

ORIGINAL



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April 27, 2004

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Arizona Corporation Commission  
1200 West Washington  
Phoenix, AZ. 85007

2004 APR 28 P 2: 22

AZ CORP COMMISSION  
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Dear Sir or Madam:

In reference to the "Temporary Order to Cease and Desist and Notice of Opportunity for Hearing" Docket No. S-03546A-04-0000, I hereby request a hearing in this matter. I believe the allegations contained in the Temporary Order document are inaccurate and false! I can provide signed affidavits from some of my investors to that effect.

My answers to the allegations are as follows:

Beginning with line 25 on page 2, the money that I raised came nowhere close to the \$1,304,954 that you have listed in this document. I was able to raise approximately \$200,000 for Precision Model and Design over a several year time frame. I was able to raise approximately \$425,000 for American Innovative Research, Inc. over a 4.5-year period prior to incorporating.

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Line 1, item 5. I had no knowledge that any securities had to be registered or that my subscription agreements constituted securities! I followed the directions of two attorneys in drafting the subscription agreements and I took the wording right from a book that the Small Business Administration gave me, namely: "The Entrepreneur". No one ever even mentioned registering securities, exemptions, limitations, etc. It was not until Fennemore Craig incorporated American Innovative Research that I was informed of any violation of any act! And then I under took steps toward rectifying the problem.

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Line 6 This is an untrue statement! I provided a disclosure page as part of my business plan!

Line 9, 10, 11, Item a. I told all of my potential subscribers to AIR what happened with the Atlanta project! It was a part of my presentation as to how my laser concept came about.

Line 12. The only litigation against me was from one of my investors in Precision Model and Design but it was for a personal loan that I could not repay in the time frame that I agreed to! It was not against the investment in PMD! Therefore I did not see any purpose in sharing this private matter.

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Line 14, Item b. I did not know at this time that the subscription agreements had to be licensed and registered.

Line 15. None of the investors received stock certificates because we did not get that far in the incorporation process yet. We did not receive the stock certificates from Fennemore Craig yet and then we failed to acquire phase two funding that would have made everything right!

Line 17, item c. I disclosed the purpose of the investment capital including the fact that my living expenses in the for of a salary would be drawn and treated as a loan to be paid in full with interest to the corporation from my salary and share in the profits when we received phase two funding.

Line 20, item c. The vacations that I took were paid for with money that I earned through completing several separate projects and a personal loan specific to that purpose!

Line 20 continued: Again, this amount is false!

Line 21, item c. As I have stated at the first hearing, some of the business receipts totaling approximately \$180,000 were either lost in the 4 address changes that I made during the 4.5 years of the laser endeavor or through some foul play when the receipts were in the hands of others in our organization on several occasions.

Line 23, item c. Since some of the receipts were missing, I stated that I would claim the unaccounted amount under my loans to be paid back to the corporation from my future salary!

Line 24, item c. The loans have not yet been repaid because we were unsuccessful in acquiring the phase two funding that would have put me on a salary of \$10,000 per month as the president of the company.

**Please note:** To anyone with knowledge of research and development of a new technology, the \$80,000 amount would be absurd when considering that a total of five different prototypes machines were developed in the 4.5 years of our business endeavor. Not withstanding the trial and error experimentation that I had to conduct, and that includes all of the research!

Line 25, item b. I am not an accountant and my record keeping leaves lots to be desired, I was totally concerned with the laser, consequently all receipts, business and personal went into boxes together, for future accounting. I had relocated four times in five years (I was leasing my homes) I told my core group that it was a real mess and that I would try to go through it all but that it would take time. I did provide the boxes of receipts and I gave them to several of our core group to help me go through them. If I seemed reluctant it was because I knew how many boxes there were and how disorganized they were. Also, my personal life was intermingled with all the business receipts, I am somewhat of

a private individual and I didn't necessarily want my private life with my children to be common knowledge. Would anybody?

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Line 1. Prior to incorporating, I could not open a separate business bank account because you have to provide either a business license or articles of incorporation before the bank will open an account. So I used my personal account and kept receipts.

Line 3, item c. My investors were my friends and acquaintances and these people brought their friends and acquaintances to share in our endeavor. None of us were knowledgeable as to what constituted a qualified and sophisticated investor. None of us even heard of these references before. The first time I heard these terms was when we incorporated with Fennemore Craig!

Line 5, item d. Every one that subscribed in the laser (with the exception of a few of the out of state investors that were family and friends of existing investors) came to my presentation and demonstration of the first prototype laser. No one in their right mind would mistake this machine made of surplus parts and components and without an encasement, for a production machine! They all knew and understood that our goal was to refine the technology and develop an "engineering" prototype that would then go into production after we raised the second phase funding necessary to actually go into business!

Line 9 through 16, item e. All the potential subscribers that were at the presentations witnessed the technologies that I intended to develop and pursue as our future products. The "light saber" that you refer to in this document was demonstrated and described as a possible future product if we were able to acquire a licensing agreement with "Lucas Film". I never stated or assumed that we would get a copy right for what would be a collector's item. My patent attorney Mr. Rich Ohne from Fennemore Craig, contacted the "George Lucas" people on our behalf and we were to follow up on the contact once we got the phase two funding!

I did research for "due diligence" for this potential product and at that time there was nothing like it! Please be informed that this was to be a possible future business undertaking along with other conceptual ideas that would spin off of our laser endeavor! No money was ever raised for this specific purpose!

Line 17, item f. Most of my investors subscribed when the goal was to produce a laser machine that would be very competitive in the market and I presented the logistics for the plan. However, after a majority vote at an investor meeting it was decided to pursue a new direction to develop a new technology laser machine that would establish a leading edge in the market leaving all of our competition behind. Everyone was made aware that this path would require considerable research and development and a longer time frame and it was unanimously agreed to!

Line 19, item g. Everyone of our subscribers were informed and understood that the mass production of our laser system would require significant funding derived from a "second phase" capital funding institution. That is why I was negotiating a \$3,000,000 investment to be provided by an "Institutional investor" associated with "The Remington Financial Group" in Scottsdale, AZ.

Line 21, no.8. I stated that I have invented a new laser system and designed a new multimedia exhibit concept that I plan to pursue through partnerships with specific existing companies that will assist with the development, sales and marketing of these new products. I also stated that I intend to reorganize and not only repay all of my previous investors their monetary investments with interest, but I intend to bring them all along in the new endeavor as it evolves, as part of my shares of ownership! No further investment will ever be asked of the PMD, Inc. and AIR, Inc. investors! In fact, I am already negotiating a potential partnership. No investment capital will be necessary. As soon as I'm on Salary, I will start to pay my heretofore-mentioned investors.

Article 4, Violation of A.R.S. 44-1841

Lines 9 through 10. I have not offered any securities to anyone for any of the corporations mentioned in this document since Fennemore Craig informed me of the mistake that were made in our early formation! Furthermore, the subscriptions that were negotiated were not registered because there was no knowledge that any registry was required by anybody! Of the several attorneys that I consulted with, none made any comments or instruction regarding any securities issues. Therefore none were assumed to exist!

Article 5, Violation of A.R.S. 44-1842

Lines 13 through 14. Once again, I had no knowledge, no indication, and no instruction that any violation of any laws was taking place! I had no reason to question the recommendations of the attorneys that I had contact with.

Article 6, Violation of A.R.S. 44-1991

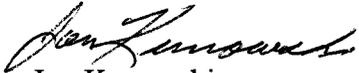
Lines 19 through 26 on page 5; lines 1 through 26 on page 6: and lines 1 through 11 on page 7. **I Jon Kunowski hereby state that at no time in any effort to create a successful business based on my viable ideas, concepts, and inventions, was any device, scheme, or artifice employed to make any untrue statements of material facts or to omit any material facts that would lead to any misleading information or contention that would be fraudulent or deceitful to my investors!**

I set on the path to create a business that would benefit my family and the families of my friends and maybe to make an affirmative difference to benefit this world in some way. I continued on this path with limited knowledge and experience but with a good heart and relentless determination to be a success, in the best tradition of the American spirit of innovation as exhibited throughout history. I admit to making many mistakes, but they were all honest mistakes and once again, in the best tradition of the American spirit! Although many of my investors are disenchanted with me because they are not aware of the facts, I am grateful for their original faith and trust in me. They actually invested in

me rather than in just a product. This is why I will never give up in the pursuit of our dream and eventually I will make it happen! It will come true for all of my investors! The ideas and concepts that I have been inspired with are all viable and attainable, but nothing worthwhile ever comes easy, quick, or cheap! With a little time, my efforts will change the lives of my friends and their families for the better, and the results will create jobs, new business, and significant revenue for our City and State. I may fall flat on my face in the process, but like all of the very successful and legitimate businessmen and women, I will persevere, learn from my mistakes and failures, and chase after this dream until it comes true. It's the American dream!

Insofar as all of the items under Article 6, a through g, are repetitive of the allegations in Article 3, that I have heretofore answered, I categorically deny the validity of each item!

Sincerely,



Jon Kunowski  
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