

No.

UNITED STATES DISTRICT COURT

FILED

2012 DEC -5 A 11:52

NORTHERN DISTRICT OF CALIFORNIA

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

SAN JOSE DIVISION

SEAL OF THE ORDER  
OF THE COURT

THE UNITED STATES OF AMERICA

LHK

vs.

ROBERT RENE LART

CR12 00853

INDICTMENT

HRL

COUNTS ONE THROUGH EIGHT:

18 U.S.C. § 1343 – Wire Fraud

FORFEITURE ALLEGATION:

18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c) -  
Forfeiture of wire fraud proceeds

C

A true bill.

*[Signature]*

Foreperson

Filed in open court this 5 day of December A.D. 2012

*[Signature]*

UNITED STATES MAGISTRATE JUDGE

Bail. \$ No bail Arrest Warrant

BOOKING NO.	CSA'S INITIALS
	<i>[Initials]</i>
DISTRICT COURT CRIMINAL CASE PROCESSING	

1 MELINDA HAAG (CABN 132612)  
United States Attorney

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4 SEALED BY ORDER  
OF THE COURT

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DEC - 5 2012  
RICHARD W. WIEKING  
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NORTHERN DISTRICT OF CALIFORNIA  
SAN JOSE

8 UNITED STATES DISTRICT COURT  
9 NORTHERN DISTRICT OF CALIFORNIA  
10 SAN JOSE DIVISION

11 CR 12 00853 LHK HRL  
12 No.

12 UNITED STATES OF AMERICA,  
13 Plaintiff,  
14 v.  
15 ROBERT RINEHART,  
16 Defendant.

VIOLATIONS: 18 U.S.C. § 1343 – Wire  
Fraud; 18 U.S.C. § 981(a)(1)(C)/28 U.S.C. §  
2461(c) – Forfeiture

SAN JOSE VENUE

18 INDICTMENT

19 The Grand Jury charges:

20 Background and Parties

21 At all times relevant to this indictment:

22 1. Argento Development Group (“ADG”), a San Jose company managed by  
23 ROBERT RINEHART, was established in 2007 for the purported purpose of investing in the  
24 purchase and resale of bank-owned real estate properties (“REO”).

25 2. RINEHART was the Managing Member of ADG, and was responsible  
26 for ADG’s investment decisions.

27 3. RINEHART solicited investors to invest in ADG and instructed investors to make  
28 electronic wire transfers into ADG’s escrow account at Fidelity National Title Company

INDICTMENT

1 maintained by Wells Fargo Bank, account number ending -2772, headquartered in San Francisco,  
2 California.

3 4. RINEHART maintained a personal bank account, account number ending -0340,  
4 at a Bank of America branch located in Saratoga, California.

5 5. ADG maintained a business operations account at a First Republic Bank branch  
6 located in Palo Alto, California.

7 6. Electronic wire transfers from Fidelity National Title Company (through Wells  
8 Fargo Bank), Bank of America, and First Republic Bank, all utilized a domestic electronic funds  
9 transfer system, known as the Fedwire system, which is owned and operated by the United States  
10 Federal Reserve System. All Fedwire wires were electronically routed through Fedwire offices  
11 in East Rutherford, New Jersey. Wire transfers from Fidelity National Title Company, using  
12 Wells Fargo Bank, originated in California, traveled to East Rutherford, New Jersey, and arrived  
13 in various destination bank accounts, including RINEHART'S personal Bank of America bank  
14 account located in California.

15 7. RINEHART had a personal e-mail account, [bob@robertrinehart.com](mailto:bob@robertrinehart.com), that  
16 was maintained by GoDaddy.com, LLC, and e-mails sent by this e-mail account originated on  
17 GoDaddy.com, LLC servers located in Arizona.

18 8. ADG investor *D.N.* had a personal e-mail account that was maintained by Yahoo!,  
19 Inc., with its servers located in San Jose, California.

20 The Scheme and Artifice to Defraud

21 9. In approximately 2007, RINEHART solicited investors to invest with his real  
22 estate investment company known as ADG.

23 10. RINEHART represented to potential investors, both orally and through  
24 prospectus documents entitled "Letter of Intent" and "ADG Bulk REO Purchasing Program,"  
25 that ADG's goal was to sell properties it acquired through its bulk REO purchasing program.

26 11. RINEHART represented to investors that invested funds would be used to  
27 purchase, remodel, and resell these REO properties.

28 12. Between approximately 2007 and 2008, RINEHART convinced investors to

1 invest money in ADG by electronically transferring funds from an investor's bank account into  
2 ADG's escrow bank account maintained by Fidelity National Title Company at Wells Fargo  
3 Bank.

4 13. Subsequently, between approximately 2007 and 2008, RINEHART fraudulently  
5 transferred money out of ADG's business operations account maintained by First Republic Bank  
6 in Palo Alto, California, and into his personal bank account maintained by Bank of America  
7 located in Saratoga, California, in order to cover personal living expenses.

8 14. In or around 2008, RINEHART informed some investors that ADG's  
9 business plan, specifically the purchase and sale of REO properties, was unsuccessful.  
10 RINEHART asked investors to allow him to continue to invest their money in other investment  
11 opportunities (hereinafter collectively "new investment opportunities"), including in areas of  
12 international banking, oil and gas, and fixed income securities transactions.

13 15. Instead of investing investors' money in these new investment opportunities,  
14 RINEHART transferred investor funds into another company he controlled called Madrone Hill  
15 Group, LLC.

16 16. Madrone Hill Group, LLC maintained two bank accounts at First Republic Bank  
17 in Palo Alto, California.

18 17. Subsequently, beginning in 2008, RINEHART fraudulently transferred money out  
19 of the Madrone Hill Group, LLC bank account at First Republic Bank in Palo Alto, California,  
20 and into his personal bank account maintained by Bank of America headquartered in San  
21 Francisco, California, in order to cover personal living expenses.

22 18. Between 2008 and 2011, RINEHART sent numerous e-mails to various investors  
23 lulling them into a false sense of security about their investments by creating the appearance that  
24 he, RINEHART, was making legitimate investments with their funds, when in truth, RINEHART  
25 knew that he had spent, without investors' permission, the investors' funds on his personal living  
26 expenses.

27 COUNTS ONE THROUGH EIGHT: (18 U.S.C. § 1343 - Wire Fraud)

28 19. The factual allegations contained in paragraphs 1 through 18 are realleged and  
incorporated as if fully set forth here and in each of Counts One through Eight.

20. On or about the dates listed below, within the Northern District of California, and elsewhere, the defendant,

ROBERT RINEHART,

for the purpose of executing said scheme and artifice to defraud, and for obtaining money and property by means of materially false and fraudulent pretenses, representations, and promises, did knowingly transmit and cause to be transmitted by means of wire communication in interstate commerce certain writings, signs, signals, and pictures, that is, first, electronic funds transfers and payments from ADG's business operations account and Madrone Hill Group's business operations account into his personal bank account, and second, e-mails sent to lull ADG investors into a false sense of security, as further set forth below:

COUNT	DATE	ITEM WIRED	WIRED FROM	WIRED TO
1	12/28/2007	\$15,000 from ADG's business bank account	First Republic Bank, Palo Alto, CA	Bank of America, Saratoga, CA
2	2/13/2008	\$12,000 from ADG's business bank account	First Republic Bank, Palo Alto, CA	Bank of America, Saratoga, CA
3	3/25/2008	\$8,000 from ADG's business bank account	First Republic Bank, Palo Alto, CA	Bank of America, Saratoga, CA
4	4/7/2008	\$38,000 from ADG's business bank account	First Republic Bank, Palo Alto, CA	Bank of America, Saratoga, CA
5	9/29/2008	\$10,000 from Madrone Hill Group, LLC business bank account	First Republic Bank, Palo Alto, CA	Bank of America, Saratoga, CA
6	6/26/2009	\$5,000 from Madrone Hill Group, LLC business bank account	First Republic Bank, Palo Alto, CA	Bank of America, Saratoga, CA

1	7	11/6/2009	E-mail from RINEHART to investor <i>D.N.</i> with the subject line, "Update 11/5," in which RINEHART states, "We have received approval from one lender and expect approval from the instrument provider and the other lender week after next. I expect both of these efforts to work by the end of this month."	Rinehart's e-mail address, <a href="mailto:bob@robertrinehart.com">bob@robertrinehart.com</a>	<i>D.N.</i> 's e-mail account maintained by Yahoo!
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7	8	5/23/2011	E-mail from RINEHART to investor <i>D.N.</i> with the subject line, "Update," in which RINEHART states, "The new transaction is nearly identical to the previous one that we put on hold so I am not going to go into the details of it. All you need to know is that based on what has transpired over the last two weeks I anticipate having all of your money repaid fairly soon (four to eight weeks)."	Rinehart's e-mail address, <a href="mailto:bob@robertrinehart.com">bob@robertrinehart.com</a>	<i>D.N.</i> 's e-mail account maintained by Yahoo!
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15 All in violation of Title 18, United States Code, Section 1343.

16 FORFEITURE ALLEGATION: (18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c) -  
17 Forfeiture of wire fraud proceeds)

18 21. The allegations of paragraphs one through twenty and Counts One through Eight  
19 of this Indictment are realleged and by this reference fully incorporated herein for the purpose of  
20 alleging forfeiture pursuant to the provisions of 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. §  
21 2461(c).

22 22. Upon a conviction of any of the offenses alleged in Counts One through Eight, the  
23 defendant,

24 ROBERT RINEHART,

25 shall forfeit to the United States all property, constituting and derived from proceeds traceable to  
26 said offenses, including but not limited to the following property:

27 (a) a sum of money equal to the amount of proceeds obtained as a result of the  
28 offense.

If any of said property, as a result of any act or omission of the defendant-

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- (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 defendant has 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 of Criminal Procedure.

DATED:

A TRUE BILL

5 December 2012

  
FOREPERSON

MELINDA HAAG  
United States Attorney



AMBER ROSEN  
Deputy Chief, San Jose Branch Office

(Approved as to form:)

  
AUSA Schenk



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

SAN JOSE DIVISION

FILED  
A 11:53

**OFFENSE CHARGED**

18 U.S.C. Section 1343 - Wire Fraud; and 18 U.S.C. Section 981(a)(1)(C)/28 U.S.C. Section 2461(c) - Criminal Forfeiture  
 Petty  
 Minor  
 Misdemeanor  
 Felony

SEALED BY ORDER OF THE COURT

PENALTY: For each count,  
20 years imprisonment  
\$250,000 fine, or twice the gross gain or gross loss from the offense  
3 years supervised release  
\$100 special assessment

**DEFENDANT - U.S.**

ROBERT RINEHART

RICHARD W. WIEKING  
CLERK, U.S. DISTRICT COURT  
N.D. OF CALIFORNIA

DISTRICT COURT NUMBER

LHK

CR 12 00853

**DEFENDANT**

**IS NOT IN CUSTODY**

Has not been arrested, pending outcome this proceeding

- 1)  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)

HRL

**IS IN CUSTODY**

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

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

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. ATTORNEY  DEFENSE

SHOW DOCKET NO.

this prosecution relates to a pending case involving this same defendant

MAGISTRATE CASE NO.

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

Name and Office of Person

Furnishing Information on this form MELINDA HAAG

U.S. Attorney  Other U.S. Agency

Name of Assistant U.S. Attorney (if assigned)

JEFF SCHENK

This report amends AO 257 previously submitted

**ADDITIONAL INFORMATION OR COMMENTS**

**PROCESS:**

SUMMONS  NO PROCESS\*  WARRANT

Bail Amount: No Bail

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:

Comments:



United States District Court  
Northern District of California **FILED**

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**CRIMINAL COVER SHEET**

RICHARD W. WIEKING  
CLERK, U.S. DISTRICT COURT

**Instructions:** Effective January 3, 2012, this Criminal Cover Sheet must be completed and submitted, along with the Defendant Information Form, for each new criminal case. Please place this form on top of the Defendant Information Form.

**Case Name:**

USA v. ROBERT RINEHART

SEALED BY ORDER  
OF THE COURT

CR 12

**Case Number:**

00853

LHK

HRL

**Total Number of Defendants:**

1  2-7 \_\_\_\_\_ 8 or more \_\_\_\_\_

**Is This Case Under Seal?**

Yes  No \_\_\_\_\_

**Does this case involve ONLY charges under 8 U.S.C. § 1325 and/or 1326?**

Yes \_\_\_\_\_ No

**Venue (Per Crim. L.R. 18-1):**

SF \_\_\_\_\_ OAK \_\_\_\_\_ SJ

**Is this a death-penalty-eligible RICO Act gang case?**

Yes \_\_\_\_\_ No

**Assigned AUSA (Lead Attorney):**

JEFFREY B. SCHENK

**Comments:**

[Empty rectangular box for comments]

**Date Submitted:**

December 5, 2012