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# Sonex expects SEC to revoke stock registration

Could reduce value of shares

By [KATIE ARCIERI](#), Staff Writer

Shareholders of Annapolis-based Sonex Research won't be able to trade their stock publicly if the company reaches an agreement with federal regulators.

Sonex Research, a publicly traded company focused on combustion technology, was recently warned by the U.S. Securities and Exchange Commission that its registration to trade common stock will be revoked if the company doesn't provide current financial filings.

Sonex has been delinquent with its annual and quarterly reports since 2004.

Instead of filing the papers, Sonex officials this month submitted a settlement offer with the SEC to revoke its registration. Company officials are waiting to hear back from the SEC.

Sonex, a five-person firm with 2,500 shareholders, has been unable to file the reports because it lacks the cash and staff, in large part because of time spent fighting lawsuits, according to a recent company press release.

Sonex is quoted on the Pink Sheets quotation service under the ticker "SONX. PK." Pink Sheets is an unregulated market that lists the bid and asking prices for over-the-counter stocks, those not listed on a major exchange.

Sonex's stock traded for 8 cents at the end of last week.

If the SEC revokes the company's registration, Sonex's stock will no longer be allowed to trade on the Pink Sheets, said John Nester, an SEC spokesman.



Sonex registered its shares with the SEC, and is therefore required to provide full financial reporting, said Tim Ryan, marketing manager for Pink Sheets.

The company will become private and the value of its stock could be adversely affected, according to a Sonex press release.

Sonex's stockholders will only be able to sell or transfer their shares through private transactions by consulting with their own legal counsel and complying with certain regulations of the Securities Act of 1933.

"They won't have the unfettered right to trade their stock as they would if it were a public company," said Hal Shear, managing director for Board Assets Inc., an Annapolis company that provides advisory services for directors, boards and chief executive officers.

But Andrew A. Pouring, company president, said revocation of the company's SEC registration isn't expected to have any "immediate adverse effect" on the company's operations. He said Sonex is looking forward to building increased interest for its Sonex Combustion System for heavy fuel engines.

Sonex operates from a 6,000-square-foot office on Hudson Street and has been fighting several lawsuits from investors over the past few years. It hasn't paid stockholders dividends and hasn't turned a profit since its founding in 1980.

George E. Ponticas, the company's chief financial officer, and Dr. Pouring are the only two members of the company's board of directors. Sonex doesn't have the funds to pay for the liability insurance for a board, Mr. Ponticas said.

Shareholder Bob Emmet, an Annapolis chemist, said he has faith in the company.

"I believe that Sonex is gaining market recognition," said Mr. Emmet, who declined to say how many shares he owns. "It's unfortunate that Sonex has had this backlog in its filing delays, but that's the same for many small companies."

He said the Sarbanes-Oxley Act of 2002 is partly responsible for the company's reporting delays.

"You can't just use any old accountant," Mr. Emmet said. "You have to use a Sarbanes-Oxley accountant and they charge twice as much. This is really taking the heart out of the American business. All companies have to start small."



Shareholder James Bauernschmidt said he believes the Sonex Combustion System could be the answer to energy independence.

"It could facilitate a switch to bio-diesel economy in this country," he said.

Sonex recently announced that Insitu Inc., a company based in Washington state, acquired a license for a small portion of Sonex's heavy fuel technology. Insitu is known for its long-endurance, low-cost unmanned aerial systems, including the ScanEagle UAS developed in partnership with Boeing.

Insitu announced that it set a new endurance mark with ScanEagle using Sonex technology. ScanEagle flew about seven hours longer.

Dr. Pouring said he views the licensing agreement as a milestone in the wake of Sonex's lawsuit battles.

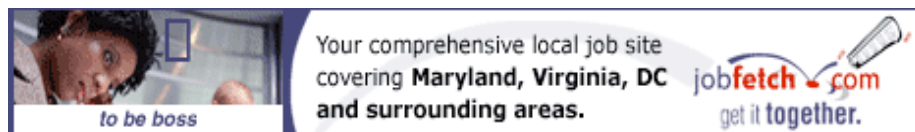
In November the company announced that two lawsuits filed against it by Global Equity Consultants Inc. were dismissed. GECE had demanded the delivery of 750,000 shares in 2005.

Sonex recently filed a motion of dismissal for another lawsuit filed by a group of Pennsylvania investors seeking the return of \$175,000 in equity investments. It was the refile of another lawsuit dismissed in July, said Dr. Pouring.

The case is now in the hands of the court, he said.

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