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BOB STUMP  
SANDRA D. KENNEDY  
PAUL NEWMAN  
BRENDA BURNS

ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR



2/17/11



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ORIGINAL

**ARIZONA CORPORATION COMMISSION**

**MEMORANDUM**

**TO:** Gary Pierce, Chairman  
Bob Stump  
Sandra D. Kennedy  
Paul Newman  
Brenda Burns

Arizona Corporation Commission

**DOCKETED**

**FEB 2 2011**

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AZ CORP COMMISSION  
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**FROM:** Matthew J. Neubert  
Director of Securities

DOCKETED BY [Signature]

**DATE:** January 30, 2011

**RE:** Miko D. Wady, *et al.* (Docket No. S-20716A-09-0574); Order to Cease and Desist, for Restitution, and for Administrative Penalties and Consent to Same by: Mario K. Reed, Phoenician Entertainment, L.L.C.

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

Attached is the proposed Order to Cease and Desist, for Restitution, and for Administrative Penalties and Consent to Same by: Mario K. Reed and Phoenician Entertainment, L.L.C. (the "Order"). The Order finds that, in connection with Miko Wady's 2008 sales to investor Deluxe Designs International, LLC ("Deluxe") of investments related to the production of concerts, Mr. Reed and Phoenician Entertainment, L.L.C. ("Phoenician") violated A.R.S. § 44-1991. The Order requires Mr. Reed and Phoenician to cease and desist their activity, pay \$524,000 in restitution, and pay an administrative penalty in the amount of \$10,000. The Commission has previously entered orders against all of the Respondents in this matter.<sup>1</sup>

The Order finds that Mr. Wady represented to Deluxe that the money Deluxe raised from its investors would be used to fund the production of concerts. Mr. Wady further represented to Deluxe that Phoenician was a producer of the concerts. Based on these representations, Deluxe paid \$524,000 to Phoenician. Phoenician was not a producer of the concerts and Mr. Reed used the Phoenician bank account for Mr. Wady's banking transactions.

Originator: William W. Black

<sup>1</sup> Miko D. Wady and NATO Enterprises on April 8, 2010, Malika S. Smith and CAA General Partnership on November 8, 2010, and Bobby G. Goodson, Thurston Smith and B.Y.B. Entertainment on December 10, 2010.



1 Administrative Penalties (“Order”). Respondents admit the jurisdiction of the Arizona Corporation  
2 Commission (“Commission”); neither admit nor deny the Findings of Fact and Conclusions of Law  
3 contained in this Order; and consent to the entry of this Order by the Commission.

4 **I.**

5 **NATURE OF THE CASE**

6 From February to August 2008, Miko D. WADY (“WADY”) and NATO Enterprises, LLC  
7 (“NATO”) offered and sold at least \$2,910,000 of unregistered investment contracts in connection  
8 with the production of concerts.<sup>1</sup> That amount includes \$2,760,000 sold to Deluxe Designs  
9 International, LLC (“Deluxe”).<sup>2</sup> WADY made representations that Deluxe would fund the  
10 production of each concert by paying the producer, and then receive the revenue generated by the  
11 sale of tickets that would not only repay the cost of the production, but result in a profit for Deluxe.

12 WADY represented to Deluxe that he arranged the funding for the production of concerts  
13 nationwide for such artists as Keith Urban, Carrie Underwood, Radiohead, the Dave Matthews  
14 Band, the Foo Fighters, 50 Cent, and R. Kelly. WADY further represented to Deluxe that funding  
15 these concerts would be profitable and that enough money would be raised from concert ticket sales to  
16 repay Deluxe’s principal investment and generate a profit of at least 25 percent.

17 WADY represented to Deluxe that NATO and Deluxe would share in the profit from the  
18 ticket sales after Deluxe’s principal investment had been repaid. The profit-sharing with Deluxe is  
19 described in the Joint Venture Agreements that identify the concerts to be funded by Deluxe and  
20 that state the total amount of money required to produce each concert (“Event Cost”). The Joint  
21 Venture Agreements state that, “The cash receipts from the [concert] remaining after payment of  
22 the [Event Cost]...shall be referred to as the “Net Profits Receipts” and...shall be divided into  
23 thirds and distributed: 1/3 according to the percentage of the amount of the initial cash contributed  
24 by each Joint Venturer [one of Deluxe’s investors] for the Event [concert], 1/3 to NATO  
25 Enterprises, and 1/3 to [Deluxe].”

26 <sup>1</sup>The findings of fact contained in this section of the Order were made by the Commission in Decision 71600.

<sup>2</sup> See also Decision 71303 in which the Commission found that Deluxe raised \$2,760,000 from investors.

1 WADY represented to Deluxe that he had a relationship with a “broker” who was to furnish  
2 the services of the artists at the concerts. WADY further represented that the production of each  
3 concert would be funded by Deluxe entering into a Performance Agreement with the broker and  
4 Deluxe paying the producer of the concerts.

5 After forwarding its investment funds to the producer, Deluxe had no duties to perform or  
6 responsibilities to fulfill in order to receive their promised profit. The Performance Agreements state,  
7 among other things, that “the producer shall have exclusive control over the production...of the  
8 [concert]...” WADY represented to Deluxe that the broker and producer, both of whom Deluxe has  
9 never met, would produce the concerts, receive the money raised from ticket sales, repay Deluxe’s  
10 principal investment, and account for/pay Deluxe its profit based on “audit sheets” that purport to  
11 show the number of tickets sold and amount of money raised from a concert.

12 All of the concert dates (from February to August 2008) came to pass and, although it received  
13 audit sheets, Deluxe has received to date a total of only \$20,000 of its principal investment and none  
14 of the promised profit. WADY represented to Deluxe that PHOENICIAN was one of the producers of  
15 the concerts and that PHOENICIAN is a talent agency representing the Foo Fighters.

16 **II.**

17 **FINDINGS OF FACT**

18 1. REED is an individual who, at all relevant times, resided in Maricopa County,  
19 Arizona. REED is a member and manager of PHOENICIAN.

20 2. PHOENICIAN is an Arizona limited liability company.

21 3. PHOENICIAN was not a talent agency, but instead an Arizona limited liability  
22 company whose member and manager is REED, the cousin of WADY.

23 4. WADY having represented to Deluxe that PHOENICIAN was both a talent agency  
24 and a producer of the concerts, Deluxe paid \$524,000 to PHOENICIAN for the production of  
25 concerts.

26



## IV.

## ORDER

1  
2  
3 THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and Respondents'  
4 consent to the entry of this Order, attached and incorporated by reference, the Commission finds  
5 that the following relief is appropriate, in the public interest, and necessary for the protection of  
6 investors:

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

9 IT IS FURTHER ORDERED that Respondents comply with the attached Consent to Entry  
10 of Order.

11 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondents shall, jointly  
12 and severally, pay restitution to the Commission in the principal amount of \$524,000. Until such  
13 time as this restitution obligation (\$524,000) is paid in full, Respondents shall be entitled to an  
14 offset of 18% of any monies paid by WADY or any other respondent under Decision No. 71600.<sup>3</sup>  
15 Payment of this restitution obligation is due in full on the date of this Order. Payment shall be  
16 made to the "State of Arizona" to be placed in an interest-bearing account controlled by the  
17 Commission. Any principal amount outstanding shall accrue interest at the rate of 10 percent per  
18 annum from the date of this Order until paid in full.

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

25  
26 <sup>3</sup> In Decision 71600, Wady, his former spouse Jennifer Savage and NATO were ordered to jointly and severally pay  
restitution in the principal amount of \$2,910,000 plus interest, which amount includes the \$2,760,000 raised from  
Deluxe. The \$524,000 principal restitution ordered in this decision is 18% of the total amount of money (\$2,896,236)  
received from Deluxe by Phoenician, CAA General Partnership, and B.Y.B. Entertainment, L.L.C..

1 Commission. Any funds that the Commission determines it is unable to or cannot feasibly disburse  
2 shall be transferred to the general fund of the state of Arizona.

3 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondents shall, jointly  
4 and severally, pay an administrative penalty in the amount of \$10,000. Payment of this penalty  
5 obligation is due in full on the date of this Order. Payment shall be made to the "State of Arizona."  
6 Any amount outstanding shall accrue interest as allowed by law.

7 IT IS FURTHER ORDERED that payments received by the state of Arizona shall first be  
8 applied to the restitution obligation. Upon payment in full of the restitution obligation, payments  
9 shall be applied to the penalty obligation.

10 For purposes of this Order, a bankruptcy filing by any of the Respondents shall be an act of  
11 default. If any Respondent does not comply with this Order, any outstanding balance may be  
12 deemed in default and shall be immediately due and payable.

13 IT IS FURTHER ORDERED that, if any Respondent fails to comply with this order, the  
14 Commission may bring further legal proceedings against that Respondent, including application to  
15 the superior court for an order of contempt.

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1 IT IS FURTHER ORDERED that no finding of fact or conclusion of law contained in this  
2 Order shall be deemed binding against any Respondent under this Docket Number who has not  
3 consented to the entry of this Order.

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

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION  
6

7 CHAIRMAN

COMMISSIONER

8  
9 COMMISSIONER

COMMISSIONER

COMMISSIONER

10  
11 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
12 Executive Director of the Arizona Corporation Commission,  
13 have hereunto set my hand and caused the official seal of the  
14 Commission to be affixed at the Capitol, in the City of  
15 Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

16 \_\_\_\_\_  
17 ERNEST G. JOHNSON  
18 EXECUTIVE DIRECTOR

19 \_\_\_\_\_  
20 DISSENT

21 \_\_\_\_\_  
22 DISSENT

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

25  
26 (WWB)

**CONSENT TO ENTRY OF ORDER**

1  
2           1.       Respondents admit the jurisdiction of the Commission over the subject matter of this  
3 proceeding. Respondents acknowledge that they have been fully advised of their right to a hearing  
4 to present evidence and call witnesses and they knowingly and voluntarily waive any and all rights  
5 to a hearing before the Commission and all other rights otherwise available under Article 11 of the  
6 Securities Act and Title 14 of the Arizona Administrative Code. Respondents acknowledge that  
7 this Order To Cease And Desist, for Restitution, and for Administrative Penalties ("Order")  
8 constitutes a valid final order of the Commission.

9           2.       Respondents knowingly and voluntarily waive any right under Article 12 of the  
10 Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief  
11 resulting from the entry of this Order.

12           3.       Respondents acknowledge and agree that this Order is entered into freely and  
13 voluntarily and that no promise was made or coercion used to induce such entry.

14           4.       Respondents understand and acknowledge that they have a right to seek counsel  
15 regarding this Order and that they have had the opportunity to seek counsel prior to signing this  
16 Order. Respondents acknowledge and agree that, despite the foregoing, they freely and voluntarily  
17 waive any and all right to consult or obtain counsel prior to signing this Order.

18           5.       Respondents neither admit nor deny the Findings of Fact and Conclusions of Law  
19 contained in this Order. Respondents agree that they shall not contest the validity of the Findings  
20 of Fact and Conclusions of Law contained in this Order in any present or future proceeding in  
21 which the Commission or any other state agency is a party concerning the denial or issuance of any  
22 license or registration required by the state to engage in the practice of any business or profession.

23           6.       By consenting to the entry of this Order, Respondents agree not to take any action or  
24 to make, or permit to be made, any public statement denying, directly or indirectly, any Finding of  
25 Fact or Conclusion of Law in this Order or creating the impression that this Order is without factual  
26

1 basis. Respondents will undertake steps necessary to assure that all of their agents and employees  
2 understand and comply with this agreement.

3 7. While this Order settles this administrative matter between Respondents and the  
4 Commission, Respondents understand that this Order does not preclude the Commission from  
5 instituting other administrative or civil proceedings based on violations that are not addressed by  
6 this Order.

7 8. Respondents understand that this Order does not preclude the Commission from  
8 referring this matter to any governmental agency for administrative, civil, or criminal proceedings  
9 that may be related to the matters addressed by this Order.

10 9. Respondents understand that this Order does not preclude any other agency or  
11 officer of the state of Arizona or its subdivisions from instituting administrative, civil, or criminal  
12 proceedings that may be related to matters addressed by this Order.

13 10. Respondents agree that they will not apply to the state of Arizona for registration as  
14 securities dealers or salesmen or for licensure as investment advisers or investment adviser  
15 representatives at any time in the future.

16 11. Respondents agree that they will not exercise any control over any entity that offers  
17 or sells securities or provides investment advisory services within or from Arizona at any time in  
18 the future.

19 12. Respondents agree that they will continue to cooperate with the Securities Division  
20 by, including but not limited to, providing complete and accurate testimony at any hearing in this  
21 matter and cooperating with the state of Arizona in any related investigation or any other matters  
22 arising from the activities described in this Order.

23 13. Respondents consent to the entry of this Order and agree to be fully bound by its  
24 terms and conditions.

25  
26

1 14. Respondents acknowledge and understand that, if they fail to comply with the  
2 provisions of the order and this consent, the Commission may bring further legal proceedings  
3 against them, including application to the superior court for an order of contempt.

4 15. Respondents understand that default shall render them liable to the Commission for  
5 its costs of collection and interest at the maximum legal rate.

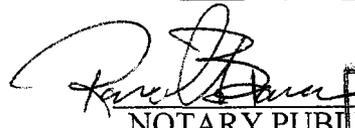
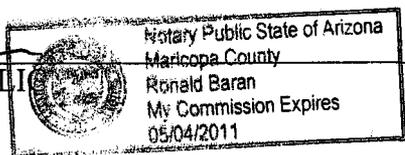
6 16. Respondents agree and understand that, if they fail to make any payment as required  
7 in the Order, any outstanding balance shall be in default and shall be immediately due and payable  
8 without notice or demand. Respondents agree and understand that acceptance of any partial or late  
9 payment by the Commission is not a waiver of default by the Commission.

10 17. REED represents that he is the member and manager of PHOENICIAN and that he  
11 has been authorized by PHOENICIAN to enter into this Order for and on behalf of it.

12  
13   
14 **MARIO K. REED**

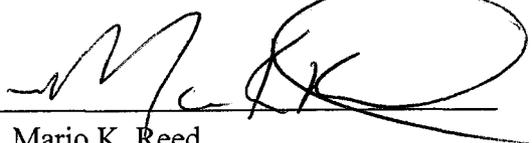
15 STATE OF ARIZONA )  
16 ) ss  
17 County of Maricopa )

18 SUBSCRIBED AND SWORN TO BEFORE me this 4<sup>th</sup> day of JANUARY, 2011.

19   
20 NOTARY PUBLIC 

21 My commission expires:  
22 \_\_\_\_\_

**PHOENICIAN ENTERTAINMENT, L.L.C.**

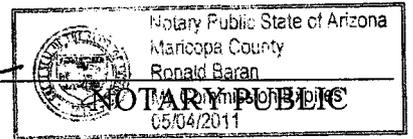


By: Mario K. Reed  
Its: Managing Member

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STATE OF ARIZONA       )  
  ) ss  
County of Maricopa       )

SUBSCRIBED AND SWORN TO BEFORE me this 4<sup>TH</sup> day of JANUARY, 2011.



My commission expires: \_\_\_\_\_  
\_\_\_\_\_

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

2

3 Mario K. Reed and  
4 Phoenician Entertainment, L.L.C.  
5 2310 West Tanque Verde Drive  
6 Chandler, AZ 85224-8305

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