



herein, except as to the Commission's jurisdiction over him and the subject matter of these proceedings, and the findings contained in Section III., ¶ 3 below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Rule 102(e) of the Commission's Rules of Practice, Making Findings, and Imposing Remedial Sanctions ("Order"), as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

1. Thomas Clark, age 58, was, but no longer is, a certified public accountant licensed to practice in the State of Minnesota. In addition to other positions, he served as Chief Financial Officer of Health Risk Management, Inc. ("HRMI") from 1987 until October 2000 and served as the president of HRMI's wholly owned HMO subsidiary from December 2000 until his resignation in March 2001.

2. HRMI was, at all relevant times, a Minnesota corporation with its principal place of business in Minneapolis, Minnesota. HRMI was a healthcare management company that, among other activities, administered HRM PA, Inc., a small Medicaid HMO in Pennsylvania (the "HMO"). At all relevant times, HRMI's common stock was registered with the Commission pursuant to Section 12(g) of the Securities Exchange Act of 1934 ("Exchange Act"), and traded on the NASDAQ National Market.

3. On January 27, 2006, the Commission filed a complaint against Clark in SEC v. Thomas P. Clark, (Civil Action No. 06-cv-00380). On October 19, 2006, the court entered an order permanently enjoining Clark, by consent, from future violations of Sections 10(b) and 13(b)(5) of the Exchange Act and Rules 10b-5, 13b2-1 and 13b2-2 thereunder, and aiding and abetting violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20 and 13a-13 thereunder. Clark was also ordered to pay a \$20,000 civil money penalty and was barred from acting as an officer or director of a public company for five years.

4. The Commission's complaint alleged, among other things, that: (a) Clark deliberately mischaracterized a \$1.35 million payment by HRMI which resulted in HRMI filing materially false and misleading financial statements in the company's quarterly reports on Form 10-Q for the second and third quarters of fiscal year 2000; (b) on August 1, 2000, Clark and one of the HMO's healthcare providers, agreed that HRMI would pay the provider \$1.85 million to settle an arbitration initiated by the provider; (c) because the HMO's net worth had declined to the point that state regulators were threatening to put the HMO in receivership, Clark did not want the entire \$1.85 million payment to be categorized as an expense; (d) accordingly, Clark negotiated a "Consulting Agreement" with the provider that disguised \$1.35 million of the \$1.85 million settlement as a pre-paid retainer for consulting services that HRMI never used or needed; (e) Clark disclosed \$500,000 of the settlement, and HRMI's legal expenses, in HRMI's second quarter 2000 Form 10-Q, which was filed three weeks after the settlement was reached; (f) Clark failed, however, to disclose the \$1.35 million prepaid "retainer" in that Form 10-Q; (g) Clark finally disclosed the payment in HRMI's third quarter 2000 Form 10-Q, but improperly booked the settlement as a prepaid asset rather than as an expense; (h) in doing so, Clark materially

understated HRMI's expenses for the second quarter of 2000 and materially overstated HRMI's assets for the third quarter of 2000; and (i) Clark hid the Consulting Agreement, and the true dollar amount of the settlement, from HRMI's auditor and falsely represented to HRMI's auditor that HRMI had informed the auditor of all material contracts for the second and third quarters of 2000.

#### **IV.**

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanction agreed to in Respondent Clark's Offer.

Accordingly, it is hereby ORDERED, effective immediately, that:

Clark is suspended from appearing or practicing before the Commission as an accountant.

By the Commission.

Nancy M. Morris  
Secretary