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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA**

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

vs.

PINNFUND USA, INC., PEREGRINE
FUNDING, INC., ALLIED CAPITAL
PARTNERS, GRAFTON PARTNERS,
SIX SIGMA, LLC A/K/A 6 SIGMA, LLC,
MICHAEL J. FANGHELLA, JAMES L.
HILLMAN, RELIANCE HOLDINGS, LLC,
and KELLY COOK, A/K/A KELLY JAYE
A/K/A KELLY SPAGNOLA,

Defendants.

CASE NO. 01-CV-0496 H (LAB)

**Order Entering Final Judgment
By Default Including Permanent
Injunction, Order of
Disgorgement, Civil Penalties,
And Prejudgment Interest
Against Defendant Michael J.
Fanghella**

On May 24, 2001, the Court held a hearing on the Securities and Exchange Commission's Motion for Entry of Judgment by Default Against Defendant Michael J. Fanghella. Tom Zaccaro appeared on behalf of the Commission, Charles LaBella appeared as the court-appointed Receiver, David Osias and Debra Riley appeared as bankruptcy counsel to the Receiver, Pam Naughton appeared on behalf of defendant James Hillman, Elizabeth Burnett appeared on behalf of non-party Patrice Fanghella, and Richard Lynn specially appeared on behalf of Tom Larsen.

At the hearing, the Court determined that on a Motion for Entry of Default, the allegations in the Complaint are taken as true, and that as a result, the Commission had shown reasonable grounds for the entry of default.

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ENTERED ON 5.29.01

upon Defendant Michael J. Fanghella ("Fanghella") a Summons and Complaint in this action. Defendant Fanghella failed to file or serve an Answer or otherwise respond to the Complaint.

On April 12, 2001, the Clerk of the Court entered the Default of Defendant Fanghella pursuant to Fed. R. Civ. P. 55(a). Thereafter, Plaintiff Commission moved for entry of a final judgment by default by this Court pursuant to Fed. R. Civ. P. 55(b) with supporting papers showing service of the Summons and Complaint upon Defendant Fanghella and the subsequent failure of Defendant Fanghella to answer or otherwise respond to the Complaint. Based upon the memoranda, evidence and arguments presented with regard to the Commission's motion for entry of default judgment:

I.

IT IS HEREBY ORDERED that the Commission's Motion for entry of default judgment against Defendant Fanghella is GRANTED.

II.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant Fanghella and his agents, servants, employees and attorneys, and all persons in active concert or participation with any of them who receive actual notice of this Final Judgment by personal service or otherwise, and each of them, are permanently restrained and enjoined from, directly or indirectly, in the offer or sale of any securities, by the use of any means or instruments of transportation or communication in interstate commerce or by the use of the mails:

- A. employing any device, scheme or artifice to defraud;
- B. obtaining money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not

2 C. engaging in any transaction, practice, or course of business which
3 operates or would operate as a fraud or deceit upon the purchaser;
4 in violation of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

5 III.

6 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant
7 Fanghella and his agents, servants, employees and attorneys, and all persons in
8 active concert or participation with any of them who receive actual notice of this Final
9 Judgment by personal service or otherwise, and each of them, are permanently
10 restrained and enjoined from, directly or indirectly, in connection with the purchase or
11 sale of any security, by the use of any means or instrumentality of interstate
12 commerce, or of the mails, or of any facility of any national securities exchange:

- 13 A. employing any device, scheme, or artifice to defraud;
- 14 B. making any untrue statement of a material fact or omitting to state a
- 15 material fact necessary in order to make the statements made, in the
- 16 light of the circumstances under which they were made, not misleading;
- 17 or

18 C. engaging in any act, practice, or course of business which operates or
19 would operate as a fraud or deceit upon any person;
20 in violation of Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act")
21 [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

22 IV.

23 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant
24 Fanghella shall pay disgorgement in the amount of \$109,015,989 representing his ill-
25 gotten gains from the conduct alleged in the Complaint, plus prejudgment interest
26 thereon in the amount of \$791,366.48, calculated pursuant to 28 U.S.C. § 1961.
27 Defendant Fanghella shall pay the disgorgement and prejudgment interest by
28 cashier's check, certified check or postal money order made payable to the Securities

3 Alexandria, Virginia, 22312, under cover of a letter that identifies the defendant, the
4 name and case number of this litigation, and the court. A copy of the cover letter and
5 the check or money order shall be simultaneously transmitted to counsel for the
6 Commission at its Los Angeles office, located at 5670 Wilshire Boulevard, 11th Floor,
7 Los Angeles, California 90036.

8 **V.**

9 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant
10 Fanghella shall pay civil penalties pursuant to Section 20(d) of the Securities Act, 15
11 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3), in
12 the amount of \$110,000. Defendant Fanghella shall pay the civil penalties by
13 cashier's check, certified check or postal money order made payable to the United
14 States Treasury, and transmitted to the Comptroller, Securities and Exchange
15 Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria,
16 Virginia, 22312, under cover of a letter that identifies the defendant, the name and
17 case number of this litigation, and the court. A copy of the cover letter and the check
18 or money order shall be simultaneously transmitted to counsel for the Commission at
19 its Los Angeles office, located at 5670 Wilshire Boulevard, 11th Floor, Los Angeles,
20 California 90036.

21 **VI.**

22 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that this Court shall
23 retain jurisdiction over this action for all purposes, including to determine the liability
24 of any remaining defendants in this action, to implement and enforce the terms of this

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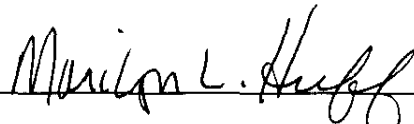
1 Final Judgment and other order and decrees which may be entered, and to grant such other
2 relief as this Court may deem necessary and just.

3 VII.

4 There being no reason for delay, the Clerk of the Court is directed, pursuant to
5 Rule 45(b) of the Federal Rules of Civil Procedure, to enter this Final Judgment and to
6 include post-judgment interest and costs as provided by law.

7 IT IS SO ORDERED.

8 DATED: 5/25/01



MARILYN L. HUFF, CHIEF JUDGE
UNITED STATES DISTRICT COURT

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