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7 Attorneys for PLAINTIFFS

8 UNITED STATES DISTRICT COURT

9 FOR THE CENTRAL DISTRICT OF CALIFORNIA, SOUTHERN DIVISION

FILED  
2010 MAY 26 PM 2:52  
CLERK U.S. DISTRICT COURT  
CENTRAL DIST. OF CALIF.  
SANTA ANA

10			
11	YU-SZE YEN; JAMES ADAMS; BETTE )	CASE NO. CV10-2398	CJC (MLGx)
12	BAKER; MICHELLE BARTNIK & JASON )		
13	BECKER; ELEUTERIO & MARIA BELLA; )	DEMAND FOR JURY TRIAL	
14	JOHN & ROBERTA BERNAT; DIANA )		
15	BOATMAN; LEO & SUZANNE BRENDIS; )	FIRST AMENDED VERIFIED	
16	RAY BRULEZ; JIM BUCH; DOUGLAS A. )	SHAREHOLDER DERIVATIVE	
17	BURROUGHS; DAVID C. BYERS & )	COMPLAINT FOR:	
18	ELLEN H. BYERS; MICHAEL COLE; )		
19	GILBERT CORDOVA; ALEX COSTA, )	1. VIOLATION OF SECURITIES	
20	Trustee for Giovanni and Gina )	ACT OF 1933 AND THE SECURITIES	
21	Costa Exempt Trust; DONALD & )	EXCHANGE ACT OF 1934 [§§ 10(b),	
22	DEBRA COX; ALBERT & DAWNETTE )	14(a), 20(a)]	
23	DOBRICK; RANDY DROPKIN & PHYLLIS )	2. CONTROL PERSON LIABILITY	
24	CHARLTON; THOMAS ELIAS; GERALD & )	FOR VIOLATIONS THE SECURITIES	
25	PATRICIA FARE; KIRK & MICHELLE )	EXCHANGE ACT	
26	GARABEDIAN; MARCELLA & RICHARD )	3. VIOLATION OF CALIFORNIA	
27	GELMAN; MARGARET GAUTHIER; )	SECURITIES LAWS	
28	MICHAEL GEVA, LARRY & DONNA )	4. VIOLATION OF CALIFORNIA	
29	HALPERIN; CAROL ANN HAYEK- )	CORPORATE SECURITIES LAWS [§§	
30	MILLER; DIANA HIRANAGA; CHERYL )	25210 AND 25501]	
31	HOFFMAN; GILBERT & CANDACE )	5. CONTROL PERSON LIABILITY	
32	KATEN; CAROLE KELIGIAN; RAY & )	UNDER CALIFORNIA CORPORATIONS	
33	KAREN KIEFFER; RAY J. KIEFFER, )	CODE	
34	SR. & MARY KIEFFER; AUDRA & )	6. BREACH OF FIDUCIARY DUTY	
35	AUDREY KNIGHT; ROY & MARIFRANCIS )	7. NEGLIGENCE	
36	KUDLA; RAYMOND KUNKLE; ELISABETH )	8. NEGLIGENT	
37	LISEK; CARL & HILARY JAEGER; )	MISREPRESENTATION	
38	GARY & MARSHA JAMIESON; TERRENCE )	9. FRAUD	
39	JUE; JULIE LEGGIN; LORI )	10. CONSPIRACY TO COMMIT FRAUD	
40	NEDDERMAN; TOM & BRENDA )	11. LEGAL MALPRACTICE	
41	MARTINSON; THOMAS & REGINA )		
42	MEYERS; LAWRENCE MCCAULEY & )		
43	CAROLYN ALLEN; DON & SALLY )		
44	MOFFET; EDITH MORRIS; ROBERT & )		
45	RISE MYERS; CAROLE NEILSON; AMY )		
46	OPFELL; MIKE OSTERMAN; RACHEL )		

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1 PHILLIPS; JUAN SALAS; ROBERT & )  
 REBEKAH SHINE; LOU SCHREIBER; )  
 2 STEVE & LINDA UNO-SUM; NEIL )  
 TANOUYE, Trustee FBO Trust; KIM )  
 3 HOCK THAM; TED UMETSU; WILLIAM & )  
 MARYBETH VAUGHN; RICHARD & )  
 4 VIRGINIA WEBER; SCOTT & ROCHELLE )  
 WILSON; LELAND WARNER; PAM )  
 5 WEISSMAN; PETER & CHRISTINE )  
 WEINGOLD; YU-SZE YEN, Trustee )  
 6 for James S. Wong Living Trust; )  
 CHARLIN YEN; BRACHA & SHALHAV )  
 7 ZOHAR; SUSAN LIN; CAROL PACHECO; )  
 and THERESA ANN MANN, )  
 8 )  
 Plaintiffs, )  
 9 )  
 vs. )  
 10 )  
 LANDWIN, L.P.; LANDWIN GROUP, )  
 11 LLC; SMITHDENNISON CAPITAL, LLC; )  
 SYLVIA, INC.; JACK R. ANDREWS )  
 12 AND ASSOCIATES, LLC; SEAN C. )  
 DENNISON; MARTIN LANDIS; JACK )  
 13 ANDREWS; JACK R. ANDREWS, LLC; )  
 TOM CASAULT; SIGELMAN LAW; PAUL )  
 14 SIGELMAN and DOES 1 through 100, )  
 Inclusive, )  
 15 )  
 Defendants. )  
 16 )  
 LANDWIN MANAGEMENT, LLC, )  
 17 )  
 Nominal Defendant. )  
 18 )

19 )  
 20 Plaintiffs, YU-SZE YEN, JAMES ADAMS, BETTE BAKER, MICHELLE  
 21 BARTNIK & JASON BECKER, ELEUTERIO & MARIA BELLA, JOHN & ROBERTA  
 22 BERNAT, DIANA BOATMAN, LEO & SUZANNE BRENDIS, RAY BRULEZ, JIM  
 23 BUCH, DAVID C. BYERS & ELLEN H. BYERS, DOUGLAS A. BURROUGHS,  
 24 MICHAEL COLE, GILBERT CORDOVA, ALEX COSTA, Trustee for Giovanni  
 25 and Gina Costa Exempt Trust, DONALD & DEBRA COX, ALBERT &  
 26 DAWNETTE DOBRICK, RANDY DROPKIN & PHYLLIS CHARLTON, THOMAS ELIAS,  
 27 GERALD & PATRICIA FARE, KIRK & MICHELLE GARABEDIAN, MARCELLA &  
 28 RICHARD GELMAN, MARGARET GAUTHIER, MICHAEL GEVA, LARRY & DONNA

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1 HALPERIN, CAROL ANN HAYEK-MILLER, DIANA HIRANAGA, CHERYL HOFFMAN,  
2 GILBERT & CANDACE KATEN, CAROLE KELIGIAN, RAY & KAREN KIEFER, RAY  
3 J. KIEFFER, SR. & MARY KIEFFER, AUDREY & AUDRA KNIGHT, ROY &  
4 MARIFRANCIS KUDLA, RAYMOND KUNKLE, ELISABETH LISEK, CARL & HILARY  
5 JAEGER, GARY & MARSHA JAMIESON, TERRENCE JUE, JULIE LEGGIN & LORI  
6 NEDDERMAN, TOM & BRENDA MARTINSON, THOMAS & REGINA MEYERS,  
7 LAWRENCE MCCAULEY & CAROLYN ALLEN, DON & SALLY MOFFET, EDITH  
8 MORRIS, ROBERT & RISE MYERS, CAROLE NEILSON, AMY OPFELL, MIKE  
9 OSTERMAN, RACHEL PHILLIPS, JUAN SALAS, LOU SCHREIBER, ROBERT &  
10 REBEKAH SHINE, STEVE & LINDA UNO-SUM, NEIL TANOUYE, Trustee FBO  
11 Tanouye Trust, KIM HOCK THAM, TED UMETSU, WILLIAM & MARYBETH  
12 VAUGHN, RICHARD & VIRGINIA WEBER, SCOTT & ROCHELLE WILSON, LELAND  
13 WARNER, PETER & CHRISTINE WEINGOLD, PAM WEISSMAN, YU-SZE YEN,  
14 Trustee for James S. Wong Living Trust, CHARLIN YEN, BRACHA &  
15 SHALHAV ZOHAR, SUSAN LIN, CAROL PACHECO, and THERESA ANN MANN,  
16 hereinafter collectively referred to as "PLAINTIFFS" make the  
17 following allegations against Defendants. The allegations, with  
18 respect to PLAINTIFFS' own acts, are based upon their knowledge  
19 or on information and belief. Other allegations are based upon  
20 facts obtained through the investigation undertaken by  
21 PLAINTIFFS' attorney.

22 **JURISDICTION AND VENUE**

23 1. Jurisdiction of the court is proper and exclusive under  
24 28 U.S.C. § 1331, The Securities Exchange Act of 1934, and under  
25 the Securities Act of 1933. Jurisdiction is proper as to the  
26 First and Second Causes of Action, pursuant to 28 U.S.C. § 1367,  
27 in that these causes of action are transactionally related and  
28 factually interdependent with the claims for which jurisdiction

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1 is afforded under 28 U.S.C. § 1331.

2 2. Venue is proper in this District pursuant to 15 U.S.C.  
3 § 78AA because pursuant to The Securities Exchange Act of 1934  
4 and pursuant to 15 U.S.C. § 77v of the Securities Act of 1933, as  
5 venue is proper in any District where the transaction(s) occurred  
6 and some of the transactions alleged herein occurred within this  
7 District.

8 **THE PARTIES**

9 3. PLAINTIFFS were residents of the State of California  
10 who purchased one (1) or more Limited Liability Company Units  
11 offered by LANDWIN MANAGEMENT, LLC (hereinafter referred to as  
12 "LANDWIN MANAGEMENT") in a Private Placement Memorandum dated  
13 February 1, 2005.

14 4. PLAINTIFFS are informed and believe, and thereon  
15 allege, that at all times mentioned herein, Defendant, LANDWIN,  
16 L.P., is a Delaware Limited Partnership with its principal place  
17 of business at 17200 Ventura Boulevard, Suite 206, Encino, CA  
18 91361, is and was at all times mentioned herein doing business  
19 throughout the State of California.

20 5. PLAINTIFFS are informed and believe, and thereon  
21 allege, that at all times mentioned herein, Defendant, LANDWIN  
22 GROUP, LLC, is a Delaware Limited Liability Company with its  
23 principal place of business at 17200 Ventura Boulevard, Suite  
24 206, Encino, CA 91361, is and was at all times mentioned herein  
25 doing business throughout the State of California.

26 6. PLAINTIFFS are informed and believe, and thereon  
27 allege, that at all times mentioned herein, Defendant, LANDWIN  
28 MANAGEMENT, LLC, is a Delaware Limited Liability Company with its

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1 principal place of business at 17200 Ventura Boulevard, Suite  
2 206, Encino, CA 91361, is and was at all times mentioned herein  
3 doing business throughout the State of California.

4 7. PLAINTIFFS are informed and believe, and thereon  
5 allege, that at all times mentioned herein, Defendant  
6 SMITHDENNISON CAPITAL, LLC, a manager of LANDWIN MANAGEMENT, LLC  
7 and a member of LANDWIN GROUP, LLC, is and was at all times  
8 mentioned herein doing business throughout the State of  
9 California.

10 8. PLAINTIFFS are informed and believe, and thereon  
11 allege, that at all times mentioned herein, Defendant SYLVIA,  
12 INC, a manager of LANDWIN MANAGEMENT, LLC and a member of LANDWIN  
13 GROUP, LLC, is and was at all times mentioned herein doing  
14 business throughout the State of California.

15 9. PLAINTIFFS are informed and believe, and thereon  
16 allege, that at all times mentioned herein, Defendant SEAN C.  
17 DENNISON, an individual and President of SMITHDENNISON CAPITAL,  
18 LLC, a manager of LANDWIN MANAGEMENT, LLC and a member of LANDWIN  
19 GROUP, LLC, is and was at all times mentioned herein doing  
20 business throughout the State of California.

21 10. PLAINTIFFS are informed and believe, and thereon  
22 allege, that at all times mentioned herein, Defendant MARTIN  
23 LANDIS, an individual and President of SYLVIA, INC., a manager of  
24 LANDWIN MANAGEMENT, LLC and a member of LANDWIN GROUP, LLC, and a  
25 member of LANDWIN, L.P., is and was at all times mentioned herein  
26 doing business throughout the State of California.

27 11. PLAINTIFFS are informed and believe, and thereon  
28 allege, that at all times mentioned herein, Defendant JACK

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1 ANDREWS, an individual and President of JACK R. ANDREWS AND  
2 ASSOCIATES, LLC., a member and Executive Vice-President of  
3 LANDWIN GROUP, LLC,, is and was at all times mentioned herein  
4 doing business throughout the State of California.

5 12. PLAINTIFFS are informed and believe, and thereon  
6 allege, that at all times mentioned herein, Defendant TOM  
7 CASALT, an individual and as a member of LANDWIN GROUP, LLC, is  
8 and was at all times mentioned herein doing business throughout  
9 the State of California.

10 13. PLAINTIFFS are informed and believe, and thereon  
11 allege, that at all times mentioned herein, Defendant PAUL  
12 SIGELMAN, an individual and partner of SIGELMAN LAW, a member of  
13 LANDWIN GROUP, LLC,, is and was at all times mentioned herein  
14 doing business throughout the State of California.

15 14. PLAINTIFFS are informed and believe, and thereon  
16 allege, that at all times relevant herein, Defendants, DOES 1  
17 through 100, inclusive, whether individual, corporate, associate,  
18 or otherwise, are fictitious names of Defendants whose true names  
19 and capacities are, at this time, unknown to PLAINTIFFS.

20 PLAINTIFFS are informed and believe, and on this basis allege  
21 that at all times herein mentioned, each of the Defendants sued  
22 herein as a DOE Defendant is and was acting for itself or as an  
23 agent, servant, and/or employee of his or its co-defendants, and  
24 in doing the things hereinafter mentioned was acting in the scope  
25 of authority as such agent, servant, and employee, and with the  
26 authorization, permission and consent of his or its  
27 co-defendants, and each of said fictitiously named Defendants,  
28 whether acting for himself or itself as agent, corporation,

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1 association or otherwise, is in some way liable or responsible to  
2 PLAINTIFFS on the claims hereinafter alleged. Said Defendants  
3 proximately caused injuries and damages as hereinafter alleged.  
4 At such time as Defendants' true name become known to PLAINTIFFS,  
5 PLAINTIFFS will seek leave to amend this Complaint to insert the  
6 true names and capacities of the co-defendants named herein.

7 15. PLAINTIFFS are informed and believe, and thereon  
8 allege, that LANDWIN, L.P., LANDWIN MANAGEMENT, LLC, LANDWIN  
9 GROUP, LLC, SMITHDENNISON CAPITAL, LLC, SYLVIA, INC., SEAN C.  
10 DENNISON, MARTIN LANDIS, JACK ANDREWS, JACK R. ANDREWS &  
11 ASSOCIATES, LLC, and TOM CASUALT, and DOES 1 through 100,  
12 inclusive, are, and at all times mentioned herein were, the  
13 alter-ego of each other, in that there now exists, and at all  
14 times mentioned herein there existed, such unity of interest in  
15 ownership between these Defendants, and each of them, such that  
16 any individuality and separateness has ceased in that each of the  
17 Defendants is, and at all times mentioned herein was, a mere  
18 shell, instrumentality and conduit through which each of the  
19 other Defendants carry on their business in the corporate name,  
20 exercising such control and dominance of each of the other  
21 Defendants to such an extent that any individuality of  
22 separateness of a Defendant did not and does not exist. Any  
23 further adherence to the fiction of a separate existence of these  
24 several Defendants as entities distinct from each of the other  
25 Defendants would permit an abuse of the corporate privilege and  
26 would sanction a fraud on PLAINTIFFS. PLAINTIFFS are further  
27 informed and believe that said Defendants managed and operated  
28 the corporate and affiliated entities and intermingled the assets

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1 of each to suit their convenience by placing and conveying assets  
2 fraudulently among the Defendants in order to evade payment of  
3 obligations and to render other Defendants insolvent and unable  
4 to meet their obligations to PLAINTIFFS.

5 FACTUAL ALLEGATIONS

6 16. LANDWIN, L.P., (hereinafter "LANDWIN") was originally  
7 established in 1987 to oversee investments such as acquisitions  
8 and other real estate related matters. MARTIN LANDIS  
9 (hereinafter "LANDIS") was Managing Member (CEO) of LANDWIN. The  
10 website states that LANDWIN served the interests of close "family  
11 and friend" individual investors as a boutique real estate  
12 investment company. The business was transformed in 2003,  
13 through the equal partnership of LANDIS with Co-Managing  
14 Principal, SEAN DENNISON (hereinafter "DENNISON"), created for  
15 the purpose of combining the capabilities, resources and  
16 expansive relationship networks of the principals and their key  
17 partners to grow Landwin's business incrementally leveraging a  
18 truly superb prior performance record for the benefit of an  
19 expanding base of U.S. and international high net worth  
20 individual as well as institutional investor clients.

21 17. The LANDWIN website boasts that the still-growing team  
22 of key partners and associates now assembled by the principals  
23 represents a combined prior experience encompassing over  
24 23,000,000 square feet of diverse U.S. commercial and residential  
25 property. This includes over 300 value-added existing properties  
26 and opportunistic development projects in 17 U.S. states  
27 comprising 13,000,000 square feet of retail; 4,000,000 square  
28 feet of office; 4,500,000 square feet of multi-family, and;

1 2,500,000 square feet of single-family, all-in approaching  
2 \$4,000,000,000 in end market value.

3 18. The website further claims that "The Landwin System" is  
4 a "proven, proprietary, codified and copyrighted process  
5 encompassing every aspect of the real estate investment,  
6 development and management business. The "system" is based on a  
7 fundamentally "contrarian" investment philosophy, the "system" is  
8 built on a deceptively simple set of rules including, for  
9 example, *Rule #1: "Never Lose What You Have," Rule #2: Always*  
10 *Outpace Inflation," and Rule #3: You Make Your Money When You*  
11 *Buy."*

12 19. DENNISON was a former holder of three (3) securities  
13 licenses with the Securities and Exchange Commission ("SEC") and  
14 had worked for Morgan Stanley. PLAINTIFFS are informed and  
15 believe DENNISON had intimate knowledge of the types of private  
16 placement investments where a brokerage house would act as a  
17 placement agent. DENNISON knew that before a broker would agree  
18 to sell securities in a private placement, the broker would  
19 conduct in-depth due diligence in order to determine compliance  
20 with federal and state securities laws. DENNISON, through his  
21 knowledge as a registered licensee with the SEC, also knew the  
22 "finders" (unregistered brokers) could only sell securities on an  
23 infrequent basis, could only make mere introductions to potential  
24 investors to an issuer of securities and could not be in the  
25 business of acting as a finder. Possessing this knowledge,  
26 DENNISON sought a source of referrals of potential investors so  
27 that any private placement that he sponsored would not endure the  
28 strict scrutiny of a due diligence examination by an SEC

1 registered broker dealer.

2       20. In the late 1970's, Marshall Reddick developed a  
3 "faith-based" real estate network which promoted the sale of  
4 residential housing. The Reddick Real Estate Network  
5 (hereinafter the "Reddick Network") had developed a list of tens  
6 of thousands of individuals who wanted to invest in residential  
7 real estate. Reddick formed a real estate network to promote a  
8 system he calls "Armchair Investing" which made it possible for  
9 people to purchase properties safely and easily all over the  
10 country. The Reddick website boasts that it is an "educational  
11 system based upon spiritual values" and its goal is to "wipe out  
12 middle class poverty." Reddick was not an SEC registered broker  
13 dealer and had little or no knowledge of securities law, rules  
14 and regulations. TOM CASUALT was a principal in the Reddick  
15 organization.

16       21. LANDIS, DENNISON and JACK ANDREWS (hereinafter  
17 "ANDREWS") apparently believed that selling commercial real  
18 estate to "armchair investors" would not only help "wipe out  
19 middle class poverty" but would also provide a retirement  
20 opportunity for LANDIS and a "cash cow" for LANDIS, DENNISON,  
21 ANDREWS and TOM CASUALT. So, DENNISON on behalf of SMITHDENNISON  
22 CAPITAL, LLC (hereinafter "SDC") and JACK ANDREWS on behalf of  
23 JACK R. ANDREWS & ASSOCIATES, LLC (hereinafter "JRA") entered  
24 into an "Exclusive Relationship Agreement" with the Marshall  
25 Reddick Network dated June 14, 2004 wherein Reddick agreed that  
26 SDC and JRA would be the exclusive parties to whom Reddick would  
27 refer clients for "financial services" which included commercial  
28 real estate opportunities. The agreement states that "for good

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1 and valuable consideration, the receipt and sufficiency of which  
2 is hereby acknowledged by the Parties" the parties made their  
3 agreement. However, interestingly, the Exclusive Agreement never  
4 states what consideration, if any, supported this agreement.  
5 This Exclusive Relationship Agreement was the tool that DENNISON  
6 sought to avoid using an SEC broker dealer. This was the  
7 beginning of the scheme to defraud investors of millions of  
8 dollars. DENNISON knew that the "faith based" investors of the  
9 Reddick Network would trust any recommendations made by Reddick.

10 22. Meanwhile, DENNISON, LANDIS, ANDREWS, CASALT and  
11 Marshall Reddick formed The Landwin Group, LLC on May 19, 2004.  
12 As part of the formation of THE LANDWIN GROUP<sup>1</sup>, SDC and JRA  
13 contributed the rights to the Exclusive Agreement with the  
14 Reddick Network to the LANDWIN GROUP, LLC. Once formed, THE  
15 LANDWIN GROUP was to raise private equity investments from  
16 Accredited Investors among the Reddick Network membership, raise  
17 equity by forming a Real Estate Investment Trust Fund (REIT) and  
18 raise equity investments from both Accredited and Non-Accredited  
19 Investors among the Reddick Network. The scheme to raise money  
20 through an unregistered broker dealer was now in place.

21 23. On June 15, 2004, The LANDWIN GROUP offered a Private  
22 Placement Memorandum offering to sell Units for \$50,000.00 a  
23 piece for THE LANDWIN GROUP, LLC. The LANDWIN GROUP did not  
24 engage an SEC registered broker dealer to sell Units inasmuch as  
25 they knew that due diligence would be conducted by such a broker  
26 dealer and the broker dealer would require changes to the private

27

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28 <sup>1</sup> The LANDWIN GROUP was not registered as a broker dealer under section 15(c) of the Securities Exchange Act of 1934.

1 placement memorandum in order to comply with Federal and State  
2 securities laws. The LANDWIN GROUP prepared a PowerPoint  
3 presentation, as a prospectus without any legends restricting the  
4 use thereof, used to "sell" the Units to members of the Reddick  
5 Network. The PowerPoint presentation was entitled "A Window of  
6 Opportunity" which was primarily promoted by DENNISON, President  
7 and ANDREWS, Executive Vice President of LANDWIN GROUP, INC. The  
8 PowerPoint presentation extolled the virtues of the investment as  
9 follows:

10 a. LANDWIN was promoted as a business established by  
11 LANDIS which managed assets owned by SYLVIA, INC. (which was also  
12 owned at least in part by LANDIS).

13 b. LANDWIN had the industry's top performance record  
14 and "No Investor Has Ever Lost Money in 35+ years" and the  
15 internal rate of return was 39.6%.

16 c. The current portfolio of assets under management  
17 include "over \$50 million in client equity capital invested in  
18 over \$1.5 million square feet of income producing commercial real  
19 estate valued at over \$200 million dollars."

20 d. LANDWIN GROUP was the "New Business." The LANDWIN  
21 GROUP was formed in 2004. SYLVIA, INC. owned 50% and SDC, owned  
22 50%. LANDWIN GROUP was formed to "exercise" SDC'S option with  
23 the Reddick Network to acquire & leverage existing business  
24 assets in the new entity designed to attract new capital &  
25 resources."

26 e. The Business Philosophy was simple, follow the  
27 Chairman's Golden Rules:

28 / / /

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1           "- Never lose what you have ... forget about what you can  
2           make."

3           "- Always outpace inflation."

4           "- You make your money in real estate when you  
5           buy."

6           "- You should make money when the market's up AND when  
7           the market's Down."

8           "- Invest like it's your Mother's Money."

9           f. DENNISON also had a PowerPoint slide which showed  
10          the Revenue Model demonstrating how "cash flow distributions from  
11          our existing business ALONE are projected to double your money by  
12          Yr.5". (emphasis added)

13          24. The PPM for LANDWIN GROUP raised approximately  
14          \$10,500,000.00. Finder's fees were paid to Reddick and others.  
15          LANDWIN GROUP knew that these were improper because of DENNISON's  
16          knowledge of securities laws gleaned as an SEC licensee. After  
17          the offering closed, the LANDWIN GROUP managers learned that  
18          Marshall Reddick had prematurely disseminated a flyer about the  
19          LANDWIN REIT before the registration on Form S-11 had been filed  
20          with the SEC. Because the LANDWIN GROUP would be required to  
21          disclose this violation to the SEC, the Managers opted to return  
22          money raised in the PPM to the investors with 7% interest rather  
23          than report this apparent violation to the SEC. LANDWIN GROUP  
24          wanted to avoid scrutiny by the SEC of their scheme to use  
25          unlicensed broker dealers to raise money from unsuspecting  
26          investors.

27          25. Thereafter, DENNISON and LANDIS used their respective  
28          companies, SDC and SYLVIA to form LANDWIN MANAGEMENT in 2004.

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1 SYLVIA and SDC were the Managers for LANDWIN MANAGEMENT. At the  
2 closing, THE LANDWIN GROUP which was owned by SYLVIA, SDC,  
3 Marshall Reddick, TOM CASAULT and JRA contributed the assets of  
4 their business to LANDWIN MANAGEMENT and LANDWIN GROUP became a  
5 "holding" company through which SYLVIA, SDC, TOM CASAULT,  
6 Marshall Reddick and JRA shared subordinated interests in LANDWIN  
7 MANAGEMENT which planned to conduct an offering under Rule 506 of  
8 Regulation D promulgated pursuant to Section 4(2) of the  
9 Securities Act of 1933 sometime in early 2005.

10 26. After the securities violations associated with the  
11 LANDWIN GROUP PPM, and in preparation for the LANDWIN MANAGEMENT  
12 offering, DENNISON on behalf of LANDWIN MANAGEMENT, consulted  
13 Neil Wertlieb of the law firm of Milbank, Tweed, Hadley & McCoy  
14 ("Millbank Tweed") regarding the LANDWIN MANAGEMENT PPM in what  
15 appears to be an effort to comply with the securities laws. In  
16 an email dated December 15, 2004, Attorney Wertlieb advised  
17 DENNISON of the following:

18 a. Only approach those prospective investors you, or  
19 your finders, know through a substantive, pre-existing business  
20 or personal relationship;

21 b. Only discuss the investment opportunity with  
22 prospective investors that they reasonably believed were  
23 Accredited investors living in California.

24 c. **Ensure that Finders do nothing more than make**  
25 **introductions.** As your agents, they and you, could be liable for  
26 their unlicensed broker-dealers if they do more. (emphasis added)

27 d. In discussion with prospective investors about the  
28 offering, whether in meetings, by telephone or otherwise, you

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1 should limit the substance of those discussions to information  
2 contained in the PPM.

3 e. Respond to inquiries, and provide further  
4 information, but the information provided should be relatively  
5 immaterial and not inconsistent with that provided in the PPM.

6 f. Not accept any subscriptions from non-California  
7 residents or from non-accredited investors or from investors who  
8 are otherwise not suitable or qualified. **The disclosures**  
9 **contained in the PPM are inadequate (e.g. because of the lack of**  
10 **financial statements for the Asset Management Business, etc.) and**  
11 **may violate securities laws, if you accept even one**  
12 **non-accredited investor.** (emphasis added)

13 27. After receiving the advice from attorney Wertlieb  
14 regarding compliance with securities laws, LANDWIN MANAGEMENT  
15 embarked on their second effort to "wipe out middle class  
16 poverty" and offered a private placement investment offering to  
17 the Reddick Network members for ownership in LANDWIN MANAGEMENT  
18 dated February 1, 2005 (the "PPM"). Pursuant to the PPM,  
19 LANDWIN MANAGEMENT, LLC also entered into Finders Agreements with  
20 Marshall Reddick, ANDREWS and CASAULT prior to the closing of the  
21 offering. Pursuant to the Finders Agreement, the Finders were  
22 granted the non-exclusive right to contribute identification  
23 information regarding, present, introduce and/or refer  
24 prospective Investors to the Company in exchange for 5% of the  
25 gross proceeds of funds invested by any investor found by Finder.  
26 Pursuant to Section 1.3 of the Finders Agreement, "the finder  
27 shall act as only a Finder and not as consultant or otherwise and  
28 the Finder shall not advise, negotiate or otherwise assist in the

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1 consummation of the funding."

2 28. Reddick, CASALT, ANDREWS, LANDWIN MANAGEMENT and  
3 DENNISON jointly solicited PLAINTIFFS from February 1, 2005 to  
4 August, 2005 by way of emails, flyers, and other written  
5 materials provided to PLAINTIFFS who attended meetings hosted by  
6 the Reddick Network. At the seminars hosted by the Reddick  
7 Network, often times a Reddick representative would introduce a  
8 member of LANDWIN MANAGEMENT to promote the investment. DENNISON  
9 also scheduled "Landwin only" seminars where he made his sales  
10 presentation to potential investors.

11 29. At the seminars, Defendants, DENNISON, ANDREWS and/or  
12 other LANDWIN MANAGEMENT representatives showed a PowerPoint  
13 presentation which promoted the investment. DENNISON, ANDREWS  
14 and LANDWIN MANAGEMENT represented, in part, the following:

15 a. No Investor had ever lost money in any investment  
16 of Landwin or its Managers in 36 Years in Business

17 b. Current Overall average annual IRR=31% per year;

18 c. That on a \$10 million minimum offering, the  
19 Managers could leverage \$2.5 million to acquire \$10 million in  
20 commercial real estate.

21 d. The "Cash Flow Distributions" ALONE (consisting of  
22 Fees & Rental Income from Company-Owned Property, BUT NOT INCL.  
23 'Profit Distributions') produce a Greater than 100% Cash on Cash  
24 Return to Cash PLAINTIFFS by Yr. 7, Doubling to Greater than 200%  
25 by Yr. 10!!!!" (emphasis added)

26 30. The PowerPoint presentation touted the vast experience  
27 of LANDIS and his affiliated entities, which he controlled, in  
28 commercial real estate investments. The PowerPoint stated that

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1 he organized and/or managed over \$5.1 billion of real estate  
2 investments; that no investor had ever lost money in any  
3 investment in over 36 years in the real estate business and that  
4 the current overall average annual IRR was 31%.

5 31. As much as two-thirds of the money raised in the PPM  
6 was allocated to the purchase of non-specified real property. In  
7 addition to investors blindly relying on recommendations made by  
8 an unregistered broker dealer, Reddick, investors would rely upon  
9 the track record of LANDWIN GROUP, and specifically, LANDIS.  
10 Since the PowerPoint presentation touted LANDIS' vast real estate  
11 investment experience, the PPM should have supported and  
12 expounded upon the information in this regard contained in the  
13 PowerPoint presentation. Pursuant to Item 8 of Guide 5  
14 accompanying Form S-11 promulgated under the 1933 Securities  
15 Exchange Act, the Defendants were required to disclose the Prior  
16 Performance of the Defendants in the PPM, consisting of a  
17 Narrative Summary and Prior Performance Tables, so that an  
18 investor could make an informed decision prior to investing in  
19 the PPM. The PPM failed to include the required disclosures as  
20 to LANDIS' real estate experience in the form of either the  
21 Narrative or Prior Performance Tables. The Defendants did not  
22 provide any information to support the claims made in the  
23 PowerPoint presentation. Such omissions were material to the  
24 Investor's ability to evaluate the merits and risks of the  
25 investment. A SEC registered broker dealer selling securities of  
26 LANDWIN MANAGEMENT would have required the inclusion of prior  
27 performance narratives and tables.

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28 32. Sometime in early 2005, an attorney for Reddick marked

1 up a PPM and this was provided to ANDREWS. On or about April 29,  
2 2005, ANDREWS sent an email responding to the comments.  
3 ANDREWS, who is not an attorney, responds to many comments which  
4 apparently question the legality of this PPM. The letter  
5 highlighted the limited experience of LANDIS and the other  
6 Defendants. ANDREWS stated in his letter that "17 years  
7 experience at 39%+ per annum return speaks for itself and that is  
8 verifiable by tax returns and records." These tax returns and  
9 records should have been referenced in the Narrative and Prior  
10 Performance Tables that should have been included in the PPM.  
11 They were intentionally omitted. The offering was closed in  
12 August 2005, after raising approximately \$13.8 million, from  
13 investors referred by the Marshall Reddick Network in exchange  
14 for finder's fees in the approximate amount of \$690,000.00 that  
15 were actually disguised commissions.

16 33. At the closing of the PPM, LANDWIN MANAGEMENT raised  
17 approximately \$13.8 million. Promptly upon closing, LANDWIN  
18 MANAGEMENT paid \$5.8 million to SYLVIA which represented payment  
19 for certain specific assets of SYLVIA, and all goodwill assets of  
20 its affiliate LANDWIN including but not limited to, existing cash  
21 flow income streams generated by the existing Management and  
22 Leasing Services Agreement between SYLVIA and properties which  
23 SYLVIA managed (not owned-but managed) (the "Asset Management  
24 Business). LANDWIN MANAGEMENT also issued 199 units (valued at  
25 \$9,950,000) to LANDWIN GROUP which were subordinated to the cash  
26 invested by PLAINTIFFS. For purposes of this transaction,  
27 LANDWIN MANAGEMENT paid \$5.8 million for an interest in the Asset  
28 Management Business (SYLVIA) and issued 199 Units valued at

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1 \$9,950,000 to LANDWIN GROUP for a total value of \$15,750,000.00.

2 34. Defendants did not provide in the PPM or to the  
3 PLAINTIFFS (I) an appraisal or valuation of the assets acquired  
4 in the acquisition of the Asset Management Business; (ii) any  
5 financial statements of the Asset Management Business, audited or  
6 otherwise (against the advice of attorney Wertlieb), or (iii) the  
7 documents depicting the purchase of the assets of SYLVIA.

8 35. After the payment of Finders' Fees of approximately  
9 \$690,000.00 and closing and other fees of approximately \$627,761,  
10 there was approximately \$12,582,239 in tangible assets held by  
11 LANDWIN MANAGEMENT. The 475 Units were now worth about \$26,489  
12 per Unit. Put another way, the PLAINTIFFS had already been  
13 diluted to 53% of their original \$50,000 investment. The  
14 Managers did not provide dilution disclosures and tables in the  
15 PPM depicting the dilution per Unit to each Investor which showed  
16 they would lose 47% of their investment simply by driving the  
17 proverbial new car off the dealer's lot!!

18 36. Further, and most importantly, the assets acquired in  
19 the Asset Management Business transaction for \$5.8 million  
20 actually had negligible, if any, value based upon an independent  
21 appraisal commissioned by the Managers in October 2008. On the  
22 date of this valuation, the Asset Management Business was  
23 substantially the same as when it was acquired in June 2005.  
24 Factoring this valueless transaction into the dilution table  
25 equation, the PLAINTIFFS value per Unit had been reduced to  
26 \$14,278 per Unit, a dilution of more than 71% of the original  
27 investment. This was not disclosed in the PPM.

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37. Meanwhile, as the PLAINTIFFS were losing money

1 literally "overnight", the PPM provided that SYLVIA and SDC,  
2 controlled by LANDIS and DENNISON respectively, the managers of  
3 LANDWIN MANAGEMENT, would each receive the following:

4 a. A guaranteed management fee payable in  
5 semi-monthly installments of \$11,291.67 (annualized approximately  
6 \$271,000 **EACH**);

7 b. A closing fee equal to 1% of the gross proceeds of  
8 any closing with a minimum payment of \$100,000 and a maximum  
9 payment of \$300,000.00;

10 c. A retention fee of .25% of equity assets then  
11 under management for each full year of service after the first 60  
12 months;

13 d. Severance in the amount of one year's Management  
14 Fee upon termination of the Management Agreement;

15 e. Reimbursement of insurance and medical expenses of  
16 up to \$30,000 per year; and

17 f. Reimbursement of all costs (travel was strictly  
18 "first class" as hidden in the exhibits attached to the PPM)  
19 incurred in connection with the performance of duties, with  
20 interest at the rate of 10% per year until paid.

21 38. The PPM stated that after payment of the \$5.8 million  
22 to SYLVIA and after payment of the expenses of the offering, the  
23 finder's fees, Managers' fees, and operating expenses, the  
24 proceeds (or balance) will be used for "**direct investment in**  
25 **income-producing commercial real property assets,**" none of which  
26 had been identified as of the date of this Memorandum and/or for  
27 operating and other expenses of growing the Asset Management  
28 Business.

1           39. On Form D filed with the SEC, the Managers represented  
2 that after Closing, the following amounts were paid from the  
3 \$13,800,000.00:

4	a.	SYLVIA	\$ 5,800,000 <sup>2</sup>
	b.	Finders Fees	\$ 690,000
5	c.	Closing Fees	\$ 322,708
	d.	Legal Fees	\$ 9,515
6	e.	Accounting fees	\$ 172,604
	f.	Engineering Fees	\$ 22,934
7		Total	\$ 7,017,761

8           This left approximately \$6.8 million. The Managers  
9 represented to the SEC in the Form D that \$5 million was  
10 allocated for the "Purchase of Real Estate."

11           40. As part of the PPM, the Managers were required to  
12 provide a "Source and Uses of Funds" table (hereinafter the  
13 "Table") to advise PLAINTIFFS how the funds would be spent. This  
14 Table is attached as Exhibit "1" hereto. The Table shows how  
15 monies would be allocated based upon a Minimum Offering of  
16 \$10,000,000 and a Maximum Offering of \$30,000,000.00. After  
17 deducting increased amounts (over those provided in the Table)  
18 for Finders' Fees and Closing Fees, the Managers should have had  
19 at least \$7,000,000.00 as "Equity Capital for Purchase of Company  
20 Owned Real Property." The Company represented in the Form D that  
21 the Managers had allocated \$5 million for the purchase of real  
22 estate and approximately \$1.8 million for working capital.

23           41. On information and belief, PLAINTIFFS believe that with  
24 the PPM closed, the payment of approximately \$6,800,000.00 to  
25 SYLVIA (LANDIS' company), DENNISON and others involved with the  
26 offering, the Managers started to systematically loot the company

27  
28           <sup>2</sup> The PPM stated that the Managers did not retain a Third Party  
independent evaluation of SYLVIA other than the "valuation by the  
Managers in PPM."

1 by spending money contrary to the representations in the Table,  
2 and made excessive and unauthorized expenditures not related to  
3 the acquisition of real property in violation of the PPM and  
4 Operating Agreement to their benefit and to the detriment of the  
5 Company and PLAINTIFFS.

6 42. Around November 7, 2005, the Managers submitted the  
7 LANDWIN REIT to the SEC for review and comment on Form S-11. In  
8 Form S-11, it was disclosed that an introduction fee would be  
9 paid to certain parties, including affiliates of Reddick, ANDREWS  
10 and CASAULT, for introducing prospective investors to LANDWIN  
11 REIT. LANDWIN ADVISORS, LLC, (a company owned by affiliates of,  
12 and controlled by, Reddick, LANDIS, DENNISON, ANDREWS and  
13 CASAULT), in the Form S-11 couched this fee as an "introduction  
14 fee" rather than a "finder's fee" due to the concern that a  
15 finder's fee would result in the SEC questioning whether the  
16 finder's fee was being paid to registered broker dealers.  
17 LANDWIN GROUP had at this point received an admonition from  
18 attorney Wertlieb in December 2004, and Gina E. Betts (Landwin  
19 REIT's attorney) in November 2005, that payment of a finder's fee  
20 was in contravention of federal and state securities laws. This  
21 was a compensation scheme substantially similar to the finder's  
22 fee scheme that was disclosed in the PPM for LANDWIN MANAGEMENT.

23 43. On December 6, 2005, the SEC, in a comment letter sent  
24 to LANDIS, questioned certain aspects of this introduction fee  
25 and whether it was being paid to licensed broker dealers. In  
26 subsequent comment letters, the SEC analyzed the various schemes  
27 (later called a "database fee") proposed by LANDWIN REIT and  
28 concluded that any of these fees, however couched, were in the

1 nature of commissions or transaction-based fees and could not be  
2 paid to a party who was not a licensed broker dealer.

3 44. As a result, on February 15, 2006, Landwin REIT, in a  
4 letter from attorney Betts to the SEC, stated: "In response to  
5 comment 2 in your most recent letter, and to the Commission's  
6 continued concern regarding whether the database owners will  
7 engage in activities causing them to be broker dealers, the  
8 Company hereby advises the Commission that it will not be charged  
9 a fee for the use of the database. The database owners have  
10 given the Company the right to use the database without receiving  
11 any consideration therefore. The Company will use the  
12 information contained in the database to contact, deliver  
13 prospects to, and set up its "road shows" with potential  
14 investors. The Company will attend meetings of the network  
15 established by database owners for the purpose of networking the  
16 fellow members, but will not make presentations at these  
17 meetings."

18 45. The Defendants knew in April 2006, based upon the  
19 exchange of letters and discussions with the SEC in connection  
20 with the LANDWIN REIT, that the commissions paid to certain  
21 persons set forth in the PPM were not made to licensed broker  
22 dealers and therefore were improper. They also realized that the  
23 presentations to LANDWIN MANAGEMENT investors at the Reddick  
24 sponsored meetings were improper and in contravention of federal  
25 and state securities' laws because they involved the sale of  
26 securities by unlicensed broker dealers including, but not  
27 limited to, DENNISON, LANDIS, ANDREWS and CASALT. Further, the  
28 Defendants knew by the time that the LANDWIN REIT went effective

1 in April 2006, that the PLAINTIFFS in LANDWIN MANAGEMENT  
2 possessed the right of rescission pursuant to Section § 25501.5  
3 of the California Corporate Securities Law of 1968 which states  
4 in part:

5 "Any person [an investor/PLAINTIFFS] who purchases  
6 a security from ... a broker dealer that is required  
7 to be licensed and has not, at the time of the  
8 sale or purchase, applied for and secured from the  
9 commissioner a certificate ... authorizing that  
10 broker dealer to act in that capacity, may bring  
11 an action for rescission ..."

12 46. The Defendants failed in April 2006, to inform the  
13 PLAINTIFFS that the finder's fees paid in connection with the PPM  
14 were improper and failed to inform the PLAINTIFFS that they had a  
15 right of rescission to receive their original investment returned  
16 plus interest at the lawful rate. DEFENDANTS had already been  
17 warned by Attorneys Wertlieb and Betts and were aware of this  
18 problem. DEFENDANTS intentionally failed to advise PLAINTIFFS of  
19 these facts or of their right to rescission so that they could  
20 continue to plunder the funds remaining in LANDWIN MANAGEMENT.

21 47. In August 2006, the Managers sent their First  
22 Anniversary Letter to PLAINTIFFS. The Managers stated that they  
23 had "deployed \$2,000,000.00 of the \$2,500,000.00 set aside for  
24 direct investment in real estate or related investment. The  
25 investment we have made is in the form of a debt investment (i.e.  
26 a loan) made to Network Development Properties, LLC (NDP)."  
27 The Table clearly states that \$2,500,000.00 referred to was for  
28 the "purchase of Company Owned Property;" not for loans. Nowhere  
in the PPM does it state money can be used as "loans."  
Nonetheless, the Managers approved this loan which clearly  
violated the stated Source and Use of Funds. Further, the

1 Managers confirmed their pattern of misleading the PLAINTIFFS.  
2 The Anniversary letter states that \$2,500,000 was set aside for  
3 direct investment in real estate. This is false. The Table  
4 states that on a \$10,000,000 minimum offering, \$2,500,000 was  
5 allocated for the "purchase" of property; not for loans. The  
6 Managers raised \$13,800,000 and the Managers had represented to  
7 the SEC in the Filed Form D that there was \$5,000,000 reserved  
8 for the "purchase" of real property. Further, the Managers did  
9 not advise the PLAINTIFFS that they spent more money on Closing  
10 Fees (\$322,708 v. \$276,000) and allocated a disproportionate  
11 amount to Working Capital based on the Table. Clearly, the  
12 Managers were making misleading statements to the PLAINTIFFS in a  
13 scheme to defraud the PLAINTIFFS and withhold the true state of  
14 financial affairs and their investment.

15 48. It was not until the First Anniversary Letter that the  
16 Managers clearly state how this investment works. Both the  
17 PowerPoint presentation and the PPM failed to accurately and  
18 completely explain that the only way for LANDWIN MANAGEMENT to be  
19 successful, was by raising \$20,000,000 in new capital for each of  
20 the first 4 years since the Managers were obviously not using the  
21 initial funds raised for real estate investments as represented  
22 in the PPM. Once the Managers had the PLAINTIFFS' money, the  
23 Managers encouraged the PLAINTIFFS to get their friends and  
24 families to invest so this investment would be a success.  
25 [Exhibit "2".]

26 49. On February 1, 2007, in a Form 8-K, the Defendants  
27 stated: "[o]ur board of directors determined that it is in the  
28 best interest of LANDWIN REIT, Inc. to reduce the minimum

1 offering amount from \$50 million to \$10 million. Pursuant to our  
2 obligations in connection with the decision to amend the original  
3 offering prospectus, we returned all subscription proceeds to our  
4 investors along with any interest earned from the escrow bank  
5 account." A letter was sent by Reddick to all investors in  
6 LANDWIN REIT, Inc. setting forth this rationale.

7 50. In the March 19, 2007 the Managers sent out a Third  
8 Quarter Status Update where they brag about how they are "Growing  
9 Their Technology Infrastructure" by completing a "new  
10 state-of-the-art local area network." Certainly, the PLAINTIFFS  
11 should be overjoyed that their money was being used to create a  
12 new webpage entitled www.landwin.com.

13 51. The Third Quarter Status Update in 2007 went into  
14 significant detail explaining why they had only raised  
15 \$12,000,000 for the REIT (which had projected a minimum offering  
16 of \$50,000,000) and approximately \$15,000,000 in Landwin Partners  
17 Fund 1, a Landwin related entity, which was projected to raise  
18 \$20,000,000. The Managers realized that the minimum offering of  
19 \$50,000.00 for the REIT was too high and with the slow rate of  
20 attracting new investors, the Managers suspended the REIT until a  
21 new plan could be developed. In January the REIT management  
22 decided it was costing too much to raise money and returned the  
23 \$12 million raised for the REIT to the investors. The PPM never  
24 stated that the REIT could be cancelled if it was costing too  
25 much to raise the \$50 million projected by the Managers. The  
26 Managers stated they would focus their efforts on Partners I Fund  
27 and Partners II Fund.

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1           52. The Managers discussed the business model and need to  
2 raise money in great detail. The Managers also discuss that the  
3 "traditional business is a Fee-for-Service-based business", the  
4 Company plan also includes making money from direct investment  
5 into real estate. The Update states that "the Company has **only**  
6 set aside \$2,000,000 for this purpose." The Managers  
7 perpetuated their scheme to defraud the PLAINTIFFS by continuing  
8 to mislead them. In the First Anniversary Letter, the Managers  
9 represented they had set aside \$2,500,000 for investment in real  
10 estate. Now, for some unknown reason, The Managers have only set  
11 aside \$2,000,000.00 for investment in real estate. Where is the  
12 \$5,000,000 the Managers represented to the SEC was allocated for  
13 purchasing real estate? While the Managers were systematically  
14 looting the Company they reassured the PLAINTIFFS that while the  
15 Company was operating at a loss, **"in the final analysis you have**  
16 **not lost your money."** In so doing, the Managers were  
17 perpetuating the on-going fraud by telling PLAINTIFFS their money  
18 was not lost, so nobody would question the current operations of  
19 the Company. Additionally, in virtually each communication from  
20 the Managers, they actively solicited additional investments from  
21 the PLAINTIFFS' friends and family members.

22           53. More importantly, the Managers failed to advise the  
23 PLAINTIFFS that in December 2006 or January 2007 they learned  
24 that Reddick had allegedly breached the Exclusive Agreement by  
25 marketing commercial real estate to his Network Members. Rather  
26 than provide the PLAINTIFFS an honest disclosure, the Managers  
27 explained that due to a downturn in the residential real estate  
28 market, "Dr. Reddick and his executive team requested their input

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1 in expanding their core business." They further discussed there  
2 is an Addendum to the Amended and Restated Exclusive Relationship  
3 dated March 15, 2007, which describes a new relationship with the  
4 Reddick Network. While the Exclusive Agreement may have been  
5 revised, the relationship between the Managers and the Reddick  
6 Network was clearly deteriorating as is evidenced by the fact  
7 that, unknown to the PLAINTIFFS, the Managers had a law firm send  
8 a "cease and desist" letter dated April 4, 2007, to Reddick  
9 advising him that he had breached the Exclusive Agreement and  
10 offered to resolve the matter or else he would leave the Managers  
11 with no alternative but litigation.

12 54. On June 15, 2007, the Managers provide another update.  
13 They have raised \$20,250,000.00 in the Landwin Partners Fund I,  
14 LLC ("PF I") and advise them of the opportunity to invest in  
15 Partners II Fund. Also, PF I had invested \$568,233 to acquire an  
16 11.36% ownership interest in the Russ Lyon Realty Office Building  
17 in Phoenix. Finally, "[b]eginning next month, PF I will receive  
18 regular distributions and across the anticipated hold period the  
19 fund is expected to receive over 40% per year cash-on-cash  
20 returns." This is the first purchase by PF I. While this  
21 appears to be a reasonable investment, the Managers (who drafted  
22 the Operating Agreement) point out that the Managers (SDC and  
23 SYLVIA) can transact one transaction per year independently of  
24 the Company. "Since this opportunity was offered unsolicited  
25 directly to the Landis family, Mr. Landis could have acquired  
26 this property solely for the Landis family. However, he elected  
27 to include the Company in 50% of the manager's fee income,  
28 including the acquisition fee, property management fee, and

1 disposition fee, in effect, transacting ½ of such an investment.  
2 This acquisition was also strategically advantageous for the  
3 Company and its clients because the property is located on the  
4 "hard corner" within the Lincoln Plaza Shopping Center which is  
5 already under the Company's management, thus consolidating the  
6 overall potential of this unique investment." In other words,  
7 the Managers saw this as a good investment and rather than  
8 purchase this for the Company, the Managers engaged in  
9 "self-dealing" to improve another property managed by SYLVIA  
10 and/or LANDIS. Finally, the Managers finally send the 2005 and  
11 2006 financial records to the PLAINTIFFS.

12 55. Most important about this newsletter is Update #7. The  
13 Managers state "[d]ue to circumstances to be fully reported to  
14 you in our Fall 2007 update letter," the Managers will be  
15 developing a new growth strategy. The Managers deliberately  
16 withheld information from the PLAINTIFFS concerning Reddick's  
17 alleged breach of the Amended and Restated Exclusive Relationship  
18 Agreement which apparently was the cornerstone of the Company's  
19 marketing plan for LANDWIN. The Managers withheld this  
20 information until after PF I was closed or else it would have  
21 adversely impacted their ability to raise money. The Managers  
22 failed to disclose the fact that on April 4, 2007 they hired a  
23 law firm which sent a letter to Reddick stating that he had  
24 violated the existing Amended and Restated Exclusive Relationship  
25 Agreement. Certainly, that is an important fact which would have  
26 been material to the PLAINTIFFS. The pattern of deception and  
27 scheme to defraud continued.

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1 56. Finally, on September 21, 2007, now that PF I finally  
2 closed and the Managers had access to more than \$20 million, the  
3 Managers tell the PLAINTIFFS that almost a year earlier Reddick  
4 had breached the exclusive agreement which was the cornerstone of  
5 this enterprise. Meanwhile, the Managers are burning through the  
6 money ostensibly allocated for investment into real estate but  
7 attaching a financial statement which states that the PARTNERS'  
8 CAPITAL is \$11,100,083. However, upon closer scrutiny, there is  
9 only \$2.7 million in cash or equivalents and a \$2 million loan.  
10 So, the actual cash value of LANDWIN MANAGEMENT is only \$4.7  
11 million. The Managers intentionally mislead the PLAINTIFFS and  
12 do not advise them they are spending money allocated for  
13 purchasing real estate to run the business which includes payment  
14 of more than \$600,000 a year to the Managers. Also, the Managers  
15 do not explain why they spent nearly \$500,000 in legal fees in  
16 2006. Certainly, this was not disclosed on the Sources and Uses  
17 Table. The plundering continues but take heart as the Managers  
18 remind the PLAINTIFFS that **"no investor has ever lost money with  
19 us and (ii) our overall returns have consistently outperformed  
20 our competition."** (emphasis added) The Managers continue this  
21 scheme to defraud the PLAINTIFFS by continually changing their  
22 representations about how much money was "set aside" for purchase  
23 of real estate and to control expectations.

24 57. Another example of misrepresentations related to the  
25 IRR. In the LANDWIN GROUP offering, the Managers represented  
26 they had an average 39.6% IRR. In the LANDWIN MANAGEMENT  
27 offering this is changed to a 31% IRR. In the Newsletter mailed  
28 to the Reddick Network they represented that "Landwin has

1 Delivered an Overall Annual of Greater than 31% per year." Now,  
2 in 2007, for some inexplicable reason, the Managers simply  
3 "outperformed the competition." The only consistency with the  
4 Managers is the continued effort to loot and plunder the Company.

5 58. On October 26, 2007, the Managers sent an update letter  
6 which described the investing philosophy. The Managers discussed  
7 the recent investment in the Russ Lyon Realty Building.  
8 Apparently, this was an excellent investment opportunity. While  
9 LANDIS learned about this personally and the Managers could have  
10 taken advantage of this investment opportunity for themselves and  
11 not for the Company, the Managers in what can only be described  
12 as a "selfless act" decided to share the investment opportunity  
13 with the Company on a 50/50 basis. Now, for the first time, the  
14 PLAINTIFFS learn that "between Partners Fund I and our other  
15 clients," the Managers had nearly \$45 million to invest. So,  
16 [i]n order to be fair and equitable to all, we limited the  
17 percentage interest allocation of everyone and we were able to  
18 accommodate all 33 investors who wished to invest, including  
19 Partners Fund I." The Managers never provided the PLAINTIFFS  
20 with any specifics about "their other clients" and/or that the  
21 PLAINTIFFS would be competing with and/or sharing investment  
22 opportunities other than by some generic risk factor buried in  
23 the PPM.

24 59. On November 1, 2007, the Managers sent an update  
25 stating they had filed a lawsuit against Reddick who, "as you  
26 know ... destroyed our original business plan centered on the  
27 network he and Tom Casault built ..."

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1           60. On March 1, 2008, the Managers sent an extremely  
2 detailed letter outlining how Reddick had destroyed the  
3 foundation of their enterprise and affected their ability to  
4 raise money in the REIT and PF II. However, no worries as the  
5 Managers detailed their new business plan in their 12 page  
6 letter. The Managers allegedly analyzed about \$20,000,000,000 in  
7 projects in 2007, and made about \$2,000,000,000 in offers but  
8 only acquired about \$7,000,000 in investments. The Managers  
9 attached a very impressive 68 page spreadsheet detailing all the  
10 properties analyzed. And, the Managers had entered into a  
11 strategic joint venture to develop, build and manage twenty five  
12 storage and retail mixed use deals in Arizona. However, the deal  
13 is so good, the Managers elect to exercise their ability to  
14 transact one project per year independently of the Company.  
15 However, in what can only be seen as a magnanimous action, the  
16 Managers decide to share this opportunity on a 50/50 basis with  
17 the Company. **And, the Managers reassured the PLAINTIFFS that**  
18 **they would always adhere to the Company's Rule #1: "Never Lose**  
19 **What You Have."**

20           61. The Managers also sent K-1 Forms to a Member stating  
21 that of the \$50,000 investment he still had approximately \$40,000  
22 in his capital account. So, the PLAINTIFFS unwittingly believed  
23 things must still be good in the Company and were not given any  
24 reason to believe otherwise.

25           62. On April 2, 2008, The Managers sent the First Capital  
26 Call of Landwin Management, LLC to the PLAINTIFFS to raise  
27 \$3,000,000 to implement the new business plan. The PLAINTIFFS  
28 are warned that if they do not raise \$3,000,000 to implement the

1 new business plan The Managers are free to raise capital outside  
2 of the PLAINTIFFS, but this will further dilute the PLAINTIFFS  
3 ownership interest. Predictably, none of the PLAINTIFFS  
4 participated in the Capital Call. The Managers also attach the  
5 year end financial statements which show that the value of the  
6 cash accounts has dropped from \$4.6 million in 2006 to \$3.1  
7 million. However, in reading a confusing auditors report, it  
8 appears that the Managers had \$1,919,198 of the \$3.1 million in  
9 UBS which was invested in Auction Rate Securities contrary to the  
10 Manager's directions. The ARS trading market collapsed and UBS  
11 lost this money. Apparently, UBS allegedly covered the interest  
12 obligations, but ceased doing so at some point. The Managers  
13 then negotiated a loan at 4.12% interest to cover what appears to  
14 be a loss of nearly \$2 million and the Managers compelled UBS to  
15 enter arbitration to recover the full value of its money market  
16 account. So, it appears there is only \$1.1 million in cash at  
17 the end of 2007, if you deduct the loan. No wonder the Managers  
18 need a capital call! If more money is not raised, how will the  
19 Company be able to continue paying the Managers more than  
20 \$600,000 a year to manage the PLAINTIFFS' money? But, not to  
21 worry, in August, 2008, the PLAINTIFFS are advised that all  
22 future communications will be by email to save the cost of paper  
23 and postage. Certainly, this cost savings procedure should have  
24 reassured the PLAINTIFFS.

25 63. In mid September 2008, a PLAINTIFF, Yu-Sze Yen, met  
26 with DENNISON and for the first time was advised that the  
27 Managers only had about \$2 million which would only last about  
28 another year. Yen requested a copy of the Member list which he

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1 refused citing to "privacy" reasons. PLAINTIFFS are informed and  
2 believe that numerous PLAINTIFFS have requested the Member list  
3 and the requests were denied.

4 64. On September 25, 2008, Yen formally sent the Managers a  
5 letter requesting the Members list, tax returns and investment  
6 reports. On October 3, 2008 the Managers sent Yen a letter  
7 refusing to provide the Members list in violation of the  
8 Operating Agreement.

9 65. On September 26, 2008 the Managers sent a letter  
10 requesting an **Urgent Vote Of The Members Of The Company**. The  
11 Managers chronicle all of the cost savings measures implemented  
12 since none of the members met the capital call. The PLAINTIFFS  
13 are advised if they don't raise \$2 million (approximately \$10,000  
14 per MEMBER), the Managers will need to raise money from outside  
15 sources which will dilute the PLAINTIFFS ownership interest in  
16 the Company. The Managers ask the PLAINTIFFS to amend the  
17 Operating Agreement to allow for "Preferred" ownership interests  
18 to attract new equity. Further, while the Managers have  
19 refrained from exercising their right to transact one project  
20 independently of the Company per year, they may not be able to  
21 continue refraining from exercising these rights. **Apparently,**  
22 **while the Company has been plundered and has no money to invest,**  
23 **the Managers must be flush with cash and must be allowed to take**  
24 **advantage of the commercial real estate deals they keep**  
25 **analyzing.**

26 66. On October 16, 2008, Yen went to the LANDWIN MANAGEMENT  
27 office to inspect the books. She was provided with financial  
28 records showing annual expenses but no supporting documents to

1 explain how the money had been spent. After reviewing the  
2 records she was invited into the office to talk to DENNISON and  
3 LANDIS. LANDIS and DENNISON handed her a copy of a Complaint in  
4 which LANDWIN MANAGEMENT threatened to sue her for Trade Libel,  
5 Intentional Interference and Negligent Interference. [Exhibit  
6 "3"]. The scheme to defraud the PLAINTIFFS had now been notched  
7 up to the level of intimidation. The Managers were going to use  
8 what little was left of her investment to hire an attorney to sue  
9 her since she had the audacity to question the Managers on how  
10 they were handling LANDWIN MANAGEMENT finances.

11 67. On December 19, 2008, The Managers sent the PLAINTIFFS  
12 a "Buy-Out" proposal since the Company was at a "crossroads."  
13 Yu-Sze Yen was not the only INVESTOR questioning LANDIS and  
14 DENNISON at this juncture. As of January 1, 2009, the Company  
15 would have only \$1.4 million in capital with liabilities of  
16 approximately \$900,000 to \$1,100,000. "When this occurs, all  
17 existing staff will have to be terminated, and all property  
18 management fee income derived from the third party clientele's  
19 existing portfolio of properties will be absorbed in partially  
20 paying the Manager's fees. **This amount represents only half of**  
21 **the Manager's required income.**" Certainly the Company was at a  
22 cross-road, soon the Managers' would have to take a cut in pay!

23 68. Apparently, many members had been in contact with the  
24 Managers and they wanted their investment back. Almost three  
25 years had passed so based on the 31% IRR, the \$50,000 investment  
26 should be worth a lot more at this point. Or, since "no investor  
27 has ever lost money" with LANDWIN, they should at least get the  
28 return of their \$50,000. The Managers hired an independent third

1 party to perform a business valuation. As of October 2008, based  
2 solely on representations and documentation provided by The  
3 Managers, the Third Party Independent appraiser opined that  
4 LANDWIN MANAGEMENT was only worth about \$1.9 million which was  
5 the amount of cash in the banks. **The independent third party**  
6 **appraiser apparently gave negligible value to SYLVIA which cost**  
7 **LANDWIN MANAGEMENT \$5.8 million.** In the matter of three short  
8 years the SYLVIA business had gone from \$5.8 million to  
9 negligible value, if any, and according to the Managers the  
10 Company would essentially be out of money in three months. As  
11 part of the "buy-out" proposal, the Managers offered to pay the  
12 PLAINTIFFS as much as \$7,017.52 for their \$50,000.00 share. The  
13 PLAINTIFFS would lose 86% of their investment. However, the  
14 buy-back was contingent upon The Managers raising money from  
15 **other** people to pay the PLAINTIFFS. If The Managers cannot raise  
16 the money there will be no buy-back. And, if the INVESTOR does  
17 want to accept \$7,017 for payment, the PLAINTIFFS agree to  
18 release all claims they have against the Managers for any  
19 wrong-doing. Further, the Managers attempt to amend the  
20 Operating Agreement to change the voting procedure. The  
21 Operating Agreement requires a Majority-in-Interest to vote at a  
22 meeting. However, any action without a meeting requires a  
23 written consent signed by ALL Members. In an effort to benefit  
24 the Managers and injure the MEMBERS, the Managers attempt to  
25 amend the Operating Agreement to allow action without a meeting  
26 by the written consent of the Majority in Interest. Clearly,  
27 this works to the advantage of the Managers who control 199 of  
28 475 shares which means they only need 38 "friendly" PLAINTIFFS to

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1 pass a vote.

2 69. On January 26, 2009, the Managers sent a letter  
3 advising the Members that "the Members holding a  
4 majority-in-interest in the Company have elected to accept the  
5 Buyout Proposal." The Managers did not have a meeting where  
6 members voted. The Managers held the vote by written consent.  
7 The Managers did not receive unanimous written consent as  
8 required by the Operating Agreement. Therefore the buy-out did  
9 not pass the voting requirements. However, the Managers  
10 intentionally misrepresented that the Buy-Out was approved. The  
11 scheme to defraud and mislead continued.

12 70. On May 13, 2009, David Golub, the CPA who prepares the  
13 LANDWIN MANAGEMENT tax returns, sent a letter to PLAINTIFFS which  
14 stated the following:

15 "Based upon information provided to me by  
16 management, the estimated value of a Unit of limited  
17 liability company membership interest in Landwin  
18 Management, LLC, originally purchased for a minimum of  
19 \$50,000.00, is worth, at April 2009, approximately  
20 \$382. This represents a value of approximately \$.0076  
21 cents per dollar invested, or less than 1%."

22 71. On October 13, 2009, the Managers sent yet another vote  
23 by written consent to the Members. This was a "Vote of Members  
24 to Restructure Company & Secure Loan." The Managers were unable  
25 to raise the \$2 million to effectuate the Buy-Out so that failed.  
26 So, LANDIS through SYLVIA agrees to loan LANDWIN MANAGEMENT \$1  
27 million which will be used to buy out SDC'S interest in LANDWIN  
28 MANAGEMENT. In rather twisted logic, LANDIS presents this as a  
cost savings measure as it will actually save LANDWIN MANAGEMENT  
\$2 million which SDC will earn in management fees over the  
remainder of the contract. Since the Company has less than \$1

1 million in cash at this point in time, it is hard to imagine how  
2 this saved money but it must have looked good to the Managers on  
3 paper. Of course, there are more strings as LANDIS will also  
4 receive another 108 shares which further dilutes the PLAINTIFFS  
5 interest and gives LANDIS virtual control of LANDWIN MANAGEMENT.  
6 Finally, the restructuring agreement includes a mutual release  
7 whereby the Managers and the PLAINTIFFS release each other from  
8 all claims. Certainly, the PLAINTIFFS should be comforted by the  
9 fact that if this proposal is approved the Managers cannot sue  
10 the PLAINTIFFS for anything!!

11       72. On November 12, 2009, Paul Sigelman who acted as  
12 general counsel for LANDWIN MANAGEMENT, sent a letter advising  
13 the PLAINTIFFS that he had reviewed the October 13, 2009, written  
14 consent and a Majority of Interest had approved. Now, the  
15 Managers bring in the general counsel to tell the PLAINTIFFS that  
16 the restructuring was valid. In an effort to perpetrate this  
17 scheme to defraud and mislead, SIGELMAN did not tell the  
18 PLAINTIFFS that, pursuant to the Operating Agreement, the written  
19 consent must be unanimous.

20       73. On November 12, 2009, the Managers sent a letter  
21 advising the PLAINTIFFS that the majority approved of  
22 restructuring. Again, the Managers did not convene a meeting and  
23 take a vote which, per the Operating Agreement, only required a  
24 majority in interest. The Managers attempted to pass this by  
25 Written Consent. The Managers did not receive unanimous written  
26 consent so the restructuring was not approved. The Managers  
27 continued their practice of making material misrepresentations to  
28 the Members in this scheme to defraud them.

1           74. PLAINTIFFS are informed and believe that LANDIS  
2 authorized the payment to SDC as authorized in the restructuring.  
3 The PLAINTIFFS are informed and believe DENNISON has now moved to  
4 China.

5           75. Defendant Paul Sigelman ("SIGELMAN") acted as an  
6 attorney at law for various times for the Defendants from 2004,  
7 to the present. PLAINTIFFS are informed and believe that in this  
8 capacity, he participated in making decisions concerning the  
9 formation and structure and LANDWIN MANAGEMENT LLC. SIGELMAN  
10 also participated in the negotiation and drafting of several  
11 documents in which LANDWIN MANAGEMENT and the other Defendants  
12 were parties.

13           76. PLAINTIFFS are informed and believe that SIGELMAN  
14 participated in the drafting of or approving the Exclusive  
15 License Agreement with Marshall Reddick and others, the Finder's  
16 Agreement with Marshall Reddick and others, the PPM, the  
17 Operating Agreement attached as an exhibit to the PPM, the  
18 Management Agreement attached as an exhibit to the PPM and the  
19 Projections attached as an exhibit to the PPM.

20           77. PLAINTIFFS are informed and believe that SIGELMAN  
21 participated in the discussions concerning the PPM with the law  
22 firm of Milbank Tweed, concerning the contents of the PPM, and  
23 particularly, the relationship of Marshall Reddick and others  
24 acting as finders and receiving commissions or transactions based  
25 fees and the requirement for inclusion of audited financial  
26 statements of the Asset Management Business. In this regard,  
27 SIGELMAN was aware of an email from Neil Weigert of Milbank Tweed  
28 explaining the potential legal consequences of Marshall Reddick

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1 and others acting as finders and receiving commissions or  
2 transactions based fees and the requirement for inclusion of  
3 audited financial statements of the Asset Management Business.

4 78. PLAINTIFFS are informed and believe that SIGELMAN  
5 participated in the decision making process to offer the PPM to  
6 the PLAINTIFFS. SIGELMAN acted as a director, executive officer,  
7 promoter, control person or significant employee as defined in  
8 Item 401 of Regulation S-B. In this regard, SIGELMAN received  
9 significant fees and other compensation from LANDWIN MANAGEMENT,  
10 LLC and its affiliates for services rendered from 2004 to the  
11 present.

12 79. SIGELMAN, knowing that he was acting as a director,  
13 executive officer, promoter, control person or significant  
14 employee as defined in Item 401 of Regulation S-B, should have  
15 been disclosed as such in the PPM.

16 80. PLAINTIFFS are informed and believe that SIGELMAN  
17 participated in the formation and representation of LANDWIN REIT  
18 in 2005. SIGELMAN was aware of the compensation structure of  
19 Marshall Reddick and other as set forth in LANDWIN REIT.  
20 SIGELMAN was aware that the SEC considered the compensation  
21 structure to be a payment to an unregistered broker dealer who  
22 would otherwise be required to register as a broker dealer  
23 pursuant to Section 15(c) of the Securities Exchange Act of 1934.  
24 SIGELMAN was aware that as a result of the SEC's position, all  
25 compensation that had been proposed to be paid to Marshall  
26 Reddick and others was eliminated from the LANDWIN REIT  
27 prospectus.

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1           81. PLAINTIFFS are informed and believe that SIGELMAN was  
2 aware that a substantially similar compensation structure for  
3 Marshall Reddick and others was included in LANDWIN MANAGEMENT,  
4 LLC PPM. As a result of participating in the process with  
5 Milbank Tweed in 2004, and knowing the position of the SEC in  
6 LANDWIN REIT, SIGELMAN knew that the compensation paid to  
7 Marshall Reddick was in violation of Section 15(c)(6) of the  
8 Securities Exchange Act of 1934 and California *Corporations Code*  
9 Sections 25210 and 25501.5.

10           82. PLAINTIFFS are informed and believe that SIGELMAN knew  
11 in April 2006, when the LANDWIN REIT went effective, the  
12 PLAINTIFFS were entitled to rescission from LANDWIN MANAGEMENT,  
13 LLC because Reddick, LANDIS, DENNISON, ANDREWS, CASALT and  
14 others violated Section 15(c) of the Securities Exchange Act of  
15 1934 and California *Corporations Code* Sections 25210 and 25501.5.  
16 SIGELMAN knew that the PLAINTIFFS were entitled to the return of  
17 their collective investment in LANDWIN MANAGEMENT and lawful  
18 interest but failed to advise Members of their legal rights.

19           83. SIGELMAN failed to cause LANDWIN MANAGEMENT to offer  
20 rescission to the PLAINTIFFS because he and the other Defendants  
21 would not be able to receive substantial compensation in the  
22 future in connection with the operations of LANDWIN MANAGEMENT.

23           84. SIGELMAN drafted a lawsuit against Marshall Reddick and  
24 others in connection with the Exclusive Agreement and Finders  
25 Agreement and had such suit filed in or about Fall 2007.  
26 SIGELMAN acted as an attorney at law for LANDWIN MANAGEMENT in  
27 prosecuting the case against Marshall Reddick and others and  
28 received substantial fees in connection therewith.

1           85. PLAINTIFFS are informed and believe that SIGELMAN, as a  
2 result of his participation with the process of offering the PPM,  
3 his knowledge of the advice of Milbank Tweed and his knowledge of  
4 the position of the SEC concerning payment of commissions to  
5 Marshall Reddick and others as set forth in the PPM, knew that  
6 (1) the Exclusive Agreement with Reddick was not supported by  
7 consideration and therefore voidable, and/or (2) the Exclusive  
8 Agreement and Finders Agreement must be read together and were  
9 for an illegal purpose and were void as being against public  
10 policy. Therefore, SIGELMAN never should have filed the lawsuit  
11 against Reddick.

12           86. Regardless, SIGELMAN prosecuted the case against  
13 Marshall Reddick and others to earn substantial legal fees and to  
14 perpetuate a fraud against the PLAINTIFFS. At the time that the  
15 lawsuit was filed, no properties had been purchased by LANDWIN  
16 MANAGEMENT as required and set forth in the PPM. Substantial  
17 money had been expended operating LANDWIN MANAGEMENT for the  
18 direct and indirect benefit of the Defendants and their  
19 affiliates. The \$5.0 million that was supposed to be set aside  
20 by the Managers to purchase real property had been spent and the  
21 Managers and SIGELMAN had to create a scapegoat. That scapegoat  
22 was Marshall Reddick. SIGELMAN participated in the scheme to  
23 obfuscate the truth and masterminded the lawsuit against Marshall  
24 Reddick and others knowing that he had no case.

25           87. PLAINTIFFS are informed and believe that in the Fall of  
26 2008, SIGELMAN drafted a complaint on behalf of LANDWIN  
27 MANAGEMENT naming Yu-Sze Yen as a defendant knowing the DENNISON  
and LANDIS were going to use it against Yen in an effort to

1 intimidate her to stop her efforts to find other PLAINTIFFS in  
2 LANDWIN MANAGEMENT who questioned how their investment was being  
3 managed.

4 88. On November 12, 2009, SIGELMAN, as general counsel of  
5 LANDWIN MANAGEMENT, reviewed the response for the Action of  
6 Written Consent of Members pertaining to the Restructuring and  
7 Financing described by the October 13, 2009, transmittal to each  
8 Member. SIGELMAN reviewed and recorded that a  
9 majority-in-interest of the members of LANDWIN MANAGEMENT had  
10 voted in favor of the actions set forth in such transmittal.

11 89. SIGELMAN's letter was nothing more than a perpetration  
12 of a fraud against the PLAINTIFFS. SIGELMAN approved an *ultra*  
13 *vires* act perpetrated on the PLAINTIFFS. On December 19, 2008,  
14 SIGELMAN participated in the dissemination of correspondence to  
15 the PLAINTIFFS. In this correspondence, LANDWIN MANAGEMENT  
16 emphasized that the reason for the loss of money was the improper  
17 acts of Marshall Reddick. Nowhere in the correspondence did  
18 SIGELMAN mention that the lawsuit against Marshall Reddick was a  
19 bogus suit to cover-up the ongoing fraud being perpetrated on the  
20 PLAINTIFFS. The correspondence also disclosed that LANDWIN  
21 MANAGEMENT had assets of \$1.4 million and liabilities of between  
22 \$900,000 and \$1.1 million. Nowhere did SIGELMAN state that the  
23 reason there was little net worth in the LANDWIN MANAGEMENT was  
24 that \$5.0 million reserved for acquisition of real property had  
25 been squandered to pay management fees and other expenses,  
26 directly or indirectly to LANDIS and DENNISON and their  
27 affiliates.

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1 90. The Action by Written Consent dated December 18, 2008,  
2 attempted to amend Section 19.1 of the Operating Agreement and  
3 included the following passage:

4 "Whereas, Section 19.1 of the Operating Agreement  
5 provides that the Operating Agreement may be amended by  
6 the vote of (I) a majority in interest of the Members  
7 or the Company and (ii) the Managers of the Company."

8 91. In actuality, Section 19.1 of the Operating Agreement  
9 states as follows:

10 "19.1 Amendments in Writing. The Operating Agreement  
11 is a written contract of the Members of the Company.  
12 Amendments to the Operating Agreement or the Articles  
13 of Organization must be in writing and approved by the  
14 Majority-in-Interest of the Members through a vote in  
15 favor of the amendment and the affirmative vote of the  
16 Managers, or by unanimous written consent of all  
17 Members."

18 92. Since the proposed action was by written consent, the  
19 wrong standard was applied to the vote, that is the Operating  
20 Agreement could only be amended by unanimous written consent.  
21 Unanimous written consent was not obtained and therefore the  
22 resolution was not passed.

23 93. The Managers had tried to amend Section 13.3 of the  
24 Operating Agreement and change the approval process of the  
25 Members who participate in a vote by written consent. Since the  
26 written consent did not obtain the unanimity required, the  
27 relevant portion of Section 13.3 of the Operating Agreement  
28 remained as follows;

"Any action which may be taken at a meeting of Members may  
be taken without a meeting by written resolution or  
agreement signed by all of the Members ..."

94. SIGELMAN also participated in the continuing fraud  
against the PLAINTIFFS by inserting into the Action by Written  
Consent a full release of claims the members may have had against

1 the Managers. SIGELMAN did not make full and fair disclosure of  
2 facts surrounding the Marshall Reddick lawsuit and the fact that  
3 the PLAINTIFFS had a right of rescission of the proceeds invested  
4 pursuant to the PPM.

5 95. On October 13, 2009, LANDWIN MANAGEMENT sent another  
6 Action by Written Consent. SIGELMAN participated in this further  
7 perpetration of a fraud against the PLAINTIFFS. The standard  
8 used to approve was "Majority-in-Interest." Since the standard  
9 was "unanimity" because the attempted amendment to change did not  
10 occur at a meeting, the standard to Majority-in-Interest was not  
11 effectual, and all attempted actions to be taken as October 13,  
12 2009, were not properly approved. Again, SIGELMAN participated  
13 in the continuing fraud against PLAINTIFFS by again attempting to  
14 obtain a release from the PLAINTIFFS. SIGELMAN also participated  
15 in trying to amend the Operating Agreement.

16 96. SIGELMAN knew that his letter dated November 12, 2009,  
17 wherein he stated that the Action by Written Consent was approved  
18 was not effective because the vote was by written consent; not by  
19 a meeting. He continued to cover-up the ongoing fraud against  
20 the INVESTORS.

21 97. On March 20, 2010, SIGELMAN attended a meeting of  
22 PLAINTIFFS called by the Managers. SIGELMAN addressed the  
23 Members at the meeting and made further remarks in furtherance of  
24 the fraud perpetrated against the PLAINTIFFS. SIGELMAN continued  
25 to improperly blame Reddick for the ills of LANDWIN MANAGEMENT.  
26 He knew that his statements were untrue. SIGELMAN attempted to  
27 disparage attorney Richard A. Weintraub, COUNSEL for the  
28 PLAINTIFFS about his jury trial record even though Mr. Weintraub

1 was retained as a securities law consultant and was co-counsel  
2 with Robertson & Vick, litigation counsel for the PLAINTIFFS.

3 98. SIGELMAN continued to perpetrate the fraud against  
4 PLAINTIFFS in a letter dated March 23, 2010, in an attempt to  
5 persuade PLAINTIFFS not to join in the lawsuit against the other  
6 Defendants and himself, specifically after hearing that Vick and  
7 Weintraub had questioned how LANDIS and DENNISON could pay \$5.8  
8 million for SYLVIA in 2005, yet it be of "negligible value" in  
9 2008 in an "independent" appraisal. Armed with this knowledge,  
10 SIGELMAN advised the attendees that SYLVIA had been properly  
11 valued in 2005, which was a further attempt to perpetuate a fraud  
12 on the PLAINTIFFS. [Exhibit "4"]

13 **DERIVATIVE AND DEMAND EXCUSED ALLEGATIONS**

14 99. Plaintiff YU-SZE YEN (hereinafter Yen) brings the  
15 causes of action for Breach of Fiduciary Duty, Negligence,  
16 Professional Malpractice, and Negligent Misrepresentation as  
17 derivative causes of action for the benefit of LANDWIN MANAGEMENT  
18 to redress injuries suffered and to be suffered by LANDWIN  
19 MANAGEMENT as a result of the breaches of fiduciary duty and  
20 unjust enrichment LANDIS and DENNISON and other Defendants.

21 100. Yen will adequately and fairly represent the interest  
22 of LANDWIN MANAGEMENT and its Members in enforcing and  
23 prosecuting its rights.

24 101. At all relevant times, Yen was record owner of  
25 membership Units in LANDWIN MANAGEMENT.

26 102. As result of the actions set forth herein, Yen has not  
27 made any demand on the LANDWIN MANAGEMENT Managers to institute  
28 action against SDC, SYLVIA, DENNISON, LANDIS, ANDREWS, JRA, or

1 CASAULT. Such demand would be a futile and useless act because  
2 the Managers are incapable of making an independent and  
3 disinterested decision to institute and vigorously prosecute this  
4 action for the following reasons:

5 a. LANDWIN MANAGEMENT has two Managers: SDC and  
6 SYLVIA. DENNISON controls SDC and LANDIS controls SYLVIA.  
7 DENNISON and LANDIS were responsible for entering into the  
8 voidable Exclusive Agreement with Reddick, for orchestrating a  
9 scheme to pay unlicensed broker dealers "finder fees," for  
10 preparing the PPM, for overvaluing SYLVIA and the Contributed  
11 Assets, for authorizing and spending money in violation of the  
12 Sources and Uses of Funds Table, for self-dealing with their  
13 other affiliated entities to the detriment of LANDWIN MANAGEMENT,  
14 for misrepresenting the true state of the financial affairs to  
15 the Members, for misrepresenting the voting requirements to make  
16 the Members believe the actions by written consent were valid and  
17 not advising them they violated the PPM. In short, LANDIS and  
18 DENNISON are responsible for every breach of fiduciary duty  
19 alleged below. Making a demand on them is futile as it would be  
20 tantamount to asking them to sue themselves given the extent they  
21 have gone to try to get the Members to unwittingly sign a Release  
22 of all Claims against the Members, the Members are not going to  
23 authorize suit against themselves.

24 b. The Managers were advised that Members were  
25 meeting with attorneys Vick and Weintraub to discuss their legal  
26 rights and many of the allegations in this Complaint were  
27 discussed. After the meeting with Vick and Weintraub, the  
28 Managers scheduled a meeting of Members to discuss potential

1 litigation against LANDWIN MANAGEMENT. On March 23, 2010 LANDWIN  
2 MANAGEMENT sent a letter to the Members purporting to summarize  
3 the meeting with the Members. In the letter PAUL SIGELMAN, trial  
4 attorney for LANDWIN MANAGEMENT, stated that since the statements  
5 about the Company were false, they would have no option but to  
6 proceed to trial. Therefore, it is clear that any demand to  
7 institute action against the Managers is futile.

8 103. Pursuant to California Corporations Code §800(b)(2),  
9 Plaintiffs delivered a copy of the Complaint on LANDWIN  
10 MANAGEMENT, LLC stating the ultimate facts of each cause of  
11 action LANDWIN MANAGEMENT.

12 FIRST CAUSE OF ACTION

13 VIOLATION OF RULE 10B5 AND SECTION 10(B) OF THE SECURITIES

14 EXCHANGE ACT 1934

15 (All PLAINTIFFS Against Defendants LANDWIN MANAGEMENT, LLC;  
16 LANDWIN GROUP, LLC; SMITHDENNISON CAPITAL, LLC; SYLVIA, INC.;  
17 JACK R. ANDREWS AND ASSOCIATES, LLC; SEAN C. DENNISON; MARTIN  
18 LANDIS; JACK ANDREWS; TOM CASALT, AND DOES 1-100)

19 104. PLAINTIFFS incorporate by reference the allegations  
20 above, as if fully set forth herein.

21 105. Defendants violated Section 10(b) of the Securities  
22 Exchange Act of 1934 (the "Act") and Rule 10(b)(5) by:

23 a. employing devices, schemes, and artifices to  
24 defraud;

25 b. making untrue statements of material fact and  
26 omitting to state material facts necessary in order to make the  
27 statements made, in the light of the circumstances under which  
28 they were made, not misleading: or

1 c. engaging in acts, practices, and courses of  
2 business which operated as a fraud or deceit upon the PLAINTIFFS  
3 in connection with their purchase of Units in LANDWIN MANAGEMENT,  
4 LLC.

5 106. The Units issued for a membership interest in LANDWIN  
6 MANAGEMENT are securities subject to provisions of the Act.

7 107. Defendants engaged in a scheme to defraud the  
8 PLAINTIFFS and induce them to purchase Units in LANDWIN  
9 MANAGEMENT in violation of the Act as follows:

10 108. PLAINTIFFS are informed and believe that in or around  
11 2002, DENNISON became acquainted with the Reddick Network which  
12 was a real estate investing network designed in part to "wipe out  
13 middle class poverty." It is reported that the Network may have  
14 had as many as 100,000 investor names. DENNISON saw an  
15 opportunity to make money from the "middle class investors"  
16 attracted by the Reddick Network and seminars which had focused  
17 on the sale of residential real estate and expand the investment  
18 opportunities to include commercial real estate opportunities.  
19 However, from reviewing his resume, DENNISON did not have any  
20 experience putting together "blind pool investment pools," REIT's  
21 or securing institutional financing for real estate investments.  
22 While he worked as an investment advisor at Morgan Stanley for a  
23 year, he apparently learned that raising money for investments  
24 required knowledge of the SEC regulations since he was a  
25 NASD-member Registered Representative with Series 7, Series 66  
26 and Series 31 licenses. Since he apparently had little  
27 experience with private offerings he envisioned for the Reddick  
28 Network, he needed someone with a stronger "pedigree" in the

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1 commercial real estate industry so he formed a relationship with  
2 LANDIS.

3 109. LANDIS was in his early 70s when he formed the business  
4 relationship with DENNISON. LANDIS had extensive experience with  
5 purchasing and managing commercial real estate. LANDIS had  
6 ownership interest in and controlled SYLVIA which was a company  
7 that, in part, managed commercial real estate. PLAINTIFFS  
8 believe that LANDIS knew that there was no real market for  
9 selling SYLVIA on the open market so he and DENNISON devised a  
10 plan to raise money from the Reddick Network to invest in  
11 commercial real estate. LANDIS would be able to "cash out" by  
12 selling SYLVIA to LANDWIN GROUP for a highly inflated amount and  
13 then he and DENNISON would each earn approximately 1% of the  
14 amount raised from investors at the close of the offering  
15 (\$138,000 to each of the two managers) and earn more than  
16 \$300,000 per year each managing the LANDWIN GROUP while also  
17 getting Units in LANDWIN GROUP for free.

18 110. LANDIS and DENNISON were aware that there are many  
19 disclosure requirements for offerings registered with the SEC.  
20 So, they wanted to avoid the costs and level of disclosure  
21 mandated by a registered offering. Further, if this was a  
22 registered offering, they would have to use registered broker  
23 dealers who are sophisticated, would conduct extensive due  
24 diligence into LANDIS, DENNISON and the PPM, and be required to  
25 invoke the "know your client" rules. One way to avoid the SEC  
26 requirements and scrutiny was to have a private offering pursuant  
27 to Regulation D. The disclosure requirements, in order to  
28 satisfy the requirements of Regulation D, were not nearly as