



ARIZONA CORPORATION COMMISSION

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Commission Orders Restitution for Over 100 Defrauded Investors, Sanctions Phony Concert Promoter and Others for Securities Fraud

PHOENIX, AZ—The Arizona Corporation Commission today ordered multiple individuals and their affiliated companies to pay over \$7.39 million in restitution and \$425,000 in administrative penalties for defrauding more than 100 investors.

The Commission ordered Gilbert residents Douglas Cottle and Kyla Cottle to pay \$2,637,880 in restitution and a \$150,000 administrative penalty for fraudulently offering and selling to at least 100 investors unregistered company stock, promissory notes and options. Douglas Cottle was president and chief executive officer of an Arizona-based software company, Secure Resolutions, Inc., but Cottle and his company were not registered to offer or sell securities in Arizona. The Commission found that Cottle solicited investors through presentations at hotels and personal residences of certain investors as well as newsletters which included requests that existing shareholders in Secure Resolutions, Inc. pass along the investment opportunity to their friends. Cottle projected above-market returns and touted that his up-and-coming software company was profitable and would soon go public, but the Commission found that Cottle made multiple misrepresentations and material omissions about the investment opportunity, including the fact that his company had incurred federal tax liens and sustained three years of financial losses. In settling this matter, Douglas and Kyla Cottle neither admitted nor denied the Commission findings, but agreed to the entry of the consent order.

In a separate matter, the Commission issued a default order against Miko D. Wady of Phoenix and his affiliated company, requiring them to pay over \$2.9 million in restitution and a \$150,000 administrative penalty for committing securities fraud. Wady was the manager of Arizona-based NATO Enterprises, LLC, but Wady and his company were not registered to offer or sell securities in Arizona. The Commission found that Wady represented to investors that their money would fund the production of concerts featuring notable musicians. The Commission found, however, that the companies Wady represented to be concert producers were actually shell companies managed by his relatives who used some of the investor funds for their personal expenses and transferred at least \$1,338,700 of the funds as instructed by Wady to bank accounts controlled by Wady.

Finally, the Commission ordered John W. Pacheco of Scottsdale and his affiliated companies to pay \$1.85 million in restitution and a \$125,000 administrative penalty for fraudulently offering and selling unregistered securities in a real estate investment program. The Commission found that while not registered as a securities dealer or salesman in Arizona, Pacheco pooled \$4.2 million from seven investors to purchase and resell real estate. The Commission found that Pacheco, who served as the chief executive officer of Arizona-based Financial American Corporation, did not close any real estate transactions, but commingled investor funds into the general operating accounts of two other entities, The Financial American Group, LLC and American Apartment Fund XI, LP. The Commission found that Pacheco used the funds to pay expenses unrelated to the investment program. To date, Pacheco has repaid investors

approximately \$2.4 million. In settling this matter, Pacheco neither admitted nor denied the Commission findings, but agreed to the entry of the consent order.

More caution for investors:

Even when investing with someone they know, investors should verify the registration of sellers and investment opportunities and investigate disciplinary histories by contacting the Arizona Corporation Commission's Securities Division at 602-542-4242 or toll free in Arizona at 1-866-VERIFY-9. The Division's investor education web site also has helpful information at www.azinvestor.gov.

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