

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND**

IN THE MATTER OF:

*

Case No. 2015-0205

JEFFREY LAWSON

*

and

JOHN GRAZIOLI

*

and

SENSUSS, INC.,

*

RESPONDENTS.

*

* * * * *

CONSENT ORDER

WHEREAS, the Securities Division of the Office of the Maryland Attorney General (the “Division”), pursuant to the authority granted in section 11-701 of the Maryland Securities Act, Title 11, Corporations and Associations Article, Annotated Code of Maryland (2014 Repl. Vol. & Supp. 2016) (the “Securities Act” or “Act”), initiated an investigation into the securities related activities of Jeffrey Lawson (“Lawson”), John Grazioli, and Sensuss, Inc. (collectively “Respondents”); and

WHEREAS, on the basis of that investigation, the Maryland Securities Commissioner (the “Commissioner”) determined that grounds exist to allege that Respondents violated certain registration and antifraud provisions set forth at sections 11-301, 11-401, 11-402, and 11-501 of the Act; and

WHEREAS, without holding a hearing in this matter, without trial or adjudication of any issue of fact or law, and prior to the issuance of a final order in this proceeding, the Commissioner and the Respondents have reached an agreement to resolve this matter; and

WHEREAS, the Respondents expressly consent to the Commissioner’s jurisdiction in this matter and to the terms of this Order; and

WHEREAS, the Respondents waive their rights to a hearing and any rights they may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Consent Order; and

WHEREAS, the Commissioner has determined that it is in the public interest to issue this Consent Order;

NOW, THEREFORE, IT IS HEREBY AGREED AND THE COMMISSIONER ORDERS:

I. JURISDICTION

1. The Commissioner has jurisdiction in this proceeding and over the Respondents pursuant to section 11-701.1 of the Act.

II. RESPONDENTS

2. Sensuss, Inc. (“Sensuss”), at all relevant times was a Delaware corporation with a principal office in Pasadena, Maryland.

3. Jeffrey Lawson is a resident of the state of Illinois, who at all relevant times was the chief executive officer of Sensuss and conducted business from the Sensuss office in Pasadena, Maryland.

4. John Grazioli is a resident of Severna Park, Maryland, who at all relevant times held himself out as the president of Sensuss and acted as an agent of Lawson and Sensuss in soliciting an investment from a Delaware resident.

III. FINDINGS OF FACT

5. Beginning in the summer of 2012, Grazioli solicited AH, Grazioli’s relative by marriage, for a \$250,000 investment in Sensuss through telephone calls and in person meetings at AH’s home. The solicitation culminated in a sale of 150 shares of Sensuss to AH on or about January 16, 2013 at the Sensuss office located in Pasadena, Maryland.

6. Lawson and Grazioli told AH that Sensuss was going to sell impact-detection devices for children's contact sports helmets.

7. According to Respondents, a sensor attached to the helmet would measure impact data and transmit this information in real time to the cloud. Using smart devices, medical professionals and others would then instantaneously receive an alert of the impact and could access a cumulative history of the athlete's impacts, allowing for faster and better informed decisions about potential concussion risk to the athlete and related medical attention.

8. Respondents told AH that the sensors initially were going to be manufactured at ZDM Technologies Inc., where Lawson was president. Respondents further represented that Sensuss either would be sold for a profit or would bring manufacturing in-house at a new plant in Delaware.

9. Lawson and Grazioli made numerous promises about the lucrative potential to come from application of this technology. They touted a long list of corporate sponsors that would be joining Sensuss in this venture, showcased favorable press reports and awards for the technology.

10. Pointing to a purported 3M offer as justification, Sensuss CFO placed a \$10 million valuation on Sensuss, which, in turn, they used to calculate the value of AH's potential \$250,000 investment. In connection with his \$250,000 potential investment and Grazioli presented AH with an offering document that gave him "multiple options for investment opportunities" in Sensuss:

- Option 1 – fifteen percent interest for six years, starting repayment in the second year;
- Option 2 – three percent non-voting Sensuss stock with promised yearly dividends, which was valued at \$100,000 per percentage point with an extra half point to sign a letter of credit;

- Option 3 – two and one-half percent non-voting Sensuss stock plus a “grandfathered Distribution Agreement (very lucrative commission plan)” to sell Sensuss product and work for Sensuss in predefined capacity, valued at \$100,000 per percentage point.

11. Respondents gave AH an offering memorandum in which Respondents represented that: the company was in the final stages of testing its “S2” sensor and had the “S2” scheduled for release in the coming months; the infrastructure for the “S3” sensor would be available in the fourth quarter of 2012; Respondents intended to limit the amount of salaries they could pay themselves or others before dividends were distributed to shareholders; and that there was an agreement in place between Sensuss and Lawson, who claimed ownership of certain key intellectual property rights for the technology.

12. On or about January 16, 2013, Sensuss’s board of directors held its first meeting at the Pasadena, Maryland office located at 8221 Ritchie Highway. The minutes of this meeting reflect that, *inter alia*, share distribution and members’ roles were decided, the company received from AH an official check in the amount of \$250,000, and that Grazioli gave AH a hand written receipt for the \$250,000. The minutes also reflect a note that “[t]hese funds will be allocated towards operational expenditures.” All of Sensuss’ 5,000 shares were distributed, with 150 shares (3%) going to AH.

13. Grazioli subsequently deposited AH’s check into a bank account held by UBS Bank in the name of Sensuss.

14. Respondents represented to AH prior to his investing in the company that they were going to sell, but never sold, impact-detection sensors for children’s sports helmets. After AH invested, however, Respondents shifted the company’s focus from those sensors to LED lighting products, which were made by ZDM Technologies under the Sensuss label.

15. In August 2015, AH filed a civil lawsuit in Maryland circuit court against the Respondents. The parties agreed in November 2016 to settle the lawsuit before a trial was held. Under the terms of the settlement, Jeffrey Lawson will pay AH \$85,000 over a period of five years (“Settlement Agreement”). AH will transfer his shares of Sensuss stock to Lawson periodically consistent with the Settlement Agreement until he is paid the full \$85,000.00 and he no longer owns any shares of Sensuss stock. Should Lawson default on any payment terms of the Settlement Agreement, AH will be assigned additional shares of Sensuss stock depending on the timing of the non-payment by Lawson consistent with the Settlement Agreement.

16. None of the Respondents are registered in Maryland as a broker-dealer or agent.

17. Shares of Sensuss are not registered for offer or sale in Maryland, and no claim of exemption from registration has been filed with the Division. The shares are not a federal covered security.

IV. CONCLUSIONS OF LAW

THE COMMISSIONER, THEREFORE, CONCLUDES AS A MATTER OF LAW THAT:

18. The shares of Sensuss offered and sold by Respondents constitute “securities” in the form of stock, an interest in a profit-sharing agreement, or an investment contract, within the meaning of section 11-101 of the Securities Act.

19. Respondents violated section 11-501 of the Securities Act by offering and selling unregistered securities in Maryland that were neither exempt from registration nor were federal covered securities.

20. Respondents violated section 11-401(a) of the Securities Act by acting as an unregistered broker-dealer or issuer agent.

21. Respondent Sensuss violated section 11-402(a) of the Securities Act by employing an unregistered agent in the offer and sale of securities.

22. Respondents violated section 11-301 of the Securities Act by making misstatements or omissions of material facts in connection with the offer and sale of a security in Maryland, regarding, among other things, the repayment of investor funds, profitability, risk, use of investor funds, and performance of the investment.

V. SANCTIONS

NOW, THEREFORE, IT IS HEREBY ORDERED, and Respondents expressly consent and agree that:

23. Respondents shall permanently cease and desist from violating sections 11-301, 11-401(a), 11-402(a), and 11-501 of the Securities Act.

24. Respondents are barred permanently from engaging in the securities or investment advisory business in Maryland for or on behalf of others, or from acting as a principal or consultant in any entity so engaged.

25. Respondents Lawson and Sensuss, jointly and severally, are assessed a civil monetary penalty of \$85,000 for the alleged violations set forth in this Consent Order.

26. Lawson shall make payments under the Settlement Agreement in installments to the Office of the Attorney General, which will distribute the funds to investor AH in a manner within its discretion. The first installment shall be made payable to the Office of the Attorney General in an initial amount of \$20,000. That first installment shall be paid contemporaneous with the issuance of this Consent Order. Lawson shall pay the remaining amount on a monthly basis over five years. The monthly payments shall be in the amount of \$1,083.33. Lawson shall remit each monthly payment so that it is received by the Office of the Attorney General on or before the first day of the month when due. The first monthly payment shall be on or before July

1, 2017 and the final monthly payment shall be on or before June 1, 2022. The monthly payments shall be in the total amount of \$65,000.

27. Upon timely receipt by the Office of the Attorney General of the last installment payment due under this paragraph, the civil monetary penalty due under this Consent Order shall be waived.

28. If Lawson fails to make timely payments to the Office of the Attorney General as required under this paragraph, and payments are delinquent for more than thirty (30) days, the Office of the Attorney General may refer collection of the monies due under this Consent Order to the Central Collections Unit (“CCU”) of the State of Maryland. If a referral is made, any monies due under this Consent Order shall be increased by the amount of fees and interest assessed by CCU for collection of these funds.

VI. JURISDICTION RETAINED

29. Jurisdiction shall be retained by the Securities Commissioner for such further orders and directions as may be necessary or appropriate for the construction or enforcement of this Consent Order.

30. If a Respondent fails to comply with any term of this Consent Order, the Commissioner may institute administrative or judicial proceedings against that Respondent to enforce this Consent Order and to sanction that Respondent for violating an Order of the Commissioner, and may take any other action authorized under the Act or under any other applicable law, including the issuance of fines or penalties for the violations that initiated this matter. For purposes of determining those sanctions, the Findings of Fact and violations of the Act set forth in this Consent Order shall be deemed admitted, and may be introduced into evidence against that Respondent.

31. In the event that judicial intervention in this matter is sought by the Securities Commissioner or a Respondent, each Respondent consents that subject matter jurisdiction will lie in the Circuit Court for Baltimore City pursuant to section 11-702 of the Act. Each Respondent consents that the Circuit Court for Baltimore City will have personal jurisdiction over that Respondent, and that venue will be properly in that Court.

32. The terms of this Consent Order may be vacated or modified only by a subsequent order issued by the Commissioner.

DATE OF THIS ORDER:

April 24, 2017

SO ORDERED:

Commissioner's Signature
on File w/Original Document

Melanie Senter Lubin
Securities Commissioner

CONSENTED TO:

Jeffrey Lawson, Individually

John Grazioli, Individually

Sensuss, Inc., By John Grazioli, President