

37438/BD

**STATE OF MINNESOTA
DEPARTMENT OF COMMERCE**

In the Matter of
American Blast Systems, Inc.

CONSENT ORDER

TO: American Blast Systems, Inc.
3101 Villa Way
Newport Beach, CA 92663

Mr. Stephen Morgan
Murphy Desmond S.C.
P.O. Box 2038
Madison, WI 53701-2038

The Commissioner of the Minnesota Department of Commerce Mike Rothman (hereinafter "Department") is advising that, based upon a review of the relevant facts, he is commencing a formal action pursuant to Minn. Stat. §§ 45.027 and 80A.81 (2016).

This matter arises from the alleged unlawful sale of unregistered securities by American Blast Systems, Inc. (hereinafter "ABS"). The facts set forth below are based upon communications and documents obtained by the Department from ABS and its attorney, among other sources.

FINDINGS OF FACT

1. Respondent ABS is a California corporation that raised \$2,498,000 in a securities offering sometime in 2014 and/or 2015. Of that sum, over \$1,900,000 was raised from Minnesota investors.
2. ABS alleges that the offering was made only to accredited investors. However, it acknowledges that no Form D or other filings or notices were ever made with any states or

the SEC. Likewise, ABS acknowledges that it made no efforts to confirm that the offerings or sales were, in fact, made to accredited investors.

3. ABS also admits that it failed to have proper corporate authorization to offer or issue the shares sold to Minnesota investors.

4. ABS paid commissions in the form of "finder's fees" to unregistered agents who participated in the sale of securities.

5. On May 16, 2017, ABS supplied the Department with a list of investors that had been made rescission offers on May 5, 2017.

6. On June 26, 2017, ABS identified fifteen (15) investors with investments totaling \$82,500 (\$93,440 including interest from the date of investment).

7. Counsel for ABS was attempting to identify those receiving sales commissions.

8. At all times material to the offering, ABS has supplied the Department with evidence that it relied and acted on the advice of counsel and ABS had instructed its counsel to prepare any and all necessary corporate documentation and offering materials in accordance with applicable state and federal securities laws.

9. Any Finding of Fact herein, which should be deemed a Conclusion of Law, is hereby adopted as such.

CONCLUSIONS OF LAW

10. ABS violated Minn. Stat. § 80A.49 (2016) by selling securities to Minnesota residents that were neither registered nor exempt from registration.

11. ABS violated Minn. Stat. § 80A.57 (2016) by employing unregistered agents to sell its securities.

12. Any Conclusion of Law herein, which should be deemed a Finding of Fact, is hereby adopted as such.

13. This Order is in the public interest.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, pursuant to Minn. Stat. § 45.027 subd. 5a and Minn. Stat. § 80A.81(a) (2016) that this Order is effective immediately and American Blast Systems, Inc. shall cease and desist from engaging in the offer or sale of any securities related activity which this Department licenses, registers or regulates unless properly registered unless the securities or securities transactions are otherwise exempt from registration, provided ABS gives notice to the Department prior to any such offer or sale of an exempt security or securities transaction.

IT IS FURTHER ORDERED, that American Blast Systems shall pay restitution to Minnesota investors as follows:

- By August 1, 2017, ABS will remit payment to each investor electing rescission.
- By September 1, 2017, ABS will take whatever corporate action is necessary to authorize the amount and type of shares as represented in the offering circular.
- By September 1, 2017, ABS shall provide a verified accounting to the Department identifying all payments made to individuals (including dates and amounts), and providing confirmation that all shares were authorized in accordance with the offering circular.
- By August 1, 2017, ABS shall provide the names and addresses and amount received by any and all individuals or entities paid a finder's fee, commission or other compensation in connection with the sale of securities arising out of the offering.

IT IS FURTHER ORDERED, that American Blast Systems, Inc. shall pay to the State of Minnesota a civil penalty of \$50,000. Should American Blast Systems, Inc. fully and

completely pay rescission to all Minnesota investors requesting same, \$45,000 of the civil penalty shall be permanently stayed provided there are no further violations of this Order.

FURTHER, IT IS HERBY ORDERED, that the civil penalty and/or any resulting judgment arising from this Order is non-dischargeable in any bankruptcy proceeding. See 11 U.S.C. 523(a)(7) (2010) ("A discharge under section 727, 1141, 1228(a), 1228(b), or 1328(b) of this title does not discharge an individual debtor from any debt . . . to the extent such debt is for a fine, penalty, or forfeiture payable to and for the benefit of a governmental unit, and is not compensation for actual pecuniary loss . . .").

IT IS FURTHER ORDERED, that pursuant to Minn. Stat. § 16D.17 (2016), the Commissioner may file and enforce the civil penalty imposed by this Order as a judgment against Respondent in district court without further notice or additional proceedings. In addition, pursuant to Minn. Stat. § 16D.13 (2016), Respondent is hereby notified that 30 days after the entry of said judgment, simple interest computed in accordance with Minn. Stat. § 16D.13, subd. 2 (2016) will begin to accrue on the civil penalty imposed against Respondent.

This Order shall be effective upon signature on behalf of the Commissioner.

Dated: 8-3-2017.

MIKE ROTHMAN
Commissioner of Commerce

By:


MARTIN FLEISCHHACKER
Assistant Commissioner of Enforcement

Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101

CONSENT TO ENTRY OF ORDER

The undersigned, acting on behalf of American Blast Systems, Inc. states, that he has read the foregoing Consent Order; that he knows and fully understands its contents and effect; that he is authorized to execute this Consent to Entry of Order on behalf of Respondent; that he has been advised of Respondent's right to a hearing and expressly waives that right; that Respondent has been represented by legal counsel in this matter; or that he has been advised of Respondent's right to be represented by legal counsel and that he has waived this right; and that he consents to entry of this Order by the Commissioner of Commerce. It is further expressly understood that this Order constitutes a settlement agreement between the parties hereto, there being no other promises or agreements, either express or implied.

American Blast Systems, Inc.

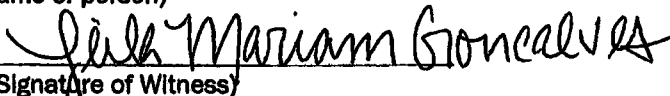
By 
It's _____

STATE OF CALIFORNIA

COUNTY OF ORANGE

This instrument was acknowledged before me on July 28, 2017 (date) by Donald Culver (name of person)

(stamp)


(Signature of Witness)

Notary Public
Title (and Rank)

