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STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS

TO: Jay Freeman
Creative Explosions, Inc.
660 Memory Lane
Boulder Creek, CA 95006

Creative Explosions, Inc.
c/o Jay Freeman, CEO
660 Memory Lane
Boulder Creek, CA 95006

DESIST AND REFRAIN ORDER
(For violations of section 25401 of the Corporations Code)

The California Corporations Commissioner finds that:

FINDINGS

1. At all relevant times, Jay Freeman (Freeman), an individual, was the Chief Operating Officer and majority shareholder of Creative Explosions, Inc. (“CE”). CE is a California Corporation, incorporated on May 10, 1996, with a last known business address of 269 Mount Herman Road, Suite 200, Scotts Valley, California, 95066. However, CE was evicted from their offices for failure to pay rent in early 2007 and now has no official street address.
2. Beginning at or around the date of incorporation, Freeman and CE offered and sold securities in the form of convertible promissory notes in CE (hereinafter, the “securities”).
3. In connection with these offers and sales, on at least one occasion, Freeman and CE made the following material misrepresentations or omissions:

1 a. Freeman and CE failed to disclose that the United States Internal Revenue Service
2 (“I.R.S.”) has asserted claims against CE for failure to pay payroll taxes for the years 1999-2005. The
3 I.R.S. claims CE owes \$2,000,000.00 in back payroll taxes.

4 b. Freeman and CE failed to disclose that the California Employment Development
5 Department (“EDD”) has asserted claims against CE for failing to pay payroll taxes for the years
6 1999-2005. CE owed EDD \$280,000, but the exact amount still owed is uncertain, as the EDD
7 perfected its claims and levied against several corporate bank accounts, receiving partial payment,
8 albeit in an involuntary fashion.

9 c. Freeman and CE failed to disclose that they are in default on the convertible promissory
10 notes they have already issued, but continue to issue additional notes promising additional “shares.”

11 d. Freeman and CE failed to disclose that none of the convertible promissory notes issued
12 in the last 10 years has ever converted to the shares of stock promised after conversion.

13 e. Freeman and CE failed to disclose that the California Department of Corporations has
14 commenced an investigation into the corporations’ maintenance and securities filings.

15 f. Freeman and CE failed to disclose that the corporation missed several payroll payments
16 in 2006, resulting in an exodus of all employees except for a few remaining “volunteers.”

17 g. Freeman and CE failed to disclose that the corporation missed several rent payments in
18 2006, resulting in the corporation’s eviction from its offices in Scotts Valley in early 2007.

19 h. Freeman and CE failed to disclose that the corporation is approximately \$5,000,000.00
20 in debt to creditors, vendors, employees, lien holders, bank and credit card companies, officers and
21 directors, and others.

22 Based upon the foregoing, the California Corporations Commissioner is of the opinion that the
23 investments that are being or have been offered and sold by Freeman and CE are securities under the
24 California Corporate Securities Law of 1968. (Corp. Code § 25019.) Further, the California
25 Corporations Commissioner is of the opinion that the securities were offered or sold in this state by
26 means of written or oral communications which included an untrue statement of a material fact or
27 omitted to state a material fact necessary in order to make the statements made, in the light of the
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1 circumstances under which they were made, not misleading, in violation of Corporations Code section
2 25401.

3
4 ORDER

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6 Pursuant to section 25532 of the Corporate Securities Law of 1968, CE and Freeman and
7 any associated individuals, partnerships, corporations, or companies are hereby ORDERED:

8 (1) To desist and refrain from the further offer or sale in the State of California of
9 said securities, including *but not limited to* convertible promissory notes, unless and until
10 qualification has been made under the law or unless exempt; and,

11 (2) To desist and refrain from the offer and sale of any and all securities in this state
12 by means of written or oral communications which include any untrue statement of a material
13 fact or any omission of a material fact necessary in order to make the statements made, in the
14 light of the circumstances under which they were made, not misleading.

15
16 This Order is necessary, in the public interest, for the protection of investors and consistent
17 with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

18 Dated: May 7, 2007
19 Sacramento, California

20 PRESTON DuFAUCHARD
21 California Corporations Commissioner

22
23 By _____

24 SHARON LUERAS
25 Lead Counsel
26 Enforcement Division