

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES ACT OF 1933**  
**Release No. 11045 / March 28, 2022**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 94535 / March 28, 2022**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 5984 / March 28, 2022**

**INVESTMENT COMPANY ACT OF 1940**  
**Release No. 34545 / March 28, 2022**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-20805**

**In the Matter of**

**Goldstone Financial Group,  
LLC, Anthony Pellegrino, and  
Michael Pellegrino**

**Respondents.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST  
PROCEEDINGS, PURSUANT TO SECTION  
8A OF THE SECURITIES ACT OF 1933,  
SECTION 15(b) OF THE SECURITIES  
EXCHANGE ACT OF 1934, SECTIONS  
203(e), 203(f) AND 203(k) OF THE  
INVESTMENT ADVISERS ACT OF 1940,  
AND SECTION 9(b) OF THE  
INVESTMENT COMPANY ACT OF 1940,  
MAKING FINDINGS, AND IMPOSING  
REMEDIAL SANCTIONS AND A CEASE-  
AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), and Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) against Goldstone Financial Group, LLC (“GFG”); pursuant to Section 8A of the Securities Act and Sections 203(f) and 203(k) of the Advisers Act against Anthony Pellegrino; and pursuant to Section 8A of the Securities Act, Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”), Sections 203(f) and 203(k) of the Advisers Act, and Section 9(b) of the

Investment Company Act of 1940 (“Investment Company Act”) against Michael Pellegrino (collectively, the “Respondents”).

## II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Section 8A of the Securities Act of 1933, Section 15(b) of the Securities Exchange Act of 1934, Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

## III.

On the basis of this Order and Respondents’ Offers, the Commission finds<sup>1</sup> that:

### Summary

1. From at least May 2017 through June 2018, the Respondents offered and sold \$37 million of 1 Global Capital LLC (“1 Global”) securities to their advisory clients and insurance and annuity customers in unregistered transactions and did not adequately disclose to their clients the fees that they received from 1 Global. In total, Michael Pellegrino and Anthony Pellegrino, through GFG, received approximately \$1.6 million in fees from 1 Global for selling the securities.

2. 1 Global marketed its investment as a safe and secure alternative to the stock market and baselessly claimed that investing in 1 Global’s merchant cash advance business would achieve high single-digit or low double-digit annual returns. Like other 1 Global sales agents, Anthony Pellegrino and Michael Pellegrino repeated those claims to prospective investors.

3. Unbeknownst to Respondents or their clients, 1 Global’s business was a fraud. 1 Global and its chairman and chief executive officer Carl Ruderman (“Ruderman”) were misrepresenting how they were using investor money, syphoning off millions in investor funds to fund Ruderman’s luxury lifestyle and operate unrelated businesses. 1 Global’s business came to

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<sup>1</sup> The findings herein are made pursuant to Respondents’ Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

a crashing halt when it filed for bankruptcy in July 2018, leaving many of Respondents' clients and thousands of other investors with hundreds of millions of dollars in losses.

4. During the time Respondents offered and sold 1 Global securities, 1 Global did not register its securities offering with the Commission, and there was no applicable exemption for this offering.

### **Respondents**

5. GFG is an Illinois limited liability company based in Oakbrook Terrace, Illinois that has been registered with the Commission as an investment adviser since 2015.

6. Michael Pellegrino, age 47, a resident of Elgin, Illinois, is the co-founder and former principal of GFG. Michael Pellegrino was associated with GFG from its founding until November 2018 when he transferred his GFG ownership stake to Anthony Pellegrino. Michael Pellegrino was associated with a registered broker-dealer ("Broker A") from October 2012 through April 2018. Michael Pellegrino currently holds a Series 65 license and formerly held Series 6, 62 and 63 licenses. On January 26, 2021, Michael Pellegrino was sanctioned by FINRA for violating FINRA Rules 2210(d) and 2010 in connection with the 1 Global offering. *See* FINRA Letter of Acceptance, Waiver, and Consent No. 2017055120903 (Jan. 26, 2021). In connection with that matter, Michael Pellegrino was suspended from association with any FINRA-registered member firm for two months and was fined \$10,000.

7. Anthony Pellegrino, age 45, is a resident of Elmhurst, Illinois and is the co-founder of GFG. Anthony Pellegrino has been associated with GFG since its founding. Anthony Pellegrino has been the sole principal of GFG since November 2018. Anthony Pellegrino currently holds a Series 65 license and has no prior disciplinary record.

### **GFG Background**

8. From May 2017 through June 2018, (the "Relevant Period"), GFG served as investment adviser to approximately 1,050 individual retail clients, and reported approximately \$125 million of assets under management. GFG generally limited its investment advice to mutual funds, fixed income securities, real estate funds, equities, ETFs, treasury inflated protected/inflation linked bonds and non-U.S. securities. GFG received advisory fees for managing its clients' portfolios.

9. Anthony Pellegrino and Michael Pellegrino were the founders of GFG and, during the Relevant Period, served as GFG's managing principals and together controlled GFG. For the Relevant Period, Michael Pellegrino also was GFG's chief compliance and investment officer. Michael Pellegrino was responsible for reviewing and approving GFG's investment offerings, Form ADV, and Brochure. During the Relevant Period, Anthony Pellegrino and Michael Pellegrino each managed the investment portfolios of their respective clients.

10. During the Relevant Period, Michael Pellegrino was a registered representative with an SEC-registered broker-dealer, Broker A. Broker A was a registered broker-dealer until around September 2019, when its registration was cancelled for its failure to pay outstanding FINRA membership fees and to comply with a FINRA arbitration award. Broker A was unaffiliated with GFG.

### **The 1 Global Offering**

11. From 2014 until July 27, 2018, 1 Global and Ruderman fraudulently raised at least \$320 million from the sale of unregistered securities to more than 3,600 investors nationwide. 1 Global was in the business of funding merchant cash advances (“MCAs”) – short-term loans to small and medium-sized businesses. According to its marketing materials and website, 1 Global provided these businesses with an alternative source of funding to traditional bank loans and other financing methods. 1 Global funded its MCA business and operations almost entirely with money from investors, whom 1 Global referred to alternately as “Lenders” or “Syndicate Partners.”

12. For the vast majority of the four-plus years 1 Global offered and sold its investment, it used instruments entitled either a Syndication Partner Agreement (“SPA”) or a Memorandum of Indebtedness (“MOI”) as the note or contract between 1 Global and investors. The SPAs termed the investors “partners,” while the MOIs called the investors “lenders.” The only use of investor funds 1 Global specifically identified in both documents, as well as in its marketing materials, was for MCAs. After 1 Global received investor funds, it pooled and commingled them together in non-segregated 1 Global bank accounts.

13. The SPAs and MOIs had terms of either nine months or one year. While the MOI stated that it was a nine-month note, for most of the time 1 Global raised money from investors, the MOI also stated the note would automatically roll over into a new nine-month term, unless the investor expressly informed 1 Global in writing at least 30 days before the end of the nine months that he or she did not want the note to roll over.

14. 1 Global represented to investors in marketing materials it gave its sales agents to distribute – including Respondents – that it collected an average of \$1.30 to \$1.40 on each dollar it advanced in an MCA. This was the means by which 1 Global and investors both purportedly made a profit.

15. Although 1 Global sent investors monthly account statements purporting to show each investor’s account credited with interest payments, investors did not receive those payments right away. 1 Global only paid that interest when investors cashed out. Thus, the majority of investors, who allowed their investments to roll after nine months, never received interest payments and ultimately lost their principal. This practice allowed 1 Global and Ruderman to misappropriate investor funds.

16. The profitability of the 1 Global investment was derived solely from the efforts of 1 Global. Investors had no control over how Ruderman and 1 Global used their money. Investors could not and did not manage their MCA loan portfolios; it was solely up to 1 Global whether and when to use an investor's money to fund MCAs and which MCAs to fund. The success of the investment and whether an investor earned profits were solely dependent on 1 Global's decisions on MCA funding and other uses of money, as well as repayment and collection efforts.

17. 1 Global and its affiliate, 1 West Capital LLC ("1 West"), each filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the Southern District of Florida. *See* Case No. 18-19121-BK-RAM (jointly administered) (the "Chapter 11 Cases"). James Cassel, an outside, independent individual, assumed control over 1 Global and 1 West as debtors in possession in the Chapter 11 Cases (the "Debtors"), serving as the Independent Manager of the Debtors. Although styled as Chapter 11 Cases, 1 Global and 1 West ceased operations and began marshaling and liquidating assets for the benefit of harmed investors. On September 20, 2019, the Bankruptcy Court confirmed the Debtors' joint Chapter 11 plan of liquidation ("Chapter 11 Plan"), which established a liquidating trust to hold all of the assets for the benefit of, among others, harmed investors (defined in the Chapter 11 Plan as "Holders of Allowed Class 4A Claims"). Mr. Cassel was appointed as the Liquidating Trustee of the trust (the "Liquidating Trustee").

### **1 Global and Ruderman's Misrepresentations**

18. 1 Global and Ruderman's false representations to investors in marketing materials and on monthly account statements included: (a) that 1 Global would use their money to fund MCAs; (b) the monthly statements accurately disclosed the existing value of the investment; and (c) that 1 Global's supposed independent audit firm agreed with 1 Global's method of calculating investors' returns.

19. In reality, 1 Global and Ruderman used a substantial amount of investors' funds for purposes other than making MCAs, including on operations and non-MCA business transactions. In addition, Ruderman misappropriated at least \$32 million in investor funds to enrich himself as well as several companies in which he or his family members had a direct interest. This included money to help fund a family vacation to Greece, monthly payments for a Mercedes Benz, monthly American Express credit card payments, payments for Ruderman's household staff, \$4 million to his family trust, and \$1 million to one of his sons to invest in cryptocurrency.

20. Furthermore, with Ruderman's knowledge, 1 Global provided every investor with a monthly account statement that falsely showed the investor's portfolio value. The statements reflected the investor's fractional interest in a number of MCAs, and a monetary figure alternatively called "cash not yet deployed," "cash to be deployed," or "cash for future receivables." Regardless of the terminology used, the figure represented the amount of the investment that 1 Global had not yet put into MCAs and was purportedly sitting in 1 Global's bank accounts available for MCA funding.

21. However, starting no later than October 2017, the monthly account statements were false because, due in large part to Ruderman's misappropriation, they overstated by \$23 million to \$50 million the amount of cash available for investors in 1 Global's bank accounts. Because that amount was false, each account statement also was false, including overstatements of the total value of each investor's portfolio, the increase in the valuation since the original investment, and the rate of return.

22. Finally, each investor's monthly account statement falsely claimed, "Our independent audit firm . . . Daszkal Bolton L.L.P. has endorsed and agrees with the rate of return formula." However, Daszkal Bolton never audited 1 Global's financial statements or endorsed or agreed with 1 Global's rate of return formula.

### **Respondents Offered and Sold 1 Global Securities in Unregistered Transactions**

23. 1 Global recruited a network of dozens of external sales agents, including Respondents, to offer and sell securities in unregistered, non-exempt transactions. GFG was introduced to 1 Global by a professional acquaintance of Michael Pellegrino and Anthony Pellegrino in the first quarter of 2017. The professional acquaintance recommended the 1 Global investment opportunity to Michael Pellegrino and Anthony Pellegrino and referred them to an outside securities counsel for 1 Global to discuss the opportunity further. 1 Global's outside securities counsel had a number of conversations with Michael Pellegrino and Anthony Pellegrino in or around March 2017. During these conversations, he gave an overview of 1 Global's business activities and described the investment it offered – the MOI – including its terms and expected returns (high single digit to low double digit returns). 1 Global's outside securities counsel also knowingly misrepresented to Michael Pellegrino and Anthony Pellegrino that the MOI performance returns were validated by an independent accounting firm and touted the conclusions of legal opinions authored by his law partner that, among other reasons, the MOIs were not considered securities because the terms of the MOIs were 9 months or less.

24. Prior to recommending 1 Global to clients, Michael Pellegrino and Anthony Pellegrino took steps to obtain information about the 1 Global offering. They conducted internet research about 1 Global's business and executives. They also discussed the company with others at 1 Global, including 1 Global's Director of Business Development, and received and reviewed documents from 1 Global about the investment, including a list of FAQs and a PowerPoint presentation. Among other things, these materials touted the MOI's "double digit" performance returns as well as 1 Global's MCA underwriting and collection processes, specifically stating that 1 Global "has invested in the gold standard of industry underwriting tools and maintains the integrity of its approval process by putting applicants through a rigorous review." In addition, the materials stated that "[a]n external accounting firm validates [investor] portfolio performance and balances quarterly."

25. Michael Pellegrino also had communications with his registered broker-dealer, Broker A, to seek approval to sell the 1 Global MOIs as an outside business activity. After

considering the information provided by Michael Pellegrino and also conducting research on 1 Global, Broker A concluded that the 1 Global investments were not securities and approved Michael Pellegrino's sale of the MOIs as an outside business activity. Michael Pellegrino communicated Broker A's approval of 1 Global as an outside business activity to Anthony Pellegrino.

26. After receiving the information and the communications discussed in paragraphs 23-25, Michael Pellegrino approved GFG recommending the 1 Global notes to clients.

27. Michael Pellegrino and Anthony Pellegrino introduced the 1 Global investment opportunity to their existing advisory clients and insurance and annuity customers and other prospective investors through email, mailings, telephone calls, and in-person dinners. Anyone who was interested in the 1 Global opportunity subsequently met with either Michael Pellegrino or Anthony Pellegrino to discuss the investment further. At these meetings, Michael Pellegrino and Anthony Pellegrino described the terms of the 1 Global notes and their recommendation as to the appropriate allocation of the 1 Global notes as an alternative investment product for their clients' investment portfolios. Michael Pellegrino recommended a 10-20 percent allocation, while Anthony Pellegrino recommended approximately a 6 percent allocation for the 1 Global notes. Respondents forwarded the investment agreements and investment funds to 1 Global for any of their customers or clients who invested in the 1 Global notes.

28. The Respondents offered and sold 1 Global's notes to residents of various states, including Illinois, Indiana and Florida. In addition, the Respondents sold 1 Global notes to clients who were not accredited at the time of the sales, and also failed to take reasonable steps to limit sales to accredited investors.

29. During the time Respondents offered and sold 1 Global securities, the 1 Global securities offering was not registered with the Commission, and there was no applicable exemption for this offering.

30. From at least May 2017 through June 2018, Michael Pellegrino and Anthony Pellegrino each sold approximately \$18 million of 1 Global notes in unregistered transactions to a total of approximately 445 advisory clients, insurance and annuity customers, and investors without a preexisting relationship with GFG, and each received approximately \$800,000 in referral fees. Anthony Pellegrino personally invested \$300,000 and Michael Pellegrino's step-father invested \$50,000 in the 1 Global notes.

### **Respondents Did Not Adequately Disclose the Fees They Received to their Advisory Clients**

31. Michael Pellegrino and Anthony Pellegrino each executed sales agreements with 1 Global. These agreements, among other things, provided that Michael Pellegrino and Anthony Pellegrino would receive a referral fee equal to 3 percent of each of their client's initial investment in 1 Global notes. Advisory clients who invested in the 1 Global notes also were provided and were required to execute a MOI Statement of Understanding, which was approved

for use by Michael Pellegrino. This document reviewed the terms of the notes. From May 2017 through approximately February 2018, this document did not disclose the fees Michael Pellegrino and Anthony Pellegrino received from 1 Global for recommending the notes to advisory clients.

32. During most of the Relevant Period, GFG's Form ADV Brochure represented that it did not accept any compensation for the sales of securities or other investment products other than asset management fees, but failed to disclose that Michael Pellegrino and Anthony Pellegrino would receive a referral fee from 1 Global for recommending the notes. The written disclosure of the 1 Global referral fees would have been important to these clients in deciding whether to invest in the 1 Global notes.

33. In March 2018, GFG's MOI Statement of Understanding and Form ADV Brochure were revised to disclose that GFG was paid a fee for referring clients to 1 Global.

### **Respondents' Actions After Discovery of the Fraud**

34. After 1 Global filed for bankruptcy, GFG provided funds to facilitate a settlement with all of its 1 Global investors, returning all the referral fees received from 1 Global plus an additional sum of almost \$700,000. To fund this global settlement, Anthony Pellegrino contributed approximately \$1.3 million out of his personal funds, and GFG litigated claims against GFG's insurer, which resulted in an additional payment of \$1 million to GFG clients. GFG also retained bankruptcy counsel at its expense to assist its clients to file proofs of claim in the 1 Global bankruptcy.

35. Additionally, GFG hired a new chief compliance officer in August 2018 after Michael Pellegrino resigned from the position, and has created a due diligence committee to review and approve new investment products and has revised relevant policies and procedures, including to strictly prohibit any GFG adviser or staff from soliciting, receiving compensation, or providing advice regarding unregistered securities.

### **Violations**

36. As a result of the conduct described above, Respondents willfully violated Section 206(2) of the Advisers Act, which prohibits any investment adviser from engaging "in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client." Scienter is not required to establish a violation of Section 206(2), but may rest on a finding of negligence. *SEC v. Steadman*, 967 F.2d 636, 643 n.5 (D.C. Cir. 1992) (citing *SEC v. Capital Gains Research Bureau, Inc.*, 375 U.S. 180, 194-195 (1963)).

37. As a result of the conduct described above, Respondents willfully violated Section 5(a) of the Securities Act, which states that "[u]nless a registration statement is in effect as to a security, it shall be unlawful for any person, directly or indirectly, (1) to make use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell such a security through the use or medium of any prospectus or otherwise; or (2) to carry or cause



to be carried through the mails or in interstate commerce, by any means or instruments of transportation, any such security for the purpose of sale or for delivery after sale.”

38. As a result of the conduct described above, Respondents willfully violated Section 5(c) of the Securities Act, which states that “[i]t shall be unlawful for any person, directly or indirectly, to make use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise any security, unless a registration statement has been filed as to such security.”

### **Respondents’ Remedial Efforts**

39. In determining to accept the Offer, the Commission considered voluntary remedial acts promptly undertaken by Respondents and cooperation afforded the Commission staff.

### **Undertakings**

40. Respondent GFG has undertaken to:

A. Within 30 days of the entry of this Order, GFG shall send a copy of this Order to each of its investment advisory clients via mail, email or such other method not unacceptable to the Commission staff, together with a cover letter in a form not unacceptable to the Commission staff.

B. Retain, within 30 days of entry of this Order, the services of an independent compliance consultant (“Independent Consultant”) not unacceptable to the staff of the Commission for a one-year term and provide a copy of this Order to the Independent Consultant. No later than 10 days following the date of the Independent Consultant’s engagement, GFG shall provide the Commission staff with a copy of the engagement letter detailing the Independent Consultant’s responsibilities, which shall include the reviews and reports to be made by the Independent Consultant as set forth in this Order. The Independent Consultant’s compensation and expenses shall be borne exclusively by GFG.

C. Require the Independent Consultant to:

- 1) Within 90 days of the entry of this Order, evaluate, update, and review for the effectiveness of their implementation, all of GFG’s disclosures, policies, procedures, systems, and internal controls (including, but not limited to, its written supervisory and compliance policies and procedures, Code of Ethics, regulatory filings, previous and ongoing regulatory interactions and examinations, and applicable risk matrices) with respect to (i) initial and ongoing product due diligence and selection, (ii) preventing conflicts of interest in violation of the federal securities

laws; (iii) the accuracy of disclosures provided to clients and prospective clients, including but not limited to third party disclosure documents, and (iv) marketing and advertising materials;

- 2) Within 120 days of entry of this Order, submit a written and dated report to GFG and the Commission staff that shall include a description of the review performed, the names of the individuals who performed the review, the Independent Consultant's findings and recommendations for changes or improvements to the disclosures, policies, procedures, systems, and internal controls, and a procedure for implementing the recommended changes and improvements; and
- 3) within 210 days of the entry of this Order, conduct training for all GFG personnel to promote compliance with GFG's policies, procedures, systems, and internal controls with respect to: (i) initial and ongoing product due diligence and selection, (ii) preventing conflicts of interest in violation of the federal securities laws; (iii) the accuracy of disclosures provided to clients and prospective clients, including but not limited to third party disclosure documents, and (iv) marketing and advertising materials.

D. Adopt, within 150 days of entry of this Order, all recommendations contained in Independent Consultant's report, provided, however, that within 180 days after the entry of this Order, GFG shall in writing advise the Independent Consultant and the Commission staff of any recommendations that it considers to be unduly burdensome, impractical, or inappropriate. With respect to any recommendation that GFG considers to be unduly burdensome, impractical, or inappropriate, GFG need not adopt that recommendation at that time but shall instead propose in writing an alternative policy or procedure designed to achieve the same objective or purpose as that recommended by the Independent Consultant. GFG shall engage in good faith negotiation with the Independent Consultant in an effort to reach agreement on any recommendations objected to by GFG. In the event that GFG and the Independent Consultant are unable to agree on an alternative proposal within 30 days of GFG's objection to any recommendation, GFG shall abide by the determination of the Independent Consultant.

E. Cooperate fully with the Independent Consultant and shall provide the Independent Consultant with access to such of its files, books, records and personnel as reasonably requested for the Independent Consultant's review, including access by on-site inspection.

F. To ensure the independence of the Independent Consultant, GFG (1) shall not have the authority to terminate the Independent Consultant or substitute another independent compliance consultant for the initial Independent Consultant without prior written approval of

the Commission staff; and (2) shall compensate the Independent Consultant and persons engaged to assist the Independent Consultant for services rendered pursuant to this Order at their reasonable and customary rates.

G. GFG shall not be in, and shall not have an attorney-client relationship with the Independent Consultant and shall not seek to invoke the attorney-client privilege or any other doctrine of privilege to prevent the Independent Consultant from transmitting any information, reports, or documents to the Commission staff.

H. For good cause shown, the Commission staff may extend any of the procedural dates relating to the undertakings. Deadlines for procedural dates shall be counted in calendar days, except that if the last day falls on a weekend or federal holiday, the next business day shall be considered to be the last day.

I. Require the Independent Consultant to enter into an agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the Independent Consultant shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with GFG, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity. The agreement will also provide that the Independent Consultant will require that any firm with which he/she is affiliated or of which he/she is a member, and any person engaged to assist the Independent Consultant in performance of his/her duties under this Order shall not, without prior written consent of the Chicago Regional Office of the Commission, enter into any employment, consultant, attorney-client, auditing or other professional relationship with GFG, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

J. The reports by the Independent Consultant will likely include confidential financial, proprietary, competitive business or commercial information. Public disclosure of the reports could discourage cooperation, impede pending or potential government investigations or undermine the objectives of the reporting requirement. For these reasons, among others, the reports and the contents thereof are intended to remain and shall remain non-public, except (1) pursuant to court order, (2) as agreed to by the parties in writing, (3) to the extent that the Commission determines in its sole discretion that disclosure would be in furtherance of the Commission's discharge of its duties and responsibilities, or (4) is otherwise required by law.

K. Within 240 days of entry of the Order, certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and GFG agrees to provide such evidence. The certification and supporting material shall be submitted to Steven L. Klawans, Division of Enforcement, Securities and Exchange Commission, 175 West Jackson Boulevard, Suite 1450, Chicago, Illinois 60604 no later than 60 days from the date of the completion of the undertakings.

#### IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents' Offers.

Accordingly, pursuant to Section 8A of the Securities Act, Section 15(b) of the Exchange Act, Sections 203(e), 203(f) and 203(k) of the Advisers Act, and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondents cease and desist from committing or causing any violations and any future violations of Sections 5(a) and (c) of the Securities Act and Section 206(2) of the Advisers Act.

B. Michael Pellegrino be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization;

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter; and

barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

C. Any reapplication for association by Michael Pellegrino will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, compliance with the Commission's order and payment of any or all of the following: (a) any disgorgement or civil penalties ordered by a Court against the Respondent in any action brought by the Commission; (b) any disgorgement amounts ordered against the Respondent for which the Commission waived payment; (c) any arbitration award related to the conduct that served as the basis for the Commission order; (d) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (e) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

D. GFG and Anthony Pellegrino are censured.

E. GFG shall, within 14 days of the entry of this Order, pay a civil money penalty in the amount of \$70,000 to the Liquidating Trustee for distribution in accordance with the Chapter 11 Plan as Third-Party Recoveries (as defined in the Chapter 11 Plan) directly to Holders of Allowed Class 4A Claims (as defined in the Chapter 11 Plan), and for no other use. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to 1 GC Collections Creditors' Liquidating Trust, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may pay by certified check or bank cashier's check, made payable to the 1 GC Collections Creditors' Liquidating Trust and hand-delivered or mailed to:

1 GC Collections Creditors' Liquidating Trust  
c/o Development Specialists, Inc.  
500 West Cypress Creek Road, Suite 400  
Fort Lauderdale, FL 33309

Payments by check must be accompanied by a copy of this Order and a cover letter identifying GFG as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check must be simultaneously sent to Steven Klawans, Division of Enforcement, Securities and Exchange Commission, 175 West Jackson Boulevard, Suite 1450, Chicago, Illinois 60604. If the payment is transmitted electronically, the Respondent making the payment must, within 3 business days of making the payment, send a copy of the electronic payment receipt, along with a cover letter identifying the paying Respondent as a Respondent in these proceedings and the file number of these proceedings, to Steven Klawans, Division of Enforcement, Securities and Exchange Commission, 175 West Jackson Boulevard, Suite 1450, Chicago, Illinois 60604.

F. Anthony Pellegrino shall, within 14 days of the entry of this Order, pay a civil money penalty in the amount of \$30,000 to the Liquidating Trustee for distribution in accordance with the Chapter 11 Plan as Third-Party Recoveries (as defined in the Chapter 11 Plan) directly to Holders of Allowed Class 4A Claims (as defined in the Chapter 11 Plan), and for no other use. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to 1 GC Collections Creditors' Liquidating Trust, which will provide detailed ACH transfer/Fedwire instructions upon request;

- (2) Respondent may pay by certified check or bank cashier's check, made payable to the 1 GC Collections Creditors' Liquidating Trust and hand-delivered or mailed to:

1 GC Collections Creditors' Liquidating Trust  
c/o Development Specialists, Inc.  
500 West Cypress Creek Road, Suite 400  
Fort Lauderdale, FL 33309

Payments by check must be accompanied by a copy of this Order and a cover letter identifying Anthony Pellegrino as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check must be simultaneously sent to Steven Klawans, Division of Enforcement, Securities and Exchange Commission, 175 West Jackson Boulevard, Suite 1450, Chicago, Illinois 60604. If the payment is transmitted electronically, the Respondent making the payment must, within 3 business days of making the payment, send a copy of the electronic payment receipt, along with a cover letter identifying the paying Respondent as a Respondent in these proceedings and the file number of these proceedings, to Steven Klawans, Division of Enforcement, Securities and Exchange Commission, 175 West Jackson Boulevard, Suite 1450, Chicago, Illinois 60604.

G. Michael Pellegrino shall, within 14 days of the entry of this Order, pay a civil money penalty in the amount of \$50,000 to the Liquidating Trustee for distribution in accordance with the Chapter 11 Plan as Third-Party Recoveries (as defined in the Chapter 11 Plan) directly to Holders of Allowed Class 4A Claims (as defined in the Chapter 11 Plan), and for no other use. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to 1 GC Collections Creditors' Liquidating Trust, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may pay by certified check or bank cashier's check, made payable to the 1 GC Collections Creditors' Liquidating Trust and hand-delivered or mailed to:

1 GC Collections Creditors' Liquidating Trust  
c/o Development Specialists, Inc.  
500 West Cypress Creek Road, Suite 400  
Fort Lauderdale, FL 33309

Payments by check must be accompanied by a copy of this Order and a cover letter identifying Michael Pellegrino as a Respondent in these proceedings, and the file number of

these proceedings; a copy of the cover letter and check must be simultaneously sent to Steven Klawans, Division of Enforcement, Securities and Exchange Commission, 175 West Jackson Boulevard, Suite 1450, Chicago, Illinois 60604. If the payment is transmitted electronically, the Respondent making the payment must, within 3 business days of making the payment, send a copy of the electronic payment receipt, along with a cover letter identifying the paying Respondent as a Respondent in these proceedings and the file number of these proceedings, to Steven Klawans, Division of Enforcement, Securities and Exchange Commission, 175 West Jackson Boulevard, Suite 1450, Chicago, Illinois 60604.

H. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, a Fair Fund is created for the penalties referenced in paragraphs E, F, and G above. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of civil penalties in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent(s) by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

I. GFG shall comply with the undertakings enumerated in Paragraph 40 above.

## V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the findings in this Order are true and admitted by Anthony Pellegrino and Michael Pellegrino, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Anthony Pellegrino and Michael Pellegrino under this Order or any other judgment, order, consent order, decree or settlement

agreement entered in connection with this proceeding, is a debt for the violation by Anthony Pellegrino and Michael Pellegrino of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Vanessa A. Countryman  
Secretary