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DEC 19 2001

CLERK, U.S. DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA
[Signature]

UNITED STATES DISTRICT COURT
FOR THE 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)

FINAL JUDGMENT OF
PERMANENT INJUNCTION
AND OTHER EQUITABLE AND
LEGAL RELIEF AGAINST
DEFENDANT JAMES L.
HILLMAN

CR

Plaintiff Securities and Exchange Commission ("Commission"),
having filed and served upon Defendant James L. Hillman ("Hillman") a
Summons and Complaint in this matter and Hillman having admitted service upon
him of the Summons and Complaint in this action and the jurisdiction of this Court
over him and over the subject matter of this action; having been fully advised and
informed of his rights to a judicial determination of this matter; having waived the
entry of findings of fact and conclusions of law as provided by Rule 52 of the
Federal Rules of Civil Procedure; having consented to the entry of this Final

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1 Judgment of Permanent Injunction and Other Equitable and Legal Relief Against
2 Defendant James L. Hillman ("Judgment") without admitting or denying the
3 allegations in the Complaint, except as specifically set forth in the Consent of
4 Defendant James L. Hillman to Entry of Judgment of Permanent Injunction And
5 Other Equitable And Legal Relief ("Consent"); and it appearing that no notice of
6 hearing upon the entry of this Judgment being necessary; and the Court being
7 fully advsd in the premises, and there being no just reason for delay:

8 I.

9 IT IS ORDERED, ADJUDGED & DECREED that Hillman and his officers,
10 agents, servants, employees, attorneys, and all persons in active concert or
11 participation with any of them, who receive actual notice of this Judgment, by
12 personal service or otherwise, and each of them, are permanently restrained and
13 enjoined from, directly or indirectly:

- 14 A. making use of any means or instruments of transportation or
15 communication in interstate commerce or of the mails to sell
16 the securities of any issuer, through the use or medium of any
17 prospectus or otherwise, unless and until a registration
18 statement is in effect as to such securities;
- 19 B. carrying or causing to be carried through the mails or in
20 interstate commerce, by any means or instruments of
21 transportation, for the purpose of sale or for delivery after sale,
22 the securities of any issuer, unless and until a registration
23 statement is in effect as to such securities; and
- 24 C. making use of any means or instruments of transportation or
25 communication in interstate commerce or of the mails to offer
26 to sell or offer to buy, through the use or medium of any
27 prospectus or otherwise, the securities of any issuer, unless
28 and until a registration statement has been filed with the
Commission as to such securities, or while a registration
statement has been filed with the Commission as to such
securities, or while a registration statement as to such
securities is the subject of a refusal order or stop order or
(prior to the effective date of the registration statement) any
public proceeding or examination under Section 8 of the
Securities Act, 15 U.S.C. § 77h;

in violation of Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) &
77e(c); provided, however, that nothing in this Judgment shall apply to any

1 security or transaction which is exempt from the provisions of Section 5 of the
2 Securities Act, 15 U.S.C. § 77e.

3 II.

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

- 11 A. employing any device, scheme or artifice to defraud;
12 B. obtaining money or property by means of any untrue statement of a
13 material fact or any omission to state a material fact necessary in
14 order to make the statements made, in the light of the circumstances
15 under which they were made, not misleading; or
16 C. engaging in any transaction, practice, or course of business which
operates or would operate as a fraud or deceit upon the purchaser;

in violation of Section 17(a) of the Securities Act of 1933, 15 U.S.C. § 77q(a).

17 III.

18 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that
19 Hillman and his agents, servants, employees, and all persons in active concert or
20 participation with any of them, who receive actual notice of this Judgment by
21 personal service or otherwise, and each of them, are permanently restrained and
22 enjoined from, directly or indirectly, in connection with the purchase or sale of any
23 security, by the use of any means or instrumentality of interstate commerce, or of
24 the mails, or of any facility of any national securities exchange:

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

1 C. engaging in any act, practice, or course of business which operates
2 or would operate as a fraud or deceit upon any person;

3 in violation of Section 10(b) of the Securities Exchange Act of 1934, 15 U.S.C. §
4 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5.

5 IV.

6 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that
7 Hillman shall provide all documents in his possession, custody or control to the
8 Commission and disclose under oath all information with respect to his activities
9 and the activities of others about which the Commission or its staff may inquire or
10 request. Such production of documents and disclosure of information by Hillman
11 shall be made upon reasonable notice in writing and without service of a
12 subpoena and subject only to the good faith assertion of any privileges
13 recognizable pursuant to the provisions of Rule 501 of the Federal Rules of
14 Evidence or the United States Constitution and amendments thereto. Failure to
15 comply with the foregoing will subject Hillman to the remedies and sanctions set
16 forth in Rule 37 of the Federal Rules of Civil Procedure and all other available
17 remedies.

18 V.

19 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that
20 Hillman and shall disgorge \$67,749,192.39, representing his proceeds from the
21 conduct alleged in the Commission's First Amended Complaint, plus prejudgment
22 interest. Hillman's disgorgement obligation shall be deemed satisfied upon
23 Hillman's full performance of the material terms and conditions of the settlement
24 agreement dated December 3, 2001 by and among Charles G. La Bella, solely in
25 his capacity as the court-appointed receiver and the responsible natural person of
26 PinnFund USA, Inc. ("PinnFund"); Richard M Kipperman, solely in his capacity as
27 the Chapter 7 trustee for Allied Capital Partners, L.P., Grafton Partners, L.P., Six
28 Sigma, LLC, a.k.a. 6 Sigma, LLC and Peregrine Funding Inc. (the "Trustee");

1 Ronald G. VandenBerghe, Bruce Miller and Thomas Frame, solely in their
2 capacity as the anticipated class representatives, and Ardanz Associates Ltd.;
3 James L. Hillman and Freema Hillman (the "Settlement Agreement"), a copy of
4 which is attached hereto as Exhibit A. Any disgorgement paid by Hillman
5 pursuant to the Settlement Agreement shall be transferred to an escrow account,
6 jointly held by the Receiver and the Trustee (the "Escrow Account"). Any
7 distributions from the Escrow Account shall be subject to the Court's approval
8 upon an application filed by the Commission within sixty days from entry of this
9 Judgment.

10 VI.

11 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that
12 Defendant Hillman is assessed, and shall pay to the Commission for delivery to
13 the United States Treasury, a civil penalty in the amount of \$110,000 pursuant to
14 Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d) of the
15 Exchange Act, 15 U.S.C. § 78(u)(d)(3). Hillman shall pay the penalty within three
16 years from the date this Judgment is entered. Payment shall be made by
17 cashier's check, certified check or postal money order made payable to the
18 United States Treasury, and shall be transmitted to the Comptroller, Securities
19 and Exchange Commission, Operations Center, 6432 General Green Way, Stop
20 0-3, Alexandria, Virginia 22312, under cover of a letter that identifies the
21 defendant, the name and case number of this litigation and the name of the Court.
22 A copy of the letter and the check or money order shall be simultaneously
23 transmitted to counsel for the Commission at its Los Angeles office located at
24 5670 Wilshire Boulevard, 11th Floor, Los Angeles, CA 90036.

25 VII.

26 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that
27 Hillman's payment of disgorgement to the Receiver and/or the Trustee, or any
28 other actions taken by him to perform the material terms and Conditions of the

1 Settlement Agreement, in compliance with paragraph V of this Judgment, shall
2 not be deemed a violation of the freeze placed on his assets pursuant to Parts VI
3 and IX of the Preliminary Injunction Order and Orders: (1) Freezing Assets and
4 (2) Prohibiting Destruction of Documents as to Defendants James Hillman,
5 Peregrine Funding, Inc., Allied Capital Partners, Grafton Partners, Six Sigma
6 LLC, issued by this Court on April 25, 2001 (the "Asset Freeze"). The Asset
7 Freeze shall otherwise remain in full force and effect until such time as the court-
8 appointed Receiver or the Trustee has provided notice to the Court and to all
9 counsel of record that Hillman has fully performed the material terms and
10 conditions of Paragraphs 3(a) and 3(b) of the Settlement Agreement concerning
11 the Transfer of Assets, except (1) that Account No. 01-005956 at Summit Bank in
12 the name of Freema Hillman shall be unfrozen as of the entry of this Judgment;
13 and (2) as provided in Part VIII of this Judgment.

14 VIII.

15 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the
16 Asset Freeze on the real property located at 83 Castle Park Way, Oakland, CA
17 94611 (the "Real Property"), owned in the name of James and Freema Hillman,
18 shall remain in full force and effect until such time as Hillman pays in full the civil
19 money penalty ordered by Part VI of the Judgment, except that, notwithstanding
20 the continuation of the Asset Freeze, (1) Hillman's counsel, Sheppard Mullin
21 Richter & Hampton LLC ("SMRH"), may record a trust deed on the Real Property,
22 subordinate to the Commission's judgment lien, to secure the payment of
23 attorneys' fees; and (2) Hillman may refinance or sell the Real Property, subject
24 to the Commission's judgment lien and any trust deed recorded by SMRH, upon
25 ten days' notice to the Commission, SMRH and the Court.

26 IX.

27 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that
28 within ten days from the date of this Judgment, Hillman shall transfer to the

1 Receiver and/or the Trustee all assets, funds, and other property that is presently
2 held in foreign locations in Hillman's name, or for his benefit or under his control,
3 or over which Hillman exercises actual investment or other authority, including
4 signatory authority;

5 X.

6 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the
7 provisions of the Consent filed concurrently with this Judgment are incorporated
8 herein with the same force and effect as if fully set forth herein and that Hillman
9 shall comply with the Consent.

10 XI.

11 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that this
12 Court shall retain jurisdiction over this action to implement and enforce the terms
13 of the Judgment and other decrees that may be entered herein and to grant such
14 other relief as the Court may deem necessary and just.

15 XII.

16 There being no just reason for delay, the Clerk of the Court is hereby
17 directed, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, to enter
18 this Judgment forthwith.

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21 DATED: December 19, 2001
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25 _____
26 MARILYN L. HUFF
27 UNITED STATES DISTRICT JUDGE
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