

ORIGINAL

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

U.S. DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
FILED

MAY 31 2002

CLERK, U.S. DISTRICT COURT
By Deputy *djl*

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

Civil Action No.
3:98-CV-1596-D

vs.

AMERICAN AUTOMATION, INC., a Texas corporation;
KENDYLL R. HORTON; HAZEL A. HORTON;
MERLE B. GROSS; and JAYNE R. ROOSE,

Defendants,

and

MUSCLEWEAR, INC., a Texas corporation;
ANGEL WORLD INSURANCE GROUP, INC.,
a Texas corporation;
LORD & KENDYLL INVESTMENTS, INC.,
a Texas corporation;
FAMILY LIGHT CO., LLC, a Texas limited liability
company; and
DIRECTION MANAGEMENT CO., LLC,
a Texas limited liability company,

Defendants Solely for Purposes
of Equitable Relief.

FINAL JUDGMENT

Pursuant to the Court's Order dated the 31st day of May, 2002, the Court enters
judgment as follows:

IT IS ORDERED:

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A. Defendants Kendyll R. Horton ("K. Horton") and Hazel A. Horton ("H. Horton"), individually and jointly, and their agents, employees, servants, attorneys and all persons in active concert or participation with them who receive actual notice of this Partial Summary Judgment, by personal service or otherwise, be and hereby are enjoined and restrained from any of the following:

1. violating sections 5(a) and (c) of the Securities Act, 15 U.S.C. §§77e(a) and (c),

(a) by making use of any means or instruments of transportation or communication in interstate commerce or of the mails, to sell a security through the use or medium of a prospectus or otherwise; or

(b) by carrying or causing to be carried through the mails or in interstate commerce, by any means or instruments of transportation, a security for the purpose of sale or for delivery after sale unless a registration statement is in effect as to the security; or to make use of any means or instruments of transportation or communication in interstate commerce of the mails to offer to sell or offer to buy through the use or medium of a prospectus or otherwise a security unless a registration statement has been filed as to the security; or while the registration statement is the subject of a refusal order, stop order or (prior to the effective date of the registration statement) any public proceeding or examination under section 8 of the Securities Act, 15 U.S.C. §77h;

2. violating section 17(a) of the Securities Act of 1933, 15 U.S.C. §77q(a), by,

directly or indirectly, in any way in connection with the offer or sale of any security by the use of any means or instrument of transportation or communication in interstate commerce or by the use of the mails, directly or indirectly --

- (a) employing any device, scheme or artifice to defraud, or
- (b) obtaining money or property by means of any untrue statement of material fact or any omission to state a material fact necessary in order to make the statement(s) made, in the light of the circumstances under which were made, not misleading, or
- (c) engaging in any transaction, practice or course of business which operates or would operate as a fraud or deceit upon the purchaser, including, but not limited to, the offer and/or sale of undivided working interests in oil and gas wells;

3. (a) violating section 10(b) of the Securities Exchange Act of 1934, 15 U.S.C. §78j(b), by, directly or indirectly, by the use of any means or instrumentality of interstate commerce, of the mails or of any facility of any national securities exchange, using or employing in connection with the purchase or sale of any security registered on a national securities exchange or any security not so registered any manipulative or deceptive device or contrivance in contravention or a rule or regulation prescribed by the Securities and Exchange Commission and/or

- (b) violating Rule 10b-5 of the Securities and Exchange Commission, 17 C.F.R. §240.10b-5, by, directly or indirectly, by the use of any means or instrumentality of interstate commerce, of the mails or of any facility of any national securities exchange,
 - (1) employing any device, scheme or artifice to defraud,
 - (2) making any untrue statement of a material fact or omitting to state a material fact necessary in order to make the statement(s) made, in the light of the circumstances under which were made, not misleading, or

(3) engaging in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person, including, but not limited to, the offer and/or sale of undivided working interests in oil and gas wells; and

B. K. Horton and H. Horton, jointly and severally, shall make disgorgement to W. Philip Brown, as court-appointed receiver, in the amount of \$4,480,000.00, together with prejudgment interest from July 10, 1998, through February 28, 2002, at the rate established by Rule 201.600 of the Commission's Rules of Practice, 17 C.F.R. §201.600, which incorporates section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. §6621(a)(2)," an amount totaling \$1,436,351.32, together with post-judgment interest on \$5,916,351.32 at the statutory rate provided for in 28 U.S.C. §1961 from February 28, 2002, until the date paid..

C. K. Horton shall pay a civil monetary penalty in the sum of \$110,000.00 to the United States Treasury. Such payment shall be (1) made by United States postal money order, certified check, bank cashier's check or bank money order (2) made payable to the Securities and Exchange Commission; (3) hand-delivered, mailed or couriered to the Comptroller, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312-2413, and (3) submitted under cover letter that identifies K. Horton as a defendant in these proceedings and states the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to District Administrator, Fort Worth District Office, Securities and Exchange Commission, 801 Cherry St., Suite 1900, Fort Worth, TX 76102-6819.

H. Horton shall pay a civil monetary penalty in the sum of \$110,000.00 to the United States Treasury. Such payment shall be (1) made by United States postal money order, certified check, bank cashier's check or bank money order (2) made payable to the Securities and Exchange

Commission; (3) hand-delivered, mailed or couriered to the Comptroller, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312-2413, and (3) submitted under cover letter that identifies H. Horton as a defendant in these proceedings and states the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to District Administrator, Fort Worth District Office, Securities and Exchange Commission, 801 Cherry St., Suite 1900, Fort Worth, TX 76102-6819. Payments of civil money penalties shall be made only after the obligation to make disgorgement is satisfied.

D. K. Horton's and H. Horton's payments of disgorgement, interest and civil monetary penalties shall be made within ninety (90) days of entry of this Final Judgment.

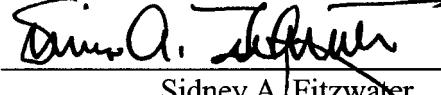
E. This Final Judgment may be served upon K. Horton and H. Horton, in person or by mail, either by the United States marshal, by the Clerk of the Court, by any member of the staff of the Commission or by any other person authorized to make service.

F. The United States marshal in any district in which K. Horton and/or H. Horton resides or may be found is authorized and directed to make service on K. Horton and/or H. Horton at the request of the Commission.

G. All other unresolved claims asserted by the Commission be and hereby are dismissed without prejudice, and the case shall be closed.

H. The Clerk shall enter judgment accordingly.

Dated: May 31, 2002



Sidney A. Fitzwater
United States District Judge