

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

IN THE MATTER OF: A.I.R. INC.,  
ITS OFFICERS, DIRECTORS,  
EMPLOYEES, AFFILIATES, SUCCESSORS,  
AGENTS AND ASSIGNS,  
AND MICHAEL W. SMITH

)  
)  
) File No. 0900155  
)  
)  
)  
)  
)

NOTICE OF HEARING

TO THE RESPONDENTS: Michael W. Smith  
A.I.R. Inc.  
P.O. Box 1150  
411 East Monroe Street  
Springfield, Illinois 62705

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 20<sup>th</sup> of January, 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.;
3. That on or about March 5, 2009, Respondents A.I.R. Inc., by and through its Officers, Directors, Employees, Affiliates,

Notice of Hearing

-2-

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, stating that 2% had already been 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;

4. 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");
5. 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;
6. 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;
7. 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;
8. 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;
9. 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;
10. 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

Notice of Hearing

-3-

dealer or salesperson for the sales of securities in the State of Illinois;

11. 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 and 12.D of the Act;
12. 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 and/or D of Section 12 of the Act, the Secretary of State may by written order prohibit the person from offering or selling any securities in this State;
13. 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;
14. 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;
15. 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

Notice of Hearing


-4-

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.

Dated this 30<sup>th</sup> day of November, 2009.

  
\_\_\_\_\_  
Jesse White  
Secretary of State  
State of Illinois

Attorney for the Secretary of State:  
Johan Schripsema  
Illinois Securities Department  
350 Seright, Suite C  
Harrisburg, Illinois 62946  
Telephone (618) 253-2007

Hearing Officer:  
Jon K. Ellis  
1035 South 2<sup>nd</sup> Street  
Springfield, Illinois 62704  
Telephone (217) 528-6835  
Fax: (217) 528-6837