

1 EDMUND G. BROWN JR.
Attorney General of California
2 RONALD D. SMETANA
Senior Assistant Attorney General
3 State Bar No. 62818
4 455 Golden Gate Avenue, Suite 11000
San Francisco, CA 94102-7004

XRef: 1136801

5
6
7
8 SUPERIOR COURT OF THE STATE OF CALIFORNIA
9 IN AND FOR THE COUNTY OF SACRAMENTO
10
11

12 **PEOPLE OF THE STATE OF CALIFORNIA,**

No.

13 Plaintiff,

14 v.
15

16 **WILLIAM ARTHUR SASSMAN, II, AKA**
17 **WILLIAM-ARTHUR: SASSMAN,**
SECOND GENERATION©

18 Defendant.
19

**DECLARATION IN SUPPORT OF
ISSUANCE OF ARREST WARRANT
AND REQUEST FOR PENAL CODE
SECTION 1275.1 ORDER**

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

SUMMARY

William Arthur Sassman, II, also known as William-Arthur: Sassman Second Generation © (Sassman), Sassman was licensed by the State of California, Department of Insurance (DOI) to sell life insurance during March 1992. His DOI license number is 0A95122 and Sassman is currently facing disciplinary action from the DOI based on this investigation.

For ten years Sassman has been selling securities to the public – illegally without a permit and through the use of misrepresentations and omissions - and has been running a Ponzi scheme, using money from new investors to repay old investors and using large amounts of investor money to maintain a lavish lifestyle including expensive cars (a Porsche, two Land Rovers, a Cadillac Escalade, a Mercedes Benz and two Ferraris) and multiple residences. Sassman has used Nevada corporations and limited liability companies (LLC's) to conceal assets from creditors. Sassman has also taken investor money and used it to invest in so-called Nigerian swindles and wild schemes.

While the focus of this investigation is Sassman's current activities, it is necessary to understand Sassman's earlier conduct because many early investors have been rolled into current

1 schemes. During June 2000, Sassman created InTex, LLC to produce and market a product he
2 created called the "Notefloat." Sassman offered and sold investment contracts in InTex to
3 California residents. The purpose of the offering was to raise capital to produce, manufacture and
4 sell a plastic computer peripheral.

5 From September 2003 to the present, Formulating Insurance Agency LLC (FIA), 2443 Fair
6 Oaks Blvd., Suite 320, Sacramento, CA 95825 has been registered with the State of California as
7 a LLC. Sassman is listed as the organizer and the purpose of the business is listed as insurance.
8 Sassman offered or sold investments in FIA in the form of investment contracts. Sassman used
9 his insurance sales license to gain the confidence of his victims and then talked them into
10 investing other monies from their annuities or other investment accounts to invest with his
11 personal companies. Sassman told the victims they could earn higher interest annually than the
12 victims' current account(s) if they invested in his companies.

13 The California Department of Corporations (DOC) served Sassman with a desist and refrain
14 (D&R) order in February 2006. The D&R required Sassman to stop selling securities using the
15 names/entities FIA, InTex or Formulating Investments (FI) without obtaining a permit from the
16 DOC. In June 2006 Sassman responded that he would comply with the D&R. Thereafter
17 Sassman created Systematic Management Services (SMS) and started selling interests in joint
18 venture agreements. Sassman met with most, if not all, of his FIA/FI clients and had them sign
19 joint venture agreements with SMS between June and September 2007, essentially switching their
20 investments from FIA to SMS.

21 Many of the SMS joint venture agreements contained a page titled "Joint Venture
22 Management Decision" that contains a description of proposal and the purpose of the proposal.
23 Typed next to many of those the purpose of proposal was shown as "Investment interest and
24 repair on 720 L Street Vallejo, Solano County CA APN0066-020-080." When I interviewed the
25 SMS investors about the preceding sentence, most of the investors were not clear on what
26 Sassman truly intended to do with their funds, they just felt their money was safe with Sassman.
27 Sassman did attempt to negotiate an agreement to purchase 720 L. Street, Vallejo, CA, and placed
28 a \$150,000.00 non-refundable deposit on the property during July through September 2007.

1 Sassman could not obtain funding, so the sale never materialized and the funds were forfeited, but
2 investors were not informed of the failure of the transaction to move forward. Additional
3 investors were solicited for the project even after its failure. Most recently, out of desperation,
4 Sassman put investor money into two schemes that were supposed to pay returns of 600 to 1,600
5 per cent per annum. Total investment losses are more than \$2,000,000.

6 CALIFORNIA'S SECURITIES LAWS

7 The sale of investment opportunities to the public is subject to California's Corporate
8 Securities Law. The statutory scheme covers more than stocks; it exists to protect the public
9 against the imposition of unsubstantial, unlawful and fraudulent investment schemes (*People v.*
10 *Syde* (1951) 37 Cal.2d 765-766) and to promote the full and fair disclosure of all information
11 necessary to make informed and intelligent investment decisions. *People v. Park* (1978) 87
12 Cal.App.3d 550, 565; see also *Silver Hills Country Club v. Sobieski* (1961) 55 Cal.2d 811.

13 Corporations Code section 25019 defines a security to include any " . . . note; . . . evidence
14 of indebtedness . . . participation in any profit-sharing agreement . . . investment contract; . . . or
15 in general, any interest or instrument commonly known as a 'security'" This definition is
16 expansive and is designed to insure that the regulatory purpose of the law will meet " . . . the
17 countless and variable schemes devised by those who seek the use of the money of others on the
18 promise of profits." *SEC v. Howey Co.* (1946) 328 U.S. 293, 299; see also *Silver Hills Country*
19 *Club v. Sobieski, supra*, 55 Cal.2d at p. 814. Keeping this purpose in mind, courts have "adhered
20 to the principal that substance governs over form." *People v. Figueroa* (1986) 41 Cal.3d 714,
21 734.

22 The primary test in California to determine whether an offering is a security is the "risk
23 capital" analysis developed in *Silver Hills Country Club v. Sobieski, supra*. By that test, an
24 offering is a security where there is " . . . an attempt by an issuer to raise funds for a business
25 venture or enterprise; an indiscriminate offering to the public at large where the persons solicited
26 are selected at random; a passive position on part on the investor; and the conduct of the
27 enterprise by the issuer with other people's money." 55 Cal.2d at p. 815. The basic test for
28 distinguishing a security from other commercial dealings is whether the scheme involves an

1 investment of money in a common enterprise with profits to come solely from the efforts of
2 others. *People v. Smith* (1989) 215 Cal.App.3d 230, 237, relying on *SEC v. Howey Co.*, *supra*;
3 see also *People v. Figueroa*, *supra*, 41 Cal.3d at p. 734.

4 Sassman's various enterprises are securities; for each investment Sassman took investor
5 money and was to earn a profit through his efforts without participation by the investor. When
6 Sassman was ordered to desist and refrain he tried to avoid the order by turning to the use of a
7 joint venture, but even the joint ventures were securities because Sassman was to undertake
8 efforts with investor money while the joint venturer/investor was totally passive and in most cases
9 did not even know how the money was to be used. Moreover, in putting investors into the joint
10 ventures, Sassman failed to disclose the D&R issued by the DOC.

11 INFORMATION FROM VICTIMS

12 EARLY UNCHARGED VICTIMS

13 In the course of my investigation I located a number of investors who have been repaid by
14 show the beginnings of Sassman's Ponzi scheme. A few are set forth below.

15 During 1999 Sassman contacted [REDACTED] and told her he helps seniors plan for
16 retirement and could offer nine per cent on investments with him. Sassman met with [REDACTED] at
17 her residence in Stockton and convinced her to invest \$96,000 in InTex for a nine to eleven per
18 cent return on her money. By 2001, [REDACTED] had received payments of approximately \$12,000.
19 She asked for her money to be returned. Near the end of 2001, Sassman sent [REDACTED] a check for
20 \$75,000. [REDACTED] tried to deposit the check, but it was returned for non-sufficient funds. (At the
21 time the check was written, the account had a balance of \$414.33.)

22 [REDACTED] confronted Sassman regarding the bounced check and Sassman gave her
23 believable excuses throughout the entire year of 2002. [REDACTED] hired an attorney during 2003,
24 and the attorney contacted Sassman. In response, Sassman met with [REDACTED] at her house and
25 said he would repay her \$500 a month if [REDACTED] agreed to purchase a \$150,000 annuity through
26 Western Life. [REDACTED] agreed and purchased the annuity. Sassman promised to give [REDACTED] his
27 commission of \$3,500, but never did. [REDACTED] began to receive sporadic monthly payments that
28 equaled approximately \$8,000 before all payments stopped completely. [REDACTED] said some of the

1 monthly payments she received were in the form of money orders and other months she was paid
2 from Sassman's FIA account.

3 of Stockton invested with Sassman in 2004. He advised her to roll over some
4 annuities (she did; he put her into lower paying annuities than the ones she had) and he advised
5 her to sell her Chevron and Texaco stock and invest it with him for a nine to thirteen per cent
6 return. sold stock and invested approximately \$115,000 with FIA; Sassman put the money
7 into a stock trading program with the Vassallo Group¹ (Vassallo). Later, when daughter,
8 discovered what had done, she demanded that Sassman return the money.

9 As of August 2005 had received approximately \$120,000 back. The final check for
10 \$50,000 issued August 19, 2005, was funded by a \$67,000 deposit to the FIA account from victim

11
12 of Healdsburg, CA, met Sassman as a representative of AmeriState Legal
13 Plan, Inc., who prepared a living trust for . Thereafter Sassman convinced to
14 invest in FIA by promising a higher rate of return, nine per cent, than was getting on his
15 certificates of deposit. deposited \$150,000, in April and July 2004. During that period of
16 time FIA's accounts received almost \$950,000 in deposits including ; approximately
17 \$685,000 of the money went out for insurance or to Vassallo while \$243,000 went to Sassman,
18 his wife or for personal expenses. In June of 2005 requested the return of his funds;
19 Sassman tried to dissuade from getting his money back by promising a twelve per cent
20 return. Sassman made a number of excuses before sending six checks totaling \$165,000. A
21 check for \$50,000 written October 7, 2005, cleared the bank because Sassman deposited funds
22 from A check for \$55,000 written October 24, 2005, cleared the bank because
23 Sassman deposited funds from investors

24 ¹ In March 2009 Vassallo was indicted in the Eastern District of California. Vassallo and
25 others operated Equity Investment, Management and Trading Inc. (EIMT) in Folsom, soliciting
26 investors for a "hedge fund" program that promised investors a rate of return of 3.5 percent per
27 month with little risk of loss. The indictment alleges that these representations were false and that
28 Vassallo and others operated EIMT as a vast Ponzi scheme using investor funds to make
"dividend" payments to other investors and make risky loans without investor knowledge or
consent. EIMT was not registered with the SEC.

invested \$10,000 into Sassman's FIA during September 2004. The invested this money on conjunction with an insurance transaction completed with Sassman. The source of the money was a certificate of deposit. The were told by Sassman that investing in FIA would yield them nine per cent interest annually. The receive \$75 each month from Sassman, and the account did not have a maturity date. The still had their money invested in FIA until 2007 when they withdrew \$11,675; Sassman used other investors' money to repay them.

During November 2005, Sassman misrepresented to [REDACTED] that they were surrendering their annuity with Hartford Life and Annuity Insurance Company to invest the funds into an annuity with a higher return, when in fact the [REDACTED] invested \$128,283 into FIA in a stock day trading account maintained by Sassman. The [REDACTED] were contacted by their financial advisor regarding the withdrawal of their money from the annuity. The advisor cautioned them about the interest that was promised to them by Sassman and encouraged the [REDACTED] to investigate the investment further. The [REDACTED] took the advice of their advisor and decided to recant their decision to invest with Sassman. Through numerous phone calls and listening to various excuses from Sassman as to the whereabouts of their money, the money was returned on February 7, 2006.

On November 3, 2006, Sassman met [REDACTED] residence in Citrus Heights, CA, regarding investing in SMS and FI. Sassman provided [REDACTED] with a SMS business card and a book he wrote, Secrets of a Worry Free Retirement. Sassman told that if he invested money in FI, that he could expect a seven per cent return. [REDACTED] told Sassman he would need an account that was tax deferred due to his, [REDACTED], age of over 59. Sassman stated the annuity [REDACTED] would be investing in would be a two year annuity that deals with foreclosures and that his money would be tax deferred. [REDACTED] signed a two year joint venture with SMS on December 5, 2006.

██████████ researched the funds transfer and found the funds had been transferred to FI on November 21, 2006. ██████████ found out the investment was not tax deferred and he would be penalized for taking the money out of the Transamerica annuity he had prior to investing with

1 Sassman. was misled to believe his investment with Sassman would be tax deferred.
2 was repaid with a FI check on February 15, 2007; the money to pay the check was
3 transferred from an FIA account containing largely investor money.

4 CHARGED VICTIMS

5 In March of 2007 of Fair Oaks, CA, met Sassman and agreed to invest money in
6 SMS. After a couple of months, withdrew the money but discussed with Sassman the
7 purchase of an investment property at 720 L Street. The agreement was that , his brother-
8 in-law and Sassman were going to purchase the property for wine storage or to
9 redevelop into a multi-family dwelling. The three entered into an agreement to purchase the
10 property for \$3,500,000 from Construction and Development, Inc., and created a
11 Nevada limited liability company, SSH Properties LLC, for that purpose. Sassman paid a
12 \$100,000 deposit to purchase the property. When SSH could not come up with financing to close
13 the escrow, Sassman paid an additional \$50,000 into the escrow account extending the closing
14 date so that the holder of the deed of trust on the building who was foreclosing out would
15 allow the transaction to go forward. Sassman was never able to get financing and the were
16 foreclosed out of the property on or about September 25, 2007. repaid
17 Sassman their part of the deposit lost in escrow, and as far as were concerned,
18 that was the end.

19 But not for Sassman. He entered into a number of joint venture agreements with investors
20 for the development of 720 L Street, but failed to inform them that the property was neither
21 purchased nor developed. Indeed, to a number of the investors Sassman represented that he
22 already owned the property or later that he was going to repay them once the property was sold.

23 of Sacramento, CA, first met with Sassman in October 2004. At his
24 direction she withdrew \$120,000 from an annuity and deposited it with FIA; in November she
25 gave Sassman another \$21,000. Her funds were placed with money from other investors and then
26 almost half of that money was paid out to Sassman and his wife and almost another quarter of that
27 money paid to other investors or used for Sassman's personal expenditures. In April 2005
28 placed \$93,000 with FIA. Her money was combined with money from other investors, a

1 total of more than \$700,000. \$411,606 of that was spent for personal expenses, more than
2 \$51,000 went out to Kelly Sassman and more than \$34,000 was paid out to other investors. In
3 November 2007 Sassman called on [REDACTED] again and she placed \$21,000 with him from a
4 maturing certificate of deposit. Also Sassman rolled over her investment to SMS.
5 executed a joint venture agreement which has as an exhibit a "joint venturer management
6 decision" that her money go to "investment interest and repair on 720 L Street Vallejo."
7 According to the SMS paperwork, [REDACTED] transferred \$65,027.89 to SMS and was to get a
8 return of seven percent per annum. Based on the total amount transferred to Sassman, [REDACTED] is
9 unable to explain what happened to approximately \$170,000 of her investment.
10 [REDACTED] of Elk Grove invested her retirement funds from AT&T with FIA; she gave
11 Sassman \$246,116 in September 2005 and \$50,599 in October. Flores money was combined with
12 money from other investors for a total of more than \$462,000; of those funds almost \$195,000
13 was spent by Sassman for personal expense and more than \$146,000 was paid out to other
14 investors. [REDACTED] understood that the money would be used to invest in real properties in Georgia.
15 Flores set up the account so that she would get payments of \$1,800 a month, and Sassman made
16 the payments. In June 2007 [REDACTED] decided to drop her monthly payment to \$1,300, and she is
17 now receiving that amount. A joint venture agreement signed by [REDACTED] and Sassman July 30,
18 2007, indicates that [REDACTED] has contributed \$319,468.50, and the accompanying joint venturer
19 management decision indicates the money will be used for 720 L Street in Vallejo.

20 Two months after affirming he would comply with the terms and conditions of the DOC
21 D&R, in August 2006 Sassman contacted [REDACTED] about investing in property. Sassman
22 met with [REDACTED] at [REDACTED] residence in Elk Grove, CA, and offered [REDACTED] a seven percent
23 return on money in one year if he invested in Systematic Management Systems, LLC (SMS).
24 Sassman told [REDACTED] that SMS invested in property development and foreclosures in Atlanta,
25 GA. [REDACTED] agreed to invest \$74,504.05, and Sassman helped him liquidate accounts to move the
26 money around August 29, 2006; [REDACTED] signed the joint venture agreement with SMS.
27 money was combined with other investor money; approximately twenty per cent of the combined
28

1 money was paid out to other investors while almost half (\$237,888) was paid out in personal
2 expenses including \$128,033 to American Express and \$34,748 in cash.

3 son, reviewed the contract signed with Sassman. did
4 not feel comfortable with the investment, so he drove to Sassman's listed address and found it to
5 be a UPS Mail Box Store. , pretending he was , called Sassman and scheduled an
6 appointment to meet with Sassman at 's house. On October 18, 2006, Sassman met with
7 at 's house. questioned Sassman as to why his office address was a UPS Mail
8 Box Store. did not get a clear answer from Sassman. told Sassman that was
9 not interested in the investment any longer and wanted Sassman to return 's money.
10 Sassman told the money would be returned in 30 days.

11 received a letter dated December 8, 2006, from Sassman stating too much time has
12 passed for a reversal of funds. The letter also showed a total contribution amount of \$74,505.05.
13 Sassman closed s account and issued a check on July 25, 2007 for \$78,415.54.
14 The source of this repayment was funds from other investors.

15 In October 2006 Sassman called on [REDACTED] Steve agreed to take
16 retirement money invested through the State Teacher's Retirement System and invest \$35,367
17 with SMS. [REDACTED] was not sure what he was investing in, but Sassman promised a seven per cent
18 return and said the money could be withdrawn at any time without penalties, so Steve signed the
19 SMS joint venture agreement. In October 2007 Sassman met with the 's at their
20 residence and said that he had acquired a warehouse in Vallejo cheaply and their money was
21 invested in the warehouse. [REDACTED] believes his investment is safe, but has not received interest
22 payments or sought to withdraw money. In fact, his money was deposited to an FI account with
23 money from other investors; over the next several months more that half of the total was spent by
24 Sassman for personal expenses (\$274,000 including more than \$128,000 to American Express)
25 and almost another quarter was used to make payments to other investors.

26 [REDACTED] was interviewed by DOI Senior Investigator (Inv.) Phyllis Placencia on
27 September 17, 2007. [REDACTED] told Inv. Placencia she received a phone call from Sassman during
28 October or November 2005 and he represented himself as an insurance agent and stated he would

1 like to speak to her about her finances. agreed to meet with Sassman and invited him to
2 her house during November 2005. Sassman told his investment paid a guaranteed rate of
3 eight per cent and that her money was safe with him because he is local and available to help her
4 at any time. Sassman showed photos of his family and she said he appeared to be
5 trustworthy.

6 told Sassman she would not invest or transfer funds into FIA if she had to pay any
7 penalty fees. Sassman said he would absorb the penalty fee and would add the amount to her
8 investment with FIA. agreed to invest in Sassman's FIA, Inc. by closing her ReliaStar Life
9 Insurance account and transferring the funds to FIA. At the time closed the account with
10 ReliaStar, she was receiving six per cent interest and had a balance as of June 5, 2005, of
11 \$62,812.18. received an FIA statement, and understood her investment to be in a company
12 for which Sassman worked and was possibly a deferred annuity or an IRA. did not discuss
13 with Sassman how to withdraw her funds or cancel the account at the time she invested as the
14 funds were to be left to her son, upon her death.

15 At a later date Sassman contacted [REDACTED] and informed her he was going with another
16 company, SMS, towards the end of July 2007. On August 1, 2007, Sassman met with at
17 her residence and had her sign a Joint Venture Agreement with SMS reflecting the contribution of
18 \$70,426.22 earning seven per cent per annum. stated she did not remember signing the
19 transfer paperwork. At that time, Sassman took the FIA service agreement had signed
20 along with all of the FIA account statements had received since her initial investment in
21 2005. Sassman told [REDACTED] she no longer needed the FIA paperwork, as her money was now
22 invested with SMS.

23 [REDACTED] son, told me was diagnosed with cancer
24 during the early part of 2009 and broke her leg on February 14, 2009. said he took over
25 [REDACTED] financial matters and contacted Sassman during February 2009 to request money for
26 [REDACTED] cancer treatment and medical expenses. Sassman said could withdraw \$7,000
27 from the investment without a penalty fee and would send a check. did not receive the
28 money and left several messages. When Sassman responded to the messages, he made excuses

1 such as the money had to be wired from an attorney and had not been received. In April 2009,
2 received a call from Sassman who said that since was such a good customer, she
3 could withdraw \$14,000 without the penalty fee. As of May 6, 2009, Wayne had not received the
4 money and left Sassman yet another message.

5 spoke with Sassman on May 7, 2009. said he told Sassman he had reviewed
6 the SMS joint venture agreement signed by on or about August 1, 2007, and the contract
7 does not mention a penalty fee. Sassman admitted a penalty fee was not part of the contract.
8 Sassman told the investment was not an annuity and that had always referred to it
9 as an annuity. told Sassman the \$14,000 needed to be received no later than May 11,
10 2009, and that Sassman had 30 days to refund the remaining balance which equaled
11 approximately \$64,000.

12 received a check from Sassman's Washington Mutual/Chase Bank on or about May
13 8, 2009. deposited the check into her account and received a notice from the bank on or
14 about May 12 the check was returned for non-sufficient funds. confronted Sassman about
15 the check and Sassman said his account had been compromised over the Memorial Day Weekend.
16 demanded Sassman release all of the funds in account and close the SMS
17 account. Sassman told that should receive a check for the entire amount of her
18 investment on May 29, 2009.

19 invested just over \$75,000 in March and April 2005. Her money was
20 deposited into an FIA account; between January and May 2005 deposits to the account totaled
21 more than \$710,000, largely from investors. During that same period more than \$51,000 went to
22 Kelly Sassman, \$34,000 investors for interest payments, and more than \$411,000 was spent on
23 personal expenses including more than \$65,000 to a car dealer and more than \$41,000 to Polo
24 Ralph Lauren.

25 During March 2009, son, took over the
26 financial dealings. requested a liquidation of funds, \$69,313, from
27 Sassman/SMS on or about March 12, 2009. I reviewed e-mail correspondence between Sassman
28 and that span the dates from then through May 6, 2009. The first e-mail response from

1 Sassman to stated Sassman received and would begin to process the request of liquidating
2 the account. Sassman stated, "We are in the process of completing a real estate transaction. Once
3 completed a check will be sent to you." Sassman also indicated the request would take
4 approximately 30 days to complete. Sassman offered a number of excuses but the money
5 was never returned.

6 I initially spoke with regarding his \$67,000.00 investment with
7 Sassman/SMS on October 29, 2007, and spoke to him again on May 29, 2009. (s money
8 was used to pay \$50,000 to Simoni told me he has received monthly interest only
9 checks ranging from one to two per cent or \$600 to \$1,100 per month since August 2005.
10 initially invested his funds with FIA during August 2005; as of August 2007, Sassman switched
11 money to SMS. agreed to the switch and signed the Joint Venture Agreement
12 allowing Sassman to invest money on "investment interest and repair" of 720 L. Street,
13 Vallejo, CA. Sassman told he owned the building and already had a signed tenant
14 agreement for renters. informed me on that he had not received his monthly interest
15 payments from Sassman/SMS since February 2009 and has requested that Sassman liquidate his
16 account. Sassman assured [REDACTED] his money was safe, however agreed to liquidate
17 account. Sassman told [REDACTED] to expect payment of his principle investment plus interest on
18 Wednesday, June 3, 2009, but it did not happen. said he would not have invested with
19 Sassman had he known Sassman did not own the building or have control over the
20 tenants/renters.

21 According to DOJ/SCU Investigative Auditor Vikram Mandla,² \$67,000.00 was
22 deposited into a FIA Washington Mutual account on August 19, 2005; Kelley Morgan-Sassman
23 (Sassman's wife) is the sole signatory on the account. The day prior to money being
24 deposited into Sassman's FIA account, the balance was \$42,318.92. Three days after
25 check was deposited Sassman wrote a \$50,000.00 check to repay a prior investor.
26 Without [REDACTED] money, Sassman would not have been able to cover the check to Wehe.

27
28 ² Mandla has review all of the bank records obtained in this case.

of Sacramento rolled \$83,346 from retirement account to Sassman and SMS January 24, 2007. The joint venture agreement with SMS indicated that the money was to go into real estate to earn investment interest. Later, in August 2007, Sassman called on the [redacted] and told them that their money had been used to buy a property, 720 L Street in Vallejo. At the time Sassman informed the [redacted] that he had purchased the property for \$6,000,000 and the property was currently undergoing renovation. As far as the [redacted] know, there money is still invested in that project. In fact, the [redacted] money traveled through several of Sassman's accounts, but it was ultimately substantially used to repay

of Sacramento lives in Sassman's neighborhood. Sassman approached him in early 2007 and said that SMS was involved in various investments including stocks and residential and commercial real estate. [REDACTED] was more familiar with real estate and agreed to invest \$50,000 on April 20, 2007, to go into real estate. At the time Sassman said he was in the process of purchasing and repairing 720 L Street, Vallejo, and told [REDACTED] his money would go toward that project. [REDACTED] money was combined with other investor money from which \$100,000 was used for the down payment on 720 L Street, \$608,150 was transferred to Nevada Rental Properties³, almost \$85,000 was paid out to other investors and \$265,000 was paid out for personal expenses including \$130,219 to American Express. Later Sassman told [REDACTED] that the property had been acquired by someone else in a bankruptcy and that SMS was looking for other properties. [REDACTED] has requested and received withdrawals from his account, but does not currently know how his money is invested.

██████████ father-in-law had invested with Sassman, so she agreed on July 9, 2007, to roll \$42,415.55 from her 401(k) account into SMS. According to the joint venture agreement, she was to earn nine per cent per annum; Sassman explained that he makes eleven per cent and could thus afford to pay nine. The joint venture agreement indicates that the purpose is “investment interest and repair on 720 L Street, Vallejo.” She knew no specifics of the property or that

³ From that account \$95,000 went to SSH Properties and \$25,000 went to criminal defense attorney William Portanova.

1 Sassman did not own it, and he did not disclose the D&R to her; had she been aware she would
2 not have invested. [REDACTED] has received regular interest payments but was not told that the L Street
3 property was never acquired.

4 [REDACTED] of Fair Oaks, CA, invested initially with Sassman in July 12, 2005 when she
5 rolled her \$41,336.34 401(k) to an investment with FIA. In July 2007 Sassman called her and
6 asked to meet, and when they got together, asked her to sign a joint venture agreement with SMS.
7 The general purpose of the agreement was to invest in foreclosed property in California or
8 surrounding states, but the attachment indicates the money would go into 720 L Street. At the
9 time of the execution of the document, [REDACTED] was not aware of the D&R; had she been aware she
10 would have withdrawn her money.

11 [REDACTED] of Fair Oaks met with Sassman in April 2007 based on the
12 recommendation of her son. Sassman told her SMS invested primarily in foreclosed homes, but
13 also in stock options. He assured her that money invested with SMS was safe. [REDACTED] withdrew
14 \$25,000 from an IRA and invested it with SMS; she executed a joint venture agreement April 13,
15 2007. [REDACTED] money was combined with other investor money from which \$100,000 was used
16 for the down payment on 720 L Street, \$608,150 was transferred to Nevada Rental Properties,
17 almost \$85,000 was paid out to other investors and \$265,000 was paid out for personal expenses
18 including \$130,219 to American Express. Toward the end of July 2007 she received in the mail
19 an exhibit to the agreement which named the purpose of her investment interest and repair on 720
20 L Street. When [REDACTED] received her 1099's for 2007, her accountant said they were incorrect.
21 [REDACTED] made a decision to withdraw her money and asked for its return. Approximately ten to
22 twelve days later she got her money back. She was not informed of the D&R; had she been
23 informed she would not have invested.

24 [REDACTED] son, [REDACTED] invested \$26,000 with Sassman and FIA in May 2006.
25 Sassman said he invested in stock options and earned up to three per cent. In March 2007
26 Sassman called [REDACTED] about transferring his money from FI to SMS; [REDACTED] signed a joint
27 venture agreement March 2, 2007, showing a transfer of \$32,027.27 to SMS. [REDACTED] understood
28 the change was made so that Sassman could invest in foreclosures as well as stock options.

1 continues to get statements showing a growing account, but does not receive interest
2 payments. At the time he agreement to transfer his money, he was not aware that the D&R had
3 issued.

4 uncle, invested \$30,000 with SMS by signing a joint venture
5 agreement on August 13, 2007. Attached to it is a "joint venturer management decision to invest
6 in 720 L Street." requested monthly withdrawals, as well as a onetime withdrawal of
7 \$7,300.00; the money was received as requested. was not aware of the D&R at the time
8 of his investment.

9 of Stockton, CA, invested approximately \$25,000 with Sassman and FIA in
10 August 2004, with the understanding Sassman would invest in stock options and pay a nine per
11 cent return. money was put in account with funds from other investors and from the
12 Vassallo Group; from there funds went to other investors, the Vassallo Group, and to Sassman
13 and Kelly Sassman. The statements he received from Sassman did not show any market gain or
14 loss, and Sassman assured it was a computer programming issue. Sassman was also paid
15 the nine percent interest. In October 2007 Sassman contacted and informed him that the
16 funds that were invested with FIA were going to be rolled over to SMS. The agreement shows a
17 rollover of \$34,207.72 at nine per cent per annum, and indicates that the money will be used for
18 "investment interest and repair of 720 L Street."

19 [REDACTED] of Castroville, CA, was told about SMS by her son-in-law, ,
20 who said he was an employee of SMS and spoke highly of the investment opportunities SMS had
21 to offer. [REDACTED] took an equity line of credit against her house to fund a \$125,000.00 investment
22 into SMS made May 2, 2007. According to her joint venture agreement, her money was to be
23 used for "real estate properties" to get "investment interest." money was combined
24 with other investor money from which \$100,000 was used for the down payment on 720 L Street,
25 \$608,150 was transferred to Nevada Rental Properties, almost \$85,000 was paid out to other
26 investors and \$265,000 was paid out for personal expenses including \$130,219 to American
27 Express. [REDACTED] said she does not have a clear understanding of where her money is invested as
28

1 she relied solely on advice and recommendation as it pertained to her investment with
2 Sassman/SMS. As of October 2009 her money is still invested with SMS.

3 On September 29, 2008, at the urging of , of Sacramento,
4 CA, invested \$10,000 in SMS. She was hesitant to make the investment, but assured her
5 the investment opportunities offered through SMS were good investments. She was promised
6 four per cent per month and expected a \$400 payment each month. She got the first payment, the
7 second was late so paid her \$400, and her third payment was late. She got a text message
8 from Sassman in January 2009 telling her would pay her soon. Subsequent payments were late,
9 so in March 2009 requested a full refund. Sassman told her that she could request a full
10 refund during the "open enrollment period" after April 1, 2009, and so she did that. As of
11 October 2009 she has not received her money back, nor any interest payments.

12 of Antelope, CA, also learned of Sassman from used an
13 equity line on his house to invest with Sassman and SMS and in April 2007 invested \$50,000.

14 money was combined with other investor money from which \$100,000 was used for
15 the down payment on 720 L Street, \$608,150 was transferred to Nevada Rental Properties, and
16 almost \$85,000 was paid out to other investors. was to earn interest at the rate of two
17 per cent per month. At the time [REDACTED] was given literature of the advantages of investing in
18 distressed or foreclosed properties. In July or August of 2007 Sassman met again with
19 and had him sign an amended joint venture agreement that indicated his money was going to be
20 invested in 720 L Street, Vallejo. [REDACTED] withdrew \$29,552.02 from his account on May 8,
21 2008; the balance is still with SMS.

22 [REDACTED] of Stockton, CA invested \$150,000 with Sassman and FIA in 2004. Some of
23 her money went to Vassallo and some to Sassman for personal expenses. She withdrew the
24 money in 2006, but then shortly thereafter decided to reinvest \$140,000. On March 13, 2007
25 Sassman met with [REDACTED] at her residence and told her the money was going to be transferred to
26 SMS. The joint venture agreement signed March 13, 2007, reflects an investment of \$146,317
27 and indicates the money will be used on "real estate properties" for "investment interest." Her
28

1 money was used to pay an American Express bill of approximately \$44,000. said that
2 Sassman assured her that the investment was insured, and she receives monthly payments.

3 Sassman called several times on of Sacramento; Sassman assured
4 that he could guarantee him a five per cent return and that could withdraw
5 money at any time. agreed to roll over an annuity to Sassman and SMS.

6 check in the amount of \$16,203.39 issued from AIG and was deposited to an account in the name
7 of FI over which Sassman and his wife have signature authority. At the time the deposit was
8 made the account had less than \$500 in it; a day after the deposit was posted to Sassman's
9 account, a \$16,000 electronic payment was made from the account to American Express. On
10 May 9, 2007, signed a joint venture agreement indicating that the proposed investment
11 was "real estate properties" to make "investment interest." read the agreement at a
12 later date and only then realized that the term of his investment was five years.

13 is suffering from dementia and needs money for her care. Her daughter,
14 discovered that invested with SMS and Sassman. found an
15 account statement from SMS that showed that her mother had an investment of more than
16 \$29,000 that started on May 27, 2007, and allegedly has grown to more than \$34,000 as of
17 September 2009. (A review of Sassman's bank account shows an initial deposit of \$29,566.77 on
18 December 28, 2006.) In June of 2009 went to Sassman's office to find out about her
19 mother's investment and get her money back. Sassman told that her mother's money
20 was in a property at Mare Island (the long before lost 720 L Street property) and would earn her
21 mother higher returns than an annuity. Sassman said he was in the process of selling the property
22 and would have money in about a month. Sassman offered to roll investment into a
23 property in Rancho Murieta with a higher return, but declined. Sassman gave a number
24 of excuses why the money could not be returned, then mentioned a lawsuit and said when it
25 settled there would be money. In August 2009 received a letter from Sassman saying
26 money had been stolen from his company and a lawsuit had been filed.

27 IA Mandla spoke with who is trustee of the Trust. He told
28 Mandla that his mother-in-law was deceased, but that between July 2005 and July 2006

1 had invested over \$305,000 with Sassman, FIA and FI. tried unsuccessfully to
2 get Sassman to return the money; when Sassman failed to keep promises to return the money
3 sued and on or after September 15, 2009, got a default judgment against Sassman for
4 \$306,000 plus interest.

5 IA Mandla was partially able to trace investment funds. Her check for
6 \$102,670.77 was deposited to a FIA account on August 24, 2006; at the time the account had less
7 than \$2,200 in it. Some of money was transferred to an account where it was used to
8 make Sassman's car and auto insurance payments, while most was transferred to an account for
9 an LLC that owned one of Sassman's homes; from there the money was used largely to pay for
10 personal expenses. A second check for \$161,783.07 was deposited to another Sassman
11 account on July 18, 2006. Other investor funds were then deposited to the account as were some
12 funds from other Sassman accounts, and were then funds were disbursed to make payments
13 including \$128,052.19 to American Express, \$184,145.03 to other investors, almost \$35,000 in
14 cash withdrawals and over \$80,000 in personal expenses. A substantial majority of what was
15 investor money was used for personal expenses or as payments to other investors.

16 [REDACTED] liquidated an annuity to invest with SMS. He understood that SMS was
17 investing in foreclosed properties and that he would achieve a seven per cent return on his
18 investment. Sassman told [REDACTED] that the investment was backed by real estate, that his investment
19 was safe, and that the funds could be withdrawn at any time. invested \$46,313 on January
20 23, 2008. At that time he signed an SMS joint venture agreement indicating the money was going
21 to "real estate Properties," and as with all the other joint venture agreements, the property was to
22 be held in the name of SMS or the joint venture.⁴ was not informed about the D&R; had he
23 been aware of it he would not have invested. got account statements from Sassman until
24 they ceased in January 2009.

25 [REDACTED] met Sassman through his neighbor, in 2006.
26 initially invested \$40,000 with FI on May 11, 2006. Sassman told that his money

27 ⁴ The same language appears in all of the joint venture agreements. There is no property
28 held in either the name of SMS or any of the joint ventures.

1 would be invested in the stock market through a group that used a computer to monitor stocks.
2 was paid monthly payments ranging from one to three per cent. In January 2007
3 met at Sassman's office; Sassman said that for legal reasons (he did not disclose the
4 D&R) investment would be rolled into SMS, that some would be invested in the
5 same stock program, but other money would be invested, according the joint venture agreement,
6 in "foreclosed and residential properties located primarily in the state of California or other
7 surrounding states for two years" Sassman provided a joint venture agreement between
8 and "William-A: Sassman©." In August 2007 Sassman said money
9 would be invested in one particular property in Vallejo, Ca, and he provided an addendum to the
10 joint venture agreement indicating the money was going to 720 L Street. Sassman never told
11 that the L Street property fell through, but he continued to pay interest.
12 In May of 2008 added another \$15,000 to his SMS investment on May 8; his
13 check was deposited to a SMS account and then moved with other investor money to the account
14 of Family Helping Others. More than half of the investor money moved to that account was used
15 to make payments to investors including [REDACTED] none was invested. In August 2008
16 [REDACTED] invested \$112,500 more. That money was commingled with money coming in from
17 other investors and then used to pay \$700,000 to Sinyante Enterprises LLC and to a lesser
18 degree to make payments to other investors.
19 In January 2009 Schroeder was complaining to Sassman about substantial losses in his IRA
20 account. Sassman told [REDACTED] he could double his (money) in an investment in a
21 "class A" \$25 million commercial building in El Dorado Hills, CA, 7011 and 7012 Investment
22 Road. Sassman showed [REDACTED] blue prints and tenant leases for the property and said
23 [REDACTED] money would be used to purchase the building. decided to invest the rest
24 of his IRA and on February 5 and 11, 2009, transferred a total of \$225,656.11 to Sassman.
25 [REDACTED] money (plus another \$30,000 from another investor) was used to pay \$76,535.56 in
26 personal expenses (including a \$23,854.30 payment to American Express), \$93,268.24 to other
27 investors and \$90,000 to Coastal Sierra Management. I have spoken to the developer of the El
28 Dorado Hills property; he told me that while Sassman talked to him about buying the building,

1 nothing came of it, and Coastal Sierra Management has no relationship with his property and he
2 did not receive the money; Coastal Sierra is a California LLC started in 2008 and attorney
3 Richard Shencopp is the agent for service of process.

4 met Sassman through invested \$20,000 with FIA
5 March 8, 2006. Originally money was to be invested in the stock market; in December
6 2006 Sassman moved the investment to SMS, and signed a joint venture agreement for
7 “real estate properties.” Sassman discussed 720 L Street in Vallejo and a class A building in El
8 Dorado Hills, but does not know if his money went to either project. Because was
9 getting regular interest payments, in 2008 he rolled over an IRA account to Sassman and a job
10 severance payment bringing his total investment to approximately \$52,000. In addition
11 received money from Sassman for bringing in other investors – three percent of the amount
12 invested. is familiar with Family Helping Others, a non-profit Sassman founded as a tax
13 planning device to hold his “profits;” looked into it and decided not to create his own non-
14 profit. was not aware that his later investments were co-mingled with other investor
15 money and then transferred to Family Helping Others where the money was largely spent to pay
16 Sassman’s personal expenses. did not authorize Sassman to use his money for personal
17 expenses.

18 told his father, Allan about Sassman. initially
19 invested \$30,000 on June 14, 2007, and entered into a joint venture with SMS for “real estate
20 properties.” Thereafter the Sassers invested \$76,000 on February 10, 2008, \$100,000 on March
21 19, 2008, \$131,801.92 on April 29, 2008, \$69,000 on May 7, 2007 and \$52,000 on August 15,
22 2008, bring the total to \$458,801.92. Most of the money went to Family Helping Others.

23 introduced to Sassman in 2006. Sassman said that he would use
24 money for the purchase, repair and sale of distressed properties. True invested \$25,000.
25 In September 2007 was contacted by the DOC inquiring about Sassman; withdrew his
26 money. The source of repayment was money deposited the day before by investor
27 In July 2008 spoke with who told him that Sassman had cleared
28 up his problems and that Sassman had a new investment opportunity that would allow an investor

1 to triple his money. went to Sassman's office; Sassman said that he expected to make a
2 substantial profit in the sale of bonds. invested \$20,000 with Sassman on July 24, 2008.
3 His money was combined with other money and paid to Sinymante Enterprises LLC and used for
4 personal expenses. In May 2009 contacted Sassman and sought to liquidate his account.
5 Sassman said he had a pending lawsuit and that all investors would be paid when the suit was
6 resolved.

7 invested \$40,000 with SMS and Sassman in November 2006. He understood
8 his money would be used to buy and sell foreclosed homes in Georgia. Sassman spoke of stocks,
9 but did not know if his money was invested in stocks was not concerned as long as he got
10 the promised three per cent per month return, especially since Sassman assured him the money
11 would always be in the account and could be withdrawn any time after the first year.
12 signed a joint venture agreement with SMS for "real estate properties (REO)." invested
13 another \$19,358 with Sassman on April 23, 2007, and executed another joint venture agreement
14 for "real estate properties" and a three per cent per month return. Sassman told him a part of the
15 money would be in a property in Vallejo. received monthly payments until January 2009,
16 and withdrew some small amounts; his account statements reflect a balance of \$62,459 as of
17 October 30, 2009.

18 met Sassman in October 2005. Sassman told he has access to a super
19 computer stock trading program, the computer was located at , house and
20 Sassman could guarantee a one and one half to three per cent monthly return on his
21 investment. invested \$100,000.00 with FI, in part because Sassman guaranteed the
22 principle was safe. Based on the monthly returns he was receiving, invested another
23 \$100,000 in January and February 2006. withdrew \$104,000.00 in April 2006.
24 received monthly interest payments through March 2007. Between July and September 2007,
25 Sassman informed his money was going to be transferred from FI into a new company,
26 SMS. withdrew \$45,000 October 17, 2007.

27 During October 2008, Sassman took to 1101 and 1107 Investment Boulevard, El
28 Dorado Hills, CA. Sassman told he was in the final stages of putting the deal together and

1 that money was going to be invested in these two \$30,000,000 buildings. Sassman
2 reaffirmed that would receive three per cent monthly return on his investment.
3 continued to receive monthly payments until January/February 2009 when Sassman said money
4 was tight and he could not pay demanded payment and Sassman told to charge
5 his (Sassman's), American Express card for the amount that was requesting plus additional
6 amounts for Sassman. said he charged two different American Express credit cards given
7 to him by Sassman approximately \$44,000, \$22,000 for himself and \$22,382.00 for Sassman.

8 During August 2006 suggested that he and Sassman start a non-profit organization to
9 clean up the Sacramento River, and they came up with the name "Northern California River
10 Clean Up, Inc." (NCR). said Sassman handled all of the incorporation paperwork and they
11 opened a Wells Fargo Bank account and each put in half of the required opening deposit.
12 Sassman told he was going to use the NCR checking account to pay his \$2,000 business
13 office rent each month and agreed. and Sassman never did anything else with the
14 organization. Recently was notified of a civil lawsuit filed in Sacramento Superior Court
15 against Northern California River Clean Up, Inc. asked Sassman why Northern California
16 River Clean Up, Inc. was involved in a lawsuit and Sassman said he had leased his business office
17 under the name Northern California River Clean Up, Inc., and that the building owner was suing
18 him for failure to pay rent.⁵ said he did not authorize Sassman to rent office space in the
19 name of NCR.

20 had an office near Sassman's and they developed a friendship Sassman
21 helped form an LLC for a business venture and told him about the stock trading program
22 developed by Vassallo. Beginning in February 2006 invested money with Sassman, first
23 with FIA and FI, later with SMS. Sassman said SMS purchased foreclosed properties with
24 investor money. referred others to Sassman and received payments for some of the
25 referrals.

27 ⁵ Sassman is being sued for approximately \$12,000 in past due rent and also for rent over
28 the life of the lease.

1 was introduced to Sassman by on August 8, 2007. Sassman
2 told he would invest her money in commercial real estate and guarantee a two per cent per
3 month return. did not remember specifics about the investment, but does recall Sassman
4 mentioning a property at Mare Island. That day she wrote a check to SMS for \$200,000. A
5 portion of her money went to Equity Investment Management and Trading and the rest was
6 transferred to other entities. For the first year she received monthly \$5,000 payments. In January
7 2009 told Sassman she wanted to close her account, and Sassman responded that he was
8 working on it. Between January and June she contacted Sassman several times about her money;
9 during one conversation he said her money had been moved into a ninety day certificate of
10 deposit, but that the money had gone overseas and he has hired a lawyer to settle the case and
11 retrieve her funds. In June 200 was foreclosed out of her home because she was unable to
12 make the payments. In October 2009 Sassman told her he was waiting for the money to be wired
13 into his account.

14 contact Sassman about annuities in late 2007. Sassman came to
15 home, and mentioned that he owned a building in Mare Island and was looking for
16 investors to fund the renovation, and promised a seven per cent return. On January
17 28, 2008 invested \$25,000 and entered into a joint venture agreement with SMS for
18 “real estate properties.” The following month Sassman sent a new joint venture
19 agreement between and “William-A: Sassman©.” money was put
20 into a SMS account; money paid out from the account was such that some of
21 money was used either to pay other investors of for Sassman’s personal expenses.

22 was seeking to diversify his portfolio and on the recommendation of
23 met with Sassman who said that he was involved with real estate and financial investments
24 and was currently purchasing a strip mall in Folsom and acquiring government bonds; he assured
25 that any money invested would go to these projects. Sassman guaranteed a three per cent
26 per month return, so on June 11, 2008, signed a joint venture agreement and invested
27 \$20,000, and another \$3,900 in January 2009. When the joint venture agreement expired in June
28 2009 sought the return of his funds. Sassman said he was in the process of settling a civil

1 lawsuit and would then repay That has not happened. money was combined with
2 other investor money and used to make payments to other investors, to provide money for
3 Sassman's Family Helping Others and to pay \$700,000 to Sinymante Enterprises LLC.

4 met Sassman in 2007 but did not invest with him until August 2008.

5 While she did not recall the specifics, Sassman told her the \$20,000 she invested on August 29,
6 2008 would be used for a real estate investment. added \$10,000 more on September

7 19, 2008. In February 2009 husband, sent Sassman a letter demanding
8 the return of money that he invested along with money invested by and her father,

9 When the money was not forthcoming, offered to work for Sassman
10 with the intent of getting access to his bank accounts to find out what had happened to her money.

11 She discovered that one of the accounts was closed and the other had a negative cash flow.

12 Sassman gave her several payments, but the checks were returned for insufficient funds.

13 spoke with Sassman in late October; he admitted to owing investors approximately \$3
14 million, but said she would be paid shortly because a big deal was closing and he expected to get
15 paid. From a review of bank accounts, it appears money was combined with money
16 from other investors and [paid to Sinymante Enterprises LLC.

17 husband is ; he has been indicted by the United States
18 Attorney for the Eastern District of California for impersonating a federal officer. met

19 Sassman through Sassman was looking for investors to help purchase distressed real
20 properties, and said any investment would be secured by real estate and government securities.⁶

21 On May 29, 2008, invested \$80,000 with SMS and signed a joint venture agreement for
22 "real estate properties." His money was combined with other investor funds and used primarily
23 for transfer to Family Helping Others. On August 28 and 29, 2008, issued six checks
24 totaling \$45,000 to SMS; he was told that his funds would be used to invest in a Class A
25 commercial building in El Dorado Hills. His funds were combined with other investor funds

26
27 ⁶ Sanders provided me with a copy of a \$300,000,000 "Private Discharging and
28 Indemnity Bond" issued by Sassman to former U.S. Treasury Secretary Henry Paulson. The bond
is worthless, a fraud.

1 which were then used for a \$700,000 payment to Sinymante Enterprises LLC and \$76,000 to re-
2 pay other investors.

3 father is ; she and introduced to Sassman who said
4 he could double money in six months to one year. invested \$100,000 on August
5 23, 2008. told Sassman he did not want his money tied down to a specific investment and
6 gave Sassman discretion on how the money was to be invested. Over time invested another
7 \$196,000 with six separate joint venture agreements for each of his investments. When the one
8 year term of investment was up, he contacted Sassman and asked that his account be
9 liquidated. Sassman said that he could not pay because he lacked sufficient cash reserves,
10 but said that he was expecting money and would pay when he received the money.
11 initial payment was used largely to fund the \$700,000 payment to Sinymante Enterprises LLC.
12 Other funds from went toward payments to Family Helping Others, other investors,
13 approximately \$133,000 to American Express and other personal expenses including Sassman's
14 Ferrari.

15 met Sassman through . Mandel invested \$50,000 with SMS
16 on December 17, 2007 and another \$100,000 on April 25, 2008. At the time the \$50,000 check
17 was deposited to the SMS account, the balance was less than \$13,000. The next day a \$12,000
18 payment was made to and that week a \$34,153.46 payment was made to American
19 Express and \$11,000 was spent on personal expenses. When the \$100,000 investment was
20 deposited to Sassman's account, there was a balance of approximately \$35,000. Over the next
21 week Sassman paid \$30,000, paid his father \$30,000 and paid
22 \$10,000; the payments would not have been possible without money. Over time
23 received back \$58,000; \$40,000 was made possible because other investor funds were
24 deposited to the account.

25 met Sassman through in May 2008. Sassman said that he
26 would invest money in real estate and that he would provide a return of one and one
27 half to three per cent per month. Sassman also showed a bond that he expected to
28 liquidate within six months that would provide a one hundred per cent return. decided to

1 invest \$35,000 on May 13, 2008. Over the next nine months invested another \$200,000.
2 Much of investment was combined with money from other investors and used to pay
3 \$700,000 to Sinymante Enterprises LLC, \$265,000 to Family Helping Others, \$305,635 to other
4 investor payments and \$15,407.84 for personal expenses. Later payments were also commingled
5 with money from other investors and paid to Coastal Sierra Management, other investors and
6 \$76,535.56 for personal expenses including \$23,854.30 to American Express. In July 2009
7 discovered that his account was no longer accruing interest; Sassman told him that the
8 market was down and the investment was not paying out. The bond instrument still was not sold.
9 attempted to purchase the L Street Vallejo property with Sassman, but the
10 venture was not successful. invested \$443,000 with Sassman on July 10, 2007.
11 signed a joint venture agreement for real estate properties and was promised a return of three and
12 one half per cent per month. The money was withdrawn several months later. On October 15,
13 2008, entered into another joint venture with Sassman. For a one year investment,
14 Sassman promised twenty-five per cent a month for November and December 2008 and
15 seventy-five per cent for the remaining ten months. Sassman guaranteed the investment with his
16 \$300,000,000 "Discharge and Indemnity Bond"⁷ and invested \$200,000.
17 met Sassman through who said he was getting returns of one to
18 three per cent per month. Sassman explained that money would be deposited to an SMS account
19 and then leveraged so that the money never left the account; Sassman promised a return of three
20 per cent per month for the life of the investment and assured that the money would
21 always be liquid. invested \$25,000 March 19, 2008. was so excited about the
22 return he told his parents and grandparents.
23, and they authorized him to invest on their behalf. Collectively and his family
24 invested \$539,000. Their money was combined with other investor money and \$300,000 went to
25 Family Helping Others. Before handing Sassman each additional check obtained
26 Sassman's assurance that the funds would remain liquid. began asking for liquidation of

27 ⁷ I have seen a copy of the bond; it was issued by Sassman to then Secretary of the
28 Treasury Henry Paulson and is of no value.

1 the funds in 2008, but Sassman said the funds had to remain one year. When the investments
2 began to mature in March 2009 again contacted Sassman and asked for the investment to
3 be liquidated, but Sassman said the funds were not available or that a deal would be closing soon
4 so should expect payment. That has not happened.

5 In March 2008 Sassman and his wife opened an account in the name of Family Helping
6 Others Foundation at Wells Fargo Bank; at the time the account opened, Sassman represented that
7 the entity was a non-profit. The account was funded with \$125,000 from victim ,
8 \$51,000 from an FI account, \$40,000 from miscellaneous accounts, and \$1.2 million from SMS.
9 The funds in the SMS account came from victims

10
11 By April 2009 all of the money was spent: \$60,000 was transferred to an
12 SMS account, \$461,756.74 was paid out to investors,⁸ \$25,466 went to Kelly Sassman, and
13 \$884,635.89 was spent for personal expenses including a \$287,548 payment to American
14 Express, \$92,075 in car payments and a \$75,000 deposit towards the purchase of 651 Lilac Place,
15 Sacramento.⁹

16 RECENT DEVELOPMENTS AND NEW SCAMS

17 [REDACTED] was approached by Sassman who offered to buy his
18 home at 651 Lilac Lane, Sacramento, for \$3 million; Sassman said he would buy the house for all
19 cash. After six weeks of questions, [REDACTED] told Sassman that if he was serious he would have to
20 enter into a contract and put down a \$75,000 deposit. On April 25, 2008, Kelly Morgan Sassman
21 wrote a \$25,000 check to the Lyon trust account with the memo note "Deposit 651 Lilac Lane;"
22 the check was drawn on the account of "Family Helping Others Foundation." On May 9, 2008,
23 Kelly wrote a second check to Placer Title for \$50,000 drawn on the same account with the note
24 651 Lilac. Sassman had the home inspected in May 2008 and the escrow was scheduled to close
25 in June 2008. [REDACTED] leased another home and moved his family out in preparation for the sale.

26
27 ⁸ That includes a \$400,000 re-payment to Paul Hansen.

28 ⁹ This was a \$3 million home on which the Sassmans placed a non-refundable deposit
that was lost when they could not close the escrow.

1 When Sassman told he would need an extension to close the sale, agreed to but also
2 required an agreement from Sassman that the \$75,000 deposit be deemed non-refundable.
3 Sassman agreed and continued to seek financing. Sassman showed a \$300,000,000 bond
4 and a statement from SMS showing that Sassman had a balance of \$530,000,000 in his account.
5 In May of 2009 Sassman asked to loan him \$25,000 so that Sassman could consummate a
6 deal to purchase a Ferrari. In addition, during 2008, Sassman parked his Ferrari F430 in the Lilac
7 Lane garage.¹⁰ The sale has since fallen through and kept the \$75,000.

8 On August 31, 2009, Sassman and SMS filed suit in the Sacramento County Superior Court
9 against and a number of other defendants for breach of contract,
10 conversion, fraud and other causes of action. The complaint alleges, in essence, that Sassman has
11 been swindled in two separate transactions. In the first, he alleges that in August 2008 he was
12 told that if he invested \$700,000, he would receive a return of 150 per cent in 90 days (600 per
13 cent per annum), renewable every 90 days for a total of 13 months. Sassman alleges that in a
14 second, separate transaction in November 2008, he was induced to invest \$650,000 with a
15 promised return of \$1,950,000 within 45 days. (Assuming the return represents a return of both
16 principal and profit, this computes to a 200 per cent profit in 45 days or 1,600 per cent per
17 annum.)

18 The money used by Sassman for the first investment, \$700,000 came from victims

19 [REDACTED]
20 [REDACTED].

21 The money used for the second, \$650,000 investment came \$125,000 from SSH properties
22 and the rest from investors [REDACTED].

23 [REDACTED] learned about Sassman from . met with Sassman in
24 December 2008 which offered a one hundred per cent return in two weeks; Sassman said the
25 money from [REDACTED] would be placed into a bank account over
26 which only those three would have signature authority, and that the money in the account would

27 ¹⁰ At the time the legal owner of the Ferrari was seeking to repossess it, so Sassman used
28 the garage to hide the car.

1 then be leveraged but remain in the account. On December 5, 2008, Hansen invested \$400,000 by
2 depositing a cashier's check into an SMS bank account. money was combined with
3 money from ; \$525,000 was paid to , \$440,000 to
4 Family Helping Others, more than \$89,000 was paid out to other investors and \$221,000 as spent
5 by Sassman for personal expenses. When did not get his return as promised, he began
6 calling Sassman. On December 29, 2008, received a \$400,000 cashier's check from
7 Sassman drawn from the account of Family Helping Others Foundation. Other friends and family
8 who invested with Sassman have not gotten their money back.

9 Mark Langford learned about Sassman from who had recently invested
10 \$400,000. Thereafter spoke to Sassman by phone; Sassman said he was offering a one
11 hundred per cent return within two weeks, and that the money would be placed in an SMS
12 account and stay there. The money would be leveraged to invest in foreign currency markets. On
13 December 5, 2008, deposited \$500,000 in a SMS bank account at Sassman's direction.
14 At the end of December learned that had been repaid with a check from a
15 Family Helping Others Account, and suggested that withdraw his money as
16 well since the repayment he received meant money had been moved from the SMS account.
17 met with Sassman in January 2009 and learned that his money had been given to
18 ; he was not given an explanation as to why his money was moved. has
19 spoken to Sassman as recently as October 30, 2009, and Sassman assured him his
20 money should be returned any day. funds were added to other investor funds in the
21 SMS account bringing the balance to approximately \$1,142,000. From there the money was
22 disbursed \$525,000 to , \$440,000 to Family Helping Others, \$89,560 to other
23 investors and \$221,248 for miscellaneous expenses including \$74,000 for a Ferrari, \$56,226 to
24 American Express and \$15,244 for property tax payments.

25 was present at the meeting between Sassman, . He
26 understood that any money he invested would stay in an SMS account and would then be
27 leveraged. As a result on December 8, 2008, Baca invested \$125,000. His check was deposited
28 to an SMS account and he received an "irrevocable bank pay order" from Sassman guaranteeing a

1 payment of \$250,000. Sassman has continued to say money is coming, but has
2 received nothing to date. As with funds were added to other investor funds in
3 the SMS account bringing the balance to approximately \$1,142,000. From there the money was
4 disbursed \$525,000 to \$440,000 to Family Helping Others, \$89,560 to other
5 investors and \$221,248 for miscellaneous expenses including \$74,000 for a Ferrari, \$56,226 to
6 American Express and \$15,244 for property tax payments.

7 On September 18, 2009, Sassman individually and doing business as SMS, FIA and FI filed
8 for Chapter 7 bankruptcy in the United States Bankruptcy Court for the Eastern District of
9 California. On the accompanying schedules Sassman lists assets of \$2,721,300 and liabilities of
10 \$3,328,000¹¹. He lists none of his investors as creditors (or his liabilities would have been
11 substantially higher). If he had listed his investors as creditors, Sassman would have been
12 required to give them notice of his bankruptcy which would have accelerated the collapse of his
13 enterprise. Sassman showed his primary residence as 1061 Molinos Way, Sacramento, a rental
14 property at 3836 Cresta Way, Sacramento and a second rental property at 3410 Vista de la Cresta,
15 Escondido (San Diego County), California. He claimed \$14,000 in cash and bank accounts,
16 monthly income of \$5,000, ownership of a 2007 Land Rover and a 2005 Ferrari, and the lease of
17 a 2007 Cadillac Escalade.

18 met Sassman through . owns and operates Healthy
19 Interventions, Inc. (HI), a non-profit. Hill is currently negotiating with the California Department
20 of Corrections and Rehabilitation (CDCR) to provide medical and psychiatric services to
21 parolees. met Sassman through . said
22 that Sassman had money to invest in HI. said that Sassman agreed to invest up to \$250,000
23 to become a part of the company and help start up HI, and that in February and March 2009,
24 Sassman invested \$21,500 in HI, and that Sassman did not expect to be repaid.

25 I have also seen a private placement memorandum (PPM) for HI seeking to raise \$250,000.
26 Sassman provided the PPM to . According to the PPM HI already has a contract with

27 ¹¹ Included was a debt to American Express on two card accounts totaling \$101,000
28 which may have included the repayment to and the cash back to Sassman.

1 CDCR to provide services at two locations, has completed other contracts with CDCR, and is
2 seeking \$250,000 to start the process of construction a 400 bed demonstration project. The
3 investment promises a 14 per cent return. Sassman describes himself in the PPM as a “Business
4 owner and Estate planning and insurance professional who focuses in estate planning with
5 individuals of high net worth, and employee benefits for small companies 1992-present.” He
6 failed to mention the D&R or that he was indebted to investors for millions of dollars.
7 confirmed that the PPM’s allegations that he already has contracts with CDCR are false.

8 Based on the foregoing I believe that for a period in excess of five years Sassman has been
9 running a Ponzi scheme repaying old investors with money from new investors. While some of
10 the money he has taken in has been placed in investments, those investments include Nigerian
11 swindles and scams perpetrated by others. Most of the money taken in by Sassman has been used
12 to support a lavish lifestyle, and investors have been kept at bay by getting small payments of
13 money taken from other investors. For those acts I believe Sassman is guilty of grand theft by
14 both false pretenses and by embezzlement in violation of Penal Code section 487(a). I also
15 believe Sassman has sold securities to the public through omissions (of the D&R, his use of the
16 money, his failure to acquire L Street or other properties) and misrepresentations (about his use of
17 the money, his success in placing investments, his use of investor money) and thus has violated
18 Corporations Code sections 25401 (misrepresentations and omission in the sale of a security
19 made criminal by Corporations Code section 25540(b)), and the operation of a fraudulent
20 securities scheme in violation of Corporations Code section 25541. Sassman has taken in excess
21 of \$3,200,000 (Penal Code section 12222.6(a)(4)) and has committed two or more theft related
22 felonies resulting in a loss in excess of \$500,000 (Penal Code section 186.11(a)(2)).

23 Sassman is more particularly described as a white male born March 11, 1968, five feet, nine
24 inches tall, weighing approximately 180 pounds, with blonde hair and green eyes. He has been
25 issued California driver’s license number C4230088. Sassman’s address of record with the
26 California Department of Motor Vehicles is listed as 2443 Fair Oaks Boulevard, Sacramento, CA
27 95825. This address is a UPS Mail box store and Sassman occupies/rents box 320. Sassman’s
28 last known residence is 1061 Los Molinos Way, Sacramento, CA 95864.

1 The Sacramento County bail schedule indicates that where a white collar crime
2 enhancement is alleged pursuant to Penal Code section 186.11(a)(2), the bail should be set at
3 \$10,000 or the amount allegedly taken, whichever is greater. Similarly, where there is an
4 allegation of excessive taking pursuant to Penal Code section 12022.6, the amount of the bail
5 should be \$10,000 "or amount of alleged loss whichever is greater." The loss in this case is in
6 excess of \$6.3 million; I request that bail for Sassman be set in the amount of \$6.3 million.

7 I request that in the event that Sassman seeks to post bail, that he be required to demonstrate
8 to the court that no portion of said bail or any pledge or consideration provided for such bail was
9 feloniously obtained as required by Penal Code section 1275.1. I am concerned that any assets
10 used to post bail will be from cash or assets acquired through theft from others by Sassman.
11 Therefore I request an order directed to the Sacramento County Sheriff's Department and any
12 other law enforcement agency, that in the event Sassman seeks to post bail, that such deposit not
13 be accepted until a hearing is held on the source of the funds.

14 I declare under penalty of perjury under the laws of the State of California that the
15 foregoing is true and correct. Executed on November , 2009, at Sacramento, California.

16
17
18 SPECIAL AGENT JASON NICHOLS
19 Attorney General's Office
20 California Department of Justice
21
22
23
24
25
26
27
28