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BEFORE THE ARIZONA CORPORATION COMMISSION

2003 NOV 21 P 2:04

COMMISSIONERS

- MARC SPITZER, Chairman
- WILLIAM A. MUNDELL
- JEFF HATCH-MILLER
- MIKE GLEASON
- KRISTIN K. MAYES

AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF:

DOCKET NO. S-03539A-03-0000

YUCATAN RESORTS, INC., dba
 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

Arizona Corporation Commission
DOCKETED

NOV 21 2003

DOCKETED BY	
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RESORT HOLDINGS INTERNATIONAL, INC.,
 dba 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., aka
 MAJESTY TRAVEL, aka VIAJES MAJESTY
 Calle Eusebio A. Morales
 Edificio Atlantida, P Baja
 APDO, 8301 Zona 7 Panama

AVALON RESORTS, S.A.
 Avenida Coba #82 Lote 10, 3er. Piso
 Cancun, Q. Roo
 Mexico, C.P. 77500

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

FOURTH
PROCEDURAL ORDER

Respondents.

1 BY THE COMMISSION:

2 On May 20, 2003, the Securities Division ("Division") of the Arizona Corporation
3 Commission ("Commission") filed a Temporary Order to Cease and Desist ("T.O.") and a Notice of
4 Opportunity for Hearing ("Notice") against Yucatan Resorts, Inc. dba Yucatan Resorts, S.A.,
5 ("Yucatan"), Resort Holdings International, Inc. dba Resort Holdings International, S.A. ("RHI"),
6 World Phantasy Tours, aka Majesty Travel, aka Viajes Majesty ("WPT") and Michael E. Kelly and
7 Lori Kelly ("Kelly") (collectively the "Respondents") in which the Division alleged multiple
8 violations of the Arizona Securities Act ("Act") in connection with the offer and sale of securities in
9 the form of investment contracts.

10 Respondents Yucatan, RHI, Kelly and WPT were duly served with copies of the notice.

11 On June 10, 2003, Respondents Yucatan, RHI and Kelly filed requests for hearing.

12 On June 23, 2003, Respondents, Yucatan, RHI and Kelly filed multiple Motions to Dismiss
13 also claiming lack of personal jurisdiction and insufficiency of service of process. Yucatan, RHI and
14 Kelly also filed Answers to the TO and Notice.

15 On June 25, 2003, by Procedural Order, a pre-hearing conference was scheduled on July 10,
16 2003.

17 On July 1, 2003, counsel for Respondents Yucatan and RHI filed a Motion and Consent for
18 Admission Pro Hac Vice ("Motion PHV") for attorneys Joel Held and Elizabeth Yingling. The
19 Motion PHV was accompanied by evidence that attorneys Held and Yingling had complied with Rule
20 33 of the Rules of the Arizona Supreme Court and paid the required filing fees.

21 On July 3, 2003, counsel for the Division, Yucatan, RHI and Kelly filed a stipulation to
22 reschedule the pre-hearing conference from July 10, 2003 to July 17, 2003. The parties also agreed
23 to extend by two days, from July 8, 2003 to July 10, 2003, the date for filing the Division's
24 Responses to Respondents' Motions to Dismiss.

25 On July 8, 2003, by Procedural Order, the pre-hearing conference was continued to July 17,
26 2003 and the Motion PHV was granted.

27 On July 11, 2003, the Division filed Responses to the pending Motions to Dismiss.

28 On July 17, 2003, a pre-hearing conference was held with counsel for the Division, Yucatan,

1 RHI and Kelly present. Procedural and discovery matters were discussed. It was decided that an
2 additional pre-hearing would be scheduled after the various pleadings were filed.

3 On July 30, 2003, Replies of Yucatan, RHI and Mr. Kelly were filed to the Division's
4 Responses. Mrs. Kelly did not file a Reply.

5 On August 8, 2003, WPT filed a request for hearing and a Motion to Dismiss and Answer to
6 the TO and Notice.

7 On August 8, 2003, the Division filed a Motion to Amend the TO and Notice to add an
8 additional Respondent, Avalon Resorts, S.A. ("Avalon") to the proceeding.

9 On August 13, 2003, the Division filed its Response to WPT's Motion to Dismiss. WPT did
10 not file a Reply.

11 On August 25, 2003, Yucatan and RHI filed a Response to the Division's Motion to Amend
12 the TO and Notice to add Avalon to the proceeding.

13 On September 4, 2003, Yucatan and RHI filed what was captioned "Motion to Quash
14 Subpoenas, Objection to Subpoenas and Motion to Stay Discovery Pending Further Order" ("Motion
15 to Quash") with respect to four subpoenas which involve ongoing to investigations being conducted
16 by the Division. Yucatan and RHI argued that the individuals involved could possibly be witnesses
17 in this proceeding and pursuant to the Arizona Rules of Civil Procedure ("ARCP"), the Respondents
18 were entitled to notice and to attend and participate in the formal interviews under oath of the
19 individuals who were subpoenaed.

20 On September 12, 2003, by Procedural Order, the Motions to Dismiss were taken under
21 advisement and the Division's Motion to Amend TO and Notice was granted, and a pre-hearing
22 conference scheduled for October 8, 2003.

23 On September 18, 2003, the Division filed its Response to Yucatan's and RHI's Motion to
24 Quash arguing that the Respondents did not have standing to object to the Division's investigation of
25 these individuals and that its investigative powers were not restricted as argued by the Respondents in
26 the Motion to Quash.

27 On September 26, 2003, the parties filed a joint stipulation that the pre-hearing conference be
28 rescheduled from October 8, 2003 to October 7, 2003, at 10:00 a.m. Additionally, on September 26,

1 2003, Yucatan and RHI filed a Supplemental Motion to Quash with respect to subpoena issued to
2 Wells Fargo Bank for financial records regarding individuals or entities described in the initial
3 Motion to Quash filed by Yucatan and RHI.

4 On September 29, 2003, by Procedural Order, the pre-hearing conference scheduled for
5 October 8, 2003, was rescheduled to October 7, 2003,.

6 On September 30, 2003, Yucatan and RHI filed a Reply to the Division's Response arguing
7 that the Division should have conducted its investigation before the issuance of its TO and Notice
8 herein.

9 On October 6, 2003, the Division filed its response to the Supplemental Motion to Quash in
10 which the Division reargued its objections to either Yucatan or RHI having standing to object to the
11 Division's subpoenas citing further A.R.S. § 44-1823(A) and also raising the issue whether counsel
12 for Yucatan and RHI who is appearing Pro Hac Vice could represent any other parties or individuals
13 not named in the instant proceeding.

14 On October 7, 2003, at the pre-hearing conference, counsel for the respective parties to the
15 proceeding appeared. Various discovery issues were addressed and the parties agreed to attempt to
16 resolve these issues without an order from the presiding Administrative Law Judge. The parties
17 further agreed upon another pre-hearing conference being scheduled for November 12, 2003.

18 On November 12, 2003, at the pre-hearing conference, counsel for the Division, Yucatan,
19 RHI, WPT and Mr. and Mrs. Kelly were present. Counsel for Yucatan and RHI who is appearing Pro
20 Hac Vice indicated that he would not be representing the individuals on whose behalf he had earlier
21 filed the Motion to Quash and the Supplemental Motion to Quash. There was also a brief discussion
22 with respect to the fact that Mrs. Kelly, who had been joined in the proceeding pursuant to A.R.S. §
23 44-2031(C), had not been properly served in the proceeding. With respect to discovery issues,
24 although the parties have in good faith attempted to resolve their differences, it remained for a
25 resolution to be had. It was decided that all parties to the proceeding would be entitled to the
26 following: notice of formal interviews of witnesses by the Division with respect to this proceeding;
27 cross-notice to the Division of depositions of these witnesses by the Respondents; the right of counsel
28 for the Respondents in this proceeding to attend these formal interviews; and the right of

1 Respondents' counsel to purchase a copy of that portion of any transcript relevant to this proceeding
2 involving the aforementioned witnesses, but no other portion with respect to other investigations.
3 Respondents' counsel would not have the right to either question witnesses nor object to improper
4 questions and/or answers during the Division's formal interviews. The parties further agreed to an
5 additional pre-hearing being scheduled on January 14, 2004, at 2:00 p.m.

6 Accordingly, the Motion to Quash and Supplemental Motion to Quash are denied. The
7 portion of the proceeding with respect to Mrs. Kelly should be dismissed without prejudice until such
8 time it is established that proper service has been made by the Division. The Division and the
9 Respondents should follow the procedure outlined above with respect to formal interviews, their
10 notice, attendance and conduct.

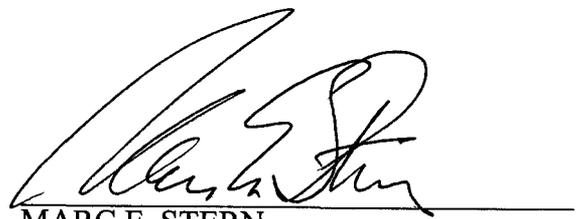
11 IT IS THEREFORE ORDERED that the Motion to Quash and Supplemental Motion to
12 Quash shall be denied.

13 IT IS FURTHER ORDERED that the Division's TO and Notice as against Respondent Lori
14 Kelly be, and is hereby, dismissed, without prejudice.

15 IT IS FURTHER ORDERED that the Division and Respondent shall conduct formal
16 interviews and/or depositions in accordance with the procedures outlined above.

17 IT IS FURTHER ORDERED that a pre-hearing conference shall take place on
18 January 14, 2004 at 2:00 p.m. at the Commission's offices, 1200 West Washington Street, Phoenix,
19 Arizona.

20 Dated this 21st day of November, 2003.

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23
24 
25 MARC E. STERN
ADMINISTRATIVE LAW JUDGE

26 ...
27 ...
28 ...

1 Copies of the foregoing were mailed/delivered
this 21st day of November, 2003 to:

2 Martin R. Galbut
3 Jeffrey D. Gardner
4 GALBUT & HUNTER
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9 dba Yucatan Resorts, S.A. and
10 Resort Holdings International
11 dba Resort Holdings International, S.A.

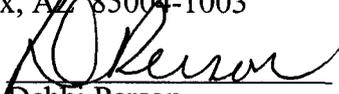
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18 Attorneys for Respondents Yucatan Resorts,
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By: 
Debbi Person
Secretary to Marc E. Stern