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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

2011 DEC 23 A 9:55

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

In the matter of:

DOCKET NO. S-20716A-09-0574

MIKO D. WADY and JENNIFER L. SAVAGE (f.k.a. JENNIFER L. WADY), formerly husband and wife;

NOTICE OF OPPORTUNITY FOR HEARING REGARDING PROPOSED ORDER TO CEASE AND DESIST, FOR RESTITUTION, FOR ADMINISTRATIVE PENALTIES, AND FOR OTHER AFFIRMATIVE ACTION

NATO ENTERPRISES, LLC, an Arizona limited liability company;

MALIKA S. SMITH and KORY C. SMITH, formerly wife and husband;

BOBBY G. GOODSON and PAMELA D. GOODSON, husband and wife;

CAA GENERAL PARTNERSHIP, an Arizona general partnership;

MARIO K. REED, a single man;

PHOENICIAN ENTERTAINMENT, L.L.C., an Arizona limited liability company;

THURSTON SMITH and SHAVONE SMITH, husband and wife;

B.Y.B. ENTERTAINMENT, L.L.C., an Arizona limited liability company;

Respondents.

Arizona Corporation Commission

DOCKETED

DEC 23 2011

DOCKETED BY [signature]

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 MIKO D. WADY; NATO ENTERPRISES, LLC; MALIKA S. SMITH;

1 BOBBY G. GOODSON; CAA GENERAL PARTNERSHIP; MARIO K. REED; PHOENICIAN  
2 ENTERTAINMENT, L.L.C.; THURSTON SMITH; and, B.Y.B. ENTERTAINMENT, L.L.C.  
3 have engaged in acts, practices, and transactions that constitute violations of the Securities Act of  
4 Arizona, A.R.S. § 44-1801 *et seq.* (“Securities Act”).

5 **I.**

6 **JURISDICTION**

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

9 **II.**

10 **RESPONDENTS**

11 2. MIKO D. WADY (“WADY”) is an individual who, at all relevant times, resided in  
12 Maricopa County, Arizona and was the manager of NATO ENTERPRISES, LLC.

13 3. NATO ENTERPRISES, LLC (“NATO”) is an Arizona limited liability company.

14 4. MALIKA S. SMITH (“MALIKA”) is an individual who, at all relevant times, resided  
15 in Maricopa County, Arizona. MALIKA is a member of NATO and partner of CAA GENERAL  
16 PARTNERSHIP.

17 5. BOBBY G. GOODSON (“GOODSON”) is an individual who, at all relevant times,  
18 resided in Maricopa County, Arizona. GOODSON is a partner of CAA GENERAL  
19 PARTNERSHIP.

20 6. CAA GENERAL PARTNERSHIP (“CAA”) is an Arizona general partnership.

21 7. MARIO K. REED (“REED”) is an individual who, at all relevant times, resided in  
22 Maricopa County, Arizona. REED is a member and manager of PHOENICIAN  
23 ENTERTAINMENT, L.L.C.

24 8. PHOENICIAN ENTERTAINMENT, L.L.C. (“PHOENICIAN”) is an Arizona  
25 limited liability company.

26



1 CAA, PHOENICIAN, and BYB in connection with the production of concerts. As more fully  
2 described below, representations were made that the Investors would fund the production of each  
3 concert by paying the producer directly, then receive the revenue generated by the sale of tickets  
4 that would not only repay the cost of the production, but result in a profit for the Investors.

5 16. At all relevant times, the investment contracts referred to above were not registered  
6 pursuant to Articles 6 or 7 of the Securities Act.

7 17. WADY and REED represented to the Investors that WADY is arranging the funding  
8 for the production of concerts nationwide for such artists as Keith Urban, Carrie Underwood,  
9 Radiohead, the Dave Matthews Band, the Foo Fighters, 50 Cent, and R. Kelly.

10 18. WADY and REED represented to the Investors that funding these concerts would be  
11 profitable and WADY represented to Deluxe that enough money would be raised from concert ticket  
12 sales to repay Deluxe's principal investment and generate a profit of at least 25 percent.

13 19. WADY and REED represented to the Investors that NATO, REED, and the Investors  
14 would share in the profit from the ticket sales after the Investors' principal investments had been  
15 repaid. The profit-sharing with Deluxe is described in the Joint Venture Agreements that identify the  
16 concerts to be funded by Deluxe and that state the total amount of money required to produce each  
17 concert ("Event Cost"). The Joint Venture Agreements state that, "The cash receipts from the  
18 [concert] remaining after payment of the [Event Cost]...shall be referred to as the "Net Profits  
19 Receipts" and...shall be divided into thirds and distributed: 1/3 according to the percentage of the  
20 amount of the initial cash contributed by each Joint Venturer [(Deluxe or one of its investors)] for the  
21 [concert], 1/3 to NATO Enterprises, and 1/3 to Deluxe Designs International, LLC."

22 20. WADY represented to the Investors that he has a relationship with a "broker" who  
23 furnishes the services of the artists at the concerts. WADY further represented that the production of  
24 each concert is funded by the Investors entering into a Performance Agreement with the broker  
25 (referred to in the Performance Agreement as the "Producer" of the concert and referred to hereinafter  
26 as "the Broker/Producer") and the Investors paying the Broker/Producer's agent (referred to in the

1 Performance Agreement as the "Producer's Agent"). Some of the Performance Agreements list CAA  
2 as the Producer's Agent and others list PHOENICIAN. BYB too was represented to be the  
3 Producer's Agent.

4 21. Other than paying CAA, PHOENICIAN, and BYB, the Investors had no duties to  
5 perform or responsibilities to fulfill in order to receive their promised profit. WADY represented to  
6 the Investors that the Broker/Producer, who the Investors have never met, would produce the  
7 concerts, receive the money raised from ticket sales, repay the Investors' principal investment, and  
8 account for/pay the Investors their profit based on "audit sheets" that purport to show the number of  
9 tickets sold and amount of money raised from a concert. The Performance Agreements state, among  
10 other things, that "[the Broker/Producer] shall have exclusive control over the production...of the  
11 [concert]..."

12 22. The Investors caused all of their money to be sent directly (and on occasion indirectly  
13 via NATO and otherwise) to CAA, PHOENICIAN, and BYB.

14 23. All of the concert dates (from February to August 2008) came to pass and, although  
15 they received audit sheets, the Investors have received to date a total of only \$28,229.80 of their  
16 principal investment and none of the promised profit.

17 24. WADY represented to Deluxe that CAA is Creative Artists Agency, the international  
18 talent agency that has offices worldwide and that represents Keith Urban, Carrie Underwood,  
19 Radiohead, and the Dave Matthews Band. CAA is not Creative Artists Agency, but instead an  
20 Arizona general partnership given its name by WADY and whose partners are MALIKA and  
21 GOODSON, the sister and former father-in-law of WADY, respectively.

22 25. MALIKA and GOODSON formed CAA and opened CAA bank accounts solely for  
23 the purpose of handling banking transactions related to what MALIKA and GOODSON believed to  
24 be was the concert production activity of WADY. WADY contacted MALIKA when Deluxe's  
25 money was received by CAA, then WADY instructed MALIKA and GOODSON on what to do with  
26 the money. At least \$980,000 was paid to and/or transferred to accounts controlled by WADY and

1 some of the money received by CAA was spent by MALIKA on her personal living expenses. None  
2 of the money received by CAA was paid to the Broker/Producer and none was paid to Keith Urban,  
3 Carrie Underwood, the Foo Fighters, 50 Cent, Radiohead, the Dave Matthews Band, or any of these  
4 artists' agents.

5 26. WADY represented to Deluxe that PHOENICIAN is a talent agency like Creative  
6 Artists Agency and that PHOENICIAN represents the Foo Fighters. PHOENICIAN does not  
7 represent the Foo Fighters and it is an Arizona limited liability company whose member and  
8 manager is REED, the cousin of WADY.

9 27. REED used the PHOENICIAN bank account for transactions related to what REED  
10 believed to be was the concert production activity of WADY. WADY contacted REED when money  
11 was received by PHOENICIAN, then WADY instructed REED on what to do with the money. At  
12 least \$237,700 of the money was paid to and/or transferred to accounts controlled by WADY; none of  
13 it was paid to the Broker/Producer; and, none was paid to the Foo Fighters or their agent.

14 28. WADY did not disclose to Deluxe that BYB is an Arizona limited liability company  
15 whose member and manager is THURSTON and that the BYB bank account was used for  
16 transactions related to WADY. At least \$121,000 of the money received by BYB was paid to and/or  
17 transferred to accounts controlled by WADY; none of it was paid to the Broker/Producer; and, none  
18 was paid to an artist or agent thereof.

19 **IV.**

20 **VIOLATION OF A.R.S. § 44-1841**

21 **(Offer or Sale of Unregistered Securities)**

22 29. From on or about February 2008 to August 2008, WADY, NATO, CAA, REED,  
23 PHOENICIAN, and BYB sold securities in the form of investment contracts within or from Arizona.

24 30. The securities referred to above were not registered pursuant to Articles 6 or 7 of the  
25 Securities Act.

26 31. This conduct violates A.R.S. § 44-1841.

V.

**VIOLATION OF A.R.S. § 44-1842**

**(Transactions by Unregistered Dealers or Salesmen)**

32. WADY, NATO, CAA, REED, PHOENICIAN, and BYB sold securities within or from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

33. 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)**

34. In connection with the offer or sale of securities within or from Arizona, WADY, NATO, CAA, REED, PHOENICIAN, and BYB 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 that were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; or (iii) engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon offerees and investors. The conduct of WADY, NATO, CAA, REED, PHOENICIAN, and BYB includes, but is not limited to, the following:

a) misrepresenting to the Investors that, by entering into the Performance Agreements with the Broker/Producer and paying CAA, PHOENICIAN, and BYB, the Investors would be paying for the services of the artists at the concerts;

b) misrepresenting to Deluxe that CAA is Creative Artists Agency and failing to disclose to the Investors that it is instead an Arizona general partnership given its name by WADY and formed by MALIKA and GOODSON solely for the purpose of handling the banking transactions of WADY;

c) failing to disclose to the Investors that some of the money they sent to CAA would be spent by MALIKA on her personal living expenses;







**IX.****ANSWER REQUIREMENT**

Pursuant to A.A.C. R14-4-305, if a respondent requests a hearing, the requesting respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days after the date of service of this Notice. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

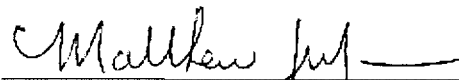
Additionally, the answering respondent must serve the Answer upon the Division. Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a copy of the Answer to the Division at 1300 West Washington, 3<sup>rd</sup> Floor, Phoenix, Arizona, 85007, addressed to Aaron S. Ludwig.

The Answer shall contain an admission or denial of each allegation in this Notice and the original signature of the answering respondent or respondent's attorney. A statement of a lack of sufficient knowledge or information shall be considered a denial of an allegation. An allegation not denied shall be considered admitted.

When the answering respondent intends in good faith to deny only a part or a qualification of an allegation, the respondent shall specify that part or qualification of the allegation and shall admit the remainder. A respondent waives any affirmative defense not raised in the Answer.

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

Dated this 23<sup>rd</sup> day of December 2009.



Matthew J. Neubert  
Director of Securities