

Division of Securities  
Utah Department of Commerce  
160 East 300 South, 2<sup>nd</sup> Floor  
Box 146760  
Salt Lake City, UT 84114-6760  
Telephone: (801) 530-6600  
FAX: (801)530-6980

**BEFORE THE DIVISION OF SECURITIES  
OF THE DEPARTMENT OF COMMERCE  
OF THE STATE OF UTAH**

**IN THE MATTER OF:**

**AISLING FINANCIAL, LLC  
ALLIANCE GROUP ENTERTAINMENT, INC.  
NEWPORT COAST ENTERTAINMENT CORP.  
MICHAEL PHILIP MCLAUGHLIN  
DENNIS W. COX  
MIKE KARKEHABDAI  
TIMOTHY CHO**

**Respondents.**

**ORDER TO SHOW CAUSE**

Docket No. SD-08-0027

Docket No. SD-08-0028

Docket No. SD-08-0029

Docket No. SD-08-0030

Docket No. SD-08-0031

Docket No. SD-08-0032

Docket No. SD-08-0033

It appears to the Director of the Utah Division of Securities (Director) that Aisling Financial, LLC, Alliance Group Entertainment, Inc., Newport Coast Entertainment Corporation, Michael Philip McLaughlin, Dennis W. Cox, Mike Karkehabdai, and Timothy Cho (Respondents) may have engaged in acts and practices that violate the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, et seq. (the Act). Those acts are more fully described herein. Based upon information discovered in the course of the Utah Division of Securities' (the Division) investigation of this matter, the Director issues this Order to Show Cause in

accordance with the provisions of § 61-1-20(1) of the Act.

### **STATEMENT OF JURISDICTION**

1. Jurisdiction over the Respondents and the subject matter is appropriate because the Division alleges that they violated § 61-1-1 (securities fraud) of the Act, while engaged in the offer and sale of a security in or from Utah.

### **STATEMENT OF FACTS**

#### **THE RESPONDENTS**

2. Aisling Financial LLC (Aisling Financial) is an Arizona limited liability company. Michael P. McLaughlin is the registered agent for Aisling. Aisling is not registered as a foreign company in Utah.
3. Alliance Group Entertainment, Inc. (Alliance) is a Nevada corporation whose corporate status is currently in default. Dennis W. Cox was the secretary of Alliance and Mike Karkehabdai was the president. Alliance has never been registered as a foreign corporation in Utah.
4. Newport Coast Entertainment Corporation (Newport) is a California corporation, whose corporate status is currently “active.” Timothy Cho is the registered agent for Newport and at all times relevant to the matters asserted herein, Cho held himself out to be the Chief Executive Officer of Newport. Newport is not registered as a foreign corporation in Utah.
5. Michael P. McLaughlin (McLaughlin) resides in Maricopa County, Arizona.

6. Dennis W. Cox (Cox) resides in Clark County, Nevada.
7. Mike Karkehabdai (Karkehabdai) resides in Los Angeles County, California.
8. Timothy Cho (Cho) resides in Orange County, California.

#### **GENERAL ALLEGATIONS**

9. In September 2006, McLaughlin met with investor PJ and PJ's investment advisor, Denison Ellis (Ellis), at an office building in Salt Lake City, Utah, to discuss investment opportunities through McLaughlin's financial planning group, Aisling Financial. This meeting was arranged by Ellis, who suggested PJ meet with McLaughlin and hear about his financial planning group.
10. McLaughlin told PJ about two investment opportunities: one involving a movie project out of California, and the other involving an entity by the name of MexBank<sup>1</sup>.  
McLaughlin told PJ the following about the two investment opportunities:
  - a. McLaughlin had flown to California to meet with people involved with the movie, and thought it looked great;
  - b. The movie project was bonded and PJ could not lose money;
  - c. The movie project provided a guaranteed return of 25% per year;

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<sup>1</sup> According to MexBank's web page, <http://www.mexbank.com/>, visited February 28, 2008, MexBank is "an entity that focuses on the management of currencies. [MexBank] acts as the conduit to access the spot market segment of the FOREX market and trades all the major G7 currencies."

- d. The minimum investment for the movie project was \$1,000;
  - e. McLaughlin invested a lot of his own money in the movie project;
  - f. There was no guarantee with the investment in MexBank, but over the last four years MexBank provided returns of 50% per year for three years, and 33% the fourth year;
  - g. China just invested in MexBank and it looked really good;
  - h. McLaughlin invested a lot of his own money in MexBank; and
  - i. The minimum investment in MexBank was \$10,000.
11. After the meeting, PJ went home and told his wife about the investment opportunities.
  12. On December 7, 2006, McLaughlin met with PJ and PJ's wife at their home in Salt Lake County, Utah.
  13. McLaughlin told PJ and his wife the exact same things McLaughlin told PJ at the first meeting in September 2006, regarding the investment opportunities in the movie project and MexBank.
  14. McLaughlin gave PJ and his wife a document entitled "Aisling Financial, LLC Program Summary" (Program Summary). The Program Summary stated that the investment opportunities identified in the document were offered to a select group of Aisling Financial clients and prospective clients; that the document did not constitute an offer to sell any of the investment programs; and that clients who chose to participate in any of the opportunities would be provided with all of the appropriate documentation from the

company offering the investment opportunity.

15. The Program Summary listed eight different investment opportunities, including the movie project with Alliance and the investment opportunity in MexBank.
16. At the end of the meeting, PJ invested \$100,050 in the movie project and MexBank, through McLaughlin. PJ gave McLaughlin one personal check for \$50,000 made payable to Alliance, and a second personal check for \$50,050 made payable to MexBank.
17. In return for PJ's investment in the movie project, McLaughlin gave PJ a document entitled "Alliance Group Entertainment, Inc. Motion Picture Financing Loan Agreement" (Alliance Agreement).
18. Pursuant to the Alliance Agreement, PJ had the option of choosing between two different repayment plans, Option A or B. Option A was "growth repayment," which provided a one-time interest payment of 25% at the end of a one year term. Option B was "income repayment" which provided monthly interest payments of 1.5% for a one year term. PJ selected Option A.
19. PJ signed the Alliance Agreement on December 7, 2006. PJ later received a copy of the fully executed Alliance Agreement, and it appeared to have been signed by Cox as the loan broker, and Karkehabdai as the CEO of Alliance.
20. Approximately three weeks after signing the Alliance Agreement, PJ received a telephone call from McLaughlin. McLaughlin told PJ that McLaughlin was returning PJ's MexBank investment check because PJ had to open the MexBank account himself

and deposit the money. PJ did as McLaughlin asked and deposited \$100,000 (the original \$50,050 plus an additional \$49,950) into an account with MexBank that PJ opened himself.

21. On or about December 17, 2007, McLaughlin called PJ and told him McLaughlin was going to return PJ's original \$50,000 investment check to Alliance, and send PJ another contract to sign. McLaughlin did not say why he was sending a new contract.
22. PJ received his original \$50,000 check made payable to Alliance in the mail from McLaughlin, in addition to a document entitled "Newport Coast Entertainment Corporation Motion Picture Finance Agreement" (Newport Agreement).
23. The Newport Agreement states that "[Newport] is an organization formed for the purpose of acquiring financial capital for the production of motion pictures exclusively with Alliance Group Entertainment, Inc." The Newport Agreement makes reference to the Alliance Agreement, and recognizes that PJ has invested funds pursuant to the Alliance Agreement.
24. PJ signed the Newport Agreement on January 17, 2007, and mailed it back to McLaughlin, along with a new investment check for \$75,000 made payable to Alliance. When PJ later received a copy of the Newport Agreement, it appeared to have been signed by Cho as the CEO of Newport.
25. On April 1, 2007, PJ requested all of his money back from Mexbank, and Mexbank returned all of PJ's money, plus some interest.

26. PJ's investment with Alliance and Newport matured in January 2008, and PJ has yet to receive a return of his principal or interest.
27. The Respondents still owe PJ a total of \$75,000 in principal alone.

## **CAUSES OF ACTION**

### **COUNT I**

#### **Securities Fraud under § 61-1-1(2) of the Act (The Respondents)**

28. The Division incorporates and re-alleges paragraphs 1 through 27.
29. The investment opportunities (Alliance Agreement / Newport Agreement / MexBank investment) offered and sold by the Respondents to PJ are investment contracts, and therefore securities, 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; or . . . any investment by which . . . an offeree furnishes initial value to an offerer; . . . a portion of this initial value is subjected to the risks of the enterprise; . . . the furnishing of the initial value is induced by the offerer's promises or representations which give rise to a reasonable understanding that a valuable benefit of some kind over and above the initial value will accrue to the offeree as a result of the operation of the enterprise; and . . . the offeree does not receive the right to exercise practical or actual control over the managerial decisions of the enterprise.

UTAH ADMIN. CODE R164-13-1(B)(1)(a) and 1(b).

30. In connection with the offer and sale of securities (Alliance Agreement / Newport Agreement) to the investor, the Respondents, directly or indirectly, made false

statements, including, but not limited to, the following:

- a. McLaughlin had flown to California to meet with people involved with the movie, and it looked great;
- b. The movie project was bonded and PJ could not lose money;
- c. The movie project provided a guaranteed return of 25% per year;
- d. The minimum investment for the movie project was \$1,000; and
- e. McLaughlin invested a lot of his own money in the movie project.

31. In connection with the offer and sale of securities (Alliance Agreement / Newport Agreement) to the investor, the Respondents, directly or indirectly, 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 McLaughlin filed for bankruptcy in 2005;
- b. McLaughlin would receive a commission for selling the investment to PJ;
- c. Some or all of the information typically provided in an offering circular or prospectus regarding Alliance Group Entertainment, Inc. and Newport Coast Entertainment Corporation, such as:
  - i. Identities of the principals of Alliance and Newport along with their experience in the movie making industry;
  - ii. The business and operating history for Alliance and Newport
  - iii. Financial statements for Alliance and Newport;

- iv. The market for the product of the company;
- v. The nature of the competition for the product;
- vi. Current capitalization of the issuer;
- vii. A description of how the investment would be used by the business;
- viii. The company's past performance for its 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 agent 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 was licensed.

32. In connection with the offer and sale of securities (MexBank) to PJ, McLaughlin made

false statements, including, but not limited to, the following:

- a. There was no guarantee with the investment in MexBank, but over the last four years MexBank provided returns of 50% per year for three years, and 33% the fourth year;
- b. China just invested in MexBank and it looked really good;
- c. McLoughlin invested a lot of his own money in MexBank; and
- d. The minimum investment in MexBank was \$10,000.

33. In connection with the offer and sale of securities (MexBank) to the investor, the McLaughlin failed to disclose material information, including, but not limited to, the following, which was necessary in order to make representations made not misleading:

- a. McLaughlin filed for bankruptcy in 2005;
- b. Some or all of the information typically provided in an offering circular or prospectus regarding MexBank, such as:
  - i. Identities of the principals of MexBank along with their experience in FOREX trading;
  - ii. The business and operating history for MexBank;
  - iii. Financial statements for MexBank;
  - iv. The market for the service(s) of the company;
  - v. The nature of the competition for the service(s);
  - vi. Current capitalization of the issuer;

- vii. A description of how the investment would be used by the business;
- viii. The company's past performance for its 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 agent 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 was licensed.

34. Based upon the foregoing, Aisling Financial, LLC, Alliance Group Entertainment, Inc., Newport Coast Entertainment Corporation, Michael Philip McLaughlin, Dennis W. Cox, Mike Karkehabdai, and Timothy Cho violated § 61-1-1 of the Act.

## ORDER

The Director, pursuant to § 61-1-20 of the Act, hereby orders the Respondents to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63-46b-4 and 63-46b-6 through -10, and held before the Utah Division of Securities. The hearing will occur on April 1, 2008, at 9:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2<sup>nd</sup> Floor, Salt Lake City, Utah. The purpose of the hearing is to establish a scheduling order and address any preliminary matters. If the Respondents fail to file an answer and appear at the hearing, the Division of Securities may hold Respondents in default, and a fine may be imposed in accordance with Utah Code Ann. § 63-46b-11. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, the Respondents may show cause, if any they have:

- a. Why Aisling Financial, LLC, Alliance Group Entertainment, Inc., Newport Coast Entertainment Corporation, Michael Philip McLaughlin, Dennis W. Cox, Mike Karkehabdai, and Timothy Cho should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;
- b. Why Aisling Financial, LLC, Alliance Group Entertainment, Inc., Newport Coast Entertainment Corporation, Michael Philip McLaughlin, Dennis W. Cox, Mike Karkehabdai, and Timothy Cho should not be ordered to cease and desist from engaging in any further conduct in violation of Utah Code Ann. § 61-1-1, or any other section of the Act;

- c. Why Aisling Financial, LLC should not be ordered to pay a fine of one hundred thousand dollars (\$100,000) to the Division of Securities, which may be reduced by restitution paid to the victims;
- d. Why Alliance Group Entertainment, Inc. should not be ordered to pay a fine of one hundred thousand dollars (\$100,000) to the Division of Securities, which may be reduced by restitution paid to the victims;
- e. Why Newport Coast Entertainment Corporation should not be ordered to pay a fine of one hundred thousand dollars (\$100,000) to the Division of Securities, which may be reduced by restitution paid to the victim;
- f. Why Michael Philip McLaughlin should not be ordered to pay a fine of twenty five thousand dollars (\$25,000) to the Division of Securities, which may be reduced by restitution paid to the victim;
- g. Why Dennis W. Cox should not be ordered to pay a fine of twenty five thousand dollars (\$25,000) to the Division of Securities, which may be reduced by restitution paid to the victim;
- h. Why Mike Karkehabdai should not be ordered to pay a fine of twenty five thousand dollars (\$25,000) to the Division of Securities, which may be reduced by restitution paid to the victim;
- i. Why Timothy Cho should not be ordered to pay a fine of twenty five thousand dollars (\$25,000) to the Division of Securities, which may be reduced by

restitution paid to the victim.

DATED this 11<sup>th</sup> day of March, 2008.



THAD LEVAR  
Acting Director, Utah Division of Securities



Approved:



JEFF BUCKNER  
Assistant Attorney General

J. S.

Division of Securities  
Utah Department of Commerce  
160 East 300 South, 2<sup>nd</sup> Floor  
Box 146760  
Salt Lake City, UT 84114-6760  
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FAX: (801) 530-6980

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**BEFORE THE DIVISION OF SECURITIES  
OF THE DEPARTMENT OF COMMERCE  
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**IN THE MATTER OF:**

**AISLING FINANCIAL, LLC  
ALLIANCE GROUP ENTERTAINMENT,  
INC.  
NEWPORT COAST ENTERTAINMENT  
CORP.  
MICHAEL PHILIP MCLAUGHLIN  
DENNIS W. COX  
MIKE KARKEHABDAI  
TIMOTHY CHO**

**Respondents.**

**NOTICE OF AGENCY ACTION**

**Docket No. SD-08-0027**

**Docket No. SD-08-0028**

**Docket No. SD-08-0029**

**Docket No. SD-08-0030**

**Docket No. SD-08-0031**

**Docket No. SD-08-0032**

**Docket No. SD-08-0033**

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THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENTS:

The purpose of this Notice of Agency Action is to inform you that the Division hereby commences a formal adjudicative proceeding against you as of the date of the mailing of the Order to Show Cause. The authority and procedure by which this proceeding is commenced are

provided by Utah Code Ann. §§ 63-46b-3 and 63-46b-6 through 11. The facts on which this action is based are set forth in the foregoing Order to Show Cause.

Within thirty (30) days of the mailing date of this notice, you are required to file an Answer with the Division. The Answer must include the information required by Utah Code § 63-46b-6 (1). In addition, you are required by § 63-46b-6 (3) to state: a) by paragraph, whether you admit or deny each allegation contained in the Order to Show Cause, including a detailed explanation for any response other than an unqualified admission; b) any additional facts or documents which you assert are relevant in light of the allegations made; and c) any affirmative defenses (including exemptions or exceptions contained within the Utah Uniform Securities Act) which you assert are applicable. To the extent that factual allegations or allegations of violations contained in the Order to Show Cause are not disputed in your Answer, they will be deemed admitted.

Your Answer, and any future pleadings or filings that should be part of the official files in this matter, should be sent to the following:

Signed originals to:

Administrative Court Clerk  
c/o Pam Radzinski  
Division of Securities  
160 E. 300 S., Second Floor  
Box 146760  
Salt Lake City, UT 84114-6760  
(801) 530-6600

A copy to:

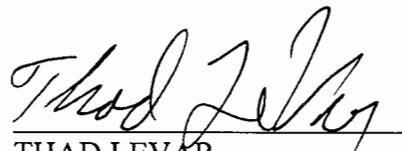
Jeff Buckner  
Assistant Attorney General  
160 E. 300 S., Fifth Floor  
Box 140872  
Salt Lake City, UT 84114-0872  
(801) 366-0310

A hearing date has been set for Tuesday, May 6th, 2008, at 9:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2<sup>nd</sup> Floor, Salt Lake City, Utah.

If you fail to file an Answer, as set forth herein, or fail to appear at the hearing, the Division of Securities may hold you in default, and a fine and other sanctions may be imposed against you in accordance with Utah Code Ann. § 63-46b-11, without the necessity of providing you with any further notice. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, you may appear and be heard and present evidence on your behalf. You may be represented by counsel during these proceedings.

The Administrative Law Judge will be J. Steven Eklund, Utah Department of Commerce, 160 East 300 South, P.O. Box 146701, Salt Lake City, UT 84114-6701, telephone (801) 530-6648. Questions regarding the Order to Show Cause and Notice of Agency Action should be directed to the Division's attorney, Jeff Buckner, at (801) 366-0310.

DATED this 11<sup>th</sup> day of March, 2008.



THAD LEVAR  
Acting Director, Division of Securities  
Utah Department of Commerce

**Certificate of Mailing**

I certify that on the 12TH day of March, 2008, I mailed, via certified mail, a true and correct copy of the Order to Show Cause and Notice of Agency Action to:

Aisling Financial, LLC  
C/O Michael McLaughlin, Registered Agent  
7556 East Sierra Morena Circle  
Mesa, AZ 85207

Certified Mail # 7004116000301956313

Alliance Group Entertainment, Inc.  
C/O Presidential Services Inc., Registered Agent  
1802 N. Carson Street, Suite 212  
Carson City, NV 89701

Certified Mail # 7004116000301956320

Newport Coast Entertainment Corporation  
C/O Timothy Cho, Registered Agent  
620 Newport Center Drive, Suite 1100  
Newport Beach, CA 92660

Certified Mail # 7004116000301956337

Michael Philip McLaughlin  
7556 East Sierra Morena Circle  
Mesa, AZ 85207

Certified Mail # 7004116000301956344

Mike Karkehabdai  
6430 Sunset Blvd., Suite 1550  
Hollywood, CA 90023

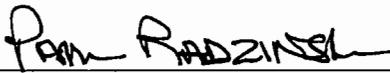
Certified Mail # 70041160000301956351

Dennis Cox  
3960 Howard Hughs Parkway, Suite 500  
Las Vegas, NV 89169

Certified Mail # 70041160000301956368

Timothy Cho  
620 Newport Center Drive, Suite 1100  
Newport Beach, CA 92660

Certified Mail # 70041160000301956375

  
Executive Secretary