

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND

SECURITIES AND EXCHANGE
COMMISSION
v.
JOHN J. LAWBAUGH
: Civil Action No. DKC 2003-2768

ORDER

For the reasons stated in the foregoing Memorandum Opinion, it is this 14th day of March, 2005, by the United States District Court for the District of Maryland, ORDERED that:

1. The motion of Plaintiff Securities and Exchange Commission for entry of default judgment against Defendant John J. Lawbaugh (paper no. 19), BE, and the same hereby IS, GRANTED;

2. Judgment by default BE, and the same hereby IS, ENTERED in favor of Plaintiff Securities and Exchange Commission against Defendant John J. Lawbaugh as follows:

A. Defendant and his agents, officers, servants, employees, attorneys, and those persons in active concert or participation with him, and each of them, who receive actual notice of this Final Judgment by personal service or otherwise, BE, and the same hereby ARE, PERMANENTLY RESTRAINED AND ENJOINED from violating, directly or indirectly, Section 17(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. § 77q(a),

in the offer or sale of any security by using any means or instruments of transportation or communication in interstate commerce, or the mails:

i. to employ any device, scheme, or artifice to defraud;

ii. to obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or

iii. to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser;

B. Defendant and his agents, officers, servants, employees, attorneys, and those persons in active concert or participation with him, and each of them, who receive actual notice of this Final Judgment by personal service or otherwise, BE, and the same hereby ARE, PERMANENTLY RESTRAINED AND ENJOINED from violating, directly or indirectly, Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder, 17 C.F.R. 240.10b-5, by using any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national

securities exchange, in connection with the purchase or sale of any security:

i. to employ any device, scheme, or artifice to defraud; or

ii. to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or

iii. to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person;

C. Defendant and his agents, officers, servants, employees, attorneys, and those persons in active concert or participation with him, and each of them, who receive actual notice of this Final Judgment by personal service or otherwise, BE, and the same hereby ARE, PERMANENTLY RESTRAINED AND ENJOINED from violating, directly or indirectly, Section 37 of the Investment Company Act of 1940 ("Investment Company Act"), 15 U.S.C. § 80a-37, by stealing, unlawfully abstracting, unlawfully and willfully converting to his or their own use or to the use of another, or embezzling any of the monies, funds, securities, credits, property, or assets of any registered investment company;

D. Defendant and his agents, officers, servants, employees, attorneys, and those persons in active concert or participation with him, and each of them, who receive actual notice of this Final Judgment by personal service or otherwise, BE, and the same hereby ARE, PERMANENTLY RESTRAINED AND ENJOINED from violating, directly or indirectly, Section 17(e)(1) of the Investment Company Act, 15 U.S.C. § 80a-17(e)(1), by, in his or their or its capacity as an affiliated person of a registered investment company, or an affiliated person of such person, acting as agent and accepting from any source any compensation (other than a regular salary or wages from such registered company) for the purchase or sale of any property to or for such registered company or any controlled company thereof, except in the course of such person's business as an underwriter or broker;

E. Defendant and his agents, officers, servants, employees, attorneys, and those persons in active concert or participation with him, and each of them, who receive actual notice of this Final Judgment by personal service or otherwise, BE, and the same hereby ARE, PERMANENTLY RESTRAINED AND ENJOINED from violating, directly or indirectly, Section 34 of the Investment Company Act, 15 U.S.C. § 80a-33, by:

i. willfully destroying, mutilating, or altering any

account, book, or other document the preservation of which has been required pursuant to Section 31(a) or Section 32(c) of the Investment Company Act of 1940, 15 U.S.C. § 80a-30(a), 31(c), except as permitted by rule, regulation, or order of the Commission; and/or

ii. making any untrue statement of a material fact in any registration statement, application, report, account, record, or other document filed or transmitted pursuant to Title 15 of the United States Code or the keeping of which is required pursuant to Section 31(a) of the Investment Company Act, 15 U.S.C. § 80a-30(a); or when filing, transmitting, or keeping any such document to omit to state therein any fact necessary in order to prevent the statements made therein, in light of the circumstances under which they were made, from being materially misleading;

F. Pursuant to Section 36(a) of the Investment Company Act, 15 U.S.C. § 80a-35(a), Defendant BE, and the same hereby IS, PERMANENTLY RESTRAINED, ENJOINED, AND PROHIBITED from acting as an officer, director, member of any advisory board, investment adviser, or depositor, or as principal underwriter of an open-end company, unit investment trust, or face-amount certificate company;

G. Pursuant to Section 21(d)(2) of the Exchange Act, 15

U.S.C. § 78u(d)(2), Defendant BE, and the same hereby IS, PERMANENTLY RESTRAINED, ENJOINED, AND PROHIBITED from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act, 15 U.S.C. § 78l, or that is required to file reports pursuant to Section 15(d) of the Exchange Act, 15 U.S.C. § 78o(d);

H. Defendant BE, and the same hereby IS, LIABLE FOR DISGORGEMENT, representing ill-gotten gains received as a result of the conduct alleged in the Complaint, together with prejudgment interest thereon, for a total of \$4,149,752.89;

I. Because this disgorgement and prejudgment interest amount has been paid to the injured parties -- to 1st Atlantic Guaranty Corporation in cash and to certain individual investors in promissory notes -- as a direct result of the forced sale in bankruptcy of Defendant's 100% stock interest in 1st Atlantic Guaranty Corporation, Defendant's obligation to pay the disgorgement and prejudgment interest amount of \$4,149,752.89 BE, and the same hereby IS, SATISFIED. Nothing in this provision shall, or is intended to, limit or impair, in any way, any personal liability that Defendant may have, directly, to any individual or entity harmed as the result of the conduct alleged in the Complaint. The satisfaction of this disgorgement and

prejudgment interest amount is limited solely to the judgment debt that would otherwise arise in connection with the entry of this Final Judgment in this civil enforcement action;

J. Defendant BE, and the same hereby IS, ASSESSED AND SHALL PAY A PENALTY OF \$120,000, pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3), as amended by 17 C.F.R. 201.1002 (February 2, 2001). Defendant shall make this payment within ten (10) business days after the entry of this Final Judgment by certified check, bank cashier's check, or United States postal money order payable to the Securities and Exchange Commission. The payment shall be delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Mail Stop 0-3, Alexandria, Virginia 22312, and shall be accompanied by a letter identifying John Lawbaugh as a defendant in this action; setting forth the title and civil action number of this action and the name of this Court; and specifying that payment is made pursuant to this Final Judgment. Copies of the check and the accompanying cover letter shall be simultaneously transmitted to Arthur Gabinet, District Administrator, Securities and Exchange Commission, Philadelphia District Office, 701 Market Street, Suite 2000, Philadelphia, Pennsylvania 19106;

3. This Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Final Judgment; and

4. The Clerk will transmit copies of the Memorandum Opinion and this Order to counsel for the parties, and CLOSE this case.

_____/s/_____
DEBORAH K. CHASANOW
United States District Judge