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Jeffrey D. Gardner, Esq.
jgardner@galbuthunter.com
CORPORATION COMMISSION
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June 20, 2003

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Arizona Corporation Commission
1200 W. Washington
Phoenix, Arizona 85007-2996
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Arizona Corporation Commission
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JUN 20 2003

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Re: Arizona Securities Division Docket No: S-03539A-03-0000

To Whom It May Concern:

Enclosed herewith please find an original and 13 copies of Respondents Yucatan Resorts, Inc., Yucatan Resorts, S.A., Resort Holdings International, Inc., and Resort Holdings International, S.A.s' Answer to the Temporary Cease and Desist Order and Notice of Opportunity for Hearing.

If you have any questions, please do not hesitate to contact the undersigned.

Very truly yours,

Jeffrey D. Gardner

JDG
Enclosures
cc: Joel Held, Esq.
Paul Roshka, Esq.

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BEFORE THE ARIZONA CORPORATION COMMISSION

2003 JUN 20 P 4: 48

MARC SPITZER
Chairman

JIM IRVIN
Commissioner

WILLIAM A. MUNDELL
Commissioner

JEFF MATCH-MILLER
Commissioner

MIKE GLEASON
Commissioner

ARIZONA CORPORATION COMMISSION
DOCUMENT CONTROL

Arizona Corporation Commission
DOCKETED

JUN 20 2003

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In the matter of:

DOCKET NO. S-03539A-03-0000

YUCATAN RESORTS, INC., d/b/a
YUCATAN RESORTS, S.A., RESORT
HOLDINGS INTERNATIONAL, INC.,
d/b/a/ RESORT HOLDINGS
INTERNATIONAL, S.A., WORLD
PHANTASY TOURS, INC., a/k/a
MAJESTY TRAVEL a/k/a VIAJES
MAJESTY, MICHAEL E. KELLY and
LORI KELLY,

RESPONDENTS YUCATAN
RESORTS, INC., d/b/a/ YUCATAN
RESORTS, S.A., AND RESORT
HOLDINGS INTERNATIONAL, INC.,
d/b/a RESORT HOLDINGS
INTERNATIONAL, S.A.S' ANSWER
TO THE ARIZONA CORPORATION
COMMISSION'S TEMPORARY
CEASE AND DESIST ORDER

Respondents.

Respondents YUCATAN RESORTS, INC., d/b/a YUCATAN RESORTS, S.A.,
and RESORT HOLDINGS INTERNATIONAL, INC. (hereinafter "RHI, Inc."), d/b/a
RESORT HOLDINGS INTERNATIONAL, S.A. (hereinafter "RHI, S.A."), collectively
referred to herein as "Respondents," hereby answer the Temporary Order to Cease and
Desist and Notice of Opportunity for Hearing (the "C&D") before the Securities Division
("Division") of the Arizona Corporation Commission ("Commission") as follows:

1 **FOR A FIRST DEFENSE**

2 1. Respondents deny each and every allegation of paragraph 1 and assert that
3 no securities are involved in the transactions, and therefore there is no application of the
4 Arizona Securities Act.
5

6 2. Respondents admit that Yucatan Resorts, Inc., is a corporation, but
7 specifically deny that Yucatan Resorts, Inc., is d/b/a Yucatan Resorts, S.A. Respondents
8 admit that Yucatan Resorts, S.A., is a Panamanian corporation which marketed timeshare
9 units for resorts in Cancun, Mexico. Respondents admit that Yucatan Resorts, Inc., has a
10 business address located in the United States at 3222 Mishawaka Avenue, South Bend,
11 Indiana, 46615, and a mailing address at P.O. Box 2661, South Bend, Indiana, 46680.
12 Respondents deny each and every other allegation contained in Paragraph 1 of the C&D.
13

14 3. Respondents deny that RHI, Inc., is d/b/a RHI, S.A. Respondents further
15 admit that RHI, Inc., does have a business address located in the United States at 3222
16 Mishawaka Avenue, South Bend, Indiana, 46615, and a mailing address at P.O. Box 2661,
17 South Bend, Indiana, 46680. Respondents deny the remaining allegations contained in
18 paragraph 3.
19

20 4. Respondents admit that Majesty Travel d/b/a World Phantasy Tours is a
21 Panamanian Corporation operating a resort management and travel business and has an
22 address at Calle Eusebio A. Morales, Edificio Atlantida, P Baja, APDO, 8301 Zona 7,
23 Panama. Respondents deny each and every other allegation contained in Paragraph 4 of
24 the C&D.
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5. Respondents deny each and every allegation contained in Paragraph 5 of the C&D.

6. Respondents deny each and every allegation contained in Paragraph 6 of the C&D.

7. Respondents deny each and every allegation contained in paragraph 7 of the C&D.

8. Respondents deny each and every allegation contained in paragraph 8 of the C&D.

9. Respondents deny each and every allegation contained in paragraph 9 of the C&D.

10. Respondents deny each and every allegation contained in paragraph 10 of the C&D.

11. Respondents deny each and every allegation contained in paragraph 11 of the C&D.

12. Respondents deny each and every allegation contained in paragraph 12 of the C&D.

13. Respondents deny each and every allegation contained in paragraph 13 of the C&D.

14. Respondents deny each and every allegation contained in paragraph 14 of the C&D.

1 15. Respondents deny each and every allegation contained in paragraph 15 of the
2 C&D.

3 16. Respondents deny each and every allegation contained in paragraph 16 of the
4 C&D.

5 17. Respondents deny each and every allegation contained in paragraph 17 of the
6 C&D.

7 18. Respondents admit that under the Universal Lease, Leaseholders who
8 purchase a Universal Lease are afforded the opportunity to select from one of three options
9 in any given year; the Leaseholder may use the leased units themselves, the Leaseholder
10 may rent out the leased unit, or the Leaseholder may opt to have a third party servicer
11 locate a third party to rent the timeshare. Respondents deny each and every other allegation
12 contained in paragraph 18 of the C&D.
13
14
15

16 19. Respondents deny each and every allegation contained in paragraph 19 of the
17 C&D.

18 20. Respondents admit that one of three options afforded a Leaseholder is that
19 the Leaseholder may chose to utilize their unit themselves. Respondents deny each and
20 every other allegation contained in paragraph 20 of the C&D.

21 21. Respondents admit that the Universal Leaseholder is responsible for annual
22 operation and maintenance fee ranging from \$380 to \$650 per year and, further, that the
23 annual operation and maintenance fee is subject to increases based on increases in the
24 Consumer Price Index. Respondents specifically deny that the annual operation and
25
26

1 maintenance fee is only assessed to Universal Leaseholders who elect to use the leased unit
2 themselves. Respondents deny each and every other allegation contained in paragraph 21
3 of the C&D.

4
5 22. Respondents deny each and every allegation contained in paragraph 22 of the
6 C&D.

7 23. Respondents admit that a second option afforded to a Universal Leaseholder
8 is that they may rent out their leased unit themselves. Respondents deny each and every
9 other allegation contained in paragraph 23 of the C&D.

10
11 24. Respondents deny each and every allegation contained in paragraph 24 of the
12 C&D.

13 25. Respondents deny each and every allegation contained in paragraph 25 of the
14 C&D.

15
16 26. Respondents deny each and every allegation contained in paragraph 26 of the
17 C&D.

18 27. Respondents admit that a third option afforded Universal Leaseholders is that
19 they may elect to have a third party locate and lease the leased unit on behalf of the
20 Leaseholder. Respondents deny each and every other allegation contained in paragraph 27
21 of the C&D.

22
23 28. Respondents admit that if the Universal Leaseholder elects to have a third
24 party locate and lease their leased unit and, further, the Universal Leaseholder elects to
25 have World Phantasy serve as the third party leasing agent, the Universal Leaseholder is
26

1 instructed by World Phantasy to complete a "Universal Lease Management Agreement."

2 Respondents deny each and every other allegation contained in paragraph 28 of the C&D.

3 29. Respondents deny each and every allegation contained in paragraph 29 of the
4 C&D.

5 30. Respondents deny each and every allegation contained in paragraph 30 of the
6 C&D.

7 31. Respondents deny each and every allegation contained in paragraph 31 of the
8 C&D.

9 32. Respondents deny each and every allegation contained in paragraph 32 of the
10 C&D.

11 33. Respondents deny each and every allegation contained in paragraph 33 of the
12 C&D.

13 34. Respondents deny each and every allegation contained in paragraph 34 of the
14 C&D.

15 35. Respondents deny each and every allegation contained in paragraph 35 of the
16 C&D.

17 36. Respondents deny each and every allegation contained in paragraph 36 of the
18 C&D.

19 37. Respondents deny each and every allegation contained in paragraph 37 of the
20 C&D.

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1 38. Respondents deny each and every allegation contained in paragraph 38 of the
2 C&D.

3 39. Respondents deny each and every allegation contained in paragraph 39 of the
4 C&D.
5

6 40. Respondents deny each and every allegation contained in paragraph 40 of the
7 C&D.
8

9 41. Respondents deny each and every allegation contained in paragraph 41 of the
10 C&D.

11 42. Respondents admit that whether or not Yucatan Investment Corp. is the
12 subject of an administrative order of the New Mexico Securities Division is a matter of
13 public record. Respondents specifically deny that Yucatan Investment Corp is related to
14 Respondents. Respondents deny each and every other allegation contained in paragraph
15 42 of the C&D.
16

17 43. Respondents admit that whether or not Yucatan Investment Corp. is the
18 subject of an administrative order of the South Carolina Securities Division is a matter of
19 public record. Respondents specifically deny that Yucatan Investment Corp is related to
20 Respondents. Respondents deny each and every other allegation contained in paragraph
21 43 of the C&D.
22

23 44. Respondents admit that whether or not Yucatan Investment Corp. is the
24 subject of an administrative order of the Connecticut Department of Bamberg is a matter of
25 public record. Respondents specifically deny that Yucatan Investment Corp is related to
26

1 Respondents. Respondents deny each and every other allegation contained in paragraph
2 44 of the C&D.

3 45. Respondents deny each and every allegation contained in paragraph 45 of the
4 C&D.
5

6 46. Respondents deny each and every allegation contained in paragraph 46 of the
7 C&D.
8

9 47. Respondents deny each and every allegation contained in paragraph 47 of the
10 C&D.

11 48. Respondents deny each and every allegation contained in paragraph 48 of the
12 C&D.
13

14 49. Respondents deny each and every allegation contained in paragraph 49 of the
15 C&D.

16 50. Respondents deny each and every allegation contained in paragraph 50 of the
17 C&D.
18

19 51. Respondents deny each and every allegation contained in paragraph 51 of the
20 C&D.

21 52. Respondents deny each and every allegation contained in paragraph 52 of the
22 C&D.
23

24 53. Respondents deny each and every allegation contained in paragraph 53 of the
25 C&D.
26

1 54. Respondents deny each and every allegation contained in paragraph 54 of the

2 C&D.

3 55. Respondents deny each and every allegation contained in paragraph 55 of the

4 C&D.

5
6 56. Respondents deny each and every allegation of the C&D not specifically
7 admitted.

8 **FOR A SECOND DEFENSE**

9
10 57. No claim has been stated upon which relief can be granted.

11 **FOR A THIRD DEFENSE**

12 58. No security is involved in these alleged transactions, and therefore there is
13 no proper application of the Arizona securities laws, or jurisdiction of this administrative
14 tribunal.

15
16 **FOR A FOURTH DEFENSE**

17 59. Arizona's securities registration statutes and regulations do not apply to the
18 sale of timeshares under an approved timeshare plan, pursuant to, *inter alia*, A.R.S. § 32-
19 2197.

20
21 **FOR A FIFTH DEFENSE**

22 60. There is a lack of personal jurisdiction.

23 **FOR A SIXTH DEFENSE**

24
25 61. There is a lack of subject matter jurisdiction.

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FOR A SEVENTH DEFENSE

62. Indispensable parties in this action have not been joined.

FOR AN EIGHT DEFENSE

63. Parties have been misnamed and misjoined in this action.

FOR A NINTH DEFENSE

64. There has been a defect in service of process, and process is insufficient.

FOR A TENTH DEFENSE

65. There are collateral proceedings so that there is the threat of inconclusive and contrary results, and therefore this matter should alternatively be stayed.

FOR AN ELEVENTH DEFENSE

66. There is no basis for joining Lori Kelley.

FOR A TWELFTH DEFENSE

67. There was a lack of agency.

FOR A THIRTEENTH DEFENSE

68. There is no personal jurisdiction over respondent Michael E. Kelly and his wife, and there has been a failure of service of process in connection therewith.

FOR A FOURTEENTH DEFENSE

69. Any ruling in this action would be unconstitutional under the laws of the State of Arizona and under the laws of the United States of America for, *inter alia*, failing to provide due process, among other provisions.

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FOR A FIFTEENTH DEFENSE

70. The Respondents have not taken any improper action within or from the State of Arizona.

FOR A SIXTEENTH DEFENSE

71. Such persons who took any such actions did not have authority, and no agency relationship existed with the Respondents.

FOR A SEVENTEENTH DEFENSE

72. The statues of limitations bar these claims.

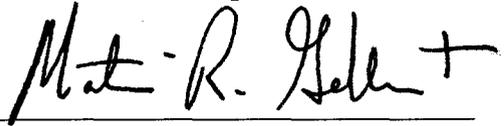
FOR AN EIGHTEENTH DEFENSE

73. All other applicable and potential affirmative defenses are hereby asserted given that this proceeding has just commenced.

WHEREFORE, there is no basis for the imposition of liability of any kind or nature, and the temporary order to cease and desist should be vacated and there should be no award of any kind or nature against the Respondents.

1 **RESPECTFULLY SUBMITTED** this 20th day of June, 2003.

2 GALBUT & HUNTER
3 A Professional Corporation

4 

5 Martin R. Galbut
6 Jeffrey D. Gardner
7 Camelback Esplanade
8 2425 E. Camelback Road
9 Suite 1020
10 Phoenix, Arizona 85016
11 Attorneys for Respondents
12 Yucatan Resorts, Inc., d/b/a
13 Yucatan Resorts, S.A., and
14 RHI, Inc., d/b/a RHI, S.A.

15 ORIGINAL and thirteen copies of the foregoing
16 hand-delivered this 20th day of June, 2003 to:

17 Docket Control
18 Arizona Corporation Commission
19 1200 West Washington Street
20 Phoenix, Arizona 85007

21 COPY of the foregoing hand-delivered
22 this 20th day of June, 2003 to:

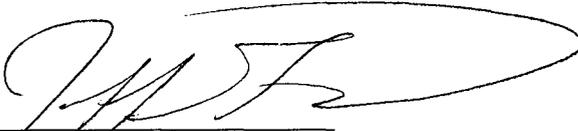
23 Hearing Officer
24 Hearing Division
25 Arizona Corporation Commission
26 1200 West Washington Street
Phoenix, Arizona 85007

1 Jaime Palfai, Esq.
W. Mark Sendrow, Esq.
2 Securities Division
3 Arizona Corporation Commission
1300 West Washington Street, 3rd Floor
4 Phoenix, Arizona 85007

5
6 COPY of the foregoing sent *via* U.S. Mail
this 20th day of June, 2003 to:

7
8 Joel Held, Esq.
Elizabeth Yingling, Esq.
9 Baker & McKenzie
2300 Trammell Crow Center
10 2001 Ross Avenue – Ste.2300
11 Dallas, Texas 75201
Attorneys for Respondent
12 Yucatan Resorts, Inc., d/b/a Yucatan Resorts, S.A.,
and RHI, Inc., d/b/a RHI, S.A.

13
14 Paul J. Roshka, Jr., Esq.
Dax Watson, Esq.
15 One Arizona Center
16 400 East Van Buren Street, Suite 800
Phoenix, Arizona 85004
17 Attorneys for Respondents
18 Michael and Lori Kelly

19
20
21 By: 
Jeffrey D. Gardner, Esq.

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23
24
25
26