

Division of Securities
Utah Department of Commerce
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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:

TROY WESLEY DENNETT

Respondent.

**STIPULATION AND CONSENT
ORDER**

Docket No. SD-07-0058

The Utah Division of Securities (the Division), by and through its Director of Enforcement, Michael Hines, and Troy Wesley Dennett, hereby stipulate and agree as follows:

1. Troy Wesley Dennett (Dennett) was the subject of an investigation conducted by the Division into allegations that he violated certain provisions of the Utah Uniform Securities Act (the Act), Utah Code Ann. § 61-1-1, *et seq.*, as amended.
2. In connection with that investigation, on September 10, 2008, the Division issued an Order to Show Cause to Dennett, alleging that he committed securities fraud and sold unregistered securities in or from Utah.
3. Dennett and the Division have agreed to settle this matter by way of this Stipulation and

Consent Order.

4. Dennett is represented by attorney Matthew Lewis of Ray Quinney and Nebeker and is satisfied with the representation he has received.
5. Dennett admits the jurisdiction of the Division over him and over the subject matter of this action.
6. Dennett waives any right to a hearing to challenge the Division's evidence and present evidence on his behalf.

THE DIVISION'S INVESTIGATIVE FINDINGS

From approximately October 2005 to the present the Division has been conducting an investigation into this matter which revealed the following:

7. Dennett resided in Washington County, Utah. Dennett was, and currently is, the president of Pillar Financial & Insurance Corporation in Ivins, Utah.
8. In 2003, Dennett offered investments totaling \$838,355 in Resort Holding International Inc.'s Universal Lease program, from at least three Utah investors. Two investors received a small portion of their investments back from Resort Holding International Inc., and the third has received nothing.
9. Under the Universal Lease program, investors were told they were purchasing a hotel unit at a resort in Mexico, and were guaranteed yearly returns of 9% from the rental of those units by a third party management company named Majesty Travel.
10. Resort Holding International Inc. (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.

11. In December 2006, the president of Resort Holding, Michael Eugene Kelly, was arrested in Florida, and was federally indicted by the United States Department of Justice. The arrest and 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.
12. In December 2006, the United States Securities and Exchange Commission (“SEC”) filed a civil enforcement action against Kelly. In that action, the SEC alleged that Kelly actively mislead sales people like Dennett and also concealed relevant information from his sales people.¹
13. Dennett invested a significant amount of his own money in Resort Holding.
14. The Resort Holding Universal Lease is an investment contract and therefore a security under § 61-1-13 of the Act.

Investors D. F. and E. F., Husband and Wife

15. Between March and July 2003, D. F. and E. F. invested at total of \$219,097.71 in the Resort Holding’s Universal Lease program, after being solicited by Dennett.
16. D. F. and E. F. first met Dennett sometime in 2001 after seeing an advertisement for his

¹ Because Dennett was misled by Kelly, Dennett’s position is that he did not knowingly make misstatements of material facts to investors.

company, Pillar Financial & Insurance Corporation, in the St. George newspaper, The Spectrum.

17. Dennett initially helped D. F. and E. F. purchase annuities from AmerUs Life.
18. In January or February 2003, Dennett contacted D. F. and E. F. and recommended they move their funds from the AmerUs Life annuities into an investment in the Resort Holding Universal Lease program.
19. In February and early March 2003, Dennett met two or three times with D. F. and E. F. at their home in Washington County, Utah, to discuss the investment opportunity in Resort Holding's Universal Leases.
20. Dennett told D. F. and E. F. that following regarding the investment:
 - a. Their money would be used to lease rooms at a resort in Cancun.
 - b. Their investment would be secured by real estate.
 - c. They would receive a return of 9% annually.
 - d. They could receive the return in monthly payments.
 - e. They could withdraw up to 10% of the principal in the first two years without penalty, and after three years, they could get all of their principal without penalty.
 - f. Resort Holding had a history of high volume of rentals.
 - g. Dennett, Dennett's father, and Dennett's grandmother had invested.
 - h. The minimum investment was \$5,000.
 - i. The investment was exempt from securities registration in several states.

- j. Dennett would receive a commission.
- k. D. F. and E. F. could use the condo in Cancun.

21. D. F. and E. F. made the following investments in Resort Holding's Universal Lease program on the following dates as indicated below:

<u>Date of Investment</u>	<u>Amount Invested</u>	<u>Method of Payment</u>
03/18/2003	\$46,409.50	rolled-over annuity
03/18/2003	42,791.46	rolled-over annuity
05/30/2003	46,191.74	rolled-over annuity
06/09/2003	63,705.01	rolled-over annuity
07/02/2003	<u>20,000.00</u>	personal check

Total = \$219,097.71

- 22. D. F. and E. F. invested using money from two qualified annuities, one non-qualified annuity, and from the sale of real estate.
- 23. D. F. and E. F.'s investments on May and June 9, 2003 were rolled over from their qualified annuities with AmerUs Life into IRA accounts with Resort Holding's IRA custodian, the Trust Company of America.
- 24. D. F. and E. F.'s investments on March 8, 2003 were sent from AmerUs Life to Resort Holdings in the form of a check, and their investment on July 2, 2003 was a personal check made payable to Resort Holding.
- 25. For each investment either D. F. or E. F. executed three documents: a Universal Lease Application, Universal Lease Agreement, and a Management Agreement.
- 26. The Universal Lease Application is a two-page document with the investor's contact and

beneficiary information. Dennett signed four of the Universal Lease Applications as D. F.'s and E. F.'s Universal Lease representative. On the fourth Universal Lease Application, Dennett signed as the witness, and included his representative identification number.

27. The Universal Lease Agreement states the term of each lease (25 years), the purchase amount, and includes sections regarding operations and maintenance fees, common areas, insurance, and default fees.
28. In the Management Agreement, D. F. and E. F. are 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 the Client will receive compensation of 4% annually as rental compensation, and an additional 5% annually for the option to purchase the D. F.'s and E. F.'s unit (for a total of 9% annually), and provides the Client with the option of receiving their 9% return monthly, quarterly, annually, or to let it accrue.
29. After investing, D. F. and E. F. received confirmation of their investments in the mail from Trust Company of America, Resort Holding and Majesty Travel.
30. D. F. and E. F. each received monthly payments from Trust Company of America and later its replacement, Trust Company of the Pacific (mailed checks), and from the management company, Majesty Travel (electronic deposits). D. F. and E. F. together

have received a total of \$13,567.22 from their investments in Resort Holding's Universal Lease program.

31. D. F. and E. F. stopped receiving the monthly payments in July 2005.
32. When D. F. and E. F. contacted Dennett to find out why their payments stopped, Dennett said people were working on it.
33. To date, Dennett still owes D. F. and E. F. \$205,530.49 in principal alone.

Investors F. T. and C. T., Husband and Wife

34. In 2003, F. T. and C. T. invested a total of \$523,258 in the Resort Holding's Universal Lease program, after being solicited by Dennett.
35. F. T. and C. T. first met Dennett in 2000 after reading an advertisement for his company, Pillar Financial & Insurance Corporation, in the St. George newspaper, The Spectrum.
36. F. T. and C. T. contacted Dennett to discuss investing in annuities.
37. In January or February 2003, Dennett introduced F. T. and C. T. to Resort Holding's Universal Lease program.
38. Dennett met with F. T. approximately four times prior to F. T.'s and C. T.'s investment in the Universal Lease, and all of the meetings took place at F. T.'s and C. T.'s home.
39. Dennett told F. T. and C. T. the following about the investment opportunity in the Resort Holding Universal Lease program:
 - a. In a matter of two years, F. T. and C. T. would recoup the \$20,000 they would lose as a result of canceling one of their annuities. Dennett said the annuity

would try to talk F. T. and C. T. out of cancelling, but to “hold their ground.”

- b. F. T. and C. T. were guaranteed to make 9% annual interest.
 - c. The investment would be liquid in three years.
 - d. The investment was insured.
 - e. Investor money would be used to build and rent condos at a large resort in Mexico.
 - f. The 9% annual interest would come from the money the resort took in by renting or leasing rooms.
 - g. It is a very popular resort, a real “money-maker.”
 - h. F. T. and C. T. could use the condos themselves.
 - i. Dennett had invested, and so had his mother and his uncle.
 - j. Dennett had already gone down to the resort and it was “paradise.”
40. On March 21, 2003, F. T. and C. T. executed the documents necessary to make their first investment in Resort Holding’s Universal Lease program.
41. F. T. and C. T. each executed a set of Universal Lease documents which included a Universal Lease Application (also signed by Dennett), the Universal Lease Agreement, and a Management Agreement with Majesty Travel.
42. The Universal Lease Agreement states that the term of each lease is 25 years, the purchase amount is \$134,629.05 each, for a total of \$269,258.09, and includes sections regarding operations and maintenance fees, common areas, insurance, and default fees.

43. In the Management Agreement, F. T. and C. T. are 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 F. T. and C. T. will receive compensation of 4% annually as rental compensation, and an additional 5% annually for the option to purchase the F. T.’s and C. T.’s unit (for a total of 9% annually), on the accrual basis.
44. Dennett signed the Universal Lease Application, a two-page document with F. T.’s and C. T.’s contact and beneficiary information, as the Universal Lease representative.
45. In May or early June 2003, F. T. and C. T. contacted AmerUs Life Insurance Co., to request that it transfer their qualified annuities to Resort Holding, to complete their investment.
46. On June 18, 2003, AmerUs Life Insurance Co. issued two checks, one for \$118,341.80, and another for \$150,916.29, made payable to Resort Holding’s bank, National City Bank, in South Bend, Indiana. AmerUs mailed the two checks directly to Resort Holding’s bank, which deposited the checks on June 23, 2003 into Resort Holding’s account.
47. After F. T.’s and C. T.’s first investment in March 2003, but prior to the second in December 2003, they received no monthly statements or any type of communication from Resort Holding.
48. F. T. and C. T. contacted Dennett a few times prior to their second investment, and

Dennett assured them that everything was fine.

49. On December 15, 2003, F. T. and C. T. met Dennett at an office in Ivins, Utah, to execute another Universal Lease and make a second investment.
50. F. T. and C. T. each executed another set of Universal Lease documents including a Universal Lease Application, Lease Agreement, and Management Agreement with Majesty Travel.
51. The Universal Lease Agreement states that the term of each lease is 25 years, the purchase amount is \$127,000 each, for a total of \$254,000, and includes sections regarding operations and maintenance fees, common areas, insurance, and default fees.
52. In the Management Agreement, F. T. and C. T. are 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 F. T. and C. T. will receive compensation of 4% annually as rental compensation, and an additional 5% annually for the option to purchase the F. T.'s and C. T.'s unit (for a total of 9% annually), on the accrual basis.
53. Dennett again signed the Universal Lease Application as the Universal Lease representative.
54. On November 17, 2003, F. T. and C. T. received the proceeds from the sale of their home in Utah County (\$254,657.32), from Surety Title.
55. On December 15, 2003, F. T. and C. T. invested the majority of the funds they received

from the sale of their home by requested a cashier's check from Central Bank, in the amount of \$254,000, made payable to Dennett's company, Pillar Financial.

56. In August 2004, F. T. and C. T. each received two Client Rental Income Statements from Galaxy Properties Management, the entity that replaced Majesty Travel as the management company. F. T.'s and C. T.'s statements show a total increase in value of \$29,965 between all four of their investments.
57. To date, F. T. and C. T. have received a total of only \$6,620.12 in interest from Galaxy Properties Management.
58. Dennett still owes F. T. and C. T. \$536,721 in principal alone.

Investor J. S.

59. In late September 2003, Dennett offered an investment opportunity in the Resort Holding Universal Lease to J. S., at J. S.'s home in Washington County, Utah.
60. Dennett told J. S. the following about the investment opportunity:
 - a. J. S. would be leasing hotel units from Resort Holding.
 - b. J. S. would receive rental income from the hotel units.
 - c. J. S. had the option of either using the hotel units himself, renting them out himself, or hiring a management company to rent the units on J. S.'s behalf.
 - d. J. S. could receive his interest monthly, or let it accrue.
 - e. The minimum investment was \$5,000.
 - f. J. S. could get his investment back, without a penalty, after three years.

g. J. S. would receive 9% annual interest from income generated by rental of the hotel units.

61. Dennett went to J. S.'s home to discuss the investment opportunity approximately three to four times prior to J. S. investing.
62. On August 4, 2003, Dennett met with J. S. at J. S.'s home to execute the Universal Lease documents.
63. J. S. executed a Universal Lease Agreement in which J. S. was named the "Leaseholder" and Resort Holding International, S.A. was the "Lessor." The Universal Lease Agreement states that the term of the lease is 25 years, the purchase amount is \$96,000, and includes sections regarding operations and maintenance fees, common areas, insurance, and default fees.
64. J. S. executed a Management Agreement in which J. S. is 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 the J. S. will receive compensation of 4% annually as rental compensation, and an additional 5% annually for the option to purchase J. S.'s unit (for a total of 9% annually), on the accrual basis.
65. Dennett signed the Universal Lease Application (a two page document in which J. S. provided his contact and beneficiary information) as the Universal Lease representative.
66. After signing the documents, J. S. and Dennett went to J. S.'s bank to get the investment

money.

67. J. S. requested an Official Check for \$96,000 from Sunfirst Bank in St. George, Utah, made payable to the Trust Company of America, and gave it to Dennett while still at the bank.
68. On or about September 17, 2003, J. S. received a welcome letter in the mail from Resort Holding, which included a copy of the executed contracts.
69. On or about March 1, 2005, J. S. received a Rental Income Statement from Galaxy Properties Management S.A. (the entity that replaced Majesty Travel), which stated that J. S. had earned \$8,140 in rental income for 2004.
70. After Hurricane Wilma hit Cancun in October 2005, J. S. received a letter in the mail from Resort Holding which stated that due to complications from the hurricane Resort Holding would not be making monthly interest payments.
71. A few months after receiving the letter, J. S. read about the Resort Holding Universal Lease program in a financial magazine, which said that the program was “no good.” J. S. showed the magazine article to Dennett, and Dennett said not to worry.
72. In early January 2006, J. S. received a letter from Dennett which stated that Resort Holding stopped selling the Universal Leases “some time ago,” due to law suits from several states claiming they were selling unregistered securities. Dennett also stated that Resort Holding would soon be initiating a buy-back program for all Universal Lease holders.

73. In February 2006, J. S. wrote a letter to Resort Holding requesting a full surrender of his Universal Lease. Resort Holding responded by telling J. S. to go through the Trust Company of the Pacific to get his money back.
74. J. S. has made several similar demands on Resort Holding and the Trust Company without success.
75. Although Dennett has told J. S. he will get his money back, J. S. has received no return of principal or interest from his investment in Resort Holding's Universal Lease program. Dennett still owes J. S. \$96,000 in principal alone.

SECURITIES FRAUD

76. In connection with the offer and sale of a security to investors, Dennett made false statements, including, but not limited to, the following:
- a. That F. T. and C. T. would recoup the \$20,000 they lost as a result of canceling one of their annuities, by purchasing a Universal Lease;
 - b. Dennett told D. F. and E. F. the Universal Leases were exempt from securities registration in several states;
 - c. The 9% annual interest was guaranteed;
 - d. Resort Holding's resorts were insured; and
 - e. That investors could get their investment back, with no penalty fee, after three years.
77. In connection with the offer and sale of a security to investors, 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 April and May 2003, Wisconsin and Arizona, respectively, filed administrative actions against Resort Holding and its president, Michael E. Kelly, in connection with the offer and sale of Universal Leases;
- b. That the Universal Leases were securities that should have been registered; and
- c. 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 and Galaxy Properties' products;
 - 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.

THE DIVISION'S CONCLUSIONS

78. Based on the Division's investigative findings, the Division concludes that:

- a. The investment opportunity offered and sold by Dennett to investors 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);
- b. Dennett violated § 61-1-1 of the Act by making misstatements of material facts and by omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, in connection with the offer and sale of a security; and
- c. Dennett violated § 61-1-7 of the act by offering and selling securities in or from Utah that were not registered under the Act or exempt from registration.

REMEDIAL ACTIONS/SANCTIONS

79. Dennett neither admits nor denies the Division’s findings and conclusions, but consents to the sanctions below being imposed by the Division.
80. Dennett represents that any information he provided to the Division as part of the Division’s investigation of this matter is accurate.
81. Dennett agrees to the imposition of a cease and desist order, prohibiting him from any conduct that violates the Act.
82. Pursuant to Utah Code Ann. § 61-1-20(1)(f) and in consideration of the guidelines set forth in Utah Admin. Code Rule R164-31-1, the Division imposes a fine against Respondent in the

amount of \$10,000 due in full within sixty months of the entry of this Stipulation and Consent Order, of which \$5,000 shall be suspended so long as Respondent fully complies with the terms and conditions of this Stipulation and Consent Order. If the Division finds that Respondent materially violates any term of this Stipulation and Consent Order, thirty days after notice and an opportunity to be heard before an administrative officer solely as to the issue of a material violation, Respondent consents to a judgment ordering the entire fine immediately due.

83. Dennett acknowledges that this Consent Order, upon approval by the Securities Commission, shall be the final compromise and settlement of this matter. Dennett further acknowledges that if the Securities Commission does not accept the terms of the Stipulation, it shall be deemed null and void and without any force or effect whatsoever.
84. Dennett acknowledges that the Stipulation and Consent Order does not affect any civil or arbitration causes of action that third parties may have against him arising in whole or in part from his actions, and that the Stipulation and Consent Order does not affect any criminal cause of action that a prosecutor might bring.
85. This Consent Order constitutes the entire agreement between the parties herein and supersedes and cancels any and all prior negotiations, representations, understandings, or agreements between the parties. There are no verbal agreements which modify, interpret, construe, or otherwise affect this Consent Order in any way.
86. Violation of this Consent Order is a third degree felony pursuant to § 61-1-21(1) of the

Act.

87. Dennett has read this Consent Order, understands its contents, and enters into this Stipulation voluntarily.

Utah Division of Securities

Date: 1/3/12
By: [Signature]
Michael Hines
Director of Enforcement

Respondent Dennett

Date: 12-21-11
By: [Signature]
Troy Wesley Dennett

Approved:

[Signature]
D. Scott Davis
Assistant Attorney General
J.K.

Approved:

[Signature]
Matthew Lewis
Counsel for Dennett

ORDER

Pursuant to the terms of the Stipulation and Consent Order defined above, the Director of the Utah Division of Securities hereby orders that:

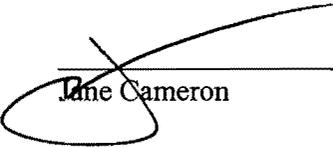
1. The Division has made a sufficient showing of Findings of Fact and Conclusions of Law to form a basis for this settlement.
2. Dennett cease and desist from engaging in any conduct in violation of the Utah Securities Act.
3. Dennett pay a fine of \$10,000 with the following provisions:
 - a. \$5,000 of the fine amount shall be paid to the Division upon entry of this Order;
 - b. \$5,000 of the fine amount shall be suspended so long as Respondent complies with the Stipulation and Consent Order.
4. If Dennett materially violates the Order he consents to a judgment being entered against him for the entire fine amount.

BY THE UTAH SECURITIES COMMISSION:

DATED this 26th day of January, 2012nd



Tim Bangerter



Jane Cameron

Erik Christiansen

Laura Polacheck

Laura Polacheck

Jan Graham

Certificate of Mailing

I certify that on the 20th day of January, 2011, I mailed, by certified mail, a true and correct copy of the Stipulation and Consent Order to:

Troy Wesley Dennett
c/o Attorney Matthew Lewis
Ray Quinney & Nebeker
36 S. State St., #1400
Salt Lake City, UT 84111

Certified Mailing # 7007 0220 0001 0003 5025


Executive Secretary