

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

SECURITIES AND EXCHANGE)	
COMMISSION,)	
)	
Plaintiff,)	CIVIL ACTION NO.
)	
VS.)	3:09-CV-0857-G
)	
JAMES PATRICK REEDY,)	
)	
Defendant.)	

FINAL JUDGMENT BY DEFAULT
AGAINST JAMES PATRICK REEDY

This matter came before this court on the motion of plaintiff, Securities and Exchange Commission, seeking entry of a final judgment by default providing it with the relief requested in its complaint against defendant James Patrick Reedy (“defendant”) by reason of his failure to timely file an answer or other responsive pleading in accordance with the Federal Rules of Civil Procedure.

This court, having considered the pleadings and evidence on file herein, makes the following findings of fact and conclusions of law:

1. The Commission's complaint against defendant was filed on May 7, 2009. Defendant was served with the Commission's complaint and this court's summons but failed to appear in this case. The court has jurisdiction over this action and over defendant. Based on defendant's failure to deny the factual allegations in the Commission's complaint, all factual allegations therein are deemed admitted against defendant. Accordingly, the court finds that defendant violated Sections 5(a), 5(c) and 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

2. Defendant is not an infant, nor is he incompetent. Defendant is not eligible for relief under the Soldiers' and Sailors' Civil Relief Act of 1940 [50 U.S.C. Appendix, § 501 et seq.].

3. The Commission seeks a final judgment and an order enjoining defendant from committing future violations, directly or indirectly, of Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77e(a), 77e(c) and 77q(a)], Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), [15 U.S.C. §§78j(b)] and Rule 10b-5 thereunder, [17 C.F.R. §§ 240.10b-5], as alleged in the complaint.

On the basis of the foregoing findings of fact and conclusions of law,

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 final judgment 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 or examination under Section 8 of the Securities Act [15 U.S.C. § 77h].

II.

It is hereby 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 final judgment by personal service or otherwise are permanently restrained and enjoined from violating Section 17(a) of the Securities Act of 1933 (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;
or
- (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 it 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 use or employ any manipulative or deceptive device or contrivance;
- (b) to employ any device, scheme, or artifice to defraud;
- (c) 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
- (d) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

IV.

It is hereby further **ORDERED, ADJUDGED, and DECREED** that defendant is liable for disgorgement of \$257,778.85, representing profits gained as a result of the conduct alleged in the complaint, plus prejudgment interest of \$112,781.91, for a total of \$370,560.66. Defendant shall satisfy this obligation by paying \$370,560.66 within 14 days after entry of this final judgment to the clerk of this court, together with a cover letter identifying James Patrick Reedy 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. Defendant shall simultaneously transmit photocopies of such payment and letter to the Commission's counsel in this action. By making this payment, defendant

relinquishes all legal and equitable right, title, and interest in such funds, and no part of the funds shall be returned to defendant. The clerk shall deposit the funds into an interest bearing account with the Court Registry Investment System (“CRIS”) or any other type of interest bearing account that is utilized by the court. These funds, together with any interest and income earned thereon (collectively, the “Fund”), shall be held in the interest bearing account 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 propose a plan to distribute the Fund subject to the court’s approval. Defendant shall pay post-judgment interest on any delinquent amounts pursuant to 28 USC § 1961.

V.

It is further **ORDERED, ADJUDGED, and DECREED** that defendant shall pay a civil penalty in the amount of **\$257,778.75** pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)]. Defendant shall make this payment within 14 days after entry of this final judgment by certified check, bank cashier's check, or United States postal money order payable to the Securities and Exchange Commission. The payment shall be

delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, 100 F Street, NE, Stop 6042, Washington D.C. 20549, and shall be accompanied by a letter identifying James Patrick Reedy 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. Defendant shall pay post-judgment interest on any delinquent amounts pursuant to 28 USC § 1961. The Commission shall remit the funds paid pursuant to this paragraph to the United States Treasury.

VI.

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.

June 10, 2011.



A. JOE FISH
Senior United States District Judge