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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

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

OCT 20 2004

DOCKETED BY [Signature]

In the matter of

UNITY FINANCIAL, LLC an Arizona  
Limited Liability Corporation (LLC),  
3134 East McKellips, Unit 193  
Mesa AZ 85213

REX E. KUHN, an individual,  
3134 East McKellips, Unit 193  
Mesa AZ 85213

Respondents.

DOCKET NO. S-03555A-04-0000

DECISION NO. 67354

ORDER TO CEASE AND DESIST, ORDER  
OF RESTITUTION, ORDER FOR  
ADMINISTRATIVE PENALTIES AND  
CONSENT TO SAME BY RESPONDENT  
UNITY FINANCIAL, LLC AND BY  
RESPONDENT REX E. KUHN

RESPONDENT UNITY FINANCIAL, LLC ("UNITY") and RESPONDENT REX E. KUHN ("KUHN") (collectively "RESPONDENTS") elect to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 et seq. ("Securities Act") with respect to this Order To Cease And Desist, with respect to an Order Of Restitution, and with respect to Administrative Penalties and Consent to Same by Respondent Unity Financial, L.L.C. and Respondent Rex E. Kuhn ("Order"). RESPONDENTS UNITY and KUHN admit the jurisdiction of the Arizona Corporation Commission ("Commission"); neither admit nor deny the Findings of Fact and Conclusions of Law contained in this Order; and consent to the entry of this Order by the Commission.

I.

**FINDINGS OF FACT**

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3 1. Respondent KUHN is a resident of the state of Arizona, with a last known residence  
4 address at 3134 East McKellips, Unit 193, Mesa AZ 85213.

5 2. At all times material hereto, KUHN was not registered as a securities salesman nor  
6 licensed as an investment advisor in the State of Arizona.

7 3. UNITY is an Arizona limited liability company. At all times material hereto,  
8 UNITY was not registered as a securities broker/dealer in the State of Arizona.

9 4. KUHN is the named Manager for UNITY.

10 5. Between 1999 and the present, RESPONDENTS offered for sale and sold securities  
11 in the form of promissory notes within and from the State of Arizona. The securities in question  
12 were not registered, nor were they exempt from registration.

13 6. RESPONDENTS began soliciting investments from KUHN's family and friends in  
14 1999. The purpose of the investments was to allow RESPONDENTS to invest the money in the  
15 securities market. RESPONDENTS promised investors, through written contracts, a guaranteed  
16 return on their investments. RESPONDENTS issued to investors written promissory notes that  
17 indicated an interest rate of 10-40% per annum.

18 7. RESPONDENTS informed investors that they would be engaging in stock market  
19 investments.

20 8. RESPONDENTS engaged extensively in option trading in puts and calls. The  
21 trading was day trading and short term trading on margin. Day trading is a trading strategy in  
22 which the investor buys and sells securities in a very limited time frame. The purchase of options is  
23 speculative, day trading in securities is speculative, and trading on margin is speculative.  
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1 9. Throughout the vast majority of the course of operation of RESPONDENTS'  
2 business, RESPONDENTS used amounts invested by new investors to pay monies owed to earlier  
3 investors.

4 10. RESPONDENTS lost a substantial portion of their portfolio through poor  
5 investments, and further depleted their assets by using the monies to pay KUHN's personal expenses.

6 11. RESPONDENTS made untrue statements or misleading omissions of material facts,  
7 including, but not limited to, the following:

8 a) KUHN failed to advise all investors of his lack of experience in trading.

9 b) KUHN failed to advise all investors that neither KUHN nor UNITY was  
10 registered as a securities salesman or dealer.

11 c) RESPONDENTS failed to advise investors that the promissory notes were  
12 securities, and were required to be registered as such or exempt from registration under Arizona  
13 law.

14 d) RESPONDENTS failed to fully disclose to investors the substantial risks of  
15 their speculative trading.

16 e) RESPONDENTS failed to advise all investors that KUHN would use  
17 investor funds for his personal expenses.

18 f) RESPONDENTS materially misrepresented their cash flow and true  
19 financial condition regarding indebtedness.

20 g) RESPONDENTS consistently issued false statements to the investors  
21 indicating that their capital investment had been preserved and that interest was accruing on each  
22 investor's money, when in fact the money had been depleted by poor investments and through  
23 spending to support KUHN's personal expenses.  
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**III.****ORDER**

THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and RESPONDENTS' consent to the entry of this Order, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. § 44-2032, that RESPONDENTS, and any of RESPONDENTS' agents, employees, successors and assigns, permanently cease and desist from violating the Securities Act.

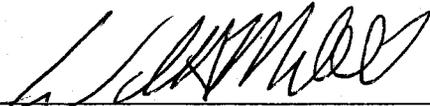
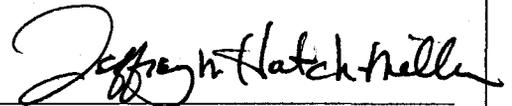
IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032 that RESPONDENTS shall, jointly and severally, pay restitution to investors shown on the records of the Commission in the amount of \$1,627,564.05, plus interest at the rate of 10% per annum from October 14, 2004 until paid in full. Payment shall be made as follows: \$50,000.00 immediately on October 14, 2004. The amount outstanding shall accrue interest at the rate of 10% per annum from October 14, 2004 until paid in full. Any remaining amount not paid on this date may be referred for possible collections without further Notice or Demand. Payment shall be made by cashier's check or money order payable to the "State of Arizona" to be placed in an interest-bearing account maintained and controlled by the Arizona Attorney General. The Arizona Attorney General shall disburse the funds on a pro rata basis to investors. Any funds that the Attorney General is unable to disburse shall revert to the State of Arizona. If RESPONDENTS do not comply with this Order of restitution, any outstanding balance shall be in default and shall be immediately due and payable.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036 that RESPONDENTS shall pay an administrative penalty in the amount of \$15,000.00. Payment shall be made in full by cashier's check or money order on the date of this Order, payable to the "State of Arizona." Any amount outstanding shall accrue interest at the rate of 10% per annum from October 14, 2004 until paid in full. The payment obligations for these administrative penalties shall be subordinate to any

1 restitution obligations ordered herein and shall become immediately due and payable only after  
2 restitution payments have been paid in full.

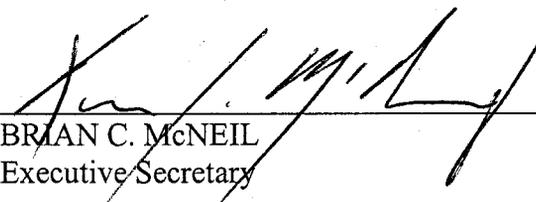
3 IT IS FURTHER ORDERED that this Order shall become effective immediately.

4 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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7 CHAIRMAN COMMISSIONER COMMISSIONER

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10 COMMISSIONER COMMISSIONER

11 IN WITNESS WHEREOF, I, BRIAN C. McNEIL,  
12 Executive Secretary of the Arizona Corporation  
13 Commission, have hereunto set my hand and caused the  
14 official seal of the Commission to be affixed at the  
15 Capitol, in the City of Phoenix, this 20<sup>th</sup> day of  
16 October, 2004.

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19 BRIAN C. McNEIL  
20 Executive Secretary

21 \_\_\_\_\_  
22 DISSENT

23 This document is available in alternative formats by contacting Yvonne L. McFarlin, Executive  
24 Assistant to the Executive Secretary, voice phone number 602-542-3931, E-mail  
25 [ymcfarlin@cc.state.az.us](mailto:ymcfarlin@cc.state.az.us).

26 (MMA)

**CONSENT TO ENTRY OF ORDER**

1  
2 1. RESPONDENT REX E. KUHN ("KUHN"), an individual, admits the jurisdiction of  
3 the Commission over the subject matter of this proceeding. KUHN acknowledges that he has been  
4 fully advised of his right to a hearing to present evidence and call witnesses and KUHN knowingly  
5 and voluntarily waives any and all rights to a hearing before the Commission and all other rights  
6 otherwise available under Article 11 of the Securities Act and Title 14 of the Arizona  
7 Administrative Code. KUHN acknowledges that this Order to Cease and Desist, Order of  
8 Restitution, Order for Administrative Penalties and Consent to Same by Respondent Unity  
9 Financial, LLC and by Respondent Rex E. Kuhn ("Order") constitutes a valid final order of the  
10 Commission.

11 2. KUHN knowingly and voluntarily waives any right under Article 12 of the Securities  
12 Act to judicial review by any court by way of suit, appeal, or extraordinary relief resulting from the  
13 entry of this Order.

14 3. KUHN acknowledges that he has been represented by counsel in this matter, he has  
15 reviewed this Order with his attorney and understands all terms it contains.

16 4. KUHN neither admits nor denies the Findings of Fact and Conclusions of Law  
17 contained in this Order. KUHN agrees that he shall not contest their validity in any present or  
18 future administrative proceeding before the Commission or any other state agency concerning the  
19 denial or issuance of any license or registration required by the State to engage in the practice of  
20 any business or profession.

21 5. By consenting to the entry of this Order, KUHN agrees not to take any action or to  
22 make, or permit to be made, any public statement denying, directly or indirectly, any Finding of  
23 Fact or Conclusion of Law in this Order or creating the impression that this Order is without  
24 factual basis. KUHN will undertake steps necessary to assure that all of his agents and employees  
25 understand and comply with this agreement.

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1           6. While this Order settles this administrative matter between KUHN and the  
2 Commission, KUHN understands that this Order does not preclude the Commission from  
3 instituting other administrative proceedings based on violations that are not addressed by this  
4 Order.

5           7. KUHN understands that this Order does not preclude the Commission from referring  
6 this matter to any governmental agency for administrative, civil, or criminal proceedings that may  
7 be related to the matters addressed by this Order.

8           8. KUHN understands that this Order does not preclude any other agency or officer of the  
9 state of Arizona or its subdivisions from instituting administrative, civil or criminal proceedings  
10 that may be related to matters addressed by this Order.

11           9. KUHN agrees that he will not apply to the state of Arizona for registration as a  
12 securities dealer or salesman or for licensure as an investment adviser or investment adviser  
13 representative at any time in the future.

14           10. KUHN agrees that he will not exercise any control over any entity that offers or sells  
15 securities or provides investment advisory services, within or from Arizona.

16           11. KUHN agrees that until restitution and penalties are paid in full, KUHN will notify the  
17 Director of the Securities Division within 30 days of any change in home address or any change in  
18 RESPONDENT KUHN's ability to pay amounts due under this Order.

19           12. KUHN understands that default shall render him liable to the Commission for its costs  
20 of collection and interest at the maximum legal rate.

21           13. KUHN consents to the entry of this Order and agrees to be fully bound by its terms and  
22 conditions. If KUHN breaches any provision of this Order, the Commission may vacate this Order  
23 and restore this case to its active docket.

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*Rex E Kuhn*

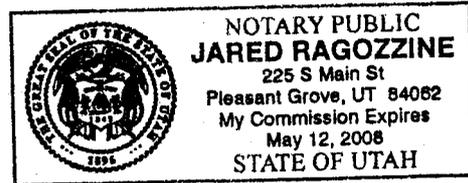
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REX E. KUHN

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4 SUBSCRIBED AND SWORN TO BEFORE me this 18 day of August, 2004.

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NOTARY PUBLIC

My Commission Expires:

05/08



**CONSENT TO ENTRY OF ORDER**

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2 14. RESPONDENT UNITY FINANCIAL, LLC (“UNITY”) admits the jurisdiction of the  
3 Commission over the subject matter of this proceeding. UNITY acknowledges that it has been  
4 fully advised of its right to a hearing to present evidence and call witnesses and UNITY knowingly  
5 and voluntarily waives any and all rights to a hearing before the Commission and all other rights  
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12 Act to judicial review by any court by way of suit, appeal, or extraordinary relief resulting from the  
13 entry of this Order.

14 16. UNITY acknowledges that it has been represented by counsel in this matter, has  
15 reviewed this Order with its attorney and understands all terms it contains.

16 17. UNITY neither admits nor denies the Findings of Fact and Conclusions of Law  
17 contained in this Order. UNITY agrees that it shall not contest their validity in any present or  
18 future administrative proceeding before the Commission or any other state agency concerning the  
19 denial or issuance of any license or registration required by the State to engage in the practice of  
20 any business or profession.

21 18. By consenting to the entry of this Order, UNITY agrees not to take any action or to  
22 make, or permit to be made, any public statement denying, directly or indirectly, any Finding of  
23 Fact or Conclusion of Law in this Order or creating the impression that this Order is without  
24 factual basis. UNITY will undertake steps necessary to assure that all of its agents and employees  
25 understand and comply with this agreement.

1           19. While this Order settles this administrative matter between UNITY and the  
2 Commission, UNITY understands that this Order does not preclude the Commission from  
3 instituting other administrative proceedings based on violations that are not addressed by this  
4 Order.

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22 conditions. If UNITY breaches any provision of this Order, the Commission may vacate this  
23 Order and restore this case to its active docket.

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1 27. KUHN represents that he is the Manager of UNITY and has been authorized by  
2 UNITY to enter into this Order for and on behalf of it. KUHN represents that he is authorized by  
3 law to enter into this Order for and on behalf of UNITY.

4 UNITY FIANCIAL LLC

5 *Rep E. Kuhn*

6  
7 By REX E. KUHN  
Its Manager

8 SUBSCRIBED AND SWORN TO BEFORE me this 18 day of August, 2004.

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10  
11 *[Signature]*  
NOTARY PUBLIC

12 My Commission Expires:

13 05/08

