

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF FLORIDA

CASE NO. \_\_\_\_\_ -Civ

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CLARENCE HANCOCK  
CLERK U.S. DIST. CT.  
S.D. OF FL. - MIAMI

UNITED STATES SECURITIES  
AND EXCHANGE COMMISSION,

Plaintiff,

v.

JAMES THOMAS WEBB,  
CITIRISE REDEVELOPMENT, LLC, a North  
Carolina limited liability company, CITIRISE  
REDEVELOPMENT, LLC, a Florida limited liability  
company, ALPINE PROPERTIES, LLC, and  
PROGRESSIVE REDEVELOPMENT, LLC,

Defendants,

MAJESTIC REDEVELOPMENT, LLC,  
WEBB BUILDERS, LLC, and  
SHARON SLOAN-WEBB

Relief Defendants.

**07-61655**  
**CIV-MIDDLEBROOKS**

MAGISTRATE JUDGE  
JOHNSON

COMPLAINT

Plaintiff Securities and Exchange Commission ("Commission"), for its Complaint against James Thomas Webb ("Webb"), Citirise Redevelopment, LLC, a North Carolina limited liability company ("Citirise NC"), CitiRise Redevelopment, LLC, a Florida limited liability company ("CitiRise FL") (collectively with CitiRise NC, "CitiRise"), Alpine Properties, LLC, a North Carolina limited liability company ("Alpine"), and Progressive Redevelopment, LLC, a Florida limited liability company ("Progressive") (collectively the "Defendants"), alleges as follows:

## SUMMARY

1. Since at least 2002, Webb, individually and through certain entities he owns and controls, has defrauded numerous investors through a real estate-based investment scheme. During the relevant period, the Defendants have raised at least \$8.4 million from more than 80 investors by offering and selling securities in the form of investment contracts to investors in several states, including Florida, California and North Carolina. The Defendants falsely represented to investors that, in return for their money, the Defendants would generate substantial investment returns for investors through the purchase, renovation and resale of "distressed" residential real estate in low-income neighborhoods in North Carolina, Virginia, Missouri and Tennessee. Instead, Webb routinely used investor funds to pay for personal expenses, such as paying for leases on exotic cars and recreation travel. Webb also routinely commingled investor funds in the Defendants' corporate accounts and, as a result, it also appears that the Defendants paid some investor returns using funds contributed from other investors. Numerous investors lost some or all of their original investments. Some investors, contrary to their investment expectations and to Defendants' representations, were left holding ownership interests in dilapidated properties worth far less than their initial investments.

2. To solicit investors to invest in the fraudulent offerings, the Defendants made numerous material misrepresentations, including, but not limited to, the following: (1) between 2002 and 2004, Webb, individually and through Alpine, represented that investors with Alpine would receive substantial annual returns ranging from 20% to 114%, when Webb and Alpine had no reasonable basis for stating that they could generate such returns, and, in fact, such returns were not paid; (2) since at least mid-2004, Webb, individually and through CitiRise and Progressive, represented that investors with CitiRise and Progressive would receive substantial

returns of at least 12.5% per transaction, with the prospect of multiple transactions per year, when (i) Webb, CitiRise and Progressive had no reasonable basis for stating that they could generate such returns, (ii) Webb, individually and through Alpine, had a history of defaulting on similarly promised returns (see (1) above), and (iii) in fact, such returns were not paid; (3) Defendants represented that each investor's money would be used for purchasing, refurbishing, and developing the property named in the investment contract, when in reality money was not used to improve the properties as promised; and (4) since at least mid-2004, Webb, individually and through CitiRise and Progressive, falsely represented that each investment was, in form or in substance, an "all encompassing" or "turn-key" investment, such that investors understood their initial investment would cover the entirety of the projected costs and efforts of the transaction; in reality, Webb failed to complete property renovations and failed to sell or manage the properties as promised, leaving investors responsible for various ownership costs and to their own devices to try and sell unrenovated properties.

3. Once investor monies were received by the Defendants, Webb commingled investor money into one or more business accounts, and then moved monies without regard to the investor's specific investment through various accounts, including (i) Webb's personal accounts, (ii) accounts controlled by Webb's wife, Relief Defendant Sharon Sloan-Webb ("Sloan-Webb"), and (iii) accounts of other entities controlled by Webb, Relief Defendants Majestic Redevelopment, LLC ("Majestic Redevelopment") and Webb Builders, LLC ("Webb Builders"). To further his scheme, during the relevant period Webb operated through multiple entities that collectively utilized more than 50 bank accounts at 10 different banks in North Carolina and Florida. More than \$8 million in investor funds passed through Webb's business

accounts over a four year period, at least \$1.15 million of which Webb improperly converted to his own use.

4. By this action, the Commission seeks (i) to freeze investor assets held by the Defendants or Relief Defendants wherever located in order to prevent the dissipation of any remaining assets; (ii) to compel an accounting of missing investor funds; (iii) to prevent the destruction of records relevant to the subject matter of this complaint, (iv) to permanently enjoin the Defendants from violating the applicable federal securities laws; (v) to require the disgorgement (and prejudgment interest) of any illgotten investor funds by Defendants or Relief Defendants; and (vi) to require Defendants to pay civil penalties on account of their violations of the federal securities laws.

#### VIOLATIONS

5. The Defendants, directly or indirectly, singly or in concert, have engaged in acts, practices and courses of business, that constitute violations of Sections 5(a) and 5(c) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. §§ 77e(a) and 77e(c)];

6. The Defendants, directly or indirectly, singly or in concert, have engaged in acts, practices and courses of business, that constitute violations of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)];

7. The Defendants, directly or indirectly, singly or in concert, have engaged in acts, practices and courses of business, that constitute violations of Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)], and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

8. Unless the Defendants are permanently restrained and enjoined, they will engage in the acts, practices and courses of business set forth in this Complaint and in acts, practices, and courses of business of similar type and object.

#### **NATURE OF THE PROCEEDINGS AND RELIEF SOUGHT**

9. The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)], and Section 21(d)(1) of the Exchange Act [15 U.S.C. § 78u(d)(1)], seeking to restrain and enjoin permanently the Defendants from engaging in the acts, practices and courses of business alleged herein.

10. The Commission also seeks, as immediate relief, asset freezes against the Defendants and Relief Defendants and verified accountings from the Defendants and Relief Defendants.

11. Finally, the Commission seeks a Final Judgment ordering the Defendants and the Relief Defendants to disgorge their ill-gotten gains and to pay prejudgment interest thereon, and ordering the Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

#### **JURISDICTION AND VENUE**

12. This Court has jurisdiction over this action, pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)], and Sections 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(e) and 78aa].

13. Venue lies in this District pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)], and Section 27 of the Exchange Act [15 U.S.C. § 78aa]. The Defendants, directly and indirectly, have made use of the means and instrumentalities of interstate commerce, or of the mails, in connection with the transactions, acts, practices and courses of business

alleged herein. A substantial part of the events and omissions giving rise to the Commission's claims occurred in the Southern District of Florida, such as: Citirise and Progressive maintained a headquarters in this District; Webb, Citirise and Progressive received and solicited investor funds in this District; and the Defendants used bank accounts serviced by banks in this District in connection with Citirise and Progressive's fraudulent scheme. Defendant Webb and Relief Defendant Sharon Sloan-Webb also are believed to reside in this District.

#### **THE DEFENDANTS**

14. CitiRise FL was a Florida limited liability company with its business offices at 2771 Executive Park Drive, Suite 1, Weston, Florida 33331-3643. CitiRise FL was dissolved as a Florida limited liability company on September 15, 2006. James Webb was the President, Chief Executive Officer and the Member-Manager of CitiRise FL. CitiRise FL has never been registered with the Commission in any capacity, and has never registered an offering of securities under the Securities Act or a class of securities under the Exchange Act.

15. CitiRise NC is a North Carolina limited liability company with its original principal office at 901 Barmouth Ct., Raleigh, North Carolina 27614. At least by November 2005, CitiRise NC was reporting on its North Carolina State filings that its principal office address was at 2771 Executive Park Drive, Suite 1, Weston, Florida 33331-3643, the same address used by CitiRise FL. James Webb is the President and a Member-Manager of CitiRise NC. CitiRise NC has never been registered with the Commission in any capacity, and has never registered an offering of securities under the Securities Act or a class of securities under the Exchange Act.

16. Alpine Properties, LLC is a North Carolina limited liability company with its business offices at 12660 Boyce Mill Road, Raleigh, North Carolina 27613-7424. Webb is the

President of Alpine. Webb's wife, Relief Defendant Sloan-Webb, is the Member-Manager of Alpine. Alpine is not registered with the Commission in any capacity, and has never registered an offering of securities under the Securities Act or a class of securities under the Exchange Act.

17. Progressive Redevelopment, LLC is a Florida limited liability company with its business offices at 2771 Executive Park Drive, Suite 1, Weston, Florida 33331-3643. Webb is a Member-Manager of Progressive. Progressive is not registered with the Commission in any capacity, and has never registered an offering of securities under the Securities Act or a class of securities under the Exchange Act.

18. James Thomas Webb, age 46, is the President, Chief Executive Officer and the Member-Manager of CitiRise FL, the President and a Member-Manager of CitiRise NC, the President of Alpine, a Member-Manager of Progressive, and a Member-Manager of Relief Defendant Webb Builders, LLC (see below). Webb's current address is believed to be 876 Vanda Terrace, Weston, Florida 33326. Webb and his Defendant entities are the subject of a Desist and Refrain Order issued by the California Department of Corporations for the unlicensed effecting of securities transactions as broker-dealers in that State. In addition, Webb is a convicted felon. In 1991, Webb pled guilty to the charge of making false statements to the U.S. Department of Housing and Urban Development ("HUD") and was sentenced to two years imprisonment. See United States v. James Thomas Webb, Criminal Action No. 91-20-01-CR-7 (E.D.Va. 1991). In October 2006, Webb filed for personal bankruptcy in the United States Bankruptcy Court for the Southern District of Florida (no filing was made with respect to the other Defendants). In December 2006, the court granted Webb's motion to voluntarily dismiss his bankruptcy case. Webb asserted his Fifth Amendment privilege against self-incrimination and refused to testify to the staff in the Commission investigation.

## RELIEF DEFENDANTS

19. Sharon Sloan-Webb, age 42, is the wife of Defendant Webb. Sloan-Webb's current address is believed to be 876 Vanda Terrace, Weston, Florida 33326. Sloan-Webb asserted her Fifth Amendment privilege against self-incrimination and refused to testify to the staff in the Commission investigation.

20. Majestic Redevelopment, LLC is a North Carolina limited liability company with its business offices at 12660 Boyce Mill Road, Raleigh, North Carolina 27613-7424. Majestic Redevelopment was formed by Alpine's Director of Accounting, who later transferred her entire interest in the company to Sloan-Webb. Majestic is not registered with the Commission in any capacity, and has never registered an offering of securities under the Securities Act or a class of securities under the Exchange Act.

21. Webb Builders, LLC is a North Carolina limited liability company with its business offices at 12660 Boyce Mill Road, Raleigh, North Carolina 27613-7424. Webb and Sloan-Webb are Member-Managers of Webb Builders. Webb Builders is not registered with the Commission in any capacity, and has never registered an offering of securities under the Securities Act or a class of securities under the Exchange Act.

## FACTS

### **A. Overview of the Fraudulent Investment Scheme**

22. Since at least 2002, Webb, individually and through Alpine, CitiRise NC, CitiRise FL, and Progressive (collectively, the "Webb Companies"), have offered and sold securities in the form of investment contracts to the general public. Webb and the Webb Companies have offered and sold these securities through the use of the mails, telephone, and other means and instruments of interstate commerce.

23. Each investment contract offered and sold by the Defendants constitutes a “security” pursuant to Section 2(1) of the Securities Act [15 U.S.C. §77b(1)] and Section 3(a)(10) of the Exchange Act [15 U.S.C. § 78c(a)(10)]. The money provided to the Defendants is consideration for a contract, transaction or scheme whereby the investors make an investment of money in a common enterprise offered, sold and/or promoted by the Defendants with the expectation of profits through the efforts of others.

24. Webb and the Webb Companies solicited investments in the investment scheme through fraudulent verbal and written representations. Although certain details of the investment scheme varied over time, Webb typically described the investment “program” as follows: The investor contributes a minimum \$40,000 investment with Webb and the Webb Companies. Webb represented that for each \$40,000 investment, a portion of the funds (approximately \$10,000 to \$15,000) would be used by Webb and the Webb Companies to purchase a “distressed” property for the investor, and the balance (approximately \$25,000 to \$30,000) would be used by Webb and the Webb Companies to renovate the property. In exchange for their \$40,000 investment, investors could expect the following returns: (i) between 2002 and 2004, Webb, individually and through Alpine, represented that investors could expect an annual return ranging from 20% to 114%, that would be paid in monthly or bi-monthly installments, or (ii) between 2004 and at least 2006, Webb, individually and through CitiRise and Progressive, represented that investors could expect a return of at least \$5,000 per \$40,000 invested (constituting a 12.5% return), with the prospect of multiple transactions per year, that would be paid in a lump-sum payment. Webb also represented to investors that each \$40,000 investment was, in form or in substance, an “all encompassing” or “turn-key” investment, such that investors understood their initial investment would cover the entirety of the projected costs and efforts of

the transaction. These investment terms were evidenced by a "Transaction Acknowledgement," a one-page document provided to Webb's investors that represented, in writing, the specific terms of their investment with the Defendants.

25. Between 2002 and approximately the summer of 2004, Webb, then based in Raleigh-Durham, North Carolina, solicited investors through his entity Alpine. Webb falsely represented that investments would be used by Alpine for the purchase and renovation of a specifically-referenced distressed real property. Webb characterized the investment as a "loan," promising investors a fixed percentage return payable in monthly or bi-monthly payments, and with annual interest rates varying between 20% and 114%. Webb, individually and through Alpine, also represented to certain investors that their investment would be secured by a first or second deed of trust on the real property that Alpine proposed to renovate. During this period, Webb and Alpine falsely represented to investors that their principal investment would ultimately be paid off from the sale of the renovated property.

26. In or around mid-2004, Webb wound down the Alpine operation in North Carolina and relocated to Weston, Florida. Upon relocating to Florida, Webb began offering investments through his newly-formed entities, CitiRise FL and Progressive, both based at one business address at a strip mall in Weston, Florida. Although CitiRise FL is a distinct legal entity from CitiRise NC, Webb appears to have operated these entities as a single, interchangeable entity. For example, CitiRise FL's business address was at a strip mall in Weston, Florida, which was the same address listed for CitiRise "Corporate Headquarters" on its website; yet, certain investors who met with Webb at this Florida address received CitiRise promotional material that referred to CitiRise as a North Carolina limited liability company (apparently referring to CitiRise NC). Neither entity appears to have utilized any corporate bank

accounts; rather, investors who invested with Webb through CitiRise were routinely directed to forward their investment to bank accounts held in the name of Progressive. Accordingly, hereinafter references to "CitiRise" mean both Defendants CitiRise NC and CitiRise FL.

27. Through CitiRise and Progressive, Webb falsely represented that investors would be paid a lump sum return of at least \$5,000 for each \$40,000 investment (rather than monthly or bi-monthly payments), after Progressive or another of Webb's affiliate companies had completed the rehabilitation of the underlying real property. Webb, individually and through CitiRise and Progressive, also falsely represented to certain investors that the entire transaction (*i.e.*, purchase, rehabilitation, and sale) would take place within an average of 90 days from the time of investment.

28. Relatedly, Webb offered a new repayment option to investors during this period (from approximately mid-2004 to, at least, 2006): investors could opt to receive their return either from the proceeds of sale or from the proceeds of an investor's "refinancing" of the renovated property. In the "refinancing" scenario, an investor would take out a mortgage on the investment property, after it purportedly had been renovated, and "cash out" based on the increased value of the property; the investor then would be expected to reinvest the mortgage proceeds with Webb to purchase another investment property using the same investment program. Where an investor chose this "refinance" option, Webb, individually and through CitiRise and Progressive, also represented that they would take on the responsibilities of managing the investment as a rental investment property and would share the rents with the investors. In fact, the "refinancing" process left multiple investors without their having received the promised return; having taken out mortgages on property that had not been renovated; and having turned over the mortgage loan proceeds to Webb and the Webb Companies.

29. Webb, CitiRise and Progressive regularly represented to investors that if the renovated investment property was sold (or refinanced) for higher than a threshold amount, typically \$55,000, then Webb, through CitiRise and Progressive, promised investors a 50/50 split on the additional proceeds from the sale (or refinancing). To support the prospect of this upside potential, Webb, individually and through CitiRise and Progressive, falsely represented to investors in both oral statements and written materials provided to investors that their property would be worth, on average, no less than \$65,000. Webb thus led investors to the false belief that they would make at least a \$10,000 profit (their promised \$5,000 plus 50% of the amount over the threshold amount) on each \$40,000 investment over a short period of time.

**B. Webb's Solicitations of Investors**

30. Webb and the Webb Companies solicited investment offers in various ways, including through word-of-mouth generated by other investors and through Webb's personal contact with local church groups, including meeting with local pastors of such churches. In addition, Webb supervised the preparation of promotional materials advertising alliances with faith-based groups, such as a "partnership" between CitiRise and the Southern Christian Leadership Conference. Webb and the Webb Companies also, on occasion, used independent sales associates who solicited investors through their personal or professional contacts in exchange for commissions. Webb and the Webb Companies also manufactured publicity in other ways, including favorable newspaper profiles in *The Triangle Tribune* and *Triangle Business Journal* in Raleigh-Durham, North Carolina and an appearance by Webb on Fox News' *Hannity & Colmes* program in December 2005. In addition, one of Webb's entities, CitiRise, maintained a website (at [www.citirise.com](http://www.citirise.com)) from at least 2005 to approximately October 2007 that described Webb's professional biography, the CitiRise business "model," and reflected the

CitiRise “Corporate Headquarters” address at 2771 Executive Park Drive, Suite 1, Weston, Florida 33331—an address CitiRise no longer occupied from around the Summer of 2006. Visitors to the website’s “contact us” page were directed to e-mail, telephone, or submit personal information to CitiRise in order to obtain additional information about the company.

31. Once investors made contact with Webb and/or the Webb Companies, Webb, individually and through the Webb Companies, presented or provided to investors, by personal delivery, mail, e-mail or fax, written offering materials. One brochure used by Webb and the Webb Companies to solicit investors proclaimed that CitiRise’s “mission is to create jobs, improve communities, build equity, and maximize returns for our investors.” The soliciting material, dated “Summer 2005,” also stated that “property devaluation is improbable,” and that the investment “provides for investment opportunities with high ROI.” The material explained that a “typical property profile” consisted of the following: “Average Acquisition Cost is \$15K; Average Redevelopment Cost is \$25K-\$40K; Average Value after Renovation is \$65-\$75K; [and] Average Completion Period is 90 days.” The brochure further made the false representation that CitiRise “has never once defaulted on making payments to investors . . . .”

32. Certain investors were also provided with written materials describing the variety of available investment options with Webb and the Webb Companies. For example, one CitiRise brochure refers potential investors to CitiRise’s “latest investment option sheets” that described investment options “ranging from profit participation to receiving monthly interest payments on investments.” Certain investors with Alpine were provided with a “projection schedule” tailored to a potential investor’s anticipated investment, including a projected dollar and percentage return, an amortization schedule for any mortgages used to finance an investment, a chart of projected rental income and a chart of projected appreciation of the underlying property.

**C. Misrepresentations and Omissions Made to Investors**

33. Between January 2002 and at least 2006, Webb, both individually and through the Webb Companies, solicited more than 80 individuals to invest in the investment contracts described above. In those solicitations, Webb made material misrepresentations, as described in paragraphs 34 through 38, to prospective investors, including to the following individuals who invested with Webb and the Webb Companies:

- a) Investor A.W. and his mother, L.W., who collectively invested \$80,000 on or about October 23, 2003;
- b) Investor W.Q., who invested \$40,000 in or about March 2004, and an additional \$40,000 in or about September 2004;
- c) Investor M.P., who invested \$100,000 on or about April 6, 2004;
- d) Investor P.C., who invested \$120,000 on or about November 7, 2004;
- e) Investor J.G, who invested \$40,000 on or about November 5, 2005, and an additional \$20,000 on February 27, 2006; and
- f) Investors E.D. and P.D., who invested \$40,000 on or about January 6, 2006.

34. In the investment materials and in oral representations, Webb promised investors that, through investments with Alpine, they would receive either monthly returns in the form of interest payments at a rate that ranged from 20% to 114% per year, or, through investments with CitiRise and Progressive, a lump sum payment reflecting an annual return of at least 12.5% per transaction (with the opportunity for multiple transactions per year). Indeed, certain promotion materials, dated the Summer of 2005, make the misleading statement that Citirise "has never

once defaulted on making payments to investors,” despite the fact that, at that time, Webb, individually and through Alpine, had repeatedly defaulted on promised returns to investors.

35. Despite these assurances, Webb and the Webb Companies knew that these promised returns were false and misleading and that they had repeatedly defaulted on promised returns to investors.

36. In addition, in investment materials and in oral representations made to investors at the time of investment, Webb falsely promised investors that each investor's money would be used for purchasing, refurbishing, or developing the property named in the investment contract, when, in fact, the funds were regularly commingled and used for Webb's personal expenses.

37. In oral representations made to investors at the time of investment, Webb also represented that he had a ready supply of buyers to purchase the properties after renovation, and that he would generate the return on investments through either the sale of the property to these buyers, or the refinancing of the property named in the investment contract.

38. In fact, Webb did not have a ready supply of buyers, failed to generate the expected returns through the sale of the properties, and when property was refinanced, Webb secretly converted the proceeds of the refinancing to the Defendants' own use and left his investors obligated for the property mortgages.

**D. Investors Were Defrauded Through the Offering**

39. The following facts and circumstances relating to particular investors detail the manner in which Webb and the Webb Companies operated their fraudulent scheme:

40. On October 23, 2003, an investor then of North Carolina, A.W., and his mother, L.W., each invested \$40,000 for a total \$80,000 investment with Webb and Alpine. In exchange, Webb promised the investors a 25% fixed percentage annual return, payable in bi-monthly

payments, which was specified in the terms of a "transaction acknowledgement" executed by Webb. A.W. and L.W. received regular bi-monthly checks until June 2005, at which time all payments ceased. By that time, A.W. and L.W. had received approximately \$30,000 over a two-year period from their initial combined investment of \$80,000. Neither A.W. nor L.W. received a deed for any property securing their investment. A.W. and L.W. have not recovered any of the remaining \$50,000 from their original principal investment.

41. On April 6, 2004, another investor in North Carolina, M. P., invested \$100,000 with Alpine, on Webb's promise of a 25% fixed percentage annual rate of return, payable at the end of the year. M.P. received a quit claim deed on a property that was associated with M.P.'s investment.

42. On April 29, 2005, M.P. received a check from Alpine for \$12,500. After complaints about the lack of payment, M.P. was paid an additional \$12,500. Sometime thereafter, after calling Webb multiple times to complain about the lack of any further payments, M.P. received an additional check from Alpine for \$1,000. M.P. never received any additional payments on her investment, and did not receive any further return of the balance of her original principal investment.

43. In return for her \$100,000 investment with Alpine, M.P. received only a small percentage of her principal, or a total of \$26,000 in payments, and a quit claim deed on a property that has little commercial value.

44. On November 14, 2005, at a time when Webb and the Webb Companies had already defaulted on the returns for numerous other investments, Webb solicited a new investment from J.G. of Broward County, Florida. J.G. was solicited by Webb through CitiRise and Progressive. J.G. and Webb executed a "transaction acknowledgement," acknowledging that

she had invested \$40,000 with Progressive “for the purchase and renovation” of a home on Hamilton Street in Memphis, Tennessee. The transaction acknowledgement indicated that Progressive agreed “to complete the renovation for the balance of the difference between the cost of purchase (including closing cost) and the \$40,000.00 sum.” The transaction acknowledgement also indicated the “estimated sales price upon completion is \$65,000.00,” and that the proceeds of the sale would be split 50/50, with J.G. receiving \$12,500 of profit in addition to her \$40,000 principle and Progressive receiving the other \$12,500. The transaction acknowledgement also bound J.G. for a period of one year to reinvest her principle into additional property investments.

45. Prior to investing with Progressive, J.G. met personally with Webb on several occasions and had relied on the following oral representations from Webb:

- a) Defendants could “flip” four properties per year from her initial investment, and J.G. could “bank on” at least two in a year.
- b) Webb claimed that he could sell investment properties for at least \$65,000 after renovation.
- c) Webb had a database of prequalified first-time homebuyers to whom he could market his investment properties.
- d) An investment with Webb was a “turn key” investment, meaning J.G. simply provides the money, and Webb selects the property, manages the renovation of the property and sells the property;
- e) Webb only made money on the *sale* of the property, when they split the proceeds; up to that point, Webb was “working for free,” and therefore Webb “assumes all the risk” of the investment.
- f) Webb did not supply references to investors, because his “model” was so “simple,” that he was concerned that others would try and compete with his business model.
- g) Webb’s parents had become millionaires using this business model, and his friends and friends from church were doing well under this model.
- h) Webb would not provide receipts for his renovation work, because it was his job to manage the renovations with his project manager.
- i) J.G. asked why Webb should be trusted, and Webb responded, in words or in substance, that he “wouldn’t risk his freedom for \$40,000.”

46. After the transaction for the property on Hamilton Street closed, J.G. received a deed on the property. J.G. received no other return on this investment. The promised renovations on the property underlying J.G.'s original \$40,000 investment were never completed. The property was never sold by Webb, and J.G. has received no payments from Defendants on her investment. At her own initiative, J.G. solicited third-party buyers for her Memphis, Tennessee property. On July 26, 2007, a third-party buyer offered to purchase the property for \$3,500.

47. On February 27, 2006, three months after her first investment, J.G. invested an additional \$20,000 with Defendants. Again, Webb and J.G. signed a "transaction acknowledgement," acknowledging that J.G. had "deposited \$20,000.00 for the purchase and renovation of a home . . . ."

48. J.G. never received any return from Defendants on this subsequent \$20,000 investment. In addition, J.G. never received any deed from Defendants describing any real property that would have been purchased on J.G.'s behalf in exchange for her investment. J.G. never was provided a specific address to which her investment related, and never received any documentation reflecting ownership in any property purchased with her \$20,000. In effect, J.G.'s \$20,000 investment with Defendants disappeared.

**E. Defendants Improperly Misappropriated Investor Funds**

49. Webb, individually and through Alpine, Progressive and CitiRise, routinely used investors' funds for a variety of purposes not disclosed to investors and not intended by investors, including for Webb's own personal use and, it appears, to pay other investors. Defendants perpetuated this scheme by routinely commingling investor monies into one or more

bank accounts, and then moving such monies across multiple accounts, including Webb's personal accounts, without regard to the investors' specific investment.

50. Between July 2004 and December 2006, incoming funds to Webb's corporate bank accounts amounted to at least \$7.2 million, including funds received from investors. Of this amount, Webb and Relief Defendant Sloan-Webb directly withdrew approximately \$1.15 million (or approximately 16% of the total proceeds) from Defendants' corporate bank accounts, using one of three methods: (i) in checks made out to "cash," signed by Webb or Sloan-Webb, (ii) in checks made out directly to Webb or Sloan-Webb, signed by Webb or Sloan-Webb, or (iii) through ATM withdrawals.

51. In addition, substantial additional funds were diverted from the Webb Companies' business bank accounts, mostly from Progressive corporate bank accounts, to the personal accounts of Webb and Sloan-Webb, including accounts held in the name of Webb's two minor children. For example, for a one year period covering December 15, 2004 to December 15, 2005, approximately \$337,000 was deposited into one of Sharon Sloan-Webb's personal bank accounts; of this deposited amount, at least 95% of the deposited monies, or approximately \$319,000, came from wires or checks from Progressive's bank account – the primary bank account for the receipt of investor funds during this period. Once in the Webb and Sloan-Webb's personal bank accounts, funds were used to pay for a variety of personal expenses.

52. Webb also used investor funds to pay for personal vacations and a fleet of luxury cars driven by Webb and Sloan-Webb. In December 2004, Webb took a 3-day vacation to a Resort & Spa in Anguilla; the resort vacation was paid for with funds from Progressive's bank accounts. In April and May 2005, Webb took two separate vacations to Cancun, Mexico, which were paid for with funds from Progressive's bank accounts. In addition, Webb and Sloan-Webb

drove a number of luxury vehicles, including Range Rovers, Hummers, Bentleys, BMWs and Mercedes. These vehicles were financed, directly or indirectly, through payments from the Progressive bank accounts.

53. Webb, who is a signatory on all of the accounts of the Defendant and Relief Defendant companies, and Sloan-Webb, who has joint signatory authority on many of the same accounts, also moved funds indiscriminately between and among business and personal accounts and used investor funds for their own expenses and to perpetuate the scheme. Once investor funds were received, Defendants regularly moved such funds among multiple accounts at multiple banks, including to bank accounts in the name of Relief Defendants Majestic Redevelopment and Webb Builders. Funds in Webb Builders bank accounts were, at times, used to make a variety of payments unrelated to investors' investments, such as for exotic car payments that appear to have been used personally by Webb and his wife, Sharon Sloan-Webb. Funds in Majestic Redevelopment's bank accounts were also used, at times, to make payments unrelated to investors' investments, such as to pay other investors' returns on their investments.

**F. Criminal, Regulatory and Civil Actions Against Webb**

54. Webb has a history of running afoul of legal or regulatory regimes, and facing lawsuits from wronged investors, in connection with his schemes. On November 25, 1991, Webb pled guilty to the charge of making false statements to the U.S. Department of Housing and Urban Development ("HUD") and was sentenced to two years imprisonment. See United States v. James Thomas Webb, Criminal Action No. 91-20-01-CR-7 (E.D.Va. 1991). The plea settlement arose from Webb's original indictment on nine counts of making false statements to obtain HUD insurance in connection with obtaining commercial loans for residential property transactions.

55. In May 2004, Webb, along with Sharon Sloan-Webb, Alpine and Webb Builders, were sued in North Carolina state court by a large investor in Alpine named Silverdeer Management, LLC. Silverdeer's complaint alleged breach of contract, fraud, conversion, and unjust enrichment, among other things, generally encompassing Webb's misrepresentations about the status and progress of 72 contractually-agreed upon home renovations that allegedly were not renovated as expected. Another suit was filed in January 2006 making similar allegations. Since that time, several additional lawsuits have been filed against Webb by wronged investors.

56. On July 3, 2006, the California Department of Corporations filed a Desist and Refrain Order against Webb, CitiRise FL, Alpine, Progressive and others in connection with this same basic scheme targeted at California investors. Specifically, the Department Order finds that Webb and others offered and sold at least 30 "securities in the form of investment contracts" at or around \$40,000 each to California investors while making material misrepresentations to the investors. The Order finds that much of the investors' money was never spent on rehabilitating the purchased homes but rather converted by the charged parties. In addition, the Order states that Webb and others fraudulently appraised the subject real estate in order to collect additional funds from fraudulently inflated mortgages, and misrepresented the initial value of the real estate purchased with the investors' funds, causing substantial losses to the California investors.

57. Finally, on August 26, 2006, the NCREC concluded its investigation of Webb and Alpine, originally initiated in 2004, by permanently enjoining Webb, Alpine and CitiRise from conducting activities as a unlicensed real estate broker in the State of North Carolina.

## **COUNT I**

### **Violations of Sections 5(a) and 5(c) of the Securities Act**

58. Paragraphs 1 through 57 are realleged and incorporated by reference herein.

59. Investments in Defendants scheme described above constituted investment contracts, and hence securities, within the meaning of Section 2(a)(1) of the Securities Act [15 U.S.C. § 77b(a)(1)] and Section 3(a)(10) of the Exchange Act [15 U.S.C. § 78c(a)(10)].

60. As set forth more fully above, Defendants, directly and indirectly, have: (1) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell securities, through the use or medium of a prospectus or otherwise; and (2) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise, without a registration statement having been filed or being in effect with the Commission as to such securities.

61. No registration as to the securities described above is in effect nor has any registration statement been filed with the Commission, and no exemption from registration exists with respect to the securities and transactions described in this Complaint.

62. By reason of the foregoing, Defendants have violated Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. § 77e(a) and 77e(c)].

## **COUNT II**

### **Violations of Section 17(a) of the Securities Act**

63. Paragraphs 1 through 62 are realleged and incorporated by reference herein.

64. As set forth more fully above, Defendants, directly or indirectly, by use of the means or instruments of transportation or communication in interstate commerce, or of the mails, in the offer or sale of securities, knowingly or recklessly: (1) employed devices, schemes, and

