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2 California Commissioner of Corporations
3 WAYNE STRUMPFER
4 Deputy Commissioner
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12 Attorneys for the People of the State of California

13 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
14 **FOR THE COUNTY OF SAN DIEGO**

15 THE PEOPLE OF THE STATE OF
16 CALIFORNIA, by and through the California
17 Corporations Commissioner,

18 Plaintiff,

19 v.

20 WILLIAM O. WASHBURN; MASTERS
21 PARTNERS, LP; SOUTHERN PACIFIC
22 CAPITAL, LLC; SOUTHERN PACIFIC
23 EQUITIES, LLC; PACIFIC INCOME FUND II,
24 LLC; MASTERS ADMINISTRATORS, LLC;
25 WEST CAPITAL, LLC; PACIFIC CAPITAL
26 MANAGEMENT II, LLC; ATLANTIC
27 CAPITAL CORPORATION; MERIDIAN
28 CAPITAL CORP.; WILLIAM O. WASHBURN
d/b/a SOUTHERN PACIFIC GROUP; and
DOES 1 through 150, inclusive,

Defendants.

CASE NO. GIC 788607

**STIPULATION TO ENTRY OF FINAL
JUDGMENT OF PERMANENT
INJUNCTION BY THE COMMISSIONER
OF CORPORATIONS AND ALL
DEFENDANTS**

A. IT IS HEREBY STIPULATED between PRESTON DUFAUCHARD,
COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA

1 (“COMMISSIONER”) for the Plaintiff THE PEOPLE OF THE STATE OF CALIFORNIA
2 (“Plaintiff”) and Defendants WILLIAM O. WASHBURN; MASTERS PARTNERS, LP;
3 SOUTHERN PACIFIC CAPITAL, LLC; SOUTHERN PACIFIC EQUITIES, LLC; PACIFIC
4 INCOME FUND II, LLC; MASTERS ADMINISTRATORS, LLC; WEST CAPITAL, LLC;
5 PACIFIC CAPITAL MANAGEMENT II, LLC; ATLANTIC CAPITAL CORPORATION;
6 MERIDIAN CAPITAL CORP.; WILLIAM O. WASHBURN d/b/a SOUTHERN PACIFIC GROUP
7 (“Defendants”) as follows:

8 B. Defendants, and each of them, admit jurisdiction of this Court over them and over the
9 subject matter of this action. Defendants enter general appearances in this action. Defendants
10 acknowledge that entry of said general appearances are equivalent to personal service of the
11 summons on them pursuant to Section 410.50 of the California Code of Civil Procedure.

12 C. Defendants, and each of them, admit service of the Summons and of the Complaint
13 filed in this matter.

14 D. Defendants, and each of them, have read the Complaint, this Stipulation and the
15 proposed Final Judgment of Permanent Injunction Pursuant to Stipulation in the form attached
16 hereto as Exhibit 1 (referenced hereinafter as “Final Judgment”).

17 E. Defendants, and each of them, admit the allegations in the Complaint and without
18 notice of further proceedings, voluntarily consent to the entry by the Court of the Final Judgment.

19 F. Defendants and each of them, hereby waive entry of Findings of Fact and
20 Conclusions of Law under California Code of Civil Procedure Section 632 and all rights to appeal
21 the entry of the Final Judgment.

22 G. The COMMISSIONER and the Defendants stipulate and agree that if any paragraph,
23 clause, or provision of this Stipulation or of the Final Judgment entered thereto, or the application
24 thereof, is held invalid or unenforceable, such decision shall affect only the paragraph, clause or
25 provision so construed or interpreted, and the invalidity shall not affect the provisions or the
26 application of this Stipulation, or of the Final Judgment entered thereto, which can be given effect
27 without the invalid provisions or application, and to this end, the provisions of the Stipulation, and of
28

1 the Final Judgment entered thereto, are declared by COMMISSIONER and by the Defendants to be
2 severable.

3 H. The COMMISSIONER and the Defendants stipulate and agree that entry of Final
4 Judgment pursuant to this Stipulation may be made by a judge or by a commissioner of the Superior
5 Court and may be made *ex parte* without notice to any of the Defendants.

6 I. The COMMISSIONER and the Defendants stipulate and agree that this stipulation
7 may be executed in one or more separate counterparts, each of which when so executed, shall be
8 deemed an original. Such counterparts shall together constitute and be one and the same instrument.

9 J. Defendants, and each of them, stipulate and agree that they enter into this Stipulation
10 voluntarily and without coercion, and acknowledge that no promises, threats or assurances have been
11 made by Plaintiff or any officer, or agent thereof, except for those expressly set forth in this
12 Stipulation, to induce the Defendants, and each of them, to enter into this Stipulation.

13 SPECIFIC RELIEF IN THE FINAL JUDGMENT STIPULATED TO BY THE PARTIES

14 1. Defendants stipulate to the Entry of a Final Judgment providing that Defendants
15 WILLIAM O. WASHBURN; MASTERS PARTNERS, LP; SOUTHERN PACIFIC CAPITAL,
16 LLC; SOUTHERN PACIFIC EQUITIES, LLC; PACIFIC INCOME FUND II, LLC; MASTERS
17 ADMINISTRATORS, LLC; WEST CAPITAL, LLC; PACIFIC CAPITAL MANAGEMENT II,
18 LLC; ATLANTIC CAPITAL CORPORATION; MERIDIAN CAPITAL CORP.; WILLIAM O.
19 WASHBURN d/b/a SOUTHERN PACIFIC GROUP and each of them, and their officers, directors,
20 successors in interest, agents, employees, attorneys in fact in their capacities as such, and all persons
21 acting in concert or participating with them, shall be and are hereby permanently enjoined from
22 engaging in, committing, aiding and abetting, or performing directly or indirectly, by any means
23 whatsoever, any of the following acts: Violating California Corporations Code Section 25110 by
24 offering to sell, selling, arranging for the sale of, issuing, engaging in the business of selling,
25 negotiating for the sale of, or otherwise in any way dealing or participating, with respect to the
26 public or any other persons, any security of any kind, including but not limited to, investment
27 contracts in the form of corporate promissory notes issued by WILLIAM WASHBURN; MASTERS
28 PARTNERS, LP; SOUTHERN PACIFIC CAPITAL, LLC; SOUTHERN PACIFIC EQUITIES,

1 LLC; or PACIFIC INCOME FUND II, LLC, unless and until Defendants shall have first applied for,
2 and secured from the COMMISSIONER, a qualification pursuant to California Corporations Code
3 Section 25111, 25112, or 25113 authorizing the offer and sale of such securities;

4 2. Defendants stipulate to the Entry of a Final Judgment providing that Defendants
5 WILLIAM O. WASHBURN and MERIDIAN CAPITAL CORP., and each of them, and their
6 officers, directors, successors in interest, agents, employees, attorneys in fact in their capacities as
7 such, and all persons acting in concert or participating with them, shall be and are hereby
8 permanently enjoined from engaging in, committing, aiding and abetting, or performing directly or
9 indirectly, by any means whatsoever, any of the following acts: Violating California Corporations
10 Code Section 25210 by engaging in any unlicensed broker-dealer activities in the State of California,
11 which includes, directly or indirectly, accepting any form of compensation in return for
12 recommending, advertising, promoting, touting, offering to sell or selling securities of others or for
13 his own account, unless and until Defendants shall have first applied for, and secured from the
14 COMMISSIONER a license to act as a broker-dealer as defined in California Corporations Code
15 section 25004.

16 3. Defendants stipulate to the Entry of a Final Judgment providing that Defendants
17 WILLIAM WASHBURN; MASTERS PARTNERS, LP; SOUTHERN PACIFIC CAPITAL, LLC;
18 SOUTHERN PACIFIC EQUITIES, LLC; PACIFIC INCOME FUND II, LLC; MASTERS
19 ADMINISTRATORS, LLC; WERST CAPITAL, LLC; PACIFIC CAPITAL MANAGEMENT II,
20 LLC; ATLANTIC CAPITAL CORPORATION; MERIDIAN CAPITAL CORP.; WILLIAM O.
21 WASHBURN d/b/a SOUTHERN PACIFIC GROUP and each of them, and their officers, directors,
22 successors in interest, agents, employees, attorneys in fact in their capacities as such, and all persons
23 acting in concert or participating with them, shall be and are hereby permanently enjoined from
24 engaging in, committing, aiding and abetting, or performing directly or indirectly, by any means
25 whatsoever, any of the following acts:

26 a. Transferring, changing, disbursing, selling, dissipating, converting, conveying,
27 pledging, assigning, encumbering, or foreclosing or otherwise disposing of any real or personal
28 property or other assets in their possession or under their control, or in the possession of, or under

1 the control of, any of them, for the benefit of Defendants' investors and/or creditors, without leave of
2 the Court; and

3 b. Withdrawing from any bank account, transferring, changing, disbursing, selling,
4 dissipating, converting, pledging, assigning, foreclosing, or otherwise disposing of any real property
5 or personal property in their possession or under their control, or in the possession of, or under the
6 control of, any of the Defendants, which property or other assets were derived or emanated from
7 directly, or indirectly, the sale and issuance of securities as alleged in the complaint in this action,
8 without leave of the Court.

9 4. The COMMISSIONER stipulates and agrees to not take any further administrative or
10 civil action against any of the Defendants, and each of them, based on information known to the
11 COMMISSIONER or his agents or employees at the time of the filing of the Complaint or based on
12 any act or omission alleged in the Complaint. Defendants, and each of them, acknowledge that the
13 entry of Final Judgment, pursuant to this Stipulation, shall not preclude any other federal, state or
14 county agency, from initiating any other prosecution based upon the allegations contained in the
15 Complaint in this action or based on any other acts by the Defendants which may violate California
16 or Federal law.

17 5. Defendants, and each of them, agree that nothing in this Stipulation, or in the Final
18 Judgment in this matter, shall preclude the COMMISSIONER, or his agents or employees, to the
19 extent authorized by law, from assisting or cooperating with regards to any investigation and/or
20 action brought by any other federal, state or county agency. Defendants and each of them further
21 agree that nothing in this Stipulation or in the Final Judgment shall bind or otherwise prevent any
22 other federal, state or county agency from the performance of its duties.

23 6. The COMMISSIONER and the Defendants stipulate and agree that Plaintiff and each
24 of the Defendants shall bear his or its own respective attorneys' fees, expenses and costs incurred in
25 connection with the investigation of matters relating to the Complaint in the above-entitled case and
26 the preparation of the Complaint, this Stipulation, and the Final Judgment.

27 7. The parties stipulate and agree that this Court shall retain jurisdiction of this action in
28 order to implement and enforce the terms of this Final Judgment and to entertain any suitable

1 application or motion for additional relief or modification of any order made herein within the
2 jurisdiction of the Court.

3 DATED: 01/05/07

Plaintiff THE PEOPLE OF THE STATE
OF CALIFORNIA, by and through PRESTON
DUFAUCHARD
Commissioner of Corporations

By _____
SEAN M. ROONEY
Corporations Counsel

9 DATED: 12/20/06

Defendant WILLIAM O. WASHBURN

By _____
WILLIAM O. WASHBURN

13 DATED: 12/20/06

Defendant MASTERS PARTNERS, LP

By _____
WILLIAM O. WASHBURN
General Manager

18 DATED: 12/20/06

Defendant SOUTHERN PACIFIC CAPITAL, LLC

By _____
WILLIAM O. WASHBURN
General Manager

23 DATED: 12/20/06

Defendant SOUTHERN PACIFIC EQUITIES, LLC

By _____
WILLIAM O. WASHBURN
General Manager

1
2
3 DATED: 12/20/06

Defendant PACIFIC INCOME FUND II, LLC

4
5 By _____
6 WILLIAM O. WASHBURN
7 General Manager

8 DATED: 12/20/06

Defendant MASTERS ADMINISTRATORS, LLC

9
10 By _____
11 WILLIAM O. WASHBURN
12 General Manager

13 DATED: 12/20/06

Defendant WEST CAPITAL, LLC

14
15 By _____
16 WILLIAM O. WASHBURN
17 General Manager

18 DATED: 12/20/06

Defendant PACIFIC CAPITAL
MANAGEMENT II, LLC

19
20 By _____
21 WILLIAM O. WASHBURN
22 General Manager

23 DATED: 12/20/06

Defendant ATLANTIC CAPITAL CORPORATION

24
25 By _____
26 WILLIAM O. WASHBURN
27 General Manager

1
2
3 DATED: 12/20/06

Defendant MERIDIAN CAPITAL CORP.

4
5 By _____
6 WILLIAM O. WASHBURN
7 General Manager

8 DATED: 12/20/06

Defendant WILLIAM O. WASHBURN d/b/a
SOUTHERN PACIFIC GROUP

9
10 By _____
11 WILLIAM O. WASHBURN
12 General Manager

13 APPROVED AS TO FORM AND CONTENT:

14 on 12/20, 2006

15
16 By _____

17
18 Attorney for Defendants