

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

<b>IN THE MATTER OF:</b>	*	CASE NO. 2005-0223
RONALD D. MORLEY	*	
and	*	
MAIN STREET ESTATE GROUP, INC.	*	
Respondents.	*	
*       *       *		

**CONSENT ORDER**

WHEREAS, the Securities Division of the Office of the Attorney General (the "Division") initiated an investigation into the activities of Ronald D. Morley ("Morley") and his company, Main Street Estate Group, Inc. ("Main Street") (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. 2005) (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 Morley**

2. At all times relevant to the Statement Of Facts contained in this Consent Order, Respondent Morley was a Maryland resident.

3. Morley is not now, nor has he ever been registered in Maryland as a broker-dealer, broker-dealer agent, investment adviser or investment adviser representative. Nor has Morley ever been registered with NASD, Inc. to sell securities.

**Respondent Main Street Estate Group, Inc.**

4. Respondent Main Street is a Maryland stock corporation that was formed on or around February 17, 1998. Main Street has a principal place of business in Westminster, Maryland. Main Street is not now, nor has it ever been registered in Maryland as a broker-dealer or investment adviser. Nor does Main Street hold any registrations with the NASD or SEC.

**III.**

**STATEMENT OF FACTS**

**Offers And Sales Relating To Tri National And Sun Broadcasting Promissory Notes**

\_\_\_\_\_ 5. Sun Broadcasting Systems, Inc. (“Sun Broadcasting”) was a company located in Palm Springs, California.

6. Tri-National Development Corp. (“Tri-National”) was a company located in San Diego, California.

7. In the late 1990's, agents were recruited to sell 9-month promissory notes issued by Sun Broadcasting and Tri-National (collectively, the “Promissory Note Issuers”). The promoters for the Promissory Note Issuers claimed that the notes were guaranteed by an insurance company, and that the investments were safe and secure. The notes, which offered rates of return approximating 10-11%, were marketed primarily to senior citizens looking for a fixed income.

8. Respondents, acting as agents on behalf of the Promissory Note Issuers, engaged in the offer and sale of the Sun Broadcasting and Tri-National investments. Respondents told investors that the investments were safe and secure and even suitable for funding retirement accounts.

9. Respondents sold a total of approximately \$317,760 in Sun Broadcasting notes to eight investors, and a total of approximately \$632,842 in Tri-National notes to 16 investors. Those sales were made by Morley and/or by nine agents, including three who were associated with Main Street, who likewise were not registered in Maryland to offer or sell securities or engage in investment advisory activities.

10. Ultimately, both Sun Broadcasting and Tri-National defaulted on their note obligations to investors, and the companies filed for or were placed into bankruptcy. Respondents, however, have undertaken to repay certain investors in both of those investment programs. Some investors, to date, have been paid in full.

**Offers And Sales Relating To The “Universal Lease Program”**

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

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

13. Michael E. Kelly (“Kelly”) is a principal of each of the Universal Lease Issuers.

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

15. Respondents, acting as agents on behalf of the Universal Lease 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.

16. Respondents, acting as agents on behalf of the Universal Lease 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.

17. 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.

18. 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.

#### **Employment of Agents**

19. Respondents employed at least one agent, Diane J. Burda, to sell the Universal Lease Program on their behalf. Burda was not registered in Maryland to offer or sell securities or provide investment advisory services. Respondents received additional commissions from Universal Lease Program sales effected by that agent.

#### **Sales In And From Maryland**

20. Respondents effected approximately 50 sales transactions involving the securities offered by the Universal Lease Issuers, particularly Resort Holdings and Corporativo Nolo. The principal amount of those transactions totaled more than \$2.5 million, including sales by Ms. Burda.

#### **Relevant Disciplinary History Relating To Universal Lease Issuers**

21. In June 1999, the New Mexico Securities Division issued orders against 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.

22. 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.

23. On October 22, 2002, the Pennsylvania Securities Commission issued a Summary

Order To Cease And Desist against Yucatan Resorts 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 whom the Universal Lease Issuers engaged as a sales agent.

24. On January 5, 2004, the Maryland Securities Commissioner issued a Summary Order To Cease and Desist against Yucatan Resorts, 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.

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

26. Respondents failed to exercise due diligence in investigating the Issuer's background, and consequently did not provide investors who invested in the Universal Lease Issuers' securities with any information regarding disciplinary actions taken or pending against the Universal Lease Issuers and Kelly. Moreover, Respondents offered and sold Universal Lease Program investments even after the Securities Commissioner issued a summary order against Yucatan Resorts and Kelly in January 2004.

**No Securities Registration Or Exemption**

27. Neither the promissory notes nor the Universal Lease Program investments offered and sold by Respondents were registered in Maryland as securities, nor was any claim of securities

exemption or preemption as a federal covered security filed on behalf of those issuers in this State.

#### IV.

#### FINDINGS OF FACT AND CONCLUSIONS OF LAW

28. 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 Sun Broadcasting and Tri-National promissory notes, and the Universal Lease Program offered by Yucatan Resorts, Resort Holdings International, and Corporativo Nola. Respondents also violated an Order of the Securities Commissioner by engaging in the offer and sale of Universal Lease Program investments after the Securities Commissioner's issuance of a summary order barring the sale of that investment by Yucatan Resorts and Kelly.

#### 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 \$650,000 fine. The Securities Commissioner will waive collection of that fine if Respondent pays \$161,621 to be used for restitution to those persons who purchased Universal Lease Program investments through Respondents and/or Diane J. Burda ("Main Street's Universal Lease Program Investors"). Of that \$161,621 restitution amount, Respondents agree to pay \$2,500 at the time of the issuance of this Consent Order, \$1,000 on or before October 15, 2006, \$1,000 on or before November 15, 2006 and \$500 on or before December 15, 2006. Each of those payments will be by check made payable to "Office of the Attorney General." Respondents will pay the remainder of the \$161,621 restitution amount,

in the amount of \$156,621 (the "Remaining Balance"), within ten days of settling on the sale of the property located 4475 Chilcoat Drive, Westminster, MD (the "Chilcoat Drive Property"). Respondents agree to use best efforts in the sale of the Chilcoat Drive Property. The Remaining Balance shall likewise be paid by way of a check made payable to "Office of the Attorney General."

The Securities Division shall use the restitution monies to make *pro rata* distributions to Main Street's Universal Lease Program investors, and those payments shall be made at the Securities Division's own discretion as to time, manner and direction.

b. Respondents agree that until such time that the Remaining Balance is paid in full, Respondents shall provide the Securities Division with reports supplemental to the "Affidavit of Financial Condition and Other Information (Individual)" signed and dated by Respondent on August 10, 2006 (the "Affidavit") (the "Supplemental Reports"). The Supplemental Reports shall apprise the Securities Division of any material changes in Respondent's financial condition, including particularly the receipt of any cash, securities or other assets materially impacting Respondent's net worth, and the status of the sale of the Chilcoat Drive Property and any properties being refinanced or used to fund lines of credit. Respondents agree to provide the Securities Division with the Supplemental Reports on a regular monthly basis, beginning the 15<sup>th</sup> of the month after which this Consent Order is issued and continuing on the 15<sup>th</sup> of each successive month thereafter until such time that the Remaining Balance is paid in full.

c. Respondents agree that in the event that the sale of the Chilcoat Drive Property is not settled upon before January 15, 2007, Respondents on that date and continuing for each successive month thereafter by the 15<sup>th</sup> of each such month, shall make payments of \$1,000 by check made payable to the Office of the Attorney General, until such time that the Chilcoat Drive Property is sold and the proceeds are made available for payment of the Remaining Balance.

d. Respondents agree that in the event of any material default in making payments owed pursuant to this Consent Order and/or in providing the Securities Division with the Supplemental Reports as specified in Items 21(a) through (c) above, the provision of this Consent Order waiving the collection of the fine contained herein shall become null and void and Respondents automatically shall owe a fine in this matter equal to \$650,000, less any restitution amounts previously paid by Respondents pursuant to this Consent Order. For purposes of this Consent Order, a material default in making payments includes but is not limited to the following:

1. Respondents' failure to pay the Remaining Balance within 30 days of settlement upon the sale of the Chilcoat Drive Property; or
2. Respondent's failure to pay the Remaining Balance because of a failure to sell the Chilcoat Drive Property within six months of the issuance of this Consent Order, attributable to a lack of best efforts to sell that property for



fair market value; or

3. Non-payment of the \$1,000 monthly payments as required under this Consent Order notwithstanding a showing of Respondent's financial ability to make those payments.

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

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

g. 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.

h. 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: Sun Broadcasting Systems, Inc., Tri-National Development Corp., 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 (including with respect to the information contained within the Affidavit and the

Supplemental Reports), 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:**

\_\_\_\_\_, 2006

**SO ORDERED:**

\_\_\_\_\_  
Melanie Senter Lubin  
Securities Commissioner

**CONSENTED TO:**

\_\_\_\_\_, 2006

\_\_\_\_\_  
Ronald D. Morley, Individually and on behalf  
of Main Street Estate Group, Inc.

On this \_\_\_\_\_ day of \_\_\_\_\_, 2006, personally appeared Ronald D. Morley, signer of the foregoing Consent Order, who did duly acknowledge his signature to be his free act and deed, and that he was authorized to sign on behalf of Main Street Estate Group, Inc.

\_\_\_\_\_  
Notary Public  
My Commission Expires: \_\_\_\_\_  
Seal:

\_\_\_\_\_, 2006  
David L. Snyder, Esquire  
Attorney for Respondents Ronald D. Morley  
and Main Street Estate Group, Inc.

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