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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING) Order No.: S-12-1037-13-SC01
Whether there has been a violation of the)
Securities Act of Washington by:) STATEMENT OF CHARGES AND NOTICE OF INTENT
) TO ENTER ORDER TO CEASE AND DESIST, TO
Mondays off Music, Inc.; City Stream, Inc.;) IMPOSE FINES AND TO CHARGE COSTS
Michael Raley; and Andrea Braeutigam,)
)
)
Respondents.)

THE STATE OF WASHINGTON TO: Mondays off Music, Inc.;
City Stream, Inc.;
Michael Raley;
Andrea Braeutigam

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the state of Washington has reason to believe that Respondents, Mondays off Music, Inc.; City Stream, Inc.; Michael Raley; and Andrea Braeutigam have each violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 against each to cease and desist from such violations and to charge costs, and under RCW 21.20.395 to impose a fine. The Securities Administrator finds as follow:

TENTATIVE FINDINGS OF FACT

Respondents

1. Mondays off Music, Inc. (Mondays off Music) was formed by Michael Raley in or around January 2011. Despite the "Inc." in its name, Mondays off Music was never incorporated in Washington State or any other jurisdiction. Mondays off Music was an Internet radio start-up company specializing in streaming local music to various U.S. cities.

2. City Stream, Inc. (City Stream) is a Washington corporation formed on March 16, 2012. City Stream is an Internet radio start-up company specializing in streaming local music to various U.S. cities.

3. Michael Raley (Raley) resides in Edmonds, Washington. From about January 2011 to March 2012, Raley was the founder, President and Chief Executive Officer of Mondays off Music. Raley is the founder, CEO, and Chairman

1 of the Board of Directors for City Stream. Raley sold Mondays off Music securities and City Stream common stock to
2 investors.

3 4. Andrea Braeutigam (Braeutigam) resides in Oklahoma City, OK. Braeutigam is the Vice President of
4 Operations for City Stream. Braeutigam sold Mondays off Music securities and City Stream common stock to
5 investors.

6 Nature of the Offerings

7 *Mondays off Music Purported Stock Offering*

8 5. In or about January 2011, Raley founded Mondays off Music, an Internet radio start-up company specializing
9 in bringing local music to local markets. Mondays off Music planned to open twenty-five local Internet radio stations
10 in the twenty-five biggest U.S. markets over a three-year period. Mondays off Music was designed to earn revenue by
11 selling advertisements and sponsorships.

12 6. From January 2011 through April 2012, Mondays off Music raised \$266,000 from twenty-four investors,
13 fourteen of whom were Washington State residents. Mondays off Music raised these funds by offering investors
14 common stock in Mondays off Music, a Washington corporation. However, Mondays off Music was never
15 incorporated in Washington State or elsewhere. Mondays off Music investors believed that they were owners of
16 Mondays off Music common stock and they hoped to earn a profit from this investment.

17 7. Raley and Braeutigam sold a majority of the Mondays off Music securities. From January 2011 through April
18 2012, Raley raised at least \$192,000 from 13 Washington investors. Three of these investors were referred to Raley.
19 From February through April 2012, Braeutigam raised at least \$54,000 from nine Oklahoma investors and one Hawaii
20 investor. Raley and Braeutigam told investors that the money raised for Mondays off Music would be used to build
21 the company, hire the staff, and build the website. Raley gave a presentation of the Mondays off Music business plan
22 to nearly every investor. Raley and Braeutigam did not ask investors about their net worth or investment experience.

23 8. Prior to the sale of the Mondays off Music securities, Raley and Braeutigam provided investors with a
24 document titled Mondays off Music Detailed Financial Statement (Financial Statement). In the Financial Statement,
25 Mondays off Music provided investors with projections regarding their return on investment over the course of three

1 years. By the end of year three, Mondays off Music projected that a person who invested \$50,000 would earn
2 \$214,092, a return on investment of 428%. Mondays off Music, Raley, and Braeutigam failed to provide investors
3 with a reasonable basis for these projections.

4 9. In the Financial Statement, Mondays off Music provided investors with exit strategies for Mondays off
5 Music. These exit strategies included being acquired by a major media network, merging with a known brand, selling
6 the company, and taking the company public. Mondays off Music also predicted that Mondays off Music would be
7 acquired within three years. Mondays off Music, Raley, and Braeutigam failed to provide investors with a reasonable
8 basis for this prediction or provide the assumptions on which this prediction was based.

9 10. Prior to the sale of Mondays off Music securities, Raley and Braeutigam provided investors with subscription
10 agreements. Investors signed the subscription agreement and wrote a check or money order payable to Mondays off
11 Music. Raley and Braeutigam collected the subscription agreements and checks from investors. Mondays off Music
12 deposited investor funds in a Washington State bank account.

13 *Misrepresentations and Omissions in Mondays off Music Purported Stock Offering*

14 11. Mondays off Music, Raley, and Braeutigam misrepresented to investors that Mondays off Music was a
15 Washington State corporation. Mondays off Music was never incorporated in Washington State.

16 12. Mondays off Music, Raley, and Braeutigam failed to disclose to investors material information regarding the
17 company, including but not limited to financial statements, operational history, and financial condition.

18 *City Stream Rescission Offer*

19 13. In or about March 2012, Mondays off Music brought on a new President to the company (President). The
20 President noticed that Mondays off Music had issued common stock prior to its incorporation. Upon this discovery,
21 President brought Raley to an attorney.

22 14. On March 16, 2012, Raley incorporated City Stream. After its incorporation, City Stream held itself out as a
23 corporation formerly known as Mondays off Music. City Stream took control all of Mondays off Music's assets and
24 liabilities. City Stream converted all of the Mondays off Music investors' security interests into City Stream common
25 stock. City Stream did not explain to Mondays off Music how their Mondays off Music securities came to be City

1 Stream common stock. City Stream told Mondays off Music investors that Mondays off Music had changed its name
2 to City Stream.

3 15. On April 15, 2012, the City Stream Board of Directors (Board) approved a City Stream subscription
4 agreement, prepared by its counsel, for a private placement of common stock at \$10 per share. The Board further
5 resolved to offer all current City Stream stock subscribers, which were the investors who had originally purchased
6 Mondays off Music securities, a rescission and refund of their investment.

7 16. City Stream offered Mondays off Music investors rescission and refund through the use of a form letter
8 addressed to investors (Rescission Offer). The first sentence of the Rescission Offer stated that the investor had
9 previously subscribed to purchase shares of common stock of City Stream prior to its incorporation. The investors
10 never subscribed to purchase shares of City Stream common stock prior to its incorporation; investors had subscribed
11 to purchase shares of Mondays off Music common stock, a company that was not incorporated.

12 17. In the Rescission Offer, City Stream explained to investors that City Stream had made material modifications
13 to the terms of the private placement and that all documents received in connection with the private placement are null
14 and void. An investor could choose to decline the rescission and refund by affirmatively checking a box on the
15 Rescission Offer declining the offer and executing the City Stream subscription agreement.

16 18. In April 2012, City Stream began distributing the Rescission Offers and City Stream subscription agreements
17 to at least twenty-four Mondays off Music investors. By May 25, 2012, all the investors declined the Rescission Offer
18 and signed the City Stream subscription agreement.

19 19. On or about June 1, 2012, Raley reviewed the Rescission Offers and accepted the investors' new subscription
20 agreements on behalf of City Stream by signing his name to the signature page of each subscription agreement.

21 *Misrepresentations and Omissions in Rescission Offer*

22 20. In the Rescission Offer, City Stream offered to refund investors the full amount of their investment. City
23 Stream failed to disclose to investors that City Stream did not have the funds to refund every investor.

24 21. In the Rescission Offer, City Stream failed to disclose to investors how their Mondays off Music investment
25 came to be City Stream common stock.

1 22. In the Rescission Offer, City Stream failed to disclose to investors that the Mondays off Music securities that
2 were originally sold to them were not registered with the Securities Division as required by law. City Stream failed to
3 disclose to investors that the Securities Division did not pass on the Rescission Offer; therefore, the Rescission Offer
4 does not preclude investors from suing pursuant to the Securities Act of Washington.

5 *City Stream Common Stock Offering*

6 23. At or about the same time City Stream began offering rescission to Mondays off Music investors, City Stream
7 also sold City Stream common stock to new investors. From about April 2012 through December 2012, City Stream
8 raised at least \$202,000 by selling its common stock to at least eleven investors. From about April 2012 to June 2012,
9 City Stream sold its common stock to investors for \$10 per share. From October through December 2012, City Stream
10 sold its common stock to investors for \$1 per share.

11 24. Raley and Braeutigam sold a majority of the City Stream common stock. Raley and Braeutigam told investors
12 that the money raised for City Stream would be used to build the company, hire the staff, and build the website. Raley
13 gave a presentation of the City Stream business plan to nearly every investor. Raley and Braeutigam did not ask
14 investors about their net worth or investment experience.

15 25. Prior to the sale of City Stream common stock, Raley and Braeutigam provided investors with subscription
16 agreements. Investors signed the subscription agreement and wrote a check or money order payable to City Stream.
17 Raley and Braeutigam collected the subscription agreements and checks from investors. City Stream deposited
18 investor funds in a Washington State bank account.

19 *Misrepresentations and Omissions in City Stream Common Stock Offering*

20 26. City Stream, Raley, and Braeutigam failed to disclose to investors material information regarding the
21 company, including but not limited to financial statements, operational history, and financial condition.

22 Failure to Comply with Regulation D Rule 506

23 27. City Stream claimed an exemption from registration of the City Stream offering under Regulation D Rule 506
24 with a notice filing submitted to the Securities Administrator on September 6, 2012.

1 28. Regulation D Rule 506 requires the issuer to provide specific information regarding the issuer, its business,
2 and the securities being offered to unaccredited investors. City Stream did not provide this specific information to at
3 least seven of its unaccredited investors.

4 29. Regulation D Rule 506 requires the issuer to provide specific financial statement information including an
5 audited balance sheet of the issuer dated within 120 days of the start of the offering to unaccredited investors. City
6 Stream did not provide the required financial statement information to at least seven of its unaccredited investors.

7 False Filings with the Securities Administrator

8 30. On October 8, 2012, City Stream delivered falsified documents to the Securities Division in response to
9 subpoena S-12-1037-SB01 (subpoena) issued by the Securities Administrator on August 14, 2012. These falsified
10 documents indicated that unaccredited investors were actually accredited investors (hereinafter, Investors A and B).
11 Pursuant to the subpoena, City Stream provided the Securities Division with subscription agreements signed by
12 Investors A and B. In these subscription agreements, under the section heading "Suitability," a box had been checked
13 indicating that Investors A and B qualified as accredited investors; however, Investors A and B did not check this box.
14 Investors A and B informed City Stream that they could not check the box because they are not accredited investors.
15 City Stream submitted false and/or misleading documents to the Securities Administrator when it provided the
16 Division with altered versions of Investors A and B's subscription agreements which indicated that they were
17 accredited investors.

18 31. On September 6, 2012, City Stream filed a Form D notice of exempt offering of securities (Form D) with the
19 Securities Division. Michael Raley signed the Form D on behalf of City Stream. In the Form D, under the heading
20 "Investors," City Stream failed to check a box indicating that City Stream had sold securities to unaccredited
21 investors. City Stream indicated on the Form D that all the City Stream investors were accredited investors. At the
22 time of this Form D filing, at least seven City Stream investors were unaccredited. City Stream and Michael Raley
23 submitted a false and/or misleading document to the Securities Administrator when they caused the Form D to be
24 filed with the Division.
25

Registration Status

1 32. Mondays off Music, Inc. is not currently registered to sell its securities in the state of Washington and has not
2 previously been so registered.

3 33. City Stream, Inc. did not register its offer of rescission in the state of Washington.

4 34. City Stream, Inc. is not currently registered to sell its common stock in the state of Washington and has not
5 previously been so registered.

6 35. Michael Raley is not currently registered as a securities broker-dealer or salesperson in the state of
7 Washington and has not previously been so registered.

8 36. Andrea Braeutigam is not currently registered as a securities broker-dealer or salesperson in the state of
9 Washington and has not previously been so registered.

CONCLUSIONS OF LAW

11 Based upon the above Findings of Fact, the following Conclusions of Law are made:

12 1. The offer and sale of Mondays off Music, Inc. securities, City Stream, Inc. common stock, and City Stream,
13 Inc. offer of rescission as described above constitutes the offer and sale of securities as defined in RCW 21.20.005(14)
14 and (17).

15 2. The offer and sale of Mondays off Music, Inc. securities, City Stream, Inc. common stock, and City Stream,
16 Inc. offer of rescission violated RCW 21.20.140 because the securities were not registered in the state of Washington
17 and did not qualify for an exemption.

18 3. Michael Raley and Andrea Braeutigam violated RCW 21.20.040 by offering and selling said securities while
19 not registered as a securities salesperson or broker-dealer in the state of Washington.

20 4. The offer and sale of said securities were in violation of RCW 21.20.010 because Respondents made
21 misstatements of material fact or omitted to state material facts necessary in order to make the statements made, in
22 light of the circumstances under which they were made, not misleading.

23 5. City Steam, Inc. violated RCW 21.20.350 when it provided the Division with altered versions of at least two
24 investor subscription agreements.

1 6. City Stream, Inc. and Michael Raley violated RCW 21.20.350 when they caused the Form D notice of exempt
2 offering of securities containing false information to be filed with the Division.

3 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

4 Pursuant to RCW 21.20.390(1) and based upon the above Tentative Findings of Fact and Conclusions of Law,
5 the Securities Administrator intends to order that Respondents, City Stream, Inc. and Michael Raley, each shall cease
6 and desist from violations of RCW 21.20.010, RCW 21.20.040, RCW 21.20.140 and RCW 21.20.350.

7 Pursuant to RCW 21.20.390(1) and based upon the above Tentative Findings of Fact and Conclusions of Law,
8 the Securities Administrator intends to order that Respondents, Mondays off Music, Inc. and Andrea Braeutigam shall
9 cease and desist from violations of RCW 21.20.010, RCW 21.020.040, and RCW 21.20.140.

10 **NOTICE OF INTENT TO IMPOSE A FINE**

11 Pursuant to RCW 21.20.395, and based upon the above Tentative Findings of Fact and Conclusions of Law,
12 the Securities Administrator intends to order that Respondents, Mondays off Music, Inc.; City Stream, Inc.; Michael
13 Raley; and Andrea Braeutigam, shall be liable for and shall pay a fine as follows:

- 14 • Mondays off Music, Inc. and City Stream Inc. shall be jointly and severally liable for and shall pay a fine of
15 \$10,000.
- 16 • Michael Raley shall be liable for and shall pay a fine of \$5,000.
- 17 • Andrea Braeutigam shall be liable for and shall pay a fine of \$2,500.

18 **NOTICE OF INTENT TO CHARGE COSTS**

19 Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law, the
20 Securities Administrator intends to order that Respondents, Mondays off Music, Inc.; City Stream Inc.; Michael
21 Raley; and Andrea Braeutigam; shall be liable for and shall pay investigative costs as follows:

- 22 • Mondays off Music, Inc. and City Stream, Inc. shall be jointly and severally liable for and shall pay costs of at
23 least \$2000.
- 24 • Michael Raley shall be liable for and shall pay costs of at least \$2,000.
- 25 • Andrea Braeutigam shall be liable for and shall pay costs of at least \$1,000.

AUTHORITY AND PROCEDURE

This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject to the provisions of Chapter 34.05 RCW. The respondents, Mondays off Music, Inc.; City Stream, Inc.; Michael Raley; and Andrea Braeutigam, may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Order. If a respondent does not make a hearing request in the time allowed, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and to enter a permanent order to cease and desist as to that respondent, to impose any fines sought against that respondent, and to charge any costs sought against that respondent.

Signed and Entered this 2nd day of January 2014.



William M. Beatty
Securities Administrator

Approved by:

Presented by:



Suzanne Sarason
Chief of Enforcement

Brian J. Guerard
Financial Legal Examiner

Reviewed by:



Jack McClellan
Financial Legal Examiner Supervisor

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STATEMENT OF CHARGES AND NOTICE
OF INTENT TO ENTER ORDER TO
CEASE AND DESIST AND TO IMPOSE FINES
AND TO CHARGE COSTS

DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
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