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FILED
Clerk of the Superior Court

MAY 04 2012

By: LEE RYAN, Deputy

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF SAN DIEGO

THE PEOPLE OF THE STATE OF CALIFORNIA, by and through the CALIFORNIA CORPORATIONS COMMISSIONER,

Plaintiff,

vs.

SMARTWEAR TECHNOLOGIES, a San Diego County fictitious business name; SMARTWEAR TECHNOLOGIES, INC., a Delaware corporation; NORMAN FRANK REED, an individual; ROBERT REED, an individual; SEAN BORZAGE BOYD, an individual; and DOES 1 through 10, inclusive,

Defendants,

And

GLOBAL GENERAL TECHNOLOGIES, INC., a Nevada corporation; and LEXIT TECHNOLOGY, INC., a Colorado corporation,

Relief Defendants.

Case No.: 37-2008-00091291-CU-MC-CTL

[PROPOSED] DEFAULT JUDGMENT BY COURT

Judge: Hon. Ronald S. Prager
Dept: C-71

1 Plaintiff, the People of the State of California, by and through the California Corporations
2 Commissioner (“Commissioner” or “Plaintiff”), filed a Complaint on September 9, 2008 pursuant to
3 section 25530 of the California Corporate Securities Law of 1968 (“CSL”), California Corporations
4 Code section 25000 et seq., to enjoin Defendants from violating the CSL and for other equitable
5 relief, including restitution and civil penalties. The operative complaint (“Complaint”) alleges claims
6 for violations of sections 25110 and 25401¹ against Defendants SmartWear Technologies, Inc.
7 (“SmartWear”), Norman Frank Reed, Robert Reed, Sean Borzage Boyd and Walter Robert Reed
8 (collectively “Defendants”), and constructive trust/unjust enrichment against relief defendants.
9 Defendants and relief defendants are in default.

10 On the morning of June 21, 2011, a court trial began before the Honorable Ronald S. Prager,
11 Judge of the Superior Court of the State of California for the County of San Diego, as to Robert
12 Reed; all other defendants and relief defendants had defaulted. Robert Reed did not appear for trial
13 and the Court found him in default.

14 In the afternoon of June 21, 2011, the Court received a removal notice filed by a relief
15 defendant, removing the instant action to United State District Court for the Southern District of
16 California. Plaintiff filed a motion to remand and on January 24, 2012 the United States District
17 Court entered an order remanding the instant action to the Superior Court.

18 On May 4, 2012, a default prove-up proceeding was held before the Honorable Ronald S.
19 Prager. Plaintiff was represented by Alex M. Calero, Senior Corporations Counsel. The Court issued
20 a Statement of Decision (“Decision”), attached hereto as Exhibit 1 and incorporated herein by
21 reference. As set forth in the Decision, the Court found in favor of Plaintiff on its claims for
22 violations of sections 25110 and 25401 against Defendants.

23 The Court found that Defendants are jointly and severally liable for the entire fraudulent
24 investment scheme, pursuant to section 25403, subdivision (a), as control persons of SmartWear.

25 Further, the Court found that Robert Reed is liable for the entire fraudulent investment
26 scheme for providing substantial assistance to the scheme under section 25403, subdivision (b), and
27

28 ¹ All statutory references are to the California Corporations Code unless otherwise noted.

1 pursuant to the alter ego doctrine.

2 **NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED** that:

3 1. Pursuant to California Corporations Code section 25530, subdivision (a), SmartWear
4 Technologies, Inc., Robert Reed, Walter Robert Reed and Sean Borzage Boyd are permanently
5 enjoined from, directly or indirectly:

6 a. Violating California Corporations Code section 25110 by offering to sell,
7 selling, arranging for the sale of, issuing, engaging in the business of selling, or negotiating for the
8 sale of any security of any kind unless such security or transaction is qualified; and

9 b. Violating California Corporations Code section 25401 by offering to sell or
10 selling any security of any kind by means of any written or oral communication which includes any
11 untrue statement of material fact or omits to state any material fact necessary in order to make the
12 statements made, in the light of the circumstances under which they are made, not misleading.

13 2. Pursuant to California Corporations Code section 25530, subdivision (b), SmartWear
14 Technologies, Inc. Robert Reed, Walter Robert Reed and Sean Borzage Boyd, jointly and severally,
15 are ordered to pay full restitution to each of the one hundred and thirty (130) investors set forth on
16 Exhibit A hereto, in the amount of \$ 4,970,639.93 (where an investor was paid in full, no
17 restitution is due). Each time a payment is made pursuant to this order, Defendants shall file a notice
18 with the Commissioner by U.S. Mail, attention Alex M. Calero, at Plaintiff's address of record in this
19 action, which shall identify: the name of the investor (and/or the name of the estate, as applicable),
20 amount of payment, date of payment, method of payment and remaining amount of restitution due
21 and owing to the investor.

22 3. Pursuant to California Corporations Code section 25530, subdivision (b), Robert Reed
23 is ordered to pay full restitution to each of the one hundred and thirty (130) investors, who invested
24 additional funds, and is order to pay full restitution to each of the additional eighteen (18) investors as
25 set forth on Exhibit A hereto, in the amount of \$ 4,040,404.60 (where an investor was paid in full,
26 no restitution is due). Each time a payment is made pursuant to this order, Defendants shall file a
27 notice with the Commissioner by U.S. Mail, attention Alex M. Calero, at Plaintiff's address of record
28 in this action, which shall identify: the name of the investor (and/or the name of the estate, as

1 applicable), amount of payment, date of payment, method of payment and remaining amount of
2 restitution due and owing to the investor.

3 4. Pursuant to California Corporations Code section 25535, SmartWear Technologies,
4 Inc., Robert Reed, Walter Reed and Sean Borzage Boyd, jointly and severally, are ordered to pay the
5 Commissioner civil penalties, as follows:

6 a. \$ 6,500,000.00 for the two hundred and sixty (260) violations of
7 section 25110; and

8 b. \$ 9,950,000.00 for the three hundred and ninety-eight (398) violations
9 of section 25401.

10 5. Pursuant to California Corporations Code section 25535, Robert Reed is ordered to
11 pay the Commissioner additional civil penalties, as follows:

12 a. \$ 900,000.00 for the thirty-six (36) additional violations of section
13 25110; and

14 b. \$ 11,100,000.00 for the four hundred and ninety-eight (498) additional
15 violations of section 25401.

16 6. This Court will retain jurisdiction of this action in order to implement and carry out
17 the terms of all orders and decrees that may be entered herein or to entertain any suitable application
18 or motion by Plaintiff for additional relief within the jurisdiction of this Court.

19 **IT IS SO ORDERED.**

20
21 Dated: MAY 04 2012

RONALD S. PRAGER
HON. RONALD S. PRAGER, JUDGE OF THE SUPERIOR
COURT OF THE STATE OF CALIFORNIA FOR THE
COUNTY OF SAN DIEGO