

1 DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
2 DIVISION OF FINANCE AND CORPORATE SECURITIES
3 ENFORCEMENT SECTION
4 BEFORE THE DIRECTOR OF THE DEPARTMENT OF CONSUMER AND
5 BUSINESS SERVICES

6 In the Matter of:

) S-07-0043-12

7 MICHAEL KELLY, YUCATAN)
8 RESORTS a/k/a AVALON RESORTS,)
9 YUCATAN RESORTS, S.A., RESORT)
10 HOLDINGS INTERNATIONAL, INC.,)
11 RESORT HOLDINGS)
12 INTERNATIONAL, S.A., WORLD)
13 PHANTASY TOURS a/k/a MAJESTY)
14 TRAVEL a/k/a VIAJES MAJESTY,)
15 GALAXY PROPERTIES)
16 MANAGEMENT, S.A., GABRIEL)
17 ESCALANTE, RUTTENBERG AND)
18 ASSOCIATES FINANCIAL)
19 MARKETING, INC., MARK)
20 RUTTENBERG, RICK GREENE,)
21 ROGER STEWART, DOUGLAS)
22 LAIRD, STEPHEN MONROE,)
23 LAWRENCE BEARD, KENNETH)
24 CHRISTENSEN, ROYAL EDWARDS,)
25 JOEL WHALEY, and DALE LAUDER,)

) ORDER TO CEASE AND DESIST,
) DENYING EXEMPTIONS, AND
) ASSESSING CIVIL PENALTIES
) ENTERED BY CONSENT AS TO
) ROGER STEWART ONLY

26 _____ Respondents.

18 WHEREAS, the Director of the Oregon Department of Consumer and Business
19 Services, Division of Finance and Corporate Securities (hereafter the "Director"), acting by
20 and pursuant to the authority of the Oregon Securities Law, ORS 59.005 *et. seq.*, and other
21 applicable authority, has a pending investigation into the activities of MICHAEL KELLY
22 (hereafter "Kelly"), YUCATAN RESORTS a/k/a AVALON RESORTS and YUCATAN
23 RESORTS, S.A. (hereafter "Yucatan Resorts"), RESORT HOLDINGS
24 INTERNATIONAL, INC. and RESORT HOLDINGS INTERNATIONAL, S.A.
25 (hereafter "Resort Holdings International"), WORLD PHANTASY TOURS a/k/a
26 MAJESTY TRAVEL a/k/a VIAJES MAJESTY (hereafter "World Phantasy Tours"),



1 incarceration) of P.O. Box 2661, South Bend, Indiana, 46680. Kelly has never been licensed
2 to sell securities by the State of Oregon.

3 2. **YUCATAN RESORTS**, at all times material herein, sold investments in its
4 “universal lease” investment program through independent sales agents nationwide. Yucatan
5 Resorts, an unincorporated entity, has a last known mailing address of P.O. Box 2661, South
6 Bend, Indiana, 46680. **YUCATAN RESORTS, S.A.**, a Panamanian corporation, was the
7 Mexican affiliate of Yucatan Resorts. Yucatan Resorts, S.A. has a last known mailing address
8 of Avenida Coba #82, Lote 10, 3er. Piso, Cancun, Quintana Roo, Mexico C.P. 77500.
9 Yucatan Resorts and Yucatan Resorts, S.A. have never been licensed to sell securities by the
10 State of Oregon.

11 3. **RESORT HOLDINGS INTERNATIONAL, INC.**, at all times material herein,
12 directed the marketing of investments in the “universal lease” program on behalf of its parent
13 entity, **YUCATAN RESORTS**. Resort Holdings International, Inc., a Nevada corporation
14 (Nevada Secretary of State #C17535-1999) incorporated on July 16, 1999, has a last known
15 mailing address of P.O. Box 2661, South Bend, Indiana, 46680. **RESORT HOLDINGS**
16 **INTERNATIONAL, S.A.** a Panamanian corporation, was the Mexican affiliate of Resort
17 Holdings International, Inc. Resort Holdings International, S.A. has a last known mailing
18 address of Avenida Coba #82, Lote 10, 3er. Piso, Cancun, Quintana Roo, Mexico C.P. 77500.
19 Resort Holdings International and Resort Holdings International, S.A. have never been
20 licensed to sell securities by the State of Oregon.

21 4. **WORLD PHANTASY TOURS**, at all times material herein, acted as the self
22 described “servicing agent” for the “universal lease” investment program on behalf of its
23 parent entity, **YUCATAN RESORTS**. World Phantasy Tours, a Panamanian corporation, has
24 a last known mailing address of Calle Eusebio A. Morales, Edificio Atlántida, P. Baja,
25 APDO. 8301, Zona 7 Panama. **WORLD PHANTASY TOURS** has never been licensed to
26 sell securities by the State of Oregon.



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1 5. **GALAXY PROPERTIES MANAGEMENT, S.A.**, at all times material herein,
2 purported to be the successor entity to **WORLD PHANTASY TOURS**. Galaxy Properties
3 Management, S.A., a Panamanian corporation, has a last known mailing address of Calle
4 Eusebio A. Morales, Edificio Atlántida, P. Baja, APDO. 8301, Zona 7 Panama. Galaxy
5 Properties Management has never been licensed to sell securities by the State of Oregon.

6 6. Gabriel **ESCALANTE**, at all times material herein, was the President of both
7 **WORLD PHANTASY TOURS** and **GALAXY PROPERTIES MANAGEMENT**,
8 reporting directly to **KELLY**. Escalante has a last known mailing address of Calle Eusebio A.
9 Morales, Edificio Atlántida, P. Baja, APDO. 8301, Zona 7 Panama. Escalante has never been
10 licensed to sell securities by the State of Oregon.

11 7. **RUTTENBERG AND ASSOCIATES FINANCIAL MARKETING, INC.**, at
12 all times material herein, recruited and managed the independent sales agents that sold
13 investments in the **YUCATAN RESORTS** "universal lease" program to members of the
14 public. Rutenberg and Associates Financial Marketing, Inc., an Illinois corporation (Illinois
15 Secretary of State Corporation #60496226) incorporated on May 13, 1999, has a last known
16 mailing address of 210 Landmark Drive, Suite B, Normal, Illinois 61761. Rutenberg and
17 Associates Financial Marketing has never been licensed to sell securities by the State of
18 Oregon.

19 8. Mark **RUTTENBERG** was, at all times material herein, the President and CEO of
20 **RUTTENBERG AND ASSOCIATES FINANCIAL MARKETING**. Rutenberg has a last
21 known mailing address of 210 Landmark Drive, Suite B, Normal, Illinois 61761. Rutenberg
22 has never been licensed to sell securities by the State of Oregon.

23 9. Rick **GREENE** was, at all times material herein, a Vice President of
24 **RUTTENBERG AND ASSOCIATES FINANCIAL MARKETING**. Greene has a last
25 known mailing address of 210 Landmark Drive, Suite B, Normal, Illinois 61761. Greene has
26 never been licensed to sell securities by the State of Oregon.

1 10. Roger **STEWART** was, at all times material herein, a sales agent for the
2 **YUCATAN RESORTS** “universal lease” investment program in Oregon. Stewart sold
3 “universal lease” investments directly to members of the public. Stewart has a last known
4 mailing address of P.O. Box 727, North Bend, Oregon 97459. Stewart has never been licensed
5 to sell securities by the State of Oregon.

6 11. Douglas **LAIRD** was, at all times material herein, a sales agent for the
7 **YUCATAN RESORTS** “universal lease” investment program in Oregon. Laird sold
8 “universal lease” investments directly to members of the public. Laird has a last known
9 mailing address of 625 Virginia Avenue, North Bend, Oregon 97459. Laird has never been
10 licensed to sell securities by the State of Oregon.

11 12. Stephen **MONROE** (CRD# 1016204) was, at all times material herein, a sales
12 agent for the **YUCATAN RESORTS** “universal lease” investment program in Oregon.
13 Monroe sold “universal lease” investments directly to members of the public. Monroe has a
14 last known mailing address of P.O. Box 30285, Portland, Oregon 97294. Monroe, who held a
15 limited securities license that permitted him to engage in sales of mutual funds and variable
16 annuities from March 1993 to December 2001, was not licensed to sell any other types of
17 securities by the State of Oregon.

18 13. Lawrence **BEARD** was, at all times material herein, a sales agent for the
19 **YUCATAN RESORTS** “universal lease” investment program in Oregon. Beard sold
20 “universal lease” investments directly to members of the public. Beard has a last known
21 mailing address of 597 SE Knight Street, Prineville, Oregon 97754. Beard has never been
22 licensed to sell securities by the State of Oregon.

23 14. Kenneth **CHRISTENSEN** was, at all times material herein, a sales agent for the
24 **YUCATAN RESORTS** “universal lease” investment program in Oregon. Christensen sold
25 “universal lease” investments directly to members of the public. Christensen has a last known
26



1 mailing address of P.O. Box 791, Bend, Oregon 97709. Christensen has never been licensed
2 to sell securities by the State of Oregon.

3 15. Royal **EDWARDS** was, at all times material herein, a sales agent for the
4 **YUCATAN RESORTS** “universal lease” investment program in Oregon. Edwards sold
5 “universal lease” investments directly to members of the public. Edwards has a last known
6 mailing address of P.O. Box 359, Redmond, Oregon 97756. Edwards has never been licensed
7 to sell securities by the State of Oregon.

8 16. Joel **WHALEY** was, at all times material herein, a sales agent for the **YUCATAN**
9 **RESORTS** “universal lease” investment program in Oregon. Whaley sold “universal lease”
10 investments directly to members of the public. Whaley has a last known mailing address of
11 3403 NW Brookfield Lane, Prineville, Oregon 97754. Whaley has never been licensed to sell
12 securities by the State of Oregon.

13 17. Dale **LAUDER** (CRD# #3045584) was, at all times material herein, a sales agent
14 for the **YUCATAN RESORTS** “universal lease” investment program in Oregon. Lauder sold
15 “universal lease” investments directly to members of the public. Lauder has a last known
16 mailing address of 29030 SW Town Center Loop E, Suite 202, Wilsonville, Oregon 97070.
17 Lauder, who held a limited securities license that permitted him to engage in sales of mutual
18 funds and variable annuities from April 1998 to April 1999, was not licensed to sell any other
19 types of securities by the State of Oregon.

20 18. Bill Boedeker a/k/a Billy Lynn Boedeker was, at all times material herein, a sales
21 agent for the **YUCATAN RESORTS** “universal lease” investment program in Oregon.
22 Boedeker sold “universal lease” investments directly to members of the public. In addition,
23 Boedeker actively recruited other sales agents on behalf of **RUTTENBERG AND**
24 **ASSOCIATES FINANCIAL MARKETING**. Boedeker has a last known mailing address of
25 2245 Broadway, North Bend, Oregon 97459. Boedeker has never been licensed to sell
26 securities by the State of Oregon. Boedeker, who is not a Respondent to this Order, has



1 previously consented to the entry of an Order to Cease and Desist involving his role in the
2 Yucatan Resorts "universal lease" program. (Division of Finance and Corporate Securities
3 Order No. S-06-0026.)

4 **Part Two: Respondents' Roles In The Universal Lease Program**

5 19. **YUCATAN RESORTS** purportedly owned and operated several vacation resorts
6 in the Caribbean. Yucatan Resorts, through its CEO, **KELLY**, began offering what it called
7 its "universal lease" in December 1999. The "universal lease" investment program involved
8 the purchase of a "timeshare" interest (the ability to use a resort room for a one week period
9 of time bi-annually) in a Yucatan or Avalon resort. However, the investor, concurrent with
10 their "timeshare" purchase, immediately assigned all rights in connection with the timeshare
11 to a "servicing agent", **WORLD PHANTASY TOURS**, in exchange for a return equal to
12 either 9% or 11% of the purchase price, per year. (World Phantasy Tours purportedly
13 generated funds to fuel such ample returns by leasing the timeshare in question to the general
14 public.) Investors were told by sales agents that at the conclusion of a 36-month period the
15 entirety of their original purchase price could be refunded.

16 20. **RESORT HOLDINGS INTERNATIONAL** directed the marketing and
17 distribution efforts of **YUCATAN RESORTS**, its parent. Resort Holdings International
18 touted investments in properties purportedly owned by Yucatan Resorts. Resort Holdings
19 International's name appeared in the brochures, purchase contracts, and glossy magazines it
20 distributed to members of the public. In addition, Resort Holdings International hired
21 **RUTTENBERG AND ASSOCIATES FINANCIAL MARKETING** to recruit and manage
22 sales agents for the Yucatan Resorts "universal lease" investment program.

23 21. **WORLD PHANTASY TOURS**, which also did business under the Majesty
24 Travel and Viejas Majesty names, was purportedly a resort management and travel agency.
25 World Phantasy Tours was the "servicing agent" for the **YUCATAN RESORTS** "universal
26 lease" program, whose responsibilities included renting out investors' timeshares, remitting



1 promised returns to investors, and, re-purchasing timeshares from investors. **GALAXY**
2 **PROPERTIES MANAGEMENT**, the alleged successor entity to World Phantasy Tours,
3 performed similar services. **KELLY** owned both World Phantasy Tours and Galaxy
4 Properties Management.

5 22. **RUTTENBERG AND ASSOCIATES FINANCIAL MARKETING**, through
6 its President, Mark **RUTTENBERG**, and its Vice President, Rick **GREENE**, recruited
7 independent insurance agents across the United States, including Oregon, to sell the
8 **YUCATAN RESORTS** “universal lease” investment to their existing clientele in exchange
9 for sales commissions of between 10-15%.

10 23. **STEWART, LAIRD, MONROE, BEARD, CHRISTENSEN, EDWARDS,**
11 **WHALEY**, and **LAUDER** sold investments in the **YUCATAN RESORTS** “universal lease”
12 investment program to insurance clients to whom they had previously sold traditional
13 insurance products. The agents heavily emphasized the high returns offered by Yucatan
14 Resorts (9% or 11% per year for a 25 year period) while entirely ignoring the many hazards
15 associated with this risky investment.

16 **Part Three: Components Of The Yucatan Resorts “Universal Lease”**

17 24. The **YUCATAN RESORTS** “universal lease” investment program’s terms were
18 contained in three documents investors executed concurrently: first, the Yucatan Resorts
19 “Universal Lease Application, Disclosure, and Agreement”; second, the “Viajes Majesty
20 Universal Lease Servicing Agreement”; third, the World Phantasy Tours “Compensation
21 Addendum.” (The title and contents of each document changed slightly throughout the life of
22 the “universal lease” program.)

23 25. The **YUCATAN RESORTS** “universal lease” agreement purported to be valid for
24 a 25 year period, with each party having an option to renew the agreement for an additional
25 20 year period. In exchange for a minimum investment of \$5,000 (the agreement referenced
26



1 no maximum investment amount), investors received the right to lodging at an unspecified
2 Yucatan resort for one 7 day stay every 2 years.

3 26. Investors were required to choose one of three putative options when completing
4 the **YUCATAN RESORTS** “universal lease” agreement. First, investors could, ostensibly,
5 choose to utilize their timeshare rights themselves. Second, investors could, ostensibly,
6 choose to rent out their timeshare rights on their own. Third, investors could retain a
7 “servicing agent” to rent their timeshare on their behalf, in which case they would receive a
8 specified investment return. All Oregon investors chose the third option.

9 27. Under the first **YUCATAN RESORTS** “universal lease” agreement option, the
10 investor renounced any financial return from the Yucatan entities in order to use the timeshare
11 unit for their own vacation purposes. However, an investor that chose option one would not be
12 able to select the date of their usage, the resort they would stay at, or the attributes of their
13 lodging, all of which would be randomly assigned to them. Furthermore, each option one
14 investor was required to pay an assessment of between \$380-\$645 per year to Yucatan
15 Resorts to cover taxes, insurance, and common area maintenance. As a matter of economic
16 reality this option was entirely illusory, as the Oregon investors, who entered into the
17 “universal lease” program solely for the attractive financial returns, did not invest tens of
18 thousands of dollars with insurance agents in order to make vacation arrangements.

19 28. Under the second **YUCATAN RESORTS** “universal leave” agreement option, the
20 investor renounced any financial return from the Yucatan entities in order to rent out their
21 assigned timeshare interest themselves. However, an investor that chose option two would not
22 be able to select the date they would be entitled to usage, the resort they would be entitled to
23 stay at, or the attributes of their lodging – all key to an investor’s ability to successfully rent
24 their unit at a financially attractive price. Additionally, each option two investor was required
25 to pay an assessment of between \$380-\$645 per year to Yucatan Resorts to cover taxes,
26 insurance, and common area maintenance. As a matter of economic reality this option was

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1 entirely illusory, as the Oregon investors, who entered into the “universal lease” solely for the
2 attractive financial returns, did not invest tens of thousands of dollars with insurance agents in
3 order to purchase the right to sublet an uncertain property interest in a foreign country whose
4 language is not English, left entirely to their own devices. In fact, the offering materials
5 expressly convey the impracticality of this option by warning investors that “self-renting” will
6 bring in less revenue than would use of a professional third party “servicing agent.”

7 29. The third **YUCATAN RESORTS** “universal leave” agreement option constituted,
8 as a matter of economic reality, the true Yucatan Resorts “universal lease” investment
9 program. This was the option that **RESORT HOLDINGS INTERNATIONAL** sales
10 literature highlighted and Oregon sales agents emphasized. Under this option, the investor
11 selected a professional “servicing agent” to rent out their timeshare interest in exchange for
12 pre-determined financial returns, tendered to them regardless of whether the timeshare was
13 actually sub-leased. Investors prior to 2002 were promised returns of 11% per year, while
14 later investors were told they would receive a 9% return each year. **KELLY** created the
15 “universal lease” investment program with the intent that all investors select option 3.

16 30. Although **YUCATAN RESORTS** “universal lease” investors could theoretically
17 choose any so-called “servicing company”, investors were advised that they would only
18 receive the 9% or 11% annual returns if they selected **WORLD PHANTASY TOURS**.
19 World Phantasy Tours was heavily touted in **RESORT HOLDINGS INTERNATIONAL**
20 sales materials and by Oregon sales agents, who did not present information about any other
21 “servicing company” to prospective investors. Investors selected World Phantasy Tours by
22 executing the Viajes Majesty Universal Lease Servicing Agreement and the World Phantasy
23 Tours Compensation Addendum.

24 31. The **WORLD PHANTASY TOURS** Compensation Addendum required
25 **YUCATAN RESORTS** investors to select one of three different formulas for the purpose of
26 calculating their investment returns. First, investors could opt to receive 60% of [80% of the

1 resort's "rack rate" (an unspecified figure)] as rental compensation for their timeshare.
2 Second, investors could choose to receive a flat 4% of their purchase price as rental
3 compensation for their timeshare. The third choice, universally adopted by Oregon investors,
4 deemed 4% of the investor's purchase price to be annual rental compensation (6% prior to
5 2002), with an additional 5% per year "premium" if investors gave World Phantasy Tours the
6 option to re-purchase their timeshare unit at the original purchase price 36 months (or later)
7 after commencement of the Viajes Majesty Universal Lease Servicing Agreement.

8 32. **WORLD PHANTASY TOURS** offered **YUCATAN RESORTS** "universal
9 lease" investors four choices with respect to the timing of payment of their investment returns.
10 They could receive interest payments on a monthly, quarterly, or annual basis. In addition,
11 investors were given the option of having their interest payments "accumulate", much in the
12 way a stock or bond fund allows dividends to be reinvested. As an incentive to "accumulate",
13 investors were told that interest would be added to the "value" of their universal lease, and
14 future returns would then be computed on this compounded amount.

15 33. The final component of the **YUCATAN RESORTS** "universal lease" investment
16 program consisted of Yucatan's offer to refund surrender or liquidation penalties incurred by
17 those investors that transferred funds from other holdings, including Individual Retirement
18 Accounts, to invest in the Yucatan Resorts "universal lease" program. Yucatan promised to
19 tender 100% of any surrender charges up to an amount equivalent to 5% of an individual's
20 "universal lease" investment. (By way of example, an investor that was assessed a \$7,000
21 surrender charge as a result of withdrawing \$100,000 from an annuity to make a "universal
22 lease" investment would receive \$5,000 back from Yucatan.)

23 34. The **YUCATAN RESORTS** "universal lease" program was designed to be, and
24 was touted as, an entirely passive investment. Once the investor executed the bundled
25 purchase related documents and tendered a check to the sales agent, they had no additional
26 responsibilities, decisions, or tasks in connection with the "universal lease" investment.



1 **Part Four: The Universal Lease Sales Process**

2 35. Immediately prior to the commencement of the **YUCATAN RESORTS**
3 “universal lease” investment program **KELLY** sold interests in nine-month promissory notes
4 issued by “Yucatan Investments, Inc.”, an entity he owned and controlled. Kelly used
5 independent insurance agents to sell the notes because, according to him, they had access to
6 clients with substantial annuity policies and IRA accounts that could be rapidly liquidated. To
7 replicate this model on a broader scale, Kelly, through **RESORT HOLDINGS**
8 **INTERNATIONAL**, retained **RUTTENBERG AND ASSOCIATES FINANCIAL**
9 **MARKETING**.

10 36. **RUTTENBERG AND ASSOCIATES FINANCIAL MARKETING** had
11 previously recruited independent insurance agents to sell unregistered securities (see Division
12 of Finance and Corporate Securities Order No. S-05-0040). The firm lured insurance agents
13 by advertising in direct marketing publications, offering sales commissions more generous
14 than agents could garner from the sale of traditional insurance products. Agents retained by
15 Ruttenberg and Associates Financial Marketing sometimes sold interests in different
16 unregistered securities concurrently. Mark **RUTTENBERG** and Rick **GREENE** recruited
17 independent insurance agents to be **YUCATAN RESORTS** sales agents in Oregon.

18 37. In December 1999 **RUTTENBERG AND ASSOCIATES FINANCIAL**
19 **MARKETING** contacted insurance agents the company had established a successful working
20 relationship with in the past to avail them of the chance to act as a “Managing General Agent”
21 for the **YUCATAN RESORTS** “universal lease” program. The Managing General Agent,
22 though free to sell the investment to his or her clients, was also charged with recruiting other
23 insurance agents in that state to solicit investments in the “universal lease” program. Bill
24 Boedeker, who signed a Yucatan Resorts “Managing General Agent Agreement” on
25 December 16, 1999, served in this capacity for the Oregon market. (This was not an
26

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1 “exclusive” agreement, as Ruttenberg and Associates Financial Marketing remained free to,
2 and did, recruit additional Oregon agents on its own.)

3 38. **RESORT HOLDINGS INTERNATIONAL** paid **RUTTENBERG AND**
4 **ASSOCIATES FINANCIAL MARKETING** 18% of every “universal lease” sold as its
5 compensation. Ruttenberg and Associates Financial Marketing, in turn, paid sales agents
6 between 10%-15% of every “universal lease” they sold as compensation, and pocketed the
7 difference. (After paying sales agents, Ruttenberg and Associates Financial Marketing earned
8 a net amount of \$6,400,000 in commissions nationwide during the course of the **YUCATAN**
9 **RESORTS** “universal lease” program.)

10 39. **KELLY**, through **RESORT HOLDINGS INTERNATIONAL**, required
11 prospective “universal lease” sales agents to travel to Cancun, Mexico – at **YUCATAN**
12 **RESORTS**’ expense – to receive sales training. All of the Oregon based “universal lease”
13 salespersons traveled to Cancun for this purpose. Kelly personally conducted the training
14 sessions, which were held in groups of between 8-12, from 1999 to 2003. In addition, Kelly
15 met with prospective sales agents individually on an informal basis during their stay.

16 40. **KELLY** provided prospective sales agents with an explanation of the **YUCATAN**
17 **RESORTS** “universal lease” program, placing emphasis on those aspects of the investment
18 that clients would likely find to be most attractive. Areas of coverage included the high rates
19 of return, the long period of time (25 years) over which such returns could be garnered, and
20 the company’s refund of surrender penalties incurred when garnering funds from other assets.
21 Kelly made no mention of scenarios in which investors were to use the timeshare themselves
22 (option one) or rent the timeshare out on their own (option two), explicitly asserting that sales
23 agents should emphasize the selection of **WORLD PHANTASY TOURS** (option three, the
24 only choice for which sales agents would be paid a commission). When quizzed by
25 prospective Oregon agents on how they should respond to queries regarding the company’s
26



1 use of their funds, Kelly stated that members of the public should merely be told that their
2 funds would be generally used to allow Yucatan Resorts to expand.

3 41. Once sales agents completed their training and signed the **YUCATAN RESORTS**
4 General Agent contract, **RUTTENBERG AND ASSOCIATES FINANCIAL**
5 **MARKETING** supplied them with promotional materials and brochures for use in their sales
6 efforts with prospective investors, as well as copies of contracts and forms necessary to
7 process transactions. No further training was otherwise given to sales agents.

8 42. Generally, **YUCATAN RESORTS** sales agents only solicited individuals that
9 they had previously sold traditional insurance products to in the past. However, two sales
10 agents, Boedeker and **STEWART**, placed newspaper advertisements in local periodicals
11 soliciting members of the public without specific mention of Yucatan Resorts. The text of one
12 ad ("You could be earning 9% interest! No Market Risk, Secure, Immediate Interest Income.
13 Excellent Alternative for CDs, Money Markets, IRAs, etc.") concisely summarizes the
14 essence of agents' overall sales pitch to prospective Yucatan Resorts "universal lease"
15 investors.

16 43. **YUCATAN RESORTS** sales agents typically contacted their insurance clients by
17 telephone and asked to meet with them, usually at their residence, to discuss an unspecified
18 investment bearing high rates of return. Once face to face, sales agents described an
19 opportunity to invest in timeshares offered by a company with a group of Caribbean vacation
20 resorts. Sales agents hammered on three specific themes during their sales pitch. First, agents
21 concentrated on the investor's ability to earn a very high rate of interest (either 9% or 11%), a
22 return that would remain constant over 25 years at a point in time when bank savings accounts
23 and certificates of deposit were generating sparse yields. Second, sales agents emphasized the
24 safety and security of the "universal lease", noting that the resorts owned by Yucatan Resorts
25 were debt-free and unencumbered, with the properties amply insured and investors retaining
26 "first liens." Third, agents accentuated the purported liquidity of the "universal lease": interest

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1 payments could be made as frequently as monthly, and after three years investors could get
2 their funds back at any point in time.

3 44. Oral presentations given by Oregon based **YUCATAN RESORTS** sales agents
4 were uniformly positive; prospective investors were not given information about any of the
5 many risks entering into the Yucatan Resorts “universal lease” arrangement entailed. Sales
6 agents did not discuss company finances, the difficulties **WORLD PHANTASY TOURS**
7 could encounter when attempting to generate sufficient rental income to make interest
8 payments to investors, or the disciplinary history **KELLY** had accrued with regulatory
9 authorities.

10 45. Oregon based **YUCATAN RESORTS** sales agents differed in the manner and
11 extent to which they utilized written documents, brochures, and charts as part of the
12 “universal lease” sales process. Some agents highlighted particular text as part of their face to
13 face communication, while others merely left brochures for prospective investors to review at
14 their convenience. The nature of sales literature ranged from glossy magazine length
15 portfolios to single sheet summaries. By way of example, **MONROE** utilized a chart with
16 “talking points” for clients describing the soundness of the **YUCATAN RESORTS**
17 investment. It states “*Universal Lease: Why Is This Investment Safe?*” 1. *investment is fully*
18 *collateralized – investor/leaseholder has a 1st lien against highly sought after vacation*
19 *property which is 100% DEBT FREE... something tangible insures the return of your*
20 *investment plus profit! 2. Location, location, location. 3. The Mexican Government wants*
21 *Tourism!”*

22 46. Oregon based **YUCATAN RESORTS** sales agents did not conduct an
23 individualized assessment of whether the Yucatan Resorts “universal lease” investment was
24 appropriate for each prospective investor’s financial needs. To the contrary, they convinced
25 many investors to invest the entirety of their savings in the “universal lease” investment
26



1 program. In one instance, **MONROE** convinced a client to secure a reverse mortgage on her
2 home and invest all proceeds with Yucatan Resorts.

3 47. Some individuals invested at the conclusion of the initial sales presentation, while
4 others forwarded the required contracts along with a check made payable, depending on the
5 date of the investment, to either **YUCATAN RESORTS** or **RESORT HOLDINGS**
6 **INTERNATIONAL**, to their sales agent by mail. Sales agents forwarded the documents to
7 Resort Holdings International; within two weeks they received their commission and investors
8 received a "welcome" letter from Yucatan Resorts.

9 **Part Five: Oregon Based Yucatan Resorts Sales Agents**

10 48. Bill Boedeker was a "Managing General Agent" for the **YUCATAN RESORTS**
11 "universal lease" investment program. Based in North Bend, Boedeker was recruited as a
12 sales agent by **MARK RUTTENBERG** on behalf of **RUTTENBERG AND ASSOCIATES**
13 **FINANCIAL MARKETING**. Boedeker sold "universal lease" investments to 12 Oregon
14 residents, who invested a total of \$290,740.77 through him. He received 15% of this sum as a
15 sales commission.

16 49. Roger **STEWART** was a sales agent for the **YUCATAN RESORTS** "universal
17 lease" investment program. Based in North Bend, Stewart was recruited to be a sales agent by
18 Bill Boedeker. Stewart sold "universal lease" investments to 11 Oregon residents, who
19 invested a total of \$441,688.77 through him. He received 13% of this sum as a sales
20 commission.

21 50. Douglas **LAIRD** was a sales agent for the **YUCATAN RESORTS** "universal
22 lease" investment program. Based in North Bend, Laird was recruited to be a sales agent by
23 Bill Boedeker. Laird sold "universal lease" investments to 17 Oregon residents, who invested
24 a total of \$831,175.10 through him. He received 12% of this sum as a sales commission.

25 51. Stephen **MONROE** was a sales agent for the **YUCATAN RESORTS** "universal
26 lease" investment program. Based in the Portland area, Monroe was recruited to be a sales



1 agent by Rick **GREENE** on behalf of **RUTTENBERG AND ASSOCIATES FINANCIAL**
2 **MARKETING**. Monroe sold "universal lease" investments to 41 Oregon residents, who
3 invested a total of \$1,051,215.20 through him. He received 13% of this sum as a sales
4 commission.

5 52. **MONROE** employed two aliases when acting as a sales agent for the **YUCATAN**
6 **RESORTS** "universal lease" program. Although he personally interacted with his clients
7 without the assistance of other individuals, Stephen Monroe instructed his brother, Bradley
8 Monroe, to open a bank account at Portland Teachers Credit Union. Stephen Monroe arranged
9 for his brother, an occasional clerical employee of his, to register as a Yucatan Resorts
10 "universal lease" sales agent, and submitted approximately one-third of new "universal lease"
11 business to **RESORT HOLDINGS INTERNATIONAL** under Bradley Monroe's name. In
12 response, Resort Holdings International issued commission checks to Bradley, which Stephen
13 Monroe endorsed, deposited in Bradley's Portland Teachers Credit Union account, and
14 withdrew for his personal use. On information and belief, Monroe engaged in this conduct to
15 hide income from his soon to be ex-wife.

16 53. Lawrence **BEARD** was a sales agent for the **YUCATAN RESORTS** "universal
17 lease" investment program. Based in Prineville, Beard was recruited to be a sales agent by
18 Joel **WHALEY**. Beard sold "universal lease" investments to 47 Oregon residents, who
19 invested a total of \$1,355,294.60 through him. At the commencement of his sales efforts
20 Beard received a 10% commission, but his heightened production yielded an increase in his
21 compensation to 13%.

22 54. Kenneth **CHRISTENSEN** was a sales agent for the **YUCATAN RESORTS**
23 "universal lease" investment program. Based in Bend, Christensen was recruited to be a sales
24 agent by Larry **BEARD**. Christensen sold "universal lease" investments to 2 Oregon
25 residents, who invested a total of \$95,000 through him. He received 10% of this sum as a
26 sales commission.



1 55. Royal **EDWARDS** was a sales agent for the **YUCATAN RESORTS** “universal
2 lease” investment program. Based in Redmond, Edwards was recruited to be a sales agent by
3 Larry **BEARD**. Edwards sold “universal lease” investments to 7 Oregon residents, who
4 invested \$104,477.05. He received 10% of this sum as a sales commission.

5 56. Joel **WHALEY** was a sales agent for the **YUCATAN RESORTS** “universal
6 lease” investment program. Based in Prineville, Whaley sold “universal lease” investments to
7 at least one Oregon resident. Whaley sold “universal lease” investment to 19 Oregon
8 residents, who invested a total of \$898,005.60.

9 57. Dale **LAUDER** was a sales agent for the **YUCATAN RESORTS** “universal
10 lease” investment program. Based in Wilsonville, Lauder sold “universal lease” investments
11 to at least one Oregon resident.

12 **Part Six: Misrepresentations and Omissions in the Sales Process**

13 58. Respondents failed to disclose information about the true financial condition of
14 **YUCATAN RESORTS, RESORT HOLDINGS INTERNATIONAL, WORLD**
15 **PHANTASY TOURS, and KELLY**. Prospective investors were not given audited or
16 unaudited financial statements, or any other documents by which they could have
17 independently gauged the fiscal health of the businesses they were investing in and of the
18 individual managing those entities.

19 59. Respondents failed to disclose accurate information about the use to which
20 investor funds would be put by **YUCATAN RESORTS**. Investors were told that funds would
21 go toward the expansion of the Yucatan resort system. In point of fact, the majority of funds
22 tendered to Yucatan Resorts and/or **RESORT HOLDINGS INTERNATIONAL** by new
23 investors were used to make outstanding interest payments to existing investors, to pay
24 commissions to those in the Yucatan Resorts sales chain, to make payments to investors in
25 **KELLY**’s previous undertaking (the nine-month promissory notes issued by “Yucatan
26 Investments, Inc.”), to fund an automotive company (Avanti U.S.) Kelly owned, to fund an

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1 industrial leasing company (DMK U.S.) Kelly owned, and to fund the lavish lifestyle of Kelly
2 and his relatives.

3 60. Respondents failed to disclose accurate information about the relationship between
4 **YUCATAN RESORTS, RESORT HOLDINGS INTERNATIONAL, and WORLD**
5 **PHANTASY TOURS**. Investors were specifically told that these three companies were
6 entirely independent of each other. In point of fact, all three were owned and controlled by a
7 single individual, **KELLY**, for his own business purposes.

8 61. Respondents failed to disclose accurate information about **KELLY**'s managerial
9 experience in the travel and leisure industry. Prospective investors were not advised that Kelly
10 had no prior experience running hotels or resorts before founding Yucatan Resorts.
11 Furthermore, prospective investors were not informed that Kelly's most recent venture had
12 been as promoter of "Yucatan Investment Corporation", an entity that sold \$25,000,000 in
13 unlawful nine-month promissory notes bearing 10.75% interest rates, for which he had been
14 formally sanctioned by New Mexico, South Carolina, and Connecticut securities regulators.

15 62. Respondents failed to disclose known, foreseeable risk factors in connection with
16 investments in entities operating foreign vacation resorts designed to generate rental income.
17 Prospective investors were not informed that, *inter alia*, the travel business is cyclical and
18 highly dependent on the condition of the domestic U.S. economy, the competition includes
19 resorts owned by large, well capitalized corporate entities, and the rise of the internet has
20 caused, and will continue to cause, substantial disruption to previously successful travel
21 industry business models.

22 63. Respondents specifically told prospective investors that the **YUCATAN**
23 **RESORTS** "universal lease" investment was safe when it was heavily laden with risk.
24 Respondents repeatedly informed Oregon residents that the "universal lease" program was
25 fully insured. In point of fact, although the properties may have been covered by casualty
26 insurance in the event of theft or damage, the underlying "universal lease" investments were

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1 not insured. Additionally, Respondents told prospective investors that the resorts were “debt-
2 free” and that investors had a “1st lien” on properties. The fair market value of the few
3 Yucatan owned properties never came close to the \$428,000,000 Americans invested
4 nationwide.

5 64. Respondents failed to disclose that a significant portion of their investment would
6 pay for the commission earned by the sales staff. While investors undoubtedly expected that
7 **YUCATAN RESORTS** would compensate its sales staff real estate-type commissions of 5-
8 6%, investors were not informed that financial marketing firms and sales agents would
9 receive 18% of every dollar invested.

10 65. Respondents specifically told prospective investors that **WORLD PHANTASY**
11 **TOURS**, the entity that would make interest payments to investors by generating income
12 from timeshare rentals, was an “*international travel consolidator/wholesaler... with Gross*
13 *sales over 60 million annually.*” In point of fact, World Phantasy Tours and its successor,
14 **GALAXY PROPERTIES MANAGEMENT** never had more than a handful of employees
15 and generated nearly no rental income at all.

16 66. Respondents failed to disclose that the **YUCATAN RESORTS** “universal lease”
17 investment program was a security under Oregon law, that the offering was not registered
18 with the State of Oregon, and that the insurance agents that sold the investment were not
19 licensed to sell this security by the State of Oregon. As a result, investors were not availed of
20 the vital protections afforded to them by Oregon law.

21 **Part Seven: The Universal Lease Program Collapses**

22 67. On June 3, 2004 **WORLD PHANTASY TOURS** suddenly notified “universal
23 lease” investors that it had ended its relationship with the “universal lease” program, whose
24 property “servicing” functions would be assumed by **GALAXY PROPERTIES**
25 **MANAGEMENT**. In September, 2004 Galaxy Properties Management sent “universal lease”
26 investors a new “rental management agreement” for their signature. This agreement limited



1 investors' returns to 5% per annum. Galaxy Properties Management had the same address as
2 World Phantasy Tours. **ESCALANTE** was the putative President of both entities.

3 68. In May 2005 **RESORT HOLDINGS INTERNATIONAL** informed "universal
4 lease" investors that **YUCATAN RESORTS** facilities had been damaged by a hurricane and,
5 as a result, interest payments would be "delayed." No further interest payments were ever
6 made to investors.

7 69. **YUCATAN RESORTS** "universal lease" investors flooded **YUCATAN**
8 **RESORTS, RESORT HOLDINGS INTERNATIONAL, and GALAXY PROPERTIES**
9 **MANAGEMENT** en masse with written requests to liquidate their leases and receive their
10 principal back, as the sales agents had assured them they could after 36 months had elapsed.
11 All such requests were refused because, investors were told, they had received an extra 5%
12 premium, per year, for having given **WORLD PHANTASY TOURS** or its successor – and
13 not the investor - the option to re-purchase investors' leases.

14 70. **YUCATAN RESORTS** and its affiliated entities raised \$428,000,000 nationwide
15 from 1999-2005. Yucatan Resorts and its affiliates raised \$5,450,867.18 from Oregon
16 residents between 2000-2004. Because most Oregon investors elected to "accumulate"
17 putative interest payments instead of receiving monthly, quarterly, or annual checks, nearly
18 the entirety of Oregon investors' principal has been lost.

19 71. The FBI arrested **KELLY** in January 2006. He is currently being held, pre-trial, on
20 a criminal fraud complaint filed in the U.S. District Court for the Northern District of Illinois.
21 (U.S. v Michael E. Kelly, Case No 06-CR-964).

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22 CONCLUSIONS OF LAW

23 The Director Concludes:

24 72. The interests in the **YUCATAN RESORTS** "universal lease" investment program
25 Respondents sold to Oregon residents are securities, as defined by ORS 59.015 (19) (a).

26

1 73. Respondents sold securities that were not registered with the Oregon Division of
2 Finance and Corporate Securities in or from the State of Oregon, in violation of ORS 59.055.

3 74. Respondents sold securities in or from the State of Oregon without being licensed
4 as a broker-dealer or general license broker-dealer salesperson, in violation of ORS 59.165
5 (1).

6 75. Respondents, in connection with the sale of **YUCATAN RESORTS** “universal
7 lease” investments to Oregon residents, omitted to state a material fact, in violation of ORS
8 59.135 (2), by failing to disclose information about the true financial condition of Yucatan
9 Resorts, **RESORT HOLDINGS INTERNATIONAL**, **WORLD PHANTASY TOURS**,
10 and **KELLY**. Prospective investors were not given audited or unaudited financial statements,
11 or other documents by which they could have independently gauged the fiscal health of the
12 businesses they were investing in and of the individual managing those entities.

13 76. Respondents, in connection with the sale of **YUCATAN RESORTS** “universal
14 lease” securities to Oregon residents, made an untrue statement of a material fact, in violation
15 of ORS 59.135 (2), by falsely representing that investor funds would be used to expand the
16 Yucatan resort system. In point of fact, the majority of funds tendered to Yucatan Resorts
17 and/or **RESORT HOLDINGS INTERNATIONAL** by new investors were used to make
18 outstanding interest payments to existing investors, to pay commissions to those in the
19 Yucatan Resorts sales chain, to make payments to investors in **KELLY**’s previous
20 undertaking (the nine-month promissory notes issued by “Yucatan Investments, Inc.”), to
21 fund an automotive company (Avanti U.S.) Kelly owned, to fund an industrial leasing
22 company (DMK U.S.) Kelly owned, and to fund the lavish lifestyle of Kelly and his relatives.

23 77. Respondents, in connection with the sale of **YUCATAN RESORTS** “universal
24 lease” securities to Oregon residents, omitted to state a material fact, in violation of ORS
25 59.135 (2), by failing to disclose accurate information about the relationship between Yucatan
26 Resorts, **RESORT HOLDINGS INTERNATIONAL**, and **WORLD PHANTASY**



1 **TOURS**. Investors were specifically told that these three companies were entirely
2 independent of each other. In point of fact, all three were owned and controlled by a single
3 individual, **KELLY**, for his own business purposes.

4 78. Respondents, in connection with the sale of **YUCATAN RESORTS** “universal
5 lease” securities to Oregon residents, omitted to state a material fact, in violation of ORS
6 59.135 (2), by failing to disclose information about **KELLY**’s managerial experience to
7 prospective investors. Investors were not informed that Kelly had never worked in the travel
8 and leisure industry prior to his 1999 formation of Yucatan Resorts. Furthermore, prospective
9 investors were not advised that Kelly’s most recent venture had been as promoter of “Yucatan
10 Investment Corporation”, an entity that sold \$25,000,000 in unlawful nine-month promissory
11 notes bearing 10.75% interest rates, for which he had been formally sanctioned by New
12 Mexico, South Carolina, and Connecticut securities regulators.

13 79. Respondents, in connection with the sale of **YUCATAN RESORTS** “universal
14 lease” securities to Oregon residents, omitted to state a material fact, in violation of ORS
15 59.135 (2), by failing to disclose known, foreseeable risk factors in connection with
16 investments in entities operating foreign vacation resorts designed to generate rental income.
17 Prospective investors were not informed that, *inter alia*, the travel business is cyclical and
18 highly dependent on the condition of the domestic U.S. economy, the competition includes
19 resorts owned by large, well capitalized corporate entities, and the rise of the internet has
20 caused, and will continue to cause, substantial disruption to previously successful industry
21 business models.

22 80. Respondents, in connection with the sale of **YUCATAN RESORTS** “universal
23 lease” securities to Oregon residents, made an untrue statement of a material fact, in violation
24 of ORS 59.135 (2), by falsely representing that the “universal lease” was a safe investment. In
25 fact, it was heavily laden with risk. Respondents repeatedly informed Oregon residents that
26 the “universal lease” program was fully insured. In point of fact, although the properties may



1 have been covered by casualty insurance in the event of theft or damage, the underlying
2 “universal lease” investments were not insured. Additionally, Respondents told prospective
3 investors that the resorts were “debt-free” and that investors had a “1st lien” on properties. The
4 fair market value of the few Yucatan owned properties never came close to the \$428,000,000
5 Americans invested nationwide.

6 81. Respondents, in connection with the sale of **YUCATAN RESORTS** “universal
7 lease” securities to Oregon residents, omitted to state a material fact, in violation of ORS
8 59.135 (2), by failing to disclose that financial marketing firms and sales agents would receive
9 18% of every dollar invested as a sales commission.

10 82. Respondents, in connection with the sale of **YUCATAN RESORTS** “universal
11 lease” securities to Oregon residents, made an untrue statement of a material fact, in violation
12 of ORS 59.135 (2), by falsely representing that **WORLD PHANTASY TOURS**, the entity
13 that was to make interest payments to investors by generating income from timeshare rentals,
14 was an “*international travel consolidator/wholesaler... with Gross sales over 60 million*
15 *annually.*” In point of fact, World Phantasy Tours and its successor, **GALAXY**
16 **PROPERTIES MANAGEMENT** never had more than a handful of employees and
17 generated nearly no rental income at all.

18 83. Respondents, in connection with the sale of **YUCATAN RESORTS** “universal
19 lease” securities to Oregon residents, omitted to state a material fact, in violation of ORS
20 59.135 (2), by failing to disclose that the Yucatan Resorts “universal lease” investment
21 program was a security under Oregon law, that the offering was not registered with the State
22 of Oregon, and that the insurance agents that sold the investment were not licensed to sell this
23 security by the State of Oregon.

24 **ORDER**

25 The Director Orders:

26





1 84. Pursuant to the authority granted by ORS 59.245, **STEWART** shall **CEASE AND**
2 **DESIST** from engaging in any further violations of the Oregon Securities Law, its
3 accompanying administrative rules, and this Order.

4 85. **STEWART**, pursuant to the authority contained in ORS 59.995, shall tender the
5 sum of **TWENTY TWO THOUSAND AND EIGHTY FOUR DOLLARS** (\$22,084) for
6 violations of ORS 59.055 described herein; the sum of **TWENTY TWO THOUSAND AND**
7 **EIGHTY FOUR DOLLARS** (\$22,084) for violations of ORS 59.165 described herein; and
8 the sum of **TWENTY TWO THOUSAND AND EIGHTY FOUR DOLLARS** (\$22,084)
9 for violations of ORS 59.135 described herein, for a total civil penalty of **SIXTY SIX**
10 **THOUSAND TWO HUNDRED FIFTY TWO DOLLARS** (\$66,252). Of this amount, the
11 sum of **THIRTY NINE THOUSAND SEVEN HUNDRED FIFTY DOLLARS** (\$39,750)
12 shall be **SUSPENDED** so long as **STEWART** does not violate state or federal securities laws
13 – or the terms of this Order - for a period of **NINE (9) YEARS** from the date of entry of this
14 Order. (To the extent that **STEWART** is found to have committed any such violation, the
15 entire sum of **SIXTY SIX THOUSAND TWO HUNDRED FIFTY TWO DOLLARS**
16 (\$66,252), minus amounts paid, shall become immediately due and owing). The remaining
17 **TWENTY SIX THOUSAND FIVE HUNDRED TWO DOLLARS** (\$26,502) shall be paid
18 in monthly installments of **TWO HUNDRED FIFTY DOLLARS** (\$250), with the first such
19 installment due at the time of entry of this Order and remaining installments due on
20 November 1, 2008, and the first calendar day of each month thereafter until all amounts due
21 have been paid (timely payment shall be deemed to be of the essence; failure to make
22 payment(s) in a timely fashion will constitute a violation of the terms of this Order).

23 86. **STEWART**, and any entities that employ or otherwise utilize his services for the
24 purpose of raising capital, are, pursuant to ORS 59.045, **DENIED THE USE OF ANY**
25 **EXEMPTIONS** that would otherwise be available to them under ORS 59.025 and ORS
26 59.035, to the requirement that all securities must be registered with the Director prior to sale.

1 Furthermore, STEWART is, for the protection of the investing public, STRICTLY
2 PROHIBITED from raising capital, formally or informally, from other individuals for use or
3 investment on their behalf.

4 Dated this 3rd day of ~~September~~ October 2008 NUNC PRO TUNC October 31, 2007 at Salem,
5 Oregon.

6
7 CORY STREISINGER, Director
8 Department of Consumer and Business Services

9 

10 David C. Tatman, Administrator
11 Division Of Finance And Corporate Securities
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CONSENT TO ENTRY OF ORDER

Respondent STEWART states: that he has read the foregoing Order and fully understands the contents thereof; that he has been advised of the right to a hearing and of the right to be represented by counsel in this matter; that he, voluntarily, and without any force or duress, consents to the entry of this Order, expressly waiving any right to a hearing in this matter; that he understands that the Director reserves the right to take further actions to enforce this Order or to take appropriate action upon discovery of other violations of the Oregon Securities Laws; and that he will fully comply with the terms and conditions stated herein.

Respondent further assures the Director that he will not engage in securities transactions in Oregon unless such activities are in full compliance with Chapter 59 of the Oregon Revised Statutes.

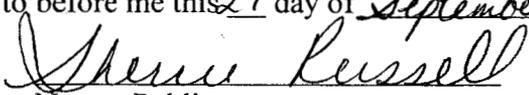
Respondent understands that this Consent Order is a public document.

Dated this 29th day of September, 2008.

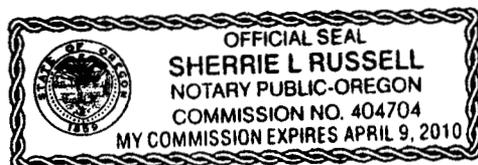


ROGER STEWART

SUBSCRIBED AND SWORN to before me this 29th day of September, 2008.



Notary Public
for the State of: OR
My commission expires: April 9, 2010



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