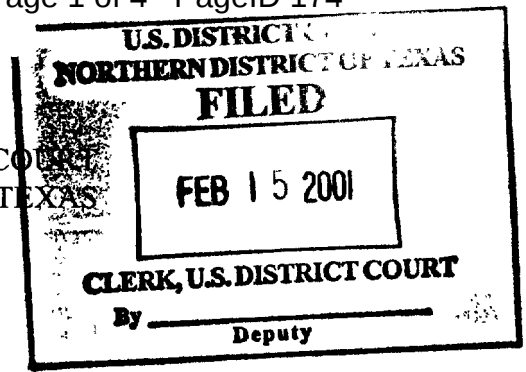


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IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
FORT WORTH DIVISION



SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

VS.

HIGHLAND FINANCIAL  
CORPORATION, et al.,

Defendants.

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Civil Action No. 4:99-CV-0719-D



**JUDGMENT**

For the reasons set out in an order filed today, it is ordered and adjudged that plaintiff Securities and Exchange Commission ("SEC") recover judgment against defendants Kay L. Cahill ("Cahill"), Michael B. Chalmers ("Chalmers"), John C. Matthews ("Matthews"), and Roger Myatt ("Myatt") as follows:

I

It is ordered and adjudged that Cahill, Chalmers, Matthews, and Myatt, their officers, agents, servants, employees, and attorneys, and all persons in active concert or participation with them who receive actual notice of this judgment by personal service or otherwise, are permanently enjoined and restrained from violating, directly or indirectly, by use of the means or instrumentalities of interstate commerce, the mails, and facility of any national securities exchange:

- A. § 17(a) of the Securities Act of 1933, 15 U.S.C. § 77q(a), by (1) employing any device, scheme, or artifice to defraud, (2) obtaining money or property by means of any untrue statement of material fact or any omission to state a material fact necessary in order to make the statement made, in light of the circumstances under which it was made, not misleading, or (3) engaging in any transaction, practice, or course of business that operates or would operate as a fraud or deceit upon the purchaser, in the offer or sale of any securities; and

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- B. § 10(b) of the Securities Exchange Act of 1934, 15 U.S.C. § 78j(b), and Securities and Exchange Commission Rule 10b-5 promulgated thereunder, 17 C.F.R. § 240.10b-5, by (1) employing any device, scheme, or artifice to defraud, (2) making any untrue statement of a material fact or omitting to state a material fact necessary in order to make the statement made, in light of the circumstances under which it was made, not misleading, or (3) engaging in any act, practice, or course of business that operates or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of any security.

## II

It is ordered and adjudged that Cahill, Chalmers, and Matthews, jointly and severally, shall pay disgorgement in the amount of \$6,545,500, plus prejudgment interest thereon in an amount to be set by separate court order. Cahill, Chalmers, and Matthews shall each pay such disgorgement to the court-appointed receiver *pendente lite*, Peter A. Franklin III, within 30 days of the date this judgment is entered by the clerk of court. All payments shall be made by cashier's check, certified check, or postal money order and shall be accompanied by a cover letter that identifies the defendant making the payment and states that the payment is being made pursuant to the judgment entered in *Securities and Exchange Commission v. Highland Financial Corporation, et al.*, Civil Action No. 4:99-CV-0719-D in the United States District Court for the Northern District of Texas. The defendant shall simultaneously mail a copy of the cover letter to counsel of record for the SEC. If a defendant does not pay in full the disgorgement required by this judgment, the SEC may, by any necessary and lawful means, collect the funds from the defendant or from any other person or entity—including persons or entities who hold funds or assets of the defendant—from whom the SEC can lawfully collect the defendant's disgorgement obligation.

### III

It is ordered and adjudged that, pursuant to § 20(d) of the Securities Act of 1933, 15 U.S.C. § 77t(d), and § 21(d)(3) of the Securities Exchange Act of 1934, 15 U.S.C. § 78u(d)(3), Cahill, Chalmers, Matthews, and Myatt shall each pay a civil monetary penalty in an amount to be set by separate court order. The defendant shall first satisfy the disgorgement obligation imposed by this judgment and shall pay the civil monetary penalty to the United States Treasury. All payments shall be made by cashier's check, certified check, or postal money order, shall be made payable to the Securities and Exchange Commission, and shall be hand-delivered or mailed to the Comptroller, Securities and Exchange Commission, 6432 General Green Way, Stop 0-3. Alexandria, Virginia 22312. The payment shall be accompanied by a cover letter that identifies the defendant making the payment and states that the payment is being made pursuant to the judgment entered in *Securities and Exchange Commission v. Highland Financial Corporation, et al.*, Civil Action No. 4:99-CV-0719-D in the United States District Court for the Northern District of Texas. The defendant shall simultaneously mail a copy of the cover letter to the District Administrator, Securities and Exchange Commission, Fort Worth District Office, 801 Cherry Street, 19th Floor, Fort Worth, Texas 76102.

### IV

It is ordered and adjudged that the SEC's taxable costs of court, as calculated by the clerk of court, are assessed 30% against Cahill, 30% against Chalmers, 30% against Matthews, and 10% against Myatt.

### V

It is ordered and adjudged that the court shall retain jurisdiction over this action for all purposes, including considering any lawful application or motion by the SEC that requests additional

relief to that granted by this judgment.

VI

It is ordered and adjudged that the SEC shall recover post-judgment interest at the rate of 6.052% per annum.

VII

Pursuant to Fed. R. Civ. P. 54(b), the court expressly determines that there is no just reason for delay and directs the clerk of court to enter this as a final judgment.

Done at Dallas, Texas this 15<sup>th</sup> day of February, 2001.

A handwritten signature in black ink, appearing to read "Sidney A. Fitzwater", is written over a horizontal line.

SIDNEY A. FITZWATER  
UNITED STATES DISTRICT JUDGE