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KENNETH J. MURPHY  
CLERK

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF OHIO

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U.S. DISTRICT COURT  
SOUTHERN DISTRICT OHIO  
WEST END CINCINNATI

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

v.

STEPHEN G. DONAHUE, AND  
DONAHUE SECURITIES, INC.,

Defendant.

CIVIL ACTION  
FILE NO.

C-1-01-116

**ORDER OF PERMANENT INJUNCTION AGAINST STEPHEN G. DONAHUE**

Plaintiff Securities and Exchange Commission ("Commission") has filed a Complaint for Permanent Injunction and Other Equitable Relief ("Complaint") in this matter, and Defendant Stephen G. Donahue ("Donahue") has, in his Consent and Stipulation attached hereto and incorporated herein, acknowledged receipt of the Complaint, admitted the jurisdiction of this Court over him and over the subject matter thereof, and without admitting or denying the allegations of the Complaint, except as to jurisdiction, and without trial, argument or adjudication of any facts or law herein, consented to the entry of this Order of Permanent Injunction ("Order"). The Commission and Donahue have waived the entry of findings of fact and conclusions of law, as provided by Rule 52 of the Federal Rules of Civil Procedure. The Court having jurisdiction over the parties and the subject matter hereof, and being fully advised in the premises:

I.

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that the Defendant, his agents, servants, employees, attorneys-in-fact and those persons in active concert or participation with him who receive actual notice of this Order, by personal service or otherwise, and each of them, be and are hereby permanently restrained and enjoined from, in the offer or sale of any securities, by the use of any means or instruments of transportation or communication in interstate commerce or by the use of the mails, directly or indirectly, employing any device, scheme or artifice to defraud, in violation of Section 17(a)(1) of the Securities Act [15 U.S.C. §§ 77q(a)(1)].

II.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the Defendant, his agents, servants, employees, attorneys-in-fact and those persons in active concert or participation with him who receive actual notice of this Order, by personal service or otherwise, and each of them, be and are hereby permanently restrained and enjoined from, in the offer or sale of any securities by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, obtaining 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 light of the circumstances under which they were made, not misleading, or engaging in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser, in violation of Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)].

### III.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the Defendant, his agents, servants, employees, attorneys-in-fact and those persons in active concert or participation with him who receive actual notice of this Order, by personal service or otherwise, and each of them, be and are hereby permanently restrained and enjoined from, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange:

- A. employing any device, scheme or artifice to defraud;
- B. making any untrue statement of a material fact or omitting to state 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. engaging in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person,

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

### IV.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the Defendant, his agents, servants, employees, attorneys-in-fact and those persons in active concert or participation with him who receive actual notice of this Order, by personal service or otherwise, and each of them, be and are hereby permanently restrained and enjoined from, while acting as a broker or a dealer, or aiding and abetting a broker or a dealer, by use of the mails or any means or instrumentality of interstate commerce, effecting transactions in, or inducing or attempting to induce the purchase or sale of any security, by means of any act, practice or course of business

which operates or would operate as a fraud or deceit upon any person, or making any untrue statement of a material fact, or omitting 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, with knowledge or reasonable grounds to believe that such statements were untrue or misleading, in violation of Section 15(c) of the Exchange Act [15 U.S.C. §78o(c)] and Rule 15c1-2[17 C.F.R. §240.15.c1-2] thereunder.

V.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the Defendant, his agents, servants, employees, attorneys-in-fact and those persons in active concert or participation with him who receive actual notice of this Order by personal service or otherwise, and each of them, be and are hereby permanently restrained and enjoined from, directly or indirectly:

A. transferring, selling, assigning, pledging, dissipating, concealing or otherwise disposing of, in any manner: any funds, assets, accounts, businesses or other property belonging to, or directly or indirectly, in the possession, custody or control of Donahue or in which Donahue has a beneficial interest, wherever located, including but not limited to Donahue's interest in the assets of Donahue Securities, Inc. ("DSI"), S.G. Donahue, Inc. ("SGD"), and Donahue Mortgage Company, subject to further order of the Court;

B. transferring, selling, assigning, pledging, dissipating, concealing or otherwise disposing of any funds, assets, accounts or other property into which investor funds were deposited, subject to further order of the Court;

C. destroying, mutilating, concealing, altering or disposing of, in any manner, any of the books, records, documents, correspondence, brochures, manuals, obligations or other

property belonging to, or directly or indirectly in the possession, custody or control of Donahue, in whatever form, including electronic, and wherever located, until further order of this Court.

VI.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the Defendant disgorge all ill-gotten gains received by him as a result of the conduct alleged in the Commission's Complaint. This Court will set the specific amount of disgorgement in a separate hearing upon due notice and motion by the Commission. At that hearing, the issue will be limited to determining the amount of disgorgement to be ordered and the Defendant will be precluded from denying that he violated the federal securities laws.

VII.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the imposition of civil penalties against the Defendant may be appropriate. This Court will set the specific amount of the penalties in a separate hearing upon due notice and motion by the Commission. At that hearing, the issue will be limited to determining the amount, if any, of the civil penalties to be ordered and the Defendant will be precluded from denying that he violated the federal securities laws.

VIII.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the Defendants:

A. provide cooperation and assistance to the Plaintiff to permit the completion of (1) an accounting of all funds received, directly or indirectly, from persons who gave Donahue, DSI, or SGD money for investment, the uses to which such funds were put, and the amounts of any remaining such funds and their location; and (2) an accounting of the assets and liabilities of Donahue, DSI and SGD, and Donahue Mortgage Company, and their location. In order to

complete Donahue's obligation to cooperate and provide assistance, Plaintiff will provide Donahue with access to any necessary books and records at such reasonable times as are agreeable to the Plaintiff, Donahue and counsel.

B. provide to the Plaintiff in accordance with a schedule agreeable to the Plaintiff, Donahue, counsel and the Court, all books, records and other documents in his actual or constructive possession that support or underly the accounting referred to above in Paragraph VI.A.; and

C. produce to the Plaintiff in accordance with a schedule agreeable to the Plaintiff, Donahue, counsel and the Court, all of the following in Donahue's actual or constructive possession: current accountant's reports, bank statements, documents indicating title to real or personal property, and any other indicia of ownership or interest in property by Donahue.

IX.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the attached Consent and Stipulations of the Defendant be, and are hereby, incorporated herein with the same force and effect as if fully set out herein.

X.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that this Court shall retain jurisdiction of this matter for all purposes, including, but not limited to entertaining any applications for additional relief; and implementing and enforcing this Order.

XI.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the Commission is expressly authorized to engage in continued discovery regarding any issue in this case including, but not limited to, discovery for the purposes of: determining the amount of ill-gotten gains and

civil penalties, if any; to determining the extent and involvement, if any, of other individuals or entities in the acts alleged in the Complaint; and any other violations or possible violations of the federal securities laws by the Defendant or others.

XII.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that a receiver shall be appointed to marshal and manage the following to the extent they are lawfully subject to be marshalled and managed: any funds, assets, accounts, businesses or other property belonging to, or directly or indirectly, in the possession, custody or control of the Defendant or in which the Defendant has a beneficial interest, wherever located, including but not limited to the Defendant's interest in the assets of DSI, SGD, and Donahue Mortgage Company, subject to further order of the Court. The Commission is expressly authorized to recommend a receiver to this Court for appointment.

XIII.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that nothing in this Order shall be construed to require the Defendant or others to abandon any constitutional or other legal privilege which they may have available to them.

XIV.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that there being no just reason for delay, the Clerk of the Court is hereby directed to enter this Order of Permanent Injunction.

IT IS SO ORDERED.

Dated:

February 26<sup>th</sup> 2001

M.P. Submitt  
UNITED STATES DISTRICT COURT JUDGE

14942






3. Enters into this Consent and Stipulation ("Consent") voluntarily and acknowledges that no threats, offers, promises or inducements of any kind whatsoever have been made by the Commission or anyone else in consideration of this Consent;
4. Waives any right that he may have to appeal from the Permanent Order;
5. Understands that the terms of the Permanent Order are enforceable through contempt proceedings;
6. Agrees that he will not oppose enforcement of the Permanent Order on the ground that it fails to comply with Rule 65(d) of the Federal Rules of Civil Procedure and waives any objections based thereon;
7. Agrees that he does not and will not oppose the validity of the attached Permanent Order on any jurisdictional ground;
8. Waives service upon him of the Permanent Order, agrees that the Permanent Order may be presented by the Commission to the Court for signature and entry without further notice, and agrees that the entry of the Permanent Order by the Court and filing with the Clerk in the United States District Court for the Southern District of Ohio, will constitute notice to him of the terms and conditions of such Permanent Order;
9. Consistent with the provisions of 17 C.F.R. §202.5(f), waives any claim of Double Jeopardy based upon this proceeding, including the imposition of any remedy or civil penalty herein;

10. Agrees that the Court shall retain jurisdiction of this matter for all purposes; and

11. Understands and agrees to comply with the Commission's policy "not to permit a defendant or respondent to consent to a judgment or order that imposes a sanction while denying the allegations in the complaint or order for proceedings" (17 C.F.R. §202.5(e)). In compliance with this policy, Defendant Donahue agrees not to take any action or to make or permit to be made any public statement denying, directly or indirectly, any allegation in the Complaint or creating the impression that the Complaint is without factual basis. If Defendant Donahue breaches this agreement, the Commission may petition the Court to vacate the Permanent Order and restore this case to its active docket. Nothing in this provision affects Defendant Donahue's (i) testimonial obligations; or (ii) right to take legal positions in litigation in which the Commission is not a party.

B. Plaintiff and Defendant Donahue agree that this Consent shall be incorporated by reference into the Permanent Order with the same force and effect as if fully set forth therein.

C. Plaintiff and Defendant Donahue waive the entry of findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure.

  
\_\_\_\_\_  
Stephen G. Donahue

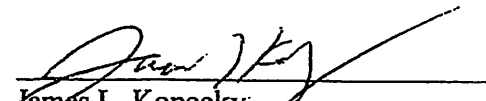
Dated: 2/26/01

Sworn before me this 26<sup>th</sup>  
day of February, 2001

  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission expires:

**TANYA L. DUFFY**  
Notary Public, State of Ohio  
My Commission Expires July 27, 2003

  
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James L. Kopecky  
Anne C. McKinley  
Attorneys for Plaintiff  
Securities and Exchange Commission  
500 West Madison Street, Suite 1400  
Chicago, IL 60661-2511  
(312) 353-7390

Dated: 2/26/01