

1 PRESTON DuFAUCHARD
California Corporations Commissioner
2 ALAN S. WEINGER
Deputy Commissioner
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4 Department of Corporations
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7 Attorneys for Complainant

8
9 BEFORE THE DEPARTMENT OF CORPORATIONS
10 OF THE STATE OF CALIFORNIA

11	In the Matter of the THE CALIFORNIA)	CASE NO. 2010070918
12	CORPORATIONS COMMISSIONER,)	
13	Complainant,)	STIPULATION TO ENTRY OF DESIST AND
14	v.)	REFRAIN ORDER
15	MELVIN RUSSELL SHIELDS, aka RUSTY)	(CORPORATIONS CODE SECTION 25110)
16	SHIELDS, CHASTAN SHIELDS, PINNACLE)	(CORPORATIONS CODE SECTION 25401)
17	PROPERTY SOLUTIONS, CONVERGENT)	(CORPORATIONS CODE SECTION 25532)
18	MANAGEMENT GROUP, LLC,)	
	Respondents.)	

19 In resolution of an investigation into unlawful practices in the offer and sale of securities in
20 violation of California Corporations Code sections 25110 and 25401, and without admitting or
21 denying such activities, IT IS HEREBY STIPULATED AND AGREED between Melvin Rusty
22 Shields, aka Rusty Shields, Chastan Shields, Pinnacle Property Solutions, and Convergent
23 Management Group, LLC (hereafter collectively "Respondents") and the California Corporations
24 Commissioner ("Commissioner"), as follows:

25 1. Without admitting or denying any of the findings, Respondents stipulate to the entry of
26 the Desist and Refrain Order issued by the Commissioner on May 17, 2010 directing Respondents to
27 cease the further offer and sale of securities in the State of California, including but not limited to,
28 investment contracts in bank owned (or REO) properties and a system to turn a profit for investors,

1 unless and until qualification has been made under the California Corporate Securities Law, or
2 unless exempt.

3 2. Without admitting or denying any of the findings, Respondents stipulate to the entry of
4 the Desist and Refrain Order issued by the Commissioner on May 17, 2010, directing Respondents
5 to cease the further offer and sale of securities in the State of California, including but not limited to,
6 investment contracts in bank owned (or REO) properties and a system to turn a profit for investors,
7 by means of any written or oral communication which includes untrue statements or omissions of
8 material facts.

9 3. Further, if Respondents, or any entity under the control of any of the individual
10 respondents, wishes to sell securities in the state of California pursuant to an exemption, that
11 Respondents shall file as required by the Department of Corporations all documentation required by
12 the Corporate Securities Law, and that Respondents shall personally serve the Deputy Commissioner
13 of the Enforcement Division of the California Department of Corporations, via certified mail, with a
14 copy of the filing made with the Department and a copy of this stipulation.

15 4. Respondents neither admit nor deny that the investments they were offering and selling
16 were "investment contracts," but represent that they ceased selling those investments in California
17 and elsewhere as of October, 2009, altogether.

18 5. Respondents, and each of them, acknowledge service of the Desist and Refrain Order
19 between the dates of May 28, 2010 and June 1, 2010, by personal service to the party or person
20 authorized to receive service of process for each party.

21 6. Currently, a hearing is set in the Los Angeles Office of Administrative Hearings for
22 Monday, November 1, 2010. The hearing was set at the request of the Respondents. The
23 Commissioner is willing and ready to provide Respondents with an opportunity to challenge the May
24 17, 2010, Desist and Refrain Order at such hearing.

25 7. Respondents withdraw their request for hearing on the allegations set forth in the May 17,
26 2010, Desist and Refrain Order. Respondents acknowledge their right to an administrative hearing
27 under Corporations Code section 25532 and hereby waive that right to any hearing or appeal of the
28 Desist and Refrain Order.

1 8. Respondents acknowledge that pursuant to California Corporations section 25535,
2 remedies for violations of the Corporate Securities Law of 1968 (Cal. Corp. Code §25000 et. seq.)
3 are not exclusive and may be sought and employed in any combination to enforce the purpose and
4 provisions of this law.

5 9. Respondents agree that nothing in this Stipulation shall limit the Commissioner’s ability
6 to investigate and prosecute violations of the Corporate Securities Law that are not addressed in the
7 Desist and Refrain Order issued May 17, 2010.

8 10. Respondents agree that nothing in this Stipulation shall preclude the Commissioner, or
9 his agents or employees, to the extent authorized by law, from assisting or cooperating in any
10 investigation and/or action brought by any other federal, state or county agency. Respondents
11 further agree that this Stipulation shall not bind or otherwise prevent any other federal, state or
12 county agency from the performance of its duties.

13 11. Respondents enter into this Stipulation voluntarily and without coercion and
14 acknowledge that no promises, threats or assurances have been made by the Commissioner or any
15 officer, or agent thereof, about this Stipulation.

16 12. Respondents and the Commissioner agree that this Stipulation may be executed in one or
17 more separate counterparts, each of which when so executed, shall be deemed an original. Such
18 counterparts shall together constitute and be one and the same instrument.

19 13. On January 8, 2010, P.K. signed an agreement wherein Pinnacle would return \$20,900 to
20 P.K. and P.K. released any claim to a \$1,000 non-refundable deposit. However, as part of the
21 settlement of this action, Respondents will pay \$1,000.00 to P.K. by Monday, November 1, 2010.
22 P.K.’s full name and address will be provided under separate cover.

23 14. This Stipulation is entered into for the purpose of judicial economy and expediency, and
24 to avoid the time and expense of a hearing and possible further court proceedings. The
25 Commissioner finds that this Stipulation is necessary or appropriate in the public interest or for the
26 protection of investors and consistent with the purposes fairly intended by the policy and provisions
27 of this law.
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PRESTON DuFAUCHARD,
California Corporations Commissioner

Dated: 10/27/10

By _____
ALAN S. WEINGER
Deputy Commissioner

MELVIN RUSTY SHIELDS

Dated: 10-28-10

By _____
Melvin Rusty Shields, individually

CHASTAN SHIELDS

Dated: 10-29-10

By _____
Chastan Shields, individually

PINNACLE PROPERTY SOLUTIONS

Dated: 10-28-10

By _____
Melvin Rusty Shields, managing member or control person

Dated: 10-29-10

By _____
Chastan Shields, managing member or control person

CONVERGENT MANAGEMENT GROUP, LLC

Dated: 10-28-10

By _____
Melvin Rusty Shields, managing member or control person

Dated: 10-29-10

By _____
Chastan Shields, managing member or control person

1 Approved as to Form and Content

2 Dated: 10-29-10

3

4 By _____

5 Senior Corporations Counsel, Erik Brunkal

6 On behalf of the California Corporations Commissioner

7

8 Dated: 10-28-10

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10 By _____

11 Gregory Charles, Esq.

12 Counsel for All Respondents

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STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION & HOUSING
DEPARTMENT OF CORPORATIONS

TO: Melvin Russell Shields, aka Rusty Shields
Chastan Shields
Pinnacle Property Solutions
Convergent Management Group, LLC

2401 HWY 70 SW
Hickory, NC 28602
or
226 Becky Court
Merritt Island, FL 32592
or
1438 Bloomingdale Ave.
Valrico, FL 33596

DESIST AND REFRAIN ORDER
(For violations of sections 25110 and 25401 of the Corporations Code)

The California Corporations Commissioner (“Commissioner”) finds that:

1. Melvin Russell Shields, aka Rusty Shields (or “R. Shields”) is a natural person, currently believed to be a resident of North Carolina or Florida. As of May 12, 2010, he is currently listed as the principal of Pinnacle Property Solutions, LLC on its website <http://www.pps-reo.com>. R. Shields’ last known principal place of business is 2401 Hwy 70 SW, Hickory, NC 28602. As of May 12, 2010, in a video on his own website, www.RustyShields.com, R. Shields admits that he started, founded and runs all of the companies listed on his website, including Pinnacle Property Solutions, LLC and Convergent Management Group, LLC.
5. Chastan Shields (“C. Shields”) is a natural person, currently believed to be a resident of North Carolina or Florida. As of March 15, 2010, C. Shields is the Manager of Convergent Management Group, LLC. C. Shields last known business address is 2401 Hwy 70 SW, Hickory, NC 28602.

1 6. Pinnacle Property Solutions, LLC, (“Pinnacle”) is a Florida limited liability company with a
2 Florida office at 226 Becky Court, Merritt Island, Florida, 32592. As of May 12, 2010, according to
3 its website: “Pinnacle Property Solutions provides a unique opportunity for acquiring real estate and
4 earning an attractive profit on your purchase . . . We are equipped to maximize your opportunity to
5 achieve the optimal profitability on your purchase.” Pinnacle’s last known principal places of
6 business are 2401 Hwy 70 SW, Hickory, NC 28602 and 1438 Bloomingdale Ave, Valrico, FL
7 33596.

8 7. Convergent Management Group, LLC, (“Convergent”) is a Nevada limited liability company.
9 As of May 12, 2010, according to www.rustyshields.com: “Convergent Management Group provides
10 the executive level leadership required to guide and manage the family of companies created, owned
11 and operated by Mr. Shields. The mission and purpose for each of these companies is very unique.
12 The extensive knowledge and experience as well as the dynamic of diversified skills and abilities
13 enable Convergent Management Group to provide the direction and oversight required to properly
14 implement, execute and administer the vision, strategies and plans of each of these respective
15 missions.” According to recent business filings, Convergent’s last known business address is 2401
16 Hwy 70 SW, Hickory, NC 28602.

17 8. S3 Partners, LLC (hereinafter “S3” or S3 Partners) was a Nevada Limited Liability
18 Company until it was dissolved on October 16, 2008. R. Shields was a principal and partner in S3. In
19 April, 2009, the Commissioner issued a Desist and Refrain Order to, *inter alia*, S3 and R. Shields
20 ordering them to stop offering and selling unqualified, non-exempt securities in California. R.
21 Shields was served with a copy of that Desist and Refrain Order and failed to request a hearing on the
22 matter. The order became final as to R. Shields as of July 6, 2009. The order noted that several
23 different addresses were associated with S3 Partners, including: 2401 HWY 70 SW, Hickory, NC
24 28602; and 1438 Bloomingdale Ave., Valrico, FL 33594, both addresses that are associated with the
25 subjects of this order.

26 14. Pinnacle was formed in March, 2008. Convergent was formed in May, 2008. Since that time,
27 R. Shields, C. Shields, Pinnacle, and Convergent have solicited, offered and sold securities, in the
28 form of investment contracts, wherein an investor would purportedly purchase a bank owned (or

1 “REO”) residential property and benefit from a system to sell or rent the home for a profit. The
2 investment contracts offered and sold by the subjects of this order include both promises to deliver
3 properties and promises that their “system” will work for the investor to create profit from their
4 investment.

5 15. Through direct solicitation including, seminars in the State of California, “webinars,” internet
6 solicitation, word of mouth, referrals and other forms of general solicitation, R. Shields, C. Shields,
7 Pinnacle, and Convergent, offered and sold securities in the form of investment contracts in REO or
8 bank owned real estate along with a system to turn a profit for the investors.

9 14. The investment contracts offered and sold in the State of California by R. Shields, C. Shields,
10 Pinnacle and Convergent are securities.

11 15. The offers and sales are not qualified or exempt from qualification. The California
12 Department of Corporations has not issued any permit, license or other form of authorization,
13 approval or qualification to any person that would allow the offer and sale of the above-described
14 securities in the State of California.

15 17. In connection with these offers and sales of securities, S Shields, C. Shields, Pinnacle and
16 Convergent made the following misrepresentations and material omissions:

17 a. Failed to inform investors in the State of California that R. Shields is the subject of a
18 Desist and Refrain Order prohibiting him from offering and selling unqualified, non-exempt
19 securities in the State of California;

20
21 Based upon the foregoing findings, the California Corporations Commissioner is of the
22 opinion that the above-described investment contracts offered and sold in the State of California
23 constitute securities, which are subject to qualification under the Corporate Securities Law of 1968,
24 and that these securities have been and are being offered and sold without being qualified or exempt
25 in violation of California Corporations Code section 25110.

26 The California Corporations Commissioner is of the further opinion that the securities in the
27 form of the above-described investment contracts have been offered and sold in the State of
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1 California by means of written and oral communications that contain untrue statements or omissions
2 of material facts in violation of section 25401 of California Corporations Code section 25401.

3 Pursuant to Corporations Code section 25532, Melvin Russell Shields, aka Rusty Shields,
4 Chastan Shields, Pinnacle Property Solutions, and Convergent Management Group, LLC, and other
5 affiliated entities under the direction and control of any of them, are hereby ordered to desist and
6 refrain from the further offer or sale in the State of California of securities, including investment
7 contracts in bank owned (or REO) properties and a system to turn a profit for investors, unless and
8 until qualification has been made under the California Corporate Securities Law, or exempt.

9 Pursuant to Corporations Code section 25532, Melvin Russell Shields, aka Rusty Shields,
10 Chastan Shields, Pinnacle Property Solutions, and Convergent Management Group, LLC, and other
11 affiliated entities under the direction and control of any of them, are hereby further ordered to desist
12 and refrain from the further offer or sale in the State of California of securities, including investment
13 contracts in bank owned (or REO) properties and a system to turn a profit for investors, by means of
14 any written or oral communication which includes untrue statements or omissions of material facts.

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16 This order is necessary, in the public interest, for the protection of investors and consistent
17 with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

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19 DATED: May 17, 2010

20 PRESTON DuFAUCHARD
21 California Corporations Commissioner

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23 By _____
24 Alan S. Weinger
25 Deputy Commissioner
26 Enforcement Division
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