

Judge Rejects Jury's Verdict in SEC Fraud Case Against Former CFO of Gateway Computers

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Today, U.S. District Judge Roger T. Benitez of San Diego, California threw out all fraud charges against former Gateway Computers executives, John Todd and Robert Manza, in an SEC civil enforcement action filed in 2003. The ruling came twelve weeks after a jury found Todd and Manza liable. Post-trial motions convinced the Court that the SEC's evidence was insufficient to support the verdicts.

The Court rejected the SEC's demands for a permanent injunction, disgorgement of salary by Todd and a permanent officer and director bar. Instead, Todd was ordered to pay \$16,500 as a civil monetary penalty for an accounting error in a minor transaction in Q3 2000. The transaction recognized revenue from a vendor before it was fully received by Gateway. Its impact was less than 1% of Gateway's quarterly revenue.

John Todd appreciates how the judge, in 27 pages, scrutinized difficult accounting issues to conclude that Todd acted appropriately as Gateway's CFO and without any intention to deceive the public. "There were accounting disagreements. I'm not an accountant. My family and I are grateful that the judge understood what the jury did not."

Todd was represented by attorneys from Sheppard Mullin Richter & Hampton LLP in San Diego, California.

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