONER

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ARKANSAS SECURITIES DEPT.

**IN THE MATTER OF:
ARKANSAS AIR WAVES, INC. AND
WILLIAM E. LANGSTON**

**CASE NO S-17-0045
ORDER NO. S-17-0045-18-OR02**

CEASE AND DESIST ORDER

On January 8, 2018, the Staff of the Arkansas Securities Department (“Staff”) filed its Request for a Cease and Desist Order (“Request”), stating that it has information and certain evidence that indicates Arkansas Air Waves, Inc. (“Arkansas Air Waves”) and William E. Langston (“Langston”) have violated provisions of the Arkansas Securities Act (“Act”), Ark. Code Ann. § 23-42-101 through § 23-42-509. The Arkansas Securities Commissioner (“Commissioner”) has reviewed the Request, and based upon representations made therein, finds that:

FINDINGS OF FACT

The Staff’s Request asserts the following representations of fact:

1. Arkansas Air Waves was an Arkansas corporation. Arkansas Air Waves has its principle place of business at 1500 Central Avenue, Suite C, Hot Springs, Arkansas. Arkansas Air Waves is not registered with the Arkansas Securities Department (“Department”) in any capacity.
2. Langston is a resident of Hot Springs, Arkansas. Langston is an organizer and the president/CEO of Arkansas Air Waves. Langston is not registered with the Department in any capacity.

3. Between August 2012 and February 2017, Arkansas Air Waves and Langston offered and sold shares of stock in Arkansas Air Waves to 28 persons. Exhibit 1, which is attached to the Staff's Request, is a list of said 28 investors in Arkansas Air Waves. These 28 persons included Arkansas resident ("AR") AR1 through AR26 and Missouri resident ("MO") MO1 through MO2. These 28 investors received stock shares certificate forms from Arkansas Air Waves and Langston. An example of said form is attached to the Staff's Request as Exhibit 2.

4. Arkansas Air Waves and Langston made repeated omissions and misstatements or misrepresentations of material information about the securities it and he offered and sold to AR1 through AR26 and MO1 through MO2. Each investor in Arkansas Air Waves received a set of documents titled "Investor Packet & Company Information" ("Investor Packet"). This Investor Packet contained a copy of the bylaws of Arkansas Air Waves, a five page general information document, two income projection charts, and a stock shares certificate form. Exhibit 2, an example of the stock shares certificate form, refers to Arkansas Air Waves as an Arkansas corporation. However, Arkansas Air Waves status as a corporation was revoked by the Arkansas Secretary of State on January 1, 2014. In addition, this form, which states that the stock shares have not been registered under the Securities Act of 1933, omits to mention the fact that the securities were also not registered or properly exempted under the Act and Rules of the Arkansas Securities Commissioner. In addition, this form does not mention any of the risks associated with the shares of stock issued by Arkansas Air Waves.

5. As stated above, the Investor Packet also included Exhibit 3, which is a five page general information document. Exhibit 3 discusses Arkansas Air Waves' business and business expansion plan. On the fifth page of this information document, incorrect and unreasonable amounts are used to discuss the revenue potential of Arkansas Air Waves. In addition, no

detailed information or justification is provided for the assertion that over the next 2-3 years Arkansas Air Waves will have over 5,000 customers. Further, Exhibit 3 omits any mention of any risks involved in investing in the shares of stock offered and sold by Arkansas Air Waves or Langston to AR1 through AR26 and MO1 through MO2. Further, Langston has produced no document that was provided to any investor in Arkansas Air Waves that discusses the numerous risks involved in investing in shares of stock issued by Arkansas Air Waves. Prior to making a decision, any reasonable investor would want to have detailed and accurate information and know about the risks involved in investing in Arkansas Air Waves.

6. Further, the Investor Packet discussed above contained two charts attached to the Staff's Request as Exhibits 4 and 5. During an interview by the Staff, Langston admitted that he created Exhibits 4 and 5 without the advice or assistance of an accountant. Exhibits 4 and 5 omit sufficient detail concerning the basis for the information contained in these exhibits for the investors to use the exhibits in making an informed investment decision. Exhibit 5 is titled "Income Status not Projections". However, Exhibit 5 clearly contains projections, a fact that Langston also admitted during the aforementioned interview. Both of these exhibits omit to tell investors how Arkansas Air Waves determined the potential number of customers. In addition, both exhibits omit to detail how Arkansas Air Waves will get and keep any potential customers. In fact, on July 5, 2017 Langston reported to the Staff that Arkansas Air Waves had approximately 200 customers. However, on November 9, 2017 Langston reported to the Staff that Arkansas Air Waves had lost some customers, and it only had about 150 customers remaining. Any reasonable investor would want to know specifics about how the potential customer numbers were determined, as well as how Arkansas Air Waves was going to obtain and retain the higher customer numbers.

7. Although exhibits 4 and 5 do list several business expenses, such as power, water, gas, fuel, building lease, and insurance, neither of these exhibits lists any non-business or personal expenses. Finally, both charts leave most of the costs fixed, even though the number of customers increases greatly. It is not reasonable to leave the costs as fixed as the number of customers increases greatly. Any reasonable investor would want to see an accurate reflection of costs as the customer numbers of Arkansas Air Waves increased.

8. In addition to the omissions and misstatements of material information contained in the Investor Packet, Arkansas Air Waves and Langston omitted to disclose several legal proceedings involving Arkansas Air Waves to any investor. On June 6, 2016 and again on December 8, 2016, the Garland County District Court entered default judgments against Arkansas Air Waves. The complaints for these cases were filed on July 2, 2015 and September 2, 2016. The December 8th default judgment is especially concerning, because it was granted to an unsatisfied customer of Arkansas Air Waves. In addition, on June 2, 2017 the Circuit Court of Garland County, Arkansas entered an order for Arkansas Air Waves and Langston to pay \$4,500 plus interest to an Arkansas couple. The complaint concerning this matter was filed on June 23, 2016, and alleged that said couple paid Langston said amount for Langston to build a broadcast internet tower on the couple's real property. Any reasonable investor would want to know about legal proceedings and judgments entered against the company, in which they were going to invest.

9. On at least four occasions, investor money was deposited into the Arkansas Air Waves administrative account at Southern Bancorp Bank. During an interview by the Staff, Langston admitted that the following deposits made into the administrative account were from investor stock purchases. On August 18, 2015, \$25,000.00 of investor money was deposited into

said administrative account. On September 24, 2015, \$25,000.00 of investor money was deposited into said administrative account. On January 9, 2017, \$10,000.00 of investor money was deposited into said administrative account. On May 15, 2017, \$25,000.00 of investor money was deposited into said administrative account. Between January 2015 and June 2017, significant amounts of money were paid out of the Arkansas Air Waves administrative account for non-business related expenses. These expenses included cash withdraws at Oaklawn Park ATMs, Oaklawn dining, the Tobacco Superstore, Discount Tobacco, Harps, McDonalds, Wendys, and others. During the aforementioned interview by the Staff, Langston admitted that most of the investors in Arkansas Air Waves did not know about these expenditures. In addition, during said interview Langston admitted that no investor in Arkansas Air Waves had received any return on their investment.

10. Langston maintains a website for Arkansas Air Waves with the web address of www.arairwaves.com. On the "about us" page of this website, Langston holds himself out to the public as the president and CEO of Arkansas Air Waves. During both interviews by the Staff, Langston confirmed that he is the president and CEO of Arkansas Air Waves.

11. Arkansas Air Waves and/or Langston did not register or obtain any exemption from registration from the Department or the United States Securities and Exchange Commission for any of the securities it or he offered and/or sold to AR1 through AR26 and MO1 through MO2.

12. Arkansas Air Waves and Langston did not file any paperwork necessary for any of the securities it or he offered and sold to AR1 through AR26 and MO1 through MO2 to be recognized as covered securities under any federal securities statute or the Act.

13. Sometime in September or October 2017, Langston created another broadcast internet company with the name of Big Dog Wireless. Although Langston has not incorporated

Big Dog Wireless in Arkansas, Langston had established a website for Big Dog Wireless at www.computersplushotsprings.com. During one of the interviews by the Staff, Langston admitted that he had only told a few of the investors in Arkansas Air Waves about his creation of Big Dog Wireless, which is a competing business to Arkansas Air Waves..

CONCLUSIONS OF LAW

14. The stock shares offered and sold by Arkansas Air Waves and Langston to AR1 through AR26 and MO1 through MO2 were securities as defined by Ark. Code Ann. § 23-42-102(17)(A)(ii).

15. Arkansas Air Waves and Langston did not properly register any securities, file for any exemption, or make any notice filing concerning any covered security with the Department regarding the securities offered and sold from Arkansas to AR1 through AR26 and MO1 through MO2.

16. The offer and sale of unregistered and non-exempt securities by Arkansas Air Waves and Langston to AR1 through AR26 and MO1 through MO2 constitute multiple violations of Ark. Code Ann. § 23-42-501 by Arkansas Air Waves and Langston.

17. The failure of Arkansas Air Waves and Langston to make full and complete disclosure of all the risks involved in the securities offered and sold by Arkansas Air Waves and Langston to AR1 through AR26 and MO1 through MO2, as detailed in paragraphs number 4 and 5, were omissions of material facts. In light of the omissions of these material facts, the statements that Arkansas Air Waves and Langston did make to AR1 through AR26 and MO1 through MO2 about the securities were made in violation of Ark. Code Ann. § 23-42-507(2).

18. Arkansas Air Waves and Langston violated Ark. Code Ann. § 23-42-507(2) when it and he made misstatements or misleading statements concerning material information to AR1 through AR26 and MO1 through MO2 as detailed in paragraphs number 5 through 8.

19. Arkansas Air Waves and Langston violated Ark. Code Ann. § 23-42-507(3) when it and he used investor money from AR1 through AR26 and MO1 through MO2, as detailed in paragraphs number 7 and 9, to pay for non-business or personal expenses.

20. Pursuant to Ark. Code Ann. § 23-42-209, whenever it appears to the Commissioner, upon sufficient grounds or evidence satisfactory to the Commissioner, that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of the Act or any rule or order under the Act, the Commissioner may summarily order the person to cease and desist from the act or practice. The conduct, acts, and practices of Arkansas Air Waves and Langston threaten immediate and irreparable public harm. Based on the Findings of Fact and Conclusions of Law, this Cease and Order is in the public interest and is appropriate pursuant to Ark. Code Ann. § 23-42-209.

ORDER

IT IS THEREFORE ORDERED that Arkansas Air Waves and Langston immediately CEASE AND DESIST from offering and/or selling securities in Arkansas until they are properly registered or exempted under the Arkansas Securities Act with the Department.

A hearing on this Order shall be held if requested by Arkansas Air Waves and/or Langston in writing within thirty (30) days of the date of the entry of this Order, or if otherwise ordered by the Commissioner. Such request should be addressed to the Commissioner and submitted to the following address:

Arkansas Securities Commissioner
201 East Markham, Suite 300
Little Rock, Arkansas 72201

If no hearing is requested and none is ordered by the Commissioner, this Order will remain in effect until it is modified or vacated by the Commissioner. *See* Ark. Code Ann. § 23-42-209(a)(2).



B. Edmond Waters
Arkansas Securities Commissioner

1-8-18

Date