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UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA
October 2006 Grand Jury

UNITED STATES OF AMERICA,)
)
Plaintiff,)
)
v.)
)
GERALD M. SHAW, and GREGORY)
DE LAVALETTE,)
)
Defendants.)

No. SA CR- SACR 07-1911-1
I N D I C T M E N T
[18 U.S.C. § 1343: Wire Fraud;
18 U.S.C. § 1956(a)(1)(A)(i):
Money Laundering; 18 U.S.C.
§ 1957: Money Laundering;
18 U.S.C. § 2(b): Causing An
Act To Be Done]

The Grand Jury charges:
COUNTS ONE through TEN
[18 U.S.C. §§ 1343 and 2(b)]

A. INTRODUCTION

At all times relevant to this Indictment:

1. Defendant GERALD M. SHAW ("SHAW") was an attorney practicing law in Newport Beach, California.

2. Defendant GREGORY DE LAVALETTE ("DE LAVALETTE") was an associate of defendant SHAW.

GWS:gws *GWS*

1 B. THE SCHEME TO DEFRAUD

2 3. Beginning at a time unknown to the Grand Jury and
3 continuing to on or about September 19, 2007, in Orange County,
4 within the Central District of California, and elsewhere,
5 defendants SHAW and DE LAVALETTE, together with others unknown to
6 the Grand Jury, knowingly and with the intent to defraud,
7 devised, participated in, and executed a continuing scheme to
8 defraud and to obtain money from victim-investors by means of
9 materially false and fraudulent pretenses, representations and
10 promises, and by the concealment of material facts in connection
11 with and through fraudulent investment schemes.

12 4. Defendants SHAW and DE LAVALETTE devised the scheme to
13 operate, and the scheme did operate, as follows:

14 a. To obtain the victim-investors' money, defendants
15 SHAW and DE LAVALETTE would use material false promises and
16 statements, and concealment, including, without limitation,
17 the claim that they would use the victim-investors' funds to
18 generate returns for them through investments in high-yield
19 trading programs.

20 b. Defendants SHAW and DE LAVALETTE would solicit
21 victim-investors to invest in certain purported high-yield
22 investments under the false pretenses that the victim-
23 investors would earn rates of return as high as 30% or 40% a
24 week or more.

25 c. Rather than using the victim-investors' funds in
26 the manner promised and described, defendants SHAW and DE
27 LAVALETTE would use the funds to enrich themselves, for
28 business and personal uses, and to further promote the

1 scheme.

2 5. To execute the scheme, defendants SHAW and DE LAVALETTE
3 made and caused others to make false and deceptive statements to
4 prospective and existing victim-investors, including, without
5 limitation, the following:

6 a. That victim-investors' funds would be placed by
7 defendants SHAW and DE LAVALETTE into high-yield
8 investments.

9 b. That defendant SHAW offered high-yield investments
10 which paid a weekly return as high as 30% to 40% a week.

11 c. That defendant SHAW offered high-yield investments
12 which paid a return of \$5 million to \$10 million a month.

13 d. That victim-investors' funds would be pooled with
14 funds from other investors.

15 e. That victim-investors' funds would be placed in an
16 account at ODL Securities in London, England, and used
17 solely as collateral.

18 f. That victim-investors' funds would be refunded
19 within thirty days of a request by the victim-investors for
20 a refund.

21 g. That defendant SHAW was the "paymaster," "trader,"
22 or "trustee" of victim-investors' funds.

23 h. That defendant SHAW bought and sold AA rated bank
24 notes and securities.

25 i. That defendant SHAW had successfully completed
26 similar high-yield investment offerings in the past and had
27 many satisfied clients from such investments.

28 j. That defendant DE LAVALETTE would assist victim-

1 investors in making investments by contributing DE
2 LAVALETTE's own money derived from a loan against his home
3 or from his own funds; and

4 k. That victim-investors would become partners in an
5 investment with defendants SHAW and DE LAVALETTE.

6 6. At the time defendants SHAW and DE LAVALETTE made and
7 caused these statements to be made to prospective and existing
8 victim-investors, such statements were false, and defendants SHAW
9 and DE LAVALETTE knew they were false, in that:

10 a. Victim-investors' funds were not placed by
11 defendants SHAW and DE LAVALETTE into high-yield
12 investments.

13 b. Defendant SHAW did not have access to high-yield
14 investments which paid a weekly return as high as 30% to 40%
15 a week.

16 c. Defendant SHAW did not have access to high-yield
17 investments which paid a return of \$5 million to \$10 million
18 a month.

19 d. Victim-investors' funds were not pooled with funds
20 from other investors.

21 e. Victim-investors' funds were not placed in an
22 account at ODL Securities in London, England, and used
23 solely as collateral.

24 f. Victim-investors' funds would not be refunded
25 within thirty days of a request by the victim-investors for
26 a refund.

27 g. Defendant SHAW was not the "paymaster," "trader,"
28 or "trustee" of victim-investors' funds.

1 h. Defendant SHAW did not buy and sell AA rated bank
2 notes and securities.

3 i. Defendant SHAW had not successfully completed
4 similar high-yield investment offerings in the past and did
5 not have many satisfied clients from such investments.

6 j. Defendant DE LAVALETTE would not assist victim-
7 investors in making investments by contributing DE
8 LAVALETTE's own money derived from a loan against his home
9 or from his own funds; and

10 k. Victim-investors would not become partners in an
11 investment with defendants SHAW and DE LAVALETTE.

12 7. In carrying out the scheme to defraud, defendants SHAW
13 and DE LAVALETTE knowingly concealed and caused to be concealed
14 from prospective and existing victim-investors the following
15 material facts:

16 a. Defendant SHAW used victim-investors' funds for
17 personal expenses.

18 b. Defendant DE LAVALETTE used victim-investors' funds
19 for personal expenses.

20 C. USE OF THE WIRES

21 8. On or about the dates set forth below, in Orange County,
22 within the Central District of California, for the purpose of
23 executing and attempting to execute the above-described scheme to
24 defraud and to obtain money from victim-investors by means of
25 materially false and fraudulent pretenses, representations and
26 promises, and by the concealment of material facts, defendant
27 SHAW caused, and aided and abetted the transmission of the
28 following by means of wire communication in interstate commerce,

1 in violation of Title 18, United States Code, Sections 1343 and
2 2:

3	<u>COUNT</u>	<u>DATE</u>	<u>ITEM WIRED</u>
4	ONE	4/6/05	\$300,000 from account of J.F. at Bank of 5 America in California to Deutsche Bank account in New York of defendant SHAW
6	TWO	7/19/05	\$150,000 from account of BNE Enterprises 7 at Orange Savings Bank in Texas to Deutsche Bank account in New York of 8 defendant SHAW
9	THREE	7/29/05	\$100,000 from account of S.S. at 10 Prosperity Bank in Texas to Deutsche Bank account in New York of defendant SHAW
11	FOUR	8/5/05	\$115,000 from account of S.S. at Bank 12 Prosperity in Texas to Deutsche Bank account in New York of defendant SHAW
13	FIVE	9/20/05	E-mail from defendant SHAW in California to S.S. in Texas
14	SIX	12/14/05	E-mail from defendant SHAW in California to S.S. in Texas

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1 9. On or about the dates set forth below, in Orange County,
2 within the Central District of California, for the purpose of
3 executing and attempting to execute the above-described scheme to
4 defraud and to obtain money from victim-investors by means of
5 materially false and fraudulent pretenses, representations and
6 promises, and by the concealment of material facts, defendants
7 SHAW and DE LAVALETTE caused, and aided and abetted the
8 transmission of the following by means of wire communication in
9 interstate commerce, in violation of Title 18, United States
10 Code, Sections 1343 and 2:

11	<u>COUNT</u>	<u>DATE</u>	<u>ITEM WIRED</u>
12	SEVEN	2/8/06	\$200,000 from account of Princeton Mortgage 13 at J.P. Morgan Chase Bank in New York to Bank of America account in California of defendant SHAW
14	EIGHT	2/24/06	\$125,000 from account of Princeton Mortgage 15 at J.P. Morgan Chase Bank in New York to Bank of America account in California of defendant 16 SHAW
17	NINE	4/12/06	\$50,000 from account of Princeton Mortgage at 18 J.P. Morgan Chase Bank in New York to Bank of America account in California of defendant SHAW
19	TEN	7/12/06	\$10,000 from account of Princeton Mortgage at 20 J.P. Morgan Chase Bank in New York to Bank of America account in California of defendant 21 SHAW
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COUNT ELEVEN

[18 U.S.C. § 1956(a) (1) (A) (i)]

10. On or about the following dates, in Orange County, within the Central District of California, and elsewhere, defendant SHAW knowingly conducted, attempted to conduct, and commanded, induced and procured the following financial transaction affecting interstate and foreign commerce, knowing that the property involved in the financial transaction represented the proceeds of some form of unlawful activity, and which property was, in fact, the proceeds of wire fraud, with the intent to promote the carrying on of said wire fraud, in violation of Title 18, United States Codes, Section 1956(a) (1) (A) (i) :

<u>Count</u>	<u>Date</u>	<u>Transaction</u>
ELEVEN	4/7/05	Transfer of \$35,000 from account of defendant SHAW at Deutsche Bank to account of defendant SHAW at Bank of America


COUNT TWELVE

[18 U.S.C. § 1957]

11. On or about the following dates, in Orange County, within the Central District of California, and elsewhere defendants SHAW and DE LAVALETTE did knowingly engage and attempt to engage in the following monetary transaction by, through, or with a financial institution, affecting interstate or foreign commerce, in criminally derived property of a value greater than \$10,000, that is, the deposit, transfer, or exchange of monetary instruments in amounts greater than \$10,000, such property having been derived from a specified unlawful activity, that is wire fraud in violation of Title 18, United States Code, Section 1343, in violation of Title 18, United States Code, Section 1957:

<u>Count</u>	<u>Date</u>	<u>Transaction</u>
TWELVE	2/10/06	Issuing of check for \$53,481.56 from account of defendant SHAW at Bank of America to Harloff BMW

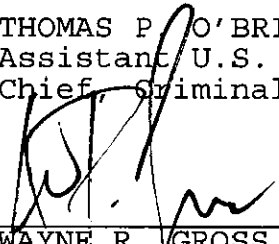
A TRUE BILL



Foreperson

GEORGE S. CARDONA
United States Attorney

THOMAS P. O'BRIEN
Assistant U.S. Attorney
Chief, Criminal Division



WAYNE R. GROSS
Assistant United States Attorney
Chief, Santa Ana Branch Office