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U.S. DISTRICT COURT
NORTHERN DISTRICT OF OHIO
CLEVELAND

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

United States Securities and Exchange Commission,

Plaintiff,

v.

Gary L. McNaughton, individually and d/b/a
The Haven Equity Company,
and Andrew K. Lech,

Defendants.

CASE NO. 1:03CV1249
Honorable Dan A. Polster

**ORDER OF PERMANENT INJUNCTION AGAINST DEFENDANT GARY L.
MCNAUGHTON, INDIVIDUALLY AND D/B/A
THE HAVEN EQUITY COMPANY**

The Securities and Exchange Commission (Commission) having filed a Complaint and Defendant Gary L. McNaughton, individually and d/b/a The Haven Equity Company (Defendant) having entered a general appearance; consented to the Court's jurisdiction over Defendant and the subject matter of this action; consented to entry of this Order of Permanent

Injunction against Defendant Gary L. McNaughton, Individually and d/b/a The Haven Equity Company (Order of Permanent Injunction) without admitting or denying the allegations of the Commission's Complaint for Injunctive and Other Equitable Relief (except as to jurisdiction); waived findings of fact and conclusions of law; and waived any right to appeal from this Order of Permanent Injunction:

I.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Defendant and Defendant's agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Order of Permanent Injunction by personal service or otherwise are permanently restrained and enjoined from violating, directly or indirectly, Section 10(b) of the Securities Exchange Act of 1934 (the "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:

- (a) to employ any device, scheme, or artifice to defraud;
- (b) 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
- (c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

II.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant and Defendant's agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Order of Permanent Injunction by personal service or otherwise are permanently restrained and enjoined from violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] in the offer or sale of any security by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly:

- (a) to employ any device, scheme, or artifice to defraud;
- (b) to obtain money or property by means of any untrue statement of a material fact or any omission of a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;
or
- (c) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

III.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant and Defendant's agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Order of Permanent Injunction by personal service or otherwise are permanently restrained and enjoined from violating Section 5 of the Securities Act [15 U.S.C. § 77e] by, directly or indirectly, in the absence of any applicable exemption:

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

IV.

DISGORGEMENT AND CIVIL PENALTIES

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that upon further motion by either of the parties, the Court shall determine the amounts, if any, of disgorgement plus prejudgment interest and civil penalties to be imposed against the Defendant as a result of the conduct alleged in the Commission's Complaint. At that hearing Defendant agrees that the allegations in the Commission's Complaint will be taken as true and that Defendant will be precluded from arguing that he did not violate the federal securities laws in the

manner set out in the Commission's Complaint. Nothing in this paragraph affects Defendant's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation in which the Commission is not a party.

V.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the Consent is incorporated herein with the same force and effect as if fully set forth herein, and that Defendant shall comply with all of the undertakings and agreements set forth therein.

VI.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the Court's orders regarding the freezing of assets of Gary L. McNaughton, individually and d/b/a The Haven Equity shall remain in full effect unless modified by this Court.

VII.

IT IS FURTHER ORDERED that the Commission is expressly authorized to engage in continued discovery regarding any unresolved issue in the case with respect to the Defendant, or any other defendant, which shall include, but not be limited to, discovery for purposes of determining the amount of disgorgement and civil penalties.

VIII.

IT IS FURTHER ORDERED, that this Court shall retain jurisdiction of this matter for all proposes, including, but not limited to enforcement of this Order of Permanent Injunction.

IX.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that there being no just reason for delay, the Clerk is ordered to enter this Order of Permanent Injunction forthwith and without further notice to the parties.

IT IS SO ORDERED.

Dated: December 5, 2003

A handwritten signature in black ink, appearing to read "Dan A. Polster", written over a horizontal line.

HONORABLE DAN A. POLSTER
UNITED STATES DISTRICT COURT JUDGE