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Memorandum

DATE: April 20, 2000

TO: Nancy Cole
Docket Control

FROM: Wendy Coy
Securities Division

RE: Desert Dog Production L.L.C. and Gary E. Matthewson
Docket No. S-03399A-00-0000
Internal Routing Distribution

CC: Betty Camargo

This is to notify you that the following individuals should be copied on all docketed items for the above-mentioned case.

- Mark Sendrow
- LeRoy Johnson
- Matthew Neubert/ Amy Leeson

Wendy Coy (Staff Attorney)

Terry Nelson (Staff Investigator)

Sharon Fox (Staff Attorney)

Note: The Assistant Attorney General assigned to this matter is: Robert Zumoff.

Thank you for your cooperation in this matter.

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BEFORE THE ARIZONA CORPORATION COMMISSION

CARL J. KUNASEK
Chairman
JIM IRVIN
Commissioner
WILLIAM A. MUNDELL
Commissioner

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AZ CORP COMMISSION
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NEW

6	In the matter of)	
7	DESERT DOG PRODUCTIONS L.L.C.)	DOCKET NO. S-03399A-00-0000
8	6312 E. Berneil Lane)	TEMPORARY ORDER TO CEASE AND
8	Paradise Valley, AZ 85253)	DESIST AND NOTICE OF
9	GARY E. MATHEWSON)	OPPORTUNITY FOR HEARING
10	6312 E. Berneil Lane)	REGARDING PROPOSED ORDER FOR
10	Paradise Valley, AZ 85253)	RELIEF
11)	
11)	
12	Respondents.)	

NOTICE: EACH RESPONDENT HAS 20 DAYS TO REQUEST A HEARING

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that Respondents, DESERT DOG PRODUCTIONS L.L.C. and GARY MATHEWSON engaged in or are about to engage in acts and practices that constitute violations of Arizona Revised Statutes ("A.R.S.") §§ 44-1841, 44-1842 and 44-1991 of the Arizona Securities Act ("Securities Act"), and that the public interest will be harmed by delay in issuing an Order to Cease and Desist.

I.

JURISDICTION

The Commission has jurisdiction over matters relating to securities pursuant to Article XV of the Arizona Constitution and (the "Securities Act") A.R.S. § 44-1801 *et seq.*

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II.
RESPONDENTS

1. DESERT DOG PRODUCTIONS L.L.C. ("DESERT DOG"), whose last known address is 6312 E. Berneil Lane, Paradise Valley, Arizona 85253, was represented to be an Arizona Limited Liability Company.

2. GARY E. MATHEWSON ("MATHEWSON"), whose last known address is 6312 E. Berneil Lane, Paradise Valley, Arizona 85253, was at all relevant times the CEO of DESERT DOG.

III.
NATURE OF THE OFFERING

3. Each of the preceding paragraphs is incorporated by reference.

4. DESERT DOG and MATHEWSON have engaged in the offer or sale of securities within or from Arizona in the form of promissory notes to the general public. The investment was to fund the production of a television pilot episode and to provide the cash necessary to promote the sale of the series to network television. The series would feature motorcycle riders and be titled "Chrome Cowboys".

5. DESERT DOG and MATHEWSON are seeking to raise \$250,000 from investors with a minimum of a \$25,000 investment per unit.

6. On or about March 28, 2000, RESPONDENTS placed an advertisement in the *Arizona Republic* seeking investors. The investors would receive a 25% return on their investment.

7. According to the documents provided to a prospective offeree, the initial investment would be repaid starting a year after the investment. Once all investors were paid their principal, then the investors would all receive their interest payments. After both the principal and interest were repaid to the investors, the investors would retain a 2.25% equity in the program.

8. MATHEWSON did disclose to the offeree that there was a risk involved in the investment. MATHEWSON represented that although the investors could lose their money, if the

1 series was sold to the networks, the investors would make a lot of money. MATHEWSON stated
2 that the investment was speculative which is why they could offer the high interest rate.

3 **IV.**

4 **VIOLATION OF SECTION 44-1841 OF THE SECURITIES ACT**

5 **Offer or Sale of Unregistered Securities**

6 9. Each of the preceding paragraphs is incorporated by reference.

7 10. From March of 2000 through the present, DESERT DOG and MATHEWSON
8 offered to sell securities within or from the State of Arizona in the form of promissory notes.

9 11. The securities referred to above were not registered under A.R.S. §§ 44-1871
10 through 44-1875 or 44-1891 through 44-1902; were not securities for which a notice filing has been
11 made under A.R.S. § 44-3321; were not exempt from registration under A.R.S. §§ 44-1843 or 44-
12 1843.01; were not offered or sold in exempt transactions under A.R.S. § 44-1844; and were not
13 securities exempt under any rule or order promulgated by the Commission.

14 12. This conduct violates A.R.S. § 44-1841.

15 **V.**

16 **VIOLATION OF SECTION 44-1842 OF THE SECURITIES ACT**

17 **Transactions by Unregistered Dealers and Salesmen**

18 11. Each of the preceding paragraphs is incorporated by reference.

19 12. In connection with the offer or sale of securities referred to above, DESERT DOG
20 and MATHEWSON acted as dealers or salesmen within Arizona, although not registered
21 pursuant to the provisions of Article 9 of the Securities Act nor exempt therefrom.

22 13. This conduct violates A.R.S. § 44-1842.

23 **VI.**

24 **TEMPORARY ORDER**

25 **Cease and Desist from Violating the Securities Act**

26 THEREFORE, on the basis of the foregoing allegations under Counts I through VI above,

1 because the Division has determined that the public interest will be harmed by delay in issuing an
2 Order to Cease and Desist from violations of the Securities Act,

3 IT IS ORDERED, pursuant to A.R.S. §§ 44-2032 (1), 44-1972 (C) and A.A.C. R14-4-307,
4 that all Respondents, their agents, servants, employees, successors, assigns, and those persons in
5 active concert or participation with them CEASE AND DESIST from the following and any
6 other violations of the Securities Act:

7 1. Offering to sell or selling the offering described in Count III above, or offering to
8 sell or selling any similar type of offering within or from the State of Arizona;

9 2. Receiving funds from purchasers of the offering described in Count III above, or
10 in connection with any similar type of offering within or from the State of Arizona;

11 3. Offering to sell or selling securities within or from the State of Arizona unless the
12 securities are registered with the Commission pursuant to Articles 6 and 7 of the Securities Act,
13 or an exemption from registration is applicable;

14 4. Offering to sell or selling securities within or from the State of Arizona unless
15 prior registration as dealers or salesmen is obtained under Article 9 of the Securities Act, or an
16 exemption from registration is applicable;

17 IT IS FURTHER ORDERED, pursuant to A.R.S. §§ 44-2032 (1), 44-1972 (C) and A.A.C.
18 R14-4-307, that this Temporary Cease and Desist Order shall remain in effect for one hundred and
19 twenty (120) days unless sooner vacated, modified or made permanent by the Commission. Upon
20 written request to Docket Control, Arizona Corporation Commission, 1200 West Washington,
21 Phoenix, Arizona 85007, any Respondent will be afforded a hearing on this Temporary Order if
22 such request is filed within twenty (20) days of service on the Respondent of this Temporary Order.
23 Upon such request, the Commission shall schedule a hearing no earlier than five (5) days and no
24 later than fifteen (15) days after its filing, with immediate notification to the Respondent, unless
25 otherwise provided by law, stipulated by the parties, or ordered by the Commission. The
26 Commission may, after such hearing by written findings of fact and conclusions of law, vacate,

1 modify (including ordering restitution and assessing administrative penalties or other relief) or make
2 permanent this Temporary Order. If any Respondent fails to request a hearing within the time
3 prescribed, this Temporary Order shall thereafter remain in effect against that Respondent until the
4 expiration of its term, unless sooner vacated, modified (including ordering restitution and assessing
5 administrative penalties or other relief) or made permanent by the Commission with written findings
6 of fact and conclusions of law.

7 Persons with a disability may request a reasonable accommodation such as a sign language
8 interpreter, as well as request this document in an alternative format, by contacting Cynthia
9 Mercurio-Sandoval, ADA Coordinator, voice phone number 602/542-0838, e-mail
10 csandoval@cc.state.az.us. Requests should be made as early as possible to allow time to arrange
11 the accommodation.

12 BY ORDER OF THE ARIZONA CORPORATION COMMISSION, this *21st* day of
13 April, 2000.

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16 MARK SENDROW
17 Director of Securities
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