

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING) Order Number S-08-028-09-FO02
Whether there has been a violation of the)
Securities Act of Washington by:) ENTRY OF FINDINGS OF FACT AND
) CONCLUSIONS OF LAW AND
Seismic Shock Control Systems, Inc.;) FINAL ORDER TO CEASE AND
Michael Axon;) DESIST, AS TO SEISMIC SHOCK
Edward Coumou;) CONTROL SYSTEMS, INC. AND
Respondents) EDWARD COUMOU

THE STATE OF WASHINGTON TO: Seismic Shock Control Systems, Inc.
Edward Coumou

INTRODUCTION

On March 16, 2010, the Securities Administrator of the State of Washington issued Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, Impose Fines, and Recover Costs S-08-028-09-SC01 (hereinafter "Statement of Charges"), against Respondents Seismic Shock Control Systems, Inc. and Edward Coumou. The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing ("Notice"), and an Application for Adjudicative Hearing ("Application for Hearing"), were served on Respondents Seismic Shock Control Systems, Inc. and Edward Coumou on or about April 5, 2010.

On April 30, 2010, Respondent Edward Coumou returned the Application for Hearing and indicated that he waived his right to a hearing, and, in lieu thereof, submitted a written statement for consideration by the Securities Administrator. On May 3, 2010, Respondent Seismic Shock Control Systems, Inc. returned the Application for Hearing and indicated that it did not request a hearing. After considering the written statement, the Securities Administrator makes the following findings of fact and conclusions of law.

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND
FINAL ORDER TO CEASE AND DESIST, AS TO
SEISMIC SHOCK CONTROL SYSTEMS, INC. AND
EDWARD COUMOU

1 **FINDINGS OF FACT**

2 Respondents

3 1. Seismic Shock Control Systems, Inc. (“Seismic Shock”) is a Washington
4 corporation with a business address in Marysville, Washington. Seismic Shock formerly used
5 an office located in Arlington, Washington. Seismic Shock was in the business of developing
6 and manufacturing bearings that were to be used to protect buildings, bridges, and other
7 structures from damage due to seismic events. Seismic Shock was previously known as Axon
8 Shock Control Systems, Inc.
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10 2. Michael Axon (“Axon”) was the founder of Seismic Shock, and served at
11 various times as the company’s President and CEO until he resigned in approximately
12 February 2006. At all relevant times, Axon resided in Washington.

13 3. Edward Coumou (“Coumou”) served as the President of Seismic Shock.
14 Coumou is a resident of Washington.

15 Nature of the Offering

16 4. Beginning in approximately August 2001 and continuing through at least March
17 2006, the Respondents offered and sold Seismic Shock common stock to nearly 300 investors
18 in Washington and other states, raising a total of approximately \$3 million.

19 5. In December 2002, a news article regarding Axon and Seismic Shock appeared
20 in the *Seattle Times*. The article, which was also posted on the Internet, reported that Axon
21 was “looking for investors” and included a link to Seismic Shock’s website.
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1 Coumou informed Seismic Shock investors that the company's stock price would be doubling
2 from \$5 per share to \$10 per share on August 25, 2004. In the letter, Coumou made a
3 "limited time" offer to sell additional shares of Seismic Shock for \$5 per share. The letter
4 failed to disclose that the share price was arbitrary and did not reflect the underlying value of
5 the company. In August 2005, Coumou sent a misleading letter to investors announcing that
6 the company had authorized a two-for-one stock split. The letter failed to disclose that the
7 stock split only increased the number of outstanding shares and did not change the underlying
8 value of the company or generate any return to investors.
9

10 9. In the offer and sale of Seismic Shock stock, the Respondents failed to disclose
11 material information, which made the information that was disclosed, misleading to investors.
12 While some Seismic Shock investors were provided with written offering documents
13 (including a Private Placement Memorandum, a subscription agreement, a business plan, and
14 an accredited investor questionnaire), other investors received no written offering material
15 prior to their investment, and later received only stock certificates and correspondence. The
16 Respondents failed to provide several Seismic Shock investors with a Private Placement
17 Memorandum or other written document with disclosure of material information, including,
18 but not limited to, prior and intended use of offering proceeds, the compensation paid to Axon
19 and Coumou; and material information regarding the financial condition of Seismic Shock.
20 The Respondents also failed to disclose the speculative nature of the stock; the lack of an
21 established public market for the stock; and the fact that there was no assurance that a public
22 market would develop for the stock; and other risks associated with the investment.
23

Registration Status

10. On March 12, 2004, Seismic Shock Control Systems Inc. filed claims of exemption from registration with the Securities Division, pursuant to WAC 460-44A-504 (“Rule 504”) and WAC 460-44A-505 (“Rule 505”). Seismic Shock failed to comply with Rule 504’s requirement that issuers file a notice of claim of exemption at least 10 business days prior to the first sale to a resident of Washington. Seismic Shock also failed to comply with Rule 505’s requirement that issuers file a notice of claim of exemption within 15 days of the first sale to a resident of Washington. The Respondents failed to comply with other conditions of Rule 504 and 505, by among other things, paying commissions in the form of stock and by engaging in general solicitation.

11. On or about March 17, 2004, counsel for Seismic Shock notified the Securities Division that it was withdrawing its claims of exemption pursuant to Rule 504 and 505. Seismic Shock Control Systems Inc. is not currently registered to sell its securities in the State of Washington.

12. Michael Axon is not currently registered as a securities salesperson or broker-dealer in the State of Washington and has not previously been so registered.

13. Edward Coumou is not currently registered as a securities salesperson or broker-dealer in the State of Washington and has not previously been so registered.

1 Based upon the above Findings of Facts the following Conclusions of Law are made:

2 **CONCLUSIONS OF LAW**

3 1. The offer or sale of Seismic Shock Control Systems Inc. stock described above
4 constitutes the offer or sale of a security as defined in RCW 21.20.005(10) and (12).

5 2. The offer or sale of said securities is in violation of RCW 21.20.140 because no
6 registration for such offer or sale is on file with the Securities Administrator, and no valid claim
7 of exemption for such offers and/or sales existed.

8 3. Edward Coumou has violated RCW 21.20.040 by offering or selling said
9 securities while not registered as a securities salesperson or broker-dealer in the State of
10 Washington.

11 4. The offer or sale of the investments described above was made in violation of
12 RCW 21.20.010 because, as set forth in the Tentative Findings of Fact, Respondents Seismic
13 Shock Control Systems, Inc. and Edward Coumou made misstatements of material facts or
14 omitted to state material facts necessary in order to make the statements made, in light of
15 circumstances under which they were made, not misleading.
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17 **FINAL ORDER**

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

19 It is hereby ORDERED that Respondents Seismic Shock Control Systems, Inc. and
20 Edward Coumou and their agents and employees each shall cease and desist from offering or
21 selling securities in violation of RCW 21.20.140, the securities registration section of the
22 Securities Act of Washington.
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25 ENTRY OF FINDINGS OF FACT AND
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1 It is further ORDERED that Respondents Edward Coumou and his agents and
2 employees each shall cease and desist from violating RCW 21.20.040, the broker-dealer and
3 securities salesperson registration section of the Securities Act of Washington.

4 It is further ORDERED that Respondents Seismic Shock Control Systems, Inc. and
5 Edward Coumou and their agents and employees each shall cease and desist from violating
6 RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

7 It is further ORDERED that Respondent Edward Coumou shall be liable for and pay a
8 fine in the amount of \$5,000.

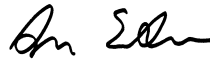
9 It is further ORDERED that Respondent Edward Coumou shall be liable for and pay
10 costs in the amount of \$2,500.

11 **AUTHORITY AND PROCEDURE**

12 This Final Order is entered pursuant to the provisions of RCW 21.20.390 and RCW
13 21.20.395, and is subject to the provisions of RCW 21.20.440 and Chapter 34.05 RCW. The
14 Respondent has the right to petition the superior court for judicial review of this agency
15 action under the provisions of chapter 34.05 RCW. For the requirements for filing a Petition
16 for Judicial Review, see RCW 34.050.510 and sections following. Pursuant to 21.20.395, a
17 certified copy of this order may be filed in Superior Court. If so filed, the clerk shall treat the
18 order in the same manner as a Superior Court judgment as to the fine, and the fine may be
19 recorded, enforced, or satisfied in like manner.
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1 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

2 Dated and Entered this 21st day of May, 2010.

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5 SUZANNE SARASON
6 Chief of Enforcement

7 Presented by:

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9 ROBERT KONDRAT
10 Enforcement Attorney

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