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FILED
SUPERIOR COURT OF CALIFORNIA
COUNTY OF ORANGE
CENTRAL JUSTICE CENTER

MAR 26 2004

ALAN SLATER, Clerk of the Court
BY N. CAUGHLIN

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF ORANGE

HEART SCAN LLC, et al., Plaintiffs, vs. HENRY FERNANDEZ, et al., Defendants.	Consolidated CASE NO. 01CC01510 Consolidated with Case No. 02CC15333 Assigned for All Purposes to: Judge James M. Brooks Department C-12
B. DONALD GRANT, et al., Cross-Complainants vs. PATRICK KAVANAUGH, et al., Cross-Defendants.	~~(PROPOSED)~~ FINAL JUDGMENT OF PERMANENT INJUNCTION AND OTHER ANCILLARY RELIEF AS TO DEFENDANTS DANIEL A. CATERINO AND DOMINIC FELLI Hearing Date: None
THE PEOPLE OF THE STATE OF CALIFORNIA, Plaintiff in Intervention, vs. HEART SCAN, LLC, et al., Defendants in Intervention.	Complaint in Intervention Action Filed: 7/3/01 Complaint in Case No. 02CC15333 filed: 10/2/02 Trial Date: April 12, 2004
THE PEOPLE OF THE STATE OF CALIFORNIA, Plaintiff, vs. DANA S. VALENSKY, et al., Defendants.	

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Plaintiff, The People of the State of California, by and through William P. Wood, California Corporations Commissioner ("Plaintiff" or "Commissioner"), has filed a Complaint against Defendants, Daniel A. Caterino and Dominic Felli ("Defendants").

A. Defendants have admitted jurisdiction of this Court over them and over the subject matter of this action. Defendants have entered a general appearance in this action. Defendants have acknowledged that entry of said general appearance is equivalent to personal service of the summons on them pursuant to Section 410.50 of the California Code of Civil Procedure.

B. Defendants have admitted service of the Summons and Complaint filed in this matter.

C. Defendants have read the Complaint, the Stipulation to Entry of Final Judgment of Permanent Injunction and Other Ancillary Relief Between Plaintiff and Defendants Daniel A. Caterino and Dominic Felli ("Stipulation") and this proposed Final Judgment of Permanent Injunction and Other Ancillary Relief as to Defendants Daniel A. Caterino and Dominic Felli ("Final Judgment").

D. Defendants, without admitting or denying the allegations in the Complaint and without notice of further proceedings, have voluntarily consented to the entry by the Court of the Final Judgment.

E. Defendants have waived the entry of Findings of Fact and Conclusions of Law under California Code of Civil Procedure Section 632 and all rights to appeal the entry of the Final Judgment.

F. Plaintiff and Defendants have stipulated and agreed that, if any paragraph, clause, or provision of the Stipulation or of the Final Judgment entered thereto, or the application thereof, is held invalid or unenforceable, such decision shall affect only the paragraph, clause, or provision so construed or interpreted, and the invalidity shall not affect the provisions or the application of the Stipulation, or of the Final Judgment entered thereto, which can be given effect without the invalid provisions or application, and to this end, the provisions of the Stipulation, and of the Final Judgment entered thereto, have been declared by Plaintiff and by Defendants to be severable.

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G. Plaintiff and Defendants have stipulated and agreed that the Stipulation may be executed in one or more separate counterparts, each of which when so executed, shall be deemed an original. Such counterparts shall together constitute and be one and the same instrument.

H. Defendants have stipulated and agreed that they entered into the Stipulation voluntarily and without coercion, and have acknowledged that no promises, threats or assurances have been made by Plaintiff or any officer, or agent thereof to induce them to enter into the Stipulation.

PURSUANT TO STIPULATION OF THE PARTIES AND GOOD CAUSE APPEARING THEREFOR, IT IS HEREBY ADJUDGED, ORDERED AND DECREED THAT JUDGMENT BE ENTERED AS FOLLOWS:

1. Defendants Daniel A. Caterino and Dominic Felli, and their agents, employees, attorneys in fact in their capacities as such, and all persons acting in concert or participating with them, shall be and are hereby permanently enjoined from engaging in, committing, aiding and abetting, or performing directly or indirectly, by any means whatsoever, any of the following acts:

a. Violating California Corporations Code Section 25110 by offering to sell, selling, arranging for the sale of, 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, in this state, of any security of any kind, including but not limited to the securities described in the Complaint filed in this action, unless and until Defendants shall have first applied for, and secured from the Commissioner, a qualification pursuant to California Corporations Code Section 25111, 25112, or 25113 authorizing the offer and sale of such securities;

b. Violating California Corporations Code Section 25401 by offering to sell, selling, offering to buy or buying any security in this state by means of any written or oral communication of any kind whatsoever which includes any untrue statement 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 were made, not misleading, including but not limited to the misrepresentations and omissions described in the Complaint filed in this action; and

c. Violating Corporations Code Section 25210 by effecting any transaction in, or

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inducing or attempting to induce the purchase or sale of, any security in California, including but not limited to the securities described in the Complaint, without having first applied for and secured from the commissioner a certificate, then in effect, authorizing the Defendants or any business entity that they directly or indirectly control, to act or conduct business as a broker-dealer.

d. Removing, destroying, mutilating, concealing, altering, transferring or otherwise disposing of, in any manner, any books, records, computer files, 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 filed in this action, that are in the possession, custody or control of Defendants for a period of four years from the date of the entry of the Final Judgment.

2. Defendant Daniel A. Caterino shall be liable to Plaintiff for a judgment of disgorgement in the amount of Twenty Thousand Dollars ($20,000.00) immediately payable upon execution of the Stipulation. Payment shall be made by cashier's check payable to E. Paul Tonkovich - Receiver for Heart Scan LLC, and shall be delivered to the Department of Corporations, 420 West 4th Street, Suite 750, Los Angeles, California 90013, Attention: Mark E. Harman.

3. Defendant Dominic Felli shall be liable to Plaintiff for a judgment of disgorgement in the amount of Seven Thousand Three Hundred Twenty Five Dollars ($7,325.00). The amount of Five Thousand Dollars ($5,000.00) shall be immediately payable upon execution of the Stipulation. The remaining balance of Two Thousand Three Hundred Twenty Five Dollars ($2,325.00) shall be paid in full no later than six (6) months from the date of entry of this Final Judgment. Payment shall be made by cashier's check payable to E. Paul Tonkovich - Receiver for Heart Scan LLC, and shall be delivered to the Department of Corporations, 420 West 4th Street, Suite 750, Los Angeles, California 90013, Attention: Mark E. Harman.

4. If Dominic Felli fails to pay the judgment of disgorgement as set forth above in paragraph 3, in addition to the remaining balance of Two Thousand Three Hundred Twenty Five Dollars ($2,325.00), he shall be liable to Plaintiff for a judgment of civil penalties in the amount of Fifty Thousand Dollars ($50,000.00) immediately due and payable together with interest thereon at the legal rate per annum until said amount is paid in full.

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5. Defendants Daniel A. Caterino and Dominic Felli shall be permanently enjoined and barred from directly or indirectly holding, in this state, any position of employment, management or control of any broker-dealer defined pursuant to Section 25004 of the California Corporations Code, as of the date of the entry of the Final Judgment.

6. Defendants Daniel A. Caterino and Dominic Felli shall be permanently enjoined and barred from directly or indirectly holding, in this state, any position of employment, management or control of any investment adviser defined pursuant to Section 25009 of the California Corporations Code, as of the date of the entry of the Final Judgment.

7. Nothing in the Stipulation or the Final Judgment shall preclude any other federal, state or county agency from initiating any other prosecution based upon the allegations contained in the Complaint in the above-entitled case or based on any other acts by the Defendants which may violate California or federal law.

8. Nothing in the Stipulation or in the Final Judgment in this matter, shall preclude the Commissioner, or his agents or employees, to the extent authorized by law, from referring any evidence or information regarding this matter to any district attorney or any other state or federal law enforcement official, or from assisting, cooperating, or co-prosecuting with regards to any investigation and/or action brought by any other federal, state or county agency. Further, nothing in the Stipulation or in the Final Judgment in this matter shall bind or otherwise prevent any other federal, state or county agency from the performance of its duties.

9. Each party shall bear their own costs.

10. Leave is granted to Plaintiff to proceed against the remaining defendants.

11. The Court shall retain jurisdiction of this action in order to implement and enforce the terms of the Stipulation and the Final Judgment pursuant thereto, and to entertain any suitable application or motion for additional relief or modification of any order made ~~herein~~ within the jurisdiction of the Court.

DATED: 3-26-04

JUDGE OF THE CALIFORNIA SUPERIOR COURT FOR THE COUNTY OF ORANGE

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