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10 UNITED STATES DISTRICT COURT
11 NORTHERN DISTRICT OF CALIFORNIA
12 SAN FRANCISCO DIVISION

13 SECURITIES AND EXCHANGE COMMISSION,
14 Plaintiff,
15 vs.
16 PEGASUS WIRELESS CORPORATION, JASPER
KNABB, and STEPHEN DURLAND,
17 Defendants,
18 and
19 AERO-MARINE, LLC and TAMMY KNABB,
20 Relief Defendants.
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No. 3:09-cv-02302-JSW

**~~PROPOSED~~ JUDGMENT OF
PERMANENT INJUNCTION AND OTHER
RELIEF AGAINST DEFENDANT
STEPHEN DURLAND**

AS MODIFIED HEREIN

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28 ~~Proposed~~ Judgment Against Defendant
Stephen Durland
SEC v. Pegasus Wireless Corporation, et al.
Case No. 3:09-cv-02302-JSW

1 Plaintiff Securities and Exchange Commission (“Commission”), having filed a Complaint in
2 this matter, and Defendant Stephen Durland (“Defendant”), having entered a general appearance and
3 executed a Consent of Defendant Stephen Durland to Entry of Judgment of Permanent Injunction and
4 Other Relief (“Consent”), in which among other things, Defendant consented to the Court’s
5 jurisdiction over him and the subject matter of this action; consented to entry of this Judgment
6 without admitting or denying the allegations in the Complaint (except as to jurisdiction, which
7 Defendant admits); waived findings of fact and conclusions of law; and waived any right to appeal
8 from this Judgment:

9 I.

10 IT IS HEREBY ORDERED THAT defendant Stephen Durland and his officers, agents,
11 servants, employees, attorneys, and those persons in active concert or participation with any of them,
12 who receive actual notice of this Judgment, by personal service or otherwise, and each of them, are
13 permanently restrained and enjoined from, in the offer or sale of any securities, by the use of any
14 means or instruments of transportation or communication in interstate commerce or by the use of the
15 mails, directly or indirectly:

- 16 A. employing any device, scheme, or artifice to defraud; or
17 B. obtaining money or property by means of any untrue statement of a material fact or
18 any omission to state a material fact necessary in order to make the statements made,
19 in light of the circumstances under which they were made, not misleading; or
20 C. engaging in any transaction, practice, or course of business which operates or would
21 operate as a fraud or deceit upon the purchaser;

22 in violation of Sections 17(a)(1), 17(a)(2) and 17(a)(3) of the Securities Act of 1933 (“Securities
23 Act”) [15 U.S.C. §§ 77q(a)(1), 77q(a)(2) and 77q(a)(3)].

24 II.

25 IT IS FURTHER ORDERED THAT defendant Stephen Durland and his officers, agents,
26 servants, employees, attorneys, and those persons in active concert or participation with any of them,
27 who receive actual notice of this Judgment, by personal service or otherwise, and each of them, are

1 permanently restrained and enjoined from, directly or indirectly, by the use of any means or
2 instrumentality of interstate commerce, or of the mails, or of any facility of any national securities
3 exchange:

- 4 A. employing any device, scheme, or artifice to defraud;
- 5 B. making any untrue statement of a material fact or omitting to state a material fact
6 necessary in order to make the statements made, in the light of the circumstances
7 under which they were made, not misleading; or
- 8 C. engaging in any act, practice, or course of business which operates or would operate as
9 a fraud or deceit upon any person;

10 in connection with the purchase or sale of any security, in violation of Section 10(b) of the Securities
11 Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 [17
12 C.F.R. § 240.10b-5].

13 III.

14 IT IS FURTHER ORDERED THAT defendant Stephen Durland and his officers, agents,
15 servants, employees, attorneys, and those persons in active concert or participation with any of them,
16 who receive actual notice of this Judgment, by personal service or otherwise, and each of them, are
17 permanently restrained and enjoined from violating Section 5 of the Securities Act [15 U.S.C. § 77e]
18 by, directly or indirectly, in the absence of any applicable exemption:

- 19 (a) Unless a registration statement is in effect as to a security, making use of any means or
20 instruments of transportation or communication in interstate commerce or of the mails
21 to sell such security through the use or medium of any prospectus or otherwise;
- 22 (b) Unless a registration statement is in effect as to a security, carrying or causing to be
23 carried through the mails or in interstate commerce, by any means or instruments of
24 transportation, any such security for the purpose of sale or for delivery after sale; or
- 25 (c) Making use of any means or instruments of transportation or communication in
26 interstate commerce or of the mails to offer to sell or offer to buy through the use or
27 medium of any prospectus or otherwise any security, unless a registration statement

1 has been filed with the Commission as to such security, or while the registration
2 statement is the subject of a refusal order or stop order or (prior to the effective date of
3 the registration statement) any public proceeding or examination under Section 8 of
4 the Securities Act [15 U.S.C. § 77h].

5 IV.

6 IT IS FURTHER ORDERED THAT defendant Stephen Durland and his officers, agents,
7 servants, employees, attorneys, and those persons in active concert or participation with any of them,
8 who receive actual notice of this Judgment, by personal service or otherwise, and each of them, are
9 permanently restrained and enjoined from violating Section 13(b)(5) of the Exchange Act [15 U.S.C.
10 § 78m(b)(5)], by knowingly falsifying the books, records, or accounts of any company which has a
11 class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or which is
12 required to file reports pursuant to Section 15(d) of the Exchange Act 15 U.S.C. § 78o(d)].

13 V.

14 IT IS FURTHER ORDERED THAT defendant Stephen Durland and his officers, agents,
15 servants, employees, attorneys, and those persons in active concert or participation with any of them,
16 who receive actual notice of this Judgment, by personal service or otherwise, and each of them, are
17 permanently restrained and enjoined from violating Exchange Act Rule 13b2-1 [17 C.F.R. §
18 240.13b2-1] by, directly or indirectly, falsifying or causing to be falsified, the books, records, or
19 accounts of any company which has a class of securities registered pursuant to Section 12 of the
20 Exchange Act [15 U.S.C. § 78l] or which is required to file reports pursuant to Section 15(d) of the
21 Exchange Act 15 U.S.C. § 78o(d)].

22 VI.

23 IT IS FURTHER ORDERED THAT defendant Stephen Durland and his officers, agents,
24 servants, employees, attorneys, and those persons in active concert or participation with any of them,
25 who receive actual notice of this Judgment, by personal service or otherwise, and each of them, are
26 permanently restrained and enjoined from violating Exchange Act Rule 13b2-2 [17 C.F.R. §
27 240.13b2-2] by, directly or indirectly, in connection with (a) an audit, review, or examination of the

1 financial statements of an issuer required to be made pursuant to Commission rules, or (b) the
2 preparation or filing of any document or report required to be filed with the Commission pursuant to
3 Commission rules: (1) making or causing to be made a materially false or misleading statement to an
4 accountant, or (2) omitting to state, or causing another person to omit to state, a material fact
5 necessary in order to make the statements made, in light of the circumstances under which such
6 statements were made, not misleading to an accountant.

7 VII.

8 IT IS FURTHER ORDERED THAT defendant Stephen Durland and his officers, agents,
9 servants, employees, attorneys, and those persons in active concert or participation with any of them,
10 who receive actual notice of this Judgment, by personal service or otherwise, and each of them, are
11 permanently restrained and enjoined from aiding and abetting violations of Section 13(a) of the
12 Exchange Act [15 U.S.C. § 78m(a)] and Exchange Act Rules 12b-20, 13a-1, 13a-11, and 13a-13 [17
13 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11, and 240.13a-13] by knowingly providing substantial
14 assistance to any issuer of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C.
15 § 78l] in filing with the Commission annual, quarterly, or current reports that, among other things,
16 contain untrue statements of material fact or omit to state material information necessary in order to
17 make the statements made, in the light of the circumstances under which they were made, not
18 misleading.

19 VIII.

20 IT IS FURTHER ORDERED THAT defendant Stephen Durland and his officers, agents,
21 servants, employees, attorneys, and those persons in active concert or participation with any of them,
22 who receive actual notice of this Judgment, by personal service or otherwise, and each of them, are
23 permanently restrained and enjoined from violating Exchange Act Rule 13a-14 [17 C.F.R. § 240.13a-
24 14] by falsely signing personal certifications indicating that they have reviewed periodic reports
25 containing financial statements that an issuer filed with the Commission pursuant to Section 13(a) of
26 the Exchange Act [15 U.S.C. § 78m(a)] and that, based on their knowledge: (a) these reports do not
27 contain any untrue statement of material fact or omit to state a material fact necessary to make the
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1 statements made, in light of the circumstances under which such statements were made, not
2 misleading with respect to the period covered by the report; and (b) that the information contained in
3 the reports fairly presents, in all material respects, the financial condition and results of the issuer's
4 operations.

5 IX.

6 IT IS FURTHER ORDERED THAT defendant Stephen Durland and his officers, agents,
7 servants, employees, attorneys, and those persons in active concert or participation with any of them,
8 who receive actual notice of this Judgment, by personal service or otherwise, and each of them, are
9 permanently restrained and enjoined from violating Section 16(a) of the Exchange Act [15 U.S.C. §
10 78p(a)] and Exchange Act Rule 16a-3 [17 C.F.R. § 240.16a-3] by failing, as an officer or director of
11 an issuer of securities registered pursuant to Section 12 of the Exchange Act [15 U.S. C. § 78I], to file
12 timely and accurate statements with the Commission regarding changes in their beneficial ownership
13 of the issuer's securities.

14 X.

15 IT IS FURTHER ORDERED that Defendant shall pay disgorgement of ill-gotten gains,
16 prejudgment interest thereon, and civil penalties pursuant to Section 20(d) of the Securities Act [15
17 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]. The Court shall
18 determine the amounts of the disgorgement and civil penalty upon motion of the Commission.
19 Prejudgment interest shall be calculated from June 1, 2005, based on the rate of interest used by the
20 Internal Revenue Service for the underpayment of federal income tax as set forth in 26 U.S.C.
21 § 6621(a)(2). In connection with the Commission's motion for disgorgement and/or civil penalties,
22 and at any hearing held on such a motion: (a) Defendant will be precluded from arguing that he did
23 not violate the federal securities laws as alleged in the Complaint; (b) Defendant may not challenge
24 the validity of the Consent or this Judgment; (c) solely for the purposes of such motion, the
25 allegations of the Complaint shall be accepted as and deemed true by the Court; and (d) the Court
26 may determine the issues raised in the motion on the basis of affidavits, declarations, excerpts of
27 sworn deposition or investigative testimony, and documentary evidence, without regard to the

standards for summary judgment contained in Rule 56(c) of the Federal Rules of Civil Procedure. In connection with the Commission's motion for disgorgement and/or civil penalties, the parties may take discovery, including discovery from appropriate non-parties.

XI.

IT IS FURTHER ORDERED that, pursuant to Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)] and Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)], Defendant is prohibited from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)].

XII.

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

XIII.

IT IS FURTHER ORDERED that this Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Judgment.

XIV.

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

Date: September 28, 2010


UNITED STATES DISTRICT JUDGE

It is FURTHER ORDERED that notwithstanding Defendant Durland's waiver of service of this Judgment, Plaintiff shall serve a copy of this Judgment on Durland and shall file proof of such service with the Court.