

BEFORE THE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES

In the Matter of
US REAL ESTATE PARTNERS, INC.,
JULES B. FLEDER and
BERNARD R. WARE,

PETITION FOR ORDER

Respondents.

File No. S-06118(EX)

The staff of the State of Wisconsin, Department of Financial Institutions, Division of Securities (hereinafter "the Division"), has conducted an investigation in this matter pursuant to sec. 551.56, Wis. Stats. and as a result thereof alleges as follows:

1. US Real Estate Partners, Inc., is a Nevada corporation with a last known business address of 2316 Hardin Ridge Drive, Henderson, Nevada 89052; and 1925 Century Park East, Suite 750, Los Angeles, California 90067;
2. Jules B. Fleder ("Fleder") is an individual whose date of birth is July 2, 1940, and who at all times material hereto has been an owner, officer and/or controlling person of US Real Estate Partners, Inc., with a last known business address at that of 1925 Century Park East, Suite 750, Los Angeles, California 90067;
3. Bernard R. Ware ("Ware") is an individual whose date of birth is October 14, 1958, and who at all times material hereto has been an owner, officer and/or controlling person of US Real Estate Partners, Inc., with a last known home address of 3613 Shoreheights Drive, #D, Malibu, California 90265, and a business address at that of US Real Estate Partners, Inc.;
4. Steven G. Ross ("S. Ross") is an individual whose date of birth is March 1, 1956, licensed in Wisconsin as an insurance agent, who was previously licensed with the Division as a securities agent from 1991 until 1995, and who at all times material hereto has been an agent of US Real Estate Partners, Inc., Fleder and Ware, with a last known home address of 7769 Rustic Road, Boulder Junction, WI 54512-0821;
5. Theresa R. Ross (T. Ross) is an individual whose year of birth is 1956, licensed in Wisconsin as an insurance agent and who at all times material hereto has been an agent of US Real Estate Partners, Inc., Fleder and Ware, with a last known home address of 7769 Rustic Road, Boulder Junction, WI 54512-0821;
6. During the period of August 2004, S. Ross, on behalf of US Real Estate Partners, Inc., Fleder and Ware, offered to at least one person in Wisconsin joint venture partnership interests of Smith Mountain Lake Estate;
7. During the period of September 2004, T. Ross, on behalf of US Real Estate Partners, Inc., Fleder and Ware, offered to at least one person in Wisconsin joint venture partnership interests of Smith Mountain Lake Estate;

8. The persons described in Paragraphs 6 and 7 above, received offering materials in Wisconsin from S. Ross and T. Ross, relating to the joint venture partnership interests of Smith Mountain Lake Estate, following the offers described in Paragraphs 6 and 7 above;
9. The persons described in Paragraphs 6 and 7 above, received in Wisconsin, offers by telephone, and offering materials, about investing in the joint venture partnership interests of Smith Mountain Lake Estate, from Fleder and Ware, before investing;
10. The persons described in Paragraphs 6 and 7 above, invested in Wisconsin in the joint venture partnership interests of Smith Mountain Lake Estate in August and September 2004, respectively, by sending their investment money to US Real Estate Partners, Inc.;
11. Pursuant to the joint venture agreement signed by the persons in Wisconsin referred to in Paragraphs 6 and 7 above, "The name of this joint venture shall be Smith Mountain Lake Estate and (person in Wisconsin described in Paragraphs 6 and 7)... US Real Estate Partners, Inc. will manage and operate the joint venture. The real property shall be acquired and maintained in the name of the joint venture until such time as US Real Estate Partners has sold the property. ..."
12. Upon information and belief, partners play a passive role in the investment with no duties and responsibilities;
13. Upon information and belief, each partner will not be involved in the day-to-day management of Smith Mountain Lake Estate, since there are too many partners for them to each have any meaningful input, and they do not have the expertise or experience necessary to perform its duties;
14. Since the partners will be involved in a common enterprise with the expectation of profits to be derived from the essential managerial efforts of others, the "joint venture partnerships" offered and sold by the Respondents are investment contracts as defined by section DFI-Sec. 1.02(6)(a), Wis. Adm. Code, and are therefore securities as defined by sec. 551.02(13), Wis. Stats.;
15. The Smith Mountain Lake Estate investment contracts have never been registered for offer and sale in Wisconsin pursuant to Ch. 551, Wis. Stats.;
16. All Respondents have violated sec. 551.21(1), Wis. Stats., by offering and selling unregistered securities to persons in Wisconsin;
17. In connection with the offers of the securities described in Paragraphs 6 and 7 above, S. Ross and T. Ross transacted business in Wisconsin as an "agent" for US Real Estate Partners, Inc., Fleder and Ware, as that term is defined by sec. 551.02(2), Wis. Stats.;
18. At no time hereto have S. Ross and T. Ross been licensed as a securities agent pursuant to Ch. 551, Wis. Stats.;
19. S. Ross and T. Ross have violated sec. 551.31(1), Wis. Stats., by transacting business in Wisconsin as a securities agent without a license;
20. US Real Estate Partners, Inc., Fleder and Ware have violated sec. 551.31(2), Wis. Stats., by employing unlicensed agents to represent them in Wisconsin;
21. Upon information and belief, in October 2002, Fleder and his then business entity of Sunshine Real Estate consented to the entry of an order by the Commissioner for the Texas State Securities Board to cease and desist from offering and selling unregistered securities in the State of Texas, acting as unlicensed dealers and agents and/or using unlicensed agents to sell securities in Texas, and offer securities to Texas residents through the use of fraud or materially misleading statements;

22. In connection with the offer and sale of the securities described in Paragraphs 6 through 10 above, the Respondents omitted to disclose the issuance of the order referred to in Paragraph 21 above;
23. All Respondents have violated sec. 551.41(2), Wis. Stats., by omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, in connection with the offer and sale of securities to persons in Wisconsin;
24. Pursuant to the joint venture agreement signed by the persons in Wisconsin referred to in Paragraphs 6 through 10 above, "...**Description of Joint Venture Property – Lots(s) “__” of Parcel(s) “__”** on plat prepared by Stone Engineering, Inc., heretofore entered for record in the Office of the Clerk of Court for Franklin County, Virginia. At the time when parcel map is prepared, the general partner has an option to choose lots(s) and parcel(s). ..."
25. According to the complaint of the US Securities & Exchange Commission ("SEC"), filed in the US District Court, Texas-Eastern, on December 8, 2004, Case No. 6:04CV537, SEC v. US Real Estate Partners, Inc. et al., "... In each instance, the entity that allegedly 'owned' real estate in South Carolina, Virginia or Texas, in fact did not own the real estate that investor funds were raised to develop. ... Contrary to the representations made in offering materials, investor funds were used for virtually everything but the development of real estate – including making ponzi payments to investors, purchasing a house for Fleder and a sailboat. ..."
26. Respondents US Real Estate Partners, Inc. Fleder and Ware have violated sec. 551.41(2), Wis. Stats., by making an untrue statement of a material fact in connection with the offer and sale of securities to persons in Wisconsin.
27. On July 14, 2004, the Administrator of the Division issued a Consent Order of Prohibition and Revocation of Exemptions against S. Ross, based on allegations of the staff of the Bureau of Registration and Enforcement that S. Ross offered and sold unregistered securities as an unlicensed agent, which followed an investigation of S. Ross for his offers and sales of securities of Universal Luxury Coaches, LLC;
28. On July 6, 2005, the Administrator of the Division issued a Consent Order of Prohibition and Revocation of Exemptions against S. Ross, based on allegations of the staff of the Bureau of Registration and Enforcement that S. Ross offered and sold unregistered securities as an unlicensed agent, and violated sec. 551.54, Wis. Stats. by making or causing to be made, in any document filed with the Division any statement which is, at the time and in the light of the circumstances under which it is made, false or misleading in any material respect or, in connection with such statement, to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading;
29. S. Ross violated sec. 551.58, Wis. Stats., by offering the securities of Smith Lake Mountain Estate to a person in Wisconsin, described in Paragraph 6 above, in violation of the administrative order issued to S. Ross, described in Paragraph 27 above;
30. On June 27, 2005, T. Ross signed an Assurance of Discontinuance with the Division, based on allegations of the staff of the Bureau of Registration and Enforcement that T. Ross offered unregistered securities to person in Wisconsin, and violated sec. 551.21(1), Wis. Stats.; and

