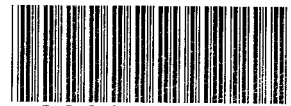


NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

ORIGINAL

MARC SPITZER, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON
KRISTIN K. MAYES

In the matter of:

Docket No. S-03546A-04-0000

H. JON KUNOWSKI
21626 North 59th Lane
Glendale, AZ 85308

**TEMPORARY ORDER TO CEASE AND
DESIST AND NOTICE OF
OPPORTUNITY FOR HEARING**

PRECISION MODEL & DESIGN
21626 North 59th Lane
Glendale, AZ 85308

AIR LASE, INC.
21626 North 59th Lane
Glendale, AZ 85308

AMERICAN INNOVATIVE RESEARCH,
INC.
21626 North 59th Lane
Glendale, AZ 85308

Respondents.

AZ CORP COMMISSION
DOCUMENT CONTROL

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**NOTICE: THIS ORDER IS EFFECTIVE IMMEDIATELY
EACH RESPONDENT HAS 20 DAYS TO REQUEST A HEARING
EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER**

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that H. JON KUNOWSKI ("KUNOWSKI"), PRECISION MODEL & DESIGN ("PRECISION"), AIR LASE, INC. ("AIR"), and AMERICAN INNOVATIVE RESEARCH, INC. ("AMERICAN") engaged in or are about to engage in acts and practices that constitute violations of A.R.S. § 44-1801, *et seq.*, the Arizona Securities Act ("Securities Act"), and that the public welfare requires immediate action.

I.

JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

II.

RESPONDENTS

2. KUNOWSKI is an unmarried man and a resident of Arizona. KUNOWSKI is or has been a principal and/or officer and/or director of PRECISION, AIR, and/or AMERICAN.

3. PRECISION was an Arizona corporation incorporated on or about July 30, 1990, and administratively dissolved on or about January 10, 1996. KUNOWSKI was a founder, officer, and director of PRECISION.

4. AIR was an Arizona corporation incorporated on or about May 9, 2001, and administratively dissolved on or about February 21, 2003. KUNOWSKI was a founder, officer, director, and statutory agent for AIR.

5. AMERICAN was an Arizona corporation incorporated on or about May 9, 2001, and administratively dissolved on or about February 21, 2003. KUNOWSKI was a founder, officer, director, and statutory agent for AMERICAN.

6. KUNOWSKI, PRECISION, AIR, and AMERICAN may be collectively referred to as "RESPONDENTS."

III.

FACTS

4. Beginning on or about March 18, 1990, and continuing thereafter, KUNOWSKI offered and/or sold securities in the form of shares of stock in PRECISION, AIR, and/or AMERICAN to at least 211 investors, most of whom were residents of the state of Arizona. KUNOWSKI collected from these investors at least \$1,304,954 in connection with these stock sales.

1 5. None of the securities referred to in paragraph 4 was registered pursuant to the
2 Securities Act.

3 6. At the time of the sales referred to in paragraph 4, KUNOWSKI was not registered
4 as a dealer or salesman pursuant to the Securities Act.

5 7. In connection with the sales of the securities referred to in paragraph 4,
6 KUNOWSKI made untrue statements of material fact or failed to state material facts necessary to
7 make his representations not misleading in light of the circumstances. His conduct in this regard
8 included:

9 a) KUNOWSKI failed to provide investors and offerees with information
10 adequate to enable them to fully evaluate the risks of the investments. For example,
11 KUNOWSKI failed to disclose to investors and offerees the past history of the
12 RESPONDENTS including but not limited to litigation against the RESPONDENTS, and past
13 business failures of the RESPONDENTS.

14 b) RESPONDENTS offered and sold unlicensed or unregistered securities in the
15 form of shares of stock. While all investors were promised share certificates as evidence of the
16 investment not all of the investors received their share certificates.

17 c) KUNOWSKI failed to fully disclose the purposes for which he intended to
18 use the investment capital, which included personal expenses and living expenses not
19 directly related to the companies. In fact, KUNOWSKI used investor money for personal
20 purposes, paying personal expenses, taking vacations, etc. From \$1,304,954 of investor
21 money raised, KUNOWSKI used approximately \$80,000 to advance the investment products
22 in some manner, and used the remaining funds for personal use. When questioned by
23 investors, KUNOWSKI claimed the funds were "personal loans" to KUNOWSKI.
24 KUNOWSKI never repaid these "loans."

25 b) KUNOWSKI refused to provide investors full disclosure of financial records
26 pertaining to RESPONDENTS by denying access to financial documents concerning

1 RESPONDENTS, including but not limited to business receipts, accounts payable, accounts
2 receivable, and other financial records.

3 c) RESPONDENTS made a pattern and practice of soliciting and obtaining funds
4 from unqualified and unsophisticated investors.

5 d) KUNOWSKI represented to investors that the devices or products were in the
6 production stage of development when in fact the products were either in the early design
7 stage only or were in the experimental stage prior to the development of a fully functional
8 prototype.

9 e) KUNOWSKI offered investments in technology that did not exist or would
10 have been suppressed for copyright or trademark infringements. For example, KUNOWSKI
11 solicited and obtained funds for an exclusive movie replica "light saber" that would duplicate
12 or appear to be an exact copy of a movie prop from the "Star Wars" motion pictures.
13 RESPONDENTS never obtained a license from the copyright/trademark holder Lucas, et al
14 nor did the KUNOWSKI ever conduct due diligence, which would have enabled him to verify
15 that such a product was already in existence and properly licensed by its copyright/trademark
16 holder.

17 f) KUNOWSKI represented that he could produce a laser rendering machine at
18 a reasonable cost, without having any basis in fact to support that representation.

19 g) KUNOWSKI represented he had backing to mass-produce such a machine,
20 when he had no basis in fact supporting that representation.

21 8. KUNOWSKI has admitted he is currently engaged in soliciting new investors or
22 investor funds to pay off past investors and promote the future of the investment products in which he
23 is involved.

24 ...

25 ...

26 ...

IV.

VIOLATION OF A.R.S. § 44-1841

(Offer and Sale of Unregistered Securities)

9. From on or about March 18, 1990, KUNOWSKI offered or sold, and continues to offer or sell, securities in the form of stock in PRECISION, AIR, and/or AMERICAN, within or from Arizona.

10. The securities referred to above were not registered pursuant to Articles 6 or 7 of the Securities Act.

11. This conduct violates A.R.S. § 44-1841.

V.

VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

12. RESPONDENTS offered or sold, and continue to offer or sell, securities within or from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

13. This conduct violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991

(Fraud in Connection with the Offer or Sale of Securities)

14. In connection with the offer or sale of securities within or from Arizona, RESPONDENTS directly or indirectly: (i) employed a device, scheme or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts which were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; or (iii) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon offerees and investors. RESPONDENTS' conduct includes, but is not limited to, the following:

a) KUNOWSKI failed to provide investors and offerees with information

1 adequate to enable them to fully evaluate the risks of the investments. For example,
2 KUNOWSKI failed to disclose to investors and offerees the past history of the
3 RESPONDENTS including but not limited to litigation against the RESPONDENTS, and past
4 business failures of the RESPONDENTS.

5 b) RESPONDENTS offered and sold unlicensed or unregistered securities in the
6 form of shares of stock. While all investors were promised share certificates as evidence of the
7 investment not all of the investors received their share certificates.

8 c) KUNOWSKI failed to fully disclose the purposes for which he intended to
9 use the investment capital, which included personal expenses and living expenses not
10 directly related to the companies. In fact, KUNOWSKI used investor money for personal
11 purposes, paying personal expenses, taking vacations, etc. From \$425,000.00 of investor
12 money raised, KUNOWSKI used \$80,000.00 to advance the investment product in some
13 manner, and used the remaining \$345,000.00 for personal use. When questioned by investors,
14 KUNOWSKI claimed the funds were "personal loans" to KUNOWSKI. KUNOWSKI never
15 repaid these "loans."

16 b) KUNOWSKI refused to provide investors full disclosure of financial records
17 pertaining to RESPONDENTS by denying access to financial documents concerning
18 RESPONDENTS, including but not limited to business receipts, accounts payable, accounts
19 receivable, and other financial records.

20 c) RESPONDENTS made a pattern and practice of soliciting and obtaining funds
21 from unqualified and unsophisticated investors.

22 d) KUNOWSKI represented to investors that the devices or products were in the
23 production stage of development when in fact the products were either in the early design
24 stage only or were in the experimental stage prior to the development of a fully functional
25 prototype.

26 e) KUNOWSKI offered investments in technology that did not exist or would

1 have been suppressed for copyright or trademark infringements. For example, KUNOWSKI
 2 solicited and obtained funds for an exclusive movie replica "light saber" that would duplicate
 3 or appear to be an exact copy of a movie prop from the "Star Wars" motion pictures.
 4 RESPONDENTS never obtained a license from the copyright/trademark holder Lucas, et al
 5 nor did the KUNOWSKI ever conduct due diligence, which would have enabled him to verify
 6 that such a product was already in existence and properly licensed by its copyright/trademark
 7 holder.

8 f) KUNOWSKI represented that he could produce a laser rendering machine at
 9 a reasonable cost, without having any basis in fact to make such a representation.

10 g) KUNOWSKI represented he had backing to mass-produce such a machine,
 11 when he had no basis in fact to make such a representation.

12 15. This conduct violates A.R.S. § 44-1991.

13 VII.

14 TEMPORARY ORDER

15 Cease and Desist from Violating the Securities Act

16 THEREFORE, based on the above allegations, and because the Division has determined that
 17 the public welfare requires immediate action,

18 IT IS ORDERED, pursuant to A.R.S. § 44-2032 and A.A.C. R14-4-307, that the
 19 RESPONDENTS, their agents, servants, employees, successors, assigns, and those persons in active
 20 concert or participation with them CEASE AND DESIST from any violations of the Securities Act.

21 IT IS FURTHER ORDERED that this Temporary Order to Cease and Desist shall remain in
 22 effect for 180 days unless sooner vacated, modified or made permanent by the Commission.

23 IT IS FURTHER ORDERED that this Order shall be effective immediately.

24 XIII.

25 REQUESTED RELIEF

26 The Division will request that the Commission grant the following relief against

1 RESPONDENTS:

- 2 1. Order RESPONDENTS to permanently cease and desist from violating the Securities
3 Act, pursuant to A.R.S. § 44-2032;
- 4 2. Order RESPONDENTS to take affirmative action to correct the conditions resulting
5 from their acts, practices or transactions, including a requirement to make restitution pursuant to
6 A.R.S. § 44-2032;
- 7 3. Order RESPONDENTS to pay the state of Arizona administrative penalties of up to
8 five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;
- 9 4. Order RESPONDENTS to pay the state of Arizona penalties, pursuant to A.R.S. § 44-
10 1961; and
- 11 5. Order any other relief that the Commission deems appropriate.

12 XIV.

13 HEARING OPPORTUNITY

14 RESPONDENTS may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. Rule 14-4-
15 307. **If any respondent or respondent spouse requests a hearing, the respondent must also**
16 **answer this Temporary Order and Notice.** A request for hearing must be in writing and received
17 by the Commission within 20 days after service of this Temporary Order to Cease and Desist. Each
18 RESPONDENT must deliver or mail the request for hearing to Docket Control, Arizona Corporation
19 Commission, 1200 West Washington, Phoenix, Arizona 85007. A Docket Control cover sheet must
20 also be filed with the request for hearing. A cover sheet form and instructions may be obtained from
21 Docket Control at (602) 542-3477 or on the Commission's Internet web site at
22 www.cc.state.az.us/utility/forms/index.htm.

23 If a request for hearing is timely made, the Commission shall schedule a hearing to begin 10 to
24 30 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or
25 ordered by the Commission. **Unless otherwise ordered by the Commission, this Temporary**
26 **Order shall remain effective from the date a hearing is requested until a decision is entered.**

1 After a hearing, the Commission may vacate, modify or make permanent this Temporary Order, with
2 written findings of fact and conclusions of law. A permanent Order may include ordering restitution,
3 assessing administrative penalties or other action.

4 If a request for hearing is not timely made, the Division will request that the Commission
5 make permanent this Temporary Order, with written findings of fact and conclusions of law, which
6 may include ordering restitution, assessing administrative penalties or other relief.

7 Persons with a disability may request a reasonable accommodation such as a sign language
8 interpreter, as well as request this document in an alternative format, by contacting Yvonne L.
9 McFarlin, Executive Assistant to the Executive Secretary, voice phone number 602/542-3931, e-
10 mail ymcfarlin@cc.state.az.us. Requests should be made as early as possible to allow time to
11 arrange the accommodation.

12 XV.

13 ANSWER REQUIREMENT

14 Pursuant to A.A.C. R14-4-305, if any RESPONDENT requests a hearing, the
15 RESPONDENT must deliver or mail an Answer to this Temporary Order and Notice to Docket
16 Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within
17 30 calendar days after the date of service of this Temporary Order to Cease and Desist and Notice
18 of Opportunity for Hearing,. A Docket Control cover sheet must accompany the Answer. A cover
19 sheet form and instructions may be obtained from Docket Control by calling (602) 542-3477 or on
20 the Commission's Internet web site at www.cc.state.az.us/utility/forms/index.htm.

21 Additionally, the RESPONDENT must serve the Answer upon the Division. Pursuant to
22 A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a
23 copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix Arizona,
24 addressed to Kathleen Coughenour DeLaRosa.

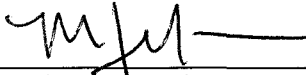
25 The Answer shall contain an admission or denial of each allegation in this Temporary Order
26 and Notice and the original signature of each RESPONDENT or the RESPONDENT's attorney. A

1 statement of a lack of sufficient knowledge or information shall be considered a denial of an
2 allegation. An allegation not denied shall be considered admitted.

3 When a RESPONDENT intends in good faith to deny only a part or a qualification of an
4 allegation, the RESPONDENT shall specify that part or qualification of the allegation and shall
5 admit the remainder. The RESPONDENT waives any affirmative defense not raised in the answer.

6 The officer presiding over the hearing may grant relief from the requirement to file an
7 Answer for good cause shown.

8 BY ORDER OF THE ARIZONA CORPORATION COMMISSION, this 24 day of
9 March, 2004.

10 
11 _____
12 Matthew J. Neubert
13 Director of Securities

14 Kunowski Temporary Order.doc (KCD)