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KATE KNIBBS THE BIG STORY MAY 20, 2025 6:00 AM

‘A Billion Streams and No Fans’: Inside a $10 Million AI Music Fraud Case

A chart-topping jazz album! Loads of Spotify and Apple Music plays! Just one problem: The success might not be real.

SAVE THIS STORY

ALMOST NO ONE hits it big in music. The odds are so bad it's criminal. But on a late spring evening in Louisville, Kentucky, Mike Smith and Jonathan Hay were having that rare golden moment when everything clicks. Smith was on guitar. Hay was fiddling with the drum machine and keyboard. Dudes were *grooving*. Holed up in Hay's living room, surrounded by chordophones and production gizmos, the two musicians were hoping that their first album as a jazz duo would finally win them the attention they'd been chasing for years.

It was 2017. The men, then in their forties, were longtime collaborators and business partners—though they made an odd couple. Smith owned a string of medical clinics and wore tight shirts over his meticulously maintained muscles. He lived in a sprawling house in the suburbs of Charlotte, North Carolina, with his wife and six kids. He'd judged on a reality TV show and written a self-help book. Hay—larger, softer, comfy in sweatsuits and Crocs—lived in an apartment and was dating a stripper. He loved weed. He'd hustled as a music publicist for years; by reputation he was best known in the industry for promoting a nuclear rumor that Rihanna had hooked up with Jay-Z. He'd recently, on an impulse, had sleeves tattooed on his arms. To avoid annoying his health-nut friend, he'd sneak into his bedroom to vape.

Michael Smith and Jonathan Hay were longtime collaborators and something of an odd couple. PHOTOGRAPH: JONATHAN HAY; GETTY IMAGES

Smith and Hay finished their album and called it *Jazz.* That fall, they released it on all the usual places—Spotify, Apple Music, Tidal—and as a physical album. Alas, it failed to take off. Smith and Hay weren't total nobodies; a few songs they had coproduced for other artists years earlier had gotten some buzz. So the two men decided to retool *Jazz* and release an updated version, adding new songs.

Jazz (Deluxe) came out in January 2018. Right away, it shot up the Billboard chart and hit No. 1. Hay was elated. At last, real, measurable success had

arrived.

Then, just as suddenly, the album disappeared from the ranking. “Nobody drops off the next week to zero,” says Hay, remembering his confusion. He called other artists to ask if they’d ever seen this before. They hadn’t. Questions piled up. If so many people had listened, why did they suddenly stop? He scanned the internet for chatter. Even a single freaking tweet would have been nice. Nada. Where were the *fans*? “No one’s talking about the music,” Hay realized.

Rogue Nation

WIRED profiles the people who make trouble—scams, drug deals, even murder—and also, occasionally, save the day.

Pulling up Spotify's dashboard for artists, Hay scrutinized the analytics for the pair's work. Listeners appeared concentrated in far-flung places like Vietnam. Things only got stranger from there. Here's how Hay remembers it: He started receiving notices from distributors, the companies that handle the licensing of indie artists' music. The distributors were flagging Smith and Hay's music, from *Jazz* and from other projects, for streaming fraud and pulling it down. Smith told Hay it was a mistake and that Hay had messed up

securing the proper rights for samples. Hay frantically tried to correct the issue, but the flagging persisted.

Hay, panicking, badgered Smith to help him figure out what was happening. Finally, Hay says, Smith offered some answers: Smith had instructed his staff at the medical clinics to stream their songs. It didn't sound like the full story.

Then, last September, Smith turned up at the heart of another music streaming incident, this one rather epic. The FBI arrested him and charged him in the first AI streaming fraud case in the United States. The government claims that between 2017 and 2024, Smith made over $10 million in royalties by using bot armies to continuously play AI-generated tracks on streaming platforms. Smith pleaded not guilty to all charges. (Through his lawyer, Smith declined to be interviewed, so this is very much Hay's side of the story, corroborated by numerous interviews with people who worked with the two men.)

When Hay found out, he marveled at the idea of his former collaborator managing to get richer than nearly all working musicians without being a household name. "He had a billion streams," Hay claims, "and no fans."

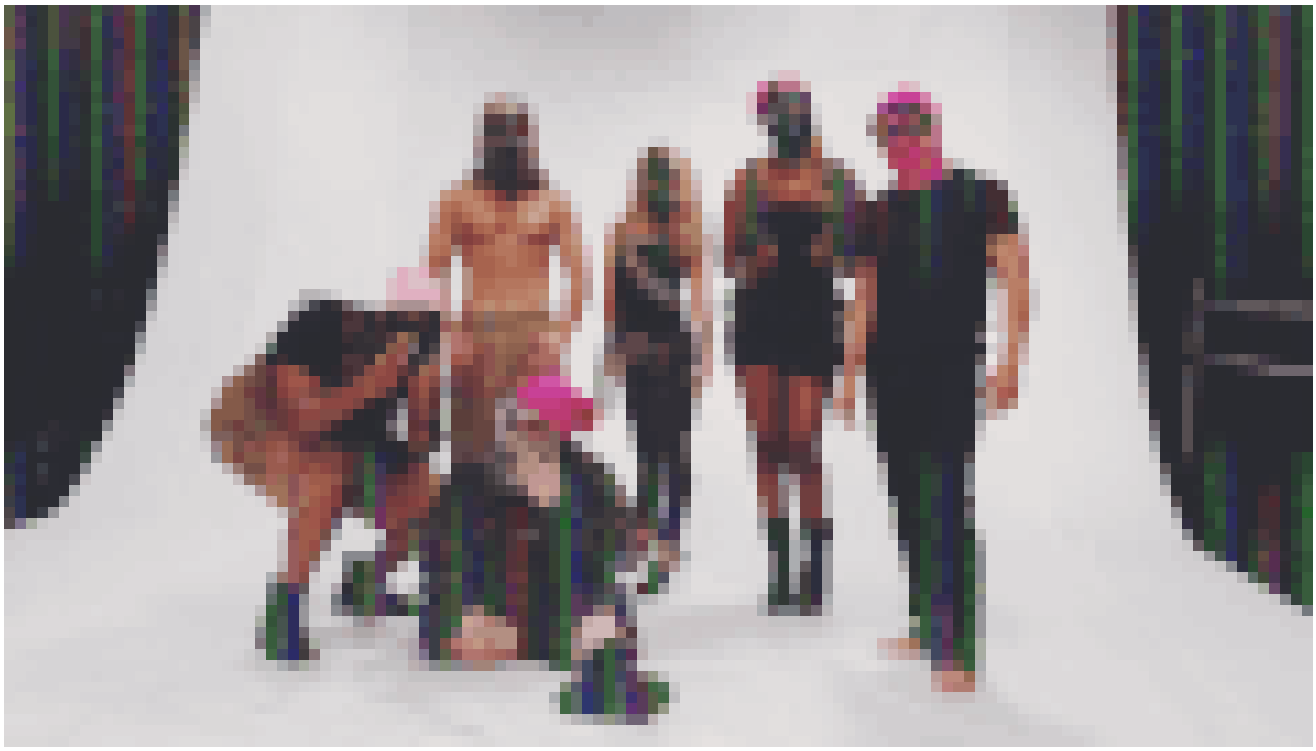
WHEN HE FIRST met Smith in 2013, Hay was working as a publicist; to make extra cash, he sold online PR consulting to aspiring musicians at $250 a session. Smith came across those sessions and signed up. "He did something really grandiose," Hay says. "He booked like *20* hours." Ka-ching!

Smith flew in for his tutorial in person. Though Hay was the local, Smith picked the meeting spot, a sports bar in a strip mall. ("Control freak," Hay says now.) The way Hay understood it, Smith had amassed a fortune running medical clinics. As his next act, Hay says, Smith wanted to get famous, and

he was willing to spend whatever it took. By the end of the first consultation, he says, they were simpatico: Smith yearned to be a star, Hay a starmaker.

The two men quickly settled on a strategy. Although Smith wanted to be an artist himself, they'd start a label called SMH Records and work their way through the industry as producers and behind-the-scenes movers—basically, paying their way in. "Spared no expenses on the budget," says B. Stille, one of the members of the southern rap group Nappy Roots, who worked with Smith and Hay a few times. One of the pair's first wins was coproducing a buzzy single for the group. Smith also financed, and became a judge on, BET's *One Shot,* where he scouted for rap's next stars alongside DJ Khaled, Twista, and T.I., despite the fact that they were all big-name hip-hop stars and he was a relatively unknown record producer with a checkbook.

Michael Smith, in a wolf mask, shoots a music video with his wife, Erika Smith. PHOTOGRAPH: SABRINA KELLY; GETTY IMAGES



Michael Smith (far right) posing with members of a (failed) pop group called Pink Grenade. PHOTOGRAPH: SABRINA KELLY; GETTY IMAGES

Around the time Smith started working on *One Shot*, Hay began to suspect that his buddy's finances were not all in order. He and another SMH employee dug around to see what they could uncover about their colleague. In February 2015, Hay sent their business associates a 111-page document accusing Smith of financial mismanagement. Hay thought it was his "*Jerry Maguire* moment." He was confident he'd convince at least one other person that something was deeply wrong.

But others saw their relationship with Smith differently. "Everybody stayed with Mike," he says. "It made me feel really stupid." People in their circle trusted Smith, it seemed. Kxng Crooked, a rapper who judged with Smith on *One Shot*, found him wholesome. "I flew out to his house and played with his kids," the rapper says. Goldy Locks, a musician on the SMH label, says she'd had "a completely positive experience" working with Smith. "Out of all the labels that I've ever been on, Mike's the only one that's ever taken care of us."

One Shot aired in 2016, lasting for a single season. It marked a high point in Smith's career—and a downturn for Hay. In 2017, two men broke into Hay's

apartment and held him and his daughter at gunpoint. Smith came to check on him afterward. Hay appreciated the gesture, and his anger faded. That is, until their jazz album came out and Hay began to suspect Smith again.

In the late 2010s, Smith linked up with Alex Mitchell, the CEO of an AI song generator startup called Boomy. AI song generators, which allow people to "create" music by selecting or customizing prompts about what the tunes should sound like, now have millions of users but were then a niche product. Smith was, it must be said, ahead of the curve here—few people appreciated then how omnipresent AI would become in the music world. In the government's indictment, Mitchell fits the description of an unnamed, not-charged co-conspirator: Starting around 2018, a "Chief Executive Officer of an AI music company" provided Smith with "thousands of songs each week."

"Keep in mind what we're doing musically here ...," the CEO wrote, per the indictment. "This is not 'music,' it's 'instant music' ;)." Smith allegedly assigned the AI songs to fake artists. The songs had otherworldly, -dictionary-scraping names: "Zygophyceae," "Zygophyllaceae," "Zygopteraceae." The fake artists were equally odd, with names such as "Calm Force," "Calm Knuckles," "Calms Scorching," and "Calorie Event."

According to the indictment, Smith uploaded the music onto streaming platforms and, with the help of contractors, created thousands of accounts. Using "small pieces of computer code" that he'd bought, Smith was able to "continuously" play the music on those accounts—essentially commanding a custom bot army to play his AI tracks nonstop. Those plays triggered royalty payments. In other words, Smith was—if the allegations are true—cementing his status as a master purveyor of AI slop. Indeed, the ranks of AI slopstars are filling up fast with the hustlers flooding Amazon with crappy robo-books and the schemers gobbling up websites and turning them into AI content mills. The internet has become a warehouse of algorithmically manufactured imitations of cultural products, all of it spewed into existence by people trying to game the faulty creator economy and get rich quick.

HAY SAYS HE knew nothing about AI at the time. But he believed *something* was up with their streaming numbers. The pair's fighting

intensified. "You steal from streaming platforms," he accused Smith via email in December 2019. "These are federal crimes, bro." Smith responded by resending the pair's legal agreement. Hay claims that Smith cut him out of deals and withheld income—and it made him snap. Hay dashed off another jeremiad to their associates. He wrote to Billboard employees and other people in their professional network outlining his suspicions. This time, Hay says, he was ready to cut ties. He says he went to the local police and even the FBI: "I blew the whistle as loud as I could."

But then—once again—nothing happened. A Billboard employee eventually texted Hay that the company had decided not to pursue an investigation. (Billboard declined to comment on this particular incident, though a spokesperson for Penske Media Corporation, which now owns and operates Billboard, noted that it will remove inaccurate records if it is made aware of the problem in a timely fashion. Billboard records from Smith and Hay still stand.) Embarrassed, Hay told the Billboard team that he had gone off his medication. He certainly felt crazy.

Smith, meanwhile, wasn't having a great time either. He was navigating a lawsuit from staffers at his medical offices, who claimed that his clinics had engaged in Medicaid and Medicare fraud. The lawsuit alleges that Smith was moving money from the clinics into SMH Records, which was something Hay had suspected. Smith and his codefendants reached a settlement in 2020, requiring them to pay $900,000.

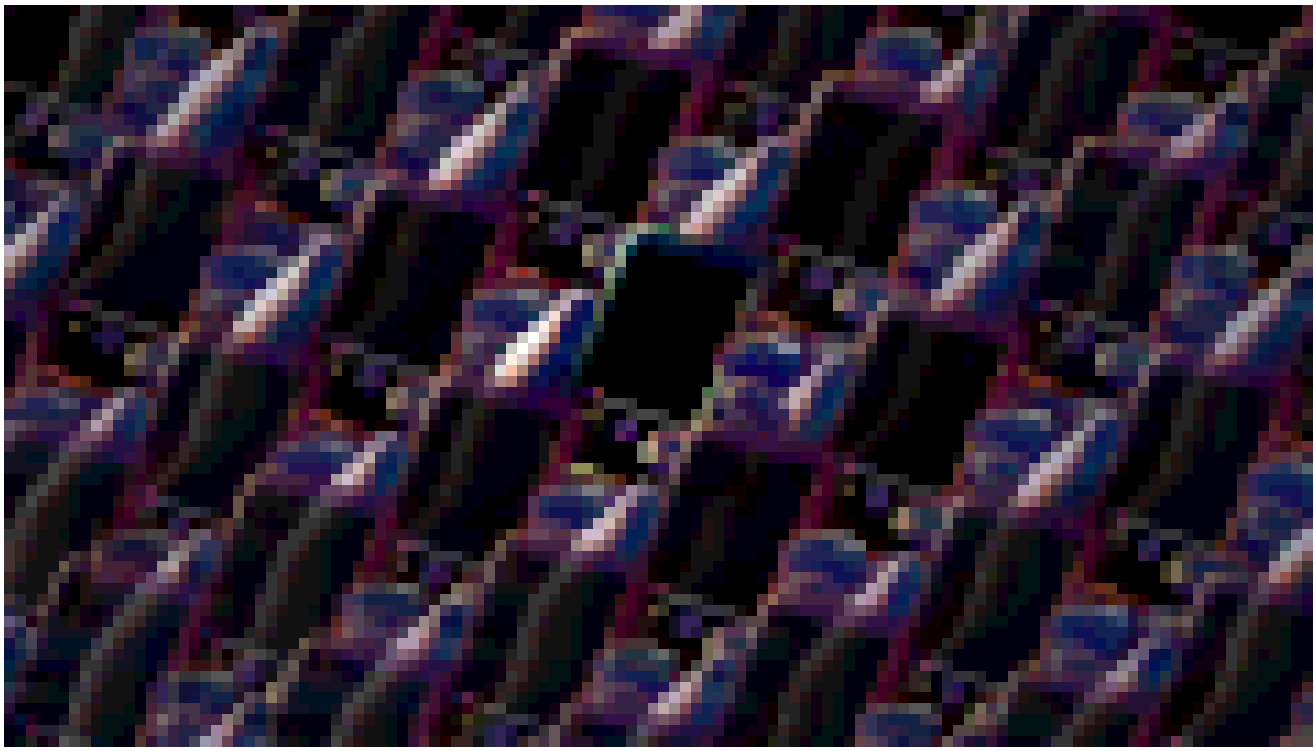
Nevertheless, by 2022 Smith seemed to be back on a roll. He produced a song featuring Snoop Dogg and Billy Ray Cyrus. He was also lining up a slate of ambitious projects—including a horror movie with RZA and an animated series in which a cartoon Smith would travel to the afterlife, set to music by Snoop Dogg and RZA. (Neither Snoop Dogg nor RZA responded to requests for comment.) But success turns on a dime in this business, and by the following year something appeared to have changed. Smith went silent on Insta-gram. The horror movie came out without much fanfare. According to a timeline included in the criminal indictment, Smith was spending at least some of that time trying to convince groups within the streaming industry that he was legitimate. Then, in spring 2023, he received a notice that dealt a

major blow. The Mechanical Licensing Collective, a nonprofit entity that collects and dispenses royalties for streaming services, had confronted Smith about fraud and was now halting payments. A crucial money spigot had turned off.

On September 4, 2024, federal agents pulled up to Smith's sprawling Colonial Revival–style brick home. They handcuffed him and perp-walked him out to their navy sprinter van, past his three-car garage, as befuddled neighbors looked on.

For Hay, the arrest was a vindication. In the indictment, Hay—who fits the description of an unnamed "Co-Conspirator 2" and is not charged with a crime—comes across as something of a patsy, the person whose work Smith used to "fraudulently generate royalty payments" before pivoting to AI. Other people in Smith's orbit have expressed surprise. Music promoter Bram Bessoff, who is registered as a cowriter on hundreds of Smith's AI songs, expressed "total shock" to WIRED and says he's cooperating with authorities. (While Bessoff is neither named nor charged in the indictment, "Co-Conspirator 4" is described as a music promoter.) Meanwhile, Boomy CEO Alex Mitchell, who was also registered on hundreds of the songs along with Bessoff and Smith, declined to respond to questions. A spokesperson for Boomy, Phoebe Myers, told WIRED that neither Mitchell nor Boomy "had any knowledge or involvement in Smith's alleged criminal conduct," nor had they "engaged in bot streaming or knew of any bot streaming by Smith." Myers adds that Mitchell did not have any relationship with Smith's music publishing company.

Included in the government's indictment is an excerpt from a jubilant email Smith sent to his co-conspirators (the ones who sound an awful lot like Mitchell and Bessoff). In it, he wrote about how they'd be receiving 10 percent cuts on the royalties generated by the songs: "We are at 88 million TOTAL STREAMS so far!!!"



TECHNICALLY, IT'S NOT illegal to make a bonkers amount of AI-generated music and put it on a streaming service. Tacky, yes. Disrespectful to the art form, probably. But not necessarily against the law. In fact, it's pretty common: Deezer, a French music streaming platform, estimates that 10 percent of the songs uploaded every day are AI-generated. If a company were to train its song generator on copyrighted music without permission, it could run into trouble if music labels alleged that use case was illegal, as happened to Suno and Udio, two companies that are now the subject of lawsuits. Boomy appears to be aboveboard on this count—it has been certified by Fairly Trained, a nonprofit that checks whether generative AI companies got consent to use their training materials. So the first part of Smith's (alleged) scheme might, at most, be violating laws of good taste.

Then there are the bots and fake accounts. Major streaming services often prohibit their use in their terms of service. Last year, a man in Denmark was found guilty of committing music streaming fraud by using bots to play his music on Spotify and Apple Music. Still, the vast majority of such behavior goes unpunished. Morgan Hayduk, the co-CEO of a streaming-fraud-detection startup called Beatdapp, has monitored whole networks of bad actors siphoning money from streamers. "Conservatively, it's a billion-dollar-

a-year type of problem," Hayduk says. "The Michael Smith case is the tip of the iceberg."

A 2021 study by France's National Music Center found that around 1 to 3 percent of all streams were fraudulent; Beatdapp puts that number at around 10 percent. According to Hayduk, some of the startup's clients consistently flag 17 to 25 percent of streams as fraudulent, and occasionally as many as half. As he sees it, AI song generators are a "supercharger" for this behavior, and Smith's alleged scheme isn't especially cutting-edge. "If you're a sophisticated, organized criminal," Hayduk says, "you would do this from the comfort of a beach in a non-extradition country."

It remains unclear which streaming companies ended up paying Smith the most money, probably because nobody wants to admit their detection efforts flopped. Spotify, the industry's behemoth, claims that its fraud detection programs caught Smith's alleged chicanery. "It appears our preventative measures worked and limited the royalties Smith was able to generate from Spotify to approximately $60,000 of the $10 million," says Laura Batey, a company spokesperson. Apple, YouTube Music, and Tidal did not respond to questions; Amazon declined to answer questions about Smith. While distributors and streaming services are leaning on sophisticated fraud detection in an AI-versus-AI war, some industry experts argue that the real problem is the streaming companies' royalty payment structures and that only a total overhaul can curb the problem.

In some corners of the music world, Smith isn't seen as a villain. Musicians often accuse streaming platforms, and of course labels, of ripping off artists. Goldy Locks, Smith's former client, says some people view him as a modern-day Robin Hood. Others see him as a man who exploited an exploitative system, a creature native to a grift-addled environment. After all, radio invented payola, and Spotify inserts bulk-produced stock songs into popular playlists. The line between organic and paid audiences has always been blurry. Even in 19th-century France, "claqueurs" were paid to fill opera houses and clap.

Smith is now out on bail. His lawyer, Noell Tin, said in a statement that "Mike Smith is a successful songwriter, musical artist, devoted husband, and father to six children. He looks forward to responding to the charges against him in court." The case, brought in the US Southern District Court of New York, will be heard by Judge John Koeltl, who has a history with consequential tech lawsuits, including a ruling against the Internet Archive and an ongoing case against the crypto hub Binance. If found guilty, Smith faces up to 60 years in prison. Either way, Smith has earned a seat in the music business pantheon: The government has cast him as an avatar for the AI era's gifts to grifters. Anybody can click a few buttons and make a song now. But building a fortune off these audienceless ditties? From one angle, it might be a crime. From another, it's a new art.

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Animations by Soomin Jung.

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