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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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AZ CORP COMMISSION  
DOCUMENT CONTROL

In the matter of:  
  
JANALEE RANNEY SNEVA  
DBA SNEVA ALLIANCE  
1843 EAST LA JOLLA DRIVE  
TEMPE, AZ 85282  
  
Respondents.

) DOCKET NO. S-20480A-06-0606  
)  
) NOTICE OF OPPORTUNITY FOR  
) HEARING REGARDING PROPOSED  
) ORDER TO CEASE AND DESIST, FOR  
) RESTITUTION, FOR ADMINISTRATIVE  
) PENALTIES, AND FOR OTHER  
) AFFIRMATIVE ACTION

**NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING**  
**EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER**

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that Respondents have engaged in acts, practices and transactions, which constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

**I. JURISDICTION**

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

**II. RESPONDENTS**

2. Respondent JANALEE RANNEY SNEVA ("SNEVA") was at all times material hereto a resident of Arizona. Since about March 12, 2003, SNEVA has been a licensed real estate salesperson in Arizona. At all times material hereto, SNEVA was licensed to sell insurance in the State of Arizona, but was not registered as a securities salesperson or an investment advisor representative in Arizona.

Arizona Corporation Commission  
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1 timeshare lease. For a \$5,000 purchaser, this would amount to a total payment of \$14,000 to \$21,125  
2 in return for 12 weeks of timeshare access (over a 25 year period) at an unknown unit, at an  
3 undisclosed location, during an undisclosed time of year.

4 10. Option 1 was minimally included in the Universal lease promotional materials, and the  
5 selection received little or no coverage in Universal lease recruitment seminars for prospective  
6 salespeople. Option 1 had little or no applicability to the many elderly investors placing retirement  
7 funds into the Universal lease program.

8 11. Upon information and belief, SNEVA did not sell a single Universal lease under Option  
9 1.

10 12. The Universal lease "Option 2," presented investors the opportunity to rent out assigned  
11 timeshare units themselves and contained many of the same costs and conditions associated with  
12 Option 1. Option 2 again required the purchaser to forego any guaranteed investment returns, and  
13 instead imposed annual maintenance fees on the purchaser for the full 25 year lease term.  
14 Prospective Option 2 purchasers were unaware, until after the purchase had been made, of the  
15 location, resort type and permitted dates of use for the timeshare. Sales material warned that this  
16 self-renting option would not bring in the same level of revenues as would a professional third party  
17 servicing agent as offered in Option 3. Promotional materials provided a discussion of the financial  
18 disincentives, but no discussion, comments or guidance of the advantages of selecting option 2, other  
19 than the brief suggestion that the self-renting option could be carried out through the "placing of an  
20 advertisement in the local paper."

21 13. Upon information and belief, SNEVA did not sell a single Universal lease under Option  
22 2.

23 14. Sales and promotional materials focused on and emphasized Option 3. According to  
24 Universal lease promotional brochures, investors who chose Option 3 would be eligible to receive a  
25 guaranteed 11 percent (subsequently lowered to 9 percent) annual return on their timeshare  
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1 investments for a period of 25 years, after which time the lease could be renewed for another 20  
2 years. For an investor to reap the 11 and later 9 percent per annum return under Option 3, the  
3 investor was required, as part of the investment, to hire a "third party" management company to lease  
4 the investor's timeshare unit.

5 15. The Universal lease materials identified World Phantasy Tours Inc. ("World Phantasy")  
6 as the designated third party management company responsible for leasing the investor's timeshare  
7 unit. World Phantasy was alleged to be a resort management company and travel agency operating  
8 as the servicing agent for the Yucatan Universal lease program.

9 16. Selecting World Phantasy, the only management company identified or offered, as the  
10 leasing agent was the only method under which investors could earn the promised 11 or 9 percent  
11 rate of return on their Universal lease investments.

12 17. Once investors had made their investments in the Universal lease program and had signed  
13 the Management Agreement with World Phantasy, the investors were to receive an 11 and later 9  
14 percent per annum return on their investments for the life of the Universal lease. The investors had  
15 no duties or responsibilities following their investments, and relied solely on others for development  
16 of new units and/or management of existing rental units to generate the rental profits that would  
17 purportedly support the investors' investment returns.

18 18. According to the marketing materials for the Universal lease, Option 3 of the Universal  
19 lease provided a multitude of advantages to more traditional investments. Among them was the  
20 assertion that Option 3 provided a superior rate of return over most other investments and that the  
21 Universal lease was supported by "debt-free" resort properties which resulted in the Universal lease  
22 program being "safe and secure."

23 19. Option 3 was also the only Universal lease option that allowed investors to recoup up to 5  
24 percent of any liquidation penalty incurred during the process of rolling other investments into the  
25 Universal lease program. This feature was an added incentive for investors to exchange their  
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1 existing investment portfolios, including individual retirement accounts and annuities, into Option 3  
2 of the Universal lease program.

3 20. Upon information and belief, all investors who purchased contracts from SNEVA  
4 selected Option 3.

5 21. SNEVA informed at least one prospective investor that the Universal lease program was  
6 “contractually guaranteed and secured through debt-free property.” According to SNEVA this meant  
7 that if anything happened, the investments were protected because the leases were “secured” by the  
8 property itself.

9 22. SNEVA informed prospective investors that the properties and/or owners of the  
10 properties being leased, were fully insured with 270 day uninterrupted business insurance.

11 23. SNEVA informed prospective investors that the monies being invested would be used to  
12 maintain the existing properties and expand the operation.

13 24. SNEVA informed prospective investors that if they wanted to cash in after three years it  
14 would take 10-14 days to close out the investor’s account.

15 25. SNEVA informed investors that their principal would always be protected since investors  
16 were “in the first leaseholder position.”

17 26. SNEVA was paid a commission of at least 10% per Universal lease sold.

18 27. SNEVA sold Universal leases to approximately 20 individuals or entities within or from  
19 the State of Arizona from February 1, 2002 through October 31, 2003. Total sales made by SNEVA  
20 were approximately \$1,055,062 and resulted in receipt of commissions by SNEVA of approximately  
21 \$105,506. In some instances, SNEVA sold multiple leases to the same individual.

22 28. SNEVA informed at least one Arizona investor that she had “done the due diligence  
23 necessary to satisfy even the most skeptic.”

24 29. Prior to and during the period of SNEVA’s sales to investors in Arizona, Yucatan and its  
25 related entities had been subject to investigations and orders in multiple states involving its  
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1 development, marketing and sale of promissory notes and Universal leases. Despite knowledge that  
2 “a dozen or so states” had “looked into” Yucatan and its predecessors for possible securities  
3 violations, SNEVA failed to disclose this information to most, if not all, of the investors with whom  
4 she dealt.

5 30. The orders that SNEVA could have revealed to investors include:

6 a) May 18, 1999 administrative order by the New Mexico Securities Division related to  
7 Yucatan Investment Corp. for the sale of unregistered, non-exempt securities – in the form of 9  
8 month promissory notes – through unlicensed sales agents. Michael Eugene Kelly (“Kelly”) was the  
9 sole incorporator, statutory agent, president and secretary of Yucatan Investments, and Yucatan  
10 Investment was based out of the same business address as Yucatan, Yucatan-S.A., RHI, and RHI-  
11 S.A. Yucatan Investments’ operation was the immediate predecessor to the current Universal lease  
12 program; Kelly was the founder, president and owner of Yucatan and was a director, officer and  
13 owner of Yucatan S.A. Kelly is the founder, chairman and owner of RHI.

14 b) July 26, 1999, Consent with the South Carolina Securities Division signed by Kelly on  
15 behalf of himself and Yucatan Investment Corp. for the sale of unregistered, nonexempt securities in  
16 the form of 9 month promissory notes through unregistered sales agents;

17 c) October 4, 1999, Consent Order to Cease and Desist with the Minnesota Department of  
18 Commerce signed by Kelly as president for the sale of unregistered, nonexempt securities;

19 d) November 7, 2000, Order to Cease and Desist, which became permanent on December  
20 21, 2000, by the Connecticut Department of Banking related to Yucatan Investment Corp. for the  
21 sale of unregistered, nonexempt securities in the form of promissory notes through unlicensed sales  
22 agents;

23 e) March 28, 2001, Order of Prohibition and Revocation by the Wisconsin Securities  
24 Division related to Kelly, Yucatan Resorts, Inc., Yucatan Resorts, S.A., RHI, Inc. and RHI-S.A. for  
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1 the sale of unregistered securities by unlicensed sales agents and for securities fraud in violation of  
2 Wisconsin law (revoked by subsequent order dated April 4, 2003);

3 f) October 22, 2002, Summary Order to Cease and Desist from the Pennsylvania Securities  
4 Commission related to Yucatan-S.A. arising out of multiple registration and fraud violations as  
5 prescribed by the Pennsylvania Securities Act (rescinded by subsequent order dated January 20,  
6 2004);

7 g) On May 20, 2003, the Division issued a Temporary Order to Cease and Desist and Notice  
8 of Opportunity for Hearing ("Order") regarding Yucatan Resorts, Yucatan Resorts S.A., RHI, RHI-  
9 S.A., World Phantasy, Majesty Travel and Kelly.

10 31. SNEVA became aware of and acknowledged the existence of the Division's Order on  
11 May 23, 2003.

12 32. After the effective date of the Order, SNEVA sold at least one Universal lease within or  
13 from the State of Arizona.

14 **IV. VIOLATION OF A.R.S. § 44-1841**  
**(Offer or Sale of Unregistered Securities)**

15 33. From on or about February 1, 2002, SNEVA offered or sold securities in the form of  
16 investment contracts, within or from Arizona.

17 34. The securities referred to above were not registered pursuant to the provisions of Articles  
18 6 or 7 of the Securities Act.

19 35. This conduct violates A.R.S. § 44-1841.

20 **V. VIOLATION OF A.R.S. § 44-1842**  
21 **(Transactions by Unregistered Dealers or Salesmen)**

22 36. SNEVA offered or sold securities within or from Arizona, while not registered as a dealer  
23 or salesman pursuant to the provisions of Article 9 of the Securities Act.

24 37. This conduct violates A.R.S. § 44-1842.

**VI. VIOLATION OF A.R.S. § 44-1991**  
**(Fraud in Connection with the Offer or Sale of Securities)**

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38. In connection with the offer or sale of securities within or from Arizona, SNEVA directly or indirectly: (i) employed a device, scheme or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts which were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; and (iii) engaged in transactions, practices or courses of business which operated or would operate as fraud or deceit upon offerees and investors. SNEVA's conduct includes, but is not limited to, the following:

a) SNEVA informed at least one prospective investor that the Universal lease program was "contractually guaranteed and secured through debt-free property."

b) SNEVA informed investors that the investments were safe and secure since the properties were "debt-free" and the leases were "secured" by the property itself and that investors were "in the first leaseholder position."

c) SNEVA provided the above information despite having little or no evidence to establish whether the properties were financed and, if so, to what degree or what steps, if any, had been taken to put investors "in the first leaseholder position."

d) SNEVA informed prospective investors that the properties and/or owners of the properties being leased, were fully insured in the form of 270 day uninterrupted business insurance. SNEVA provided this insurance information despite the fact she had never been provided with a copy of any insurance policy for Yucatan or any of its related entities;

e) SNEVA failed to disclose that, in the event of a business interruption, there was no applicable insurance to cover the amounts invested or the returns that were to be paid on investors' leases;

f) SNEVA represented to purchasers that monies received as a result of their investment in the Universal lease were derived from rents received on the timeshare properties when, in fact, returns paid to investors came from purchases by subsequent investors;

1 g) SNEVA failed to disclose to investors any financial statements or other salient financial  
2 and/or background information about the companies operating the Universal lease program;

3 h) SNEVA failed to advise investors of the state regulatory actions involving Kelly, Yucatan  
4 and its related entities as well as the potential consequences of the investigations being conducted by  
5 state agencies with respect to the Universal lease investment;

6 i) SNEVA failed to disclose to some, if not all, investors that she was earning commissions  
7 of at least 10 percent on all sales of the Universal lease, and that she was eligible for additional  
8 monetary overrides and bonuses;

9 39. This conduct violates A.R.S. § 44-1991.

10 **VII. REQUESTED RELIEF**

11 The Division requests that the Commission grant the following relief against  
12 RESPONDENTS:

13 1. Order RESPONDENTS to permanently cease and desist from violating the Securities Act  
14 pursuant to A.R.S. § 44-2032;

15 2. Order RESPONDENTS to take affirmative action to correct the conditions resulting  
16 from their acts, practices or transactions, including a requirement to make restitution pursuant to  
17 A.R.S. § 44-2032;

18 3. Order RESPONDENTS to pay the state of Arizona administrative penalties of up to  
19 five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-  
20 2036; and

21 4. Order any other relief that the Commission deems appropriate.

22 **VIII. HEARING OPPORTUNITY**

23 RESPONDENTS may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-  
24 4-306. **If any RESPONDENT requests a hearing, the RESPONDENT must also answer this**  
25 **Notice.** A request for hearing must be in writing and received by the Commission within 10 business  
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1 days after service of this Notice of Opportunity for Hearing. Each RESPONDENT must deliver or  
2 mail the request to Docket Control, Arizona Corporation Commission, 1200 W. Washington,  
3 Phoenix, Arizona 85007. A Docket Control cover sheet must accompany the request. A cover sheet  
4 form and instructions may be obtained from Docket Control by calling (602) 542-3477 or on the  
5 Commission's Internet web site at [www.cc.state.az.us/utility/forms/index.htm](http://www.cc.state.az.us/utility/forms/index.htm).

6 If a request for a hearing is timely made, the Commission shall schedule the hearing to  
7 begin 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by  
8 the parties, or ordered by the Commission. If a request for a hearing is not timely made, the  
9 Commission may, without a hearing, enter an order against each RESPONDENT granting the relief  
10 requested by the Division in this Notice of Opportunity for Hearing.

11 Persons with a disability may request a reasonable accommodation such as a sign  
12 language interpreter, as well as request this document in an alternative format, by contacting Linda  
13 Hogan, Executive Assistant to the Executive Director, voice phone number 602/542-3931, e-mail  
14 [lhogan@azcc.gov](mailto:lhogan@azcc.gov). Requests should be made as early as possible to allow time to arrange the  
15 accommodation.

#### 16 **IX. ANSWER REQUIREMENT**

17 Pursuant to A.A.C. R14-4-305, if any RESPONDENT requests a hearing,  
18 RESPONDENT must deliver or mail an Answer to this Notice of Opportunity for Hearing to  
19 Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona  
20 85007, within 30 calendar days after the date of service of this Notice of Opportunity for Hearing.  
21 A Docket Control cover sheet must accompany the Answer. A cover sheet form and instructions  
22 may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet  
23 web site at [www.cc.state.az.us/utility/forms/index.htm](http://www.cc.state.az.us/utility/forms/index.htm).

24 Additionally, RESPONDENT must serve the Answer upon the Division. Pursuant to  
25 A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a  
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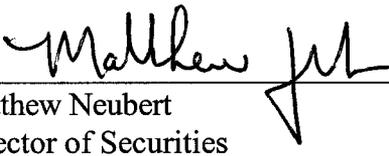
1 copy of the Answer to the Division at 1300 West Washington, 3<sup>rd</sup> Floor, Phoenix, Arizona, 85007,  
2 addressed to William W. Black.

3 The Answer shall contain an admission or denial of each allegation in this Notice and  
4 the original signature of each RESPONDENT or RESPONDENT'S attorney. A statement of a  
5 lack of sufficient knowledge or information shall be considered a denial of an allegation. An  
6 allegation not denied shall be considered admitted.

7 When RESPONDENT intends in good faith to deny only a part or a qualification of an  
8 allegation, RESPONDENT shall specify that part or qualification of the allegation and shall admit  
9 the remainder. RESPONDENT waives any affirmative defense not raised in the answer.

10 The officer presiding over the hearing may grant relief from the requirement to file an  
11 Answer for good cause shown.

12 Dated this 22 day of September, 2006.

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16 Matthew Neubert  
17 Director of Securities  
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