

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF:)
)
CRAIG RUDOLPH, and) File No. : 110336
TIMESHARES DIRECT BY OWNER, its)
managers, officers, affiliates, subsidiaries,)
representatives, successors, and assigns.)

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

ORDER OF PROHIBITION AND PUBLIC CENSURE

On Thursday, January 15, 2015, Canella E. Henrichs, Hearing Officer for the Illinois Secretary of State, Department of Securities ("Department"), held a hearing pursuant to Section 11.F of the Securities Law of 1953 [815 ILCS 5] (the Act) and 14 Ill Adm Code 130 Subpart K of the Rules and Regulations under the Illinois Securities Law of 1953 (the "Rules and Regulations") to determine whether a permanent order should be entered prohibiting Respondents Craig Rudolph and TimeShares Direct By Owner ("TimeShares"), its managers, officers, affiliates, subsidiaries, representatives, successors, and assigns from offering or selling securities in or from the State of Illinois and/or granting such other relief as may be authorized under the Act including but not limited to imposition of a monetary fine in the maximum amount and entry of orders of public censor pursuant to 11.E(4) of the Act.

I. Notice of Hearing:

On November 24, 2014, the Department issued a Notice of Hearing in this matter and scheduled the hearing to take place on January 15, 2015, at the offices of the Department at 69 W. Washington, Suite 1220, in Chicago Illinois, before hearing officer Canella E. Henrichs, which hearing did take place on said day. The Notice conforms in all respects with the requirements of Section 30.1102 of the Rules and Regulations. The Notice defined the issues to be determined at the hearing and whether or not a permanent Order of Prohibition should be entered against respondents, prohibiting them from offering investment advice and offering and/or selling securities in or from the State of Illinois. The Notice also sought other authorized relief including an order of censure, a fine and costs. At the hearing, the Department waived the fine and costs

On November 24, 2014, and December 2, 2014, respectively, the Department served and caused to be served a copy of the Notice of Hearing on Respondents Craig Rudolph and TimeShares at their last known address, addressed as follows:

Craig Rudolph &
TimeShares Direct by Owner
7101 Chippewa Drive
Wonder Lake, Illinois 60097

By return receipt cards dated November 26, 2014 and December 5, 2014, respectively, Respondent Craig Rudolph, on his own behalf and on behalf of Respondent Timeshares Direct by Owner, acknowledged receipt of service of the Notice of Hearing in this matter.

II. The Hearing:

The Hearing Officer called the hearing to order at approximately 10:00 a.m. on January 15, 2015, and allowed extra time for Respondents to appear. Respondents failed to appear and no counsel appeared on their behalf. The Department was represented by its enforcement attorney

Maria A. Pavone. A court reporter was present and transcribed the proceedings. The Department maintained the original exhibits admitted into evidence during the hearing. Accordingly, a full record of the proceedings is on file and this Report and Recommendation contains only, and is intended only to be, a summary. The transcript is incorporated herein as an Exhibit to this Report and Recommendation.

After a brief opening statement, the Department offered into evidence Secretary of State Group Exhibits A through D-Notice relating to service of the Notice of Hearing, which were admitted into evidence. During the course of the hearing the remaining exhibits, Exhibits D-Contract through K, were also admitted. All of said exhibits are described below.

Group Exhibit A includes (1) the affidavit Quincita Archer of the Securities Department verifying that on November 24, 2014, she mailed (certified mail, return receipt requested) the Notice of Hearing to Respondents at their last known address: 7102 Chippewa Drive, Wonder Lake, Illinois 60097, (2) the Notice of Hearing, and (3) the postal certified mail return receipt card which acknowledged that the mail was received by "Craig Rudolph" on November 26, 2014.

Exhibit B is the affidavit Quincita Archer of the Securities Department verifying that on November 24, 2014, she deposited in the interoffice mail addressed to the Secretary of State Index Department, correspondence addressed to Respondents at their last known address (above) and the Notice of Hearing in this matter.

Group Exhibit C includes (1) the affidavit of Debra Steller of the Index Department verifying that on December 2, 2014 she received a copy of the Notice of Hearing for Respondents Craig Rudolph and Timeshares through interoffice mail from the Secretary of State Securities Department, (2) a letter dated December 2, 2014, from Debra Steller of the Index

Department addressed to Respondents Craig Rudolph and Timeshares at their last known address (above), said letter acknowledging that the Secretary of State accepted service of the Notice of Hearing and enclosing a copy of the Notice of Hearing; and (3) the postal certified mail return receipt card which acknowledged that the mail was received by "Craig Rudolph" on December 5, 2014.

Exhibit D–Notice is the Notice of Hearing in this matter, dated November 24, 2014.

Exhibit D–Contract is the partnership agreement which was entered into by and between Respondent Craig Rudolph and Investor A and executed by both on November 2, 2010 in McHenry County, Illinois.

Group Exhibit E includes (1) a processed check dated October 12, 2010, issued by Investor A and made payable to Respondent Craig Rudolph in the amount of \$30,000.00, bearing on its backside Respondent Craig Rudolph's signature and the bank's routing number and processing information; and (2) a processed check dated November 24, 2010, issued by Investor A and made payable to Respondent Craig Rudolph in the amount of \$7,500.00, bearing on its backside Respondent Craig Rudolph's signature and the bank's routing number and processing information. These checks were deposited and processed through Respondent Craig Rudolph's personal bank account at J P Morgan Chase Bank, N.A.

Exhibit F is a copy of an email sent from Respondent Craig Rudolph to Investor A on November 8, 2010 explaining Respondent TimeShares and how he will be able to payback the \$30,000.00 to Investor A within ninety (90) days.

Exhibit G is a copy of an email (2 pages) sent from Respondent Craig Rudolph to Investor A on December 23, 2010, soliciting an additional investment of \$7,500.00 from Investor A and the reasons that the additional funds were needed.

Group Exhibit H are the bank records of J P Morgan Chase Bank N.A. for the account of Respondent Craig Rudolph for the period of October, 2010 through and including December, 2011.

Exhibit I is the certification from the Secretary of State dated January 15, 2015 which certified that a search of the Secretary of State records did not find any securities registered under the names of Respondents Rudolph and/or TimeShares.

Group Exhibit J includes (1) a Secretary of State Subpoena Duces Tecum issued to Respondent Craig Rudolph personally and as president of Respondent TimeShares and dated September 26, 2014, (2) affidavit of Janet Terri dated October 17, 2014 affirming that a copy of the subpoena was mailed (certified mail, return receipt requested) on September 26, 2014 addressed to Respondent Craig Rudolph at his last known address of: 7101 Chippewa Drive, Wonder Lake, IL 60097, and (3) a copy of the executed return receipt card, signed by Respondent Craig Rudolph and dated September 29, 2014.

Group Exhibit K includes (1) a Secretary of State Subpoena Ad Testificandum issued to Respondent Craig Rudolph personally and as president of Respondent TimeShares and dated September 26, 2014, (2) affidavit of Janet Terri dated October 17, 2014 affirming that a copy of the subpoena was mailed (certified mail, return receipt requested) on September 26, 2014 addressed to Respondent Craig Rudolph at his last known address of: 7101 Chippewa Drive, Wonder Lake, IL 60097, and (3) a copy of the executed return receipt card, signed by Respondent Craig Rudolph and dated September 29, 2014.

The Department then brought a motion pursuant to Section 130.1104 of the Rules and Regulations requesting that the Hearing Officer recommend that the allegations contained in the Notice of Hearing be deemed admitted and that the Hearing Officer recommend that

Respondents be held in default for failing to file a timely answer, special appearance or other responsive pleading. The Department also made a motion pursuant to Section 130.1109 of the Rules and Regulations requesting that the Hearing Officer recommend a finding of default and entry of an appropriate order based on Respondents' failure to appear at the time and place schedule for the hearing.

Based upon the facts and evidence presented to her, the Hearing Officer determined that Respondents were properly served with a copy of the Notice of Hearing. In addition, Respondents failed to file a timely answer, special appearance or other responsive pleading to the Notice of Hearing and failed to appear at the time and place scheduled for the hearing. Accordingly, the Hearing Officer granted the Department's motions under Sections 1104 and 1109 of the Rules and Regulations, finding Respondents Craig Rudolph and Timeshares in default.

The Department then proceeded to prove-up the allegations relying on the Notice of Hearing and that the allegations contained therein were and are deemed admitted. The Department also called two witnesses: Investor A and Marc Streb, an investigator with the Illinois Securities Department.

Investor A, a Georgia resident, testified that he was approached by a friend, Respondent Craig Rudolph, an Illinois resident, to invest in a start-up business which would market timeshares for owners through a call center. Respondent Craig Rudolph represented that the business would make somewhere between one and two million dollars per year. Respondent requested an investment of \$30,000.00 from Investor A and represented to Investor A that the \$30,000.00 would be paid back in three months and that Investor A would receive 12% of the total profits of the business on a monthly basis.

Investor A gave a check dated October 12, 2010 for \$30,000 as an investment to Respondent Rudolph. (Dept. Ex. E.). On November 2, 2010, Respondent Rudolph and Investor A entered into a "Partnership Agreement" (Dept. Ex. D- Contract) which was executed by both in McHenry County Illinois. According to the terms thereof, Investor A invested \$30,000.00 and would then become a 12% owner in www.timesharesdirectbyowner.com. It was also agreed that all monies invested would be paid back in full within ninety (90) days. Then in late November, 2010, Respondent told Investor A that he needed an additional investment of \$7,500.00 and promised to pay back the \$7,500.00 as \$10,000.00 within two or three weeks. Investor A gave Respondent Rudolph a check dated November 24, 2010 for \$7,500.00.

Investor A had asked for a further explanation of the business, projected earnings and expenses. Respondent Rudolph sent him an email dated November 8, 2010 detailing the nature of the business and the alleged expenses and projected earnings. (Dept. Ex. F). This was followed by a further email communication dated December 23, 2010 from Respondent Craig Rudolph to Investor A soliciting an additional investment of \$7,500.00, again explaining the nature of the alleged business, the reason why additional funds were needed and promising to payback the \$7,500.00 as \$10,000.00 within two or three weeks. (Dept. Ex. G)

Respondent Rudolph failed to pay back any of the money, and as a result Investor A sustained a loss of \$37,500.00. Needless to say this was one of those too good to be true investments but Investor A believed and relied upon Respondent Craig Rudolph because he had known him for several years and considered him to be a friend.

The Department also called Marc Streb, an investigator with the Illinois Securities Department, to testify. Agent Streb testified as to his review of Respondent Craig Rudolph's bank records (Dept. Ex. H) which had been subpoenaed from J P Morgan Chase Bank, N.A.

Agent Streb testified that both checks which Investor A gave to Respondent had in fact been deposited into Respondent's personal bank account. (Dept. Exs. E and F). The first check for \$30,000 was deposited into Respondent's account on November 15, 2010 and the second check for \$7,500.00 was deposited on December 28, 2010. According to Agent Streb, a review of the bank records from November 1, 2010 through January 2011 showed that none of the invested money was used for the alleged startup business TimeShares, but was in fact spent on personal items and several cash withdrawals totaling in excess of \$26,000.00, two of which were made from ATMs at Las Vegas casinos. The personal items included, among other things, plane tickets to Las Vegas, hotel stays, and limousine services. By January, 2011, Respondent Craig Rudolph had dissipated all funds in his account – all of the invested money provided by Investor A, by apparently living an extravagant lifestyle and in view of his stays in Las Vegas – in all likelihood gambling away a good part of it. The bottom line – Respondent Craig Rudolph defrauded Investor A, taking Investor's money and living off of it. Not a cent went to the alleged start-up business of TimeShares.

Agent Streb also published Exhibit I, identified above, a certified record of the Secretary of State, which established that Respondents Craig Rudolph and/or Timeshares Direct By Owner failed to file an application with the Illinois Secretary of State to register any securities under their name(s) as required. Agent Streb also testified concerning Group Exhibits J and K (the subpoenas to Respondent Craig Rudolph identified above) and that Respondent Rudolph failed to produce records and information on the date requested pursuant to the Subpoena Duces Tecum and failed appear on the date as directed by the Subpoena Ad Testificandum, and that he has never complied with said subpoenas.

The Department closed the evidence and Ms. Pavone gave a brief closing statement in which she requested that the hearing officer enter a Recommendation for an Order of Prohibition against Respondents, but waived all fines and/or penalties. The Notice of Hearing also requested a finding that Respondent Craig Rudolph's failure to comply with the subpoenas impeded the Secretary of States from conducting an investigation under Section 11.D(1) of the Act, and that Orders of Public Censor be entered against Respondents.

III. Discussion:

In relevant part, Section 130.1102 of the Rules and Regulations states that each respondent shall be given a Notice of Hearing at least 45 days before the first date set for any hearing under the Act. Proper Notice under this section is given by depositing a Notice of Hearing with the United States Postal Service for delivery via certified or register mail, return receipt requested, to respondent's last known address or by personal service to respondent's last known address. Any contention that improper service or notice was given is deemed waived unless a respondent raises the issue in respondent's responsive pleading. Further, Section 11.F(1) of the Act provides, *inter alia*, that the Secretary of State shall not "prohibit or suspend any person from offering or selling securities in this State, ...[or] from acting as an investment adviser, ... impose any fine for violation of this Act, issue an order of public censure ... except after an opportunity for hearing upon not less than 10 days notice given by ... registered or certified mail, return receipt requested, to the person or persons concerned."

The Notice of Hearing set the date for hearing on January 15, 2015. The evidence shows that the Notice of Hearing was sent certified mail, return receipt requested, to respondents' last known address on November 24, 2014 and December 2, 2014. Since the hearing date of January 15, 2015 is a date occurring more than 45 days after both service dates, the service upon the

Respondents was proper under the Rules and Regulations. The service dates were also well in advance of the 10 days notice period required under Section 11.F(1) of the Act.

The Respondents Craig Rudolph and TimeShares were provided with reasonable notice of these proceedings and the date set for a hearing. Service was complied with by sending the Notice of Hearing via certified mail, return receipt requested, addressed to Respondents' last known address, which is all that is required under the Rules and Regulations. The Respondents were apprised of the pendency of the action and they were afforded an opportunity to be present and to present their position(s). They did not avail themselves of this opportunity.

Under Section 130.1104 of the Rules and Regulations, Respondents Craig Rudolph and TimeShares were required to file an answer or other responsive pleading to the Notice of Hearing. A failure to file an answer or other responsive pleading within the prescribed time shall be construed an admission of the allegations as per the Notice of Hearing and waives Respondents' rights to a hearing.

Under Section 130.1109 of the Rules and Regulations, a respondent's failure to appear at the time and place set for hearing shall be deemed a waiver of the rights to present evidence, to argue, to object, to cross-examine witnesses, or to otherwise participate at the hearing.

Based upon Respondents Craig Rudolph's and TimeShares' failure to file an answer or other responsive pleading to the Notice of Hearing, and on Respondents' failure to appear at the Hearing, the Department moved pursuant to Sections 130.1104(b) and 130.1109 of the Rules and Regulations, respectively, that Respondents be deemed to have admitted the allegations contained in the Notice of Hearing and that a finding of default be entered against Respondents, which motions were and are granted. The Department's allegations contained in the Notice of

Hearing are admitted by Respondents, and Respondents have waived their right to disprove said allegations and the Department's case in chief presented at the hearing on January 15, 2015.

The Department has also asserted that the partnership agreement entered into by and between Respondents and Investor A is an "investment contract" and accordingly is a security as that term is defined under Section 2.1 of the Act. The definition of "security" under Section 2.1 of the Act does include, among others, any investment contract; but the term "investment contract" is not defined under the Act. In most states, the securities laws rely on the Howey Test, the Forman Test, the Risk Capital Test or some combination thereof to define an "investment contract".

The Court in *SEC v. Howey*, 328 U.S. 293, 66 S.Ct. 1100 (1946) interpreted "investment contract" under federal securities laws as "(1) a contract, transaction, or scheme whereby a person invests his money (2) in a common enterprise and (3) is led to expect profits solely from the efforts of the promoter or a third party" ("Howey Test"). The Supreme Court in *United Housing Foundation, Inc., v. Forman*, 421 U.S. 837, 852 (1975) later modified the third requirement, holding that in spite of the term "solely," what is necessary is only "a reasonable expectation of profits to be derived from the entrepreneurial or managerial efforts of others." *Howey* and *Forman* were reaffirmed and further explained in *SEC v. Edwards*, 540 U.S. 389, 393-4 (2004). The Risk Capital test looks at whether the money being invested in a given venture will be used to develop or acquire the business or enterprise in which the interest is offered. If that test is satisfied, then such interest is deemed to be a security. It is very similar to the Howey/Forman test and was first stated in *Silver Hills Country Club v. Sobieski*, 361 p.2d 811, at 815 (Cal. 1961) (cited authority omitted):

1. The promoter is raising funds for a "business venture or enterprise;

2. The promoter makes an indiscriminate offering to the public at large where the persons solicited are selected at random;
3. a passive position on the part of the investor; and
4. the conduct of the enterprise by the issuer with other people's money."

In Illinois, it is a combination of the *Howey/Forman Test* and the *Risk Capital Test* that apply, and are incorporated into the Rules and Regulations under the definition of "investment contract":

Section 130.201 Definition of the Term "Investment Contract", as Used in Section 2.1 of the Act -

The term "investment contract" shall include, but not be limited to:

- a) any interest or participation in a contract, transaction, scheme, common enterprise, or profit-seeking venture whereby the investor transfers capital to the promoter or promoters thereof or invests therein and looks to the promoter or promoters for the success of the venture;
- b) any interest as a limited partner in a limited partnership;
- c) any investment with regard to completion costs of any oil, gas, or other mineral lease, right or royalty; and
- d) any enterprise or venture whereby the investor is solicited to transfer initial capital to an enterprise on the promise or inducement that a value or benefit will accrue to the investor from the enterprise where the investor's capital is placed at risk by the enterprise and the investor asserts no managerial or operational control over the enterprise. (emphasis added)**

Here we can easily apply paragraph d) of Section 130.201 to the facts of this case. Respondents allegedly sought start-up capital for TimeShares from Investor A, promising substantial gains. Respondent Craig Rudolph solicited a \$30,000.00 investment from Investor A in exchange for 12% interest in the enterprise. The agreement by and between the promoter Respondent Craig Rudolph and Investor A was memorialized in a "Partnership Agreement" wherein Investor A agreed to invest \$30,000.00 in exchange for a 12% interest in the business and the promise that the initial investment would be paid back in ninety (90) days. The invested funds were placed at risk by the enterprise and its promoter. Investor A also provided an additional \$7,500.00 investment in the business for an anticipated high return in a short period.

Investor A had no managerial or operational control over the enterprise. Accordingly, the "Partnership Agreement" entered into by Respondent Rudolph and Investor A is an "investment contract" as that term is defined in Section 130.201 of the Rules and Regulations and constitutes a "security" under the Act.

IV. Proposed Findings of Fact:

Based on the evidence submitted and relevant admissions presented in the Notice of Hearing, the Hearing Officer finds that:

As to Count I of the Notice of Hearing, Fraud in the Offer and Sale of a Security:

1. The Department issued the Notice of Hearing on November 24, 2014 setting the hearing for January 15, 2015.
2. Respondent Craig Rudolph ("Rudolph") is a natural person with a last known address of: 7101 Chippewa Drive, Wonder Lake, Illinois 60097.
3. Respondent Craig Rudolph solicited funds for a start-up business known as TimeShares Direct By Owner ("TimeShares") which he represented would market timeshares for owners through a call center.
4. Respondent Craig Rudolph conducted business as TimeShares which was and is an unregistered entity controlled by Respondent Rudolph with a last known address of: 7101 Chippewa Drive, Wonder Lake, Illinois 60097.
5. On November 24, 2014 and December 2, 2014, respectively, the respondents were served, via certified mail, return receipt requested, at their last known address (above), with a copy of the Notice of Hearing, setting this matter for a hearing on January 15, 2015.

6. By return receipt cards dated November 26, 2014 and December 5, 2014, respectively, Respondent Craig Rudolph, on his own behalf and on behalf of Respondent Timeshares Direct by Owner, acknowledged receipt of service of the Notice of Hearing in this matter.

7. The Respondents failed to answer, appear, or submit a responsive pleading.

8. The Respondents did not appear at the hearing nor were they represented by counsel.

9. As of the date hereof, the Hearing Officer is unaware of the existence of any other outstanding petitions, motions, or objections as to this matter or the proceedings thereon.

10. Respondent Craig Rudolph solicited Investor A, a Georgia state resident, to invest his money in what purported to be a partnership in a for sale/rent by owner timeshare marketing business.

11. On November 2, 2010, Respondent Craig Rudolph and Investor A entered into a "Partnership Agreement" which was executed by both in McHenry County Illinois.

12. According to the terms thereof, Investor A invested \$30,000.00 and would then become a 12% owner in www.timesharesdirectbyowner.com. It was also agreed that all monies invested would be paid back in full within ninety (90) days and that the net profits would be divided equally between the partners at the agreed upon percentage.

13. Investor A gave Respondent Craig Rudolph, a check made payable to the order of Respondent Rudolph in the amount of \$30,000.00 and dated October 12, 2010. The memo section of the check contained the notation "investment."

14. Respondent Craig Rudolph endorsed the above described check and on November 15, 2014 deposited it into his personal bank account at J.P. Morgan Chase Bank, N.A.

15. Then in late November, 2010, Respondent told Investor A that he needed an additional investment of \$7,500.00 and promised to pay it back as \$10,000.00 within three weeks.

16. Investor A gave Respondent Rudolph a check for \$7,500.00, made payable to the order of Respondent Rudolph and dated November 24, 2010. The memo section of said check contained the notation "investment."

17. Respondent Rudolph endorsed the above described check and on December 28, 2010 deposited the check into his personal bank account at J P Morgan Chase Bank, N.A.

18. The total amount invested by Investor A was \$37,500.00.

19. None of said invested funds were used in or for the benefit of Respondent TimeShares.

20. Respondent Craig Rudolph thereafter dissipated all of Investor A's investment funds for his own personal use and benefit.

21. To date, Investor A has not received the principal, namely the \$37,500.00, that Respondent Rudolph promised to payback nor any of the promised increase and/or percentage of the total profits of the business.

As to Count II of the Notice of Hearing, Failure to Register Securities:

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

23. Respondents Craig Rudolph and TimeShares failed to file an application with the Secretary of State to register the security, namely, the investment contract (Partnership Agreement), as required by the Act, and as a result the security was not registered as such prior to its sale in the State of Illinois.

As to Count III of the Notice of Hearing, Failure to Respond to an Illinois Securities Department Subpoena Duces Tecum and Subpoena Ad Testificandum:

24. On September 26, 2014 in the matter of File No. 11-0033, the Department issued and mailed, certified mail return receipt requested, a Subpoena Duces Tecum and a Subpoena Ad Testificandum to Respondent Craig Rudolph personally and as president of Respondent TimeShares, addressed to his last known address.

25. Attached to the Subpoena Duces Tecum was "Schedule A" listing the documents or information to be produced.

26. 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.

27. The due date for the Subpoena Duces Tecum was October 6, 2014.

28. The due date for the Subpoena Ad Testificandum was October 7, 2014.

29. Respondent Craig Rudolph failed to comply with the Subpoena Duces Tecum and failed to provide to the Department the requested documents or information on October 6, 2014 or any time thereafter.

30. Respondent Craig Rudolph failed to comply with the Subpoena Ad Testificandum and failed to appear at the offices of the Department on October 7, 2014 or any time thereafter.

31. Respondent Craig Rudolph's failure to comply with the subpoenas impeded the Secretary of States from conducting an investigation under Section 11.D(1) of the Act.

V. Proposed Conclusions of Law:

Based on the evidence presented and an application of the law to those facts, the Hearing Officer concludes:

1. The Notice of Hearing included the information required under Section 130.1102 of the Rules and Regulations under the Illinois Securities Law of 1953 [815 ILCS] (the "Act").

2. The Department properly served the Notice of Hearing on Respondents Rudolph and TimeShares.

3. The Secretary of State has jurisdiction over the subject matter hereof pursuant to the Act, and has personal jurisdiction over Respondents under the Act and the Rules and Regulations.

4. Because of Respondents' failure to file a timely answer, special appearance or other responsive pleading in accordance with Section 130.1104 of the Rules and Regulations:

- a. The allegations contained in the Notice of Hearing are deemed admitted;
- b. Respondents waived the right to a hearing;
- c. Respondents are subject to an Order of Default.

5. On January 15, 2015, the Hearing Officer for the Illinois Secretary of State, Department of Securities, held a hearing pursuant to Section 11.F of the Act and 14 Ill

Adm Code 130 Subpart K of the Rules and Regulations under the Illinois Securities Law of 1953 (the "Rules and Regulations").

6. Because Respondents failed to appear at the time and place set for hearing, in accordance with Section 130.1109 of the Rules and Regulations, they waived the right to present evidence, argue, object or cross examine witnesses; or otherwise participate at the hearing.

As to Count I of the Notice of Hearing, Fraud in the Offer and Sale of a Security:

7. The definition of a "security" under Section 2.1 of the Act includes, *inter alia*, any "investment contract", but the Act does not define what constitutes an "investment contract".

8. Section 130.201 of the Rules and Regulations does define the term "investment contract" as used in Section 2.1 of the Act and provides that the term includes, *inter alia*, that

d) any enterprise or venture whereby the investor is solicited to transfer initial capital to an enterprise on the promise or inducement that a value or benefit will accrue to the investor from the enterprise where the investor's capital is placed at risk by the enterprise and the investor asserts no managerial or operational control over the enterprise.

9. Respondents' activities described above involved an "investment contract" as that term is defined in Section 130.201 of the Rules and Regulations and accordingly constitutes a "security" under the Act.

10. Respondents' activities described above involve the sale of a "security" as that term is defined in Sections 2.1, 2.5 and 2.5a of the Act.

11. 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.

12. 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.

13. 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".

14. Based upon the foregoing, Respondents violated Sections 12.F, 12.G, and 12.I of the Act.

As to Count II of the Notice of Hearing, Failure to Register Securities:

15. Pursuant to Section 5 of the Act "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."

16. Pursuant to Section 12.A of the Act, it shall be a violation of the Act to offer or sell any security except in accordance with the provisions of the Act.

17. Pursuant to Section 12.D of the Act, it shall be a violation of the Act to fail to file with the Secretary of State any application or document required to be filed by the Act.

18. By virtue of the foregoing Respondents Craig Rudolph and TimeShares violated Sections 12.A and 12.D of the Act.

As to Count III of the Notice of Hearing, Failure to Respond to an Illinois Securities Department Subpoena Duces Tecum & Subpoena Ad Testificandum:

19. Section 11.D(1) of the Act provides, *inter alia*, that the Secretary of State or a person designated by him or her may subpoena witnesses and/or 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."

20. The Subpoena Duces Tecum and the Subpoena Ad Testificandum addressed to Respondent Rudolph personally and as president of Respondent TimeShares were issued pursuant to Section 11.D(1) of the Act and were properly served at his last known address.

21. As to the Subpoena Duces Tecum, the Respondent Rudolph failed to produce all of the documents requested by the due date, or any day thereafter, that were subpoenaed by the Department pursuant to Section 11.D(1) of the Act.

22. As to the Subpoena Ad Testificandum, the Respondent Rudolph was subpoenaed to appear by the Department pursuant Section 11.D(1) of the Act and he failed to appear at the scheduled due date, or any day thereafter.

23. Respondent Rudolph's failure to respond and to appear to the subpoenas by their due dates impeded designees of the Secretary of State from conducting an investigation under Section 11.D(1) of the Act.

24. By virtue of Respondents Rudolph failure to respond in a timely manner to the Subpoenas issued under Section 11.D(1) of the Act, Respondents have violated the Act.

Relief Requested by the Department:

25. Section 11.E(1) provides that if the Secretary of State finds “that the offer or sale...of any securities by any person ... is fraudulent, or would work or tend to work a fraud or deceit, or is being offered or sold in violation of Section 12 ...the Secretary of State may by written order prohibit or suspend the offer or sale of securities by that person ...”.

26. Section 11.E(2) provides that if the Secretary of State” shall find that any person has violated subsection C, D, E, F, G, H, I, J, or K of Section 12 of this Act, the Secretary of State may by written order temporarily or permanently prohibit it or suspend the person from offering or selling any securities” in the State of Illinois.

27. Section 11.E(4) of the Act provides that “the Secretary of State, after finding that any provision of this Act has been violated, may impose a fine ..., may issue an order of public censure against the violator, and may charge” as costs all reasonable expenses of the investigation.

28. The Department seeks an order of prohibition for violation of the Act, namely, violation of Sections 12.A, 12.D, 12.F, 12.G, and 12.I of the Act; and seeks Orders of Censure, but has waived all fines and costs in this matter.

VI. Recommendation as to Disposition:

The Hearing Officer recommends that:

1. An Order of Default be entered against Respondents Craig Rudolph and TimeShares and the allegations in the Notice of Hearing be deemed admitted.
2. A Permanent Order be entered prohibiting Respondents Craig Rudolph and TimeShares from offering, advising the sale of, and selling securities in and from the State of Illinois.

3. An Order of Public Censor be entered against both Respondents, Craig Rudolph and TimeShares.

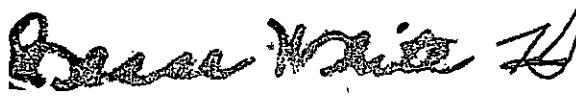
NOW THEREFORE IT IS HEREBY ORDERED THAT:

1. An Order of Default is entered against Respondents Craig Rudolph and TimeShares and that the facts alleged in the Notice of Hearing are deemed admitted.
2. An Order is entered against Respondents Craig Rudolph and TimeShares, in the form of a **PERMANENT ORDER OF PROHIBITION** against each of them from offering or selling securities in or from the State of Illinois.
3. An Order of Public Censor is entered against both Respondents, Craig Rudolph and TimeShares.

NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12.D of the Act. Any person or entity that fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of this Order, shall be guilty of a Class 4 felony for each offense.

This is a final order subject to administrative review pursuant to the Administrative Review Law [735 ILCS 5/3-101 et seq.] and the Rules and Regulations of the Act (14 Ill. Admin. Code, Ch. 1 Sec. 130.1123). Any action for judicial review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review.

ENTERED this 22nd day of July 2015.



JESSE WHITE
Secretary of State
State of Illinois

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