

State of California - Department of Corporations

1 PRESTON DuFAUCHARD
California Corporations Commissioner
2 WAYNE STRUMPFER
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5 71 Stevenson Street, Suite 2100
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7 Attorneys for the Plaintiff STATE OF CALIFORNIA,
DEPARTMENT OF CORPORATIONS

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

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

13 Plaintiff.

14 vs.
15

Case No.: 02AS05449

SETTLEMENT AGREEMENT
AND STIPULATION FOR
ENTRY OF PERMANENT
INJUNCTION AGAINST
CHARLES CATHCART, SCOTT
CATHCART AND YURI
DEBEVC

16
17 DERIVIVUM CAPITAL, LLC, a South Carolina
Corporation; FIRST SECURITIES CAPITAL, LLC, a
18 South Carolina Corporation; FSC FIRST SECURITIES
CAPITAL, LLC, a Texas Corporation; DIVERSIFIED
19 DESIGN ASSOCIATES, an Irish Corporation; DR.
CHARLES CATHCART, individually and doing business
20 as DERIVIVUM CAPITAL, LLC FSC FIRST
21 SECURITIES CAPITAL and FIRST SECURITIES
CAPITAL, LLC; SCOTT CATHCART, individually and
22 doing business as DERIVIVUM CAPITAL, LLC, FSC
23 FIRST SECURITIES CAPITAL and FIRST SECURITIES
CAPITAL, LLC; YURI DEBEVC, individually and doing
24 business as DERIVIVUM CAPITAL, LLC FSC FIRST
25 SECURITIES CAPITAL and FIRST SECURITIES
CAPITAL, LLC, BANCROFT VENTURES LIMITED,
26 an Isle of Man Corporation, and DOES 1 through 70,

27 Defendants.
28

State of California - Department of Corporations

1 TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD

2 It is hereby stipulated as follows:

3 Defendants, Charles Cathcart, Scott Cathcart, and Yuri Debevc (collectively, the
4 "Individual Defendants" or "Charles Cathcart, Scott Cathcart, and Yuri Debevc") and Plaintiff,
5 The People of the State of California by and through the California Corporations Commissioner,
6 (collectively, the "settling parties") desire to resolve all issues and disputes between them
7 underlying and related to the facts and circumstances contained in and that led to the above
8 captioned action and have settled this case as between them pursuant to Code of Civil Procedure
9 Section 664.6 and the terms and conditions set forth below and agree that pursuant to that section
10 the Court retains jurisdiction to enforce the terms of this settlement.
11

12 This settlement agreement and Stipulation for Entry of a Permanent Injunction Against
13 Charles Cathcart, Scott Cathcart, and Yuri Debevc is made with reference to the facts,
14 transactions, allegations, claims, and defenses underlying, relating to, or arising from the
15 Complaint, in the above-captioned lawsuit. The settling parties wish to avoid the delay, expense,
16 inconvenience and uncertainty of litigation and now desire to finally compromise, settle and
17 discharge all claims, controversies, demands, actions, or causes of action asserted in this action as
18 between them. Accordingly, to resolve their differences and to avoid the uncertainty and expense
19 of further litigation, these settling parties have agreed to the following settlement agreement and
20 stipulations.
21

22 The execution of this Agreement and the actions agreed to herein, including the entry of
23 the Permanent Injunction, are not intended, and shall not be construed, as an admission by Charles
24 Cathcart, Scott Cathcart, or Yuri Debevc of any fault, wrongdoing or liability whatsoever. Indeed,
25 the Individual Defendants expressly deny liability of any kind.
26
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State of California - Department of Corporations

1 Defendants, Charles Cathcart, Scott Cathcart, and Yuri Debevc agree to pay to the
 2 Department of Corporations the total sum of \$300,000 to be paid by cashier's checks in the
 3 following manner. Cashier's checks totaling \$300,000 made out to "Kevin Campbell, Chapter 7
 4 trustee" are to be delivered to the Department of Corporations or its representative on or before
 5 August 14, 2006.

7 Charles Cathcart, Scott Cathcart, and Yuri Debevc also stipulate to the immediate entry of
 8 an order permanently enjoining Charles Cathcart, Scott Cathcart, and Yuri Debevc and their
 9 employees and agents from violating Financial Code sections 22100 *et seq.*, or engaging in the
 10 marketing, brokering, or making of stock loans, or other commercial or consumer loans in the
 11 State of California or to California residents unless and until they have obtained a license under
 12 the California Finance Lenders Law and complied with all applicable California state law
 13 requirements as to licensing. The Order Granting the Permanent Injunction is attached as Exhibit
 14 "A". Pursuant to the terms of the settlement, the Order attached as Exhibit A may be entered by
 15 the Court immediately without further notice to the parties or hearing and regardless of the
 16 payment of any moneys by Charles Cathcart, Scott Cathcart, and Yuri Debevc and is to remain in
 17 effect regardless of any payment of settlement money or lack thereof, or the dismissal of the
 18 remaining action against them by Plaintiffs.

22 If the \$300,000 settlement payment is made by Charles Cathcart, Scott Cathcart, and Yuri
 23 Debevc in a timely manner on or before August 14, 2006, the State of California agrees to dismiss
 24 the above captioned Complaint against the Individual Defendants with prejudice with the
 25 exception of the entry of the Order for Permanent Injunction which shall remain in effect, and
 26 hereby releases all known claims against Charles Cathcart, Scott Cathcart, and Yuri Debevc for
 27 alleged past violations of the California Finance Lenders Laws and California Corporations Code

SETTLEMENT AGREEMENT AND STIPULATION FOR ENTRY OF PERMANENT INJUNCTION
 AGAINST CHARLES CATHCART, SCOTT CATHCART AND YURI DEBEVC

State of California - Department of Corporations

1 alleged in the complaint. By agreeing to this settlement and complying with the terms of the
 2 payment of the \$300,000, again, the Individual Defendants do not admit any wrongdoing or
 3 violations of law whatsoever. Indeed, the Individual Defendants expressly deny they have
 4 engaged in any wrongdoing or otherwise violated the law.
 5

6 The State of California agrees that on the Department of Corporation's website, any
 7 reference to this enforcement action contained on its that website which makes mention of any of
 8 the Individual Defendants, will also reflect that this action has been settled and resolved as relates
 9 to the Individual Defendants.
 10

11 Each party shall bear their own costs and attorneys' fees relating to this action, this
 12 settlement agreement and the matters covered by this settlement agreement.
 13

14 This settlement agreement shall be interpreted and enforced in accordance with the laws of
 15 the State of California.
 16

17 This settlement agreement cannot be modified or otherwise changed, except by an
 18 instrument in writing, duly signed by all of the Settling Parties hereto.
 19

20 This writing constitutes the complete and entire settlement agreement and understanding of
 21 the settling parties, and there are no other agreements, inducements, promises and representations
 22 or understandings, oral or otherwise, relating to its subject matter.
 23

24 The settling parties acknowledge and warrant that no representation or promises of any
 25 kind or character have been made by any party hereto or anyone else, including but not limited to
 26 their respective counsel, to induce the execution of this settlement agreement except as expressly
 27 provided herein.
 28

The invalidity or unenforceability of any particular provision of this settlement agreement
 shall not effect the other provisions herein, and this settlement agreement shall be construed in all
 respects as if such invalid or unenforceable provisions were omitted.

State of California - Department of Corporations

1 It is also agreed amongst the parties that this agreement may be executed and returned by
2 facsimile and that the facsimile signature of each party will be fully binding on the parties as if it
3 were an original signature.
4

5 It is also agreed that pursuant to this settlement, the Adversary Complaint filed by Charles
6 Cathcart in the United States Bankruptcy Court, District of South Carolina, Case number 801114-
7 JW against the People of The State of California, which Scott Cathcart and Yuri Debevc have
8 moved to intervene in will be dismissed with prejudice as against the People of the State of
9 California both sides to bear their own costs.

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State of California - Department of Corporations

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Each of the signing parties below has the authority to sign on behalf of the entity they purport to represent.

It is agreed and so stipulated.

Date: Aug 10, 2006

Date: _____, 2006

Date: _____, 2006

Date: _____, 2006

By: _____
Charles Cathcart

By: _____
Scott Cathcart

By: _____
Yuri Debevc

By: _____
Kirk Wallace,
Corporations Counsel,
Enforcement Division, State of California
Department of Corporations

1 Each of the signing parties below has the authority to sign on behalf of the entity they purport to
2 represent.

3 It is agreed and so stipulated.

4 Date: _____, 2006

5 By: _____
Charles Cathcart

6 Date: Aug 10, 2006

7 By: _____
8 Scott Cathcart

9 Date: _____, 2006

10 By: _____
Yuri Debevc

11 Date: _____, 2006

12 By: _____
13 Kirk Wallace,
14 Corporations Counsel,
15 Enforcement Division, State of California
16 Department of Corporations

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State of California - Department of Corporations

1 Each of the signing parties below has the authority to sign on behalf of the entity they purport to
 2 represent.
 3 It is agreed and so stipulated.
 4 Date: _____, 2006
 5 By: _____
 6 Charles Cathcart
 7
 8 Date: _____, 2006
 9 By: _____
 10 Scott Cathcart
 11
 12 Date: Aug 10, 2006
 13 By: _____
 14 Yuri Debevc
 15
 16 Date: _____, 2006
 17 By: _____
 18 Kirk Wallace,
 19 Corporations Counsel,
 20 Enforcement Division, State of California
 21 Department of Corporations
 22
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State of California - Department of Corporations

1 Each of the signing parties below has the authority to sign on behalf of the entity they purport to
2 represent.

3 It is agreed and so stipulated.

4 Date: _____, 2006

By: _____
Charles Cathcart

6 Date: _____, 2006

By: _____
Scott Cathcart

8 Date: _____, 2006

By: _____
Yuri Debevc

11 Date: 8/10, 2006

By: _____
Kirk Wallace,
Corporations Counsel,
Enforcement Division, State of California
Department of Corporations

State of California - Department of Corporations

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 California Corporations Commissioner
 2 WAYNE STRUMPFER
 Deputy Commissioner
 3 ALAN WEINGER
 Supervising Attorney
 4 KIRK E. WALLACE (State Bar No. 129953)
 Corporations Counsel
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17 DERIVIUM CAPITAL, LLC, a South Carolina
 Corporation; FIRST SECURITIES CAPITAL, LLC, a
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 25 SECURITIES CAPITAL and FIRST SECURITIES
 CAPITAL, LLC; BANCROFT VENTURES LIMITED,
 26 an Isle of Man Corporation, and DOES 1 through 70,

27 Defendants.

Case No.: 02AS05849

ORDER GRANTING
 PERMANENT INJUNCTION
 AGAINST CHARLES
 CATHCART, SCOTT
 CATHCART AND YURI
 DEBEVC

State of California - Department of Corporations

1 TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD

2

3 In the above-entitled action, Defendants, Charles Cathcart, Scott Cathcart, and Yuri Debevc,
4 and Plaintiff, The People of the State of California by and through the California Corporations
5 Commissioner, having settled this action as between them, stipulate to the entry of this Order
6 Granting Permanent Injunction Against Charles Cathcart, Scott Cathcart, and Yuri Debevc.
7

8 IT IS HEREBY ADJUDGED, ORDERED, AND DECREED

9 Charles Cathcart, Scott Cathcart, and Yuri Debevc and all other persons acting in concert
10 or participating with any of them, and each of them, are permanently restrained and enjoined from
11 violating California Financial Code section 22100, and engaging in the marketing, brokering, or
12 making of stock loans in the State of California or to California residents, unless and until they
13 have obtained a California finance lender or brokers license under the California Finance Lenders
14 Law and complied with all applicable California state law requirements as to licensing.
15

16 IT IS SO ORDERED

17 Date: _____, 2006

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By: _____
Judge of the Superior Court