

**FILED**

**NOV 14 2007**

**5th DISTRICT COURT  
IRON COUNTY**

**Deputy Clerk**

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IN THE FIFTH JUDICIAL DISTRICT COURT IN AND FOR  
IRON COUNTY, STATE OF UTAH

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STATE OF UTAH, :  
 : **AFFIDAVIT OF**  
 Plaintiff, : **PROBABLE CAUSE**

vs. :

**DONALD WESLEY DENNETT,** : Case No. 071500646  
DOB: December 1, 1943 :  
 : Judge Er Michael West  
Defendant, :

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STATE OF UTAH )  
 :ss  
COUNTY OF IRON )

I, JENNIFER R. KORB, being first duly sworn upon oath, state  
as follows:

I am a Securities Analyst with the Utah Division of  
Securities of the Department of Commerce. I hold a Juris  
Doctorate degree from the University of Oregon, and Bachelor of

Arts degree in English from the University of Utah. I have been employed by the Division of Securities since March 15, 2004.

This case was opened by the Utah Division of Securities on October 13, 2005. In connection with this case, I interviewed the victim, Arthur Lynch, his wife, Georgia Lynch, and the Defendant's former attorney, Sterling Kerr. I also examined the records from the Utah Division of Securities, Utah Division of Corporations and Commercial Code, Utah's Federal and District Courts, and the US Bankruptcy Courts.

#### **PARTIES**

Defendant, **Donald Wesley Dennett** is an individual with a last known address of 792 Zion Park Blvd., Springdale, Utah.

Victim, **Arthur Lynch** resided in Iron County, Utah, at all times relevant to the matter asserted herein.

#### **OFFERS & SALES**

In early March 2004, at Lynch's home in Iron County, Utah, Dennett offered Lynch and his wife the opportunity to invest in something called a Universal Lease, and in return, receive 9% guaranteed annual interest, paid monthly.

On March 23, 2004, Lynch invested \$16,000 through Dennett, in the Universal Lease. Lynch's investment was evidenced by a

Universal Lease Agreement with a company by the name of Resort Holding International, Inc., and an accompanying Management Agreement with a company by the name of Majesty Travel. Resort Holding International, Majesty Travel, and another associated entity named Yucatan Resorts, were all owned, operated, and controlled by Michael Eugene Kelly, a former resident of Cancun, Mexico, who now faces an impending federal indictment in Illinois. A portion of Lynch's Universal Lease Agreement, entitled the Universal Lease Application, was signed by Dennett as the "Universal Lease representative."

The investment opportunity offered and then sold by Dennett to Lynch is an investment contract, and therefore a security, under the Utah Uniform Securities Act (the Act), Utah Code Ann. § 61-1-13.

As of today's date, Lynch has received just \$1,410.39 in interest from his investment through Dennett, and is still owed \$14,589.61 in principal alone.

### **MISREPRESENTATIONS & OMISSIONS**

#### **Misrepresentations**

In connection with the offer and sale of the security, Dennett made misleading statements to Lynch and failed to

disclose certain material information upon which an investor could make an informed decision.

Dennett made the following misrepresentations of material fact to Lynch:

1. That the investment was guaranteed;
2. That the investment paid 9% annual interest, paid in monthly payments; and
3. That Lynch and his wife could get their investment back, with no penalty fee, after three years.

#### Omissions

In connection with the offer and sale of a security to Lynch, Dennett omitted the following material information:

1. That in April 2003, the Wisconsin Division of Securities issued an Order of Prohibition against Michael E. Kelly and Yucatan Resorts. Wisconsin alleged the offer or sale of unregistered securities, by unlicensed agents, and employing an unlicensed agent, in connection with the offer and sale of the Universal Lease;
2. That in May 2003, the Arizona Corporation Commission issued a Temporary Order to Cease and Desist and Notice

of Opportunity for Hearing against Resort Holdings International, Michael E. Kelly, Majesty Travel, and others. Arizona alleged the offer or sale of an unregistered security, transactions by unregistered dealers or salesmen, and fraud, in connection with the offer and sale of the Universal Lease;

3. That in December 2003, the Division named Dennett and Resort Holding International 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;
4. That in February 2004, Dennett's company, Wakara Elk Ventures, LLC, petitioned for bankruptcy;
5. That Dennett had a debt collection action filed against him in January 2004, which was still pending when Lynch invested;
6. Some or all of the information typically provided in an offering circular or prospectus regarding Resort Holding, Majesty Travel, and Galaxy Properties (which eventually replaced Majesty Travel), 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's, 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.

**COUNT 1**  
**SECURITIES FRAUD, a second degree felony**  
**(Donald Wesley Dennett)**

In early March 2004, investor Lynch, a disabled veteran, noticed a flyer in the Cedar City, Utah, newspaper from Donald Dennett, owner of Family & Estates Financial Services.<sup>1</sup> The flyer stated "Your Current & Future Cash Needs Leave You Up The Creek Without a Paddle? Get 9% Guaranteed on Return." The flyer also included contact information for Dennett.

After seeing the flyer, Lynch contacted Dennett and set up an appointment. A few days later, still in early March 2004, Dennett met with Lynch 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.

Dennett told Lynch and his wife that their money would be invested in a resort called the Avalon Grand. Dennett said it was a solid investment that guaranteed returns of 9% annually, paid in monthly payments. Dennett said if Lynch invested \$16,000,

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<sup>1</sup> 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.

Lynch would receive monthly payments of \$120. Dennett said Lynch and his wife could get their money back, with no penalty fee, after three years. Dennett also said he invested \$600,000 of his own money, and that his brother, Dan Dennett, had invested \$2,000,000.

Dennett failed to tell Lynch 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 Lynch and his wife.

On March 8, 2004, Dennett returned to Lynch's home and Lynch executed the Universal Lease with Resort Holding, and an accompanying Management Agreement with Majesty Travel (collectively the Universal Lease Documents).

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. In the Management Agreement, Lynch 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 Lynch would receive compensation of 4% annually as rental compensation, and an additional 5% annually for the option to purchase Lynch's unit (for a total of 9% annually), on the accrual basis.

Dennett signed the Universal Lease Application (a two page document in which Lynch provided his contact and beneficiary information) as the Universal Lease representative.

On March 23, 2004, Lynch invested \$16,000 in a Resort Holding Universal Lease by giving Dennett a personal check made payable to Resort Holding International. Lynch gave Dennett the check in the parking lot of a Subway restaurant in Cedar City, Utah.

After investing, Lynch received a packet in the mail from Resort Holding which included a copy of his executed Universal Lease Documents. Lynch also received two or three "Rental Income Statements" from Galaxy Properties through the mail.

From July 2004 to May 2005, Lynch 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.

When the interest payments stopped, Lynch contacted Dennett, and when Dennett was not available, Lynch contacted Dennett's brother, Dan Dennett (Dan). Although Dan did not solicit the investment from Lynch, he did process the Universal Lease Documents, and was familiar with the investment opportunity. When Lynch contacted Dennett or Dan, Lynch would typically be told, "we are working on it."

In October, and again in November 2005, when Lynch was struggling financially, Dan gave Lynch a check for \$240. To date, Lynch is still owed \$14,589.61 in principal alone.

**COUNT 2**  
**ABUSE OF A VULNERABLE ADULT, a second degree felony**  
**(Donald Wesley Dennett)**

Arthur Lynch is a disable Vietnam Veteran, who suffers from both a mental and physical impairment (post traumatic stress syndrome and a severe back injury) which substantially affect his ability to manage his own resources and carry out the activities of daily living. Donald Wesley Dennett was in a position of trust and confidence with Lynch, and obtained Lynch's funds with

the intent to permanently deprive him of the use, benefit, or possession of his funds, for the benefit of someone other than Lynch.

**SUMMARY**

There is probable cause to believe defendant **Donald Wesley Dennett** committed the following offenses:

**SECURITIES FRAUD,  
A second degree felony, 1 count**

**ABUSE OF A VULNERABLE ADULT,  
A second degree felony, 1 count**

DATED this 14<sup>th</sup> day of November, 2007.

Jennifer Korb  
JENNIFER R. KORB, Affiant

SUBSCRIBED AND SWORN to before me this  
14<sup>th</sup> day of November, 2007.

[Signature]  
JUDGE of the FIFTH DISTRICT COURT

**FILED**

NOV 14 2007

5th DISTRICT COURT  
IRON COUNTY

Deputy Clerk

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IN THE FIFTH JUDICIAL DISTRICT COURT IN AND FOR  
IRON COUNTY, STATE OF UTAH

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THE STATE OF UTAH, : Bail \$ \_\_\_\_\_  
 :  
 Plaintiff, :  
 : **CRIMINAL INFORMATION**  
 vs. :  
 :  
 DONALD WESLEY DENNETT, : Case No: 071500646  
 DOB: December 1, 1943 :  
 : Judge: G. Michael Westfall  
 Defendant. :

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The undersigned, JENNIFER R. KORB, upon oath, states on information and belief that the defendant has committed the following crimes:

**SECURITIES FRAUD,**  
a second degree felony (1 count)

**ABUSE OF A VULNERABLE ADULT,**  
a second degree felony (1 count)

**COUNT 1**  
**SECURITIES FRAUD**  
**a second degree felony**

Commencing on or about March 2004, in the State of Utah, County of Iron, the defendant, in connection with the offer or sale of a security, directly or indirectly, to **Arthur Lynch**, made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit, in violation of Utah Code Ann. §§61-1-1 and 61-1-21. This violation is a second degree felony under Utah Law.

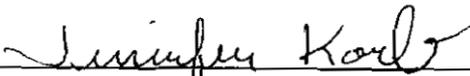
**COUNT 2**  
**ABUSE OF A VULNERABLE ADULT**  
**a second degree felony**

From on or about March 2004, the defendant, in a position of trust and confidence, or in a business relationship, with a vulnerable adult (Arthur Lynch), and knowingly, by deception or intimidation, obtained or used, or endeavored to obtain or use, the vulnerable adult's funds, credit, assets, or other property with the intent to temporarily or permanently deprive the vulnerable adult of the use, benefit, or possession of the adult's property, for the benefit of someone other than the

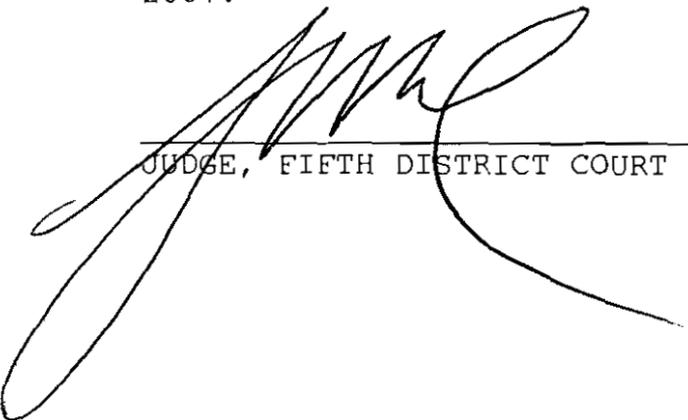
vulnerable adult, in violation of Utah Code Ann. § 76-5-111.

This violation is a second degree felony.

DATED this 14<sup>th</sup> day of November, 2007.

  
\_\_\_\_\_  
JENNIFER KORB, Affiant

SUBSCRIBED AND SWORN to before me  
on this 14<sup>th</sup> day of November,  
2007.

  
\_\_\_\_\_  
JUDGE, FIFTH DISTRICT COURT

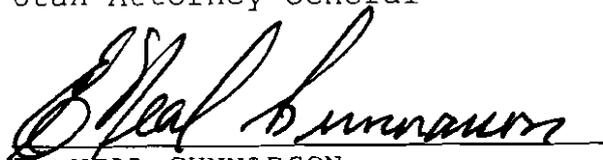
This CRIMINAL INFORMATION is based upon evidence from the following witnesses:

1. Arthur Lynch
2. Georgia Lynch
3. Sterling Kerr
4. And others.

AUTHORIZED FOR PRESENTMENT AND FILING this 23 day of October, 2007.

MARK L. SHURTLEFF  
Utah Attorney General

By:

  
E. NEAL GUNNARSON  
Assistant Attorney General