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9 **UNITED STATES DISTRICT COURT**
10 **CENTRAL DISTRICT OF CALIFORNIA**
11 **SOUTHERN DIVISION**

12 SECURITIES AND EXCHANGE
13 COMMISSION,

14 Plaintiff,

15 vs.

16 BRAD A. MORRICE, PATTI M.
17 DODGE, and DAVID N. KENNEALLY,

18 Defendants.

Case No.

SA CV 09-01426 DDP (FMOx)

**FINAL JUDGMENT AS TO
DEFENDANT PATTI M. DODGE**

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1 The Securities and Exchange Commission having filed a Complaint For
2 Violations of the Federal Securities Laws (“Complaint”) and Defendant Patti M.
3 Dodge (“Defendant”) having entered a general appearance; consented to the
4 Court’s jurisdiction over Defendant and the subject matter of this action; consented
5 to entry of this Final Judgment without admitting or denying the allegations of the
6 Complaint (except as to jurisdiction); waived findings of fact and conclusions of
7 law; and waived any right to appeal from this Final Judgment:

8 **I.**

9 IT IS HEREBY ORDERED, ADJUDGED AND DECREED that Defendant
10 and Defendant’s agents, servants, employees, attorneys, and all persons in active
11 concert or participation with them who receive actual notice of this Final Judgment
12 by personal service or otherwise are permanently restrained and enjoined from
13 violating Section 17(a) of the Securities Act of 1933 (the “Securities Act”), 15
14 U.S.C. § 77q(a), in the offer or sale of any security by the use of any means or
15 instruments of transportation or communication in interstate commerce or by use
16 of the mails, directly or indirectly:

- 17 (a) to employ any device, scheme, or artifice to defraud;
18 (b) to obtain money or property by means of any untrue statement of a
19 material fact or any omission of a material fact necessary in order to
20 make the statements made, in light of the circumstances under which
21 they were made, not misleading; or
22 (c) to engage in any transaction, practice, or course of business which
23 operates or would operate as a fraud or deceit upon the purchaser.

24 **II.**

25 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that
26 Defendant and Defendant’s agents, servants, employees, attorneys, and all persons
27 in active concert or participation with them who receive actual notice of this Final
28 Judgment by personal service or otherwise are permanently restrained and enjoined

1 from violating, directly or indirectly, Section 10(b) of the Securities Exchange Act
2 of 1934 (the “Exchange Act”), 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated
3 thereunder, 17 C.F.R. § 240.10b-5, by using any means or instrumentality of
4 interstate commerce, or of the mails, or of any facility of any national securities
5 exchange, in connection with the purchase or sale of any security:

- 6 (a) to employ any device, scheme, or artifice to defraud;
- 7 (b) to make any untrue statement of a material fact or to omit to state a
8 material fact necessary in order to make the statements made, in the
9 light of the circumstances under which they were made, not
10 misleading; or
- 11 (c) to engage in any act, practice, or course of business which operates or
12 would operate as a fraud or deceit upon any person.

13 **III.**

14 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that
15 Defendant and Defendant’s agents, servants, employees, attorneys, and all persons
16 in active concert or participation with them who receive actual notice of this Final
17 Judgment by personal service or otherwise are permanently restrained and enjoined
18 from aiding and abetting any violation of Section 13(a) of the Exchange Act, 15
19 U.S.C. § 78m(a), and Rules 12b-20, 13a-11 and 13a-13 thereunder, 17 C.F.R.
20 §§ 240.12b-20, 240.13a-11 & 240.13a-13, by knowingly providing substantial
21 assistance to an issuer that files current reports with the Commission on Forms 8-K
22 or quarterly reports with the Commission on Forms 10-Q that fail to contain
23 material information necessary to make the required statements in the Forms 8-K
24 or 10-Q, in light of the circumstances under which they are made, not misleading.

25 **IV.**

26 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that
27 Defendant and Defendant’s agents, servants, employees, attorneys, and all persons
28 in active concert or participation with them who receive actual notice of this Final

1 Judgment by personal service or otherwise are permanently restrained and enjoined
2 from violating Section 13(b)(5) of the Exchange Act, 15 U.S.C. § 78m(b)(5), and
3 Rule 13b2-1 thereunder, 17 C.F.R. § 240.13b2-1, by knowingly falsifying any
4 book, record or account described in Section 13(b)(2) of the Exchange Act, 15
5 U.S.C. § 78m(b)(2), by, directly or indirectly, falsifying or causing to be falsified,
6 any book, record, or account subject to Section 13(b)(2)(A) of the Exchange Act,
7 15 U.S.C. § 78m(b)(2)(A), and by, directly or indirectly, falsifying or causing to be
8 falsified any books, records, or accounts subject to Section 13(b)(2) of the
9 Exchange Act, 15 U.S.C. § 78m(b)(2), and Section 13(b)(2)(A) of the Exchange
10 Act, 15 U.S.C. § 78m(b)(2)(A).

11 **V.**

12 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that
13 Defendant and Defendant's agents, servants, employees, attorneys, and all persons
14 in active concert or participation with them who receive actual notice of this Final
15 Judgment by personal service or otherwise are permanently restrained and enjoined
16 from violating Section 13(b)(5) of the Exchange Act, 15 U.S.C. § 78m(b)(5), by
17 knowingly circumventing or knowingly failing to implement a system of internal
18 accounting controls.

19 **VI.**

20 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that
21 Defendant and Defendant's agents, servants, employees, attorneys, and all persons
22 in active concert or participation with them who receive actual notice of this Final
23 Judgment by personal service or otherwise are permanently restrained and enjoined
24 from violating, directly or indirectly, Rule 13b2-2 of the Exchange Act, 17 C.F.R.
25 § 240.13b2-2, while an officer or director of an issuer by:

26 A. making or causing to be made a materially false or misleading
27 statement; or

28 B. omitting to state, or causing another person to omit to state, any

1 material fact necessary in order to make statements made, in light of
2 the circumstances under which such statements are made, not
3 misleading;

4 to an accountant in connection with:

- 5 1. any audit, review or examination of the financial statements of
6 the issuer required to be made, or
- 7 2. the preparation or filing of any document or report required to
8 be filed with the Commission.

9 **VII.**

10 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that
11 Defendant and Defendant's agents, servants, employees, attorneys, and all persons
12 in active concert or participation with them who receive actual notice of this Final
13 Judgment by personal service or otherwise are permanently restrained and enjoined
14 from violating Exchange Act Rule 13a-14, 17 C.F.R. § 240.13a-14, by falsely
15 certifying that:

- 16 (a) any required issuer report does not contain any untrue statement of a
17 material fact or omit to state a material fact necessary to make the
18 statements made, in light of the circumstances under which such
19 statements were made, not misleading with respect to the period
20 covered by the report; and
- 21 (b) the information contained in the report fairly presents in all material
22 respects the financial condition, results of operations, and cash flows
23 of the issuer as of, and for the periods presented in the report.

24 **VIII.**

25 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that
26 Defendant is liable for disgorgement in the amount of \$379,808, together with
27 prejudgment interest thereon in the amount of \$70,192, for a total \$450,000, and a
28 civil penalty in the amount of \$100,000 pursuant to Section 20(d)(1) of the

1 Securities Act, 15 U.S.C. § 77t(d)(1), and Section 21(d)(3) of the Exchange Act, 15
2 U.S.C. § 78u(d)(3). Defendant shall satisfy the payment obligation herein by
3 making payment according to the terms of the Stipulation of Settlement in a class
4 action pending in the Central District of California entitled In re New Century,
5 Case No. 07-931-DDP. In particular, Defendant shall pay or cause to be paid
6 \$550,000 in cash or value pursuant to the Stipulation of Settlement (the
7 “Payment”). Within 10 days of the Payment, Defendant shall transmit evidence of
8 such Payment to Commission’s counsel in this action. Upon the Effective Date (as
9 defined in the Stipulation of Settlement), Defendant shall have fully satisfied his
10 payment obligation in this action. In the event the settlement in *In re New Century*,
11 Case No. 07-931-DDP does not become effective, then defendant shall have the
12 right to withdraw from this and any other pending settlement with the Commission
13 and the parties hereto shall return to their original litigation posture in this action as
14 of the date of the Consent.

15 Amounts ordered to be paid as civil penalties pursuant to this Final
16 Judgment shall be treated as penalties paid to the government for all purposes,
17 including all tax purposes. To preserve the deterrent effect of the civil penalty,
18 Defendant shall not, after offset or reduction of any award of compensatory
19 damages in any Related Action based on Defendant’s payment of disgorgement in
20 this action, argue that she is entitled to, nor shall she further benefit by, offset or
21 reduction of such compensatory damages award by the amount of any part of
22 Defendant’s payment of a civil penalty in this action (“Penalty Offset”). If the
23 court in any Related Action grants such a Penalty Offset, Defendant shall, within
24 30 days after entry of a final order granting the Penalty Offset, notify the
25 Commission’s counsel in this action and pay the amount of the Penalty Offset to
26 the United States Treasury or to a Fair Fund, as the Commission directs. Such a
27 payment shall not be deemed an additional civil penalty and shall not be deemed to
28 change the amount of the civil penalty imposed in this Final Judgment. For

1 purposes of this paragraph, a “Related Action” means and includes *In re New*
2 *Century*, Case No. 07-931-DDP (C.D. Cal.); *The New Century Liquidating Trust*
3 *and Reorganized New Century Warehouse Corporation v. Cole, et al.*, Case No.
4 07-10416-KJC (Bankr. Del.); *Kodiak Warehouse LLC v. Morrice, et al.*, Case No.
5 08-01265-DDP (C.D. Cal.); and any other private damages action brought against
6 Defendant by or on behalf of one or more investors based on substantially the same
7 facts as alleged in the Complaint in this Action.

8 **IX.**

9 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that,
10 pursuant to Section 20(e) of the Securities Act, 15 U.S.C. § 77t(e) and Section
11 21(d)(2) of the Exchange Act, 15 U.S.C. § 78u(d)(2), Defendant is prohibited, for
12 five (5) years following the date of entry of this Final Judgment, from acting as an
13 officer or director of any issuer that has a class of securities registered pursuant to
14 Section 12 of the Exchange Act, 15 U.S.C. § 78l or that is required to file reports
15 pursuant to Section 15(d) of the Exchange Act, 15 U.S.C. § 78o(d).

16 **X.**

17 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the
18 Consent is incorporated herein with the same force and effect as if fully set forth
19 herein, and that Defendant shall comply with all of the undertakings and
20 agreements set forth therein.

21 **XI.**

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

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XII.

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: August 17, 2010



HONORABLE DEAN D. PREGERSON
UNITED STATES DISTRICT JUDGE

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