

NEWS RELEASE



OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA San Diego, California

***United States Attorney
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For Immediate Release

NEWS RELEASE SUMMARY - January 24, 2005

Keith G. Grubba, former President of PinnFund, USA., Inc., was today sentenced in U.S. District Court in San Diego by the Honorable Marilyn L. Huff to serve 63 months in custody, followed by five years of supervised release, for his critical role in the perpetration of the PinnFund Ponzi scheme. He was also ordered to pay restitution in the amount of \$187,665,543, less any amounts recovered by the government and the court-appointed receiver for the company. In January 2003, Grubba pled guilty to one count of conspiracy to commit wire fraud, one count of conspiracy to commit money laundering, three counts of tax evasion, and one count of filing a false statement with the Department of Housing and Urban Development. He also agreed to cooperate with authorities in the investigation and prosecution of other coconspirators.

In total, the defendant and his coconspirators fraudulently obtained over \$330 million in investor funds, rendering it one of the largest fraud schemes in the history of the Southern District of California. Former PinnFund Chief Executive Officer Michael Fanghella and former Chief Financial Officer John Garitta have also pled guilty to charges similar to those to which Grubba pled guilty. Fanghella was previously

sentenced to 120 months in prison. United States Attorney Carol C. Lam said, “Corporate executives should know that they will pay a price for stealing from investors.”

Garitta is scheduled to be sentenced before Judge Huff on March 7, 2005 at 9:00 a.m.

DEFENDANT

Keith G. Grubba

SUMMARY OF CHARGES AND MAXIMUM PENALTIES

- Count 1: Conspiracy – Title 18, United States Code, Section 371
5 years’ imprisonment; \$250,000 fine
- Count 2: Conspiracy to commit money laundering – Title 18, United States Code, Sections 1956(h) and 1956(a)(1)(A)(i)
20 years’ imprisonment; fine of twice the value of funds involved
- Counts 3-6: Tax evasion – Title 26, United States Code, Section 7201
5 years’ imprisonment; \$250,000 fine
- Count 7: False entry – Title 18, United States Code, Section 1006
30 years’ imprisonment, \$1,000,000 fine

INVESTIGATING AGENCIES

Federal Bureau of Investigation
Internal Revenue Service – Criminal Investigation
Department of Housing and Urban Development, Office of the Inspector General