



MARC SPITZER
COMMISSIONER

415



ARIZONA CORPORATION COMMISSION

OPEN MEETING ITEM

BRIAN C. MCNEIL
EXECUTIVE SECRETARY

RECEIVED

MARK SENDROW
DIRECTOR

SECURITIES DIVISION
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AZ CORP COMMISSION
DOCUMENT CONTROL

MEMORANDUM

ORIGINAL

Arizona Corporation Commission
DOCKETED

DEC 04 2001

DOCKETED BY [Signature]

TO: Chairman William A. Mundell
Commissioner Jim Irvin
Commissioner Marc Spitzer

FROM: Mark Sendrow [Signature]
Director of Securities

DATE: November 29, 2001

RE: Docket No. S-03455A-01-0000
Aeromax, Inc., Aeromag Corporation, Lexington Bartlett, David L. Sears

CC: Brian C. McNeil, Executive Secretary

Attached is a proposed Order against Aeromax, Inc., Aeromag Corporation, Lexington Bartlett, and David L. Sears. This matter involves the sale of unregistered stock to at least 303 individuals from November 1994, through February 2001. The price of at least 516,149 shares of stock varied from \$1.00 per share to \$5.00 per share. Stockholders reside throughout the United States, Canada and Germany. At least 171 investors reside in Arizona.

This case resulted from information received from an ex-employee of Aeromax, Inc., who reported that stock was being sold to investors. Aeromax, Inc. is a Wyoming corporation, incorporated in November 1994, and authorized to do business in Arizona in May 1995. Aeromax, Inc. purportedly holds the exclusive license for Aeromag Corporation products, which is purportedly in the business of research and development of renewable energy systems. Lexington Bartlett was the President, CEO and Statutory Agent of Aeromax, Inc. and Aeromag Corporation. He also acted as a securities salesman on behalf of Aeromax, Inc. David L. Sears is the Vice President and a member of the "Management Team" of Aeromax, Inc. and Aeromag Corporation. Sears also acted as a securities salesman on behalf of Aeromax, Inc. The address for Aeromax, Inc. and Aeromag Corporation has been 9520 East Lorna Lane, Prescott Valley, Arizona 86314. Lexington Bartlett and David L. Sears were not registered as securities dealers or salesmen in Arizona.

The Respondents misrepresented the amount of profit shareholders could anticipate, including announcing a plan to provide a 900% return to investors after an IPO. There was no factual basis for that claim. Respondents also failed to provide offerees with disclosure

documents and financial information about Aeromax, Inc. or Aeromag Corporation. Nor did they disclose how investor funds would be used to benefit Aeromag Corporation.

The Consent provides that Respondents will make an offer of rescission to investors in the amount of \$1,343,119.76, plus 10% interest from the date of investment to repayment. In admitting to facts and conclusions of law, Bartlett and Sears agree that they will not apply to the Corporation Commission for registration as a securities dealer or salesman or for licensure as an investment adviser or investment adviser representative until the rescission and penalties have been paid. They also agree that they will not exercise control over an entity that offers or sells securities or provides investment advisory services, within or from Arizona until the rescission and penalties have been paid. The order requires Bartlett to pay a penalty of \$10,000 and requires Sears to pay a penalty of \$1,000. The order requires Aeromax, Inc. and Aeromag Corporation to pay a penalty of \$25,000. Upon completion of rescission, the amount may be reduced to \$10,000.

The Division recommends approval of the Order.

Originator: Kathryn E. McCormick
AG: Moira McCarthy

I.

FINDINGS OF FACT

1
2
3 1. AEROMAX, INC. ("AEROMAX") is a Wyoming corporation, incorporated in
4 November 1994, and authorized to do business in Arizona in May 1995. AEROMAX'S last known
5 business address is 9520 East Lorna Lane, Prescott Valley, Arizona 86314. AEROMAX purportedly
6 holds the exclusive license for AEROMAG products.

7 2. AEROMAG CORPORATION ("AEROMAG") is an Arizona corporation,
8 incorporated in March 1994. AEROMAG'S last known business address is 9520 East Lorna Lane,
9 #A, Prescott Valley, Arizona 86314. During all relevant times, AEROMAG was purportedly in the
10 manufacturing business, including the research and development of renewable energy systems.

11 3. LEXINGTON BARTLETT ("BARTLETT") whose last known address is 7500 E.
12 Cocopah Drive, Prescott Valley, Arizona 86314, was at all times relevant the President, CEO and
13 Statutory Agent of AEROMAX and the President, CEO, Director and Statutory Agent of
14 AEROMAG. BARTLETT also acts as a securities salesman on behalf of AEROMAX. During all
15 relevant times, BARTLETT was conducting business involving the offer and sale of securities within
16 or from the state of Arizona.

17 4. DAVID L. SEARS ("SEARS") whose last known address is 9560 East Whipsaw
18 Lane, Prescott Valley, Arizona 86314, is the Vice President of AEROMAX and a member of the
19 "Management Team" for both AEROMAX and AEROMAG. SEARS also acts as a securities
20 salesman on behalf of AEROMAX. SEARS began working for the companies on May 1, 1999. He
21 became a part of the management team in 2000 and an officer of the company in 2001. SEARS was
22 conducting business involving the offer and sale of securities within or from the state of Arizona.

23 5. From approximately November 13, 1994, RESPONDENTS offered and sold shares of
24 stock in AEROMAX. RESPONDENTS were not registered securities dealers and/or salesmen in the
25 state of Arizona. The shares in AEROMAX were not registered for sale in the state of Arizona.
26

1 6. RESPONDENTS provided information to at least one offeree stating that
2 AEROMAX holds an “exclusive license” for AEROMAG products and is responsible for
3 marketing, wholesale distribution, and retailing of renewable energy systems and ancillary
4 products. AEROMAX is said to be responsible for market intelligence gathering and revenue
5 streams. The information provided was entitled the AEROMAG & AEROMAX Folio (“Folio”).

6 7. RESPONDENTS failed to provide offerees with information on an “exclusive license”
7 purportedly held by AEROMAX for AEROMAG products.

8 8. AEROMAG is described in the Folio as the sister company to AEROMAX.
9 AEROMAG reportedly developed its own technology for several products. All of the products
10 listed in the folio are products of AEROMAG. The company’s current emphasis is represented as
11 the engineering and manufacturing of small wind turbine generators and energy system
12 components.

13 9. The Folio states “[c]orporate accomplishments to date have been funded by the
14 small investor and through tax-exempt sales of renewable energy systems and components.” It did
15 not detail which corporation was funded in this manner. The Folio identifies AEROMAX as
16 having almost 300 small investors that make up approximately 16% equity in the business. The
17 Folio states that a 14% reserve has been set-aside for an institutional investor, or an investor group.
18 Additionally, 70% of the business is held by the management team, directors, “angel investors” and
19 “the corporations themselves.” RESPONDENTS fail to disclose the names and respective
20 ownership of the above parties.

21 10. RESPONDENTS failed to provide offerees with a disclosure document that
22 provided essential information regarding the offering. Information withheld included, but was not
23 limited to, risk factors, capitalization, plan of distribution, actual use of proceeds, federal tax
24 aspects, and redemptions.

25 11. RESPONDENTS failed to provide offerees with a prospectus or equivalent offering
26 document containing material financial information about AEROMAX or AEROMAG, including

1 but not limited to any balance sheets, income statements, or any information on the financial
2 relationship between AEROMAX and AEROMAG, and how the use of AEROMAX investors'
3 proceeds would specifically benefit AEROMAG.

4 12. RESPONDENTS misrepresented the amount of profit shareholders could anticipate
5 by proclaiming a corporate plan to provide a 900% return to investors after an IPO. There was no
6 basis in fact for such a claim. RESPONDENTS did not provide information showing either
7 company is in the process of an IPO, and did not disclose the use of any funds to initiate an IPO.

8 13. RESPONDENTS failed to offer detailed information on the background of the
9 principals involved in the companies, including the business backgrounds and experience of the
10 officers and directors in setting up and operating renewable energy systems.

11 14. RESPONDENTS sold stock to at least 303 individuals from November 1994,
12 through February 2001. The price of at least 516,149 shares of stock varied from \$1.00 per share
13 to \$5.00 per share. Stockholders reside throughout the United States, Canada and Germany. At
14 least 171 investors reside in Arizona.

15 15. RESPONDENTS failed to provide offerees with information on how the price of
16 AEROMAX stock was determined. In some instances, RESPONDENTS sold shares to different
17 individuals for varying prices, on the same day.

18 16. RESPONDENTS failed to notify offerees and shareholders that some investors had
19 received "bonus" stock shares and "goodwill" stock shares at no cost, thereby diluting the value of all
20 of the shares. Other individuals received stock shares at the rate of "2 for 1" with no explanation.

21 17. RESPONDENTS failed to advise offerees and shareholders that the stock was not
22 registered for sale and that they are not registered dealers or salesmen.

23 18. RESPONDENTS were raising capital through the sale of stock and debentures.

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II.

CONCLUSIONS OF LAW

19. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

20. RESPONDENTS offered or sold securities within or from Arizona, within the meaning of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

21. RESPONDENTS violated A.R.S. § 44-1841 by offering or selling securities that were neither registered nor exempt from registration.

22. RESPONDENTS violated A.R.S. § 44-1842 by offering or selling securities while neither registered as dealers or salesmen nor exempt from registration.

23. RESPONDENTS violated A.R.S. § 44-1991 by offering or selling securities within or from Arizona by (a) employing a device, scheme or artifice to defraud, (b) making untrue statements or misleading omissions of material facts, and (c) engaging in transactions, practices or courses of business which operate or would operate as a fraud or deceit.

24. RESPONDENTS' conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-2032.

25. RESPONDENTS' conduct is grounds for an order of rescission pursuant to A.R.S. § 44-2032.

26. RESPONDENTS' conduct is grounds for administrative penalties under A.R.S. § 44-2036.

III.

ORDER

THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and the RESPONDENTS' consent to the entry of this Order, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

1 IT IS ORDERED, pursuant to A.R.S. § 44-2032, that RESPONDENTS, their agents,
2 employees, successors and assigns, permanently cease and desist from violating the Securities Act.

3 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that RESPONDENTS shall,
4 jointly and severally, make an offer of rescission to investors as reflected on the records of the
5 Commission, in the principal amount of \$1,343,119.76, plus interest at the rate of 10% per annum
6 from the date of each investment to the date of repayment.

7 A proposed rescission offer shall be provided to the Director of the Securities Division
8 ("Director") no later than 30 days from the date of this Order. The Director must approve the
9 rescission offer prior to its use. The rescission offer shall include:

- 10 1. A written offer to repurchase stating in reasonable detail the facts out of which
11 liability arose and the correct, true, or omitted facts.
- 12 2. The offer to repurchase the stock shall include an offer of cash equal to the
13 consideration paid, together with 10% annual interest from the date of purchase
14 to the date of repayment less the amount of any principal, dividends, or other
15 distributions received on the stock for the period from the date of purchase to
16 the date of repayment.
- 17 3. The offer to repurchase shall be accompanied by a prospectus and other
18 documents making full written disclosure about the financial and business
19 condition of the companies and the financial and business risks associated with
20 the retention of the stock.
- 21 4. The offer to repurchase shall be accompanied by a copy of the exclusive license
22 held by AEROMAX, INC. for AEROMAG CORPORATION products.
- 23 5. The offer to repurchase shall state that the purchaser may accept such offer at
24 any time within 60 days after the date of receipt thereof.
- 25 6. Financial statements prepared in accordance with A.A.C. R14-4-120 shall be
26 provided to the Director. The financial statements or documentation shall

1 demonstrate that the person or persons funding the rescission offer has or have
2 adequate funds to pay the amount ordered pursuant to A.A.C R14-4-308
3 (B)(1)(b) to all purchasers of the securities who are eligible to accept the
4 rescission offer.

5 The rescission offer shall be provided to investors no later than 14 days from the date of the
6 Director's approval. RESPONDENTS must submit verification to the Director no later than 14
7 days after completion of the rescission offer. The verification shall include:

- 8 1. Names, addresses, and telephone numbers of all investors who had a right to
9 receive the rescission offer, the amount and purchase dates of securities held by
10 such investors, and the amount of principal, interest, or other distributions on all
11 securities held by such investors.
- 12 2. Names, addresses, and telephone numbers of all investors who did not receive
13 the rescission offer and the reason why they did not receive the rescission offer,
14 the amount and purchase dates of securities held by them, and the amount of
15 principal, interest, or other distributions on all securities held by them.
- 16 3. Verification of receipt of the rescission offer by all investors who had a right to
17 and did receive the rescission offer.
- 18 4. A list of investors who accepted the rescission offer and those who did not
19 accept.
- 20 5. Verification of payment of principal and interest ordered to be paid to all such
21 investors who accepted the rescission offer.

22 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that AEROMAX and
23 AEROMAG shall jointly and severally pay an administrative penalty in the amount of \$25,000,
24 payable to the "State of Arizona." Upon completion of rescission, and with the Director's
25 approval, the amount may be reduced to \$10,000. Payment shall be made in full by cashier's
26 check or money order on the date of the submission of the verification.

1 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that BARTLETT shall pay an
2 administrative penalty in the amount of \$10,000, payable to the "State of Arizona." Payment shall
3 be made in full by cashier's check or money order on the date of the submission of the verification.

4 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that SEARS shall pay an
5 administrative penalty in the amount of \$1,000, payable to the "State of Arizona." Payment shall
6 be made in full by cashier's check or money order on the date of the submission of the verification.

7 If RESPONDENTS do not comply with this order, any outstanding fines and rescission
8 amounts shall be immediately due and payable.

9 IT IS FURTHER ORDERED that this Order shall become effective immediately.

10 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

11
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13 CHAIRMAN

COMMISSIONER

COMMISSIONER

14 IN WITNESS WHEREOF, I, BRIAN C. McNEIL,
15 Executive Secretary of the Arizona Corporation
16 Commission, have hereunto set my hand and caused the
17 official seal of the Commission to be affixed at the
18 Capitol, in the City of Phoenix, this _____ day of
19 _____, 2001.

20 _____
21 BRIAN C. McNEIL
22 Executive Secretary

23 DISSENT

24 This document is available in alternative formats by contacting Shelly M. Hood, ADA Coordinator,
25 voice phone number 602-542-3931, E-mail shood@cc.state.az.us.

26 (KEM)

N/Enforce/Cases/Aeromax/Pleadings/Consent

CONSENT TO ENTRY OF ORDER

1
2 1. RESPONDENT LEXINGTON BARTLETT ("BARTLETT"), an individual, admits the
3 jurisdiction of the Commission over the subject matter of this proceeding. RESPONDENT
4 BARTLETT acknowledges that he has been fully advised of his right to a hearing to present
5 evidence and call witnesses and RESPONDENT BARTLETT knowingly and voluntarily waives
6 any and all rights to a hearing before the Commission and all other rights otherwise available
7 under Article 11 of the Securities Act and Title 14 of the Arizona Administrative Code.
8 RESPONDENT BARTLETT acknowledges that this Order To Cease And Desist, Order of
9 Rescission, and Order for Administrative Penalties ("Order") constitutes a valid final order of the
10 Commission.

11 2. RESPONDENT BARTLETT knowingly and voluntarily waives any right he may have
12 under Article 12 of the Securities Act to judicial review by any court by way of suit, appeal, or
13 extraordinary relief resulting from the entry of this Order.

14 3. RESPONDENT BARTLETT acknowledges and agrees that this Order is entered into
15 freely and voluntarily and that no promise was made or coercion used to induce such entry.

16 4. RESPONDENT BARTLETT acknowledges that he has been represented by counsel in
17 this matter, he has reviewed this Order with his attorney and understands all terms it contains.

18 5. RESPONDENT BARTLETT admits the Findings of Fact and Conclusions of Law
19 contained in this Order.

20 6. By consenting to the entry of this Order, RESPONDENT BARTLETT agrees not to
21 take any action or to make, or permit to be made, any public statement denying, directly or
22 indirectly, any Finding of Fact or Conclusion of Law in this Order or creating the impression that
23 this Order is without factual basis. RESPONDENT BARTLETT will undertake steps necessary to
24 assure that all of his agents and employees understand and comply with this agreement. Nothing
25 in this provision affects RESPONDENT BARTLETT'S testimonial obligations or right to take
26 legal positions in litigation in which an administrative agency of the state of Arizona is not a party.

1 7. While this Order settles this administrative matter between RESPONDENT
2 BARTLETT and the Commission, RESPONDENT BARTLETT understands that this Order does
3 not preclude the Commission from instituting other administrative proceedings based on violations
4 that are not addressed by this Order.

5 8. RESPONDENT BARTLETT understands that this Order does not preclude the
6 Commission from referring this matter to any governmental agency for administrative, civil, or
7 criminal proceedings that may be related to the matters addressed by this Order.

8 9. RESPONDENT BARTLETT understands that this Order does not preclude any other
9 agency or officer of the state of Arizona or its subdivisions from instituting administrative, civil or
10 criminal proceedings that may be related to matters addressed by this Order.

11 10. RESPONDENT BARTLETT agrees that he will not apply to the state of Arizona for
12 registration as a securities dealer or salesman or for licensure as an investment adviser or
13 investment adviser representative until such time as all rescission and penalties under this Order
14 are paid in full.

15 11. RESPONDENT BARTLETT agrees that he will not exercise any control over any
16 entity that offers or sells securities or provides investment advisory services, within or from
17 Arizona until such time as all rescission and penalties under this Order are paid in full.

18 12. RESPONDENT BARTLETT acknowledges and agrees that the existence of this Order
19 would be a "material fact" to any reasonable investor, and RESPONDENT BARTLETT
20 acknowledges and agrees that the existence of this Order, and its terms, will be affirmatively
21 disclosed by him to any person to whom RESPONDENT BARTLETT may offer or sell securities,
22 within the meaning of A.R.S. §§ 44-1801(15), 44-1801(21) and 44-1801(26), and to any person
23 with respect to whom RESPONDENT BARTLETT may act as an investment adviser or
24 investment adviser representative, within the meaning of A.R.S. § 44-3101(5) or § 44-3101(6), in
25 any instance in which such offer or sale, or such provision of investment advice, occurs within or
26 from Arizona.

Docket No. S-03455A-01-0000

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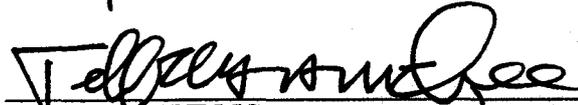
13. RESPONDENT BARTLETT agrees that until rescission and penalties are paid in full, RESPONDENT BARTLETT will notify the Director of the Securities Division within 30 days of any change in home address or any change in RESPONDENT BARTLETT'S ability to pay amounts due under this Order.

14. RESPONDENT BARTLETT understands that default shall render him liable to the Commission for its costs of collection and interest at the maximum legal rate.

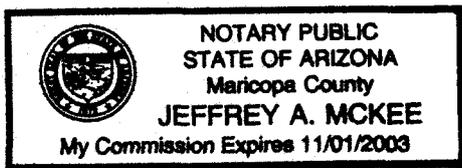
15. RESPONDENT BARTLETT consents to the entry of this Order and agrees to be fully bound by its terms and conditions. If RESPONDENT BARTLETT breaches any provision of this Order, the Commission may vacate this Order and restore this action against RESPONDENT BARTLETT to its active docket.


LEXINGTON BARTLETT

SUBSCRIBED AND SWORN TO BEFORE me this 29 day of October, 2001.


NOTARY PUBLIC

My Commission Expires:



CONSENT TO ENTRY OF ORDER

1
2 1. RESPONDENT DAVID L. SEARS ("SEARS"), an individual, admits the jurisdiction
3 of the Commission over the subject matter of this proceeding. RESPONDENT SEARS
4 acknowledges that he has been fully advised of his right to a hearing to present evidence and call
5 witnesses and RESPONDENT SEARS knowingly and voluntarily waives any and all rights to a
6 hearing before the Commission and all other rights otherwise available under Article 11 of the
7 Securities Act and Title 14 of the Arizona Administrative Code. RESPONDENT SEARS
8 acknowledges that this Order To Cease And Desist, Order of Rescission, and Order for
9 Administrative Penalties ("Order") constitutes a valid final order of the Commission.

10 2. RESPONDENT SEARS knowingly and voluntarily waives any right he may have
11 under Article 12 of the Securities Act to judicial review by any court by way of suit, appeal, or
12 extraordinary relief resulting from the entry of this Order.

13 3. RESPONDENT SEARS acknowledges and agrees that this Order is entered into freely
14 and voluntarily and that no promise was made or coercion used to induce such entry.

15 4. RESPONDENT SEARS acknowledges that he has been represented by counsel in this
16 matter, he has reviewed this Order with his attorney and understands all terms it contains.

17 5. RESPONDENT SEARS admits the Findings of Fact and Conclusions of Law contained
18 in this Order.

19 6. By consenting to the entry of this Order, RESPONDENT SEARS agrees not to take any
20 action or to make, or permit to be made, any public statement denying, directly or indirectly, any
21 Finding of Fact or Conclusion of Law in this Order or creating the impression that this Order is
22 without factual basis. RESPONDENT SEARS will undertake steps necessary to assure that all of
23 his agents and employees understand and comply with this agreement. Nothing in this provision
24 affects RESPONDENT SEARS' testimonial obligations or right to take legal positions in litigation
25 in which an administrative agency of the state of Arizona is not a party.

1 7. While this Order settles this administrative matter between RESPONDENT SEARS
2 and the Commission, RESPONDENT SEARS understands that this Order does not preclude the
3 Commission from instituting other administrative proceedings based on violations that are not
4 addressed by this Order.

5 8. RESPONDENT SEARS understands that this Order does not preclude the Commission
6 from referring this matter to any governmental agency for administrative, civil, or criminal
7 proceedings that may be related to the matters addressed by this Order.

8 9. RESPONDENT SEARS understands that this Order does not preclude any other
9 agency or officer of the state of Arizona or its subdivisions from instituting administrative, civil or
10 criminal proceedings that may be related to matters addressed by this Order.

11 10. RESPONDENT SEARS agrees that he will not apply to the state of Arizona for
12 registration as a securities dealer or salesman or for licensure as an investment adviser or
13 investment adviser representative until such time as all rescission and penalties under this Order
14 are paid in full.

15 11. RESPONDENT SEARS agrees that he will not exercise any control over any entity that
16 offers or sells securities or provides investment advisory services, within or from Arizona until
17 such time as all rescission and penalties under this Order are paid in full.

18 12. RESPONDENT SEARS acknowledges and agrees that the existence of this Order
19 would be a "material fact" to any reasonable investor, and RESPONDENT SEARS acknowledges
20 and agrees that the existence of this Order, and its terms, will be affirmatively disclosed by him to
21 any person to whom RESPONDENT SEARS may offer or sell securities, within the meaning of
22 A.R.S. §§ 44-1801(15), 44-1801(21) and 44-1801(26), and to any person with respect to whom
23 RESPONDENT SEARS may act as an investment adviser or investment adviser representative,
24 within the meaning of A.R.S. § 44-3101(5) or § 44-3101(6), in any instance in which such offer or
25 sale, or such provision of investment advice, occurs within or from Arizona.

26 13. RESPONDENT SEARS agrees that until rescission and penalties are paid in full,

Docket No. S-03455A-01-0000

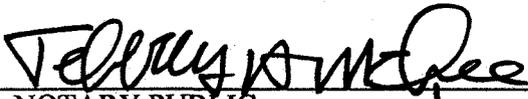
1 RESPONDENT SEARS will notify the Director of the Securities Division within 30 days of any
2 change in home address or any change in RESPONDENT SEARS' ability to pay amounts due
3 under this Order.

4 14. RESPONDENT SEARS understands that default shall render him liable to the
5 Commission for its costs of collection and interest at the maximum legal rate.

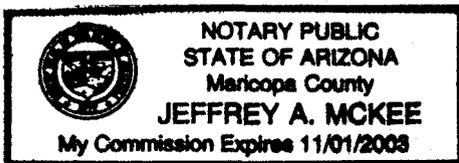
6 15. RESPONDENT SEARS consents to the entry of this Order and agrees to be fully
7 bound by its terms and conditions. If RESPONDENT SEARS breaches any provision of this
8 Order, the Commission may vacate this Order and restore this action against RESPONDENT
9 SEARS to its active docket.

10
11 
12 DAVID L. SEARS

13 SUBSCRIBED AND SWORN TO BEFORE me this 21 day of OCTOBER, 2001.

14 
15 NOTARY PUBLIC

16 My Commission Expires:



CONSENT TO ENTRY OF ORDER

1
2 1. RESPONDENT AEROMAX, INC. ("AEROMAX"), admits the jurisdiction of the
3 Commission over the subject matter of this proceeding. AEROMAX acknowledges that it has
4 been fully advised of its right to a hearing to present evidence and call witnesses and AEROMAX
5 knowingly and voluntarily waives any and all rights to a hearing before the Commission and all
6 other rights otherwise available under Article 11 of the Securities Act and Title 14 of the Arizona
7 Administrative Code. AEROMAX acknowledges that this Order To Cease And Desist, Order of
8 Rescission, and Order for Administrative Penalties ("Order") constitutes a valid final order of the
9 Commission.

10 2. AEROMAX knowingly and voluntarily waives any right it may have under Article 12
11 of the Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief
12 resulting from the entry of this Order.

13 3. AEROMAX acknowledges and agrees that this Order is entered into freely and
14 voluntarily and that no promise was made or coercion used to induce such entry.

15 4. AEROMAX acknowledges that it has been represented by counsel in this matter, that
16 principals in the company have reviewed this Order with AEROMAX'S attorney, and that
17 AEROMAX understands all the terms it contains.

18 5. AEROMAX admits the Findings of Fact and Conclusions of Law contained in this
19 Order.

20 6. By consenting to the entry of this Order, AEROMAX agrees not to take any action or to
21 make, or permit to be made, any public statement denying, directly or indirectly, any Finding of
22 Fact or Conclusion of Law in this Order or creating the impression that this Order is without
23 factual basis. AEROMAX will undertake steps necessary to assure that all of its agents and
24 employees understand and comply with this agreement. Nothing in this provision affects
25 AEROMAX'S testimonial obligations or right to take legal positions in litigation in which an
26 administrative agency of the state of Arizona is not a party.

1 7. While this Order settles this administrative matter between AEROMAX and the
2 Commission, AEROMAX understands that this Order does not preclude the Commission from
3 instituting other administrative proceedings based on violations that are not addressed by this
4 Order.

5 8. AEROMAX understands that this Order does not preclude the Commission from
6 referring this matter to any governmental agency for administrative, civil, or criminal proceedings
7 that may be related to the matters addressed by this Order.

8 9. AEROMAX understands that this Order does not preclude any other agency or officer
9 of the state of Arizona or its subdivisions from instituting administrative, civil or criminal
10 proceedings that may be related to matters addressed by this Order.

11 10. AEROMAX agrees that until rescission and penalties are paid in full, AEROMAX will
12 notify the Director of the Securities Division within 30 days of any change in address or any
13 change in AEROMAX'S ability to pay amounts due under this Order.

14 11. AEROMAX understands that default shall render it liable to the Commission for its
15 costs of collection and interest at the maximum legal rate.

16 12. AEROMAX acknowledges and agrees that the existence of this Order would be a
17 "material fact" to any reasonable investor, and AEROMAX acknowledges and agrees that the
18 existence of this Order, and its terms, will be affirmatively disclosed to any person to whom
19 AEROMAX may offer or sell securities, within the meaning of A.R.S. §§ 44-1801(15), 44-
20 1801(21) and 44-1801(26).

21 13. AEROMAX consents to promptly adhere to any Division request for current
22 shareholder listings, investor records and/or company financial documents in its possession.

23 14. AEROMAX consents to the entry of this Order and agrees to be fully bound by its
24 terms and conditions. If AEROMAX breaches any provision of this Order, the Commission may
25 vacate this Order and restore its action against AEROMAX to its active docket.

26

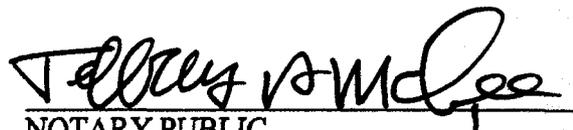
Docket No. S-03455A-01-0000

1 15. LEXINGTON BARTLETT hereby represents that he is the President of AEROMAX
2 and has been duly authorized to enter into this Order for and on behalf of AEROMAX.

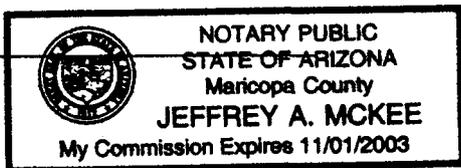
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4 AEROMAX, INC.

5 
6 By: LEXINGTON BARTLETT, President

7 SUBSCRIBED AND SWORN TO BEFORE me this 27th day of October, 2001.

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10 NOTARY PUBLIC

11 My Commission Expires:



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CONSENT TO ENTRY OF ORDER

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2 1. RESPONDENT AEROMAG CORPORATION ("AEROMAG"), admits the
3 jurisdiction of the Commission over the subject matter of this proceeding. AEROMAG
4 acknowledges that it has been fully advised of its right to a hearing to present evidence and call
5 witnesses and AEROMAG knowingly and voluntarily waives any and all rights to a hearing before
6 the Commission and all other rights otherwise available under Article 11 of the Securities Act and
7 Title 14 of the Arizona Administrative Code. AEROMAG acknowledges that this Order To Cease
8 And Desist, Order of Rescission, and Order for Administrative Penalties ("Order") constitutes a
9 valid final order of the Commission.

10 2. AEROMAG knowingly and voluntarily waives any right it may have under Article 12
11 of the Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief
12 resulting from the entry of this Order.

13 3. AEROMAG acknowledges and agrees that this Order is entered into freely and
14 voluntarily and that no promise was made or coercion used to induce such entry.

15 4. AEROMAG acknowledges that it has been represented by counsel in this matter, that
16 principals in the company have reviewed this order with AEROMAG'S attorney, and that
17 AEROMAG understands all terms it contains.

18 5. AEROMAG admits the Findings of Fact and Conclusions of Law contained in this
19 Order.

20 6. By consenting to the entry of this Order, AEROMAG agrees not to take any action or to
21 make, or permit to be made, any public statement denying, directly or indirectly, any Finding of
22 Fact or Conclusion of Law in this Order or creating the impression that this Order is without
23 factual basis. AEROMAG will undertake steps necessary to assure that all of its agents and
24 employees understand and comply with this agreement. Nothing in this provision affects
25 AEROMAG'S testimonial obligations or right to take legal positions in litigation in which an
26 administrative agency of the state of Arizona is not a party.

1 7. While this Order settles this administrative matter between AEROMAG and the
2 Commission, AEROMAG understands that this Order does not preclude the Commission from
3 instituting other administrative proceedings based on violations that are not addressed by this
4 Order.

5 8. AEROMAG understands that this Order does not preclude the Commission from
6 referring this matter to any governmental agency for administrative, civil, or criminal proceedings
7 that may be related to the matters addressed by this Order.

8 9. AEROMAG understands that this Order does not preclude any other agency or officer
9 of the state of Arizona or its subdivisions from instituting administrative, civil or criminal
10 proceedings that may be related to matters addressed by this Order.

11 10. AEROMAG agrees that until rescission and penalties are paid in full, AEROMAG will
12 notify the Director of the Securities Division within 30 days of any change in address or any
13 change in AEROMAG'S ability to pay amounts due under this Order.

14 11. AEROMAG understands that default shall render it liable to the Commission for its
15 costs of collection and interest at the maximum legal rate.

16 12. AEROMAG acknowledges and agrees that the existence of this Order would be a
17 "material fact" to any reasonable investor, and AEROMAG acknowledges and agrees that the
18 existence of this Order, and its terms, will be affirmatively disclosed to any person to whom
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25 vacate this Order and restore this action against AEROMAG to its active docket.

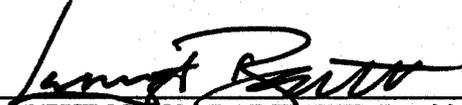
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Docket No. S-03455A-01-0000

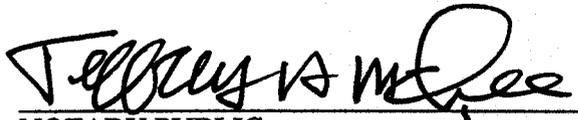
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15. LEXINGTON BARTLETT hereby represents that he is the President of AEROMAG
and has been duly authorized to enter into this Order for and on behalf of AEROMAG.

AEROMAG CORPORATION


By: LEXINGTON BARTLETT, President

SUBSCRIBED AND SWORN TO BEFORE me this 24th day of December 2001.


NOTARY PUBLIC

My Commission Expires:

