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## **State sanctions promoters of fraudulent time-share investment program** *Oregonians lose more than \$5 million in scheme*

(Salem) – The Oregon Department of Consumer and Business Services has levied fines in excess of \$2 million against American-, Mexican-, and Panamanian-based companies and individuals for unlawfully soliciting funds from Oregon residents in a complex investment scheme that raised more than \$428 million from investors nationwide. Oregon residents, many of them elderly, alone lost more than \$5 million.

The parties sold unregistered securities using numerous fraudulent misrepresentations. The securities involved the sale of time shares in Mexico's Yucatan Peninsula that would be rented by related or affiliated companies and were described as universal leases in exchange for a supposed high yearly return. In reality, there were few properties and almost no rental income, and funds obtained from the timeshare "purchases" were used to pay already-established investors, until the entire scheme collapsed under its own weight, according to final cease-and-desist orders issued by the department's Division of Finance and Corporate Securities (DFCS).

"It's unfortunate that many elderly Oregonians lost their hard-earned retirement funds by unwittingly investing in this scheme," said David Tatman, division administrator.

Named in the orders, among others, are Yucatan Resorts, Resorts Holdings International, and World Phantasy Tours. The division also took action against the scheme's founder, Michael E. Kelly of Indiana, as well as Ruttenberg and Associates Financial Marketing, based in Illinois, the firm that spearheaded the unlawful sales efforts in the Pacific Northwest. Each were assessed a \$300,000 fine.

The Oregon-based independent salespersons, who reaped lucrative commissions from their sales activities, include Stephen Monroe, Portland; Dale Lauder, Wilsonville; Roger Stewart, Douglas Laird, and Bill Boedeker (aka Billy Lynn Boedeker), North Bend; Lawrence Beard and Joel Whaley, Prineville; Kenneth Christensen, Bend; Royal Edwards, Redmond; and James Theeler, Salem. In total, salespersons were assessed fines in the amount of \$738,525. The division's orders strictly prohibit them from raising capital, formally or informally, from other individuals for use or investment on their behalf. Because eight of the salespersons were insurance agents, the department's Insurance Division is also investigating.

Oregon is not the only government entity to take action against some of those involved: at least 10 state securities regulators have filed or concluded civil action; the U.S. Securities and Exchange Commission has a pending civil case, and the U.S. Department of Justice has a pending criminal case.

Tatman encouraged investors to contact the division before making any type of investment to determine if the salesperson is licensed.

“While the subject of the fraudulent investments can be diverse – from timeshares to technology to commodities like silver and gold – the one characteristic they share is that they are sold by agents who are not licensed to sell securities,” Tatman said. “State licenses are not ‘one-size-fits-all.’ For example, an insurance agent is by no means automatically authorized to sell investments.”

Investors should look for “red flags” such as the lack of meaningful information on a potential investment opportunity. “In this case, investors received almost no information about the company involved, especially their capitalization and operating histories,” Tatman said.

DFCS advises consumers to do their homework before doing business with any financial professional. To check an individual’s credentials and licensing history, call DFCS toll-free in Oregon at 1-866-814-9710, 503-378-4140, or go to [www.dfcs.oregon.gov](http://www.dfcs.oregon.gov).

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The Division of Finance and Corporate Securities (DFCS) helps ensure that a wide range of financial products and services are available to Oregonians and protects consumers from financial fraud and abuse. It does that by licensing financial institutions and service providers, regulating the sale of securities in Oregon, investigating complaints and alleged violations of financial-service laws, and providing education and other resources to consumers.

The Department of Consumer and Business Services is Oregon’s largest business regulatory and consumer protection agency. For more information, visit [www.dcbs.oregon.gov](http://www.dcbs.oregon.gov).