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

BRIAN C. McNEIL
EXECUTIVE DIRECTOR

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ARIZONA CORPORATION COMMISSION

MEMORANDUM

TO: Jeff Hatch-Miller, Chairman
William A. Mundell
Marc Spitzer
Mike Gleason
Kristin K. Mayes

FROM: Matthew J. Neubert *[Signature]*
Director of Securities

DATE: June 6, 2006

RE: Proposed Settlement Agreement and Order for H. Jon Kunowski, a single man, individually and doing business as Precision Model & Design, Inc., a defunct Arizona corporation, Air Lase, Inc., a defunct Arizona corporation, and American Innovative Research, Inc., a defunct Arizona corporation (State of Arizona, Maricopa County Superior Court case no. CV-2004-010042)/Arizona Corporation Commission Docket No. S-03546A-04-0000

CC: Brian C. McNeil, Executive Director

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AZ CORP COMMISSION
DOCUMENT CONTROL

The Commission issued a temporary cease order and notice of opportunity for hearing against H. Jon Kunowski, a single man, individually and doing business as Precision Model & Design, Inc., a defunct Arizona corporation, Air Lase, Inc., a defunct Arizona corporation, and American Innovative Research, Inc., a defunct Arizona corporation (collectively, "Kunowski") on March 30, 2004 (TC&D"). The TC&D alleges that Kunowski offered and sold securities in the form of shares of stock or investment contracts in his now defunct entities while neither Kunowski nor the securities were registered or exempt from registration in violation of A.R.S. §44-1841 and A.R.S. §44-1842. The TC&D also alleges that Kunowski violated A.R.S. §44-1991 in the offer and sale of these securities.

During its continued investigation following the issuance of the TC&D, the Securities Division elicited evidence that Kunowski continued to sell securities in violation of the Securities Act. The Securities Division requested authority from the Commission to file a complaint in Maricopa County Superior Court for adjudication of Kunowski's contempt of the TC&D as well as the activities alleged therein. This administrative proceeding was stayed, and on May 24, 2004, the Commission filed a complaint in superior court.

Before you is a proposed Settlement Agreement and Order which resolves the administrative proceeding and civil litigation. The Settlement Agreement and Order finds that Kunowski admits that he violated A.R.S. §44-1841 and §44-1842 by selling unregistered securities while being unlicensed. It also finds that, while neither admitting nor denying same, Kunowski violated A.R.S. § 44-1991 and the TC&D.

Under the terms of the Settlement Agreement, Kunowski agrees to the proposed form of documents attached to this memorandum. In addition, pursuant to the terms of the Settlement Agreement and Order, Kunowski agrees to: (1) the entry of a permanent injunction from violating the Arizona Securities Act; (2) the payment of restitution in the amount of \$778,000.00; (3) the payment of a civil penalty of \$20,000 for violating the TC&D; and (4) the payment of a civil penalty of \$50,000 to be reduced to \$20,000 upon the full satisfaction of the payment of restitution and the civil penalty for contempt. Upon approval by the Commission, the Stipulation for Entry of Judgment (Exhibit "A" to the Settlement Agreement and Order) and Judgment (Exhibit "B" to the Settlement Agreement and Order) will be lodged with the Superior Court.

This settlement would resolve the matter between the Commission and Kunowski.

Originator: Julie Coleman

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 JEFF HATCH-MILLER, Chairman
4 WILLIAM A. MUNDELL
5 MARC SPITZER
6 MIKE GLEASON
7 KRISTIN K. MAYES

8 In the matter of:

9 H. JON KUNOWSKI
10 8941 W. Marconi
11 Peoria, AZ 85382

12 PRECISION MODEL & DESIGN, INC.
13 8941 W. Marconi
14 Peoria, AZ 85382

15 AIR LASE, INC.
16 8941 W. Marconi
17 Peoria, AZ 85382

18 AMERICAN INNOVATIVE RESEARCH,
19 INC.
20 8941 W. Marconi
21 Peoria, AZ 85382

22 Respondents.

)
) Docket No. S-03546A-04-0000

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) DECISION NO. _____

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) **SETTLEMENT AGREEMENT AND**
) **ORDER**

)
) **RE: H. JON KUNOWSKI, a single man,**
) **individually and doing business as**
) **PRECISION MODEL & DESIGN, INC., a**
) **former Arizona corporation, AIR LASE,**
) **INC., a former Arizona corporation, AND**
) **AMERICAN INNOVATIVE RESEARCH,**
) **INC., a former Arizona corporation**

23 **I. SETTLEMENT AGREEMENT**

24 1. On May 24, 2004, Plaintiff, the Arizona Corporation Commission ("Commission"),
25 filed a complaint ("Complaint") in the cause of *Arizona Corporation Commission v. H. Jon*
26 *Kunowski, et al.*, case no. CV2004-010042, with the Superior Court in Maricopa County, Arizona
against Defendants, H. Jon Kunowski, individually and doing business as Precision Model &
Design, Inc., a former Arizona corporation, Air Lase, Inc., a former Arizona corporation, and
American Innovative Research, Inc., a former Arizona corporation, (collectively, "Kunowski")
("Lawsuit").

2. This Settlement Agreement has been entered into and accepted by the Commission

1 and Kunowski for the purpose of settling any and all claims of the Commission arising out of the
2 facts related to the allegations contained in the Complaint and the Administrative Action, Docket
3 S-03546A-04-0000, pending before the Commission related to the same activities set forth in the
4 Complaint (the "Administrative Proceeding").

5 3. Kunowski admits the jurisdiction of the Superior Court over the subject matter of
6 the Lawsuit.

7 4. In settlement of the Lawsuit, Kunowski knowingly and voluntarily elects to
8 permanently waive his right to a trial of the Lawsuit

9 5. Kunowski consents to the entry of the proposed judgment attached as Exhibit B to
10 this Settlement Agreement ("Judgment").

11 6. Kunowski admits that he offered and sold securities in the form of shares of stock or
12 investment contracts in Precision Model and Design, Inc., a defunct Arizona corporation, Air Lase,
13 Inc., a defunct Arizona corporation, and American Innovative Research, Inc., a defunct Arizona
14 corporation (collectively, the "Securities"), while the Securities were not registered and was
15 Kunowski was not registered to offer and sell the Securities in violation of A.R.S. § 44-1841 and
16 A.R.S. §44-1842.

17 7. Kunowski neither admits nor denies that he violated A.R.S. §44-1991, either
18 directly or indirectly, when he offered and sold the Securities. The Commission alleges that
19 Kunowski employed devices, schemes or artifices to defraud, made untrue statements of material fact
20 or omitted to state material facts which were necessary in order to make the statements made not
21 misleading in light of the circumstances under which they were made and/or engaged in any
22 transaction, practice or course of business which operated or would operate as a fraud or deceit when
23 Kunowski offered and sold the Securities.

24 8. Kunowski neither admits nor denies that he violated a Temporary Cease and Desist
25 Order of the Commission issued on March 30, 2004 in the Administrative Proceeding
26 ("Commission Order").

1 9. Pursuant to A.R.S. § 44-2032, Kunowski agrees that he, including any of his agents,
2 employees, successors and assigns, shall permanently be enjoined from violating the Securities
3 Act, A.R.S. § 44-1801 *et seq.*

4 10. Pursuant to A.R.S. §44-2032, Kunowski shall pay to the Commission restitution in
5 the amount of \$778,000.00. The Commission shall disburse the funds on a pro rata basis to
6 investors shown on the records of the Commission. Any funds that the Commission determines it
7 is unable to or cannot feasibly disburse shall be transferred to the general fund of the state of
8 Arizona.

9 11. Pursuant to A.R.S. § 44-2032, a civil penalty for contempt of the Commission
10 Order shall be imposed against Kunowski in the amount of \$20,000.

11 12. Pursuant to A.R.S. § 44-2037, a civil penalty shall be imposed against Kunowski in
12 the amount of \$50,000. The civil penalty will be reduced to \$20,000 if restitution and the civil
13 penalty for contempt of the Commission Order are fully paid.

14 13. All payments for restitution and civil penalties shall be made to the "State of
15 Arizona."

16 14. Any amount outstanding for restitution and civil penalties shall accrue interest at
17 the rate of ten percent (10%) per annum from the date of the entry of the Judgment.

18 15. Kunowski understands and acknowledges his right to seek counsel regarding this
19 Settlement Agreement, and that he has had the opportunity to seek counsel prior to signing this
20 Settlement Agreement. Kunowski acknowledges and agrees that, despite the foregoing, he freely
21 and voluntarily waives any and all right to consult or obtain counsel prior to signing this
22 Settlement Agreement.

23 16. Kunowski agrees that he has read this Settlement Agreement in its entirety and fully
24 understands the contents.

25 17. Kunowski acknowledges and agrees that this Settlement Agreement is entered into
26 freely and voluntarily and that no promise was made or coercion or duress of any kind was used to

1 induce such entry.

2 18. Kunowski acknowledges that he has been fully advised of his right to a trial to
3 present evidence and call witnesses, and he knowingly and voluntarily waives any and all rights to
4 a trial of this matter.

5 19. Kunowski knowingly and voluntarily waives any right he may have under to
6 judicial review by any court by way of suit, appeal, or extraordinary relief resulting from the entry
7 the Judgment.

8 20. By consenting to the entry of the Judgment, Kunowski agrees to refrain from taking
9 any action or to making, or permitting to be made, any public statement denying, directly or
10 indirectly, or calculated to create the impression that the legal conclusions contained in Paragraphs
11 6, 7, and 8 of this Settlement Agreement are without merit.

12 21. While this Settlement Agreement resolves the Administrative Proceeding and
13 Lawsuit between Kunowski and the Commission, Kunowski understand that this Order does not
14 preclude the Commission from instituting other administrative or civil proceedings based on
15 violations that are not addressed by the Administrative Proceeding and Lawsuit.

16 22. Kunowski understands that this Settlement Agreement does not preclude the
17 Commission from referring this matter to any governmental agency for administrative, civil, or
18 criminal proceedings that may be related to the matters addressed by the Administrative
19 Proceeding and Lawsuit.

20 23. Kunowski understands that this Settlement Agreement does not preclude any other
21 agency or officer of any governmental agency or its subdivisions from instituting administrative,
22 civil or criminal proceedings that may be related to matters addressed by this Settlement
23 Agreement, Administrative Proceeding and Lawsuit.

24 24. Kunowski agrees that he will not exercise any control over any entity that offers or
25 sells securities or provides investment advisory services, within or from Arizona.

26 25. Kunowski understands that default shall render him liable to the Commission for its

1 costs of collection and interest at the legal rate determined by law.

2 26. Each party shall bear its own attorneys' fees and costs.

3 27. Kunowski acknowledges that this Settlement Agreement must be approved by the
4 Commission at a noticed Open Meeting.

5 28. The Commission and Kunowski agree that upon approval of this Settlement
6 Agreement by the Commission, counsel for the Commission shall cause to be filed the attached
7 Stipulation to Entry of Judgment (Exhibit A to this Agreement) and Judgment (Exhibit B to this
8 Agreement).

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H. Jon Kunowski
H. Jon Kunowski, a single man, individually and
doing business as Precision Model and Design,
Inc., Air Lase, Inc., and American Innovative
Research, Inc.

SUBSCRIBED AND SWORN TO BEFORE me this 7 day of JUNE, 2006.

Ronald R. Clark
NOTARY PUBLIC

My Commission Expires:



Notary Public State of Arizona
Maricopa County
Ronald R. Clark
Expires May 05, 2007

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II. ORDER

The Arizona Corporation Commission ("Commission") having reviewed the Settlement Agreement entered into between H. Jon Kunowski, individually and doing business as Precision Model & Design, Inc., a defunct Arizona corporation, Air Lase, Inc., a defunct Arizona corporation, and American Innovative Research, Inc., a defunct Arizona corporation, (collectively, "Kunowski") and the Securities Division of the Commission ("Division") and finding the Settlement Agreement to be in the public interest, the Commission finds that the following Order is appropriate and in the public interest:

IT IS ORDERED that the Settlement Agreement between the Commission and Kunowski is approved.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2006.

BRIAN C. McNEIL
Executive Director

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DISSENT

DISSENT

This document is available in alternative formats by contacting Linda Hogan, Executive Assistant to the Executive Director, voice phone number 602-542-3931, E-mail lhogan@azcc.gov.

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EXHIBIT "A"

**[See attached Stipulation for Entry of Judgment and
Notice of Entry of Stipulated form of Judgment]**

1 ARIZONA CORPORATION COMMISSION
Julie Coleman (#018288)
2 1300 West Washington, 3rd Floor
Phoenix, Arizona 85007
3 Attorney for Plaintiff
Telephone: (602) 542-0639
4 Fax: (602) 594-7427

5 IN THE SUPERIOR COURT OF THE STATE OF ARIZONA
6 IN AND FOR THE COUNTY OF MARICOPA

7 ARIZONA CORPORATION COMMISSION,)
)
8 Plaintiff,)
)
9 v.)
)
10 H. JON KUNOWSKI, a single man; PRECISION)
MODEL AND DESIGN, INC., a former Arizona)
11 corporation; AIR LASE, INC., a former Arizona)
corporation; AMERICAN INNOVATIVE)
12 RESEARCH, INC., a former Arizona corporation;)
JOHN DOES I-V; JANE DOES I-V; WHITE)
13 CORPORATIONS I-V; BLACK)
PARTNERSHIPS I-V; and XYZ LIMITED)
14 LIABILITY COMPANIES I-V,)
)
15 Defendants.)

No. CV2004-010042

STIPULATION FOR ENTRY OF
JUDGMENT AND
NOTICE OF LODGING OF
STIPULATED FORM OF JUDGMENT

(Assigned to Hon. Glenn Davis)

17 Plaintiff, Arizona Corporation Commission ("Commission"), and Defendants, H. Jon
18 Kunowski, individually and doing business as Precision Model and Design, Inc., a former Arizona
19 corporation, Air Lase, Inc., a former Arizona corporation, and American Innovative Research, Inc.,
20 a former Arizona corporation ("collectively, "Kunowski"), hereby stipulate to entry of judgment in
21 favor of the Commission and against Kunowski, in the form attached hereto as Exhibit "A"
22 ("Judgment").

23 The parties further give notice that they have this day lodged with the court a form of
24 Judgment for signature by the Court.

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RESPECTFULLY SUBMITTED this ____ day of May, 2006.

ARIZONA CORPORATION COMMISSION

By _____
Julie A. Coleman
Attorney for Plaintiff

H. Jon Kunowski, individually and doing
business as Precision Model and Design, Inc.,
Air Lase, Inc., and American Innovative
Research, Inc.
8941 West Marconi
Peoria, Arizona 85382
Defendants

ORIGINAL of the foregoing filed
the _____ day of May, 2006 with:

Clerk of the Court
Maricopa County Superior Court
201 W. Jefferson St., 1st Floor
Phoenix, Arizona 85003

COPY of the foregoing was hand-delivered
the _____ day of May, 2006 to:

The Honorable Glenn M. Davis
Maricopa County Superior Court
101 West Jefferson [ECB], Room 611
Phoenix, Arizona 85003

COPY of the foregoing was mailed
the _____ day of May, 2006 to:

H. Jon Kunowski
8941 West Marconi
Peoria, Arizona 85382
Defendants

By: _____

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EXHIBIT "B"

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[See attached Judgment]

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1 **ARIZONA CORPORATION COMMISSION**
2 Julie Coleman (#018288)
3 1300 West Washington, 3rd Floor
4 Phoenix, Arizona 85007
5 Attorney for Plaintiff
6 Telephone: (602) 542-0639
7 Fax: (602) 594-7427

8 **IN THE SUPERIOR COURT OF THE STATE OF ARIZONA**
9 **IN AND FOR THE COUNTY OF MARICOPA**

10 ARIZONA CORPORATION COMMISSION,)
11)
12 Plaintiff,)
13)
14 v.)
15)
16 H. JON KUNOWSKI, a single man; PRECISION)
17 MODEL AND DESIGN, INC., a former Arizona)
18 corporation; AIR LASE, INC., a former Arizona)
19 corporation; AMERICAN INNOVATIVE)
20 RESEARCH, INC., a former Arizona)
21 corporation; JOHN DOES I-V; JANE DOES I-V;)
22 WHITE CORPORATIONS I-V; BLACK)
23 PARTNERSHIPS I-V; and XYZ LIMITED)
24 LIABILITY COMPANIES I-V,)
25)
26 Defendants.)

No. CV2004-010042

JUDGMENT

RE: H. JON KUNOWSKI, a single man, individually and doing business as PRECISION MODEL AND DESIGN, INC., a former Arizona corporation, AIR LASE, INC., a former Arizona corporation, and AMERICAN INNOVATIVE RESEARCH, INC., a former Arizona corporation

(Assigned to Hon. Glenn Davis)

Upon stipulation of Plaintiff, Arizona Corporation Commission, and Defendants, H. Jon Kunowski, individually and doing business as Precision Model and Design, Inc., a former Arizona corporation, Air Lase, Inc., a former Arizona corporation, and American Innovative Research, Inc. (collectively, "Kunowski"), and good cause appearing:

IT IS HEREBY ORDERED that pursuant to A.R.S. § 44-2032, Kunowski shall be permanently enjoined from violations of the Arizona Securities Act, A.R.S. § 44-1801 *et seq.*

IT IS FURTHER ORDERED that pursuant to A.R.S. § 44-2032, Kunowksi shall pay to the Commission restitution in the amount of \$778,000.00. The Commission shall disburse the

1 funds on a pro rata basis to investors shown on the records of the Commission. Any funds that
2 the Commission determines it is unable to or cannot feasibly disburse shall be transferred to the
3 general fund of the state of Arizona.

4 IT IS FURTHER ORDERED that pursuant to A.R.S. § 44-2032, a civil penalty for
5 contempt of Temporary Cease and Desist Order of the Commission issued on March 30, 2004
6 shall be imposed against Kunowski in the amount of \$20,000.

7 IT IS FURTHER ORDERED that pursuant to A.R.S. § 44-2037, a civil penalty shall be
8 imposed against Kunowski in the amount of \$50,000. The civil penalty will be reduced to
9 \$20,000 if restitution and the civil penalty for contempt are fully paid.

10 IT IS FURTHER ORDERED that the Commission and Kunowski shall bear their own
11 attorneys' fees and costs.

12 IT IS FURTHER ORDERED that interest shall accrue on any amount of monies due and
13 owing by Kunowski hereunder at the legal rate of ten percent (10%) per annum from date of
14 entry of this Judgment until fully paid.

15 IT IS FURTHER ORDERED that the Superior Court of the State of Arizona, Maricopa
16 County, shall have continuing jurisdiction and venue over any and all actions, including an
17 application for an Order of Contempt, related to the enforcement of the Settlement Agreement and
18 Order and this Judgment.

19 DONE IN OPEN COURT this _____ day of _____, 2006.

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By: _____
Judge of the Superior Court

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