

**UNITED STATES DISTRICT COURT  
FOR THE  
DISTRICT OF COLUMBIA**

---

**SECURITIES AND EXCHANGE COMMISSION,**

**Plaintiff,**

**v.**

**DONALD C. WALLACE, et al.**

**Defendants,**

---

**Civ. No. 99-0120(RWR)**

**FINAL JUDGMENT OF PERMANENT INJUNCTION  
AND OTHER RELIEF AGAINST DONALD C. WALLACE**

Plaintiff Securities and Exchange Commission ("Commission") having commenced this action, and Defendant Donald C. Wallace ("Wallace") in his Consent, filed simultaneously with this Final Judgment of Permanent Injunction and Other Relief against Donald C. Wallace ("Final Judgment") and incorporated herein by reference, having entered a general appearance; having admitted the jurisdiction of this Court over him and the subject matter of this action; having waived the entry of findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure; having waived any right he may have to appeal from the entry of this Final Judgment; and, without admitting or denying the allegations of the Complaint, except as to jurisdiction and venue, which he admits, having consented to the entry of this Final Judgment; and it appearing that this Court has jurisdiction over Defendant Wallace and the subject matter hereof, and the Court being fully advised in the premises:

FILED

JUL 24 2000

U.S. DISTRICT COURT - WESTERN DISTRICT  
U.S. DISTRICT COURT

51

I.

**IT IS HEREBY ORDERED, ADJUDGED AND DECREED** that Defendant Donald C. Wallace and his agents, servants, employees, attorneys, and those persons in active concert or participation with him who receive actual notice of this Judgment by personal service or otherwise, and each of them, be and hereby are permanently enjoined from violating Section 17(a) of the Securities Act of 1933 ("Securities Act")[15 U.S.C. §§ 77q(a)] by using any means or instruments of transportation or communication in interstate commerce, or by using the mails, directly or indirectly:

- a. to employ any device, scheme, or artifice to defraud, or
- b. to obtain money or property by means of any untrue statement of a material fact or any omission 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 transaction, practice, or course of business which operates or would operate as a fraud or deceit upon a purchaser,

in connection with the offer or sale of any security.

II.

**IT IS FURTHER ORDERED** that Defendant Donald C. Wallace and his agents, servants, employees, attorneys, and those persons in active concert or participation with him who receive actual notice of this Judgment by personal service or otherwise, and each of them, be and hereby are permanently enjoined from violating Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act")[15 U.S.C. § 78j(b)], and Rule 10b-5 [17 C.F.R. § 240.10b-5]

promulgated thereunder, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange:

- a. employing any device, scheme, or artifice to defraud;
- b. making any untrue statement of a material fact or omitting 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. engaging in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person,

in connection with the purchase or sale of any security.

III.

**IT IS FURTHER ORDERED** that Defendant Donald C. Wallace and his agents, servants, employees, attorneys, and those persons in active concert or participation with him who receive actual notice of this Judgment by personal service or otherwise, and each of them, be and hereby are permanently enjoined from violating Section 203(a) of the Investment Advisers Act of 1940 ("Advisers Act")[15 U.S.C. § 80b-3(a)] by, in the absence of any applicable exemption, making use of the mails or any means or instrumentality of interstate commerce in connection with his business as an investment adviser, unless registered as an investment adviser in accordance with Section 203(c) of the Advisers Act [15 U.S.C. § 89b-3(c)].

IV.

**IT IS FURTHER ORDERED** that Defendant Donald C. Wallace shall disgorge \$280,000.00, as well as prejudgment interest of \$137,717.08, which is derived from the rate of interest used by the Internal Revenue Service for the underpayment of taxes as set forth at 26

U.S.C. § 6621(a)(2), and which is a reasonable approximation of the additional unjust enrichment Defendant had the opportunity to earn on the moneys to be disgorged.

V.

**IT IS FURTHER ORDERED** that Defendant Donald C. Wallace pay a civil penalty in the amount of \$300,000.00 pursuant to Section 20(d) of the Securities Act [5 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]. Defendant Wallace shall satisfy this obligation by paying \$300,000.00 within 10 business days to the Comptroller of the SEC, together with a letter specifying that payment is made pursuant to this Judgment. Defendant Wallace shall simultaneously transmit photocopies of such payment and letter to Paul Berger, Esq., Assistant Director, Securities and Exchange Commission, Division of Enforcement, 450 5th Street, N.W., Mail Stop 7-2, Washington, D.C. 20549, and shall be forwarded under cover of letter containing the Commission's file number (HO-3155). The SEC shall forward such funds to the U.S. Treasury.

VI.

**IT IS FURTHER ORDERED** that payment by Wallace of the disgorgement and prejudgment interest, as provided in Paragraph IV above, shall be made:

- (a) in full within ten days of the date of this order;
- (b) into this Court's registry by certified check or money order drawn to the order of "Clerk, United States District Court, District of Columbia," noting on the face of the check the caption and civil action number of this case, whereupon the Clerk of this Court, or the Financial Deputy Clerk, shall deposit such funds into an interest-bearing account (the "Account") with the Court Registry Investment

System ("CRIS"). Such payments shall be under cover of a letter that identifies Donald C. Wallace, the caption and case number of this action, and the name of the Court;

- (c) simultaneously with payment, copies of such checks or money orders and accompanying cover letter shall be transmitted to Paul Berger, Esq., Assistant Director, Securities and Exchange Commission, Division of Enforcement, 450 5th Street, N.W., Mail Stop 7-2, Washington, D.C. 20549, and shall be forwarded under cover of letter containing the Commission's file number (HO-3155);
- (d) the Account shall be held by the CRIS until further order of the Court, and distributed pursuant to a Court-approved plan to be proposed by the Commission, but in no event shall the money disgorged revert, directly or indirectly, to the defendants, or to the heirs or assigns of the defendants;
- (e) interest earned on the Account shall be credited to the Account and shall thereafter be treated in the same manner as principal; and
- (f) the Clerk of the Court is directed without further order to deduct from the income earned on the investment a fee, not exceeding that authorized by the Judicial Conference of the United States and set by the Director of the Administrative Office at or equal to 10% of the income earned in the investment so held.

Any funds paid by Defendants shall be distributed pursuant to a plan to be submitted by the Commission for the Court's approval.

VII.


**IT IS FURTHER ORDERED** that the annexed Consent of Defendant Donald C. Wallace is incorporated in this Order by reference with the same force and effect as if fully set forth herein.

VIII.

There being no cause for delay, the Clerk of the Court is directed, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, to enter this Final Judgment forthwith.

So ordered.

Washington, D.C.  
20 day of July, 2000

  
\_\_\_\_\_  
Richard W. Roberts  
United States District Judge