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U.S. Securities and Exchange Commission

# SEC Charges 26 Defendants in \$428 Million Securities Fraud That Targeted Senior Citizens and Retirement Savings

## Commission's Crackdown on Financial Fraud Against Seniors Continues

**FOR IMMEDIATE RELEASE  
2007-172**

*Washington, D.C., Sept. 5, 2007* - The Securities and Exchange Commission today filed charges stemming from a \$428 million securities fraud that victimized thousands of seniors and other investors throughout the United States. The SEC's action, filed in federal district court in Chicago, Ill., charges 26 defendants and alleges that they participated in a massive fraud that involved the sale of securities in the form of "Universal Leases." The investments were structured as timeshares in several hotels in Cancun, Mexico, coupled with a pre-arranged rental agreement that promised investors a high, fixed rate of return. The fraudulent Universal Lease scheme eventually collapsed, leaving investors with losses that exceed \$300 million.

The case is part of the Commission's crackdown on financial fraud against senior citizens, which has already resulted in more than 40 enforcement actions over the past two years.

In the latest action, the SEC alleges that Michael E. Kelly and those working with him duped thousands of U.S. investors into using their retirement savings to buy Universal Leases on the false promise of safe and guaranteed returns. The SEC alleges that from 1999 until 2005, Kelly and others raised at least \$428 million through the Universal Lease scheme from investors throughout the United States, with more than \$136 million of the funds invested coming from IRA accounts. The SEC further alleges that a nationwide network of unregistered salespeople who sold the Universal Leases collected undisclosed commissions totaling more than \$72 million. For most of the scheme,

the complaint alleges, Kelly and his organization used new investor funds raised in the scheme to make illusory "rental income" payments to Universal Lease investors. The SEC also alleges that Kelly and others ran the scheme from Cancun through a number of foreign entities in Mexico and Panama.

"This case illustrates the Commission's continuing commitment to hold accountable those who prey upon the retirement funds of older Americans," said Linda Chatman Thomsen, Director of the SEC's Division of Enforcement. "Kelly and his cohorts told investors they were purchasing a safe, high-income investment suitable for a retirement account. In reality, investor funds were at grave risk as investor funds were used in a way that guaranteed the collapse of the scheme."

Merri Jo Gillette, Regional Director of the SEC's Chicago Regional Office, added, "Kelly and those involved in his operation may have hoped to evade U.S. law enforcement by operating the Universal Lease scheme from abroad. The action we filed today shows that the SEC will vigilantly pursue those who target older Americans, no matter what the obstacles. The SEC plans to aggressively seek recovery from the defendants to offset the huge losses they inflicted on investors."

According to the SEC's complaint, Kelly and others told investors that Universal Leases would generate guaranteed income through the leasing of investor timeshares by a large, independent leasing agent. In fact, the complaint alleges, the leasing agent was a small Panamanian travel agency controlled by Kelly, and for most of the scheme its payments to investors came from accounts funded by money raised from new investors. Further, the complaint alleges that Kelly and the other defendants failed to disclose several key facts about the Universal Lease investment, including the risks of the investment and that more than \$72 million in investor funds were used to pay commissions as high as 27 percent to the selling brokers.

The SEC's complaint names the following individuals and entities as defendants: Kelly, Michael P. Kelly, Donald L. Kelly, John Corwin, Corporativo Nola, S.A. de C.V. Resort Holding International (RHI) S.A., Panorama Communities, S.A., World Phantasy Tours, Inc. (Viajest Fantasia Por El Mundo, S.A.), also doing business as Majesty Travel, Galaxy Properties Management, S.A., Yucatan Resorts, S.A. de C.V., Resort Holdings International, S.A. de C.V. The complaint also names as defendants a number of the unregistered brokers who sold the Universal Leases to the investing public. They are: Mark Ruttenberg, Ruttenberg and Associates Financial Marketing, Inc., Mark G. Meyer, Mark Meyer and Associates, Inc., Richard E. Riner, Southwest Income Marketing, Inc., George Phelps, also doing business as Safe Estate Plans, John E. Tencza, also doing business under the name of American Investment Management Group, Inc., American Elder Group, L.L.C., Carl Q. Lee, Carl Lee and Associates, Inc., Roy D. Higgs, Warren T. Chambers, William K. Boston, Jr. and Century Estate Planning, Inc. Finally, the complaint names Avanti Motor Corp. and DMK Properties, L.L.C., two entities affiliated with Kelly, as relief defendants, alleging that they received ill-gotten gains from the scheme.

The SEC's complaint charges the defendants with violating the antifraud and registration provisions of the federal securities laws, and

seeks permanent injunctions, disgorgement of ill-gotten gains, and civil penalties. The SEC acknowledges the assistance of the German government (Bundesanstalt für Finanzdienstleistungsaufsicht), the Mexican government (Comisión Nacional Bancaria y de Valores) and a significant number of state securities agencies.

Combating financial fraud against older investors will be a focus of the Commission's second annual Seniors Summit in Washington, D.C., on Sept. 10. The Summit also will include the release of findings from regulatory examinations of 110 firms offering "free lunch" investment seminars aimed at seniors.

The SEC's Seniors Summit will begin at 10 a.m. ET on Sept. 10 and will be webcast live on the SEC Web site at [www.sec.gov](http://www.sec.gov). The event will further examine how regulators, community organizations, and others can increasingly coordinate efforts to educate older Americans and protect them from abusive sales practices and investment fraud. Registration information and other materials about the Seniors Summit are available at:  
[http://www.sec.gov/spotlight/seniors/seniors\\_summit.htm](http://www.sec.gov/spotlight/seniors/seniors_summit.htm).

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▶ Additional materials: [Complaint](#)

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