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FILED
CLERK, U.S. DISTRICT COURT
MAR 12 2001
CENTRAL DISTRICT OF CALIFORNIA
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8 UNITED STATES DISTRICT COURT MAR 13 2001
9 FOR THE CENTRAL DISTRICT OF CALIFORNIA
10 WESTERN DIVISION
11

12 SECURITIES AND EXCHANGE
13 COMMISSION,

14 Plaintiff,

15 v.

16 DAVID J. NAUGHTON, STEPHEN R.
17 KEENUM, MARK R. AVILA, STEPHEN R.
18 RAWLINGS, RICHARD C. REINING, ADAM
19 E. PECK, VICTOR R. GRAUAUG, RAFFI
T. KING, CHARLES F. HAGEMANN,
20 RONALD L. GAISER, JOSEPH L. HILL
AND MICHAEL R. TOMPKINS,

21 Defendants.

Case No. CV-00-07531 R (Ex)

~~PROPOSED~~ FINAL JUDGMENT OF
PERMANENT INJUNCTION AND OTHER
RELIEF AGAINST DEFENDANT DAVID
J. NAUGHTON

THIS CONSTITUTES NOTICE OF ENTRY
AS REQUIRED BY FRCP, RULE 77(d).

22 Plaintiff Securities and Exchange Commission ("Commission"),
23 having filed and served upon Defendant David J. Naughton
24 ("Naughton") a Summons and Complaint in this action; Naughton having
25 admitted service upon him of the Summons and Complaint in this
26 action and the jurisdiction of this Court over him and over the
27 subject matter of this action; having been fully advised and
28 informed of his right to a judicial determination of this action;

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1 having waived the entry of findings of fact and conclusions of law
2 as provided by Rule 52 of the Federal Rules of Civil Procedure;
3 having consented to the entry of this Final Judgment Of Permanent
4 Injunction And Other Relief Against Defendant David J. Naughton
5 ("Final Judgment"), without admitting or denying the allegations in
6 the Complaint except as specifically set forth in the Consent Of
7 Defendant David J. Naughton To Entry Of Final Judgment Of Permanent
8 Injunction And Other Relief ("Consent"); and no notice of hearing
9 upon the entry of this Final Judgment being necessary:

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I.

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that Defendant Naughton and his agents, servants, employees and attorneys, and all persons in active concert or participation with any of them, who receive actual notice of this Final Judgment by personal service or otherwise, and each of them, are permanently restrained and enjoined from, directly or indirectly:

- A. making use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell any securities, through the use or medium of any prospectus or otherwise, unless a registration statement is in effect as to such securities;
- B. carrying or causing to be carried through the mails or in interstate commerce, by any means or instruments of transportation, for the purpose of sale or for delivery after sale, any securities, unless a registration statement is in effect as to such securities; and
- C. making use of any means or instruments of transportation or communication in interstate commerce or of the mails to

1 offer to sell or offer to buy, through the use or medium
2 of any prospectus or otherwise, any securities, unless a
3 registration statement has been filed with the Commission
4 as to such securities, or while the registration statement
5 is the subject of a refusal order or stop order or (prior
6 to the effective date of the registration statement) any
7 public proceeding or examination under Section 8 of the
8 Securities Act [15 U.S.C. § 77h];
9 in violation of Sections 5(a) and 5(c) of the Securities Act of 1933
10 ("Securities Act") [15 U.S.C. §§ 77e(a) & 77e(c)].

11 **II.**

12 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant
13 Naughton and his agents, servants, employees and attorneys, and all
14 persons in active concert or participation with any of them, who
15 receive actual notice of this Final Judgment by personal service or
16 otherwise, and each of them, are permanently restrained and enjoined
17 from, directly or indirectly, in the offer or sale of any
18 securities, by the use of any means or instruments of transportation
19 or communication in interstate commerce or by the use of the mails:

- 20 A. employing any device, scheme or artifice to defraud;
- 21 B. obtaining money or property by means of any untrue
22 statement of a material fact or any omission to state a
23 material fact necessary in order to make the statements
24 made, in the light of the circumstances under which they
25 were made, not misleading; or
- 26 C. engaging in any transaction, practice, or course of
27 business which operates or would operate as a fraud or
28 deceit upon the purchaser;

1 in violation of Section 17(a) of the Securities Act [15 U.S.C. §
2 77q(a)].

3 **III.**

4 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant
5 Naughton and his agents, servants, employees and attorneys, and all
6 persons in active concert or participation with any of them, who
7 receive actual notice of this Final Judgment by personal service or
8 otherwise, and each of them, are permanently restrained and enjoined
9 from, directly or indirectly, in connection with the purchase or
10 sale of any security, by the use of any means or instrumentality of
11 interstate commerce, or of the mails, or of any facility of any
12 national securities exchange:

- 13 A. employing any device, scheme, or artifice to defraud;
14 B. making any untrue statement of a material fact or
15 omitting to state a material fact necessary in order to
16 make the statements made, in the light of the
17 circumstances under which they were made, not misleading;
18 or
19 C. engaging in any act, practice, or course of business
20 which operates or would operate as a fraud or deceit upon
21 any person;

22 in violation of Section 10(b) of the Securities Exchange Act of 1934
23 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17
24 C.F.R. § 240.10b-5].

25 **IV.**

26 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant
27 Naughton and his agents, servants, employees and attorneys, and all
28 persons in active concert or participation with any of them, who

1 receive actual notice of this Final Judgment by personal service or
2 otherwise, and each of them, are permanently restrained and enjoined
3 from making use of the mails or any means or instrumentality of
4 interstate commerce to effect any transactions in, or to induce or
5 attempt to induce the purchase or sale of, any security without
6 being registered as a broker or dealer pursuant to Section 15(b) of
7 the Exchange Act [15 U.S.C. § 78o(b)], in violation of Section
8 15(a)(1) of the Exchange Act [15 U.S.C. § 78o(a)(1)].

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V.

10 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant
11 Naughton shall pay disgorgement in the amount of \$327,998
12 representing his gains from the conduct alleged in the Complaint,
13 plus prejudgment interest thereon calculated pursuant to 28 U.S.C. §
14 1961. Based upon Naughton's sworn representations in his Statement
15 of Financial Condition dated February 16, 2001, and submitted to the
16 Commission, payment of all disgorgement and prejudgment interest
17 thereon is waived. Additionally, based upon Naughton's sworn
18 representations in his Statement of Financial Condition, this Court
19 is not ordering Naughton to pay a civil penalty pursuant to Section
20 20(d)(1) of the Securities Act [15 U.S.C. § 77t(d)(1)] and Section
21 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

22

VI.

23 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the waiver of
24 disgorgement and prejudgment interest and the determination not to
25 assess a civil penalty are contingent upon the accuracy and
26 completeness of Naughton's Statement of Financial Condition. If at
27 any time following the entry of this Final Judgment the Commission
28 obtains information indicating that Naughton's representations to

1 the Commission concerning his assets, income, liabilities or net
2 worth were fraudulent, misleading, inaccurate or incomplete in any
3 material respect as of the time such representations were made, the
4 Commission may, at its sole discretion and without prior notice to
5 Naughton, petition this Court for an order modifying this Final
6 Judgment to require payment of full disgorgement of \$327,998, and
7 prejudgment and postjudgment interest thereon, and civil money
8 penalties. In connection with any such petition, the only issues
9 shall be whether the financial information provided by Naughton was
10 fraudulent, misleading, inaccurate or incomplete in any material
11 respect as of the time such representations were made, and the
12 amount of the civil penalty to be imposed. In its petition, the
13 Commission may move this Court to consider all available remedies,
14 including, but not limited to, ordering Naughton to pay funds or
15 assets, directing the surrender of any assets, or sanctions for
16 contempt of this Final Judgment, and the Commission may also obtain
17 additional discovery. Naughton may not, by way of defense to such
18 petition, challenge the validity of his Consent or this Final
19 Judgment, contest the allegations in the Complaint filed by the
20 Commission, the amount of disgorgement and interest, or assert that
21 disgorgement, interest or payment of a civil penalty should not be
22 ordered.

23 **VII.**

24 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the provisions
25 of the Consent filed concurrently with this Final Judgment are
26 incorporated herein with the same force and effect as if fully set
27 forth herein and that Naughton shall comply with all terms of his
28 Consent.

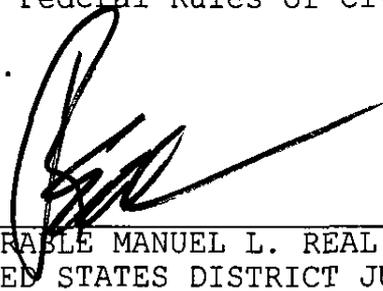
VIII.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that this Court shall retain jurisdiction over this action for all purposes, including to determine the liability of any remaining defendants in this action, to implement and enforce the terms of this Final Judgment and other orders and decrees which may be entered, and to grant such other relief as this Court may deem necessary and just.

* * * * *

There being no just reason for delay, the Clerk of the Court is directed, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, to enter this Final Judgment.

DATED: March 12, 2001



HONORABLE MANUEL L. REAL
UNITED STATES DISTRICT JUDGE

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CERTIFICATE OF SERVICE

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2 I, Magnolia M. Marcelo, am over the age of 18 years, not a
3 party to this action, and am a citizen of the United States. My
4 business address is 5670 Wilshire Boulevard, 11th Floor, Los
5 Angeles, California 90036. On March 7, 2001, at the direction of a
6 member of the bar of this Court, I served the following document
7 entitled **[PROPOSED] FINAL JUDGMENT OF PERMANENT INJUNCTION AND**
8 **OTHER RELIEF AGAINST DEFENDANT DAVID J. NAUGHTON** by causing to be
9 mailed true and correct copies thereof in sealed envelopes, postage
10 prepaid, to:

11
12 Michael B. Rainey, Esq.
13 Law Offices of Michael B. Rainey & Associates
21112 Ventura Boulevard, Suite 200
Woodland Hills, CA 91364
Counsel for Defendant Charles F. Hagemann

14
15 David J. Naughton
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16 Hailey, Hertfordshire,
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17 David I. Lefkowitz, Esq.
18 1299 Ocean Avenue, Suite 900
Santa Monica, CA 90401
Counsel for Defendants
19 **Mark R. Avila and Stephen R. Keenum**

20 Steven Gourley, Esq.
21 c/o Dept. of Motor Vehicles
2415 First Avenue
Sacramento, CA 95818
22 **Counsel for Defendant**
Stephen R. Rawlings

23
24 Stephen R. Rawlings
c/o Law Offices of James Vickman
424 So. Beverly Drive
25 Beverly Hills, CA 90212-4414
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Raffi T. King
10756 Esther Avenue
Los Angeles, CA 90064

I declare under penalty of perjury that the foregoing is true
and correct.

Dated: March 7, 2001

Magnolia M. Marcelo
Magnolia M. Marcelo