

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION CC

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Arizona Corporation Commission

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AZ CORP COMMISSION  
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COMMISSIONERS

GARY PIERCE, Chairman  
BOB STUMP  
SANDRA D. KENNEDY  
PAUL NEWMAN  
BRENDA BURNS

In the matter of: )  
 BEVERLY MICHELE WEST and ROSS )  
 WEST, wife and husband, )  
 Respondents. )

DOCKET NO. S-20806A-11-0234  
 NOTICE OF OPPORTUNITY FOR HEARING  
 REGARDING PROPOSED ORDER TO  
 CEASE AND DESIST, ORDER FOR  
 RESTITUTION AND ORDER FOR  
 ADMINISTRATIVE PENALTIES

**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 respondent BEVERLY MICHELE WEST has engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

**I. JURISDICTION**

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

**II. RESPONDENTS**

2. At all times relevant, BEVERLY MICHELE WEST was an Arizona resident residing in Gilbert, Arizona and may be referred to as "Respondent" or "WEST."

3. Ross West was at all relevant times the spouse of Respondent and may be referred to as "Respondent Spouse." Ross West is joined in this action under A.R.S. § 44-2031(C) solely for purposes of determining the liability of the marital community.



1           12.     In exchange for investors' funds, WEST presented investors with documents titled  
2 "Joint Venture Agreement" ("Agreement"). The parties to the Agreement were investor(s) and  
3 Nato. In some instances, investors were advised by WEST to form limited liability companies for  
4 the purpose of making the investment with Nato. As a result, several Agreements identify the  
5 limited liability companies formed by investors as the parties to the agreements while some are in  
6 the name of individual investors.

7           13.     Each Agreement identifies the following: a) the concert for which the investor(s)  
8 was providing the funding; b) the total amount of money required to produce the concert; c) the  
9 amount of money invested by the investor(s); d) the funds being invested were to be deposited into  
10 a common account; e) Nato shall have the responsibility and authority to manage the funds,  
11 including the accounting, use and distribution of the investor(s) funds; and f) the investor(s) shall  
12 receive a minimum of 30% of the profit generated from the event within 10 days of the receipt of  
13 the proceeds into the common account from the event.

14           14.     WEST represented to investors that their funds would be combined with the funds of  
15 other investors and forwarded to Nato. In some instances, investors were directed by WEST to  
16 forward their funds directly to Nato.

17           15.     The Agreement purports to outline the "Powers and Duties of the Parties." In this  
18 regard, the Agreement sets forth that Nato shall act as the Manager of the event and shall, with the  
19 prior written consent of any other party to the Agreement, have certain powers and duties outlined  
20 in the Agreement. In reality, Nato never sought the consent of investors before performing any of  
21 the powers and duties outlined in the Agreement. Instead, Nato, through Wady, did not provide  
22 investors with opportunities to exercise any meaningful venture powers because Nato, through  
23 Wady, made all decisions related to the underlying investment involving the promotion and  
24 production of concerts and other events.

25 ...

26 ...

1           16.     WEST represented to investors Wady's experience and described to investors that  
2 Wady possessed extensive experience and contacts in the area of concert promotion and music  
3 entertainment.

4           17.     WEST represented to investors that Nato, not investors, would manage the  
5 relationship with the individuals and entities responsible for promotion and production of the  
6 concerts, send the investors' monies to the producers of the concerts, receive from the concert  
7 producers the monies raised from ticket sales, repay the investors' principal, and account for and  
8 pay out profits based on "audit sheets" that purported to show the number of tickets sold and  
9 amount of money raised from a concert.

10          18.     WEST represented to investors that they could not lose their principal investment  
11 while failing to explain to investors that any net losses from a particular event would be allocated to  
12 investors pursuant to the terms and conditions set forth in the Agreement.

13          19.     Investors had no significant knowledge related to the concert promotion business  
14 and did not possess the requisite business knowledge and experience to select an appropriate  
15 managing venturer to replace Nato.

16          20.     As a result, the investors were entirely dependent upon the alleged expertise of  
17 Wady and his unique, specialized knowledge with the regard to the concert promotion business and  
18 were unable to effectively exercise any of the managerial powers and authority allegedly conferred  
19 upon them as set forth in the Agreements.

20          21.     WEST represented to investors that Nato and/or Wady, upon the occurrence of the  
21 concert or other event being promoted, would pay the amounts set forth in the Agreement to WEST  
22 who would then make immediate distributions to investors of their principal investment amounts  
23 and promised profits.

24          22.     In several instances, WEST upon receipt of payment from Nato and/or Wady did not  
25 distribute to investors the amounts owed to them from concerts and events that had allegedly been  
26

1 completed, but instead used the funds received for other purposes including to pay herself amounts  
2 she alleged were owed to her by Nato and Wady.

3 23. All of the alleged concert dates came to pass and, although WEST received audit  
4 sheets purporting to show the number of tickets sold and amount of money raised from a concert,  
5 the investors have not received their promised profits or a return of their principal investment  
6 amounts.

7 24. WEST performed little or no due diligence with regard to Nato and Wady prior to  
8 selling the interests described above to investors. Further, despite not receiving payments from Nato  
9 and Wady for concerts that were alleged to have taken place and been promoted with investors' funds,  
10 WEST continued offering and selling the interests to subsequent investors.

11 **IV. VIOLATION OF A.R.S. § 44-1841**

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

13 25. From 2006 to 2009, WEST offered or sold securities in the form of investment  
14 contracts, within or from Arizona.

15 26. The securities referred to above were not registered pursuant to Articles 6 or 7 of the  
16 Securities Act.

17 27. This conduct violates A.R.S. § 44-1841.

18 **V. VIOLATION OF A.R.S. § 44-1842**

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

20 28. WEST offered or sold securities within or from Arizona while not registered as a  
21 dealer or salesman pursuant to Article 9 of the Securities Act.

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

23 **VI. VIOLATION OF A.R.S. § 44-1991**

24 **(Fraud in Connection with the Offer or Sale of Securities)**

25 30. In connection with the offer or sale of securities within or from Arizona, WEST  
26 directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii) made untrue statements

1 of material fact or omitted to state material facts that were necessary in order to make the statements  
2 made not misleading in light of the circumstances under which they were made; or (iii) engaged in  
3 transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon  
4 offerees and investors. WEST's conduct includes, but is not limited to, the following:

5 a) Failing to inform investors that she completed little, if any, due diligence with  
6 regard to Nato and Wady to confirm his alleged extensive experience and contacts in the area of  
7 concert promotion and music entertainment;

8 b) Representing to investors that they would receive immediate returns of their  
9 principal investment amounts and profits while failing to disclose to them that she had failed to  
10 complete any due diligence to determine whether Nato and Wady would be capable of repaying the  
11 principal investment amounts and promised profits;

12 c) Representing to investors that they could not lose their principal investment  
13 while failing to explain to investors that any net losses from a particular event would be allocated to  
14 investors pursuant to the terms and conditions set forth in the Agreement.

15 31. This conduct violates A.R.S. § 44-1991.

16 **VII. REQUESTED RELIEF**

17 The Division requests that the Commission grant the following relief:

18 1. Order Respondent to permanently cease and desist from violating the Securities Act,  
19 pursuant to A.R.S. § 44-2032;

20 2. Order Respondent to take affirmative action to correct the conditions resulting from  
21 Respondent's acts, practices, or transactions, including a requirement to make restitution pursuant to  
22 A.R.S. § 44-2032;

23 3. Order Respondent to pay the state of Arizona administrative penalties of up to five  
24 thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

25 ...

26 ...



**IX. ANSWER REQUIREMENT**

Pursuant to A.A.C. R14-4-305, if a Respondent or a Respondent Spouse 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>.

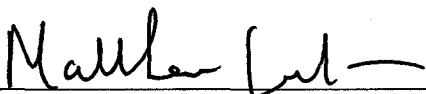
Additionally, the answering respondent must serve the Answer upon the Division. Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a copy of the Answer to the Division at 1300 West Washington, 3<sup>rd</sup> Floor, Phoenix, Arizona, 85007, addressed to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

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. 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 6 day of June, 2011.

  
Matthew J. Neubert  
Director of Securities