

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ALABAMA
SOUTHERN CIVIL DIVISION**

SECURITIES AND EXCHANGE COMMISSION

Plaintiff,

v.

LINDA A. WATSON and SCOTT WATSON

Defendants.

C. A. No. CV-03-BE-0270-S (KOB)

**FINAL JUDGMENT AS TO DEFENDANTS
LINDA A. WATSON and SCOTT WATSON**

This case comes before the court on a settlement reached by the parties as set out in the Consents filed separately by Defendant Linda A. Watson and Defendant Scott Watson. Based on these Consents, the court enters Final Judgment in favor of the Plaintiff SEC as follows:

I.

The court hereby ORDERS that Defendants and Defendants’ agents, servants, employees, attorneys-in-fact, 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.

The court further ORDERS that Defendants and Defendants' agents, servants, employees, attorneys-in-fact, 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 14(e) of the Exchange Act [15 U.S.C. § 78n(e)] and Rule 14e-3 [17 C.F.R. § 240.14e-3] promulgated thereunder, in connection with any tender offer or request or invitation for tenders, from engaging in any fraudulent, deceptive, or manipulative act or practice, by:

- (a) purchasing or selling or causing to be purchased or sold the securities sought or to be sought in such tender offer, securities convertible into or exchangeable for any such securities or any option or right to obtain or dispose of any of the foregoing securities while in possession of material information relating to such tender offer that Defendant knows or has reason to know is nonpublic and knows or has reason to know has been acquired directly or indirectly from the offering person; the issuer of the securities sought or to be sought by such tender offer; or any officer, director, partner, employee or other person acting on behalf of the offering person of such issuer, unless within a reasonable time prior to any such

purchase or sale such information and its source are publicly disclosed by press release or otherwise; or

- (b) communicating material, nonpublic information relating to a tender offer, which Defendant knows or has reason to know is nonpublic and knows or has reason to know has been acquired directly or indirectly from the offering person; the issuer of the securities sought or to be sought by such tender offer; or any officer, director, partner, employee, advisor, or other person acting on behalf of the offering person of such issuer, to any person under circumstances in which it is reasonably foreseeable that such communication is likely to result in the purchase or sale of securities in the manner described in subparagraph (a) above, except that this paragraph shall not apply to a communication made in good faith
- (i) to the officers, directors, partners or employees of the offering person, to its advisors or to other persons, involved in the planning, financing, preparation or execution of such tender offer;
 - (ii) to the issuer whose securities are sought or to be sought by such tender offer, to its officers, directors, partners, employees or advisors or to other persons involved in the planning, financing, preparation or execution of the activities of the issuer with respect to such tender offer; or
 - (iii) to any person pursuant to a requirement of any statute or rule or regulation promulgated thereunder.

III.

The court further ORDERS that Defendants are jointly and severally liable for disgorgement of \$159,193.75, representing profits gained as a result of the conduct alleged in the Complaint, together with pre-judgment interest thereon in the amount of \$50,473.79, for a total of \$209,667.54. Based on Defendant Linda Watson's sworn representations in her Statement of Financial Condition dated October 26, 2004 and Defendant Scott Watson's sworn representations in his Statement of Financial Condition dated November 16, 2004, and other documents and information submitted to the Commission, however, the Court is not ordering Defendants to pay a civil penalty, and payment of all but \$120,000 of the disgorgement is waived and all pre-judgment interest is waived. The Defendants are ordered to pay disgorgement in the amount of \$120,000, payable as follows: (i) \$15,000 will be paid within ten (10) business days of the Court's entry of Final Judgment, (ii) \$25,000 plus post-judgment interest to be calculated pursuant to 28 U.S.C. § 1961 from the date of the entry of the Final Judgment, will be paid in a lump sum within six (6) months of the date of this Court's entry of Final Judgment, and (iii) the remaining \$80,000 plus post-judgment interest to be calculated pursuant to 28 U.S.C. § 1961, will be paid in four (4) annual installments of \$20,000 each, with the first installment being paid no later than eighteen (18) months after the entry of the Final Judgment. Defendants shall satisfy these obligations by paying \$15,000 within ten (10) business days to the Registry of the Court – Interest Bearing Account, together with a cover letter identifying Scott and Linda Watson as defendants in this action; setting forth the title and civil action number of this action and the name of this Court; and specifying that this payment is made pursuant to the Final Judgment. Defendants shall simultaneously transmit photocopies of

such payment and letter to the Commission's counsel in this action. Defendants shall satisfy the remainder of this obligation by paying each subsequent payment in the same manner as the \$15,000 initial payment. By making these payments, Defendants relinquish all legal and equitable right, title and interest in such funds, and no part of the funds shall be returned to the Defendants. If the full amount of any payment described above is not made at the time required by this judgment, the entire disgorgement of \$120,000, plus post-judgment interest minus payments made, if any, is due and payable immediately without further application to this Court.

The Clerk shall deposit the funds into the Registry of the Court – Interest Bearing Account. These funds, together with any interest and income earned thereon (collectively, the “Fund”), shall be held by the Registry of the Court – 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.

The determination not to impose a civil penalty and to waive payment of all but \$120,000 of the disgorgement and to waive all pre-judgment interest is contingent upon the accuracy and completeness of Defendants' Statements of Financial Condition. If at any time following the entry of this Final Judgment the Commission obtains information indicating that

Defendants' representations to the Commission concerning their assets, income, liabilities, or net worth were fraudulent, misleading, inaccurate, or incomplete in any material respect as of the time such representations were made, the Commission may, at its sole discretion and without prior notice to the Defendants, petition the Court for an order requiring Defendants to pay the unpaid portion of the disgorgement, pre-judgment and post-judgment interest thereon, and the maximum civil penalty allowable under the law. In connection with any such petition, the only issue shall be whether the financial information provided by Defendants was fraudulent, misleading, inaccurate, or incomplete in any material respect as of the time such representations were made. In its petition, the Commission may move this Court to consider all available remedies, including, but not limited to, ordering Defendants to pay funds or assets, directing the forfeiture of any assets, or sanctions for contempt of this Final Judgment. The Commission may also request additional discovery. Defendants may not, by way of defense to such petition: (1) challenge the validity of this Consent or the Final Judgment; (2) contest the allegations in the Complaint filed by the Commission; (3) assert that payment of disgorgement, pre-judgment and post-judgment interest or a civil penalty should not be ordered; (4) contest the amount of disgorgement and pre-judgment and post-judgment interest; (5) contest the imposition of the maximum civil penalty allowable under the law; or (6) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

The court further ORDERS that the Consents are hereby incorporated by reference with the same force and effect as if fully set forth in this Judgment, and that Defendants shall comply with all of the undertakings and agreements set forth in the Consents.

IV.

The court further ORDERS that this court shall retain jurisdiction of this matter for the sole purpose of enforcing the terms of this Final Judgment.

V.

Finding no just reason for delay, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, the court hereby enters Final Judgment and DISMISSES this case without prejudice in accordance with the terms set forth above.

Interest shall accrue at the prevailing legal rate in effect on May 31, 2005. *See* 28 U.S.C.A. § 1961; <http://www.federalreserve.gov/releases/H15/data/wf/tcm1y.txt>.

Costs are taxed as paid.

DONE and ORDERED this 31st day of May, 2005.


KARON OWEN BOWDRE
UNITED STATES DISTRICT JUDGE