

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 57694 / April 21, 2008

Administrative Proceedings
File No. 3-13017

IN THE MATTER OF CLARENCE FRIEND

COMMISSION INSTITUTES ADMINISTRATIVE PROCEEDINGS AGAINST
CLARENCE FRIEND, PRINCIPAL OFFICER AND MAJOR SHAREHOLDER OF
AIRTRAC, INC.

The Securities and Exchange Commission (Commission) announced that on April 21, 2008, it issued an Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 (Exchange Act) (the Order) against Clarence Friend, an individual residing in Orange County, California (Friend) who served as principal officer, founder and majority shareholder of AirTrac, Inc. (AirTrac) a Nevada corporation based in Irvine, California. The Order was based on the entry of a judgment of permanent injunction by a U.S. District Court against Friend and AirTrac in a civil action entitled: SEC v. AirTrac, Inc., et al., Civil Action No. SACV 07-0582 JVS (RNBx) filed in the U.S. District Court for the Central District of California (Southern Division)

The Division of Enforcement alleges in the Order that, on April 2, 2008 the District Court enjoined AirTrac and Friend from future violations of Sections 5 and 17(a) of the Securities Act of 1933 (Securities Act) and Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder. The Court also enjoined Friend from future violations of Section 15(a) of the Exchange Act. The Court awarded equitable disgorgement, prejudgment interest and civil penalties against Friend and AirTrac.

According to the Order Instituting Proceedings, the District Court found that between January 2004 and April 2005, the defendants offered and sold AirTrac stock and raised nearly \$1.8 million from over 200 investors nationwide and that the company failed to register the securities with the Commission.

The District Court granted the Commission's Motion for Summary Judgment against both AirTrac and Friend and found that the sales of AirTrac stock were unregistered and that no applicable exemption from registration was available for their sale. The Court also found that AirTrac and Friend made three separate false misrepresentations to AirTrac investors. First, defendants falsely represented that Airtrac was only weeks away from conducting an Initial Public Offering (IPO) of public listing on NASDAQ. Second, the defendants falsely told investors that the company was on the verge of very lucrative contracts with several major telecommunications companies.

Third, AirTrac and Friend misrepresented to investors the use of proceeds raised from investors. The Court found that each of these misrepresentations was material. The Court also found that Defendant Friend had acted as an unregistered broker in selling the AirTrac stock.

A hearing will be scheduled before an Administrative Law Judge to determine whether the Division's allegations in the Order are true, to provide respondent an opportunity to dispute the allegations, and to determine what sanctions, if any, are appropriate and in the public interest. The Commission directed that an administrative law judge issue an initial decision in this matter within 210 days from the date of service of the Order.