



*United States Attorney
Southern District of New York*



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**FORMER PRINCIPAL OF WEXTRUST CAPITAL SENTENCED
IN MANHATTAN FEDERAL COURT TO 262 MONTHS IN PRISON
FOR REAL ESTATE INVESTMENT FRAUD SCHEME**

PREET BHARARA, the United States Attorney for the Southern District of New York, announced that JOSEPH SHERESHEVSKY, a former Chief Operating Officer of the private equity firm WexTrust Capital, LLC ("WexTrust Capital"), was sentenced today to 262 in prison on charges stemming from a fraud that raised more than \$9 million from investors in private placement real estate offerings. SHERESHEVSKY, 54, was sentenced in Manhattan federal court by U.S. Court of Appeals Judge DENNY CHIN.

Manhattan U.S. Attorney PREET BHARARA said: "Joseph Shereshevsky executed an intricate Ponzi scheme designed to swindle hundreds of investors out of millions of dollars. He was ultimately exposed for the con artist he is. Now he will pay for his fraud and join his co-defendant Steven Byers behind bars."

According to the Indictment and other documents previously filed in Manhattan federal court:

From 2003 to 2008, WexTrust Capital was a globally diversified private equity company specializing in real estate investments and specialty finance opportunities. It was affiliated with several companies that had similar names, including WexTrust Securities, LLC, a broker-dealer registered with the United States Securities and Exchange Commission.

Beginning in 2003, JOSEPH SHERESHEVSKY, along with co-defendant STEVEN BYERS and others, raised money from investors pursuant to private placement offerings, and then used material amounts of that money for other purposes without disclosing the diversion of funds to investors. Additionally, SHERESHEVSKY failed to disclose to investors that he had a criminal history that included a prior conviction for fraud.

In one such private placement, SHERESHEVSKY and others raised approximately \$9.2 million in investor funds by representing that the funds would be used to purchase and operate seven commercial properties that were leased to the United States General Services Administration ("GSA"). According to the GSA private placement memorandum issued to investors by WexTrust Capital, the \$9.2 million raised from investors, together with a mortgage of approximately \$21 million, would be used to purchase the seven GSA properties and cover related acquisition expenses. However, none of the seven GSA properties were ever purchased. Instead, funds raised from investors were diverted for other purposes, none of which were disclosed to investors. SHERESHEVSKY and BYERS later agreed to fabricate a story that they would then tell the GSA investors regarding what happened to their investment.

The constant use of money from one offering to cover the expenses of another offering allowed SHERESHEVSKY and BYERS to maintain the false appearance that WexTrust Capital was a safe company in which to invest for years. As a result of the misuse of investor funds, they were able to purchase properties that could not otherwise have been purchased by the designated closing date, pay distributions to investors in non-performing properties, and, most importantly, attract new investor money by creating the false impression that WexTrust was a profitable business.

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SHERESHEVSKY, of Brooklyn, New York and Norfolk, Virginia, previously pled guilty to conspiracy to commit securities fraud, securities fraud, and mail fraud on February 3, 2011. He was sentenced to 22 months in prison for the conspiracy charge, to run consecutive to the 240 months he received on both the securities fraud and mail fraud charges, which were imposed to run concurrent to each other.

In addition to his prison term, Judge CHIN sentenced SHERESHEVSKY to three years of supervised release and ordered him to pay \$7,87,533.41 in restitution and to forfeit million in proceeds from his crimes.

SHERESHEVSKY's co-defendant, STEVEN BYERS, 49, of Oak Brook, Illinois, pled guilty to the same charges on April 13, 2010, and was sentenced to 160 months in prison on April 11, 2011, before Judge CHIN.

Mr. BHARARA praised the work of the Federal Bureau of Investigation in this case. He also thanked the U.S. Securities and Exchange Commission for its assistance in the investigation.

This case was brought in coordination with President BARACK OBAMA's Financial Fraud Enforcement Task Force, on which Mr. BHARARA serves as a Co-Chair of the Securities and Commodities Fraud Working Group. President OBAMA established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

Assistant United States Attorneys VIRGINIA CHAVEZ ROMANO and JILLIAN B. BERMAN are in charge of the prosecution.

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