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## **Del Cerro couple sued in \$7.7 million fraud**

### **Wireless Facilities, SEC file civil lawsuits in case**

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In a new twist on the burgeoning stock options scandal, the former stock options manager for San Diego-based Wireless Facilities and his wife have been accused of fraudulently issuing company stock options and selling them at a profit of more than \$7.7 million.

Vencent A. Donlan, and his wife, Robin D. Colls Donlan, both 44-year-old teachers in local schools, were accused in civil lawsuits announced yesterday by Wireless Facilities and the U.S. Securities and Exchange Commission.

Wireless Facilities is among more than 200 U.S. companies that have launched probes or are under federal investigation for backdating stock options without disclosing the practice to shareholders. It said the Donlans' "elaborate scheme" came to light during its internal review and it notified securities regulators.

The accusation that an options administrator defrauded a company of stock is unusual and suggests another avenue of wrongdoing that has, as yet, gone undetected.

"I'm pretty sure there has never been a case like this," said Kelly Bowers, a senior assistant regional director of enforcement for the SEC.

"This is an example of a different scheme that (other) companies should take notice of," he said. "They should make sure they have proper policies and procedures to make sure this is not happening under their watch."

The SEC obtained a court order freezing the Donlans' assets to guard against what it said was the "imminent danger" that they would transfer or hide proceeds from the "fraudulent scheme."

The Wireless Facilities case accusing the Donlans of "breach of duty and loyalty" was filed Wednesday in San Diego Superior Court, while the SEC case accusing them of violating federal securities laws was filed Wednesday in U.S. District Court in downtown San Diego.

The Internal Revenue Service, the FBI, the U.S. Attorney General's Office and the San Diego District Attorney's Office all would neither confirm nor deny any criminal investigation.

The street in front of the couple's gated, two-story house on Norman Lane in Del Cerro was busy with activity late yesterday. Two men in an idling gold Ford Crown Victoria refused to identify themselves but one held a black binder embossed with a federal seal and the words "Corporate Fraud Division." A process server waiting to deliver Wireless Facilities' lawsuit said they had earlier identified themselves as federal agents.

Vencent Donlan, a physics teacher at the San Diego High Education Complex School of Business, and Robin Donlan, a fourth-grade teacher at Hilltop Drive Elementary School in Chula Vista, didn't return phone messages yesterday and could not be reached at home to comment.

The SEC lawsuit describes a process in which Vencent Donlan, a former Charles Schwab broker, had primary responsibility for entering Wireless Facilities' stock options data into company software.

According to the lawsuit, he fraudulently issued and transferred 728,229 shares of stock and options to himself and his wife between November 2002 and November 2003.

Donlan, who was being paid \$65,000 a year when he left Wireless Facilities, hid the unauthorized transactions by creating accounts with abbreviated names of real employees' names linked to his wife's Social Security number.

The couple made at least \$7.7 million through the sale of shares and exercise of options that were illegally transferred, according to the lawsuit.

The SEC said it seeks the return of the "ill-gotten gains" as well as civil penalties against Vencent Donlan.

According to court and real-estate documents, the Donlans bought the five-bedroom home in Del Cerro in 2004 for \$942,000 in cash. Earlier this year, the couple paid \$655,000 in cash for a three-bedroom home in Julian.

Since owning the Del Cerro house, the couple have added a pitched roof, a wide second-story deck, a security gate and wall, extensive landscaping and other additions.

"The amount of activity, financially, is incredible," said Sal Dauria, who lives two houses down.

"I was told they were teachers," he said yesterday. "There is a disconnect with what normal people make in income and the number of people" the Donlans have hired to work on the house.

It was not unusual to see as many as 10 laborers arriving in the morning, Dauria said.

Vencent Donlan, reportedly a former Navy pilot, and Robin Donlan, a volunteer vice president of events for Comic-Con International, are both science fiction fans. They were married in March 2002 in a "Star Trek"-themed Las Vegas ceremony that was featured in an article in *Las Vegas Weekly*.

Comic-Con spokesman David Glanzer said yesterday that Robin Donlan has been involved with the group for many years. He said he didn't know anything about the fraud allegations against the couple.

Already facing questions, shareholder lawsuits and likely financial restatements over possible options backdating, Wireless Facilities seeks restitution of its shares as well as any appreciation of assets purchased with them, damages and an injunction to stop the Donlans from disposing of assets and funds obtained through the sales of company stock.

Wireless Facilities, which builds wireless networks, also says in its lawsuit that there may be unidentified defendants who helped the Donlans.

"We are committed to pursuing this matter as aggressively as possible to recover whatever damages we can on behalf of WFI's shareholders," company President and Chief Executive Eric DeMarco said in a statement.

Wireless Facilities shares rose 6 cents, or 4.8 percent, yesterday to close at \$1.30 on the Nasdaq. Shares rose 4 cents in after-hours trading.

“We're deeply concerned that we need to make sure that nothing happens like this again – and it can't with the systems and processes that are currently in place,” Wireless Facilities publicist Mike Banas said.

He would not be more specific but said the company's compliance with the Sarbanes-Oxley Act of 2002 that tightened accounting practices for public companies and adherence to generally accepted accounting principles would protect against such fraud today.

Michael Willoughby, a professor of accounting at the University of California San Diego, said he is not sure that complying with Sarbanes-Oxley would mean catching stock-option thefts.

Professor Marc Lampe, who teaches ethics and social responsibility at the University of San Diego business school, said cheaters and thieves are using computers and technology to devise increasingly sophisticated crimes.

“It almost seems like people's cheating abilities are running ahead of our cheating-detection abilities,” he said. “It's hard to know for sure because we don't know who's getting away with this.”

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