

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND**

IN THE MATTER OF:	*	CASE NO. 2004-0551
FREEMAN OWEN	*	
and	*	
FINANCIAL SOURCES, INC.	*	
Respondents.	*	

* * *

CONSENT ORDER

WHEREAS, the Securities Division of the Office of the Attorney General (the "Division") initiated an investigation into the activities of Freeman Owen and his company, Financial Sources, Inc. (collectively, "Respondents"); and

WHEREAS, the Maryland Securities Commissioner (the "Securities Commissioner") has found that grounds exist to allege that Respondents violated the Maryland Securities Act, contained at Md. Code Ann., Corps. and Ass'ns, §§11-101 *et seq.* (1999 Repl. Vol. & Supp. 2004) (the "Securities Act"), by engaging in acts or practices constituting violations of the Securities Act; and

WHEREAS, before the holding of a hearing, without trial or final adjudication of any issue of fact or law, and prior to the issuance of a final order in this proceeding, the Securities Commissioner and Respondents have reached an agreement whereby Respondents, without admitting or denying the Statement of Facts and Findings of Fact and Conclusions of Law contained

herein, consent to the terms of this Order:

I.

JURISDICTION

1. The Securities Commissioner has jurisdiction in this proceeding pursuant to Section 11-701 of the Securities Act.

II.

RESPONDENTS

Respondent Owen

2. Respondent Owen is a Maryland resident with a last known address of 6111 Ivyridge Court, Upper Marlboro, MD 20772.

3. From March 31, 1995 to December 31, 1998 and from September 6, 2000 to April 21, 2003, Respondent Owen was registered in Maryland as a broker-dealer agent affiliated with United Securities Alliance, Inc. (“USA”). During those same periods of time, Owen was registered as an investment representative with the National Association of Securities Dealers, Inc. (“NASD”) as a broker-dealer agent affiliated with USA.

4. Before March 1995, Respondent Owen was registered as a broker-dealer agent in Maryland, associated with Sentra Securities Corporation and PFS Investments, Inc. Owen also was registered with the NASD as an investment representative for those companies.

Respondent Financial Sources, Inc.

5. Respondent Financial Sources, Inc. is a Maryland stock corporation that was formed

on or around September 8, 2000.

III.

STATEMENT OF FACTS

6. Yucatan Resorts, S.A. (“Yucatan Resorts”), Resort Holdings International, S.A. (“Resort Holdings”) and Corporativo Nolo, S.A. (“Corporativo Nolo”) (collectively, the “Issuers”), all related entities, are engaged in the business of offering and selling investments relating to time share properties in Mexico and elsewhere overseas.

7. On information and belief, the Issuers are foreign corporations each with a principal place of business now located outside of the United States.

8. Michael E. Kelly (“Kelly”) is a principal of each of the Issuers.

9. The Issuers are not registered in Maryland as broker-dealers or broker-dealer agents or investment advisers or investment adviser representatives.

10. Respondents, acting as agents on behalf of the Issuers, engaged in the offer and sale of investments. Respondents marketed the securities as interest bearing investments relating to time share interests, a/k/a “The Universal Lease Program.” Respondents told investors that the investments were safe and secure and even suitable for funding retirement accounts.

11. Respondents, acting as agents on behalf of the Issuers, introduced investors to the Universal Lease Program through various marketing programs, and arranged for investors to, *inter alia*, sign papers committing the investment of monies in the programs, and to answer investors’ questions prior to the time that they invested.

12. Respondents arranged for investors to contract with third party servicing companies,

including World Phantasy Resorts, Inc. (“World Phantasy”), also a foreign corporation, to assume rental responsibilities with respect to the Universal Lease Program, which guaranteed investors a 9 to 11% rate of return on their investments.

13. In order to invest in the Universal Lease Program, investors were not required to have any experience in marketing or renting timeshare interests. According to the documents signed by investors, the third party servicing company assumed full responsibility for handling the rental of units, collection of rental monies, and distributions to investors.

Sales In And From Maryland

14. Respondents effected approximately 48 sales transactions involving the securities offered by the Issuers, particularly Resort Holdings and Corporativo Nolo. The principal amount of those transactions totaled more than \$1.3 million.

Employment of Agents

15. Respondents employed at least one agent, Bruce Fleming, to sell on their behalf. Respondents received additional commissions from Universal Lease Program sales effected by that agent.

Relevant Disciplinary History Relating To Issuers

16. In June 1999, the New Mexico Securities Division issued orders against Michael Kelly and others, including Yucatan Investment Corp., in connection with the offer and sale of promissory note investments in violation of New Mexico securities law.

17. In April 2001, the Wisconsin Department of Financial Institutions, Division of Securities, issued an Order to Cease and Desist against Yucatan Resorts and Kelly in connection with the offer and sale of Universal Lease Program investments.

18. On October 22, 2002, the Pennsylvania Securities Commission issued a Summary Order To Cease And Desist against Yucatan and Resort Holdings in connection with the offer and sale of Universal Lease Program investments. Pennsylvania also issued a Summary Order against Rodney Hinkle, a previously-disciplined Maryland man who the Issuers engaged as a sales agent.

19. On January 5, 2004, the Maryland Securities Commissioner issued a Summary Order To Cease and Desist against Yucatan, Kelly and World Phantasy in connection with the offer and sale of Universal Lease Program investments. The Securities Commissioner issued a Final Order against World Phantasy in January 2004.

20. Respondents offered and sold the Issuers' securities to investors without providing investors with full disclosure of material information, *e.g.*, investors received no financial information regarding the Issuers or World Phantasy. Also, Respondents represented to investors that investments in the Issuers' securities were safe and secure and failed to fully explain the nature of the investments being marketed and sold.

21. Respondents failed to exercise due diligence in investigating the Issuer's background, and consequently did not provide investors who invested in the Issuers' securities with any information regarding disciplinary actions taken or pending against the Issuers and Kelly.

No Securities Registration Or Exemption

22. The Universal Lease Program investments offered and sold by Respondents on behalf of the Issuers were not registered in Maryland as securities, nor was any claim of securities exemption or preemption as a federal covered security filed on behalf of the Issuers in this State.

Selling Away Activities

23. Respondent Owen offered and sold the Issuers' investments during the time that he

was affiliated with USA. Respondent Owen was aware from his training as an investment representative, and from materials provided by USA, that it is against industry rules and was against USA's policies for a broker to engage in "selling away" or other outside business activities without first obtaining express written permission from the employing brokerage firm.

24. Respondent Owen completed various forms on behalf of USA, acknowledging USA's interest in being made aware of its brokers' "selling away" or outside business activities. Notwithstanding his awareness of USA's policies prohibiting selling away and outside business activities, Respondent Owen engaged in selling away. Respondent Owen failed to provide USA with information that he was engaged in the offer and sale of the Issuer's securities.

25. Respondent Owen, upon USA's inquiry into any sale of the Issuers' securities, denied any such involvement. Shortly thereafter, however, Respondent Owen resigned from his affiliation with USA.

Unregistered Agent Activities

26. After resigning from USA, Respondent Owen continued to sell the Issuers' securities, acting in an unregistered capacity in multiple securities transactions.

IV.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

27. In connection with the facts described in the Statement Of Facts contained herein, Respondents violated §§11-301, 11-302, 11-401, 11-402 and 11-501 of the Maryland Securities Act with respect to the offer and sale of investments in the Universal Lease Program offered by Yucatan Resorts, S.A., Resort Holdings International, and Corporativo Nola.

28. In connection with the facts described in the Statement of Facts contained herein, Respondent Owen engaged in selling away activities that are subject to sanction under §11-412(a)(2) and (a)(7) of the Securities Act.

V.

**CONSENT TO CEASE AND DESIST
AND OTHER RELIEF**

29. NOW, THEREFORE, IT IS HEREBY **ORDERED**, and Respondents expressly consent and agree that:

a. Respondents are assessed a \$100,000 fine, which shall be waived except as to \$25,000, which \$25,000 shall be paid contemporaneous with the issuance of this Order by way of a cashier's check made payable to "Office of the Attorney General."

b. Respondents shall cease and desist from engaging in activities in violation of the Securities Act.

c. Respondents are permanently barred from the securities and investment advisory business in Maryland.

d. Respondents shall cooperate with the Securities Division in any related inquiries involving Yucatan Resorts, S.A., Resort Holdings International, S.A. and Corporativo Nolo, S.A., including that he shall, under oath, provide statements and documentation regarding certain third parties to the Division.

e. Respondents shall in all future activities in Maryland comply with the Securities Act.

VI.

OTHER PROVISION

30. Respondents agree not to take any action, make or permit to be made any

statement denying, directly or indirectly, any allegation in the Summary Order or other activities upon which this Order is based, as referred to herein. Respondents further agree not to take any action or make any statement which creates or tends to create the impression that this Consent Order is without factual basis. While Respondents are not required to admit any allegation in the Summary Order or other activities upon which this Order is based, nothing in this provision affects Respondents' testimonial obligations. Nor does this provision affect Respondents' right to take positions in litigation to which the Division or the Securities Commissioner is not a party.

VII.

SCOPE OF SETTLEMENT

31. This Consent Order relates only to the Securities Commissioner and Respondents. This Consent Order does not waive or relinquish the Securities Commissioner's right to take any action against any other persons, including but not limited to: Michael E. Kelly, Yucatan Resorts, S.A., Resort Holdings International, S.A., Corporativo Nolo, S.A. and any other principal of those companies. Nor does this Consent Order prevent the Securities Commissioner from bringing any action against Respondents relating to any acts or omissions not specifically raised in this Consent Order.

VIII.

JURISDICTION RETAINED

32. Jurisdiction shall be retained by the Securities Commissioner for such further orders and directions as may be necessary or appropriate for the construction or enforcement of

the Consent Order.

33. If Respondents fail to comply with any term of this Consent Order, the Securities Commissioner may institute administrative or judicial proceedings against Respondents to seek to enforce this Consent Order, to sanction Respondents for violating an Order of the Securities Commissioner or for making a misrepresentation of material fact upon which this Order was based, and may take any other action authorized under the Securities Act or under any other applicable law, including the issuance of fines or penalties as provided by the Securities Act. In any such proceeding in which, after an opportunity for a hearing, the Securities Commissioner or the court finds that Respondents have violated this Consent Order or made any material misrepresentations in their dealings with the Division, the Division may also seek other sanctions for the violations that initiated this matter. For the purpose of determining those sanctions, the Statement of Facts and violations of the Securities Act set forth in this Consent Order shall be deemed admitted, and may be introduced into evidence against Respondents.

34. In the event that judicial intervention in this matter is sought by the Securities Commissioner or Respondents, subject matter jurisdiction will lie in the Circuit Court for Baltimore City pursuant to §11-702 of the Securities Act. Respondents agree that that Court will have personal jurisdiction over Respondents, and that venue will be properly in that Court.

35. The terms of this Consent Order may only be vacated or modified by a subsequent order issued by the Securities Commissioner.

DATE OF THIS ORDER:

_____, 2005

SO ORDERED:

Melanie Senter Lubin
Securities Commissioner

CONSENTED TO:

_____, 2005

Freeman Owen, Individually and on behalf of
Financial Sources, Inc.

_____ On this _____ day of _____, 2005, personally appeared Freeman Owen,
signer of the foregoing Consent Order, who did duly acknowledge his signature to be his free act and
deed.

Notary Public
My Commission Expires: _____
Seal:

_____, 2005
David L. Snyder, Esquire
Attorney for Respondents Freeman Owen
and Financial Sources, Inc.

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