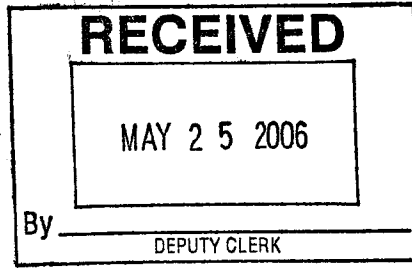


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7
8 SUPERIOR COURT OF THE STATE OF CALIFORNIA
9 FOR THE COUNTY OF SACRAMENTO

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

12 Plaintiff,

13 vs.

14 FRANK JOSEPH DEFELICE,

15 Defendant.
16
17

Case No.: 06AM03883

**STIPULATION TO ENTRY OF FINAL
JUDGMENT OF PERMANENT
INJUNCTION BETWEEN PLAINTIFF
AND DEFENDANT, FRANK JOSEPH
DEFELICE**

18
19 A. It is hereby stipulated by the Defendant, FRANK JOSEPH DEFELICE
20 ("DEFELICE" or "Defendant"), as follows:

21 1. DEFELICE admits jurisdiction of this Court over him and over the subject matter
22 of this action.

23 2. DEFELICE admits that he has received service of the Summons and Complaint
24 filed in this matter.

25 3. DEFELICE has read the Complaint, this Stipulation to Entry of Final Judgment of
26 Permanent Injunction Between Plaintiff and Defendant, Frank Joseph DeFelice (referenced
27 hereinafter as "Stipulation") and the proposed "Final Judgment of Permanent Injunction Against
28 Frank Joseph DeFelice" (hereinafter "Final Judgment") in the form attached hereto as Exhibit 1.

1 4. DEFELICE hereby waives entry of Findings of Fact and Conclusions of Law under
2 California Code of Civil Procedure section 632 and all rights to appeal the entry of the Final
3 Judgment.

4 5. DEFELICE hereby waives any claims known to him against the State of California,
5 its agents, officers, or employees based on the facts underlying the present action. DEFELICE
6 specifically waives any rights provided by California Civil Code section 1542, which provides: "A
7 general release does not extend to claims which the Creditor does not know or suspect to exist in
8 his favor at the time of executing the release, which if known by him must have materially
9 affected his settlement with the Debtor."

10 6. If any paragraph, clause, or provision of this Stipulation or of the Final Judgment
11 entered thereto, or the application thereof, is held invalid or unenforceable, such decision shall
12 affect only the paragraph, clause or provisions so construed or interpreted, and the invalidity shall
13 not affect the provisions of the application of this Stipulation, or of the Final Judgment entered
14 thereto, which can be given effect without the invalid provisions or application, and to this end,
15 the provisions of the Stipulation, and of the Final Judgment entered thereto, are declared by
16 Plaintiff and by Defendant to be severable.

17 7. This Stipulation may be executed in one or more separate counterparts, each of
18 which when so executed, shall be deemed an original. Such counterparts shall together constitute
19 and be one and the same instrument.

20 8. DEFELICE has stipulated and agreed that a Final Judgment as specified herein
21 may be entered against him. DEFELICE enters into this stipulation voluntarily and without
22 coercion, and has acknowledged that no promises, threats or assurances have been made by
23 Plaintiff or any agents, officers, or employees thereof to induce him to enter into this stipulation.

24 B. SPECIFIC RELIEF IN THE FINAL JUDGMENT STIPULATED TO BY
25 DEFELICE:

26 1. DEFELICE stipulates to the truth of the following facts:

27 a. Starting in 2003, DEFELICE conducted business as an investment adviser,
28 within the meaning of California Corporations Code section 25009, in the State of California.

1 b. DEFELICE was compensated for the investment adviser services he
2 provided.

3 c. DEFELICE has never possessed a certificate from the California
4 Corporations Commissioner ("Commissioner"), as required by California Corporations Code
5 section 25230, authorizing him to engage in the business activities of an investment adviser.

6 d. DEFELICE was not exempt from the provisions of California Corporations
7 Code section 25230.

8 e. On April 4, 2005, the Department of Corporations ("Department") issued a
9 Desist and Refrain Order ("Order") against DEFELICE for violations of California Corporations
10 Code section 25230. The Order required DEFELICE to desist and refrain from charging
11 compensation for managing or providing advice concerning securities and/or securities portfolios
12 or as to the advisability of investing in, purchasing or selling securities and/or securities portfolios
13 unless and until he has been appropriately licensed.

14 f. DEFELICE, by his letter of April 18, 2005 to the Department, promised that
15 he would comply with the Order and halt his unlawful activity. DEFELICE chose not to challenge
16 the Order and therefore the Order and findings of facts contained therein are final.

17 g. On September 23, 2005, DEFELICE again engaged in unlicensed
18 investment adviser activity, within the meaning of California Corporations Code section 25009, in
19 violation of the Department's Order requiring DEFELICE to desist and refrain from his unlawful
20 activity.

21 h. DEFELICE has no facts to support a defense to the allegation that
22 DEFELICE conducted business as an investment adviser, for compensation, in the State of
23 California in violation of California Corporations Code section 25230.

24 i. DEFELICE has no facts to support a defense to the allegation that
25 DEFELICE engaged in unlicensed investment adviser activity, within the meaning of California
26 Corporations Code section 25009, in violation of the Department's Order requiring DEFELICE to
27 desist and refrain from his unlawful activity.

28

1 2. DEFELICE stipulates to the entry of a Final Judgment providing that DEFELICE,
2 and his agents, employees, attorneys in fact in their capacities as such, and all persons acting in
3 concert or participating with them, shall be and are hereby permanently enjoined from engaging
4 in, committing, aiding and abetting, substantially assisting, or performing directly or indirectly, by
5 any means whatsoever, any of the following acts:

6 a. Violating California Corporations Code section 25230 by conducting
7 business as an investment adviser in the State of California, unless and until he has first applied
8 for and secured from the Commissioner a certificate authorizing him to act as an investment
9 adviser.

10 b. Violating the Desist and Refrain Order issued, pursuant to California
11 Corporations Code section 25235, on DEFELICE.

12 c. Removing, destroying, mutilating, concealing, altering, transferring or
13 otherwise disposing of, in any manner, any books, records, computer files, correspondence,
14 brochures, manuals or any other writings or documents of any kind as defined under California
15 Evidence Code section 250 relating to the transactions and course of conduct as alleged in the
16 Complaint filed in this action, that are in the possession, custody or control of Defendant, for a
17 period of four years from the date of the entry of the Final Judgment.

18 3. DEFELICE acknowledges that the entry of Final Judgment pursuant to this
19 Stipulation shall not preclude any other federal, state or county agency from initiating any other
20 prosecution based upon the allegations contained in the Complaint in the above-entitled case or
21 based on any other acts by DEFELICE which may violate California or federal law.

22 4. DEFELICE agrees and acknowledges that nothing in this Stipulation or in the Final
23 Judgment in this matter shall preclude the Commissioner, his agents, officers, or employees, to the
24 extent authorized by law, from referring any evidence or information regarding this matter to any
25 district attorney or any other state or federal law enforcement official, or from assisting,
26 cooperating, or co-prosecuting with regards to any investigation and/or action brought by any
27 other federal, state or county agency. DEFELICE further agrees and acknowledges that nothing in
28

1 this Stipulation or in the Final Judgment in this matter shall bind or otherwise prevent any other
2 federal, state or county agency from the performance of its duties.

3 5. The parties stipulate and agree that this Court shall retain jurisdiction of this action
4 in order to implement and enforce the terms of this Stipulation and entry of the Final Judgment
5 pursuant thereto, and to entertain any suitable application or motion for additional relief or
6 modification or any order made herein within the jurisdiction of the Court.

7 Dated: 5/22/06 Plaintiff THE PEOPLE OF THE STATE OF CALIFORNIA, by and
8 through WAYNE STRUMPFER, California Corporations
9 Commissioner

10
11 By ALAN S. WEINGER
12 Acting Deputy Commissioner

13 Dated: 5/14/06 Defendant FRANK JOSEPH DEFELICE
14

15
16 By FRANK JOSEPH DEFELICE
17