

1
2 **STATE OF CALIFORNIA**
3 **BUSINESS, TRANSPORTATION AND HOUSING AGENCY**
4 **DEPARTMENT OF CORPORATIONS**

5 TO: Air Trac, Inc.
6 Clarence Friend, Chief Executive Officer
7 1936 E. Deere, Suite 219
8 Santa Ana, CA 92705

9 **DESIST AND REFRAIN ORDER**
10 **(For violations of sections 25110 and 25401 of the Corporations Code)**

11 The California Corporations Commissioner finds that:

12 1. Clarence Friend (“Friend”), is designated as Chief Executive Officer (CEO) of
13 Air Trac, Inc., a Nevada corporation located at 1936 E. Deere, Suite 219, Santa Ana, CA. Air
14 Trac, Inc. is a wireless tele-communications company providing services to the wireless
15 internet markets. Air Trac, Inc. and Friend offered and sold shares of common stock at \$3.50
16 per share in order to raise \$5,250,000 of capital for the actual rollout of their Voice
17 Recognition systems.

18 2. Beginning in or about December 2002 and continuing through January 2005,
19 Air Trac, Inc. and Friend sold securities in the form of shares of common stock to over 110
20 California residents totaling approximately \$1.5 million, prior to qualification with the
21 Department of Corporations and without having met all the exemption requirements of
22 Corporations Code Section 25102(n).

23 A. Air Trac, Inc., Friend or their representatives, solicited
24 (“cold called”) prospective investors via telephone prior to
25 determining that the prospective purchaser was a “qualified”
purchaser.

26 B. Sales of the security were made to those who were not qualified
27 investors or to persons Air Trac, Inc and Friend failed to make a
28 reasonable inquiry of, prior to the sale.

1 C. Air Trac, Inc. and Friend did not provide to each prospective investor,
2 a written offering disclosure statement meeting the requirements
3 of Regulation D, at least five days prior to the sale of securities or
before a commitment to purchase was accepted from the purchaser.

4 3. Between December 2002 and December 2004, Air Trac, Inc. and Friend sold
5 securities in the form of shares of common stock to investors who resided outside of
6 California, although the offering document states that securities are restricted to residents of
7 California. These investors purchased approximately \$446,500 of shares of common stock.
8 At least one investor requested repayment of the investment in July 2004. Air Trac, Inc. and
9 Friend have not complied.

10 4. In connection with the offers or sales of securities, Air Trac, Inc. and Friend
11 caused to be made misrepresentations and omissions of material facts in connection with the
12 offer and sale of the securities to the public.

13 The misrepresentations of material fact include:

14 A. Air Trac, Inc. and Friend sent an article to an investor in summer
15 2004 which states "**later this month**.....Cellular One Group will
16 begin offering AirTrac's Wireless Web by Voice service on its
17 Internet site". However, this same quote is in an article on
18 Businessweek.com in the Dec. 4, 2000 issue (Forecast --- 2001).
Air Trac's product has not been offered on the Cellular One Group's
website.

19
20 The omissions of material fact include:

21 A. Air Trac, Inc. and Friend did not disclose that an Order to
22 permanently cease and desist from violating the Pennsyl-
23 vania Securities Act of 1972, had been issued on August
24 23, 1999 against Air Trac Chicago, Inc., a corporation
founded by Friend who acted in the capacity of CEO and
CFO.

25 B. Air Trac, Inc. and Friend failed to inform non-California
26 resident investors that the offering was limited to California
27 residents only, prior to the investors purchasing shares of
28 common stock.

//

1 //
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24 //
25 //
26 //
27 //
28 //

The securities were offered or sold in this state in issuer transactions. The Department of Corporations has not issued a permit or other form of qualification authorizing any person to offer or sell these securities.

Based upon the foregoing findings, the California Corporations Commissioner is of the opinion that the shares of common stock issued by Air Trac, Inc. are securities subject to qualification under the California Securities Law of 1968 and are being or have been offered or sold without being qualified in violation of California Corporations Code section 25110.

Further, the California Corporations Commissioner is of the opinion that the securities that Air Trac, Inc. and Friend offered or sold in this State were by means of written or oral communications which included an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading in violation of section 25401 of the Corporate Securities Law of 1968.

Pursuant to Corporations Code section 25532, the California Corporations Commissioner hereby orders Air Trac, Inc. and Clarence Friend, to desist and refrain from the further offer or sale of common stock unless and until qualification has been made under the law or unless exempt.

Pursuant to the Corporations Code section 25532, Air Trac, Inc. and Friend are hereby ordered to Desist and Refrain from offering or selling or buying or offering to buy a security in the State of California by means of any written or oral communication, which includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statement made in light of the circumstances under which they were made, not misleading.

1 //

2 This Order is necessary, in the public interest, and for the protection of consumers.

3 Dated: April 28, 2005

4 Los Angeles, California

5

WAYNE STRUMPFER
Acting California Corporations Commissioner

6

7

By _____

8

ALAN S. WEINGER,
Acting Deputy Commissioner
Enforcement Division

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28