CM-010

ATTORNEY OR PARTY WITHOUT ATTORNEY (Name, State Bar number, and address):
MICHELLE LIPTON (BAR NO. 178078)
320 West 4th Street, Suite 750
Los Angeles, CA 90013-1105
TELEPHONE NO.: 213-576-7591 FAX NO.: 213 576 7181
ATTORNEY FOR (Name): PLAINTIFF

FOR COURT USE ONLY

FILED
SUPERIOR COURT OF CALIFORNIA
COUNTY OF ORANGE
CIVIL COMPLEX LITIGATION CENTER
AUG 07 2007
ALAN SLATER, Clerk of the Court
BY: M. CHHAY, DEPUTY

SUPERIOR COURT OF CALIFORNIA, COUNTY OF ORANGE
STREET ADDRESS: 751 WEST SANTA ANA BLVD
MAILING ADDRESS:
CITY AND ZIP CODE: SANTA ANA, CA 92701
BRANCH NAME: CIVIL COMPLEX CENTER

CASE NAME: PEOPLE v. SUPER ABSORBENT COMPANY; SYNCHRONIZED FUNDING, LLC; et al.

CASE NUMBER: 07CC01339

JUDGE: JUDGE DAVID C. VELASQUEZ
DEPT: DEPT. CX101

CIVIL CASE COVER SHEET

☑ Unlimited (Amount demanded exceeds $25,000) ☐ Limited (Amount demanded is $25,000 or less)

Complex Case Designation

☐ Counter ☐ Joinder

Filed with first appearance by defendant (Cal. Rules of Court, rule 3.402)

Items 1–6 below must be completed (see instructions on page 2).

1. Check one box below for the case type that best describes this case:

Auto Tort
- ☐ Auto (22)
- ☐ Uninsured motorist (46)

Other PI/PD/WD (Personal Injury/Property Damage/Wrongful Death) Tort
- ☐ Asbestos (04)
- ☐ Product liability (24)
- ☐ Medical malpractice (45)
- ☐ Other PI/PD/WD (23)

Non-PI/PD/WD (Other) Tort
- ☐ Business tort/unfair business practice (07)
- ☐ Civil rights (08)
- ☐ Defamation (13)
- ☐ Fraud (16)
- ☐ Intellectual property (19)
- ☐ Professional negligence (25)
- ☐ Other non-PI/PD/WD tort (35)

Employment
- ☐ Wrongful termination (36)
- ☐ Other employment (15)

Contract
- ☐ Breach of contract/warranty (06)
- ☐ Rule 3.740 collections (09)
- ☐ Other collections (09)
- ☐ Insurance coverage (18)
- ☐ Other contract (37)

Real Property
- ☐ Eminent domain/Inverse condemnation (14)
- ☐ Wrongful eviction (33)
- ☐ Other real property (26)

Unlawful Detainer
- ☐ Commercial (31)
- ☐ Residential (32)
- ☐ Drugs (38)

Judicial Review
- ☐ Asset forfeiture (05)
- ☐ Petition re: arbitration award (11)
- ☐ Writ of mandate (02)
- ☐ Other judicial review (39)

Provisionally Complex Civil Litigation (Cal. Rules of Court, rules 3.400–3.403)
- ☐ Antitrust/Trade regulation (03)
- ☐ Construction defect (10)
- ☐ Mass tort (40)
- ☑ Securities litigation (28)
- ☐ Environmental/Toxic tort (30)
- ☐ Insurance coverage claims arising from the above listed provisionally complex case types (41)

Enforcement of Judgment
- ☐ Enforcement of judgment (20)

Miscellaneous Civil Complaint
- ☐ RICO (27)
- ☐ Other complaint *(not specified above)* (42)

Miscellaneous Civil Petition
- ☐ Partnership and corporate governance (21)
- ☐ Other petition *(not specified above)* (43)

2. This case ☑ is ☐ is not complex under rule 3.400 of the California Rules of Court. If the case is complex, mark the factors requiring exceptional judicial management:
   a. ☐ Large number of separately represented parties
   b. ☐ Extensive motion practice raising difficult or novel issues that will be time-consuming to resolve
   c. ☑ Substantial amount of documentary evidence
   d. ☑ Large number of witnesses
   e. ☐ Coordination with related actions pending in one or more courts in other counties, states, or countries, or in a federal court
   f. ☑ Substantial postjudgment judicial supervision
3. Remedies sought *(check all that apply)*: a. ☑ monetary b. ☑ nonmonetary; declaratory or injunctive relief c. ☐ punitive
4. Number of causes of action *(specify)*: 4
5. This case ☐ is ☑ is not a class action suit.
6. If there are any known related cases, file and serve a notice of related case. *(You may use form CM-015.)*

Date: 8/6/07

MICHELLE LIPTON
(TYPE OR PRINT NAME)

▶ _____
(SIGNATURE OF PARTY OR ATTORNEY FOR PARTY)

NOTICE

- Plaintiff must file this cover sheet with the first paper filed in the action or proceeding (except small claims cases or cases filed under the Probate Code, Family Code, or Welfare and Institutions Code). (Cal. Rules of Court, rule 3.220.) Failure to file may result in sanctions.
- File this cover sheet in addition to any cover sheet required by local court rule.
- If this case is complex under rule 3.400 et seq. of the California Rules of Court, you must serve a copy of this cover sheet on all other parties to the action or proceeding.
- Unless this is a collections case under rule 3.740 or a complex case, this cover sheet will be used for statistical purposes only.

Form Adopted for Mandatory Use
Judicial Council of California
CM-010 [Rev. July 1, 2007]

CIVIL CASE COVER SHEET

Cal. Rules of Court, rules 2.30, 3.220, 3.400–3.403, 3.740;
Cal. Standards of Judicial Administration, std. 3.10
www.courtinfo.ca.gov
www.accesslaw.com

SUMMONS
(CITACION JUDICIAL)

SUM-100

FOR COURT USE ONLY
(SOLO PARA USO DE LA CORTE)

FILED
SUPERIOR COURT OF CALIFORNIA
COUNTY OF ORANGE
CIVIL COMPLEX LITIGATION CENTER

AUG 07 2007

ALAN SLATER, Clerk of the Court

BY: M. CHHAY, DEPUTY

NOTICE TO DEFENDANT: *(AVISO AL DEMANDADO):*
SUPER ABSORBENT COMPANY, a NEVADA Corporation; SYNCHRONIZED FUNDING, LLC, a California Limited Liability Company; PHILLIP BERLIN, an individual; MARK IAN SINKINSON, an individual; and Does I through 50, inclusive.

YOU ARE BEING SUED BY PLAINTIFF:
(LO ESTÁ DEMANDANDO EL DEMANDATE)
THE PEOPLE OF THE STATE OF CALIFORNIA, by and through the California Corporations Commissioner.

You have 30 CALENDAR DAYS after this summons and legal papers are served on you to file a written response at this court and have a copy served on the plaintiff. A letter or phone call will not protect you. Your written response must be in proper legal form if you want the court to hear your case. There may be a court form that you can use for your response. You can find these court forms and more information at the California Courts Online Self-Help Center (www.courtinfo.ca.gov/selfhelp), your county law library, or the courthouse nearest you. If you cannot pay the filing fee, ask the court clerk for a fee waiver form. If you do not file your response on time, you may lose the case by default, and your wages, money, and property may be taken without further warning from the court.

There are other legal requirements. You may want to call an attorney right away. If you do not know an attorney, you may want to call an attorney referral service. If you cannot afford an attorney, you may be eligible for free legal services from a nonprofit legal services program. You can locate these nonprofit groups at the California Legal Services Web site (www.lawhelpcalifornia.org), the California Courts Online Self-Help Center (www.courtinfo.ca.gov/selfhelp), or by contacting your local court or county bar association.

Tiene 30 DÍAS DE CALENDARIO después de que le entreguen esta citación y papeles legales para presentar una respuesta por escrito en esta corte y hacer que se entregue una copia al demandante. Una carta o una llamada telefónica no lo protegen. Su respuesta por escrito tiene que estar en formato legal correcto si desea que procesen su caso en la corte. Es posible que haya un formulario que usted pueda usar para su respuesta. Puede encontrar estos formularios de la corte y más información en el Centro de Ayuda de las Cortes de California (www.courtinfo.ca.gov/selfhelp/espanol/), en la biblioteca de leyes de su condado o en la corte que le quede más cerca. Si no puede pagar la cuota de presentación, pida al secretario de la corte que le dé un formulario de exención de pago de cuotas. Si no presenta su respuesta a tiempo, puede perder el caso por incumplimiento y la corte le podrá quitar su sueldo, dinero y bienes sin más advertencia.

Hay otros requisitos legales. Es recomendable que llame a un abogado inmediatamente. Si no conoce a un abogado, puede llamar a un servicio de remisión a abogados. Si no puede pagar a un abogado, es posible que cumpla con los requisitos para obtener servicios legales gratuitos de un programa de servicios legales sin fines de lucro. Puede encontrar estos grupos sin fines de lucro en el s California Legal Services, (www.lawhelpcalifornia.org), en el Centro de Ayuda de las Cortes de California, (www.courtinfo.ca.gov/selfhelp/espanol/) o poniéndose en contacto con la corte o el colegio de abogados locales.

The name and address of the court is: *(El nombre y dirección de la corte es):*
ORANGE COUNTY SUPERIOR COURT
751 WEST SANTA ANA BLVD
SANTA ANA, CA 92701

CASE NUMBER (Número del Caso): 07CC01339

JUDGE DAVID C. VELASQUEZ
DEPT. CX101

The name, address, and telephone number of plaintiff's attorney, or plaintiff without an attorney, is:
(El nombre, la dirección y el número de teléfono del abogado del demandante, o del demandante que no tiene abogado, es):
MICHELLE LIPTON (BAR NO. 178078) 213-576-7591
Senior Corporations Counsel
Department of Corporations
320 West 4th Street, Suite 750
Los Angeles, CA 90013-1105

DATE: 8/7/07 ALAN SLATER Clerk, by _____, Deputy
(Fecha) *(Secretario)* *(Adjunto)*

(For proof of service of this summons, use Proof of Service of Summons *(form POS-010).)*
(Para prueba de entrega de esta citatión use el formulario Proof of Service of Summons, *(POS-010).)*

[SEAL]

NOTICE TO THE PERSON SERVED: You are served
1. ☐ as an individual defendant.
2. ☐ as the person sued under the fictitious name of *(specify)*:
3. ☐ on behalf of *(specify)*:
   under: ☐ CCP 416.10 (corporation) ☐ CCP 416.60 (minor)
   ☐ CCP 416.20 (defunct corporation) ☐ CCP 416.70 (conservatee)
   ☐ CCP 416.40 (association or partnership) ☐ CCP 416.90 (individual)
   ☐ other *(specify)*:
4. ☐ by personal delivery on *(date)*:

Form Adopted for Mandatory Use
Judicial Council of California
SUM-100 [Rev. January 1, 2004]

SUMMONS

Code of Civil Procedure §§ 412.20, 465
SF-C53

PRESTON DuFAUCHARD
California Corporations Commissioner
WAYNE STRUMPFER
Deputy Commissioner
ALAN S. WEINGER (CA BAR NO. 86717)
Lead Corporations Counsel
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Attorneys for the People of the State of California

FILED
SUPERIOR COURT OF CALIFORNIA
COUNTY OF ORANGE
CIVIL COMPLEX LITIGATION CENTER
AUG 07 2007
ALAN SLATER, Clerk of the Court
BY: M. CHHAY DEPUTY

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF LOS ANGELES

THE PEOPLE OF THE STATE OF CALIFORNIA, by and through the California Corporations Commissioner,

Plaintiff,

v.

SUPER ABSORBENT COMPANY, a NEVADA Corporation;
SYNCHRONIZED FUNDING, LLC, a California Limited Liability Company;
PHILLIP BERLIN, an individual;
MARK IAN SINKINSON, an individual; and
DOES 1 through 50, inclusive,

Defendants.

CASE NO. 07CC01339

COMPLAINT FOR PRELIMINARY INJUNCTION, PERMANENT INJUNCTION, ANCILLARY RELIEF AND RESTITUTION

VIOLATIONS OF CALIFORNIA CORPORATIONS CODE SECTION 25110 **(SALE OF UNQUALIFIED SECURITIES)**

VIOLATIONS OF CALIFORNIA CORPORATIONS CODE SECTION 25130 **(SALE OF UNQUALIFIED SECURITIES)**

VIOLATIONS OF CALIFORNIA CORPORATIONS CODE SECTION 25401 **(SALE OF SECURITIES BY MEANS OF FALSE OR MISLEADING STATEMENTS)**

VIOLATIONS OF DESIST AND REFRAIN ORDER ISSUED BY THE CALIFORNIA CORPORATIONS COMMISSIONER

[EXEMPT FROM FILING FEES — GOVERNMENT CODE §6103]

JUDGE DAVID C. VELASQUEZ
DEPT. CX101

Preston DuFauchard, California Corporations Commissioner ("Commissioner"), acting to protect the public from the unlawful sale of unqualified and fraudulent securities, brings this action in the public interest in the name of the People of the State of California. The People of the State of California allege as follows on information and belief:

JURISDICTION AND VENUE

1. The Commissioner brings this action to enjoin the defendants from violating the provisions of the California Corporate Securities Law of 1968 ("CSL") (Cal. Corp. Code Sections 25000 et seq.) and to request necessary equitable and ancillary relief. The Commissioner is authorized to administer and enforce the provisions of the CSL.

2. The Commissioner brings this action pursuant to California Corporations Code Section 25530 and California Government Code Section 11180 et seq. in his capacity as head of the California Department of Corporations ("Department").

3. Defendants have transacted business within Orange County and other counties in California. Defendants principle place of business is located in Orange County. The violations of law described herein have occurred and will continue to occur, unless enjoined, within Orange County and elsewhere within the State of California.

DEFENDANTS

4. Defendant Super Absorbent Company ("SAC") is a Nevada Corporation with its principal place of business in California at 10 Chrysler, Suite B, Irvine, California 92618, and formerly at 20532 El Toro Road, Suite 202, Mission Viejo, California 92692.

5. Defendant Synchronized Funding, LLC ("SFL") is a California Limited Liability Company with its principal place of business in California at 26861 Highwood Circle, Laguna Hills, California 92653, and formerly at 34 Hawaii Drive, Aliso Viejo, CA 92656.

6. Defendant Phillip Berlin ("Berlin") is an individual and believed to be a resident of Orange County. Berlin is and was conducting business in the county of Orange and elsewhere in California. Berlin has acted in the following capacities at various times relevant to this complaint. Berlin is the Chief Executive Officer ("CEO") of SAC and a managing partner of SFL. Berlin was at all times relevant hereto, a "control" person of SAC and SFL as that term is defined in California

Corporations Code section 160(a). Pursuant to California Corporations Code section 160(a), "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of the corporation.

7. Defendant Mark Ian Sinkinson ("Sinkinson") is an individual and a resident of Orange County. Sinkinson is and was conducting business in the county of Orange and elsewhere within California. Sinkinson has acted in the following capacities at various times relevant to this complaint. Sinkinson is the President, Treasurer, and a Director of SAC and the CEO and managing partner of SFL. Sinkinson was at all times relevant hereto, a "control" person of SAC and SFL as that term is defined in California Corporations Code section 160(a).

8. Defendants Does 1 through 50 are persons, corporations, or other entities that have done or will do acts otherwise alleged in this complaint. Plaintiff is informed and believes, and on such information and belief alleges, that Defendants Does 1 through 50 inclusive, at all times mentioned herein have acted and are continuing to act in concert with the Defendants named herein, and that each of them has participated in the acts and transactions which are the subject of this complaint. The true names and capacities of Does 1 through 50, whether individual, corporate, or otherwise, are unknown to Plaintiff, who therefore sues such Defendants under such fictitious names, pursuant to the provisions of section 474 of the California Code of Civil Procedure. Plaintiff asks leave of the court to amend the complaint to allege the true names and capacities of such Defendants at such time as the same have been ascertained.

9. Plaintiff is informed and believes and on such information and belief alleges that, at all relevant times, the Defendants named as officers, directors, agents or employees, acted in such capacities in connection with the acts, practices and schemes of business set forth below.

10. Whenever any allegation is made in this complaint to "Defendants" doing any act, the allegation shall mean the act of each individual Defendant acting individually, jointly and severally and the conspiring of these Defendants to so act. Each Defendant alleged to have committed any act did so pursuant to and in furtherance of a common plan, scheme and conspiracy and as the agent for each and every co-defendant. Each Defendant acted in conspiracy to violate the provisions of the CSL.

11. Plaintiff is informed and believes and on such information and belief alleges that, at all relevant times, each and every Defendant, directly or indirectly controlled other co-defendants by knowingly inducing, or by knowingly providing substantial assistance to other co-defendants, to violate the provisions of the CSL, as alleged in the complaint within the meaning of California Corporations Code section 25403.

12. Whenever any allegation is made in this complaint to any of the corporate Defendants doing any act, the allegation shall mean acts done or authorized by the officers, directors, agents, or employees of the corporate Defendants while actively engaged in the management, direction, or control of the affairs of the corporate Defendants, and while acting within the course and scope of their employment.

13. Plaintiff is informed and believes that at all times herein mentioned, corporate Defendants continued in existence as alter egos of Berlin and Sinkinson pursuant to a scheme to offer and sell unqualified, non-exempt, and fraudulent securities.

14. At all times herein mentioned, Defendants SAC and SFL were so influenced and controlled by Berlin and Sinkinson in the conduct of its business and affairs that there existed a unity of interest and ownership among said parties so that adherence to the fiction of separate corporate and individual existences serves to work an injustice upon the public.

STATEMENT OF FACTS

15. In or about August 2001, and continuing thereafter, the Defendants, their agents, representatives and affiliates have engaged in and continue to engage in business in the State of California in violation of the CSL. These violations consist of offering and selling unqualified, non-exempt securities to members of the public by means of fraud despite the Commissioner issuing a Desist and Refrain Order against Berlin and Sinkinson in August 2002 ordering them to stop violating the CSL.

16. Defendants offered and sold in this State: 1) From February 18, 2003 through at least November 8, 2006, unqualified, non-exempt securities in issuer transactions by means of fraud, totaling in excess of $6,000,000 in SAC common stock to at least 196 known investors in 389 transactions; and 2) From October 31, 2001 through at least December 4, 2006, unqualified, non-

exempt securities in nonissuer transactions by means of fraud, totaling in excess of $5,500,000 in SAC shares owned by Berlin and Sinkinson to at least 251 known investors in 446 transactions. Money received from the sale of Berlin's and Sinkinson's personal shares of SAC to investors was put in SFL's bank account.

17. Furthermore, from August 28, 2001 through October 21, 2003, Defendants offered and sold securities fraudulently, totaling in excess of $1,300,000 in SAC convertible preferred stock to at least 104 known investors in 117 transactions.

18. In order to sell these securities, Defendants solicited investors by means of cold calls and by distributing offering materials and other communications through the mail without being qualified in the State of California.

19. SAC's stated business purpose is the production, marketing and distribution of biodegradable super-absorbent starch based polymers primarily used in the agriculture industry to reduce irrigational requirements while simultaneously increasing crop yields.

20. Defendants offered and sold securities in California to residents of the State of California and elsewhere for the alleged purpose of raising capital for: 1) SAC to improve and modernize their current production facility, 2) acquiring equipment to increase production, 3) leasing and building out a new facility, 4) marketing their product and 5) working capital.

21. In 2005, SAC had an operating loss of approximately $966,555. Through September 2006, SAC had an operating loss of approximately $1,241,361. The total operating loss of SAC from its inception in May 2001 through September 2006 is approximately $3,198,066.

22. Defendants offered and sold securities in California by making material misrepresentations, including: a) Defendants misrepresented that their forward looking profit projections were attainable within the time period given, while the company has been operating at a significant loss for the last five plus years; b) Defendants misrepresented that more than sixty percent of the proceeds from their offering would be used on equipment and manufacturing expenditures; and c) Defendants misrepresented that SAC would have an initial public offering within months of their private common stock offerings.

23. Defendants offered and sold securities in California by omitting material facts, including: a) Defendants failed to disclose that SAC had significantly failed in its attempt to meet prior profit projections and in fact has operated at a significant loss for the last five plus years; b) Defendants failed to disclose the past business failures of SAC's CEO Berlin and President Sinkinson; c) Defendants failed to disclose that investors in the past business ventures of Berlin and Sinkinson lost their entire investment; and d) Defendants failed to disclose to investors that Berlin and Sinkinson sold their own personal shares of SAC to investors for personal profit in excess of $5 million instead of selling company shares of SAC that would benefit the corporation.

24. On August 21, 2002, the Commissioner issued a Desist and Refrain Order against Berlin and Sinkinson for violations of CSL Section 25110 for selling unqualified, non-exempt securities in the form of stock in MyOnlyCatalog.com, Inc., now known as Commerce Syndication Network, Inc. The Commissioner ordered Berlin and Sinkinson to desist and refrain from the further offer or sale in the State of California of securities in the form of stock, unless and until qualification has been made under said law or unless exempt.

25. In addition, on August 21, 2002, the Commissioner issued a Desist and Refrain Order against Defendants Berlin and Sinkinson in connection with an illegal securities offering known as S.K.B. Trading Group, Inc.

26. Furthermore, the Commissioner and other states have issued Orders against BERLIN: 1) In November 1994, the Commissioner issued a Desist and Refrain Order against Berlin in connection with Capital Peak Partners, ordering him to desist and refrain from the further offer or sale in the State of California of securities including, but not limited to investment contracts in the form of general partnership interests; 2) In September 1995, the State of South Dakota Department of Commerce and Regulation Division of Securities issued an Order to Cease and Desist and Refrain and Order Denying Private Placement Exemptions against Berlin in connection with an illegal securities offering known as Creative Pet Products, Inc.("CPP"); and 3) In July 1996, The Department of Consumer and Business Services for the State of Oregon issued a Final Order to Cease and Desist, Denial of Exemptions, and Assessment of Civil Penalties against Berlin in connection with CPP.

FIRST CAUSE OF ACTION
SALE OF UNQUALIFIED SECURITIES
IN VIOLATION OF CALIFORNIA CORPORATIONS CODE SECTION 25110
(Against All Defendants)

27. The Commissioner incorporates by reference paragraphs 1 through 26 of this complaint as though fully set forth herein.

28. California Corporations section 25110 provides, in pertinent part, that:

> It is unlawful for any person to offer or sell in this state any security in an issuer transaction . . . unless such sale has been qualified under Section 25111, 25112, or 25113 . . . or unless such security or transaction is exempted or not subject to qualification under Chapter 1 (commencing with section 25100) of this part.

29. Commencing at least as early as February 2003, the Defendants, and each of them, offered and sold securities in issuer transactions in the State of California.

30. The investments offered and sold by Defendants, and each of them, are "securities" within the meaning of California Corporations Code section 25019 and case law thereunder. The securities included, but are not limited to common stock issued by SAC. Since about February 2003, SAC has raised at least $6,000,000 from the sale of these unqualified securities.

31. The sales referred to herein, were "issuer transactions" within the meaning of California Corporations Code sections 25010 and 25011.

32. The Defendants "offered and sold" the securities referred to herein, "within the State" of California within the meaning of California Corporations Code sections 25008 and 25017.

33. The Commissioner has not issued a permit or other form of qualification authorizing the defendants, and each of them, to offer and sell securities referred to herein in the State of California.

34. The offer and sale of securities referred to herein are not exempt from the requirement of qualification under California Corporations Code section 25110.

35. Defendants and each of them, offered or sold unqualified, non-exempt securities in violation of California Corporations Code section 25110. Unless enjoined by this Court, defendants and each of them, will continue to violate California Corporations Code section 25110.

SECOND CAUSE OF ACTION
SALE OF UNQUALIFIED SECURITIES
IN VIOLATION OF CALIFORNIA CORPORATIONS CODE SECTION 25130
(Against All Defendants)

36. The Commissioner incorporates by reference paragraphs 1 through 35 of this complaint as though fully set forth herein.

37. California Corporations section 25130 provides, in pertinent part, that:

> It is unlawful for any person to offer or sell in this state any security in any nonissuer transaction unless it is qualified for such sale under this chapter or under Section 25111 or 25113 . . . or unless such security or transaction is exempted or not subject to qualification under Chapter 1 (commencing with section 25100) of this part.

38. Commencing at least as early as October 2001, the Defendants, and each of them, offered and sold securities in nonissuer transactions in the State of California.

39. The investments offered and sold by Defendants, and each of them, are "securities" within the meaning of California Corporations Code section 25019 and case law thereunder. The securities included, but are not limited to Berlin and Sinkinson's own shares of SAC. Since about October 2001, Berlin and Sinkinson have raised at least $5,500,000 from the sale of these unqualified securities.

40. The sales referred to herein, were "nonissuer transactions" within the meaning of California Corporations Code sections 25010 and 25011.

41. The Defendants "offered and sold" the securities referred to herein, "within the State" of California within the meaning of California Corporations Code sections 25008 and 25017.

42. The Commissioner has not issued a permit or other form of qualification authorizing the Defendants, and each of them, to offer and sell securities referred to herein in the State of California.

43. The offer and sale of securities referred to herein are not exempt from the requirement of qualification under California Corporations Code section 25130.

44. Defendants and each of them, offered or sold unqualified, non-exempt securities in violation of California Corporations Code section 25130. Unless enjoined by this Court, Defendants and each of them, will continue to violate California Corporations Code section 25130.

THIRD CAUSE OF ACTION
MISREPRESENTATIONS OR OMISSIONS OF MATERIAL FACTS IN VIOLATION OF CALIFORNIA CORPORATIONS CODE SECTION 25401
(Against All Defendants)

45. The Commissioner realleges and incorporates by reference paragraphs 1 through 44 of this Complaint as though fully set forth herein.

46. California Corporations Code section 25401 provides as follows:

> It is unlawful for any person to offer or sell a security in this state or buy or offer to buy a security in this state by means of any written or oral communication which includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

47. In offering and selling the securities referred to herein, Defendants made untrue statements and/or misrepresentations of material facts to some or all prospective or existing investors. The misrepresentations included, without necessarily being limited to, the following:

a. Defendants misrepresented that their forward looking profit projections were attainable within the time period given, while the company has been operating at a significant loss for the last five plus years;

b. Defendants misrepresented that more than sixty percent of the proceeds from their offering would be used on equipment and manufacturing expenditures; and

c. Defendants misrepresented that SAC would have an initial public offering within months of their private common stock offerings.

48. In offering and selling the securities referred to herein, Defendants also omitted to state material facts to some or all of the prospective or existing investors. The omissions included, without necessarily being limited to, the following:

a. Defendants failed to disclose that SAC had significantly failed in its attempt to meet prior profit projections and in fact has operated at a significant loss for the last five plus years;

b. Defendants failed to disclose the past business failures of SAC's CEO Berlin and President Sinkinson;

c. Defendants failed to disclose that investors in the past business ventures of Berlin and Sinkinson lost their entire investment; and

d. Defendants failed to disclose to investors that Berlin and Sinkinson sold their own personal shares of SAC to investors for personal profit in excess of $5 million instead of selling company shares of SAC that would benefit the corporation.

49. The misstatements and omissions referred to herein were of "material facts" within the meaning of California Corporations Code section 25401.

50. Defendants and each of them, made untrue statements and/or omitted to disclose material facts in connection with the offer and sale of securities in violation of California Corporations Code section 25401.

51. Unless enjoined by this Court, Defendants and each of them, will continue to violate California Corporations Code section 25401.

FOURTH CAUSE OF ACTION
VIOLATIONS OF PRIOR DESIST AND REFRAIN ORDER ISSUED BY THE COMMISSIONER
(Against All Defendants)

52. Plaintiff incorporates by reference paragraphs 1 through 51 of this Complaint as though fully set forth herein.

53. Corporations Code section 25530 provides, in pertinent part, as follows:

> (a) Whenever it appears to the commissioner that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of this division or any rule or order hereunder, the commissioner may in the commissioner's discretion bring an action in the name of the people of the State of California in the superior court to enjoin the acts or practices or to enforce compliance with this law or any rule or order hereunder....

54. 1) On August 21, 2002, the Commissioner issued an administrative order against Defendants Berlin and Sinkinson in connection with MyOnlyCatalog.com, Inc., now known as Commerce Syndication Network, Inc., ordering them to immediately desist and refrain from the further offer or sale in the State of California of securities in the form of stock, unless and until qualification has been made under Corporations Code section 25110 or unless exempt; and 2) In November 1994, the Commissioner issued a Desist and Refrain Order against Berlin in connection with Capital Peak Partners, ordering him to desist and refrain from the further offer or sale in the State of California of securities including, but not limited to investment contracts in the form of general partnership interests because the securities were not qualified.

55. Notwithstanding the receipt and knowledge of the Desist and Refrain Orders, Defendants Berlin and Sinkinson continue to offer and sell securities in the State of California in the form of SAC common stock that are not qualified under Corporations Code 25110 or exempt from the requirement of qualification, and as such are in violation of the Commissioner's Order. Unless enjoined by this Court, Defendants and each of them, will continue to violate the Commissioner's Orders.

PRAYER

WHEREFORE, plaintiff prays for judgment as follows:

I. AGAINST ALL DEFENDANTS:

1. For Orders of Preliminary and Permanent Injunctions enjoining all Defendants and each of them, and such Does as may be subsequently named, and their officers, directors, successors in interest, agents, employees, attorneys in fact, and all persons acting in concert or participating with them, from directly or indirectly violating:

a. California Corporations Code section 25110 by offering to sell, selling, arranging for the sale, issuing, engaging in the business of selling, negotiating for the sale of, or otherwise in any way dealing or participating in the offer or sale of, any security of any kind, including but not limited to the securities described in this Complaint, unless such security or transaction is qualified;

b. California Corporations Code section 25130 by offering to sell, selling, arranging for the

sale, issuing, engaging in the business of selling, negotiating for the sale of, or otherwise in any way dealing or participating in the offer or sale of, any security of any kind, including but not limited to the securities described in this Complaint, unless such security or transaction is qualified;

c. California Corporations Code section 25401 by offering to sell or selling any security of any kind, including but not limited to, the securities described in this Complaint, by means of any written or oral communication, which contains any untrue statements of any material fact or omits or fails to state any material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, including but not limited to the misrepresentations and omissions alleged in this Complaint;

d. The Desist and Refrain Order issued against Berlin and Sinkinson in August 2002 in connection with MyOnlyCatalog.com, Inc., now known as Commerce Syndication Network, Inc., and the Desist and Refrain Order issued against Berlin in November 1994 in connection with Capital Peak Partners;

e. Removing, destroying, mutilating, concealing, altering, transferring, or otherwise disposing of, in any manner, any books, records, computer programs, computer files, computer print-outs, correspondence, brochures, manuals, or any other writings or documents of any kind as defined under California Evidence Code section 250 relating to the transactions and course of conduct as alleged in the complaint in this action; and

f. Transferring, changing, disbursing, selling, dissipating, converting, conveying, pledging, assigning, encumbering, or foreclosing or otherwise disposing of any real or personal property or other assets in their possession or under their control, or in the possession of, or under the control of, any of the Defendants, which property or other assets were derived or emanated from directly, or indirectly, the sale and issuance of securities as alleged in this Complaint, without leave of the Court.

2. For a Final Judgment requiring Defendants and each of them, and such Does as may be subsequently named, individually, jointly and severally, to rescind each and all of the unlawful transactions alleged in this Complaint, as shall be determined by this Court to have occurred, and further requiring Defendants and such Does as may be subsequently named individually, jointly and severally, to pay full restitution to each person determined to have been subjected to Defendants'

acts or practices which constitute violations of the Corporations Code, with the total amount of funds being at least $12,800,000 less the amount of any repayment of principal, or any other amount according to proof. In addition, to pay either the contracted rate of interest or the legal rate of interest on the amounts invested by the clients from the dates of their investments to the date of judgment herein.

3. For a Final Judgment requiring all Defendants and each of them, and such Does as may be subsequently named, individually, jointly and severally, to disgorge according to proof, to all known persons who invested, all benefits received, including but not limited to, salaries, commissions, fees and profits, derived directly or indirectly, from the acts or practices which constitute violations of the Corporations Code.

4. For a Final Judgment requiring Defendants and each of them, and such Does as may be subsequently named, to pay $25,000 to the Department of Corporations as a civil penalty for each act in violation of the CSL, as authorized by Corporations Code section 25535 as follows:

a. As to the First Cause of Action, against Defendants SAC, SFL, Sinkinson and Berlin to be jointly and severally liable for at least $4,900,000 for at least 196 violations of California Corporations Code section 25110, or any other amount according to proof;

b. As to the Second Cause of Action, against Defendants SAC, SFL, Sinkinson and Berlin to be jointly and severally liable for at least $6,275,000 for at least 251 violations of California Corporations Code section 25130, or any other amount according to proof;

c. As to the Third Cause of Action, against Defendants SAC, SFL, Sinkinson and Berlin to be jointly and severally liable for at least $13,775,000 for at least 551 violations of California Corporations Code section 25401, or any other amount according to proof; and

d. As to the Fourth Cause of Action, against Defendants to be jointly and severally liable for at least $4,900,000 for at least 196 violations of the prior Desist and Refrain Order, or any other amount according to proof.

II. OTHER RELIEF:

1. For an Order of Final Judgment that plaintiff recovers his costs and reasonable attorneys' fees from defendants, and each of them, individually, jointly and severally.

2. For an Order that this court will retain jurisdiction of this action in order to implement and carry out the terms of all orders and decrees that may be entered herein or to entertain any suitable application or motion by Plaintiff for additional relief within the jurisdiction of this Court.

3. For such other and further relief as the Court deems necessary and proper.

Dated: August 3, 2007

Los Angeles, California

Respectfully submitted,

PRESTON DuFAUCHARD
California Corporations Commissioner

By: _____
MICHELLE LIPTON
Senior Corporations Counsel
Attorney for Plaintiff