

E-filing

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN JOSE DIVISION

FILED

SEP 18 2013

RICHARD W. WIEKING  
CLERK, U.S. DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN JOSE

THE UNITED STATES OF AMERICA

vs.

MELVIN RUSSELL "RUSTY" SHIELDS,  
MICHAEL SIMS, and SAM STAFFORD

SUPERSEDING INDICTMENT

\*SEE ATTACHMENT\*

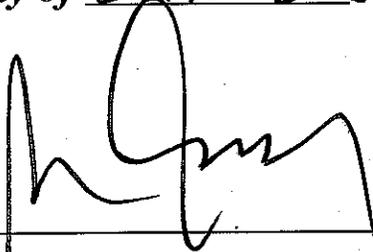
*A true bill.*



*Foreperson*

Filed in open court this 18~~th~~ day of SEPTEMBER

A.D. 2013



UNITED STATES MAGISTRATE JUDGE

Bail \$ \_\_\_\_\_

**ATTACHMENT TO INDICTMENT COVER SHEET**

**U.S.**

**v.**

**MELVIN RUSSELL "RUSTY" SHIELDS,  
MICHAEL SIMS, and  
SAM STAFFORD,**

**COUNT ONE:** (18 U.S.C. § 1349 – Conspiracy to Commit Wire, Mail, and Bank Fraud)

**COUNTS TWO THROUGH TWENTY:** (18 U.S.C. § 1343 - Wire Fraud; 18 U.S.C. § 2 Aiding and Abetting)

**COUNT TWENTY-ONE:** (18 U.S.C. § 1341 – Mail Fraud; 18 U.S.C. § 2 – Aiding and Abetting)

**COUNTS TWENTY-TWO TO TWENTY-EIGHT:** (18 U.S.C. § 1344 – Bank Fraud; 18 U.S.C. § 2 – Aiding and Abetting)

**COUNTS TWENTY-NINE THROUGH THIRTY-FIVE:** (18 U.S.C. § 1014 – Making A False Statement to a Bank; 18 U.S.C. § 2 – Aiding and Abetting)

**COUNTS THIRTY-SIX THROUGH FORTY:** (15 U.S.C. §§ 78j(b) and 78ff; 17 C.F.R. §§ 240.10b-5 – Securities Fraud; 18 U.S.C. § 2 Aiding and Abetting)

E-filing

1 MELINDA HAAG (CABN 132612)  
United States Attorney

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RICHARD W. WIEKING  
CLERK, U.S. DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN JOSE

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN JOSE DIVISION

UNITED STATES OF AMERICA, )  
 )  
Plaintiff, )  
 )  
v. )  
 )  
MELVIN RUSSELL "RUSTY" SHIELDS, )  
MICHAEL SIMS, and )  
SAM STAFFORD, )  
 )  
Defendants. )

No. CR 12-00410 RMW

VIOLATIONS:

18 U.S.C. § 1349 (Conspiracy); 18 U.S.C. § 1343 (Wire Fraud); 18 U.S.C. § 1341 (Mail Fraud); 18 U.S.C. § 1344 (Bank Fraud); 18 U.S.C. § 1014 (Making A False Statement to a Bank); 15 U.S.C. §§ 78j(b) and 78ff, 17 C.F.R. §§ 240.10b-5 and 240.10b5-2; (Securities Fraud); 18 U.S.C. § 2 (Aiding and Abetting); 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c) (Forfeiture Allegation)

SUPERSEDING INDICTMENT

The Grand Jury charges:

COUNT ONE: (18 U.S.C. § 1349 – Conspiracy to Commit Wire, Mail, and Bank Fraud)

At all times relevant to this Superseding Indictment:

Relevant Entities and Individuals

1. S3 Partners LLC was a Nevada limited liability real estate development company with its principal place of business in the Northern District of California. The three founders of S3 Partners were Melvin Russell "Rusty" Shields ("Shields"), Michael Sims ("Sims"), and Sam Stafford ("Stafford") (hereinafter collectively referred to as "the S3 Partners"). The S3 Partners

SUPERSEDING INDICTMENT

1 conducted business out of a variety of locations including San Jose, Campbell, and Palo Alto,  
2 California, and Hickory, North Carolina.

3 2. Beginning in 2006, the S3 Partners solicited individual investors and banks to  
4 provide them money for one or more of several S3 real estate development projects. For each  
5 project the S3 Partners formed a limited liability corporation (LLC) and opened a bank account  
6 in the name of the LLC to receive investor funds. The S3 Partners collectively controlled various  
7 S3 Partners real estate development projects, affiliated entities, and financial accounts.

8 3. The S3 Partners directed investors and banks to wire money to the S3 Partners or  
9 their affiliated entities. After the S3 Partners received the funds, they would often provide S3  
10 investors with a promissory note and an operating agreement for the specific S3 project in which  
11 they invested. In many instances, the S3 Partners represented to individual investors that they  
12 were purchasing securities, namely shares in an S3 Partners-affiliated LLC related to a specific  
13 S3 Partners real estate development project.

14 4. Shields, a resident of Granite Falls, North Carolina, was the S3 Partner who had  
15 primary financial control over the S3 bank accounts and directed the flow of investor money.  
16 Shields falsely represented himself to investors as a successful international hedge fund manager.  
17 Shields was convicted of felony larceny in 1986, and also filed for Chapter 7 bankruptcy in 1999.  
18 Shields arranged for numerous S3 Partners-related bank accounts to be opened, including but not  
19 limited to accounts in the name of S3 Partners, accounts in the name of the LLCs affiliated with  
20 many of S3 Partners' real estate development projects, and accounts in the name of what Shields  
21 represented was his charitable foundation, the Shield Foundation.

22 5. Michael Sims, a resident of Gilroy, California, was the S3 Partner designated to  
23 do most of the fundraising for the various S3 real estate development projects. Through  
24 conferences, seminars, referrals, and dinner meetings, Sims and the other S3 Partners attracted  
25 potential investors and solicited them to invest large sums of money from their savings, home  
26 equity loans, and individual retirement accounts. Sims directed the investors where to send their  
27 investments and then provided a signed promissory note as well as an operating agreement  
28 pertaining to the project in which they invested. Sims signed promissory notes and operating

1 agreements as a manager of S3 Partners and affiliated entities. Sims was also the owner-operator  
2 of several financial planning and insurance companies located in San Jose—Golden Crest Wealth  
3 Management, Golden Crest Insurance Services, Inc., and Exchange Advantage LLC. The  
4 California Department of Real Estate suspended Sims' real estate license indefinitely in 1978.  
5 Sims also filed for Chapter 13 bankruptcy in 1994.

6           6. Sam Stafford, a resident of Campbell, California, was the S3 Partner designated to  
7 take the lead on real estate development. Stafford represented himself to be a certified  
8 construction manager with a long history of successful real estate developments. Stafford  
9 claimed to oversee the development of S3's real estate development projects. Stafford was the  
10 owner-operator of the real estate development company Alaris Development. Stafford also  
11 participated in S3 investor seminars and conferences and personally met with a number of  
12 investors to solicit their money, explain real estate development project details, and promise high  
13 rates of return. Stafford signed many operating agreements and promissory notes as a S3 Partner,  
14 and also as the manager of numerous S3-related LLCs. Stafford also controlled a company  
15 named Pierce Arrow Investors LLC, which was used to receive certain payments from S3  
16 investors.

17           7. From 2006 to 2009, the S3 Partners represented to individual investors and banks  
18 that the S3 Partners were involved with numerous real estate development projects, including but  
19 not limited to the Stagecoach Project (including Stagecoach Retail and Stagecoach Village), the  
20 Sonterra Project, the Alafia Village Project, the Oakmont Project (including properties at 3010  
21 Oakmont Drive and 3014 Oakmont Drive), the Centra Palm Court Project, and the Marengo  
22 Ranch Project.

23           8. The S3 Partners' scheme targeted individual investors in the Northern District of  
24 California and elsewhere throughout the United States, including but not limited to the following  
25 individuals who were defrauded into investing into the following S3 projects: investor M.S.  
26 (Sonterra, Stagecoach); investor D.S. (Sonterra, Stagecoach); investor M.N. (Stagecoach)  
27 investor R.H. (Alafia, Stagecoach); investor M.H. (Alafia, Stagecoach); investor M.W.  
28 (Sonterra); investor A.W. (Sonterra); investor P.W. (Alafia); investor L.W. (Alafia); investor

1 M.K. (Stagecoach); investor J.C. (Stagecoach); investor K.S. (Sonterra); investor S.K. (Alafia,  
2 Stagecoach); investor J.K. (Alafia, Stagecoach); investor J.T. (Stagecoach); investor E.T.  
3 (Stagecoach); investor X.O'M. (Oakmont); and investor K.P. (Oakmont).

4 9. The FEDWIRE system was an electronic funds transfer and book-entry securities  
5 transfer service that linked twelve Federal Reserve Banks with approximately 10,000 depository  
6 institutions nationwide. Every funds transfer sent through FEDWIRE automatically triggers an  
7 electronic wire communication to the Funds Transfer Host Application located in East  
8 Rutherford, New Jersey, for registration before being transferred to its final destination.

9 S3 Partners and the Stagecoach Retail Project

10 10. In approximately January 2007, the S3 Partners began a real estate development  
11 project that they named the Stagecoach Retail Project. The Stagecoach Retail Project was to  
12 have included retail store tenant units located within the Stagecoach Village shopping center  
13 development near Phoenix, Arizona. To facilitate the Stagecoach Retail Project, the S3 Partners  
14 established Stagecoach Retail LLC, a limited liability company.

15 11. The S3 Partners recruited individual investors to invest in the Stagecoach Retail  
16 Project by representing that (A) their money would go only to the Stagecoach Retail Project; (B)  
17 the tenant units in the Stagecoach Retail Project were almost fully completed; and (C) investor  
18 funds were safe and secure because, among other reasons, investors would own the land and  
19 buildings on which the Stagecoach Retail Project was to be located. Based on these  
20 representations, investors provided the S3 Partners with approximately \$2.4 million to invest in  
21 the Stagecoach Retail Project. In exchange for their investments, several Stagecoach investors  
22 received from the S3 Partners securities in the form of shares of Stagecoach Retail LLC.

23 12. The S3 Partners also received over \$4 million from an FDIC-insured bank in  
24 connection with the Stagecoach Retail Project. In approximately December 2007, Stagecoach  
25 Retail LLC obtained a bank loan from First Savings Bank, purportedly to purchase the tenant  
26 units and facilitate the completion of the Stagecoach Retail Project. The First Savings Bank loan  
27 contract had a construction portion designating that over \$1 million of the loan proceeds would  
28 be used to fund the construction of Stagecoach tenant units and improvements. The S3 Partners

1 obtained financial draws on the First Savings Bank loan by submitting fraudulent invoices falsely  
2 stating that certain construction work and property improvements had been completed on the  
3 Stagecoach Retail Project.

4 13. In reality, the S3 Partners used only a portion of Stagecoach investor and bank  
5 loan funds on the Stagecoach Retail Project. The S3 Partners diverted the remainder of  
6 Stagecoach Retail investor and bank loan funds (without the knowledge or permission of those  
7 investors or banks) for other S3 real estate development projects as well as for the S3 Partners'  
8 personal use, their personal business ventures, and other unauthorized uses. The S3 Partners only  
9 owned a small percentage of the land and buildings on which the Stagecoach Retail Project was  
10 to have been located. The S3 Partners did not complete the retail tenant units within the  
11 Stagecoach Retail Project as promised, and First Savings Bank ultimately was forced to  
12 foreclose. The failure of the S3 Stagecoach Retail project cost individual investors and First  
13 Savings Bank over \$4 million in losses.

#### 14 S3 Partners and the Sonterra Project

15 14. In or before July 2007, the S3 Partners began recruiting investors for a real estate  
16 development project that they named the Sonterra Project. The Sonterra Project was to have  
17 been developed as a 130-acre mixed-use retail center located near Austin, Texas. To facilitate  
18 the Sonterra Project, the S3 Partners established Sonterra Retail Center LLC, a Texas limited  
19 liability company.

20 15. The S3 Partners recruited individual investors to invest in the Sonterra Project by  
21 representing that (A) their money would go only to the Sonterra Project; and (B) investor funds  
22 were safe and secure because, among other reasons, investors would own the land on which the  
23 Sonterra Project was located. Based on these representations, individual investors provided the  
24 S3 Partners with over \$1 million that was to be used on the Sonterra Project. In exchange for  
25 their investments, several Sonterra investors received from the S3 Partners securities in the form  
26 of shares of Sonterra Retail Center LLC.

27 16. In reality, the S3 Partners used less than half of Sonterra investor funds to obtain  
28 only an option to buy the property on which the Sonterra Project was to have been developed.

1 The S3 Partners diverted the remainder of Sonterra investor funds (without the knowledge or  
2 permission of those investors) for the S3 Partners' personal use, their personal business ventures,  
3 and other unauthorized uses. The S3 Partners did not exercise their original option to purchase  
4 the Sonterra property, and the option expired. The Sonterra project ultimately failed, resulting in  
5 a total loss to investors.

#### 6 S3 Partners and the Alafia Village Project

7 17. In approximately June 2007, the S3 Partners began a real estate development  
8 project that they named the Alafia Village Project. The Alafia Village Project was to have been a  
9 development located near Tampa, Florida, serving the elderly community. To facilitate the  
10 Alafia Village Project, the S3 Partners established Kingsmen Alf Group LLC, a Florida limited  
11 liability company.

12 18. The S3 Partners recruited individual investors to invest in the Alafia Village  
13 Project by representing that (A) their money would go only to the Alafia Village Project; (B)  
14 investor funds were safe and secure because, among other reasons: (1) the S3 Partners owned  
15 free of liens the land on which the Alafia Village Project was to be located; (2) individual  
16 investors would be able to become tenants-in-common in the Alafia Health Care Center, a  
17 valuable existing property located at 3918 S Kings Avenue in Brandon, Florida; and (3) the S3  
18 Partners had obtained valuable pre-construction "entitlements" such as necessary permits and  
19 land use approvals that increased the Alafia Village Project's likelihood of success. Based on  
20 these representations, investors provided the S3 Partners with approximately \$1 million that was  
21 to have been used on the Alafia Village Project.

22 19. In reality, the S3 Partners used only a portion of Alafia investor funds on the  
23 Alafia Village Project. The S3 Partners diverted the remainder of Alafia investor funds (without  
24 those investors' knowledge or permission) for the S3 Partners' personal use, their personal  
25 business ventures, and other unauthorized uses. Unbeknownst to individual Alafia investors,  
26 Shields also caused approximately \$450,000 in additional bank debt to be assumed on the Alafia  
27 Village Project from Florida Capital Bank, then failed to keep up with payments on this  
28 additional debt. The S3 Partners never obtained valuable pre-construction entitlements for the

1 Alafia Village Project. The Alafia Village Project ultimately failed, resulting in a near-total loss  
2 to individual investors.

3 S3 Partners and the Oakmont Project

4 20. In December 2006, the S3 Partners purchased for approximately \$3 million a  
5 multi-unit residential estate located on 3010 Oakmont Drive in Clearwater, Florida (“the  
6 Oakmont Property”). This original purchase price of approximately \$3 million consisted of  
7 approximately \$2 million from individual investors, as well as approximately \$1 million in seller  
8 financing. To facilitate that original purchase, the S3 Partners had established Oakmont LLC, a  
9 Florida limited liability company, which held actual title to the Oakmont Property.

10 21. A straw buyer is a person who allows his or her name, identifiers, and credit rating  
11 to be used to secure a mortgage for the purchase of real property. The straw buyer generally  
12 understands that he or she will neither occupy the property nor make payments on the loan. The  
13 straw buyer is generally paid a fee by someone who either intends to flip the property or use the  
14 loan to launder illicit funds.

15 22. Starting in October 2007, the S3 Partners arranged for a straw buyer to seek to  
16 purchase the Oakmont Property from them for approximately \$4 million. The straw buyer sought  
17 to obtain an approximately \$2.4 million mortgage loan from FDIC-insured Century Bank to  
18 enable him to purchase the Oakmont Property for approximately \$4 million. The S3 Partners  
19 assisted the straw buyer in filling out the mortgage loan application. After reviewing the  
20 completed mortgage loan application, Century Bank requested additional information justifying  
21 why the Oakmont Property had supposedly appreciated \$1 million since the S3 Partners had  
22 originally purchased it less than a year earlier. The S3 Partners and others acting on their behalf  
23 then provided, through a real estate broker to Century Bank, invoices that falsely claimed that  
24 certain improvements had been completed on the Oakmont Property. These included but were  
25 not limited to invoices falsely claiming that the following entities had made certain  
26 improvements to the Oakmont Property: CCI Telecom; Mathis Music, Studio Louise; Bentley  
27 Electric; Carlson Custom Building; Evans Construction Company; Mosquito-Shield; Keller’s  
28 Heating and Air; Sunrise Appliance and TV; Finicky Window Cleaning; McLaughlin Plumbing;



MELVIN RUSSELL "RUSTY" SHIELDS,  
MICHAEL SIMS, and  
SAM STAFFORD,

(A) did knowingly conspire and agree to execute, and to attempt to execute, a material scheme and artifice (1) to defraud as to a material matter, and (2) to obtain money by means of materially false and fraudulent pretenses, representations, and promises, and (B) for the purpose of executing such scheme and artifice and attempting to do so (1) did knowingly cause to be transmitted in interstate commerce by a wire communication certain writings, signs, signals, in violation of Title 18, United States Code, Section 1343; (2) did knowingly cause matters and things to mailed and delivered by the United States Postal Service and through a commercial interstate carrier, in violation of Title 18, United States Code, Section 1341; and (3) did knowingly obtain money owned by and under the custody or control of, a financial institution, in violation of Title 18, United States Code, Section 1344.

26. Beginning in or about 2006, and continuing through in or about 2009, Shields, Sims, and Stafford engaged in a scheme, plan and artifice to defraud, and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises by making materially false statements and failing to disclose and concealing material facts. Individual investors and banks entrusted Shields, Sims, and Stafford with a total of over \$21 million, but Shields, Sims, and Stafford failed to invest significant portions of those funds in the manner promised, instead converting millions of dollars of individual investor and bank money for their personal benefit, their personal business ventures, and other unauthorized purposes.

27. Shields, Sims, and Stafford made false and misleading statements to private individual investors and banks using, among other things, investment documents, loan documents, account statements, interest payments, electronic mails, construction invoices, and verbal communications. Shields, Sims, and Stafford created the false and misleading appearance that both private individual investor and bank funds were being applied to sound, secured real estate development projects that offered high rates of returns.

28. It was part of the scheme to defraud that, among other conduct, Shields, Sims and Stafford:

**SUPERSEDING INDICTMENT**

1 (A) Falsely represented to investors and banks that they could choose which S3  
2 Partners real estate development project they would invest in, and that their money would be  
3 used only on that particular project, when in fact, Shields, Sims, and Stafford did not use investor  
4 funds only for the particular projects in which they had invested, but instead diverted those  
5 investors money without their permission or knowledge to other S3 Projects, the S3 Partners'  
6 personal benefit, the S3 Partners' personal business ventures and other unauthorized purposes.

7 (B) Held investor meetings at which, among other things, Shields, Sims and Stafford  
8 lulled investors by making materially false statements, and failing to disclose and concealed  
9 material information as to how the S3 Partners would treat investor funds, the security of those  
10 funds, and the status of S3 Partners projects.

11 (C) Falsely represented to investors that there was minimal to no risk in investing with  
12 S3 Partners because investor funds were safe and secured by (1) an ownership portion in valuable  
13 land; and (2) a valuable ownership percentage in an S3 property or development; when in fact,  
14 Shields, Sims and Stafford knew but failed to disclose that investors funds were neither safe nor  
15 secured by valuable land or a valuable percentage of a S3 property or development.

16 (D) Falsely represented to individual investors that they would be repaid first before  
17 the S3 Partners received money, when in fact Shields, Sims and Stafford were diverting  
18 substantial portions of investor funds for their personal use and other non-authorized uses  
19 without investors having first been repaid.

20 (E) Falsely represented to investors that they would receive predictable annual rates of  
21 return as high as 10 to 16%, when in truth Shields, Sims, and Stafford knew but failed to disclose  
22 that they (1) could not pay investors these rates of return, and (2) were not handling investor  
23 funds in a manner that would allow the payments of these rates of return.

24 (F) Falsely represented to investors that Shields, Sims, and Stafford were individuals  
25 with extensive positive professional experiences and personal financial histories, when in fact the  
26 S3 Partners failed to disclose to investors that (1) Shields had a prior felony larceny conviction in  
27 1986; (2) Shields had filed for Chapter 7 bankruptcy in 1999; (3) Sims had filed for Chapter 13  
28 bankruptcy in 1994; and (4) the California Department of Real Estate had previously suspended

1 Sims' real estate license indefinitely in 1978.

2 (G) Engaged in securities fraud targeting elderly investors by, among other actions,  
3 encouraging those elderly investors to cash out their Individual Retirement Accounts (IRAs) and  
4 wire the proceeds to the S3 Partners for the purchase of shares in an S3 Partners-controlled LLC.

5 (H) Falsely represented to investors and banks that various S3 Partners real estate  
6 development projects were making substantial progress toward completion, when in fact these  
7 projects faced significant financial and logistical problems that would ultimately contribute to  
8 their failure.

9 (I) Represented to investors that profits from S3 Partners business projects would  
10 benefit various charitable and religious organizations, when in fact at least one of these charitable  
11 entities (called the Hungry Planet) did not actually exist, and other charitable and religious  
12 organizations received funds diverted from individual investors as opposed to actual profits on  
13 S3 Partners projects.

14 (J) Defrauded banks by facilitating the purchase of S3 Partners property through a  
15 straw buyer and submitting false documents, including closing documents and forged invoices,  
16 fraudulently claiming that construction work had been completed on various S3 real estate  
17 development projects, thereby inflating the value of an S3 Property to obtain a higher bank loan  
18 amount; and allowing the S3 Partners to draw additional funds from a pre-existing construction  
19 bank loans.

20 All in violation of Title 18, United States Code, Sections 1349.

21 COUNTS TWO THROUGH TWENTY: (18 U.S.C. § 1343 - Wire Fraud; 18 U.S.C. § 2  
22 Aiding and Abetting)

23 29. Paragraphs 1 through 28 are incorporated as if fully set forth here.

24 30. On or about the dates set forth below, in the Northern District of California and  
25 elsewhere, the defendants,

26 MELVIN RUSSELL "RUSTY" SHIELDS,  
27 MICHAEL SIMS, and  
28 SAM STAFFORD,

having devised and intending to devise a scheme and artifice (A) to defraud as to a material

**SUPERSEDING INDICTMENT**

1 matter, and (B) to obtain money by means of materially false and fraudulent pretenses,  
 2 representations, and promises, and by omission and concealment of material facts, for the  
 3 purpose of executing such scheme and artifice and attempting so to do, did knowingly cause to  
 4 be transmitted in interstate commerce by a wire communication certain writings, signs, signals,  
 5 and pictures, namely, the wire transfers of funds described below, and did aid and abet in the  
 6 same:

Count	Date	Wire Transfer
2	7/5/07	Transfer via FEDWIRE of \$214,946.99 of investors P.W. and L.W.'s funds from Winston Salem, North Carolina, to Tampa, Florida, via registration wire to East Rutherford, New Jersey
3	7/13/07	Transfer via FEDWIRE of \$34,000 of investor M.N.'s funds from Los Angeles, California, to Tampa, Florida, via registration wire to East Rutherford, New Jersey
4	7/13/07	Transfer via FEDWIRE of \$469,679.02 of investors M.S. and D.S.'s funds from Honolulu, Hawaii, to Tampa, Florida, via registration wire to East Rutherford, New Jersey
5	8/30/07	Transfer via FEDWIRE of \$100,000 of investors M.W. and A.W.'s funds from Los Angeles, California, to Tampa, Florida, via registration wire to East Rutherford, New Jersey
6	8/31/07	Transfer via FEDWIRE of \$120,125.88 of investors R.H. and M.H.'s funds from Los Angeles, California, to Tampa, Florida, via registration wire to East Rutherford, New Jersey
7	10/2/07	Transfer via FEDWIRE of \$333,515.26 of investors R.H. and M.H.'s funds from Winston-Salem, North Carolina, to Tampa, Florida, via registration wire to East Rutherford, New Jersey
8	11/21/07	Transfer via FEDWIRE of \$239,494.38 of investors S.K. and J.K.'s funds from Winston-Salem, North Carolina, to Tampa, Florida, via registration wire to East Rutherford, New Jersey
9	11/23/07	Transfer via FEDWIRE of \$250,000 from Hickory, North Carolina to Hickory, North Carolina, via registration wire to East Rutherford, New Jersey
10	11/30/07	Transfer via FEDWIRE of \$2,396,073.85 of Century Bank funds from Sarasota, Florida, to Tampa, Florida, via registration wire to East Rutherford, New Jersey
11	11/30/07	Transfer via FEDWIRE of \$1,933,179.53 from Tampa, Florida to Tampa, Florida via registration wire to East Rutherford, New Jersey
12	12/20/07	Transfer via FEDWIRE of \$178,000 of investors S.K. and J.K.'s funds from Los Angeles, California to Chatsworth, California, via registration wire to East Rutherford, New Jersey

28 SUPERSEDING INDICTMENT

13	2/7/08	Transfer via FEDWIRE of \$455,000 of First Savings Bank funds from Las Vegas, Nevada, to Tampa, Florida, via registration wire to East Rutherford, New Jersey
14	2/28/08	Transfer via FEDWIRE of \$265,000 of First Savings Bank funds from Las Vegas, Nevada, to Tampa, Florida, via registration wire to East Rutherford, New Jersey
15	6/9/08	Electronic mail from Shields with the subject "Stagecoach response to letter received today"
16	9/19/08	Electronic mail from Stafford with the subject "Investor update"
17	11/26/08	Electronic mail from Stafford with the subject "Financial Report"
18	12/8/08	Electronic mail from Stafford with the subject "RE: Financial Report"
19	4/14/09	Electronic mail from Stafford with the subject "Update, Stagecoach Retail LLC"
20	5/6/09	Electronic mail from Shields with the subject "RE: Phone call w/Rusty Shields"

All in violation of Title 18, United States Code, Sections 1343 and 2.

COUNT TWENTY-ONE: (18 U.S.C. § 1341 – Mail Fraud; 18 U.S.C. § 2 – Aiding and Abetting)

31. Paragraphs 1 through 28 are incorporated as if fully set forth here.

32. On or about the date set forth below, in the Northern District of

California and elsewhere, the defendants,

MELVIN RUSSELL "RUSTY" SHIELDS,  
MICHAEL SIMS, and  
SAM STAFFORD,

having knowingly and intentionally devised a material scheme and artifice to defraud and to obtain money by means of materially false and fraudulent pretenses, representations and promises, and by omitting and concealing material facts, did for the purpose of executing such scheme and artifice, knowingly cause the correspondence described below to be mailed and delivered by the United States Postal Service, and did aid and abet in the same:

Count	Date	Item Sent	Sent From	Sent To
21	4/17/08	Letter from Sims	San Jose, CA	San Jose, CA

SUPERSEDING INDICTMENT

1 All in violation of Title 18, United States Code, Sections 1341 and 2.

2 COUNTS TWENTY-TWO TO TWENTY-EIGHT: (18 U.S.C. § 1344 – Bank Fraud; 18 U.S.C.  
3 § 2 – Aiding and Abetting)

4 33. Paragraphs 1 through 28 are incorporated as if fully set forth here.

5 34. On or about the dates set forth below, in the Northern District of California and  
6 elsewhere, the defendants,

7 MELVIN RUSSELL “RUSTY” SHIELDS,  
8 MICHAEL SIMS, and  
9 SAM STAFFORD,

10 did execute and attempt to execute a scheme and artifice (A) to defraud the financial institutions  
11 named below as to a material matter, and (B) to obtain any of the moneys, funds, credits, and  
12 assets owned by, and under the custody and control of, said financial institutions, by means of  
13 materially false and fraudulent pretenses, representations, and promises, and material omissions,  
and did aid and abet in the same, as follows:

Count	Date	Financial Institution	False/Fraudulent Submission
22	11/07	Century Bank - Sarasota, Florida	Fraudulent invoices regarding Oakmont Property improvements
23	11/30/07	Century Bank - Sarasota, Florida	Fraudulent closing documents regarding straw buyer purchase of Oakmont Property
24	2/5/08	First Savings Bank - Las Vegas, Nevada	Fraudulent draw request and invoice regarding Stagecoach Retail Project improvements
25	2/5/08	First Savings Bank - Las Vegas, Nevada	Fraudulent draw request and invoices regarding Stagecoach Retail Project improvements
26	5/22/08	First Savings Bank - Las Vegas, Nevada	Fraudulent draw request and invoice regarding Stagecoach Retail Project improvements
27	8/4/08	First Savings Bank - Las Vegas, Nevada	Fraudulent draw request and invoice regarding Stagecoach Retail Project improvements
28	9/25/08	First Savings Bank - Las Vegas, Nevada	Fraudulent draw request and invoice regarding Stagecoach Retail Project improvements

28 SUPERSEDING INDICTMENT

1 All in violation of Title 18, United States Code, Sections 1344 and 2.

2 COUNTS TWENTY-NINE THROUGH THIRTY-FIVE: (18 U.S.C. § 1014 – Making A False  
3 Statement to a Bank; 18 U.S.C. § 2 –  
4 Aiding and Abetting)

5 35. Paragraphs 1 through 28 are incorporated as if fully set forth here.

6 36. On or about the dates set forth below, in the Northern District of California and  
7 elsewhere, the defendants,

8 MELVIN RUSSELL “RUSTY” SHIELDS,  
9 MICHAEL SIMS, and  
10 SAM STAFFORD,

11 did knowingly make and cause to be made false statements, and did knowingly submit and cause  
12 to be submitted false and fraudulent documents, for the purpose of influencing the actions of a  
13 financial institution insured by the Federal Deposit Insurance Corporation, and did aid and abet  
14 in the same, as follows:

Count	Date	Financial Institution	False/Fraudulent Submission
29	11/07	Century Bank - Sarasota, Florida	Fraudulent invoices regarding Oakmont Property improvements
30	11/30/07	Century Bank - Sarasota, Florida	Fraudulent closing documents regarding straw buyer purchase of Oakmont Property
31	2/5/08	First Savings Bank - Las Vegas, Nevada	Fraudulent draw request and invoice regarding Stagecoach Retail Project improvements
32	2/5/08	First Savings Bank - Las Vegas, Nevada	Fraudulent draw request and invoices regarding Stagecoach Retail Project improvements
33	5/22/08	First Savings Bank - Las Vegas, Nevada	Fraudulent draw request and invoice regarding Stagecoach Retail Project improvements
34	8/4/08	First Savings Bank - Las Vegas, Nevada	Fraudulent draw request and invoice regarding Stagecoach Retail Project improvements
35	9/25/08	First Savings Bank - Las Vegas, Nevada	Fraudulent draw request and invoice regarding Stagecoach Retail Project improvements

27 All in violation of Title 18, United States Code, Sections 1014 and 2.

28 **SUPERSEDING INDICTMENT**

1 COUNTS THIRTY-SIX THROUGH FORTY: (15 U.S.C. §§ 78j(b) and 78ff; 17 C.F.R. §§  
2 240.10b-5 – Securities Fraud; 18 U.S.C. § 2  
3 Aiding and Abetting)

3 37. Paragraphs 1 through 28 are incorporated as if fully set forth here.

4 38. On or about the dates set forth below, in the Northern District of California and  
5 elsewhere, the defendants,

6 MELVIN RUSSELL “RUSTY” SHIELDS,  
7 MICHAEL SIMS, and  
8 SAM STAFFORD,

9 willfully and knowingly, directly and indirectly, by use of the means and instrumentalities of  
10 interstate commerce, the mails and the facilities of national securities exchanges, in connection  
11 with the purchase and sale of securities, did use and employ manipulative and deceptive devices  
12 and contrivances, and aided and abetted others in using and employing manipulative and  
13 deceptive devices and contrivances, in contravention of Title 15, United States Code, Sections  
14 78j(b) and 78ff, Title 17, Code of Federal Regulations, Sections 240.10b-5 and 240.10b5-2, and  
15 Title 18, United States Code, Section 2, by (A) employing devices, schemes and artifices to  
16 defraud; (B) making untrue statements of material facts and omitting to state material facts  
17 necessary in order to make the statements made, in the light of the circumstances under which  
18 they were made, not misleading; and (C) engaging in acts, practices and courses of business  
19 which operated and would operate as a fraud and deceit upon persons, namely by using and  
20 causing others to use the wires and mails in the manner and on or about the dates set forth below:

Count	Date	Description
36	7/13/07	\$34,000 wire investment by investor M.N. regarding investment in Stagecoach Retail LLC
37	7/13/07	\$469,679.02 wire investment by investors M.S. and D.S. regarding investment in Sonterra Retail Center LLC
38	4/17/08	Letter from Sims mailed to investor J.T. regarding investment in Stagecoach Retail LLC
39	5/22/08	Electronic mail from Stafford with the subject “RE: Stagecoach Retail title report” regarding investment in Stagecoach Retail LLC

27  
28  
SUPERSEDING INDICTMENT

40	6/9/08	Electronic mail from Stafford with the subject "Stagecoach response to letter received today" regarding investment in Stagecoach Retail LLC
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All in violation of Title 15, United States Code, Sections 78j(b) and 78ff; Title 17, Code of Federal Regulations, Sections 240.10b-5 and 240.10b5-2; and Title 18, United States Code, Section 2.

FORFEITURE ALLEGATION: (18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c) – Forfeiture of Proceeds of Specified Unlawful Activity)

39. Paragraphs 1 through 28, and Counts 1 through 40, conspiracy to commit wire, mail and bank fraud, wire fraud, mail fraud, bank fraud, making a false statement to a bank, and securities fraud are realleged and incorporated as if fully set forth here for the purpose of alleging forfeiture pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c). Upon conviction for any offense alleged in Counts 1 through 40, for conspiracy to commit wire fraud, mail fraud, and bank fraud; wire fraud; mail fraud; bank fraud, making a false statement to a bank, and securities fraud, the defendants,

MELVIN RUSSELL "RUSTY" SHIELDS,  
MICHAEL SIMS, and  
SAM STAFFORD,

shall forfeit to the United States all property, constituting and derived from proceeds traceable to said offense, including, but not limited to: a sum of money equal to the gross proceeds obtained as a result of the offense.

40. If any of said property, as a result of any act or omission of the defendants:

- A. cannot be located upon the exercise of due diligence;
- B. has been transferred or sold to or deposited with, a third person;
- C. has been placed beyond the jurisdiction of the Court;
- D. has been substantially diminished in value; or
- E. has been commingled with other property which cannot be subdivided without difficulty;

any and all interest defendants have in other property shall be vested in the United States and forfeited to the United States pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c) and Rule 32.2 of the Federal Rules

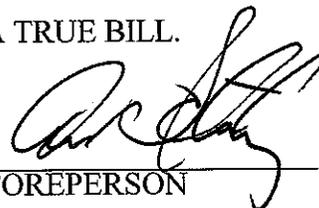
**SUPERSEDING INDICTMENT**

1 of Criminal Procedure.

2

3 DATED: September 6, 2013

A TRUE BILL.

  
FOREPERSON

4

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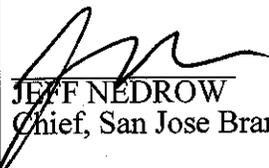
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MELINDA HAAG  
United States Attorney

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JEFF NEDROW  
Chief, San Jose Branch

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(Approved as to form:   
AUSA JOSEPH FAZIOLI)

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SUPERSEDING INDICTMENT

E-filing

AO 257 (Rev. 6/78)

**DEFENDANT INFORMATION RELATIVE TO A CRIMINAL ACTION - IN U.S. DISTRICT COURT**

BY:  COMPLAINT  INFORMATION  INDICTMENT  
 SUPERSEDING

Name of District Court, and/or Judge/Magistrate Location  
NORTHERN DISTRICT OF CALIFORNIA  
**FILED**

**OFFENSE CHARGED**

SEE ATTACHMENT

- Petty
- Minor
- Misdemeanor
- Felony

PENALTY:  
SEE ATTACHMENT

**DEFENDANT - U.S.**  
SEP 18 2013  
MELVIN RUSSELL "RUSTY" SHIELDS  
RICHARD W. WIEKING  
CLERK, U.S. DISTRICT COURT  
DISTRICT COURT NUMBER NORTHERN DISTRICT OF CALIFORNIA  
CR 12-00410 RMW  
SAN JOSE

**PROCEEDING**

Name of Complainant Agency, or Person (& Title, if any)

S/A FRANK REID-FBI

person is awaiting trial in another Federal or State Court, give name of court

this person/proceeding is transferred from another district per (circle one) FRCrP 20, 21 or 40. Show District

this is a reprosecution of charges previously dismissed which were dismissed on motion of:

U.S. Att'y  Defense

this prosecution relates to a pending case involving this same defendant

prior proceedings or appearance(s) before U.S. Magistrate regarding this defendant were recorded under

SHOW DOCKET NO.

MAGISTRATE CASE NO.

Name and Office of Person Furnishing Information on THIS FORM

MELINDA HAAG

U.S. Att'y  Other U.S. Agency

Name of Asst. U.S. Att'y (if assigned)

JOSEPH FAZIOLI

**DEFENDANT**

**IS NOT IN CUSTODY**

1)  Has not been arrested, pending outcome this proceeding. If not detained give date any prior summons was served on above charges

2)  Is a Fugitive

3)  Is on Bail or Release from (show District)

NORTHERN DISTRICT OF CALIFORNIA

**IS IN CUSTODY**

4)  On this charge

5)  On another conviction

6)  Awaiting trial on other charges }  Fed'l  State

If answer to (6) is "Yes", show name of institution

Has detainer been filed?  Yes  No } If "Yes" give date filed

**DATE OF ARREST** Month/Day/Year

Or... if Arresting Agency & Warrant were not

**DATE TRANSFERRED TO U.S. CUSTODY** Month/Day/Year

This report amends AO 257 previously submitted

**ADDITIONAL INFORMATION OR COMMENTS**

**PROCESS:**

SUMMONS  NO PROCESS\*  WARRANT Bail Amount: \_\_\_\_\_

If Summons, complete following:

Arraignment  Initial Appearance

Defendant Address: \_\_\_\_\_

\*Where defendant previously apprehended on complaint, no new summons or warrant needed, since Magistrate has scheduled arraignment

Date/Time: \_\_\_\_\_

Before Judge: \_\_\_\_\_

Comments: \_\_\_\_\_

*(Handwritten signature)*

**ATTACHMENT TO PENALTY SHEET  
U.S.**

**v.**

**MELVIN RUSSELL "RUSTY" SHIELDS,  
MICHAEL SIMS, and  
SAM STAFFORD,**

**COUNT ONE:** (18 U.S.C. § 1349 – Conspiracy to Commit Wire, Mail, and Bank Fraud)

Penalties: Maximum 20 years imprisonment  
Maximum Supervised Release: 3 years  
Maximum Fine: \$ 250,000  
Special Assessment: \$100

**COUNTS TWO THROUGH TWENTY:** (18 U.S.C. § 1343 - Wire Fraud; 18 U.S.C. § 2 Aiding and Abetting)

Penalties: Maximum 20 years imprisonment  
Maximum Supervised Release: 3 years  
Maximum Fine: \$250,000  
Special Assessment: \$100

**COUNT TWENTY-ONE:** (18 U.S.C. § 1341 – Mail Fraud; 18 U.S.C. § 2 – Aiding and Abetting)

Penalties: Maximum 20 years imprisonment  
Maximum Supervised Release: 3 years  
Maximum Fine: \$250,000  
Special Assessment: \$100

**COUNTS TWENTY-TWO TO TWENTY-EIGHT:** (18 U.S.C. § 1344 – Bank Fraud; 18 U.S.C. § 2 – Aiding and Abetting)

Penalties: Maximum 30 years imprisonment  
Maximum Supervised Release: 3 years  
Maximum Fine: \$1,000,000  
Special Assessment: \$100

**COUNTS TWENTY-NINE THROUGH THIRTY-FIVE:** (18 U.S.C. § 1014 – Making A False Statement to a Bank; 18 U.S.C. § 2 – Aiding and Abetting)

Penalties: Maximum 30 years imprisonment  
Maximum Supervised Release: 3 years  
Maximum Fine: \$1,000,000  
Special Assessment: \$100

**COUNTS THIRTY-SIX THROUGH FORTY:** (15 U.S.C. §§ 78j(b) and 78ff; 17 C.F.R. §§ 240.10b-5 – Securities Fraud; 18 U.S.C. § 2 Aiding and Abetting)

Penalties: Maximum 30 years imprisonment  
Maximum Supervised Release: 3 years  
Maximum Fine: \$1,000,000  
Special Assessment: \$100

E-filing

AO 257 (Rev. 6/78)

DEFENDANT INFORMATION RELATIVE TO A CRIMINAL ACTION - IN U.S. DISTRICT COURT

BY: [ ] COMPLAINT [ ] INFORMATION [x] INDICTMENT [x] SUPERSEDING

OFFENSE CHARGED

SEE ATTACHMENT

- [ ] Petty
[ ] Minor
[ ] Misdemeanor
[x] Felony

PENALTY: SEE ATTACHMENT

Name of District Court, and/or Judge/Magistrate Location
NORTHERN DISTRICT OF CALIFORNIA

DEFENDANT - U.S.

FILED

MICHAEL SIMS

SEP 18 2013

DISTRICT COURT NUMBER CR 12-00410 RMW
RICHARD W. WIEKING
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE

DEFENDANT

IS NOT IN CUSTODY

- 1) [ ] Has not been arrested, pending outcome this proceeding. If not detained give date any prior summons was served on above charges
2) [ ] Is a Fugitive
3) [x] Is on Bail or Release from (show District)

NORTHERN DISTRICT OF CALIFORNIA

IS IN CUSTODY

- 4) [ ] On this charge
5) [ ] On another conviction
6) [ ] Awaiting trial on other charges } [ ] Fed'l [ ] State

If answer to (6) is "Yes", show name of institution

Has detainer been filed? [ ] Yes [ ] No } If "Yes" give date filed

DATE OF ARREST

Month/Day/Year

Or... if Arresting Agency & Warrant were not

Month/Day/Year

DATE TRANSFERRED TO U.S. CUSTODY

[ ] This report amends AO 257 previously submitted

ADDITIONAL INFORMATION OR COMMENTS

PROCESS:

[ ] SUMMONS [x] NO PROCESS\* [ ] WARRANT Bail Amount: \_\_\_\_\_

If Summons, complete following:

[ ] Arraignment [ ] Initial Appearance

\*Where defendant previously apprehended on complaint, no new summons or warrant needed, since Magistrate has scheduled arraignment

Defendant Address: \_\_\_\_\_

Date/Time: \_\_\_\_\_

Before Judge: \_\_\_\_\_

Handwritten signature/initials

Comments: \_\_\_\_\_

PROCEEDING

Name of Complainant Agency, or Person (& Title, if any)

S/A FRANK REID-FBI

[ ] person is awaiting trial in another Federal or State Court, give name of court

[ ] this person/proceeding is transferred from another district per (circle one) FRCrP 20, 21 or 40. Show District

[ ] this is a re prosecution of charges previously dismissed which were dismissed on motion of:

[ ] U.S. Att'y [ ] Defense

[ ] this prosecution relates to a pending case involving this same defendant

[ ] prior proceedings or appearance(s) before U.S. Magistrate regarding this defendant were recorded under

SHOW DOCKET NO.

MAGISTRATE CASE NO.

Name and Office of Person Furnishing Information on THIS FORM

MELINDA HAAG

[x] U.S. Att'y [ ] Other U.S. Agency

Name of Asst. U.S. Att'y (if assigned)

JOSEPH FAZIOLI

**ATTACHMENT TO PENALTY SHEET  
U.S.**

**v.**

**MELVIN RUSSELL "RUSTY" SHIELDS,  
MICHAEL SIMS, and  
SAM STAFFORD,**

**COUNT ONE:** (18 U.S.C. § 1349 – Conspiracy to Commit Wire, Mail, and Bank Fraud)

Penalties: Maximum 20 years imprisonment  
Maximum Supervised Release: 3 years  
Maximum Fine: \$ 250,000  
Special Assessment: \$100

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Penalties: Maximum 30 years imprisonment  
Maximum Supervised Release: 3 years  
Maximum Fine: \$1,000,000  
Special Assessment: \$100

**COUNTS THIRTY-SIX THROUGH FORTY:** (15 U.S.C. §§ 78j(b) and 78ff; 17 C.F.R. §§ 240.10b-5 – Securities Fraud; 18 U.S.C. § 2 Aiding and Abetting)

Penalties: Maximum 30 years imprisonment  
Maximum Supervised Release: 3 years  
Maximum Fine: \$1,000,000  
Special Assessment: \$100

E-filing

AO 257 (Rev. 6/78)

DEFENDANT INFORMATION RELATIVE TO A CRIMINAL ACTION - IN U.S. DISTRICT COURT

BY:  COMPLAINT  INFORMATION  INDICTMENT  SUPERSEDING

OFFENSE CHARGED

SEE ATTACHMENT

- Petty
 Minor
 Misdemeanor
 Felony

PENALTY: SEE ATTACHMENT

PROCEEDING

Name of Complainant Agency, or Person (& Title, if any)

S/A FRANK REID-FBI

person is awaiting trial in another Federal or State Court, give name of court

this person/proceeding is transferred from another district per (circle one) FRCrP 20, 21 or 40. Show District

this is a reprosecution of charges previously dismissed which were dismissed on motion of:

U.S. Att'y  Defense

this prosecution relates to a pending case involving this same defendant

prior proceedings or appearance(s) before U.S. Magistrate regarding this defendant were recorded under

SHOW DOCKET NO.

MAGISTRATE CASE NO.

Name and Office of Person Furnishing Information on THIS FORM

MELINDA HAAG

U.S. Att'y  Other U.S. Agency

Name of Asst. U.S. Att'y (if assigned)

JOSEPH FAZIOLI

Name of District Court, and/or Judge/Magistrate Location NORTHERN DISTRICT OF CALIFORNIA

DEFENDANT - U.S.

SAM STAFFORD

FILED

DISTRICT COURT NUMBER CR 12-00410 RMW

SEP 18 2013

RICHARD W. WIEKING CLERK, U.S. DISTRICT COURT NORTHERN DISTRICT OF CALIFORNIA SAN JOSE

DEFENDANT

IS NOT IN CUSTODY

- 1)  Has not been arrested, pending outcome this proceeding. If not detained give date any prior summons was served on above charges
2)  Is a Fugitive
3)  Is on Bail or Release from (show District)

NORTHERN DISTRICT OF CALIFORNIA

IS IN CUSTODY

- 4)  On this charge
5)  On another conviction
6)  Awaiting trial on other charges }  Fed'l  State

If answer to (6) is "Yes", show name of institution

Has detainer been filed?  Yes  No

If "Yes" give date filed

DATE OF ARREST

Month/Day/Year

Or... if Arresting Agency & Warrant were not

DATE TRANSFERRED TO U.S. CUSTODY

Month/Day/Year

This report amends AO 257 previously submitted

ADDITIONAL INFORMATION OR COMMENTS

PROCESS:

SUMMONS  NO PROCESS\*  WARRANT Bail Amount: \_\_\_\_\_

If Summons, complete following:

Arraignment  Initial Appearance

Defendant Address: \_\_\_\_\_

\*Where defendant previously apprehended on complaint, no new summons or warrant needed, since Magistrate has scheduled arraignment

Date/Time: \_\_\_\_\_

Before Judge: \_\_\_\_\_

Comments: \_\_\_\_\_

Handwritten mark: Delta 3

**ATTACHMENT TO PENALTY SHEET**

**U.S.**

**v.**

**MELVIN RUSSELL "RUSTY" SHIELDS,  
MICHAEL SIMS, and  
SAM STAFFORD,**

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