

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

IN THE MATTER OF: CRAIG RUDOLPH &  
TIMESHARES DIRECT BY OWNER

)  
)  
) FILE NO. 11-00336  
)

**NOTICE OF HEARING**

**TO RESPONDENT:**       **Craig Rudolph &  
TimeShares Direct By Owner  
7101 Chippewa Drive  
Wonder Lake, Illinois 60097**

You are hereby notified that pursuant to Section 11.E of the Illinois Securities law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 69 W. Washington Street, Suite 1220, Chicago, Illinois 60602, on the 15th day of January, 2015, at the hour of 10:00 a.m., or as soon as possible thereafter, before, Canella Henrichs or such duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether a permanent order of Prohibition should be entered against Respondents Craig Rudolph and TimeShares Direct By Owner, its managers, officers, affiliates, subsidiaries, representatives, successors, and assigns. Imposition of fines not to exceed \$10,000 against the Respondents for each violation of the Act described below; entry of orders of public censure; and charging costs of the investigation and all reasonable expenses, including attorney's fees and witness fees, in accordance with Section 11.E(4) of the Act.

The grounds for such proposed action are as follows:

**COUNT I**

**FRAUD IN THE OFFER AND SALE OF A SECURITY**

1. Respondent Craig Rudolph ("Rudolph") is a natural person with a last known address of 7101 Chippewa Drive, Wonder Lake, Illinois 60097.

2. Respondent Rudolph also does business as TimeShares Direct By Owner, ("TimeShares") which is an unregistered entity controlled by Rudolph and with a last known address of 7101 Chippewa Drive, Wonder Lake, Illinois 60097.
3. Respondent Rudolph solicited Investor A, a Georgia state resident, to invest his money in what was purported to be a real estate investment company and time share business.
4. Respondent Rudolph represented to Investor A that he wanted to expand the business on his own from Las Vegas to Illinois. Due to the expansion, Respondent told him that he was lacking start up money and asked him to initially invest \$30,000.00.
5. Respondent Rudolph guaranteed to Investor A that the \$30,000.00 principal would be paid back in three months and Investor A would receive 12% of the total profits of the company on a monthly basis.
6. Respondent Rudolph induced Investor A to invest in his new business by representing to Investor A that his profit projections for TimeShares Direct By Owner started at 1 to 2 million dollars.
7. Investor A relied on these highly exaggerated projections of profits and all of the other representations made by Respondent Rudolph. These projections lacked a reasonable basis, failed to provide a balanced presentation of the relevant facts, and made exaggerations or unwarranted claims.
8. On November 2, 2010, Respondent Rudolph and Investor A entered into a "Partnership Agreement." The terms are as follows: "The partnership shall begin on November 8, 2010 and shall continue until terminated as herein provided. Investor A will be investing \$30,000.00 to become a 12% owner in www.timesharesdirectbyowner.com. All monies invested will be paid back in full within ninety (90) days. The net profits of the partnership shall be divided equally between the partners at the agreed upon percentages."
9. On October 12, 2010, Investor A made a check payable to the order of Respondent Craig Rudolph in the amount of \$30,000.00. The memo section of the check was labeled as an "investment." Respondent endorsed the check as Craig Rudolph. The funds were deposited in the Payee Respondent Rudolph's JP Morgan Case bank account.
10. On November 24, 2010, Investor made an additional check payable to the order of Respondent Craig Rudolph in the amount of \$7500.00. The memo section of the check was labeled as an "investment." Respondent

endorsed the check as Craig Rudolph. The funds were deposited in the Payee Respondent Rudolph's JP Morgan Chase Account.

11. Respondent Rudolph dissipated Investor A's investment funds for his own personal use.
12. To date, Investor A has not received the principal the Respondents promised to pay nor any of the promised percentage of the total profits of the company on any basis.
13. Respondents' activities described above involve an investment contract as those terms are defined in Sections 2.1, 2.5, and 2.5a of the Illinois Securities Law of 1953 [815 ILCS] (the "Act").
14. Section 12.F of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to engage in any transaction, practice or course of business in conjunction with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
15. By virtue of the foregoing, Respondent violated Section 12.F of the Act.
16. Section 12.G of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.
17. By virtue of the foregoing, Respondent violated Section 12.G of the Act.
18. Section 12.I of the Act provides, *inter alia*, that it shall be a violation of the Act for any person, "to employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly".
19. By virtue of the foregoing, Respondent violated Section 12.I of the Act.

**COUNT II**  
**FAILURE TO REGISTER SECURITIES**

20. Section 5 of the Act provides, *inter alia*, that "all securities except those set forth under Section 2a of this Act...or those exempt...shall be registered...prior to their offer or sale in this State.

21. Respondents failed to file an application with the Secretary of State to register the investment contract as required by the Act, and as a result the investment contract was not registered as such prior to its sale in the State of Illinois.
22. Section 12.A of the Act provides, *inter alia*, that it shall be a violation of the Act to offer or sell any security except in accordance with the provisions of the Act.
23. Section 12.D of the Act provides, *inter alia*, that it shall be a violation of the Act to fail to file with the Secretary of State any application, report or document required to be filed under the provisions of this Act or any rule or regulation made by the Secretary of State pursuant to the Act or to fail to comply with the terms of any order of the Secretary of State issued pursuant to Section 11 hereof.
24. By virtue of the foregoing, Respondents violated Sections 12.A and 12.D of the Act.

### COUNT III

#### FAILURE TO RESPOND TO AN ILLINOIS SECURITIES DEPARTMENT

##### SUBPOENA DUCES TECUM & SUBPOENA AD TESTIFICANDUM

25. On September 26, 2014, the Illinois Department of Securities (“Department”) issued a Subpoena Duces Tecum in the matter of File No. 11-00336 to Respondent Rudolph’s last known address.
26. Attached to the Subpoena was a “Schedule A” listing the documents or information to be produced.
27. The due date for the Subpoena Duces Tecum was October 6, 2014.
28. On September 26, 2014, the Department issued a Subpoena Ad Testificandum in the matter of File No. 11-00336 to Respondent Rudolph’s last known address.
29. The due date for the Subpoena Ad Testificandum was October 7, 2014.
30. On September 29, 2014, Respondent Rudolph’s signature was executed and dated on the return receipt for the certified mail containing the Subpoena Duces Tecum and Subpoena Ad Testificandum identified above.

31. The Subpoenas were issued pursuant to Section 11.D (1) of the Illinois Securities law of 1953 (815 ILCS 5/1 et. seq.) (the "Act").
32. Section 11.D of the Act states, inter alia, that the Secretary of State or a person designated by him or her may require by subpoena the production of any books and records, papers, or other documents which the Secretary of State or a person designated by him or her deems relevant or material to the inquiry.
33. Respondents Rudolph and/or TimeShares Direct By Owner failed to produce any/all of the documents requested by the due date, or any day thereafter, that were subpoenaed by the Department pursuant to the authority granted under Section 11.D(1) of the Act.
34. Respondents Rudolph and/or TimeShares Direct By Owner failed to appear for the sworn statement on the scheduled date, or any day thereafter, that were subpoenaed by the Department pursuant to the authority granted under Section 11.D(1) of the Act.
35. By virtue of the foregoing, Respondents failure to respond to the Subpoena Duces Tecum and Subpoena Ad Testificandum by the due dates or any time thereafter impeded designees of the Secretary of State from conducting an investigation under Section 11.D(1) of the Act.

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130) ("the rules"), to file an answer to the *allegations outlined above within thirty (30) days of the receipt of this notice*. The answer and all other pleadings and motions must be filed with the Illinois Securities Department by addressing them to:

Maria Pavone  
Enforcement Attorney  
Illinois Department of Securities  
69 West Washington, Suite 1220  
Chicago, Illinois 60602

A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing and waives your right to a hearing. Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to appear shall constitute default. Unless the Respondent has upon due notice moved for and obtained a continuance.

The Rules promulgated under the Act and pertaining to Hearings held by the office of the Secretary of State, Securities Department may be viewed online at

<http://www.cyberdriveillinois.com/departments/lawrules.html>. Delivery of Notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This 24th day of November 2014

A handwritten signature in black ink that reads "Jesse White" followed by a stylized flourish.

JESSE WHITE  
Secretary of State  
State of Illinois

Maria Pavone  
Enforcement Attorney  
Office of the Secretary of State  
Illinois Securities Department  
69 W. Washington, Suite 1220  
Chicago, Illinois 60602  
Telephone: (312) 793-3022