

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES  
 DIVISION OF FINANCE AND CORPORATE SECURITIES  
 ENFORCEMENT SECTION  
 BEFORE THE DIRECTOR OF THE DEPARTMENT OF CONSUMER AND  
 BUSINESS SERVICES

In the Matter of:

) S-07-0043-19

MICHAEL KELLY, YUCATAN  
 RESORTS a/k/a AVALON RESORTS,  
 YUCATAN RESORTS, S.A., RESORT  
 HOLDINGS INTERNATIONAL, INC.,  
 RESORT HOLDINGS  
 INTERNATIONAL, S.A., WORLD  
 PHANTASY TOURS a/k/a MAJESTY  
 TRAVEL a/k/a VIAJES MAJESTY,  
 GALAXY PROPERTIES  
 MANAGEMENT, S.A., GABRIEL  
 ESCALANTE, RUTTENBERG AND  
 ASSOCIATES FINANCIAL  
 MARKETING, INC., MARK  
 RUTTENBERG, RICK GREENE,  
 ROGER STEWART, DOUGLAS  
 LAIRD, STEPHEN MONROE,  
 LAWRENCE BEARD, KENNETH  
 CHRISTENSEN, ROYAL EDWARDS,  
 JOEL WHALEY, and DALE LAUDER,

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

Respondents.

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

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1 **GALAXY PROPERTIES MANAGEMENT, S.A.** (hereafter "Galaxy Properties  
2 Management"), **GABRIEL ESCALANTE** (hereafter "Escalante"), **RUTTENBERG AND**  
3 **ASSOCIATES FINANCIAL MARKETING, INC.** (hereafter "Ruttenberg and Associates  
4 Financial Marketing"), **MARK RUTTENBERG** (hereafter "Ruttenberg"), **RICK GREENE**  
5 (hereafter "Greene"), **ROGER STEWART** (hereafter "Stewart"), **DOUGLAS LAIRD**  
6 (hereafter "Laird"), **STEPHEN MONROE** (hereafter "Monroe"), **LAWRENCE BEARD**  
7 (hereafter "Beard"), **KENNETH CHRISTENSEN** (hereafter "Christensen"), **ROYAL**  
8 **EDWARDS** (hereafter "Edwards"), **JOEL WHALEY** (hereafter "Whaley"), and **DALE**  
9 **LAUDER** (hereafter "Lauder"),

10  
11 **WHEREAS, WHALEY** does not desire to expend further time on this matter, and  
12 seeks to obtain finality with respect to the Division's investigation without invoking his right  
13 to a hearing before the Director;

14 **NOW THEREFORE,** the Director hereby issues the following Findings of Fact,  
15 Conclusions of Law, and Order, to which **WHALEY** has consented, as evidenced by his  
16 signature on the Consent to Entry of Order attached hereto:

17 **FINDINGS OF FACT**

18 The Director **FINDS** that:

19  
20 **Part One: Respondents**

21 1. Michael **KELLY**, at all times material herein, founded, owned, and/or directed the  
22 business affairs of **YUCATAN RESORTS, RESORT HOLDINGS INTERNATIONAL,**  
23 and **WORLD PHANTASY TOURS.** Kelly has a last known mailing address (prior to his  
24 incarceration) of P.O. Box 2661, South Bend, Indiana, 46680. Kelly has never been licensed  
25 to sell securities by the State of Oregon.  
26



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

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

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

25           5. **GALAXY PROPERTIES MANAGEMENT, S.A.**, at all times material herein,  
26 purported to be the successor entity to **WORLD PHANTASY TOURS**. Galaxy Properties

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1 Management, S.A., a Panamanian corporation, has a last known mailing address of Calle  
2 Eusebio A. Morales, Edificio Atlántida, P. Baja, APDO. 8301, Zona 7 Panama. Galaxy  
3 Properties Management has never been licensed to sell securities by the State of Oregon.

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

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

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

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

25 10. Roger **STEWART** was, at all times material herein, a sales agent for the  
26 **YUCATAN RESORTS** "universal lease" investment program in Oregon. Stewart sold

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1 “universal lease” investments directly to members of the public. Stewart has a last known  
2 mailing address of P.O. Box 727, North Bend, Oregon 97459. Stewart has never been licensed  
3 to sell securities by the State of Oregon.

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

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

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

21 14. Kenneth **CHRISTENSEN** was, at all times material herein, a sales agent for the  
22 **YUCATAN RESORTS** “universal lease” investment program in Oregon. Christensen sold  
23 “universal lease” investments directly to members of the public. Christensen has a last known  
24 mailing address of P.O. Box 791, Bend, Oregon 97709. Christensen has never been licensed  
25 to sell securities by the State of Oregon.

26



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

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

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

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



1 Yucatan Resorts “universal lease” program. (Division of Finance and Corporate Securities  
2 Order No. S-06-0026.)

3 **Part Two: Respondents’ Roles In The Universal Lease Program**

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

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

22 21. **WORLD PHANTASY TOURS**, which also did business under the Majesty  
23 Travel and Viejas Majesty names, was purportedly a resort management and travel agency.  
24 World Phantasy Tours was the “servicing agent” for the **YUCATAN RESORTS** “universal  
25 lease” program, whose responsibilities included renting out investors’ timeshares, remitting  
26 promised returns to investors, and, re-purchasing timeshares from investors. **GALAXY**



1 **PROPERTIES MANAGEMENT**, the alleged successor entity to World Phantasy Tours,  
2 performed similar services. **KELLY** owned both World Phantasy Tours and Galaxy  
3 Properties Management.

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

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

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

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

22 25. The **YUCATAN RESORTS** “universal lease” agreement purported to be valid for  
23 a 25 year period, with each party having an option to renew the agreement for an additional  
24 20 year period. In exchange for a minimum investment of \$5,000 (the agreement referenced  
25 no maximum investment amount), investors received the right to lodging at an unspecified  
26 Yucatan resort for one 7 day stay every 2 years.



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

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

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

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1 order to purchase the right to sublet an uncertain property interest in a foreign country whose  
2 language is not English, left entirely to their own devices. In fact, the offering materials  
3 expressly convey the impracticality of this option by warning investors that “self-renting” will  
4 bring in less revenue than would use of a professional third party “servicing agent.”

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

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

22 31. The **WORLD PHANTASY TOURS** Compensation Addendum required  
23 **YUCATAN RESORTS** investors to select one of three different formulas for the purpose of  
24 calculating their investment returns. First, investors could opt to receive 60% of [80% of the  
25 resort’s “rack rate” (an unspecified figure)] as rental compensation for their timeshare.  
26 Second, investors could choose to receive a flat 4% of their purchase price as rental

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

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

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

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

#### 25 **Part Four: The Universal Lease Sales Process**

26



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

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

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

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

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

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

26



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

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

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

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

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

20 46. Oregon based **YUCATAN RESORTS** sales agents did not conduct an  
21 individualized assessment of whether the Yucatan Resorts “universal lease” investment was  
22 appropriate for each prospective investor’s financial needs. To the contrary, they convinced  
23 many investors to invest the entirety of their savings in the “universal lease” investment  
24 program. In one instance, **MONROE** convinced a client to secure a reverse mortgage on her  
25 home and invest all proceeds with Yucatan Resorts.

26





1 invested a total of \$1,051,215.20 through him. He received 13% of this sum as a sales  
2 commission.

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

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

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

25 55. Royal **EDWARDS** was a sales agent for the **YUCATAN RESORTS** “universal  
26 lease” investment program. Based in Redmond, Edwards was recruited to be a sales agent by



1 Larry **BEARD**. Edwards sold “universal lease” investments to 7 Oregon residents, who  
2 invested \$104,477.05. He received 10% of this sum as a sales commission.

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

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

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

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

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

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

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

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

20           63. Respondents specifically told prospective investors that the **YUCATAN**  
21 **RESORTS** "universal lease" investment was safe when it was heavily laden with risk.  
22 Respondents repeatedly informed Oregon residents that the "universal lease" program was  
23 fully insured. In point of fact, although the properties may have been covered by casualty  
24 insurance in the event of theft or damage, the underlying "universal lease" investments were  
25 not insured. Additionally, Respondents told prospective investors that the resorts were "debt-  
26 free" and that investors had a "1<sup>st</sup> lien" on properties. The fair market value of the few

1 Yucatan owned properties never came close to the \$428,000,000 Americans invested  
2 nationwide.

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

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

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

### 19 **Part Seven: The Universal Lease Program Collapses**

20 67. On June 3, 2004 **WORLD PHANTASY TOURS** suddenly notified "universal  
21 lease" investors that it had ended its relationship with the "universal lease" program, whose  
22 property "servicing" functions would be assumed by **GALAXY PROPERTIES**  
23 **MANAGEMENT**. In September, 2004 Galaxy Properties Management sent "universal lease"  
24 investors a new "rental management agreement" for their signature. This agreement limited  
25 investors' returns to 5% per annum. Galaxy Properties Management had the same address as  
26 World Phantasy Tours. **ESCALANTE** was the putative President of both entities.







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

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

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

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

1 independent of each other. In point of fact, all three were owned and controlled by a single  
2 individual, **KELLY**, for his own business purposes.

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

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

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



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

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

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

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

23 **ORDER**

24 The Director Orders:  
25  
26

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350 Winter Street NE, Suite 410  
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Telephone: (503) 378-4387



1           84. Pursuant to the authority granted by ORS 59.245, **WHALEY** 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. **WHALEY**, pursuant to the authority contained in ORS 59.995, shall tender the  
5 sum of **FORTY THOUSAND DOLLARS** (\$40,000) for violations of ORS 59.055 described  
6 herein; the sum of **FORTY THOUSAND DOLLARS** (\$40,000) for violations of ORS  
7 59.165 described herein; and the sum of **FORTY THOUSAND DOLLARS** (\$40,000) for  
8 violations of ORS 59.135 described herein, for a total civil penalty of **ONE HUNDRED**  
9 **TWENTY THOUSAND DOLLARS** (\$120,000). Of this amount, the sum of **EIGHTY**  
10 **THOUSAND DOLLARS** (\$80,000) shall be **SUSPENDED** so long as **WHALEY** does not  
11 violate state or federal securities laws – or the terms of this Order - for a period of **SEVEN (7)**  
12 **YEARS** from the date of entry of this Order. (To the extent that **WHALEY** is found to have  
13 committed any such violation, the entire sum of **ONE HUNDRED TWENTY THOUSAND**  
14 **DOLLARS** (\$120,000), minus amounts paid, shall become immediately due and owing). The  
15 remaining **FORTY THOUSAND DOLLARS** (\$40,000) shall be paid in monthly  
16 installments of **THREE HUNDRED THIRTY THREE DOLLARS** (\$333), with the first  
17 such installment due on April 15, 2009 and remaining installments due on May 15, 2009, and  
18 the fifteenth calendar day of each month thereafter until all amounts due have been paid  
19 (timely payment shall be deemed to be of the essence; failure to make payment(s) in a timely  
20 fashion will constitute a violation of the terms of this Order).

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

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1 **PROHIBITED** from raising capital, formally or informally, from other individuals for use or  
2 investment on their behalf.

3 Dated this <sup>April 21</sup> ~~18<sup>th</sup>~~ day of ~~February~~ 2009 NUNC PRO TUNC October 31, 2007 at Salem,  
4 Oregon.

5  
6 CORY STREISINGER, Director  
7 Department of Consumer and Business Services

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

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

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

13 Respondent understands that this Consent Order is a public document.

14 Dated this 16<sup>th</sup> day of March, 2009.

15  
16   
17 **JOEL WHALEY**

18 SUBSCRIBED AND SWORN to before me this 16<sup>th</sup> day of March, 2009.

19 Patricia A. Anderson  
20 Notary Public  
21 for the State of: Oregon County of: Crook  
22 My commission expires: 2/4/13



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26  
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