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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

JUN 26 2006

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

DOCKETED BY [Signature]

In the matter of:

)  
) Docket No. S-03546A-04-0000  
)  
)  
) DECISION NO. 68790  
)  
) 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

H. JON KUNOWSKI  
8941 W. Marconi  
Peoria, AZ 85382  
  
PRECISION MODEL & DESIGN, INC.  
8941 W. Marconi  
Peoria, AZ 85382

AIR LASE, INC.  
8941 W. Marconi  
Peoria, AZ 85382

AMERICAN INNOVATIVE RESEARCH,  
INC.  
8941 W. Marconi  
Peoria, AZ 85382

Respondents.

I. SETTLEMENT AGREEMENT

1. On May 24, 2004, Plaintiff, the Arizona Corporation Commission ("Commission"), filed a complaint ("Complaint") in the cause of *Arizona Corporation Commission v. H. Jon 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

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

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

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

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

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

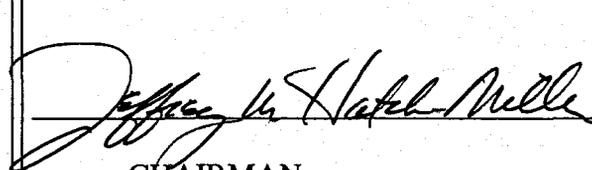
**II. ORDER**

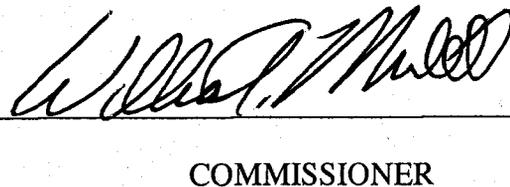
The Arizona Corporation Commission ("Commission") having reviewed the Settlement Agreement entered into between H. Jon Kunowski, individually and doing business as Precision Model & Design, Inc., a defunct Arizona corporation, Air Lase, Inc., a defunct Arizona corporation, and American Innovative Research, 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.

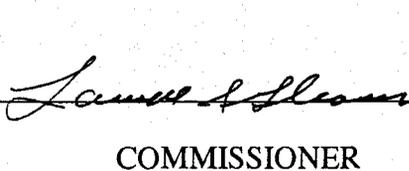
IT IS FURTHER ORDERED that this Order shall become effective immediately.

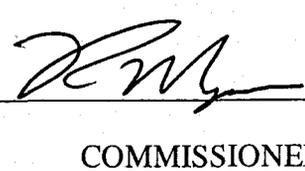
**BY ORDER OF THE ARIZONA CORPORATION COMMISSION**

  
CHAIRMAN

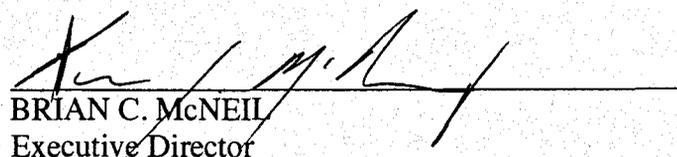
  
COMMISSIONER

  
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 23rd day of June, 2006.

  
BRIAN C. McNEIL  
Executive Director

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**DISSENT**

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**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](mailto: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, 3<sup>rd</sup> 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.

25 ...  
26 ...

1 RESPECTFULLY SUBMITTED this \_\_\_\_ day of May, 2006.

3 ARIZONA CORPORATION COMMISSION

4  
5 By \_\_\_\_\_  
6 Julie A. Coleman  
7 Attorney for Plaintiff

8 \_\_\_\_\_  
9 H. Jon Kunowski, individually and doing  
10 business as Precision Model and Design, Inc.,  
11 Air Lase, Inc., and American Innovative  
12 Research, Inc.  
13 8941 West Marconi  
14 Peoria, Arizona 85382  
15 Defendants

12 ORIGINAL of the foregoing filed  
13 the \_\_\_\_\_ day of May, 2006 with:

14 Clerk of the Court  
15 Maricopa County Superior Court  
16 201 W. Jefferson St., 1<sup>st</sup> Floor  
17 Phoenix, Arizona 85003

18 COPY of the foregoing was hand-delivered  
19 the \_\_\_\_\_ day of May, 2006 to:

20 The Honorable Glenn M. Davis  
21 Maricopa County Superior Court  
22 101 West Jefferson [ECB], Room 611  
23 Phoenix, Arizona 85003

24 COPY of the foregoing was mailed  
25 the \_\_\_\_\_ day of May, 2006 to:

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

By: \_\_\_\_\_

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**EXHIBIT "B"**

**[See attached Judgment]**

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

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

8 ARIZONA CORPORATION COMMISSION, )

9 Plaintiff, )

10 v. )

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

16 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)

17  
18 Upon stipulation of Plaintiff, Arizona Corporation Commission, and Defendants, H. Jon  
19 Kunowski, individually and doing business as Precision Model and Design, Inc., a former Arizona  
20 corporation, Air Lase, Inc., a former Arizona corporation, and American Innovative Research, Inc.  
21 (collectively, "Kunowski"), and good cause appearing:

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

24 IT IS FURTHER ORDERED that pursuant to A.R.S. § 44-2032, Kunowksi shall pay to  
25 the Commission restitution in the amount of \$778,000.00. The Commission shall disburse the  
26

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.

20  
21  
22 By: \_\_\_\_\_  
23 Judge of the Superior Court