

August 12, 2008

Re: Wextrust Entities Receivership

Dear Wextrust Investor,

Yesterday, August 11, 2008, I was appointed as Temporary Receiver for several of the Wextrust Entities by the United States District Court for the Southern District of New York. Attached is a copy of the Court's order appointing me, along with a copy of the civil complaint filed by the United States Securities and Exchange Commission and the related criminal complaint filed by the United States Attorney for the Southern District of New York. The Court has also issued an order freezing the assets of the Wextrust Entities, and is expected to hold a hearing next week on the SEC's motion for a preliminary injunction.

Pursuant to the Court's Order, I am required to preserve the *status quo*, ascertain the true financial condition of the Wextrust Entities, preserve the assets, books and records of the Wextrust Entities, respond to investor inquiries, and take other actions. In the past 24 hours, I have begun to secure and preserve the businesses, properties and other assets of the Wextrust Entities. Attorneys and other professionals working at my direction have secured the premises at the principal Wextrust offices in Chicago, New York, Norfolk, Virginia and other locations; conducted interviews of numerous Wextrust employees; analyzed business records, electronic data and other information about Wextrust businesses; and taken other steps to assess the business and financial condition of the Wextrust Entities.

At this time, it is not necessary for you as an investor to file a claim or take any other action to protect your investment. However, please collect and maintain any evidence in your possession concerning your investment, including correspondence, email, marketing materials, evidence of payments, notes and any other documents. We will contact you to discuss this matter, and to make arrangements to obtain access to such evidence, which may be important to the resolution of pending litigation and to the preservation of Wextrust assets. It is not necessary for you to retain an attorney in this matter, although you are free to do so, at your own expense.

Wextrust Investors
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Please direct any inquiries concerning this matter to my attention by telephone or email. You may contact me by telephone, toll-free, at 888-518-2410, or by email at wextrustreceiver@dl.com. More information will be available on the receivership website at www.wextrustreceiver.com.

As Temporary Receiver, I recognize that you are concerned about your investment. I will be pleased to respond to all inquiries, and will provide further information as soon as it becomes available.

Sincerely



Timothy J. Coleman
Receiver for Wextrust Entities

Enclosures

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

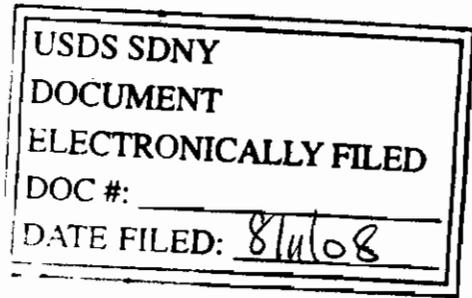
SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

-against-

STEVEN BYERS, JOSEPH SHERESHEVSKY,
WEXTRUST CAPITAL, LLC, WEXTRUST
EQUITY PARTNERS, LLC, WEXTRUST
DEVELOPMENT GROUP, LLC, WEXTRUST
SECURITIES, LLC, and AXELA HOSPITALITY,
LLC,

Defendants.



No. 08 Civ. 7104 (SWK)

ORDER APPOINTING TEMPORARY RECEIVER

On the Application of Plaintiff Securities and Exchange Commission for an Order appointing a temporary receiver for defendants Wextrust Capital, LLC; Wextrust Equity Partners, LLC; Wextrust Development Group, LLC; Wextrust Securities, LLC; and Axela Hospitality, Inc. (collectively, the "Defendant Wextrust Entities") pending adjudication of the Commission's request for a preliminary injunction, the Court has considered (1) the Complaint filed by the Commission on August 11, 2008; (2) the Declaration of Tamara R. Heller, executed on August 10, 2008, and the exhibits thereto, including the declarations of William Schorsch, Nanette L. Wauchop and Patricia K. Singleton; (3) the Declaration of Steven G. Rawlings pursuant to Local Rule 6.1, executed on August 11, 2008, and the exhibits thereto; (5) the memorandum of law in support of Plaintiff Commission's application, dated August 10, 2008.

Based on the foregoing documents, the Court finds that a proper showing, as required by Section 20(b) of the Securities Act, and Section 21(d) of the Exchange Act, has been made for the relief granted herein because it appears that appointment of a receiver for the Defendant

Wextrust Entities is necessary to preserve the *status quo*, to ascertain the extent of commingling of funds among the Defendant Wextrust Entities and all entities they control or in which they have an ownership interest, to ascertain the true financial condition of the Defendant Wextrust Entities and the disposition of investor funds, to prevent further dissipation of the property and assets of the Defendant Wextrust Entities and all entities they control or in which they have an ownership interest, to prevent the encumbrance or disposal of property or assets of the Defendant Wextrust Entities and the investors, to preserve the books, records, and documents of the Defendant Wextrust Entities, to be available to respond to investor inquiries, to protect investors' assets, and to determine whether the Defendant Wextrust Entities should undertake bankruptcy filings.

Good and sufficient reasons have been shown why procedure other than by notice of motion is necessary,

This Court has jurisdiction over the subject matter of this action and over the Defendants, and venue properly lies in this District.

NOW, THEREFORE,

IT IS HEREBY ORDERED that Timothy J. Coleman of Dewey & LeBoeuf, LLP, pending further order of this Court, be and hereby is appointed to act as receiver for the Defendant Wextrust Entities and all entities they control or in which they have an ownership interest, including, but not limited to, those entities listed on Exhibit A, to (1) preserve the *status quo*; (2) ascertain the true financial condition of the Defendant Wextrust Entities, of all entities they control or in which they have an ownership interest, and of the disposition of investor funds; (3) determine the extent of commingling of funds between the Defendant Wextrust Entities and all entities they control or in which they have an ownership interest; (4) prevent

further dissipation of the property and assets of the Defendant Wextrust Entities and all entities they control or in which they have an ownership interest; (5) prevent the encumbrance or disposal of property or assets of the Defendant Wextrust Entities, of all entities they control or in which they have an ownership interest, and of the investors; (6) preserve the books, records, and documents of the Defendant Wextrust Entities and all entities they control or in which they have an ownership interest; (7) be available to respond to investor inquiries; (8) determine if the Defendant Wextrust Entities and all entities they control or in which they have an ownership interest should undertake a bankruptcy filing. To effectuate the foregoing, the receiver is hereby empowered to:

(A) Take and retain immediate possession and control of all of the assets and property of the Defendant Wextrust Entities and all entities they control or in which they have an ownership interest, including, but not limited to, those entities listed on Exhibit A, and all books, records, and documents of Defendant Wextrust Entities and all entities they control or in which they have an ownership interest, and the rights and powers of it with respect thereto;

(B) Have exclusive control of, and be made the sole authorized signatory for, all accounts at any bank, brokerage firm, or financial institution that has possession or control of any assets or funds of Defendant Wextrust Entities and all entities they control or in which they have an ownership interest, including, but not limited to, those entities listed on Exhibit A;

(C) Succeed to all rights to manage all properties owned or controlled, directly or indirectly, by the Wextrust Defendants, including, but not limited to, those entities listed on Exhibit A, pursuant to the LLC and operating agreement relating to each entity;

(D) Pay from available funds necessary business expenses required to preserve the assets and property of Defendant Wextrust Entities and all entities they control or in which they have

an ownership interest, including the books, records, and documents of the Defendants, notwithstanding the asset freeze imposed by the Court's Order Freezing Assets, issued on August 11, 2008;

(E) Take preliminary steps to locate assets that may have been conveyed to third parties or otherwise concealed;

(F) Take preliminary steps to ascertain the disposition and use of funds obtained by the Defendants resulting from the sale of securities issued by the Defendants and the entities they control;

(G) Engage and employ persons, including accountants, attorneys, and experts, to assist in the carrying out of the receiver's duties and responsibilities hereunder;

(H) Take all necessary steps to gain control of the Defendants' interests in assets in foreign jurisdictions, including, but not limited to, those foreign assets listed in Exhibit A, and those funds maintained in accounts at foreign institutions listed in Exhibit B, which may be proceeds of Defendants' fraud, including, but not limited to, taking steps necessary to repatriate foreign assets;

(I) Take such further action as the Court shall deem equitable, just, and appropriate under the circumstances upon proper application of the receiver.

IT IS FURTHER ORDERED that no person or entity, including any creditor or claimant against any of the Defendants, or any person acting on behalf of such creditor or claimant, shall take any action to interfere with the taking control, possession, or management of the assets, including, but not limited to, the filing of any lawsuits, liens, or encumbrances, or bankruptcy cases to impact the property and assets subject to this order.

IT IS FURTHER ORDERED that the Defendants shall pay the reasonable costs, fees, and expenses of the receiver incurred in connection with the performance of his duties described herein, including, but not limited to, the reasonable costs, fees, and expenses of all persons who may be engaged or employed by the receiver to assist him in carrying out his duties and obligations. All applications for costs, fees, and expenses of the receiver and those employed by him shall be made by application to the Court setting forth in reasonable detail the nature of such costs, fees, and expenses, and shall conform to the Fee Guidelines that will be supplied by the U.S. Securities and Exchange Commission.

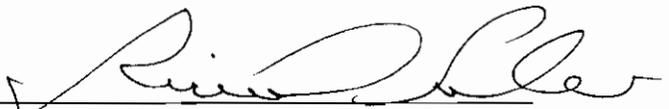
IT IS FURTHER ORDERED that a copy of this Order and the papers supporting the Commission's Application be served upon the Defendants on or before August 12, 2008, by personal delivery, facsimile, overnight courier, or first-class mail.

IT IS FURTHER ORDERED that this Order shall be, and is, binding upon the Defendants and each of their respective officers, agents, servants, employees, attorneys-in-fact, subsidiaries, affiliates and those persons in active concert or participation with them who receive actual notice of this Order by personal service, facsimile service, or otherwise.

SO ORDERED.

Dated:

August 11, 2008
New York, New York



RICHARD J. SULLIVAN (PART I)
UNITED STATES DISTRICT JUDGE

Exhibit A

Name	Address	County	State of Incorporation	Managing Agent (For Service)	Address of Managing Agent (For Service)
Offices Wextrust Capital	333 W. Wacker Drive, 16th Floor Chicago, IL 60606				
	999 Waterside Drive, Suite 2220 Norfolk, VA 23510				
	114 W. 47th Street, 20th Floor New York, NY 10036				
	76 Graskop Avenue Waterloo Heights Pretoria, South Africa				
	7 Jabotinski Street, 34th Floor Ramat Gan, Israel				
Wextrust Securities	999 Waterside Drive, Suite 2220 Norfolk, VA 23510				
	7 Jabotinski Street, 34th Floor Ramat Gan, Israel				
	333 W. Wacker Drive, 16th Floor Chicago, IL 60606				
	2424 N. Federal Highway Boca Raton, FL 33431				
	114 W. 47th Street, 20th Floor New York, NY 10036				
	15900 W. 10 Mile Road Southfield, MI 48075				
	5200 Poplar Avenue Memphis, TN 38137				
Wextrust Equity Partners	118 30th Avenue North Nashville, TN 37203				
	1200 Abernathy Road, Suite 1700 Atlanta, GA 30328				
Wextrust Development Group	13 E. First Street Hinsdale, IL 60521				
Axela Hospitality	6701 Democracy Boulevard, Suite 300 Bethesda, MD 20817				
Properties 45 South Washington, LLC	45 S. Washington St., Hinsdale, IL 60521	Cook County		45 S. Washington Managers, LLC; WEP is "Manager" of the Manager; WEP is owned by WexTrust Capital.	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
1250 S. Michigan Avenue, LLC	1250 S. Michigan Ave. Chicago, IL 60605	Cook County	Illinois	Wexford Equity Partners	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
1250 S. Michigan LLC B	1250 S. Michigan Ave. Chicago, IL 60605	Cook County	Illinois	Wexford Equity Partners	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
1805 Highpoint	1805 High Point Dr., Naperville, IL 60563	DuPage County	Illinois		
318 W. Adams/Esrow	318 W. Adams St., Chicago, IL 60606	Cook County	Illinois		

Exhibit A

Name	Address	County	State of Incorporation	Managing Agent (For Service)	Address of Managing Agent (For Service)
625 Paragon LLC	625 West Division St, Chicago, IL 60610	Cook County	Delaware	625 Paragon Managers, LLC; WEP is "Manager" of the Manager; WEP is owned by WexTrust Capital.	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
47 Dean Street Investors	47 Dean St., Brooklyn, NY 11201	Kings County	Delaware	47 Dean Street Managers, LLC; WEP is the "Manager" of the Manager; WEP is owned by WexTrust Capital	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Advantage Regency Holdings	1600 Riverview Tower, Knoxville, TN 37902	Knox County	Tennessee	Michael Gorney	380 N. Peters Rd., Knoxville, TN 37922
ATM II LLC	---	---	Delaware	Brandon Investments, LLC which is wholly owned by WexTrust Capital, LLC	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
BaxTech Holdings LLC	Memphis, TN	Davidson County	Delaware	Wexford Equity Partners	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Belle Meade Centre Investors, LLC	24 White Bridge Rd., Nashville, TN 37205	Davidson County	Illinois		333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Block III Mines & Minerals, LLC			Virginia	Block III Managers, which is 100% owned by Brandon Investments, Shereshevsky and Byers are the managers of Brandon	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Bret Investors Skeleton Coast III			Virginia		333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Bret Investors Skeleton Coast			Texas		333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Cartisle Park LLC	9696 Forum Park Drive, Houston, TX 77036	Harris County	Delaware	Clarksville Industrial Managers, LLC which is in turn owned and controlled by WEP	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Clarksville Industrial Investors, LLC	760 International Blvd., Clarksville, TN 37040	Montgomery County	Oelaware		333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Cornth	2500 Tecumseh Way, Corinth, MS 38634	Alcorn County	Delaware	Crowne-Phoenix Managers, LLC; WEP is the "Manager" of the Manager; WEP is owned by WexTrust Capital	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Crowne-Phoenix Investors LLC	(Crowne Plaza hotel) 2532 West Peoria Ave Phoenix, AZ 85029	Marioppa County	Delaware		333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Dean Street Investors LLC	44-54 Dean Street Brooklyn, NY 11201	Kings County	Illinois	Dean Street Managers, LLC; WEP is the "Manager" of the Manager; WEP is owned by WexTrust Capital	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Dean Street Managers LLC	(Wyndham Hotel) 2301 York Rd., Oak Brook, IL 60523	DuPage County	Delaware	Drake Oak Brook Managers, LLC; "Manager" of the Manager is Aveia Hospitality, LLC an affiliate of WexTrust Capital, LLC	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Drake Oak Brook Investors LLC			Illinois	Steve Byers First Highland Managers, LLC First Wyoming Managers, LLC; WEP is Managing Member	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
East Point			Louisiana		333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Executive Plaza, LLC					
First Highland					
First Wyoming Investors, LLC	900 26th St, SW, Wyoming, MI 49509	Kent County			
FreeMac Holdings					
Freeport (aka Poydras, LLC)	1615 Poydras St., New Orleans, LA 70112				
GDR 1 year @ 7.00	---				
GDR 16 months @ 7.75	---				
GDR 3 years @ 12.00	---				
GDR 3 years @ 9.00	---				
GDR 6.5% Rollover	---				
Glade Springs					
Gold Coast Investors LLC	1618 N. Clark St., Chicago, IL 60614 (Days Inn Hotel)	Cook County	Illinois	Gold Coast Managers, LLC; WEP is the "Manager" of the manager; WEP is owned by WexTrust Capital	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Grant Street Investors LLC	5726 South Washington Street, Hinsdale, IL 60521	Cook County	Illinois	GSH Managers, LLC; the "Manager" of the manager is WEP; WEP is owned by WexTrust Capital	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606

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Name	Address	County	State of Incorporation	Managing Agent (For Service)	Address of Managing Agent (For Service)
GSA Investors, LLC	231 East Waterfall Drive, Elkhart, IN 310 East Knapp Street, Milwaukee, WI 8658 South Sacramento, Chicago, IL 6011 Odana Road, Madison, WI 4121 Southpoint Blvd., Jacksonville, FL 117 South Scatterfield Road, Anderson, IN 10 South 2nd Street, Lafayette, IN	Elkhart County Milwaukee County Cook County Dane County St. John's County Madison County Tippecanoe County	Illinois	GSA Managers, LLC; the "Manager" of the manager is WEP; WEP is owned by WexTrust Capital	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
GSH Development, LLC	---	---	---	GSH Managers, LLC Wexford Development, LLC	---
GSH Managers, LLC	---	---	---	---	---
GSPN 1 year @ 7.00	---	---	---	---	---
GSPN 18 months @ 7.75	---	---	---	---	---
GSPN 3 years @ 12.00	---	---	---	---	---
GSPN 3 years @ 9.00	---	---	---	---	---
Guaranteed Depository Receipts	---	---	---	---	---
Hammond Industrial Investors LLC	307-511 Pride Drive, Hammond, LA 70401	Tangipahoa Parish	Delaware	Hammond Industrial Managers, LLC; the "Manager" of the manager is WEP; WEP is owned by WexTrust Capital	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Hammond II	---	---	---	---	---
Hampsons of Hinsdale Mortgage Fund LL	5726 South Washington Street, Hinsdale, IL 60521	Cook County	Delaware	WexTrust Hampsons Funding Manager, LLC; the "Manager" of the manager is WexTrust Capital	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Hinsdale First, LLC	Hinsdale, IL	---	Illinois	---	---
High Yield Debt Fund II	---	---	---	---	---
Highland Park	1770 First Street Building, Highland Park, IL 60035	Lake County	Illinois	First Highland Managers, LLC; owned 100% by WEP	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Hilltop Apartments LLC	4529 Columbus Ave., Anderson, IN 46013	Madison County	---	Hilltop Investors, LLC; WEP is the "Manager" of the manager; WEP is owned by WexTrust Capital	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Hilltop Ridge Apartments LLC	---	---	---	Hilltop Ridge Investors, LLC; WEP is the "Manager" of the manager; WEP is owned by WexTrust Capital	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Homer Glen Investors LLC	West 159th Street and South Parker Rd., Homer Glen, IL 60491	Will County	Illinois	Homer Managers, LLC; the "Manager" of the manager is WEP; WEP is owned by WexTrust Capital	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Hyde Park Investors, LLC	1565 Hyde Park Rd., Essex, MD 21221	Baltimore County	Illinois	Wexford Equity Partners	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
IDEX Mines and Minerals LLC	---	---	---	---	---
Interstate Park Investors LLC	1-85 and Perry Hill Road, Montgomery, AL 36106	Montgomery County	Delaware	Interstate Park Managers, LLC; the "Manager" of the manager is WEP; WEP is owned by WexTrust Capital	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Jasry Properties	---	---	---	---	---
Jeff Melt Holdings, LLC	Birmingham, AL	---	Virginia	IDEX Mining Managers, LLC owned equally by the Shereshevsky Family Limited Partnership and Steven Byers	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Mansfield LLC	---	---	---	---	---
2400 McCue Investors, LLC	2400 McCue Rd, Houston, TX 77056	Harris County	Illinois	WTC WexTrust Capital/Wexford Equity Partners	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Midtown Estates	---	---	---	---	---
Musc Row Investors LLC	12th Avenue South and Division Street, Nashville, TN 37203	Davidson County	Illinois	WexTrust Asset Management	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Myatt Holdings	Nashville, TN	---	Illinois	---	---
New Salem Investors LLC	540 New Salem Road, Murfreesboro, TN 37129	Rutherford County	Tennessee	New Salem Managers, LLC; the "Manager" of the manager is WEP, which is owned by WexTrust Capital	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606

Exhibit A

Name	Address	County	State of Incorporation	Managing Agent (For Service)	Address of Managing Agent (For Service)
Nu Point East, LLC	New Orleans, LA			East Point Investors, LLC; WEP is the "Manager" of the manager; WEP is owned by WexTrust Capital	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Park Village Holdings LLC	431 Park Village Drive and 215 Cenlar Park Drive, Knoxville, TN 37922	Knox County	Tennessee	Park Village Managers, LLC; the "Manager" of the manager is WEP; WEP is owned by WexTrust Capital	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Peoria Office Investors LLC	124 SW Adams, Peoria, IL 61602	Peoria County	Delaware	Peoria Office Managers, LLC; WEP is the "Manager" of the Manager Park Village Managers, LLC	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
PVP Ventures, LLC Rand Quarry River's Edge Investors LLC	2625 Oakley, Intersection of West Wolfram Street and North Oakley Avenue, Chicago, IL	Cook County	Illinois	River's Edge Managers, LLC; WEP is the "Manager" of the Manager	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Riverside Investors, LLC	One Riverside Road, Riverside, IL 60546	Cook County	Illinois	Wexford Equity Partners, LLC	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
S. Pine Street Investors LLC	156-248 South Pine Street, Burlington, WI 53105	Racine County	Delaware	S. Pine Street Managers, LLC; the "Manager" of the manager is WEP; WEP is owned by WexTrust Capital	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
SemJee SF Development Company, LLC Shadowbrook, LLC Shallowford Investors LLC	Pasacagoula, MS 2115 Chapman Road, Chattanooga, TN	Hamilton County	Delaware	SF Managers I, LLC Shallowford Managers, LLC; WEP is the "Manager" of the Manager	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Skeleton Coast Bret Investors LLC Space Park, LLC Tennessee Office Investors	Goodlettsville, TN Multiple Cities in TN	Not Clear	Tennessee Delaware	Tennessee Office Managers, LLC; WEP is the "Manager" of the Manager	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Uplown Square LLC USPN 8.5% Rollover Valcano West 82nd Street Holdings, LLC	176-182 West 82nd Street, New York, NY 60618	New York City County	Delaware	West 82nd Street Holdings, LLC ("Holdings"); West 82nd Street Managers ("Manager") is the manager of Holdings. WEP is the manager of the Manager	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
West 82 Street Investors, LLC	178-182 West 82nd Street, New York, NY	New York City	Delaware	West 82nd Street Managers, LLC; WEP is the "Manager" of the Manager	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
West Beardon Investors LLC	6700 Baum Drive, Knoxville, TN and 312-322 Nancy Lynn Lane, Knoxville, TN	Knox County	Illinois	West Bearden Managers, LLC; WEP is the "Manager" of the Manager	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
2435 West Belmont Investors, LLC	2435 West Belmont Avenue, Chicago, IL 60618	Cook County	Illinois	2435 W. Belmont Managers, LLC; WEP is the "Manager" of the manager; WEP is owned by WexTrust Capital	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
WP New Orleans				WEP	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Wextrade Diversified Futures Fund I, LLC	---	---	Delaware	Wexford Commodity Managers, LLC; the manager of the manager is WTC.	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Wextrade Diversified Offshore Futures F, LLC	---	---	British Virgin Islands	Wexford Commodity Managers, LLC	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Wextrade Principal Protected Fund I, LLC	---	---	Delaware	Wexford Commodity Managers, LLC; the manager of the manager is WTC.	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606

Exhibit A

Name	Address	County	State of Incorporation	Managing Agent (For Service)	Address of Managing Agent (For Service)
Wextrade Principal Protected Offshore F.	---	---	British Virgin Islands	Wexford Commodity Managers, LLC	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Wextrust High Yield Debt Fund I	---	---	Delaware	Wex-I, LLC which is wholly owned by Wextrust Capital, LLC	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Wextrust High Yield Debt Fund III, LLC	---	---	Cayman Islands	Wextrust Capital, LLC	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Wextrust High Yield Debt Offshore Fund I	---	---	Delaware	Wextrust Capital, LLC	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Wextrust Qualified Investors LLC - Dean Street	---	---	Delaware	Wextrust Capital, LLC	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Wilma Rudolph Holdings, LLC	Clarksville, TN	Knox County	Tennessee	Workman Road Investors, LLC is managed by Workman Road Managers, LLC. The Manager, WEP is the "Manager" of the Manager.	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Workman Road Investors LLC	3551 Workman Road, Knoxville, TN	Knox County	Delaware	York Road Managers, LLC; the "Manager" of the manager is Steve Byers through WEP	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
York Road Investors LLC	115-118 North York Road Elmhurst, IL 60126	DuPage County	Delaware		
Other Property					
Wextrust Capital - Aircraft	Falcon 20				
Steve Byers - Residence	2 York Lake Ct. Oak Brook IL				
Steve Byers - Condos	Marco Naples Boca Chicago, IL				
Joseph Shereshevsky - Residence	607 E Mowbray Ct. Northfolk, VA 23507				
Joseph Shereshevsky - Other					
Jasstry Properties					
SemLee					
Funds					
GDR 1 year @ 7.00			Illinois	Wextrust Capital	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
GDR 16 months @ 7.75					
GDR 3 years @ 12.00					
GDR 3 years @ 9.00					
GDR 8.5% Rollover					
GSPN 1 year @ 7.00					
GSPN 16 months @ 7.75					
GSPN 3 years @ 12.00					
GSPN 3 years @ 9.00					
Guaranteed Depository Receipts					
High Yield Debt Fund I					
USPN 8.5% Rollover					
Wextrade Diversified Futures Fund I, LLC			Delaware	Wextrust Capital	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Wextrade Diversified Offshore Futures					
Wextrade Principal Protected Fund I, LLC			British Virgin Islands	Wextrust Capital, LLC	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Wextrade Principal Protected Offshore Fund I, LLC			Delaware	Wextrust Capital, LLC	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Wextrust High Yield Debt Fund I			Cayman Islands	Wextrust Capital, LLC	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Wextrust High Yield Debt Fund III, LLC					
Wextrust High Yield Debt Offshore Fund Ltd.					
Wextrust Qualified Investors LLC - Dean Street					

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Name	Address	County	State of Incorporation	Managing Agent (For Service)	Address of Managing Agent (For Service)
Africa					
Pure Africa Mining & Minerals	76 Graskop Avenue Waterloof Heights Pretoria, South Africa				
PAM Export (Pty) Ltd.	SA Jewellery Center, 225 Main Street Suite 529 Johannesburg 2001, South Africa	...	Delaware	Brandon Investments, LLC which is wholly owned by Westrust Capital, LLC	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
ATM II LLC	Virginia	Block III Managers, which is 100% owned by Brandon Investments, Shereshevsky and Byers are the managers of Brandon	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Block III Mines & Minerals, LLC			Virginia		
Bret Investors Skeleton Coast III			Virginia		
Bret Investors Skeleton Coast			Virginia		
IDEX Mines and Minerals LLC			Virginia	IDEX Mining Managers, LLC owned equally by the Shereshevsky Family Limited Partnership and Steven Byers	333 W. Wacker Dr., Suite 1600 Chicago, IL 60606
Rand Energy					
Rand Quarry					
Skeleton Coast Bret Investors LLC					
Valcaino					
Mining Assets					
Bastour 3650 (Pty) Ltd.	Northwest Province, South Africa Avondster 142 Is b/I Bloemhof and Schweizer Reneke				
Lichtenburg Cowpers	South Africa				
Skeleton Coast MINE	Namibia				
Tropical Paradise Trading 508 (Pty)	South Africa				
Golden Ribbon Trading 307 (Pty) Ltd.					
Earth Moving					
REDLEX 420 (Pty) Ltd.					
African Spirit 155 (Pty) Ltd.					
Valcaino Traders (Pty) Ltd.					
Rapicorp (Pty) Ltd.	Namibia				
Deva Investment (Pty) Ltd.	Namibia				
Pure Africa Minerals (Pty) Ltd.					
Pure Africa Holdings (Pty) Ltd.					
Pure Africa Investment (Pty) Ltd.					
African Spirit Trading 250 (Pty) Ltd.					
PAM Export (Pty)	SA Jewellery Center 225 Main Street Suite 529 Johannesburg 2001, South Africa				
Brandon Investment LLC					
Thunder Energy LLC					
Bret Investments (Pty) Ltd	168 San Nujoma Drive Walvis Bay				
Mark Investments (Pty) Ltd	278 Charles Street, Brooklyn, Pretoria, Province of Gauteng, South Africa P.O. Box 5280, Pretoria, 0001 Province of Gauteng, South Africa				

Bank	Address	Routing	Account Numbers	Account Names
ABSA	Absa Tower East 170 Main Street, 3rd Floor Johannesburg South Africa		4064343644	Pure Africa Minerals
Avenue Bank	111 10th Avenue South, Suite 400, Nashville, TN 37203	61003415	1006400924 3000000111	Wextrust Equity Partners, LLC
Bank Hapoalim (Israel)			59884049 59977093	Wextrust Securities Summit Capital
Bank One Oklahoma, NA	Oklahoma City, OK	103000648	6308775	Uptowne Square, LLC
Broadway Bank	5960 N Broadway, Chicago, IL 60606	071002419	11211901 Loan #315175	W. 82nd Street Holdings, LLC W. 82nd Street Holdings, LLC Crowne Plaza
Central Carolina Bank & Trust	Winston-Salem, NC	53100465	571096310	Hilltop Ridge Apartments
Charter One	71 South Wacker Drie, Suite 2900, Chicago, IL 60606	241070417	4510284240 4510284194 6016 6490 6113 6202	Peoria Office Investors, LLC 625 Paragon Investors, LLC (Escrow) 47 Dean Street Investors LLC (Escrow) Crowne Plaza Investors LLC (Escrow) Crowne Plaza Investors LLC (Operating) Drake Oak Brook Holdings
Citibank F.S.B.	Chicago, IL 60606	271070801	0800588073 0800499429 0800575540 0800602130 0800602149 0800575532 0800575583 0800575575 0800580331 0800670144 080044191 0800584957 0800575559 0800575567 0800499429 0800584973 0800575516 0800575524 0800610184 0800575508 0800576172 0800499429 0800499445 0800594049 0800588073 0800588103	High Yield Debt Fund III Baxtech Belle Meade Dean Street Investors, LLC Dean Street Managers LLC First Wyoming Investors Gold Coast Investors LLC Grant Street Investors, LLC GSA Investors, LLC Hamptons of Hinsdale Mortgage Highland Park Homer Glen Investors, LLC Hyde Park McCue Music Row New Salem Investors, LLC Park Village Holdings, LLC River's Edge investors, LLC Tennessee Office Investors, LLC West Bearden Investors, LLC West Belmont Investors, LLC Wextrust Capital LLC Wextrust Capital LLC (payroll) Workman Road Investors, LLC High Yield Debt Fund III Wexford/for HPC Mortgage Fund
Citibank, NA	Chicago, IL	271070601	0600469287	Riverside
Fifth Third Chicago	Chicago, IL	042000314	7231188686 7231186538	High Yield I Wexford High Yield
First National Bank (Mentyn Park Branch)	South Africa Branch Code: 252645		62142869413 62142869116	Pure Africa Minerals - Toscanini Pure Africa Minerals (Pty) Ltd Bret Investors Skeleton Semjee Block III
Heritage Bank	Chicago, IL		1097	
Hinsdale Bank & Trust	25 East First Street, Hinsdale, IL 60521	71925402	250025590 250031701	Wexford Development 82nd Street - Wexford Dev Grp
LaSalle Bank, NA	Chicago, IL	071000505	5201556957 2090067 (725103)	York Road Investors, LLC Wexford High Yield Debt Offshore
Mizrahi Tefarot Bank	Tel Aviv, Israel			
National City Bank of Indiana	Anderson, IN	074000065	501811882	Hilltop Apartments, LLC
Northern Trust Company	50 South LaSalle Street, Chicago, IL	071000152	3800368595 2260581 2358911 2541459	Wextrust Capital Wextrust Equity Partners Steven Byers Steven T. Byers
Park National Bank	11 E Madison St , Oak Park, IL 60302	071920559	3003833153	The Drake Oak Brook, LLC
Southwest Bank	Houston, TX	113011258	3321126	Carlisle Park, LLC
Terra Nova Financial	100 S Wacker Dr , Suite 1550, Chicago, IL		3252-9989	Joseph Shereshevsky

Bank	Address	Routing	Account Numbers	Account Names
Wachovia Bank	125 Independence Blvd. 3rd Floor Virginia Beach, VA 23462	51400549	2000034754854	625 Paragon Investor's LLC
			2000025123193	ATM II, LLC
			2000020461070	Wextrust Securities (Operating)
			2000020839123	Wextrust Securities (Money Market)
			2000020888459	Wextrust Capital LLC
			2000020406190	Wextrust Capital LLC Distributions
			2000028373788	Crowne Plaza Escrow
			2000025123025	Drake Oak Brook Investors, LLC
			2000026272470	Wexford High Yield III - MMF
			2000026272412	High Yield Debt Fund III - Escrow
			2000026272409	High Yield Debt Fund III - MMF
			2000026271963	W. 82nd St Escrow
			2000017257145	Wexford High Yield Fund
			2000028373843	47 Dean Street
			6331	Not Provided
			6190	Wextrust Capital LLC Disbursements
			7158	Wextrust Capital LLC Sweep
			4867	625 Paragon Investors, LLC MMI
			3649	S. Pine Street Investors, LLC Escrow
			3759	Hammond Industrial Investors LLC Escrow
			3830	Clarksville Investors LLC Escrow
			3720	Cleveland Industrial Investors LLC Escrow
			0910	Crowne Plaza Investors LLC Sweep
			1003	Drake Oak Brook Holdings Sweep
			3038	Peoria Office Investors, LLC Escrow
			1113	Peoria Office Investors, LLC Sweep
			2522	Westford High Yield Fund IV LLC Escrow
			2470	GDR Tier Escrow
			2483	GDR Tier Sweep
			1070	Wextrust Securities LLC Escrow
			9123	Wextrust Securities LLC Sweep
			2069	West Belmont LLC Escrow
			2085	GSA Investors LLC Escrow
			2386	Tennessee Office LLC Escrow
			2658	Interstate Park Escrow
			7145	Wexford High Yield Fund II LLC MMI
			2645	Shallowford Investors LLC
			4449	Hamptons of Hinsdale Mortgage Fund, LLC (B. Checking)
			3193	ATM II, LLC Escrow
			1139	ATM II, LLC Sweep
			4177	Block III Mines & Minerals Escrow
			4180	Block III Mines & Minerals Sweep
			4410	Block III Investors, LLC (Business Checking)
			4423	Block III Investors, LLC (Money Market)
			4397	Block III Managers, LLC (Business Checking)
			4407	Block III Managers, LLC (Money Market)
			9194	Brandon Investors LLC
			0936	Bret, LLC
			3791	Bret Investors Skeleton Coast LLC Escrow
			0923	Bret Investors Skeleton Coast LLC Sweep
			2990	Bret Investors Skeleton Coast III Escrow
			0994	Bret Investors Skeleton Coast III Sweep
			2140	IDEX Mine & Minerals, LLC Escrow
			2218	IDEX Mine & Minerals, LLC Sweep
			6297	Lindsey Energy, LLC
			6307	Lion's Walk LLC
			6174	Lion's Walk Lodge LLC
			2137	Pure Africa International LLC
			6310	Pure Africa Investments, LLC
			2000026272593	Pure Africa Minerals, LLC
			3898	PAM, LLC - Randfontaine
			3908	PAM, LLC - Calpers
			3924	PAM, LLC - Block III
			4663	PAM, LLC - Lichtenburg
			3652	Skeleton Coast Bret Investors LLC Escrow
			0761	Skeleton Coast Bret Investors LLC Sweep
			2580	Semjee Consulting LLC
			6336	Vaticano Traders LLC

ANDREW M. CALAMARI (AC-4864)
ASSOCIATE REGIONAL DIRECTOR
Alexander M. Vasilescu (AV-2575)
Doria Bachenheimer (DB-3307)
Steven G. Rawlings (SR-0623)
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(212) 336-1100

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

-----X
SECURITIES AND EXCHANGE COMMISSION :
 :
 Plaintiff, :
 :
 - against - :
 :
 STEVEN BYERS, JOSEPH :
 SHERESHEVSKY, WEXTRUST CAPITAL, LLC, :
 WEXTRUST EQUITY PARTNERS, LLC, :
 WEXTRUST DEVELOPMENT GROUP, LLC, :
 WEXTRUST SECURITIES, LLC, and :
 AXELA HOSPITALITY, LLC, :
 :
 Defendants. :
 :
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08 Civ. 07104 (SWK)

COMPLAINT

Plaintiff Securities and Exchange Commission (“Commission”), for its Complaint against defendants Joseph Shereshevsky (“Shereshevsky”), Steven Byers (“Byers”), Wextrust Capital, LLC (“Wextrust”), Wextrust Equity Partners, LLC (“WEP”), WexTrust Development Group, LLC (“WDG”), Axela Hospitality LLC (“Axela”) and Wextrust Securities, LLC (“Wextrust Securities”) (collectively “the Defendants”), alleges:

SUMMARY

1. The Commission brings this emergency action to halt ongoing fraudulent offerings of securities by a convicted felon, Defendant Shereshevsky, and his partner Defendant Byers (collectively, the “Individual Defendants”). The Individual Defendants, acting through Wextrust and its affiliated entities, Defendants Wextrust Securities, WEP, WDG and Axela (collectively, the “Wextrust Entities or Wextrust Entity Defendants”), have raised at least \$255 million from at least 1,196 investors throughout the United States and abroad.

2. Altogether the Defendants have conducted at least 60 private placement offerings and created approximately 150 entities in the form of limited liability companies or similar vehicles to act as issuers or facilitators of the offerings (collectively the “LLC Entities”). The vast majority of these offerings occurred between 2005 and 2008. However, at least four offerings occurred as early as 2002. Through these private placement offerings, the Defendants have sold securities to investors in the form of investment contracts, notes or other evidence of indebtedness.

3. Defendants have been fraudulently raising money in the various offerings, each of which purportedly is for a particular investment, without disclosing that funds raised were actually being used to pay prior investors in unrelated offerings and to make unauthorized payments to fund the operations of the Wextrust Entities, which were operating at a deficit. An internal Wextrust combined “balance sheet” shows that as of December 31, 2007, Wextrust Entities “borrowed” at least \$74 million from the LLC Entities and also “lent” at least \$54 million to various LLC Entities. The Defendants are raising money and commingling funds in contravention of specific representations in private placement memoranda that investor funds

will be used for specific investments in real estate or other assets identified in offering memoranda.

4. For example, the Defendants falsely represented to investors that more than \$9 million raised in a 2005 offering would be used to purchase seven specifically identified real estate properties that were leased by federal government agencies, such as the General Services Administration (the “GSA offering”). In fact, the Defendants never purchased the seven properties identified in the GSA offering documents. Moreover, at the time the offering occurred, Defendants knew or were reckless in not knowing that the seven properties would not be acquired. Significantly, while the offering was ongoing, the Wextrust Entities “borrowed” more than \$6 million from the funds raised in the GSA offering and used these funds for purposes unrelated to the GSA offering.

5. In the private placement memoranda distributed to investors, and Wextrust’s website, the Defendants have also failed to disclose to investors that Defendant Shereshevsky is a convicted felon who pleaded guilty to bank fraud. Defendants Wextrust Securities, Byers and Shereshevsky are also violating the Commission’s broker-dealer registration requirements because the Form BD filings fail to identify Defendant Shereshevsky as a controlling person of Wextrust Securities, and fail to disclose Shereshevsky’s felony conviction. Also, Defendant Shereshevsky, while acting as a broker, has failed to register with the Commission or be properly licensed as associated with Wextrust Securities. In addition, while Defendants Byers and Shereshevsky are openly managing Wextrust Securities and soliciting investors for the securities offerings, they have failed to pass proper licensing examinations, such as the Series 7 and 24.

6. Expedited relief is needed because the Defendants are in the midst of raising

funds from new private placement offerings and plan to divert funds raised from new investors to repay moneys owed to investors in prior offerings and to meet other expenses of the Wextrust Entities. To halt the ongoing fraud, maintain the status quo and preserve any assets for injured investors, the Commission seeks emergency relief, including temporary restraining orders and preliminary injunctions, and an order: (i) imposing asset freezes against the Defendants; (ii) appointing a receiver over the Wextrust Entity Defendants; (iii) allowing expedited discovery and preventing the destruction of documents; and (iv) requiring the Defendants to provide verified accountings. The Commission also seeks permanent injunctions, disgorgement of ill-gotten gains, plus prejudgment interest and civil monetary penalties against all of the Defendants.

VIOLATIONS

7. By virtue of the conduct alleged herein:
 - a. All Defendants directly or indirectly, singly or in concert, have engaged, and are engaging, in acts, practices, schemes and courses of business that constitute violations of Section 17(a) of the Securities Act of 1933 (the “Securities Act”), 15 U.S.C. § 77q(a) and Section 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”), 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5;
 - b. Wextrust Securities violated, and is continuing to violate, Sections 15(b)(1), 15(b)(7) and 15(c)(1) of the Exchange Act, 15 U.S.C. §§ 78o(b)(1)&(7) and 78o(c)(1), and Rules 10b-3, 15b1-1, 15b3-1 and 15b7-1 promulgated thereunder, 17 C.F.R. §§ 240.10b-3, 240.15b1-1, 240.15b3-1

and 240.15b7-1;

- c. Shereshevsky violated, and is continuing to violate, Section 15(a) or alternatively, aided and abetted, and is continuing to aid and abet, Wextrust Securities' violations of Sections 15(b)(1), 15(b)(7) and 15(c)(1) of the Exchange Act, 15 U.S.C. §§78o(b)(1)&(7) and 78o(c)(1), and Rules 10b-3, 15b1-1, 15b3-1 and 15b7-1 promulgated thereunder, 17 C.F.R. §§ 240.10b-3, 240.15b1-1, 240.15b3-1 and 240.15b7-1; and
- d. Byers aided and abetted, and is continuing to aid and abet, Wextrust Securities' violations of Sections 15(b)(1), 15(b)(7) and 15(c)(1) of the Exchange Act, 15 U.S.C. §§78o(b)(1)&(7) and 78o(c)(1), and Rules 10b-3, 15b1-1, 15b3-1 and 15b7-1, 17 C.F.R. §§ 240.10b-3, 240.15b1-1, 240.15b3-1 and 240.15b7-1.

NATURE OF THE PROCEEDINGS AND RELIEF SOUGHT

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

8. In addition to the injunctive and emergency relief recited above, the Commission seeks: (i) final judgments ordering Defendants to disgorge their ill-gotten gains with prejudgment interest thereon; and (ii) final judgments ordering the Defendants to pay civil penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange

Act, 15 U.S.C. § 78u(d)(3).

JURISDICTION AND VENUE

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

11. Venue is proper in the Southern District of New York pursuant to 28 U.S.C. § 1391. The Defendants, directly and indirectly, have made use of the means and instrumentalities of interstate commerce, or of the mails, in connection with the transactions, acts, practices and courses of business alleged herein. A substantial part of the events comprising Defendants' fraudulent scheme that gives rise to the Commission's claims occurred in the Southern District of New York, including that Wextrust and Wextrust Securities maintain offices in this District and certain of the Defendants misappropriated investor funds for personal use from bank accounts serviced by banks in this district. Upon information and belief, the Defendants have solicited approximately \$17.8 million from 90 investors who either reside in the Southern District of New York or who have chosen to have their distribution checks mailed to an address within this district.

THE DEFENDANTS

12. **Steven Byers**, age 46, is a resident of Oakbrook, Illinois and owns sixty percent of Wextrust. He is the Chairman of Wextrust and President and Chief Operating Officer of WEP, the arm of Wextrust focusing on income-producing properties, and is also an owner or controlling person of Wextrust Securities. Offering materials explain that in 1994 Byers founded ASG Financial Services, Wextrust's predecessor, which underwrote debt and equity investments.

In 1996, Wexford Bancgroup was formed to focus on the commercial mortgage-backed securities and specialty finance businesses. In 2003, Byers formed the current Wextrust. Offering materials state that Byers has twenty years experience in the finance-related lending and investment business and was a former bank examiner and valuation specialist with a supervisory entity. Byers' sixty percent ownership of Wextrust is comprised of twenty percent outright ownership and forty percent owned through interests in the Brandon Family Limited Partnership and Lindsay Investment Limited Partnership. Together with Defendant Shereshevsky and Partner A, Byers controls the Wextrust Entities. Although records from the broker-dealer, Wextrust Securities, evidence that Byers is managing the broker-dealer and has solicited investors in different offerings and effected securities transactions while associated with that broker-dealer, records from the Financial Industry Regulatory Authority ("FINRA") show that Byers has not passed any licensing exams.

13. **Joseph Shereshevsky**, a/k/a Joseph Heller or "Yossi", age 52, is a resident of Norfolk, Virginia and owns twenty percent of Wextrust through a partnership interest held in the name of his wife. Shereshevsky was, until recently, Wextrust's Chief Operating Officer, and, according to offering materials, has been a key person in building Wextrust's private equity group, has greatly increased Wextrust's access to capital, was instrumental in founding Wextrust Securities, and was responsible for Wextrust's expansion into diamond mining investments in Africa. He has a background in the diamond commodity business and is well known in the Orthodox Jewish community. In March 1993, Shereshevsky was arrested for bank fraud, among other things. In June 2003, Shereshevsky pleaded guilty in the Southern District of New York to one felony count of bank fraud. He was sentenced to time served, 24 months supervised release

and ordered to pay restitution in the amount of \$38,797.90, which judgment was satisfied on February 15, 2005. Although records from the broker-dealer, Wextrust Securities, evidence that Shereshevsky is managing the broker-dealer and has solicited investors in different offerings and effected securities transactions while associated with that broker-dealer, there are no records from FINRA showing that Shereshevsky has passed any licensing exams. Shereshevsky was not registered as a broker or dealer, nor was his association with Wextrust Securities disclosed.

14. **WexTrust**, an Illinois limited liability company, was formed by Byers in 2003. According to the company's website, Wextrust is a globally diversified private equity and specialty finance company, specializing in investment opportunities ranging from real estate to specialty finance and investment banking. Wextrust is headquartered in Chicago, Illinois and maintains offices in New York, New York, Norfolk, Virginia, Atlanta, Georgia, Boca Raton, Florida, Nashville, Tennessee, Tel Aviv, Israel and Johannesburg, South Africa. Wextrust purports to have five main areas of business: (1) Wextrust Securities, a registered broker dealer that acts as selling agent for Wextrust's offerings of units in various limited liability companies; (2) WEP, which purportedly manages \$500 million of real estate owned by various limited liability companies whose units were sold to investors in offering; (3) Wextrust Commodities Managers, LLC, which manages various managed futures funds with assets of approximately \$15 million; (4) certain high yield debt funds, which manage assets of approximately \$35 million; and (5) certain interests in diamond mines and operations in Africa held through Pure Africa Mining Ltd. and other affiliates, in which Wextrust has a substantial interest.

15. **WEP** is an Illinois limited liability company headquartered in Chicago, Illinois, engaged in the business of buying real estate assets, generally through its partially-owned

subsidiaries. According to WEP documents, WEP is the beneficial owner of approximately 120 entities formed for the purpose of owning equity interests in commercial and multi-family real estate assets. Wextrust owns at least 80% of WEP and is its manager and majority member. Between September 2006 and December 2007, WEP sold to investors approximately \$8.6 million in promissory notes in WEP with varying maturities and terms, of which approximately \$6.2 million in principal remain outstanding. In December 2007, WEP commenced a new offering of securities in the form of Guaranteed Subordinated Promissory Notes (“GSPNs”) in five varying maturities and terms with corresponding interest rates, each guaranteed by Wextrust. To date, WEP has raised approximately \$4.6 million from investors purchasing GSPNs.

16. **WDG** is an Illinois limited liability company headquartered in Chicago, Illinois, in the business of developing real estate assets. Wextrust owns 80% of WDG.

17. **Wextrust Securities** is a broker-dealer registered with the Commission and a Virginia limited liability company headquartered in Norfolk, Virginia. It employs thirty-six registered representatives and maintains branch offices in New York, New York, Norfolk, Virginia, Chicago, Illinois, Southfield, Michigan, and Ramat Gan, Israel. It was formed in March 2005, registered with the Commission in March 2006, and has been a licensed broker dealer since that time. Defendant Wextrust owns 21% of Wextrust Securities. Byers, through the Byers Family Partnership, owns another 5% of Wextrust Securities. Shereshevsky, through the Shereshevsky Family Partnership, owns another 7% of Wextrust Securities.

18. **Axela** is an affiliate of WexTrust Capital. Axela, through its LLC subsidiaries, owns and operates Wextrust’s hotel properties, including the Axela Baltimore Hotel and the Park

View Hotel in Chicago, Illinois, and provides asset management services to other Wextrust affiliated LLCs, such as Crowne-Phoenix Investors LLC.

FACTS

A. The Securities Offerings

19. The Individual Defendants, Byers and Shereshevsky, formed Wextrust in 2003 with Partner A with the business purpose to find investment opportunities, mainly in undervalued real estate assets, and fund the acquisition of the assets through loans and the offering of private placement securities. Wextrust Securities was created in 2005 to act as the selling agent for the private placement offerings. Byers was Chairman of Wextrust and involved with real estate investments. Shereshevsky's role was to take the lead in soliciting investors through his wide-contacts in the Orthodox Jewish community and to manage the offerings and investments relating to the purchase of real estate and specific assets, including diamond mining interests in Africa.

20. The Individual Defendants and Defendant Wextrust Entities have conducted at least 60 securities offerings and raised at least \$255 million from at least 1,196 investors. Most of these offerings occurred between 2005 and 2008, although at least four offerings occurred as early as 2002. Many of the securities offerings involved the sale of "preferred membership interests" in the LLC Entities, which were limited liability corporations created by Wextrust as the investment vehicle for the specific offering. These investments are securities in the form of investment contracts, notes or other evidence of indebtedness.

21. Upon information and belief, Wextrust, directly, or through WEP, WDG and Axela, exercises sole ownership or control over the LLC Entities. Wextrust Securities, the

registered broker-dealer, acts as a placement agent for most of the private placements. In many of the securities offerings, the private placement memorandum represents that the proceeds raised from the investors, together with a mortgage loan, will be used to purchase and operate a specific commercial real estate property. The offering materials also generally represent that investors will receive a fixed rate of return per annum, together with profits obtained from any sale or operation of the property. In each offering, a Wextrust Entity, managed by Byers, Shereshevsky and others, manages the limited liability investment. In many instances, the offering documents provide that profits from the investments will be shared 30% by the Defendants and 70% by the investors. In many instances, the offering documents promised investors fixed interest payments, such as 8.5% percent over the course of the investment.

22. In addition to conducting securities offerings of preferred interests in LLC Entities that purchase real estate in the United States, the Defendants have conducted securities offerings for entities that are investing in real estate abroad. Records obtained from Wextrust Securities indicate that the Defendants have raised at least \$47 million in at least six private placements, which, according to the private placement memoranda, was to be used to purchase directly or indirectly interests in certain diamond mines in South Africa and Namibia. The Defendants have also conducted offerings on behalf of limited liability companies or other entities that invest in non-real estate assets.

B. Fraudulent Misrepresentations In the Various Securities Offerings

23. The Defendants have knowingly or recklessly made false and material misrepresentations to investors about the offerings and specifically about the uses for investor money raised in the offerings. The Defendants have not disclosed that funds raised, purportedly

for specific investments, are actually being diverted to pay investors in prior offerings and to pay the operating expenses of the various Wextrust Entities. During the past year the inter-fund transfers have greatly escalated and the Wextrust Entities are running a substantial deficit on funds owed to various investors.

24. Records from Defendant Wextrust Securities reveal that the Defendants have transferred more than \$100 million between entities. A combined balance sheet circulated by email on May 3, 2008, from Wextrust's comptroller to Byers, shows "liabilities" of Wextrust as of year end 2007. The balance sheet lists 45 "loans", totaling more than \$74 million that were made by LLC entities that had recently raised money in private placements to other LLC entities that were in need of cash. The same balance sheet includes "negative" liabilities that, on information and belief, reflect "receivables" owed to Wextrust Entities from various LLC Entities: i.e., loans that the Wextrust Entities made to those investment entities. These transfers of funds between the bank accounts of the various LLC Entities (which raised funds from investors) and the bank accounts of the Wextrust Entities are in violation of the offering documents provided to investors by the Defendants and contrary to representations in the offering memoranda that proceeds will be used only for specific purposes.

1. The GSA Offering Fraud

25. In 2005, the Defendants created GSA Investors, LLC to act as the issuer for a \$9 million private placement. According to the offering memorandum, the proceeds raised were to be used to purchase and operate seven commercial properties leased to the U.S. General Services Administration.

26. At the time the Defendants were soliciting investors for this private placement, they knew, or were reckless in not knowing, that the proceeds raised would not be used to acquire the properties. Instead, the Defendants knew or recklessly disregarded that the proceeds raised would be diverted to other purposes. In fact, GSA Investors LLC did not acquire any real property.

27. GSA Managers, LLC is the manager of GSA Investors, LLC. The GSA private placement memorandum dated November 22, 2005 (“GSA PPM”) represents that Defendant Byers is the president and Defendant Shereshevsky is an executive officer of GSA Managers. Defendants Byers and Shereshevsky, together with Wextrust, controlled the issuer, GSA Investors LLC.

28. GSA Investors, LLC issued the GSA PPM seeking to raise \$9 million from investors. According to the GSA PPM, the purpose of the offering was to raise funds that, together with a bank loan, would be used to “acquire, operate, sell, refinance, mortgage and otherwise use and own for profit an undivided indirect interest in the Properties, consisting of seven buildings all leased to the United States of America General Services Administration located in Wisconsin, Illinois, Indiana and Florida.”

29. The GSA PPM represented that the purchase price for the seven properties will be approximately \$28.3 million, that GSA Investors, LLC intends to raise \$9.2 million by selling interests to “Preferred Members” and intends to assume a mortgage covering the properties in the amount of approximately \$21.6 million. The GSA PPM also represented, in the “Use of Proceeds” section, that the \$9.2 million raised from investors will be used to pay a portion of the

purchase price of the properties, closing costs, commissions and other expenses associated with acquiring the properties and to establish a working capital reserve.

30. The GSA PPM specifically identifies the mortgages that will be assumed in connection with the purchase, and further represents that “the Company is acquiring the Properties, in the Manager’s view, at below replacement cost, thereby creating an immediate margin of safety for its investors.”

31. The GSA PPM also represents that the Manager (GSA Managers, LLC, which is managed by defendant WEP) “believes that the Properties, a government-tenant portfolio with seven office buildings in prime locations: (i) present a superior investment opportunity in terms of offering a stable, government backed return which limits investors’ downside; (ii) are located in markets which present sound demand characteristics and property appreciation possibility; and (iii) will be efficiently managed.”

32. All of these representations were false. Moreover, the Defendants knew or were reckless in not knowing they were false. These misrepresentations were also material to investors. In fact, the Defendants acquired no real property with the proceeds of the GSA offering.

33. Based on these material misrepresentations and omissions and others, in 2005 and 2006, GSA Investors, LLC raised approximately \$9 million from 103 investors. In 2007, GSA raised an additional \$457,000 through Wextrust Securities. At the time the GSA PPM was used to solicit these investments, the Defendants knew that they had not purchased, and would not be purchasing, any property with the funds raised by GSA Investors, LLC.

34. The Wextrust combined balance sheet shows that the Defendants diverted to the Wextrust Entity Defendants \$6,554,400 from GSA Investors, LLC as of December 31, 2007.

35. The GSA PPM touts Shereshevsky as “an executive officer of the Manager and is the Director of Operational Services of WexTrust Asset Management. Mr. Shereshevsky has been involved in real estate and multi-family management for the past 15 years and is a Principal of WexTrust Capital.” The GSA PPM fails to disclose Shereshevsky’s prior felony conviction. Defendants Byers and Shereshevsky knew or were reckless in not knowing of Shereshevsky’s conviction.

36. Wextrust Securities acted as the placement agent in the sale of GSA LLC securities and several registered representatives at Wextrust Securities received commissions in connection with those sales. Shereshevsky and his wife unlawfully received transaction based compensation in 2007 of approximately \$9,890, which is approximately 2.2 percent of the \$457,000 raised by Wextrust Securities for GSA.

37. In a November 16, 2007 email from Partner A to Shereshevsky, Partner A acknowledged that the GSA offering, and other offerings by the Defendants, were frauds stating “You raised \$9,000,000 from investors for GSA i.e. properties that never existed phony PPMs, etc. . . . Guys from enron got 20 years for doing that . . . You co-mingled (sic) funds over 100 times. Wiring high yield (another offering) funds for payroll, Africa, etc. is a crime.”

2. The Crowne-Phoenix Offering Fraud

38. Crowne-Phoenix Investors LLC (“CP Investors”) is a real estate LLC that the Defendants formed to acquire a “membership interest” in Crowne-Phoenix Holdings LLC (“CP

Holdings”). According to the Crowne-Phoenix Investors private placement memorandum dated August 8, 2007 (“Crowne-Phoenix PPM”), CP Holdings was formed to acquire a Crowne Plaza branded hotel in Phoenix, Arizona.

39. Crowne-Phoenix Managers, LLC is the manager of CP Investors. The Crowne-Phoenix PPM represents that Defendant Byers is the President of Crowne-Phoenix Managers. Defendant WEP is the manager of Crowne-Phoenix Managers and Axela is the common member in Crowne-Phoenix Investors. Axela is also the property manager for the hotel.

40. Defendants Byers and Shereshevsky, together with Defendants Wextrust and WEP, controlled the issuer, CP Investors.

41. The Crowne-Phoenix PPM represented that the issuer was seeking to raise \$9.3 million to be used to pay part of the purchase of a hotel in Phoenix, Arizona, improvements of the hotel property, acquisition and closing fees, interest reserve and equity costs. Specifically, the Crowne-Phoenix PPM represented that the \$9.3 million raised from investors, together with the assumption of a primary mortgage of approximately \$21 million, would be used to pay the \$24 million purchase price for the hotel, as well as to fund \$3.6 million in required property improvements, acquisition costs, fees and the creation of an equity reserve. Moreover, the Crowne-Phoenix LLC agreement, which was annexed to the PPM, specifically forbids any commingling of the funds raised in that offering.

42. The Defendants knew, or were reckless in not knowing, that the representations in the Crowne-Phoenix PPM were false.

43. Wextrust email reveal that the Defendants made improper transfers of funds almost immediately after the August 2007 offering had commenced: In an October 9, 2007

email, Shereshevsky instructed various Wextrust employees that all funds for the Crowne-Phoenix offering be deposited directly into Wextrust's house account at Wachovia bank in Virginia. As recorded in a November 20, 2007 email from Wextrust's accounting department, (1) in October and November 2007, Crowne-Phoenix "loaned" Wextrust \$650,000 to fund payroll needs; (2) in October and November 2007, Crowne-Phoenix "loaned" Wextrust approximately \$1 million "to fund partial distribution check funding;" and (3) in October 2007, Crowne-Phoenix "loaned" Wextrust \$600,000 to fund or loan moneys to two other private placement entities, Guaranteed Depository Receipt Fund ("GDR") and Pure Africa Minerals LLC ("PAM").

44. In early 2008, the Defendants used money from other offerings to pay back the Crowne-Phoenix bank account for all the outward transfers. In an email dated February 25, 2008, Byers told Shereshevsky that some of the money raised for a new offering, West 82nd Street LLC, was used to repay some of the deficit owed to CP Investors:

We will be closing on W. 82nd [another LLC] very soon. We can use the money but obviously we used \$1.1 million for the Gold Coast [another LLC] and *another \$1.6 million for Crowne for which we raised but never paid back.*

45. The private placement memoranda for the West 82nd Street offering did not disclose to investors that some of the money raised would be paid to other Wextrust affiliates.

46. The Crowne-Phoenix PPM describes Defendant Shereshevsky as a "principal and integral part of Wextrust," and states that Shereshevsky was "instrumental in the founding of Wextrust Securities." The Crowne-Phoenix PPM fails to disclose Shereshevsky's prior felony conviction. Defendants Byers and Shereshevsky knew, or were reckless in not knowing, of

Shereshevsky's conviction.

47. Defendant Wextrust Securities acted as placement agent for the Crowne-Phoenix offering. Defendant Shereshevsky and his wife received \$130,953, or approximately one percent of the funds raised by Wextrust Securities in connection with the Crowne-Phoenix offering.

3. The Block III Offering Fraud

48. Block III Mines & Minerals, LLC ("Block III") is a Virginia limited liability company organized to make a loan to and acquire an interest in a Namibian company, Deva Investments (Pty), Ltd., which owns the exploration and mining rights in a group of diamond mines in Namibia known as Block III.

49. Block III Managers, LLC, a Virginia limited liability company, is the manager of Block III. Block III Managers is wholly-owned by Brandon Investments, LLC. The Block III PPM represents that Defendants Byers and Shereshevsky are the co-managers of Brandon Investments, and that Brandon Investments is a wholly-owned subsidiary of Wextrust.

50. Defendants Byers and Shereshevsky, together with Defendant Wextrust and Brandon Investments, controlled the issuer, Block III.

51. Block III issued a private placement memorandum dated March 22, 2007 (the "Block III PPM") seeking to raise \$11 million from investors. The Block III PPM represents that the proceeds of the offering will be used as follows: (a) \$4.5 million would be used for new equipment and operating capital, (b) \$1.5 million would be used to fund a reserve for a purchase option on two other mines, (c) \$1.75 million would fund an operating reserve, \$300,000 would pay legal and operating expenses, and (d) approximately \$2.95 million would be paid in fees to

Wextrust and Wextrust Securities. Moreover, the operating agreement attached to the Block III PPM specifically limited the use of funds to expenses related to Block III.

52. These representations were false. Moreover, the Defendants knew, or were reckless in not knowing, the representations were false. Almost immediately after the money was raised, Defendants diverted the proceeds to unauthorized uses.

53. The Wextrust balance sheet shows that \$3,990,910 of proceeds raised by Block III Mines & Minerals LLC was diverted to Wextrust Entities.

54. Defendant Wextrust Securities acted as a placement agent in the Block III offering.

55. The Block III PPM describes Shereshevsky as a “principal and integral part of Wextrust,” and states that Shereshevsky was “instrumental in the founding of Wextrust Securities.” The Block III PPM fails to disclose Shereshevsky’s prior felony conviction. Defendants Byers and Shereshevsky knew, or were reckless in not knowing, of Shereshevsky’s conviction.

56. Defendant Shereshevsky and his wife received transaction based compensation of \$249,577, or approximately two percent of the funds raised by Wextrust Securities, in connection with the Block III offering. The Shereshevskys also received \$750,000 in bonuses in connection with the Block III offering.

4. The Peoria Offering Fraud

57. Peoria Office Investors LLC is a real estate limited liability company formed by the Defendants to own the sole membership interest in Peoria Office Holdings, LLC (“PO Holdings”). PO Holdings was formed to acquire and operate an office building in Peoria,

Illinois. Peoria Office Investors issued a PPM dated November 9, 2007 (the “Peoria Office PPM”), seeking to raise \$4.7 million from 47 investors.

58. The manager of Peoria Office Investors is Peoria Office Managers, LLC. Defendant Byers is the President of Peoria Office Managers. WEP is the manager of Peoria Office Managers.

59. Defendants Byers and Shereshevsky, together with Wextrust and WEP, controlled the issuer, Peoria Office Investors.

60. The Peoria Office PPM represented to investors that the \$4.7 million in proceeds expected to be raised, together with a mortgage of approximately \$11 million, would be used to pay the \$14.75 million purchase price, and the remaining money would pay closing costs, legal fees, acquisition fees and equity costs. Moreover, the Peoria Office LLC agreement, which was annexed to the PPM, specifically forbids any commingling of the funds raised in that offering.

61. These representations were false. Moreover, Defendants knew, or were reckless in not knowing, that the representations were false.

62. At the time the Peoria Investors PPM was issued, the Individual Defendants and Wextrust knew, or were reckless in not knowing, that proceeds raised would be diverted to other Wextrust Entities and for the Individual Defendants’ own use. In November 2007, Shereshevsky and Partner A, in an email that was copied to Byers, openly discussed that the Wextrust entities were operating at a loss of \$1 million per month and that the diversion of funds would be necessary to pay payroll and other expenses of the various Wextrust Entities.

63. The Wextrust balance sheet indicates that, as of December 31, 2007, Wextrust had “borrowed” approximately \$1,048,863.90 from the Peoria Office Investors LLC offering proceeds.

64. Defendant Wextrust Securities was the placement agent for the Peoria Office offering.

65. The Peoria Office Investors PPM describes Shereshevsky as a “principal and integral part of Wextrust,” and states that Shereshevsky was “instrumental in the founding of Wextrust Securities.” The Peoria Office Investors PPM fails to disclose Shereshevsky’s prior felony conviction. Defendants Byers and Shereshevsky knew, or were reckless in not knowing, of Shereshevsky’s conviction.

66. In 2007, Defendant Shereshevsky and his wife received \$59,462, or approximately two percent of the funds raised by Wextrust Securities, in connection with the Peoria Office Investors offering.

5. Additional Fraudulent Offerings

67. Other emails among the Individual Defendants retrieved from Defendant Wextrust Securities show that numerous other offerings conducted by the Defendants are also fraudulent. Several emails reveal that during the past year the Individual Defendants have discussed the ever increasing deficit in funds owed to investors and the need to raise additional funds to pay prior investors. The Individual Defendants have staked their ability to extricate themselves from these frauds on the success of their diamond mining investments in Africa.

68. For example, through an email dated November 15, 2007, Partner A confronted Shereshevsky about wiring \$225,000 from the Crowne-Phoenix account to an account for

Wextrust affiliates in South Africa, specifically, Pure Africa Minerals (Pty) Ltd., a South African company formed to own mines in South Africa and Namibia. Partner A's concern was that money was needed to pay down a loan from Broadway Bank in connection with the Crowne-Phoenix investment for which Partner A and Byers had signed a personal guarantee. Shereshevsky's response reveals the widespread and deliberate commingling, the inability of the company to make payroll without loans, and that African investments was the "only hope" for getting the Individual Defendants out of the "mess" they're in. Shereshevsky responded, in part, to Partner A (emphasis added):

U have no idea what u r talking about. Wextrust borrowed about a month ago 750,000 from Skelton coast [in Africa]. Now we needed it so we took back 250,000. we [sic] are still owed 450,000 and I will continue to take it out until it is paid.

Partner A forwarded this email to Byers, stating (emphasis added):

Why are we paying money to Africa before pay back Broadway Bank. This is crazy. We both signed a personal guarantee here. Not comfortable with Joe having Carte Blance with the company's \$\$\$\$\$. If this continues, I will ask for a forensic audit.

Partner A then forwarded his email to Byers to Shereshevsky, who responded in part (emphasis added):

As of today the company owes Africa about 575,000 that is outstanding. The company owes me quite a bit of money including 200,000 that I lent them this morning so we can cover payroll including yours.

* * *

The reason why it is more important to pay back Africa is because our only hope of getting out of our mess is Africa. Including you [Partner A]. We are in debt and I am working diligently to get us out of it. Go ahead and do a forensic audit. It will show that *we spend about 1,000,000 more a month*

than we make, for the last 3 years especially the last 19 months. Now that you know that we take in less than we get by 1,000,000 a month do you still want your payroll?????? If no, please let me relieve you of it so you can do the right thing.

[Partner A] . . . we are on the verge of becoming a very strong company. However even if we do it will be very hard going for the next 6 months to a year. *We may have to maneuver and do things that maybe we would not do if we were cash rich.* You want to bicker, go ahead and bicker. It won't do anything for us. You want to be a team man then show it.

69. Emails retrieved from Wextrust Securities also reveal that investors are complaining that payments to them are being delayed or not paid, and they are concerned about their investments. To all the queries, a representative from Wextrust Securities has responded without disclosing that Wextrust was running a deficit and using funds from other entities to make payments to prior investors. In fact, behind the scenes, the Individual Defendants have engaged in frantic communications to drum up money to pay investors.

70. On May 13, 2008, Investor A filed a complaint with the Illinois Office of the Attorney General, in which he states that he “smells a rat” and that “This is smelling like a giant PONZI scheme. My belie[f] is that Wextrust could be playing a huge, financial shell game. Their financial situation may be so bad that they're delaying distributions to earn the float, and paying our late distributions out of new investor dollars. I fear their house of cards is about to collapse, leaving investors holding the bag.”

C. Ongoing Fraudulent Offerings

71. The Defendants are currently in the midst of conducting at least four offerings in investments or instruments which are securities in the form of investment contracts, notes or other evidence of indebtedness: (i) Drake Oak Brook Investors, LLC; (ii) a note offering by

Defendant WEP (the “GSPN”); (iii) 625 Paragon Investors, LLC (“625 Paragon”); and (iv) ATM II.

72. The Drake Oak Brook offering commenced on November 10, 2007 and seeks to raise \$14.5 million purportedly to acquire indirectly and develop a Wyndham branded hotel. To date, the offering has raised approximately \$11.6 million, with one investor investing \$100,000 on July 21, 2008.

73. The GSPN offering began in December 2007 and has to date raised approximately \$4.6 million. The private placement memorandum represents that the proceeds will be used to fund short-term loans to entities affiliated with WEP, to fund security deposits, pay up-front fees and costs related to property acquisitions, provide bridge loans, and provide financing for tenant improvement costs and construction on currently owned real estate.

74. The 625 Paragon offering commenced on or about April 17, 2008, seeking to raise \$4.8 million from investors to acquire indirectly and develop a residential complex in Chicago, Illinois. The 625 Paragon private placement memorandum represents that the offering proceeds will be used to make a \$3 million contribution to acquire an interest in Paragon/Division LLC and for placement fees and syndication costs, a development fee, and a “preferred return reserve.” To date, the offering has raised approximately \$1,015,000, with one investor investing \$100,000 on July 2, 2008 and another investing \$100,000 on July 10, 2008.

75. ATM II commenced an offering on April 24, 2008 and seeks to raise \$25 million from investors to acquire 10% of Wextrust’s interest in a Wextrust affiliate, a South African entity called Pure Africa Minerals (Pty) Ltd. To date, ATM II has raised just over \$1 million with one investor making a \$250,000 investment on June 18, 2008.

76. Upon information and belief, Defendants intend to use some or all of the proceeds raised by these four LLC Entities to meet obligations of other Wextrust Entities. The ATM II offering, in particular, is designed to fund deficits at other Wextrust Entities. Upon information and belief, the proceeds of the ATM II offering will go directly to Byers and Shereshevsky as opposed to buying a property. The Defendants intend to use funds raised to pay obligations owed to prior investors in other LLC Entities.

77. A March 18, 2008 email from Shereshevsky to Byers shows that were both well aware of fraudulent activities they were engaged in (emphasis added):

Please remember one thing. That although I always take care of you and myself, my goal in this thing as I have always told you from day one, is to get [W]extrust out of all the shit before the end of 09 or 10 at the latest. that is my primary concern. *We have faked it until we made it for long enough and now we must clean up.*

78. As recently as July 2, 2008, Shereshevsky emailed Partner A stating, “We are in business. We are raising money. We received commitments today on atm, drake and paragon to the rune [sic] of over 2.5 million.”

D. Fraudulent Over-Raising

79. The Defendants have also resorted to “over-raising” funds in a number of offerings in order to use excess proceeds to meet deficits in other entities. Wextrust Securities’ records show that the actual amount raised in at least twenty-one offerings exceeds the amount that the Defendants represented they would raise in the various private placement memoranda by a total of more than \$20 million. Upon information and belief, the Defendants never disclosed the over-raises to any investors.

80. The purpose of the over-raising is made clear by the Defendants’ e-mails. In an

April 11, 2008 email to Byers, Shereshevsky requests a short telephone conversation to discuss certain agenda items, one of which is “Ideas for cash to survive until I finish this underwriting [sic].” Later that same day, Shereshevsky sends a “follow up” email to Byers, stating, “We have to do some old fashion over raising, raise for the GDR and High Yield (on shore) [another LLC entity] to get through these months.”

81. Byer’s view that over-raising translates into “profits” is set out in a previous email to Shereshevsky on March 12, 2008, in which he states:

Also, a big part of what we do is make money, profit, by raising more than the minimum that is required. Yes, it needs to be in reason but we have to have the ability to do this. We must determine with our accountants how we book and treat this and [the then-current CFO] can either get in line or get out of the way.

Not surprisingly, the CFO referred to in the email has since resigned.

E. Failure to File Proper Forms BD With the Commission and Pass Licensing Exams

82. Wextrust Securities and the Individual Defendants have failed to make proper filings with the Commission revealing that Shereshevsky is a control person of registered broker-dealer, Wextrust Securities. In addition to Byers, among others, Wextrust Securities’ Form BD only discloses Shereshevsky’s wife as being a control person associated with Wextrust Securities’ parent company, Wextrust.

83. While acting as a broker, Defendant Shereshevsky has not registered with the Commission as a broker. Alternatively, Wextrust Securities, Byers and Shereshevsky have failed to properly license Shereshevsky as associated with Wextrust Securities.

84. While Wextrust Securities Form BD filings with the Commission and FINRA, which also regulates Wextrust Securities, makes no mention of Shereshevsky’s involvement with

the broker-dealer, Shereshevsky is actively involved in management of the broker-dealer and in soliciting investments for the numerous private placement offerings.

85. The emails retrieved from Wextrust Securities demonstrate that Shereshevsky is involved in the every day business of the broker-dealer, which consists almost exclusively of soliciting investors in the private placement offerings.

86. Records of Defendant Wextrust Securities show that Shereshevsky is assigned credit for having solicited numerous investors. At least one private placement memorandum for Crowne-Phoenix, dated August 8, 2007, touts that “Mr. Shereshevsky was instrumental in the founding of Wextrust Securities, LLC, which is a licensed broker-dealer with registered representatives in the U.S. as well as parts of Europe and Israel.”

87. Defendants Byers and Shereshevsky admitted that Shereshevsky received commissions for soliciting investors in an email exchange between them on April 9-10, 2008. Defendants Byers and Shereshevsky knew it was wrong to conceal Shereshevsky’s role in soliciting investors. Instead of disclosure, Byers suggested they “take all history into a positive” by calling Shereshevsky a “Risk Specialist” and compensating him for commissions in another way:

My recommendation is that nothing should be on your card, just your name, and your position should be “Risk Specialist”. Using that can take [sic] all history into a positive. Furthermore, you bring in potential investors and you tell them “what you told management” about the positive AND the RISKS and then turn them over to Mike or someone with a series 7. On compensation, we will have to rework. You will have to get paid salary plus bonus and then ownership distribution through the partnership interests. *Fees and % of fees for raising money will have to stop or we will be shut down. Take it out another way.*

88. While Defendant Byers is listed as being associated with Wextrust Securities on

the BD Form filings, Byers has not taken and passed any required licensing exams required to manage a broker-dealer (the Series 24) or to solicit investments from investors (the Series 7). Shereshevsky also has not passed any licensing exams. Byers and Shereshevsky are both engaged in the operation and supervision of Wextrust Securities and in soliciting investors.

FIRST CLAIM FOR RELIEF

**Violations of Section 17(a)(1) of the Securities Act
(Against all Defendants)
(Antifraud violations)**

89. Paragraphs 1 through 88 are realleged and incorporated by reference as if set forth fully herein.

90. From at least 2005 through the present, the Defendants, in the offer and sale of securities, by the use of the means and instruments of transportation and communication in interstate commerce or by the use of the mails, directly and indirectly, have employed and are employing devices, schemes and artifices to defraud.

91. The Defendants knew or were reckless in not knowing of the activities described above.

92. By reason of the activities herein described, the Defendants have violated and are violating Section 17(a)(1) of the Securities Act [15 U.S.C. §77q(a)(1)].

SECOND CLAIM FOR RELIEF

Violations of Section 17(a)(2) and 17(a)(3) of the Securities Act (Against all Defendants) (Antifraud violations)

93. Paragraphs 1 through 88 are realleged and incorporated by reference as if set forth fully herein.

94. From at least 2005, the Defendants, in the offer and sale of securities, by the use of the means and instruments of transportation and communication in interstate commerce or by the use of the mails, directly and indirectly, have obtained and are obtaining money and property by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and have engaged and are engaging in transactions, practices or courses of business which have operated and will operate as a fraud and deceit upon investors.

95. By reason of the activities herein described, the Defendants have violated and are violating Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §77q(a)(2) and §77q(a)(3)].

THIRD CLAIM FOR RELIEF

Violations of Section 10(b) of the Exchange Act and Rule 10b-5 (Against all Defendants) (Antifraud violations)

96. Paragraphs 1 through 88 are realleged and incorporated by reference as if set forth fully herein.

97. From at least 2005 through the present, the Defendants, in connection with the purchase and sale of securities, directly and indirectly, by the use of the means and

instrumentalities of interstate commerce or of the mails, have employed and are employing devices, schemes and artifices to defraud; have made and are making untrue statements of material fact and have and are omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and have engaged and are engaging in acts, practices and courses of business which operated as a fraud and deceit upon investors.

98. Defendants knew or were reckless in not knowing of the activities described above.

99. By reason of the activities herein described, the Defendants have violated and are violating Section 10(b) of the Exchange Act [15 U.S.C. §§78j(b)] and Rule 10b-5 [17 C.F.R. §240.10b-5] promulgated thereunder.

FOURTH CLAIM FOR RELIEF

Violations, and Aiding and Abetting Violations, of Section 15(c)(1) Of The Exchange Act, 15 U.S.C. §78o(c)(1), And Rule 10b-3, 17 C.F.R. §240.10b-3

**(Against Wextrust Securities, Byers and Shereshevsky)
(Violations of Antifraud Provisions by Brokers)**

100. Paragraphs 1 through 88 are realleged and incorporated by reference as if set forth fully herein.

101. Wextrust Securities engaged and is engaging in the business of effecting transactions in securities for the accounts of others, and therefore was and is a broker within the meaning of Section 3(a)(4) of the Exchange Act, 15 U.S.C. §78c(a)(4).

102. Wextrust Securities, while a broker, directly or indirectly, by use of the mails or the means or instrumentalities of interstate commerce, has effected and is effecting transactions

in, and has induced and attempted to induce and are attempting to induce the purchase or sale of, securities by means of manipulative, deceptive, or other fraudulent devices or contrivances, including: (a) acts, practices, and courses of business that operated or would have operated as a fraud or deceit upon any person, including persons to whom Wextrust Securities offered and/or sold securities; and (b) making untrue statements of material fact and omissions to state a material fact necessary, in order to make the statements made, in light of the circumstances under which they were made, not misleading with knowledge or reasonable grounds to believe that such statements are untrue or misleading.

103. As part of and in furtherance of this violative conduct, Wextrust Securities offered and/or sold securities by making the material misrepresentations and omissions set forth herein.

104. Wextrust Securities knew, was reckless in not knowing, or had reasonable grounds to believe that said representations or omissions were false or misleading.

105. By reason of the foregoing, Wextrust Securities violated, and, unless restrained and enjoined, will again violate Section 15(c)(1) of the Exchange Act, 15 U.S.C. §78o(c)(1), and Rule 10b-3, 17 C.F.R. §240.10b-3.

106. By reason of the foregoing, Byers aided and abetted, and, unless restrained and enjoined, will again aid and abet, Wextrust Securities' violations of Section 15(c)(1) of the Exchange Act, 15 U.S.C. §78o(c)(1), and Rule 10b-3, 17 C.F.R. §240.10b-3.

107. To the extent Shereshevsky was associated with Wextrust Securities, and not acting as a broker unassociated with a registered broker-dealer, Shereshevsky aided and abetted, and, unless restrained and enjoined, will again aid and abet, Wextrust Securities' violations of Section 15(c)(1) of the Exchange Act, 15 U.S.C. §78o(c)(1), and Rule 10b-3, 17 C.F.R.

§240.10b-3.

FIFTH CLAIM FOR RELIEF

Violations of Section 15(a) of the Exchange Act, 15 U.S.C. §78o(a)
(Against Shereshevsky)
(Violations of Registration Provisions By Brokers)

108. Paragraphs 1 through 88 are realleged and incorporated by reference as if set forth fully herein.

109. Shereshevsky, when he was neither registered with the Commission as a broker nor a properly licensed associated person of a registered broker-dealer, made use of the mails or means and instrumentalities of interstate commerce to effect transactions in, or to induce or attempt to induce the purchase or sale of securities.

110. During the time of the transactions and events alleged in this Complaint, Shereshevsky was neither registered with the Commission as a broker nor properly licensed to sell securities as an associated person of any registered broker-dealer.

111. By reason of the foregoing, Shereshevsky violated and, unless restrained and enjoined, will again violate Section 15(a)(1) of the Exchange Act, 15 U.S.C. §78o(a)(1).

SIXTH CLAIM FOR RELIEF

Violations, and Aiding and Abetting Violations, of Section 15(b) of the Exchange Act and Rule 15b7-1 thereunder, 15 U.S.C. § 78o(b) and 17 C.F.R. § 240.15b7-1
(Against Wextrust Securities, Byers and Shereshevsky)
(Against Use of Unregistered Salespersons)

112. Paragraphs 1 through 88 are realleged and incorporated by reference as if set forth fully herein.

113. As set forth above, Wextrust Securities permitted unregistered employees to buy

and sell securities.

114. As a result of the conduct set forth above, Wextrust Securities willfully violated Section 15(b) of the Exchange Act and Rule 15b7-1 promulgated thereunder, 15 U.S.C. § 78o(b) and 17 C.F.R. § 240.15b7-1.

115. Defendants Byers aided and abetted Wextrust Securities' violations of Section 15(b) of the Exchange Act and Rule 15b7-1 promulgated thereunder, 15 U.S.C. § 78o(b) and 17 C.F.R. § 240.15b7-1.

116. To the extent Shereshevsky is associated with Wextrust Securities, and not acting as a broker that is not associated with a registered broker-dealer, Shereshevsky aided and abetted Wextrust Securities' violations of Section 15(b) of the Exchange Act and Rule 15b7-1 promulgated thereunder, 15 U.S.C. § 78o(b) and 17 C.F.R. § 240.15b7-1.

SEVENTH CLAIM FOR RELIEF

Violations, and Aiding and Abetting Violations, of Section 15(b) of the Exchange Act and Rules 15b1-1 and 15b3-1 thereunder, 15 U.S.C. § 78o(b) and 17 C.F.R. §§ 240.15b1-1, 240.15b3-1

(Against Wextrust Securities, Byers and Shereshevsky)
(Undisclosed Control Persons)

117. Paragraphs 1 through 88 are realleged and incorporated by reference as if set forth fully herein.

118. As set forth above, Wextrust Securities failed to disclose to the SEC, as required, that Shereshevsky exercised control, directly or indirectly, over Wextrust Securities' management and policies, through agreement or otherwise, and that Shereshevsky had a prior felony conviction for bank fraud.

119. As a result, Wextrust Securities violated, and Byers and Shereshevsky aided and

abetted the violations by Wextrust Securities, of Section 15(b) of the Exchange Act, 15 U.S.C. § 78o(b), and Rules 15b1-1 and 15b3-1 promulgated thereunder, and 17 C.F.R. §§ 240.15b1-1, 240.15b3-1.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court grant the following relief:

I.

Enter judgment in favor of the Commission finding that the Defendants each violated the securities laws and rules promulgated thereunder as alleged herein;

II.

An order permanently enjoining the Defendants, their agents, servants, employees and attorneys and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from committing future violations of Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b) and Rule 10b-5, 17 C.F.R. § 240.10b-5.

III.

An order permanently enjoining Wextrust Securities, its agents, servants, employees and attorneys and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from committing future violations of Sections 15(b) and 15(c)(1) of the Exchange Act, 15 U.S.C. §§ 78o(b) and

78o(c)(1), and Rules 10b-3, 15b1-1, 15b3-1 and 15b7-1 promulgated thereunder, 17 C.F.R. §§ 240.10b-3, 240.15b1-1, 240.15b3-1 and 240.15b7-1.

IV.

An order permanently enjoining Shereshevsky, his agents, servants, employees and attorneys and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from committing future violations of Section 15(a)(1) of the Exchange Act, 15 U.S.C. § 78o(a)(1), or alternatively, from aiding and abetting future violations of Sections 15(b)(1), 15(b)(7) and 15(c)(1) of the Exchange Act, 15 U.S.C. §§ 78o(b)(1)&(7) and 78o(c)(1), and Rules 10b-3, 15b1-1, 15b3-1 and 15b7-1 promulgated thereunder, 17 C.F.R. §§ 240.10b-3, 240.15b1-1, 240.15b3-1 and 240.15b7-1.

V.

An order permanently enjoining Byers, his agents, servants, employees and attorneys and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from aiding and abetting future violations of Sections 15(b) and 15(c)(1) of the Exchange Act, 15 U.S.C. §§ 78o(b) and 78o(c)(1), and Rules 10b-3, 15b1-1, 15b3-1 and 15b7-1 promulgated thereunder, 17 C.F.R. §§ 240.10b-3, 240.15b1-1, 240.15b3-1 and 240.15b7-1.

VI.

An order directing the Defendants to disgorge their ill-gotten gains, plus prejudgment interest thereon.

VII.

A order directing the Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d) and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3).

VIII.

Granting such other and further relief as to this Court seems just and proper.

Dated: New York, New York
August __, 2008

By: _____
Andrew M. Calamari (AC-4864)
Associate Regional Director
Attorney for Plaintiff
SECURITIES AND EXCHANGE COMMISSION
3 World Financial Center
New York, NY 10281-1022
(212) 336-0178

Of Counsel:

Alexander M. Vasilescu
Doria G. Bachenheimer
Steven Rawlings
Danielle Sallah

CERTIFICATE OF SERVICE

I hereby certify that on August __, 2008, I caused the foregoing Complaint to be served on the following by Federal Express:

Danielle Sallah

Approved: 
Christopher L. Garcia/Virginia Chavez Romano
Assistant United States Attorneys

Before: HONORABLE RONALD L. ELLIS
United States Magistrate Judge
Southern District of New York

----- x
UNITED STATES OF AMERICA : SEALED COMPLAINT **08 MAG 1766**
:
- v. - : Violation of
: 18 U.S.C. § 371
STEVEN BYERS and :
JOSEPH SHERESHEVSKY, : COUNTY OF OFFENSE:
a/k/a "Joseph Heller," : NEW YORK
a/k/a "Josie," :
a/k/a "Yossi," :
:
Defendants. :
----- x

SOUTHERN DISTRICT OF NEW YORK, ss.:

LORI ACHILLES, being duly sworn, deposes and says that she is a Special Agent with the Federal Bureau of Investigation and charges as follows:

COUNT ONE
(Conspiracy To Commit Securities Fraud)

1. From in or about 2005, up to and including in or about the present, in the Southern District of New York and elsewhere, STEVEN BYERS and JOSEPH SHERESHEVSKY, a/k/a "Joseph Heller," a/k/a "Josie," a/k/a "Yossi," the defendants, and others known and unknown, unlawfully, willfully, and knowingly did combine, conspire, confederate, and agree together and with each other to commit offenses against the United States, to wit: securities fraud, in violation of Sections 78j(b) and 78ff of Title 15, United States Code, and Section 240.10b-5 of Title 17, Code of Federal Regulations.

2. It was a part and an object of the conspiracy that STEVEN BYERS and JOSEPH SHERESHEVSKY, a/k/a "Joseph Heller," a/k/a "Josie," a/k/a "Yossi," the defendants, and others known

and unknown, unlawfully, willfully, and knowingly, by the use of the means and instrumentalities of interstate commerce and of the mails, directly and indirectly, would and did use and employ manipulative and deceptive devices and contrivances in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by (a) employing devices, schemes, and artifices to defraud; (b) making untrue statements of material facts and omitting 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, and (c) engaging in acts, practices, and courses of business which operated and would operate as a fraud and deceit upon a person in connection with the purchase and sale of securities, all in violation of Title 15, United States Code, Sections 78j(b) and 78ff.

Overt Acts

3. In furtherance of the conspiracy and to effect the illegal object thereof, the following overt acts, among others, were committed in the Southern District of New York, and elsewhere:

a. On or about November 19, 2007, JOSEPH SHERESHEVSKY, a/k/a "Joseph Heller," a/k/a "Josie," a/k/a "Yossi," the defendant, sent an e-mail to a co-conspirator not named as a defendant herein ("CC-1") and STEVEN BYERS, the defendant.

b. On or about February 25, 2008, BYERS sent an e-mail to SHERESHEVSKY.

c. On or about June 24, 2008, SHERESHEVSKY and BYERS spoke on the telephone with CC-1.

(Title 18, United States Code, Section 371.)

The bases for my knowledge and the foregoing charge are, in part, as follows:

Background

4. I have been employed by the Federal Bureau of Investigation for approximately 4 years. I am currently assigned to a unit that investigates securities fraud and related offenses.

5. I am fully familiar with the information contained in this Complaint, either through conversations with other individuals involved in this investigation or through personal investigation, including a review of documents obtained from entities related to WexTrust Capital, LLC.

6. Because this Complaint is being submitted for the limited purpose of establishing probable cause for the crime charged herein, I have not set forth each and every fact that I learned in connection with this investigation. To the extent that there are assertions herein concerning dates and numbers, they are approximations based upon information and evidence gathered to date. Where I have reported the contents of documents, or the actions or statements of others, I have reported those matters in substance and in part, except where indicated otherwise.

Relevant Parties and Entities

7. According to its website, WexTrust Capital, LLC ("WexTrust Capital") is a globally diversified private equity company specializing in investments in real estate and specialty finance opportunities. According to the website, WexTrust Capital is headquartered in Chicago and has offices in New York, New York; Norfolk, Virginia; Atlanta, Georgia; Boca Raton, Florida; Nashville, Tennessee; Tel Aviv, Israel; and Johannesburg, South Africa. I understand from having reviewed both the WexTrust Capital website and various corporate records that WexTrust Capital was founded in 2003 and is affiliated with several companies of a similar name, including WexTrust Securities, LLC, a broker-dealer registered with the Securities and Exchange Commission.

8. According to the WexTrust Capital website, STEVEN BYERS, the defendant, is WexTrust Capital's founder and has been its Chief Executive Officer at all times relevant to this Complaint.

9. According to a biography contained in various private placement memoranda issued by WexTrust Capital, JOSEPH SHERESHEVSKY, a/k/a "Joseph Heller," a/k/a "Josie," a/k/a "Yossi," the defendant, is one of the principals of WexTrust Capital, has served as the company's Chief Operating Officer, and was instrumental in founding WexTrust Securities, LLC. Based on my review of a criminal history report and court records, I am aware that SHERESHEVSKY has at least one prior felony fraud conviction. Specifically, in 1994, he pleaded guilty in the Southern District of New York to one count of conspiracy to

commit bank fraud.

10. Based on the evidence set forth below, there is probable cause to believe that from at least in or about 2005, up to and including in or about the present, STEVEN BYERS and JOSEPH SHERESHEVSKY, a/k/a "Joseph Heller," a/k/a "Josie," a/k/a "Yossi," the defendants, and others known and unknown, raised money from investors pursuant to private placement offerings, used material amounts of that money for purposes other than those specified in private placement memoranda pursuant to which the monies were raised, and did not disclose this diversion of funds to investors.

11. Additionally, there is probable cause to believe that private placement documents distributed to investors by WexTrust Capital contain false and misleading statements because, among other things, they do not disclose SHERESHEVSKY's criminal history. This particular omission of Shereshevsky's background is particularly significant in light of the fact that many of the offering documents tout SHERESHEVSKY's experience. For example, in the private placement memorandum for GSA Investors, LLC (the "GSA PPM"), which is described more fully below, SHERESHEVSKY is described as follows: "Mr. Shereshevsky is an executive officer of the Manager and is the Director of Operational Services of WexTrust Asset Management. Mr. Shereshevsky has been involved in real estate and multi-family management for the past 15 years and is a Principal of WexTrust Capital." The GSA PPM does not disclose SHERESHEVSKY's criminal background.

The GSA Private Placement Fraud

12. I have reviewed a Private Placement Memorandum dated November 22, 2005, issued by WexTrust Capital, for the purchase and sale of preferred membership interests in GSA Investors, LLC (the GSA PPM).

13. According to the GSA PPM, GSA Investors, LLC, is a company that was formed to purchase and operate seven commercial properties, located in Wisconsin, Illinois, Indiana and Florida, that were leased to the United States General Services Administration ("GSA") (the seven properties will hereafter be called the "GSA Properties"). The GSA PPM specifies that \$9.2 million raised from investors, together with a mortgage of approximately \$21 million, would be used to purchase the GSA Properties and cover related acquisition expenses. The GSA PPM specifies no other uses for the funds raised and gives no indication that funds raised in the offering could be transferred to other Wextrust entities or investments. In addition, the

Operating Agreement for GSA Investors, LLC prohibits the commingling of GSA Investors, LLC funds.¹

14. As described below, there is probable cause to believe that the GSA Properties were never purchased by GSA Investors, LLC, and the monies raised pursuant to the GSA PPM were used for other purposes not specified in the GSA PPM and not disclosed to investors.

15. My belief that the GSA Properties were never purchased by WexTrust or any of its affiliated companies is based in part on information that I gathered during the course of several interviews conducted from on or about June 18 to on or about June 20, 2008. Specifically, during those interviews:

- a. GSA personnel informed me of the identities of the owners of the GSA Properties, which are located in (1) Elkhart, Indiana, (2) Anderson, Indiana, (3) Lafayette, Indiana, (4) Madison, Wisconsin, (5) Milwaukee, Wisconsin, (6) Chicago, Illinois, and (7) Jacksonville, Florida.
- b. With respect to four of the seven GSA Properties, I spoke to the individuals who are either the owners of the properties or have an ownership interest in the entities that own these properties. Each individual I interviewed told me that the property in question had been purchased from a specific industrial and commercial real estate development company (the "Development Company"). None of the owners had ever heard of WexTrust Capital, GSA Investments LLC, or SHERESHEVSKY or BYERS, the defendants.
- c. I know from speaking to the President and the office manager of the Development Company that the Development Company built and leased all seven GSA Properties; that it sold four of the properties between March 2007 and January 2008; and that three of the GSA Properties are still owned in part by the President of the Development Company through partnerships. The President of the Development Company had never heard of WexTrust Capital or GSA Investors LLC and had not done business with

¹ The Operating Agreement is attached as an exhibit to the GSA Investors PPM. It purports to govern the operations of the GSA Investors, LLC, by defining, among other things, the financial and management rights and duties of its members.

either BYERS or SHERESHEVSKY, the defendants.

16. My belief that the GSA Properties offering was fraudulent is also based on my review of consensual recordings of conversations between CC-1, BYERS, and SHERESHEVSKY in which BYERS and SHERESHEVSKY admit that the \$9 million raised from investors was never used to purchase GSA properties.² Specifically, in these calls, BYERS and SHERESHEVSKY admit, in substance, that (1) the GSA properties were never purchased; (2) the monies raised to purchase the properties were used for some other purpose; and (3) GSA investors were not informed that the GSA funds were expended for any purpose other than that stated in the PPM. As set forth herein, BYERS and SHERESHEVSKY agreed to fabricate a story for the GSA investors regarding what went wrong. Some of those consensual recordings are excerpted below.

17. On or about June 17, 2008, at approximately 6:20 p.m., BYERS suggested to CC-1 that they tell investors that WexTrust never received title to the GSA properties, and to "blame it on the lawyer, blame it on something." BYERS also talked about how he would replenish the GSA investor fund. BYERS made reference to a \$3 million "fee" that SHERESHEVSKY had received, and said that he had told "Joe" that \$2.5 million needed to "go back" to GSA or the High Yield fund.

18. On or about June 18, 2008, SHERESHEVSKY told CC-1 about BYERS' suggestion that WexTrust send a letter to GSA investors, "[p]re-date it like two years," and have the letter state that there was a "title problem" with the GSA Properties. SHERESHEVSKY also told CC-1 that he planned to buy out some of the GSA investors, "take ... out" for about \$2 million all the people in GSA "that aren't friendly." SHERESHEVSKY said he would take out mortgages on his five houses for another \$2 million and put this money into GSA. SHERESHEVSKY said that in the next month or month-and-a-half, he would be able to come up with "two million bucks," and that this was "better than somebody going to jail."

19. On or about June 24, 2008, at approximately 9:07 a.m., SHERESHEVSKY, BYERS and CC-1 discussed, among other things, what to say to investors regarding the problems with the GSA project.

² CC-1 has been cooperating in the Government's investigation. CC-1 is cooperating, at least in part, in the hopes of receiving leniency. The information provided by CC-1 has been corroborated, at least in part, by other sources of information and other evidence.

Specifically, BYERS stated that they should say that there was "fraud involved regarding title" in the GSA Properties. When CC-1 queried what BYERS was going to say if investors asked what was the supposed title fraud, BYERS responded that he would say that he "can't talk about it right now." BYERS emphasized the need to assure investors that they would get back their money, even though there was no clear plan on how that money would be obtained:

... the only thing to do right now regarding the investors are to make sure you get all your money back plus your return and then ... And, um, we will, um, you know, we'll provide guarantees and, and, you know, start paying back over a scheduled period of time. So instead of waiting seven years to get your money, if you stayed in the GSA, now we'll make sure your money's back in the next few years.

20. In another consensually-recorded call between BYERS and CC-1 on or about June 24, 2008, BYERS continued talking about the cover story they would tell investors regarding the GSA Properties: "... it's clear, there's only one avenue. You've got to ... you've got to say that there's title that there's issues with the ownership ... with the title on the property which is true, and you've got to cut, you've got to cut agreements." BYERS also acknowledged the prospect of going to jail if his fraud was discovered: "I'm the CEO ... so let's say it all blows up alright I'm fucking gone alright... what kind of deal I cut or how long I go or what my life is like after that I don't know." In a consensually-recorded call on or about July 2, 2008, BYERS told CC-1 that he would begin communicating with the GSA investors once he had money to "start paying them off."

21. The consensual recordings also reveal that BYERS and SHERESHEVSKY are depending on purported Africa diamond mine investments to generate the necessary money to repay GSA investors.

- a. In a call on or about the evening of June 24, 2008, BYERS told CC-1: "Under the worst fucking case scenario, I got to get enough money out of the diamond mine to pay GSA."
- b. In a call on or about the evening of July 18, 2008, BYERS reiterated to CC-1 that "ATM" - one of WexTrust's Africa diamond mine investments - "has to pay GSA."

BYERS also encouraged CC-1 to disclaim any knowledge if investors asked CC-1 questions about GSA: "... when people call you ... all you have got to say is ... 'look, I wasn't there, I wasn't part of it, I don't know for sure'."

22. My belief that BYERS and SHERESHEVSKY are planning to use monies obtained in connection with the purported Africa diamond mine project to "fill the holes" in other investment funds is also based on certain e-mail correspondence that I have reviewed. For example, on or about November 19, 2007, at approximately 2:19 p.m., SHERESHEVSKY sent an e-mail to CC-1, with a copy to BYERS, in which he stated:

As of today the company owes Africa about 575,000 that is outstanding. The company owes me quite a bit of money including 200,000 I lent them this morning so we can cover payroll including yours.

The reason why it is more important to pay back Africa is because our only hope of getting out of our mess is Africa...We are in debt and I am working diligently to get us out of it. Go ahead and do a forensic audit. It will show you that we spend about 1,000,000 more a month than we make, for the last 3 years especially the last 19 months....

(emphasis added).

The Crowne-Phoenix Private Placement Fraud

23. I am aware of at least one other private placement offering made by WexTrust Capital. Through this offering, which involved a Crowne Plaza Hotel in Phoenix, Arizona, BYERS and SHERESHEVSKY raised millions of dollars that they then used for purposes other than those stated in the offering memorandum. As described below, BYERS and SHERESHEVSKY used over \$3 million of the Crowne-Phoenix funds to make "loans" to WexTrust Capital.

24. I have reviewed an offering memorandum stating that Crowne-Phoenix Investors, LLC is a real estate LLC that was formed in 2007 to acquire an interest in a Crowne Plaza Hotel in Phoenix, Arizona. As the Crowne-Phoenix private placement memorandum ("Crowne-Phoenix PPM") indicates, WexTrust Capital raised funds for the Crowne-Phoenix offering by representing to

investors that \$9.3 million would be raised from 93 units sold to investors, and that the proceeds raised would be used for part of the purchase of the hotel, improvement of the hotel property, acquisition and closing fees, interest reserve, and equity costs. The Crowne-Phoenix Investors LLC Agreement prohibits the commingling of Crowne-Phoenix funds.³

25. Despite the representation in the Crowne Phoenix PPM, I have learned that the raised funds were used for other purposes, including (1) payroll for WexTrust Capital and other WexTrust affiliates; (2) deposits for two investment properties unrelated to the Crowne Plaza investment; (3) distributions to investors of other WexTrust affiliated investments; and (4) loans to other WexTrust affiliates. I have reviewed a balance sheet for WexTrust Capital indicating that the WexTrust Entities owed Crowne-Phoenix Investors, LLC, approximately \$3,040,506 as of the end of 2007.

26. My belief that the Crowne Plaza funds have been used for purposes other than those stated in the Crowne Phoenix PPM is also based on my review of certain e-mail correspondence between BYERS and SHERESHEVSKY, the defendants, among others. For example, in an e-mail dated November 20, 2007, sent at approximately 10:38 a.m. to BYERS and SHERESHEVSKY, a WexTrust employee attached a "use of funds report." That report indicated that at least part of the approximately \$7 million it had received from Crowne-Phoenix investors had been used for purposes other than those listed in the Crowne-Phoenix PPM. Specifically, it indicated that a sum of \$3,369,806.85 had been "loaned" to WexTrust Capital, and that more than \$1,000,000 had been transferred as three separate loan "repayments."

27. I have reviewed additional e-mail correspondence between BYERS and SHERESHEVSKY, the defendants, and others, in which they discussed the money from the Crowne-Phoenix offering that was used by WexTrust. Among them were the following:

³ The Crowne-Phoenix Investors LLC Agreement is attached as an exhibit to the Crowne-Phoenix PPM. Like an operating agreement for a limited liability company, the LLC Agreement purports to govern the operations of the Crowne Phoenix LLC by defining, among other things, the financial and management rights and duties of its members.

- a. An e-mail sent on or about November 20, 2007, at approximately 12:28 p.m., in which BYERS stated to SHERESHEVSKY: "[I]t appears that Crown [sic] Plaza is a mess and we have to fix it from a reconciliation and return of capital point of view."
- b. An e-mail sent on or about November 20, 2007, at approximately 12:50 p.m., in which BYERS requested "a complete reconciliation of the \$3.3 million to WTC [WexTrust Capital]."
- c. An e-mail sent on or about November 20, 2007, at approximately 12:58 p.m., a WexTrust employee to BYERS and SHERESHEVSKY, attaching a "use of funds report," which identified the 12 "loans" from Crowne Plaza to WexTrust Capital, totaling approximately \$3.369 million.

28. Certain e-mail correspondence also suggests that BYERS and SHERESHEVSKY, the defendants, used money from other investment projects to repay some of the "loans" that had been taken from the Crowne-Phoenix, LLC fund. For instance, in an e-mail dated February 25, 2008, BYERS told SHERESHEVSKY:

We will be closing on W. 82nd [an LLC] very soon. We can use the money but obviously we used \$1.1 million for the Gold Coast [another LLC] and another \$1.6 million for Crowne for which we raised but never paid back.

29. I have reviewed a consensually-recorded call placed on or about July 3, 2008, at approximately 12:08 p.m., in which BYERS told CC-1 that most of the money that he had "drained out of Crowne Plaza" had been replaced.

The Co-Mingling Of Other Private Placement Offering Funds

30. The WexTrust Capital balance sheet that I described above reflects similar misuses of funds from a number of other private placement offerings. Specifically, it indicates that WexTrust entities received funds from other private placement offerings, in apparent violation of the applicable use of funds provisions in the governing PPMs. Set forth below are two examples of such improper fund transfers.

- a. \$6,554,407.77 from First Wyoming Investors, LLC to WexTrust Capital. A private placement memorandum dated December 14, 2004, states that First Wyoming Investors,

LLC, was formed to acquire and operate a retail center located in Wyoming, Michigan. In addition, the operating agreement for the First Wyoming offering prohibits the co-mingling of raised funds.

- b. \$1,048,863.90 from Peoria Office Investors, LLC to WexTrust Capital. According to a November 9, 2007, private placement memorandum, this company was formed to acquire and operate an office building in Peoria, Illinois, and the funds raised were represented to be used only in connection with this project. In addition, the operating agreement specifically prohibits the co-mingling of Peoria Office Investors, LLC, funds.

31. There is evidence suggesting that the improper co-mingling of funds may be ongoing. During a consensually-recorded conversation on or about July 2, 2008, for example, SHERESHEVSKY told CC-1 that the \$4 million shortfall in "Drake" no longer existed.⁴ CC-1 asked SHERESHEVSKY, "You put \$4 million back into Drake? When did that happen?" SHERESHEVSKY responded, "I have about \$7 million committed to ATM and we're going to be using it over the next few months to put it into Drake." According to a private placement memorandum prepared by WexTrust Capital, ATM II, LLC is a company formed for the purpose of acquiring an ownership interest in companies with interests in African diamond mines. The ATM PPM, although referencing the repayment of monies to other specific persons and entities, does not indicate the offering proceeds would be used for the Drake hotel project. In addition, the ATM operating agreement, attached as an exhibit to the ATM

⁴ I believe that "Drake" is a reference to another of WexTrust's real estate investment offerings, specifically, the \$14.5 million offering of preferred membership interests in Drake Oak Brook Investors, LLC, which according to a private placement memorandum I have reviewed, was formed in 2007 to "acquire ... [and] use and own for profit" a Wyndham hotel located in Oak Brook, Illinois.

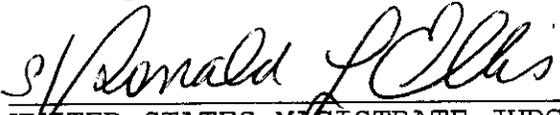
PPM, prohibits co-mingling of ATM funds.

WHEREFORE, deponent prays that arrest warrants be issued for STEVEN BYERS and JOSEPH SHERESHEVSKY, the defendants, and that they be imprisoned or bailed, as the case may be.



LORI K. ACHILLES
Special Agent, Federal Bureau
of Investigation

Sworn to before me this
8th day of August, 2008.



UNITED STATES MAGISTRATE JUDGE
SOUTHERN DISTRICT OF NEW YORK

RONALD L. ELLIS
United States Magistrate Judge
Southern District of New York