IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Criminal Case No. 22-cr-00211-PAB

UNITED STATES OF AMERICA,

Plaintiff,

v.

1. RONALD PHILIP WALLACE,

Defendant.

GOVERNMENT'S SENTENCING STATEMENT FOR DEFENDANT RONALD WALLACE

The United States of America, by and through J. Bishop Grewell, Acting United States Attorney for the District of Colorado, Tim R. Neff and Nicole C. Cassidy, Assistant United States Attorneys, files this Sentencing Statement for Defendant Ronald Wallace.

Background and Potential Sentencing Ranges

The Presentence Report ("PSR") calculates that the applicable guideline range for the Defendant's offense is 30 to 37 months imprisonment, based on an offense level of 18 and criminal history category 2. PSR, Exhibit A, [#105-1]. The PSR ultimately recommends a 30 month imprisonment sentence (concurrent as to each count) followed by 5 years of supervised release. *Id.*

Alternatively, the Government calculates that the applicable guideline range should be 24 to 30 months of imprisonment (which assumes a final offense level of 16[1] and a criminal history category of II).

Accordingly, the Government recommends (consistent with the Plea Agreement) that the Court sentence the Defendant "to the low end of the guideline range ultimately calculated by the Court." PSR, ¶ 3, Plea Agreement at 3 [#97]. If the Court determines that the PSR's recommended higher guideline range is applicable, the Government's recommendation is for a 30 month imprisonment sentence (i.e., the low end of such range). Whereas, if the lower range as urged by the Government is determined by the Court to be applicable, the Government recommends a 24 month imprisonment sentence.

The Defendant filed a Motion for Departure and Non-Guideline (Variant) Sentence, in which he seeks a sentence to time served (one day here) and a term of supervised release. [#109]. By separate pleading, the Government intends to file its objection and opposition to the Defendant's request for essentially a non-custodial sentence.

In support of its sentencing position, the Government states as follows:

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[1] When making its guideline calculation that the final offense level should be 16, the Government recognizes that the Court would first have to sustain the Government's separately filed Objection to the PSR [#108] contesting the total loss calculation in the case.

Sentencing Factors – 18 U.S.C. § 3553(a)

Nature of the Offense

The PSR provides a thorough and detailed outline of the overall nature of the two offenses of conviction – (1) wire fraud and aiding and abetting, and (2) bank fraud and aiding and abetting. PSR, #105, ¶¶ 9-36. As noted in the PSR, the underlying offense conduct involved two discreet offenses with two separate sets of victims.

First, the Defendant deceived three investors out of funds in excess of $300,000, involving investments into the Defendant's companies producing cannabidiol products. As it relates to victim T.H., the Defendant exploited and betrayed a personal relationship in the course of defrauding him. PSR, ¶ 31. T.H. recounted that he first met the Defendant while both of their sons were participating in the Aspen Valley Ski Club. *Id.* Later, after T.H. had fallen on hard times because of the accumulation of large debt due to cancer treatments for his dying wife, the Defendant persuaded T.H. to invest in his companies based on promises of high returns and false inducements. Victim M.C. was referred to the Defendant through friends. PSR, ¶ 32. The Defendant later swindled him out of over $50,000 when M.C. was shown paperwork containing false information regarding inventory and account receivables in the Defendant's companies. *Id.* Finally, victim S.C. was duped into investing with the Defendant after meeting him through a mutual friend. PSR, ¶ 26. S.C. began working for the Defendant for a short time after meeting him. Unfortunately, S.C. was persuaded by the Defendant to refinance his home to pay for his investment. *Id.* S.C. later suffered a loss of $113,000 because of the mistaken trust which he placed in the Defendant. *Id.* As it relates to each of these victims, the Defendant took advantage of his personal connection and direct relationship with each victim for his own personal gain. Such conduct warrants a sentence that accounts for the betrayal of such friendship and trust.

Second, the Defendant defrauded the Small Business Administration (SBA) of almost a quarter of a million dollars through his lies and deceit. In the course of obtaining COVID-19 loan funds, the Defendant made false statements regarding the monthly payroll and number of employees connected to his company, NaturlFx Inc. PSR, ¶ 18. He later misused the emergency funds which were intended for business expenses, instead using such funds for his personal benefit and other business ventures. *Id.* At a time when the SBA offered a benevolent program intended to help struggling businesses during a time of crisis, the Defendant chose to abuse the government and participating banks, and let his avarice take control. Ultimately, the SBA (i.e. – the taxpayer) was deprived of these funds, and it is unlikely to recoup such losses given the Defendant’s indigency and dim prospects for employment.

History and Characteristics of the Defendant

The Defendant does not appear the Court as a first offender. As detailed in the PSR, the Defendant was convicted in 2004 in California for the offenses of mail fraud, wire fraud and money laundering. PSR, ¶ 61. The Defendant’s earlier fraud scheme involved offering investors a chance to purchase wine futures through his company Rare Wines LLC. *Id.* However, in the course of committing this fraud scheme, the Defendant never used his investors funds to secure large allocations of top wines in

France as promised. *Id*. The Defendant in fact did not own or possess the bottles of wine he purportedly sold to investors. *Id*. The PSR states that: "By March of 2003, the defendant's fraudulent scheme collapsed" and "investigation later revealed the defendant's scheme incurred 162 victims who in total lost $14,820,620." *Id*. After having his probation and supervised release revoked, the supervising Court sentenced the Defendant on April 16, 2012, to 63 months in prison. *Id*. According to court records, at the time the Defendant was sentenced to prison after final revocation, he had only paid $127,102 towards his final restitution obligation. *Id.*

The parallels between the Defendant's earlier offense and present ones are striking. First, both offenses involve wire fraud. Second, both offenses involved deceiving investors (albeit significant less in the present case) through false promises and misrepresentations. Third, both offenses involved the purported ownership stake in companies supposedly generating high rates of return and supplying an ingestible product (wine and cannabidiol). Finally, both offenses involved the Defendant soliciting funds from investors for one stated purpose but then using victims' funds for another one – his own personal wealth and benefit.

Here, one additional fact is worth noting about the Defendant's prior sentence from California as it relates to the present offense. According to the PSR, the Defendant was released from prison on December 4, 2015. PSR, ¶ 61. Despite recently serving a federal prison sentence, the Defendant returned to his deceitful ways. Indeed, approximately two short years later sometime in 2017, he began orchestrating yet another investment fraud scheme in the present case. PSR, ¶ 9. Then, a few years later, he committed his COVID-19 loan fraud scheme during a global pandemic. To the extent the Defendant now suggests he has reformed and learned his lesson, his quick return to crime following his first conviction suggests he did not get the message the first time that federal fraud schemes result in prison time.

In common parlance, "this is not the Defendant's first rodeo." The Defendant is a repeat fraudster and his decision to once again pursue this harmful course of conduct warrants imprisonment.

Promote Respect for Law / Just Punishment / Adequate Deterrence / Protect Public

Here, it's important that the sentence adequately punish the Defendant and provide the message that federal law carries meaningful imprisonment sanctions for fraud offenses. While no one was physically injured from a violent crime, the lasting impact of this type of financial fraud and connected conduct is nonetheless detrimental for the victims. As a result of this type of offense, victims often lose trust in others and are stuck attempting to recover from their financial losses for years to come. A sentence to imprisonment as called for under the guidelines months will help some of the victims find some measure of justice and hopefully restore such victims' faith in the court system.

A custodial sentence is necessary to ensure that others tempted to engage in similar conduct are deterred from doing so. As noted above, the Defendant engaged in two separate fraud schemes involving both individual investors and a government program, resulting in an aggregate loss of over $500,000. The purposes of general deterrence can be satisfied when others are reminded such conduct results in meaningful imprisonment.

Specific deterrence is also an important factor when considering the Defendant's pattern of behavior. By imposing imprisonment, the Court will also prevent the Defendant from conducting a similar offense in the immediate future given his incarceration. Here, the Defendant was previously convicted of a fraud offense in 2004 and was generously given a probationary sentence by the Court in California. However, after repeated efforts by the probation office and the Court in California to obtain compliance with the conditions of supervision, the Defendant was eventually sent to prison for a combined total of 63 months. PSR, ¶ 61. While previously on supervision, the Defendant showed a pattern of non-compliance which involved among other things: failure to pay his monthly restitution; failure to report his salary, income and tax returns; failure to submit monthly reports; failure to follow the instructions of his probation officer; falsifying monthly written supervision reports; making false statements to his probation officer; and failing to report as directed. *Id.* The Defendant's pattern of behavior while on supervision speaks for itself. An imprisonment sentence is warranted not only to punish the Defendant but to also ensure that he understands from the outset that he must comply with all Court requirements or else face additional prison time.

Imposing an imprisonment sentence will further ensure that members of the public are protected from any further crimes committed by the Defendant.

Provide Defendant Needed Educational Training, Medical Treatment or Correctional Treatment

The PSR indicates that the Defendant has a past history involving alcohol abuse and some illegal drug consumption in his younger years. PSR, ¶¶ 87-92. The Defendant completed the Residential Drug Abuse Program (RDAP) while in federal prison from his earlier conviction. PSR, ¶ 91. The Defendant self-reported that he does not believe that he has an alcohol or drug problem. PSR, ¶ 92. The Defendant does not have any apparent mental or emotional health issues. PSR, ¶¶ 87-92.

The Defendant has a high school diploma and attended college but does not have a degree. PSR, ¶¶ 93-94. The Defendant is currently receiving social security and is working as an unpaid consultant for a private company in Basalt, Colorado. PSR, ¶ 97. The Defendant has held a variety of other jobs during the past ten years. PSR, ¶¶ 97-100.

The PSR does not indicate that the Defendant has unique needs related to educational or vocational training, or correctional treatment.

The PSR does indicate that the Defendant has various physical health conditions, most notably Crohn's disease. PSR, ¶ 79. The Defendant has had numerous surgeries related to this condition and he is currently taking multiple medications related to this condition and other health ailments.

The Defendant has requested a variance sentence to supervised release based on his health condition, stating among other things that a "medical facility, would pose an untenable risk to his health due to the nature of his condition [and] the rigid structure of BOP's healthcare system…" *Def's Mot. for Variance* at 5 [#109]. The Government opposes such a variance request and will be filing its objection by separate pleading.

The Government opposes any downward variance based on the above factors. The Bureau of Prisons is equipped to handle the defendant's medical conditions. According to the bop.gov website[2],

> The Bureau's professional staff provides essential medical, dental, and mental health (psychiatric) services in a manner consistent with accepted community standards for a correctional environment. The Bureau uses licensed and credentialed health care providers in ambulatory care settings, that are supported by community consultants and specialists. For adults in custody with chronic or acute medical conditions, the Bureau operates seven (7) medical referral centers providing advanced care.

To be clear, the Government does not suggest that the Defendant's physical health conditions are not genuine, as they are in fact documented in the PSR. However, the Government does oppose the Defendant's argument that these factors justify a substantial reduction in the Defendant's final sentence. Indeed, there is no indication in the PSR that the Defendant is terminally ill or suffering from an untreatable condition. On the contrary, it appears the Defendant's condition warrants medical supervision, treatment, and medication, which he will be able to obtain while serving a custodial sentence. The BOP remains uniquely positioned and primarily responsible for ensuring adequate medical treatment, housing and handling of federal inmates. Put simply, the Defendant's health factors are not so exceptional so as to warrant downward variance recommended in the PSR. As with any other defendants sentenced to imprisonment, the BOP is charged with (and presumed capable of addressing) the

[2] https://www.bop.gov/inmates/custody_and_care/medical_care.jsp

Defendant's unique medical needs and conditions. As necessary, BOP can and will make any necessary medical referrals or accommodation to address these matters.

Need to Avoid Unwarranted Sentencing Disparities Among Defendants

The Government is unaware of any reason that the recommended sentence would result in any unwarranted sentence disparities with other similarly situated defendants.

Need to Provide Restitution to Any Victims of the Offense

As noted above, there are a number of victims who suffered substantial pecuniary harm as a result of the Defendant's fraud scheme. The Defendant will be responsible for paying restitution to these individual investors along with the SBA. PSR, Exhibit A, [#105-1]. Undoubtedly, receiving any restitution payments as soon as possible would certainly be of a benefit to such victims. Nonetheless, the need for the victims to be recompensed must be balanced against the other important factors set forth in § 3553(a) such as ensuring just punishment and the protection of the public. Unfortunately, it does not appear from the Defendant's financial condition that he will be in a position to make any meaningful restitution payments in the near future given that he is indigent, has virtually no assets, and currently has an outstanding federal judgment owing of approximately $11 million to previous victims. PSR, ¶ 103.

Other Issue – Standard Condition Regarding Employment

Finally, the Defendant objects to the PSR's recommendation that he adhere to the Probation Office's standard condition of supervision that he be obligated to work full time and continue to seek employment when not employed. *Def's Objection to PSR* at

4 [#107]. In his objection, the Defendant notes that he is of full retirement age, currently receiving Social Security, and has a chronic illness. *Id.*

As noted above, the Government is mindful that the Defendant has a serious medical condition and that he is 68 years old. Nevertheless, the Government asserts that the Probation Office will be in the best position to assess the Defendant's fitness, ability, and competence to maintain employment once he is released from prison at a future date. Should it be determined at that later juncture that the Defendant cannot work for various reasons, the Probation Office -- based on its individualized assessment at such later time -- can seek modification (or removal) of this condition by the Court if warranted. However, at this time, it is premature to remove such a requirement.

Indeed, the Defendant effectively stole over a half a million dollars from victims during the present fraud scheme and he still owes another approximately $11 million to victims from his earlier case. To the extent the Defendant is capable of working and generating moderate income, he should do so. Any amount of restitution payments to the victims – even if small – will be significant to the victims because it will represent some measure of justice and accountability for the Defendant. Requiring the Defendant to maintain employment while on supervision is an important condition for achieving such an outcome.

WHEREFORE, the Government requests that the Court sentence the Defendant as recommended above.

Respectfully submitted this 11th day of April, 2025.

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CERTIFICATE OF SERVICE

I certify that on this 11th day of April, 2025, I electronically filed the foregoing **GOVERNMENT'S SENTENCING STATEMENT FOR DEFENDANT RONALD WALLACE** with the Clerk of the Court using the CM/ECF system which will send notification of such filing to all counsel of record in this case.

By: *s/Maureen Carle*
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