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**NO JS-6**

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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 BRAD A. MORRICE**

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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 Brad A.  
3 Morrice (“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-in-fact, and all persons in  
11 active concert or participation with them who receive actual notice of this Final  
12 Judgment by personal service or otherwise are permanently restrained and enjoined  
13 from violating Section 17(a) of the Securities Act of 1933 (the “Securities Act”),  
14 15 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-in-fact, and all  
27 persons in active concert or participation with them who receive actual notice of  
28 this Final Judgment by personal service or otherwise are permanently restrained

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

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

14 **III.**

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

1 **IV.**

2 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that  
3 Defendant and Defendant's agents, servants, employees, attorneys-in-fact, and all  
4 persons in active concert or participation with them who receive actual notice of  
5 this Final Judgment by personal service or otherwise are permanently restrained  
6 and enjoined from violating Section 13(b)(5) of the Exchange Act, 15 U.S.C.  
7 § 78m(b)(5), by knowingly circumventing or knowingly failing to implement a  
8 system of internal accounting controls.

9 **V.**

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

- 16 A. making or causing to be made a materially false or misleading  
17 statement; or  
18 B. omitting to state, or causing another person to omit to state, any  
19 material fact necessary in order to make statements made, in light of  
20 the circumstances under which such statements are made, not  
21 misleading;

22 to an accountant in connection with:

- 23 1. any audit, review or examination of the financial statements of  
24 the issuer required to be made, or  
25 2. the preparation or filing of any document or report required to  
26 be filed with the Commission.  
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1 **VI.**

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

- 8 (a) any required issuer report does not contain any untrue statement of a  
9 material fact or omit to state a material fact necessary to make the  
10 statements made, in light of the circumstances under which such  
11 statements were made, not misleading with respect to the period  
12 covered by the report; and  
13 (b) the information contained in the report fairly presents in all material  
14 respects the financial condition, results of operations, and cash flows  
15 of the issuer as of, and for the periods presented in the report.

16 **VII.**

17 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that  
18 Defendant is liable for disgorgement in the amount of \$464,354 together with  
19 prejudgment interest thereon in the amount of \$76,991, for a total of \$541,345, and  
20 a civil penalty in the amount of \$250,000 pursuant to Section 20(d)(1) of the  
21 Securities Act, 15 U.S.C. § 77t(d)(1), and Section 21(d)(3) of the Exchange Act, 15  
22 U.S.C. § 78u(d)(3). Defendant shall satisfy the payment obligation herein by  
23 making payment according to the terms of the Stipulation of Settlement in a class  
24 action pending in the Central District of California entitled In re New Century,  
25 Case No. 07-931-DDP. In particular, Defendant shall pay or cause to be paid  
26 \$791,345 in cash or value pursuant to the Stipulation of Settlement (the  
27 “Payment”). Within 10 days of the Payment, Defendant shall transmit evidence of  
28 such Payment to Commission’s counsel in this action. Upon the Effective Date (as

1 defined in the Stipulation of Settlement), Defendant shall have fully satisfied his  
2 payment obligation in this action. In the event the settlement in *In re New Century*,  
3 Case No. 07-931-DDP does not become effective, then defendant shall have the  
4 right to withdraw from this and any other pending settlement with the Commission  
5 and the parties hereto shall return to their original litigation posture in this action as  
6 of the date of the Consent.

7       Amounts ordered to be paid as civil penalties pursuant to this Final  
8 Judgment shall be treated as penalties paid to the government for all purposes,  
9 including all tax purposes. To preserve the deterrent effect of the civil penalty,  
10 Defendant shall not, after offset or reduction of any award of compensatory  
11 damages in any Related Action based on Defendant's payment of disgorgement in  
12 this action, argue that he is entitled to, nor shall he further benefit by, offset or  
13 reduction of such compensatory damages award by the amount of any part of  
14 Defendant's payment of a civil penalty in this action ("Penalty Offset"). If the  
15 court in any Related Action grants such a Penalty Offset, Defendant shall, within  
16 30 days after entry of a final order granting the Penalty Offset, notify the  
17 Commission's counsel in this action and pay the amount of the Penalty Offset to  
18 the United States Treasury or to a Fair Fund, as the Commission directs. Such a  
19 payment shall not be deemed an additional civil penalty and shall not be deemed to  
20 change the amount of the civil penalty imposed in this Final Judgment. For  
21 purposes of this paragraph, a "Related Action" means and includes *In re New*  
22 *Century*, Case No. 07-931-DDP (C.D. Cal.); *The New Century Liquidating Trust*  
23 *and Reorganized New Century Warehouse Corporation v. Cole, et al.*, Case No.  
24 07-10416-KJC (Bankr. Del.); *Kodiak Warehouse LLC v. Morrice, et al.*, Case No.  
25 08-01265-DDP (C.D. Cal.); and any other private damages action brought against  
26 Defendant by or on behalf of one or more investors based on substantially the same  
27 facts as alleged in the Complaint in this Action.

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1 **VIII.**

2 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that,  
3 pursuant to Section 20(e) of the Securities Act, 15 U.S.C. § 77t(e) and Section  
4 21(d)(2) of the Exchange Act, 15 U.S.C. § 78u(d)(2), Defendant is prohibited, for  
5 five (5) years following the date of entry of this Final Judgment, from acting as an  
6 officer or director of any issuer that has a class of securities registered pursuant to  
7 Section 12 of the Exchange Act, 15 U.S.C. § 78l or that is required to file reports  
8 pursuant to Section 15(d) of the Exchange Act, 15 U.S.C. § 78o(d).

9 **IX.**

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


14 **X.**

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

18 **XI.**

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

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24 Dated: August 13, 2010

  
25 HONORABLE DEAN D. PREGERSON  
26 UNITED STATES DISTRICT JUDGE  
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