

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: A.I.R. INC.,)
ITS OFFICERS, DIRECTORS,) File No. 0900155
EMPLOYEES, AFFILIATES, SUCCESSORS,)
AGENTS AND ASSIGNS,)
AND MICHAEL W. SMITH)

AMENDED NOTICE OF HEARING

TO THE RESPONDENTS: Michael W. Smith
A.I.R. Inc.
C/O Pamela E. Hart, Esq.
Scott and Scott
611 East Monroe Street, Suite 200
Springfield, Illinois 62701

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953, [815 ILCS 5/1 et seq.] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 300 West Jefferson Street, Suite 300A, Springfield, Illinois 62702, on the 17TH of February, 2010, at the hour of 10:00 a.m., or as soon thereafter as counsel may be heard, before Jon K. Ellis, or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order of Prohibition should be entered against A.I.R., Inc., by and through their Officers, Directors, Employees, Affiliates, Successors, Agents and Assigns, and Michael W. Smith, (the "Respondents") in the State of Illinois and granting such other relief as may be authorized under the Act including but not limited to imposition of a monetary fine in the maximum amount pursuant to Section 11 of the Act, payable within ten (10) days of the entry of the Order.

The grounds for such proposed action are as follows:

1. That Respondent, A.I.R. Inc., is a purported business entity with a last known address of P.O. Box 1150, 411 East Monroe Street, Springfield, Illinois 62705;
2. That at all times relevant, the Respondent Michael W. Smith was an Officer, Director, Agent or Employee of A.I.R. Inc.;

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3. That on or about March 4, 2009, Respondents A.I.R. Inc., by and through its Officers, Directors, Employees, Affiliates, Successors, Agents and Assigns, and Michael W. Smith, offered to Illinois residents "the Sale of 10% of its U.S. Patent Rights in 2.5% Increments. Serious Inquiries Only", further stating that the funding "will help A.I.R. Inc. product line saturate the National Level and create jobs", pursuant to an advertisement appearing in the Springfield Business News section of the March 4, 2009, State Journal-Register located and published in Springfield, Illinois;
4. That on or about March 5, 2009, Respondents A.I.R. Inc., by and through its Officers, Directors, Employees, Affiliates, Successors, Agents and Assigns, and Michael W. Smith, offered to Illinois residents "the Sale of 10% of its U.S. Patent Rights in 2% Increments. Going Fast", stating that "2% already sold as of February 19, 2009", further stating that the funding "will help A.I.R. Inc. product line saturate the National Level and create jobs", pursuant to an advertisement appearing in the March 5, 2009, State Journal-Register located and published in Springfield, Illinois;
5. That on or about June 2, 2009, the Illinois Securities Department (the "Department") sent Respondents A.I.R. Inc., by and through its Officers, Directors, Employees, Affiliates, Successors, Agents and Assigns, and Michael W. Smith, an inquiry letter (hereinafter "inquiry letter") pursuant to Section 11.C of the Illinois Securities Law of 1953 [815 ILCS 5/1 et seq.] (the "Act") requiring a full and complete response in affidavit form;
6. That the records of the Department indicate the Respondents received the said inquiry letter on June 9, 2009;
7. That the Department subsequently received a purported response to said inquiry letter from Respondents A.I.R. Inc. and signed by Michael W. Smith (hereinafter "response"); said response consisted of a copy of the aforesaid inquiry letter with a handwritten statement "None to Report Sold" appearing at the end of each inquiry with no further information; this inquiry letter included, but was not limited to, the specific inquiry by the Department which required a statement detailing the address, phone numbers and addresses of any and all individuals to whom A.I.R. Inc. offered and sold securities, including, but not limited to, the sale of 10% of its U.S. patent rights, from January 1,

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2004, to the present, after which inquiry there appears a handwritten statement "None to Report Sold" with no further information;

8. That since January 1, 2004, and prior to the time that Respondents received the aforesaid inquiry letter and sent the aforementioned correspondence/response to the Department, Respondents A.I.R. Inc., by and through its Officers, Directors, Employees, Affiliates, Successors, Agents and Assigns, and Michael W. Smith, had made a specific offer to a specific individual to sell said individual a percentage of A.I.R. Inc. patent rights;
9. That during all times relevant, the details of said offer referenced in Paragraph #8 was not included in the aforesaid response to said inquiry letter by the respondent;
10. That at all times relevant and prior to said advertisements of March 4, 2009, and/or March 5, 2009, there was no sale of the aforesaid patent rights by the Respondents;
11. That each of the aforesaid U.S. Patent Rights is a security as that term is defined pursuant to Section 2.1. of the Illinois Securities Law of 1953 [815 ILCS 5/1 et seq.] (the "Act");
12. That Section 5 of the Act provides, inter alia, that all securities except those exempt under Section 3 of the Act or those offered and sold in transactions exempt under Section 4 of the Act shall be registered with the Secretary of State prior to their offer or sale in the State of Illinois;
13. That Section 12.A of the Act provides, inter alia, that it shall be a violation of the Act for any person to offer or sell securities except in accordance with the provisions of the Act;
14. That Section 12.C of the Act provides, inter alia, that it shall be a violation of the Act for any person to act as a dealer or salesperson unless registered as such, where such registration is required;
15. That Section 12.D of the Act provides, inter alia, that it shall be a violation of the Act for any person to fail to file with the Secretary of State any document or application required to be filed under the provisions of the Act;

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16. That Section 12.E of the Act provides, inter alia, that it would be a violation of the provisions of this Act for any person to make, or cause to be made any application, report or document filed under this Act or any rule or regulation made by the Secretary of State pursuant to this Act, any statement which was false or misleading with respect to any material fact;
17. That Section 12.F of the Act provides, inter alia, that it would be a violation of the provisions of this Act for any person to engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof;
18. That Section 12.I of the Act provides, inter alia, that it would be a violation of the provisions of this Act for any person to employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly;
19. That at all times relevant hereto, Respondents A.I.R. Inc., by and through its Officers, Directors, Employees, Affiliates, Successors, Agents and Assigns, and Michael W. Smith, failed to file an application for registration of the above-referenced securities with the Secretary of State prior to their offer or sale in the State of Illinois;
20. That at all times relevant hereto, Respondents A.I.R. Inc., by and through its Officers, Directors, Employees, Affiliates, Successors, Agents and Assigns, and Michael W. Smith, failed to file an application for registration as a dealer or salesperson for the sales of securities in the State of Illinois;
21. That at all times relevant hereto, Respondents A.I.R. Inc., by and through its Officers, Directors, Employees, Affiliates, Successors, Agents and Assigns, and Michael W. Smith, failed to file a complete and valid response to the Department's inquiry letter, including, but not limited to, omitting the fact that Respondents had in fact made had made a specific offer to a specific individual to sell said individual a percentage of A.I.R. Inc. patent rights;

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22. That at all times relevant hereto, Respondents A.I.R. Inc., by and through its Officers, Directors, Employees, Affiliates, Successors, Agents and Assigns, and Michael W. Smith, made, or caused to be made, an application, report or document filed under this Act or any rule or regulation made by the Secretary of State pursuant to this Act, a statement which was false or misleading with respect to a material fact in that Respondent's response to the Department's inquiry letter failed to include details of a specific offer or offers of said patent rights to a specific individual or individuals when such offer or offers had in fact been made;
23. That at all times relevant hereto, Respondents A.I.R. Inc., by and through its Officers, Directors, Employees, Affiliates, Successors, Agents and Assigns, and Michael W. Smith, employed a device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly, by representing in Respondent's advertisement of March 5, 2009, that the sale of patent rights were "going fast" and that 2% of said patent rights had already been sold, when in fact no patent rights had been sold at the time said advertisement was run;
24. That at all times relevant hereto, Respondents A.I.R. Inc., by and through its Officers, Directors, Employees, Affiliates, Successors, Agents and Assigns, and Michael W. Smith, engaged in a transaction, practice or course of business in connection with the sale or purchase of securities which worked or tended to work a fraud or deceit upon the purchaser or seller thereof by representing in Respondent's advertisement of March 5, 2009, that the sale of patent rights were "going fast" and that 2% of said patent rights had already been sold, when in fact no patent rights had been sold at the time said advertisement was run;
25. That by virtue of the foregoing, Respondents A.I.R. Inc., by and through its Officers, Directors, Employees, Affiliates, Successors, Agents and Assigns, and Michael W. Smith, have violated Sections 12.A, 12.C, 12.D, 12.E, 12.F and 12.I of the Act;
26. That Section 11.E(2) of the Act provides, inter alia, that if the Secretary of State shall find that any person has violated subsections C, D, E, F and/or I of Section 12 of the Act, the Secretary of State may by written order

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prohibit the person from offering or selling any securities in this State;

27. That Section 11.E.(3) of the Act provides, inter alia, that if the Secretary of State shall find that any person is engaging or has engaged in the business of selling or offering for sale securities as a dealer or salesperson without prior thereto and at the time thereof having complied with the registration or notice filing requirements of this Act, the Secretary of State may by written order prohibit the person from offering or selling any securities in this State;
28. That Section 11.E(4) of the Act provides, inter alia, that if the Secretary of State, after finding that any provision of the Act has been violated, may impose a fine as provided by rule, regulation or order not to exceed \$10,000.00 for each violation of the Act, as well as an order of public censure and the costs of investigation and reasonable expenses;
29. That by virtue of the foregoing, Respondents A.I.R. Inc., by and through its Officers, Directors, Employees, Affiliates, Successors, Agents and Assigns, and Michael W. Smith, are subject to a fine of up to \$10,000.00 per violation, costs of investigation, reasonable expenses, an order of censure, and an order which permanently prohibits the Respondents from offering or selling securities in the State of Illinois.

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above or a Special Appearance pursuant to Section 130.1107 of the Rules, or other responsive pleading within thirty days of the receipt of this notice. Your failure to do so within the prescribed time shall be deemed an admission of the allegations contained in the Notice of Hearing and waives your right to a hearing.


Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default.

Delivery of notice to the designated representative of any Respondent constitutes service upon such Respondents.

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Dated this 26th day of January, 2010.



Jesse White
Secretary of State
State of Illinois

Attorney for the Secretary of State:

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