



0000117347

ORIGINAL

RECEIVED

2003 OCT -7 P 4:46

BEFORE THE ARIZONA CORPORATION COMMISSION

**COMMISSIONERS:**

**MARC SPITZER, Chairman**  
**WILLIAM A. MUNDELL**  
**JEFF MATCH-MILLER**  
**MIKE GLEASON**

Arizona Corporation Commission

**DOCKETED**

OCT 07 2003

DOCKETED BY *CMC*

**DOCKET NO. S-03539A-03-0000**

In the matter of:

**YUCATAN RESORTS, INC., d/b/a**  
**YUCATAN RESORTS, S.A.,**  
3222 Mishawaka Avenue  
South Bend, IN 46615;  
P. O. Box 2661  
South Bend, IN 46680;  
Av. Coba #82 Lote 10, 3er. Piso  
Cancun, Q. Roo  
Mexico C.P. 77500

**RESORT HOLDINGS INTERNATIONAL,**  
**INC. d/b/a**  
**RESORT HOLDINGS INTERNATIONAL,**  
**S.A.,**  
3222 Mishawaka Avenue  
South Bend, IN 46615;  
P. O. Box 2661  
South Bend, IN 46680;  
Av. Coba #82 Lote 10, 3er. Piso  
Cancun, Q. Roo  
Mexico C.P. 77500

**WORLD PHANTASY TOURS, INC.**  
**a/k/a MAJESTY TRAVEL**  
**a/k/a VIAJES MAJESTY**  
Calle Eusebio A. Morales  
Edificio Atlantida, P Baja  
APDO, 8301 Zona 7 Panama

**MICHAEL E. KELLY and LORI KELLY,**  
husband and wife,  
3222 Mishawaka Avenue  
South Bend, IN 46615;  
P. O. Box 2661  
South Bend, IN 46680;

Respondents.

**RESPONDENTS YUCATAN RESORTS,**  
**INC., YUCATAN RESORTS, S.A.,**  
**RESORT HOLDINGS**  
**INTERNATIONAL, INC., RESORT**  
**HOLDINGS INTERNATIONAL, S.A.,**  
**WORLD PHANTASY TOURS, INC.,**  
**MICHAEL E. KELLY AND LORI**  
**KELLYS' ANSWER TO THE**  
**SECURITY DIVISION'S AMENDED**  
**TEMPORARY CEASE AND DESIST**  
**ORDER**

**(ASSIGNED TO THE HONORABLE**  
**MARC STERN, ADMINISTRATIVE**  
**LAW JUDGE)**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

1 Respondents, YUCATAN RESORTS, INC., YUCATAN RESORTS, S.A.,  
2 RESORT HOLDINGS INTERNATIONAL, INC. (hereinafter "RHI, Inc."), RESORT  
3 HOLDINGS INTERNATIONAL, S.A., (hereinafter "RHI, S.A."), WORLD PHANTASY,  
4 INC., MICHAEL E. KELLY AND LORY KELLY, collectively referred to herein as  
5 "Respondents," hereby answer the Amended Temporary Order to Cease and Desist  
6 ("Amended TC&D") before the Securities Division ("Division") of the Arizona  
7 Corporation Commission ("Commission") as follows:

8 **FOR A FIRST DEFENSE**

9 1. The Respondents hereby incorporate by reference the allegations, arguments,  
10 defenses and responses previously presented in the following filings and declarations:

- 11 a. Respondents Yucatan Resorts, Inc., and Yucatan Resorts, S.A.s' Request for  
12 Hearing and Notice of Appearance;
- 13 b. Respondents Resort Holdings International, Inc., and Resort Holdings  
14 International, S.A.s' Request For Hearing and Notice of Appearance;
- 15 c. Respondents Michael E. Kelly and Lory Kellys' Request For Hearing and  
16 Notice of Appearance;
- 17 d. Respondents Yucatan Resorts, Inc., d/b/a Yucatan Resorts, S.A., and Resort  
18 Holdings International, Inc., d/b/a Resort Holdings International, S.A.s' Answer  
19 To The Arizona Corporation Commission's Temporary Cease and Desist Order;
- 20 e. Respondents Yucatan Resorts, Inc., and Resort Holdings International, Inc.s',  
21 Declarations;
- 22 f. Respondents Resort Holdings International, Inc., Resort Holdings International,  
23 S.A., Yucatan Resorts, Inc., and Yucatan Resorts, S.A.s' Motion to Dismiss  
24 Temporary Order to Cease and Desist and Brief in Support Thereof;
- 25 g. Respondents Yucatan Resorts, Inc. and Resort Holdings International, Inc.s'  
26 Motion to Dismiss for Lack of Personal Jurisdiction;

- 1 h. Respondent Lory Kelly's (1) Motion to Dismiss for Lack of Personal  
2 Jurisdiction and Insufficiency of Service of process and (2) Joinder in the  
3 Motion to Dismiss Filed by Respondents Resort Holdings International, Inc. and  
4 Yucatan Resorts, Inc.;
- 5 i. Respondent Lory Kelly's Answer to the Arizona Corporation Commission's  
6 Temporary Order to Cease and Desist and Notice of Opportunity for Hearing;
- 7 j. Respondent Michael E. Kelly's (1) Motion to Dismiss for Lack of Personal  
8 Jurisdiction and Insufficiency of Service of Process and (2) Joinder in the  
9 Motion to Dismiss Filed by Respondents Resort Holdings International, Inc. and  
10 Yucatan Resorts, Inc.;
- 11 k. Respondent Michael E. Kelly's Answer to the Arizona Corporation  
12 Commission's Temporary Order to Cease and Desist and Notice of Opportunity  
13 for Hearing;
- 14 l. Respondents Michael E. Kelly and Lory Kelly's Notice of Filing Original  
15 Declarations;
- 16 m. Respondents Yucatan Resorts, Inc., and Resort Holdings International, Inc.'s  
17 Reply in Support of Their Pending Motion to Dismiss for lack of Personal  
18 Jurisdiction;
- 19 n. Respondent Lory Kelly's (1) Reply in Support of the Motion to Dismiss for  
20 Lack of Personal Jurisdiction and Insufficiency of Service of Process and (2)  
21 Joinder in the Reply Filed by Respondents Yucatan Resorts, Inc. and Resort  
22 Holdings International, Inc.;
- 23 o. Respondent Michael E. Kelly's (1) Reply in Support of the Motion to Dismiss  
24 for Lack of Personal Jurisdiction and Insufficiency of Service of Process and (2)  
25 Joinder in the Reply Filed by Respondents Yucatan Resorts, Inc. and Resort  
26 Holdings International, Inc.;

- 1 p. Respondents Yucatan Resorts, Inc., and Resort Holdings International, Inc.s',  
2 Reply in Support of Their Pending Motion to Dismiss for Lack of Personal  
3 Jurisdiction;
- 4 q. Respondents Resort Holdings International, Inc., Resort Holdings International,  
5 S.A., Yucatan Resorts, Inc., and Yucatan Resorts, S.A.'s Reply in Support of  
6 Motion to Dismiss Temporary Order to Cease and Desist;
- 7 r. Respondent World Phantasy's Request for Hearing and Notice of Appearance;
- 8 s. Respondent World Phantasy's Answer to Temporary Order to Cease and Desist;
- 9 t. Respondent World Phantasy's Motion to Dismiss;
- 10 u. Respondents Resort Holdings International, Inc., Resort Holdings International,  
11 S.A., Yucatan Resorts, Inc., and Yucatan Resorts, S.A.'s Opposition to  
12 Securities Division's Motion to Amend Temporary Order to Cease and Desist  
13 and Notice of Opportunity For Hearing;
- 14 v. American Elder Group's Objections and Responses to Subpoena;
- 15 w. Motion to Quash Subpoenas, Objection to Subpoenas, and Motion to Stay  
16 Discovery Pending Further Order;
- 17 x. Phillip Robert Ohst's Objections and Response to Subpoena;
- 18 z. Janalee R. Sneva's Objections and Responses to Subpoena;
- 19 aa. Respondents' Supplemental Motion to Quash Subpoena, Objection to  
20 Subpoena, And Motion to Stay Discovery Pending Further Order;
- 21 bb. Respondents Reply in Support of Motion to Quash Subpoenas, Objection to  
22 Subpoenas, and Motion to Stay Discovery Pending Further Order.

23 2. Each and every new allegation contained within the Amended TC&D, which  
24 was not in the original TC&D, is hereby denied.  
25  
26

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

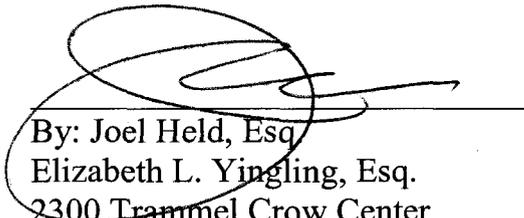
**FOR A SECOND DEFENSE**

3. Respondents deny that "Avalon Resorts" is an entity or that it has a legal existence. There is no personal or subject matter jurisdiction over the entity Avalon Resorts.

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, the Administrative Law Judge should deny the Securities Division and the Arizona Corporation Commission relief of any kind or nature.

RESPECTFULLY SUBMITTED this 7<sup>th</sup> day of October, 2003.

BAKER & MCKENZIE



By: Joel Held, Esq.  
Elizabeth L. Yingling, Esq.  
2300 Trammel Crow Center  
2001 Ross Avenue – Ste. 2300  
Dallas, Texas 75201  
Attorneys for Respondents  
Yucatan Resorts, Inc., Yucatan  
Resorts, S.A., RHI, Inc., RHI, S.A.

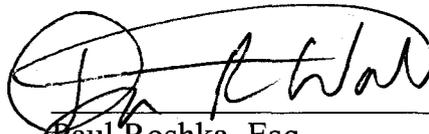
1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

GALBUT & HUNTER  
A Professional Corporation



Martin R. Galbut, Esq.  
Jeana R. Webster, Esq.  
Jeffrey D. Gardner, Esq.  
Camelback Esplanade  
2425 E. Camelback Road, Ste. 1020  
Phoenix, Arizona 85016  
Attorneys for Respondents  
Yucatan Resorts, Inc., Yucatan  
Resorts S.A. RHI, Inc., and RHI,  
S.A.

ROSHKA, HEYMAN & DeWULF, PLC



Paul Roshka, Esq.  
Dax Watson, Esq.  
One Arizona Center  
400 East Van Buren Street, Suite 800  
Phoenix, Arizona 85004  
Attorneys for Respondents  
Michael and Lory Kelly

MEYER, HENDRICKS & BIVENS P.A.



Tom Galbraith, Esq.  
Kirsten Copeland, Esq.  
3003 N. Central Avenue, Suite 1200  
Phoenix, Arizona 85012-2915  
Attorneys for Respondent  
World Phantasy Tours, Inc.

1 ORIGINAL and thirteen copies of the foregoing  
2 hand-delivered this 7th day of October, 2003 to:

3 Docket Control  
4 Arizona Corporation Commission  
5 1200 West Washington Street  
6 Phoenix, Arizona 85007

7 COPY of the foregoing hand-delivered  
8 this 7th day of October, 2003 to:

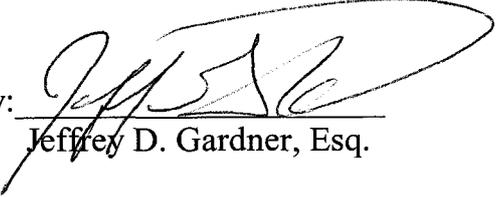
9 Marc Stern, Esq.  
10 Administrative Law Judge  
11 Hearing Division  
12 Arizona Corporation Commission  
13 1200 West Washington Street  
14 Phoenix, Arizona 85007

15 Jaime Palfai, Esq.  
16 W. Mark Sendrow, Esq.  
17 Securities Division  
18 Arizona Corporation Commission  
19 1300 West Washington Street, 3rd Floor  
20 Phoenix, Arizona 85007

21 COPY of the foregoing sent *via* U.S. Mail  
22 this 7th day of October, 2003 to:

23 Paul J. Roshka, Jr., Esq.  
24 Dax Watson, Esq.  
25 One Arizona Center  
26 400 East Van Buren Street, Suite 800  
Phoenix, Arizona 85004  
Attorneys for Respondents  
Michael and Lory Kelly

1 Tom Galbraith, Esq.  
Kirsten Copeland, Esq.  
2 Meyer, Hendricks & Bivens, P.A.  
3 3003 N. Central Avenue, Suite 1200  
Phoenix, Arizona 85012-2915  
4 Attorneys for Respondent  
World Phantasy Tours, Inc.  
5

6  
7 By:   
8 Jeffrey D. Gardner, Esq.  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26