

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
FAX: (801)530-6980

**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF:

DONALD WESLEY DENNETT

Respondent.

ORDER TO SHOW CAUSE

Docket No. SD-07-0052

It appears to the Director of the Utah Division of Securities (Director) that Donald Wesley Dennett (Dennett) may have engaged in acts and practices that violate the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, et seq. (the Act). Those acts are more fully described herein. Based upon information discovered in the course of the Utah Division of Securities' (Division) investigation of this matter, the Director issues this Order to Show Cause in accordance with the provisions of § 61-1-20(1) of the Act.

STATEMENT OF JURISDICTION

1. Jurisdiction over the Respondent and the subject matter is appropriate because the Division alleges that Respondent violated §§ 61-1-1 (securities fraud) and 61-1-7 (sale of an unregistered security) of the Act, while engaged in the offer and sale of securities in

or from Utah.

STATEMENT OF FACTS

THE RESPONDENT

2. Donald Wesley Dennett (Dennett) resides in Washington County, Utah.

BACKGROUND

3. On December 15, 2003, the Division initiated an administrative action against Dennett and Resort Holding International, Inc. (Resort Holding), which alleged several violations of the Act, including securities fraud, sale by an unlicensed agent, and sale of unregistered securities.
4. The 2003 administrative action stemmed from the offer of Resort Holding's Universal Leases to two undercover investigators from the Division. The Division was not aware of any sales of the Universal Lease to investors at the time of the action.
5. Resort Holding was registered as a Nevada corporation in July 1999, but its corporate status was voluntarily dissolved in December 2004. Michael Eugene Kelly was the president, secretary, and treasurer of Resort Holding. Resort Holding has never been registered as a business entity in Utah.
6. On November 14, 2005, the Division and Resort Holding filed a Stipulated Motion to Dismiss the administrative action, without prejudice, after the Division discovered that there were many people in Utah and elsewhere who had invested in the Universal Lease and lost money.

7. On November 15, 2005, the Division Director entered an Order dismissing the administrative action against Resort Holding, without prejudice, giving the Division additional time to fully investigate the case and include Utah victims, and any agents falling within the Division's jurisdiction, in a future enforcement action.
8. On December 7, 2005, the Division and Dennett entered into a Stipulation and Consent Order, pursuant to which Dennett was ordered to permanently cease and desist from engaging in conduct that violates the Act, and was ordered to pay a fine of \$1,000 to the Division. At the time, the Division was not aware that Dennett had sold an investment in the Universal Lease to any investors.
9. In December 2006, the president of Resort Holding, Michael Eugene Kelly, was arrested in Florida, and has since been held in custody in Chicago, Illinois, awaiting a federal indictment by the United States Department of Justice. The arrest and anticipated indictment stem from the offer and sale of the Universal Lease, by Resort Holding and its many agents, to hundreds of investors across the nation.

GENERAL ALLEGATIONS

10. In early March 2004, investor A. L., a disabled veteran, noticed a flyer in the Cedar City, Utah, newspaper from Don Dennett, owner of Family & Estates Financial Services.¹
11. The flyer stated "Your Current & Future Cash Needs Leave You Up The Creek Without a

¹ Family & Estates Financial Services was registered as a Utah DBA in January 2004, but its entity status expired in February 2007. "Danald" W. Dennett was the applicant and registered agent for the entity.

a Paddle? Get 9% Guaranteed on Return.” The flyer also included contact information for Dennett.

12. After seeing the flyer, A. L. contacted Dennett and set up an appointment.
13. A few days later, still in early March 2004, Dennett met with A. L. and his wife at their home in Iron County, Utah. The meeting lasted for about one hour, and the discussion revolved around an investment in the Resort Holding Universal Lease.
14. Dennett told A. L. and his wife that their money would be invested in a Mexican resort called the Avalon Grand.
15. Dennett said it was a solid investment that guaranteed returns of 9% annually, paid in monthly payments.
16. Dennett said if A. L. invested \$16,000, A. L. would receive monthly payments of \$120.
17. Dennett said A. L. and his wife could get their money back, with no penalty fee, after three years.
18. Dennett also said he invested \$600,000 of his own money, and that his brother, Dan Dennett had invested \$2,000,000.
19. Dennett failed to tell A. L. and his wife, among other things, that in December 2003, Dennett was named in an administrative action by the Division, along with Resort Holding, in connection with the offer of the Resort Holding Universal Lease to undercover Division investigators. The action was still pending when Dennett solicited A. L. and his wife.

20. On March 8, 2004, Dennett returned to A. L.'s home and A. L. executed the Universal Lease with Resort Holding, and the accompanying Management Agreement with Majesty Travel (collectively the Universal Lease Documents).
21. The Universal Lease Agreement states that the term of the lease is 25 years, the purchase amount is \$16,000, and includes sections regarding operations and maintenance fees, common areas, insurance, and default fees.
22. In the Management Agreement, A. L. is designated the "Client" and Majesty Travel is the "Administrator." The Management Agreement states that Majesty Travel will rent, manage, administer, and collect rental income on behalf of the Client, and guarantees rental of the unit. It also states that A. L. would receive compensation of 4% annually as rental compensation, and an additional 5% annually for the option to purchase A. L.'s unit (for a total of 9% annually), on the accrual basis.
23. Dennett signed the Universal Lease Application (a two page document in which A. L. provided his contact and beneficiary information) as the Universal Lease representative.
24. On March 23, 2004, A. L. invested \$16,000 in a Resort Holding Universal Lease by giving Dennett a personal check made payable to Resort Holding International. A. L. gave Dennett the check in the parking lot of a Subway in Cedar City, Utah.
25. After investing, A. L. received a packet in the mail from Resort Holding which included a copy of his executed Universal Lease documents. A. L. also received two or three "Rental Income Statements" from Galaxy Properties Management S.A. through the mail.

26. From July 2004 to May 2005, A. L. received eight interest payments, initially from Majesty Travel, and then from Galaxy Properties when it replaced Majesty Travel, for a total of \$930.39. The interest payments varied from as little as \$72.33 to as much as \$134.56, and arrived by mail in the form of a check.
27. When the interest payments stopped, A. L. contacted Dennett, and when Dennett was not available, A. L. contacted Dennett's brother, Dan Dennett (Dan).
28. Although Dan did not solicit the investment from A. L., he did process the Universal Lease Documents, and was familiar with the investment opportunity.
29. When A. L. contacted Dennett or Dan, A. L. would typically be told, "we are working on it."
30. In October, and again in November 2005, when A. L. was struggling financially, Dan gave A. L. a check for \$240.
31. To date, A. L. is still owed \$14,589.61 in principal alone.

CAUSES OF ACTION

COUNT I

Securities Fraud under § 61-1-1(2) of the Act

32. The Division incorporates and re-alleges paragraphs 1 through 31.
33. The investment opportunity offered and sold by Dennett to A. L. is an investment contract, and therefore a security, under § 61-1-13 of the Act. An investment contract includes "any investment in a common enterprise with the expectation of profit to be

derived through the essential managerial efforts of someone other than the investor.”

UTAH ADMIN. CODE R164-13-1(B)(1).

34. In connection with the offer and sale of a security to A. L., Dennett made false statements, including, but not limited to, the following:
 - a. That the investment was guaranteed;
 - b. That the investment paid 9% annual interest, paid in monthly payments; and
 - c. That A. L. and his wife could get their investment back, with no penalty fee, after three years.

35. In connection with the offer and sale of a security to A. L., Dennett failed to disclose material information, including, but not limited to, the following, which was necessary in order to make representations made not misleading:
 - a. That in December 2003, the Division named Dennett and Resort Holding in an administrative action alleging securities fraud, sale by an unlicensed agent, and sale of an unregistered security, in connection with the offer of the Universal Lease;
 - b. That in February 2004, Dennett’s company, Wakara Elk Ventures, LLC, petitioned for bankruptcy;
 - c. That Dennett had a debt collection action filed against him in January 2004, which was still pending when A. L. invested;
 - d. Some or all of the information typically provided in an offering circular or

prospectus regarding Resort Holding, Majesty Travel, and Galaxy Properties, such as:

- i. The business and operating history for Resort Holding, Majesty Travel, and Galaxy Properties;
- ii. Identities of the principals for Resort Holding, Majesty Travel, and Galaxy Properties, along with their experience with operating beach resorts;
- iii. Financial statements for Resort Holding, Majesty Travel, and Galaxy Properties;
- iv. The market for Resort Holding', Majesty Travel's, and Galaxy Properties' product(s);
- v. The nature of the competition for the product(s);
- vi. The current capitalization for Resort Holding, Majesty Travel, and Galaxy Properties;
- vii. A description of how the investment would be used by Resort Holding, Majesty Travel, and Galaxy Properties;
- viii. The track record of Resort Holding, Majesty Travel, and Galaxy Properties to investors;
- ix. Risk factors for investors;
- x. The number of other investors;
- xi. The minimum capitalization needed to participate in the investment;

- xii. The disposition of any investments received if the minimum capitalization were not achieved;
- xiii. The liquidity of the investment;
- xiv. Discussion of pertinent suitability factors for the investment;
- xv. The proposed use of the investment proceeds;
- xvi. Any conflicts of interest the issuer, the principals, or the agents may have with regard to the investment;
- xvii. Agent commissions or compensation for selling the investment;
- xviii. Whether the investment is a registered security or exempt from registration; and
- xix. Whether the person selling the investment is licensed.

36. Based upon the foregoing, Donald Wesley Dennett violated § 61-1-1 of the Act.

COUNT II

Sale of an Unregistered Security under § 61-1-7 of the Act

- 37. The Division incorporates and re-alleges paragraphs 1 through 31.
- 38. The Universal Lease offered and sold by Dennett is a security under § 61-1-13 of the Act.
- 39. The security was offered and sold in this state.
- 40. The security offered and sold by Dennett was not registered under the Act, and Dennett did not file any claim of exemption relating to the security.
- 41. Based on the above information, Donald Wesley Dennett violated § 61-1-7 of the Act.

ORDER

The Director, pursuant to § 61-1-20 of the Act, hereby orders the Respondent to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63-46b-4 and 63-46b-6 through -10, and held before the Utah Division of Securities. The hearing will occur on August 27, 2007, at 11:30 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah. The purpose of the hearing is to establish a scheduling order and address any preliminary matters. If the Respondent fails to file an answer and appear at the hearing, the Division of Securities may hold Respondent in default, and a fine may be imposed in accordance with Utah Code Ann. § 63-46b-11. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, the Respondent may show cause, if any they have:

- a. Why Donald Wesley Dennett should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;
- b. Why Donald Wesley Dennett should not be ordered to cease and desist from engaging in any further conduct in violation of Utah Code Ann. § 61-1-1, or any other section of the Act; and
- c. Why Donald Wesley Dennett should not be ordered to pay a fine of fifty thousand dollars (\$50,000) to the Division of Securities;

DATED this 26th day of July, 2007.


WAYNE KLEIN
Director, Utah Division of Securities



Approved:

A handwritten signature in black ink, appearing to read "Jeff Buckner", written over a horizontal line.

JEFF BUCKNER

Assistant Attorney General

J. K.

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
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**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF:

DONALD WESLEY DENNETT;

Respondent.

NOTICE OF AGENCY ACTION

Docket No. SD-07-0052

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENT:

The purpose of this Notice of Agency Action is to inform you that the Division hereby commences a formal adjudicative proceeding against you as of the date of the mailing of the Order to Show Cause. The authority and procedure by which this proceeding is commenced are provided by Utah Code Ann. §§ 63-46b-3 and 63-46b-6 through 11. The facts on which this action is based are set forth in the foregoing Order to Show Cause.

Within thirty (30) days of the mailing date of this notice, you are required to file an Answer with the Division. The Answer must include the information required by Utah Code § 63-46b-6 (1). In addition, you are required by § 63-46b-6 (3) to state: a) by paragraph, whether

you admit or deny each allegation contained in the Order to Show Cause, including a detailed explanation for any response other than an unqualified admission; b) any additional facts or documents which you assert are relevant in light of the allegations made; and c) any affirmative defenses (including exemptions or exceptions contained within the Utah Uniform Securities Act) which you assert are applicable. To the extent that factual allegations or allegations of violations contained in the Order to Show Cause are not disputed in your Answer, they will be deemed admitted.

Your Answer, and any future pleadings or filings that should be part of the official files in this matter, should be sent to the following:

Signed originals to:

Administrative Court Clerk
c/o Pam Radzinski
Division of Securities
160 E. 300 S., Second Floor
Box 146760
Salt Lake City, UT 84114-6760
(801) 530-6600

A copy to:

Jeff Buckner
Assistant Attorney General
160 E. 300 S., Fifth Floor
Box 140872
Salt Lake City, UT 84114-0872
(801) 366-0310

A hearing date has been set for Monday, August 27th, 2007, at 11:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah.

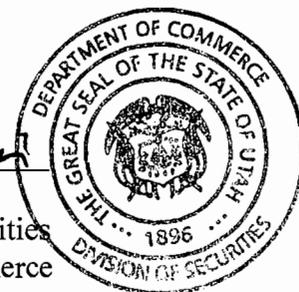
If you fail to file an Answer, as set forth herein, or fail to appear at the hearing, the Division of Securities may hold you in default, and a fine and other sanctions may be imposed

against you in accordance with Utah Code Ann. § 63-46b-11, without the necessity of providing you with any further notice. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, you may appear and be heard and present evidence on your behalf. You may be represented by counsel during these proceedings.

The presiding officer in this case is Wayne Klein, Director, Division of Securities. Questions regarding the Order to Show Cause and Notice of Agency Action should be directed to the Division's attorney, Jeff Buckner, at (801) 366-0310.

DATED this 26th day of July, 2007.


WAYNE KLEIN
Director, Division of Securities
Utah Department of Commerce



Certificate of Mailing

I certify that on the 27th day of July, 2007, I mailed, by certified mail, a true and correct copy of the Order to Show Cause and Notice of Agency Action to:

Donald Wesley Dennett
792 Zion Park Blvd.
Springdale, UT 84767

Certified Mail # 70051820000371913067

Sterling Kerr (Respondent's Attorney)
Kerr & Associates
3525 E. Harmon Ave.
Las Vegas, NV 89121

Certified Mail # 70051820000371913074

Pamela Bordin
Executive Secretary