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ESYNCH CORP/CA  
Form PRE 14C  
November 08, 2002

ESYNCH CORPORATION  
(a Delaware Corporation)  
One Technology Drive, Building H  
Irvine, CA 92618

(Principle Executive Offices of the Company)

NOTICE OF WRITTEN CONSENT OF SHAREHOLDERS IN LIEU OF MEETING

NOTICE IS HEREBY GIVEN that certain shareholders of eSYNCH CORPORATION, (hereinafter referred to as the "Company"), having more than fifty percent (50%) of the total voting shares of the Company, have provided their written consent to the proposed actions as set forth in the Information Statement, which actions shall take effect no sooner than 20 calendar days following the mailing of the herein Information Statement. The certain shareholder's written consents cover the following shareholder action:

(i) an Action by Written Consent dated October 18th, 2002, of the Stockholders of the Company on the amendment to the Articles of Incorporation of the Company, as amended, to provide for a stock combination (reverse split) of the Common Stock in an exchange ratio to be approved by the Board, ranging from one newly issued share for each two outstanding shares of Common Stock to one newly issued share for each twenty outstanding shares of Common Stock.

As of October 18, 2002, there were 101,153,468 Class A Common Stock shares issued and outstanding, having 101,153,468 votes and 55.6 Series J Preferred Shares issued and outstanding having 42,231,675 votes and 18.5 Series K Preferred Shares issued and outstanding having 13,653,000 votes, totaling 157,038,143 votes for any matter that may be voted upon by the shareholders of the Company. This Information Statement will be mailed to all shareholders of record as of October 18, 2002.

By order of the Board of Directors.

November 8, 2002

/S/ THOMAS HEMINGWAY

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THOMAS HEMINGWAY  
CHIEF EXECUTIVE OFFICER  
ESYNCH CORPORATION

ESYNCH CORPORATION.  
(a Delaware Corporation)  
One Technology Drive, Building H  
Irvine, CA 92618  
(Principle Executive Offices of the Company)

INFORMATION STATEMENT

DATE FIRST MAILED TO SHAREHOLDERS OF RECORD:

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November 8, 2002

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY

## INTRODUCTION

This Information Statement is being furnished to the shareholders of record of eSynch Corporation, a Delaware corporation (the "Company"), as of October 18, 2002, pursuant to the requirements of Regulation 14C under the Securities Exchange Act 1934, as amended. Certain shareholders having more than fifty percent (50%) of the total voting shares of the Company have provided their written consent to the proposed actions as set forth within this Information Statement, which actions shall take effect no sooner than 14 calendar days following the mailing of the herein Information Statement. The certain shareholder's written consents cover the following shareholder actions:

(i) an Action by Written Consent dated October 18, 2002, of the Stockholders of the Company on the amendment to the Articles of Incorporation of the company, as amended, To approve an amendment to the Certificate of Incorporation in order to provide for a stock combination (reverse split) of the Common Stock in an exchange ratio to be approved by the Board, ranging from one newly issued share for each two outstanding shares of Common Stock to one newly issued share for each ten outstanding shares of Common Stock.

A copy of the Written Consents are attached as Exhibit "A" to this Information Statement.

Management of the Company is utilizing the Written Consents in order to save expense and time.

Certain shareholders of the Company having more than fifty percent (50%) of the issued and outstanding shares of the Company's common stock (the "Common Stock") and Series J Preferred stock (Series J Stock) and Series K Preferred stock (Series K Stock) have provided written consents to a stock combination. See "Vote Required"; "Other Information Regarding the Company - Security Ownership of Certain Beneficial Owners and Management"; and "Directors and Executive Officers". See "Matters Set Forth in the Written Consents".

Shareholders of record at the close of business on October 18, 2002 are being furnished copies of this Information Statement. The principal executive office of the Company is located at One Technology Dr., Bldg. H Irvine, CA 92618, and the Company's telephone number is (714) 258-1900.

## MATTERS SET FORTH IN THE WRITTEN CONSENTS

The Written Consents contain:

(i) A Resolution dated September 3, 2002, to amend the Certificate of Incorporation in order to provide for a stock combination (reverse split) of the Common Stock in an exchange ratio to be approved by the Board, ranging from one newly issued share for each two outstanding shares of Common Stock to one newly issued share for each twenty outstanding shares of Common Stock.

Shareholders representing 58.52% of the votes of the currently issued and outstanding shares of Common Stock and Series J Preferred Stock, have executed the Written Consents, thereby ensuring the increase of the number of shares authorized for issuance. See "Other Information Regarding The Company - Security Ownership of Certain Beneficial Owners and Management."

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Set forth below is a table of the stockholders who have executed the Written Consents and, to the best of the Company's knowledge, the number of shares of Common Stock beneficially owned by such stockholders as of October 18, 2002:

Common . . . . .	Shr.s	Shr.	Com
-----			
Total Common Issued and Outstanding Votes Possible . . . . .			101
Votes by Written Consent For Increase in Issue-able Common Stock Beneficial Owner			
-----			
David Lyons. . . . .	5,000,000		1
Tom Hemingway. . . . .	12,951,438		1
Dick Hutt. . . . .	6,035,768		1
Jim Budd . . . . .	6,032,920		1
Mark Utzinger. . . . .	5,000,000		1
Danny Loy. . . . .	1,000,000		1
Total. . . . .	36,020,126		1
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	# of Pref	Votes/Pref	Number
	-----	-----	-----
Preferred Series J. . . . .	Shr.s	Shr.*	
-----			
Total Series J Preferred Issued & Outstanding Votes Possible. . . . .			42
Votes by Written Consent For Increase in Issue-able Common Stock Beneficial Owner			
Manchester Asset Management . . . . .	28.1	759,563	21
Triton Private Equity Fund L.P. . . . .	15.0	759,563	11
Intercoastal Financial Services . . . . .	12.5	759,563	9
Total . . . . .	57.6	759,563	42
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	# of Pref	Votes/Pref	Number
	-----	-----	-----
Preferred Series K. . . . .	Shr.s	Shr.*	
-----			
Total Series J Preferred Issued & Outstanding Votes Possible. . . . .			13
Votes by Written Consent For Increase in Issue-able Common Stock Beneficial Owner			
Lightline Limited . . . . .	6.0	738,000	4
2.87%			
Intercoastal Financial Services . . . . .	12.5	738,000	9
Total . . . . .	18.5	738,000	13
-----			
Total Votes by Written Consent For Stock Combination			91
Total Votes Possible (Common and Series J and K Preferred). . . . .			157

\* Please note that the number of votes per share (759,563 and 738,000) granted, of Series J preferred stock and Series K preferred stock, respectively, is based on the number of shares of Common (759,563 and 738,000) that each share of

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Series J preferred stock and Series K preferred stock, respectively, could be converted to on the date of record, October 18, 2002. (1) Messrs. Hemingway, Lyons, Hutt, and Budd are officers and Directors of eSynch Corporation.

VOTE REQUIRED

Counterpart copies of the Written Consents evidencing a majority of the outstanding shares of Common Stock, must be received by the Company within sixty days of the earliest dated consent delivered by the Company in order to effectuate the matters set forth

therein. As of October 18, 2002 (the dates of the Written Consents), 101,153,468 shares of Common Stock were issued and outstanding with votes of 101,153,468 and 55.6 Series J Preferred shares were issued and outstanding with votes of 42,231,675 and 18.5 Series K Preferred shares were issued and outstanding with votes of 13,563,000 totaling 157,038,143 votes thus, Stockholders representing no less than 78,519,072 votes from Common Stock, Series J Preferred and Series K Preferred were required to execute the Written Consents to effect the matter set forth therein. As discussed under "Matters Set Forth in the Written Consents," shareholders owning approximately 91,904,801 votes, or 58.52% of the votes of Common Stock, Series J Preferred and Series K Preferred, have executed the Written Consents and delivered them to the Company as required by law within the 60 day period, thereby ensuring the stock combination.

CERTAIN EFFECTS OF THE REVERSE SPLIT

The following table illustrates the principal effects of the Reverse Split to the 101,153,468 shares of Common Stock outstanding as of October 18, 2002:

COMMON SHARES:

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NUMBER OF SHARES	PRIOR TO REVERSE STOCK SPLIT	AFTER 1 FOR 2 REVERSE STOCK SPLIT
Common Stock:		
Authorized.....	250,000,000	250,000,000
Outstanding .....	101,153,468	50,576,734
Available for Future Issuance .....	148,846,532	199,432,266

OTHER INFORMATION REGARDING THE COMPANY

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth to the best of the Company's knowledge the number

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of shares beneficially owned as of October 18, 2002, by (i) each of the current Executive Officers and Directors of the Company (ii) each person (including any "group" as that term is defined in Section 13(d) (3) of the Exchange Act) who beneficially owns more than 5% of the Common Stock, and (iii) all current Directors and officers of the Company as a group. (1)

NAME OF BENEFICIAL OWNER -----	SHARES BENEFICIALLY OWNED			
	COMMON		PREFERRED	
	NUMBER	PERCENT	NUMBER	PERCENT
Thomas Hemingway(1)	12,951,438	12.80%	0	0%
James H. Budd(2)	6,032,920	5.96%	0	0%
T. Richard Hutt(3)	6,035,768	5.97%	0	0%
David Lyons(4)	5,000,000	4.94%	0	0%
Robert Orbach(5)	32,684	0.00%	0	0%
Mark Utzinger	5,000,000	4.94%	0	0%
All Directors and Executive Officers as a group (6 Persons)	35,052,810	35.61%	0	0%

- (1) Includes 842,500 shares which may be purchased pursuant to stock options which are currently, or within the next 60 days will be, exercisable. Includes 111,395 shares owned by Ms. Detra Mauro Hemingway, the spouse of Mr. Hemingway.
- (2) Includes 387,000 shares which may be purchased pursuant to stock options which are currently, or within the next 60 days will be, exercisable.
- (3) Includes 376,932 shares which may be purchased pursuant to stock options which are currently, or within the next 60 days will be, exercisable.
- (4) Includes 36,700 shares which may be purchased pursuant to stock options which are currently, or within the next 60 days will be, exercisable.
- (5) Includes 25,000 shares which may be purchased pursuant to stock options which are currently, or within the next 60 days will be, exercisable.

### DIRECTORS AND EXECUTIVE OFFICERS

NAME -----	POSITION(S) WITH THE COMPANY -----	AGE -----
Thomas Hemingway	Chairman and Chief Executive Officer	44
David Lyons	Director and President	51
T. Richard Hutt	Director, Vice President and Secretary/Treasurer	61
James H. Budd	Director and Vice President	59
Robert Orbach(1)	Director	48

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THOMAS HEMINGWAY  
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On August 5, 1998, Mr. Hemingway became the Chief Executive Officer and Chairman of the Company pursuant to the Agreement and Plan of Share Exchange among the Company, Intermark Corporation, a California corporation ("Intermark"), and Intermark's securityholders upon the consummation of that transaction. A co-founder of Intermark, from October 1995 to the present Mr. Hemingway served as Chief Executive Officer and in other senior management positions at Intermark, a software publishing, sales and marketing company. From August 1994 to September 1995, Mr. Hemingway operated a consulting business specializing in software sales and marketing. From January 1994 to July 1994, Mr. Hemingway was chief operating officer at Ideafisher Systems, an artificial intelligence associative processing software company. From August 1993 to December 1993, Mr. Hemingway was serving as a consultant with L3, an edutainment software company. From January 1993 to July 1993, Mr. Hemingway was involved in computer-related consulting in the capacity of chief executive officer of Becker/Smart House, LV, a home automation enterprise. In 1992, Mr. Hemingway was involved in making private investments in various industries. Previously, from 1987 to 1991, Mr. Hemingway founded and served as president of Intellinet Information Systems, a provider of network services and systems. Earlier in his career, Mr. Hemingway was a founder of Omni Advanced Technologies, a research and development firm developing products for the computer and communications industry.

DAVID LYONS  
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Mr. Lyons was appointed to the Board of Directors in January 2000 and was appointed President in February 2001. From 1997 into 2000, Mr. Lyons served as Vice President - Acquisitions, Eastern Region, for Expanets, Inc., a start-up consolidation venture financed by Northwestern Corp. (NYSE:NOR) to acquire telecommunications voice and data companies. From 1996 to 1997, Mr. Lyons was employed by Extel Communications, Inc., a telecommunications installation and maintenance company, as Executive Vice President, Acquisitions. From 1992 to 1996, Mr. Lyons served as a principal in the Sherman Investment Group, Inc., a Merchant Banking Company which invests in and provides managerial assistance to medium sized public and private companies. Prior to 1996, Mr. Lyons was Chairman and CEO of Amnex, Inc., an operator service and long distance company. Mr. Lyons previously served as a member of Board of Directors from October 27, 1998 to November 15, 1999.

JAMES H. BUDD  
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Mr. Budd was elected to the Board of Directors on October 27, 1998. In August, 1998, Mr. Budd became a Vice President of the Company pursuant to the Agreement and Plan of Share Exchange among the Company, Intermark and Intermark's securityholders. A co-founder of Intermark, from October 1995 to the present Mr. Budd has served as Vice President of Marketing and in other executive capacities of Intermark, a software publishing, sales and marketing company. From August 1994 to September 1995, Mr. Budd operated a consulting business specializing in software sales and marketing. From March 1994 to July 1994, Mr. Budd was vice president of marketing at Ideafisher Systems, an artificial intelligence / associative processing software company. From November 1993 to February 1994, Mr. Budd was involved in making private investments in various industries. Previously, from July 1978 to October 1993, Mr. Budd was founder and chief executive officer of Command Business Systems, a developer of business software products. Earlier in his career, Mr. Budd held marketing and sales management positions at Unisys, Nixdorf, Tymshare, and Prime Computer.

T. RICHARD HUTT  
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Mr. Hutt was elected to the Board of Directors on October 27, 1998. In August, 1998, Mr. Hutt became a Vice President and the Secretary of the Company pursuant to the Agreement and Plan of Share Exchange among the Company, Intermark and Intermark's securityholders. A co-founder of Intermark, from October 1995 to the present Mr. Hutt has served as Vice President of Sales and Secretary of Intermark. From September 1992 to September 1995, Mr. Hutt was distribution sales manager for Strategic Marketing Partners, a leading national software and technology marketing firm. Previously, he was in the communications and mini-computer industry with TRW where he formed the Canadian subsidiary as vice president of sales. He moved to TRW's Redondo Beach headquarters and managed the western division until Fujitsu acquired the business unit. Before joining TRW, he was with NCR's financial sales division in Canada. Prior to that he managed the VAR division at Wang Laboratories. Moving to Matsushita, he played a key role in the development of the distribution channel for their Panasonic products.

ROBERT ORBACH  
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Mr. Orbach was appointed to the Board of Directors in January, 2000. Mr. Orbach is the founder and president of Orbach, Inc., providing high level consulting and advisory services for PC hardware and software companies, regarding acquisitions and strategic partnering as well as marketing, and has served in that capacity since May 1990. In addition, Mr. Orbach is on the Board of Directors of Midisoft and In10city. Mr. Orbach previously served as a member of Board of Directors from October 27, 1998 to November 15, 1999.

EXECUTIVE COMPENSATION.

The following table sets forth compensation received by the Company's Chief Executive Officer and by each of the persons who were, for the fiscal year ended December 31, 2001, the other four most highly compensated executive officers of the Company whose total compensation during that year exceeded \$100,000 (the Named Officers), for the three fiscal years ended December 31, 2000 or for the shorter period during which the Named Officer was compensated by the Company.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION		LONG-TERM COMPENSATION				
		SALARY	BONUS	OTHER ANNUAL COMPENSATION (1)	RESTRICTED STOCK AWARD (\$)	SECURITIES UNDERLYING OPTIONS (#)	LTIP PAYOUTS	ALL OTHER COMPENSATION
Thomas C. Hemingway CEO	2000	\$146,250				300,000		\$300,000
	1999	\$150,000				250,000		\$350,000
	1998	\$88,789				292,500		-
James H. Budd Vice President	2000	\$135,417				270,000		-
	1999	\$115,000				-		-

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	1998	\$52,868	117,000	-
T. Richard Hutt	2000	\$124,745	270,000	-
Vice President	1999	\$115,000	-	-
	1998	\$64,281	117,000	-
Robert B. Way	2000	\$111,271	180,000	-
Vice President	1999	\$82,500	250,000	\$234,500
Donald C. Watters	2000	\$140,410	300,000	\$582,571
Former President	1999	\$112,500	700,000	\$530,000
David P. Noyes	2000	\$127,962	240,000	\$977,819
Former CFO	1999	\$116,894	500,000	\$337,067

(1) Perquisite and other personal benefits did not for any Named Officer in the aggregate equal or exceed the lesser of \$50,000 or 10% of the total of annual salary and bonus reported in this table for such person.

EXECUTIVE EMPLOYMENT AGREEMENTS

The Company has an employment agreement with each Executive Officer listed below. The terms of those employment agreements are summarized in the following table:

NAME	CURRENT BASE COMPENSATION	OPTION GRANT	OTHER BENEFITS	BENEFITS DUE ON TERMINATION
Thomas C. Hemingway CEO	\$150,000	250,000 at \$1.00 each, fully vested	Any benefits for other officers, and 3 weeks vacation per year	If he is terminated by the Company without cause, he is paid an amount equal to 12 months' base salary and all other benefits and perquisites continue for 12 months and the Company will be required to repurchase all his stock and options at the 30-day average market price.
James H. Budd Vice President	\$130,000		Any benefits for other officers, and 2 weeks vacation per	If he is terminated by the Company without cause, he is paid an amount equal to 3 months' base salary and all other benefits and perquisites continue for 3 months and all stock options held by him vest and year become exercisable.
T. Richard Hutt Vice President	\$130,000		Any benefits for other officers and 2 weeks vacation per year	If he is terminated by the Company without cause, he is paid an amount equal to 3 months' base salary and, other benefits and perquisites continue for 3 months and all stock options held by him vest and become exercisable.



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Robert Way Vice President	\$130,000	250,000 at \$1.00 each, fully vested	Any benefits for other officers, and 3 weeks vacation per year	If he is terminated by the Company without cause, he is paid an amount equal to 3 months' base salary and all other benefits and perquisites continue for 3 months and all stock options held by him vest and become exercisable.
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OPTION GRANTS DURING FISCAL 2001

The following table sets forth information on all grants of stock options during the fiscal year ended December 31, 2000, to Named Officers:

OPTION GRANTS TABLE  
OPTION GRANTS IN FISCAL YEAR 2000

INDIVIDUAL GRANTS

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR (1)	EXERCISE PRICE (\$/SHARE)	EXPIRATION DATE (2)
Thomas C. Hemingway	300,000	12.2%	\$3.63	Jul 2010
James H. Budd	270,000	11.0%	\$3.63	Jul 2010
T. Richard Hutt	270,000	11.0%	\$3.63	Jul 2010
Robert B. Way	180,000	7.3%	\$3.63	Jul 2010
Donald C. Watters	300,000	12.2%	\$3.63	Jul 2010
David P. Noyes	240,000	9.7%	\$3.63	Jul 2010

(1) Options to purchase an aggregate of 2,465,000 shares of common stock were granted by the Company to employees, including the Named Officers, during the fiscal year ended December 31, 2000. Subsequently, a total of 525,000 options expired or were voided.

(2) Options held by the Named Officers have a term of 5 and 10 years, subject to earlier termination in certain events related to termination of employment.

OPTION EXERCISES IN FISCAL 2001 AND YEAR-END OPTION VALUES

The following table sets forth information concerning stock options which were exercised during, or held at the end of, fiscal 2000 by the Named Officers:

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR

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### AND FISCAL YEAR-END OPTION VALUES

NAME	SHARES ACQUIRED ON EXERCISE	VALUE REALIZED (\$)(1)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS	
			AT FISCAL YEAR END (#) EXERCISABLE	UNEXERCISABLE	AT FISCAL YEAR END (\$) EXERCISABLE	UNEXERCISABLE
Thomas C. Hemingway	-	-	842,500	-	\$17,550	-
James H. Budd	-	-	387,000	-	\$ 7,020	-
T. Richard Hutt	9,415	\$55,978	376,932	-	\$ 6,416	-
Robert B. Way	-	-	449,427	-	\$ -	-
Donald C. Watters	639,655	\$582,571	348,568	-	\$11,112	-
David P. Noyes	441,379	\$977,819	240,000	-	\$ -	-

(1) Market value of underlying securities at exercise date or year end, as the case may be, minus the exercise or base price of in-the-money options. The value of options is based on the closing sale price for the Company's common stock as of December 31, 2000 as reported on the OTC Bulletin Board, which was \$1.00, minus the exercise price.

#### COMPENSATION OF DIRECTORS

The Company's non-employee Directors are not currently compensated for attendance at Board of Directors meetings. Non-employee directors have been granted, on an ad hoc basis, stock options upon being appointed to the Board. The Company granted to each of the three non-employee directors options to purchase 25,000 shares of common stock in the year-ended December 31, 2001. The Company may adopt a formal director compensation plan in the future. All of the Directors are reimbursed for their expenses for each Board and committee meeting attended.

#### EMPLOYEE COMPENSATION

We do not yet have a compensation committee that approves or offers recommendations on compensation for our employees.

#### LEGAL PROCEEDINGS

We are involved in several lawsuits in the normal course of business and all amounts for exposure to these lawsuits have been recorded in our financial statements except as noted below.

In September, 1999 a lawsuit was filed by C-Group, Inc. in United States District Court, District of Maryland, against Intermark seeking \$99,110 for goods that were claimed to be purchased by Intermark. In October, 1999, the plaintiff amended the complaint and reduced the amount of the claim to \$81,326. In March 2001 a judgment was entered against Intermark in the amount of \$133,658 related to the claim against Intermark which included \$52,332 related to a claim against Softkat. The Company was not properly notified and the judgment will be appealed. As of June, 2001 the Company accrued \$133,658.

On April 3, 2001, a lawsuit was filed by BFree Ltd. in Superior Court, County of Orange, California, against the Company as successor to Innovus Corporation, seeking \$25,544 for goods and services claimed to have been provided to Innovus during 1997. The claim is included in pre-acquisition liabilities on the accompanying balance sheets. Subsequent to December 31, 2001 the Company entered into a settlement agreement with Bfree Ltd. Under the agreement the Company is

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to pay \$4,000 in monthly increments of \$500 starting on March 15, 2002. The amount bears interest at 10%.

On July 18, 2001, David P. Noyes, the Company's former Chief Financial Officer, filed a claim with the Labor Commissioner, State of California, for wages due under an employment contract seeking \$96,572. Mr. Noyes was terminated for cause by the Company in November 2000. Subsequent to December 31, 2001 the Labor Commission found that David P. Noyes had been terminated with cause. However, the Labor Commission awarded David P. Noyes \$11,695 for un-reimbursed expenses and \$1,544 for accrued interest on those expense. The Company accrued these amounts during the year ended December 31, 2001.

On July 26, 2001, Bixby Land Company, the Company's landlord, filed an unlawful detainer action to recover delinquent rent and penalties in the amount of approximately \$125,000. On November 1st, 2001 the Company relocated its corporate offices to 29 Hubble Irvine, CA 92618. In October a settlement agreement with Bixby Land Company was reached regarding a settlement of the Company's liability of \$808,134 with respect to a lease obligation for the Tustin facility. The settlement agreement provided that the Company would be release from all future payments under the terms of the lease if the Company made payments totaling \$100,000 and transferred the Company's existing \$60,010 security deposit to the landlord. The Company did not make the required payments under the settlement agreement. In October 2001, Bixby received a judgment against the Company for \$136,058. As of December 31, 2001, the Company accrued the \$136,058 and expensed the security deposit. Additionally in conjunction with this event the Company has written off the total net asset value of its leasehold improvements of \$51,174.

On July 27, 2001, the Company filed a complaint against eLiberation Corporation, which was subsequently amended January 3, 2002. The Company seeks compensatory damages in the amount of \$39,671. The company received a settlement agreement consisting of cancellation of the cross complaint and \$52,000 in payments to eSynch, the total of which are due by October 15th, 2002.

On August 9, 2001, an action was filed in California Superior Court, County of Orange, against the Company, certain officers and its current Directors by Donald C. Watters, the Company's former president, chief operating officer and director, claiming breaches of contract, good faith and fair dealing, and fiduciary duty, and adverse employment action in violation of public policy. Mr. Watters is seeking general damages of not less than \$2,780,000, punitive damages, interest, attorney's fees and court costs. Mr. Watters was terminated by the Company for cause. The Company believes that the claims are without merit and intends to vigorously defend the action and thus nothing has been accrued as of December 31, 2001.

On August 10, 2001, a lawsuit was filed by Kforce.com seeking to collect approximately \$43,000 to be owed under a consulting services agreement. During 2001, the Company stipulated a judgment in favor of Kforce.com. The judgment is fully accrued in the Company's financial statements as of December 31, 2001.

In September, 2001 a lawsuit was filed by Technopolis Communications, Inc. in the Superior Court of California, County of Orange, against Innovus Corporation, dba eSynch Corporation, seeking \$35,733 for services claimed to have been provided to eSynch. The case is currently in the discover stage and a mandatory settlement conference date has been set. As of December 31, 2001 the Company has accrued \$50,000.

On April 8, 2002 Adams Business Media filed a request for entry of default for \$11,000 for advertising services. The request was not contested. This amount has been included in the account payable liability account.

On April 17, 2002 a request for Entry of Default was filed by Information

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Leasing Corporation for \$179,364. The request was not contested. This amount was fully accrued in Capital Lease Obligations - Current Portion as of March 31, 2002.

On May 21, 2002 Internap filed a request for entry of default with no specified amount. The request was not contested. As of June 30, 2002 the Company carried a balance of \$17,798 for this vendor in accounts payable.

On May 31, 2002 Reuters Newsmedia filed a request for entry of default with no specified amount. The Company believes the summons was not properly served and the request is therefore invalid. As of June 30, 2002 the Company carried a balance of \$70,000 for this vendor in accounts payable.

### CERTAIN TRANSACTIONS

On April 1, 1999, the Company acquired Kiss Software Corporation, a California corporation (Kissco). Donald C. Watters, Jr. was a major shareholder of Kissco and received in that acquisition 381,270 shares of Common Stock, and the Company also assumed a Kissco option entitling Mr. Watters to acquire 48,568 shares of Common Stock at a price of \$ 2.11 per share. Robert B. Way was also a shareholder of Kissco and received in the acquisition 32,430 shares of Common Stock, and the Company also assumed a Kissco option entitling Mr. Way to acquire 19,427 shares of Common Stock at \$2.11 per share.

On September 30, 1999, the Company acquired Oxford Media Corporation, a Delaware corporation, for 450,000 shares of the Company's Common Stock. Oxford Media Corporation was controlled by Mr. Norton Garfinkle. In addition, for consulting services and services as a director of the Company, Mr. Garfinkle received warrants to purchase 450,000 shares of Common Stock.

In March 2000, the Company filed a Registration Statement on Form S-8 for the purpose of registering a Re-offer Prospectus associated with certain Stock Option Agreements, Warrants, and Consulting Agreements. Certain executive Officers and Directors plus two unrelated parties were named as Selling Stockholders. The Company registered 505,700 shares, 300,000 shares and 18,000 shares related to Stock Options, Warrants, and Consulting Agreements, respectively.

On March 1, 2000, the Company entered into a License Agreement with Garfinkle Limited Partnership II, of which Norton Garfinkle, a director and shareholder of the Company, is a Partner. The License Agreement grants the Company the use of two patents for use in the video-on-demand segment of the Company's business. As consideration for the grant of license, Garfinkle Limited Partnership II was given a warrant for 950,000 shares of the Company's common stock plus the Company will pay a royalty of five percent of the gross revenue paid by end users as a result of the use of the Patents.

On June 14, 2000, the Company borrowed \$450,000 from Norton Garfinkle, a director and shareholder, evidenced by an unsecured note bearing interest at eight percent and due on demand. On January 10, 2001, the Company renegotiated the terms of the terms of the note requiring Mr. Garfinkle to deliver to the Company a written notice at least 20 days prior to demand for repayment. In consideration of the change in payment terms, the Company issued to Mr. Garfinkle a warrant to purchase 250,000 shares of the Company's common stock.

On August 28, 2000, the Company loaned Thomas Hemingway, Chairman and Chief Executive Officer, and a director of the Company, the sum of \$500,000 evidenced by a promissory note bearing interest at ten percent per annum, due and payable on February 24, 2001. As of the date hereof, \$300,000 plus accrued interest remains outstanding, of which \$300,000 was recorded in the Company's accounting records as income to Mr. Hemingway for the year-ended December 31, 2000.

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As reflected in the 8-K filed July 31, 2002, Pursuant to an Escrow Agreement and Irrevocable Proxy (the "Agreement") effective as of July 31, 2002, between eSynch and NACIO SYSTEMS, INC., a California corporation ("Nacio"), eSynch will purchase from Nacio all of the issued and outstanding shares of common stock of Nacio. Nacio is California based and provides high-reliability hosting, commercial-grade Internet connectivity and outsourcing solutions and support services for businesses that rely on the Internet for daily operations. On March 12, 2002, Nacio filed for voluntary Chapter 11 bankruptcy in the United State Bankruptcy Court, Northern District of California, Santa Rosa Division (the "Court"), Chapter 11 Case No. 02-10596. The transaction will be consummated upon completion of Nacio's plan of reorganization and acceptance of this plan by the court. eSynch intends to continue in this line of business. eSynch will acquire one hundred percent (100%) ownership interest in Nacio in exchange for 30,000,000 shares of eSynch's common stock.

### SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our officers and directors, and persons who own more than 10% of a registered class of our equity securities to file reports of ownership and changes in ownership with the SEC and NASDAQ. These persons are required by regulation of the SEC to furnish us with copies of all Section 16(a) forms they file.

The Company has been registered pursuant to Section 12 of the Securities Exchange Act of 1934 since September 23, 1990 and, by reason thereof, all officers, directors and 10% or more shareholders of the Company became obligated to file Forms 3, 4 and 5, describing the ownership of securities in the Company and any changes thereto, as they may apply, since that date. To the Company's knowledge, based solely upon a review of the copies of such reports furnished to the Company and representations made to the Company, no other reports were required, during and with respect to the fiscal year ended December 31, 2000 and all Reporting Persons have complied with all filing requirements applicable to them

### EXHIBIT A

#### ESYNCH CORPORATION

#### NOTICE PUSUANT TO SECTION 228 OF THE GENERAL CORPORATION LAW OF THE STATE OF DELAWARE

TO: ALL STOCKHOLDERS

1. PLEASE TAKE NOTICE THAT Stockholders owning at least a majority of the outstanding stock of eSYNCH CORPORATION, by written consent dated October 18, 2002 have duly adopted the following resolution:

"a resolution approving an amendment to the Corporation's Certificate of Incorporation, as amended, to provide for a stock combination (reverse split) of the Common Stock in an exchange ratio to be approved by the Board, ranging from one newly issued share for each two outstanding shares of Common Stock to one newly issued share for each twenty outstanding shares of Common Stock.

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DATE: November 8, 2002

BY: /S/ THOMAS HEMINGWAY

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THOMAS HEMINGWAY  
CHAIRMAN AND CHIEF EXECUTIVE OFFICER