

IN THE DISTRICT COURT OF OKLAHOMA COUNTY  
STATE OF OKLAHOMA

OCT 29 2004

PATRICIA PRESLEY, COURT CLERK  
by \_\_\_\_\_  
Deputy

Oklahoma Department of Securities )  
*ex rel.* Irving L. Faught, )  
Administrator, )  
 )  
Plaintiff, )  
 )  
v. )  
 )  
Larry E. Mack, an individual, and )  
Larry E. Mack *dba* Southwest Income )  
Management, )  
 )  
 )  
Defendant. )

CJ 2004 8887

Case No.

**PETITION FOR PERMANENT INJUNCTION  
AND OTHER EQUITABLE RELIEF**

COMES NOW the Plaintiff, Oklahoma Department of Securities *ex rel.* Irving L. Faught (Department), and for its claims against the above-named Defendant alleges and states as follows:

**INTRODUCTION**

1. This case involves violations of the Oklahoma Securities Act (Act) Okla. Stat. tit. 71, §§ 1-413, 501, 701-703 (2001 and Supp. 2003). Specifically, the Department alleges that Defendant failed to register as an agent and failed to register securities for offer and/or sale in and/or from Oklahoma. Unless enjoined, Defendant will continue to engage in the acts and practices set forth herein and acts and practices of similar purport and object.

## **JURISDICTION**

2. The Administrator of the Department brings this action pursuant to Section 1-603 of the Oklahoma Uniform Securities Act of 2004 (Successor Act), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (Supp. 2003), and is the proper party to bring this action against the Defendants.

3. Pursuant to Sections 2 and 413 of the Act, Defendant, in connection with their activities and the offer, sale, and purchase of securities in and/or from this state, is subject to the provisions of the Act. By virtue of his transaction of business and commission of other acts in this state, Defendant is subject to the jurisdiction of this Court and to service of summons within or outside of this state.

## **DEFENDANT**

4. Defendant Larry E. Mack is an individual who, at all times material hereto, was a resident of the state of Oklahoma doing the acts complained of in his own name and/or in the name of Southwest Income Management.

5. Defendant has not been registered in any capacity under the Act or the Successor Act.

6. At all times material hereto, Defendant was licensed by the Oklahoma Insurance Department to sell various insurance products.

## NATURE OF THE CASE

### Yucatan Resorts Universal Lease Program

7. At all times material hereto, Yucatan Resorts, S.A. de C.V. (Yucatan) was in the business of selling lease interests in timeshare vacation properties for a minimum investment of \$5,000. The lease interest, commonly referred to as the "Universal Lease," involved the right to use, typically for a period of twenty-five (25) years, a resort property located in Central America. The Universal Lease provided for the management, maintenance and repair of the property by Yucatan. The Universal Lease also provided investors with the option to redeem the Universal Lease for the full purchase price or more after two (2) years.

8. According to the offering materials provided by Defendant to Oklahoma residents, investors were given three (3) options regarding the use of their lease interest. One option, the "Universal Lease Servicing Agreement," provided for the assignment of the purchased lease interest to a third party (Servicer) who guaranteed to rent and manage the lease interest for investors providing a potential return on investment of 11% per year.

9. Investors' returns were entirely contingent on the abilities of Yucatan and/or its agents to secure vacation resort properties, identify potential renters, execute the appropriate documents to secure a sublease, manage and maintain the rental properties, collect rentals, and remit a return on investment to investors.

10. In 2000, Defendant offered and sold Universal Leases, coupled with the Servicer option, to at least six (6) Oklahoma residents.

11. All of the Oklahoma residents invested for the purpose of receiving a return on their investment through the Servicer option. In a sworn statement, Defendant acknowledged that he targeted the "senior market" for the sale of Universal Leases. All but one (1) investor was over the age of 60.

### **Universal Luxury Coaches, LLC Lease Program**

12. At all times material hereto, Universal Luxury Coaches, LLC (Universal Luxury Coaches) was in the business of selling lease interests in timeshare motor coaches. The lease interest ("Universal Coach Lease") provided purchasers with the right to use a luxury motor coach for an initial term of three (3) years, renewable for three (3) additional terms of three (3) years each. The Universal Coach Lease further provided that Universal Luxury Coaches would manage, maintain, and repair the motor coaches and procure and maintain insurance during the term of the lease. Universal Luxury Coaches reserved "the right to modify the Universal Luxury Lease Plan in any capacity without membership approval."

13. According to offering materials provided by Defendant to Oklahoma residents, investors were given four (4) options in connection with the purchase of the Universal Coach Lease. One option, the Affinity Rental Program Agreement (Affinity Program), allowed investors to assign their lease interests to Universal Luxury Coaches who guaranteed to rent and manage the lease interests on behalf of the investors for a 10% return on their investments. Universal Luxury Coaches also provided a 100% buyback guarantee at the end of three (3) years.

14. Investors' returns were entirely contingent on the abilities of Universal Coach Lease and/or its agents to secure motor coaches, identify potential renters, execute the appropriate documents to secure a sublease, manage and maintain the motor coaches, collect rentals, and remit profits to investors.

15. In 2003, Defendant sold the Universal Coach Lease, coupled with the Affinity Program, to at least seven (7) Oklahoma investors. All investors expected to receive income from their investments.

16. Many of the investors who purchased the Yucatan and Universal Coach Lease interests were clients to whom Defendant had sold insurance or provided estate planning services. This relationship with Defendant engendered trust by investors.

#### **FIRST CAUSE OF ACTION**

##### **(Violation of Section 201 of the Act: Failure to Register as an Agent)**

17. Plaintiff realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 16 above.

18. Defendant, by virtue of his efforts and activities on behalf of Yucatan and Universal Luxury Coaches, and/or their agents, in effecting or attempting to effect purchases or sales of securities, are agents, as defined in Section 2 of the Act and Section 1-102 of the Successor Act. Defendant effected purchases and/or sales of securities without registration as an issuer agent as required by Section 201 of the Act and Section 1-401 of the Successor Act.

19. By reason of the foregoing, Defendant has violated Section 201 of the Act and, and unless enjoined, will continue to violate Section 1-401 of the Successor Act.

## **SECOND CAUSE OF ACTION**

### **(Violation of Section 301 of the Act: Offer and Sale of Unregistered Securities)**

20. The Department realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 19 above.

21. Beginning in 2000, Defendant offered and sold securities to the public in the nature of investments in the Yucatan lease interests with the Universal Lease Servicing Agreement and the Universal Coach Lease interests with the Affinity Rental Program Agreement.

22. The securities that the Defendant offered and/or sold in and/or from this state were not registered as required by Section 301 of the Act and Section 1-301 of the Successor Act nor offered and sold pursuant to an exemption from registration pursuant to Section 401 of the Act or Section 1-201 of the Successor Act.

23. By reason of the foregoing, Defendant, directly or indirectly, has violated Section 301 of the Act, and unless enjoined, will continue to violate Section 1-301 of the Successor Act.

### **PRAYER FOR RELIEF**

WHEREFORE, based upon the foregoing, and pursuant to the authority specifically granted by Section 406.1 of the Act and Section 1-603 of the Successor Act, the Department prays for relief as follows:

1. A permanent injunction forever enjoining and restraining Defendant from the offer and/or sale of securities in and/or from this state and from directing other natural persons, corporations or other business entities acting on his behalf to offer and/or sell securities in and/or from this state;

2. A permanent injunction forever enjoining and restraining Defendant from acting as broker-dealer or agent, or from employing broker-dealers or agents, in connection with the offer and/or sale of securities in and/or from this state; and

3. Such other legal and equitable relief as the Court may deem necessary, just and proper in connection with the enforcement of the Act and the Successor Act.

Respectfully submitted,

OKLAHOMA DEPARTMENT OF SECURITIES  
Irving L. Faught, Administrator

By:



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