

STATE OF HAWAII

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

In the Matter of:) Case No. SEU-2006-025
)
KEITH K. CUMMINGS; and) PRELIMINARY ORDER TO
INKJET PLUS INC.,) CEASE AND DESIST; NOTICE OF
) RIGHT TO HEARING
)
)
Respondents.)
)
_____)

PRELIMINARY ORDER TO CEASE AND DESIST AGAINST RESPONDENTS
KEITH K. CUMMINGS and INKJET PLUS INC.

I. STATEMENT OF APPLICABLE STATUTORY LAW

Pursuant to the authority granted by Chapters 485 and 485A of the Hawaii Revised Statutes (“HRS”), the rules and orders adopted thereunder, and other applicable authority, the Commissioner of Securities of the State of Hawai‘i (“Commissioner”) has conducted a preliminary investigation into the activities of the above-named respondents to determine if they have engaged in any act or practice constituting a violation of HRS Chapters 485 and HRS Chapter 485A or any rule or order adopted thereunder or are about to engage in any act or practice constituting a violation of HRS Chapter 485A or any rule or order adopted thereunder. HRS Chapter 485A succeeded HRS Chapter 485 on July 1, 2008.

Based on the results of the preliminary investigation, the Commissioner believes that the above-named respondents have violated HRS Chapter 485 as follows:

II. STATEMENT OF JURISDICTION

The Commissioner has jurisdiction over this matter as this case involves securities-related activities under HRS Chapter 485.

III. RESPONDENTS

1. At all relevant times herein, Respondent Keith K. Cummings (“**Cummings**”) was a resident of the State of Hawai‘i.

2. Inkjet Plus Inc. (“**Inkjet Plus**”) was a Hawai‘i corporation from its date of incorporation on May 26, 2004, until the date of its involuntary dissolution on December 7, 2007. Inkjet Plus’ last registered mailing address was at 670 Auahi Street, Suite A 12, Honolulu, Hawai‘i 96813.

3. Cummings and Inkjet Plus are hereinafter collectively referred to as “**Respondents.**”

IV. STATEMENT OF FACTS AND ALLEGATIONS

4. Beginning as early as June 17, 2004, through at least October 22, 2004, Respondents solicited and sold securities to Hawai‘i residents in the form of Inkjet Plus stock.

5. Cummings told investors that he was forming a corporation called Inkjet Plus, which would be in the business of refilling inkjet printer cartridges. He promoted the corporation to potential investors, stating that Inkjet Plus retail outlets would be opening soon on Oahu and Maui. He aggressively pitched the sale of shares in the new company, describing the printer cartridge refill industry as “hot.”

6. Cummings further enticed investors by describing his aspirations for Inkjet Plus, such as his plans to obtain large contracts with the University of Hawai‘i and other government agencies and his hopes that Inkjet Plus would someday be purchased by a larger company.

7. Cummings told some investors that their Inkjet Plus shares would yield impressive returns. Cummings told one investor that Inkjet Plus stock would triple in value, and he told another investor that he would receive a return of ten times his investment.

8. Despite not being registered to do so, Respondents solicited and received at least \$56,560 from seven Hawai‘i investors (“Investor One” through “Investor Seven,” individually; or together, the “**Investors**”) in exchange for shares of Inkjet Plus stock as follows:

- a. Investor One purchased four shares of Inkjet Plus stock for \$8,320.
- b. Investor Two purchased two shares of Inkjet Plus stock for \$6,000.
- c. Investor Three purchased two shares of Inkjet Plus stock for \$6,000.
- d. Investor Four purchased two shares of Inkjet Plus stock for \$6,000.
- e. Investor Five purchased three shares of Inkjet Plus stock for \$9,000.
- f. Investor Six purchased five shares of Inkjet Plus stock for \$15,000.
- g. Investor Seven purchased four shares of Inkjet Plus stock for \$6,240.

9. The Investors believed that all of their investment monies would be used for Inkjet Plus’ expenses. They were not made aware that Cummings would be paid or given commissions or other remunerations, directly or indirectly, for effecting the sales or purchases of Inkjet Plus stock. But in fact, as Cummings received money from Investors, he siphoned off funds for his personal expenses almost immediately. For example, in 2004, Cummings made numerous

ATM withdrawals from Investors' monies and spent Investors' funds at Dave and Busters, a grocery store, and a retail store.

10. Respondents left the Investors clueless about the misuse of their investment monies and about Inkjet Plus' business operations and finances. However, Investor Six became curious about Inkjet Plus' financial health and asked to view its accounting records. Such a review could have exposed Cummings' use of Investor monies for personal expenses and his commingling of personal and business funds. Predictably, Cummings denied Investor Six's requests and then sought to distract Investor Six from his inquiry about Inkjet Plus' finances by telling him that if the business needed money in the future, Cummings had money "put aside" to cover shortfalls.

11. Despite mismanagement of Inkjet Plus' funds, Cummings appeared to be fulfilling his dreams for the business when he opened a store at the Pearl Kai Shopping Center in Aiea, Hawai'i, in the spring of 2005. The dream was short-lived, however, when the store closed a month later. In a letter dated July 8, 2005, Respondents informed Investor Two that Inkjet Plus had moved to a warehouse and closed the Pearl Kai Shopping Center store because it was losing too much money to sustain itself.

12. On December 7, 2007, Inkjet Plus was administratively dissolved. Inkjet Plus did not file annual reports for years 2005 to 2007.

13. The Investors never received the returns from their Inkjet Plus stock as promised by Respondents.

14. Respondents, collectively or individually, as described herein below, made the following untrue statements of material fact and material omissions in connection with the offer

and/or sale of Inkjet Plus stock, and as a result of, but not limited to, the following misrepresentations and omissions, the Investors were induced into purchasing Inkjet Plus stock:

a. Cummings falsely promised Investors that they would receive impressive gains as follows: he told Investor Three that he would receive returns of ten times his investment; he told Investor Two that his shares of Inkjet Plus stock would soon triple in value; and, he told Investor One that his investment would pay returns, but did not specify the amount of such returns. None of these Investors received the promised returns.

b. Cummings failed to disclose to the Investors that he would use their investment funds for his personal non-business expenses, including ATM withdrawals and purchases at a grocery store, a retail store, and Dave and Buster's.

c. Respondents failed to disclose that shares of Inkjet Plus were securities as defined by HRS § 485-1(13) that were required to be registered with the Office of the Securities Commissioner ("**Office of the Commissioner**"), and were not registered or exempt from registration, pursuant to HRS Chapter 485.

d. Respondents failed to disclose that Cummings was not registered as a securities salesperson with the Office of the Commissioner and was not exempt from registration, pursuant to HRS Chapter 485.

15. In furtherance of the offer, purchase, and/or sale of Inkjet Plus stock, Respondents employed devices, schemes or artifices to defraud and engaged in acts, practices, or courses of business to operate as a fraud or deceit upon the Investors, as evident in the acts described hereinabove.

V. PRELIMINARY CONCLUSIONS OF LAW

16. The facts and allegations in paragraphs 1 through 15, inclusive, are realleged and incorporated herein in their entirety.

17. At all relevant times herein, the shares of Inkjet Plus stock sold to Investors One through Seven as described hereinabove were securities in the form of stock within the meaning of HRS § 485-1(13), and other applicable authority, and were required to be registered with the Office of the Commissioner.

18. At all relevant times herein, the securities that Respondents sold to Investors One through Seven were not registered with the Office of the Commissioner, nor were they exempted from registration, in violation of HRS § 485-8.

19. Cummings' offer to sell and/or sale of the above-described securities to Investors One through Seven constitute securities transactions in the State of Hawai'i by an unregistered salesperson in violation of HRS § 485-14.

20. In connection with the offer, sale, or purchase of securities, Respondents employed a device, scheme, or artifice to defraud, and engaged in acts, practices, or a course of business that operated as a fraud or deceit upon the Investors, in violation of HRS §§ 485-25(a)(1) and (3).

21. In connection with the offer, sale, or purchase of securities, Respondents misrepresented and/or omitted material facts to the Investors, in violation of HRS §§ 485-25(a)(2) and (3).

VI. PRELIMINARY ORDER TO CEASE AND DESIST

NOW THEREFORE, pursuant to HRS § 485-18.7, because of the aforementioned findings and/or because it is found that this action is necessary and in the public interest for the protection of investors, IT IS HEREBY ORDERED that:

1. Respondents shall CEASE AND DESIST from making any offer to sell, solicitation to purchase, sale of and/or transfer of the above-described securities, or any other security, within, to or from the State of Hawai‘i;

2. All contracts regarding the purchase or sale of the aforesaid securities by Respondents to Hawai‘i investors, including the Investors or any similarly situated investor, are hereby rescinded effective immediately. Respondents, jointly and severally, shall refund to said investors all monies or other compensation paid, plus interest on the amounts of monies or other compensation calculated at the same rate of ten percent (10%) per annum from the date of the investment to the date of the refund payment until fully paid, minus amounts already paid to said investors. Said payments shall be made within thirty (30) days of the date of the Commissioner’s Final Order (“**Final Order**”). Proof of said payments shall be provided to the Securities Enforcement Branch within thirty (30) days of the date of the Final Order. An investor may elect not to rescind the transaction and must do so by written notification to the Securities Enforcement Branch at Department of Commerce and Consumer Affairs, State of Hawai‘i, P.O. Box 40, Honolulu, Hawai‘i 96810;

3. Respondents shall be liable to pay the State of Hawai‘i, Department of Commerce and Consumer Affairs, Business Registration Division, a PENALTY in the sum of FIFTY

THOUSAND AND NO/100 DOLLARS (\$50,000.00) plus interest on the unpaid balance thereof at the rate of ten percent (10%) per annum from the date of the Final Order until finally paid. Payment of this penalty shall be made by cashier's check or certified check made payable to the "Department of Commerce and Consumer Affairs Compliance Resolution Fund" and received by the Commissioner within thirty (30) days of the date of the Final Order;

4. Respondents are PERMANENTLY BARRED as agents, broker-dealers, investment advisers and/or investment adviser representatives from the date of the Final Order and from applying for registration in the State of Hawai'i as agents, broker-dealers, investment advisers and/or investment adviser representatives from the date of the Final Order under HRS Chapter 485A and any successor statutes;

5. Each Respondent shall be subject to a penalty of not more than ONE HUNDRED THOUSAND AND NO/100 DOLLARS (\$100,000.00) per violation for each and every violation of this Preliminary Order to Cease and Desist ("**Preliminary Order**") or any order of the Commissioner issued pursuant to HRS § 485-18.7;

6. Each Respondent shall be subject to a penalty of not more than FIFTY THOUSAND AND NO/100 DOLLARS (\$50,000.00) per each and every violation of HRS Chapter 485A or any order of the Commissioner issued pursuant to HRS § 485A-604; and

7. The imposition of this Preliminary Order shall not preclude or prevent in any way the imposition of further sanctions or other actions against Respondents or any other party for violations of HRS Chapters 485 and/or 485A, or its successor.

NOTICE OF RIGHT TO HEARING

YOU ARE HEREBY NOTIFIED that you may request a hearing on this matter within thirty (30) days after the date of service of this Preliminary Order pursuant to HRS § 485-18.7(b). Your request must be in writing and addressed to: the Office of Administrative Hearings (“OAH”), Department of Commerce and Consumer Affairs, State of Hawai‘i, P.O. Box 541, Honolulu, Hawai‘i 96809.

A copy of your request must be simultaneously served upon the Securities Enforcement Branch at, Department of Commerce and Consumer Affairs, State of Hawai‘i, P.O. Box 40, Honolulu, Hawai‘i 96810. If a hearing is requested, it shall be scheduled within fifteen (15) business days after your written request has been received by OAH unless extended by the Commissioner for good cause. If OAH does not receive a written request for hearing within thirty (30) days after the date of service of this Preliminary Order and none is ordered by the Commissioner, this Preliminary Order shall become a final order of the Commissioner pursuant to HRS § 485-18.7(c).

You are hereby further notified that you may move the Commissioner to reconsider a final order within ten (10) days after receiving a final order pursuant to Hawaii Administrative Rules for Administrative Practice and Procedure § 16-201-23. Your motion shall be filed with the Commissioner and shall state specifically what points of law or facts the Commissioner has overlooked or misunderstood together with brief arguments on the points raised.

Additionally, pursuant to HRS §§ 485-23 and 485A-609, you may file an appeal with the Circuit Court of the First Circuit of the State of Hawai'i in the manner provided in HRS Chapter 91.

You have the right to retain legal counsel, at your own expense, for all stages of these proceedings.

OCT 28 2013

DATED: Honolulu, Hawai'i: _____.



TUNG CHAN
Commissioner of Securities
DEPARTMENT OF COMMERCE AND
CONSUMER AFFAIRS
STATE OF HAWAII