

UNITED STATES DISTRICT COURT
DISTRICT OF CONNECTICUT

SECURITIES AND EXCHANGE COMMISSION,)	
)	
Plaintiff,)	
)	
v.)	3:05-cv-01575-SRU
)	
SCOTT R. SACANE, ET AL.)	
)	
Defendants.)	

FINAL JUDGMENT AGAINST DEFENDANT J. DOUGLAS SCHMIDT

The Securities and Exchange Commission (the "Commission") having filed a Complaint and Defendant J. Douglas Schmidt having entered a general appearance; consented to the Court's jurisdiction over him and the subject matter of this action; consented to entry of this Final Judgment without admitting or denying the allegations of the Complaint (except as to jurisdiction); waived findings of fact and conclusions of law; and waived any right to appeal from this Final Judgment:

I.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that J. Douglas Schmidt and his agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment 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 HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that J. Douglas Schmidt and his agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating, directly or indirectly, Section 13(d) of the Exchange Act, 15 U.S.C. § 78m(d), and Rules 13d-1 and 13d-2 thereunder, 17 C.F.R. §§ 240.13d-1, 13d-2, by, after becoming directly or indirectly the beneficial owner of more than 5% of any security of a class registered with the Commission pursuant to Section 12 of the Exchange Act, failing to file with the Commission statements containing information required by Schedule 13D or Schedule 13G, including, but not limited to, the number of shares of such security as are beneficially owned.

III.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that J. Douglas Schmidt and his agents, servants, employees, attorneys, and all persons in active concert or participation

with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating, directly or indirectly, Section 13(g) of the Exchange Act, 15 U.S.C. § 78m(g), by, after becoming directly or indirectly the beneficial owner of more than 5% of any security of a class registered with the Commission pursuant to Section 12 of the Exchange Act, failing either to send to the issuer of such securities and to file with the Commission a statement setting forth such person's identity, residence, citizenship, and the number and description of the shares in which such person has an interest and the nature of such interest, or to transmit to the issuer and file with the Commission an amendment if any material change occurs in the facts set forth in such statement.

IV.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that J. Douglas Schmidt and his agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating, directly or indirectly, Section 13(f) of the Exchange Act, 15 U.S.C. § 78m(f), and Rule 13f-1 thereunder, 17 C.F.R. § 240.13f-1, by filing false Forms 13F, required to be filed by every institutional investment manager which exercises investment discretion with respect to accounts holding certain securities having an aggregate fair market value on the last trading day of any month of any calendar year of at least \$100,000,000.

V.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that J. Douglas Schmidt and his agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are

permanently restrained and enjoined from violating, directly or indirectly, Section 206(1) of the Advisers Act, 15 U.S.C. § 80b-6(1), by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly to employ any device, scheme, or artifice to defraud any client or prospective client.

VI.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that J. Douglas Schmidt and his agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating, directly or indirectly, Section 206(2) of the Investment Advisors Act of 1940, 15 U.S.C. § 80b-6(2), by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly to engage in any transaction, practice, or course of business that operates as a fraud or deceit upon any client or prospective client.

VII.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that J. Douglas Schmidt is liable for disgorgement of \$110,000, representing profits gained as a result of the conduct alleged in the Complaint, together with prejudgment interest thereon in the amount of \$10,591, and a civil penalty in the amount of \$65,000 pursuant to Section 21(d) of the Exchange Act and Section 209(e) of the Advisers Act. J. Douglas Schmidt shall satisfy this obligation by paying \$185,591 within ten business days to the Clerk of this Court, together with a cover letter identifying J. Douglas Schmidt 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. J. Douglas Schmidt shall simultaneously transmit photocopies of such payment and letter to the Commission's counsel in this action. By making this payment, J. Douglas Schmidt relinquishes all legal and equitable right, title, and interest in such funds, and no part of the funds shall be returned to J. Douglas Schmidt. J. Douglas Schmidt shall pay post-judgment interest on any delinquent amounts pursuant to 28 U.S.C. § 1961.

The Clerk shall deposit the funds into an interest-bearing account with the Court Registry Investment System ("CRIS"). Those funds, together with any interest and income earned thereon (collectively, the "Fund"), shall be held by the CRIS until further order of the Court. In accordance with 28 U.S.C. § 1914 and the guidelines set by the Director of the Administrative Office of the United States Courts, the Clerk is directed, without further order of this Court, to deduct from the income earned on the money in the Fund a fee equal to ten percent of the income earned on the Fund. Such fee shall not exceed that authorized by the Judicial Conference of the United States.

The Commission may by motion propose a plan to distribute the Fund subject to the Court's approval. Such a plan may provide that the Fund shall be distributed pursuant to the Fair Fund provisions of Section 308(a) of the Sarbanes-Oxley Act of 2002. Regardless of whether any such Fair Fund distribution is made, amounts ordered to be paid as civil penalties pursuant to this Final Judgment shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, J. Douglas Schmidt shall not, after offset or reduction of any award of compensatory damages in any Related Investor Action based on his payment of disgorgement in this action, further benefit by offset or reduction of such compensatory damages award by the amount of any part of his payment of a

civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, J. Douglas Schmidt shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the United States Treasury or to a Fair Fund, as the Commission directs. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this Final Judgment. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against J. Douglas Schmidt by or on behalf of one or more investors based on substantially the same facts as alleged in the Complaint in this action.

VIII.

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 J. Douglas Schmidt shall comply with all of the undertakings and agreements set forth therein.

IX.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Final Judgment.

X.

There being no just reason for delay, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, the Clerk is ordered to enter this Final Judgment forthwith and without further notice.

Dated at Bridgeport, Connecticut this 28th day of February 2006.

/s/ Stefan R. Underhill
Stefan R. Underhill
United States District Judge

