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Mexico hotel owner charged in swindle of time-share leases

By Rudolph Bush
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December 28, 2006

FBI agents have arrested an American hotel owner on charges he ran a \$400 million pyramid scheme through the sale of time-share leases in Mexico.

Michael E. Kelly of Cancun was arrested Friday in Jacksonville, Fla., and charged with cheating hundreds of investors, including several from Illinois.

According to a criminal complaint released Wednesday, Kelly sold "universal leases" on Mexican time shares to investors who thought they would get return rates of up to 11 percent.

Kelly, 57, purportedly told the investors that an independent third-party company would rent their time shares. He promised that the investors would receive high returns even if their properties weren't rented, the complaint alleges.

In fact, Kelly owned the third-party companies and controlled the returns provided to investors, authorities allege.

An attorney for Kelly could not be located Wednesday. He is in custody in Florida and is expected to come to Chicago for an initial appearance at a future date.

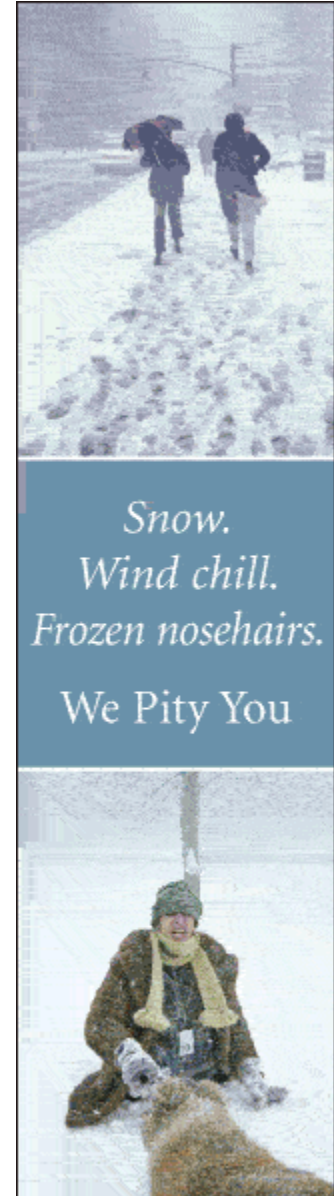
According to authorities, Kelly's scheme netted some \$400 million from investors from 1997 to March 2004.

During that time, he owned five hotels in Mexico and one in Panama. Time shares at the Mexican hotels were used to further the scheme, authorities allege.

Although many investors initially did receive returns on their leases, the scheme collapsed when several states cracked down on Kelly's operation and new investors from the U.S. dried up, authorities allege.

Meanwhile, Kelly used the proceeds of the scam to pay for a lavish lifestyle that included a private plane, a yacht and Cancun homes for himself and three children, authorities allege.

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He also bought a luxury car dealership in Georgia that required regular infusions of cash to stay afloat, according to the criminal complaint.

Once the bottom dropped out, investors stopped receiving any returns and began asking for their money back.

One victim in Illinois took a reverse home mortgage to fund a \$100,000 investment in the time-share scheme. Another put \$500,000 of his own money and \$305,000 of his mother's into Kelly's time-share business.

Someone working for one of the purported third-party companies told another investor that the chance of getting any money back was "slim," the complaint alleges.

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