



Department of Justice

**United States Attorney Melinda Haag
Northern District of California**

FOR IMMEDIATE RELEASE

CONTACT: JACK GILLUND

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(415) 436-6599

WWW.USDOJ.GOV/USAO/CAN

Jack.Gillund@usdoj.gov

FORMER PEGASUS WIRELESS CFO SENTENCED TO 33 MONTHS FOR HIS ROLE IN SECURITIES FRAUD SCHEME

SAN FRANCISCO - Stephen Durland, the former CFO of Pegasus Wireless Corporation, a wireless technology company based in Fremont, Calif., was sentenced yesterday to 33 months in prison for his role in a complex scheme to defraud in which approximately a half a billion shares of company stock were issued under false pretenses, United States Attorney Melinda Haag announced.

Durland, 57, of Greensboro, N.C., pleaded guilty on March 18, 2011, to one count each of conspiracy to commit securities fraud in violation of Title 18 U.S.C. § 1349; Title 18 U.S.C. § 1348, and Title 15 U.S.C. §§ 78m(b)(2)(A), 78m(b)(5) and 78ff, respectively. According to court documents, Durland executed a scheme to defraud in which he created thirty-one fake promissory notes and other documents representing that Pegasus had outstanding debt. Durland caused Pegasus to issue shares to satisfy the debt and then arranged for those shares, or assets from their sale, to be funneled to himself, family friends, and associates. All told, between May 2005 and January 2008, Pegasus had more than 490 million shares issued to satisfy this fabricated debt. By February 2008, Pegasus had issued more than 75 percent of its outstanding shares through this fraudulent scheme. When the fraudulently issued shares were sold, Durland, his family, and friends, made more than \$25 million. During this time, Pegasus filed reports with the SEC that falsely reported that the company had issued shares to satisfy a legitimate debt and that hid the fact that Durland and his associates had received the majority of those shares. At the height of the scheme, in May 2006, Pegasus stock traded on the NASDAQ for more than \$18 a share and Pegasus had a market capitalization of more than \$4 billion. By September 2006, the stock traded for less than \$1 a share.

U.S. District Court Judge Jeffrey S. White sentenced the defendant. In addition to the prison term, Durland was also sentenced to a three year period of supervised release and ordered to pay a \$100 special assessment.

Jonathan Schmidt is the Assistant United States Attorney who prosecuted the case with the assistance of Elizabeth Garcia.

Further Information:

Case #: CR 11-00009 JSW

A copy of this press release may be found on the U.S. Attorney's Office's website at www.usdoj.gov/usao/can.

Electronic court filings and further procedural and docket information are available at <https://ecf.cand.uscourts.gov/cgi-bin/login.pl>.

Judges' calendars with schedules for upcoming court hearings can be viewed on the court's website at www.cand.uscourts.gov.

All press inquiries to the U.S. Attorney's Office should be directed to Jack Gillund at (415) 436-6599 or by e-mail at Jack.Gillund@usdoj.gov.

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