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8.  
9. **UNITED STATES DISTRICT COURT**  
10. **SOUTHERN DISTRICT OF CALIFORNIA**

11.  
12.  
13. **SECURITIES AND EXCHANGE  
COMMISSION,**

14. **Plaintiff,**

15. **vs.**

16.  
17. **TROY JOSEPH FLOWERS,  
SEAN PAUL NEVETT, and  
18. FRUITION, INC. (f/k/a SEACOAST  
ADVISORS, INC.)**

19. **Defendants.**  
20.

Case No. **'17CV1456 JAH JLB**

**COMPLAINT**

21.  
22. Plaintiff Securities and Exchange Commission ("SEC") alleges:

23. **JURISDICTION AND VENUE**

24. 1. The Court has jurisdiction over this action pursuant to Sections 20(b),  
25. 20(d)(1) and 22(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§  
26. 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27(a) of the  
27. Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78u(d)(1),  
28.

1 78u(d)(3)(A), 78u(e) & 78aa(a).

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

6 3. Venue is proper in this district pursuant to Section 22(a) of the Securities  
7 Act, 15 U.S.C. § 77v(a), and Section 27(a) of the Exchange Act, 15 U.S.C. § 78aa(a),  
8 because certain of the transactions, acts, practices and courses of conduct constituting  
9 violations of the federal securities laws occurred within this district. In addition,  
10 venue is proper in this district because defendants Troy Joseph Flowers and Sean  
11 Paul Nevett reside in this district. Defendant Fruition, Inc. (f/k/a Seacoast Advisors,  
12 Inc.) is headquartered and/or does business in this district.

13 **SUMMARY**

14 4. Defendants Troy Joseph Flowers, his company Fruition, Inc.  
15 (“Fruition”), and his business partner Sean Paul Nevett, perpetrated a market  
16 manipulation scheme between 2012 and 2014 in the shares of two publicly traded  
17 companies, Licont Corp. (“Licont”) and Artec Global Media, Inc. (“Artec”). Flowers  
18 and Nevett manipulated the market to increase the share price for each company’s  
19 stock through “matched trading” – trading that appears to involve third parties buying  
20 or selling stock, when in reality it was trading by, or controlled by, Flowers or Nevett.

21 5. To accomplish their fraudulent scheme, Flowers and Nevett first  
22 arranged for the purchase of the public shell companies Licont and Artec. They then  
23 used multiple accounts held in the names of third parties, which Flowers and Nevett  
24 controlled, to engage in matched trading, artificially increase the price of the stock,  
25 and create the false appearance that there was an active market and real demand for  
26 the shares of Licont and Artec. Flowers, Fruition, and Nevett then sold shares on the  
27 open market, reaping approximately \$3.8 million in illegal proceeds. After Flowers,  
28 Fruition, and Nevett were through with their manipulation, Licont and Artec were left

1 with no funding and a negligible stock value, while shareholders who purchased  
2 during the manipulation were left with stock that is virtually worthless.

3 6. By engaging in this conduct, Flowers, Fruition, and Nevett violated  
4 Sections 17(a)(1) and (3) of the Securities Act, Section 9(a)(1) of the Exchange Act,  
5 and Section 10(b) of the Exchange Act and Rules 10b-5(a) and (c) thereunder. The  
6 SEC seeks permanent injunctions prohibiting future violations of the federal  
7 securities laws, joint and several disgorgement of Defendants' ill-gotten gains along  
8 with prejudgment interest, civil penalties, and a penny stock bar against Defendants.

9 **THE DEFENDANTS**

10 7. **Troy Joseph Flowers**, age 50, resides in Solana Beach, California.  
11 Flowers previously held Series 7, 24, 55, and 63 licenses, and worked for various  
12 brokerage firms from at least 1995 through 2000. In 2003, Flowers pleaded guilty to  
13 one count of fraud by a broker-dealer to induce the sale of a security in the State of  
14 California, and was sentenced to five years of probation. Following a suspension in  
15 2001, Flowers was also permanently barred by NASD in 2002 from association with  
16 any NASD member in any capacity. Flowers asserted his Fifth Amendment privilege  
17 during testimony in the SEC's investigation of his conduct concerning the matters  
18 alleged in this Complaint.

19 8. **Sean Paul Nevett**, age 49, resides in Encinitas, California. Nevett  
20 previously held Series 7 and 63 licenses and worked for various brokerage firms from  
21 at least 1990 through 1995. In 1997, Nevett was censured, fined \$4,000, and  
22 suspended by the NASD for four business days. In 2003, Nevett settled charges  
23 brought by the SEC that he had violated Section 5 of the Securities Act, and  
24 consented to, among other things, entry of a permanent bar from violating Section 5  
25 of the Securities Act, and a two-year bar from participating in the distribution of any  
26 penny stock. *SEC v. Nevett*, Civil Action No. 1:03CV01994 (D.D.C. Sept. 25, 2003)  
27 (PLF). Nevett asserted his Fifth Amendment privilege during testimony in the SEC's  
28 investigation of his conduct concerning the matters alleged in this Complaint.



1 companies involved in this matter, Licont and Artec.

2 13. Their operation involved acquiring publicly-traded, existing shell  
3 companies. A public "shell company" is a corporation without active business  
4 operations or significant assets that is often listed on a stock exchange, and which  
5 may be used for a number of legitimate purposes such as to raise funds before starting  
6 operations, or to take a business public.

7 14. Once the shell was acquired, Flowers and Nevett installed a nominal  
8 chief executive officer who ostensibly controlled the company through ownership of  
9 a majority of the shares. Flowers and Nevett then provided accounting, legal, and  
10 public relations support for the chief executive officer ("CEO").

11 15. The CEO owned the majority of the restricted shares of the company,  
12 while Flowers and Nevett acquired the unrestricted shares of the companies.

13 16. Restricted shares are a class of securities with restrictions on their ability  
14 to trade on a market or exchange, such as the OTC Bulletin Board. In contrast,  
15 unrestricted shares may be freely traded on a market or exchange, if all other listing  
16 requirements are met.

17 17. A significant number of the unrestricted shares were acquired by  
18 Fruition. Flowers and Nevett also arranged for large amounts of unrestricted stock to  
19 be acquired by their friends and family, who primarily used online brokerage  
20 accounts to hold the securities. Flowers and Nevett then controlled the online  
21 brokerage accounts. Flowers and Nevett were able to log into the accounts using the  
22 user names and passwords associated with the accounts.

23 18. Once they had acquired control of the unrestricted shares, Flowers and  
24 Nevett engaged in matched trading to manipulate up and support the price of the  
25 stock of Licont and Artec, artificially inflating the volume of trading and the price.

26 19. Flowers and Nevett used the nominee accounts to conceal their trading  
27 and effective control of the market. Flowers and Nevett then sold their unrestricted  
28 shares of Licont and Artec into the artificially inflated market, reaping fraudulent

1 windfall profits. After a period of time, Flowers and Nevett then moved on, the price  
2 of the stock collapsed, and the duped shareholders were left with a company that had  
3 few, if any assets, and a stock of little value.

4 20. With regard to Defendants' manipulation of Licont, between September  
5 2012 and February 2013, Flowers and Nevett sold Licont shares and reaped illegal  
6 proceeds of at least \$2,170,657. Of that amount, approximately \$1,338,315 was  
7 realized by Fruition.

8 21. With regard to Defendants' manipulation of Artec, between November  
9 2013 and May 2014, Flowers sold approximately 444,000 Artec shares out of his  
10 Fruition account for proceeds of more than \$1,100,000. Flowers transferred a portion  
11 of the proceeds to nominee bank accounts controlled by Nevett, in an effort to  
12 conceal Nevett's involvement and profit from the fraud.

13 22. At all relevant times, Flowers, Fruition, and Nevett used means and  
14 instrumentalities of interstate commerce in the course of perpetrating their fraudulent  
15 scheme. Flowers and Nevett accessed online brokerage accounts using internet  
16 wires, and transferred funds among and between bank and brokerage accounts using  
17 means and instrumentalities of interstate commerce. In addition, the companies that  
18 Flowers, Fruition, and Nevett used to perpetrate their fraud were incorporated in  
19 Nevada.

## 20 **B. The Licont Scheme**

### 21 **1. Flowers and Nevett organize Licont**

22 23. In or about mid-2012, Nevett began discussing a business idea with an  
23 individual "T.R.," who was Nevett's chiropractor and surfing buddy. T.R. had an  
24 idea for a business related to the health insurance industry that ultimately became  
25 Licont.

26 24. Nevett informed T.R. that he was partners with Flowers, and the two of  
27 them would place young companies into a public "shell company" and try to build the  
28 businesses.

1 25. Nevett subsequently introduced Flowers to T.R. Nevett and Flowers  
2 explained that they had a “turnkey model” for creating a new business that included  
3 attorneys, accountants, and a transfer agent with whom they had previously worked.  
4 T.R. agreed to the business model proposed by Flowers and Nevett.

5 26. In August 2012, Flowers paid \$280,000 to purchase 100% of the  
6 restricted and unrestricted shares of Licont, which was an existing public shell  
7 company. This purchase allowed Flowers and his partner, Nevett, to control all of the  
8 outstanding, unrestricted stock of Licont.

9 27. Flowers then directed the distribution of all unrestricted shares to  
10 approximately ten accounts controlled by Flowers and Nevett. Through this  
11 distribution of shares, Flowers and Nevett controlled all of the unrestricted stock of  
12 Licont.

13 28. The accounts that received the unrestricted Licont stock were held in the  
14 names of friends of Flowers and Nevett, or companies that appeared to be unrelated  
15 to them but whose trading accounts they controlled. Flowers and Nevett used at least  
16 six such nominee accounts to trade Licont stock. The accounts were typically held at  
17 online brokerages. Flowers and Nevett gained access to the accounts by using the  
18 related account user names and passwords for the accounts. By using accounts of  
19 nominees, Nevett and Flowers concealed their trading activity and effective control of  
20 the outstanding, unrestricted shares.

21 29. On August 28, 2012, as part of Flowers’ acquisition of the shell  
22 company, Fruition (then operating as Seacoast) received 250,000 unrestricted shares  
23 of Licont. Fruition (then operating as Seacoast) filed a Form 3 with the SEC dated  
24 November 16, 2012, identifying itself as a 9.7% owner of Licont.

25 30. On August 31, 2012, T.R. became the CEO and sole director of Licont  
26 when he executed a stock purchase agreement to purchase 1.5 million restricted  
27 shares of the company, or about 57.9% of the outstanding shares. Because T.R.’s  
28 shares were restricted, T.R. could not easily sell them on the open market.

1 31. In a Form 8-K/A dated November 30, 2012, Licont disclosed that  
2 Fruition (then operating as Seacoast) owned 250,000 shares of Licont stock,  
3 constituting 9.65% of the common stock. Licont also disclosed that it had changed its  
4 business operations, and intended to operate a “multi-disciplinary provider network  
5 that will offer contracting auto insurance carriers and their injured patient’s (*sic*)  
6 access to the Company’s national network of personal injury preferred providers.”  
7 The Form 8-K/A disclosed that Licont had not generated positive cash flows from  
8 operating activities, and its current assets were “\$(39),” and current liabilities were  
9 \$7,429.

10 32. After November 30, 2012, neither Licont nor Fruition made any public  
11 filings disclosing Fruition’s ownership.

12 33. Flowers and Nevett controlled approximately 40% of the outstanding  
13 shares of Licont shortly after the company was purchased.

14 34. Flowers’ role was to assist with activities related to Licont’s corporate  
15 and public relations. Flowers hired a long-time associate to assist Licont with  
16 drafting press releases, meeting minutes, offering documents, presentations, and SEC  
17 filings.

18 35. Nevett’s role was to find investors to purchase Licont securities.

19 36. Licont never achieved any meaningful operations.

20 37. Licont’s Form 10-K for the fiscal year ended September 30, 2013  
21 disclosed that it had no revenue for the years ended September 30, 2012 and  
22 September 30, 2013. In addition, while Licont had assets of \$48,546 as of September  
23 30, 2012, total assets had decreased to \$2,162 as of September 30, 2013.

24 38. Licont’s Form 10-K for the fiscal year ended September 30, 2014 also  
25 disclosed that it had no revenue for the fiscal year.

26 39. As of December 30, 2014, there were approximately 2,710,000 shares of  
27 Licont’s common stock outstanding.

28 40. In January 2015, T.R. resigned from Licont.



1           **2.   Flowers' and Nevett's manipulative trading in Licont securities**

2           41.   There were no public trades of Licont's common stock recorded prior to  
3   September 5, 2012.

4           42.   Beginning on or about September 5, 2012, and continuing through  
5   February 2013, Flowers and Nevett engaged in trading designed to manipulate and  
6   artificially increase the price of Licont's stock trading on the OTC Bulletin Board.

7           43.   Flowers and Nevett manipulated the price of Licont stock by engaging in  
8   matched trades.

9           44.   Nevett and Flowers primarily conducted their Licont trading from three  
10   Internet Protocol addresses ("IP addresses") associated with their respective home  
11   offices. An IP address is a unique numerical identifier assigned to each computer or  
12   other device which identifies each particular device on the Internet or a local network.  
13   Nevett and Flowers used the user names and passwords for the various nominee  
14   accounts to log in and place matched trades in Licont securities.

15           45.   In some instances, Nevett placed both the buy and sell order using  
16   different nominee accounts. In other instances, Nevett and Flowers placed matching  
17   orders in collusion with each other.

18           46.   Among the nominee accounts that Nevett and Flowers used for the  
19   Licont manipulation were accounts in the name of Bula Holdings, Amalfi Coast  
20   Capital, Delica Holdings, and Kay Holdings. Flowers also used the account of a  
21   relative, "N.F." Nevett also instructed a close associate, "A.J.," to purchase certain  
22   quantities of Licont stock at certain prices and times, effectively directing A.J.'s  
23   trading. Nevett also had direct access to A.J.'s trading account, and made trades in  
24   the account.

25           47.   Nevett and Flowers used limit orders for their manipulation, which  
26   allowed them to manipulate the price of Licont higher during a particular trading day.

27           48.   Through their matched trading, Flowers and Nevett manipulated the  
28   price of Licont shares from \$3.45 per share on September 5, 2012, up to a high of

1 \$7.35 per share on February 6, 2013, which gave Licont a total market capitalization  
2 in excess of \$19 million.

3 49. Over the same period, Nevett and Flowers sold a majority of the  
4 unrestricted Licont shares they controlled to unrelated third parties, in open market  
5 transactions on the OTC Bulletin Board.

6 50. Between September 2012 and February 2013, Fruition realized proceeds  
7 of approximately \$1,338,315 from its sale of Licont shares to unrelated third parties.  
8 During the same period, Flowers and Nevett realized additional proceeds of  
9 approximately \$832,342 from sales of Licont shares to unrelated third parties through  
10 other accounts.

11 51. One example of Flowers' use of matched trades occurred on September  
12 5, 2012, when at Flowers' direction, Fruition began selling its unrestricted Licont  
13 shares through the OTC Bulletin Board. Flowers caused Fruition to enter orders to  
14 sell Licont shares at \$3.45 per share. At the time, Licont had virtually no operations.

15 52. At the same time on September 5, 2012, Flowers arranged to have one of  
16 his nominee companies, named Amalfi Coast Capital, enter orders to buy Licont  
17 shares at \$3.45 per share.

18 53. Another example of matched trades occurred on October 25, 2012. On  
19 October 24, 2012, Licont shares closed at \$4.50 per share. On October 25, Nevett  
20 logged into a trading account held in the name of an entity named Bula Holdings  
21 while on the telephone with Flowers. Nevett entered a limit order to sell 565 Licont  
22 shares at \$4.54 per share.

23 54. At about the same time on October 25, 2012, Flowers logged into an  
24 account in the name of Delica Holdings, and entered a limit order to purchase 200  
25 shares of Licont at \$4.54 per share. The trade was executed for the 200 shares, thus  
26 setting an apparent market price for Licont. The remaining sell order was then  
27 cancelled.

28 55. The chart below provides additional examples of manipulative trading

1 by Nevett and Flowers in the shares of Licont:

Date	Account	Buy/Sell	Shares Executed	Execution Price	Execution Time	Person Directing Trade
11/14/2012	Bula Holdings	Sell	400	\$ 4.49	11:37:51	Nevett
11/14/2012	A.J.	Buy	400	\$ 4.49	11:37:51	Nevett
11/20/2012	Amalfi Coast	Sell	100	\$ 4.80	14:36:48	Flowers
11/20/2012	Kay Holdings	Buy	100	\$ 4.80	14:36:48	Flowers
12/20/2012	Bula Holdings	Sell	540	\$ 5.98	9:52:11	Nevett
12/20/2012	A.J.	Buy	540	\$ 5.98	9:52:11	Nevett
12/20/2012	Amalfi Coast	Sell	100	\$ 6.05	9:56:49	Flowers
12/20/2012	Bula Holdings	Buy	100	\$ 6.05	9:56:49	Nevett
12/20/2012	Amalfi Coast	Sell	200	\$ 6.05	15:35:17	Flowers
12/20/2012	A.J.	Buy	200	\$ 6.05	15:35:17	Nevett
1/2/2013	Seacoast	Sell	100	\$ 6.55	12:46:08	Nevett
1/2/2013	Bula Holdings	Buy	116	\$ 6.55	12:46:08	Nevett
1/2/2013	Bula Holdings	Sell	148	\$ 6.60	15:57:35	Nevett
1/2/2013	N.F.	Buy	148	\$ 6.60	15:57:35	Flowers

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13 56. After February 2013, Nevett continued to trade in Licont through the  
14 various nominee accounts he controlled. Licont stock hit a high of \$8.69 per share on  
15 August 22, 2013. The price then decreased drastically and by November 2014, the  
16 price had dropped to about \$2.50 per share.

17 57. Throughout the period of the manipulation, Licont had virtually no  
18 operations.

### 19 C. The Artec Scheme

#### 20 1. Nevett and Flowers organize Artec

21 58. In or about October 2013, Nevett had conversations with a friend of his  
22 about forming a company. Nevett's friend, C.W., knew Nevett as a person who  
23 worked with stocks and made people a lot of money. C.W. asked Nevett for advice  
24 on how to form a public company for a business idea that C.W. had.

25 59. Nevett sent C.W. to meet with Flowers. Flowers then handled  
26 everything regarding the creation of Artec in connection with C.W.'s business idea.

27 60. Flowers handled all aspects for the acquisition of an existing public shell  
28 company named Artec.

1 61. Artec's Form 10-K for the fiscal year ended January 31, 2014, which  
2 was filed on or about May 13, 2014, disclosed that Artec had 8,309,000 shares of  
3 common stock outstanding.

4 62. Flowers, through Fruition, purchased 648,000 unrestricted shares of  
5 Artec common stock between October and November 2013. Between November and  
6 early December 2013, Flowers negotiated to purchase the remaining unrestricted  
7 shares of the company, through individuals or entities whose accounts Flowers  
8 controlled. In this manner, Flowers and his partner Nevett acquired control of all  
9 unrestricted shares of Artec.

10 63. Neither Fruition nor Artec made any filings with the SEC which  
11 disclosed Fruition's or Flowers' control or ownership of Artec.

12 64. Flowers arranged for C.W. to purchase seven million restricted shares of  
13 Artec for \$300 on December 19, 2013, representing 85.4% of the company's  
14 common equity and resulting in a change of control. Flowers provided the \$300 in  
15 cash to purchase C.W.'s shares.

16 65. Flowers assisted in many aspects of the management of Artec. Flowers  
17 provided funding for the company's nominal operations. Flowers chose the  
18 professionals who were to provide legal, accounting, and transfer agent functions for  
19 Artec. Flowers also hired one of his long-time associates to draft press releases and  
20 assist with the creation of a company website.

21 66. As of January 31, 2014, Artec did not have any full-time employees. It  
22 did not own any property or real estate, and operated virtually from the residence of  
23 its sole officer, C.W. According to its Form 10-K for the fiscal year ended January  
24 31, 2014, Artec had total assets of \$23,107 (consisting of cash of \$5,285 and prepaid  
25 expenses of \$17,822), total liabilities of \$1,100, and an accumulated deficit since  
26 inception (on August 6, 2012) of \$58,893.

27 67. C.W.'s working relationship with Flowers ended a few months into the  
28 venture.

1       **2.     Nevett's and Flowers' manipulative trading in Artec**

2       68.    Even before C.W. obtained control of Artec on December 19, 2013,  
3 Flowers and Nevett began manipulating the price of Artec.

4       69.    In or around November 17, 2013, Flowers told his long-time associate  
5 and C.W. that the Artec website needed to be up and available the next day.

6       70.    On Monday, November 18, 2013, Artec securities traded for the first  
7 time on the OTC Bulletin Board.

8       71.    On November 18, 2013, an associate of Nevett and Flowers, A.J., placed  
9 a limit order to purchase 100,000 shares of Artec at a price of \$2.50 per share. A.J.  
10 entered the limit order at the direction of Nevett. A.J. did not know that Flowers was  
11 going to be on the other side of the transaction. In addition, Nevett told A.J. that he  
12 should not sell his shares.

13       72.    On November 18, 2013, Flowers, through Fruition, began selling Artec  
14 shares using limit orders.

15       73.    Between November 18, 2013 and September 30, 2014, Flowers and  
16 Nevett engaged in matched trading designed to manipulate and artificially increase  
17 the price of Artec's stock trading on the OTC Bulletin Board.

18       74.    During the period from November 18, 2013 through September 2014,  
19 Nevett and Flowers manipulated the price of Artec stock through matched orders to  
20 increase its price from \$2.50 per share to \$4.93 per share.

21       75.    Over the same period of time, Nevett and Flowers sold Artec stock, in  
22 open market transactions on the OTC Bulletin Board.

23       76.    Nevett used the user names and passwords of nominee accounts he  
24 controlled to log in and execute matched trades to artificially inflate the price of Artec  
25 stock.

26       77.    Among the nominee accounts that Nevett and Flowers used for the Artec  
27 manipulation were accounts in the name of Bula Holdings and Lighthouse. Nevett  
28 and Flowers also instructed their close associate "A.J." to purchase and sell certain

1 quantities of Artec stock at certain prices and times.

2 78. Nevett also called brokerage firms and assumed the identity of one of his  
3 childhood friends to communicate with representatives at two brokerage firms and  
4 trade using a nominee company named Bula Holdings, which was ostensibly owned  
5 and controlled by his childhood friend. At the time, Nevett's childhood friend was  
6 living in Mexico.

7 79. The chart below provides some examples of the matched trades made by  
8 Flowers and Nevett:

Date	Account	Buy/Sell	Shares Executed	Execution Price	Execution Time	Person Directing Trade
11/19/2013	Seacoast	Sell	100	\$2.65	11:25:06	Flowers
11/19/2013	Lighthouse	Buy	100	\$2.65	11:25:06	Nevett
11/20/2013	Seacoast	Sell	200	\$2.67	9:39:48	Flowers
11/20/2013	Lighthouse	Buy	200	\$2.67	9:39:48	Nevett
11/27/2013	Lighthouse	Sell	100	\$ 3.01	14:38:06	Nevett
11/27/2013	Bula Holdings	Buy	100	\$ 3.01	14:38:06	Nevett
12/24/2013	Lighthouse	Sell	100	\$ 3.05	12:47:43	Nevett
12/24/2013	A.J.	Buy	100	\$ 3.05	12:47:43	Nevett
12/26/2013	Lighthouse	Sell	100	\$ 3.10	10:59:30	Nevett
12/26/2013	A.J.	Buy	100	\$ 3.10	10:59:30	Nevett
12/31/2013	A.J.	Sell	200	\$ 3.16	9:46:05	Nevett
12/31/2013	A.J.	Buy	200	\$ 3.16	9:46:05	Nevett
1/24/2014	Bula Holdings	Sell	100	\$ 3.38	12:01:41	Nevett
1/24/2014	Lighthouse	Buy	100	\$ 3.38	12:01:41	Nevett
1/24/2014	Bula Holdings	Sell	100	\$ 3.38	12:36:59	Nevett
1/24/2014	Lighthouse	Buy	100	\$ 3.38	12:36:59	Nevett
1/24/2014	Bula Holdings	Sell	100	\$ 3.38	13:23:00	Nevett
1/24/2014	Lighthouse	Buy	100	\$ 3.38	13:23:00	Nevett
1/27/2014	Lighthouse	Sell	100	\$ 3.40	10:03:15	Nevett
1/27/2014	Bula Holdings	Buy	100	\$ 3.40	10:03:15	Nevett

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25 80. Flowers sold approximately 444,000 shares of Artec through his Fruition  
26 account between November 18, 2013 and May 30, 2014, for proceeds of more than  
27 \$1.1 million.  
28

1 81. Nevett continued to manipulate the price of Artec stock, which hit a high  
2 of \$5 a share on August 22, 2014.

3 82. After Flowers and Nevett ceased their manipulative activity, the price of  
4 Artec stock dropped substantially. By November 2014, Artec stock was trading at  
5 about \$2.72 per share. Several months later, in June 2015, the price had dropped to  
6 \$0.41 per share.

7 **3. Defendants' efforts to conceal Nevett's involvement in the Artec**  
8 **scheme**

9 83. Flowers and Nevett worked together in an effort to conceal their  
10 manipulation and trading profits in the Artec scheme, including engaging in bank  
11 transactions designed to conceal their relationship and source of funds.

12 84. Flowers moved proceeds from their trading from accounts he controlled,  
13 to bank accounts controlled by Nevett. Nevett then transferred funds to brokerage  
14 trading accounts that he controlled, which were then used for the matched trading.

15 85. As part of the money flow, Nevett and Flowers would take a cut of the  
16 profits as they moved the proceeds of the fraud among the various accounts they  
17 controlled.

18 86. For example, during October 2014, Flowers transferred a total of  
19 \$554,241 from Fruition trading accounts to Fruition's Wells Fargo checking account.  
20 Flowers kept approximately \$176,000 of the funds in his checking account. Flowers  
21 wired approximately \$377,300 to a Nevett-controlled bank account held in the name  
22 of a nominee third party company named Kavame Holdings. Nevett then transferred  
23 the entire amount to another nominee company, Bula Holdings, through which Nevett  
24 had been selling Artec stock. During the same month, Bula Holdings realized  
25 proceeds of about \$280,000 from sales of Artec stock. Of the \$673,400 of total  
26 proceeds transferred into the Bula Holdings bank account, Nevett wired 50% or  
27 \$340,850 to the Bula Holdings brokerage account where it was used for matched  
28 trading, and wired the remaining 50% to his personal bank account.

1 **D. Defendants Acted With The Requisite State Of Mind**

2 87. At all relevant times, Flowers and Nevett each acted with scienter.  
3 Flowers and Nevett each knew that they were engaging in a scheme to defraud  
4 purchasers of Licont and Artec stock, and that each of them was engaging in acts,  
5 practices, or courses of business which would operate as a fraud or deceit upon other  
6 persons. Among other things, Flowers and Nevett, knowingly and recklessly: (1)  
7 acquired unrestricted stock of Licont and Artec by arranging for the purchase of  
8 publicly traded shell companies, and providing accountants, lawyers, transfer agents  
9 and an investor relations consultant to the CEO whom they installed at each  
10 company; (2) controlled the nominee online brokerage accounts of friends and  
11 family, using the logins to covertly conduct trading in these nominee accounts; (3)  
12 engaged in matched trades to manipulate the stock prices of Licont and Artec stock,  
13 artificially inflating the stocks' price and volume; and (4) reaped windfall profits by  
14 selling the shares they controlled into the artificially inflated market.

15 88. In the alternative, Flowers and Nevett each acted negligently in  
16 perpetuating this fraudulent scheme. Flowers and Nevett each knew or should have  
17 known that each of them was engaging in transactions, practices, or courses of  
18 business which operated as a fraud or deceit upon a purchaser of Licont and Artec  
19 stock, by, among other things, (1) acquiring unrestricted stock of Licont and Artec by  
20 arranging for the purchase of publicly traded shell companies, and providing  
21 accountants, lawyers, transfer agents and an investor relations consultant to the CEO  
22 whom they installed at each company; (2) controlling the nominee online brokerage  
23 accounts of friends and family, using the logins to covertly conduct trading in these  
24 nominee accounts; (3) engaging in matched trades to manipulate the stock prices of  
25 Licont and Artec stock, artificially inflating the stocks' price and volume; and (4)  
26 reaping windfall profits by selling the shares they controlled into the artificially  
27 inflated market.

28 89. Flowers and Nevett each engaged in matched trading with the specific



1 intent of creating a false or misleading appearance of active trading in the securities  
2 of Licont and Artec.

3 90. Flowers' state of mind is attributed to his company Fruition.

4 **FIRST CLAIM FOR RELIEF**

5 **Fraud in the Connection with the Purchase and Sale of Securities**  
6 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5(a) and (c)**  
7 **(against all Defendants)**

8 91. The SEC realleges and incorporates by reference paragraphs 1 through  
9 90 above.

10 92. As alleged above, Flowers, Fruition, and Nevett engaged in a fraudulent  
11 scheme to manipulate and artificially inflate the price of shares of Licont and Artec,  
12 and profit from that conduct by selling shares into the artificially inflated market. In  
13 particular, and as alleged in more detail above, Flowers and Nevett arranged to  
14 purchase shell companies, obtained control of the outstanding unrestricted shares, and  
15 engaged in matched trades to manipulate the price of the stock of each company.

16 93. By engaging in the conduct described above, Defendants Flowers,  
17 Fruition, and Nevett, and each of them, directly or indirectly, in connection with the  
18 purchase or sale of a security, by the use of means or instrumentalities of interstate  
19 commerce, of the mails, or of the facilities of a national securities exchange: (a)  
20 employed devices, schemes, or artifices to defraud [Section 10(b) and Rule 10b-5(a)];  
21 and (b) engaged in acts, practices, or courses of business which operated or would  
22 operate as a fraud or deceit upon other persons [Section 10(b) and Rule 10b-5(c)].

23 94. Defendants Flowers and Nevett each knew, or were reckless in not  
24 knowing, that they employed devices, schemes and artifices to defraud; and engaged  
25 in acts, practices or courses of conduct that operated as a fraud on the investing public  
26 by the conduct described in detail above. Defendant Flowers' state of mind is  
27 imputed to his company, Fruition.

28 95. By engaging in the conduct described above, Defendants Flowers,

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

4 **SECOND CLAIM FOR RELIEF**

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

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

7 **(against all Defendants)**

8 96. The SEC realleges and incorporates by reference paragraphs 1 through  
9 90 above.

10 97. As alleged above, Flowers, Fruition, and Nevett engaged in a fraudulent  
11 scheme to manipulate and artificially inflate the price of shares of Licont and Artec,  
12 and profit from that conduct by selling shares into the artificially inflated market. In  
13 particular, and as alleged in more detail above, Flowers and Nevett arranged to  
14 purchase shell companies, obtained control of the outstanding unrestricted shares, and  
15 engaged in matched trades to manipulate the price of the stock of each company.

16 98. By engaging in the conduct described above, Defendants Flowers and  
17 Nevett, and each of them, directly or indirectly, in the offer or sale of securities, and  
18 by the use of means or instruments of transportation or communication in interstate  
19 commerce or by use of the mails directly or indirectly: (a) employed devices,  
20 schemes, or artifices to defraud [Section 17(a)(1)]; and (b) engaged in transactions,  
21 practices, or courses of business which operated or would operate as a fraud or deceit  
22 upon the purchaser [Section 17(a)(3)].

23 99. Defendants Flowers and Nevett knew, or were reckless in not knowing,  
24 that they employed devices, schemes and artifices to defraud; and knew, or were  
25 reckless in not knowing, that they engaged in transactions, practices, or courses of  
26 business which operated or would operate as a fraud or deceit upon the purchaser,  
27 and they acted unreasonably under the circumstances in doing so. Defendant  
28 Flowers' state of mind is imputed to his company Fruition.

1 100. Alternatively, Defendant Flowers and Nevett were negligent in engaging  
2 in transactions, practices, or courses of business which would operate as a fraud or  
3 deceit upon the purchaser.

4 101. By engaging in the conduct described above, Defendants Flowers,  
5 Fruition, and Nevett violated, and unless restrained and enjoined will continue to  
6 violate, Sections 17(a)(1) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77q(a)(1)  
7 & 77q(a)(3).

8 **THIRD CLAIM FOR RELIEF**

9 **Manipulation of Securities Prices**

10 **Violations of Section 9(a)(1) of the Exchange Act**

11 **(against all Defendants)**

12 102. The SEC realleges and incorporates by reference paragraphs 1 through  
13 86, 89 and 90 above.

14 103. As alleged above, Defendants Flowers and Nevett engaged in matched  
15 trading with the specific intent of creating a false or misleading appearance of active  
16 trading in the securities of Licont and Artec.

17 104. By engaging in the conduct described, Defendants Flowers, Fruition, and  
18 Nevett, directly or indirectly, by the use of the mails or any means or instrumentality  
19 of interstate commerce, or of any facility of any national securities exchange, or for  
20 any member of a national securities exchange, for the purpose of creating a false or  
21 misleading appearance of active trading in any security other than a government  
22 security, or a false or misleading appearance with respect to the market for any such  
23 security, have entered, or are entering, or are about to enter an order or orders for the  
24 purchase or sale of a security with the knowledge that an order or orders of  
25 substantially the same size, at substantially the same time, and at substantially the  
26 same price, for the sale or purchase of any security, has been or will be entered by or  
27 for the same or different parties.

28 105. By engaging in the conduct described above, Defendants Flowers,

1 Fruition, and Nevett, singly or in concert, directly or indirectly, violated, and unless  
2 restrained and enjoined will continue to violate, Section 9(a)(1) of the Exchange Act,  
3 15 U.S.C. § 78i(a)(1).

4 **PRAYER FOR RELIEF**

5 WHEREFORE, the SEC respectfully requests that the Court:

6 **I.**

7 Issue findings of fact and conclusions of law that Defendants committed the  
8 alleged violations.

9 **II.**

10 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of  
11 Civil Procedure, permanently enjoining Flowers, Fruition, and Nevett, and their  
12 officers, agents, servants, employees and attorneys, and those persons in active  
13 concert or participation with any of them, who receive actual notice of the judgment  
14 by personal service or otherwise, and each of them, from violating Section 17(a) of  
15 the Securities Act [15 U.S.C. §77q(a)]; Section 10(b) of the Exchange Act [15 U.S.C.  
16 §§ 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]; and Section 9(a)(1) of  
17 the Exchange Act, 15 U.S.C. § 78i(a)(1).

18 **III.**

19 Order Defendants, jointly and severally, to disgorge their ill-gotten gains, if  
20 any, plus prejudgment interest.

21 **IV.**

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

25 **V.**

26 Prohibit Flowers, Fruition, and Nevett from participating in any offering of  
27 penny stock pursuant to Section 20(g) of the Securities Act [15 U.S.C. § 77t(g)] and  
28 Section 21(d)(6) of the Exchange Act [15 U.S.C. § 78u(d)(6)].

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**VI.**

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

**VII.**

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

Dated: July 19, 2017

/s/ Adrienne D. Gurley  
JOHN B. BULGOZDY  
ADRIENNE D. GURLEY  
Attorneys for Plaintiff  
Securities and Exchange Commission