



ORIGINAL 4/26/07

COMMISSIONERS
MIKE GLEASON - Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE



BRIAN C. McNEIL
EXECUTIVE DIRECTOR

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ARIZONA CORPORATION COMMISSION

MEMORANDUM

TO: Mike Gleason, Chairman
William A. Mundell
Jeff Hatch-Miller
Kristin K. Mayes
Gary Pierce

Arizona Corporation Commission
DOCKETED

APR 12 2007

FROM: Matthew J. Neubert
Director of Securities

DOCKETED BY [Signature] NR

DATE: April 9, 2007

RE: MGN Enterprises, Ltd. and John S. Mendibles (S-03591A-05-0000)

CC: Brian C. McNeil, Executive Director

ARIZONA CORPORATION COMMISSION
DOCUMENT CONTROL

2007 APR 12 P 2:00

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Attached is a proposed Order of Dismissal of Respondents John S. Mendibles ("Mendibles") and MGN Enterprises, Ltd., a defunct Arizona corporation ("MGN"), without prejudice.

On February 7, 2005, the Securities Division ("Division") received information from the Arizona Department of Gaming regarding Mendibles and MGN. Although MGN had been a defunct Arizona corporation since June 6, 2002, Mendibles, the CEO of MGN, continued to conduct business in its name. A Temporary Order to Cease and Desist and Notice of Opportunity for Hearing alleging that the Respondents violated the registration and antifraud provisions of the Arizona Securities Act was entered on February 17, 2005 ("TCD").

Pursuant to Division's investigation, Mendibles informed offerees that the Respondents had an agreement with the San Juan Southern Paiute Tribe granting unto MGN and/or Mendibles full authority to negotiate any and all agreements necessary for the development of a casino Tribal lands ("Casino", to secure funding, to oversee its construction, development and staffing, and to manage the Casino. However, no such agreement existed.

Pursuant to the terms of their offering documents, MGN was to be paid a management fee of 35% of the net revenues derived from the Casino operations for a period of 10 years to be paid on a semi-annual basis. The annual management fee was represented to be approximately \$13.3 million. The Respondents offered for sale 10% of its projected management fees, divided

into single units or "Points" equaling one-quarter of one percent. Each Point was represented to have an estimated value of \$99,750.00 and was being offered to investors for the purchase price of \$3,000.00. The Division's investigation revealed that Mendibles had expended all investor funds solely for personal use.

Further, the offering documents represent that Mendibles would personally guarantee the repayment of the principal amount invested for each Point for a period 5 years from the date of investment. The guarantee was to be secured by revenues earned from a joint venture agreement between MGN and the Hualapai and Havasupai Tribes which authorized the Respondents to negotiate the sale of water rights owned by said Tribes. However, no such agreement existed.

Following the issuance of the TC&D, the Division referred this matter to the Office of the Arizona Attorney General for criminal prosecution. On April 19, 2005, Mendibles was indicted. On October 26, 2006, Mendibles pled guilty to one count each for fraud schemes (class 2 felony), illegally conducting an enterprise (class 3 felony), theft (class 2 felony), and transactions by unregistered dealers and salesmen (class 4 felony) related to his activities subject to the TC&D. On March 6, 2007 Mendibles was sentenced to 8 years in prison, 7 years probation, and to pay restitution in the amount of \$167,798 to 16 investors.

Based on the foregoing, the Division recommends that the administrative proceeding against Respondents be dismissed without prejudice, with both parties paying their respective attorneys' fees and costs.

originator: Julie Coleman

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 MIKE GLEASON, Chairman
4 WILLIAM A. MUNDELL
5 JEFF HATCH-MILLER
6 KRISTIN K. MAYES
7 GARY PIERCE

8 In the matter of:

) Docket No. S-03591A-05-0000

9 JOHN S. MENDIBLES

) DECISION NO. _____

10 #168324

11 ASPC Yuma

12 P.O. Box 13004

13 Yuma, AZ 85366-3004

) **ORDER OF DISMISSAL OF
RESPONDENTS WITHOUT PREJUDICE**

14 MGN ENTERPRISES, LTD. a defunct

15 Arizona corporation

16 c/o John S. Mendibles #168324

17 ASPC Yuma

18 P.O. Box 13004

19 Yuma, AZ 85366-3004

20 Respondents.

21 A Temporary Cease and Desist Order and Notice of Opportunity for Hearing was entered
22 on February 17, 2005. On April 4, 2005, the Respondents filed an Answer and request for hearing.

23 The Arizona Corporation Commission having reviewed this matter and being advised in
24 the premises,

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IT IS HEREBY ORDERED that these proceedings are hereby dismissed without prejudice and that each party shall be responsible for their respective costs and attorney's fees.

IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2007.

BRIAN C. McNEIL
Executive Director

DISSENT

DISSENT

This document is available in alternative formats by contacting Linda Hogan, ADA Coordinator, voice phone number 602-542-3931, E-mail lhogan@azcc.gov.

(JC)