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ORIGINAL FILED  
JUN 28 2010  
LOS ANGELES  
SUPERIOR COURT

11 SUPERIOR COURT OF THE STATE OF CALIFORNIA  
12 COUNTY OF LOS ANGELES  
13 CENTRAL DISTRICT

15 **People of the State of California,**

16 Plaintiff,

17 v.

19 **California Police Youth Charities; National  
Consultants, Inc.; Public Appeal, Inc.;  
20 Christopher Eaton; Srinivas Makkapati;  
Herb Morici; and Bruce Yablonsky,**  
21 Defendants.

CASE NO. BC 414731

SETTLEMENT AGREEMENT AND  
[proposed] ORDER

22 The parties, Plaintiff the People of the State of California (Plaintiff) and Defendants  
23 California Police Youth Charities (CPYC), Christopher Eaton, National Consultants, Inc.; Public  
24 Appeal, Inc.; Srinivas Makkapati; Herb Morici; and Bruce Yablonsky ("Defendants"), having  
25 signed this Settlement Agreement and proposed Order (Settlement Agreement) stipulate as  
26 follows:

27 1. This settlement agreement is entered without trial, without the taking of evidence  
28 and without any findings being made;

1           2.    This Court has jurisdiction of the subject matter of this action and of the parties.

2           3.    Venue as to all matters between the parties as alleged in the complaint lies in this  
3 Court. The Defendants waive their right to appeal, to attempt to set aside or vacate, or otherwise  
4 modify or attack this Settlement Agreement.

5           4.    Within thirty (30) days of receipt of notice of execution of the Settlement Agreement  
6 by the Court, National Consultants, Inc. (NCI), will notify the Registry of Charitable Trusts,  
7 Office of the California Attorney General, of its intention to withdraw its registration as  
8 fundraising counsel for charitable purposes.

9           5.    In the event that CPYC enters into an agreement with Telcom Services, Inc., any  
10 provision that applies to NCI will apply to Telcom Services, Inc., with the exception of  
11 Paragraphs 12, 14 and 15.

12           6.    CPYC is prohibited from engaging in any activity with Defendants National  
13 Consultants, Inc.; Public Appeal, Inc.; Srinivas Makkapati; Herb Morici; and Bruce Yablonsky  
14 and those Defendants are prohibited from engaging in any activity with CPYC or receiving any  
15 payment from CPYC, directly or indirectly, with the following exceptions:

16                 a.    NCI may enter into a commercial fundraising agreement with CPYC,  
17                         which fully complies with California law and which contains the  
18                         following terms:

- 19                         i.    The contract shall not exceed one year in length;
- 20                         ii.   The contract may not be renewed automatically;
- 21                         iii.   Prior to renewing the contract, CPYC must solicit and consider at  
22                                 least three competitive bids from other commercial fundraisers.  
23                                 Copies of all documents related to the bidding process shall be  
24                                 provided to the Attorney General;
- 25                         iv.   Recorded calls shall be produced to the Attorney General by NCI  
26                                 within 72 hours of a written request at NCI's expense at any time  
27                                 for cause and/or twice each quarter. In the event that the Attorney  
28                                 General demands production of recorded calls without cause and

1 more frequently than twice in a single quarter, then NCI reserves  
2 the right to object to incurring the expense and may request relief  
3 from the court.

- 4 v. Records related to CPYC donors shall be produced to the Attorney  
5 General within five business days of a written request at NCI's  
6 expense.

7 7. Defendants National Consultants, Inc.; Public Appeal, Inc.; Srinivas Makkapati;  
8 Herb Morici; and Bruce Yablonsky are permanently enjoined from, and will not engage in, any of  
9 the following activities:

- 10 a. acting as a fundraising counsel for charitable purposes, trustee or  
11 commercial coventurer as those terms are defined in California  
12 Government Code sections 12599, 12599.1, 12582 and 12599.2;
- 13 b. acting as a commercial fundraiser for charitable purposes in California,  
14 with the exception of Public Appeal, Inc., Telcom Services, Inc., and any  
15 entity subsequently approved by the Attorney General in writing. Should  
16 any defendant wish to do business with a California charity or do business  
17 in California related to a charity or charitable fundraising activity in  
18 connection with an entity not listed in this paragraph, it must first obtain  
19 written permission from the Office of the Attorney General. Such  
20 permission shall not be unreasonably withheld.
- 21 c. acting as an officer, director, employee, independent contractor or agent  
22 of any charitable organization in California or any organization which  
23 holds or solicits funds for charitable purposes in California. Defendants  
24 may participate in charitable activities on behalf of a charity as a bona  
25 fide volunteer or donor. Defendants may not receive any compensation  
26 for such involvement nor may Defendants have control or custody of any  
27 charitable assets or donations intended for charity.
- 28

1 d. holding or controlling assets received from or located in California, for a  
2 charitable purpose, with the exception of Public Appeal, Inc., Telecom  
3 Services, Inc. and any entity subsequently approved by the Attorney  
4 General in writing;

5 8. Defendants California Police Youth Charities, Christopher Eaton, National  
6 Consultants, Inc.; Public Appeal, Inc.; Srinivas Makkapati; Herb Morici; and Bruce Yablonsky  
7 are permanently enjoined from all of the following activities:

- 8 a. Soliciting contributions for charitable purposes without complying with all  
9 federal, state and local requirements of the jurisdiction in which the recipient  
10 of the solicitation is located.
- 11 b. Making any misrepresentation or false statement, expressly or by implication,  
12 orally or in writing, in connection with any charitable solicitation. Without  
13 limiting the foregoing, this prohibition includes the following  
14 misrepresentations made in the course of soliciting on behalf of a charity:
- 15 i. the nature or purpose of the charitable program activities that will be  
16 supported by donations received;
  - 17 ii. the portion of the donation that will be retained by the charity;
  - 18 iii. the portion of the donation that will be directly used for the charitable  
19 purposes of the charity on whose behalf the solicitation is made;
  - 20 iv. either specifically or generally, that the charity has any connection to  
21 or is affiliated with any public safety organization, that the charity is  
22 not, in fact, connected to or affiliated with;
  - 23 v. that donations will be used for a specific purpose or program if there  
24 is no meaningful expenditure for that purpose or program;
  - 25 vi. that donations will benefit persons or organizations in the donor's  
26 state or local community unless a substantial portion of the charity's  
27 program services are provided in that state or local community;
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vii. that a resident of a household has previously donated to the charity without documentation of that prior donation; and

viii. that a person has already made a pledge to donate to the charity without documentation of that pledge.

c. Failing to immediately and accurately disclose to the donor solicited the amount of the donation that will go to the charity in response to an inquiry;

d. Failing to conspicuously and accurately identify the location of the headquarters of the charity in any written material sent to donors.

9. With respect to Paragraphs 8 above and 11 below, an isolated violation by an agent, independent contractor, or employee of Defendants shall not be deemed to be a violation if Defendants clearly and convincingly demonstrate that, as part of the Defendants' routine business practices, the Defendants have done all of the following:

a. established and implemented written procedures to comply with the terms of this Settlement Agreement, communicated those terms to all relevant agents, independent contractors, and employees, and obtained from each of them a signed statement that they have read, understood, and agreed to comply with the procedures;

b. trained all agents, independent contractors, and employees regarding compliance with the procedures established pursuant to this Settlement Agreement;

c. maintained thorough records of such procedures, their implementation, and the program of training agents, independent contractors, and employees in those procedures; and

d. monitored and enforced compliance with the procedures established pursuant to this section (including through the use of disciplinary measures and terminations) and kept and made available to the Office of the California Attorney General upon request complete records of all such monitoring and enforcement.

1           10. The Office of the California Attorney General shall have the authority to enforce, or  
2 seek sanctions for, violations of the provisions of this Settlement Agreement in this Court.

3           11. Defendants shall pay up to \$2,500 for each individual violation of the terms of the  
4 injunction. This payment shall not limit the Attorney General's ability to seek any other relief  
5 allowed by law, including enforcing the portion of the Settlement Agreement which is stayed.

6           12. Defendants National Consultants, Inc.; Public Appeal, Inc.; Srinivas Makkapati;  
7 Herb Morici; and Bruce Yablonsky, are jointly and severally liable to pay the total amount of  
8 \$1,100,000.00, as follows:

9           a. Payment of \$200,000.00 in damages/restitution to California Police Youth  
10 Charities as follows:

- 11                   i. \$50,000.00 within thirty days of the notice of the execution of the  
12 settlement by the court;  
13                   ii. \$25,000 by December 1, 2010;  
14                   iii. \$25,000 by June 1, 2011;  
15                   iv. \$100,000 by June 1, 2013.

16           b. These funds shall be used exclusively in California to provide support for at-  
17 risk youth for gang and drug prevention or to benefit critically or terminally ill  
18 children. CPYC shall provide an accounting to the Attorney General of the use  
19 of these funds within six months of the execution of the Settlement Agreement  
20 by the Court and thereafter every six months until no funds are remaining.

21           13. Defendants California Police Youth Charities and Christopher Eaton are jointly and  
22 severally liable to pay the total amount of \$900,000.00, as follows:

23           a. Payment to the California Attorney General in the amount of \$100,000.00 for  
24 attorney's fees and costs incurred by the Charitable Trusts Section, pursuant to  
25 Government code sections 12598 and 12586.2. These funds shall be used  
26 exclusively by the Charitable Trusts Section for the administration of the  
27 Attorney General's charitable trust enforcement responsibilities.  
28

1           14. Payment of the remaining \$700,000 in damages/restoration of the Settlement  
2 Agreement by the Defendants is stayed, subject to the Defendants' compliance with the terms of  
3 the Settlement Agreement. If the Court finds a violation against any Defendant that does not fall  
4 within the safe harbor provision of Paragraph 9, Plaintiff may request the court to set aside the  
5 stay against that Defendant and the court may impose up to \$700,000 against that Defendant.

6           15. Payment of \$100,000 in civil penalties to be allocated as required by law with the  
7 Attorney General's portion to be used exclusively by the Charitable Trusts Section for the  
8 administration of the Attorney General's charitable trust enforcement responsibilities. Payment of  
9 the civil penalties is stayed, subject to Defendants' compliance with the terms of this Settlement  
10 Agreement. If the Court finds a violation against any Defendant that does not fall within the safe  
11 harbor provision of Paragraph 9, Plaintiff may request the court to set aside the stay against that  
12 Defendant and the court may impose up to \$100,000 against that Defendant.

13           16. The Court shall retain jurisdiction to enforce this Settlement Agreement pursuant to  
14 Code of Civil Procedure section 664.6.

15           17. This Settlement Agreement shall take effect immediately upon its execution by the  
16 court.

17           18. Except as otherwise stated, each party shall bear its own attorney's fees and costs.

18           19. Nothing in this Settlement Agreement shall relieve Defendants of their obligations to  
19 comply with all state and federal laws.

20           20. Nothing in this Settlement Agreement constitutes the approval of, or acquiescence  
21 in, any business practices of Defendants by the Attorney General.

22           21. The Settlement Agreement may be executed in separate counterparts, each of which  
23 shall be deemed an original, and said counterparts shall together constitute one Settlement  
24 Agreement, binding all parties notwithstanding that all of the parties are not signatory to the  
25 original or same counterpart, and shall be delivered to Joseph N. Zimring, Office of the Attorney  
26 General, 300 S. Spring Street, Suite 1702, Los Angeles, CA 90013.

1           22. The Settlement Agreement contains the entire agreement and understanding between  
2 the parties concerning the subject matter of this action. Each of the undersigned warrants that no  
3 promise or inducement has been offered to them except as set forth herein.

4           23. This Settlement Agreement is a product of bargained-for, arms-length negotiations  
5 among the parties and their counsel. No party shall be considered the author of this Settlement  
6 Agreement.

7           24. Each of the parties acknowledges that he, she, it has read the entire Settlement  
8 Agreement and understands it and, in addition, has had an opportunity to discuss the content with  
9 an attorney and make whatever investigation or inquiry that party may deem necessary or  
10 desirable in connection with the subject matter of the Settlement Agreement.

11           25. The Settlement Agreement shall not constitute an admission or finding of any  
12 wrongdoing, fault, violation of law, or liability by any party.

13           26. This Settlement Agreement is an integrated agreement and resolves all outstanding  
14 issues involving all parties to the Settlement Agreement. It supersedes all prior and  
15 contemporaneous conversations, negotiations, and agreements between Plaintiff and the  
16 Defendants, including but not limited to, the Settlement Agreement and [proposed] Order signed  
17 by the parties or counsel for the parties on May 5, 2010.

18           27. Each of the parties warrants that he, she or it is legally competent to execute the  
19 Settlement Agreement. The undersigned representatives for National Consultants, Inc, Public  
20 Appeal, Inc., Telcom Services, Inc., and California Police Youth Charities, Inc., certifies that he  
21 or she is fully authorized by their respective corporations to enter into the terms and conditions of  
22 the Settlement Agreement and to fully and legally bind the corporations to the Settlement  
23 Agreement.

24           28. The Settlement Agreement shall be binding upon the affiliates, administrators,  
25 successors, assigns, officers, directors, trustees, executors, agents and employees of National  
26 Consultants, Inc., Public Appeal, Inc., Telcom Services, Inc., and California Police Youth  
27 Charities, Inc.

28           29. The Settlement Agreement shall be governed by the laws of the State of California.



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IT IS SO AGREED.

DATE: 06/04/2010

NATIONAL CONSULTANTS, INC.,  
a California Corporation

By: M. Srinivas  
SRINIVAS MAKKAPATI  
President

DATE: 06/04/2010

PUBLIC APPEAL, INC.,  
a Texas Corporation

By: Herb Morici  
HERB MORICI  
President

DATE: 06/04/2010

TELCOM SERVICES, INC.,  
a ~~Texas~~ California Corporation

By: Herb Morici  
HERB MORICI  
President

DATE: 06/04/2010

By: Herb Morici  
HERB MORICI  
Defendant

DATE: 06/04/2010

By: Bruce Yablonsky  
BRUCE YABLONSKY  
Defendant

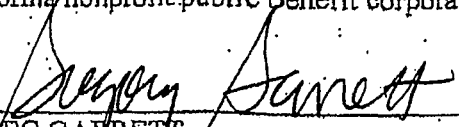
DATE: 06/04/2010

By: M. Srinivas  
SRINIVAS MAKKAPATI  
Defendant


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DATE: 6-10-10

CALIFORNIA POLICE YOUTH CHARITIES, INC.,  
a California nonprofit public benefit corporation

By:   
GREG GARRETT  
President


DATE: 6-8-10

By:   
CHRISTOPHER EATON  
Defendant

APPROVED AS TO FORM AND CONTENT:


DATE: 6-7-10

MURPHY ROSEN & MEYLAN LLP

By:   
RAUL H. MURPHY, ESQ.  
TROY H. SLOME, ESQ.  
Counsel for Defendants National Consultants, Inc.;  
Public Appeal, Inc.; Srinivas Makkapati; Herb  
Morici; and Bruce Yablonsky


DATE: 6-7-10

COPILEVITZ & CANTER, L.L.C.

By:   
ERROL COPILEVITZ, ESQ.  
Counsel for Defendants National Consultants, Inc.;  
Public Appeal, Inc.; Srinivas Makkapati; Herb  
Morici; and Bruce Yablonsky

DATE: 6/14/10

LEWIS BRISBOIS BISGAARD & SMITH LLP

By:   
SCOTT LICHTIG, ESQ.  
MICHAEL WILK, ESQ.  
Counsel for Defendants California Police Youth  
Charities, Inc., and Christopher Eaton

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IT IS SO AGREED.

DATE: 06/04/2010

NATIONAL CONSULTANTS, INC.,  
a California Corporation

By: *M. Srinivas*  
SRINIVAS MAKKAPATI  
President

DATE: 06/04/2010

PUBLIC APPEAL, INC.,  
a Texas Corporation

By: *Herb Morici*  
HERB MORICI  
President

DATE: 06/04/2010

TELCOM SERVICES, INC.,  
a ~~California~~ California Corporation

By: *Herb Morici*  
HERB MORICI  
President

DATE: 06/04/2010

By: *Herb Morici*  
HERB MORICI  
Defendant

DATE: 06/04/2010

By: *Bruce Yablonsky*  
BRUCE YABLONSKY  
Defendant

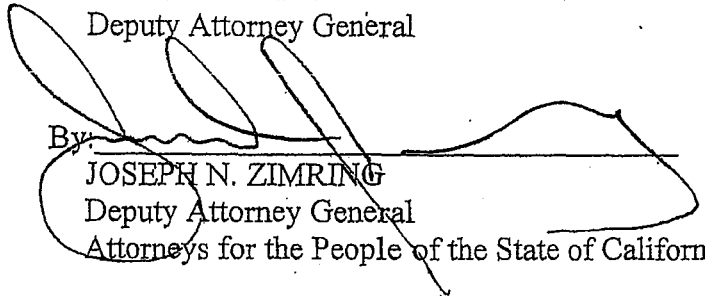
DATE: 06/04/2010

By: *M. Srinivas*  
SRINIVAS MAKKAPATI  
Defendant

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DATE: 6/8/2010

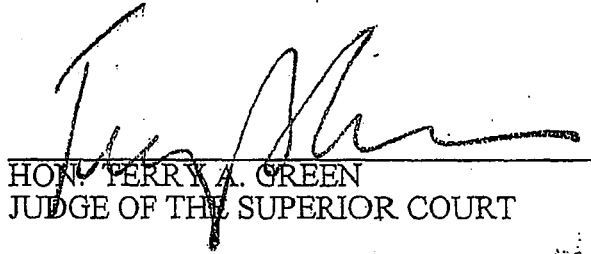
EDMUND G. BROWN JR, Attorney General  
BELINDA J. JOHNS  
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KELVIN GONG  
Supervising Deputy Attorney General  
SONJA K. BERNDT  
Deputy Attorney General

By:   
JOSEPH N. ZIMRING  
Deputy Attorney General  
Attorneys for the People of the State of California

The Court having considered the Settlement Agreement executed by the parties and good cause appearing;

IT IS SO ORDERED.

Dated: 6/18, 2010

  
HON. PERRY A. GREEN  
JUDGE OF THE SUPERIOR COURT

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