

1 SANDRA J. HARRIS, Cal. Bar # 134153  
GREGORY C. GLYNN, Cal. Bar # 039999  
2 NICHOLAS S. CHUNG, Cal. Bar # 192784

3 Attorneys for Plaintiff  
Securities and Exchange Commission  
4 Valerie Caproni, Regional Director  
5670 Wilshire Boulevard, 11th Floor  
5 Los Angeles, California 90036-3648  
Telephone: (323) 965-3998  
6 Facsimile: (323) 965-3908

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UNITED STATES DISTRICT COURT  
FOR THE CENTRAL DISTRICT OF CALIFORNIA  
WESTERN DIVISION

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CLERK, U.S. DISTRICT COURT  
MAR - 1 2001  
CENTRAL DISTRICT OF CALIF.  
BY [Signature]

12 SECURITIES AND EXCHANGE  
COMMISSION,  
13  
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. GRAU AUG, RAFFI  
20 T. KING, CHARLES F. HAGEMANN,  
21 RONALD L. GAISER, JOSEPH L. HILL  
22 AND MICHAEL R. TOMPKINS,  
23 Defendants.

Case No. CV-00-07531 R (Ex)  
[PROPOSED] FINAL JUDGMENT OF  
PERMANENT INJUNCTION AND OTHER  
RELIEF AGAINST DEFENDANT RICHARD  
C. REINING

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 Richard C. Reining  
24 ("Reining") a Summons and Complaint in this action; Reining 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

✓ Docketed  
— Copies/Info sent  
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— JS - 2 / JS - 3  
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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 Richard C. Reining  
5 ("Final Judgment"), without admitting or denying the allegations in  
6 the Complaint except as specifically set forth in the Consent Of  
7 Defendant Richard C. Reining 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:

10 I.

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

- 17 A. making use of any means or instruments of transportation  
18 or communication in interstate commerce or of the mails to  
19 sell any securities, through the use or medium of any  
20 prospectus or otherwise, unless a registration statement  
21 is in effect as to such securities;
- 22 B. carrying or causing to be carried through the mails or in  
23 interstate commerce, by any means or instruments of  
24 transportation, for the purpose of sale or for delivery  
25 after sale, any securities, unless a registration  
26 statement is in effect as to such securities; and
- 27 C. making use of any means or instruments of transportation  
28 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 Reining 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 Reining 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 Reining 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)].

9 **V.**

10 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant  
11 Reining shall pay disgorgement in the amount of \$766,414  
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 Reining's sworn representations in his Statement  
15 of Financial Condition dated July 31, 2000, and submitted to the  
16 Commission, payment of all but \$45,000 in disgorgement is waived.  
17 Additionally, based upon Reining's sworn representations in his  
18 Statement of Financial Condition, this Court is not ordering Reining  
19 to pay a civil penalty pursuant to Section 20(d)(1) of the  
20 Securities Act [15 U.S.C. § 77t(d)(1)] and Section 21(d)(3) of the  
21 Exchange Act [15 U.S.C. § 78u(d)(3)].

22 **VI.**

23 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant  
24 Reining shall pay the full amount of disgorgement, \$45,000, within  
25 thirty days of entry of this Final Judgment. The payment shall be  
26 made by cashier's check, certified check or postal money order made  
27 payable to the "Securities and Exchange Commission" and shall be  
28 transmitted to the Comptroller, Securities and Exchange Commission,

1 Operations Center, 6432 General Green Way, Stop 0-3, Alexandria,  
2 Virginia, 22312, under cover of a letter that identifies the  
3 defendant, the name and case number of this litigation, and the  
4 court. A copy of the cover letter and the check or money order  
5 shall be simultaneously transmitted to counsel for the Commission at  
6 its Los Angeles office, located at 5670 Wilshire Boulevard, 11th  
7 Floor, Los Angeles, California 90036.

8 **VII.**

9 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the waiver of  
10 disgorgement and interest and the determination not to assess a  
11 civil penalty are contingent upon the accuracy and completeness of  
12 Reining's Statement of Financial Condition. If at any time  
13 following the entry of this Final Judgment the Commission obtains  
14 information indicating that Reining's representations to the  
15 Commission concerning his assets, income, liabilities or net worth  
16 were fraudulent, misleading, inaccurate or incomplete in any  
17 material respect as of the time such representations were made, the  
18 Commission may, at its sole discretion and without prior notice to  
19 Reining, petition this Court for an order modifying this Final  
20 Judgment to require payment of additional disgorgement, and  
21 prejudgment and postjudgment interest thereon, and civil money  
22 penalties. In connection with any such petition, the only issues  
23 shall be whether the financial information provided by Reining was  
24 fraudulent, misleading, inaccurate or incomplete in any material  
25 respect as of the time such representations were made, and the  
26 amount of the civil penalty to be imposed. In its petition, the  
27 Commission may move this Court to consider all available remedies,  
28 including, but not limited to, ordering Reining to pay funds or

1 assets, directing the surrender of any assets, or sanctions for  
2 contempt of this Final Judgment, and the Commission may also obtain  
3 additional discovery. Reining may not, by way of defense to such  
4 petition, challenge the validity of his Consent or this Final  
5 Judgment, contest the allegations in the Complaint filed by the  
6 Commission, the amount of disgorgement and interest, or assert that  
7 disgorgement, interest or payment of a civil penalty should not be  
8 ordered.

9 **VIII.**

10 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the provisions  
11 of the Consent filed concurrently with this Final Judgment are  
12 incorporated herein with the same force and effect as if fully set  
13 forth herein and that Reining shall comply with all terms of his  
14 Consent.

15 **IX.**

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

22 \* \* \* \* \*

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

26  
27 DATED: 2/28/01

*Manuel L. Real*  
UNITED STATES DISTRICT JUDGE

*MR* **MANUEL L. REAL**

CERTIFICATE OF SERVICE

1  
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 February 23, 2001, at the direction  
6 of a member of the bar of this Court, I served the following  
7 document entitled **[PROPOSED] FINAL JUDGMENT OF PERMANENT INJUNCTION**  
8 **AND OTHER RELIEF AGAINST DEFENDANT RICHARD C. REINING** by causing to  
9 be mailed true and correct copies thereof in sealed envelopes,  
10 postage prepaid, to:

11  
12 Michael B. Rainey, Esq.  
13 Law Offices of Michael B. Rainey & Associates  
14 21112 Ventura Boulevard, Suite 200  
Woodland Hills, CA 91364  
**Counsel for Defendant Charles F. Hagemann**

15 David J. Naughton  
16 360 Ware Road  
Hailey, Hertfordshire,  
England SG13 7PF

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  
22 2415 First Avenue  
Sacramento, CA 95818  
**Counsel for Defendant**  
**Stephen R. Rawlings**

23  
24 Stephen R. Rawlings  
25 c/o Law Offices of James Vickman  
424 So. Beverly Drive  
Beverly Hills, CA 90212-4414  
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Lawrence I. Washor, Esq.  
Washor & Associates  
11150 W. Olympic Boulevard, Suite 980  
Los Angeles, CA 90064  
**Counsel for Defendants**  
**Richard C. Reining, Ronald L. Gaiser and Michael R. Tompkins**

Adam E. Peck  
9743 Odessa Avenue  
North Hills, CA 91343

Shirlee L. Bliss, Esq.  
Law Offices of Shirlee L. Bliss  
290 E. Verdugo Avenue, Suite 108  
Burbank, CA 91502

Victor R. Graaug  
2580 NorthShore Road  
Westlake Village, CA 91361

Raffi T. King  
10756 Esther Avenue  
Los Angeles, CA 90064

Joseph L. Hill  
3197 Benedict Canyon Drive  
Beverly Hills, CA 90210

and

Joseph L. Hill  
13049 Oxnard Street, #13  
Van Nuys, CA 91401

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

Dated: February 23, 2001

Magnolia M. Marcelo  
Magnolia M. Marcelo