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STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS

TO: James Thomas Webb, CEO
Citirise Redevelopment, LLC
Alpine Properties, LLC
Progressive Redevelopment, LLC
2771 Executive Park Dr., Suite 1B
Weston, FL 33331-3642

Jeffery Lustgarten
Mustang Associates, Inc.
11718 Barrington Ct. #686
Los Angeles, CA 90049

DESIST AND REFRAIN ORDER
(For violations of section 25110, 25210 and 25401 of the Corporations Code)

The California Corporations Commissioner finds that:

1. At all relevant times, James Thomas Webb was the CEO of Citirise Redevelopment, LLC, (Citirise) a privately held company, with its principal place of business located at 2771 Executive Park Dr., Suite 1B, Weston, FL, 33331-3642.
2. At all relevant times, James Thomas Webb was the CEO of Alpine Properties, LLC, (Alpine) a privately held company, with a former principal place of business located at 6131 Falls of Neuse Rd., Suite 200, Raleigh, NC, 27609. Alpine’s principal place of business is now believed to be 2771 Executive Park Dr., Suite 1B, Weston, FL, 33331-3642.

- 1 3. At all relevant times, James Thomas Webb was the CEO of Progressive Redevelopment,
2 LLC,¹ (Progressive) a privately held company, with its principal place of business located
3 at 2771 Executive Park Dr., Suite 1B, Weston, FL, 33331-3642.
- 4 4. At all relevant times, Jeffrey Lustgarten (Lustgarten) was the President of Mustang
5 Associates, Inc. (Mustang), a California corporation, with its principal place of business
6 located at 11718 Barrington Court #686, Los Angeles, CA, 90049.
- 7 5. At all relevant times, Lustgarten was a resident of California. Lustgarten and Mustang
8 were not licensed broker-dealers or investment advisers.
- 9 6. Webb, Alpine, Citirise, Progressive, Lustgarten, Mustang, and others offered and sold
10 securities in the form of investment contracts in the rehabilitation of numerous parcels of
11 residential real estate located in, but not limited to, North Carolina, Virginia, and
12 Tennessee to investors in California.
- 13 7. Through posting on the internet, word of mouth, cold-calling, and/or other means of
14 general solicitation Webb, Alpine, Citirise, Progressive, Lustgarten, Mustang, and others
15 offered and sold at least 30 investment contracts at or around forty-thousand dollars
16 (\$40,000) a piece to California investors.
- 17 8. The purported purpose of each \$40,000 investment contract was to allow Webb, Citirise,
18 Alpine, and/or Progressive to acquire a residential property in a transitional neighborhood
19 in the investor's name. The cost of each of the homes was to be around fifteen-thousand
20 dollars (\$15,000). The remaining funds, approximately twenty-five thousand dollars
21 (\$25,000) was to be used to rehabilitate the property by Webb, Citirise, Alpine, and/or
22 Progressive. Webb, Citirise, Alpine and Progressive claimed expertise and economies of
23 scale in this enterprise, as well as the ability to "flip" the homes quickly (within three
24 months) and to either sell the properties or to move renters into the properties.

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26 ¹ This order does not apply to Progressive Redevelopment, Inc. with a principal place of business at
27 321 West Hill St., Decatur, GA, 30030 or any of its related affiliates. Progressive Redevelopment,
28 Inc. is a non-profit provider of affordable housing operating in the State of Georgia.

- 1 9. Investors were promised the return of their initial investment, plus either five-thousand
2 dollars (\$5,000) and a home with renters in place or the return of their investment and half
3 of anything over and above \$40,000 if the house was sold, instead. Webb, Alpine,
4 Citirise, Progressive, Lustgarten, Mustang, and others promised investors that the
5 renovated homes were usually worth (or usually sold for) approximately sixty-five
6 thousand dollars (\$65,000) after the renovations were finished.
- 7 10. When an investor's initial project was finished, Webb, Alpine, Citirise and Progressive
8 encouraged the investor to re-invest in another investment contract relating to another
9 home in a transitional neighborhood.
- 10 11. In many instances, Webb, Alpine, Citirise and/or Progressive did not sell the property, but
11 re-financed it in the original investors name for around \$52,000 or 85% of the new stated
12 value of around \$65,000. Webb, Alpine, Citirise, and Progressive promised to take
13 \$40,000 of the money from the loan to re-invest in another property for the original
14 investor and split the remaining twelve thousand dollars (\$12,000) with eight thousand
15 (\$8,000) going to Webb, Alpine, Citirise and/or Progressive and four thousand (\$4,000)
16 going to the investor. Webb, Alpine, Citirise, and Progressive promised to pay all
17 mortgage payments, taxes, and insurance on the properties, even though the mortgages
18 were all put in the investors' names.
- 19 12. Webb, Alpine, Citirise and/or Progressive employed Lustgarten and Mustang to solicit
20 potential investors for these securities through word-of-mouth, cold-calling, or other
21 means of general solicitation. Lustgarten and Mustang offered and sold the securities for
22 Webb, Alpine, and Citirise for compensation in the State of California.
- 23 13. The Department of Corporations has not issued a permit or other form of qualification
24 authorizing any person to offer and sell these securities in this state.
- 25 14. In connection with these offers and sales, Webb, Alpine, Progressive, Citirise, Lustgarten,
26 and Mustang made or caused to be made, misrepresentations or omitted material facts in
27 connection with the offers or sales of these securities by representing to investors or
28 omitting to disclose to investors that:

- a. The properties purchased were not in “transitional” neighborhoods, but were in crack neighborhoods or slums;
 - b. Some of the properties were not worth \$15,000 when purchased, but were acquired for less than \$10,000;
 - c. Most, if not all of the money for rehabilitating each of these properties was never spent on rehabilitation, at all, and the houses were never rehabilitated. Webb, Alpine, Citirise, and/or Progressive merely kept the remainder of the investors’ \$40,000;
 - d. There was no ready pool of renters to move into these properties because the properties remained largely untouched and many were either condemned or uninhabitable for other reasons (code violations, etc.);
 - e. Webb, Alpine, Citirise, and Progressive kept the rent funds from the small percentage of homes that were rented;
 - f. Many, if not all of the houses, were refinanced under fraudulent appraisals and mortgages written by Webb, Alpine, Citirise, Progressive or employees of Webb, Alpine, Citirise, and/or Progressive namely, Larry McDaniel (appraisals) and John Hall (mortgages). Homes that were never rehabilitated, some that were purchased for as little as \$7,000 received appraisals from McDaniel of around \$65,000 and loans from Hall of around \$52,000. Hall then quickly sold the mortgages to legitimate lenders, using the investor’s good credit rating to increase the value of the loan, all to the benefit of Webb, Alpine, Citirise, and Progressive who received the funds. Webb, Alpine, Citirise and Progressive kept all but \$4,000 from each of the refinances, eventually leaving the investor to pay the mortgage on the virtually worthless piece of uninhabitable property.
 - g. On a few occasions, properties were sold or refinanced without the investors’ signatures or the investors’ signatures were forged.
15. Investors who invested \$40,000 for each investment contract have received \$4,000 after the fraudulent refinancing and a home with an average value between \$10,000 to \$15,000. Further, these investors are indebted for average mortgages of \$50,000 for each

1 investment, resulting in average losses of \$86,000 on each investment contract. One
2 Californian purchased 25 such contracts, losing close to \$1,000,000. Most if not all of
3 these funds were retained by Webb, Alpine, Citirise and/or Progressive and used for
4 purposes unrelated to the investment contract.

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6 Based upon the foregoing findings, the California Corporations Commissioner is of the
7 opinion that the investment contracts in the rehabilitation of numerous parcels of residential real
8 estate located in, but not limited to, North Carolina, Virginia, and Tennessee sold by Webb, Alpine,
9 Citirise, Progressive, Lustgarten, and Mustang are securities subject to qualification under the
10 California Corporate Securities Law of 1968 and are being or have been offered or sold without being
11 qualified in violation of Corporations Code section 25110. Pursuant to section 25532 of the
12 Corporate Securities Law of 1968, Webb, Alpine, Citirise, Progressive, Lustgarten and Mustang are
13 hereby ordered to desist and refrain from the further offer or sale in the State of California of
14 securities, including but not limited to, investment contracts in the rehabilitation of parcels of
15 residential real estate, unless and until qualification has been made under the law or unless exempt.
16 This Order is necessary, in the public interest, for the protection of investors and consistent with the
17 purposes, policies, and provisions of the Corporate Securities Law of 1968.

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19 In addition, based upon the foregoing, the California Corporations Commissioner is of the
20 opinion that Jeffrey Lustgarten and Mustang Associates, Inc. have effected transactions in securities
21 as broker-dealers without having first applied for and secured from the Commissioner a certificate,
22 authorizing him to act in that capacity, in violation of section 25210 of the Corporate Securities Law
23 of 1968. Pursuant to section 25532 of the Corporate Securities Law of 1968, Jeffrey Lustgarten and
24 Mustang Associates, Inc. are hereby ordered to desist and refrain from effecting any transaction in, or
25 inducing or attempting to induce the purchase or sale of, any security in this state, unless and until he
26 has applied for and secured from the Commissioner a certificate, then in effect, authorizing him to act
27 in that capacity. This Order is necessary, in the public interest, for the protection of investors and
28 consistent with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

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Further, the California Corporations Commissioner is of the opinion that securities in the form of investment contracts in the rehabilitation of parcels of residential real estate by Webb, Alpine, Citirise, Progressive, Lustgarten and Mustang were offered or sold in this state by means of written or oral communications which included untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, in violation of section 25401 of the Corporate Securities Law of 1968. Pursuant to section 25532 of the Corporate Securities Law of 1968, Webb, Alpine, Citirise, Progressive, Lustgarten and Mustang are hereby ordered to desist and refrain from offering or selling or buying or offering to buy any security in the State of California, including but not limited to investment contracts in the rehabilitation of parcels of residential real estate by means of any written or oral communication which included untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading. This Order is necessary, in the public interest, for the protection of investors and consistent with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

Dated: July 3, 2006

Sacramento, California

PRESTON DuFAUCHARD
California Corporations Commissioner

By: _____
ALAN S. WEINGER
Supervising Attorney
Enforcement Division