

3/18/10

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

ERNEST G. JOHNSON  
 EXECUTIVE DIRECTOR



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 ARIZONA CORPORATION COMMISSION

ORIGINAL

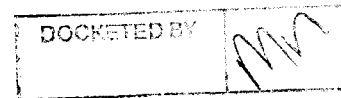
AZ CORP COMMISSION  
 DOCKET CONTROL  
 MEMORANDUM

**TO:** Kristin K. Mayes, Chairman  
 Gary Pierce  
 Paul Newman  
 Sandra D. Kennedy  
 Bob Stump

Arizona Corporation Commission  
**DOCKETED**

MAR - 8 2010

**FROM:** Matthew J. Neubert   
 Director of Securities



**DATE:** March 8, 2010

**RE:** Miko D. Wady, *et al.* (Docket No. S-20716A-09-0574); Order to Cease and Desist, for Restitution, and for Administrative Penalties Against: Miko D. Wady, Jennifer L. Savage (f.k.a. Jennifer L. Wady), and NATO Enterprises, LLC

**CC:** Ernest G. Johnson, Executive Director

Attached is a proposed default Order to Cease and Desist, for Restitution, and for Administrative Penalties Against Miko D. Wady, Jennifer L. Savage (f.k.a. Jennifer L. Wady), and NATO Enterprises, LLC (the "Order"). On December 23, 2009, the Securities Division (the "Division") filed a Notice of Opportunity for Hearing Regarding Proposed Order to Cease and Desist, for Restitution, for Administrative Penalties, and for Other Affirmative Action (the "Notice") against Miko D. Wady ("WADY"), Jennifer L. Savage (f.k.a. Jennifer L. Wady) ("SAVAGE"), NATO Enterprises, LLC ("NATO") and the other Respondents. The Division served the Notice upon WADY, SAVAGE, and NATO, but they filed neither a request for hearing nor an answer as required by law.

From February to August 2008, WADY and NATO sold \$2,910,000 of investment contracts to at least seven investors. WADY and NATO represented that the investors' money would be used to fund the production of concerts and that several of the other Respondents were the concert producers. In fact, these other Respondents were not the producers and, after they received the investors' money, they paid it and/or transferred it as directed by WADY, including to accounts controlled by WADY.

The Order finds that WADY and NATO violated A.R.S. §§ 44-1841, 44-1842, and 44-1991 by offering and selling unregistered securities while being unregistered and by violating the anti-fraud provisions of the Securities Act. The Order requires WADY and NATO to cease and desist their activity, pay \$2,910,000 in restitution, and pay an administrative penalty in the amount of \$150,000.

The Division believes that the Order is appropriate to protect the public welfare.

Originator: Aaron S. Ludwig

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 KRISTIN K. MAYES, Chairman  
4 GARY PIERCE  
5 PAUL NEWMAN  
6 SANDRA D. KENNEDY  
7 BOB STUMP

7 In the matter of:

DOCKET NO. S-20716A-09-0574

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

DECISION NO. \_\_\_\_\_

10 NATO ENTERPRISES, LLC, an Arizona  
limited liability company;

**ORDER TO CEASE AND DESIST, FOR  
RESTITUTION, AND FOR  
ADMINISTRATIVE PENALTIES AGAINST:**

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

**MIKO D. WADY and JENNIFER L. SAVAGE  
(f.k.a. JENNIFER L. WADY)**

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

**NATO ENTERPRISES, LLC**

14 CAA GENERAL PARTNERSHIP, an  
15 Arizona general partnership;

16 MARIO K. REED, a single man;

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

19 THURSTON SMITH and SHAVONE  
SMITH, husband and wife;

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

22 Respondents.

23 On December 23, 2009, the Securities Division (the "Division") of the Arizona Corporation  
24 Commission (the "Commission") filed a Notice of Opportunity for Hearing Regarding Proposed  
25 Order to Cease and Desist, for Restitution, for Administrative Penalties, and for Other Affirmative  
26 Action (the "Notice") against MIKO D. WADY ("WADY"); JENNIFER L. SAVAGE (f.k.a.

1 JENNIFER L. WADY) (“SAVAGE”); NATO ENTERPRISES, LLC (“NATO”); MALIKA S.  
2 SMITH; KORY C. SMITH; BOBBY G. GOODSON; PAMELA D. GOODSON; CAA GENERAL  
3 PARTNERSHIP; MARIO K. REED; PHOENICIAN ENTERTAINMENT, L.L.C.; THURSTON  
4 SMITH; SHAVONE SMITH; and, B.Y.B. ENTERTAINMENT, L.L.C.

5 On January 7, 2010, the Division served the Notice upon WADY by personal service. On  
6 January 14, 2010, the Division served the Notice upon SAVAGE by personal service. The  
7 Division served the Notice upon NATO on December 29, 2009 by mailing a copy via certified  
8 mail, return receipt requested to MALIKA S. SMITH, a member of NATO, and again on January 7,  
9 2010 by leaving a copy with WADY, an agent and, at all relevant times, the manager of NATO.  
10 WADY, NATO, and SAVAGE have filed neither a request for hearing nor an answer to the Notice.

11 **I.**

12 **FINDINGS OF FACT**

13 1. WADY is an individual who, at all relevant times, resided in Maricopa County,  
14 Arizona and was the manager of NATO.

15 2. NATO is an Arizona limited liability company.

16 3. MALIKA S. SMITH (“MALIKA”) is a member of NATO and partner of CAA  
17 GENERAL PARTNERSHIP.

18 4. BOBBY G. GOODSON (“GOODSON”) is a partner of CAA GENERAL  
19 PARTNERSHIP.

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

21 6. MARIO K. REED (“REED”) is a member and manager of PHOENICIAN  
22 ENTERTAINMENT, L.L.C.

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

25 8. THURSTON SMITH (“THURSTON”) is a member and manager of B.Y.B.  
26 ENTERTAINMENT, L.L.C.

1           9.     B.Y.B. ENTERTAINMENT, L.L.C. (“BYB”) is an Arizona limited liability  
2 company.

3           10.    SAVAGE was, at all relevant times, the spouse of WADY. SAVAGE is joined in  
4 this action under A.R.S. § 44-2031(C) solely for purposes of determining the liability of the marital  
5 community of WADY and SAVAGE.

6           11.    At all relevant times, WADY acted for his own benefit and for the benefit or in  
7 furtherance of the marital community of WADY and SAVAGE.

8           12.    At all relevant times, WADY and NATO were not registered as securities dealers or  
9 salesmen.

10          13.    From on or about February 2008 to August 2008 in Maricopa County, Arizona,  
11 WADY and NATO offered and sold to Deluxe Designs International, LLC (“Deluxe”) and at least  
12 six other investors (Deluxe and these investors may be referred to collectively as “the Investors”) at  
13 least \$2,910,000 of investment contracts issued by CAA, PHOENICIAN, and BYB in connection  
14 with the production of concerts. As more fully described below, representations were made that the  
15 Investors would fund the production of each concert by paying the producer directly, then receive  
16 the revenue generated by the sale of tickets that would not only repay the cost of the production, but  
17 result in a profit for the Investors.

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

20          15.    WADY represented to the Investors that WADY is arranging the funding for the  
21 production of concerts nationwide for such artists as Keith Urban, Carrie Underwood, Radiohead, the  
22 Dave Matthews Band, the Foo Fighters, 50 Cent, and R. Kelly.

23          16.    WADY represented to the Investors that funding these concerts would be profitable  
24 and WADY represented to Deluxe that enough money would be raised from concert ticket sales to  
25 repay Deluxe’s principal investment and generate a profit of at least 25 percent.

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

10           18.     WADY represented to the Investors that he has a relationship with a "broker" who  
11 furnishes the services of the artists at the concerts. WADY further represented that the production of  
12 each concert is funded by the Investors entering into a Performance Agreement with the broker  
13 (referred to in the Performance Agreement as the "Producer" of the concert and referred to hereinafter  
14 as "the Broker/Producer") and the Investors paying the Broker/Producer's agent (referred to in the  
15 Performance Agreement as the "Producer's Agent"). Some of the Performance Agreements list CAA  
16 as the Producer's Agent and others list PHOENICIAN. BYB too was represented to be the Producer's  
17 Agent.

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

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

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

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

11           23.     MALIKA and GOODSON formed CAA and opened CAA bank accounts solely for  
12 the purpose of handling banking transactions related to what MALIKA and GOODSON believed to be  
13 was the concert production activity of WADY. WADY contacted MALIKA when Deluxe's money  
14 was received by CAA, then WADY instructed MALIKA and GOODSON on what to do with the  
15 money. At least \$980,000 was paid to and/or transferred to accounts controlled by WADY and some  
16 of the money received by CAA was spent by MALIKA on her personal living expenses. None of the  
17 money received by CAA was paid to the Broker/Producer and none was paid to Keith Urban, Carrie  
18 Underwood, the Foo Fighters, 50 Cent, Radiohead, the Dave Matthews Band, or any of these artists'  
19 agents.

20           24.     WADY represented to Deluxe that PHOENICIAN is a talent agency like Creative  
21 Artists Agency and that PHOENICIAN represents the Foo Fighters. PHOENICIAN does not  
22 represent the Foo Fighters and it is an Arizona limited liability company whose member and  
23 manager is REED, the cousin of WADY.

24           25.     REED used the PHOENICIAN bank account for transactions related to what REED  
25 believed to be was the concert production activity of WADY. WADY contacted REED when money  
26 was received by PHOENICIAN, then WADY instructed REED on what to do with the money. At

1 least \$237,700 of the money was paid to and/or transferred to accounts controlled by WADY; none of  
2 it was paid to the Broker/Producer; and, none was paid to the Foo Fighters or their agent.

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

8 **II.**

9 **CONCLUSIONS OF LAW**

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

12 2. WADY, NATO, and SAVAGE did not request a hearing pursuant to A.R.S. § 44-  
13 1972 and A.A.C. R14-4-307.

14 3. WADY, NATO, and SAVAGE did not file an answer pursuant to A.A.C. R14-4-307.

15 4. WADY and NATO offered or sold securities within or from Arizona, within the  
16 meaning of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

17 5. WADY and NATO violated A.R.S. § 44-1841 by offering or selling securities that  
18 were neither registered nor exempt from registration.

19 6. WADY and NATO violated A.R.S. § 44-1842 by offering or selling securities while  
20 neither registered as dealers or salesmen nor exempt from registration.

21 7. WADY and NATO violated A.R.S. § 44-1991 by (a) employing a device, scheme,  
22 or artifice to defraud, (b) making untrue statements or misleading omissions of material facts, and  
23 (c) engaging in transactions, practices, or courses of business that operate or would operate as a  
24 fraud or deceit. The conduct of WADY and NATO includes, but is not limited to, the following:  
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1 a. misrepresenting to the Investors that, by entering into the Performance  
2 Agreements with the Broker/Producer and paying CAA, PHOENICIAN, and BYB, the Investors  
3 would be paying for the services of the artists at the concerts;

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

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

10 d. misrepresenting to Deluxe that PHOENICIAN represents the Foo Fighters and  
11 failing to disclose to the Investors that it is the Arizona limited liability company of REED and that  
12 it handled the banking transactions of WADY; and,

13 e. failing to disclose to Deluxe that BYB is the Arizona limited liability company  
14 of THURSTON and that it handled the banking transactions of WADY.

15 8. The conduct of WADY and NATO is grounds for a cease and desist order pursuant  
16 to A.R.S. § 44-2032.

17 9. The conduct of WADY and NATO is grounds for an order of restitution pursuant to  
18 A.R.S. § 44-2032.

19 10. The conduct of WADY and NATO is grounds for administrative penalties under  
20 A.R.S. § 44-2036.

21 11. WADY acted for the benefit of the marital community of WADY and SAVAGE  
22 and, pursuant to A.R.S. §§ 25-214 and 25-215, this order of restitution and administrative penalties  
23 is a debt of the marital community of WADY and SAVAGE.

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**III.****ORDER**

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3       THEREFORE, on the basis of the Findings of Fact and Conclusions of Law, the  
4 Commission finds that the following relief is appropriate, in the public interest, and necessary for  
5 the protection of investors:

6       IT IS ORDERED, pursuant to A.R.S. § 44-2032, that WADY and NATO and any of their  
7 agents, employees, successors and assigns, permanently cease and desist from violating the  
8 Securities Act.

9       IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that WADY and NATO,  
10 individually, and the marital community of WADY and SAVAGE, jointly and severally, shall  
11 jointly and severally with any other Respondent against whom the Commission enters an order  
12 under Docket No. S-20716A-09-0574, pay restitution to the Commission in the principal amount of  
13 \$2,910,000. Any principal amount outstanding shall accrue interest at the rate of 10 percent per  
14 annum from the date of purchase until paid in full. Interest in the amount of \$565,127.40 has  
15 accrued from the date of purchase to the date of this Order. Payment shall be made in full on the  
16 date of this Order. Payment shall be made to the "State of Arizona" to be placed in an interest-  
17 bearing account controlled by the Commission.

18       The Commission shall disburse the funds on a pro-rata basis to investors shown on the  
19 records of the Commission. Any restitution funds that the Commission cannot disburse because an  
20 investor refuses to accept such payment, or any restitution funds that cannot be disbursed to an  
21 investor because the investor is deceased and the Commission cannot reasonably identify and  
22 locate the deceased investor's spouse or natural children surviving at the time of the distribution,  
23 shall be disbursed on a pro-rata basis to the remaining investors shown on the records of the  
24 Commission. Any funds that the Commission determines it is unable to or cannot feasibly disburse  
25 shall be transferred to the general fund of the state of Arizona.

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IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that WADY and NATO, individually, and the marital community of WADY and SAVAGE, jointly and severally, shall pay an administrative penalty in the amount of \$150,000. Payment shall be made to the “State of Arizona.” Any amount outstanding shall accrue interest as allowed by law. Payment shall be made in full on the date of this Order.

For purposes of this Order, a bankruptcy filing by WADY, NATO, or SAVAGE shall be an act of default. If WADY, NATO, or SAVAGE does not comply with this Order, any outstanding balance may be deemed in default and shall be immediately due and payable.

IT IS FURTHER ORDERED that, if WADY, NATO, or SAVAGE fails to comply with this order, the Commission may bring further legal proceedings against WADY, NATO, or SAVAGE, including application to the superior court for an order of contempt.

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IT IS FURTHER ORDERED that no finding of fact or conclusion of law contained in this Order shall be deemed binding against any Respondent under this Docket Number other than WADY, NATO, and SAVAGE.

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, ERNEST G. JOHNSON, 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 March 2010.

\_\_\_\_\_  
ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

\_\_\_\_\_  
DISSENT

\_\_\_\_\_  
DISSENT

This document is available in alternative formats by contacting Shaylin A. Bernal, ADA Coordinator, voice phone number 602-542-3931, e-mail [sabernal@azcc.gov](mailto:sabernal@azcc.gov).

(ASL)

1 SERVICE LIST FOR: In the Matter of Miko D. Wady, et al.

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