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10 **UNITED STATES DISTRICT COURT**  
11 **CENTRAL DISTRICT OF CALIFORNIA**

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13  
14 **SECURITIES AND EXCHANGE**  
**COMMISSION,**

15 **Plaintiff,**

16 **vs.**

17 **DAWSON L. DAVENPORT; ELITE**  
18 **AEROSPACE GROUP, INC. f/k/a**  
19 **ELITE AVIATION PRODUCTS,**  
20 **INC.; ROBERT A. GUNTON;**  
21 **ANDREA J. LINDSTROM;**  
22 **MICHAEL P. OWENS; DUSTIN B.**  
23 **TILLMAN; JULIE A. YALE; and**  
**ZEESHAWN S. ZIA**

24 **Defendants.**

Case No. 8:21-cv-1427

**COMPLAINT**

1  
2 Plaintiff Securities and Exchange Commission (“SEC”) alleges:

3 **JURISDICTION AND VENUE**

4 1. The Court has jurisdiction over this action pursuant to Sections 20(b),  
5 20(d)(1), and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§  
6 77t(b), 77t(d)(1), and 77v(a); and Sections 21(d)(1), 21(d)(3)(A), 21(e), and 27(a) of  
7 the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1),  
8 78u(d)(3)(A), 78u(e), and 78aa.

9 2. Defendants have, directly or indirectly, made use of the means or  
10 instrumentalities of interstate commerce, of the mails, or of the facilities of a national  
11 securities exchange in connection with the transactions, acts, practices and courses of  
12 business alleged in this complaint.

13 3. Venue is proper in this district pursuant to Section 22(a) of the Securities  
14 Act, 15 U.S.C. § 77v(a); and Section 27(a) of the Exchange Act, 15 U.S.C. § 78aa(a),  
15 because certain of the transactions, acts, practices and courses of conduct constituting  
16 violations of the federal securities laws occurred within this district. In addition,  
17 venue is proper in this district because all of the individual Defendants reside in this  
18 district, and Defendant Elite Aerospace Group, Inc. has its principal place of business  
19 in this district.

20 **SUMMARY**

21 4. This matter concerns two overlapping fraudulent schemes, both  
22 involving the sale of Elite Aerospace Group, Inc. (“Elite”) securities.

23 5. The “Boiler Room Scheme” raised approximately \$67 million between  
24 2014 and 2018, and involved Elite paying undisclosed commissions to salespeople  
25 who solicited investments in Elite, as well as more than \$35,000 per week to entities  
26 controlled by securities fraud recidivist Michael Owens for “consulting services”  
27 primarily related to the offering, but misleadingly disguised as marketing fees.

28 6. Owens controlled the boiler room operation in Elite’s offices, but was

1 assisted by his affiliates, Dawson Davenport (also a securities fraud recidivist),  
2 Robert Gunton, Andrea Lindstrom and Julie Yale (with Owens, the “Owens Group”).  
3 Elite’s founders and executive officers, Dustin Tillman and Zeeshawn Zia, authorized  
4 the Owens Group to manage Elite’s capital-raising activities, and were aware of the  
5 boiler room activities.

6 7. As part of the Boiler Room Scheme, Owens, Davenport, Lindstrom,  
7 Tillman, and Zia engaged in deceptive conduct involving the concealment of  
8 commissions to salespeople who solicited investments in Elite, and the failure to  
9 disclose the true amount of investor proceeds that Elite spent on offering costs. In  
10 addition, Owens acted as an unregistered broker by, for example, setting up and  
11 controlling the boiler room, and providing lead lists to Elite’s salespeople.

12 8. By 2018, Davenport, Lindstrom, Tillman and Zia continued the scheme  
13 to defraud investors by making false statements in Elite’s unaudited financial  
14 statements about alleged acquisitions in the second quarter of Elite’s 2018 fiscal year.

15 9. During the course of the Boiler Room Scheme Tillman, and Zia also  
16 made affirmative misrepresentations to investors regarding the status of Elite’s audits  
17 and acquisition activity.

18 10. The “RMMH Scheme” involved Owens’ entity, RMMH, LLC  
19 (“RMMH”), selling approximately \$2 million of unregistered Elite common stock in  
20 2017, and issuing Elite stock certificates to about 20 purchasers without the  
21 knowledge or authorization of Tillman and Zia.

22 11. The Owens Group maintained Elite’s stock ledger and issued its stock  
23 certificates. This allowed them to secretly sell unregistered Elite shares owned by  
24 RMMH. The stock purchase agreements used in the RMMH offering indicated that  
25 Elite’s transfer agent would cancel RMMH’s old shares and issue new ones in the  
26 names of the purchasing investors. In reality, Elite had no transfer agent. Yale was  
27 the person responsible for issuing Elite’s stock certificates, and had the ability to  
28 generate the certificates. As part of Elite’s stock offerings, she issued Elite stock

1 certificates with the authorization of Tillman and Zia, and had their permission to use  
2 signature stamps on the certificates when necessary. She did not have the same  
3 authorization for RMMH's offering, but generated Elite stock certificates and used  
4 the signature stamps in the same way.

5 12. As part of the RMMH Scheme, Owens, Davenport, Gunton, Lindstrom,  
6 and Yale engaged in deceptive conduct including failing to inform Tillman and Zia  
7 about the offering, misrepresenting to purchasers that Elite's transfer agent would  
8 issue their stock certificates, and being involved with the issuance of unauthorized  
9 stock certificates.

10 13. In addition, Owens, Gunton, and Yale violated the registration  
11 provisions of the Securities Act by offering unregistered securities to investors  
12 without complying with the requirements of any applicable exemptions.

13 14. By this conduct, Defendants Davenport, Elite, Gunton, Lindstrom,  
14 Owens, Tillman, Yale, and Zia violated Sections 17(a)(1) and 17(a)(3) of the  
15 Securities Act, 15 U.S.C. §§ 77q(a)(1) and 77q(a)(3); Section 10(b) of the Exchange  
16 Act, 15 U.S.C. § 78j(b); and Exchange Act Rules 10b-5(a) and 10b-5(c), 17 C.F.R. §§  
17 240.10b-5(a) and 240.10b-5(c). Defendants Elite, Tillman, and Zia violated Section  
18 10(b) of the Exchange Act, 15 U.S.C. § 78j(b); and Exchange Act Rule 10b-5(b), 17  
19 C.F.R. §§ 240.10b-5(b). Defendants Gunton, Owens, and Yale violated Sections 5(a)  
20 and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c). Finally, Defendant  
21 Owens violated Section 15(a)(1) of the Exchange Act, 15 U.S.C. § 78o(a)(1).

22 15. The SEC seeks permanent injunctions, disgorgement with prejudgment  
23 interest, and civil penalties against Defendants Davenport, Elite, Gunton, Lindstrom,  
24 Owens, Tillman, Yale, and Zia; penny stock bars against Defendants Davenport,  
25 Gunton, Lindstrom, Owens, Tillman, Yale, and Zia; and officer and director bars  
26 against Davenport, Gunton, Lindstrom, Owens, Tillman, and Zia.

**THE DEFENDANTS**

1  
2       16.   **Dawson L. Davenport**, age 65, is a resident of Irvine, California.  
3 Davenport is the principal of Davenport Consulting Group, Inc., a private California  
4 corporation headquartered in Irvine, California that allegedly provides business  
5 consulting and real estate services. In 2007, the SEC charged Davenport with  
6 registration and antifraud violations for his involvement with a boiler room securities  
7 fraud, and he settled to all charges in 2009.

8       17.   **Elite Aerospace Group, Inc. (f/k/a Elite Aviation Products, Inc.)**, is a  
9 Delaware corporation headquartered in Tustin, California. Elite designs,  
10 manufactures, and sells components for rockets, spacecraft, aircraft, and satellites.

11       18.   **Robert A. Gunton**, age 38, resides in Tustin, California. Gunton is the  
12 sole officer and director of Big Gun Creative, Inc., a California corporation  
13 headquartered in Irvine, California that provides media production services.

14       19.   **Andrea J. Lindstrom**, age 42, resides in Anaheim, California.  
15 Lindstrom is the sole officer and director of Edge of the Desert, Inc., a California  
16 corporation headquartered in Anaheim, California that allegedly provides business  
17 consulting services.

18       20.   **Michael P. Owens**, age 57, resides in Newport Coast, California.  
19 Owens is a principal of several entities, most of which are purportedly in the business  
20 of media and marketing. The SEC charged Owens in 2007 with perpetrating a \$50  
21 million offering fraud and running a boiler room, and subsequently barred him from  
22 associating with a broker or dealer.

23       21.   **Dustin B. Tillman**, age 38, resides in San Juan Capistrano, California.  
24 Tillman was one of Elite's founders, and was its CEO and a director from inception  
25 of Elite through his resignation in January 2021.

26       22.   **Julie A. Yale**, age 57, resides in Laguna Hills, California, and owns  
27 Yale Entity Services Corp., a bookkeeping service.

28       23.   **Zeeshawn S. Zia**, age 42, resides in Yorba Linda, California. Zia was

1 one of Elite's founders, is the current CEO, and has been an Elite director since its  
2 inception.

### 3 THE ALLEGATIONS

#### 4 **A. Background**

5 24. In 2007, the SEC charged Owens and Davenport with securities fraud  
6 and registration violations for their involvement in a boiler room scheme. The  
7 complaint in *SEC v. Real Estate Partners Inc. et al*, Case No. SACV 07-1022 AG  
8 (RNBx) (C.D. Cal., filed Sept. 6, 2007) included allegations that Owens and  
9 Davenport misrepresented how investor funds would be used, and failed to disclose  
10 that over 50% of investor funds were used to pay sales commissions. The complaint  
11 also alleged additional misrepresentations by Owens and Davenport, and further  
12 alleged that the company involved was running a Ponzi-like scheme. Owens was also  
13 charged with acting as an unregistered broker, in violation of the SEC's broker-dealer  
14 registration requirements.

15 25. Davenport settled to all charges in *SEC v. Real Estate Partners Inc.* in  
16 2009. As part of the settlement, he consented to permanent injunctions prohibiting  
17 him from violating Sections 5 and 17(a) of the Securities Act, and Section 10(b) of  
18 the Exchange Act and Rule 10b-5. In a final judgment, the district court ordered  
19 Davenport to pay disgorgement plus prejudgment interest of \$368,063.53 and a  
20 penalty of \$256,667.27. Davenport has not paid anything on either the disgorgement  
21 or penalty ordered by the court.

22 26. Owens also settled to all charges in *SEC v. Real Estate Partners Inc.* in  
23 2009. As part of the settlement, he consented to permanent injunctions prohibiting  
24 him from violating Sections 5 and 17(a) of the Securities Act, and Sections 10(b) and  
25 15(a) of the Exchange Act and Rule 10b-5. In a final judgment, the district court  
26 ordered Owens to pay disgorgement plus prejudgment interest of \$4,816,535.88 that  
27 was reduced to \$45,993.98 based on Owen's sworn representations in his Statement  
28 of Financial Condition. Owens paid the \$45,993.98. In a separate SEC order, Owens

1 was barred from association with any broker or dealer as a result of the permanent  
2 injunction prohibiting him from violating Section 15(a) of the Exchange Act (acting  
3 as an unregistered broker).

4 27. In 2013, Owens met Tillman through a social connection. At the time,  
5 Tillman was working in the aerospace industry and hoped to start an aerospace  
6 company with his friend and colleague, Zia. Neither he nor Zia had experience  
7 running a business or raising capital.

8 28. Owens told Tillman that he provided a plug-and-play solution to new  
9 companies, and that he and his affiliates, including Davenport, Gunton, Lindstrom,  
10 and Yale, could take care of fundraising, bookkeeping, information technology,  
11 marketing, legal issues, and other administrative tasks. According to Owens, these  
12 services would allow Tillman and Zia to spend more time focused on growing their  
13 business.

14 29. Tillman and Zia decided to work with Owens, and in 2013 they founded  
15 Elite Aviation Products, Inc. (which subsequently became known as Elite Aerospace  
16 Group, Inc.) with initial financing provided by Owens. As part of the arrangement,  
17 Tillman and Zia agreed to pay Owens a large weekly consulting fee, and issue him  
18 Elite common stock.

19 30. Owens initially used his company RealMedia Marketing, Inc.  
20 (“RealMedia”), as the entity providing services to Elite.

21 31. Lindstrom and Gunton were officers of RealMedia, but Owens  
22 controlled the company through his ownership.

23 32. RealMedia entered into a consulting agreement with Elite in 2014, and  
24 the agreement was updated in 2015.

25 33. In or around late 2016, Owens formed a new business, Evolution  
26 Consulting Services, Inc., which effectively took over RealMedia’s business,  
27 performed substantially identical services, and involved the same primary individuals  
28 (collectively with RealMedia, “Evolution”).

1 34. Lindstrom and Gunton were officers of Evolution and allegedly owned  
2 10% each, but Owens controlled the company through his 80% ownership.

3 35. In early 2017, Elite entered into a consulting agreement with Evolution.

4 36. The consulting agreements between Evolution and Elite (the “Consulting  
5 Agreements”) outlined the services Evolution would provide Elite, and required Elite  
6 to pay Evolution approximately \$35,000 - \$40,000 per week. Under the terms of the  
7 later agreements, Elite was required to let Evolution appoint two of Elite’s five board  
8 members.

9 37. Over the next several years, the Owens Group was involved in multiple  
10 aspects of Elite’s business. The Owens Group controlled Elite’s capital raising  
11 functions. Owens and Davenport attended Elite board meetings as board advisors  
12 and weighed in on most significant aspects of the business.

13 38. Evolution exercised its right to appoint two board members, and Gunton  
14 and Lindstrom joined Elite’s board of directors in 2016 and 2017, respectively.

15 39. Tillman and Zia began having significant disagreements with the Owens  
16 Group in or around 2017. In July 2018, Elite terminated its consulting agreement  
17 with Evolution.

18 40. Gunton and Lindstrom resigned as board directors in early 2019  
19 following a shareholder vote regarding their removal.

20 **B. Elite’s Securities Offerings**

21 41. Beginning in or around 2014, Elite began raising capital by selling Elite  
22 stock to investors. Between 2014 and 2018, over \$67 million of Elite securities were  
23 sold to investors.

24 42. At least some of Elite’s investors were solicited through e-mail  
25 communications.

26 43. At least some Elite’s investors made interstate electronic transfers of  
27 funds to purchase Elite’s securities.

28



1 **C. The Boiler Room Scheme**

2 44. Between 2014 and summer 2018, the Owens Group controlled Elite's  
3 capital raising efforts. Over this period, the Owens Group managed numerous  
4 salespeople at a time, none of whom were registered with the SEC as broker-dealers  
5 or associated with a registered broker-dealer.

6 45. The salespeople made unsolicited calls to potential investors using call  
7 leads provided by one of Owens' entities.

8 46. The salespeople's primary function was to solicit investments in Elite.

9 47. The salespeople generally received commissions equal to 15% of each  
10 new investment, and 10% of re-investments. "Fronters," who initially spoke with a  
11 potential investor, received 5%; and "closers," who closed the deal, received 10%. If  
12 the same person was both the fronter and closer, they received 15%.

13 48. The salespeople were also offered additional incentives, like vacations,  
14 electronics, or cash, if they hit specific sales goals.

15 49. The salespeople were fired if they didn't meet certain sales requirements.

16 50. Although the Owens Group was running a boiler room out of Elite's  
17 offices, Owens structured his operation in a way that made it falsely appear to be  
18 compliant with the securities laws, and controlled by Elite – not Owens or his entities.

19 **1. Concealed Commissions**

20 51. Because he had previously been charged by the SEC for acting as an  
21 unregistered broker, Owens knew there was potential liability associated with paying  
22 unregistered salespeople commissions for soliciting investments.

23 52. Instead of calling the salespeople's compensation "commissions,"  
24 Owens referred to them as discretionary, or performance bonuses, and instructed  
25 others to do so, as well.

26 53. For example, in an email on or about November 7, 2015 regarding  
27 another small business that Tillman had referred to Owens, the small business owners  
28 asked Tillman how much Elite paid in sales commissions, and included in the subject

1 line of the email, “Sales Commission Question.” Tillman forwarded the email to  
2 Owens, Davenport, and Gunton, and asked in his email, “did you guys have the  
3 ‘salesmen do not make commissions’ conversation with them?” Owens responded by  
4 saying:

5 [y]eah, But they’re Transitioning and trying to equate a number they  
6 were already Given. Any performance bonus is at the floor Managers  
7 discretion and effectively Mirrors [Elite’s] (not a commission) Told  
8 them it would be in their use of Proceeds. [sic]

9 54. The salespeople’s compensation was also largely undocumented.

10 55. Davenport helped perpetrate the fraud by coordinating the production of  
11 false and backdated documents to auditors.

12 56. In fall 2016, Elite was trying to get its financial statements audited in  
13 preparation for a public offering. The auditors asked for documentation explaining  
14 payments that had been made to a few of Elite’s salespeople in January 2015.

15 57. On or around November 14, 2016, Davenport created four different  
16 letters on Elite letterhead, addressed to the salespeople in which the auditors were  
17 interested.

18 58. All of the letters bore dates in January 2015 – over a year-and-a-half  
19 before.

20 59. In addition, Davenport included language in the letters falsely stating  
21 that the salespeople were receiving discretionary awards and bonuses suggested by  
22 “operational management” and based on extraordinary effort or dedication.

23 60. He made no mention of commissions or investor solicitation in the  
24 letters, even though the individuals at issue were salespeople who solicited  
25 investments in Elite and received sales commissions on each investment they closed.

26 61. On or about November 14, 2016, Davenport forwarded the four  
27 fabricated letters to Yale, asking her to add Tillman’s signature to the letters.  
28

1           62. Two days later, Yale emailed the letters to an accounting department  
2 employee with a copy to Davenport and Zia, asking her to get Tillman's signatures.  
3 The letters bearing Tillman's signature were sent to the auditors the following day by  
4 another Elite accounting department employee.

5           63. Tillman and Zia also engaged in deceptive conduct to conceal Elite's  
6 payment of commissions to the salespeople.

7           64. During a second audit in 2017, a new set of auditors began asking  
8 questions about how Elite's salespeople were compensated.

9           65. After some discussions in or around summer 2017 involving Tillman,  
10 Zia, the auditors and Elite's lawyer, the parties agreed that Elite's lawyer at the time  
11 review the issue and provide the audit firm with a securities law analysis regarding  
12 Elite's payments to unregistered salespeople.

13           66. Both Tillman and Zia knew that the salespeople's primary – and often  
14 only – duty at Elite was to solicit investments. They also knew that the salespeople  
15 received transaction-based compensation, and that the salespeople regularly "closed"  
16 investments.

17           67. Nevertheless, Tillman and Zia signed a representation to the law firm  
18 stating:

19  
20           [n]o compensation paid to any [salesperson] is linked to or dependent upon a  
21 transaction in securities by [Elite]. No such employee is ever paid a selling  
22 commission or other remuneration based either directly or indirectly on  
23 transactions in securities.  
24

25           68. The representation letter further stated that the salespeople were  
26 restricted in their participation in Elite's securities offering, and implied that only  
27 Tillman and Zia closed investment transactions. Finally, the letter stated that the  
28 salespeople primarily perform, or will primarily perform substantial duties for Elite

1 other than in connection with the securities offerings.

2 **2. The Owens Group's Concealed Control**

3 69. The Owens Group also engaged in deceptive conduct by concealing the  
4 extent of their involvement in Elite's capital-raising process.

5 70. For example, Owens required all of the salespeople to be Elite  
6 employees on paper and paid directly by Elite, even though they were hired, fired,  
7 and managed by Evolution personnel or other Owens affiliates.

8 71. Evolution's consulting agreements with Elite also minimized  
9 Evolution's involvement with investor solicitation.

10 72. For example, the 2015 consulting agreement between Evolution and  
11 Elite includes statements like, "[Evolution] is not licensed to and does not in any way  
12 market or sell securities of any kind."

13 73. Davenport drafted the 2015 consulting agreement between Evolution  
14 and Elite, and Owens reviewed and had ultimate control over the agreement.

15 74. Lindstrom was the person at Evolution who was primarily responsible  
16 for the administrative and compliance services that Evolution provided to Elite.

17 75. Lindstrom assisted in drafting a description of the "Administrative" and  
18 "Compliance" services portion of the 2015 consulting agreement between Evolution  
19 and Elite.

20 76. Significant parts of these descriptions were false. They stated that Elite  
21 was required to have its own investor relations supervisor, and that Evolution only  
22 assisted such person and was not involved in promoting Elite's offerings or acting as  
23 an investor relations representative. In reality, Lindstrom controlled the investor  
24 relations department and sent and received emails using Elite's investor relations  
25 email address. Lindstrom also knew that Evolution controlled Elite's securities  
26 offering process, as she helped oversee the sales floor and announced new bonus  
27 incentives.

28 77. Davenport knew that the consulting agreement falsely concealed the

1 amount of control Evolution had with respect to Elite’s business, and the fact that  
2 Evolution controlled Elite’s capital-raising functions.

3 78. For example, a week before the 2015 consulting agreement was signed,  
4 Davenport was copied on the “Sales Commission Question” e-mail described above,  
5 and about a year later, he falsified and back-dated documents sent to Elite’s auditors  
6 to hide compensation related to investor solicitation.

7 79. Owens knew that the consulting agreement falsely concealed the amount  
8 of control Evolution had over Elite’s business because Evolution was his company,  
9 his plug-and-play solution involved handling all aspects of the capital-raising process,  
10 and he ultimately controlled Elite’s sales floor.

11 80. In 2017, Evolution and Elite entered into a new consulting agreement  
12 which contained language similar to the 2015 agreement that concealed Evolution’s  
13 control over Elite and Elite’s sales floor.

14 81. Davenport was primarily responsible for drafting and updating the  
15 agreement.

16 82. Other members of the Owens Group, including Owens and Lindstrom,  
17 reviewed the document.

18 **3. False Disclosures Regarding Use of Proceeds and Payment of**  
19 **Commissions**

20 83. Owens, Davenport, Lindstrom, Tillman, and Zia also misrepresented or  
21 omitted information regarding the use of investor proceeds and the payment of  
22 commissions in Elite’s offering prospectuses.

23 84. The prospectuses at issue were dated July 15, 2014, October 19, 2015,  
24 August 15, 2016, September 1, 2017, and April 2, 2018 (collectively, the  
25 “Prospectuses”).

26 85. The specific securities offered in each prospectus varied. For example,  
27 the August 15, 2016 prospectus offered Series A Preferred Stock; the September 1,  
28 2017 prospectus offered Series A-1 Preferred Stock; and the April 2, 2018 prospectus

1 offered Series A-1 Preferred Stock.

2 86. All of the Prospectuses offered securities to investors and each  
3 Prospectus stated that the offering was being made pursuant to Rule 506(c) of the  
4 Securities Act of 1933.

5 87. As part of Owens' plug-and-play solution, the Owens Group engaged  
6 attorneys they had worked with in the past to assist with Elite's Prospectuses, and  
7 Owens, Davenport, Lindstrom and Yale were routinely copied on e-mails regarding  
8 Elite's prospectuses.

9 88. The attorneys provided Elite with templates for its prospectuses.

10 89. Davenport was primarily responsible for filling in the offering-specific  
11 information, including the use of proceeds disclosure.

12 90. The disclosure did not reveal that approximately 15% of investments  
13 would be used to pay investment-related commissions, or that close to 30% of  
14 investment proceeds were used to pay offering costs.

15 91. Although Tillman and Zia relied on the Owens Group to help draft the  
16 Prospectuses, coordinate with attorneys, and distribute the Prospectuses to investors,  
17 because they were Elite's executives, they had ultimate authority over the content of  
18 the Prospectuses.

19 92. Tillman and Zia reviewed and approved the Prospectuses before they  
20 were distributed.

21 93. Lindstrom helped coordinate the review and approval process before  
22 uploading final documents to Elite's website investor portal.

23 94. Owens, Davenport, Lindstrom, Tillman, and Zia all knew, or were  
24 reckless or negligent in not knowing, that the "Use of Proceeds" disclosure in the  
25 Prospectuses was false, because they knew about the sales commissions and large  
26 payments to Evolution.

27 95. In carrying out the Boiler Room Scheme, Davenport knew, or was  
28 reckless or negligent in not knowing, that he was concealing the payment of

1 commissions to unregistered brokers, and was involved in distributing false use of  
2 proceeds information to investors.

3 96. In carrying out the Boiler Room Scheme, Lindstrom knew, or was  
4 reckless or negligent in not knowing, that she was concealing Evolution's role in  
5 Elite's capital raising process, and was involved in distributing false use of proceeds  
6 information to investors.

7 97. In carrying out the Boiler Room Scheme, Owens knew, or was reckless  
8 or negligent in not knowing, that he was concealing his control of Elite's capital-  
9 raising process, concealing the payment of commissions to unregistered brokers, and  
10 was involved in distributing false use of proceeds information to investors.

11 98. In carrying out the Boiler Room Scheme, Tillman knew, or was reckless  
12 or negligent in not knowing, that he was concealing the payment of commissions to  
13 unregistered brokers, and was involved in distributing false use of proceeds  
14 information to investors.

15 99. In carrying out the Boiler Room Scheme, Zia knew, or was reckless or  
16 negligent in not knowing, that he was concealing the payment of commissions to  
17 unregistered brokers, and was involved in distributing false use of proceeds  
18 information to investors.

19 100. Tillman's and Zia's state of mind is attributed to Elite, because at all  
20 relevant times, they were the founders of the company, as well as executive officers  
21 and directors.

22 101. Defendants' false and misleading statements to investors are material. A  
23 reasonable investor would have considered it important to know that Elite was using  
24 investor funds to pay sales commissions to unregistered salespeople, and was using a  
25 higher percentage of investor funds to pay offering costs than it disclosed.  
26  
27  
28

1           **4. Scheme to Include False Footnote to Unaudited Financial**  
2           **Statements**

3           102. In May 2018, Elite began another offering, using a new prospectus dated  
4 April 2, 2018. As part of the prospectus review process in April 2018, Davenport  
5 added the following footnote to Elite’s unaudited financial statements.

6  
7           *Note: There were two acquisitions slated for completion in mid to late 2017*  
8           *that were delayed until Q2 2018. These acquisitions were projected to add to*  
9           *the effective gross revenue of the company. The resultant delay reduced booked*  
10           *revenue by over \$15,000,000 annually. Once these transactions are completed*  
11           *the acquisitions are projected to have a material positive effect on the financial*  
12           *position of the company.*

13  
14           103. The language above was false because on March 15, 2018, Elite’s board  
15 had voted to implement several procedures that would effectively stop all acquisition  
16 activity until Elite met certain financial targets that it was nowhere near attaining. In  
17 addition, by March 2018, Elite had stopped making the payments required to close  
18 the pending acquisition of Spearman Aerospace, Inc. (“Spearman”), had sought to  
19 terminate the Spearman acquisition agreement, and was not seriously considering any  
20 additional acquisitions at the time.

21           104. Davenport knew the footnote was false. He attended the March 2018  
22 board meeting, and had pressured Tillman to terminate the Spearman acquisition  
23 agreement shortly before the meeting. Furthermore, the date of the prospectus was  
24 April 2, 2018 – a date on which no one at Elite could have reasonably expected two  
25 significant acquisitions to close in the second quarter of Elite’s 2018 fiscal year,  
26 which ended June 30, 2018. As of April 2, 2018, Elite had ceased making payments  
27 to Spearman and had sought termination of the Spearman agreement and the return of  
28 its funds. It had also taken board action to curtail acquisition activity, and had no



1 other acquisitions close to being consummated by June 30, 2018.

2 105. After adding the footnote, Davenport exchanged multiple e-mails with  
3 Lindstrom and Zia highlighting the language he added. Zia approved the final  
4 prospectus with the footnote on May 21, 2018, at which point closing two  
5 acquisitions by June 30 was even more unlikely, given the passage of time and the  
6 lack of any new acquisition developments. Lindstrom then coordinated the  
7 distribution of the prospectus to prospective investors.

8 106. Lindstrom knew the footnote was false because she had attended the  
9 March 15, 2018 board meeting, and had either motioned for, or seconded the actions  
10 restricting acquisition activity. In addition, the acquisition restrictions were  
11 something the Owens Group wanted, and on the day of the board meeting, Lindstrom  
12 circulated an email regarding “EAG Board Concerns” to other members of the Owens  
13 Group. As part of the email, she proposed the question, “[n]ow that we know that  
14 DSS<sup>1</sup> is off the table and Spearman is off the table, what legal actions are we going to  
15 take against both?”

16 107. Zia knew the footnote was false because he attended the March 15, 2018  
17 board meeting, voted in favor of the acquisition restrictions, and motioned to file a  
18 lawsuit against DSS. Zia was also the President of Elite and knew, or should have  
19 known, that Elite had ceased making payments to Spearman and was seeking to  
20 terminate the Spearman acquisition agreement.

21 108. In carrying out this fraud, Davenport knew, or was reckless or negligent  
22 in not knowing, that he was involved in falsely representing to Elite investors that  
23 two significant acquisitions were expected to close by June 30, 2018.

24 109. In carrying out this fraud, Lindstrom knew, or was reckless or negligent  
25 in not knowing, that she was involved in falsely representing to Elite investors that  
26 two significant acquisitions were expected to close by June 30, 2018.

27 \_\_\_\_\_  
28 <sup>1</sup> Douglas Steel Supply (“DSS”) was another acquisition that Elite was considering in  
early 2018.

1 110. In carrying out this fraud, Zia knew, or was reckless or negligent in not  
2 knowing, that he was involved in falsely representing to Elite investors that two  
3 significant acquisitions were expected to close by June 30, 2018.

4 111. Zia's state of mind is attributed to Elite, because at all relevant times, he  
5 was a founder of the company, as well as an executive officer and director.

6 **5. Owens Acted as an Unregistered Broker**

7 112. During the Boiler Room Scheme, Owens acted as an unregistered broker  
8 for Elite's securities offerings.

9 113. He provided a plug-and-play solution for Elite that included setting up  
10 and running a boiler room used to solicit investments in the company, as well as  
11 ensuring that the salespeople received transaction-based compensation.

12 114. Owens also has a history of setting up boiler rooms for other issuers and  
13 selling their securities, including the conduct for which he was charged by the SEC in  
14 2007.

15 115. Owens helped solicit Elite investors by being involved in phone calls  
16 and meetings with Tillman, Zia, and potential investors.

17 116. Owens also provided marketing and advertising services for Elite  
18 through his entity, Evolution.

19 117. In addition, Owens made valuations about Elite's stock in the form of  
20 price targets included in solicitation scripts that he helped draft and distribute to  
21 Elite's salespeople.

22 118. Owens was also an active finder of investors because he used one of his  
23 other entities to provide lead lists to Elite's salespeople.

24 119. He regularly participates in securities transactions, as evidenced by his  
25 past conduct, as well as a more recent venture with other members of the Owens  
26 Group.

27 120. For example, on January 14, 2020, a cannabis-related entity called  
28 CertCan Labs, Inc. ("CertCan") made a filing with the SEC disclosing that it was

1 conducting an \$18,000,000 private offering of securities. Both Owens and Gunton  
2 were listed as directors, and Davenport's 27-year-old daughter, Dallas Davenport,  
3 purportedly signed the filing as CertCan's President. Yale made a CertCan corporate  
4 filing with California in June 2019, and filed another Statement of Information on  
5 February 25, 2021.

6 121. Finally, during the Boiler Room Scheme, Owens engaged in other  
7 activities similar to a broker. For example, he used other members of the Owens  
8 Group to process investor subscription paperwork and handle investment funds. He  
9 also received "consulting fees" through his entity, Evolution, for work in connection  
10 with Elite's offerings.

11 122. Owens never registered with the SEC in accordance with Section 15(b)  
12 of the Exchange Act and was not associated with a registered broker-dealer during  
13 any of Elite's offerings.

#### 14 **D. The RMMH Scheme**

15 123. Pursuant to the terms of the Consulting Agreements, Elite issued  
16 approximately 20% of its unregistered common stock to Owens or entities he  
17 controlled.

18 124. RMMH is an entity owned and controlled by Owens at all relevant  
19 times.

20 125. As of late 2016, RMMH held approximately 18,000,000 unregistered  
21 shares of Elite's common stock, which doubled following a reorganization that Elite  
22 completed in March 2017.

23 126. In or around December 2016, the Owens Group began soliciting  
24 investors to purchase unregistered Elite shares from RMMH at a discount to the price  
25 of shares in Elite's offerings (the "RMMH Offering").

26 127. For example, most of the common shares RMMH sold were priced at  
27 \$.375 per share. At the same time, Elite was offering Series A Preferred shares,  
28 which were immediately convertible to common stock at a one-to-one ratio, for \$.50

1 per share.

2 128. RMMH sold a total of approximately 5.5 million shares of Elite common  
3 stock for an aggregate of approximately \$2 million to approximately 20 investors in  
4 five different states between December 2016 and December 2017. These share  
5 numbers are on an as-converted basis following Elite's business reorganization in  
6 March 2017.

7 129. The Owens Group did not tell Tillman or Zia about the RMMH  
8 Offering, and took steps to conceal it from them.

9 130. For example, as part of the RMMH Offering, on or about December 21,  
10 2016, Gunton emailed a stock purchase agreement to one offeree with a blind copy to  
11 Lindstrom, using the subject, "Confidential Stock Purchase Agreement (Highly  
12 Confidential)." In the email, he stated,

13  
14 **Please treat this agreement with the highest level of confidentiality.**

15 Additionally, I would ask that you kindly communicate with me directly with  
16 no intermediary communication moving forward.

17  
18 131. In addition, the stock purchase agreements that were used as part of the  
19 RMMH Offering stated that upon receipt of funds from the purchasers, RMMH  
20 would surrender to Elite's transfer agent stock certificates representing the shares  
21 being purchased, and the transfer agent would issue a new Elite stock certificate to  
22 the purchaser.

23 132. In reality, Elite did not have a transfer agent. Instead, Yale simply  
24 issued the new stock certificates without the knowledge or authorization of Tillman  
25 and Zia. She was able to do this because issuing stock certificates and keeping the  
26 stock ledger was one of the services Owens had offered Tillman and Zia.

27 133. Yale was the person responsible for issuing Elite stock certificates.

28 134. Unlike the shares issued as part of Elite's offerings, Tillman and Zia did

1 not know about and had not authorized Yale to issue stock certificates or use their  
2 signatures on certificates issued as part of the RMMH Offering.

3 135. The Owens Group also falsely held Gunton out as the Managing  
4 Member of RMMH in an apparent attempt to conceal Owens' involvement.

5 136. The stock purchase agreements used in the RMMH Offering were signed  
6 by Gunton, using the title, "Managing Member" of RMMH. However, Gunton was  
7 never RMMH's Managing Member.

8 137. On or about December 9, 2016, Davenport circulated a draft of the stock  
9 purchase agreement to be used in the RMMH Offering for review by Owens, Gunton,  
10 and Lindstrom. The draft falsely named Gunton as RMMH's Managing Member.

11 138. On or about December 21, 2016, Owens opened the bank account used  
12 for the RMMH Offering, listing himself as Managing Member of RMMH, and  
13 including Gunton – with no corporate title – as an authorized signer.

14 139. Gunton signed a stock purchase agreement dated the same day, as  
15 RMMH's Managing Member.

16 140. In or around June 2017, Owens added Gunton as a Co-Managing  
17 Member of RMMH, but continued to retain full control of RMMH through his 100%  
18 ownership of the entity and his status as the other Co-Managing Member.

19 141. As late as December 29, 2017, Gunton was still signing the stock  
20 purchase agreements as RMMH's "Managing Member."

21 142. Owens was aware of the RMMH Offering, the terms of the stock  
22 purchase agreements, and the fact that Gunton was soliciting investors. For example,  
23 on or about December 9, 2016, Davenport sent Owens, Lindstrom, and Gunton an  
24 email that included a draft stock purchase agreement. On or about March 31, 2017,  
25 Gunton blind copied Owens and Davenport on e-mail communications between  
26 Gunton and investors.

27 143. Owens controlled the RMMH bank account and used the vast majority  
28 of investor funds for himself or his other entities.

1           144. During the RMMH Offering, Gunton was primarily responsible for  
2 soliciting investors. Davenport was primarily responsible for drafting the stock  
3 purchase agreements used in the RMMH Offering. Davenport knew that Yale issued  
4 Elite’s stock certificates and that Elite did not have a transfer agent. In fact, after  
5 Elite’s business reorganization in March 2017, he provided Yale with advice on the  
6 documents she should provide to all Elite shareholders when she sent them their new  
7 Elite stock certificates.

8           145. Davenport also knew that Gunton was not RMMH’s Managing Member,  
9 as he helped coordinate and distribute the RMMH corporate documentation adding  
10 Gunton as a Co-Managing Member in summer 2017.

11           146. Davenport also engaged in conduct to conceal the RMMH Offering.

12           147. Prior to Elite’s discovery of the RMMH Offering, on or about June 5,  
13 2018, Davenport falsely stated in sworn testimony that he had no involvement with  
14 RMMH.

15           148. In addition, in May 2018, he wrote the words, “no knowledge,” next to  
16 “RMMH, LLC” in his response to the SEC’s subpoena, which listed a number of  
17 individuals and entities about which the SEC sought information.

18           149. Gunton and Lindstrom were also involved in the drafting process for the  
19 stock purchase agreements. For example, on December 9, 2016, Davenport sent them  
20 both the initial draft of the stock purchase agreement for review.

21           150. In addition, Gunton helped draft a confidentiality provision in the  
22 agreements, and Lindstrom drafted at least two agreements for specific investors  
23 using the standard template for the RMMH Offering.

24           151. Gunton and Lindstrom both knew that Elite did not have a transfer agent  
25 and that Yale was the person issuing Elite stock certificates. For example, Gunton  
26 coordinated with Yale to have Elite stock certificates issued to purchasers in the  
27 RMMH Offering, and Lindstrom coordinated with Yale on the issuance of certificates  
28 to other Elite investors.

1           152. Gunton and Lindstrom also both knew that Gunton was not the  
2 Managing Member of RMMH. For example, on or about June 23, 2017, Davenport  
3 sent them both an email attaching the updated RMMH corporate documents in June  
4 2017, which added Gunton as a Co-Managing Member.

5           153. Gunton also engaged in conduct to conceal the RMMH Offering. For  
6 example, he never told Tillman and Zia about the offering or sought their  
7 authorization for the stock certificates issued to purchasers in the RMMH Offering.  
8 He worked on drafting confidentiality language used in the stock purchase  
9 agreements, and in some of his communications with investors. Finally, despite the  
10 fact that Gunton was an Elite director who owed a fiduciary duty to Elite and its  
11 investors, he failed to disclose the conflict of interest between his duties to Elite and  
12 his activities soliciting investors to purchase Elite securities from RMMH instead of  
13 Elite – effectively reducing the amount of money Elite was able to raise.

14           154. Lindstrom also engaged in conduct to conceal the RMMH Offering. For  
15 example, she never told Tillman and Zia about the offering, and despite the fact that  
16 she was allegedly involved with for Elite’s corporate compliance functions, she  
17 allowed Yale to issue unauthorized Elite stock certificates to purchasers in the  
18 RMMH Offering. In addition, she was an Elite director beginning in May 2017, and  
19 owed a fiduciary duty to Elite and its investors for the second half of the RMMH  
20 Offering. However, she failed to disclose the conflict of interest between her duties  
21 to Elite and her involvement in the RMMH Offering, which effectively reduced the  
22 amount of money Elite was able to raise.

23           155. Additionally, in December 2017, Lindstrom was working on packets of  
24 information to be sent to all Elite investors in advance of the annual shareholder  
25 meeting. Elite’s paralegal told Lindstrom that Elite’s stock ledger was required to be  
26 sent to the investors. In an e-mail to Davenport on or about December 6, 2017,  
27 Lindstrom said, “[a]nd the shareholders have to get the Ledger? NO. I don’t think so  
28 ... .”

1           156. Yale also engaged in conduct to conceal the RMMH Offering. For  
2 example, she never told Tillman or Zia about the offering, and failed to obtain their  
3 permission before issuing Elite stock certificates to purchasers in the RMMH  
4 Offering, and using their signature stamps as part of the RMMH Offering.

5           157. In carrying out the RMMH Scheme, Davenport knew, or was reckless or  
6 negligent in not knowing, that he was concealing the RMMH Offering from Tillman  
7 and Zia, that he was involved in falsely representing to purchasers that Elite's transfer  
8 agent would issue their Elite shares, and that he was involved in falsely representing  
9 to purchasers that Gunton was RMMH's Managing Member.

10           158. In carrying out the RMMH Scheme, Gunton knew, or was reckless or  
11 negligent in not knowing, that he was falsely holding himself out as RMMH's  
12 Managing Member, falsely representing to purchasers that their shares would be  
13 issued by Elite's transfer agent, concealing the RMMH Offering from Tillman and  
14 Zia, coordinating the issuance of unauthorized stock certificates to purchasers, and  
15 failing to disclose the conflict of interest between his duties to Elite and his  
16 solicitation of investors in the RMMH Offering.

17           159. In carrying out the RMMH Scheme, Lindstrom knew, or was reckless or  
18 negligent in not knowing, that she was concealing the RMMH Offering from Tillman  
19 and Zia, involved in falsely representing to purchasers that Elite's transfer agent  
20 would issue their Elite shares, involved in falsely representing to purchasers that  
21 Gunton was RMMH's Managing Member, and failing to disclose the conflict of  
22 interest between her duties to Elite and her involvement in the RMMH Offering.

23           160. In carrying out the RMMH Scheme, Owens knew, or was reckless or  
24 negligent in not knowing, that he was concealing his involvement in the RMMH  
25 Offering, concealing the RMMH Offering from Tillman and Zia, and involved in the  
26 issuance of unauthorized stock certificates to purchasers.

27           161. In carrying out the RMMH Scheme, Yale knew, or was reckless or  
28 negligent in not knowing, that she was concealing the RMMH Offering from Tillman



1 and Zia, and was issuing unauthorized stock certificates to purchasers.

2 **E. Lack of Registration of RMMH's Sale of Elite Stock**

3 162. The RMMH Offering was not registered with the SEC.

4 163. No registration statement was ever filed with the SEC for the offer or  
5 sale of any Elite shares.

6 164. Owens directly sold the Elite shares without registration because he  
7 owned and controlled RMMH at all relevant times, and was aware of the RMMH  
8 Offering.

9 165. Gunton directly sold the Elite shares without registration because he  
10 solicited investors during the RMMH Offering.

11 166. No exemptions from registration are available to Owens or Gunton.  
12 Resellers of unregistered securities may rely on the safe harbor provided by Securities  
13 Act Rule 144 to sell their securities, but only when they comply with Rule 144.  
14 Owens and Gunton did not comply with Rule 144 because they were "affiliates" of  
15 Elite during the RMMH Offering and did not take the steps required of affiliates prior  
16 to RMMH's offers and sales.

17 167. Owens was an affiliate of Elite because he controlled its capital-raising  
18 process, attended board meetings, and owned close to 20% of its outstanding  
19 common stock.

20 168. Gunton was an affiliate of Elite because he was a director.

21 169. Because Gunton and Owens were affiliates, under Rule 144, they were  
22 required to use a registered broker or otherwise comply with the Rule 144 manner of  
23 sale requirements; file Forms 144 with the Commission; and provide certain  
24 information regarding Elite's business to their resale purchasers. They failed to  
25 comply with these requirements, and cannot avail themselves of the Rule 144 safe  
26 harbor.

27 170. Yale was a necessary participant and substantial factor in the RMMH  
28 Offering because she had the tools necessary to issue Elite stock certificates,

1 including the means to generate the certificates, as well as the signature stamps of  
2 Tillman and Zia. Without Yale's participation, RMMH would not have been able to  
3 secretly sell its shares and issue unauthorized stock certificates to investors.

4 **F. Tillman's and Zia's Material Misrepresentations and Omissions**

5 171. Between February 21 and March 28, 2018, Tillman and Zia also made  
6 material misrepresentations to Elite's investors concerning aspects of Elite's business.

7 **1. Tillman Misrepresented the Status of a Material Acquisition**

8 172. During a recorded investor conference call in February 2018, Tillman  
9 told investors that Elite had closed an acquisition with Spearman, and was in the  
10 process of integrating the company.

11 173. Elite had touted the potential acquisition for some time, claiming it  
12 would increase Elite's revenues.

13 174. In fact, the Spearman acquisition had not closed at the time of the  
14 conference call and never did close, because Elite failed to make the required  
15 payments.

16 175. Following the February 2018 conference call, Elite continued to raise  
17 money from investors.

18 176. Tillman knew at the time of the conference call that Elite had not  
19 completed its payments and was not yet entitled to Spearman's assets.

20 177. A reasonable investor would have considered it material that an  
21 acquisition touted as having been significant and completed, had not, in fact been  
22 completed.

23 178. Tillman knew, or was reckless in not knowing, that he was  
24 misrepresenting that the Spearman acquisition had closed, and that Elite was in the  
25 process of integrating Spearman.

26 179. Tillman's state of mind is attributed to Elite, because at all relevant  
27 times, he was a founder, as well an executive officer and director of Elite.

28 180. Tillman and Elite are the makers of the statement in the investor

1 conference call because Tillman was the individual who spoke the statement in the  
2 call and he is an executive officer and director of Elite.

3 **2. Zia Misrepresented the Status of Elite's Financial Audits**

4 181. During an investor conference call in March 2018, Zia stated that Elite's  
5 auditors had told the company to wait and include future contracts before finalizing  
6 the audit, so that Elite would be more attractive in a public offering.

7 182. Zia's statement was false because (1) at the time of the call, Zia knew  
8 that Elite did not have an auditor, and (2) neither of Elite's prior two auditors had  
9 made any such statement.

10 183. In fact, on or about September 27, 2017, in a letter to Elite's board of  
11 directors regarding issues related to the 2014 audit, Elite's first auditor cited lack of  
12 audit evidence as a reason for the delay in completing the 2014 audit.

13 184. On or about January 26, 2018, in a resignation letter, Elite's second  
14 auditor cited lack of internal controls as one of its reasons for resignation.

15 185. A reasonable investor would have considered it material that Elite did  
16 not, in fact, have an auditor at the time of Zia's statements; that past auditors had told  
17 the company that financial audits had been delayed due to a lack of audit evidence;  
18 that auditors had resigned, in part, due to internal control weaknesses; and that no  
19 auditors had told the company to delay completion of Elite's audits in order to  
20 include future transactions.

21 186. Following the March 2018 conference call, Elite continued to raise  
22 money from investors.

23 187. Zia knew, or was reckless in not knowing, that he was misrepresenting  
24 the fact that Elite had an auditor; and that the delay in completing Elite's financial  
25 audit was because auditors had told the company to delay completion of its audit in  
26 order to include future transactions.

27 188. Zia's state of mind is attributed to Elite, because at all relevant times, he  
28 was a founder, as well as an executive officer and director of Elite.

1 189. Zia and Elite are the makers of the statement in the investor conference  
2 call because Zia was the individual who made the statement in the call and he was a  
3 founder, as well as an executive officer and director of Elite.

4  
5 **FIRST CLAIM FOR RELIEF**

6 **Fraud in Connection with the Purchase or Sale of Securities**

7 **Violations of Section 10(b) of the Exchange Act and Rules 10b-5(a) and (c)**

8 **(Against All Defendants)**

9 190. The SEC realleges and incorporates by reference paragraphs 1 through  
10 189 above.

11 191. As alleged above, Defendants Davenport, Elite, Lindstrom, Owens,  
12 Tillman, and Zia engaged in the Boiler Room scheme by, for example, taking steps to  
13 conceal the payment of sales commissions to unregistered brokers, and failing to  
14 accurately disclose the amount of investor funds that would be used to pay Elite's  
15 offering costs.

16 192. As alleged above, Defendants Davenport, Lindstrom, and Zia engaged in  
17 a fraudulent scheme to include a false footnote to Elite's unaudited financial  
18 statements. For example, Davenport drafted the false footnote, Zia approved it, and  
19 Lindstrom reviewed it and coordinated its distribution at a time when all three  
20 Defendants knew it was false.

21 193. As alleged above, Defendants Davenport, Gunton, Lindstrom, Owens,  
22 and Yale engaged in a fraudulent scheme to sell RMMH's Elite shares by, for  
23 example, failing to secure authorization from Elite before conducting the private,  
24 unregistered offering; using Tillmans's and Zia's signatures on Elite stock certificates  
25 without permission; and falsely stating that Elite's transfer agent would issue new  
26 stock certificates.

27 194. By engaging in the conduct described above, Defendants Davenport,  
28 Elite, Gunton, Lindstrom, Owens, Tillman, Yale, and Zia, and each of them, directly

1 or indirectly, in connection with the purchase or sale of a security, and by the use of  
2 means or instrumentalities of interstate commerce, of the mails, or of the facilities of  
3 a national securities exchange, knowingly and recklessly: (a) employed devices,  
4 schemes, or artifices to defraud; and (b) engaged in acts, practices, or courses of  
5 business which operated or would operate as a fraud or deceit upon other persons.

6 195. By engaging in the conduct described above, Defendants Davenport,  
7 Elite, Gunton, Lindstrom, Owens, Tillman, Yale, and Zia violated, and unless  
8 enjoined will continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. §  
9 78j(b), and Rules 10b-5(a) and 10b-5(c) thereunder, 17 C.F.R. §§ 240.10b-5(a) &  
10 240.10b-5(c).

## 11 **SECOND CLAIM FOR RELIEF**

### 12 **Fraud in Connection with the Purchase or Sale of Securities**

### 13 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5(b)**

### 14 **(Against Tillman, Zia, and Elite)**

15 196. The SEC realleges and incorporates by reference paragraphs 1 through  
16 189 above.

17 197. As set forth above, Defendants Tillman, Zia, and Elite made material  
18 misrepresentations to investors, including Defendant Tillman's false statement that  
19 the Spearman acquisition had closed; and Defendant Zia's false statement that Elite's  
20 auditors had advised the company to delay finalizing Elite's financial audit.

21 198. By engaging in the conduct described above, Defendants Tillman, Zia,  
22 and Elite, directly or indirectly, in connection with the purchase or sale of a security,  
23 and by the use of means or instrumentalities of interstate commerce, of the mails, or  
24 of the facilities of a national securities exchange, knowingly and recklessly, made  
25 untrue statements of a material fact or omitted to state a material fact necessary in  
26 order to make the statements made, in light of the circumstances under which they  
27 were made, not misleading.

28 199. By engaging in the conduct described above, Defendants Tillman, Zia,

1 and Elite violated, and unless enjoined will continue to violate, Section 10(b) of the  
2 Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5(b) thereunder, 17 C.F.R. §  
3 240.10b-5(b).

4 **THIRD CLAIM FOR RELIEF**

5 **Fraud in the Offer or Sale of Securities**

6 **Violations of Sections 17(a)(1) and 17(a)(3) of the Securities Act**

7 **(Against All Defendants)**

8 200. The SEC realleges and incorporates by reference paragraphs 1 through  
9 189 above.

10 201. As alleged above, Defendants Davenport, Elite, Lindstrom, Owens,  
11 Tillman, and Zia engaged in a the Boiler Room scheme by, for example, taking steps  
12 to conceal the payment of sales commissions to unregistered brokers, and failing to  
13 accurately disclose the amount of investor funds that would be used to pay Elite's  
14 offering costs.

15 202. As alleged above, Defendants Davenport, Lindstrom, and Zia engaged in  
16 a fraudulent scheme to include a false footnote to Elite's unaudited financial  
17 statements. For example, Davenport drafted the false footnote, Zia approved it, and  
18 Lindstrom reviewed it and coordinated its distribution at a time when all three  
19 Defendants knew it was false.

20 203. As alleged above, Defendants Davenport, Gunton, Lindstrom, Owens,  
21 and Yale engaged in a fraudulent scheme to sell RMMH's Elite shares by, for  
22 example, failing to secure authorization from Elite before conducting the private,  
23 unregistered offering; using Tillman's and Zia's signatures on Elite stock certificates  
24 without permission; and falsely stating that Elite's transfer agent would issue new  
25 stock certificates.

26 204. By engaging in the conduct described above, Defendants Davenport,  
27 Elite, Gunton, Lindstrom, Owens, Tillman, Yale, and Zia, and each of them, directly  
28 or indirectly, in the offer or sale of securities, and by the use of means or

1 instrumentalities of interstate commerce, of the mails, or of the facilities of a national  
2 securities exchange,: (a) knowingly and recklessly employed devices, schemes, or  
3 artifices to defraud; and (b) knowingly, recklessly and negligently engaged in  
4 transactions, practices, or courses of business which operated or would operate as a  
5 fraud or deceit upon the purchaser.

6 205. By engaging in the conduct described above, Defendants Davenport,  
7 Elite, Gunton, Lindstrom, Owens, Tillman, Yale, and Zia violated, and unless  
8 enjoined will continue to violate, Sections 17(a)(1) and 17(a)(3) of the Securities Act,  
9 15 U.S.C. §§ 77q(a)(1) and § 77q(a)(3).

#### 10 **FOURTH CLAIM FOR RELIEF**

##### 11 **Unregistered Offer and Sale of Securities**

##### 12 **Violations of Sections 5(a) and 5(c) of the Securities Act**

##### 13 **(Against Defendants Owens, Gunton, and Yale)**

14 206. The SEC realleges and incorporates by reference paragraphs 1 through  
15 189 above.

16 207. RMMH's sale of Elite shares was not registered with the SEC, and no  
17 exemption to the registration requirements was available. RMMH was owned and  
18 controlled by Owens at all relevant times. Gunton solicited investors in the RMMH  
19 Offering. Yale was a necessary participant and substantial factor in RMMH's  
20 unregistered sales because she issued the unauthorized stock certificates.

21 208. By engaging in the conduct described above, Defendants Owens,  
22 Gunton, and Yale, and each of them, directly or indirectly, singly and in concert with  
23 others, has made use of the means or instruments of transportation or communication  
24 in interstate commerce, or of the mails, to offer to sell or to sell securities, or carried  
25 or caused to be carried through the mails or in interstate commerce, by means of  
26 instruments of transportation, securities for the purpose of sale or for delivery after  
27 sale, when no registration statement had been filed or was in effect as to such  
28 securities, and when no exemption from registration was applicable.

1 209. By engaging in the conduct described above, Defendants Owens,  
2 Gunton, and Yale violated, and unless enjoined will continue to violate, Sections 5(a)  
3 and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77(e)(c).

4 **FIFTH CLAIM FOR RELIEF**

5 **Unregistered Broker-Dealer**

6 **Violation of Section 15(a) of the Exchange Act**

7 **(Against Defendant Owens)**

8 210. The SEC realleges and incorporates by reference paragraphs 1 through  
9 189 above.

10 211. As alleged above, Owens acted as an unregistered broker by, among  
11 other things, setting up and controlling a boiler room, providing leads to Elite's  
12 salespeople, hiring sales representatives to solicit investors, drafting and reviewing  
13 sales scripts, and controlling the collection of investor funds and paperwork.

14 212. By engaging in the conduct described above, Owens made use of the  
15 mails or means or instrumentalities of interstate commerce to effect transactions in, or  
16 to induce or attempt to induce the purchase or sale of securities, without being  
17 registered as a broker in accordance with Section 15(b) of the Exchange Act, 15  
18 U.S.C. § 78o(b).

19 213. By engaging in the conduct described above, Defendant Owens violated,  
20 and unless restrained and enjoined will continue to violate, Section 15(a) of the  
21 Exchange Act, 15 U.S.C. § 78o(a).

22 **PRAYER FOR RELIEF**

23 WHEREFORE, the SEC respectfully requests that the Court:

24 **I.**

25 Issue findings of fact and conclusions of law that Defendants committed the  
26 alleged violations.

27 **II.**

28 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of



1 Civil Procedure:

2 (a) permanently enjoining Davenport, Elite, Gunton, Lindstrom, Owens,  
3 Tillman, Yale, and Zia and their officers, agents, servants, employees and  
4 attorneys, and those persons in active concert or participation with any of them,  
5 who receive actual notice of the judgment by personal service or otherwise,  
6 and each of them, from violating Section 17(a) of the Securities Act, 15 U.S.C.  
7 § 77q(a), and Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule  
8 10b-5 thereunder, 17 C.F.R. § 240.10b-5;

9 (b) permanently enjoining Gunton, Owens, and Yale and their officers,  
10 agents, servants, employees and attorneys, and those persons in active concert  
11 or participation with any of them, who receive actual notice of the judgment by  
12 personal service or otherwise, and each of them, from violating Sections 5(a)  
13 and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c), and

14 (c) permanently enjoining Owens, his officers, agents, servants,  
15 employees and attorneys, and those persons in active concert or participation  
16 with any of them, who receive actual notice of the judgment by personal  
17 service or otherwise, and each of them, from violating Section 15(a) of the  
18 Exchange Act, 15 U.S.C. § 78o(a).

19 **III.**

20 Order Defendants to disgorge all funds received from their illegal conduct,  
21 together with prejudgment interest thereon pursuant to Exchange Act Sections  
22 21(d)(5) and 21(d)(7) [15 U.S.C. §§ 78u(d)(5) and 78u(d)(7)].

23 **IV.**

24 Order Defendants to pay civil penalties under Section 20(d) of the Securities  
25 Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. §  
26 78u(d)(3).

27 **V.**

28 Enter an order against Defendants Davenport, Gunton, Lindstrom, Owens,

1 Tillman, and Zia pursuant to Section 20(e) of the Securities Act and Section 21(d)(2)  
2 of the Exchange Act, 15 U.S.C. § 77t(e) and 15 U.S.C. § 78u(d)(2), prohibiting them  
3 from acting as an officer or director of any issuer that has a class of securities  
4 registered pursuant to Section 12 of the Exchange Act, 15 U.S.C. § 78l, or that is  
5 required to file reports pursuant to Section 15(d) of the Exchange Act, 78 U.S.C. §  
6 78o(d).

7 **VI.**

8 Enter an order against Defendants Davenport, Gunton, Lindstrom, Owens,  
9 Tillman, Yale, and Zia prohibiting them from participating in any offering of penny  
10 stock pursuant to Section 20(g) of the Securities Act, 15 U.S.C. § 77t(g), and Section  
11 21(d)(6) of the Exchange Act, 15 U.S.C. § 78u(d)(6).

12 **VII.**

13 Retain jurisdiction of this action in accordance with the principles of equity and  
14 the Federal Rules of Civil Procedure in order to implement and carry out the terms of  
15 all orders and decrees that may be entered, or to entertain any suitable application or  
16 motion for additional relief within the jurisdiction of this Court.

17 **VIII.**

18 Grant such other and further relief as this Court may determine to be just and  
19 necessary.

20  
21 Dated: August 31, 2021

22 */s/ Kathryn Wanner*

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Kathryn C. Wanner

24 Attorney for Plaintiff

25 Securities and Exchange Commission  
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# Complaints and Other Initiating Documents

[8:21-cv-01427 Securities and Exchange Commission v. Davenport et al](#)

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

## Notice of Electronic Filing

The following transaction was entered by Wanner, Kathryn on 8/31/2021 at 3:30 PM PDT and filed on 8/31/2021

**Case Name:** Securities and Exchange Commission v. Davenport et al

**Case Number:** [8:21-cv-01427](#)

**Filer:** Securities and Exchange Commission

**Document Number:** [1](#)

### Docket Text:

**COMPLAINT No Fee Required - US Government, filed by Plaintiff Securities and Exchange Commission. (Attorney Kathryn C Wanner added to party Securities and Exchange Commission(pty:pla))(Wanner, Kathryn)**

### 8:21-cv-01427 Notice has been electronically mailed to:

Kathryn C Wanner wannerk@sec.gov, irwinma@sec.gov, longoa@sec.gov, simundacc@sec.gov

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