

BEFORE THE IOWA INSURANCE COMMISSIONER

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IN THE MATTER OF	)	Division Case No. 111837
	)	
ELITE WEALTH PARTNERS, LLC,	)	
	)	
CORY J. DAWKINS,	)	<b>FINDINGS OF FACT,</b>
	)	<b>CONCLUSIONS OF LAW, AND</b>
and	)	<b>FINAL ORDER TO CEASE AND</b>
	)	<b>DESIST AND OTHER RELIEF</b>
EWP PERMIAN BASIN FUND II, LLC,	)	
	)	
Respondents.	)	

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**DECISION**

The investment adviser registration of Elite Wealth Partners, LLC (“Elite Wealth”) is immediately revoked. The investment adviser representative registration of Cory J. Dawkins (“Dawkins”) is immediately revoked. EWP Permian Basin Fund II, LLC (“EWP Permian Basin Fund II”) is ordered to cease and desist from offering or issuing any securities, and any other violations of the securities laws. Elite Wealth, Dawkins and EWP Permian Basin Fund II are jointly and severally liable for restitution to fifteen individual or married couple investors residing in Iowa for a total of \$2,371,618.16, and is ordered to pay this amount in two installments. Elite Wealth, Dawkins and EWP Permian Basin Fund II are also ordered to pay \$52,643.65 in costs of investigation and prosecution.

The Iowa Insurance Division (“Division”) brought an enforcement action against, Elite Wealth, Dawkins and EWP Permian Basin Fund II for engaging in fraudulent, deceptive, manipulative, dishonest or unethical conduct. The Division made these claims in a statement of charges filed on April 12, 2022, wherein it separated the alleged violations into four counts. Count 1 pertained to the charge of unregistered activity as a securities agent in violation of Iowa Code §502.402. The Division’s Count 2 involved the allegation that the respondents committed securities fraud in violation of Iowa Code §502.501. The Division charged in Count 3 that Elite Wealth as an investment adviser and Dawkins as an investment adviser representative engaged in conduct that would constitute grounds for discipline of their investment adviser registrations under Iowa Code §502.412. This count involves the most expansive of the charges made by the Division against Elite Wealth and Dawkins because grounds under this count may include varied violations of the securities laws and other fraudulent, deceptive, manipulative, dishonest or unethical conduct as described by regulations. Finally, in Count 4, the Division also seeks discipline against the insurance producer licenses of Elite Wealth and Dawkins by claiming the same conduct also constituted fraudulent, coercive and dishonest practices, and demonstrated incompetence, untrustworthiness and financial irresponsibility under Iowa Code §522B.11(1). Registered investment advisers and investment adviser representatives have fiduciary obligations to their clients. Investment advisers, as a special class of investment professionals owe their

clients a duty of care, which requires the professional to act in the client's best interest at all time. This investment advisers' fiduciary duty of care requires utmost fidelity to compliance with the securities law, including the responsibility to only recommend, offer or sell securities that are properly registered, exempt or federal covered securities. This fiduciary duty includes the duty of loyalty, which requires the adviser to place his clients' interests ahead of his own interests. This duty of loyalty also requires an adviser avoid or to mitigate conflicts of interest, which will always include effective communication and comprehension of all material and potential conflicts of interest with his clients. Any breach of these fiduciary duties constitutes securities fraud by Elite Wealth and Dawkins in that such conduct would operate, and in fact, did operate as a fraud on their clients.

Under the authority of Iowa Code §502.604(2) the Commissioner entered a summary order to cease and desist on April 19, 2022 on the Division's statement of charges.

Elite Wealth, Dawkins and EWP Permian Basin Fund II then filed an answer on June 6, 2022.

On December 15, 2022, the Division filed a motion for a show cause hearing against Dawkins claiming he had violated the April 19, 2022, order of the Commissioner.

A hearing on the merits of the statement of charges and the motion for an order to show cause was held on February 28 through March 2, 2023, at the offices of the Iowa Insurance Division, 1963 Bell Avenue, Suite 100, Des Moines, Iowa 50315. Dawkins was present. The respondents were represented by attorney David Leitner. The Division was represented by attorneys Colin Grace and Johanna Nagel.

The parties' Joint Stipulation of Facts and Exhibits were submitted and received into the hearing record.

At hearing, the following witnesses appeared on behalf of the Division and were examined: M [REDACTED] C [REDACTED], Iowa consumer; Robert Scott DeArney, Compliance Officer with the Division; C [REDACTED] S [REDACTED], an investor; B [REDACTED] D [REDACTED], an investor; Elijah Hansen, Senior Financial Exploitation Investigator with the Division; M [REDACTED] L [REDACTED], an investor; and Respondent Cory J. Dawkins. Over one hundred documents totaling several thousand pages of documentary evidence were received into evidence.

At hearing, the following witnesses appeared on behalf of the respondents and were examined; Cory J. Dawkins; J [REDACTED] K [REDACTED] an investor; J [REDACTED] V [REDACTED], an investor; J [REDACTED] Me [REDACTED], an investor; Hunter Bice; P [REDACTED] J [REDACTED], an investor; and J [REDACTED] Mu [REDACTED], an investor.

After receiving evidence through testimony and exhibits, the Commissioner requested the parties to submit their closing arguments and requests for relief in writing. Then, the Commissioner took up the Division's show cause motion and ordered the parties submit their arguments on that motion in written form. The matter was taken under advisement by the Commissioner on March 2, 2023.

As discussed later in this decision, the United States Securities and Exchange Commission had previously filed a civil enforcement action on December 21, 2021, against a number of persons and entities directly related to the investments issued by EWP Permian Fund II and a court appointed receiver has been involved in gathering assets and making restitution distributions.

On September 26, 2023, the Division filed a second motion for an order to show cause claiming continuing violations of the Commissioner's order on April 19, 2022. A hearing on the second motion for an order to show cause was held on October 25, 2023. Although initially filed by the Division as a separate matter, on March 5, 2024, the second motion was consolidated by the Commissioner with the instant case.

On October 1, 2024, after receiving information from all parties concerning the status of the federal receivership's efforts to recover restitution and return it to investors, the Commissioner scheduled a hearing. After a request for a continuance the hearing was scheduled for February 4, 2025.

On October 31, 2024, the Commissioner appointed Professor Diane Lourdes Dick of the University of Iowa College of Law to provide advice related to the tax treatment of distributions from the federal court receiver that could be shared with Iowa investors.

On February 4, 2025, the Commissioner received additional evidence on the issue of restitution.

NOW THEREFORE, after reviewing the pleadings submitted in the case and the evidence received, we issue the following findings of fact, conclusions of law, and final order:

1. The Commissioner of Insurance, Douglas M. Ommen, directly and through his designees, administers and enforces Iowa Code chapter 502—the Iowa Uniform Securities Act and Iowa Administrative Code chapter 191—50 Regulation of Securities Offerings and Those Who Engage in the Securities Business, and Iowa Code chapter 522B—Licensing of Insurance Producers, pursuant to Iowa Code § 505.8.
2. Elite Wealth Partners, LLC (“Elite Wealth”) is an Iowa limited liability company with a principal place of business at 6165 NW 86th Street, Johnston, Iowa 50131.
3. Cory J. Dawkins (“Dawkins”) is an individual with a last-known residence address of 6746 NW 4th Street, Des Moines, Iowa 50313.
4. Elite Wealth was registered as an investment adviser in Iowa on August, 30, 2017, under Central Registration Depository (“CRD”) number 289355. Elite Wealth became a registered investment adviser in Iowa by submitting a Form U4 through the Central Registration Depository (“CRD”) of the Financial Industry Regulatory Authority (“FINRA”). Elite Wealth was assigned Organization CRD Number 289355. In applying for its investment adviser registration, Elite Wealth irrevocably appointed the Commissioner as securities administrator as its agent for service of process.

5. Dawkins is senior partner and the sole owner of Elite Wealth. Dawkins is a registered investment adviser representative in Iowa under CRD number 5975887. Dawkins was first registered as an investment adviser representative with EWP on August 30, 2017. Dawkins became a registered investment adviser representative in Iowa by submitting a Form U4 through the Central Registration Depository (“CRD”) of FINRA. Dawkins was assigned Individual CRD Number 5975887. In applying for his investment adviser representative registration, Dawkins irrevocably appointed the Commissioner as securities administrator as his agent for service of process.

6. Elite Wealth is and has been licensed as a resident insurance business entity producer since December 13, 2018. Elite Wealth is licensed under National Producer Number 17725776, with a Business Entity Producer Number of 1002259149. Elite Wealth applied for a business entity producer license with the Division by submitting a Uniform Application for Business Entity Producer License (“Uniform Application”) through the National Insurance Producer Registry (“NIPR”). In submitting the Uniform Application, Elite Wealth designated the Commissioner as an agent for service of process.

7. Dawkins is and has been licensed as a resident insurance producer in Iowa since December 13, 2018, under National Producer Number 16500962. Dawkins is the designated responsible licensed producer (“DRLP”) for Elite Wealth. Dawkins applied for a resident producer license with the Division by submitting the Iowa Uniform Application through NIPR. In submitting the Uniform Application, Dawkins designated the Commissioner as an agent for service of process.

8. EWP Permian Basin Fund II, LLC, (“EWP Permian Basin Fund II”) is a Texas limited liability company formed and filed with the Texas Secretary of State on March 25, 2019. EWP2 has a registered address of 1999 Bryan Street, Suite 900, Dallas, Texas 75201, with a principal place of business at 6165 NW 86th Street, Johnston, Iowa 50131.

9. Pursuant to Iowa Code § 505.28, Elite Wealth, Dawkins, and EWP Permian Basin Fund II have consented to the jurisdiction of the Commissioner of insurance by committing acts governed by chapters 502 and 522B.

### ***Background Law***

10. While it is often common in our decisions to begin with findings of fact and then apply the law to those facts, because of the extensive nature of statutes and regulations governing various aspects of rendering investment advice and the offering and selling of unregistered securities, and the respondents’ repetitive securities violations, we begin with setting forth a framework of the law, and then apply the facts to the law with additional explanation of law. This structure is useful especially due to the detailed requirements for compliance with the federal covered security exemptions and the detailed distinctions in the various species of fraud prohibited by the Iowa Uniform Securities Act.

11. The primary purposes of the Iowa Uniform Securities Act (“Iowa Securities Act”), Iowa Code chapter 502, has been the “suppression of fraudulent practices and the protection of the public from their own gullibility.” *Lolkus v. Vander Wilt*, 258 Iowa 1074, 141 N.W.2d 600, 603 (Iowa 1966). The Iowa Uniform Securities Act includes important investor protections, not the least of which, are the regulatory and professional requirements for those who hold themselves out to the public as professional “investment advisers” or “investment adviser representatives.” Iowa Code §§502.401 through 502.412 establish a comprehensive regulatory scheme over securities agents and investment advisers, and representatives to help protect unwary investors from unprofessional advice.

12. Iowa law grants wide discretion to a licensing authority such as the insurance commissioner. The Iowa Supreme Court has described this authority as “extremely broad.” *In the matter of DeVries*, No. 103128, 2021 WL 1202188, (Iowa Ins. Div., March 26, 2021), at 22; *In the matter of Diamond*, No. 96975, 2019 WL 5677529, (Iowa Ins. Div., Oct. 23, 2019), at 35; *Burns v. Board of Nursing of State of Iowa*, 528 N.W.2d 602, 604 (Iowa 1995). As the purpose of statutory licensing schemes is to protect the public health, safety and welfare of the people of Iowa, the licensing statutes should be liberally construed. *DeVries, Id.* at 22; *Diamond, Id.* at 35; *In the matter of Michael Nulph*, Division Case No. 94689, November 7, 2017, 2017 WL 6504599 (Iowa Ins. Div.) at 5. This broad discretion applies to the licensing and regulatory responsibilities of the insurance commissioner over the business of securities.

13. Administrative law charges may be organized into charging counts to better categorize operative facts and the alleged violations of law. Charges also apprise the commissioner and the respondents of facts that may be relevant to the alleged violations. In our experience, we have seen charge counts structured to identify violations that may involve one or more investors. In our experience, charging administrative enforcement counts may also be structured to focus on separately impacted investors. The charges could be divided by counts for each investment transaction on separate dates, leading to multiple counts for each investor. The allegations brought by the Division in this matter identified fifteen individuals or married couples, who invested with Elite Wealth, Dawkins or EWP Permian Basin Fund II. The charges were then separated by counts that differ by statutory claim and by authorized relief. Irrespective of the structure of the charges into counts, the evidence supported findings of multiple violations or license disciplinary grounds for each investment transaction and in many cases multiple violations or disciplinary grounds for multiple investment transactions.

14. Counts 1 and 2 were primarily framed on statutory violations of the securities law, which would support cease and desist relief intended to stop and deter those violations. Counts 3 and 4 were framed on the enforcement procedures that may be employed to discipline licensed investment professionals. Enforcement or disciplinary actions against persons registered under Iowa’s Uniform Securities Act often begin with Iowa Code § 502.412, as registration and its related regulatory oversight is central to investor protection. However, Iowa Code § 502.412, also by design incorporates every other potential securities law violation as a separate basis for discipline, and is applicable only to those respondents who are registered under the Iowa Uniform Securities Act. In this matter, that count is limited to Elite Wealth, which is registered as an investment adviser, and Dawkins, who is registered as an investment adviser representative.

15. The Division sets out separately in Count 1 the charge of acting as an unregistered agent under Iowa Code § 502.402(1), which requires that persons who transact business of a securities agent, must be registered as an agent. (SOC ¶ 130 – 140). This requirement applies to all persons, whether or not the person is registered as an investment adviser. However, these securities violations also support a basis for disciplinary action under Iowa Code § 502.412(4)(b). The structure of the charges and the statutes pled have an impact on the range of relief available to the Commissioner upon finding the Division has proven violations and other disqualifying conduct by Elite Wealth, Dawkins or EWP Permian Basin Fund II.

16. The Division set out separately in Count 2 the charge of securities fraud, which is prohibited by Iowa Code § 502.501. While the Iowa legislature clearly intended in its adoption of Iowa Code § 502.501 to encompass an extraordinarily broad range of securities fraud, the Division referenced a failure to fully and accurately disclose in the “Heartland III offering memorandum” compensation paid to Dawkins and Elite Wealth. (SOC ¶ 141 –144). However, we conclude that this charge, the evidence produced in the discovery phase, and the large amount of evidence stipulated to prior to hearing, gave Elite Wealth, Dawkins and EWP Permian Basin Fund II notice of their very broad conduct involving numerous variations of securities fraud. In our duty to protect investors from fraud and deception, we are not restricted to the one example mentioned by the Division. When taken in the context of the voluminous prehearing disclosures and the admission of such evidence at the hearing without objection, we consider all conduct relevant to consideration of Iowa Code § 502.501 violations. In the context of the allegations in Count 3, which broadly alleged “dishonest or unethical practices in the securities ... business,” we also conclude Elite Wealth and Dawkins were fully apprised of broader securities fraud charges. It is under Count 2 where we find against EWP Permian Basin Fund II authorizing the issuance of enforcement orders against EWP Permian Basin Fund II, the issuer of the securities that were unlawfully recommended, offered and sold by Elite Wealth and Dawkins.

17. In Count 3, the Division charged – with regards to the investment adviser registrations of Dawkins and Elite Wealth – that disciplinary action against those registrations is authorized under Iowa Code § 502.412. The Division broadly accused Dawkins and Elite Wealth of engaging in dishonest or unethical practices in the securities business, which also incorporates violations of securities fraud and selling unregistered securities, whether committed in Iowa or another state. By operation of Iowa Administrative Code rule 191—50.38(1), Dawkins and Elite Wealth were charged with breach of their fiduciary obligations as investment adviser and investment adviser representatives. We conclude that under this charge that Dawkins and Elite Wealth were also fully apprised of the contention that under Iowa Code § 502.412(4)(b), their registration could be sanctioned if Dawkins or Elite Wealth “willfully violated or willfully failed to comply with this chapter ... or a rule issued or order issued under this chapter...within the previous ten years.”

18. Similar to Count 3 with regards to the investment adviser registrations of Dawkins and Elite Wealth, the Division set out in Count 4 a charge against the insurance producer licenses of Dawkins and Elite Wealth under Iowa Code § 522B.11(1). The disqualifying conduct is stated broadly in subsection h as “[u]sing fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness, or financial irresponsibility in the conduct of business in this state or elsewhere.”

***Count 3 – Iowa Code § 502.412 – Disciplinary Action on Investment Adviser Registrations  
of Elite Wealth and Dawkins***

19. For each investor described in the statement of charges, we choose to first evaluate the Division’s Count 3, which involves a variety of disciplinary grounds against the investment adviser registrations under Iowa Code § 502.412 and is the most expansive of the charges against Elite Wealth and Dawkins. It is also the provision central to our authority to impose discipline on the securities investment adviser registrations of Elite Wealth and Dawkins.

20. The administrative enforcement lynchpin available to the commissioner to protect investors from unprofessional, dishonest, or otherwise unqualified investment advisers, representatives, broker-dealers and agents is found in Iowa Code §502.412, which provides in pertinent part:

**Denial, revocation, suspension, withdrawal, restriction, condition, or limitation of registration.**

1. *Disciplinary conditions — applicants.* If the administrator finds that the order is in the public interest and subsection 4 authorizes the action, an order issued under this chapter may deny an application, or may condition or limit registration of an applicant to be a broker-dealer, agent, investment adviser, or investment adviser representative, and, if the applicant is a broker-dealer or investment adviser, of a partner, officer, director, or person having a similar status or performing similar functions, or a person directly or indirectly in control, of the broker-dealer or investment adviser.

2. *Disciplinary conditions — registrants.* If the administrator finds that the order is in the public interest and subsection 4 authorizes the action, an order issued under this chapter may revoke, suspend, condition, or limit the registration of a registrant and, if the registrant is a broker-dealer or investment adviser, of a partner, officer, director, or person having a similar status or performing similar functions, or a person directly or indirectly in control, of the broker-dealer or investment adviser.

\* \* \*

3. *Disciplinary penalties — registrants.* If the administrator finds that the order is in the public interest and subsection 4, paragraphs “a” through “f”, “h”, “i”, “j”, “l”, or “m”, authorizes the action, an order under this chapter may censure, impose a bar, or impose a civil penalty in an amount not to exceed a maximum of ten thousand dollars for a single violation or one million dollars for more than one violation, or in an amount as agreed to by the parties, on a registrant, and, if the registrant is a broker-dealer or investment adviser, on a partner, officer, director, or person having a similar status or performing similar functions, or on a person directly or indirectly in control, of the broker-dealer or investment adviser.

4. *Grounds for discipline.* A person may be disciplined under subsections 1 through 3 if any of the following applies:

\* \* \*

*b.* The person willfully violated or willfully failed to comply with this chapter ..., or a rule adopted or order issued under this chapter ..., within the previous ten years.

\* \* \*

*m.* The person has engaged in dishonest or unethical practices in the securities, commodities, investment, franchise, banking, finance, or insurance business within the previous ten years.

*n.* The person is not qualified on the basis of factors such as training, experience, and knowledge of the securities business. However, in the case of an application by an agent for a broker-dealer that is a member of a self-regulatory organization or by an individual for registration as an investment adviser representative, a denial order shall not be based on this paragraph if the individual has successfully completed all examinations required by subsection 5. The administrator may require an applicant for registration under section 502.402 or 502.404 who has not been registered in a state within the two years preceding the filing of an application in this state to successfully complete an examination.

\* \* \*

21. It is critical to note at the outset of our decision that the disciplinary penalties available against registrants under Iowa Code § 502.412 are revocation, suspension, imposition of a condition or limit on a registration in all cases, and for conduct shown under subsections (4)(b) and (4)(m), the commissioner may “censure, impose a bar, or impose a civil penalty...” We further note that cease and desist orders and orders of restitution are available to the commissioner for direct securities law violations pursued under Iowa Code § 502.604.

22. Iowa Code § 502.102(28) defines “security” to include “a note...; or a certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.” As covered in more detail in the facts pertaining to each named investor, the subscription agreements and subsequent notes issued by EWP Permian Basin Fund II, the limited partnership interests issued by Carson Oil Field Development Fund II, LP, and the Heartland Life Settlement interests purportedly issued by EWP Permian Basin Fund II are all securities under Iowa Code § 502.102(28).

23. We note that a disciplinary action under in Iowa Code § 502.412(4)(b) requires proof that the registrant’s conduct be “willful.” This is also the intent requirement for criminal prosecutions under Iowa Code § 502.508. The Official Comments to Section 412 of the 2002 Uniform Securities Act refer us to the Comments on §508 of the 2002 Uniform Securities Act.

24. In order to properly address the issue of willfulness, it is necessary to understand the background of Iowa Code § 502.508. Iowa Code § 502.508 is based upon §508 of the 2002 Uniform Securities Act. A review of the Official Comments to § 508 makes clear that the section’s draftsmen did not intend that the word “willfully” have the meaning of “knowing” or



“intentional” conduct that this word is often assigned under other criminal statutes. The Official Comments to Section 508 state:

The term “willfully” has the same meaning in Section 508 as it did in the 1956 Act. All that is required is proof that the person acted intentionally in the sense that he was aware of what he or she was doing. Proof of evil motive or intent to violate the law, or knowledge that the law was being violated, is not required.

25. Based upon this interpretation, an overwhelming majority of state courts, construing their version of the Uniform Securities Act, have held that the State does not have to prove that a criminal defendant or an administrative enforcement respondent had any intent to violate the registration requirements or that he even knew that what he was selling was a security. See e.g. *State v. Hodge*, 204 Kan. 98, 460 P.2d 596 (1969); *State v. Nagel*, 279 N.W.2d 911, 915 (S.D. 1979); *State v. Fries*, 214 Neb. 874, 337 N.W.2d 398 (1983); *People V. Riley*, 708 P.2d 1359, 1362 (Colo. 1985); *State v. Dumke*, 901 S.W.2d 100, 102 (Mo.App. 1995).

***A. § 502.412(4)(b) and (m) – Violations of § 502.501 (Securities Fraud)***

26. Among the conduct that would serve as cause for discipline of Elite Wealth and Dawkins under their investment adviser registrations, we consider alleged conduct that would constitute securities fraud violations under Iowa Code §502.501. This section provides, as follows:

It is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly:

1. To employ a device, scheme, or artifice to defraud;
2. To make an untrue statement of a material fact or to omit to state a material fact necessary in order to make statements made, not misleading; or
3. To engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

27. Iowa Code §502.501 is in the disjunctive and declares that conduct that lies within any of subsections 1, 2 or 3 is unlawful. Each of the subsections (1), (2) and (3) was crafted to provide a very broad proscription of fraudulent conduct. Proof of intent to defraud or scienter is not required in proving violations of subsections §502.501(2) or §502.501(3), but is required in proving a violation of subsection (1). However, for fraud charges under subsections §502.501(2) or §502.501(3), the administrative enforcement respondents must be aware of what they are doing, but no evil motive or intent to violate the law is required. Therefore, we consider each species of fraud separately.

***(1) Iowa Code §§ 502.412 and 502.501(1) – Device, Scheme or Artifice to Defraud***

28. While the evidence does not appear to support a conclusion that Elite Wealth, Dawkins and EWP Permian Basin Fund II intentionally participated in what is commonly described as a “Ponzi scheme,” which would violate Iowa Code §502.501(1), other associated entities have allegedly done so, and examining the legal jurisprudence distinction is useful to further explain the respondents’ violations of subsections §502.501(2) or §502.501(3).

29. As background to this action by the Division, the United States Securities and Exchange Commission (“SEC”) filed an enforcement action on December 1, 2021, in a complaint against The Heartland Group Fund III, LLC, (“Debt Fund III”) and numerous other defendants alleging both securities fraud under several provisions of federal law and selling unregistered securities. *SEC v. The Heartland Group Ventures, LLC, et al.* Case No. 4:21-cv-01310-O (N.D. Texas, Dec 01, 2021). (Ex. 81).

30. The federal securities fraud alleged by the SEC in its complaint included the following allegations pertaining to Debt Fund III:

97. The Debt Fund III PPM did not disclose that Debt Fund III investor funds would be used to make interest payments to Debt Fund I (Heartland Production and Recovery Fund LLC) and Debt Fund II (Heartland Production and Recovery Fund II LLC) investors, whose notes had not been purchased by Debt Fund III. Heartland Group Ventures, Ikey, and Brunson used Debt Fund III investor funds to pay interest to Debt Fund I and II investors, without disclosure to Debt I, II, or III investors of these Ponzi payments.

98. The Debt Fund III PPM also did not disclose that Debt Fund III investor funds would be used to make interest payments to other Debt Fund III investors. To the contrary, the PPM falsely stated, “Notes issued by the Company will be serviced from the proceeds of revenues generated by the Company from its ownership in the oil and gas interests.” At the time the Debt Fund III PPM was first used, oil and gas revenues had been insufficient to make interest payments owed to prior debt investors, and oil and gas revenues continued to be insufficient to make interest payments to Debt Fund III investors. For most of the Debt Fund III offering, Heartland Group Ventures, Ikey and Brunson made Debt Fund III investor interest payments using other Debt Fund III investor funds, which were commingled with the funds of Debt Funds I and II, Heartland PAR, and Heartland Group Ventures shortly after September 13, 2019, without disclosing these Ponzi payments to Debt Fund III investors.

(Ex. 81, pp. 36-37).

31. The United States Court of Appeals for the Seventh Circuit in *United States v. Boula*, a federal mail fraud case, summarized a Ponzi scheme involving investment notes and limited partnership interests in the following manner:

The name for this [type of] pyramid scheme is derived from Charles Ponzi, a notorious swindler. Starting in 1919, Ponzi received \$9,582,000 within eight months by inducing investors to give him \$100 for the promised repayment of \$150. The case *Cunningham v. Brown*, 265 U.S. 1, 44 S.Ct. 424, 68 L.Ed.873 (1924), discusses Ponzi’s escapades and the resulting actions against him.

932 F.2d 651, 652 n.1 (7th Cir. 1991).

32. Under the very similar state securities law authority in Iowa Code §502.501(1), if the evidence were proven by the state, we would conclude that the promoters employed a “device, scheme or artifice to defraud” investors by using the proceeds from the sale of Debt Fund III investments to pay principal and interest to earlier investors in Debt Fund I and Debt Fund II for the purpose of creating the façade that the business operations of these operation were successful, when in fact, the operation was unprofitable. However, the Division did not identify for us specific evidence that Elite Wealth, Dawkins and EWP Permian Basin Fund II possessed the requisite intent to be found to be participating in the Ponzi scheme, nor did it highlight evidence that may prove a Ponzi scheme was perpetuated by others.

33. However, a device, scheme or artifice of making unsuitable recommendations may also violate Iowa Code §502.501(1). See *Newsom v. Dean Witter Reynolds*, 558 So. 2d 1076 (Fla.App.1990). Therefore, based upon the evidence presented concerning the recommendations made in this matter, we must examine court precedent related to Iowa Code §502.501(1) violations.

34. Various state and federal courts have examined the concept of “device, scheme or artifice to defraud.” While we do not find any published decisions by Iowa courts addressing this concept under the Iowa Uniform Securities Act, other provisions of the act, the official comments to the Uniform Securities Act, and decisions by other jurisdiction examining similar provisions provide helpful guidance in construing the meaning of Iowa Code §502.501(1).

35. As defined at Iowa Code §502.102(9), “‘Fraud’, ‘deceit’, and ‘defraud’ are not limited to common-law deceit.” The prohibition of any “device, scheme or artifice to defraud” is similarly free of any such limitation and encompasses more than those circumstances conventionally denominated as a fraudulent scheme.

36. The Court of Appeals for the State of Georgia was faced with a criminal defendant who claimed that the concept of “scheme to defraud” under the Georgia Securities Act (Georgia Code, Ann. §97-112) had the same meaning as a fraudulent scheme under the theft statute (Georgia Code, Ann. §26-7410). The Georgia court construed subsection (1) of their version of Uniform Securities Act (§97-112) in the following manner:

A scheme to defraud is such a scheme as is initiated by the perpetrator with an intent to defraud another and cause him to suffer a pecuniary loss, but the intent, not the loss, is the subject matter of the crime. Under Code, §26-7410 it must be shown that the victim has been defrauded as a result thereof. Under Code, §97-112 the existence of the scheme, device or artifice, and its use with an intent to defraud, regardless of outcome, constitutes the inhibited act.

*Curtis v. State*, 109 S.E. 2d 868 (Ga. App. 1959), subsequent appeal 118 S.E. 2d 264 (Ga. App. 1960). (emphasis added). We conclude that the proscription of Iowa Code §502.501(1) is not a codification of common law fraud, but rather proscribes a plan or pattern of conduct in connection with the offer or sale of securities that is committed with the intent to defraud. Whereas common law fraud looks at the underlying activity in hindsight, with a focus on the actual harm to the defrauded individual, Iowa Code §502.501(1) is a prospective statute that focuses on preventing the harm that may be caused by the device, scheme or artifice to defraud. The goal is to prevent

that harm from ever occurring. In other words, instead of forcing the state to wait until citizens fall ill from a known pathogen before it can provide treatment, Iowa Code §502.501(1) allows the commissioner to protect its citizens against the effects of the fraudulent investments by granting the state the authority to prevent that pathogen from establishing a presence within the state in the first instance.

37. The provisions of Iowa Code §502.501(1), (which were contained in §101(1) of the 1956 version of the Uniform Securities Act, are now in §501(1) of the 2002 version of the Uniform Securities Act, and have been adopted by most states), were drafted with substantial similarity to Securities and Exchange Commission Rule X-10b-5 (no. 240.10b-5), 17 C.F.R. §240.10b-5. Rule 10b-5 was in turn modeled upon §17(a) of the Securities Act of 1933. See 2002 Uniform Securities Act, Official Comments to §501, p. 105.

38. Section 17(a) of the Securities Act of 1933 provides:

(a) it shall be unlawful for any person in the offer or sale of any security by the use of any means of instruments of transportation or communication in interstate commerce or by the use of the mails, directly or indirectly—

(1) to employ any device, scheme or artifice to defraud, or

(2) to obtain money or property by means of any untrue statement of a material fact or omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, or

(3) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

15 U.S.C., Sec. 77q(a).

39. While, in most cases, violations of Rule 10b-5 would not be subject to criminal prosecution, federal securities violations of §17(a) are criminally prosecuted as §17(a) grants authority to prosecute fraudulent interstate securities transactions. However, whether prosecuted criminally, civilly, or in an administrative law enforcement action as here, the intent requirement under this provision remains constant.

40. Federal courts have had many opportunities to address the criminal provision of §17(a) of the Securities Act of 1933. The courts have often relied on the voluminous legal precedent developed under prosecutions for federal mail fraud. E.g., *United States v. Herr*, 338 F.2d 607, 610 (7th Cir. 1964). The federal mail fraud statute utilizes language similar to §17(a) (1) and, as a corollary, §501(1) of the Uniform Securities Act. The mail fraud statute provides punishment for conviction of any person who

having devised or intended to devise any scheme to defraud...[and] for the purpose of executing such scheme or artifice or attempting so to do, places in any post office or authorized depository for mail matter, any matter or thing...

18 U.S.C. §1341.

41. The foregoing mail fraud statute has been used in federal prosecutions involving fraudulent investment or securities schemes. E.g. *United States v. Sawyer*, 799 F.2d 1494 (11th Cir. 1986) (involving a commodities scheme). The concept of “scheme to defraud” has been interpreted by federal courts to have broad application. In *United States v. Mandel*, 591 F.2d 1347 (4th Cir. 1979) cert. denied, 445 U.S. 961 (1980), the court held:

[T]he mail fraud statute generally has been available to prosecute a scheme involving deception that...is contrary to public policy and conflicts with accepted standards of moral uprightness, fundamental honesty, fair play, and right dealing.

Similarly, in *United States v. Bishop*, 825 F.2d 1278 (8th Cir. 1987), the court held:

The crime of mail fraud is broad in scope. (Citations omitted.) The fraudulent aspect of the scheme to “defraud” is measured by a non-technical standard (citations omitted). Law puts its imprimatur in the accepted moral standards and condemns conduct which fails to match the “reflection of moral uprightness of fundamental honesty, fair play and right dealing in the general and business life of a member of society.” This is indeed broad. For as Judge Holmes once observed, “The law does not define fraud; it needs no definition.” It is as old as falsehood and as versatile as human ingenuity.

Id. at 1280 (quoting *United States v. States*, 488 F.2d 761, 764 (8th Cir. 1973), cert. denied, 417 U.S. 909 (1974), and *Blachly v. United States*, 380 F.2d 665, 671 (5th Cir. 1967)). A broad standard for “scheme to defraud” has been enunciated another way in the federal courts:

A scheme or artifice to defraud connotes a plan or pattern of conduct which is intended or is reasonably calculated to deceive persons of ordinary providence and comprehension.

*United States v. Washita Construction Company*, 789 F.2d 809, 817 (10th Cir. 1986). See also, *United States v. Frankel*, 721 F.2d 917, 919 (3rd Cir. 1983); *United States v. Flomenhoft*, 714 F.2d 708, 713 (7th Cir. 1983), cert. denied, 104 S.Ct. 1420 (1984).

42. We conclude that based upon state and federal precedent that the term “scheme” as used in Iowa Code §502.501(1) would be best described in the manner it was described by the court in *United States v. Dexter*, 154 F. 890 (N.D. Iowa 1907), where the court stated:

A scheme may be said to be a design or plan formed to accomplish some purpose. An artifice may be said to be an ingenious contrivance or device of some kind and when used in a bad sense of the word corresponds with trick or fraud. Hence, a scheme or artifice to defraud would be to form some plan or devise some trick to perpetrate a fraud upon another. Id., at 896.

43. In proving a scheme to defraud in a mail fraud case, it must be shown that the scheme be one “reasonably calculated to deceive persons of ordinary prudence and comprehension.” *Silverman v. United States*, 214 F.2d 405, 406 (5th Cir.), cert. denied, 318 U.S. 828 (1954). Intent to defraud is an element of mail fraud. *DeMeier v. United States*, 615 F.2d 366, 369 (8th Cir. 1980).

44. These principles are persuasive precedent in a securities fraud charge under Iowa Code §§ 502.501(1) and 502.412(4)(b). Iowa Code § 502.501(1) proscribes a plan or pattern of conduct in connection with the offer or sale of a security that is intended or is reasonably calculated to deceive or cheat persons of ordinary providence and comprehension. Intent to defraud or scienter is a necessary element in proving the existence of a device, scheme or artifice to defraud and a violation of §502.501(1). (see also, *Aaron v. Securities and Exchange Commission*, 446 U.S. 680, 100 S.Ct. 1945, 64 L.Ed.2d 611 (1980), the United States Supreme Court reviewed the scienter requirements for civil prosecutions under §17(a) of the Securities Act of 1933.)

45. For statutory violations that require “intent to defraud,” frequently, neither proof of actual loss, nor that any person has actually been defrauded, is required. *State v. Callendine*, 8 Clark 288, 8 Iowa 288, 1859 WL 218 (Iowa 1859); *State v. Jamison*, 38 N.W. 509, 511, 74 Iowa 613 (Iowa 1888); *State v. Weaver*, 128 N.W. 559, 149 Iowa 403, (Iowa 1910).

46. Intent to defraud may be shown circumstantially as a defendant’s subjective intent is rarely open to proof, but can be shown by evidence of similar conduct. *State v. Cotton*, 33 N.W.2d 880, 240 Iowa 609 (Iowa 1948).

**(2) Iowa Code §§ 502.412 and 502.501(2) – Making an Untrue Statement of Material Fact or Omitting a Material Fact necessary to Make Statements Made, Not Misleading**

47. Both the Division and the respondents offered voluminous evidence concerning the disclosure of material facts, so we must examine the law pertaining to securities fraud under Iowa Code § 502.501(2).

48. Iowa Code § 502.501(2), as its federal and other state counterparts, is derived from the investor protection policy of full and fair disclosure of material facts. See *Ernst & Ernst v. Hochfelder*, 425 U.S. 185, 96 S.Ct. 1375, 47 L.Ed.2d 668 (1976). Iowa Code § 502.501(2) proscribes two methods to violate its provisions in connection with the offer and sale of securities: (a) making untrue statements of material fact or (b) omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they are made not misleading.

49. In order to conclude that Elite Wealth, Dawkins and EWP Permian Basin Fund II engaged in the fraudulent conduct proscribed under §409.101(2), the Division must have proven that the untrue statements or omissions pertained to “material” facts. “Materiality” in the context of the investor protection philosophy inherent in the securities laws, has been construed to include a fact “if it is substantially likely that a reasonable investor would consider the matter important in making an investment decision.” *Austin v. Loftsgaarden*, 675 F.2d.168, 176 (8th Cir. 1982); *TSC Industries, Inc. v. Northway, Inc.*, 426 U.S. 438, 499, 96 S.Ct. 2126, 48 L.Ed.2d 757 (1976).

Generally, undisclosed information is considered material if “there is a substantial likelihood that the disclosure would have been viewed by the reasonable investor as having ‘significantly altered the “total mix” of information’ available to that investor.” See *In re Westinghouse Sec. Litig.*, 90 F.3d 696, 714 (3d Cir.1996) (quoting *TSC Indus., Inc. v. Northway, Inc.*, supra.)

50. Moreover, unlike § 502.501(1), which prohibits the use of devices, schemes or artifices to defraud, § 502.501(2) does not contain, as a scienter element, the requirement of intent to defraud. *Aaron v. Securities and Exchange Commission*, supra, 100 S.Ct. at 1955; *State v. Gunnison*, 618 P.2d 204 (Ariz. banc 1980).

51. We conclude that especially where a promoter represents that an offering and sale is exempt and registration is not required, untrue statements and material omissions concerning the applicability of exemptions may violate Iowa Code § 502.501(2).

A reasonable investor would consider the broker's registration with the division important in making the investment decision because the registration serves as a means to verify the experience, legitimacy, and veracity of the broker. In addition, the fact that the security was not registered with the division would reflect on the validity of the transaction. Accordingly, this information was material and the omission, therefore, constitutes a violation of the statute. See *Arnold v. Dirrim*, 398 N.E.2d 426, 433 (Ind.Ct.App.1979); see generally *S.E.C. v. Pearson*, 426 F.2d 1339, 1342-43 (10<sup>th</sup> Cir.1970) (holding that a licensed security dealer violated the statute by selling unregistered stock).

*Manns v. Skolnik*, 666N.E.2d 1236, 1249 (Ind.Ct.App.1996).

***(3) Iowa Code §§ 502.412 and 502.501(3) – Act, Practice or Course of Business, which Operates or Would Operate as a Fraud or Deceit Upon Any Person***

52. There is ample evidence concerning acts, practices and courses of business of Elite Wealth, Dawkins and EWP Permian Basin Fund II that operated, or would operate as a fraud or deceit upon investors in this matter, so we must examine the law pertaining to Iowa Code § 502.501(3).

53. The conduct charged against investment advisers and investment adviser representatives under Iowa Code §502.501(3) also undoubtedly violates Iowa Code § 502.502(1)(b) as the relevant prohibition in rendering fraudulent and deceptive investment advice is nearly identical to securities fraud. We found certain precedential value in reviewing federal decisions under related federal investment adviser fraud and breach of fiduciary duty cases, but did not find it necessary to include all of those authorities in our decision. In our conclusions, for many violations of Iowa Code §502.501(3), we also find violations of Iowa Code § 502.502(1)(b).

54. In order for us to find that Elite Wealth, Dawkins and EWP Permian Basin Fund II engaged in the fraudulent conduct proscribed by §§ 502.501(3) and 502.502(1)(b), the Division must have proven that the act, practice or course of business of Elite Wealth, Dawkins and EWP Permian Basin Fund II “operates or would operate as a fraud or deceit” upon investors. We conclude that “fraud” and “deceit” in this context are also free from the limitations of common-law deceit.

§409.401(d). Rather, §409.101(3) proscribes conduct that has the effect of defrauding or deceiving investors.

“To engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit”, (emphasis added) quite plainly focuses upon the effect of particular conduct on members of the investing public, rather than upon the culpability of the person responsible.

*Aaron v. Securities and Exchange Commission*, supra, 100 S.Ct. at 1956. Similar to §502.501(2), §502.501(3) does not contain a requirement of intent to defraud.

55. It is also well established that registered investment advisers and investment adviser representatives have fiduciary obligations to their clients, and any breach of this duties operates as a fraud or deceit on clients. See *SEC v. Capital Gains Research Bureau, Inc.*, 375 U.S. 180, 200-01, 84 S.Ct. 275, 11 L.Ed.2d 237 (1963); *Steadman v. SEC*, 603 F.2d 1126, 1133-34 (5th Cir. 1979).

56. In addition to the statutory requirements, Iowa has adopted regulations concerning the conduct of state registered investment advisers and investment adviser representatives. Iowa Administrative Code 191—50.38(1) provides:

An investment adviser, an investment adviser representative, or a federal covered investment adviser is a fiduciary and has a duty to act primarily for the benefit of its clients.

57. We also observe that our understanding of an investment adviser’s fiduciary duties is that the obligations have continued to develop through jurisprudence and regulatory guidance. Under this fiduciary duty, investment advisers and investment adviser representatives owe to each of their clients a duty of care, which requires the investment professional act in the client’s best interest at all times, and a duty of loyalty, which includes an obligation of the adviser to place his clients’ interests ahead of his own. *Commission Interpretation Regarding Standard of Conduct of Investment Advisers*, Inv. Adv. Act Rel. No. 5248, at 10–11 (June 5, 2019).<sup>1</sup> This duty of loyalty also requires an adviser avoid or mitigate conflicts of interest, at least in part, by providing full and fair disclosure of all material conflicts to his clients and the public. However, this obligation is not met by disclosure alone. The duty of care is interwoven with the duty of loyalty to require an adviser “to adopt the principal’s goals, objectives, or ends.” Id. at 7-8 (quoting Arthur B. Laby, *The Fiduciary Obligations as the Adoption of Ends*, 56 Buffalo Law Review 99 (2008)).<sup>2</sup>

58. While the United States Securities and Exchange Commission (“SEC”) in its 2019 interpretation did not appear to restate distinctions between the fiduciary obligations of a federal covered investment adviser and the professional best interest obligations of a broker-dealer, we conclude that the quality of care obligations for an investment adviser fiduciary to be in harmony with the best interest care obligations of a securities broker-dealer, although the financial

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<sup>1</sup> <https://www.govinfo.gov/content/pkg/FR-2019-07-12/pdf/2019-12208.pdf>

<sup>2</sup> Staff Bulletin: Standards of Conduct for Broker-Dealers and Investment Advisers Care Obligation, available at <https://www.sec.gov/tm/standards-conduct-broker-dealers-and-investment-advisers>



compensation of the particular investment professional may differ. The SEC's *Regulation Best Interest: The Broker-Dealer Standard of Care* in 17 C.F.R. §240.151-1 describes the obligations of disclosure, care and conflicts of interest for broker-dealers.<sup>3</sup>

59. For state registered broker-dealers and agents, we also require the reasonable care as described under 17 C.F.R. §240.151-1 in the federal best interest regulation:

The broker, dealer, or natural person who is an associated person of a broker or dealer, in making the recommendation, exercises reasonable diligence, care, and skill to:

(A) Understand the potential risks, rewards, and costs associated with the recommendation, and have a reasonable basis to believe that the recommendation could be in the best interest of at least some retail customers;

(B) Have a reasonable basis to believe that the recommendation is in the best interest of a particular retail customer based on that retail customer's investment profile and the potential risks, rewards, and costs associated with the recommendation and does not place the financial or other interest of the broker, dealer, or such natural person ahead of the interest of the retail customer;

(C) Have a reasonable basis to believe that a series of recommended transactions, even if in the retail customer's best interest when viewed in isolation, is not excessive and is in the retail customer's best interest when taken together in light of the retail customer's investment profile and does not place the financial or other interest of the broker, dealer, or such natural person making the series of recommendations ahead of the interest of the retail customer.

Certainly, the fiduciary obligations of state registered investment advisers and investment adviser representatives require no less.

60. Recognizing the benefits for annuity purchasers, we require similar protections for annuity recommendations by insurance producers in the best interest obligation for insurance producers recommending annuities. The NAIC Best Interest Rules are also intended to be read in harmony with the SEC's Regulation Best Interest and with investment adviser fiduciary obligations. Iowa Administrative Code rule 191—15.75(1), provides in pertinent part:

Best interest obligations. A producer, when making a recommendation of an annuity, shall act in the best interest of the consumer under the circumstances known at the time the recommendation is made, without placing the producer's or the insurer's financial interest ahead of the consumer's interest.

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<sup>3</sup> See Regulation Best Interest; The Broker-Dealer Standard of Conduct, SEC Rel. No. 34-86031 (Jun. 5, 2019), available at <https://www.sec.gov/rules/final/2019/34-86031.pdf>, p. 38.

A producer has acted in the best interest of the consumer if the producer has satisfied the following obligations regarding care, disclosure, conflict of interest and documentation:

a. Care obligation.

(1) The producer, in making a recommendation shall exercise reasonable diligence, care and skill to:

1. Know the consumer's financial situation, insurance needs and financial objectives;

2. Understand the available recommendation options after making a reasonable inquiry into options available to the producer;

3. Have a reasonable basis to believe the recommended option effectively addresses the consumer's financial situation, insurance needs and financial objectives over the life of the product, as evaluated in light of the consumer profile information; and

4. Communicate the basis or bases of the recommendation.

\* \* \*

61. Similar to the best interest requirements for broker-dealer securities recommendations and insurance producer annuity recommendations, an Iowa registered investment adviser's fiduciary duty should be understood to be a bundle of obligations with a number of investor protection strands. We conclude that Iowa registered investment advisers and investment adviser representatives under their fiduciary duties shall "exercise reasonable diligence, care, and skill" to "understand the potential risks, rewards, and costs associated with their recommendation" and to have a reasonable basis to believe any recommendation effectively addresses the particular goals, objectives, ends, circumstances and expectations of the individual client. The origin of these concepts was found in the prior principles of suitability and were often described as "knowing your client" and "knowing the investment." The obligations of "knowing your client" and "knowing the investment" were derived from a fiduciary's duties of loyalty and care. But the fiduciary obligations for an investment adviser or other financial professional in serving the best interest of a client, extend beyond a technical reading of the best interest rules.

62. An Iowa registered investment adviser must possess sufficient knowledge and experience to determine that the recommended investment is primarily in the client's interest, so in the professional judgment of the investment adviser, it must effectively address with the particular client's situation, needs and objectives, closely aligning with all aspects of the client's interest. Under this obligation, an Iowa registered investment adviser owes the highest level of fidelity to the particular client's goals, objectives, ends, circumstances and expectations. This means that an investment adviser must gather detailed information about a client's goals, objectives, ends, circumstances and expectations necessary to perform a disciplined and careful review and analysis of what character and quality of investment would closely align with the individual client's interests.

63. An Iowa registered investment adviser is not held to a standard of perfect hindsight, but is required to use reasonable diligence, care, and skill to fully evaluate all likely rewards and

potential risks – including the offering’s compliance with law and regulation and the potential illiquidity of the particular investment. The investment adviser must use reasonable diligence, care, and skill to evaluate whether the recommended securities, among all reasonably available options, effectively addresses the particular client’s goals, objectives, ends, circumstances and expectations. The duty of care of reasonable diligence, care, and skill in fulfilling this obligation requires wisdom, good judgment, and familiarity with the investment, which is developed through professional experience, education and training in the general class of securities, the wide range of investment options available, and the particular securities being considered for recommendation. This duty of care requires utmost fidelity to compliance with the securities law and a commitment to full compliance with all requirements of recommending, offering or selling securities that are properly registered, exempt or federal covered securities. This fidelity extends to full knowledge of and compliance with all conditions and requirements associated with an exempt or federal covered offering. Fulfillment of an investment adviser’s fiduciary obligation requires a full and complete understanding of all relevant rules, conditions and requirements of offering or selling any exempt offering.<sup>4</sup>

64. The obligation to have a “reasonable basis” to believe the recommendation effectively addresses the particular client’s situation, needs and objectives requires an investment adviser demonstrate that a reasonably diligent, careful, and skillful review and analysis expected of a well-qualified adviser was performed prior to the recommendation. Contemporaneous documentation of this fiduciary review and analysis is expected, especially if the recommended investment is unfamiliar to both the adviser and the client. If the investment recommendation by an investment adviser is made to invest in an illiquid, high risk, privately placed, or unregistered security, it is reasonable to expect detailed contemporaneous notes and other documentation showing that these particular investments closely align with the situation, needs and objectives of the particular client. Merely checking boxes on forms would indicate that some minimal analysis was performed, but it falls far short of the reasonable diligence, care and skill expected of an Iowa registered investment adviser forming a professional belief that the intended recommendation is the best available investment option for that particular client.

65. Any breach of these obligations by an Iowa registered investment adviser or investment adviser representative may rise to a breach of the fiduciary duty. A breach of fiduciary care and loyalty obligations to a client violates both Iowa Code §§ 502.501(3) and 502.502(1)(b), as this breach of fiduciary duty operates and would operate as a fraud and deceit on the client. See *SEC v. Capital Gains Research Bureau, Inc.*, supra.

***B. § 502.412(4)(b) and (m) – Violations of § 502.301 (Offering Unregistered Securities)***

66. As stated above, material misrepresentations, omissions and breaches of fiduciary duties concerning securities registration and exemptions may constitute violations of Iowa Code §§ 502.501 and 502.502(1)(b). However, the alleged conduct of Elite Wealth, Dawkins and EWP Permian Basin Fund II may also directly violate Iowa Code § 502.301.

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<sup>4</sup> <https://www.sec.gov/oiea/investor-alerts-and-bulletins/private-placements-under-regulation-d-investor-bulletin>

67. Substantial evidence was received concerning the question of whether the securities recommended, offered and sold by Elite Wealth, Dawkins and EWP Permian Basin Fund II were exempt from registration. While relevant legal conclusions will be discussed throughout this decision, we examine the broader contours of these issues under Count 3.

68. Iowa Code § 502.301 provides, as follows:

It is unlawful for a person to offer or sell a security in this state unless one of the following applies:

1. The security is a federal covered security.
2. The security, transaction, or offer is exempted from registration under sections 502.201 through 502.203.
3. The security is registered under this chapter.

69. Iowa Code § 502.102(7) defines “federal covered security” to mean “a security that is, or upon completion of a transaction will be, a covered security under section 18(b) of the Securities Act of 1933, 15 U.S.C. §77r(b), or rules or regulations adopted pursuant to that provision.”

70. Section 18(b)(4)(F) of the Securities Act of 1933, provides that certain securities are “covered securities” under federal law and therefore exempt from state regulation. 15 U.S.C. §77r(b)(4)(F). These federal covered securities would include exempted transactions listed under Section 4 of the Securities Act of 1933. 15 U.S.C. §77d.

***C. § 502.412(4)(m) – Dishonest and Unethical Practices in Securities Business***

71. Iowa Code § 502.412(4)(m) also provides that Elite Wealth and Dawkins may be disciplined if the commissioner finds that they have “engaged in dishonest or unethical practices in the securities, commodities, investment, franchise, banking, finance, or insurance business within the previous ten years.”

72. We conclude that all securities fraud violations, investment advice fraud violations and the violations of offering or selling unregistered, non-exempt securities would also constitute dishonest and unethical practices in the securities business under Iowa Code §502.412(4)(m).

73. Iowa Code § 502.502(2) empowers the Division to promulgate rules defining additional acts or practices as “fraudulent, deceptive, or manipulative.” Iowa Administrative Code rule 191—50.38(1) interprets an investment adviser’s fiduciary duty to require the adviser to act primarily for the benefit of their clients, and defines several acts and practices as fraudulent, deceptive, or manipulative.

74. Iowa Administrative Code Rule 191—50.38(1)(a) prohibits Iowa registered investment advisers and representatives from:

Recommending to a client to whom investment advisory services are provided the purchase, sale, or exchange of any security without reasonable grounds to believe that the recommendation is suitable for the client on the basis of information

furnished by the client after reasonable inquiry concerning the client's investment objectives, financial situation and needs, and any other information known by the investment adviser, investment adviser representative, or federal covered investment adviser; ...

We conclude this regulation restates part, but not the entirety of the Iowa investment advisers' fiduciary obligations. However, as stated above, this regulation does explain some of the process for assessing whether recommended securities closely align with the particular client's investment objectives, financial situation and needs.

75. Iowa Administrative Code rule 191—50.38(1)(r) provides that an investment adviser shall not engage in any act, practice, or course of business which is fraudulent, deceptive, manipulative, or unethical.

76. We conclude that any breach of fiduciary duty by an Iowa registered investment adviser that operated or would operate as a fraud or deceit and violates Iowa Code §§ 502.501(3) and 502.502(1)(b) as described above, would also constitute a dishonest or unethical practice under Iowa Code § 502.412(4)(m) by statute and as further described in Iowa Administrative Code rule 191—50.38(1).

***D. § 502.412(4)(n) – Lack of Training, Experience and Knowledge in Securities Business (Incompetence)***

77. Iowa Code 502.412(4)(n) provides that a registrant may be disciplined if the commissioner finds that the registrant is not qualified on the basis of factors such as training, experience, and knowledge of the securities business. The disqualification provision is as follows:

The person is not qualified on the basis of factors such as training, experience, and knowledge of the securities business. However, in the case of an application by an agent for a broker-dealer that is a member of a self-regulatory organization or by an individual for registration as an investment adviser representative, a denial order shall not be based on this paragraph if the individual has successfully completed all examinations required by subsection 5. The administrator may require an applicant for registration under section 502.402 or 502.404 who has not been registered in a state within the two years preceding the filing of an application in this state to successfully complete an examination.

78. From its context it appears that this standard is intended to be applied in determining whether to issue or deny an investment adviser registration. However, we conclude that this may also serve as grounds to revoke, suspend, condition or limit a registration.

79. However, this general competency requirement of training, experience and knowledge necessary to initially obtain a registration is far lower and less detailed than the level of training, experience and fiduciary necessary to fulfill an investment adviser's professional duty of

reasonable diligence, care, and skill in making a recommendation of a particular security that must be in the best interests of a particular client.

***Count 1 – Iowa Code §§ 502.402(1) and 502.604 – Unregistered Agent***

80. After considering above the far-reaching charges in Count 3, we will evaluate Count 1. As explained above, any violation of the Iowa Uniform Securities Act may be pursued in an investment adviser disciplinary action under Iowa Code § 502.412(4)(b). However, any of these violations may also be prosecuted under the administrative enforcement provisions of Iowa Code § 502.604, which will impact the relief that may be ordered by the commissioner.

81. Iowa Code § 502.402(1) prohibits an individual from transacting business in Iowa as an “agent” unless the individual is a registered agent or exempt under Iowa Code § 502.402. Iowa Code § 502.102(2) defines an “agent” as an individual, other than a broker-dealer, who represents an issuer in effecting or attempting to effect purchases or sales of the issuer’s securities. The definition of “security” under Iowa Code § 502.102(28) includes a note, debenture, evidence of indebtedness, or certificate of interest or participation in a profit-sharing agreement.

82. Violations of Iowa Code § 502.402(1) by any person can be prosecuted with criminal or civil enforcement. The commissioner also has administrative enforcement authority of Iowa Code § 502.402(1) under Iowa Code § 502.604:

1. *Issuance of an order or notice.* If the administrator determines that a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of this chapter or a rule adopted or order issued under this chapter or that a person has materially aided, is materially aiding, or is about to materially aid an act, practice, or course of business constituting a violation of this chapter or a rule adopted or order issued under this chapter, the administrator may do any of the following:

a. Issue an order directing the person to cease and desist from engaging in the act, practice, or course of business or to take other action necessary or appropriate to comply with this chapter.

b. Issue an order denying, suspending, revoking, or conditioning the exemptions for a broker-dealer under section 502.401, subsection 2, paragraph “a”, subparagraph (4) or (6), or an investment adviser under section 502.403, subsection 2, paragraph “a”, subparagraph (3).

c. Issue an order under section 502.204.

2. *Summary process.* An order under subsection 1 is effective on the date of issuance. Upon issuance of the order, the administrator shall promptly serve each person subject to the order with a copy of the order and a notice that the order has been entered. The order must include a statement of any restitution order, civil penalty, or costs of investigation the administrator will seek, a statement of the reasons for the order, and notice that, within thirty days after receipt of a request in a record from the person, the matter will be scheduled for a hearing. If a person subject to the order does not request a hearing and none is ordered by the

administrator within thirty days after the date of service of the order, the order, including an order for restitution, the imposition of a civil penalty, or a requirement for payment of costs of investigation sought in the order, becomes final as to that person by operation of law. If a hearing is requested or ordered, the administrator, after notice of and opportunity for hearing to each person subject to the order, may modify or vacate the order or extend it until final determination.

3. *Procedure for final order.* If a hearing is requested or ordered pursuant to subsection 2, a hearing must be held pursuant to chapter 17A. A final order shall not be issued unless the administrator makes findings of fact and conclusions of law in a record in accordance with chapter 17A. The final order may make final, vacate, or modify the order issued under subsection 1.

4. *Civil penalty — restitution — corrective action.* In a final order under subsection 3, the administrator may impose a civil penalty up to an amount not to exceed a maximum of ten thousand dollars for a single violation or one million dollars for more than one violation, or in an amount as agreed to by the parties, order restitution, or take other corrective action as the administrator deems necessary and appropriate to accomplish compliance with the laws of the state relating to all securities business transacted in the state.

5. *Costs.* In a final order, the administrator may charge the actual cost of an investigation or proceeding for a violation of this chapter or a rule adopted or order issued under this chapter.

#### ***Count 2 – Iowa Code §§ 502.501 and 502.604 – Securities Fraud***

83. After evaluating Counts 3 and 1 for each investor, we will consider Count 2. As set forth above, widely varied acts, practices and methods may constitute securities fraud in violation of Iowa Code § 502.501. In contrast to enforcement under Iowa Code §502.412, which is limited to disciplinary actions against registrants, administrative actions against both registered and unregistered persons is available under Iowa Code §502.604. This action authorizes the commissioner to order cease and desist orders, order payments of restitution, order prosecution costs and order civil penalties. In this matter, action is authorized against EWP Permian Basin Fund II, Dawkins’ limited liability corporation and the issuer of many of the subscription agreements and notes. Elite Wealth formed EWP Permian Basin Fund II in Texas on March 25, 2019 (Ex.3). EWP Permian Basin Fund II’s paid manager was Dawkins (Ex.4).

#### ***Count 4 – Iowa Code §§ 522B.11(1) and 522B.17 – Disciplinary Action on Insurance Producer Licenses of Dawkins and Elite Wealth***

84. After evaluating Counts 3, 1 and 2 for each investor, we will consider Count 4. Iowa Code § 522B.11(1)(h) provides that the commissioner may place on probation, suspend, or revoke an insurance producer’s license or may issue cease and desist orders and levy a civil penalty as provided in Iowa Code § 522B.17 for “[u]sing fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness and/or financial irresponsibility in the conduct of business in this state or elsewhere.”

85. The securities fraud, selling unregistered securities, acting or employing an unregistered agent and other violations of the Iowa Uniform Securities Act described herein constitute fraudulent or dishonest practices, and demonstrate incompetence, untrustworthiness and financial irresponsibility in the conduct of business within the meaning of Iowa Code § 522B.11(1)(h).

**J. Mu and Jo Mu Investments**  
**Count 3 – Investment Adviser Disqualifications – Iowa Code §502.412**

86. We begin our analysis under Iowa Code §502.412 of the conduct of Elite Wealth, Dawkins and EWP Permian Basin Fund II in relationship to their transactions with J. Mu and Jo Mu. Mr. and Mrs. Mu were named as investors in the Division’s statement of charges. (SOC ¶¶ 96 – 99).

87. Mr. J. Mu was called to testify by the defense. (Tr. 607 – 644). Mrs. Mu did not testify.

88. Mr. and Mrs. Mu are residents of Polk County, Iowa, and each are fully employed. Mr. Mu works as an officer responsible for information technology for an insurance company based in West Des Moines. (Tr.609, Ex. 68). He has known Dawkins for over twenty years and has contracted with Dawkins as the married couple’s investment adviser for approximately fifteen of those years. (Tr. 610).

89. The transactions by Elite Wealth and Dawkins with Mr. and Mrs. Mu covered a significant span of time, involved several roll-over investments, as well as varied offerings and issuers. In summary, we have found the following transactions:

Date	Description	Issuer	Amount	Return	Maturity
03/20/2018	Business Promissory Note	Choice Energy Holdings – I, LLC	\$75,000.00	7.5%	12/20/2019
06/05/2019	Subscription and Note	EWP Permian Basin Fund II, LLC	\$78,904.72	8.5%	06/05/2020
06/05/2020	Subscription and Note	EWP Permian Basin Fund II, LLC	\$88,092.00	8.5%	06/05/2021
02/16/2021	Limited Partnership Interest	Carson Oil Field Dev Fund II, LP	\$100,000		
12/04/2020	Heartland Life Settlement	EWP Permian Basin Fund II, LLC	\$100,000		
02/24/2021	Subscription and Note	EWP Permian Basin Fund II, LLC	\$100,000	9.0% +10%	02/24/2024
12/15/2021	Subscription and Note	EWP Permian Basin Fund II, LLC	\$250,000	9.0% +10%	02/15/2024

(Ex. 12, 14, 69, 70, 71, 72, and A).

90. As with other investors, the records and discovery responses of Elite Wealth and Dawkins were incomplete and contained inconsistencies in regards to transactions with Mr. and Mrs. Mu. The document identified as the “Client Alternative Blotter” produced by Elite Wealth and Dawkins did not correspond with the subscription agreements and notes received into evidence, nor was it consistent with the Respondents’ response to Division’s interrogatory 5.



91. The first investment involving the Business Promissory Note was represented to not be a security. (Ex. 76, Ex. 12). Certainly, we do not find that representation to be supported by the evidence, but neither do we find sufficient evidence to conclude it was a security, requiring either registration or exemption from registration. We do find that more investigation into the legality of this transaction was fully justified as Elite Wealth and Dawkins used securities exemption standards in an effort to determine Mr. and Mrs. Mu [REDACTED] qualifications as an “accredited investor” under “17 CFR §230.501” or as a “sophisticated” “lender.” (Ex. 76, pg. 18). Regardless, circumstantially, it appears that this investment was then rolled into the next investment in 2019. The monies that Dawkins and Elite Wealth were recommending for investment were retirement assets in an individual retirement account. (Ex. 69).

92. Dawkins spoke to Mr. Mu [REDACTED] about the investment in “the Heartland deal” prior to the investment in May of 2019. (Tr. 615, Ex. A). Mr. Mu [REDACTED] was led to believe that it was an “oil and gas drilling company” and that the company was “buying wells and drilling for oil.” (Tr. 616). Dawkins represented to Mr. Mu [REDACTED] that “if the price of when a barrel of oil went below a certain threshold ... if it goes below \$50 ... it’s ... a much higher risk of losing it all.” (Tr. 616).

93. Mr. Mu [REDACTED] was the “first client or prospect” approached by Dawkins and Elite Wealth about “Heartland.” (Ex. A).

94. On April 5, 2019, Heartland Drilling Fund I, LP had contracted with Dawkins to offer interests in the Heartland Drilling Fund I, LP (Ex. 7). (Tr. 60).

95. On May 31, 2019, Dawkins and Elite Wealth offered a subscription agreement issued by EWP Permian Basin Fund II for an unsecured promissory note. On June 5, 2019, EWP Permian Basin Fund II, under the authority of Dawkins as the fund manager, issued an unsecured promissory note to Mr. Mu [REDACTED] with a principal amount of \$78,904.72 and promising an interest rate of 8.5%. (Ex. 69, Ex. 12).

96. Contrary to the representations made by Dawkins to Mr. Mu [REDACTED] the company that issued the unsecured promissory note, EWP Permian Basin Fund II, was not “buying wells and drilling for oil.” Further, there were no assets securing the EWP Permian Basin Fund II notes. Neither Dawkins, Elite Wealth or EWP Permian Basin Fund II, provided financial statements of the issuer to Mr. Mu [REDACTED] or other investors.

97. We find from all the evidence that Elite Wealth, Dawkins and EWP Permian Basin Fund II had reckless disregard for whether the security recommended, offered, issued and sold on May 31 – June 5, 2019, was registered or exempt from registration. (Tr. 774 – 778). As part of the audit performed by the Division, Dawkins was asked by the Division what exemption was Dawkins relying on to “sell alternatives.” Dawkins’ response was “I spoke to my broker and his initial response was Reg D. He said that the SEC didn’t have any concerns with that assertion during that review.” (Ex. 79, pg. 3). Dawkins further testified that he did confer with an attorney. We find that the response and his testimony is proof that Dawkins lacked the necessary expertise to know whether or not the EWP Permian Basin Fund II offerings were lawful. In this reference to Dawkins’ “broker,” he was referring to a promoter setting up the offering, not a registered

securities broker-dealer. Dawkins' responses to the Division's examiner demonstrate that Dawkins was generally aware of the requirements for an issuer. But due to his failure as a securities issuer to seek out independent expertise, or even well-informed Iowa securities law advice, we find Dawkins and Elite Wealth recklessly disregarded the securities law investor protection requirements. (Ex. 79, pp. 6 – 17).

98. As we reviewed the numerous regulations that could be generally described as “Reg D,” we conclude that at best 15 U.S.C. §77d(b) – (e), or what is often referred to as the Rule 506 of Regulation D exemption, could have been claimed by promoters as justification for offering and selling these securities without first filing for registration. §230.506 of Title 17, Code of Federal Regulations.17 CFR 230.506.

99. However, it is critical to note that Iowa Code §502.503 makes clear that the responsibility for compliance with the full requirements of a federal exemption and any transaction's status as a “federal covered security” falls to the persons offering or selling any security in the state of Iowa. Iowa Code § 502.503 provides:

Civil. In a civil action or administrative proceeding under this chapter, a person claiming an exemption, exception, preemption, or exclusion has the burden to prove the applicability of the claim.

100. We find that when asked by the Division to claim an exemption, Dawkins, Elite Wealth and EWP Permian Basin Fund II did not and could not prove compliance with the requirements for a federal covered security exemption under what is commonly described as “Reg D.”

101. We have carefully studied a Division's exhibit titled “Form D, Notice of Exempt Offering of Securities.” (Ex. 5). The Division's witness, Mr. Scott DeArme, also offered some testimony concerning the very significant consequences of this document. (Tr. 54-55). Mr. DeArme did make clear in his testimony that the Form D was never filed with the Division. (SOC ¶15, Answer ¶ 15, Tr. 56). We conclude that the only affirmative defense that was suggested by Elite Wealth, Dawkins and EWP Permian Basin Fund II to evidence of offering and selling unregistered, non-exempt securities would be the Rule 506(b) federal covered security exemption for the debt securities as indicated on this document. However, as noted below, we conclude that Elite Wealth, Dawkins and EWP Permian Basin Fund II fell woefully short of meeting the strict requirements of this federal covered security exemption.

102. Iowa Code § 502.302(3) provides for a notice filing requirement for certain offerings made under Regulation D:

*Notice filings for federal covered securities under section 18(b)(4)(F).* With respect to a security that is a federal covered security under section 18(b)(4)(F) of the Securities Act of 1933, 15 U.S.C. §77r(b)(4)(F), a rule under this chapter may require a notice filing by or on behalf of an issuer to include a copy of form D, including the appendix, as promulgated by the securities and exchange commission, and a consent to service of process complying with section 502.611 signed by the issuer not later than fifteen days after the first sale of the federal covered security

in this state and the payment of a fee of one hundred dollars; and the payment of a fee of two hundred fifty dollars for any late filing.

Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with this requirement.

103. Among the numerous requirements for proving Regulation D applies to any given transaction is the notice filing requirement with the Division. Iowa Administrative Rule 191—50.81 provides:

Notice filings for Rule 506 offerings. An issuer offering a security that is a covered security pursuant to Section 18(b)(4)(F) of the Securities Act of 1933 shall submit no later than 15 days after the first sale of such federal covered security in Iowa an electronic filing and fees through [www.efdnasaa.org](http://www.efdnasaa.org), under “filers and issuers.”

104. Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 in the recommendation, issuance and sale of the EWP Permian Basin Fund II subscription agreement and unsecured note to Mr. Mu [REDACTED] on May 31 – June 5, 2019.

105. We find Elite Wealth, Dawkins and EWP Permian Basin Fund II did not demonstrate compliance with federal covered security requirements, and, in fact, did violate Iowa Code §502.301, when the EWP Permian Basin Fund II subscription agreement and note were unlawfully recommended, offered, issued and sold to Mr. Mu [REDACTED] from May 31 – June 5, 2019. This violation subjects Elite Wealth and Dawkins to disciplinary action under Iowa Code § 502.412(4)(b).

106. We also conclude that the material representations made by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. Mu [REDACTED] and other investors concerning the exemption from registration were untrue, and as securities fraud, violated Iowa Code §502.501(2). The facts concerning registration and exemption were material to investors, the statements were untrue, and were willfully made by Elite Wealth, Dawkins and EWP Permian Basin Fund II.

107. Elite Wealth, Dawkins and EWP Permian Basin Fund II recommended, issued and sold to Mr. Mu [REDACTED] a one-year note for \$78,904.72 at 8.5% interest from Permian Basin Fund II on May 31– June 5, 2019. (SOC ¶ 98, Answer ¶ 98, Ex. 12). From that amount, Dawkins and Elite Wealth received \$3,945.25 in compensation.

108. We conclude that in recommending, offering and selling this May 31– June 5, 2019, subscription agreement and note, which was unregistered, non-exempt and unlawful, Dawkins and Elite Wealth, failed to exercise the reasonable diligence, care and skill of an investment adviser in understanding and evaluating the potential risks, rewards, and costs associated with their recommendation and in so doing, breached their fiduciary duty of reasonable care. This breach of fiduciary duty constituted an act, practice, and course of business “that operates or would operate as a fraud or deceit upon” Mr. Mu [REDACTED].

109. Dawkins and Elite Wealth also engaged in practices and courses of business that operated as fraud upon Mr. Mu [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by

breaching their fiduciary obligations of care when they failed to comply with other conditions required for a federal covered security exemption.

110. Regulation D sets forth a number of requirements. The federal regulation 17 CFR 230.506 provides as follows:

**§ 230.506 Exemption for limited offers and sales without regard to dollar amount of offering.**

- (a) Exemption. Offers and sales of securities by an issuer that satisfy the conditions in paragraph (b) or (c) of this section shall be deemed to be transactions not involving any public offering within the meaning of section 4(a)(2) of the Act.
- (b) Conditions to be met in offerings subject to limitation on manner of offering
- (1) General conditions. To qualify for an exemption under this section, offers and sales must satisfy all the terms and conditions of [§§ 230.501](#) and [230.502](#).
- (2) Specific conditions
- (i) Limitation on number of purchasers. There are no more than, or the issuer reasonably believes that there are no more than, 35 purchasers of securities from the issuer in offerings under this section in any 90–calendar-day period. (Note 1 to paragraph (b)(2)(i): See § 230.501(e) for the calculation of the number of purchasers and § 230.502(a) for what may or may not constitute an offering under paragraph (b) of this section.)
- (ii) Nature of purchasers. Each purchaser who is not an accredited investor either alone or with his purchaser representative(s) has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment, or the issuer reasonably believes immediately prior to making any sale that such purchaser comes within this description.
- (c) Conditions to be met in offerings not subject to limitation on manner of offering—
- (1) General conditions. To qualify for exemption under this section, sales must satisfy all the terms and conditions of [§§ 230.501](#) and [230.502\(a\)](#) and (d).
- (2) Specific conditions—
- (i) Nature of purchasers. All purchasers of securities sold in any offering under paragraph (c) of this section are accredited investors.
- (ii) Verification of accredited investor status. The issuer shall take reasonable steps to verify that purchasers of securities sold in any offering under paragraph (c) of this section are accredited investors. The issuer shall be deemed to take reasonable steps to verify if the issuer uses, at its option, one of the following non-exclusive and non-mandatory methods of verifying that a natural person who purchases securities in such offering is an accredited investor; provided, however, that the issuer does not have knowledge that such person is not an accredited investor:

(A) In regard to whether the purchaser is an accredited investor on the basis of income, reviewing any Internal Revenue Service form that reports the purchaser's income for the two most recent years (including, but not limited to, Form W-2, Form 1099, Schedule K-1 to Form 1065, and Form 1040) and obtaining a written representation from the purchaser that he or she has a reasonable expectation of reaching the income level necessary to qualify as an accredited investor during the current year;

(B) In regard to whether the purchaser is an accredited investor on the basis of net worth, reviewing one or more of the following types of documentation dated within the prior three months and obtaining a written representation from the purchaser that all liabilities necessary to make a determination of net worth have been disclosed:

(1) With respect to assets: Bank statements, brokerage statements and other statements of securities holdings, certificates of deposit, tax assessments, and appraisal reports issued by independent third parties; and

(2) With respect to liabilities: A consumer report from at least one of the nationwide consumer reporting agencies;

(C) Obtaining a written confirmation from one of the following persons or entities that such person or entity has taken reasonable steps to verify that the purchaser is an accredited investor within the prior three months and has determined that such purchaser is an accredited investor:

(1) A registered broker-dealer;

(2) An investment adviser registered with the Securities and Exchange Commission;

(3) A licensed attorney who is in good standing under the laws of the jurisdictions in which he or she is admitted to practice law; or

(4) A certified public accountant who is duly registered and in good standing under the laws of the place of his or her residence or principal office;

(D) In regard to any person who purchased securities in an issuer's Rule 506(b) offering as an accredited investor prior to September 23, 2013 and continues to hold such securities, for the same issuer's Rule 506(c) offering, obtaining a certification by such person at the time of sale that he or she qualifies as an accredited investor; or

(E) In regard to any person that the issuer previously took reasonable steps to verify as an accredited investor in accordance with this paragraph (c)(2)(ii), so long as the issuer is not aware of information to the contrary, obtaining a written representation from such person at the time of sale that he or she qualifies as an accredited investor. A written representation under this method of verification will satisfy the issuer's obligation to verify the person's accredited investor status for a period of five years from the date the person was previously verified as an accredited investor.

Instructions to paragraph (c)(2)(ii):

1. The issuer is not required to use any of these methods in verifying the accredited investor status of natural persons who are purchasers. These

methods are examples of the types of non-exclusive and non-mandatory methods that satisfy the verification requirement in § 230.506(c)(2)(ii).

2. In the case of a person who qualifies as an accredited investor based on joint income with that person's spouse, the issuer would be deemed to satisfy the verification requirement in § 230.506(c)(2)(ii)(A) by reviewing copies of Internal Revenue Service forms that report income for the two most recent years in regard to, and obtaining written representations from, both the person and the spouse.

3. In the case of a person who qualifies as an accredited investor based on joint net worth with that person's spouse, the issuer would be deemed to satisfy the verification requirement in § 230.506(c)(2)(ii)(B) by reviewing such documentation in regard to, and obtaining written representations from, both the person and the spouse.

(d) “Bad Actor” disqualification.

(1) No exemption under this section shall be available for a sale of securities if the issuer; any predecessor of the issuer; any affiliated issuer; any director, executive officer, other officer participating in the offering, general partner or managing member of the issuer; any beneficial owner of 20% or more of the issuer's outstanding voting equity securities, calculated on the basis of voting power; any promoter connected with the issuer in any capacity at the time of such sale; any investment manager of an issuer that is a pooled investment fund; any person that has been or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with such sale of securities; any general partner or managing member of any such investment manager or solicitor; or any director, executive officer or other officer participating in the offering of any such investment manager or solicitor or general partner or managing member of such investment manager or solicitor:

(i) Has been convicted, within ten years before such sale (or five years, in the case of issuers, their predecessors and affiliated issuers), of any felony or misdemeanor:

(A) In connection with the purchase or sale of any security;

(B) Involving the making of any false filing with the Commission; or

(C) Arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser or paid solicitor of purchasers of securities;

(ii) Is subject to any order, judgment or decree of any court of competent jurisdiction, entered within five years before such sale, that, at the time of such sale, restrains or enjoins such person from engaging or continuing to engage in any conduct or practice:

(A) In connection with the purchase or sale of any security;

(B) Involving the making of any false filing with the Commission; or

(C) Arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser or paid solicitor of purchasers of securities;

(iii) Is subject to a final order of a state securities commission (or an agency or officer of a state performing like functions); a state authority that supervises or examines banks, savings associations, or credit unions; a state insurance commission (or an agency or officer of a state performing like functions); an appropriate federal banking agency; the U.S. Commodity Futures Trading Commission; or the National Credit Union Administration that:

(A) At the time of such sale, bars the person from:

(1) Association with an entity regulated by such commission, authority, agency, or officer;

(2) Engaging in the business of securities, insurance or banking; or

(3) Engaging in savings association or credit union activities; or

(B) Constitutes a final order based on a violation of any law or regulation that prohibits fraudulent, manipulative, or deceptive conduct entered within ten years before such sale;

(iv) Is subject to an order of the Commission entered pursuant to section 15(b) or 15B(c) of the Securities Exchange Act of 1934 (15 U.S.C. 78o(b) or 78o-4(c)) or section 203(e) or (f) of the Investment Advisers Act of 1940 (15 U.S.C. 80b-3(e) or (f)) that, at the time of such sale:

(A) Suspends or revokes such person's registration as a broker, dealer, municipal securities dealer or investment adviser;

(B) Places limitations on the activities, functions or operations of such person; or

(C) Bars such person from being associated with any entity or from participating in the offering of any penny stock;

(v) Is subject to any order of the Commission entered within five years before such sale that, at the time of such sale, orders the person to cease and desist from committing or causing a violation or future violation of:

(A) Any scienter-based anti-fraud provision of the federal securities laws, including without limitation section 17(a)(1) of the Securities Act of 1933 (15 U.S.C. 77q(a)(1)), section 10(b) of the Securities Exchange Act of 1934 (15 U.S.C. 78j(b)) and 17 CFR 240.10b-5, section 15(c)(1) of the Securities Exchange Act of 1934 (15 U.S.C. 78o(c)(1)) and section 206(1) of the Investment Advisers Act of 1940 (15 U.S.C. 80b-6(1)), or any other rule or regulation thereunder; or

(B) Section 5 of the Securities Act of 1933 (15 U.S.C. 77e).

(vi) Is suspended or expelled from membership in, or suspended or barred from association with a member of, a registered national securities exchange or a registered national or affiliated securities association for any act or omission to act constituting conduct inconsistent with just and equitable principles of trade;

(vii) Has filed (as a registrant or issuer), or was or was named as an underwriter in, any registration statement or Regulation A offering statement filed with the Commission that, within five years before such sale, was the subject of a refusal order, stop order, or order suspending the Regulation A exemption, or is, at the time of such sale, the subject of an investigation or

proceeding to determine whether a stop order or suspension order should be issued; or

(viii) Is subject to a United States Postal Service false representation order entered within five years before such sale, or is, at the time of such sale, subject to a temporary restraining order or preliminary injunction with respect to conduct alleged by the United States Postal Service to constitute a scheme or device for obtaining money or property through the mail by means of false representations.

(2) Paragraph (d)(1) of this section shall not apply:

(i) With respect to any conviction, order, judgment, decree, suspension, expulsion or bar that occurred or was issued before September 23, 2013;

(ii) Upon a showing of good cause and without prejudice to any other action by the Commission, if the Commission determines that it is not necessary under the circumstances that an exemption be denied;

(iii) If, before the relevant sale, the court or regulatory authority that entered the relevant order, judgment or decree advises in writing (whether contained in the relevant judgment, order or decree or separately to the Commission or its staff) that disqualification under paragraph (d)(1) of this section should not arise as a consequence of such order, judgment or decree; or

(iv) If the issuer establishes that it did not know and, in the exercise of reasonable care, could not have known that a disqualification existed under paragraph (d)(1) of this section.

Instruction to paragraph (d)(2)(iv). An issuer will not be able to establish that it has exercised reasonable care unless it has made, in light of the circumstances, factual inquiry into whether any disqualifications exist. The nature and scope of the factual inquiry will vary based on the facts and circumstances concerning, among other things, the issuer and the other offering participants.

(3) For purposes of paragraph (d)(1) of this section, events relating to any affiliated issuer that occurred before the affiliation arose will be not considered disqualifying if the affiliated entity is not:

(i) In control of the issuer; or

(ii) Under common control with the issuer by a third party that was in control of the affiliated entity at the time of such events.

(e) Disclosure of prior “bad actor” events. The issuer shall furnish to each purchaser, a reasonable time prior to sale, a description in writing of any matters that would have triggered disqualification under paragraph (d)(1) of this section but occurred before September 23, 2013. The failure to furnish such information timely shall not prevent an issuer from relying on this section if the issuer establishes that it did not know and, in the exercise of reasonable care, could not have known of the existence of the undisclosed matter or matters.

Instruction to paragraph (e). An issuer will not be able to establish that it has exercised reasonable care unless it has made, in light of the circumstances, factual inquiry into whether any disqualifications exist. The nature and scope of the



factual inquiry will vary based on the facts and circumstances concerning, among other things, the issuer and the other offering participants.

111. The May 31 – June 5, 2019, subscription agreement presented the following qualification requirements to Mr. Mu [REDACTED]:

D. Accredited Investor. Under Federal and certain state securities laws and applicable regulations, the Subscriber may acquire the Note by representing and warranting this it is (i) an “Accredited Investor,” as hereafter defined, or (ii) that it is a qualified sophisticated investor. To qualify, the Subscriber must indicate below that it currently and continuing to the time of purchase of the unregistered securities meets one or more of the following criteria set forth under subsection 1(a) or 1(b).

(a) Accredited Investor. The Subscriber shall be deemed to be an Accredited Investor if: (Please check one for each question)

(i) The Subscriber is an individual, and his or her net worth, or joint net worth with his or her spouse, exceeds \$1,000,000;

Yes  No

112. The subscription agreement was checked “yes” in response to the qualification requirements as an “accredited investor” at the time of Mr. Mu [REDACTED] investment. However, in his testimony, Dawkins offered no other evidence of compliance with federal regulation 17 CFR 230.506(c)(2)(ii)(B). (Tr. 519-521).

113. Presumably, Dawkins was asserting that the offers and sales to Mr. Mu [REDACTED] were exempt from registration under federal regulation 17 CFR 230.506(c)(2)(ii)(B). But the issuer EWP Permian Basin Fund II, and investment advisers, Elite Wealth and Dawkins offered no proof that any document review of Mr. Mu [REDACTED] assets or liabilities was ever conducted.

114. Dawkins, Elite Wealth and EWP Permian Basin Fund II did not carry their burden of proof that they have complied with the conditions of this exemption. There was no evidence that the issuer verified Mr. Mu [REDACTED] status by reviewing any relevant and required documentation.

115. We also note the requirement in 17 CFR 230.506 that each of the allowed 35 investors allowed under this federal covered security exemption who are not “accredited investors,” must have “such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment, or the issuer reasonably believes immediately prior to making any sale that such purchaser comes within this description.” 17 CFR 230.506(b)(2). This was also referenced in Mr. DeArme’s testimony. (Tr. 55 – 65).

116. As specified in 17 CFR 230.506, the conditions of 17 CFR 230.502 must be met in order for a promoter to avail itself of the federal covered security exemption. This includes the provision of financial statement information. Elite Wealth, Dawkins and EWP Permian Basin Fund II in their failure to comply with the exemption requirements, also omitted material facts

pertaining to the financial condition of the issuer and maker of the notes, EWP Permian Basin Fund II. This failure to fully comply with this condition negates eligibility for the federal covered security exemption, but it is also a violation of Iowa Code 502.501(2) because the facts related to the financial condition of the issuer are “material,” and the omissions made the statements made concerning future revenues misleading. Mr. Mu [REDACTED] despite the level of his investment sophistication was also unable to understand the complexity of the investment structure of rights in the event of default. (Tr. 636 – 640). Mr. Mu [REDACTED] did not understand the fundamental question concerning the identity of the issuer of the security that he was purchasing. (Tr. 637).

117. The EWP Permian Basin Fund II subscription agreement and note issued and sold to Mr. Mu [REDACTED] on May 31 – June 5, 2019, created a complex structure of rights in the event of default. None of the parties offered into evidence at the hearing a relevant offering memorandum for the subscription agreement and note, but regardless, we find Mr. Mu [REDACTED] had insufficient knowledge and experience to understand the complexities of these structures. Mr. Mu [REDACTED] had been led to believe in 2019 that EWP Permian Basin Fund II owned the oil and gas wells, when, in fact, it did not. (Tr. 639).

118. From reviewing agreements signed in 2020, such as the engagement letter authorizing EWP Permian Basin Fund II to seek private placement investments so that the fund may invest in The Heartland Group Fund III, LLC. (Ex. 8). However, from our review of Exhibit 7, we conclude that the 2019 EWP Permian Basin Fund II subscription agreement and note investments had an indirect relationship with Heartland Drilling Fund I, LP. Without financial statements from EWP Permian Basin Fund II, an investor will not know.

119. We conclude that The Heartland Group Fund III, LLC, did have an indirect relationship to Mr. Mu [REDACTED] 2020 EWP Permian Basin Fund II, investments. (SOC ¶¶ 21 – 30, Answer ¶¶ 21 – 30, Ex. 8, 9, 80 and 81). But without financial statements from EWP Permian Basin Fund II, neither the investor, nor this tribunal can know. However, we do conclude that Mr. Mu [REDACTED] unsecured investments were in EWP Permian Basin Fund II and any eventual claim for assets such as oil or gas fields were not known, making any recovery against oil and gas interests extraordinarily complicated in the default.

120. Dawkins and Elite Wealth did not perform reasonable due diligence in investigating Heartland Drilling Fund I, LP, The Heartland Group Ventures, LLC, The Heartland Group Fund III, LLC, or their assets and financial condition before structuring EWP Permian Basin Fund II as an investment vehicle into Heartland Drilling Fund I, LP, or The Heartland Group Fund III, LLC and then recommending, offering and selling the EWP Permian Basin Fund II subscription agreements and notes to Mr. Mu [REDACTED]. Dawkins and Elite Wealth had no previous experience in oil and gas exploration and development before forming and promoting EWP Permian Basin Fund II. (Tr. 476). Dawkins primarily relied on the Heartland promoters’ unverified marketing materials and a third-party report paid for by the Heartland promoters. (Tr. 372-373). Dawkins testified that he did not review any financial statements from the Heartland companies, and even testified financial statements would be “meaningless” in his assessment of the investment. (Tr. 367).

121. Dawkins did not have a reasonable understanding of the structure of the investment he was promoting to Mr. Mu [REDACTED]. Dawkins testified that he did not consider himself or the EWP Permian Basin Fund II to be the “issuer” of the securities despite the fact that the EWP Permian Basin Fund II was issuing its own securities and this information was described in the offering documents. (Tr. 795). Dawkins testified that he believed the EWP Permian Basin Fund II involvement merely as “an agreement between Heartland and the investor with [Dawkins] just stirring the pot in the middle.” (Tr. 796). Under questioning from the Commissioner, Dawkins recalled that he may have had agreements between EWP Permian Basin Fund II and “Heartland” that corresponded with the EWP Permian Basin Fund II subscription agreements and notes with clients, but he was uncertain whether he had documents for all of the corresponding fund investments in The Heartland Group Fund III, LLC. (Tr. 798). Dawkins exhibited significant uncertainty about which oil and gas interests were actually held in The Heartland Group Fund III, LLC. (Tr. 801-803).

122. For the transactions with Mr. Mu [REDACTED] to be lawful and to fulfil the fiduciary duty of reasonable care owed by Dawkins and Elite Wealth to Mr. Mu [REDACTED] and the public, we conclude that each of the other investments issued by EWP Permian Basin Fund II and offered and sold by Elite Wealth and Dawkins to Iowans must also comply with all conditions required for Regulation D federal covered security exemption. The evidence shows that although Mr. Mu [REDACTED] may have been qualified as an accredited investor, Dawkins and Elite Wealth engaged in practices and courses of business that operated as a fraud on others in violation of Iowa Code §§502.501(3) and 502.502(1)(b) when they breached their fiduciary duty of care to numerous other investors who were not appropriately qualified sophisticated investors.

123. When the May 31 – June 5, 2019, note matured on June 5, 2020, Mr. Mu [REDACTED] rolled the investment into another 12-month EWP Permian Basin Fund II note. (Ex. 12 and A). For this reinvestment, Dawkins and Elite Wealth received \$4,404.60 in compensation.

124. We find incomplete evidence in the record on this June 5, 2020, transaction. However, we conclude that while Dawkins, Elite Wealth and EWP Permian Basin Fund II were showing the accumulation of 8.5% in interest on the prior investments, Dawkins and Elite Wealth were receiving compensation for each transaction and no annual income statements or balance sheets of EWP Permian Basin Fund II were provided to Mr. Mu [REDACTED]. The failure to provide financial statements in an offering of the magnitude of The Heartland Group Fund III, LLC and EWP Permian Basin Fund II supports the allegation by the SEC in their case that any represented interest returns were little more than an illusion, and were actually a Ponzi scheme.

125. Without restating every fact and law violation here, we find that each and every unlawful act or practice by Elite Wealth and Dawkins that was found in connection with the May 31 – June 5, 2019 subscription agreement and note was repeated in the recommendation, offer, issuance and sale of the June 5, 2020 EWP Permian Basin II subscription agreement and note.

126. Elite Wealth, Dawkins and EWP Permian Basin II also recommended, offered and sold on December 4, 2020, a subscription agreement and “units of membership” issued by EWP Permian Basin II in underlying interests in Heartland Life Settlements 1, LLC. (Ex. 72, Ex. 12).

These investments were also securities and were required by law to be either registered or exempt from registration. The subscription provided to Mr. Mu [REDACTED] stated as follows:

THE SECURITIES REFERRED TO HEREIN HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR APPLICABLE STATE SECURITIES LAWS. THESE SECURITIES MUST BE ACQUIRED FOR INVESTMENT PURPOSES ONLY AND NOT WITH A VIEW TO DISTRIBUTION OR RESALE. THE SECURITIES MAY NOT BE TRANSFERRED UNLESS REGISTERED OR QUALIFIED FOR AN EXEMPTION FROM REGISTRATION REQUIREMENTS UNDER FEDERAL AND STATE SECURITIES LAW.

(Ex. 72, page 35). The amount of this investment was \$100,000. From that amount, Dawkins and Elite Wealth received \$15,000 in compensation. We reviewed the record carefully and are unable to determine whether under Iowa Code § 502.503, the Division ever required EWP Permian Basin II or Elite Wealth and Dawkins to claim an exemption or qualification as a federal covered security. While we have significant experience in relevant securities exemptions and conclude it is probable that the offer and sale on December 4, 2020, by Elite Wealth, Dawkins and EWP Permian Basin II also violated Iowa Code § 502.301 because EWP Permian Basin II was created by Dawkins and Elite Wealth to issue oil and gas investments, not life settlements, we cannot reach a determination on this issue as the evidence is inconclusive.

127. Sometime prior to February 16, 2021, Dawkins and Elite Wealth introduced Mr. Mu [REDACTED] to another investment unit in EWP Permian Basin Fund II. However, this investment was structured differently than either the EWP Permian Basin II investment subscriptions and notes or the subscription and units of membership in life settlement interests described above.

128. Based on the whole of the evidence, we conclude that this offering around February 16, 2021, was represented as a \$5,000,000 fund of 500 Units with each unit offered at \$10,000 per unit, but with a minimum subscription of five units. ("EWP Permian Basin Fund II – Carson Oil Debt Offering") (Ex. 10, Ex. 12).

129. Mr. Mu [REDACTED] indicated some familiarity with an "offering memorandum," but due to the uncertainty of Mr. Mu [REDACTED] neither party firmly established that Mr. Mu [REDACTED] actually received an offering memorandum for the EWP Permian Basin Fund II – Carson Oil Debt Offering. (Ex. 10). Nevertheless, we give Dawkins, Elite Wealth and EWP Permian Basin Fund II the benefit of the doubt and find that a relevant offering memorandum may have been provided.

130. However, a careful reading of the EWP Permian Basin Fund II – Carson Oil Debt Offering memorandum offered into evidence by the Division by stipulation of the respondents reveals a number of careless, confusing and even some misleading representations. The first disclosure on page ii of the memorandum states as follows:

This Confidential Private Placement Memorandum (this "Memorandum") is being furnished on a confidential basis solely to selected qualified investors considering the purchase of Class A Units of partnership interests (the "Class A Units") in

Carson Oil Field Development Fund II, LP (the “Partnership”) through this Fund. This Memorandum is directly solely to each person to whom it is delivered and is not an offer to any other person or to the public generally. EWP2 intends to invest assets in Carson Oil Field Development Fund II, LP.

131. We find this description to be careless and misleading. “EWP2” appears to be a careless reference to EWP Permian Basin Fund II, but a definition for that apparent acronym was not conspicuously stated. The description is also confusing because it suggests that the offer is for investors to invest in Carson Oil Field Development Fund II, LP.

132. A disclosure on page iv states as follows: “EWP2 is an offering pursuant (sic) Section 506(b) of Regulation D of the Securities Act.” (Ex. 10). We find this disclosure to be misleading in that it conflates a debt offering evidenced by notes with what is described as a partnership interest offering by Carson Oil Field Development Fund II, LP. A reasonably qualified and knowledgeable investment adviser acting as a fiduciary would have understood that a note with a fixed interest return is not the same as a partnership interest.

133. The EWP Permian Basin Fund II – Carson Oil Debt Offering memorandum also conflates the issuer of the securities. Page 18 of the memorandum contains the following title:

[FEEDER ANCRONYM] (sic) INVESTING IN:  
CARSON OIL FIELD DEVELOPMENT FUND II, LP

134. The failure to actually insert the name of the securities issuer reveals that Dawkins did not carefully evaluate this offering document. This glaring error also once again exposes the conflict of interest that Dawkins had in acting as both an investment adviser for Mr. Mu [REDACTED] and as a self-interested promoter of EWP Permian Basin Fund II, Dawkins’ managed investment fund. Page 17 of the Carson Oil Field memorandum provides the following definition:

The term “the Company” or “Partnership” means Carson Oil Field Development Fund II, LP. The terms “us,” our” and “we,” and “EWP2” or “Fund” as used in this Memorandum, refer to EWP Permian Basin Fund II, LLC, a Texas limited liability company. These terms may be used in conjunction with each other.

(Ex. 10). Page viii of the Carson Oil Field memorandum contains the following representation:

This memorandum is furnished on a confidential basis. This memorandum constitutes an offer of securities only to the person to whom it is specifically delivered for that purpose (“Offeree”), and is provided solely for the purpose of evaluating an investment in the Carson Oil Field Development Fund II, LP (“Company”).

This offering, if made to EWP Permian Basin Fund II, could not be legally resold as limited partnership interest to Mr. Mu [REDACTED] even if it had been properly exempt from registration in its offering to EWP Permian Basin Fund II. This offering, just as the prior 2020 EWP Permian Basin Fund II – Heartland III Debt Offering, was not registered for sale in the state of Iowa

pursuant to Iowa Code § 502.301. This statement that Dawkins and Elite Wealth are offering limited partnership interests in Carson Oil Field Development Fund II, LP further would confuse any reasonable investor's understanding of the disclosure concerning any potential exemption from registration. An exemption from registration disclosure in bold print on page iv of the offering memorandum reads as follows:

EWP2 is an offering pursuant (sic) Section 506(b) of Regulation D of the Securities Act. However, Carson Oil Field Development Fund II, LP is an offering pursuant to 506(c). As such, the Class A Units are being offered and sold only to "accredited investors" (as defined in Rule 501(a) of Regulation D under the Securities Act). Carson Oil Field Development Fund II, LP claims an exemption from registration provided by Section 4(a)(2) of the Securities Act and analogous provisions of certain U.S. state securities laws;

(Ex. 10). The conflation of the Section 506(b) exemption and the Section 506(c) exemption in the offering memorandum is careless and confusing. We find that the careless use of this disclosure by Dawkins and Elite Wealth is misleading and it breached their duty of reasonable care owed to Mr. Mu [REDACTED], thereby operating as a fraud and deceit on Mr. Mu [REDACTED] and any other investors in this offering.

135. Because of the muddled advice provided by Dawkins and Elite Wealth, Mr. Mu [REDACTED] may have been understandably confused about which entity was the issuer of his 2019 investment (Tr. 637). Dawkins, Elite Wealth and EWP Permian Basin Fund II in the Carson Oil Field offering have conflated what appears were originally conceived as two securities offerings. (Ex. 70). EWP Permian Basin Fund II is a Texas LLC and was not authorized to issue limited partnership interests. Yet, Dawkins as manager of EWP Permian Basin Fund II, signed a subscription agreement and partnership agreement on February 19, 2021, purportedly selling limited partnership interests in Carson Oil Field Development Fund II, LP for \$100,000 to Mr. Mu [REDACTED]. (Ex. 70).

136. Despite the muddled assertion in the Carson Oil Field memorandum that both of these offerings were involved and the violation of reselling a purportedly confidential private placement, we conclude the limited partnership interests in Carson Oil Field Development Fund II, LP were involved in the February 16 – 19, 2021, transaction with Mr. Mu [REDACTED]. (Ex. 70).

137. Iowa Code § 502.102(28) defines "security" to include a "investment contract...It includes an investment in a common enterprise with the expectation of profits to be derived primarily from the efforts of a person other than the investor ...". The limited partnership interests in Carson Oil Field Development Fund II, LP offered and sold by Dawkins, Elite Wealth and EWP Permian Basin Fund II are securities.

138. Iowa Code § 502.301 requires all securities offered or sold in Iowa to be registered, unless they are federal covered securities or exempt from registration under state law.

139. On February 16 – 19, 2021, Mr. Mu [REDACTED] purchased ten limited partnership units in the Carson Oil Field Development Fund II, LP for \$100,000 from EWP Permian Basin II. (Ex. 70,

SOC ¶ 98, Answer ¶ 98). From that amount, Dawkins and Elite Wealth received \$7,000 in compensation.

140. We also find that Carson Oil Field Development Fund II, LP, Dawkins, Elite Wealth and EWP Permian Basin Fund II did not file with the Division the required “Form D, Notice of Exempt Offering of Securities” for the limited partnership interests in Carson Oil Field Development Fund II, LP. (Tr. 54-55). Without the required Reg D filing under Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 and other proof of compliance with the federal covered security exemption under Iowa Code § 502.503, we find Dawkins, Elite Wealth and EWP Permian Basin Fund II have not carried their burden of proving the applicability of the Regulation D federal exemption, and have therefore violated Iowa Code § 502.301, when the limited partnership interests in Carson Oil Field Development Fund II, LP were unlawfully issued and sold to Mr. Mu [REDACTED] from February 16 – 19, 2021.

141. We find Elite Wealth, Dawkins and EWP Permian Basin Fund II did not demonstrate compliance with federal covered security requirements, and, in fact, did violate Iowa Code § 502.301, when the limited partnership interests in Carson Oil Field Development Fund II, LP were unlawfully issued and sold to Mr. Mu [REDACTED] from February 16 – 19, 2021.

142. From all of the evidence, we find that Dawkins, Elite Wealth and EWP Permian Basin Fund II wrongly represented a Regulation D federal exemption as a legal justification for offering and selling the unregistered limited partnership interests in Carson Oil Field Development Fund II, LP to Mr. Mu [REDACTED].

143. We also conclude that the representations of Elite Wealth, Dawkins and EWP Permian Basin Fund II concerning exemption from registration were untrue, and as securities fraud, violated Iowa Code § 502.501(2). The facts concerning registration and exemption were material to investors, the statements were untrue, and were willfully made by Elite Wealth, Dawkins and EWP Permian Basin Fund II.

144. Dawkins and Elite Wealth, engaged in an act, practice, and course of business that operates or would operate as a fraud or deceit upon another person in violation of Iowa Code §§ 502.501(3) and 502.502(1)(b), when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary duty of care by recommending and selling to Mr. Mu [REDACTED] on February 16 – 19, 2021, an unlawful unregistered, non-exempt security.

145. Dawkins and Elite Wealth engaged in an act, practice and course of business that operated, or would operate as fraud or deceit upon Mr. Mu [REDACTED] in violation of Iowa Code §§ 502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care when they failed to comply with the conditions required for a federal covered security exemption in offering and selling on February 16 – 19, 2021, limited partnership unit.

146. On November 29, 2020, only several months before the Carson Oil Field Development Fund II, LP investment, Mr. Mu [REDACTED] described his investment objectives as “growth,” that is, a “middle risk strategy designed for investment growth.” (Ex. 68). In both his testimony and on

his customer profile document with Elite Wealth, Mr. Mu [REDACTED] described his risk tolerance as “moderate.” (Tr. 625, Ex. 68). However, he did explain at the hearing that he was moving toward “low” as he neared retirement. (Tr. 611). Additionally, it appears that Mr. Mu [REDACTED] had decided to rollover \$450,000 from his pension at [REDACTED] into an individual retirement account. (Tr. 626, Ex. 70). The Carson Oil Field Development Fund II, LP limited partnership offering was a very high risk and illiquid investment. (Ex. 10). Yet, the Carson Oil Field memorandum failed to disclose many of these risks. The direction to “Risk Factors” on page 24 appears to have omitted the risk factor section, which operated as a fraud on Mr. Mu [REDACTED].

147. The Carson Oil Field memorandum on page 25 provides the following disclosure concerning suitability:

#### INVESTOR SUITABILITY REQUIREMENTS

##### General

An investment in the offering of this fund involves risk and is suitable only for persons of adequate financial means who do not have liquidity requirements with respect to this investment and who can bear the economic risk of investment losses up through a complete loss of the investment made hereby. This offering is made in reliance on exemptions from the registration requirements of the Securities Act and applicable state securities laws and regulations.

The suitability standards discussed below represent minimum suitability standards for prospective investors. The satisfaction of such standards by a prospective investor does not mean that the Units are a suitable investment for such prospective investor. Prospective investors are encouraged to consult their personal financial advisors to determine whether the investment is appropriate.

148. This provision is not essential to prove Dawkins and Elite Wealth breached their fiduciary duties to Mr. Mu [REDACTED] but it certainly highlights an irreconcilable conflict of interest when Dawkins placed himself in the conflicted role of seller, issuer agent and an investment adviser fiduciary. In his own testimony, Dawkins mischaracterizes his fiduciary obligations as an investment adviser in this way:

I never recommend products. I might tell them different products that they could use, but I believe that my clients are adults and are capable of making their own decisions. My job is to introduce them to ideas and help them walk through the risks.

(Tr. 355). Dawkins’ own testimony proves his breach of fiduciary duties. An Iowa registered investment adviser or investment adviser representative cannot eviscerate his fiduciary duties by simply claiming he does not have them. Dawkins in his hearing testimony sought to falsely understate his fiduciary duties. He misstates the law. This perspective is also not shared by Mr. Mu [REDACTED], who describes the obligations very differently in response to Dawkins’ attorney asking whether Mr. Mu [REDACTED] did his own independent research into the investments being recommended by Dawkins:



A little bit. But I don't typically dig into it too deep. You know, I'll do some cursory things. I'll look out there on the Internet and see if I see any, you know, poor articles or bad reviews or anything like that. But, you know, quite honestly, I don't dig in as deeply as I would if I were doing all the investing on my own... And quite honestly, that's why I have Cory, and that's what we go over in our reviews.

(Tr. 621). Even if Mr. Mu [REDACTED] did not understand that his investment adviser owed him the highest level of fidelity to his goals, objectives, ends, circumstances and expectations, this obligation remains. Even if Mr. Mu [REDACTED] did not believe that his investment adviser must gather detailed information about Mr. Mu [REDACTED] goals, objectives, ends, circumstances and expectations necessary to perform a disciplined and careful review and analysis of what character and quality of investment would closely align with Mr. Mu [REDACTED] interests, this obligation remains. Even if Mr. Mu [REDACTED] did not believe that his investment adviser must gather detailed information about the investment, the issuer, the financial condition and assets of the issuer, the management and all relative potential rewards and risks of the investment, including illiquidity to determine if the investment closely aligns with Mr. Mu [REDACTED] interests, this obligation remains. These professional fiduciary obligations are very high. Elite Wealth and Dawkins fell far below these obligations, failing to exercise the reasonable diligence, care and skill of an investment adviser fiduciary to conduct this review and analysis.

149. Mr. and Mrs. Mu [REDACTED] answered and signed a client profile questionnaire with Elite Wealth on November 29, 2020. At this time, they listed an annual income of between \$100,001 and \$500,000, with a net worth between \$1 and \$3 million, and a moderate risk tolerance. (Ex. 68, SOC ¶ 96, Answer ¶ 96). In November 2020, Mr. and Mrs. Mu [REDACTED] indicated holdings of approximately \$500,000 in annuities and \$170,000 in assets under management by Elite Wealth (SOC ¶ 97, Answer ¶ 97).

150. Mr. Mu [REDACTED] may meet the requirements of an accredited investor based upon the available information on the customer profile and in his own testimony. However, an Iowa registered investment adviser owes every accredited investor the same high fiduciary duties of care, obedience and loyalty. Among the highest duties of care owed by an investment adviser is the obligation to always act in the client's best interest. As described above, the best interest care obligation requires an investment adviser "to exercise reasonable diligence, care, and skill, to understand the potential risks, rewards, and costs associated with the recommendation, and to consider those risks, rewards, and costs in light of the customer's investment profile." See 17 CFR § 240.151-1. We find Mr. Mu [REDACTED] testimony to be credible. Despite the fact that he possesses some sophistication as an investor with the financial wherewithal to sustain the loss of his \$100,000 investment, he was directed by the Carson Oil Field memorandum "to consult their personal financial advisors to determine whether the investment is appropriate." In February of 2021, due to Dawkins' conflicted role in promoting Carson Oil Field Development Fund II, LP; Dawkins' lack of sophistication and knowledge concerning oil and gas field development and private placements; and Elite Wealth's and Dawkins' failure to prepare or review and consider annual financial statements prepared by EWP Permian Basin Fund II for reporting years of 2019 and 2020, we conclude that Dawkins and Elite Wealth failed to exercise reasonable diligence, care or skill, nor did they fully and fairly consider the risks, rewards or costs of these high risk,

illiquid unregistered offerings before recommending that investment adviser clients invest. Dawkins and Elite Wealth failed to provide the careful, skillful, diligent and independent investment advice owed by an investment adviser fiduciary.

151. Dawkins and Elite Wealth breached their fiduciary duties to Mr. Mu [REDACTED] on February 16, 2021, when Dawkins recommended a very high-risk and illiquid investment of \$100,000 in limited partnership units issued by a company with no operating history, no disclosed financial statements of earnings or losses, no disclosed balance sheets and promoted by Dawkins himself. Dawkins testified that the primary purpose of forming EWP Permian Basin Fund II was so that he “could deduct [his] fees.”

152. The first time any financial statements for EWP Permian Basin Fund II were prepared was after the Commissioner ordered them from Respondents on October 25, 2023. Mr. Mu [REDACTED] did not have sufficient information and experience to understand and appreciate the conflict of interest that Dawkins and Elite Wealth had created by recommending private placement with thousands of dollars of potential personal liability by Dawkins as the fund manager of his own limited liability company, EWP Permian Basin Fund II, the issuer of the security.

153. The securities recommendation by Dawkins and Elite Wealth to add this \$100,000 on top of the \$78,904 investment from 2019 left Mr. Mu [REDACTED] with a substantial share of his retirement funds in high risk and illiquid securities. This was in direct contradiction to Mr. Mu [REDACTED] stated objectives and risk tolerance, was not in his best interest and constituted a breach of the fiduciary duty owed to Mr. Mu [REDACTED]. We also note that despite the appearance of interest earned and rolled over by Mr. Mu [REDACTED], the issuer of the 2019 and 2020 notes, had not provided any annual financial reports to Mr. Mu [REDACTED] that would have likely revealed to a careful, diligent, skillful and attentive investment adviser whether EWP Permian Basin Fund II was distributing funds from actual oil and gas production, or rather, was likely operating the Ponzi scheme as later alleged by federal securities regulators in the case of *SEC v. The Heartland Group Ventures, LLC, et al.* Case No. 4:21-cv-01310-O (N.D. Texas, Dec 01, 2021). (Ex. 81).

154. As time passed, EWP Permian Basin Fund II’s contravention of the exemption requirements and the implications of fraud became more apparent. The violations were readily apparent in 2021, raising significant “red flags” for any reasonably careful, diligent, skillful and attentive investment adviser in circumstance similar to that of Elite Wealth and Dawkins on February 16, 2021. We again make note that as specified in 17 CFR 230.506, the conditions of 17 CFR 230.502 must be met in order for a promoter to avail itself of the federal covered security exemption. This includes the provision of relevant financial statement information. Despite that passage of time, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not provide to Mr. Mu [REDACTED] material facts pertaining to the financial condition of Carson Oil Field Development Fund II, LP, nor any financial statements of another potential issuer of the security, EWP Permian Basin Fund II. As in prior recommendations, offerings and sales, this failure to provide annual financial information negates eligibility for the federal covered security exemption, but it is also a violation of Iowa Code 502.501(2) because the facts related to the financial condition of the issuer are “material,” and these omissions made the statements made concerning future revenues misleading. The willful absence of financial statements provided “red flags” to any reasonably careful, diligent, skillful and attentive investment adviser that the

offering was likely a Ponzi scheme. By February 16, 2021, Dawkins and Elite Wealth should have known that they were recommending not only a high risk, illiquid private placement, but an offering that had numerous characteristics of a fraudulent Ponzi scheme.

155. Dawkins and Elite Wealth breached their fiduciary duties to Mr. Mu [REDACTED] on February 16 – 19, 2021, when Dawkins based his recommendation to Mr. Mu [REDACTED] on his own misplaced and conflicted judgment to risk his own money in the illiquid, high risk investments. (Tr. 355, 475 – 479, 501).

156. Dawkins and Elite Wealth breached their fiduciary duties to Mr. Mu [REDACTED] when Dawkins employed his own false version of his fiduciary duty, to wit: an advisor can recommend what he invests in. (Tr. 354, 475, 477, 501). This gross misstatement of investment adviser fiduciary law ignores the central truth that each individual client has his or her own unique “situations, needs and objectives.” The reasonable diligence, care and skill of an investment adviser necessarily involves assessing particularities of each individual client. The pervasiveness of Dawkins’ recommendations of his high-risk EWP Permian Basin Fund II notes and these related Carson Oil Field Development Fund II, LP limited partnership interests to such a significant number of his clients with widely varying “situations, needs and objectives” shows he failed to perform a reasonably diligent, careful and skillful review and analysis of the securities; the lawfulness of their offer; the high risk of the securities; or their illiquidity. The minimally completed forms that were part of his inadequate attempt to justify recommending, offering and selling these securities under a federal covered security exemption fall far short of the reasonably diligent, careful and skillful review and analysis required of an Iowa registered investment adviser and investment adviser representative. Dawkins’ recommended over-concentration of investment in this EWP Permian Basin Fund II private placement strategy and Dawkins’ personal financial conflicted interest in the financial success of EWP Permian Basin Fund II explains, but does not excuse, his reckless blindness toward the omitted financial statements of the issuer and his disregard for the individualized best interest obligations owed to Mr. Mu [REDACTED] and others. (Ex. 14, 84).

157. The evidence was not clear on whether Mr. Mu [REDACTED] relied on any information detailed in the various offering memoranda that may have been made available to him by Dawkins. However, reliance is not a required element of proving a violation of Iowa Code §502.501(2). The EWP Permian Basin Fund II offering memorandum did include the following description of compensation:

The Offering will be conducted by the management of the Manager, on a “best efforts” basis through Elite Wealth Partners, LLC and affiliated persons or officers, none of whom will be entitled to any commission or other special consideration for their selling efforts. EWP2 [EWP Permian Basin Fund II] may attempt, at its discretion, to engage the services of one or more qualified FINRA broker-dealer(s) in connection with the Offering, subject to applicable securities laws.

(Ex. 9, p. 18). Dawkins’ primary defense was that Mr. Mu [REDACTED] knew that Dawkins “was going to be getting paid...” (Tr. 618 – 619). This is not a defense to the Division’s charge. The

securities law requires full and fair disclosure. The Heartland Group Ventures, LLC and The Heartland Group Fund III, LLC agreed to compensate between 5 and 6 percent of the investment made by any investor solicited by Dawkins and Elite Wealth. We conclude that the economic realities of this arrangement, in fact, were that the compensation was a transaction-based commission despite any efforts to recast this arrangement as a “management fee expense.” (Ex. 8, 12). The compensation was paid for soliciting the investment and had no relationship to management of the fund. This conclusion is also supported by Dawkins’ own testimony that the purpose of setting up EWP Permian Basin Fund II was “just the mechanism of deducting fees.” (Tr. 792-795). We therefore conclude that the description of compensation was an untrue statement of material fact, and that Dawkins, Elite Wealth and EWP Permian Basin Fund II omitted material facts concerning the economic realities of the compensation paid to Dawkins and Elite Wealth, making this disclosure misleading.

158. Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 in the issuance and sale of the Carson Oil Field Development Fund II, LP limited partnership units to Mr. Mu [REDACTED] on February 16 – 19, 2021.

159. Although the documentary evidence is incomplete and even inconsistent, we find that during December of 2020 and prior to the time Mr. Mu [REDACTED] investment note (issued on June 5, 2020) would be maturing in June of 2021, Elite Wealth, Elite Wealth and EWP Permian Basin Fund II recommended, offered, issued and sold to Mr. Mu [REDACTED] a switch to a 36-month subscription agreement and note with a promised 9% annual interest and a 10% balloon payment. (SOC ¶98, Answer ¶98, Tr. 149-153, Ex. 12, 71 and A). The amount of the investment likely involved a corresponding subscription agreement and note investment by EWP Permian Basin Fund II dated February 23 – 24, 2021, with a principal amount of \$100,000 in Exhibit 71 (see also SOC ¶98, Answer ¶98).

160. From the evidence we also find that Elite Wealth and Dawkins recommended, offered and sold another \$250,000 investment subscription and note on December 4 – 15, 2021. (Tr. 149-153, 466). The inconsistency in the timing of any investments by Mr. Mu [REDACTED] with EWP Permian Basin Fund II, and any expected corresponding investment by EWP Permian Basin Fund II in The Heartland Group Fund III, LLC is concerning. There are irregularities and securities violations in each of these transactions.

161. The investor in the transaction evidenced by Exhibit 71 is not Mr. Mu [REDACTED], but rather EWP Permian Basin Fund II, and is dated February 23 – 24, 2021 in the investment amount of \$100,000. This is not wholly consistent with the evidence of a \$250,000 investment in December of 2021, however, some investor funds may be missing in the evidence. On Exhibit 71, it was represented that the investment by EWP Permian Basin Fund II was offered and sold by The Heartland Group Fund III, LLC in reliance on an exemption from securities registration. However, under this exemption, even if all conditions were met and we do not find that they were, it would be unlawful to resell this interest to Mr. Mu [REDACTED]. Further, as observed in prior and subsequent transactions, we did not locate in the record of the related subscription agreements and notes issued by EWP Permian Basin Fund II to Mr. Mu [REDACTED] either on February 23, 2021 or December 14, 2021, the dates reflected in the evidence. (Tr. 153, 466).

162. Nevertheless, based on all the circumstances, we find that the \$250,000 investment by Mr. Mu [REDACTED] on December 14 – 15, 2021 occurred, and that the EWP Permian Basin Fund II subscription and note were not registered and were not exempt from registration. The December 14 – 15, 2021 investment was unlawfully offered and sold by Elite Wealth and Dawkins. For this transaction, Dawkins and Elite Wealth received \$15,000 in compensation.

163. As with the earlier one-year EWP Permian Basin Fund II, subscription agreements and notes, EWP Permian Basin Fund II, Dawkins, and Elite Wealth did not file with the Division the required “Form D, Notice of Exempt Offering of Securities” for the 36-month subscription agreements and notes issued by The Heartland Group Fund III, LLC, or by EWP Permian Basin Fund II and sold to Mr. Mu [REDACTED] (Tr. 54-55). Without the required Reg D filing under Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 and other proof of compliance with the federal covered security exemption under Iowa Code § 502.503, we find Dawkins, Elite Wealth and EWP Permian Basin Fund II have not carried their burden of proving the applicability of the Regulation D federal exemption, and have therefore violated Iowa Code § 502.301, when the subscription and note investment of \$250,000 was unlawfully recommended, offered, issued and sold to Mr. Mu [REDACTED] during December of 2021.

164. We find Elite Wealth, Dawkins and EWP Permian Basin Fund II did not demonstrate compliance with federal covered security requirements, and, in fact, did violate Iowa Code §502.301, when the \$250,000 investment was unlawfully recommended, offered, issued and sold to Mr. Mu [REDACTED] during December of 2021.

165. We also conclude that any representations of Elite Wealth, Dawkins and EWP Permian Basin Fund II concerning exemption from registration would be untrue, and as securities fraud, would violate Iowa Code §502.501(2). Any facts concerning registration and exemption would be material to investors, the statements would be untrue, and would have been willfully made by Elite Wealth, Dawkins and EWP Permian Basin Fund II.

166. Dawkins and Elite Wealth, engaged in an act, practice, and course of business that operates or would operate as a fraud or deceit upon another person in violation of Iowa Code §§502.501(3) and 502.502(1)(b), when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary duty of care by recommending and selling to Mr. Mu [REDACTED] during 2021, an unlawful unregistered, non-exempt security.

167. Dawkins and Elite Wealth engaged in an act, practice and course of business that operated, or would operate as fraud or deceit in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care when they failed to comply with the conditions required for a federal covered security exemption in recommending, offering, issuing and selling to Mr. Mu [REDACTED] a \$250,000 EWP Permian Basin Fund II subscription agreement and note during 2021.

168. We conclude that in recommending, offering and selling this 2021 subscription agreement and note, which was also unregistered, non-exempt and unlawful, Dawkins and Elite Wealth, failed to exercise the reasonable diligence, care and skill of an investment adviser in

understanding and evaluating the potential risks, rewards, and costs associated with their recommendation and in so doing, breached their fiduciary duty of reasonable care. This breach of fiduciary duty constituted an act, practice, and course of business that operated or would operate as a fraud or deceit upon Mr. Mu [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b).

169. By this time, Dawkins and Elite Wealth should have known, and in fact, did know this high-risk and illiquid investment was not in the best interest of Mr. Mu [REDACTED], because he did not have sufficient experience in oil and gas speculation and complex unregistered private placement offerings, to evaluate the merits and risk of the investment; neither did Elite Wealth or Dawkins have a reasonable basis to believe the recommended EWP Permian Basin Fund II subscription agreement and note effectively addressed Mr. Mu [REDACTED] financial situation, insurance needs and financial objectives. Dawkins and Elite Wealth knew that Mr. Mu [REDACTED] was relying on his investment advisers' fiduciary obligations of care and professional investment experience, and they had recommended placing an excessive amount of Mr. Mu [REDACTED] net worth in the high risk, illiquid investment, excessively concentrating risk. (Tr. 149 – 153). This breach of fiduciary duty constituted an act, practice, and course of business that operated or would operate as a fraud or deceit upon Mr. Mu [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b).

170. We conclude that in recommending, offering and selling this December 2021 subscription agreement and note, which was also unregistered, non-exempt and unlawful, Dawkins and Elite Wealth, failed to exercise the reasonable diligence, care and skill of an investment adviser by recommending a concentration of more than 40% of Mr. Mu [REDACTED] retirement funds in high risk, illiquid investments to Mr. Mu [REDACTED] knowing he did not possess sufficient knowledge or experience to evaluate the potential risks, rewards, and costs associated with their recommendation and in so doing, breached their fiduciary duty of reasonable care. (Tr. 149 – 153). This breach of fiduciary duty constituted an act, practice, and course of business “that operates or would operate as a fraud or deceit upon” Mr. Mu [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b).

171. Without restating every fact and violation here, we find that each and every unlawful act or practice by Elite Wealth and Dawkins that we found in connection with the May 31 – June 5, 2019 EWP Permian Basin Fund II subscription agreement and note recommended, offered, issued and sold to Mr. Mu [REDACTED] were repeated in the recommendations, offers, issuance and sales of the February 23, 2021, and December 15, 2021, EWP Permian Basin II subscription agreements and notes to Mr. Mu [REDACTED]. We find and conclude the same violations of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II in connection with the recommendation, offer, issuance and sale of EWP Permian Basin II subscription agreements and notes to Mr. Mu [REDACTED] on February 23, 2021, and December 15, 2021.

172. Each violation of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II serves as grounds under Iowa Code § 502.412(4)(b) to revoke, suspend, condition, or limit Dawkins' investment adviser representative registration.

173. Each violation of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II serves as grounds under Iowa Code § 502.412(4)(b) to revoke, suspend, condition, or limit both Elite Wealth’s investment adviser registration and Dawkins’ registration.

174. We conclude that all of the above described conduct and violations of law by Dawkins and Elite Wealth also constitutes a dishonest and unethical practice under Iowa Code §502.412(4)(m) and Iowa Administrative Code rule 191—50.38(1).

175. While we have concluded that Dawkins’ level of training, experience and knowledge was clearly inadequate for him to meet his fiduciary obligations of care and loyalty to Mr. Mu [REDACTED] and other investors, we do not find that this inadequacy could not be remedied, nor that his general training, experience and knowledge is so inadequate that he is unqualified to initially hold an Iowa registration under Iowa Code Iowa Code 502.412(4)(n). At this time, we have found that Dawkins has demonstrated that he is wholly unqualified to recommend, offer or sell high risk, illiquid, unregistered and exempt securities, and repeatedly violated other provisions of law.

***J [REDACTED] Mu [REDACTED] and J [REDACTED] Mu [REDACTED] Investments***  
***Count 1 – Unregistered Agent – Iowa Code §§ 502.402 and 502.604***

176. We now return to Count 1 in regards to the recommendations, offers, issuance and sales by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. and Mrs. Mu [REDACTED]. The EWP Permian Basin Fund II subscription agreements and notes, the Carson Oil Field Development Fund II, LP limited partnership interests and the Heartland Life Settlement interests recommended, offered, issued and sold by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. Mu [REDACTED] are “securities.”

177. Neither Elite Wealth, nor Dawkins were registered with the Division as securities agents when Elite Wealth and Dawkins offered and sold these securities to Mr. Mu [REDACTED]. See Joint Stipulation of Facts, ¶¶ 3 & 7. Dawkins had been registered with a broker-dealer in the past, and was aware of the requirement under Iowa law to be licensed in order to offer and sell securities. (Tr. 49-50).

178. Elite Wealth and Dawkins did not demonstrate compliance with the requirements for any exemption provided under Iowa Code § 502.402(2). We conclude these exemptions are unavailable to individuals who receive remuneration for their selling efforts. See Iowa Code §§ 502.402(2)(c) & (e) (providing exemptions to registration only where the individual does not receive compensation in connection with the sale of securities). Elite Wealth and Dawkins received compensation for the sale of the EWP Permian Basin Fund II securities to Mr. Mu [REDACTED]. (Ex. 8, 12; Tr. 61-62). Indeed, the sale of these securities represented the largest source of Elite Wealth and Dawkins’ income. (Ex. 13; Tr. 75). Elite Wealth and Dawkins also received compensation for the sale of the limited partnership interests and the Heartland Life Settlement interests to Mr. Mu [REDACTED].

179. While Dawkins repeatedly testified at hearing that he did not consider himself to be “selling” any securities, Dawkins previously stated in an email to the Division that he “sold”

these securities. (Ex. 15). Dawkins also testified that he presented and discussed the EWP Permian Basin Fund II subscription agreements with Mr. Mu [REDACTED] and each of the Iowa consumers. (Tr. 778–781). Nevertheless, the evidence, including testimony and documents of numerous transactions, was overwhelming that Dawkins was selling securities.

180. Further, in this determination under Count 1, we incorporate all of the foregoing findings and conclusions in this decision.

181. Based on the above facts and conclusions, Elite Wealth, Dawkins and EWP Permian Basin Fund II have each acted as or employed an unregistered agent and violated Iowa Code §502.402(2) on at least six occasions between June 5, 2019 and December 15, 2021, and are each liable for separate securities transactions involving Mr. and Mrs. Mu [REDACTED] for all necessary and appropriate relief available under Iowa Code § 502.602, including orders to cease and desist violations, to make restitution to Mr. and Mrs. Mu [REDACTED], and to implement other corrective actions to accomplish compliance with the Iowa Uniform Securities Act.

***J [REDACTED] Mu [REDACTED] and J [REDACTED] Mu [REDACTED] Investments***  
***Count 2 – Securities Fraud – Iowa Code §§502.501 and 502.604***

182. We now consider the charge of securities fraud under Count 2 in connection with the recommendations, offers and sales of securities by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. and Mrs. Mu [REDACTED].

183. In this determination under Count 2, we incorporate all of the foregoing findings and conclusions in this decision, including the varied methods in which Elite Wealth, Dawkins and EWP Permian Basin Fund II have each violated Iowa Code § 502.501.

184. Based on the above facts and conclusions, Elite Wealth, Dawkins and EWP Permian Basin Fund II, have each committed securities fraud and violated Iowa Code § 502.501 on at least six occasions between June 5, 2019 and December 15, 2021, and are each liable for separate securities transactions involving Mr. and Mrs. Mu [REDACTED] for all necessary and appropriate relief available under Iowa Code § 502.602, including orders to cease and desist violations, to make restitution to Mr. and Mrs. Mu [REDACTED], and to implement other corrective actions to accomplish compliance with the Iowa Uniform Securities Act.

***J [REDACTED] Mu [REDACTED] and J [REDACTED] M [REDACTED] Investments***  
***Count 4 – Disciplinary Action on Insurance Producer Licenses of Dawkins and Elite Wealth – Iowa Code §§ 522B.11(1) and 522B.17***

185. We complete our analysis of the conduct of Elite Wealth and Dawkins under Iowa Code §522B.11 in relationship to their transactions with Mr. and Mrs. Mu [REDACTED]. As with Count 3, this charge broadly relates to any wrongful conduct that implicates the professional licenses of Dawkins and Elite Wealth. However, this charge implicates the insurance producer licenses of Dawkins and Elite Wealth.



186. Iowa Code § 522B.11(1)(h) provides that the commissioner may place on probation, suspend, or revoke an insurance producer’s license for “[u]sing fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness and/or financial irresponsibility in the conduct of business in this state or elsewhere.” As provided in Iowa Code § 522B.17, the commissioner may also issue cease and desist orders and levy a civil penalty.

187. In this determination under Count 4, we incorporate all of the foregoing findings and conclusions in this decision, including the varied methods in which Elite Wealth and Dawkins, directly or through EWP Permian Basin Fund II, have each violated Iowa Code §§ 502.301, 502.402, 502.501 and 502.502, as well as enumerated securities regulations.

188. We conclude that all of the above described conduct and violations of law by Dawkins and Elite Wealth in regards to the transactions involving Mr. and Mrs. Mu [REDACTED] constitute fraudulent and dishonest and unethical practices, and demonstrate incompetence, untrustworthiness and financial irresponsibility in the conduct of business in this state under Iowa Code §522B.11(1)(h).

**J [REDACTED] K [REDACTED] and R [REDACTED] K [REDACTED] Investments**  
**Count 3 – Investment Adviser Disqualifications – Iowa Code §502.412**

189. We now begin our analysis under Iowa Code §502.412 of the conduct of Elite Wealth, Dawkins and EWP Permian Basin Fund II in relationship to their transactions with J [REDACTED] and R [REDACTED] K [REDACTED]. Dr. and Mrs. K [REDACTED] were named as investors in the Division’s statement of charges. (SOC ¶ 74 – 78).

190. Dr. J [REDACTED] K [REDACTED] was called to testify by the defense. (Tr. 688 – 700). He also made statements to Investigator Elijah Hansen on November 9, 2021 in a telephone interview. (Ex. 53). Mrs. K [REDACTED] did not testify.

191. Dr. and Mrs. K [REDACTED] are a married couple and are residents of [REDACTED], Iowa. Dr. K [REDACTED] is a retired veterinarian. (Tr. 698). He has known Dawkins for 10 – 12 years as an “investment person.”

192. Dr. K [REDACTED] was the second client who Dawkins and Elite Wealth spoke to about “Heartland.” (Ex. A).

193. The transactions by Elite Wealth and Dawkins with Dr. and Mrs. K [REDACTED] covered a significant span of time and several roll-over investments. In summary, we have found the following transactions:

Date	Description	Issuer	Amount	Return	Maturity
07/05/2019	Subscription and Note	EWP Permian Basin Fund II, LLC	\$25,000	8.5%	07/05/2020
06/15/2020	Subscription and Note	EWP Permian Basin Fund II, LLC	\$25,000	8.5%	06/15/2021
07/06/2020	Subscription and Note	EWP Permian Basin Fund II, LLC	\$25,000	8.5%	07/06/2021

12/14/2020	Subscription and Note	EWP Permian Basin Fund II, LLC	\$25,000	8.5%	12/14/2021
03/16/2021	Subscription and Note	EWP Permian Basin Fund II, LLC	\$90,500	12%	03/16/2024
03/16/2021	Subscription and Note	EWP Permian Basin Fund II, LLC	\$94,000	12%	03/16/2024
04/23/2021	Subscription and Note	EWP Permian Basin Fund II, LLC	\$65,500	12%	04/23/2024

(Ex. 12, 14, 49, 50, 51, 52, and A).

194. As with other investors, the records and discovery responses of Elite Wealth and Dawkins in regards to transactions with Dr. and Mrs. K [REDACTED] were incomplete and contained inconsistencies. The document identified as the “Client Alternative Blotter” produced by Elite Wealth and Dawkins did not correspond with the subscription agreements and notes received into evidence, nor was it consistent with the Respondents’ response to Division’s interrogatory 5.

195. Dr. and Mrs. K [REDACTED] signed a customer profile was signed on June 13, 2019. (SOC ¶ 74, Answer ¶ 74, Ex. 48).

196. Dr. K [REDACTED] has had some investments dating back about 20 years, but in his own words is “not very good in investments.” (Ex. 53). When asked by Investigator Hansen on November 9, 2021, “have you ever invested in a private placement...?”— Dr. K [REDACTED] replied, “I don’t know what you mean by ‘private placements.’” (Ex. 53).

197. When asked by Investigator Hansen, “what types of investments are you most knowledgeable about and comfortable with?” — Dr. K [REDACTED] replied, “Just the standard stock option things, you know - I don’t – uh – you know – American Funds and pretty simple type stuff ... I’m a pretty elementary, basic person – as far as that knowledge. I don’t spend a lot of time with it.” (Ex. 53). At hearing, despite the efforts of the Respondents’ counsel to educate him, it was clear that Dr. K [REDACTED] was unaware of the difference between debt and equity investments. (Tr. 691).

198. Dr. K [REDACTED] indicated in their customer profile that his investment objections to be “growth & income,” with a “moderate” risk tolerance. Mrs. K [REDACTED] indicated her investment objective as “growth,” with a “moderate” risk tolerance. (SOC ¶ 74, Answer ¶ 74, Ex. 48).

199. When asked by Investigator Hansen on November 9, 2021, “what were your investment objectives?” – Dr. K [REDACTED] replied, “Well, looked like an opportunity to – to uh – get a little fixed income.” (Tr. 53).

200. Dr. and Mrs. K [REDACTED] indicated in their customer profile on June 13, 2019, that they had \$500,000 in total investable assets, an annual household income of \$50,001 - \$100,000, and a net worth of \$500,001 – 1,000,000. (SOC ¶ 74, Answer ¶ 74, Ex. 48).

201. Dr. and Mrs. K [REDACTED] had approximately \$30,000 in annuities through Elite Wealth. (SOC ¶ 74, Answer ¶ 74).

202. When asked by Investigator Hansen on November 9, 2021, “what was your risk tolerance?”— Dr. ██████ replied, “I would have considered a decent tolerance. I wouldn’t have expected everything to be roses. I mean – I understand that there’s an up and down with things.” (Ex. 53).

203. Dawkins represented to Dr. K█████ that EWP Permian Basin Fund II note “was a solid amount of – a straight amount of interest versus a market following – speculating on the market – it was a set interest return.” Dr. K█████ stated to Investigator Hansen that he did not remember anything else Dawkins told him “about EWP or Heartland.” (Ex. 53). When asked by Investigator Hansen on November 9, 2021, “Were you given an offering memorandum?” – Dr. K█████ replied, “I don’t know what an offering memorandum is.” (Ex. 53).

204. We find Dr. K█████’s statements on November 9, 2021, to Investigator Hansen during the November 9, 2021, telephone interview to be both very credible and very revealing that Dr. K█████ is a straight-forward speaking, honest individual, and likely an extraordinary veterinarian. However, we also find that Dawkins and Elite Wealth, as fiduciaries to Dr. K█████, already knew in 2019 that in Dr. K█████’s own words, when it came to investments and in particular to unsecured private placement notes with “a high degree of risk,” Dr. K█████ was “a pretty elementary, basic person... as far as [investment] knowledge.”

205. On June 24, 2019, Dawkins and Elite Wealth offered a subscription agreement issued by EWP Permian Basin Fund II for an unsecured promissory note. On July 5, 2019, EWP Permian Basin Fund II, under the authority of Dawkins as the fund manager, issued an unsecured promissory note to Dr. K█████ (Ex. 49, Ex. 12).

206. Elite Wealth and Dawkins had a fiduciary duty to know and, in fact, did know that Dr. K█████ did not have “such knowledge and experience in financial and business matters that [he was] capable of evaluating the merits and risk of an investment in the Note and the Company.” Dawkins and Elite Wealth disregarded this fact known to them and made the high-risk recommendation to Dr. K█████ anyway.

207. There were no assets securing the EWP Permian Basin Fund II notes. Neither Dawkins, Elite Wealth or EWP Permian Basin Fund II, provided financial statements of the issuer to Dr. K█████ or other investors.

208. Dawkins lacked the expertise to know whether or not the EWP Permian Basin Fund II offerings were lawful. Without repeating all of the findings and legal conclusions pertaining to Mr. and Mrs. M█████, we also apply them to the conduct of Dawkins, Elite Wealth and EWP Permian Basin Fund II in their dealings with Dr. and Mrs. K█████.

209. We find from all the evidence that Elite Wealth, Dawkins and EWP Permian Basin Fund II had reckless disregard for whether the security recommended, offered, issued and sold on June 24 – July 5, 2019, to Dr. K█████ was registered or exempt from registration.

210. As found above, Dr. K [REDACTED] did not know what an offering memorandum was. (Ex. 53). While Dawkins generally asserted the offering memoranda were provided to investors, we do not know the particulars of an offering memorandum prior to Dr. K [REDACTED]'s first EWP Permian Basin Fund II investment from June 24 – July 5, 2019.

211. Dr. K [REDACTED] signed a subscription agreement with EWP Permian Basin Fund II on June 24, 2019, to purchase a one-year \$25,000 note at 8.5% interest. (SOC ¶ 74, Answer ¶ 74, Ex. 49). EWP Permian Basin Fund II issued the unsecured note to Dr. K [REDACTED] on July 5, 2019. (Ex. 49). From that amount, Dawkins and Elite Wealth received \$1,250 in compensation.

212. The Division alleged, and in their answer Elite Wealth, Dawkins and EWP Permian Basin Fund II admitted, that Dr. K [REDACTED] indicated he was an “accredited investor” on the June 24, 2019, subscription agreement. (SOC ¶ 74, Answer ¶ 74). However, a review of the subscription agreement shows that is not correct. Dr. K [REDACTED]'s subscription agreement was marked “no” as an “accredited investor.”

213. The June 24, 2019, subscription agreement presented the following qualification requirements to Dr. K [REDACTED]:

Sophisticated Investor. The Subscriber shall be deemed to be a Sophisticated Investor if: Qualified Sophisticated Investor: To be a qualified sophisticated investor, an investor must represent that it has a sufficient degree of sophistication to understand and evaluate the merits and risks associated with an investment in the Note and (a) its overall commitment to investments which are not readily marketable is not disproportionate to its net worth and its investment in the Note will not cause such overall commitment to become excessive; (b) it has adequate net worth and means of providing for any current needs and contingencies such that it is able to sustain a complete loss of its investment in the Note, and it has no such need for liquidity in this investment; (c) it has evaluated the risk of investing in the Note and the Company; and (d) it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risk of an investment in the Note and the Company. The information must be represented in the Subscription Agreement.

Yes  No

214. The subscription agreement was checked “yes” in response to the qualification requirements as a “sophisticated investor” at the time of Dr. K [REDACTED]'s investment. (Ex. 49).

215. We have found that Dr. K [REDACTED] did not possess sufficient knowledge or experience to evaluate the potential risks, rewards and costs of these high risk, illiquid investments. Dr. K [REDACTED] was not a qualified sophisticated investor as that phrase is interpreted by law, and as such, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with the requirements of 17 CFR 230.506(b)(2)(ii).

216. Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 in the recommendation, offer, issuance and

sale of the EWP Permian Basin Fund II subscription agreement and unsecured note to Dr. K [REDACTED] on June 24 – July 5, 2019.

217. We find Elite Wealth, Dawkins and EWP Permian Basin Fund II did not demonstrate compliance with federal covered security requirements, and, in fact, did violate Iowa Code §502.301, when the EWP Permian Basin Fund II subscription agreement and note were unlawfully recommended, offered, issued and sold to Dr. K [REDACTED] from June 24 – July 5, 2019. This violation subjects Elite Wealth and Dawkins to disciplinary action under Iowa Code § 502.412(4)(b).

218. We also conclude that the material representations made by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Dr. K [REDACTED] and other investors concerning the exemption from registration were untrue, and as securities fraud, violated Iowa Code §502.501(2). The facts concerning registration and exemption were material to investors, the statements were untrue, and were willfully made by Elite Wealth, Dawkins and EWP Permian Basin Fund II.

219. We conclude that in recommending, offering and selling this June 24 – July 5, 2019, subscription agreement and note, which was unregistered, non-exempt and unlawful, Dawkins and Elite Wealth, failed to exercise the reasonable diligence, care and skill of an investment adviser in understanding and evaluating the potential risks, rewards, and costs associated with their recommendation and in so doing, breached their fiduciary duty of reasonable care. This breach of fiduciary duty constituted an act, practice, and course of business “that operates or would operate as a fraud or deceit upon” Dr. K [REDACTED].

220. Dawkins and Elite Wealth, engaged in an act, practice, and course of business “that operates or would operate as a fraud or deceit upon another person” in violation of Iowa Code §§502.501(3) and 502.502(1)(b), when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary duty of care by recommending, offering and selling to Dr. K [REDACTED] from June 24 – July 5, 2019 an unlawful unregistered and non-exempt security.

221. Dawkins and Elite Wealth also engaged in practices and courses of business that operated as fraud upon Dr. K [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care by disregarding their obligation to demonstrate a registered investment adviser’s “reasonable diligence, care and skill” in fulfilling their best interest care obligation to Dr. K [REDACTED] and others. (Ex. 14).

222. Dawkins and Elite Wealth engaged in an act, practice and course of business that operated, or would operate as fraud or deceit upon Dr. K [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b) when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary obligations of care when they failed to comply with the conditions required for a federal covered security exemption in offering and selling the June 24 – July 5, 2019 subscription agreement and note.

223. We again make note that as specified in 17 CFR §230.506, the conditions of 17 CFR §230.502 must be met in order for a promoter to avail itself of the federal covered security exemption. This includes the provision of financial statement information. Elite Wealth,

Dawkins and EWP Permian Basin Fund II also omitted material facts pertaining to the financial condition of the issuer and maker of the notes, EWP Permian Basin Fund II. This failure negates eligibility for the federal covered security exemption, but it is also a violation of Iowa Code 502.501(2) because the facts related to the financial condition of the issuer are “material,” and the omissions made the statements made concerning future revenues misleading.

224. The EWP Permian Basin Fund II subscription agreement and note on June 24 – July 5, 2019, recommended, issued and sold to Dr. K█████ created a complex structure of rights in the event of default. None of the parties offered a relevant offering memorandum for the June 24 – July 5, 2019, subscription agreement and note, but regardless, we find Dr. K█████ was not a qualified sophisticated investor with the sufficient knowledge or experience to understand the complexities of these structures.

225. Dawkins and Elite Wealth also engaged in practices and courses of business that operated as fraud in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care when they recommended and sold to Dr. K█████ the June 24 – July 5, 2019, subscription agreement and note. Dawkins and Elite Wealth knew this high risk and illiquid investment was not in the best interest of Dr. K█████, because Dr. K█████ did not have sufficient knowledge or experience in oil and gas speculation and complex unregistered private placement offerings to evaluate the merits and risk of the investment; neither did Elite Wealth or Dawkins have a reasonable basis to believe the recommended EWP Permian Basin Fund II subscription agreement and note effectively addressed Dr. K█████’s financial situation, insurance needs and financial objectives.

226. Dr. K█████ signed a second subscription agreement with EWP Permian Basin Fund II on or about June 15, 2020, to purchase a second one-year \$25,000 note at 8.5% interest. (Ex. 12). EWP Permian Basin Fund II issued the unsecured note to Dr. K█████ on or about June 25, 2020. (Ex. 12). From these funds, Dawkins and Elite Wealth received \$1,250 in compensation.

227. The June 15, 2020 subscription agreement and note investment were unlawfully offered and sold by Elite Wealth and Dawkins.

228. Soon thereafter, when the June 24 – July 5, 2019, note matured on July 5, 2020, Dr. K█████ rolled the investment into another 12-month EWP Permian Basin Fund II note issued on July 6, 2020. (Ex. 12 and A). For this reinvestment, Dawkins and Elite Wealth received \$1,250 in compensation. We find incomplete evidence in the record on this July 6, 2020, transaction. However, we conclude that while Dawkins, Elite Wealth and EWP Permian Basin Fund II were showing the accumulation of 8.5% in interest on the prior investments, Dawkins and Elite Wealth were receiving compensation for each transaction and no annual income statements or balance sheets of EWP Permian Basin Fund II were provided to Dr. K█████. The failure to provide financial statements in an offering of the magnitude of The Heartland Group Fund III, LLC and EWP Permian Basin Fund II supports the allegation by the SEC in their case that any represented interest returns were little more than an illusion, and were actually a Ponzi scheme.

229. Dr. K█████ signed a fourth subscription agreement with EWP Permian Basin Fund II on or about December 14, 2020, to purchase a fourth one-year \$25,000 note at 8.5% interest. (Ex.

12). EWP Permian Basin Fund II issued the unsecured note to Dr. K [REDACTED] on or about December 14, 2020. (Ex. 12). For this transaction, Dawkins and Elite Wealth received \$1,250 in compensation. The December 14, 2020, subscription agreement and note investment were unlawfully offered and sold by Elite Wealth and Dawkins.

230. We find that EWP Permian Basin Fund II, Dawkins, and Elite Wealth did not file with the Division the required “Form D, Notice of Exempt Offering of Securities” for a subscription and note issued by The Heartland Group Fund III, LLC, or by EWP Permian Basin Fund II. (Tr. 54-55). Without the required Reg D filing under Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 and other proof of compliance with the federal covered security exemption under Iowa Code § 502.503, we find Dawkins, Elite Wealth and EWP Permian Basin Fund II have not carried their burden of proving the applicability of the Regulation D federal exemption, and have therefore violated Iowa Code § 502.301, when the three subscription agreements and notes of \$25,000 were unlawfully recommended, offered, issued and sold to Dr. K [REDACTED] during June, July and December of 2020.

231. We find Elite Wealth, Dawkins and EWP Permian Basin Fund II did not demonstrate compliance with federal covered security requirements, and, in fact, did violate Iowa Code §502.301, when the three \$25,000 investments were unlawfully recommended, offered, issued and sold to Dr. K [REDACTED] during June, July and December of 2020.

232. We also conclude that any representations of Elite Wealth, Dawkins and EWP Permian Basin Fund II concerning exemption from registration were untrue, and as securities fraud, violated Iowa Code §502.501(2). Any facts concerning registration and exemption were material to investors, the statements were untrue, and would have been willfully made by Elite Wealth, Dawkins and EWP Permian Basin Fund II.

233. Dawkins and Elite Wealth, engaged in an act, practice, and course of business that operates or would operate as a fraud or deceit upon another person in violation of Iowa Code §§502.501(3) and 502.502(1)(b), when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary duty of care by recommending and selling to Dr. K [REDACTED] during June, July and December of 2020, unlawful unregistered, non-exempt securities.

234. Dawkins and Elite Wealth engaged in an act, practice and course of business that operated, or would operate as fraud or deceit in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care when they failed to comply with the conditions required for a federal covered security exemption in recommending, offering, issuing and selling to Dr. K [REDACTED] three \$25,000 EWP Permian Basin Fund II subscription agreement and note during June, July and December of 2020.

235. We conclude that in recommending, offering and selling these 2020 EWP Permian Basin Fund II subscription agreements and notes, which were also unregistered, non-exempt and unlawful, Dawkins and Elite Wealth, failed to exercise the reasonable diligence, care and skill of an investment adviser in understanding and evaluating the potential risks, rewards, and costs associated with their recommendation and in so doing, breached their fiduciary duty of

reasonable care. This breach of fiduciary duty constituted an act, practice, and course of business that operated or would operate as a fraud or deceit upon Dr. K [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b).

236. By this time in 2020, Dawkins and Elite Wealth should have known, and in fact, did know this high-risk and illiquid investment was not in the best interest of Dr. K [REDACTED], because he did not have sufficient knowledge or experience in oil and gas speculation and complex unregistered private placement offerings to evaluate the merits and risk of the investment; neither did Elite Wealth or Dawkins have a reasonable basis to believe the recommended EWP Permian Basin Fund II subscription agreement and note effectively addressed Dr. K [REDACTED]'s financial situation, insurance needs and financial objectives. This breach of fiduciary duty constituted an act, practice, and course of business that operated or would operate as a fraud or deceit upon Dr. K [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b).

237. Without restating every fact and violation here, we find that every unlawful act or practice by Elite Wealth, Dawkins and EWP Permian Basin Fund II that we found in connection with the June 24 – July 5, 2019 EWP Permian Basin Fund II subscription agreement and note recommended, offered, issued and sold to Dr. K [REDACTED] were repeated by Elite Wealth, Dawkins and EWP Permian Basin Fund II in the recommendations, offers, issuance and sales of the June 15, 2020, July 6, 2020 and December 14, 2020, EWP Permian Basin II subscription agreements and notes to Dr. K [REDACTED]. (Ex. 12 and A). We find and conclude the same violations of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II in connection with the recommendation, offer, issuance and sale of EWP Permian Basin II subscription agreements and notes to Dr. K [REDACTED] on June 15, 2020, July 6, 2020, and December 14, 2020.

238. In March of 2021, Dawkins and Elite Wealth advised Dr. K [REDACTED] that he had “2 products with 36-month durations and that one paid 9% annually for 3 years with a 10% balloon and had a \$100,000 minimum and the other paid 12% but had a \$250,000 minimum balance.” (Ex. A).

239. Dawkins and Elite Wealth recommended that Dr. K [REDACTED] “terminate” the June 15, 2020, July 6, 2020 and December 14, 2020, EWP Permian Basin II subscription agreements and notes and reinvest in the 36-month investments. Again, although the information in the record is incomplete and sometimes inconsistent, we find that Dr. K [REDACTED] rolled these three investments into a 36-month EWP Permian Basin Fund II note issued on March 16, 2021. (Ex. 51).

240. Although there are similarities to the 2020 – 2021 12-month 8.5% EWP Permian Basin Fund II investments in a \$5,000,000 fund of 200 Units with each unit offered at \$25,000 per unit earlier to Dr. K [REDACTED], as well as to Mr. M [REDACTED], Mrs. L [REDACTED], Dr. G [REDACTED], Mr. V [REDACTED], Mr. and Mrs. D [REDACTED], Mr. M [REDACTED], Mr. C [REDACTED], Mr. M [REDACTED], Mr. J [REDACTED], Mrs. M [REDACTED] and Mr. R [REDACTED], based on the whole of the evidence we conclude that the offers to Dr. K [REDACTED] on March 15, 2021, was a distinct offering. The offers to Dr. K [REDACTED] were represented by Dawkins and Elite Wealth as a separate EWP Permian Basin Fund II offering of a \$5,000,000 fund with notes not less than \$250,000. The two March 15-16, 2021, subscription agreements and notes recommended, sold and issued to Dr. K [REDACTED] involved 36-month investments with a 12% return that was also sold



and issued to Ms. S [REDACTED]. While both parties discussed an offering memorandum, neither party offered a relevant offering memorandum for this offering.

241. Dr. K [REDACTED] signed this fifth subscription agreement with EWP Permian Basin Fund II on or about March 15, 2021, to purchase a three-year \$90,500 note at 12% interest. (Ex. 12, 51, and A). EWP Permian Basin Fund II issued the unsecured note to Dr. K [REDACTED] on or about March 16, 2021. (Ex. 12, 51, and A). For this transaction, Dawkins and Elite Wealth received \$3,763.33 in compensation. This March 15 – 16, 2021, subscription agreement and note investment were unlawfully offered and sold by Elite Wealth and Dawkins.

242. Dawkins and Elite Wealth also recommended at that time that Dr. K [REDACTED] invest in a three-year \$94,000 note at 12% interest. Dr. K [REDACTED] signed a sixth subscription agreement with EWP Permian Basin Fund II on or about March 15, 2021, to purchase a three-year \$94,000 note at 12% interest. (Ex. 12, 52, and A). EWP Permian Basin Fund II issued the unsecured note to Dr. K [REDACTED] on or about March 16, 2021. (Ex. 12, 52, and A). For this transaction, Dawkins and Elite Wealth received \$5,640 in compensation. This March 15 – 16, 2021, subscription agreement and note investment were unlawfully offered and sold by Elite Wealth and Dawkins.

243. Finally, we find that Dawkins and Elite Wealth also recommended at that time that Dr. K [REDACTED] invest in a three-year \$65,000 note at 12% interest. Dr. K [REDACTED] signed a seventh subscription agreement with EWP Permian Basin Fund II on or about March 15, 2021, to purchase a three-year \$65,000 note at 12% interest. (Ex. 12 and A). EWP Permian Basin Fund II issued the unsecured note to Dr. K [REDACTED] on or about March 16, 2021. (Ex. 12 and A). For this transaction, Dawkins and Elite Wealth received \$3,930 in compensation. This March 15 – 16, 2021, subscription agreement and note investment were unlawfully offered and sold by Elite Wealth and Dawkins.

244. We find incomplete evidence in the record on these March 15 – 16, 2021, transactions. However, we conclude that while Dawkins, Elite Wealth and EWP Permian Basin Fund II were showing the accumulation of 8.5% in interest on the prior investments, Dawkins and Elite Wealth were receiving compensation for each transaction and no annual income statements or balance sheets of EWP Permian Basin Fund II were provided to Dr. K [REDACTED]. The failure to provide required financial statements in an offering of the magnitude of The Heartland Group Fund III, LLC and EWP Permian Basin Fund II supports the allegation by the SEC in their case that any represented interest returns were an illusion, and were actually a Ponzi scheme.

245. As with the earlier one-year EWP Permian Basin Fund II, subscription agreements and notes, Dawkins, and Elite Wealth did not file with the Division the required “Form D, Notice of Exempt Offering of Securities” for 36-month subscription agreements and notes issued by EWP Permian Basin Fund II and sold to Dr. K [REDACTED]. (Tr. 54-55). Without the required Reg D filing under Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 and other proof of compliance with the federal covered security exemption under Iowa Code § 502.503, we find Dawkins, Elite Wealth and EWP Permian Basin Fund II have not carried their burden of proving the applicability of the Regulation D federal exemption, and have therefore violated Iowa Code § 502.301, when the three 36-month subscription agreements and notes totaling investments of

\$249,500 were unlawfully recommended, offered, issued and sold to Dr. K [REDACTED] on March 15 – 16, 2021.

246. We find Elite Wealth, Dawkins and EWP Permian Basin Fund II did not demonstrate compliance with federal covered security requirements, and, in fact, did violate Iowa Code §502.301, when the three 36-month subscription agreements and notes totaling investments of \$249,500 were unlawfully recommended, offered, issued and sold to Dr. K [REDACTED] on March 15 – 16, 2021.

247. We also conclude that any representations of Elite Wealth, Dawkins and EWP Permian Basin Fund II concerning exemption from registration were untrue, and as securities fraud, violated Iowa Code §502.501(2). Any facts concerning registration and exemption were material to investors, the statements were untrue, and were willfully made by Elite Wealth, Dawkins and EWP Permian Basin Fund II.

248. Dawkins and Elite Wealth, engaged in an act, practice, and course of business that operates or would operate as a fraud or deceit upon another person in violation of Iowa Code §§502.501(3) and 502.502(1)(b), when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary duty of care by recommending and selling to Dr. K [REDACTED] on March 15 – 16, 2021, unlawful unregistered, non-exempt securities.

249. Dawkins and Elite Wealth engaged in an act, practice and course of business that operated, or would operate as fraud or deceit in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care when they failed to comply with the conditions required for a federal covered security exemption in recommending, offering, issuing and selling to Dr. K [REDACTED] three 36-month EWP Permian Basin Fund II subscription agreements and notes totaling investments of \$249,500 on March 15 – 16, 2021.

250. We conclude that in recommending, offering and selling these 2021 subscription agreements and notes, which were also unregistered, non-exempt and unlawful, Dawkins and Elite Wealth, failed to exercise the reasonable diligence, care and skill of an investment adviser in understanding and evaluating the potential risks, rewards, and costs associated with their recommendation and in so doing, breached their fiduciary duty of reasonable care. This breach of fiduciary duty constituted an act, practice, and course of business that operated or would operate as a fraud or deceit upon Dr. K [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b).

251. By this time in March of 2021, Dawkins and Elite Wealth should have known, and in fact, did know this high-risk and illiquid investment was not in the best interest of Dr. K [REDACTED], because he did not have sufficient knowledge or experience in oil and gas speculation and complex unregistered private placement offerings, to evaluate the merits and risk of the investment; neither did Elite Wealth or Dawkins have a reasonable basis to believe the recommended EWP Permian Basin Fund II subscription agreement and note effectively addressed Dr. K [REDACTED]'s financial situation, insurance needs and financial objectives. This breach of fiduciary duty constituted an act, practice, and course of business that operated or would

operate as a fraud or deceit upon Dr. K [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b).

252. Without restating every fact and violation here, we find that each and every unlawful act or practice by Elite Wealth and Dawkins that we found in connection with the June 24 – July 5, 2019, June 15, 2020, July 6, 2020 and December 14, 2020, EWP Permian Basin Fund II subscription agreements and notes recommended, offered, issued and sold to Dr. K [REDACTED] were repeated in the recommendations, offers, issuance and sales of the three EWP Permian Basin II subscription agreements and notes to Dr. K [REDACTED] on March 15 – 16, 2021. We find and conclude the same violations of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II in connection with the recommendation, offer, issuance and sale of EWP Permian Basin II subscription agreements and notes to Dr. K [REDACTED] on March 15 – 16, 2021.

253. We conclude that in recommending, offering and selling these March 15 – 16, 2021, subscription agreements and notes, which were also unregistered, non-exempt and unlawful, Dawkins and Elite Wealth, failed to exercise the reasonable diligence, care and skill of an investment adviser by recommending a concentration of more than 80% of Dr. K [REDACTED]'s retirement funds in high risk, illiquid investments to Dr. K [REDACTED], knowing he did not possess sufficient knowledge or experience to evaluate the potential risks, rewards, and costs associated with their recommendation and in so doing, breached their fiduciary duty of reasonable care. (Tr. 127 – 133). This breach of fiduciary duty constituted an act, practice, and course of business “that operates or would operate as a fraud or deceit upon” Dr. K [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b).

254. Dawkins and Elite Wealth knew that Dr. K [REDACTED] was relying on his investment advisers' fiduciary obligations of care and professional investment experience, and recommended placing an excessive amount of Dr. K [REDACTED]'s net worth and therefore, an excessive concentration of risk in the high risk, illiquid investment. (Tr. 127 – 133).

255. Certainly by 2021, the EWP Permian Basin Fund II's contravention of the exemption requirements and the implications of fraud should have been apparent to a reasonable competent investment adviser. The violations were readily apparent in 2021, raising significant “red flags” for any reasonably careful, diligent, skillful and attentive investment adviser in circumstance similar to that of Elite Wealth and Dawkins in 2021. We again make note that as specified in 17 CFR 230.506, the conditions of 17 CFR 230.502 must be met in order for a promoter to avail itself of the federal covered security exemption. This includes the provision of relevant financial statement information. Despite that passage of time, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not provide to investors material facts pertaining to the financial condition of the issuer of the securities, EWP Permian Basin Fund II. As in prior recommendations, offerings and sales, this failure to provide annual financial information negates eligibility for the federal covered security exemption, but it is also a violation of Iowa Code 502.501(2) because the facts related to the financial condition of the issuer are “material,” and these omissions made the statements made concerning future revenues misleading. The willful absence of financial statements provided “red flags” to any reasonably careful, diligent, skillful and attentive investment adviser that the offering was likely a Ponzi scheme. By 2021, Dawkins and Elite

Wealth should have known that they were recommending not only a high risk, illiquid private placement to Dr. K [REDACTED], but an offering that had numerous characteristics of a fraudulent Ponzi scheme.

256. Each violation of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II serves as grounds under Iowa Code § 502.412(4)(b) to revoke, suspend, condition, or limit Dawkins' investment adviser representative registration.

257. Each violation of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II serves as grounds under Iowa Code § 502.412(4)(b) to revoke, suspend, condition, or limit both Elite Wealth's investment adviser registration and Dawkins' registration.

258. We conclude that all of the above described conduct and violations of law by Dawkins and Elite Wealth also constitutes a dishonest and unethical practice under Iowa Code §502.412(4)(m) and Iowa Administrative Code rule 191—50.38(1).

259. While we have concluded that Dawkins' level of training, experience and knowledge was clearly inadequate for him to meet his fiduciary obligations of care and loyalty to Dr. K [REDACTED] and other investors, we do not find that this inadequacy could not be remedied, nor that his general training, experience and knowledge were so inadequate that he is unqualified to hold an Iowa registration under Iowa Code Iowa Code 502.412(4)(n). At this time, we have found that Dawkins has demonstrated that he is wholly unqualified to recommend, offer or sell high risk, illiquid, unregistered and exempt securities.

***J [REDACTED] K [REDACTED] and R [REDACTED] K [REDACTED] Investments***  
***Count 1 – Unregistered Agent – Iowa Code §§ 502.402 and 502.604***

260. We now return to Count 1 in regards to the recommendations, offers, issuance and sales by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Dr. and Mrs. K [REDACTED]. The EWP Permian Basin Fund II subscription agreements and notes recommended, offered, issued and sold by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Dr. K [REDACTED] are "securities."

261. Neither Elite Wealth, nor Dawkins were registered with the Division as securities agents when Elite Wealth and Dawkins offered and sold these securities to Dr. K [REDACTED]. See Joint Stipulation of Facts, ¶¶ 3 & 7. Dawkins had been registered with a broker-dealer in the past, and was aware of the requirement under Iowa law to be licensed in order to offer and sell securities. (Tr. 49-50).

262. Elite Wealth and Dawkins did not demonstrate compliance with the requirements for any exemption provided under Iowa Code § 502.402(2). We conclude these exemptions are unavailable to individuals who receive remuneration for their selling efforts. See Iowa Code §§ 502.402(2)(c) & (e) (providing exemptions to registration only where the individual does not receive compensation in connection with the sale of securities). Elite Wealth and Dawkins received compensation for the sale of the EWP Permian Basin Fund II securities to Dr. K [REDACTED].

(Ex. 8, 12; Tr. 61-62). Indeed, the sale of these securities represented the largest source of Elite Wealth and Dawkins' income. (Ex. 13; Tr. 75).

263. While Dawkins repeatedly testified at hearing that he did not consider himself to be "selling" any securities, Dawkins previously stated in an email to the Division that he "sold" these securities. (Ex. 15). Dawkins also testified that he presented and discussed the EWP Permian Basin Fund II subscription agreements with Dr. K [REDACTED] and each of the Iowa consumers. (Tr. 778-781). Nevertheless, the evidence, including testimony and documents of numerous transactions, was overwhelming that Dawkins was selling securities.

264. Further, in this determination under Count 1, we incorporate all of the foregoing findings and conclusions in this decision.

265. Based on the above facts and conclusions, Elite Wealth, Dawkins and EWP Permian Basin Fund II have each acted as or employed an unregistered agent and violated Iowa Code §502.402(2) on at least seven occasions between July 5, 2019 and April 23, 2021, and are each liable for separate securities transactions involving Dr. and Mrs. K [REDACTED] for all necessary and appropriate relief available under Iowa Code § 502.602, including orders to cease and desist violations, to make restitution to Dr. and Mrs. K [REDACTED], and to implement other corrective actions to accomplish compliance with the Iowa Uniform Securities Act.

***J [REDACTED] K [REDACTED] and R [REDACTED] K [REDACTED] Investments***  
***Count 2 – Securities Fraud – Iowa Code §502.501 and 502.604***

266. We now consider the charge of securities fraud under Count 2 in connection with the recommendations, offers and sales of securities by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Dr. and Mrs. K [REDACTED].

267. In this determination under Count 2, we incorporate all of the foregoing findings and conclusions in this decision, including the varied methods in which Elite Wealth, Dawkins and EWP Permian Basin Fund II have each violated Iowa Code § 502.501.

268. Based on the above facts and conclusions, Elite Wealth, Dawkins and EWP Permian Basin Fund II, have each committed securities fraud and violated Iowa Code § 502.501 on at least seven occasions between July 5, 2019 and April 23, 2021, and are each liable for separate securities transactions involving Dr. and Mrs. K [REDACTED] for all necessary and appropriate relief available under Iowa Code § 502.602, including orders to cease and desist violations, to make restitution to Dr. and Mrs. K [REDACTED], and to implement other corrective actions to accomplish compliance with the Iowa Uniform Securities Act.

***J [REDACTED] K [REDACTED] and R [REDACTED] K [REDACTED] Investments***  
***Count 4 – Disciplinary Action on Insurance Producer Licenses of Dawkins and Elite Wealth – Iowa Code §§ 522B.11(1) and 522B.17***

269. We complete our analysis of the conduct of Elite Wealth and Dawkins under Iowa Code §522B.11 in relationship to their transactions with Dr. and Mrs. K [REDACTED]. As with Count 3, this

charge broadly relates to any wrongful conduct that implicates the professional licenses of Dawkins and Elite Wealth. However, this charge implicates the insurance producer licenses of Dawkins and Elite Wealth.

270. Iowa Code § 522B.11(1)(h) provides that the commissioner may place on probation, suspend, or revoke an insurance producer’s license for “[u]sing fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness and/or financial irresponsibility in the conduct of business in this state or elsewhere.” As provided in Iowa Code § 522B.17, the commissioner may also issue cease and desist orders and levy a civil penalty.

271. In this determination under Count 4, we incorporate all of the foregoing findings and conclusions in this decision, including the varied methods in which Elite Wealth and Dawkins, directly or through EWP Permian Basin Fund II, have each violated Iowa Code §§ 502.301, 502.402, 502.501 and 502.502, as well as enumerated securities regulations.

272. We conclude that all of the above described conduct and violations of law by Dawkins and Elite Wealth in regards to transactions involving Dr. and Mrs. K █████ constitute fraudulent and dishonest and unethical practices, and demonstrate incompetence, untrustworthiness and financial irresponsibility in the conduct of business in this state under Iowa Code §522B.11(1)(h).

***M █████ L █████ and C █████ L █████ Investments  
Count 3 – Investment Adviser Disqualifications – Iowa Code §502.412***

273. We begin our analysis under Iowa Code §502.412 of the conduct of Elite Wealth, Dawkins and EWP Permian Basin Fund II in relationship to their transactions with M █████ and C █████ L █████. Mr. and Mrs. L █████ were named as investors in the Division’s statement of charges. (SOC ¶¶ 91 – 95).

274. Mrs. M █████ L █████ was called to testify by the Division. (Tr. 311 – 342). Her husband, Mr. C █████ L █████, did not testify.

275. Mr. and Mrs. L █████ are residents of Iowa. Mrs. L █████ is a retired nurse and her husband, C █████, is a retired school teacher. At the time of the hearing, Mrs. L █████ was 72 years-old. Mr. and Mrs. L █████ have been investment adviser clients of Dawkins and Elite Wealth since 2017 or 2018.

276. The transactions by Elite Wealth and Dawkins with Mr. and Mrs. L █████ covered a significant span of time, involved several roll-over investments, as well as varied offerings and issuers. In summary, we have found the following transactions:

Date	Description	Issuer	Amount	Return	Maturity
02/20/2018	Business Promissory Note	Choice Energy Holdings – I, LLC	\$50,000.00	7.5%	02/20/2019
07/18/2019	Subscription and Note	EWP Permian Basin Fund II, LLC	\$100,000	8.5%	07/18/2020
10/07/2020	Subscription and Note	EWP Permian Basin Fund II, LLC	\$100,000	8.5%	10/07/2021

05/20/2021	Subscription and Note	EWP Permian Basin Fund II, LLC	\$120,000	9.0% +10%	05/25/2024
05/26/2021	Subscription and Note	EWP Permian Basin Fund II, LLC	\$50,000	9.0% +10%	05/26/2024

(Ex. 12, 14, 64, 65, 66, 67, 77 and A).

277. As with other investors, the records and discovery responses of Elite Wealth and Dawkins were incomplete and contained inconsistencies in regards to transactions with Mr. and Mrs. L [REDACTED]. The document identified as the “Client Alternative Blotter” produced by Elite Wealth and Dawkins did not correspond with the subscription agreements and notes received into evidence, nor was it consistent with the Respondents’ response to Division’s interrogatory 5.

278. Similar to the first transaction with Mr. Mu [REDACTED], Dawkins offered to Mrs. L [REDACTED] an investment that was described as a “Business Promissory Note” issued by Choice Energy Holdings – I, LLC. This investment was for \$50,000 on February 20, 2018. Despite the appearance this may be a security requiring registration or exemption, we do not address the legality of this transaction.

279. Dawkins identified M [REDACTED] L [REDACTED] as the third investment adviser client that he approached about “Heartland” in August of 2019. (Ex. A). The parties did not provide evidence of a customer profile in 2019, but Mrs. L [REDACTED]’s testimony and Dawkins’ own exhibits reveal relevant information.

280. Mrs. L [REDACTED] was a soft-spoken witness at the hearing, and we find she was under a great deal of emotional stress due to her investment experience with Dawkins. (Ex. 84). We found Mrs. L [REDACTED] to be a very credible witness. (Tr. 317). In her own words, under questioning by the Division’s attorney at the hearing she assessed her sophistication as an investor:

Mr. Grace: How knowledgeable are you in the area of investments?  
Mrs. L [REDACTED]: I’m not.  
Mr. Grace: And how much investment experience do you have?  
Mrs. L [REDACTED]: None.

(Tr. 313). From this testimony and other evidence, we conclude that Mrs. L [REDACTED] was not a “qualified sophisticated investor.”

281. Mrs. L [REDACTED]’s testimony concerning her status as a “qualified sophisticated investor” was equally compelling:

Mr. Grace: Do you know what a qualified sophisticated investor is?  
Mrs. L [REDACTED]: I can’t say in so many words.  
Mr. Grace: Okay. And do you recall signing this agreement?  
Mrs. L [REDACTED]: Yes.  
Mr. Grace: So how did you come to invest in this agreement?  
Mrs. L [REDACTED]: We took the advice of our financial advisor.

(Tr. 315). For these questions, Mr. Grace had placed Mrs. L [REDACTED]'s unsecured note issued on May 20, 2021, before her, but we find her testimony also be highly relevant to her earlier investment in 2019.

282. Mrs. L [REDACTED] testified that her risk tolerance was moderate, that the funds to be invested in EWP Permian Basin Fund II were "retirement funds" and that she and her husband would not be able to sustain a total loss of their investment. (Tr. 315).

283. Elite Wealth and Dawkins had a fiduciary duty to know and, in fact, did know that Mrs. L [REDACTED] did not have "such knowledge and experience in financial and business matters that [she was] capable of evaluating the merits and risk of an investment in the Note and the Company." Dawkins and Elite Wealth disregarded this fact known to them and made the high-risk recommendation to Mrs. L [REDACTED] anyway.

284. On July 18, 2019, Dawkins and Elite Wealth offered a subscription agreement issued by EWP Permian Basin Fund II for an unsecured promissory note. On July 5, 2019, EWP Permian Basin Fund II, under the authority of Dawkins as the fund manager, issued an unsecured promissory note to Mrs. L [REDACTED]. (Ex. 12, 64).

285. There were no assets securing the EWP Permian Basin Fund II notes. Neither Dawkins, Elite Wealth or EWP Permian Basin Fund II, provided financial statements of the issuer to Mrs. L [REDACTED] or other investors.

286. Dawkins lacked the expertise to know whether or not the EWP Permian Basin Fund II offerings were lawful. Without repeating all of the findings and legal conclusions pertaining to Mr. M [REDACTED] and Dr. K [REDACTED], we also apply them to the conduct of Dawkins, Elite Wealth and EWP Permian Basin Fund II in their dealings with Mr. and Mrs. L [REDACTED].

287. We find from all the evidence that Elite Wealth, Dawkins and EWP Permian Basin Fund II had reckless disregard for whether the security recommended, offered, issued and sold on July 18, 2019, to Mrs. L [REDACTED] was registered or exempt from registration.

288. Mrs. L [REDACTED] was not familiar with an offering memorandum. (Tr. 318). While Dawkins generally asserted offering memoranda were provided to investors, we do not know the particulars of an offering memorandum prior to Mrs. L [REDACTED]'s first EWP Permian Basin Fund II investment from July 18, 2019.

289. Mrs. L [REDACTED] e-signed a subscription agreement with EWP Permian Basin Fund II on July 18, 2019, to purchase a one-year \$100,000 note at 8.5% interest. (SOC ¶ 93, Answer ¶ 93, Ex. 64). EWP Permian Basin Fund II issued the unsecured note to Mrs. L [REDACTED] on July 18, 2019. (Ex. 64). From that amount, Dawkins and Elite Wealth received \$1,250 in compensation.

290. The July 18, 2019, subscription agreement presented the following qualification requirements to Mrs. L [REDACTED]:



Sophisticated Investor. The Subscriber shall be deemed to be a Sophisticated Investor if: Qualified Sophisticated Investor: To be a qualified sophisticated investor, an investor must represent that it has a sufficient degree of sophistication to understand and evaluate the merits and risks associated with an investment in the Note and (a) its overall commitment to investments which are not readily marketable is not disproportionate to its net worth and its investment in the Note will not cause such overall commitment to become excessive; (b) it has adequate net worth and means of providing for any current needs and contingencies such that it is able to sustain a complete loss of its investment in the Note, and it has no such need for liquidity in this investment; (c) it has evaluated the risk of investing in the Note and the Company; and (d) it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risk of an investment in the Note and the Company. The information must be represented in the Subscription Agreement.

Yes  No

291. The subscription agreement was checked “yes” in response to the qualification requirements as a “sophisticated investor” at the time of Mrs. L [REDACTED]’s investment. (Ex. 64).

292. We have found from her testimony and other evidence that Mrs. L [REDACTED] did not possess sufficient knowledge or experience to evaluate the potential risks, rewards and costs of these high risk, illiquid investments and was not a qualified sophisticated investor as that phrase is interpreted by law, and as such, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with the requirements of 17 CFR 230.506(b)(2)(ii).

293. Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 in the recommendation, offer, issuance and sale of the EWP Permian Basin Fund II subscription agreement and unsecured note to Mrs. L [REDACTED] on July 18, 2019.

294. We find Elite Wealth, Dawkins and EWP Permian Basin Fund II did not demonstrate compliance with federal covered security requirements, and, in fact, did violate Iowa Code §502.301, when the EWP Permian Basin Fund II subscription agreement and note were unlawfully recommended, offered, issued and sold to Mrs. L [REDACTED] on July 18, 2019. This violation subjects Elite Wealth and Dawkins to disciplinary action under Iowa Code § 502.412(4)(b).

295. We also conclude that the material representations made by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mrs. L [REDACTED] and other investors concerning the exemption from registration were untrue, and as securities fraud, violated Iowa Code §502.501(2). The facts concerning registration and exemption were material to investors, the statements were untrue, and were willfully made by Elite Wealth, Dawkins and EWP Permian Basin Fund II.

296. We conclude that in recommending, offering and selling this July 18, 2019, subscription agreement and note, which was unregistered, non-exempt and unlawful, Dawkins and Elite Wealth, failed to exercise the reasonable diligence, care and skill of an investment adviser in understanding and evaluating the potential risks, rewards, and costs associated with their

recommendation and in so doing, breached their fiduciary duty of reasonable care. This breach of fiduciary duty constituted an act, practice, and course of business “that operates or would operate as a fraud or deceit upon” Mrs. L [REDACTED].

297. Dawkins and Elite Wealth, engaged in an act, practice, and course of business “that operates or would operate as a fraud or deceit upon another person” in violation of Iowa Code §§502.501(3) and 502.502(1)(b), when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary duty of care by recommending, offering and selling to Mrs. L [REDACTED] on July 18, 2019 an unlawful unregistered and non-exempt security.

298. Dawkins and Elite Wealth also engaged in practices and courses of business that operated as fraud upon Mrs. L [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care by disregarding their obligation to demonstrate a registered investment adviser’s “reasonable diligence, care and skill” in fulfilling their best interest care obligation to Mrs. L [REDACTED] and others.

299. Dawkins and Elite Wealth engaged in an act, practice and course of business that operated, or would operate as fraud or deceit upon Mrs. L [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b) when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary obligations of care when they failed to comply with the conditions required for a federal covered security exemption in offering and selling the July 18, 2019, subscription agreement and note.

300. We again make note that as specified in 17 CFR §230.506, the conditions of 17 CFR §230.502 must be met in order for a promoter to avail itself of the federal covered security exemption. This includes the provision of financial statement information. Elite Wealth, Dawkins and EWP Permian Basin Fund II also omitted material facts pertaining to the financial condition of the issuer and maker of the notes, EWP Permian Basin Fund II. This failure negates eligibility for the federal covered security exemption, but it is also a violation of Iowa Code 502.501(2) because the facts related to the financial condition of the issuer are “material,” and the omissions made the statements made concerning future revenues misleading.

301. The first time any financial statements for EWP Permian Basin Fund II were prepared and available to investors was after the Commissioner ordered production from respondents on October 25, 2023. Mrs. L [REDACTED] did not have sufficient information and experience to understand and appreciate the conflict of interest that Dawkins and Elite Wealth had created by recommending private placements with thousands of dollars in potential personal liability by Dawkins as the fund manager of his own limited liability company, EWP Permian Basin Fund II, the issuer of the security.

302. The EWP Permian Basin Fund II subscription agreement and note on June 24 – July 5, 2019, recommended, issued and sold to Mrs. L [REDACTED] created a complex structure of rights in the event of default. None of the parties offered a relevant offering memorandum for the July 18, 2019, subscription agreement and note, but regardless, we find Mrs. L [REDACTED] was not a qualified

sophisticated investor with the sufficient knowledge or experience to understand the complexities of these structures.

303. Dawkins and Elite Wealth also engaged in practices and courses of business that operated as fraud in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care when they recommended and sold to Mrs. L [REDACTED] the July 18, 2019, subscription agreement and note. Dawkins and Elite Wealth knew this high risk and illiquid investment was not in the best interest of Mrs. L [REDACTED], because Mrs. L [REDACTED] did not have sufficient knowledge or experience in oil and gas speculation and complex unregistered private placement offerings to evaluate the merits and risk of the investment; neither did Elite Wealth or Dawkins have a reasonable basis to believe the recommended EWP Permian Basin Fund II subscription agreement and note effectively addressed Mrs. L [REDACTED]'s financial situation, insurance needs and financial objectives.

304. Approximately a year after Dawkins, Elite Wealth and EWP Permian Basin Fund II had recommended, offered, issued and sold a \$100,000 EWP Permian Basin Fund II investment to Mrs. L [REDACTED] on July 18, 2019, Dawkins and Elite Wealth recommended another investment to Mrs. L [REDACTED]. While the evidence is not clear, we conclude this recommendation of a second EWP Permian Basin Fund II subscription agreement and note was likely due to the maturity of Mrs. Lierman's 2019 investment. (Ex. 12, 14 and 65).

305. The Dawkins and Elite Wealth documents are not consistent. The "Client Alternative Blotter" indicated a purchase date of August 22, 2020 for the second \$100,000 EWP Permian Basin Fund II subscription agreement and note, but the documents evidencing the investments reflect an issue date of October 7, 2020. (Ex. 12, 14 and 65). Based on the whole of the evidence, we conclude that this recommendation was around August 22, 2020, but the issuance and sale of the subscription agreement and note was delayed until October 7, 2020. The investment was represented by Dawkins and Elite Wealth as a \$5,000,000 fund of 200 Units with each unit offered at \$25,000 per unit ("2020 EWP Permian Basin Fund II Heartland Debt Offering"). (Ex. 9). For this reinvestment, Dawkins and Elite Wealth received another \$5,000 in compensation.

306. Although Mrs. L [REDACTED] testified that Dawkins and Elite Wealth did not provide to her an offering memorandum (Tr. 318), the Division did offer into evidence a sample offering memorandum that indicates it related to the EWP Permian Basin Fund II private placement offering that began on September 19, 2019, but had been updated and reprinted on August 1, 2020. ("2020 EWP Permian Basin Fund II – Heartland III Debt Offering memorandum") (Ex. 9). This related offering memorandum describes that proceeds from the EWP Permian Basin Fund II offering will be invested in The Heartland Group Fund III, LLC.

307. 2020 EWP Permian Basin Fund II – Heartland III Debt Offering memorandum provides the following information concerning EWP Permian Basin Fund II:

The Business: EWP2 is a recently formed entity that has been organized to invest in Notes of The Heartland Group Fund III, LLC which will use the proceeds of this Offering to invest in working interests in developed oil and gas wells. See "Business of the Company." The Company is recently formed business as well.

The Company: The Company was organized in 2019, as a Texas limited liability company. The Company has generally been involved in limited activities and fundraising since its formation. Accordingly, the Company has no operating history upon which you may evaluate its business and prospects. The EWP2's headquarters are located at 6165 NW 86<sup>th</sup> St, Johnston, IA 50131. The manager is Elite Wealth Partners, LLC, whose phone number is 515-371-4421. The Company is located at 5049 Edwards Ranch Rd, Fourth Floor, Fort Worth, Texas 76109.

(Ex. 9).

308. 2020 EWP Permian Basin Fund II – Heartland III Debt Offering memorandum provides the following information concerning the management of EWP Permian Basin Fund II:

Management of EWP Permian Basin Fund II, LLC

Cory Dawkins has a passion for helping people grow their income and health. A curriculum vitae may be provided upon request by requesting the same at [cdawkins@elitewealthpartners.com](mailto:cdawkins@elitewealthpartners.com).

EWP2 will apply the net proceeds of the Offering (after the payment of various offering expenses, ongoing general and administrative, legal accounting and engineering, and other expense not to exceed 20% of the Offering proceeds) for the purchase of Units and Notes in Heartland III, which, in turn, will use the proceeds of this Offering and the proceeds from other investors to purchase working interests in proven oil and gas wells. The prospect wells have been divested at a discount by larger oil and gas developmental firms which are concentrating on new high-risk drilling opportunities with greater revenue potential.

(Ex. 9).

309. From this description and from Dawkins' own testimony, he had no experience in and very limited knowledge about oil and gas development. (Tr. 476 – 478). The actual purpose of forming EWP Permian Basin Fund II, in Dawkins' own words, in fact, had nothing to do with managing the investments:

EWP Permian Basin Fund II was the LLC that I was told needed to be created so that the flow of money to Heartland would go through me, effectively, so that I could deduct my fees. And I was told that that was – that was the legal solution to how – how I could be compensated, following the rules.

(Tr. 792 – 795).

310. 2020 EWP Permian Basin Fund II – Heartland III Debt Offering memorandum described the EWP Permian Basin Fund II unsecured notes in the following manner:

An investment in the Units involves a high degree of risk. Prospective investors in the Units should thoroughly consider this Memorandum and certain special considerations concerning the EWP2/Company described herein. See “Risk Factors” below. An investment in the Units offered hereby is suitable only for, and may be made only by accredited and qualified sophisticated investors who have no need for liquidity of investment and understand and can afford the high financial risks of an investment of the Units, including the potential for a complete loss of their investment. There is currently no trading market for any securities of the Company, nor is it expected or assured that such market will develop in the foreseeable future.

311. Mrs. L [REDACTED]’s level of investment sophistication had not changed since her prior 2019 investment.

312. We conclude that while Dawkins, Elite Wealth and EWP Permian Basin Fund II were showing the accumulation of 8.5% in interest on the prior investment, Dawkins and Elite Wealth were receiving compensation for each transaction and no annual income statements or balance sheets of EWP Permian Basin Fund II were provided to Mrs. L [REDACTED]. The failure in 2020 to provide financial statements in an offering of the magnitude of The Heartland Group Fund III, LLC and EWP Permian Basin Fund II supports the allegation by the SEC in their case that any represented interest returns were little more than an illusion, and were actually a Ponzi scheme.

313. We find that EWP Permian Basin Fund II, Dawkins, and Elite Wealth did not file with the Division the required “Form D, Notice of Exempt Offering of Securities” for a subscription and note issued by The Heartland Group Fund III, LLC, or by EWP Permian Basin Fund II. (Tr. 54-55). Without the required Reg D filing under Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 and other proof of compliance with the federal covered security exemption under Iowa Code § 502.503, we find Dawkins, Elite Wealth and EWP Permian Basin Fund II have not carried their burden of proving the applicability of the Regulation D federal exemption, and have therefore violated Iowa Code § 502.301, when the three subscription agreements and notes of \$25,000 were unlawfully recommended, offered, issued and sold to Mrs. L [REDACTED] during October of 2020.

314. We find Elite Wealth, Dawkins and EWP Permian Basin Fund II did not demonstrate compliance with federal covered security requirements, and, in fact, did violate Iowa Code §502.301, when the \$100,000 investment was unlawfully recommended, offered, issued and sold to Mrs. L [REDACTED] during October of 2020.

315. We also conclude that any representations of Elite Wealth, Dawkins and EWP Permian Basin Fund II concerning exemption from registration would be untrue, and as securities fraud, would violate Iowa Code §502.501(2). Any facts concerning registration and exemption would be material to investors, the statements would be untrue, and would have been willfully made by Elite Wealth, Dawkins and EWP Permian Basin Fund II.

316. Dawkins and Elite Wealth, engaged in an act, practice, and course of business that operates or would operate as a fraud or deceit upon another person in violation of Iowa Code

§§502.501(3) and 502.502(1)(b), when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary duty of care by recommending and selling to Mrs. L [REDACTED] during October of 2020, unlawful unregistered, non-exempt securities.

317. Dawkins and Elite Wealth engaged in an act, practice and course of business that operated, or would operate as fraud or deceit in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care when they failed to comply with the conditions required for a federal covered security exemption in recommending, offering, issuing and selling to Mrs. L [REDACTED] a \$100,000 EWP Permian Basin Fund II subscription agreement and note during October of 2020.

318. We conclude that in recommending, offering and selling these 2020 EWP Permian Basin Fund II subscription agreements and notes, which were also unregistered, non-exempt and unlawful, Dawkins and Elite Wealth, failed to exercise the reasonable diligence, care and skill of an investment adviser in understanding and evaluating the potential risks, rewards, and costs associated with their recommendation and in so doing, breached their fiduciary duty of reasonable care. This breach of fiduciary duty constituted an act, practice, and course of business that operated or would operate as a fraud or deceit upon Mrs. L [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b).

319. By this time in 2020, Dawkins and Elite Wealth should have known, and in fact, did know this high-risk and illiquid investment was not in the best interest of Mrs. L [REDACTED], because she did not have sufficient knowledge or experience in oil and gas speculation and complex unregistered private placement offerings to evaluate the merits and risk of the investment; neither did Elite Wealth or Dawkins have a reasonable basis to believe the recommended EWP Permian Basin Fund II subscription agreement and note effectively addressed Mrs. L [REDACTED]'s financial situation, insurance needs and financial objectives. This breach of fiduciary duty constituted an act, practice, and course of business that operated or would operate as a fraud or deceit upon Mrs. L [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b).

320. Without restating every fact and violation here, we find that every unlawful act or practice by Elite Wealth, Dawkins and EWP Permian Basin Fund II that we found in connection with the July 18, 2019 EWP Permian Basin Fund II subscription agreement and note recommended, offered, issued and sold to Mrs. L [REDACTED] were repeated by Elite Wealth, Dawkins and EWP Permian Basin Fund II in the recommendation, offer, issuance and sale of the October 7, 2020, EWP Permian Basin II subscription agreement and note to Mrs. L [REDACTED]. (Ex. 12 and A). We find and conclude the same violations of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II in connection with the recommendation, offer, issuance and sale of EWP Permian Basin II subscription agreement and note to Mrs. L [REDACTED] on October 7, 2020.

321. In May of 2021, Dawkins and Elite Wealth advised Mrs. L [REDACTED] that he had EWP Permian Basin Fund II investments with 36-month duration and paid 9% annually for 3 years with a 10% balloon and had a \$100,000 minimum. (Ex. 66 and A).

322. Like Dr. K [REDACTED], Mrs. L [REDACTED] terminated her October 7, 2020, EWP Permian Basin II subscription agreement and note and reinvested in the 36-month investment. Again, although the information in the record is incomplete and sometimes inconsistent, we find that Mrs. L [REDACTED] rolled her investment into a 36-month EWP Permian Basin Fund II note issued on May 20, 2021. (Ex. 66).

323. Mrs. L [REDACTED] signed this third EWP Permian Basin Fund II subscription agreement on May 20, 2021, to purchase a three-year \$100,000 note at 9% interest and a 10% balloon payment at maturity. (Ex. 12, 66, and A). EWP Permian Basin Fund II issued the unsecured note to Mrs. L [REDACTED] on May 20, 2021. (Ex. 12, 66, and A). For this transaction, Dawkins and Elite Wealth received \$3,763.33 in compensation. This May 20, 2021, subscription agreement and note investment were unlawfully offered and sold by Elite Wealth and Dawkins.

324. Finally, we find that Dawkins and Elite Wealth also recommended at that time that Mr. L [REDACTED] invest in a three-year \$50,000 note at 9% interest and a 10% balloon payment at maturity. Mr. L [REDACTED] signed the fourth EWP Permian Basin Fund II subscription agreement on May 26, 2021, to purchase a three-year \$50,000 note at 9% interest and a 10% balloon payment at maturity. (Ex. 12, 67, and A). EWP Permian Basin Fund II issued the unsecured note to Mr. L [REDACTED] on May 26, 2021. (Ex. 12, 67, and A). For this transaction, Dawkins and Elite Wealth received \$2,200 in compensation. This May 26, 2021, subscription agreement and note investment were unlawfully offered and sold by Elite Wealth and Dawkins.

325. Although there are similarities to the 2020 – 2021 12-month 8.5% EWP Permian Basin Fund II investments in a \$5,000,000 fund of 200 Units with each unit offered at \$25,000 per unit earlier to Mrs. L [REDACTED], as well as to Mr. M [REDACTED], Dr. K [REDACTED], Dr. G [REDACTED], Mr. V [REDACTED], Mr. and Mrs. D [REDACTED], Mr. M [REDACTED], Mr. C [REDACTED], Mr. M [REDACTED], Mr. J [REDACTED], Mrs. M [REDACTED] and Mr. R [REDACTED], based on the whole of the evidence we conclude that the offers to Mrs. L [REDACTED] on May 20, 2021, and Mr. L [REDACTED] on May 26, 2021 was a distinct offering. The offers to Mr. and Mrs. L [REDACTED] were represented by Dawkins and Elite Wealth as a separate EWP Permian Basin Fund II offering of a \$5,000,000 fund with notes not less than \$100,000. The May 20, 2021, and May 26, 2021, subscription agreements and notes recommended, sold and issued to Mr. and Mrs. L [REDACTED] involved 36-month investments with a 9% return (with a 10% balloon) that were also sold and issued to Dr. G [REDACTED], Mrs. F [REDACTED] and Mrs. C [REDACTED]. While both parties discussed an offering memorandum, neither party offered a relevant offering memorandum for this offering.

326. We find incomplete evidence in the record on these May 20 – 26, 2021, transactions. However, we conclude that while Dawkins, Elite Wealth and EWP Permian Basin Fund II were showing the accumulation of 8.5% in interest on the prior investments, Dawkins and Elite Wealth were receiving compensation for each transaction and no annual income statements or balance sheets of EWP Permian Basin Fund II were provided to Mr. or Mrs. L [REDACTED]. The failure to provide required financial statements in an offering of the magnitude of The Heartland Group Fund III, LLC and EWP Permian Basin Fund II supports the allegation by the SEC in their case that any represented interest returns were an illusion, and were actually a Ponzi scheme.

327. As with the earlier one-year EWP Permian Basin Fund II, subscription agreements and notes, Dawkins, and Elite Wealth did not file with the Division the required “Form D, Notice of Exempt Offering of Securities” for 36-month subscription agreements and notes issued by EWP Permian Basin Fund II and sold to Mr. and Mrs. L [REDACTED] (Tr. 54-55). Without the required Reg D filing under Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 and other proof of compliance with the federal covered security exemption under Iowa Code § 502.503, we find Dawkins, Elite Wealth and EWP Permian Basin Fund II have not carried their burden of proving the applicability of the Regulation D federal exemption, and have therefore violated Iowa Code § 502.301, when the three 36-month subscription agreements and notes totaling investments of \$170,000 were unlawfully recommended, offered, issued and sold to Mr. and Mrs. L [REDACTED] on May 20 – 26, 2021.

328. We find Elite Wealth, Dawkins and EWP Permian Basin Fund II did not demonstrate compliance with federal covered security requirements, and, in fact, did violate Iowa Code §502.301, when the three 36-month subscription agreements and notes totaling investments of \$170,000 were unlawfully recommended, offered, issued and sold to Mr. and Mrs. L [REDACTED] on May 20 – 26, 2021.

329. We also conclude that any representations of Elite Wealth, Dawkins and EWP Permian Basin Fund II concerning exemption from registration would be untrue, and as securities fraud, would violate Iowa Code §502.501(2). Any facts concerning registration and exemption would be material to investors, the statements would be untrue, and would have been willfully made by Elite Wealth, Dawkins and EWP Permian Basin Fund II.

330. Dawkins and Elite Wealth, engaged in an act, practice, and course of business that operates or would operate as a fraud or deceit upon another person in violation of Iowa Code §§502.501(3) and 502.502(1)(b), when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary duty of care by recommending and selling to Mr. and Mrs. L [REDACTED] on May 20 – 26, 2021, unlawful unregistered, non-exempt securities.

331. Dawkins and Elite Wealth engaged in an act, practice and course of business that operated, or would operate as fraud or deceit in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care when they failed to comply with the conditions required for a federal covered security exemption in recommending, offering, issuing and selling to Mr. and Mrs. L [REDACTED] two 36-month EWP Permian Basin Fund II subscription agreements and notes totaling investments of \$170,000 on May 20 – 26, 2021.

332. We conclude that in recommending, offering and selling these May 20 – 26, 2021, subscription agreements and notes, which were also unregistered, non-exempt and unlawful, Dawkins and Elite Wealth, failed to exercise the reasonable diligence, care and skill of an investment adviser by recommending a concentration of more than 30% of Mr. and Mrs. L [REDACTED]’s retirement funds in high risk, illiquid investments to Mr. and Mrs. L [REDACTED] knowing they did not possess sufficient knowledge or experience to evaluate the potential risks, rewards, and costs associated with their recommendation and in so doing, breached their fiduciary duty of reasonable care. (Tr. 145 – 149). This breach of fiduciary duty constituted an act, practice, and



course of business “that operates or would operate as a fraud or deceit upon” Mr. and Mrs. L [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b).

333. By this time, Dawkins and Elite Wealth should have known, and in fact, did know this high-risk and illiquid investment was not in the best interest of Mr. or Mrs. L [REDACTED], because they did not have sufficient knowledge or experience in oil and gas speculation and complex unregistered private placement offerings, to evaluate the merits and risk of the investment; neither did Elite Wealth or Dawkins have a reasonable basis to believe the recommended EWP Permian Basin Fund II subscription agreement and note effectively addressed Mr. and Mrs. L [REDACTED]’s financial situation, insurance needs and financial objectives. This breach of fiduciary duty constituted an act, practice, and course of business that operated or would operate as a fraud or deceit upon Mr. and Mrs. L [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b).

334. Without restating every fact and violation here, we find that each and every unlawful act or practice by Elite Wealth and Dawkins that we found in connection with the July 18, 2019, and October 7, 2020, EWP Permian Basin Fund II subscription agreements and notes recommended, offered, issued and sold to Mrs. L [REDACTED] were repeated in the recommendations, offers, issuance and sales of the two EWP Permian Basin II subscription agreements and notes to Mr. and Mrs. L [REDACTED] on May 20 – 26, 2021. We find and conclude the same violations of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II in connection with the recommendation, offer, issuance and sale of EWP Permian Basin II subscription agreements and notes to Mr. and Mrs. L [REDACTED] on May 20 – 26, 2021.

335. Dawkins and Elite Wealth knew that Mr. and Mrs. L [REDACTED] were relying on their investment advisers’ fiduciary obligations of care and professional investment experience, and recommended placing an excessive amount of Mr. and Mrs. L [REDACTED]’s net worth and therefore, an excessive concentration of risk in the high risk, illiquid investment. (Tr. 145 – 149).

336. Certainly by 2021, EWP Permian Basin Fund II’s contravention of the exemption requirements and the implications of fraud should have been apparent to a reasonable competent investment adviser. The violations were readily apparent in 2021, raising significant “red flags” for any reasonably careful, diligent, skillful and attentive investment adviser in circumstance similar to that of Elite Wealth and Dawkins in 2021. We again make note that as specified in 17 CFR 230.506, the conditions of 17 CFR 230.502 must be met in order for a promoter to avail itself of the federal covered security exemption. This includes the provision of relevant financial statement information. Despite that passage of time, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not provide to investors material facts pertaining to the financial condition of the issuer of the securities, EWP Permian Basin Fund II. As in prior recommendations, offerings and sales, this failure to provide annual financial information negates eligibility for the federal covered security exemption, but it is also a violation of Iowa Code 502.501(2) because the facts related to the financial condition of the issuer are “material,” and these omissions made the statements made concerning future revenues misleading. The willful absence of financial statements provided “red flags” to any reasonably careful, diligent, skillful and attentive investment adviser that the offering was likely a Ponzi scheme. By 2021, Dawkins and Elite Wealth should have known that they were recommending not only a high risk, illiquid private

placement to Mr. and Mrs. L [REDACTED], but an offering that had numerous characteristics of a fraudulent Ponzi scheme.

337. Each violation of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II serves as grounds under Iowa Code § 502.412(4)(b) to revoke, suspend, condition, or limit Dawkins' investment adviser representative registration.

338. Each violation of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II serves as grounds under Iowa Code § 502.412(4)(b) to revoke, suspend, condition, or limit both Elite Wealth's investment adviser registration and Dawkins' registration.

339. We conclude that all of the above described conduct and violations of law by Dawkins and Elite Wealth also constitutes a dishonest and unethical practice under Iowa Code §502.412(4)(m) and Iowa Administrative Code rule 191—50.38(1).

340. While we have concluded that Dawkins' level of training, experience and knowledge was clearly inadequate for him to meet his fiduciary obligations of care and loyalty to Mr. and Mrs. L [REDACTED] and other investors, we do not find that this inadequacy could not be remedied, nor that his general training, experience and knowledge were so inadequate that he is unqualified to hold an Iowa registration under Iowa Code Iowa Code 502.412(4)(n). At this time, we have found that Dawkins has demonstrated that he is wholly unqualified to recommend, offer or sell high risk, illiquid, unregistered and exempt securities.

***M [REDACTED] L [REDACTED] and C [REDACTED] L [REDACTED] Investments  
Count 1 – Unregistered Agent – Iowa Code §§ 502.402 and 502.604***

341. We now return to Count 1 in regards to the recommendations, offers, issuance and sales by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. and Mrs. L [REDACTED]. The EWP Permian Basin Fund II subscription agreements and notes recommended, offered, issued and sold by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. and Mrs. L [REDACTED] are all "securities."

342. Neither Elite Wealth, nor Dawkins were registered with the Division as securities agents when Elite Wealth and Dawkins offered and sold these securities to Mr. and Mrs. L [REDACTED]. See Joint Stipulation of Facts, ¶¶ 3 & 7. Dawkins had been registered with a broker-dealer in the past, and was aware of the requirement under Iowa law to be licensed in order to offer and sell securities. (Tr. 49-50).

343. Elite Wealth and Dawkins did not demonstrate compliance with the requirements for any exemption provided under Iowa Code § 502.402(2). We conclude these exemptions are unavailable to individuals who receive remuneration for their selling efforts. See Iowa Code §§ 502.402(2)(c) & (e) (providing exemptions to registration only where the individual does not receive compensation in connection with the sale of securities). Elite Wealth and Dawkins received compensation for the sale of the EWP Permian Basin Fund II securities to Mr. and Mrs.

L [REDACTED]. (Ex. 8, 12; Tr. 61-62). Indeed, the sale of these securities represented the largest source of Elite Wealth and Dawkins' income. (Ex. 13; Tr. 75).

344. While Dawkins repeatedly testified at hearing that he did not consider himself to be "selling" any securities, Dawkins previously stated in an email to the Division that he "sold" these securities. (Ex. 15). Dawkins also testified that he presented and discussed the EWP Permian Basin Fund II subscription agreements with Mr. and Mrs. L [REDACTED] and each of the Iowa consumers. (Tr. 778–781). Nevertheless, the evidence, including testimony and documents of numerous transactions, was overwhelming that Dawkins was selling securities.

345. Further, in this determination under Count 1, we incorporate all of the foregoing findings and conclusions in this decision.

346. Based on the above facts and conclusions, Elite Wealth, Dawkins and EWP Permian Basin Fund II have each acted as or employed an unregistered agent and violated Iowa Code §502.402(2) on at least six occasions between July 18, 2019 and May 26, 2021, and are each liable for separate securities transactions involving Mr. and Mrs. L [REDACTED] for all necessary and appropriate relief available under Iowa Code § 502.602, including orders to cease and desist violations, to make restitution to Mr. and Mrs. L [REDACTED], and to implement other corrective actions to accomplish compliance with the Iowa Uniform Securities Act.

**M [REDACTED] L [REDACTED] and C [REDACTED] L [REDACTED] Investments**  
**Count 2 – Securities Fraud – Iowa Code §502.501 and 502.604**

347. We now consider the charge of securities fraud under Count 2 in connection with the recommendations, offers and sales of securities by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. and Mrs. L [REDACTED].

348. In this determination under Count 2, we incorporate all of the foregoing findings and conclusions in this decision, including the varied methods in which Elite Wealth, Dawkins and EWP Permian Basin Fund II have each violated Iowa Code § 502.501.

349. Based on the above facts and conclusions, Elite Wealth, Dawkins and EWP Permian Basin Fund II, have each committed securities fraud and violated Iowa Code § 502.501 on at least four occasions between July 18, 2019 and May 26, 2021, and are each liable for separate securities transactions involving Mr. and Mrs. L [REDACTED] for all necessary and appropriate relief available under Iowa Code § 502.602, including orders to cease and desist violations, to make restitution to Mr. and Mrs. L [REDACTED], and to implement other corrective actions to accomplish compliance with the Iowa Uniform Securities Act.

**M [REDACTED] L [REDACTED] and C [REDACTED] L [REDACTED] Investments**  
**Count 4 – Disciplinary Action on Insurance Producer Licenses of Dawkins and Elite Wealth – Iowa Code §§ 522B.11(1) and 522B.17**

350. We complete our analysis of the conduct of Elite Wealth and Dawkins under Iowa Code §522B.11 in relationship to their transactions with Mr. and Mrs. L [REDACTED]. As with Count 3, this

charge broadly relates to any wrongful conduct that implicates the professional licenses of Dawkins and Elite Wealth. However, this charge implicates the insurance producer licenses of Dawkins and Elite Wealth.

351. Iowa Code § 522B.11(1)(h) provides that the commissioner may place on probation, suspend, or revoke an insurance producer’s license for “[u]sing fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness and/or financial irresponsibility in the conduct of business in this state or elsewhere.” As provided in Iowa Code § 522B.17, the commissioner may also issue cease and desist orders and levy a civil penalty.

352. In this determination under Count 4, we incorporate all of the foregoing findings and conclusions in this decision, including the varied methods in which Elite Wealth and Dawkins, directly or through EWP Permian Basin Fund II, have each violated Iowa Code §§ 502.301, 502.402, 502.501 and 502.502, as well as enumerated securities regulations.

353. We conclude that all of the above described conduct and violations of law by Dawkins and Elite Wealth in regards to transactions involving Mr. and Mrs. L [REDACTED] constitute fraudulent and dishonest and unethical practices, and demonstrate incompetence, untrustworthiness and financial irresponsibility in the conduct of business in this state under Iowa Code §522B.11(1)(h).

**K [REDACTED] G [REDACTED] Investments**  
**Count 3 – Investment Adviser Disqualifications – Iowa Code §502.412**

354. We begin our analysis under Iowa Code §502.412 of the conduct of Elite Wealth, Dawkins and EWP Permian Basin Fund II in relationship to their transactions with K [REDACTED] G [REDACTED]. Dr. G [REDACTED] was named as an investor in the Division’s statement of charges. (SOC ¶ 88 – 90).

355. Dr. K [REDACTED] G [REDACTED] did not testify.

356. Dr. G [REDACTED] works and resides in the greater Des Moines area. She practices as a physician in West Des Moines. (Tr. 142 – 145, Ex. 60).

357. The transactions by Elite Wealth and Dawkins with Dr. G [REDACTED] covered a significant span of time, involved several roll-over investments, as well as varied offerings and issuers. In summary, we have found the following transactions:

Date	Description	Issuer	Amount	Return	Maturity
03/16/2018	Business Promissory Note	Choice Energy Holdings – I, LLC	\$75,000	7.5%	03/16/2019
07/22/2019	Subscription and Note	EWP Permian Basin Fund II, LLC	\$24,754	8.5%	08/15/2020
12/09/2020	Subscription and Note	EWP Permian Basin Fund II, LLC	\$134,753.84	9.0%	12/09/2021
05/29/2021	Subscription and Note	EWP Permian Basin Fund II, LLC	\$161,947.84	9.0% +10%	05/29/2024

(Ex. 12, 14, 61, 62, 78, and A).

358. As with other investors, the records and discovery responses of Elite Wealth and Dawkins were incomplete and contained inconsistencies in regards to transactions with Dr. G [REDACTED]. The document identified as the “Client Alternative Blotter” produced by Elite Wealth and Dawkins did not correspond with the subscription agreements and notes received into evidence, nor was it consistent with the Respondents’ response to Division’s interrogatory 5.

359. Similar to the first transaction with Mr. M [REDACTED] Dr. K [REDACTED] and Mrs. L [REDACTED], Dawkins offered to Dr. G [REDACTED] an investment that was described as a “Business Promissory Note” issued by Choice Energy Holdings – I, LLC. This investment was for \$75,000 on March 16, 2018. Despite the appearance this may be a security requiring registration or exemption, we do not address the legality of this transaction.

360. Dawkins identified Dr. G [REDACTED] as the fourth investment adviser client that he approached about “Heartland” in August of 2019. (Ex. A). The parties did not provide evidence of a customer profile in 2019, but Dawkins’ own exhibits reveal relevant information.

361. For Dr. G [REDACTED], Dawkins described in the respondents’ exhibit A that when he discussed the first oil and gas investment, he recommended “up to 25% of investable assets to diversify asset classes, but to not include too many assets in the class.” Dr. G [REDACTED]’s first investment in EWP Permian Basin Fund II was made with “the dividends” from the March 16, 2018 investment.

362. On July 22, 2019, Dawkins and Elite Wealth offered a subscription agreement issued by EWP Permian Basin Fund II for an unsecured promissory note.

363. The July 22, 2019, subscription agreement presented the following qualification requirements to Dr. G [REDACTED]:

Sophisticated Investor. The Subscriber shall be deemed to be a Sophisticated Investor if: Qualified Sophisticated Investor: To be a qualified sophisticated investor, an investor must represent that it has a sufficient degree of sophistication to understand and evaluate the merits and risks associated with an investment in the Note and (a) its overall commitment to investments which are not readily marketable is not disproportionate to its net worth and its investment in the Note will not cause such overall commitment to become excessive; (b) it has adequate net worth and means of providing for any current needs and contingencies such that it is able to sustain a complete loss of its investment in the Note, and it has no such need for liquidity in this investment; (c) it has evaluated the risk of investing in the Note and the Company; and (d) it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risk of an investment in the Note and the Company. The information must be represented in the Subscription Agreement.

Yes  No

364. The subscription agreement was checked “yes” in response to the qualification requirements as a “sophisticated investor” at the time of Dr. G [REDACTED]’s investment. (Ex. 61).

365. We have found, in fact, despite this indication on the subscription agreement, that Dr. G [REDACTED] was not a qualified sophisticated investor as that phrase is interpreted by law, and as such, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with the requirements of 17 CFR 230.506(b)(2)(ii).

366. Despite the fact that the July 22, 2019, subscription agreement did indicate Dr. G [REDACTED] was a “sophisticated investor” at the time of her investment. (Ex. 61), we conclude that Dawkins did not provide financial statements for EWP Permian Basin Fund II, so Dr. G [REDACTED] was not sufficiently informed to be a qualified sophisticated investor as a matter of law.

367. Elite Wealth and Dawkins had a fiduciary duty to know and, in fact, did know that Dr. G [REDACTED] did not have access to the financial statements of EWP Permian Basin Fund II and so she was not a reasonably informed and could not have “evaluated the risk of investing in the Note and the Company,” nor could she possess “such knowledge and experience in financial and business matters that [she was] capable of evaluating the merits and risk of an investment in the Note and the Company.” Dawkins and Elite Wealth disregarded these facts known to them and made the high-risk recommendations to Dr. G [REDACTED] anyway.

368. Despite the check of the box indicating that Dr. G [REDACTED] was a qualified sophisticated investor, we have also found that Dr. K [REDACTED], Mrs. L [REDACTED] and many other investors solicited by Dawkins and Elite Wealth were not qualified sophisticated investors as that phrase is interpreted by law and as such, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with the requirements of 17 CFR 230.506(b)(2)(ii).

369. There were no assets securing the EWP Permian Basin Fund II notes. Neither Dawkins, Elite Wealth or EWP Permian Basin Fund II, provided financial statements of the issuer to Dr. G [REDACTED] or other investors.

370. Dawkins lacked the expertise to know whether or not the EWP Permian Basin Fund II offerings were lawful. Without repeating all of the findings and legal conclusions pertaining to Mr. M [REDACTED], Dr. K [REDACTED], and Mr. and Mrs. L [REDACTED] we also apply them to the conduct of Dawkins, Elite Wealth and EWP Permian Basin Fund II in their dealings with Dr. G [REDACTED].

371. We find from all the evidence that Elite Wealth, Dawkins and EWP Permian Basin Fund II had reckless disregard for whether the security recommended, offered, issued and sold on July 22, 2019, to Dr. G [REDACTED] was registered or exempt from registration.

372. Although Dr. G [REDACTED] did not testify, Dawkins did state that offering memoranda were provided to all investors, presumably including Dr. G [REDACTED]. While Dawkins testified that offering memoranda were provided to investors, we do not know the particulars of an offering memorandum prior to Dr. G [REDACTED]’s first EWP Permian Basin Fund II investment from July 22, 2019.

373. On July 22, 2019, EWP Permian Basin Fund II, under the authority of Dawkins as the fund manager, issued an unsecured promissory note to Dr. G [REDACTED]. (Ex. 12, 61).

374. Dr. G [REDACTED] e-signed a subscription agreement with EWP Permian Basin Fund II on July 22, 2019, to purchase a one-year \$24,754 note at 8.5% interest. (SOC ¶ 90, Answer ¶ 90, Ex. 61). EWP Permian Basin Fund II issued the unsecured note to Dr. G [REDACTED] on July 22, 2019. (Ex. 61). From that amount, Dawkins and Elite Wealth received \$1,237.50 in compensation. Dr. G [REDACTED]'s IRA trust officer did not sign the investment until August 15, 2019.

375. Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with Iowa Code §502.302(3) and Iowa Administrative Rule 191—50.81 in the recommendation, offer, issuance and sale of the EWP Permian Basin Fund II subscription agreement and unsecured note to Dr. G [REDACTED] on July 22, 2019.

376. We find Elite Wealth, Dawkins and EWP Permian Basin Fund II did not demonstrate compliance with federal covered security exemption requirements, and, in fact, did violate Iowa Code §502.301, when the EWP Permian Basin Fund II subscription agreement and note were unlawfully recommended, offered, issued and sold to Dr. G [REDACTED] on July 22, 2019. This violation subjects Elite Wealth and Dawkins to disciplinary action under Iowa Code § 502.412(4)(b).

377. We also conclude that the material representations of Elite Wealth, Dawkins and EWP Permian Basin Fund II to Dr. G [REDACTED] and other investors concerning exemption from registration were untrue, and as securities fraud, violated Iowa Code §502.501(2). The facts concerning registration and exemption were material to investors, the statements were untrue, and were willfully made by Elite Wealth, Dawkins and EWP Permian Basin Fund II.

378. We conclude that in recommending, offering and selling this July 22, 2019, subscription agreement and note, which was unregistered, non-exempt and unlawful, Dawkins and Elite Wealth, failed to exercise the reasonable diligence, care and skill of an investment adviser in understanding and evaluating the potential risks, rewards, and costs associated with their recommendation and in so doing, breached their fiduciary duty of reasonable care. This breach of fiduciary duty constituted an act, practice, and course of business “that operates or would operate as a fraud or deceit upon” Dr. G [REDACTED].

379. Dawkins and Elite Wealth, engaged in an act, practice, and course of business “that operates or would operate as a fraud or deceit upon another person” in violation of Iowa Code §§502.501(3) and 502.502(1)(b), when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary duty of care by recommending, offering and selling to Dr. G [REDACTED] on July 22, 2019 an unlawful unregistered, non-exempt security.

380. Dawkins and Elite Wealth also engaged in practices and courses of business that operated as fraud upon Dr. G [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care by disregarding their obligation to demonstrate a registered investment adviser’s “reasonable diligence, care and skill” in fulfilling their best interest care obligation to Dr. G [REDACTED] and others.

381. Dawkins and Elite Wealth engaged in an act, practice and course of business that operated, or would operate as fraud upon Dr. G [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b) when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary obligations of care when they failed to comply with the conditions required for a federal covered security exemption in offering and selling the July 22, 2019, subscription agreement and note.

382. We again make note that as specified in 17 CFR §230.506, the conditions of 17 CFR §230.502 must be met in order for a promoter to avail itself of the federal covered security exemption. This includes the provision of financial statement information. Elite Wealth, Dawkins and EWP Permian Basin Fund II also omitted material facts pertaining to the financial condition of the issuer and maker of the notes, EWP Permian Basin Fund II, in offering and selling the July 22, 2019, subscription agreement and note to Dr. G [REDACTED]. This failure negates eligibility for the federal covered security exemption, but it is also a violation of Iowa Code 502.501(2) because the facts related to the financial condition of the issuer are “material,” and the omissions made the statements made concerning future revenues misleading.

383. From reviewing agreements signed in 2020, such as Exhibit 8, we do surmise that the Heartland Group Fund III, LLC may have had some relationship to Dr. G [REDACTED]’s July 22, 2019, investment. (SOC ¶¶ 21 – 30, Answer ¶¶ 21 – 30, Ex. 8, 9, 80 and 81). We do conclude that Dr. G [REDACTED]’s interests in any related oil or gas fields is attenuated, making any recovery extraordinarily complicated in default.

384. Approximately a year after Dawkins, Elite Wealth and EWP Permian Basin Fund II had recommended, offered, issued and sold a \$24,753.84 EWP Permian Basin Fund II investment to Dr. G [REDACTED] on July 22, 2019, Dawkins and Elite Wealth recommended another investment to Dr. G [REDACTED]. While the evidence is not clear, we conclude this recommendation of a second EWP Permian Basin Fund II subscription agreement and note was likely due to the maturity of Dr. G [REDACTED]’s 2019 investment. (Ex. 14 and A).

385. On November 17, 2020, Dr. G [REDACTED] purchased a second one-year note for \$134,753.84 at 9% interest from EWP Permian Basin Fund II. We find that Dr. G [REDACTED] invested an additional \$110,000 to the matured 2019 investment. (Ex. 62 and A).

386. As with Mrs. Lierman’s earlier 2020 investment, based on the whole of the evidence, we conclude that this offering around November 17, 2020, was represented by Dawkins and Elite Wealth as a \$5,000,000 fund of 200 Units with each unit offered at \$25,000 per unit. (Ex. 9). The evidence of compensation paid to Dawkins and Elite Wealth is unknown.

387. As with the July 22, 2019 investment, we find that Dr. G [REDACTED] was not a qualified sophisticated investor. However, on this second note, in addition to the box being checked as a qualified sophisticated investor, the subscription agreement indicated that Dr. G [REDACTED] was also an “accredited investor” due to her status as a bank, savings and loan association, securities broker-dealer, insurance company or an employer working with an ERISA fiduciary. We find that to also be untrue. Further, we previously found that Dr. K [REDACTED] and Mrs. L [REDACTED] previously



were not qualified sophisticated investors as that phrase is interpreted by law and as such, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with the requirements of 17 CFR 230.506(b)(2)(ii).

388. We conclude that while Dawkins, Elite Wealth and EWP Permian Basin Fund II were showing the accumulation of 8.5% in interest on the prior investment, Dawkins and Elite Wealth were receiving compensation for each transaction and no annual income statements or balance sheets of EWP Permian Basin Fund II were provided to Dr. G [REDACTED]. The failure in 2020 to provide financial statements in an offering of the magnitude of The Heartland Group Fund III, LLC and EWP Permian Basin Fund II supports the allegation by the SEC in their case that any represented interest returns were little more than an illusion, and were actually a Ponzi scheme.

389. We find that EWP Permian Basin Fund II, Dawkins, and Elite Wealth did not file with the Division the required “Form D, Notice of Exempt Offering of Securities” for a subscription and note issued by The Heartland Group Fund III, LLC, or by EWP Permian Basin Fund II. (Tr. 54-55). Without the required Reg D filing under Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 and other proof of compliance with the federal covered security exemption under Iowa Code § 502.503, we find Dawkins, Elite Wealth and EWP Permian Basin Fund II have not carried their burden of proving the applicability of the Regulation D federal exemption, and have therefore violated Iowa Code § 502.301, when the subscription agreement and note of \$134,753.84 was unlawfully recommended, offered, issued and sold to Dr. G [REDACTED] during November of 2020.

390. We find Elite Wealth, Dawkins and EWP Permian Basin Fund II did not demonstrate compliance with federal covered security requirements, and, in fact, did violate Iowa Code §502.301, when the \$134,753.84 investment was unlawfully recommended, offered, issued and sold to Dr. G [REDACTED] during November of 2020.

391. We also conclude that any representations of Elite Wealth, Dawkins and EWP Permian Basin Fund II concerning exemption from registration would be untrue, and as securities fraud, would violate Iowa Code §502.501(2). Any facts concerning registration and exemption would be material to investors, the statements would be untrue, and would have been willfully made by Elite Wealth, Dawkins and EWP Permian Basin Fund II.

392. Dawkins and Elite Wealth, engaged in an act, practice, and course of business that operates or would operate as a fraud or deceit upon another person in violation of Iowa Code §§502.501(3) and 502.502(1)(b), when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary duty of care by recommending and selling to Dr. G [REDACTED] during November of 2020, unlawful unregistered, non-exempt securities.

393. Dawkins and Elite Wealth engaged in an act, practice and course of business that operated, or would operate as fraud or deceit in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care when they failed to comply with the conditions required for a federal covered security exemption in recommending, offering,

issuing and selling to Dr. G [REDACTED] a \$134,753.84 EWP Permian Basin Fund II subscription agreement and note during November of 2020.

394. We conclude that in recommending, offering and selling this 2020 EWP Permian Basin Fund II subscription agreement and note, which were also unregistered, non-exempt and unlawful, Dawkins and Elite Wealth, failed to exercise the reasonable diligence, care and skill of an investment adviser in understanding and evaluating the potential risks, rewards, and costs associated with their recommendation and in so doing, breached their fiduciary duty of reasonable care. This breach of fiduciary duty constituted an act, practice, and course of business that operated or would operate as a fraud or deceit upon Dr. G [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b).

395. By this time in 2020, Dawkins and Elite Wealth should have known, and in fact, did know this high-risk and illiquid investment was not in the best interest of Dr. G [REDACTED], because she did not have sufficient knowledge or experience in oil and gas speculation and complex unregistered private placement offerings to evaluate the merits and risk of the investment; neither did Elite Wealth or Dawkins have a reasonable basis to believe the recommended EWP Permian Basin Fund II subscription agreement and note effectively addressed Dr. G [REDACTED]'s financial situation, insurance needs and financial objectives. This breach of fiduciary duty constituted an act, practice, and course of business that operated or would operate as a fraud or deceit upon Dr. G [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b).

396. Without restating every fact and violation here, we find that every unlawful act or practice by Elite Wealth, Dawkins and EWP Permian Basin Fund II that we found in connection with the July 22, 2019 EWP Permian Basin Fund II subscription agreement and note recommended, offered, issued and sold to Dr. G [REDACTED] were repeated by Elite Wealth, Dawkins and EWP Permian Basin Fund II in the recommendation, offer, issuance and sale of the November 17, 2020, EWP Permian Basin II subscription agreement and note to Dr. G [REDACTED]. (Ex. 12, 62, and A). We find and conclude the same violations of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II in connection with the recommendation, offer, issuance and sale of EWP Permian Basin II subscription agreement and note to Dr. G [REDACTED] on November 17, 2020.

397. In early 2021, Dawkins and Elite Wealth advised Dr. G [REDACTED] that he had EWP Permian Basin Fund II investments with 36-month duration and paid 9% annually for 3 years with a 10% balloon and had a \$100,000 minimum. (Ex. 12, 14, and A).

398. Like Dr. K [REDACTED] and Mrs. L [REDACTED], Dr. G [REDACTED] terminated her November 17, 2020, EWP Permian Basin II subscription agreement and note and reinvested in the 36-month investment. Again, although the information in the record is incomplete and inconsistent, we find that Dr. G [REDACTED] rolled her investment into a 36-month EWP Permian Basin Fund II note issued on May 29, 2021. (Ex. 12, 14, and 66).

399. Although there are similarities to the 2020 – 2021 12-month 8.5% EWP Permian Basin Fund II investments in a \$5,000,000 fund of 200 Units with each unit offered at \$25,000 per unit earlier to Dr. G [REDACTED], as well as to Mr. M [REDACTED], Dr. K [REDACTED] Mrs. L [REDACTED] Mr. V [REDACTED], Mr. and

Mrs. D [REDACTED], Mr. Me [REDACTED], Mr. Ch [REDACTED], Mr. Mo [REDACTED], Mr. J [REDACTED], Mrs. Mc [REDACTED] and Mr. R [REDACTED], based on the whole of the evidence we conclude that the offer to Dr. G [REDACTED] on May 29, 2021, was a distinct offering. The offer to Dr. G [REDACTED] was represented by Dawkins and Elite Wealth as a separate EWP Permian Basin Fund II offering of a \$5,000,000 fund with notes not less than \$100,000. The May 29, 2021, subscription agreement and note recommended, sold and issued to Dr. G [REDACTED] involved 36-month investments with a 9% return (with a 10% balloon) that were also sold and issued to Mrs. L [REDACTED], Mrs. P [REDACTED], and Mrs. Cr [REDACTED]. While both parties discussed an offering memorandum, neither party offered a relevant offering memorandum for this offering.

400. Dr. G [REDACTED] purchased this third EWP Permian Basin Fund II subscription agreement on May 29, 2021, to purchase a three-year \$161,947.84 note at 9% interest and a 10% balloon payment. (Ex. 12 and A). EWP Permian Basin Fund II issued the unsecured note to Dr. G [REDACTED] on May 29, 2021. (Ex. 12 and A). For this transaction, Dawkins and Elite Wealth received \$4,858.44 in compensation. This May 29, 2021, subscription agreement and note investment were unlawfully offered and sold by Elite Wealth and Dawkins.

401. We find incomplete evidence in the record on this May 29, 2021, transaction. However, we conclude that while Dawkins, Elite Wealth and EWP Permian Basin Fund II were showing the accumulation of 8.5% in interest on the prior investments, Dawkins and Elite Wealth were receiving compensation for each transaction and no annual income statements or balance sheets of EWP Permian Basin Fund II were provided to Dr. G [REDACTED]. The failure to provide required financial statements in an offering of the magnitude of The Heartland Group Fund III, LLC and EWP Permian Basin Fund II supports the allegation by the SEC in their case that any represented interest returns were an illusion, and were actually a Ponzi scheme.

402. As with the earlier one-year EWP Permian Basin Fund II, subscription agreements and notes, Dawkins, and Elite Wealth did not file with the Division the required “Form D, Notice of Exempt Offering of Securities” for 36-month subscription agreements and notes issued by EWP Permian Basin Fund II and sold to Dr. G [REDACTED]. (Tr. 54-55). Without the required Reg D filing under Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 and other proof of compliance with the federal covered security exemption under Iowa Code § 502.503, we find Dawkins, Elite Wealth and EWP Permian Basin Fund II have not carried their burden of proving the applicability of the Regulation D federal exemption, and have therefore violated Iowa Code § 502.301, when the 36-month subscription agreement and note totaling investment of \$161,947.84 was unlawfully recommended, offered, issued and sold to Dr. G [REDACTED] on May 29, 2021.

403. We find Elite Wealth, Dawkins and EWP Permian Basin Fund II did not demonstrate compliance with federal covered security requirements, and, in fact, did violate Iowa Code § 502.301, when the 36-month subscription agreement and note totaling investment of \$161,947.84 was unlawfully recommended, offered, issued and sold to Dr. G [REDACTED] on May 29, 2021.

404. We also conclude that any representations of Elite Wealth, Dawkins and EWP Permian Basin Fund II concerning exemption from registration were untrue, and as securities fraud,

violated Iowa Code §502.501(2). Any facts concerning registration and exemption were material to investors, the statements were untrue, and were willfully made by Elite Wealth, Dawkins and EWP Permian Basin Fund II.

405. Dawkins and Elite Wealth, engaged in an act, practice, and course of business that operates or would operate as a fraud or deceit upon another person in violation of Iowa Code §§502.501(3) and 502.502(1)(b), when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary duty of care by recommending and selling to Dr. G [REDACTED] on May 29, 2021, unlawful unregistered, non-exempt securities.

406. Dawkins and Elite Wealth engaged in an act, practice and course of business that operated, or would operate as fraud or deceit in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care when they failed to comply with the conditions required for a federal covered security exemption in recommending, offering, issuing and selling to Dr. G [REDACTED] a 36-month EWP Permian Basin Fund II subscription agreement and note totaling investments of \$161,947.84 on May 29, 2021.

407. We conclude that in recommending, offering and selling this 2021 subscription agreement and note, which was also unregistered, non-exempt and unlawful, Dawkins and Elite Wealth, failed to exercise the reasonable diligence, care and skill of an investment adviser in understanding and evaluating the potential risks, rewards, and costs associated with their recommendation and in so doing, breached their fiduciary duty of reasonable care. This breach of fiduciary duty constituted an act, practice, and course of business that operated or would operate as a fraud or deceit upon Dr. G [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b).

408. By this time, Dawkins and Elite Wealth should have known, and in fact, did know this high-risk and illiquid investment was not in the best interest of Dr. G [REDACTED], because she did not have sufficient knowledge or experience in oil and gas speculation and complex unregistered private placement offerings, to evaluate the merits and risk of the investment; neither did Elite Wealth or Dawkins have a reasonable basis to believe the recommended EWP Permian Basin Fund II subscription agreement and note effectively addressed Dr. G [REDACTED]'s financial situation, insurance needs and financial objectives. This breach of fiduciary duty constituted an act, practice, and course of business that operated or would operate as a fraud or deceit upon Dr. G [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b).

409. Without restating every fact and violation here, we find that each and every unlawful act or practice by Elite Wealth and Dawkins that we found in connection with the July 22, 2019, and November 17, 2020, EWP Permian Basin Fund II subscription agreements and notes recommended, offered, issued and sold to Dr. G [REDACTED] were repeated in the recommendations, offers, issuance and sales of the EWP Permian Basin II subscription agreement and note to Dr. G [REDACTED] on May 29, 2021. We find and conclude the same violations of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II in connection with the recommendation, offer, issuance and sale of EWP Permian Basin II subscription agreement and note to Dr. G [REDACTED] on May 29, 2021.

410. We conclude that in recommending, offering and selling this May 29, 2021, subscription agreement and note, which was also unregistered, non-exempt and unlawful, Dawkins and Elite Wealth, failed to exercise the reasonable diligence, care and skill of an investment adviser by recommending a concentration of around 70% of Dr. G [REDACTED]'s retirement funds in high risk, illiquid investments to Dr. G [REDACTED] knowing she did not possess sufficient knowledge or experience to evaluate the potential risks, rewards, and costs associated with their recommendation and in so doing, breached their fiduciary duty of reasonable care. (Tr. 142 – 145). This breach of fiduciary duty constituted an act, practice, and course of business “that operates or would operate as a fraud or deceit upon” Dr. G [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b).

411. Dawkins and Elite Wealth knew that Dr. G [REDACTED] was relying on her investment advisers' fiduciary obligations of care and professional investment experience, and recommended placing an excessive amount of Dr. G [REDACTED]'s net worth and therefore, an excessive concentration of risk in the high risk, illiquid investment. (Tr. 142 – 145).

412. Certainly by 2021, EWP Permian Basin Fund II's contravention of the exemption requirements and the implications of fraud should have been apparent to a reasonable competent investment adviser. The violations were readily apparent in 2021, raising significant “red flags” for any reasonably careful, diligent, skillful and attentive investment adviser in circumstance similar to that of Elite Wealth and Dawkins in 2021. We again make note that as specified in 17 CFR 230.506, the conditions of 17 CFR 230.502 must be met in order for a promoter to avail itself of the federal covered security exemption. This includes the provision of relevant financial statement information. Despite that passage of time, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not provide to investors material facts pertaining to the financial condition of the issuer of the securities, EWP Permian Basin Fund II. As in prior recommendations, offerings and sales, this failure to provide annual financial information negates eligibility for the federal covered security exemption, but it is also a violation of Iowa Code 502.501(2) because the facts related to the financial condition of the issuer are “material,” and these omissions made the statements made concerning future revenues misleading. The willful absence of financial statements provided “red flags” to any reasonably careful, diligent, skillful and attentive investment adviser that the offering was likely a Ponzi scheme. By 2021, Dawkins and Elite Wealth should have known that they were recommending not only a high risk, illiquid private placement to Dr. G [REDACTED], but an offering that had numerous characteristics of a fraudulent Ponzi scheme.

413. Each violation of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II serves as grounds under Iowa Code § 502.412(4)(b) to revoke, suspend, condition, or limit Dawkins' investment adviser representative registration.

414. Each violation of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II serves as grounds under Iowa Code § 502.412(4)(b) to revoke, suspend, condition, or limit both Elite Wealth's investment adviser registration and Dawkins' registration.

415. We conclude that all of the above described conduct and violations of law by Dawkins and Elite Wealth also constitutes a dishonest and unethical practice under Iowa Code §502.412(4)(m) and Iowa Administrative Code rule 191—50.38(1).

416. While we have concluded that Dawkins' level of training, experience and knowledge was clearly inadequate for him to meet his fiduciary obligations of care and loyalty to Dr. G [REDACTED] and other investors, we do not find that this inadequacy could not be remedied, nor that his general training, experience and knowledge were so inadequate that he is unqualified to hold an Iowa registration under Iowa Code Iowa Code 502.412(4)(n). At this time, we have found that Dawkins has demonstrated that he is wholly unqualified to recommend, offer or sell high risk, illiquid, unregistered and exempt securities.

**K [REDACTED] G [REDACTED] Investments**  
**Count 1 – Unregistered Agent – Iowa Code §§ 502.402 and 502.604**

417. We now return to Count 1 in regards to the recommendations, offers, issuance and sales by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Dr. G [REDACTED]. The EWP Permian Basin Fund II subscription agreements and notes recommended, offered, issued and sold by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Dr. G [REDACTED] are all “securities.”

418. Neither Elite Wealth, nor Dawkins were registered with the Division as securities agents when Elite Wealth and Dawkins offered and sold these securities to Dr. G [REDACTED]. See Joint Stipulation of Facts, ¶¶ 3 & 7. Dawkins had been registered with a broker-dealer in the past, and was aware of the requirement under Iowa law to be licensed in order to offer and sell securities. (Tr. 49-50).

419. Elite Wealth and Dawkins did not demonstrate compliance with the requirements for any exemption provided under Iowa Code § 502.402(2). We conclude these exemptions are unavailable to individuals who receive remuneration for their selling efforts. See Iowa Code §§ 502.402(2)(c) & (e) (providing exemptions to registration only where the individual does not receive compensation in connection with the sale of securities). Elite Wealth and Dawkins received compensation for the sale of the EWP Permian Basin Fund II securities to Dr. G [REDACTED]. (Ex. 8, 12; Tr. 61-62). Indeed, the sale of these securities represented the largest source of Elite Wealth and Dawkins' income. (Ex. 13; Tr. 75).

420. While Dawkins repeatedly testified at hearing that he did not consider himself to be “selling” any securities, Dawkins previously stated in an email to the Division that he “sold” these securities. (Ex. 15). Dawkins also testified that he presented and discussed the EWP Permian Basin Fund II subscription agreements with Dr. G [REDACTED] and each of the Iowa consumers. (Tr. 778–781). Nevertheless, the evidence, including testimony and documents of numerous transactions, was overwhelming that Dawkins was selling securities.

421. Further, in this determination under Count 1, we incorporate all of the foregoing findings and conclusions in this decision.

422. Based on the above facts and conclusions, Elite Wealth, Dawkins and EWP Permian Basin Fund II have each acted as or employed an unregistered agent and violated Iowa Code §502.402(2) on at least three occasions between June 17, 2019 and May 29, 2021, and are each liable for separate securities transactions involving Dr. G [REDACTED] for all necessary and appropriate relief available under Iowa Code § 502.602, including orders to cease and desist violations, to make restitution to Dr. G [REDACTED], and to implement other corrective actions to accomplish compliance with the Iowa Uniform Securities Act.

**K [REDACTED] G [REDACTED] Investments**  
***Count 2 – Securities Fraud – Iowa Code §502.501 and 502.604***

423. We now consider the charge of securities fraud under Count 2 in connection with the recommendations, offers and sales of securities by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Dr. G [REDACTED].

424. In this determination under Count 2, we incorporate all of the foregoing findings and conclusions in this decision, including the varied methods in which Elite Wealth, Dawkins and EWP Permian Basin Fund II have each violated Iowa Code § 502.501.

425. Based on the above facts and conclusions, Elite Wealth, Dawkins and EWP Permian Basin Fund II, have each committed securities fraud and violated Iowa Code § 502.501 on at least three occasions between July 22, 2019 and May 29, 2021, and are each liable for separate securities transactions involving Dr. G [REDACTED] for all necessary and appropriate relief available under Iowa Code § 502.602, including orders to cease and desist violations, to make restitution to Dr. G [REDACTED], and to implement other corrective actions to accomplish compliance with the Iowa Uniform Securities Act.

**K [REDACTED] G [REDACTED] Investments**  
***Count 4 – Disciplinary Action on Insurance Producer Licenses of Dawkins and Elite Wealth – Iowa Code §§ 522B.11(1) and 522B.17***

426. We complete our analysis of the conduct of Elite Wealth and Dawkins under Iowa Code §522B.11 in relationship to their transactions with Dr. G [REDACTED]. As with Count 3, this charge broadly relates to any wrongful conduct that implicates the professional licenses of Dawkins and Elite Wealth. However, this charge implicates the insurance producer licenses of Dawkins and Elite Wealth.

427. Iowa Code § 522B.11(1)(h) provides that the commissioner may place on probation, suspend, or revoke an insurance producer’s license for “[u]sing fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness and/or financial irresponsibility in the conduct of business in this state or elsewhere.” As provided in Iowa Code § 522B.17, the commissioner may also issue cease and desist orders and levy a civil penalty.

428. In this determination under Count 4, we incorporate all of the foregoing findings and conclusions in this decision, including the varied methods in which Elite Wealth and Dawkins,

directly or through EWP Permian Basin Fund II, have each violated Iowa Code §§ 502.301, 502.402, 502.501 and 502.502, as well as enumerated securities regulations.

429. We conclude that all of the above described conduct and violations of law by Dawkins and Elite Wealth in regards to transactions involving Dr. G █████ constitute fraudulent and dishonest and unethical practices, and demonstrate incompetence, untrustworthiness and financial irresponsibility in the conduct of business in this state under Iowa Code §522B.11(1)(h).

**S █████ P █████ and G █████ P █████ Investment  
Count 3 – Investment Adviser Disqualifications – Iowa Code §502.412**

430. We now begin our analysis under Iowa Code §502.412 of the conduct of Elite Wealth, Dawkins and EWP Permian Basin Fund II in relationship to their transactions with S █████ and G █████ P █████. Mr. and Mrs. P █████ were named as investors in the Division’s statement of charges. (SOC ¶ 66 – 69).

431. Neither G █████ P █████, nor S █████ P █████ testified at the hearing in this matter. Mrs. P █████ did participate in an interview by Investigator David Sullivan on November 17, 2021, and made statements to him that were received as evidence. (Ex. 42).

432. Mr. and Mrs. P █████ are married and are residents of Iowa. Mrs. P █████ retired from work with the state of Iowa after 40 years of service as a █████ clerk. (Ex. 40).

433. Mrs. P █████ has been an investment adviser client of Dawkins since 2012. (Ex. A). A █████ to Dawkins, he approached her in February of 2012 about “Heartland.” (Ex. A). Mrs. P █████ was the seventh client that he spoke to about “Heartland.”

434. The transaction by Elite Wealth and Dawkins with Mrs. P █████ was limited to one transaction:

Date	Description	Issuer	Amount	Return	Maturity
02/03/2021	Subscription and Note	EWP Permian Basin Fund II, LLC	\$104,544.60	9% +10%	02/02/2024

(Ex. 12, 14, 41 and A).

435. During her interview with Investigator Sullivan on November 17, 2021, and in response to his questions, Mrs. P █████ described her investment objectives and goals. She stated that she had retired from state employment in March of 2021 and that her “risk tolerance” had been “moderate risk,” but following retirement had changed to “low risk.” Mrs. P █████ also stated that in making a decision in February of 2021, Dawkins had given “options that met Mrs. P █████’s “low tolerance goals.” Mrs. P █████ also stated to Investigator Sullivan that:



[Dawkins] understood that [Mrs. P █████] was just retiring and that her risk tolerance was very low due to this and [Dawkins] advised the 2 or 3 investment opportunities he was presenting all met this low risk tolerance model and were investments that met [Mrs. P █████]'s goals and wants.

(Ex. 42). Mrs. P █████ stated that Dawkins also told her that “Heartland was not an aggressive investment...[and] was a low risk option for investment of [Mrs. P █████]'s] 401K funds, about \$100,000.”

436. Without restating every fact and violation here, we find that many of the unlawful acts or practices by Elite Wealth, Dawkins and EWP Permian Basin Fund II that we found in connection with the EWP Permian Basin Fund II subscription agreements and notes recommended, offered, issued and sold to Mr. M █████, Dr. K █████, Mrs. L █████ and Dr. G █████ were repeated by Elite Wealth, Dawkins and EWP Permian Basin Fund II in the recommendations, offers, issuance and sales of the February 2, 2021, EWP Permian Basin II subscription agreement and note to Mrs. P █████. (Ex. 12 and A).

437. During the interview with Investigator Sullivan, Mrs. P █████ provided information that reveals that she was not a qualified sophisticated investor as that phrase is interpreted by law, and as such, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with the requirements of 17 CFR 230.506(b)(2)(ii). Mrs. P █████ did state that she had investment experience in mutual funds, annuities, stocks and bonds over the last 36 years, but when asked by Investigator Sullivan about her investment knowledge, she replied that she is “a 6 on a scale to 10,” and relies on an investment adviser for guidance. She also stated that her experience was with “401k and Roth IRA investments.” (Ex. 42). Further, Mrs. P █████ was unfamiliar with an offering memorandum for EWP Permian Basin Fund II and had no recollection about whether one had been provided. Finally, Mrs. P █████ had no prior investment experience in any private placements. From this we can also conclude she had no experience in high risk and illiquid private placements.

438. Mrs. P █████'s available funds for this investment were retirement savings in her “401k” from her 40 years of work for the state of Iowa. (Ex. 42).

439. On February 2, 2021, Dawkins and Elite Wealth offered a subscription agreement issued by EWP Permian Basin Fund II for an unsecured promissory note. (SOC ¶ 68, Answer ¶ 68, Ex. 41).

440. Although there are similarities to the 2020 – 2021 12-month 8.5% EWP Permian Basin Fund II investments in a \$5,000,000 fund of 200 Units with each unit offered at \$25,000 per unit to Mr. M █████, Dr. K █████, Mrs. L █████, Dr. G █████, Mr. V █████, Mr. and Mrs. D █████, Mr. M █████, Mr. C █████, Mr. M █████, Mr. J █████, Mrs. M █████ and Mr. R █████, based on the whole of the evidence we conclude that the offer to Mrs. P █████ on February 2, 2021, was a distinct offering. The offer to Mrs. P █████ was represented by Dawkins and Elite Wealth as a separate EWP Permian Basin Fund II offering of a \$5,000,000 fund with notes not less than \$100,000. The February 2, 2021, subscription agreement and note recommended, sold and issued to Mrs. P █████ involved 36-month investments with a 9% return (with a 10% balloon) that

were also sold and issued to Mrs. L [REDACTED], Dr. G [REDACTED], and Mrs. C [REDACTED]. While both parties discussed an offering memorandum, neither party offered a relevant offering memorandum for this offering.

441. The February 2, 2021, subscription agreement presented the following qualification requirements to Mrs. P [REDACTED]:

Sophisticated Investor. The Subscriber shall be deemed to be a Sophisticated Investor if:

Qualified Sophisticated Investor: To be a qualified sophisticated investor, an investor must represent that it has a sufficient degree of sophistication to understand and evaluate the merits and risks associated with an investment in the Note and (a) its overall commitment to investments which are not readily marketable is not disproportionate to its net worth and its investment in the Note will not cause such overall commitment to become excessive; (b) it has adequate net worth and means of providing for any current needs and contingencies such that it is able to sustain a complete loss of its investment in the Note, and it has no such need for liquidity in this investment; (c) it has evaluated the risk of investing in the Note and the Company; and (d) it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risk of an investment in the Note and the Company. The information must be represented in the Subscription Agreement. The Subscriber affirms the preceding statements and has reviewed the terms herein and in the Private Placement Memorandum to their satisfaction.

Yes  No

442. The subscription agreement was checked “no” in response to the qualification requirements as a “sophisticated investor” at the time of Mrs. P [REDACTED]’s investment.

443. As with the others, we are more persuaded by the investor’s explanation of their limited knowledge of and experience in high risk and illiquid private placements than which answer box on the subscription agreement is checked. Certainly, an investor’s understanding, or lack thereof, of the question itself should bear on our determination of whether the investor is in fact a “qualified sophisticated investor.” Mrs. P [REDACTED] stated during the interview with Investigator Sullivan that she did not recall this information. We have found from her statements and other evidence that Mrs. P [REDACTED] did not possess sufficient knowledge or experience to evaluate the potential risks, rewards and costs of these high risk, illiquid investments and was not a qualified sophisticated investor as that phrase is interpreted by law, and as such, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with the requirements of 17 CFR 230.506(b)(2)(ii).

444. Mr. and Mrs. P [REDACTED] signed a customer profile on March 28, 2021, only two months after her investment in EWP Permian Basin Fund II, and indicated their risk tolerance was “low.” (SOC ¶ 66, Answer ¶ 66, Ex. 40).

445. According to their March 28, 2021 customer profile, Mr. and Mrs. P [REDACTED] had \$550,000 of investible assets, an annual household income of \$100,001 - \$500,000, and a net worth of \$500,001 - \$1,000,000.

446. Elite Wealth and Dawkins had a fiduciary duty to know and, in fact, did know that Mrs. P [REDACTED] did not have “such knowledge and experience in financial and business matters that [she was] capable of evaluating the merits and risk of an investment in the Note and the Company.” Dawkins and Elite Wealth disregarded this fact known to them and made the high-risk recommendation to Mrs. P [REDACTED] anyway.

447. Dawkins and Elite Wealth understood that Mrs. P [REDACTED]’s risk tolerance was low and Dawkins misrepresented that the investment options he was presenting to her were low risk and met her goals. (Ex. 42).

448. Mrs. P [REDACTED] e-signed a subscription agreement with EWP Permian Basin Fund II on February 2, 2021, to purchase a three-year note for \$104,544.60 at 9% annual interest and a 10% balloon bonus payment at the end of the term. (SOC ¶ 68, Answer ¶ 68, Ex. 41). From that amount, Dawkins and Elite Wealth received \$6,272.70 in compensation. (Ex. 12).

449. On February 3, 2021, EWP Permian Basin Fund II, under the authority of Dawkins as the fund manager, issued an unsecured promissory note to Mrs. P [REDACTED]. (Ex. 12, 41, and A).

450. As with the earlier one-year EWP Permian Basin Fund II, subscription agreements and notes, Dawkins, and Elite Wealth did not file with the Division the required “Form D, Notice of Exempt Offering of Securities” for 36-month subscription agreements and notes issued by EWP Permian Basin Fund II and sold to Mrs. P [REDACTED]. (Tr. 54-55). Without the required Reg D filing under Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 and other proof of compliance with the federal covered security exemption under Iowa Code § 502.503, we find Dawkins, Elite Wealth and EWP Permian Basin Fund II have not carried their burden of proving the applicability of the Regulation D federal exemption, and have therefore violated Iowa Code § 502.301, when the 36-month subscription agreement and note totaling investment of \$104,544.60 was unlawfully recommended, offered, issued and sold to Mrs. P [REDACTED] on February 2, 2021.

451. We find from all the evidence that Elite Wealth, Dawkins and EWP Permian Basin Fund II had reckless disregard for whether the security recommended, offered, issued and sold on February 2 – 4, 2021, to Mrs. P [REDACTED] was registered or exempt from registration. Dawkins lacked sufficient expertise to know whether or not the EWP Permian Basin Fund II offerings were lawful.

452. Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 in the recommendation, offer, issuance and sale of the EWP Permian Basin Fund II subscription agreement and unsecured note to Mrs. P [REDACTED] on February 2 – 4, 2021.

453. We find Elite Wealth, Dawkins and EWP Permian Basin Fund II did not demonstrate compliance with federal covered security requirements, and, in fact, did violate Iowa Code §502.301, when the EWP Permian Basin Fund II subscription agreement and note were unlawfully recommended, offered, issued and sold to Mrs. P [REDACTED] from February 2 – 4, 2021. This violation subjects Elite Wealth and Dawkins to disciplinary action under Iowa Code §502.412(4)(b).

454. We also conclude that the material representations made by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mrs. P [REDACTED] and other investors concerning the exemption from registration were untrue, and as securities fraud, violated Iowa Code §502.501(2). The facts concerning registration and exemption were material to investors, the statements were untrue, and were willfully made by Elite Wealth, Dawkins and EWP Permian Basin Fund II.

455. We conclude that in recommending, offering and selling this February 2 – 4, 2021, subscription agreement and note, which was unregistered, non-exempt and unlawful, Dawkins and Elite Wealth, failed to exercise the reasonable diligence, care and skill of an investment adviser in understanding and evaluating the potential risks, rewards, and costs associated with their recommendation and in so doing, breached their fiduciary duty of reasonable care. This breach of fiduciary duty constituted an act, practice, and course of business “that operates or would operate as a fraud or deceit upon” Mrs. P [REDACTED].

456. Dawkins and Elite Wealth, engaged in an act, practice, and course of business “that operates or would operate as a fraud or deceit upon another person” in violation of Iowa Code §§502.501(3) and 502.502(1)(b), when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary duty of care by recommending, offering and selling to Mrs. P [REDACTED] from February 2 – 4, 2021, an unlawful unregistered and non-exempt security.

457. Dawkins and Elite Wealth also engaged in practices and courses of business that operated as fraud upon Mrs. P [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care by disregarding their obligation to demonstrate a registered investment adviser’s “reasonable diligence, care and skill” in fulfilling their best interest care obligation to Mrs. P [REDACTED] and others. (Ex. 14).

458. Dawkins and Elite Wealth engaged in an act, practice and course of business that operated, or would operate as fraud or deceit upon Mrs. P [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b) when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary obligations of care when they failed to comply with the conditions required for a federal covered security exemption in offering and selling the February 2 – 4, 2021, subscription agreement and note.

459. We again make note that as specified in 17 CFR §230.506, the conditions of 17 CFR §230.502 must be met in order for a promoter to avail itself of the federal covered security exemption. This includes the provision of financial statement information. Elite Wealth, Dawkins and EWP Permian Basin Fund II also omitted material facts pertaining to the financial condition of the issuer and maker of the notes, EWP Permian Basin Fund II in offering and

selling the February 2 – 4, 2021, subscription agreement and note to Mrs. P [REDACTED]. This failure negates eligibility for the federal covered security exemption, but it is also a violation of Iowa Code 502.501(2) because the facts related to the financial condition of the issuer are “material,” and the omissions made the statements made concerning future revenues misleading.

460. The EWP Permian Basin Fund II subscription agreement and note on February 2 – 4, 2021, recommended, issued and sold to Mrs. P [REDACTED] created a complex structure of rights in the event of default. None of the parties offered a relevant offering memorandum for the February 2 – 4, 2021, subscription agreement and note, but regardless, we have found Mrs. P [REDACTED] was not a qualified sophisticated investor with the sufficient knowledge or experience to understand the complexities of these structures, or her rights in the event of default. Mrs. P [REDACTED] was not a qualified sophisticated investor with sufficient knowledge or experience to appreciate the risks of Dawkins’ conflicted recommendation of a \$104,544.60 investment in debt units issued by a “recently formed” company with “no operating history upon which [she] may evaluate its business and prospects” managed by an individual who believed that the primary purpose of forming the issuer was so that he “could deduct [his] fees.” In fact, the first time any financial statements for EWP Permian Basin Fund II were prepared and available to investors was after the Commissioner ordered them from Respondents on October 25, 2023. Mrs. P [REDACTED] did not have sufficient information and experience to understand and appreciate the conflict of interest that Dawkins and Elite Wealth had created by recommending a private placement with a potential \$104,544.60 personal liability by Dawkins as the fund manager of his own limited liability company, EWP Permian Basin Fund II, the issuer of the security.

461. Dawkins and Elite Wealth also engaged in practices and courses of business that operated as fraud in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care when they recommended and sold to Mrs. P [REDACTED] the February 2 – 4, 2021, subscription agreement and note. Dawkins and Elite Wealth knew this high risk and illiquid investment was not in the best interest of Mrs. P [REDACTED], because Mrs. P [REDACTED] did not have sufficient knowledge or experience in oil and gas speculation and complex unregistered private placement offerings to evaluate the merits and risk of the investment; neither did Elite Wealth or Dawkins have a reasonable basis to believe the recommended EWP Permian Basin Fund II subscription agreement and note effectively addressed Mrs. P [REDACTED]’s financial situation, insurance needs and financial objectives.

462. There were no assets securing the EWP Permian Basin Fund II notes. Neither Dawkins, Elite Wealth or EWP Permian Basin Fund II, provided financial statements of the issuer to Mrs. P [REDACTED] or other investors.

463. Dawkins and Elite Wealth breached their fiduciary duties to Mrs. P [REDACTED] on February 2, 2021, when Dawkins recommended a very high-risk investment of \$104,544.60 in debt units issued by a “recently formed” company with “no operating history upon which you may evaluate its business and prospects” managed by an individual who believed that the primary purpose of forming the issuer was so that he “could deduct [his] fees.”

464. Dawkins and Elite Wealth breached their fiduciary duties to Mrs. P [REDACTED] on February 2, 2021, when Dawkins based his recommendation to Mrs. P [REDACTED] on his own misplaced and

conflicted judgment to risk his own money in the illiquid, high risk investments. (Tr. 355, 475 – 479, 501).

465. Dawkins and Elite Wealth breached their fiduciary duties to Mrs. P [REDACTED] when Dawkins employed his own version of fiduciary duties. (Tr. 354, 475 – 479, 501). Each individual client has her own unique “situations, needs and objectives.” The reasonable diligence, care and skill of an investment adviser necessarily involves assessing particularities of each individual client. The pervasiveness of Dawkins’ recommendations of his high-risk EWP Permian Basin Fund II notes to such a significant number of his clients with widely varying “situations, needs and objectives” is strong evidence of his disregard for the individualized responsibility in his best interest obligation to Mrs. P [REDACTED] and others. (Ex. 14, 84).

466. Dawkins and Elite Wealth knew that Mrs. P [REDACTED] was relying on her investment advisers’ fiduciary obligations of care and professional investment experience, and recommended placing an excessive amount of Mrs. P [REDACTED]’s net worth and therefore, an excessive concentration of risk in the high risk, illiquid investment. (Tr. 116 – 120).

467. The EWP Permian Basin Fund II subscription agreement and note issued and sold to Mrs. P [REDACTED] on February 2, 2021, created a complex structure of rights in the event of default.

468. Regardless of whether the 2020 EWP Permian Basin Fund II – Heartland III Debt Offering memorandum was provided to Mrs. P [REDACTED], we have found Mrs. P [REDACTED] was not a qualified sophisticated investor with the sufficient experience to understand the complexities of these structures, nor the related merits and risks of the investment. We also conclude that Mrs. P [REDACTED]’s interests in any related oil or gas fields is attenuated at best and will make any recovery extraordinarily complicated in default.

469. Certainly by 2021, EWP Permian Basin Fund II’s contravention of the exemption requirements and the implications of fraud should have been apparent to a reasonable competent investment adviser. The violations were readily apparent in 2021, raising significant “red flags” for any reasonably careful, diligent, skillful and attentive investment adviser in circumstance similar to that of Elite Wealth and Dawkins in 2021. We again make note that as specified in 17 CFR 230.506, the conditions of 17 CFR 230.502 must be met in order for a promoter to avail itself of the federal covered security exemption. This includes the provision of relevant financial statement information. Despite that passage of time, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not provide to investors material facts pertaining to the financial condition of the issuer of the securities, EWP Permian Basin Fund II. As in prior recommendations, offerings and sales, this failure to provide annual financial information negates eligibility for the federal covered security exemption, but it is also a violation of Iowa Code 502.501(2) because the facts related to the financial condition of the issuer are “material,” and these omissions made the statements made concerning future revenues misleading. The willful absence of financial statements provided “red flags” to any reasonably careful, diligent, skillful and attentive investment adviser that the offering was likely a Ponzi scheme. By 2021, Dawkins and Elite Wealth should have known that they were recommending not only a high risk, illiquid private placement to Mrs. P [REDACTED], but an offering that had numerous characteristics of a fraudulent Ponzi scheme.

470. Each violation of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II serves as grounds under Iowa Code § 502.412(4)(b) to revoke, suspend, condition, or limit Dawkins' investment adviser representative registration.

471. Each violation of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II serves as grounds under Iowa Code § 502.412(4)(b) to revoke, suspend, condition, or limit both Elite Wealth's investment adviser registration and Dawkins' registration.

472. We conclude that all of the above described conduct and violations of law by Dawkins and Elite Wealth also constitutes a dishonest and unethical practice under Iowa Code §502.412(4)(m) and Iowa Administrative Code rule 191—50.38(1).

473. While we have concluded that Dawkins' level of training, experience and knowledge was clearly inadequate for him to meet his fiduciary obligations of care and loyalty to Mrs. P [REDACTED] and other investors, we do not find that this inadequacy could not be remedied, nor that his general training, experience and knowledge were so inadequate that he is unqualified to hold an Iowa registration under Iowa Code Iowa Code 502.412(4)(n). At this time, we have found that Dawkins has demonstrated that he is wholly unqualified to recommend, offer or sell high risk, illiquid, unregistered and exempt securities.

**S [REDACTED] P [REDACTED] and G [REDACTED] P [REDACTED] Investment  
Count 1 – Unregistered Agent – Iowa Code §§ 502.402 and 502.604**

474. We now return to Count 1 in regards to the recommendation, offer, issuance and sale by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mrs. P [REDACTED]. The EWP Permian Basin Fund II subscription agreement and note recommended, offered, issued and sold by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mrs. P [REDACTED] are "securities."

475. Neither Elite Wealth, nor Dawkins were registered with the Division as securities agents when Elite Wealth and Dawkins offered and sold these securities to Mrs. P [REDACTED]. See Joint Stipulation of Facts, ¶¶ 3 & 7. Dawkins had been registered with a broker-dealer in the past, and was aware of the requirement under Iowa law to be licensed in order to offer and sell securities. (Tr. at 49-50).

476. Elite Wealth and Dawkins did not demonstrate compliance with the requirements for any exemption provided under Iowa Code § 502.402(2). We conclude these exemptions are unavailable to individuals who receive remuneration for their selling efforts. See Iowa Code §§ 502.402(2)(c) & (e) (providing exemptions to registration only where the individual does not receive compensation in connection with the sale of securities). Elite Wealth and Dawkins received compensation for the sale of the EWP Permian Basin Fund II securities to Mrs. P [REDACTED] (Ex. 8, 12; Tr. 61-62). Indeed, the sale of these securities represented the largest source of Elite Wealth and Dawkins' income. (Ex. 13; Tr. 75).

477. While Dawkins repeatedly testified at hearing that he did not consider himself to be “selling” any securities, Dawkins previously stated in an email to the Division that he “sold” these securities. (Ex. 15). Dawkins also testified that he presented and discussed the EWP Permian Basin Fund II subscription agreement with Mrs. P [REDACTED] and each of the Iowa consumers. (Tr. 778–781). Nevertheless, the evidence, including testimony and documents of numerous transactions, was overwhelming that Dawkins was selling securities.

478. Further, in this determination under Count 1, we incorporate all of the foregoing findings and conclusions in this decision.

479. Based on the above facts and conclusions, Elite Wealth, Dawkins and EWP Permian Basin Fund II have each acted as or employed an unregistered agent and violated Iowa Code §502.402(2) on at least one occasion on February 3, 2021, and are each liable for securities transactions involving Mrs. P [REDACTED] for all necessary and appropriate relief available under Iowa Code § 502.602, including orders to cease and desist violations, to make restitution to Mrs. P [REDACTED], and to implement other corrective actions to accomplish compliance with the Iowa Uniform Securities Act.

**S [REDACTED] P [REDACTED] and G [REDACTED] P [REDACTED] Investment**  
**Count 2 – Securities Fraud – Iowa Code §502.501 and 502.604**

480. We now consider the charge of securities fraud under Count 2 in connection with the recommendation, offer and sale of securities by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mrs. P [REDACTED].

481. In this determination under Count 2, we incorporate all of the foregoing findings and conclusions in this decision, including the varied methods in which Elite Wealth, Dawkins and EWP Permian Basin Fund II have each violated Iowa Code § 502.501.

482. Based on the above facts and conclusions, Elite Wealth, Dawkins and EWP Permian Basin Fund II, have each committed securities fraud and violated Iowa Code § 502.501 on at least one occasion on February 3, 2021, and are each liable for the securities transaction involving Mrs. [REDACTED] for all necessary and appropriate relief available under Iowa Code § 502.602, including orders to cease and desist violations, to make restitution to Mrs. P [REDACTED], and to implement other corrective actions to accomplish compliance with the Iowa Uniform Securities Act.

**S [REDACTED] P [REDACTED] and G [REDACTED] P [REDACTED] Investment**  
**Count 4 – Disciplinary Action on Insurance Producer Licenses of Dawkins and Elite Wealth – Iowa Code §§ 522B.11(1) and 522B.17**

483. We complete our analysis of the conduct of Elite Wealth and Dawkins under Iowa Code §522B.11 in relationship to their transaction with Mrs. P [REDACTED]. As with Count 3, this charge broadly relates to any wrongful conduct that implicates the professional licenses of Dawkins and Elite Wealth. However, this charge implicates the insurance producer licenses of Dawkins and Elite Wealth.



484. Iowa Code § 522B.11(1)(h) provides that the commissioner may place on probation, suspend, or revoke an insurance producer’s license for “[u]sing fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness and/or financial irresponsibility in the conduct of business in this state or elsewhere.” As provided in Iowa Code § 522B.17, the commissioner may also issue cease and desist orders and levy a civil penalty.

485. In this determination under Count 4, we incorporate all of the foregoing findings and conclusions in this decision, including the varied methods in which Elite Wealth and Dawkins, directly or through EWP Permian Basin Fund II, have each violated Iowa Code §§ 502.301, 502.402, 502.501 and 502.502, as well as enumerated securities regulations.

486. We conclude that all of the above described conduct and violations of law by Dawkins and Elite Wealth in regards to transaction involving Mrs. P [REDACTED] constitute fraudulent and dishonest and unethical practices, and demonstrate incompetence, untrustworthiness and financial irresponsibility in the conduct of business in this state under Iowa Code §522B.11(1)(h).

**J [REDACTED] V [REDACTED] Investment**  
**Count 3 – Investment Adviser Disqualifications – Iowa Code §502.412**

487. We now begin our analysis under Iowa Code §502.412 of the conduct of Elite Wealth, Dawkins and EWP Permian Basin Fund II in relationship to their transaction with J [REDACTED] V [REDACTED]. Mr. V [REDACTED] was named as an investor in the Division’s statement of charges. (SOC ¶ 79 – 81).

488. Mr. J [REDACTED] V [REDACTED] was called to testify by the defense. (Tr. 575 – 605).

489. Mr. V [REDACTED] is a resident of Iowa. Mr. V [REDACTED] is a tool and dye maintenance tech at [REDACTED] in [REDACTED]. (Tr. 575; Ex. 54).

490. According to Mr. V [REDACTED], Dawkins has been Mr. V [REDACTED]’s investment adviser for over 25 years. (Tr. 576, Ex. A). Along the way, Mr. V [REDACTED] had rolled over his 401(k) from his work at Lowe’s. According to Dawkins, he approached Mr. V [REDACTED] about “Heartland” in March of 2021. In the written materials that he submitted in this case, Dawkins stated that he called Mr. V [REDACTED] that he “was spooked about Game Stop and removed 100% of my money from the market at that time, and I suggested he do the same.” (Ex. A). Mr. V [REDACTED] agreed and Dawkins told him he would get back to him if he found anything with “less risk than the market.” Dawkins stated that in March, “I informed him [Mr. V [REDACTED]] that I had only one option that I could find that he could consider.” (Ex. A).

491. The transaction by Elite Wealth and Dawkins with Mr. V [REDACTED] was limited to one transaction:

Date	Description	Issuer	Amount	Return	Maturity
02/26/2021	Subscription and Note	EWP Permian Basin Fund II, LLC	\$25,000.00	8.5%	02/26/2022

(Ex. 12, 14, 55 and A).

492. Despite a leading question by Dawkins' hearing counsel, Mr. V [REDACTED] testified that he was not "a somewhat sophisticated investor." (Tr. 584.) On cross-examination by Division counsel, Mr. V [REDACTED] testified that he did not understand "what a qualified sophisticated investor is." (Tr. 587). Then on redirect in response to leading questions by respondents' counsel, Mr. V [REDACTED] testified that he had indicated on the subscription agreement that he checked "yes" in response to a provision that referenced whether he was a "qualified sophisticated investor." Mr. V [REDACTED] also testified that he did not remember if Dawkins advised him that the EWP Permian Basin Fund II investment was a "low risk investment." Mr. V [REDACTED] testified that he did not understand the Division's question about whether the investment was "highly illiquid." (Tr. 586).

493. Mr. V [REDACTED] had no prior investment knowledge or experience in oil and gas development investments. (Tr. 578). Upon examination by the Commissioner, Mr. V [REDACTED] first testified that he was investing in "Heartland." With guidance from the Commissioner through the text of the subscription agreement, Mr. V [REDACTED] then realized at hearing that he had invested in EWP Permian Basin Fund II. (Tr. 591-593).

494. As many of the other investors, Mr. V [REDACTED] did not recall whether he had received an offering memorandum. (Tr. 595-599).

495. Mr. V [REDACTED] signed a customer profile on February 26, 2020, about one year prior to his investment in EWP Permian Basin Fund II. According to the February 26, 2020 customer profile, Mr. V [REDACTED] had \$40,000 of investible assets in mutual funds. (Ex. 54). Mr. V [REDACTED] had an annual household income between \$25,001 and \$50,000, a household net worth between \$50,001 and \$100,000, and household liquid assets of less than \$50,000. (SOC ¶79; Answer ¶79; Ex. 54). The gross household monthly income is listed as \$2,900 and monthly expenses of \$1,500. The customer profile indicated that Mr. V [REDACTED]'s risk tolerance was "moderate," and his investment objectives were "growth." (SOC ¶79; Answer ¶79; Ex. 54).

496. Without restating every fact and violation here, we find that many of the unlawful acts or practices by Elite Wealth, Dawkins and EWP Permian Basin Fund II that we found in connection with the EWP Permian Basin Fund II subscription agreements and notes recommended, offered, issued and sold to Mr. M [REDACTED], Dr. K [REDACTED], Mrs. L [REDACTED], Dr. G [REDACTED], Mrs. P [REDACTED] and Mrs. C [REDACTED] were repeated by Elite Wealth, Dawkins and EWP Permian Basin Fund II in the recommendation, offer, issuance and sale of the February 26, 2021, EWP Permian Basin II subscription agreement and note to Mr. V [REDACTED]. (Ex. 12 and A).

497. During his testimony at hearing, Mr. V [REDACTED] provided information that reveals that he was not a qualified sophisticated investor as that phrase is interpreted by law, and as such, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with the requirements of 17 CFR 230.506(b)(2)(ii). Mr. V [REDACTED] had very little investment experience with his prior investments being limited to mutual funds. Mr. V [REDACTED]'s testimony revealed a lack of any prior knowledge or experience in high risk and illiquid private placements. Mr. V [REDACTED] did not understand these risks or the complexity of private placement offerings.

498. On February 26, 2021, Dawkins and Elite Wealth offered to Mr. V [REDACTED] a subscription agreement issued by EWP Permian Basin Fund II for an unsecured promissory note.

499. As with the 2020 – 2021 EWP 12-month 8.5% Permian Basin Fund II investments in a \$5,000,000 fund of 200 Units with each unit offered at \$25,000 per unit to Mr. Mu [REDACTED], Dr. K [REDACTED], Mrs. L [REDACTED], Dr. G [REDACTED], Mr. and Mrs. D [REDACTED], Mr. Me [REDACTED], Mr. Ch [REDACTED], Mr. Mo [REDACTED], Mr. J [REDACTED], Mrs. Mc [REDACTED] and Mr. R [REDACTED], based on the whole of the evidence we conclude that this offer around February 26, 2021, to Mr. V [REDACTED] was represented by Dawkins and Elite Wealth as an offering of a \$5,000,000 fund of 200 Units with each unit offered at \$25,000 per unit. (Ex. 9).

500. The February 26, 2021, subscription agreement presented the following qualification requirements to Mr. V [REDACTED]:

Sophisticated Investor. The Subscriber shall be deemed to be a Sophisticated Investor if:

Qualified Sophisticated Investor: To be a qualified sophisticated investor, an investor must represent that it has a sufficient degree of sophistication to understand and evaluate the merits and risks associated with an investment in the Note and (a) its overall commitment to investments which are not readily marketable is not disproportionate to its net worth and its investment in the Note will not cause such overall commitment to become excessive; (b) it has adequate net worth and means of providing for any current needs and contingencies such that it is able to sustain a complete loss of its investment in the Note, and it has no such need for liquidity in this investment; (c) it has evaluated the risk of investing in the Note and the Company; and (d) it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risk of an investment in the Note and the Company. The information must be represented in the Subscription Agreement. The Subscriber affirms the preceding statements and has reviewed the terms herein and in the Private Placement Memorandum to their satisfaction.

Yes  No

501. The subscription agreement was checked “yes” in response to the qualification requirements as a “sophisticated investor” at the time of Mr. V [REDACTED]’s investment.

502. As with the others, we are more persuaded by the investor’s explanation of their limited knowledge of and experience in high risk and illiquid private placements than which answer box on the subscription agreement is checked. Certainly, an investor’s understanding, or lack thereof, of the question itself should bear on our determination of whether the investor is in fact a “qualified sophisticated investor.” Mr. V [REDACTED]’s testimony and his client profile questionnaire reveal his limited investment sophistication, and lack of knowledge or experience in high risk and illiquid oil and gas development private placements. (Tr. 594 – 598).

503. Giving Dawkins and Elite Wealth the benefit of reasonable inference, we conclude he would assert that the offer and sale to Mr. V [REDACTED] was exempt from registration under federal regulation 17 CFR 230.506(c)(2)(ii)(B).

504. Dawkins, Elite Wealth and EWP Permian Basin Fund II did not carry their burden of proof that they have complied with the conditions of this exemption. We have found from Mr. V [REDACTED]'s testimony and other evidence that he did not possess sufficient knowledge or experience to evaluate the potential risks, rewards and costs of these high risk, illiquid investments and was not a qualified sophisticated investor as that phrase is interpreted by law, and as such, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with the requirements of 17 CFR 230.506(b)(2)(ii).

505. Elite Wealth and Dawkins had a fiduciary duty to know and, in fact, did know that Mr. V [REDACTED] did not have "such knowledge and experience in financial and business matters that [he was] capable of evaluating the merits and risk of an investment in the Note and the Company." Dawkins and Elite Wealth disregarded this fact known to them and made the high-risk recommendation to Mr. V [REDACTED] anyway.

506. Mr. V [REDACTED] e-signed a subscription agreement with EWP Permian Basin Fund II on February 26, 2021, to purchase a one-year note for \$25,000.00 at 8.5% annual interest. (SOC ¶ 81, Answer ¶ 81, Ex. 55). From that amount, Dawkins and Elite Wealth received \$1,250.00 in compensation. (Ex. 12).

507. On February 26, 2021, EWP Permian Basin Fund II, under the authority of Dawkins as the fund manager, issued an unsecured promissory note to Mr. V [REDACTED]. (Ex. 12, 55, and A).

508. Dawkins, and Elite Wealth did not file with the Division the required "Form D, Notice of Exempt Offering of Securities" for the 12-month subscription agreements and notes issued by EWP Permian Basin Fund II and sold to Mr. V [REDACTED]. (Tr. 54-55). Without the required Reg D filing under Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 and other proof of compliance with the federal covered security exemption under Iowa Code § 502.503, we find Dawkins, Elite Wealth and EWP Permian Basin Fund II have not carried their burden of proving the applicability of the Regulation D federal exemption, and have therefore violated Iowa Code § 502.301, when the 12-month subscription agreement and note of \$25,000 was unlawfully recommended, offered, issued and sold to Mr. V [REDACTED] on February 26, 2021.

509. We find from all the evidence that Elite Wealth, Dawkins and EWP Permian Basin Fund II had reckless disregard for whether the security recommended, offered, issued and sold on February 26, 2021, to Mr. V [REDACTED] was registered or exempt from registration. Dawkins lacked sufficient expertise to know whether or not the EWP Permian Basin Fund II offerings were lawful.

510. Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 in the recommendation, offer, issuance and sale of the EWP Permian Basin Fund II subscription agreement and unsecured note to Mr. V [REDACTED] February 26, 2021.

511. We find Elite Wealth, Dawkins and EWP Permian Basin Fund II did not demonstrate compliance with federal covered security requirements, and, in fact, did violate Iowa Code §502.301, when the EWP Permian Basin Fund II subscription agreement and note was unlawfully recommended, offered, issued and sold to Mr. V [REDACTED] on February 26, 2021. This violation subjects Elite Wealth and Dawkins to disciplinary action under Iowa Code §502.412(4)(b).

512. We also conclude that the material representations made by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. V [REDACTED] and other investors concerning the exemption from registration were untrue, and as securities fraud, violated Iowa Code §502.501(2). The facts concerning registration and exemption were material to investors, the statements were untrue, and were willfully made by Elite Wealth, Dawkins and EWP Permian Basin Fund II.

513. We conclude that in recommending, offering and selling this February 26, 2021, subscription agreement and note, which was unregistered, non-exempt and unlawful, Dawkins and Elite Wealth, failed to exercise the reasonable diligence, care and skill of an investment adviser in understanding and evaluating the potential risks, rewards, and costs associated with their recommendation and in so doing, breached their fiduciary duty of reasonable care. This breach of fiduciary duty constituted an act, practice, and course of business “that operates or would operate as a fraud or deceit upon” Mr. V [REDACTED].

514. Dawkins and Elite Wealth, engaged in an act, practice, and course of business “that operates or would operate as a fraud or deceit upon another person” in violation of Iowa Code §§502.501(3) and 502.502(1)(b), when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary duty of care by recommending, offering and selling to Mr. V [REDACTED] on February 26, 2021, an unlawful unregistered and non-exempt security.

515. Dawkins and Elite Wealth also engaged in practices and courses of business that operated as fraud upon Mr. V [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care by disregarding their obligation to demonstrate a registered investment adviser’s “reasonable diligence, care and skill” in fulfilling their best interest care obligation to Mr. V [REDACTED] and others. (Ex. 14).

516. Dawkins and Elite Wealth engaged in an act, practice and course of business that operated, or would operate as fraud or deceit upon Mr. V [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b) when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary obligations of care when they failed to comply with the conditions required for a federal covered security exemption in offering and selling the February 26, 2021, subscription agreement and note.

517. We again make note that as specified in 17 CFR §230.506, the conditions of 17 CFR §230.502 must be met in order for a promoter to avail itself of the federal covered security exemption. This includes the provision of financial statement information. Elite Wealth, Dawkins and EWP Permian Basin Fund II also omitted material facts pertaining to the financial condition of the issuer and maker of the notes, EWP Permian Basin Fund II in offering and

selling the February 26, 2021, subscription agreement and note to Mr. V [REDACTED]. This failure negates eligibility for the federal covered security exemption, but it is also a violation of Iowa Code 502.501(2) because the facts related to the financial condition of the issuer are “material,” and the omissions made the statements made concerning future revenues misleading.

518. The EWP Permian Basin Fund II subscription agreement and note on February 26, 2021, recommended, issued and sold to Mr. V [REDACTED] created a complex structure of rights in the event of default. Mr. V [REDACTED] testified that he may have receive an offering memorandum, but did not understand it. (Tr. 580, 594-597). Mr. V [REDACTED] was not a qualified sophisticated investor with the sufficient experience to understand the complexities of these structures. Nor could he understand the complexity of the investment structure of rights in the event of default. Mr. V [REDACTED] was not a qualified sophisticated investor with sufficient experience to appreciate the risks of Dawkins’ conflicted recommendation of a \$25,000 investment in debt units issued by a “recently formed” company with “no operating history upon which [he] may evaluate its business and prospects” managed by an individual who believed that the primary purpose of forming the issuer was so that he “could deduct [his] fees.” In fact, the first time any financial statements for EWP Permian Basin Fund II were prepared and made available to investors was after the Commissioner ordered them from Respondents on October 25, 2023. Mr. V [REDACTED] did not have sufficient information and experience to understand and appreciate the conflict of interest that Dawkins and Elite Wealth had created by recommending a private placement with a potential \$187,838.56 personal liability by Dawkins as the fund manager of his own limited liability company, EWP Permian Basin Fund II, the issuer of the security.

519. Dawkins and Elite Wealth also engaged in practices and courses of business that operated as fraud in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care when they recommended and sold to Mr. V [REDACTED] the February 26, 2021, subscription agreement and note. Dawkins and Elite Wealth knew this high risk and illiquid investment was not in the best interest of Mr. V [REDACTED], because Mr. V [REDACTED] did not have sufficient experience in oil and gas speculation and complex unregistered private placement offerings to evaluate the merits and risk of the investment; neither did Elite Wealth or Dawkins have a reasonable basis to believe the recommended EWP Permian Basin Fund II subscription agreement and note effectively addressed Mr. V [REDACTED]’s financial situation, insurance needs and financial objectives.

520. There were no assets securing the EWP Permian Basin Fund II notes. Neither Dawkins, Elite Wealth or EWP Permian Basin Fund II, provided financial statements of the issuer to Mr. V [REDACTED] or other investors.

521. Dawkins and Elite Wealth breached their fiduciary duties to Mr. V [REDACTED] on February 26, 2021, when Dawkins recommended the very high-risk investment of \$25,000 in debt units issued by a “recently formed” company with “no operating history upon which you may evaluate its business and prospects” managed by an individual who believed that the primary purpose of forming the issuer was so that he “could deduct [his] fees.”

522. Dawkins and Elite Wealth breached their fiduciary duties to Mr. V [REDACTED] on February 26, 2021, when Dawkins based his recommendation to Mr. V [REDACTED] on his own misplaced and

conflicted judgment to risk his own money in the illiquid, high risk investments. (Tr. 355, 475 – 479, 501).

523. Dawkins and Elite Wealth breached their fiduciary duties to Mr. V [REDACTED] when Dawkins employed his own version of fiduciary duties. (Tr. 354, 475 – 479, 501). Each individual client has his own unique “situations, needs and objectives.” The reasonable diligence, care and skill of an investment adviser necessarily involves assessing particularities of each individual client. The pervasiveness of Dawkins’ recommendations of his high-risk EWP Permian Basin Fund II notes to such a significant number of his clients with widely varying “situations, needs and objectives” is strong evidence of his disregard for the individualized responsibility in his best interest obligation to Mr. V [REDACTED] and others. (Ex. 14, 84).

524. Dawkins and Elite Wealth knew that Mr. V [REDACTED] was relying on his investment advisers’ fiduciary obligations of care and professional investment experience, and recommended placing an excessive amount of Mr. V [REDACTED]’s net worth and therefore, an excessive concentration of risk in the high risk, illiquid investment. (Tr. 134 – 135).

525. The EWP Permian Basin Fund II subscription agreement and note issued and sold to Mr. V [REDACTED] on February 26, 2021, created a complex structure of rights in the event of default.

526. Regardless of whether the 2020 EWP Permian Basin Fund II – Heartland III Debt Offering memorandum was provided to Mr. V [REDACTED], we have found Mr. V [REDACTED] was not a qualified sophisticated investor with the sufficient experience to understand the complexities of these structures, nor the related merits and risks of the investment. We also conclude that Mr. V [REDACTED]’s interests in any related oil or gas fields is attenuated at best and will make any recovery extraordinarily complicated in default.

527. Certainly by 2021, EWP Permian Basin Fund II’s contravention of the exemption requirements and the implications of fraud should have been apparent to a reasonable competent investment adviser. The violations were readily apparent in 2021, raising significant “red flags” for any reasonably careful, diligent, skillful and attentive investment adviser in circumstance similar to that of Elite Wealth and Dawkins in 2021. We again make note that as specified in 17 CFR 230.506, the conditions of 17 CFR 230.502 must be met in order for a promoter to avail itself of the federal covered security exemption. This includes the provision of relevant financial statement information. Despite that passage of time, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not provide to investors material facts pertaining to the financial condition of the issuer of the securities, EWP Permian Basin Fund II. As in prior recommendations, offerings and sales, this failure to provide annual financial information negates eligibility for the federal covered security exemption, but it is also a violation of Iowa Code 502.501(2) because the facts related to the financial condition of the issuer are “material,” and these omissions made the statements made concerning future revenues misleading. The willful absence of financial statements provided “red flags” to any reasonably careful, diligent, skillful and attentive investment adviser that the offering was likely a Ponzi scheme. By 2021, Dawkins and Elite Wealth should have known that they were recommending not only a high risk, illiquid private placement to Mr. V [REDACTED], but an offering that had numerous characteristics of a fraudulent Ponzi scheme.

528. Each violation of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II serves as grounds under Iowa Code § 502.412(4)(b) to revoke, suspend, condition, or limit Dawkins' investment adviser representative registration.

529. Each violation of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II serves as grounds under Iowa Code § 502.412(4)(b) to revoke, suspend, condition, or limit both Elite Wealth's investment adviser registration and Dawkins' registration.

530. We conclude that all of the above described conduct and violations of law by Dawkins and Elite Wealth also constitutes a dishonest and unethical practice under Iowa Code §502.412(4)(m) and Iowa Administrative Code rule 191—50.38(1).

531. While we have concluded that Dawkins' level of training, experience and knowledge was clearly inadequate for him to meet his fiduciary obligations of care and loyalty to Mr. V [REDACTED] and other investors, we do not find that this inadequacy could not be remedied, nor that his general training, experience and knowledge were so inadequate that he is unqualified to hold an Iowa registration under Iowa Code Iowa Code 502.412(4)(n). At this time, we have found that Dawkins has demonstrated that he is wholly unqualified to recommend, offer or sell high risk, illiquid, unregistered and exempt securities.

**J [REDACTED] V [REDACTED] Investment**  
**Count 1 – Unregistered Agent – Iowa Code §§ 502.402 and 502.604**

532. We now return to Count 1 in regards to the recommendation, offer, issuance and sale by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. V [REDACTED]. The EWP Permian Basin Fund II subscription agreements and notes recommended, offered, issued and sold by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. V [REDACTED] are "securities."

533. Neither Elite Wealth, nor Dawkins were registered with the Division as securities agents when Elite Wealth and Dawkins offered and sold these securities to Mr. V [REDACTED]. See Joint Stipulation of Facts, ¶¶ 3 & 7. Dawkins had been registered with a broker-dealer in the past, and was aware of the requirement under Iowa law to be licensed in order to offer and sell securities. (Tr. 49-50).

534. Elite Wealth and Dawkins did not demonstrate compliance with the requirements for any exemption provided under Iowa Code § 502.402(2). We conclude these exemptions are unavailable to individuals who receive remuneration for their selling efforts. See Iowa Code §§ 502.402(2)(c) & (e) (providing exemptions to registration only where the individual does not receive compensation in connection with the sale of securities). Elite Wealth and Dawkins received compensation for the sale of the EWP Permian Basin Fund II securities to Mr. V [REDACTED] (Ex. 8, 12; Tr. 61-62). Indeed, the sale of these securities represented the largest source of Elite Wealth and Dawkins' income. (Ex. 13; Tr. 75).



535. While Dawkins repeatedly testified at hearing that he did not consider himself to be “selling” any securities, Dawkins previously stated in an email to the Division that he “sold” these securities. (Ex. 15). Dawkins also testified that he presented and discussed the EWP Permian Basin Fund II subscription agreements with Mr. V [REDACTED] and each of the Iowa consumers. (Tr. 778–781). Nevertheless, the evidence, including testimony and documents of numerous transactions, was overwhelming that Dawkins was selling securities.

536. Further, in this determination under Count 1, we incorporate all of the foregoing findings and conclusions in this decision.

537. Based on the above facts and conclusions, Elite Wealth, Dawkins and EWP Permian Basin Fund II have each acted as or employed an unregistered agent and violated Iowa Code §502.402(2) on at least one occasion on February 26, 2021, and are each liable for separate securities transactions involving Mr. V [REDACTED] for all necessary and appropriate relief available under Iowa Code § 502.602, including orders to cease and desist violations, to make restitution to Mr. V [REDACTED], and to implement other corrective actions to accomplish compliance with the Iowa Uniform Securities Act.

**J [REDACTED] V [REDACTED] Investment**  
**Count 2 – Securities Fraud – Iowa Code §502.501 and 502.604**

538. We now consider the charge of securities fraud under Count 2 in connection with the recommendation, offer and sale of securities by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. V [REDACTED].

539. In this determination under Count 2, we incorporate all of the foregoing findings and conclusions in this decision, including the varied methods in which Elite Wealth, Dawkins and EWP Permian Basin Fund II have each violated Iowa Code § 502.501.

540. Based on the above facts and conclusions, Elite Wealth, Dawkins and EWP Permian Basin Fund II, have each committed securities fraud and violated Iowa Code § 502.501 on at least one occasion on February 26, 2021, and are each liable for separate securities transactions involving Mr. V [REDACTED] for all necessary and appropriate relief available under Iowa Code § 502.602, including orders to cease and desist violations, to make restitution to Mr. V [REDACTED], and to implement other corrective actions to accomplish compliance with the Iowa Uniform Securities Act.

**J [REDACTED] V [REDACTED] Investment**  
**Count 4 – Disciplinary Action on Insurance Producer Licenses of Dawkins and Elite Wealth – Iowa Code §§ 522B.11(1) and 522B.17**

541. We complete our analysis of the conduct of Elite Wealth and Dawkins under Iowa Code §522B.11 in relationship to their transaction with Mr. V [REDACTED]. As with Count 3, this charge broadly relates to any wrongful conduct that implicates the professional licenses of Dawkins and Elite Wealth. However, this charge implicates the insurance producer licenses of Dawkins and Elite Wealth.

542. Iowa Code § 522B.11(1)(h) provides that the commissioner may place on probation, suspend, or revoke an insurance producer's license for "[u]sing fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness and/or financial irresponsibility in the conduct of business in this state or elsewhere." As provided in Iowa Code § 522B.17, the commissioner may also issue cease and desist orders and levy a civil penalty.

543. In this determination under Count 4, we incorporate all of the foregoing findings and conclusions in this decision, including the varied methods in which Elite Wealth and Dawkins, directly or through EWP Permian Basin Fund II, have each violated Iowa Code §§ 502.301, 502.402, 502.501 and 502.502, as well as enumerated securities regulations.

544. We conclude that all of the above described conduct and violations of law by Dawkins and Elite Wealth in regards to transactions involving Mr. V [REDACTED] constitute fraudulent and dishonest and unethical practices, and demonstrate incompetence, untrustworthiness and financial irresponsibility in the conduct of business in this state under Iowa Code §522B.11(1)(h).

***B [REDACTED] D [REDACTED] and R [REDACTED] D [REDACTED] Investments  
Count 3 – Investment Adviser Disqualifications – Iowa Code §502.412***

545. We now begin our analysis under Iowa Code §502.412 of the conduct of Elite Wealth, Dawkins and EWP Permian Basin Fund II in relationship to their transactions with B [REDACTED] D [REDACTED] and R [REDACTED] D [REDACTED]. Mr. and Mrs. D [REDACTED] were named as investors in the Division's statement of charges. (SOC ¶ 56 – 61).

546. Mr. [REDACTED] D [REDACTED] was called to testify by the Division. (Tr. 187 – 205). Mrs. D [REDACTED] did not testify. Mr. D [REDACTED] also made statements to Investigator Natalie Licht on November 17, 2021, in a telephone interview that were received into evidence. (Ex. 36).

547. B [REDACTED] and R [REDACTED] D [REDACTED] are a married couple and are residents of Ames, Iowa. Mr. D [REDACTED] has worked in information technology at [REDACTED] Hospital and operates his own [REDACTED] studio. (Tr. 188, Ex. 33). Mrs. D [REDACTED] is an electronic controls engineer. (Ex. 33, A).

548. According to Mr. D [REDACTED], Dawkins has known Mr. D [REDACTED] for some time, but has been his financial and investment adviser for 10 to 12 years. (Tr. 188, Ex. A). In February 2021, Dawkins advised Mr. and Mrs. D [REDACTED] to sell off mutual funds, which represented most of his investable assets, explaining Dawkins was "spooked by Game Stop and removed 100% of [Dawkin's] money from the market at that time." (Tr. 192, Ex. 33, A). Dawkins told Mr. D [REDACTED] he would go on "fact-finding mission and found this [Heartland] investment and recommended it to [Mr. and Mrs. D [REDACTED]]." (Tr. 192). Dawkins came back to Mr. D [REDACTED] in March and "informed him that [Dawkins] had only one new option that [he] could find that we could consider." (Ex. A).

549. The transactions by Elite Wealth and Dawkins with Mr. and Mrs. D [REDACTED] involved two transactions:

Date	Description	Issuer	Amount	Return	Maturity
02/26/2021	Subscription and Note	EWP Permian Basin Fund II, LLC	\$25,000.00	8.5%	02/26/2022
02/28/2021	Subscription and Note	EWP Permian Basin Fund II, LLC	\$25,000.00	8.5%	02/28/2022

(Ex. 12, 14, 34, and A).

550. Mr. D [REDACTED] testified that he is “not knowledgeable in the slightest” in the area of investments and that he does not “understand the financial markets at all.” (Tr. 188-189). On the question of whether Mr. D [REDACTED] was a “qualified sophisticated investor,” he responded to the Division’s counsel question as to its meaning with the statement “I assume it means that you’re an adult that understands the risk of investing.” (Tr. 192). When asked about the stock that Mr. D [REDACTED] held as investments prior to Dawkins recommendation to liquidate, Mr. D [REDACTED] testified that he did not know. (Tr. 200). The following exchange then occurred:

Division counsel: Were you involved in any mutual funds?

Mr. D [REDACTED]: I don’t think so. But again, that’s a – I don’t understand the stuff. That’s why I wanted a financial investor [sic], because I don’t understand it.”

(Tr. 201). Mr. D [REDACTED] could not recall any specific information about the risks of the investments. (Tr. 195, 204). As many of the other investors, he also did not recall receiving an offering memorandum. (Tr. 195).

551. We find that Mr. D [REDACTED] had no prior investment knowledge or experience in oil and gas development or private placement investments.

552. Mr. and Mrs. D [REDACTED] signed a customer profile on February 10, 2021, about one month prior to their investments in EWP Permian Basin Fund II. According to the February 10, 2021, customer profile, Mr. D [REDACTED] had \$95,000 of investible assets in mutual funds, and Mrs. D [REDACTED] had \$95,000 in indexed annuities and mutual funds. (Ex. 33). Mr. and Mrs. D [REDACTED] had an annual household income between \$100,001 and \$500,000, a household net worth between \$100,001 and \$250,000, and household liquid assets of less than \$50,000. (SOC ¶56; Answer ¶56; Ex. 33). The gross household monthly income is listed as \$9,000 and monthly expenses of \$2,500. The customer profile indicated that both Mr. and Mrs. D [REDACTED]’s risk tolerances were “moderate,” and their investment objectives were “growth.” (SOC ¶56; Answer ¶56; Ex. 33).

553. Without restating every fact and violation here, we find that many of the unlawful acts or practices by Elite Wealth, Dawkins and EWP Permian Basin Fund II that we found in connection with the EWP Permian Basin Fund II subscription agreements and notes recommended, offered, issued and sold to Mr. M [REDACTED], Dr. K [REDACTED], Mrs. I [REDACTED], Dr. G [REDACTED], Mrs. P [REDACTED], Mrs. C [REDACTED], and Mr. V [REDACTED] were repeated by Elite Wealth, Dawkins and EWP Permian Basin Fund II in the recommendation, offer, issuance and sale of the February 26, 2021, EWP Permian Basin II subscription agreement and note to Mr. D [REDACTED], and the February 28, 2021, EWP Permian Basin II subscription agreement and note to Mrs. D [REDACTED]. (Ex. 12 and A).

554. During his testimony at hearing, Mr. D [REDACTED] provided information that reveals that he was not a qualified sophisticated investor as that phrase is interpreted by law, and as such, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with the requirements of 17 CFR 230.506(b)(2)(ii). Mr. D [REDACTED] had only some investment experience with his prior investments being limited to mutual funds. He also owned a fixed annuity. (Ex. 33). Mr. D [REDACTED]'s testimony revealed a lack of any prior knowledge or experience in high risk and illiquid private placements. Mr. D [REDACTED] did not understand these risks or the complexity of private placement offerings.

555. On February 26, 2021, Dawkins and Elite Wealth offered to Mr. D [REDACTED] a subscription agreement issued by EWP Permian Basin Fund II for an unsecured promissory note. On February 28, 2021, Dawkins and Elite Wealth offered to Mrs. D [REDACTED] a subscription agreement issued by EWP Permian Basin Fund II for an unsecured promissory note.

556. As with the 2020 – 2021 12-month 8.5% EWP Permian Basin Fund II investments in a \$5,000,000 fund of 200 Units with each unit offered at \$25,000 per unit to Mr. M [REDACTED], Dr. K [REDACTED], Mrs. L [REDACTED], Dr. G [REDACTED], Mr. V [REDACTED], Mr. M [REDACTED], Mr. C [REDACTED], Mr. M [REDACTED], Mr. J [REDACTED], Mrs. M [REDACTED] and Mr. R [REDACTED] based on the whole of the evidence we conclude that these offers around February 26 and 28, 2021, to Mr. and Mrs. D [REDACTED] were represented by Dawkins and Elite Wealth as an offering of a \$5,000,000 fund of 200 Units with each unit offered at \$25,000 per unit. (Ex. 9).

557. The February 26, 2021, and February 28, 2021, subscription agreements presented the following qualification requirements to Mr. and Mrs. D [REDACTED]:

Sophisticated Investor. The Subscriber shall be deemed to be a Sophisticated Investor if:

Qualified Sophisticated Investor: To be a qualified sophisticated investor, an investor must represent that it has a sufficient degree of sophistication to understand and evaluate the merits and risks associated with an investment in the Note and (a) its overall commitment to investments which are not readily marketable is not disproportionate to its net worth and its investment in the Note will not cause such overall commitment to become excessive; (b) it has adequate net worth and means of providing for any current needs and contingencies such that it is able to sustain a complete loss of its investment in the Note, and it has no such need for liquidity in this investment; (c) it has evaluated the risk of investing in the Note and the Company; and (d) it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risk of an investment in the Note and the Company. The information must be represented in the Subscription Agreement. The Subscriber affirms the preceding statements and has reviewed the terms herein and in the Private Placement Memorandum to their satisfaction.

Yes               No

558. The subscription agreements were checked “yes” in response to the qualification requirements as a “sophisticated investor” at the time of Mr. and Mrs. D [REDACTED]’s investments.

559. As with the others, we are more persuaded by the investor’s explanation of their limited knowledge of and experience in high risk and illiquid private placements than which answer box on the subscription agreement is checked. Certainly, an investor’s understanding, or lack thereof, of the question itself should bear on our determination of whether the investor is in fact a “qualified sophisticated investor.” Mr. D [REDACTED]’s testimony and his client profile questionnaire reveal his limited investment sophistication, and lack of knowledge or experience in high risk and illiquid oil and gas development private placements. (Tr. 187 – 206). Although, Mr. D [REDACTED] did suggest that Mrs. D [REDACTED] “understands [investments] a little better,” we also find that Mrs. D [REDACTED] was also not a “qualified sophisticated investor.”

560. Giving Dawkins and Elite Wealth the benefit of reasonable inference, we conclude he would assert that the offers and sales to Mr. and Mrs. D [REDACTED] were exempt from registration under federal regulation 17 CFR 230.506(c)(2)(ii)(B).

561. Dawkins, Elite Wealth and EWP Permian Basin Fund II did not carry their burden of proof that they have complied with the conditions of this exemption. We have found from Mr. D [REDACTED]’s testimony and other evidence that neither he nor Mrs. D [REDACTED] possessed sufficient knowledge or experience to evaluate the potential risks, rewards and costs of these high risk, illiquid investments and were not qualified sophisticated investors as that phrase is interpreted by law, and as such, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with the requirements of 17 CFR 230.506(b)(2)(ii).

562. Elite Wealth and Dawkins had a fiduciary duty to know and, in fact, did know that Mr. and Mrs. D [REDACTED] did not have “such knowledge and experience in financial and business matters that [he was] capable of evaluating the merits and risk of an investment in the Note and the Company.” Dawkins and Elite Wealth disregarded this fact known to them and made the high-risk recommendations to Mr. and Mrs. D [REDACTED] anyway.

563. Mr. D [REDACTED] e-signed a subscription agreement with EWP Permian Basin Fund II on February 26, 2021, to purchase a one-year note for \$25,000.00 at 8.5% annual interest. (SOC ¶ 58, Answer ¶ 58, Ex. 34). From that amount, Dawkins and Elite Wealth received \$1,250.00 in compensation. (Ex. 12).

564. On February 26, 2021, EWP Permian Basin Fund II, under the authority of Dawkins as the fund manager, issued an unsecured promissory note to Mr. D [REDACTED]. (Ex. 12, 34 and A).

565. Mrs. D [REDACTED] e-signed a subscription agreement with EWP Permian Basin Fund II on February 28, 2021, to purchase a one-year note for \$25,000.00 at 8.5% annual interest. (SOC ¶ 59, Answer ¶ 59, Ex. 35). From that amount, Dawkins and Elite Wealth received another \$1,250.00 in compensation. (Ex. 12).

566. On February 28, 2021, EWP Permian Basin Fund II, under the authority of Dawkins as the fund manager, issued an unsecured promissory note to Mrs. D [REDACTED]. (Ex. 12, 35 and A).

567. Dawkins, and Elite Wealth did not file with the Division the required “Form D, Notice of Exempt Offering of Securities” for the 12-month subscription agreements and notes issued by EWP Permian Basin Fund II and sold to Mr. and Mrs. D [REDACTED]. (Tr. 54-55). Without the required Reg D filing under Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 and other proof of compliance with the federal covered security exemption under Iowa Code § 502.503, we find Dawkins, Elite Wealth and EWP Permian Basin Fund II have not carried their burden of proving the applicability of the Regulation D federal exemption, and have therefore violated Iowa Code § 502.301, when the 12-month subscription agreements and notes of \$25,000 were unlawfully recommended, offered, issued and sold to Mr. and Mrs. D [REDACTED] on February 26 and 28, 2021, respectively.

568. We find from all the evidence that Elite Wealth, Dawkins and EWP Permian Basin Fund II had reckless disregard for whether the securities recommended, offered, issued and sold on February 26 and 28, 2021, to Mr. and Mrs. D [REDACTED] were registered or exempt from registration. Dawkins lacked sufficient expertise to know whether or not the EWP Permian Basin Fund II offerings were lawful.

569. Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 in the recommendation, offer, issuance and sale of the EWP Permian Basin Fund II subscription agreements and unsecured notes to Mr. and Mrs. D [REDACTED] on February 26 and 28, 2021.

570. We find Elite Wealth, Dawkins and EWP Permian Basin Fund II did not demonstrate compliance with federal covered security requirements, and, in fact, did violate Iowa Code §502.301, when the EWP Permian Basin Fund II subscription agreements and notes were unlawfully recommended, offered, issued and sold to Mr. and Mrs. D [REDACTED] on February 26 and 28, 2021. These violations subject Elite Wealth and Dawkins to disciplinary action under Iowa Code §502.412(4)(b).

571. We also conclude that the material representations made by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. and Mrs. D [REDACTED] and other investors concerning the exemption from registration were untrue, and as securities fraud, violated Iowa Code §502.501(2). The facts concerning registration and exemption were material to investors, the statements were untrue, and were willfully made by Elite Wealth, Dawkins and EWP Permian Basin Fund II.

572. We conclude that in recommending, offering and selling these February 26 and 28, 2021, subscription agreements and notes, which were unregistered, non-exempt and unlawful, Dawkins and Elite Wealth, failed to exercise the reasonable diligence, care and skill of an investment adviser in understanding and evaluating the potential risks, rewards, and costs associated with their recommendation and in so doing, breached their fiduciary duty of reasonable care. This breach of fiduciary duty constituted an act, practice, and course of business “that operates or would operate as a fraud or deceit upon” Mr. and Mrs. D [REDACTED].

573. Dawkins and Elite Wealth, engaged in an act, practice, and course of business “that operates or would operate as a fraud or deceit upon another person” in violation of Iowa Code

§§502.501(3) and 502.502(1)(b), when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary duty of care by recommending, offering and selling to Mr. and Mrs. D [REDACTED] on February 26 and 28, 2021, unlawful unregistered and non-exempt securities.

574. Dawkins and Elite Wealth also engaged in practices and courses of business that operated as fraud upon Mr. and Mrs. D [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care by disregarding their obligation to demonstrate a registered investment adviser's "reasonable diligence, care and skill" in fulfilling their best interest care obligation to Mr. and Mrs. D [REDACTED] and others. (Ex. 14).

575. Dawkins and Elite Wealth engaged in an act, practice and course of business that operated, or would operate as fraud or deceit upon Mr. and Mrs. D [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b) when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary obligations of care when they failed to comply with the conditions required for a federal covered security exemption in offering and selling the February 26 and 28, 2021, subscription agreements and notes.

576. We again make note that as specified in 17 CFR §230.506, the conditions of 17 CFR §230.502 must be met in order for a promoter to avail itself of the federal covered security exemption. This includes the provision of financial statement information. Elite Wealth, Dawkins and EWP Permian Basin Fund II also omitted material facts pertaining to the financial condition of the issuer and maker of the notes, EWP Permian Basin Fund II in offering and selling the February 26 and 28, 2021, subscription agreements and notes to Mr. and Mrs. D [REDACTED]. This failure negates eligibility for the federal covered security exemption, but it is also a violation of Iowa Code 502.501(2) because the facts related to the financial condition of the issuer are "material," and the omissions made the statements made concerning future revenues misleading.

577. The EWP Permian Basin Fund II subscription agreements and notes on February 26 and 28, 2021, recommended, issued and sold to Mr. and Mrs. D [REDACTED] created a complex structure of rights in the event of default. Mr. D [REDACTED] testified that he may have received an offering memorandum, but did not understand it. (Tr. 192). Mr. D [REDACTED] was not a qualified sophisticated investor with the sufficient experience to understand the complexities of these structures. Nor could he understand the complexity of the investment structure of rights in the event of default. Mr. and Mrs. D [REDACTED] were not qualified sophisticated investors with sufficient experience to appreciate the risks of Dawkins' conflicted recommendation of a \$25,000 investment in debt units issued by a "recently formed" company with "no operating history upon which [he] may evaluate its business and prospects" managed by an individual who believed that the primary purpose of forming the issuer was so that he "could deduct [his] fees." In fact, the first time any financial statements for EWP Permian Basin Fund II were prepared and made available to investors was after the Commissioner ordered them from Respondents on October 25, 2023. Mr. D [REDACTED] did not have sufficient information and experience to understand and appreciate the conflict of interest that Dawkins and Elite Wealth had created by recommending a private placement with a potential \$25,000 personal liability by Dawkins as the fund manager of his own limited liability company, EWP Permian Basin Fund II, the issuer of the security.

578. Dawkins and Elite Wealth also engaged in practices and courses of business that operated as fraud in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care when they recommended and sold to Mr. and Mrs. D [REDACTED] the February 26 and 28, 2021, subscription agreements and notes. Dawkins and Elite Wealth knew this high risk and illiquid investment was not in the best interest of Mr. and Mrs. D [REDACTED], because Mr. and Mrs. D [REDACTED] did not have sufficient experience in oil and gas speculation and complex and neither did Elite Wealth or Dawkins have a reasonable basis to believe the recommended EWP Permian Basin Fund II subscription agreement and note effectively addressed Mr. and Mrs. D [REDACTED]'s financial situation, insurance needs and financial objectives. Falling well short of the analysis of options expected of an investment adviser with reasonable diligence, care and skill. Dawkins indicated that he had "only one new option." (Ex. A).

579. There were no assets securing the EWP Permian Basin Fund II notes. Neither Dawkins, Elite Wealth or EWP Permian Basin Fund II, provided financial statements of the issuer to Mr. and Mrs. D [REDACTED] or other investors.

580. Dawkins and Elite Wealth breached their fiduciary duties to Mr. and Mrs. D [REDACTED] on February 26 and 28, 2021, when Dawkins recommended the very high-risk investment of \$25,000 in debt units issued by a "recently formed" company with "no operating history upon which you may evaluate its business and prospects" managed by an individual who believed that the primary purpose of forming the issuer was so that he "could deduct [his] fees."

581. Dawkins and Elite Wealth breached their fiduciary duties to Mr. and Mrs. D [REDACTED] on February 26 and 28, 2021, when Dawkins based his recommendation to Mr. and Mrs. D [REDACTED] on his own misplaced and conflicted judgment to risk his own money in the illiquid, high risk investments. (Tr. 355, 475 – 479, 501).

582. Dawkins and Elite Wealth breached their fiduciary duties to Mr. and Mrs. D [REDACTED] when Dawkins employed his own version of fiduciary duties. (Tr. 354, 475 – 479, 501). Each individual client has his own unique "situations, needs and objectives." The reasonable diligence, care and skill of an investment adviser necessarily involves assessing particularities of each individual client. The pervasiveness of Dawkins' recommendations of his high-risk EWP Permian Basin Fund II notes to such a significant number of his clients with widely varying "situations, needs and objectives" is strong evidence of his disregard for the individualized responsibility in his best interest obligation to Mr. and Mrs. D [REDACTED] and others. (Ex. 14, 84).

583. Dawkins and Elite Wealth knew that Mr. and Mrs. D [REDACTED] were relying on their investment advisers' fiduciary obligations of care and professional investment experience, and recommended placing an excessive amount of Mr. and Mrs. D [REDACTED]'s net worth and therefore, an excessive concentration of risk in the high risk, illiquid investment. (Tr. 134 – 135).

584. The EWP Permian Basin Fund II subscription agreements and notes issued and sold to Mr. and Mrs. D [REDACTED] on February 26 and 28, 2021, created a complex structure of rights in the event of default.



585. Regardless of whether the 2020 EWP Permian Basin Fund II – Heartland III Debt Offering memorandum was provided to Mr. and Mrs. D [REDACTED], we have found Mr. and Mrs. D [REDACTED] were not qualified sophisticated investors with the sufficient experience to understand the complexities of these structures, nor the related merits and risks of the investment. We also conclude that Mr. and Mrs. D [REDACTED]'s interests in any related oil or gas fields is attenuated at best and will make any recovery extraordinarily complicated in default.

586. Certainly by 2021, EWP Permian Basin Fund II's contravention of the exemption requirements and the implications of fraud should have been apparent to a reasonable competent investment adviser. The violations were readily apparent in 2021, raising significant "red flags" for any reasonably careful, diligent, skillful and attentive investment adviser in circumstance similar to that of Elite Wealth and Dawkins in 2021. We again make note that as specified in 17 CFR 230.506, the conditions of 17 CFR 230.502 must be met in order for a promoter to avail itself of the federal covered security exemption. This includes the provision of relevant financial statement information. Despite that passage of time, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not provide to investors material facts pertaining to the financial condition of the issuer of the securities, EWP Permian Basin Fund II. As in prior recommendations, offerings and sales, this failure to provide annual financial information negates eligibility for the federal covered security exemption, but it is also a violation of Iowa Code 502.501(2) because the facts related to the financial condition of the issuer are "material," and these omissions made the statements made concerning future revenues misleading. The willful absence of financial statements provided "red flags" to any reasonably careful, diligent, skillful and attentive investment adviser that the offering was likely a Ponzi scheme. By 2021, Dawkins and Elite Wealth should have known that they were recommending not only a high risk, illiquid private placement to Mr. and Mrs. D [REDACTED], but an offering that had numerous characteristics of a fraudulent Ponzi scheme.

587. Each violation of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II serves as grounds under Iowa Code § 502.412(4)(b) to revoke, suspend, condition, or limit Dawkins' investment adviser representative registration.

588. Each violation of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II serves as grounds under Iowa Code § 502.412(4)(b) to revoke, suspend, condition, or limit both Elite Wealth's investment adviser registration and Dawkins' registration.

589. We conclude that all of the above described conduct and violations of law by Dawkins and Elite Wealth also constitutes a dishonest and unethical practice under Iowa Code §502.412(4)(m) and Iowa Administrative Code rule 191—50.38(1).

590. While we have concluded that Dawkins' level of training, experience and knowledge was clearly inadequate for him to meet his fiduciary obligations of care and loyalty to Mr. and Mrs. D [REDACTED] and other investors, we do not find that this inadequacy could not be remedied, nor that his general training, experience and knowledge were so inadequate that he is unqualified to hold an Iowa registration under Iowa Code Iowa Code 502.412(4)(n). At this time, we have found that

Dawkins has demonstrated that he is wholly unqualified to recommend, offer or sell high risk, illiquid, unregistered and exempt securities.

***B [REDACTED] D [REDACTED] and R [REDACTED] D [REDACTED] Investments***  
***Count 1 – Unregistered Agent – Iowa Code §§ 502.402 and 502.604***

591. We now return to Count 1 in regards to the recommendations, offers, issuance and sales by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. and Mrs. D [REDACTED]. The EWP Permian Basin Fund II subscription agreements and notes recommended, offered, issued and sold by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. and Mrs. D [REDACTED] are “securities.”

592. Neither Elite Wealth, nor Dawkins were registered with the Division as securities agents when Elite Wealth and Dawkins offered and sold these securities to Mr. and Mrs. D [REDACTED]. *See* Joint Stipulation of Facts, ¶¶ 3 & 7. Dawkins had been registered with a broker-dealer in the past, and was aware of the requirement under Iowa law to be licensed in order to offer and sell securities. (Tr. 49-50).

593. Elite Wealth and Dawkins did not demonstrate compliance with the requirements for any exemption provided under Iowa Code § 502.402(2). We conclude these exemptions are unavailable to individuals who receive remuneration for their selling efforts. *See* Iowa Code §§ 502.402(2)(c) & (e) (providing exemptions to registration only where the individual does not receive compensation in connection with the sale of securities). Elite Wealth and Dawkins received compensation for the sale of the EWP Permian Basin Fund II securities to Mr. and Mrs. D [REDACTED]. (Ex. 8, 12; Tr. 61-62). Indeed, the sale of these securities represented the largest source of Elite Wealth and Dawkins’ income. (Ex. 13; Tr. 75).

594. While Dawkins repeatedly testified at hearing that he did not consider himself to be “selling” any securities, Dawkins previously stated in an email to the Division that he “sold” these securities. (Ex. 15). Dawkins also testified that he presented and discussed the EWP Permian Basin Fund II subscription agreements with Mr. and Mrs. D [REDACTED] and each of the Iowa consumers. (Tr. 778–781). Nevertheless, the evidence, including testimony and documents of numerous transactions, was overwhelming that Dawkins was selling securities.

595. Further, in this determination under Count 1, we incorporate all of the foregoing findings and conclusions in this decision.

596. Based on the above facts and conclusions, Elite Wealth, Dawkins and EWP Permian Basin Fund II have each acted as or employed an unregistered agent and violated Iowa Code §502.402(2) on at least two occasions on February 26, 2021 and February 28, 2021, and are each liable for separate securities transactions involving Mr. and Mrs. D [REDACTED] for all necessary and appropriate relief available under Iowa Code § 502.602, including orders to cease and desist violations, to make restitution to Mr. and Mrs. D [REDACTED], and to implement other corrective actions to accomplish compliance with the Iowa Uniform Securities Act.

***B [REDACTED] D [REDACTED] and R [REDACTED] D [REDACTED] Investments***  
***Count 2 – Securities Fraud – Iowa Code §502.501 and 502.604***

597. We now consider the charge of securities fraud under Count 2 in connection with the recommendations, offers and sales of securities by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. and Mrs. D [REDACTED].

598. In this determination under Count 2, we incorporate all of the foregoing findings and conclusions in this decision, including the varied methods in which Elite Wealth, Dawkins and EWP Permian Basin Fund II have each violated Iowa Code § 502.501.

599. Based on the above facts and conclusions, Elite Wealth, Dawkins and EWP Permian Basin Fund II, have each committed securities fraud and violated Iowa Code § 502.501 on at least two occasions on February 26, 2021, and February 28, 2021, and are each liable for separate securities transactions involving Mr. and Mrs. D [REDACTED] for all necessary and appropriate relief available under Iowa Code § 502.602, including orders to cease and desist violations, to make restitution to Mr. and Mrs. D [REDACTED], and to implement other corrective actions to accomplish compliance with the Iowa Uniform Securities Act.

***B [REDACTED] D [REDACTED] and R [REDACTED] D [REDACTED] Investments***  
***Count 4 – Disciplinary Action on Insurance Producer Licenses of Dawkins and Elite Wealth – Iowa Code §§ 522B.11(1) and 522B.17***

600. We complete our analysis of the conduct of Elite Wealth and Dawkins under Iowa Code §522B.11 in relationship to their transactions with Mr. and Mrs. D [REDACTED]. As with Count 3, this charge broadly relates to any wrongful conduct that implicates the professional licenses of Dawkins and Elite Wealth. However, this charge implicates the insurance producer licenses of Dawkins and Elite Wealth.

601. Iowa Code § 522B.11(1)(h) provides that the commissioner may place on probation, suspend, or revoke an insurance producer’s license for “[u]sing fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness and/or financial irresponsibility in the conduct of business in this state or elsewhere.” As provided in Iowa Code § 522B.17, the commissioner may also issue cease and desist orders and levy a civil penalty.

602. In this determination under Count 4, we incorporate all of the foregoing findings and conclusions in this decision, including the varied methods in which Elite Wealth and Dawkins, directly or through EWP Permian Basin Fund II, have each violated Iowa Code §§ 502.301, 502.402, 502.501 and 502.502, as well as enumerated securities regulations.

603. We conclude that all of the above described conduct and violations of law by Dawkins and Elite Wealth in regards to transactions involving Mr. and Mrs. D [REDACTED] constitute fraudulent and dishonest and unethical practices, and demonstrate incompetence, untrustworthiness and financial irresponsibility in the conduct of business in this state under Iowa Code §522B.11(1)(h).

**J ■■■ Me ■■■ Investment**  
**Count 3 – Investment Adviser Disqualifications – Iowa Code §502.412**

604. We now begin our analysis under Iowa Code §502.412 of the conduct of Elite Wealth, Dawkins and EWP Permian Basin Fund II in relationship to their transaction with J ■■■ Me ■■■. Mr. Me ■■■ was named as an investor in the Division’s statement of charges. (SOC ¶ 82 – 84).

605. Mr. J ■■■ Me ■■■ was called to testify by the defense. (Tr. 730 – 753).

606. Mr. Me ■■■ is a resident of Osceola, Iowa. Mr. Me ■■■ retired in December of 2022 from his thirty-year career as a “wire man” or construction lineman with a utility company. (Tr. 730; Ex. 56).

607. Mr. Me ■■■ testified that Dawkins has been Mr. Me ■■■’s investment adviser for approximately three years. (Tr. 732, Ex. A). According to Dawkins, Mr. Me ■■■ initially responded to an annuity solicitation sent by Dawkins’ marketing organization. After meeting with Mr. Me ■■■, Dawkins suggested “Heartland” in March of 2021. (Ex. A).

608. The transaction by Elite Wealth and Dawkins with Mr. Me ■■■ was limited to one transaction:

Date	Description	Issuer	Amount	Return	Maturity
03/17/2021	Subscription and Note	EWP Permian Basin Fund II, LLC	\$25,000.00	8.5%	03/17/2022

(Ex. 12, 14, 57, and A).

609. Mr. Me ■■■ had no prior knowledge or experience in high risk and illiquid private placements. (Tr. 741, 744). He testified his investment experience was in “equities and a little Forex [foreign exchange] and very little real estate.” (Tr. 731-732; Ex. 56). Despite his passing reference that his “family has a history of oil and gas [because we are] basically from Oklahoma and Texas,” we conclude he had no prior knowledge or experience in oil and gas development private placements, and no prior knowledge or experience in oil and gas development investments of any type. Mr. ■■■ revealed he was unfamiliar with the role of EWP Permian Basin Fund II in the investment. (Tr. 741 – 744; 747-751).

610. Mr. Me ■■■ signed a customer profile on March 17, 2021, the same day he made his investment in EWP Permian Basin Fund II. According to the March 17, 2021, customer profile, Mr. Me ■■■ had \$1,000,000 of investible assets in stocks, bonds and mutual funds. (Ex. 56). Mr. Me ■■■ had an annual household income between \$100,001 and \$500,000, a household net worth between \$1,000,001 and \$3,000,000, and household liquid assets between \$100,001 and \$500,000. (SOC ¶82; Answer ¶82; Ex. 56). The gross household monthly income is listed as \$10,500 and monthly expenses of \$1,000. The customer profile indicated that Mr. Me ■■■’s risk tolerance was “moderate,” and his investment objectives were “growth.” (SOC ¶82; Answer ¶82; Ex. 56).

611. On March 17, 2021, Dawkins and Elite Wealth offered to Mr. Me ■■■ a subscription agreement issued by EWP Permian Basin Fund II for an unsecured promissory note.

612. As with the 2020 – 2021 12-month 8.5% EWP Permian Basin Fund II investments in a \$5,000,000 fund of 200 Units with each unit offered at \$25,000 per unit to Mr. Mu [REDACTED], Dr. K [REDACTED], Mrs. L [REDACTED], Dr. G [REDACTED], Mr. V [REDACTED], and Mr. and Mrs. D [REDACTED], Mr. Ch [REDACTED], Mr. Mo [REDACTED], Mr. J [REDACTED], Mrs. Mc [REDACTED] and Mr. R [REDACTED] based on the whole of the evidence we conclude that this offer around March 17, 2021, to Mr. Me [REDACTED] was represented by Dawkins and Elite Wealth as an offering of a \$5,000,000 fund of 200 Units with each unit offered at \$25,000 per unit. (Ex. 9).

613. As explained in our review of Mr. Mu [REDACTED] investments, the Regulation D exemption found in federal regulation 17 CFR §230.506 requires conditions be met for accredited investors:

**230.506 Exemption for limited offers and sales without regard to dollar amount of offering.**

\* \* \*

(c) Conditions to be met in offerings not subject to limitation on manner of offering—

(1) General conditions. To qualify for exemption under this section, sales must satisfy all the terms and conditions of §§ 230.501 and 230.502(a) and (d).

(2) Specific conditions—

(i) Nature of purchasers. All purchasers of securities sold in any offering under paragraph (c) of this section are accredited investors.

(ii) Verification of accredited investor status. The issuer shall take reasonable steps to verify that purchasers of securities sold in any offering under paragraph (c) of this section are accredited investors. The issuer shall be deemed to take reasonable steps to verify if the issuer uses, at its option, one of the following non-exclusive and non-mandatory methods of verifying that a natural person who purchases securities in such offering is an accredited investor; provided, however, that the issuer does not have knowledge that such person is not an accredited investor:

\* \* \*

(B) In regard to whether the purchaser is an accredited investor on the basis of net worth, reviewing one or more of the following types of documentation dated within the prior three months and obtaining a written representation from the purchaser that all liabilities necessary to make a determination of net worth have been disclosed:

(1) With respect to assets: Bank statements, brokerage statements and other statements of securities holdings, certificates of deposit, tax assessments, and appraisal reports issued by independent third parties;  
and

(2) With respect to liabilities: A consumer report from at least one of the nationwide consumer reporting agencies;

(Emphasis added.)

614. The March 17, 2021, subscription agreement presented the following qualification requirements to Mr. Me [REDACTED]:

D. Accredited Investor. Under Federal and certain state securities laws and applicable regulations, the Subscriber may acquire the Note by representing and warranting this it is (i) an “Accredited Investor,” as hereafter defined,

(a) Accredited Investor. The Subscriber shall be deemed to be an Accredited Investor if: (Please check one for each question)

(i) The Subscriber is an individual, and his or her net worth, or joint net worth with his or her spouse, exceeds \$1,000,000;

Yes  No

615. The subscription agreement was checked “yes” in response to the qualification requirements as an “accredited investor” at the time of Mr. Me [REDACTED]’s investment.

616. As previously referenced in this decision, the conditions of and requirements for verification of accredited investor status are purposeful. Presumably, Dawkins was asserting that the offer and sale to Mr. Me [REDACTED] was exempt from registration under federal regulation 17 CFR 230.506(c)(2)(ii)(B). But the issuer EWP Permian Basin Fund II, and investment advisers, Elite Wealth and Dawkins offered no proof that any documented review of Mr. Me [REDACTED]’s assets or liabilities was ever made as required by this exemption. We make this finding irrespective of the fact that the Division alleged that Mr. Me [REDACTED]’s net worth qualified him as an accredited investor. (SOC ¶ 84). Furthermore, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not make any required filing under Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81. (SOC ¶15, Answer ¶ 15, Tr. 56). Dawkins, Elite Wealth and EWP Permian Basin Fund II did not carry their burden of proof that they have complied with the conditions of this exemption.

617. During his testimony at hearing, Mr. Me [REDACTED] testified that he did not have knowledge or experience in private placement exempt offerings. (Tr. 740-742). He provided information that reveals that he was not a qualified sophisticated investor as that phrase is interpreted by law, and as such, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with the requirements of 17 CFR 230.506(b)(2)(ii). Mr. Me [REDACTED]’s testimony revealed a lack of any prior knowledge or experience in high risk and illiquid oil and gas private placements. Mr. Me [REDACTED] did not understand these risks or the complexity of private placement offerings.

618. As with the others, we are more persuaded by the investor’s explanation of their limited knowledge of and experience in high risk and illiquid private placements than which answer box on the subscription agreement is checked. Certainly, an investor’s understanding, or lack thereof, of the question itself should bear on our determination of whether the investor is in fact a “qualified sophisticated investor.” Mr. Me [REDACTED]’s testimony and his client profile questionnaire reveal his limited private placement investment sophistication, and lack of knowledge or experience in high risk and illiquid oil and gas development private placements. (Tr. 731 – 753).

619. Giving EWP Permian Basin Fund II, Dawkins and Elite Wealth the benefit of reasonable inference, we conclude they have asserted that the offer and sale to Mr. Me [REDACTED] was exempt from registration under federal regulation 17 CFR 230.506(c)(2)(ii)(B). Nevertheless, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with Iowa Code § 502.302(3) and

Iowa Administrative Rule 191—50.81 in the recommendation, issuance and sale of the EWP Permian Basin Fund II subscription agreement and unsecured note to Mr. Me [REDACTED] on March 17, 2021, or to any other investors named in this decision.

620. Without restating every fact and violation here, we find that many of the unlawful acts or practices by Elite Wealth, Dawkins and EWP Permian Basin Fund II that we found in connection with the EWP Permian Basin Fund II subscription agreements and notes recommended, offered, issued and sold to Mr. Mu [REDACTED], Dr. K [REDACTED], Mrs. I [REDACTED], Dr. G [REDACTED], Mrs. P [REDACTED], Mrs. C [REDACTED], Mr. V [REDACTED], and Mr. and Mrs. D [REDACTED] were repeated by Elite Wealth, Dawkins and EWP Permian Basin Fund II in the recommendation, offer, issuance and sale of the March 17, 2021, EWP Permian Basin II subscription agreement and note to Mr. Me [REDACTED]. (Ex. 12 and A).

621. Elite Wealth and Dawkins had a fiduciary duty to know and, in fact, did know that Mr. Me [REDACTED] did not have “such knowledge and experience in financial and business matters that [he was] capable of evaluating the merits and risk of an investment in the Note and the Company.” Dawkins and Elite Wealth disregarded this fact known to them and made the high-risk recommendation to Mr. Me [REDACTED] anyway.

622. Mr. Me [REDACTED] e-signed a subscription agreement with EWP Permian Basin Fund II on March 17, 2021, to purchase a one-year note for \$25,000.00 at 8.5% annual interest. (SOC ¶ 84, Answer ¶ 84, Ex. 57). From that amount, Dawkins and Elite Wealth received \$1,250.00 in compensation. (Ex. 12).

623. On March 17, 2021, EWP Permian Basin Fund II, under the authority of Dawkins as the fund manager, issued an unsecured promissory note to Mr. Me [REDACTED]. (Ex. 12, 57, and A).

624. Dawkins, and Elite Wealth did not file with the Division the required “Form D, Notice of Exempt Offering of Securities” for the 12-month subscription agreements and notes issued by EWP Permian Basin Fund II and sold to Mr. Me [REDACTED]. (Tr. 54-55). Without the required Reg D filing under Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 and other proof of compliance with the federal covered security exemption under Iowa Code § 502.503, we find Dawkins, Elite Wealth and EWP Permian Basin Fund II have not carried their burden of proving the applicability of the Regulation D federal exemption, and have therefore violated Iowa Code § 502.301, when the 12-month subscription agreement and note of \$25,000 was unlawfully recommended, offered, issued and sold to Mr. Me [REDACTED] on March 17, 2021.

625. We find from all the evidence that Elite Wealth, Dawkins and EWP Permian Basin Fund II had reckless disregard for whether the security recommended, offered, issued and sold on March 17, 2021, to Mr. Me [REDACTED] was registered or exempt from registration. Dawkins lacked sufficient expertise to know whether or not the EWP Permian Basin Fund II offerings were lawful.

626. Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 in the recommendation, offer, issuance and sale of the EWP Permian Basin Fund II subscription agreement and unsecured note to Mr. Me [REDACTED] on March 17, 2021.

627. We find Elite Wealth, Dawkins and EWP Permian Basin Fund II did not demonstrate compliance with federal covered security requirements, and, in fact, did violate Iowa Code §502.301, when the EWP Permian Basin Fund II subscription agreement and note was unlawfully recommended, offered, issued and sold to Mr. Me [REDACTED] on March 17, 2021. This violation subjects Elite Wealth and Dawkins to disciplinary action under Iowa Code §502.412(4)(b).

628. We also conclude that the material representations made by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. Me [REDACTED] and other investors concerning the exemption from registration were untrue, and as securities fraud, violated Iowa Code §502.501(2). The facts concerning registration and exemption were material to investors, the statements were untrue, and were willfully made by Elite Wealth, Dawkins and EWP Permian Basin Fund II.

629. We conclude that in recommending, offering and selling this March 17, 2021, subscription agreement and note, which was unregistered, non-exempt and unlawful, Dawkins and Elite Wealth, failed to exercise the reasonable diligence, care and skill of an investment adviser in understanding and evaluating the potential risks, rewards, and costs associated with their recommendation and in so doing, breached their fiduciary duty of reasonable care. This breach of fiduciary duty constituted an act, practice, and course of business “that operates or would operate as a fraud or deceit upon” Mr. Me [REDACTED].

630. Dawkins and Elite Wealth, engaged in an act, practice, and course of business “that operates or would operate as a fraud or deceit upon another person” in violation of Iowa Code §§502.501(3) and 502.502(1)(b), when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary duty of care by recommending, offering and selling to Mr. Me [REDACTED] on March 17, 2021, an unlawful unregistered and non-exempt security.

631. Dawkins and Elite Wealth also engaged in practices and courses of business that operated as fraud upon Mr. Me [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care by disregarding their obligation to demonstrate a registered investment adviser’s “reasonable diligence, care and skill” in fulfilling their best interest care obligation to Mr. Me [REDACTED] and others. (Ex. 14).

632. Dawkins and Elite Wealth engaged in an act, practice and course of business that operated, or would operate as fraud or deceit upon Mr. Me [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b) when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary obligations of care when they failed to comply with the conditions required for a federal covered security exemption in offering and selling the March 17, 2021, subscription agreement and note.

633. We again make note that as specified in 17 CFR §230.506, the conditions of 17 CFR §230.502 must be met in order for a promoter to avail itself of the federal covered security exemption. This includes the provision of financial statement information. Elite Wealth, Dawkins and EWP Permian Basin Fund II also omitted material facts pertaining to the financial condition of the issuer and maker of the notes, EWP Permian Basin Fund II in offering and



selling the March 17, 2021, subscription agreement and note to Mr. Me [REDACTED]. This failure negates eligibility for the federal covered security exemption, but it is also a violation of Iowa Code 502.501(2) because the facts related to the financial condition of the issuer are “material,” and the omissions made the statements made concerning future revenues misleading.

634. The EWP Permian Basin Fund II subscription agreement and note on March 17, 2021, recommended, issued and sold to Mr. Me [REDACTED] created a complex structure of rights in the event of default. Mr. Me [REDACTED] testified that he may have received an offering memorandum, but did not recall any information about it. (Tr. 744). Mr. Me [REDACTED] testified he did not know who was involved in EWP Permian Basin Fund II. (Tr. 741 – 742, 747-748). Mr. Me [REDACTED] was not a qualified sophisticated investor with the sufficient experience to understand the complexities of these structures. Nor could he understand the complexity of the investment structure of rights in the event of default. Mr. Me [REDACTED] was not a qualified sophisticated investor with sufficient experience to appreciate the risks of Dawkins’ conflicted recommendation of a \$25,000 investment in debt units issued by a “recently formed” company with “no operating history upon which [he] may evaluate its business and prospects” managed by an individual who believed that the primary purpose of forming the issuer was so that he “could deduct [his] fees.” In fact, the first time any financial statements for EWP Permian Basin Fund II were prepared and made available to investors was after the Commissioner ordered them from Respondents on October 25, 2023. Mr. Me [REDACTED] did not have sufficient information and experience to understand and appreciate the conflict of interest that Dawkins and Elite Wealth had created by recommending a private placement with a potential \$25,000 personal liability by Dawkins as the fund manager of his own limited liability company, EWP Permian Basin Fund II, the issuer of the security.

635. Dawkins and Elite Wealth also engaged in practices and courses of business that operated as fraud in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care when they recommended and sold to Mr. Me [REDACTED] the March 17, 2021, subscription agreement and note. Dawkins and Elite Wealth knew this high risk and illiquid investment was not in the best interest of Mr. Me [REDACTED], because Mr. Me [REDACTED] did not have sufficient experience in oil and gas speculation and complex unregistered private placement offerings to evaluate the merits and risk of the investment; neither did Elite Wealth or Dawkins have a reasonable basis to believe the recommended EWP Permian Basin Fund II subscription agreement and note effectively addressed Mr. Me [REDACTED]’s financial situation, insurance needs and financial objectives.

636. There were no assets securing the EWP Permian Basin Fund II notes. Neither Dawkins, Elite Wealth or EWP Permian Basin Fund II, provided financial statements of the issuer to Mr. Me [REDACTED] or other investors.

637. Dawkins and Elite Wealth breached their fiduciary duties to Mr. Me [REDACTED] on March 17, 2021, when Dawkins recommended the very high-risk investment of \$25,000 in debt units issued by a “recently formed” company with “no operating history upon which you may evaluate its business and prospects” managed by an individual who believed that the primary purpose of forming the issuer was so that he “could deduct [his] fees.”

638. Dawkins and Elite Wealth breached their fiduciary duties to Mr. Me [REDACTED] on March 17, 2021, when Dawkins based his recommendation to Mr. Me [REDACTED] on his own misplaced and conflicted judgment to risk his own money in the illiquid, high risk investments. (Tr. 355, 475 – 479, 501).

639. Dawkins and Elite Wealth breached their fiduciary duties to Mr. Me [REDACTED] when Dawkins employed his own version of fiduciary duties. (Tr. 354, 475– 479, 501). Each individual client has his own unique “situations, needs and objectives.” The reasonable diligence, care and skill of an investment adviser necessarily involves assessing particularities of each individual client. The pervasiveness of Dawkins’ recommendations of his high-risk EWP Permian Basin Fund II notes to such a significant number of his clients with widely varying “situations, needs and objectives” is strong evidence of his disregard for the individualized responsibility in his best interest obligation to Mr. Me [REDACTED] and others. (Ex. 14, 84).

640. The EWP Permian Basin Fund II subscription agreement and note issued and sold to Mr. Me [REDACTED] on March 17, 2021, created a complex structure of rights in the event of default.

641. Regardless of whether the 2020 EWP Permian Basin Fund II – Heartland III Debt Offering memorandum was provided to Mr. Me [REDACTED], we have found Mr. Me [REDACTED] was not a qualified sophisticated investor with the sufficient experience to understand the complexities of these structures, nor the related merits and risks of the investment. We also conclude that Mr. Me [REDACTED]’s interests in any related oil or gas fields is attenuated at best and will make any recovery extraordinarily complicated in default.

642. Certainly by 2021, the EWP Permian Basin Fund II’s contravention of the exemption requirements and the implications of fraud should have been apparent to a reasonable competent investment adviser. The violations were readily apparent in 2021, raising significant “red flags” for any reasonably careful, diligent, skillful and attentive investment adviser in circumstance similar to that of Elite Wealth and Dawkins in 2021. We again make note that as specified in 17 CFR 230.506, the conditions of 17 CFR 230.502 must be met in order for a promoter to avail itself of the federal covered security exemption. This includes the provision of relevant financial statement information. Despite that passage of time, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not provide to investors material facts pertaining to the financial condition of the issuer of the securities, EWP Permian Basin Fund II. As in prior recommendations, offerings and sales, this failure to provide annual financial information negates eligibility for the federal covered security exemption, but it is also a violation of Iowa Code 502.501(2) because the facts related to the financial condition of the issuer are “material,” and these omissions made the statements made concerning future revenues misleading. The willful absence of financial statements provided “red flags” to any reasonably careful, diligent, skillful and attentive investment adviser that the offering was likely a Ponzi scheme. By 2021, Dawkins and Elite Wealth should have known that they were recommending not only a high risk, illiquid private placement to Mr. Me [REDACTED], but an offering that had numerous characteristics of a fraudulent Ponzi scheme.

643. Each violation of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II serves as grounds under Iowa Code § 502.412(4)(b) to revoke, suspend, condition, or limit Dawkins' investment adviser representative registration.

644. Each violation of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II serves as grounds under Iowa Code § 502.412(4)(b) to revoke, suspend, condition, or limit both Elite Wealth's investment adviser registration and Dawkins' registration.

645. We conclude that all of the above described conduct and violations of law by Dawkins and Elite Wealth also constitutes a dishonest and unethical practice under Iowa Code §502.412(4)(m) and Iowa Administrative Code rule 191—50.38(1).

646. While we have concluded that Dawkins' level of training, experience and knowledge was clearly inadequate for him to meet his fiduciary obligations of care and loyalty to Mr. Me [REDACTED] and other investors, we do not find that this inadequacy could not be remedied, nor that his general training, experience and knowledge were so inadequate that he is unqualified to hold an Iowa registration under Iowa Code Iowa Code 502.412(4)(n). At this time, we have found that Dawkins has demonstrated that he is wholly unqualified to recommend, offer or sell high risk, illiquid, unregistered and exempt securities.

**J [REDACTED] Me [REDACTED] Investment**  
**Count 1 – Unregistered Agent – Iowa Code §§ 502.402 and 502.604**

647. We now return to Count 1 in regards to the recommendation, offer, issuance and sale by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. Me [REDACTED]. The EWP Permian Basin Fund II subscription agreement and note recommended, offered, issued and sold by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. Me [REDACTED] are "securities."

648. Neither Elite Wealth, nor Dawkins were registered with the Division as securities agents when Elite Wealth and Dawkins offered and sold these securities to Mr. Me [REDACTED]. See Joint Stipulation of Facts, ¶¶ 3 & 7. Dawkins had been registered with a broker-dealer in the past, and was aware of the requirement under Iowa law to be licensed in order to offer and sell securities. (Tr. 49-50).

649. Elite Wealth and Dawkins did not demonstrate compliance with the requirements for any exemption provided under Iowa Code § 502.402(2). We conclude these exemptions are unavailable to individuals who receive remuneration for their selling efforts. See Iowa Code §§ 502.402(2)(c) & (e) (providing exemptions to registration only where the individual does not receive compensation in connection with the sale of securities). Elite Wealth and Dawkins received compensation for the sale of the EWP Permian Basin Fund II securities to Mr. and Mrs. L [REDACTED]. (Ex. 8, 12; Tr. 61-62). Indeed, the sale of these securities represented the largest source of Elite Wealth and Dawkins' income. (Ex. 13; Tr. 75).

650. While Dawkins repeatedly testified at hearing that he did not consider himself to be "selling" any securities, Dawkins previously stated in an email to the Division that he "sold"

these securities. (Ex. 15). Dawkins also testified that he presented and discussed the EWP Permian Basin Fund II subscription agreements with Mr. Me [REDACTED] and each of the Iowa consumers. (Tr. 778–781). Nevertheless, the evidence, including testimony and documents of numerous transactions, was overwhelming that Dawkins was selling securities.

651. Further, in this determination under Count 1, we incorporate all of the foregoing findings and conclusions in this decision.

652. Based on the above facts and conclusions, Elite Wealth, Dawkins and EWP Permian Basin Fund II have each acted as or employed an unregistered agent and violated Iowa Code §502.402(2) on at least one occasion on March 17, 2021, and are each liable for separate securities transactions involving Mr. Me [REDACTED] for all necessary and appropriate relief available under Iowa Code § 502.602, including orders to cease and desist violations, to make restitution to Mr. Me [REDACTED], and to implement other corrective actions to accomplish compliance with the Iowa Uniform Securities Act.

**J [REDACTED] M [REDACTED] Investment**  
**Count 2 – Securities Fraud – Iowa Code §502.501 and 502.604**

653. We now consider the charge of securities fraud under Count 2 in connection with the recommendation, offer and sale of securities by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. Me [REDACTED].

654. In this determination under Count 2, we incorporate all of the foregoing findings and conclusions in this decision, including the varied methods in which Elite Wealth, Dawkins and EWP Permian Basin Fund II have each violated Iowa Code § 502.501.

655. Based on the above facts and conclusions, Elite Wealth, Dawkins and EWP Permian Basin Fund II, have each committed securities fraud and violated Iowa Code § 502.501 on at least one occasion on March 17, 2021, and are each liable for separate securities transactions involving Mr. Me [REDACTED] for all necessary and appropriate relief available under Iowa Code § 502.602, including orders to cease and desist violations, to make restitution to Mr. Me [REDACTED], and to implement other corrective actions to accomplish compliance with the Iowa Uniform Securities Act.

**J [REDACTED] Me [REDACTED] Investment**  
**Count 4 – Disciplinary Action on Insurance Producer Licenses of Dawkins and Elite Wealth – Iowa Code §§ 522B.11(1) and 522B.17**

656. We complete our analysis of the conduct of Elite Wealth and Dawkins under Iowa Code §522B.11 in relationship to their transaction with Mr. Me [REDACTED]. As with Count 3, this charge broadly relates to any wrongful conduct that implicates the professional licenses of Dawkins and Elite Wealth. However, this charge implicates the insurance producer licenses of Dawkins and Elite Wealth.

657. Iowa Code § 522B.11(1)(h) provides that the commissioner may place on probation, suspend, or revoke an insurance producer's license for "[u]sing fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness and/or financial irresponsibility in the conduct of business in this state or elsewhere." As provided in Iowa Code § 522B.17, the commissioner may also issue cease and desist orders and levy a civil penalty.

658. In this determination under Count 4, we incorporate all of the foregoing findings and conclusions in this decision, including the varied methods in which Elite Wealth and Dawkins, directly or through EWP Permian Basin Fund II, have each violated Iowa Code §§ 502.301, 502.402, 502.501 and 502.502, as well as enumerated securities regulations.

659. We conclude that all of the above described conduct and violations of law by Dawkins and Elite Wealth in regards to transactions involving Mr. Me [REDACTED] constitute fraudulent and dishonest and unethical practices, and demonstrate incompetence, untrustworthiness and financial irresponsibility in the conduct of business in this state under Iowa Code §522B.11(1)(h).

***Mr. Ch [REDACTED] Investment  
Count 3 – Investment Adviser Disqualifications – Iowa Code §502.412***

660. We now begin our analysis under Iowa Code §502.412 of the conduct of Elite Wealth, Dawkins and EWP Permian Basin Fund II in relationship to their transaction with Mr. Ch [REDACTED]. Mr. Ch [REDACTED] was named as an investor in the Division's statement of charges. (SOC ¶ 100 – 102).

661. Mr. Ch [REDACTED] did not testify.

662. Mr. Ch [REDACTED] is married to A [REDACTED] Ch [REDACTED] and is resident of [REDACTED], Iowa. Mr. Ch [REDACTED] has worked for over 25 years as a field service technician and Mrs. Ch [REDACTED] is a bank cashier. (Ex. 73).

663. According to Dawkins, Mr. Ch [REDACTED] works with Dawkins' brother-in-law, and Dawkins "helped him with a 401k rollover." (Ex. A). As he told many of his other clients, Dawkins told Mr. Ch [REDACTED] in February of 2021 that Dawkins was "spooked about GameStop and removed 100% of [his] money from the market at that time, and [he] suggested that he [Mr. Ch [REDACTED]] do the same." (Ex. A). As he had told other investors, Dawkins told Mr. Ch [REDACTED] that he would "let him know if [he] found anything else that we could do that had less risk than the market." (Ex. A). Dawkins then stated that "In March, I came back to [Mr. Ch [REDACTED]], and I informed him that I only had one option that I could find that he could consider." (Ex. A). Mr. Ch [REDACTED] followed the recommendation of Dawkins and Elite Wealth and invested in EWP Permian Basin Fund II. The recommendation by Dawkins and Elite Wealth involved the use of Mr. Ch [REDACTED]'s retirement money that was in a 401k. (Ex. 74).

664. The transaction by Elite Wealth and Dawkins with Mr. Ch [REDACTED] was limited to one transaction:

Date	Description	Issuer	Amount	Return	Maturity
03/17/2021	Subscription and Note	EWP Permian Basin Fund II, LLC	\$50,000.00	8.5%	03/17/2022

(Ex. 12, 14, 74 and A).

665. Dawkins stated that “[s]ophisticated was the term that Heartland and their predecessor used for qualified but not accredited investors.” (Ex. A).

666. Mr. Ch ██████ had no prior investment knowledge or experience in oil and gas development investments. (Ex. 73 and A).

667. Mr. and Mrs. Ch ██████ signed a customer profile on October 26, 2020, approximately 4 months before Mr. Ch ██████ made his investment in EWP Permian Basin Fund II. According to the October 26, 2020, customer profile, Mr. Ch ██████ had \$120,000 of investible assets in indexed annuities and mutual funds and Mrs. Ch ██████ had \$0. (SOC ¶100; Answer ¶100; Ex. 73). Mr. and Mrs. Ch ██████ had an annual household income between \$50,001 and \$100,000, a household net worth between \$100,001 and \$250,000, and household liquid assets of less than \$50,000. (SOC ¶100, Answer ¶100; Ex. 73). The gross household monthly income is listed as \$8,000 and monthly expenses of \$3,200. The customer profile indicates that Mr. Ch ██████’s risk tolerance is “medium,” and his investment objective is “growth.” (SOC ¶100, Answer ¶100; Ex. 73).

668. Based on the limited investment experience described in her customer profile and Dawkins’ statements, we find Mr. Ch ██████ had very little investment experience with his prior investments being limited to mutual funds. The evidence, including Dawkins own testimony and statements, reveal Mr. Ch ██████ lacked of any prior knowledge or experience in high risk and illiquid private placements.

669. Without restating every fact and violation here, we find that many of the unlawful acts or practices by Elite Wealth, Dawkins and EWP Permian Basin Fund II that we found in connection with the EWP Permian Basin Fund II subscription agreements and notes recommended, offered, issued and sold to Mr. Mu ██████, Dr. K ██████, Mrs. L ██████, Dr. G ██████, Mrs. P ██████, Mrs. Cr ██████, Mr. V ██████, Mr. and Mrs. D ██████, and Mr. Me ██████ were repeated by Elite Wealth, Dawkins and EWP Permian Basin Fund II in the recommendation, offer, issuance and sale of the August 8, 2021, EWP Permian Basin II subscription agreement and note to Mr. Ch ██████. (Ex. 12 and A).

670. From Dawkins’ own testimony and a review of the customer profile, it is clear that Mr. Ch ██████ was not a qualified sophisticated investor as that phrase in interpreted by law, and as such, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with the requirements of 17 CFR 230.506(b)(2)(ii). Mr. Ch ██████ had very little investment experience with his prior investments being limited to mutual funds. Dawkins’ testimony and statements in the record make clear that Mr. Ch ██████ lacked of any prior knowledge or experience in high risk and illiquid private placements. Mr. Ch ██████ did not understand these risks or the complexity of private placement offerings.

671. On March 17, 2021, Dawkins and Elite Wealth offered to Mr. Ch [REDACTED] a subscription agreement issued by EWP Permian Basin Fund II for an unsecured promissory note.

672. As with the 2020 – 2021 EWP 12-month 8.5% Permian Basin Fund II investments in a \$5,000,000 fund of 200 Units with each unit offered at \$25,000 per unit to Mr. Mu [REDACTED], Dr. K [REDACTED], Mrs. L [REDACTED], Dr. G [REDACTED], Mr. V [REDACTED], Mr. and Mrs. D [REDACTED], Mr. Me [REDACTED], Mr. Mc [REDACTED], Mr. J [REDACTED], Mrs. Mc [REDACTED] and Mr. R [REDACTED], based on the whole of the evidence we conclude that this offer around March 17, 2021, to Mr. Ch [REDACTED] was represented by Dawkins and Elite Wealth as an offering of a \$5,000,000 fund of 200 Units with each unit offered at \$25,000 per unit. (Ex. 9).

673. The March 17, 2021, subscription agreement presented the following qualification requirements to Mr. Ch [REDACTED]:

Sophisticated Investor. The Subscriber shall be deemed to be a Sophisticated Investor if:

Qualified Sophisticated Investor: To be a qualified sophisticated investor, an investor must represent that it has a sufficient degree of sophistication to understand and evaluate the merits and risks associated with an investment in the Note and (a) its overall commitment to investments which are not readily marketable is not disproportionate to its net worth and its investment in the Note will not cause such overall commitment to become excessive; (b) it has adequate net worth and means of providing for any current needs and contingencies such that it is able to sustain a complete loss of its investment in the Note, and it has no such need for liquidity in this investment; (c) it has evaluated the risk of investing in the Note and the Company; and (d) it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risk of an investment in the Note and the Company. The information must be represented in the Subscription Agreement. The Subscriber affirms the preceding statements and has reviewed the terms herein and in the Private Placement Memorandum to their satisfaction.

Yes  No

674. The subscription agreement was checked “yes” in response to the qualification requirements as a “sophisticated investor” at the time of Mr. Ch [REDACTED]’s investment.

675. As with the others, we are not persuaded simply because an answer box on the subscription agreement is checked. The evidence received, as well as the similar circumstances involving all of the other investors, supports the finding that Mr. Ch [REDACTED] had no knowledge of and experience in high risk and illiquid private placements, and was not in fact a “qualified sophisticated investor.” (Ex. 73, A). For most purpose the age of majority in Iowa is eighteen. Iowa Code § 599.1. The age of majority does not determine whether an individual is a qualified sophisticated investor. Simply being “an adult,” whether as a high school senior as Ms. S [REDACTED] or with 25 years of work experience as Mr. Ch [REDACTED] does not qualify an individual as a “qualified sophisticated investor.” Any reasonably competent and diligent investment adviser should know this.

676. Giving Dawkins and Elite Wealth the benefit of reasonable inference, we conclude he would assert that the offer and sale to Mr. Ch ██████ was exempt from registration under federal regulation 17 CFR 230.506(c)(2)(ii)(B).

677. Dawkins, Elite Wealth and EWP Permian Basin Fund II did not carry their burden of proof that they have complied with the conditions of this exemption. We have found that Mr. Ch ██████ did not possess sufficient knowledge or experience to evaluate the potential risks, rewards and costs of these high risk, illiquid investments and was not a qualified sophisticated investor as that phrase is interpreted by law, and as such, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with the requirements of 17 CFR 230.506(b)(2)(ii).

678. Elite Wealth and Dawkins had a fiduciary duty to know and, in fact, did know that Mr. Ch ██████ did not have “such knowledge and experience in financial and business matters that [he was] capable of evaluating the merits and risk of an investment in the Note and the Company.” Dawkins and Elite Wealth disregarded this fact known to them and made the high-risk recommendation to Mr. Ch ██████ anyway.

679. Mr. Ch ██████ e-signed a subscription agreement with EWP Permian Basin Fund II on March 17, 2021, to purchase a one-year note for \$50,000.00 at 8.5% annual interest. (SOC ¶102, Answer ¶102, Ex. 74). From that amount, Dawkins and Elite Wealth received \$2,500.00 in compensation. (Ex. 12).

680. On March 2, 2021, EWP Permian Basin Fund II, under the authority of Dawkins as the fund manager, issued an unsecured promissory note to Mr. Ch ██████. (Ex. 12, 74, A).

681. Dawkins, and Elite Wealth did not file with the Division the required “Form D, Notice of Exempt Offering of Securities” for the 12-month subscription agreements and notes issued by EWP Permian Basin Fund II and sold to Mr. Ch ██████. (Tr. 54-55). Without the required Reg D filing under Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 and other proof of compliance with the federal covered security exemption under Iowa Code § 502.503, we find Dawkins, Elite Wealth and EWP Permian Basin Fund II have not carried their burden of proving the applicability of the Regulation D federal exemption, and have therefore violated Iowa Code § 502.301, when the 12-month subscription agreement and note of \$50,000 was unlawfully recommended, offered, issued and sold to Mr. Ch ██████ on March 17, 2021.

682. We find from all the evidence that Elite Wealth, Dawkins and EWP Permian Basin Fund II had reckless disregard for whether the security recommended, offered, issued and sold on March 17, 2021, to Mr. Ch ██████ was registered or exempt from registration. Dawkins lacked sufficient expertise to know whether or not the EWP Permian Basin Fund II offerings were lawful.

683. Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 in the recommendation, offer, issuance and sale of the EWP Permian Basin Fund II subscription agreement and unsecured note to Mr. Ch ██████ on March 17, 2021.



684. We find Elite Wealth, Dawkins and EWP Permian Basin Fund II did not demonstrate compliance with federal covered security requirements, and, in fact, did violate Iowa Code §502.301, when the EWP Permian Basin Fund II subscription agreement and note was unlawfully recommended, offered, issued and sold to Mr. Ch [REDACTED] on March 17, 2021. This violation subjects Elite Wealth and Dawkins to disciplinary action under Iowa Code §502.412(4)(b).

685. We also conclude that the material representations made by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. Ch [REDACTED] and other investors concerning the exemption from registration were untrue, and as securities fraud, violated Iowa Code §502.501(2). The facts concerning registration and exemption were material to investors, the statements were untrue, and were willfully made by Elite Wealth, Dawkins and EWP Permian Basin Fund II.

686. We conclude that in recommending, offering and selling this March 17, 2021, subscription agreement and note, which was unregistered, non-exempt and unlawful, Dawkins and Elite Wealth, failed to exercise the reasonable diligence, care and skill of an investment adviser in understanding and evaluating the potential risks, rewards, and costs associated with their recommendation and in so doing, breached their fiduciary duty of reasonable care. This breach of fiduciary duty constituted an act, practice, and course of business “that operates or would operate as a fraud or deceit upon” Mr. Ch [REDACTED].

687. Dawkins and Elite Wealth, engaged in an act, practice, and course of business “that operates or would operate as a fraud or deceit upon another person” in violation of Iowa Code §§502.501(3) and 502.502(1)(b), when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary duty of care by recommending, offering and selling to Mr. Ch [REDACTED] on March 17, 2021, an unlawful unregistered and non-exempt security.

688. Dawkins and Elite Wealth also engaged in practices and courses of business that operated as fraud upon Mr. V [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care by disregarding their obligation to demonstrate a registered investment adviser’s “reasonable diligence, care and skill” in fulfilling their best interest care obligation to Mr. Ch [REDACTED] and others. (Ex. 14).

689. Dawkins and Elite Wealth engaged in an act, practice and course of business that operated, or would operate as fraud or deceit upon Mr. Ch [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b) when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary obligations of care when they failed to comply with the conditions required for a federal covered security exemption in offering and selling the March 17, 2021, subscription agreement and note.

690. We again make note that as specified in 17 CFR §230.506, the conditions of 17 CFR §230.502 must be met in order for a promoter to avail itself of the federal covered security exemption. This includes the provision of financial statement information. Elite Wealth, Dawkins and EWP Permian Basin Fund II also omitted material facts pertaining to the financial condition of the issuer and maker of the notes, EWP Permian Basin Fund II in offering and selling the March 17, 2021, subscription agreement and note to Mr. Ch [REDACTED]. This failure

negates eligibility for the federal covered security exemption, but it is also a violation of Iowa Code 502.501(2) because the facts related to the financial condition of the issuer are “material,” and the omissions made the statements made concerning future revenues misleading.

691. The EWP Permian Basin Fund II subscription agreement and note on March 17, 2021, recommended, issued and sold to Mr. Ch [REDACTED] created a complex structure of rights in the event of default. We have no conclusive evidence that Mr. Ch [REDACTED] received an offering memorandum, but as supported by numerous other similar circumstances involving other investors, we conclude that Mr. Ch [REDACTED] was not a qualified sophisticated investor with the sufficient experience to understand the complexities of these structures. Since Dawkins and Elite Wealth were not sufficiently knowledgeable or experienced to explain the complexities, we conclude that Mr. Ch [REDACTED] did not understand the complexity of the investment structure of rights in the event of default. Mr. Ch [REDACTED] was not a qualified sophisticated investor with sufficient experience to appreciate the risks of Dawkins’ conflicted recommendation of a \$50,000 investment in debt units issued by a “recently formed” company with “no operating history upon which [he] may evaluate its business and prospects” managed by an individual who believed that the primary purpose of forming the issuer was so that he “could deduct [his] fees.” In fact, the first time any financial statements for EWP Permian Basin Fund II were prepared and made available to investors was after the Commissioner ordered them from Respondents on October 25, 2023. Mr. Ch [REDACTED] did not have sufficient information and experience to understand and appreciate the conflict of interest that Dawkins and Elite Wealth had created by recommending a private placement with a potential \$50,000 personal liability by Dawkins as the fund manager of his own limited liability company, EWP Permian Basin Fund II, the issuer of the security.

692. Dawkins and Elite Wealth also engaged in practices and courses of business that operated as fraud in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care when they recommended and sold to Mr. Ch [REDACTED] the March 17, 2021, subscription agreement and note. Dawkins and Elite Wealth knew this high risk and illiquid investment was not in the best interest of Mr. Ch [REDACTED], because Mr. Ch [REDACTED] did not have sufficient experience in oil and gas speculation and complex unregistered private placement offerings to evaluate the merits and risk of the investment; neither did Elite Wealth or Dawkins have a reasonable basis to believe the recommended EWP Permian Basin Fund II subscription agreement and note effectively addressed Mr. Ch [REDACTED]’s financial situation, insurance needs and financial objectives.

693. There were no assets securing the EWP Permian Basin Fund II notes. Neither Dawkins, Elite Wealth or EWP Permian Basin Fund II, provided financial statements of the issuer to Mr. Ch [REDACTED] or other investors.

694. Dawkins and Elite Wealth breached their fiduciary duties to Mr. Ch [REDACTED] on March 17, 2021, when Dawkins recommended the very high-risk investment of \$50,000 in debt units issued by a “recently formed” company with “no operating history upon which you may evaluate its business and prospects” managed by an individual who believed that the primary purpose of forming the issuer was so that he “could deduct [his] fees.”

695. Dawkins and Elite Wealth breached their fiduciary duties to Mr. Ch [REDACTED] on March 17, 2021, when Dawkins based his recommendation to Mr. Ch [REDACTED] on his own misplaced and conflicted judgment to risk his own money in the illiquid, high risk investments. (Tr. 355, 475 – 479, 501).

696. Dawkins and Elite Wealth breached their fiduciary duties to Mr. Ch [REDACTED] when Dawkins employed his own version of fiduciary duties. (Tr. 354, 475 – 479, 501). Each individual client has his own unique “situations, needs and objectives.” The reasonable diligence, care and skill of an investment adviser necessarily involves assessing particularities of each individual client. The pervasiveness of Dawkins’ recommendations of his high-risk EWP Permian Basin Fund II notes to such a significant number of his clients with widely varying “situations, needs and objectives” is strong evidence of his disregard for the individualized responsibility in his best interest obligation to Mr. Ch [REDACTED] and others. (Ex. 14).

697. Dawkins and Elite Wealth knew that Mr. Ch [REDACTED] was relying on his investment advisers’ fiduciary obligations of care and professional investment experience, and recommended placing an excessive amount of Mr. Ch [REDACTED]’s net worth and therefore, an excessive concentration of risk in the high risk, illiquid investment. (Tr. 154 – 156).

698. The EWP Permian Basin Fund II subscription agreement and note issued and sold to Mr. Ch [REDACTED] on March 17, 2021, created a complex structure of rights in the event of default.

699. Regardless of whether the 2020 EWP Permian Basin Fund II – Heartland III Debt Offering memorandum was provided to Mr. Ch [REDACTED], we have found Mr. Ch [REDACTED] was not a qualified sophisticated investor with the sufficient experience to understand the complexities of these structures, nor the related merits and risks of the investment. We also conclude that Mr. Ch [REDACTED]’s interests in any related oil or gas fields is attenuated at best and will make any recovery extraordinarily complicated in default.

700. Certainly by 2021, EWP Permian Basin Fund II’s contravention of the exemption requirements and the implications of fraud should have been apparent to a reasonably competent investment adviser. The violations were readily apparent in 2021, raising significant “red flags” for any reasonably careful, diligent, skillful and attentive investment adviser in circumstance similar to that of Elite Wealth and Dawkins in 2021. We again make note that as specified in 17 CFR 230.506, the conditions of 17 CFR 230.502 must be met in order for a promoter to avail itself of the federal covered security exemption. This includes the provision of relevant financial statement information. Despite that passage of time, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not provide to investors material facts pertaining to the financial condition of the issuer of the securities, EWP Permian Basin Fund II. As in prior recommendations, offerings and sales, this failure to provide annual financial information negates eligibility for the federal covered security exemption, but it is also a violation of Iowa Code 502.501(2) because the facts related to the financial condition of the issuer are “material,” and these omissions made the statements made concerning future revenues misleading. The willful absence of financial statements provided “red flags” to any reasonably careful, diligent, skillful and attentive investment adviser that the offering was likely a Ponzi scheme. By 2021, Dawkins and Elite Wealth should have known that they were recommending not only a high risk, illiquid private

placement to Mr. Ch [REDACTED], but an offering that had numerous characteristics of a fraudulent Ponzi scheme.

701. Each violation of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II serves as grounds under Iowa Code § 502.412(4)(b) to revoke, suspend, condition, or limit Dawkins' investment adviser representative registration.

702. Each violation of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II serves as grounds under Iowa Code § 502.412(4)(b) to revoke, suspend, condition, or limit both Elite Wealth's investment adviser registration and Dawkins' registration.

703. We conclude that all of the above described conduct and violations of law by Dawkins and Elite Wealth also constitutes a dishonest and unethical practice under Iowa Code §502.412(4)(m) and Iowa Administrative Code rule 191—50.38(1).

704. While we have concluded that Dawkins' level of training, experience and knowledge was clearly inadequate for him to meet his fiduciary obligations of care and loyalty to Mr. Ch [REDACTED] and other investors, we do not find that this inadequacy could not be remedied, nor that his general training, experience and knowledge were so inadequate that he is unqualified to hold an Iowa registration under Iowa Code Iowa Code 502.412(4)(n). At this time, we have found that Dawkins has demonstrated that he is wholly unqualified to recommend, offer or sell high risk, illiquid, unregistered and exempt securities.

***M [REDACTED] Ch [REDACTED] Investment  
Count 1 – Unregistered Agent – Iowa Code §§ 502.402 and 502.604***

705. We now return to Count 1 in regards to the recommendation, offer, issuance and sale of securities by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. Ch [REDACTED]. The EWP Permian Basin Fund II subscription agreement and note recommended, offered, issued and sold by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. and Mrs. Ch [REDACTED] are "securities."

706. Neither Elite Wealth, nor Dawkins were registered with the Division as securities agents when Elite Wealth and Dawkins offered and sold these securities to Mr. and Mrs. L [REDACTED]. See Joint Stipulation of Facts, ¶¶ 3 & 7. Dawkins had been registered with a broker-dealer in the past, and was aware of the requirement under Iowa law to be licensed in order to offer and sell securities. (Tr. 49-50).

707. Elite Wealth and Dawkins did not demonstrate compliance with the requirements for any exemption provided under Iowa Code § 502.402(2). We conclude these exemptions are unavailable to individuals who receive remuneration for their selling efforts. See Iowa Code §§ 502.402(2)(c) & (e) (providing exemptions to registration only where the individual does not receive compensation in connection with the sale of securities). Elite Wealth and Dawkins received compensation for the sale of the EWP Permian Basin Fund II securities to Mr.

Ch [REDACTED]. (Ex. 8, 12; Tr. 61-62). Indeed, the sale of these securities represented the largest source of Elite Wealth and Dawkins' income. (Ex. 13; Tr. 75).

708. While Dawkins repeatedly testified at hearing that he did not consider himself to be "selling" any securities, Dawkins previously stated in an email to the Division that he "sold" these securities. (Ex. 15). Dawkins also testified that he presented and discussed the EWP Permian Basin Fund II subscription agreements with Mr. Ch [REDACTED] and each of the Iowa consumers. (Tr. at 778–781). Nevertheless, the evidence, including testimony and documents of numerous transactions, was overwhelming that Dawkins was selling securities.

709. Further, in this determination under Count 1, we incorporate all of the foregoing findings and conclusions in this decision.

710. Based on the above facts and conclusions, Elite Wealth, Dawkins and EWP Permian Basin Fund II have each acted as or employed an unregistered agent and violated Iowa Code §502.402(2) on at least one occasion on March 17, 2021, and are each liable for separate securities transactions involving Mr. Ch [REDACTED] for all necessary and appropriate relief available under Iowa Code § 502.602, including orders to cease and desist violations, to make restitution to Mr. Ch [REDACTED], and to implement other corrective actions to accomplish compliance with the Iowa Uniform Securities Act.

***Mr. Ch [REDACTED] Investment***  
***Count 2 – Securities Fraud – Iowa Code §502.501 and 502.604***

711. We now consider the charge of securities fraud under Count 2 in connection with the recommendation, offer and sale of securities by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. Ch [REDACTED].

712. In this determination under Count 2, we incorporate all of the foregoing findings and conclusions in this decision, including the varied methods in which Elite Wealth, Dawkins and EWP Permian Basin Fund II have each violated Iowa Code § 502.501.

713. Based on the above facts and conclusions, Elite Wealth, Dawkins and EWP Permian Basin Fund II, have each committed securities fraud and violated Iowa Code § 502.501 on at least one occasion on March 17, 2021, and are each liable for separate securities transactions involving Mr. Ch [REDACTED] for all necessary and appropriate relief available under Iowa Code § 502.602, including orders to cease and desist violations, to make restitution to Mr. Ch [REDACTED], and to implement other corrective actions to accomplish compliance with the Iowa Uniform Securities Act.

***Mr. Ch [REDACTED] Investment***  
***Count 4 – Disciplinary Action on Insurance Producer Licenses of Dawkins and Elite Wealth – Iowa Code §§ 522B.11(1) and 522B.17***

714. We complete our analysis of the conduct of Elite Wealth and Dawkins under Iowa Code §522B.11 in relationship to their transactions with Mr. Ch [REDACTED]. As with Count 3, this charge

broadly relates to any wrongful conduct that implicates the professional licenses of Dawkins and Elite Wealth. However, this charge implicates the insurance producer licenses of Dawkins and Elite Wealth.

715. Iowa Code § 522B.11(1)(h) provides that the commissioner may place on probation, suspend, or revoke an insurance producer's license for "[u]sing fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness and/or financial irresponsibility in the conduct of business in this state or elsewhere." As provided in Iowa Code § 522B.17, the commissioner may also issue cease and desist orders and levy a civil penalty.

716. In this determination under Count 4, we incorporate all of the foregoing findings and conclusions in this decision, including the varied methods in which Elite Wealth and Dawkins, directly or through EWP Permian Basin Fund II, have each violated Iowa Code §§ 502.301, 502.402, 502.501 and 502.502, as well as enumerated securities regulations.

717. We conclude that all of the above described conduct and violations of law by Dawkins and Elite Wealth in regards to transactions involving Mr. Ch [REDACTED] constitute fraudulent and dishonest and unethical practices, and demonstrate incompetence, untrustworthiness and financial irresponsibility in the conduct of business in this state under Iowa Code §522B.11(1)(h).

***M [REDACTED] Cr [REDACTED] Investments***  
***Count 3 – Investment Adviser Disqualifications – Iowa Code §502.412***

718. We now begin our analysis under Iowa Code §502.412 of the conduct of Elite Wealth, Dawkins and EWP Permian Basin Fund II in relationship to their transactions with M [REDACTED] Cr [REDACTED]. Mrs. Cr [REDACTED] was named as an investor in the Division's statement of charges. (SOC ¶ 46 – 51).

719. Mrs. M [REDACTED] Cr [REDACTED] was called to testify by the Division. (Tr. 26 – 46). Mrs. Cr [REDACTED] also made statements to Investigator Larry Ellison on November 9, 2021, in a telephone interview that were received into evidence. (Ex. 29).

720. Mrs. Cr [REDACTED], and her husband, D [REDACTED], are a married couple and are residents of Waukee, Iowa. Mrs. Cr [REDACTED] retired in 2020, when she turned 62 years-old. (Tr. 27).

721. Dawkins did not have a prior professional relationship with either Mr. or Mrs. Cr [REDACTED], but in 2020 he began calling Mr. Cr [REDACTED] based on a lead referral from a marketing company. Dawkins made several telephone calls to Mr. Cr [REDACTED] to speak to him about annuities. (Tr. 396, Ex. A). However, Mr. Cr [REDACTED] did not become a client of Dawkins or Elite Wealth, nor an investor in EWP Permian Basin Fund II. According to Dawkins, he approached Mrs. Cr [REDACTED] in February of 2012 about "Heartland." (Ex. A). Mrs. Cr [REDACTED] was the eighth client that he spoke to about "Heartland."

722. The transactions by Elite Wealth and Dawkins with Mrs. Cr [REDACTED] was limited to two transactions:

Date	Description	Issuer	Amount	Return	Maturity
04/01/2021	Subscription and Note	EWP Permian Basin Fund II, LLC	\$58,000.00	9.0% +10%	04/01/2024
04/06/2021	Subscription and Note	EWP Permian Basin Fund II, LLC	\$42,000.00	+36%	04/06/2024

(Ex. 12, 14, 27, 28 and A).

723. During her interview with Investigator Ellison on November 9, 2021, and in response to his questions, Mrs. Cr [REDACTED] explained that she had only three years of investment experience, and had no prior experience in private placements. (Ex. 29; Tr. 34). Mrs. Cr [REDACTED] described her investment objectives as “growth.” In response to a question about what type of investments she was most familiar, Mrs. Cr [REDACTED] answered “401.” Upon a request for clarification she agreed it was a “401K through work or something like that.” Upon further inquiry she indicated that she had no further understanding of the types of investments in the retirement account. In response to a question about her risk tolerance, she responded that her risk tolerance was “moderate.”

724. Without restating every fact and violation here, we find that many of the unlawful acts or practices by Elite Wealth, Dawkins and EWP Permian Basin Fund II that we found in connection with the EWP Permian Basin Fund II subscription agreements and notes recommended, offered, issued and sold to Mr. Mu [REDACTED], Dr. K [REDACTED], Mrs. L [REDACTED], Dr. G [REDACTED] and Mrs. P [REDACTED] were repeated by Elite Wealth, Dawkins and EWP Permian Basin Fund II in the recommendations, offers, issuance and sales of the April 1, 2021, and April 4, 2021, EWP Permian Basin II subscription agreements and notes to Mrs. Cr [REDACTED]. (Ex. 12 and A).

725. During the interview with Investigator Ellison, and during her testimony at hearing, Mrs. Cr [REDACTED] provided information that reveals that she was not a qualified sophisticated investor as that phrase is interpreted by law, and as such, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with the requirements of 17 CFR 230.506(b)(2)(ii). Mrs. Cr [REDACTED] indicated she had very little investment experience. When asked by Investigator Ellison whether Dawkins had explained that the investment was suitable only for accredited investors or qualified sophisticated investors who had no need for liquidity of investment and understand and can afford the high financial risk of the investment, including the potential for loss, her response revealed a lack of sophistication. High risk and illiquid private placements are complex. Mrs. Cr [REDACTED] did not understand these risks or the complexity of private placement offerings. These findings are supported by Mrs. Cr [REDACTED]’s testimony at hearing. (Tr. 36-37). Mrs. Cr [REDACTED] could not afford to lose her investment and she wanted “something secure.” (Ex. 29, Tr. 32, 37).

726. Mrs. Cr [REDACTED] in her interview by Investigator Ellison was asked about documents that we conclude was actually the subscription agreements, although Investigator Ellison suggested it may have been the offering memorandum. From Mrs. Cr [REDACTED]’s response and the suggestive nature of the investigator’s question, and from Mrs. Cr [REDACTED]’s testimony at hearing, we find that Mrs. Cr [REDACTED] was unfamiliar with an offering memorandum for EWP Permian Basin Fund II and did not receive one from Dawkins. (Tr. 36). From all the evidence, we can conclude Mrs. Cr [REDACTED] had no knowledge of or prior experience in high risk and illiquid private placements.

727. On April 1, 2021, Dawkins and Elite Wealth offered to Mrs. Cr [REDACTED] a subscription agreement issued by EWP Permian Basin Fund II for an unsecured promissory note.

728. On April 6, 2021, Dawkins and Elite Wealth offered to Mrs. Cr [REDACTED] a subscription agreement issued by EWP Permian Basin Fund II for an unsecured promissory note.

729. Although there are similarities to the 2020 – 2021 12-month 8.5% EWP Permian Basin Fund II investments in a \$5,000,000 fund of 200 Units with each unit offered at \$25,000 per unit to Mr. Mu [REDACTED], Dr. K [REDACTED], Mrs. L [REDACTED], Dr. G [REDACTED], Mr. V [REDACTED], Mr. and Mrs. D [REDACTED], Mr. Me [REDACTED], Mr. Ch [REDACTED], Mr. Mo [REDACTED], Mr. J [REDACTED], Mrs. Mo [REDACTED] and Mr. R [REDACTED], based on the whole of the evidence we conclude that the offers to Mrs. Cr [REDACTED] around April 1 and April 6, 2021, was a distinct offering. The offer to Mrs. Cr [REDACTED] was represented by Dawkins and Elite Wealth as a separate EWP Permian Basin Fund II offering of a \$5,000,000 fund with notes not less than \$100,000. The April 1, 2021, subscription agreement and note recommended, sold and issued to Mrs. Cr [REDACTED] involved 36-month investments with a 9% return (with a 10% balloon) that were also sold and issued to Mrs. L [REDACTED], Dr. G [REDACTED], and Mrs. P [REDACTED]. While both parties discussed an offering memorandum, neither party offered a relevant offering memorandum for this offering.

730. Both the April 1, 2021, and April 6, 2021, subscription agreements presented the following qualification requirements to Mrs. Cr [REDACTED]:

Sophisticated Investor. The Subscriber shall be deemed to be a Sophisticated Investor if:

Qualified Sophisticated Investor: To be a qualified sophisticated investor, an investor must represent that it has a sufficient degree of sophistication to understand and evaluate the merits and risks associated with an investment in the Note and (a) its overall commitment to investments which are not readily marketable is not disproportionate to its net worth and its investment in the Note will not cause such overall commitment to become excessive; (b) it has adequate net worth and means of providing for any current needs and contingencies such that it is able to sustain a complete loss of its investment in the Note, and it has no such need for liquidity in this investment; (c) it has evaluated the risk of investing in the Note and the Company; and (d) it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risk of an investment in the Note and the Company. The information must be represented in the Subscription Agreement. The Subscriber affirms the preceding statements and has reviewed the terms herein and in the Private Placement Memorandum to their satisfaction.

Yes  No

731. The subscription agreements were checked “no” in response to the qualification requirements as a “sophisticated investor” at the time of Mrs. Cr [REDACTED]’s investment.

732. As with the others, we are more persuaded by the investor’s explanation of their limited knowledge of and experience in high risk and illiquid private placements than which answer box



on the subscription agreement is checked. Certainly, an investor's understanding, or lack thereof, of the question itself should bear on our determination of whether the investor is in fact a "qualified sophisticated investor." Mrs. Cr [redacted] response during the interview with Investigator Ellison was not clear, but did reveal her limited investment sophistication.

733. At hearing, Dawkins testified that "the Cr [redacted]s are accredited investors," without any additional support. (Tr. 400-404).

734. As explained in our review of Mr. Mu [redacted] investments, the Regulation D exemption found in federal regulation 17 CFR §230.506 requires specific conditions be met for accredited investors:

**230.506 Exemption for limited offers and sales without regard to dollar amount of offering.**

\* \* \*

(c) Conditions to be met in offerings not subject to limitation on manner of offering—

(1) General conditions. To qualify for exemption under this section, sales must satisfy all the terms and conditions of §§ 230.501 and 230.502(a) and (d).

(2) Specific conditions—

(i) Nature of purchasers. All purchasers of securities sold in any offering under paragraph (c) of this section are accredited investors.

(ii) Verification of accredited investor status. The issuer shall take reasonable steps to verify that purchasers of securities sold in any offering under paragraph (c) of this section are accredited investors. The issuer shall be deemed to take reasonable steps to verify if the issuer uses, at its option, one of the following non-exclusive and non-mandatory methods of verifying that a natural person who purchases securities in such offering is an accredited investor; provided, however, that the issuer does not have knowledge that such person is not an accredited investor:

\* \* \*

(B) In regard to whether the purchaser is an accredited investor on the basis of net worth, reviewing one or more of the following types of documentation dated within the prior three months and obtaining a written representation from the purchaser that all liabilities necessary to make a determination of net worth have been disclosed:

(1) With respect to assets: Bank statements, brokerage statements and other statements of securities holdings, certificates of deposit, tax assessments, and appraisal reports issued by independent third parties; and

(2) With respect to liabilities: A consumer report from at least one of the nationwide consumer reporting agencies;

(Emphasis added.) Under Iowa Code §502.503 the burden of proving these conditions falls squarely on the issuer.

735. Both the April 1, 2021, and April 6, 2021, subscription agreements presented the following qualification requirements to Mrs. Cr [REDACTED]:

D. Accredited Investor. Under Federal and certain state securities laws and applicable regulations, the Subscriber may acquire the Note by representing and warranting this it is (i) an “Accredited Investor,” as hereafter defined,

(a) Accredited Investor. The Subscriber shall be deemed to be an Accredited Investor if: (Please check one for each question)

(i) The Subscriber is an individual, and his or her net worth, or joint net worth with his or her spouse, exceeds \$1,000,000;  
Yes  No

736. The subscription agreements were checked “yes” in response to the qualification requirements as an “accredited investor” at the time of Mrs. Cr [REDACTED]’s investments.

737. Presumably, Dawkins was asserting that the offers and sales to Mrs. Cr [REDACTED] were exempt from registration under federal regulation 17 CFR 230.506(c)(2)(ii)(B). But the issuer EWP Permian Basin Fund II, and investment advisers, Elite Wealth and Dawkins offered no proof that any document review of Mrs. Cr [REDACTED]’s assets or liabilities was made.

738. Dawkins, Elite Wealth and EWP Permian Basin Fund II did not carry their burden of proof that they have complied with the conditions of this exemption. There was no evidence that the issuer verified Mrs. Cr [REDACTED]’s status by reviewing any relevant and required documentation. The evidence also showed that Dawkins, Elite Wealth and EWP Permian Basin Fund II did not verify that Mrs. Cr [REDACTED]’s qualification as an accredited investor was based on joint net worth with her spouse by reviewing documentation for both Mr. and Mrs. Cr [REDACTED] as required under the instructions for federal regulation 17 CFR 230.506(c)(2)(ii)(B).

739. Mrs. Cr [REDACTED] signed a customer profile on October 4, 2021, six months after her investment in EWP Permian Basin Fund II. (Ex. 26). According to the October 4, 2021 customer profile, Mrs. Cr [REDACTED] had \$120,000 of investible assets in “private placements.” (Ex. 26). This is clearly false as she testified that she had no experience in private placements. (Ex. 29; Tr. 34). Mrs. Cr [REDACTED] had an annual household income between \$50,001 and \$100,000, a household net worth of between \$1,000,001 and \$3,000,000, and household liquid assets of between \$100,000 and \$250,000. (SOC ¶46; Answer ¶46; Ex. 26). The gross household monthly income is listed as \$5,416 and monthly expenses of \$2,200. The customer profile indicated that Mrs. Cr [REDACTED]’s risk tolerance was “moderate,” and her investment objectives were “growth.” (SOC ¶46; Answer ¶46; Ex. 26). But this profile is for Mrs. Cr [REDACTED] only and is not signed by Mr. Cr [REDACTED]. Dawkins, Elite Wealth and EWP Permian Basin Fund II did not carry their burden of proof. Further, the unregistered, non-exempt and unlawful offers and sales to other investors render the entire offering unlawful.

740. We have found from Mrs. Cr [REDACTED]’s statements and other evidence that Mrs. Cr [REDACTED] did not possess sufficient knowledge or experience to evaluate the potential risks, rewards and costs of

these high risk, illiquid investments and was not a qualified sophisticated investor as that phrase is interpreted by law, and as such, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with the requirements of 17 CFR 230.506(b)(2)(ii).

741. Elite Wealth and Dawkins had a fiduciary duty to know and, in fact, did know that Mrs. Cr [REDACTED] did not have “such knowledge and experience in financial and business matters that [she was] capable of evaluating the merits and risk of an investment in the Note and the Company.” Dawkins and Elite Wealth disregarded this fact known to them and made the high-risk recommendation to Mrs. Cr [REDACTED] anyway.

742. Mrs. Cr [REDACTED] e-signed a subscription agreement with EWP Permian Basin Fund II on April 1, 2021, to purchase a three-year note for \$58,000.00 at 9% annual interest and a 10% balloon bonus payment at the end of the term. (SOC ¶ 48, Answer ¶ 48, Ex. 27). From that amount, Dawkins and Elite Wealth received \$3,480.00 in compensation. (Ex. 12).

743. On April 1, 2021, EWP Permian Basin Fund II, under the authority of Dawkins as the fund manager, issued an unsecured promissory note to Mrs. Cr [REDACTED]. (Ex. 12, 27, and A).

744. Mrs. Cr [REDACTED] e-signed a subscription agreement with EWP Permian Basin Fund II on April 6, 2021, to purchase a three-year note for \$42,000.00 with a 37% balloon interest payment at the end of the term. (SOC ¶ 49, Answer ¶ 49, Ex. 28). From that amount, Dawkins and Elite Wealth received \$3,480.00 in compensation. (Ex. 12).

745. On April 6, 2021, EWP Permian Basin Fund II, under the authority of Dawkins as the fund manager, issued an unsecured promissory note to Mrs. Cr [REDACTED]. (Ex. 12, 28, and A).

746. As with the earlier one-year EWP Permian Basin Fund II, subscription agreements and notes, Dawkins, and Elite Wealth did not file with the Division the required “Form D, Notice of Exempt Offering of Securities” for 36-month subscription agreements and notes issued by EWP Permian Basin Fund II and sold to Mrs. Cr [REDACTED]. (Tr. 54-55). Without the required Reg D filing under Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 and other proof of compliance with the federal covered security exemption under Iowa Code § 502.503, we find Dawkins, Elite Wealth and EWP Permian Basin Fund II have not carried their burden of proving the applicability of the Regulation D federal exemption, and have therefore violated Iowa Code § 502.301, when the 36-month subscription agreements and notes totaling investments of \$100,000 were unlawfully recommended, offered, issued and sold to Mrs. Cr [REDACTED] on April 1 and 6, 2021.

747. We find from all the evidence that Elite Wealth, Dawkins and EWP Permian Basin Fund II had reckless disregard for whether the securities recommended, offered, issued and sold on April 1 and 6, 2021, to Mrs. Cr [REDACTED] were registered or exempt from registration. Dawkins lacked sufficient expertise to know whether or not the EWP Permian Basin Fund II offerings were lawful.

748. Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 in the recommendation, offer, issuance and

sale of the EWP Permian Basin Fund II subscription agreements and unsecured notes to Mrs. Cr [REDACTED] on April 1 and April 6, 2021.

749. We find Elite Wealth, Dawkins and EWP Permian Basin Fund II did not demonstrate compliance with federal covered security requirements, and, in fact, did violate Iowa Code §502.301, when the EWP Permian Basin Fund II subscription agreements and notes were unlawfully recommended, offered, issued and sold to Mrs. Cr [REDACTED] on April 1 and 6, 2021. These violations subject Elite Wealth and Dawkins to disciplinary action under Iowa Code §502.412(4)(b).

750. We also conclude that the material representations made by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mrs. Cr [REDACTED] and other investors concerning the exemption from registration were untrue, and as securities fraud, violated Iowa Code §502.501(2). The facts concerning registration and exemption were material to investors, the statements were untrue, and were willfully made by Elite Wealth, Dawkins and EWP Permian Basin Fund II.

751. We conclude that in recommending, offering and selling these April 1 and April 6, 2021, subscription agreements and notes, which were unregistered, non-exempt and unlawful, Dawkins and Elite Wealth, failed to exercise the reasonable diligence, care and skill of an investment adviser in understanding and evaluating the potential risks, rewards, and costs associated with their recommendation and in so doing, breached their fiduciary duty of reasonable care. This breach of fiduciary duty constituted an act, practice, and course of business “that operates or would operate as a fraud or deceit upon” Mrs. Cr [REDACTED].

752. Dawkins and Elite Wealth, engaged in an act, practice, and course of business “that operates or would operate as a fraud or deceit upon another person” in violation of Iowa Code §§502.501(3) and 502.502(1)(b), when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary duty of care by recommending, offering and selling to Mrs. Cr [REDACTED] on April 1 and 6, 2021, unlawful unregistered and non-exempt securities.

753. Dawkins and Elite Wealth also engaged in practices and courses of business that operated as fraud upon Mrs. Cr [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care by disregarding their obligation to demonstrate a registered investment adviser’s “reasonable diligence, care and skill” in fulfilling their best interest care obligation to Mrs. Cr [REDACTED] and others. (Ex. 14).

754. Dawkins and Elite Wealth engaged in an act, practice and course of business that operated, or would operate as fraud or deceit upon Mrs. Cr [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b) when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary obligations of care when they failed to comply with the conditions required for a federal covered security exemption in offering and selling the April 1 and 6, 2021, subscription agreements and notes.

755. We again make note that as specified in 17 CFR §230.506, the conditions of 17 CFR §230.502 must be met in order for a promoter to avail itself of the federal covered security

exemption. This includes the provision of financial statement information. Elite Wealth, Dawkins and EWP Permian Basin Fund II also omitted material facts pertaining to the financial condition of the issuer and maker of the notes, EWP Permian Basin Fund II in offering and selling the April 1 and 6, 2021, subscription agreements and notes to Mrs. Cr [REDACTED]. This failure negates eligibility for the federal covered security exemption, but it is also a violation of Iowa Code 502.501(2) because the facts related to the financial condition of the issuer are “material,” and the omissions made the statements made concerning future revenues misleading.

756. The EWP Permian Basin Fund II subscription agreements and notes on April 1 and 6, 2021, recommended, issued and sold to Mrs. Cr [REDACTED] created a complex structure of rights in the event of default. Mrs. Cr [REDACTED] stated in the interview with the investigator Ellison that she did not receive an offering memorandum. (Ex. 29). None of the parties offered a relevant offering memorandum for the April 1 and 6, 2021, subscription agreements and notes, but regardless, we have found Mrs. Cr [REDACTED] was not a qualified sophisticated investor with the sufficient experience to understand the complexities of these structures. Nor could she understand the complexity of the investment structure of rights in the event of default. Mrs. Cr [REDACTED] was not a qualified sophisticated investor with sufficient experience to appreciate the risks of Dawkins’ conflicted recommendation of a \$100,000 investment in debt units issued by a “recently formed” company with “no operating history upon which [she] may evaluate its business and prospects” managed by an individual who believed that the primary purpose of forming the issuer was so that he “could deduct [his] fees.” In fact, the first time any financial statements for EWP Permian Basin Fund II were prepared and available to investors was after the Commissioner ordered them from Respondents on October 25, 2023. Mrs. Cr [REDACTED] did not have sufficient information and experience to understand and appreciate the conflict of interest that Dawkins and Elite Wealth had created by recommending a private placement with a potential \$100,000 personal liability by Dawkins as the fund manager of his own limited liability company, EWP Permian Basin Fund II, the issuer of the security.

757. Dawkins and Elite Wealth also engaged in practices and courses of business that operated as fraud in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care when they recommended and sold to Mrs. Cr [REDACTED] the April 1 and April 6, 2021, subscription agreements and notes. Dawkins and Elite Wealth knew these high risk and illiquid investments were not in the best interest of Mrs. Cr [REDACTED], because Mrs. Cr [REDACTED] did not have sufficient experience in oil and gas speculation and complex unregistered private placement offerings to evaluate the merits and risk of the investment; neither did Elite Wealth or Dawkins have a reasonable basis to believe the recommended EWP Permian Basin Fund II subscription agreements and notes effectively addressed Mrs. Cr [REDACTED]’s financial situation, insurance needs and financial objectives.

758. There were no assets securing the EWP Permian Basin Fund II notes. Neither Dawkins, Elite Wealth or EWP Permian Basin Fund II, provided financial statements of the issuer to Mrs. Cr [REDACTED] or other investors.

759. Dawkins and Elite Wealth breached their fiduciary duties to Mrs. Cr [REDACTED] on April 1 and April 6, 2021, when Dawkins recommended the very high-risk investments of \$100,000 in debt units issued by a “recently formed” company with “no operating history upon which you may evaluate

its business and prospects” managed by an individual who believed that the primary purpose of forming the issuer was so that he “could deduct [his] fees.”

760. Dawkins and Elite Wealth breached their fiduciary duties to Mrs. Cr [REDACTED] on April 1 and April 6, 2021, when Dawkins based his recommendation to Mrs. Cr [REDACTED] on his own misplaced and conflicted judgment to risk his own money in the illiquid, high risk investments. (Tr. 355, 475 – 479, 501).

761. Dawkins and Elite Wealth breached their fiduciary duties to Mrs. Cr [REDACTED] when Dawkins employed his own version of fiduciary duties. (Tr. 354, 475 – 479, 501). Each individual client has her own unique “situations, needs and objectives.” The reasonable diligence, care and skill of an investment adviser necessarily involves assessing particularities of each individual client. The pervasiveness of Dawkins’ recommendations of his high-risk EWP Permian Basin Fund II notes to such a significant number of his clients with widely varying “situations, needs and objectives” is strong evidence of his disregard for the individualized responsibility in his best interest obligation to Mrs. Cr [REDACTED] and others. (Ex. 14, 84).

762. Dawkins and Elite Wealth knew that Mrs. Cr [REDACTED] was relying on her investment advisers’ fiduciary obligations of care and professional investment experience, and recommended placing an excessive amount of Mrs. Cr [REDACTED]’s net worth and therefore, an excessive concentration of risk in the high risk, illiquid investment. (Tr. 116 – 120).

763. The EWP Permian Basin Fund II subscription agreements and notes issued and sold to Mrs. Cr [REDACTED] on April 1 and April 6, 2021, created a complex structure of rights in the event of default.

764. Regardless of whether the 2020 EWP Permian Basin Fund II – Heartland III Debt Offering memorandum was provided to Mrs. Cr [REDACTED], we have found Mrs. Cr [REDACTED] was not a qualified sophisticated investor with the sufficient experience to understand the complexities of these structures, nor the related merits and risks of the investment. We also conclude that Mrs. Cr [REDACTED]’s interests in any related oil or gas fields is attenuated at best and will make any recovery extraordinarily complicated in default.

765. Certainly by 2021, EWP Permian Basin Fund II’s contravention of the exemption requirements and the implications of fraud should have been apparent to a reasonable competent investment adviser. The violations were readily apparent in 2021, raising significant “red flags” for any reasonably careful, diligent, skillful and attentive investment adviser in circumstance similar to that of Elite Wealth and Dawkins in 2021. We again make note that as specified in 17 CFR 230.506, the conditions of 17 CFR 230.502 must be met in order for a promoter to avail itself of the federal covered security exemption. This includes the provision of relevant financial statement information. Despite that passage of time, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not provide to investors material facts pertaining to the financial condition of the issuer of the securities, EWP Permian Basin Fund II. As in prior recommendations, offerings and sales, this failure to provide annual financial information negates eligibility for the federal covered security exemption, but it is also a violation of Iowa Code 502.501(2) because the facts related to the financial condition of the issuer are “material,” and these omissions made the

statements made concerning future revenues misleading. The willful absence of financial statements provided “red flags” to any reasonably careful, diligent, skillful and attentive investment adviser that the offering was likely a Ponzi scheme. By 2021, Dawkins and Elite Wealth should have known that they were recommending not only a high risk, illiquid private placement to Mrs. Cr [REDACTED], but an offering that had numerous characteristics of a fraudulent Ponzi scheme.

766. Each violation of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II serves as grounds under Iowa Code § 502.412(4)(b) to revoke, suspend, condition, or limit Dawkins’ investment adviser representative registration.

767. Each violation of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II serves as grounds under Iowa Code § 502.412(4)(b) to revoke, suspend, condition, or limit both Elite Wealth’s investment adviser registration and Dawkins’ registration.

768. We conclude that all of the above described conduct and violations of law by Dawkins and Elite Wealth also constitutes a dishonest and unethical practice under Iowa Code §502.412(4)(m) and Iowa Administrative Code rule 191—50.38(1).

769. While we have concluded that Dawkins’ level of training, experience and knowledge was clearly inadequate for him to meet his fiduciary obligations of care and loyalty to Mrs. Cr [REDACTED] and other investors, we do not find that this inadequacy could not be remedied, nor that his general training, experience and knowledge were so inadequate that he is unqualified to hold an Iowa registration under Iowa Code Iowa Code 502.412(4)(n). At this time, we have found that Dawkins has demonstrated that he is wholly unqualified to recommend, offer or sell high risk, illiquid, unregistered and exempt securities.

***M [REDACTED] Cr [REDACTED] Investments***  
***Count 1 – Unregistered Agent – Iowa Code §§ 502.402 and 502.604***

770. We now return to Count 1 in regards to the recommendations, offers, issuance and sales by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mrs. Cr [REDACTED]. The EWP Permian Basin Fund II subscription agreements and notes recommended, offered, issued and sold by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mrs. Cr [REDACTED] are “securities.”

771. Neither Elite Wealth, nor Dawkins were registered with the Division as securities agents when Elite Wealth and Dawkins offered and sold these securities to Mrs. Cr [REDACTED]. See Joint Stipulation of Facts, ¶¶ 3 & 7. Dawkins had been registered with a broker-dealer in the past, and was aware of the requirement under Iowa law to be licensed in order to offer and sell securities. (Tr. 49-50).

772. Elite Wealth and Dawkins did not demonstrate compliance with the requirements for any exemption provided under Iowa Code § 502.402(2). We conclude these exemptions are unavailable to individuals who receive remuneration for their selling efforts. See Iowa Code §§ 502.402(2)(c) & (e) (providing exemptions to registration only where the individual does not

receive compensation in connection with the sale of securities). Elite Wealth and Dawkins received compensation for the sale of the EWP Permian Basin Fund II securities to Mrs. Cr [REDACTED]. (Ex. 8, 12; Tr. 61-62). Indeed, the sale of these securities represented the largest source of Elite Wealth and Dawkins' income. (Ex. 13; Tr. 75).

773. While Dawkins repeatedly testified at hearing that he did not consider himself to be "selling" any securities, Dawkins previously stated in an email to the Division that he "sold" these securities. (Ex. 15). Dawkins also testified that he presented and discussed the EWP Permian Basin Fund II subscription agreements with Mrs. Cr [REDACTED] and each of the Iowa consumers. (Tr. 778-781). Nevertheless, the evidence, including testimony and documents of numerous transactions, was overwhelming that Dawkins was selling securities.

774. Further, in this determination under Count 1, we incorporate all of the foregoing findings and conclusions in this decision.

775. Based on the above facts and conclusions, Elite Wealth, Dawkins and EWP Permian Basin Fund II have each acted as or employed an unregistered agent and violated Iowa Code §502.402(2) on at least one occasion on March 17, 2021, and are each liable for separate securities transactions involving Mrs. Cr [REDACTED] for all necessary and appropriate relief available under Iowa Code § 502.602, including orders to cease and desist violations, to make restitution to Mrs. Cr [REDACTED], and to implement other corrective actions to accomplish compliance with the Iowa Uniform Securities Act.

***M [REDACTED] Cr [REDACTED] Investments***  
***Count 2 – Securities Fraud – Iowa Code §502.501 and 502.604***

776. We now consider the charge of securities fraud under Count 2 in connection with the recommendations, offers and sales of securities by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mrs. Cr [REDACTED].

777. In this determination under Count 2, we incorporate all of the foregoing findings and conclusions in this decision, including the varied methods in which Elite Wealth, Dawkins and EWP Permian Basin Fund II have each violated Iowa Code § 502.501.

778. Based on the above facts and conclusions, Elite Wealth, Dawkins and EWP Permian Basin Fund II, have each committed securities fraud and violated Iowa Code § 502.501 on at least one occasion on March 17, 2021, and are each liable for separate securities transactions involving Mrs. Cr [REDACTED] for all necessary and appropriate relief available under Iowa Code § 502.602, including orders to cease and desist violations, to make restitution to Mrs. Cr [REDACTED], and to implement other corrective actions to accomplish compliance with the Iowa Uniform Securities Act.



**M■■■■ Cr■■ Investments**

**Count 4 – Disciplinary Action on Insurance Producer Licenses of Dawkins and Elite Wealth – Iowa Code §§ 522B.11(1) and 522B.17**

779. We complete our analysis of the conduct of Elite Wealth and Dawkins under Iowa Code §522B.11 in relationship to their transactions with Mrs. Cr■■. As with Count 3, this charge broadly relates to any wrongful conduct that implicates the professional licenses of Dawkins and Elite Wealth. However, this charge implicates the insurance producer licenses of Dawkins and Elite Wealth.

780. Iowa Code § 522B.11(1)(h) provides that the commissioner may place on probation, suspend, or revoke an insurance producer’s license for “[u]sing fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness and/or financial irresponsibility in the conduct of business in this state or elsewhere.” As provided in Iowa Code § 522B.17, the commissioner may also issue cease and desist orders and levy a civil penalty.

781. In this determination under Count 4, we incorporate all of the foregoing findings and conclusions in this decision, including the varied methods in which Elite Wealth and Dawkins, directly or through EWP Permian Basin Fund II, have each violated Iowa Code §§ 502.301, 502.402, 502.501 and 502.502, as well as enumerated securities regulations.

782. We conclude that all of the above described conduct and violations of law by Dawkins and Elite Wealth in regards to transactions involving Mrs. Cr■■ constitute fraudulent and dishonest and unethical practices, and demonstrate incompetence, untrustworthiness and financial irresponsibility in the conduct of business in this state under Iowa Code §522B.11(1)(h).

**M■■ Mo■■ Investment**

**Count 3 – Investment Adviser Disqualifications – Iowa Code §502.412**

783. We now begin our analysis under Iowa Code §502.412 of the conduct of Elite Wealth, Dawkins and EWP Permian Basin Fund II in relationship to their transaction with M■■ Mo■■. Mr. Mo■■ was named as an investor in the Division’s statement of charges. (SOC ¶ 85 – 87).

784. Mr. Mo■■ did not testify.

785. Mr. Mo■■ is married to A■■ Mo■■ and is resident of ■■■■■, Iowa. Mr. Mo■■ is a mechanic employed by ■■■■■ County. (Ex. 58).

786. According to Dawkins, Mr. Mo■■ is Dawkins’ brother-in-law. (Tr. 571). As he told many of his other clients, Dawkins told Mr. Mo■■ in February of 2021 that Dawkins was “spooked about GameStop and removed 100% of [his] money from the market at that time, and [he] suggested that he [Mr. Mo■■] do the same.” (Ex. A). As he told investors, Dawkins told Mr. Mo■■ that he would get back to him if he found anything with “less risk than the market.” As with the others Dawkins stated that “I informed him that I only had one option that I could

find that he could consider.” (Ex. A). Mr. Mc [REDACTED] followed the recommendation of Dawkins and Elite Wealth and invested in EWP Permian Basin Fund II in April of 2021. The recommendation by Dawkins and Elite Wealth involved use of Mr. Mc [REDACTED]’s retirement money that was in a 401k. (Ex 59, A).

787. The transaction by Elite Wealth and Dawkins with Mr. Mc [REDACTED] was limited to one transaction:

Date	Description	Issuer	Amount	Return	Maturity
04/13/2021	Subscription and Note	EWP Permian Basin Fund II, LLC	\$35,000.00	8.5%	04/13/2022

(Ex. 12, 14, 59 and A).

788. Concerning Mr. Mc [REDACTED], Dawkins stated that “[s]ophisticated was the term that Heartland and their predecessor used for qualified but not accredited investors.” (Ex. A).

789. Mr. Mc [REDACTED] had no prior investment knowledge or experience in oil and gas development investments. (Ex. 58 and A).

790. Mr. and Mrs. Mc [REDACTED] signed a customer profile on September 14, 2020, approximately seven months before Mr. Mc [REDACTED] made his investment in EWP Permian Basin Fund II. According to the September 14, 2021 customer profile, Mr. and Mrs. Mc [REDACTED] did not disclose the amount of investible assets, although they indicated they held indexed annuities and mutual funds. (Ex. 58). Mr. and Mrs. Mc [REDACTED] had an annual household income of between \$50,001 and \$100,000, a household net worth between \$100,000 and \$250,000, and household liquid assets of less than \$50,000. (SOC ¶ 85; Answer ¶85; Ex. 58). The gross household monthly income is listed as \$5,500 and monthly expenses of \$2,800. The customer profile indicated that Mr. Mc [REDACTED]’s risk tolerance was “moderate” and investment objective was “growth.” (SOC ¶ 85; Answer ¶85; Ex. 58).

791. Based on the limited investment experience described in his customer profile and Dawkins description of the Mr. Mc [REDACTED]’s suitability, we find Mr. Mc [REDACTED] had very little investment experience with his prior investments being limited to mutual funds. Mr. Mc [REDACTED] lacked of any prior knowledge or experience in high risk and illiquid private placements.

792. Without restating every fact and violation here, we find that many of the unlawful acts or practices by Elite Wealth, Dawkins and EWP Permian Basin Fund II that we found in connection with the EWP Permian Basin Fund II subscription agreements and notes recommended, offered, issued and sold to Mr. Mu [REDACTED], Dr. K [REDACTED], Mrs. I [REDACTED], Dr. G [REDACTED], Mrs. P [REDACTED], Mrs. Cr [REDACTED], Mr. V [REDACTED], Mr. and Mrs. D [REDACTED], Mr. Me [REDACTED], and Mr. Ch [REDACTED] were repeated by Elite Wealth, Dawkins and EWP Permian Basin Fund II in the recommendation, offer, issuance and sale of the April 9, 2021, EWP Permian Basin II subscription agreement and note to Mr. Mc [REDACTED]. (Ex. 12, A).

793. From Dawkins’ own description of Mr. Mc [REDACTED]’s circumstance and a review of his customer profile, it is clear that Mr. Mc [REDACTED] was not a qualified sophisticated investor as that phrase is interpreted by law, and as such, Elite Wealth, Dawkins and EWP Permian Basin Fund

It did not comply with the requirements of 17 CFR 230.506(b)(2)(ii). Mr. M [REDACTED] had very little investment experience with her prior investments being limited to mutual funds. Dawkins' statements in the record make clear that Mr. M [REDACTED] lacked of any prior knowledge or experience in high risk and illiquid private placements. Without this experience or proven knowledge of private placements, we find that Mr. M [REDACTED] did not understand these risks or the complexity of private placement offerings.

794. On April 9, 2021, Dawkins and Elite Wealth offered to Mr. M [REDACTED] a subscription agreement issued by EWP Permian Basin Fund II for an unsecured promissory note.

795. As with the 2020 – 2021 EWP 12-month 8.5% Permian Basin Fund II investments in a \$5,000,000 fund of 200 Units with each unit offered at \$25,000 per unit to Mr. M [REDACTED], Dr. K [REDACTED], Mrs. L [REDACTED], Dr. G [REDACTED], Mr. V [REDACTED], Mr. and Mrs. D [REDACTED], Mr. Me [REDACTED], Mr. Ch [REDACTED], Mr. J [REDACTED], Mrs. Mc [REDACTED] and Mr. R [REDACTED] based on the whole of the evidence we conclude that this offer around April 9, 2021, to Mr. M [REDACTED] was represented by Dawkins and Elite Wealth as an offering of a \$5,000,000 fund of 200 Units with each unit offered at \$25,000 per unit. (Ex. 9).

796. The April 9, 2021, subscription agreement presented the following qualification requirements to Mr. M [REDACTED]:

Sophisticated Investor. The Subscriber shall be deemed to be a Sophisticated Investor if:

Qualified Sophisticated Investor: To be a qualified sophisticated investor, an investor must represent that it has a sufficient degree of sophistication to understand and evaluate the merits and risks associated with an investment in the Note and (a) its overall commitment to investments which are not readily marketable is not disproportionate to its net worth and its investment in the Note will not cause such overall commitment to become excessive; (b) it has adequate net worth and means of providing for any current needs and contingencies such that it is able to sustain a complete loss of its investment in the Note, and it has no such need for liquidity in this investment; (c) it has evaluated the risk of investing in the Note and the Company; and (d) it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risk of an investment in the Note and the Company. The information must be represented in the Subscription Agreement. The Subscriber affirms the preceding statements and has reviewed the terms herein and in the Private Placement Memorandum to their satisfaction.

Yes Q          No Q

797. The subscription agreement was checked “yes” in response to the qualification requirements as a “sophisticated investor” at the time of Mr. M [REDACTED]'s investment.

798. As with the others, we are not persuaded simply because an answer box on the subscription agreement is checked. The evidence received, as well as the similar circumstances involving all of the other investors, supports the finding that Mr. M [REDACTED] had no knowledge of and experience in high risk and illiquid private placements, and was not in fact a “qualified

sophisticated investor.” (Ex. 58, A). For most purposes under Iowa Code § 599.1, the age of majority in Iowa is eighteen, but the age of majority does not determine whether an individual is a qualified sophisticated investor. Dawkins’ misplaced idea that being “an adult” (Tr. 355, 386, 389, 390, 395, 402, 412, 413, 419, 560 and 570) – whether as a high school senior as Ms. S█████ – or with 15 years of experience investing in a mutual fund as Mr. Mo█████ – does not qualify an individual as a “qualified sophisticated investor.” Any reasonably competent investment adviser should know this.

799. Giving Dawkins and Elite Wealth the benefit of reasonable inference, we conclude he would assert that the offer and sale to Mr. Mo█████ was exempt from registration under federal regulation 17 CFR 230.506(c)(2)(ii)(B).

800. Dawkins, Elite Wealth and EWP Permian Basin Fund II did not carry their burden of proof that they have complied with the conditions of this exemption. We have found that Mr. Mo█████ did not possess sufficient knowledge or experience to evaluate the potential risks, rewards and costs of these high risk, illiquid investments and was not a qualified sophisticated investor as that phrase is interpreted by law, and as such, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with the requirements of 17 CFR 230.506(b)(2)(ii).

801. Elite Wealth and Dawkins had a fiduciary duty to know and, in fact, did know that Mr. Mo█████ did not have “such knowledge and experience in financial and business matters that [he was] capable of evaluating the merits and risk of an investment in the Note and the Company.” Dawkins and Elite Wealth disregarded this fact known to them and made the high-risk recommendation to Mr. Mo█████ anyway.

802. Mr. Mo█████ signed a subscription agreement with EWP Permian Basin Fund II, not dated, but on or about April 9, 2021, to purchase a one-year note for \$35,000.00 at 8.5% annual interest. (SOC ¶ 87, Answer ¶ 87, Ex. 59). From that amount, Dawkins and Elite Wealth received \$1,750.00 in compensation. (Ex. 12).

803. On April 13, 2021, EWP Permian Basin Fund II, under the authority of Dawkins as the fund manager, issued an unsecured promissory note to Mr. Mo█████. (Ex. 12, 59, A).

804. Dawkins, and Elite Wealth did not file with the Division the required “Form D, Notice of Exempt Offering of Securities” for the 12-month subscription agreements and notes issued by EWP Permian Basin Fund II and sold to Mr. Mo█████. (Tr. 54-55). Without the required Reg D filing under Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 and other proof of compliance with the federal covered security exemption under Iowa Code § 502.503, we find Dawkins, Elite Wealth and EWP Permian Basin Fund II have not carried their burden of proving the applicability of the Regulation D federal exemption, and have therefore violated Iowa Code § 502.301, when the 12-month subscription agreement and note of \$35,000 was unlawfully recommended, offered, issued and sold to Mr. Mo█████ on April 9 – 13, 2021.

805. We find from all the evidence that Elite Wealth, Dawkins and EWP Permian Basin Fund II had reckless disregard for whether the security recommended, offered, issued and sold on April 9 – 13, 2021, to Mr. Mo█████ was registered or exempt from registration. Dawkins lacked

sufficient expertise to know whether or not the EWP Permian Basin Fund II offerings were lawful.

806. Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 in the recommendation, offer, issuance and sale of the EWP Permian Basin Fund II subscription agreement and unsecured note to Mr. Mo█ on April 9 – 13, 2021.

807. We find Elite Wealth, Dawkins and EWP Permian Basin Fund II did not demonstrate compliance with federal covered security requirements, and, in fact, did violate Iowa Code §502.301, when the EWP Permian Basin Fund II subscription agreement and note was unlawfully recommended, offered, issued and sold to Mr. Mo█ on April 9 – 19, 2021. This violation subjects Elite Wealth and Dawkins to disciplinary action under Iowa Code §502.412(4)(b).

808. We also conclude that the material representations made by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. Mo█ and other investors concerning the exemption from registration were untrue, and as securities fraud, violated Iowa Code §502.501(2). The facts concerning registration and exemption were material to investors, the statements were untrue, and were willfully made by Elite Wealth, Dawkins and EWP Permian Basin Fund II.

809. We conclude that in recommending, offering and selling this April 9 – 13, 2021, subscription agreement and note, which was unregistered, non-exempt and unlawful, Dawkins and Elite Wealth, failed to exercise the reasonable diligence, care and skill of an investment adviser in understanding and evaluating the potential risks, rewards, and costs associated with their recommendation and in so doing, breached their fiduciary duty of reasonable care. This breach of fiduciary duty constituted an act, practice, and course of business “that operates or would operate as a fraud or deceit upon” Mr. Mo█.

810. Dawkins and Elite Wealth, engaged in an act, practice, and course of business “that operates or would operate as a fraud or deceit upon another person” in violation of Iowa Code §§502.501(3) and 502.502(1)(b), when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary duty of care by recommending, offering and selling to Mr. Mo█ on April 9 – 13, 2021, an unlawful unregistered and non-exempt security.

811. Dawkins and Elite Wealth also engaged in practices and courses of business that operated as fraud upon Mr. Mo█ in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care by disregarding their obligation to demonstrate a registered investment adviser’s “reasonable diligence, care and skill” in fulfilling their best interest care obligation to Mr. Mo█ and others. (Ex. 14).

812. Dawkins and Elite Wealth engaged in an act, practice and course of business that operated, or would operate as fraud or deceit upon Mr. Mo█ in violation of Iowa Code §§502.501(3) and 502.502(1)(b) when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary obligations of care when they

failed to comply with the conditions required for a federal covered security exemption in offering and selling the April 9 – 13, 2021, subscription agreement and note.

813. We again make note that as specified in 17 CFR §230.506, the conditions of 17 CFR §230.502 must be met in order for a promoter to avail itself of the federal covered security exemption. This includes the provision of financial statement information. Elite Wealth, Dawkins and EWP Permian Basin Fund II also omitted material facts pertaining to the financial condition of the issuer and maker of the notes, EWP Permian Basin Fund II in offering and selling the April 9 – 13, 2021, subscription agreement and note to Mr. Mo█. This failure negates eligibility for the federal covered security exemption, but it is also a violation of Iowa Code 502.501(2) because the facts related to the financial condition of the issuer are “material,” and the omissions made the statements made concerning future revenues misleading.

814. The EWP Permian Basin Fund II subscription agreement and note on April 9 – 13, 2021, recommended, issued and sold to Mr. Mo█ created a complex structure of rights in the event of default. While the evidence is not clear whether Mr. Mo█ had received an offering memorandum, Mr. Mo█ was not a qualified sophisticated investor with the sufficient experience to understand the complexities of these structures. Nor could he understand the complexity of the investment structure of rights in the event of default. Mr. Mo█ was not a qualified sophisticated investor with sufficient experience to appreciate the risks of Dawkins’ conflicted recommendation of a \$35,000 investment in debt units issued by a “recently formed” company with “no operating history upon which [he] may evaluate its business and prospects” managed by an individual who believed that the primary purpose of forming the issuer was so that he “could deduct [his] fees.” In fact, the first time any financial statements for EWP Permian Basin Fund II were prepared and made available to investors was after the Commissioner ordered them from Respondents on October 25, 2023. Mr. Mo█ did not have sufficient information and experience to understand and appreciate the conflict of interest that Dawkins and Elite Wealth had created by recommending a private placement with a potential \$35,000 personal liability by Dawkins as the fund manager of his own limited liability company, EWP Permian Basin Fund II, the issuer of the security.

815. Dawkins and Elite Wealth also engaged in practices and courses of business that operated as fraud in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care when they recommended and sold to Mr. Mo█ the April 9 – 13, 2021, subscription agreement and note. Dawkins and Elite Wealth knew this high risk and illiquid investment was not in the best interest of Mr. Mo█, because Mr. Mo█ did not have sufficient experience in oil and gas speculation and complex unregistered private placement offerings to evaluate the merits and risk of the investment; neither did Elite Wealth or Dawkins have a reasonable basis to believe the recommended EWP Permian Basin Fund II subscription agreement and note effectively addressed Mr. Mo█’s financial situation, insurance needs and financial objectives.

816. There were no assets securing the EWP Permian Basin Fund II notes. Neither Dawkins, Elite Wealth or EWP Permian Basin Fund II, provided financial statements of the issuer to Mr. Mo█ or other investors.

817. Dawkins and Elite Wealth breached their fiduciary duties to Mr. Mo█ on April 9 – 13, 2021, when Dawkins recommended the very high-risk investment of \$35,000 in debt units issued by a “recently formed” company with “no operating history upon which you may evaluate its business and prospects” managed by an individual who believed that the primary purpose of forming the issuer was so that he “could deduct [his] fees.”

818. Dawkins and Elite Wealth breached their fiduciary duties to Mr. Mo█ on April 9 – 13, 2021, when Dawkins based his recommendation to Mr. Mo█ on his own misplaced and conflicted judgment to risk his own money in the illiquid, high risk investments. (Tr. 355, 475 – 479, 501).

819. Dawkins and Elite Wealth breached their fiduciary duties to Mr. Mo█ when Dawkins employed his own version of fiduciary duties. (Tr. 354, 475 – 479, 501). Each individual client has his own unique “situations, needs and objectives.” The reasonable diligence, care and skill of an investment adviser necessarily involves assessing particularities of each individual client. The pervasiveness of Dawkins’ recommendations of his high-risk EWP Permian Basin Fund II notes to such a significant number of his clients with widely varying “situations, needs and objectives” is strong evidence of his disregard for the individualized responsibility in his best interest obligation to Mr. Mo█ and others. (Ex. 14).

820. Dawkins and Elite Wealth knew that Mr. Mo█ was relying on his investment advisers’ fiduciary obligations of care and professional investment experience, and recommended placing an excessive amount of Mr. Mo█’s net worth and therefore, an excessive concentration of risk in the high risk, illiquid investment. (Tr. 140 – 141).

821. The EWP Permian Basin Fund II subscription agreement and note issued and sold to Mr. Mo█ on April 9 – 13, 2021, created a complex structure of rights in the event of default.

822. Regardless of whether the 2020 EWP Permian Basin Fund II – Heartland III Debt Offering memorandum was provided to Mr. Mo█, we have found Mr. Mo█ was not a qualified sophisticated investor with the sufficient experience to understand the complexities of these structures, nor the related merits and risks of the investment. We also conclude that Mr. Mo█’s interests in any related oil or gas fields is attenuated at best and will make any recovery extraordinarily complicated in default.

823. Certainly by 2021, EWP Permian Basin Fund II’s contravention of the exemption requirements and the implications of fraud should have been apparent to a reasonable competent investment adviser. The violations were readily apparent in 2021, raising significant “red flags” for any reasonably careful, diligent, skillful and attentive investment adviser in circumstance similar to that of Elite Wealth and Dawkins in 2021. We again make note that as specified in 17 CFR 230.506, the conditions of 17 CFR 230.502 must be met in order for a promoter to avail itself of the federal covered security exemption. This includes the provision of relevant financial statement information. Despite that passage of time, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not provide to investors material facts pertaining to the financial condition of the issuer of the securities, EWP Permian Basin Fund II. As in prior recommendations, offerings and sales, this failure to provide annual financial information negates eligibility for the federal covered security exemption, but it is also a violation of Iowa Code 502.501(2) because the facts

related to the financial condition of the issuer are “material,” and these omissions made the statements made concerning future revenues misleading. The willful absence of financial statements provided “red flags” to any reasonably careful, diligent, skillful and attentive investment adviser that the offering was likely a Ponzi scheme. By 2021, Dawkins and Elite Wealth should have known that they were recommending not only a high risk, illiquid private placement to Mr. Mo█, but an offering that had numerous characteristics of a fraudulent Ponzi scheme.

824. Each violation of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II serves as grounds under Iowa Code § 502.412(4)(b) to revoke, suspend, condition, or limit Dawkins’ investment adviser representative registration.

825. Each violation of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II serves as grounds under Iowa Code § 502.412(4)(b) to revoke, suspend, condition, or limit both Elite Wealth’s investment adviser registration and Dawkins’ registration.

826. We conclude that all of the above described conduct and violations of law by Dawkins and Elite Wealth also constitutes a dishonest and unethical practice under Iowa Code §502.412(4)(m) and Iowa Administrative Code rule 191—50.38(1).

827. While we have concluded that Dawkins’ level of training, experience and knowledge was clearly inadequate for him to meet his fiduciary obligations of care and loyalty to Mr. Mo█ and other investors, we do not find that this inadequacy could not be remedied, nor that his general training, experience and knowledge were so inadequate that he is unqualified to hold an Iowa registration under Iowa Code Iowa Code 502.412(4)(n). At this time, we have found that Dawkins has demonstrated that he is wholly unqualified to recommend, offer or sell high risk, illiquid, unregistered and exempt securities.

***Mo█ Mo█ Investment***  
***Count 1 – Unregistered Agent – Iowa Code §§ 502.402 and 502.604***

828. We now return to Count 1 in regards to the recommendation, offer, issuance and sale of securities by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. Mo█. The EWP Permian Basin Fund II subscription agreement and note recommended, offered, issued and sold by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. Mo█ are “securities.”

829. Neither Elite Wealth, nor Dawkins were registered with the Division as securities agents when Elite Wealth and Dawkins offered and sold these securities to Mr. Mo█. *See* Joint Stipulation of Facts, ¶¶ 3 & 7. Dawkins had been registered with a broker-dealer in the past, and was aware of the requirement under Iowa law to be licensed in order to offer and sell securities. (Tr. 49-50).

830. Elite Wealth and Dawkins did not demonstrate compliance with the requirements for any exemption provided under Iowa Code § 502.402(2). We conclude these exemptions are unavailable to individuals who receive remuneration for their selling efforts. *See* Iowa Code §§



502.402(2)(c) & (e) (providing exemptions to registration only where the individual does not receive compensation in connection with the sale of securities). Elite Wealth and Dawkins received compensation for the sale of the EWP Permian Basin Fund II securities to Mr. Mo█. (Ex. 8, 12; Tr. 61-62). Indeed, the sale of these securities represented the largest source of Elite Wealth and Dawkins' income. (Ex. 13; Tr. 75).

831. While Dawkins repeatedly testified at hearing that he did not consider himself to be “selling” any securities, Dawkins previously stated in an email to the Division that he “sold” these securities. (Ex. 15). Dawkins also testified that he presented and discussed the EWP Permian Basin Fund II subscription agreements with Mr. Mo█ and each of the Iowa consumers. (Tr. 778–781). Nevertheless, the evidence, including testimony and documents of numerous transactions, was overwhelming that Dawkins was selling securities.

832. Further, in this determination under Count 1, we incorporate all of the foregoing findings and conclusions in this decision.

833. Based on the above facts and conclusions, Elite Wealth, Dawkins and EWP Permian Basin Fund II have each acted as or employed an unregistered agent and violated Iowa Code §502.402(2) on at least one occasion on April 13, 2021, and are each liable for separate securities transactions involving Mr. Mo█ for all necessary and appropriate relief available under Iowa Code § 502.602, including orders to cease and desist violations, to make restitution to Mr. Mo█, and to implement other corrective actions to accomplish compliance with the Iowa Uniform Securities Act.

***Mo█ Mo█ Investment***  
***Count 2 – Securities Fraud – Iowa Code §502.501 and 502.604***

834. We now consider the charge of securities fraud under Count 2 in connection with the recommendation, offer and sale of securities by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. Mo█.

835. In this determination under Count 2, we incorporate all of the foregoing findings and conclusions in this decision, including the varied methods in which Elite Wealth, Dawkins and EWP Permian Basin Fund II have each violated Iowa Code § 502.501.

836. Based on the above facts and conclusions, Elite Wealth, Dawkins and EWP Permian Basin Fund II, have each committed securities fraud and violated Iowa Code § 502.501 on at least one occasion on April 13, 2021, and are each liable for separate securities transactions involving Mr. Mo█ for all necessary and appropriate relief available under Iowa Code § 502.602, including orders to cease and desist violations, to make restitution to Mr. Mo█, and to implement other corrective actions to accomplish compliance with the Iowa Uniform Securities Act.

**M ■ ■ ■ Investment**

**Count 4 – Disciplinary Action on Insurance Producer Licenses of Dawkins and Elite Wealth – Iowa Code §§ 522B.11(1) and 522B.17**

837. We complete our analysis of the conduct of Elite Wealth and Dawkins under Iowa Code §522B.11 in relationship to their transactions with Mr. Mo ■ ■ ■. As with Count 3, this charge broadly relates to any wrongful conduct that implicates the professional licenses of Dawkins and Elite Wealth. However, this charge implicates the insurance producer licenses of Dawkins and Elite Wealth.

838. Iowa Code § 522B.11(1)(h) provides that the commissioner may place on probation, suspend, or revoke an insurance producer’s license for “[u]sing fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness and/or financial irresponsibility in the conduct of business in this state or elsewhere.” As provided in Iowa Code § 522B.17, the commissioner may also issue cease and desist orders and levy a civil penalty.

839. In this determination under Count 4, we incorporate all of the foregoing findings and conclusions in this decision, including the varied methods in which Elite Wealth and Dawkins, directly or through EWP Permian Basin Fund II, have each violated Iowa Code §§ 502.301, 502.402, 502.501 and 502.502, as well as enumerated securities regulations.

840. We conclude that all of the above described conduct and violations of law by Dawkins and Elite Wealth in regards to transactions involving Mr. Mo ■ ■ ■ constitute fraudulent and dishonest and unethical practices, and demonstrate incompetence, untrustworthiness and financial irresponsibility in the conduct of business in this state under Iowa Code §522B.11(1)(h).

**P ■ J ■ ■ ■ Investment**

**Count 3 – Investment Adviser Disqualifications – Iowa Code §502.412**

841. We now begin our analysis under Iowa Code §502.412 of the conduct of Elite Wealth, Dawkins and EWP Permian Basin Fund II in relationship to their transaction with P ■ J ■ ■ ■. Mr. J ■ ■ ■ was named as an investor in the Division’s statement of charges. (SOC ¶ 62 – 65).

842. Mr. P ■ J ■ ■ ■ was called to testify by the defense. (Tr. 702 – 729). Mr. J ■ ■ ■ also made statements during a telephone interview by Division Investigator Elijah Hansen on November 8, 2021. (Ex. 39).

843. Mr. J ■ ■ ■ is a resident of Omaha, Nebraska. Mr. J ■ ■ ■ is 72 years old and retired in October of 2021 after a career in the telecommunications industry. (Tr. 703 – 704; Ex. 56).

844. Mr. J ■ ■ ■ is married to L ■ ■ J ■ ■ ■ and was a resident of Iowa. Mrs. J ■ ■ ■’s work and full investment experience are not known. (Ex. 37).

845. According to Dawkins, he began offering investment advice to Mr. J ■ ■ ■ in 2020. (Ex. A). Mr. J ■ ■ ■ was interested in moving his 401k and “pension money” over into an IRA. (Tr.

705; Ex. 39). According to Dawkins, Mr. J. [REDACTED] initially responded to an annuity solicitation by electronic mail sent by Dawkins' marketing organization. This is consistent with Mr. J. [REDACTED]'s statements to the Division investigator. According to Dawkins, Mr. J. [REDACTED] was "a very knowledgeable investor." Dawkins approached him about "Heartland" in April of 2021. (Ex. A). However, we note that unlike other with less sophisticated investors, "Heartland" was not described by Dawkins and Elite Wealth as the only option, but was discussed as one option among others. (Tr. 722-723).

846. Dawkins and Elite Wealth made the recommendation Mr. J. [REDACTED] invest in EWP Permian Basin Fund II in April of 2021. The recommendation by Dawkins and Elite Wealth involved use of Mr. J. [REDACTED]'s retirement money that was in a 401k. (Ex. 39, A).

847. The transaction by Elite Wealth and Dawkins with Mr. J. [REDACTED] was limited to one transaction:

Date	Description	Issuer	Amount	Return	Maturity
04/15/2021	Subscription and Note	EWP Permian Basin Fund II, LLC	\$100,000.00	8.5%	04/15/2022

(Ex. 12, 14, 38 and A).

848. Mr. J. [REDACTED], although he had broad investment experience and was a "sophisticated investor" in the opinion of the Division's examiner, he had no prior investment knowledge or experience in oil and gas development private placement investments. (Tr. 115; Ex. 37, 39, and A).

849. When first interviewed by Investigator Hansen, Mr. J. [REDACTED] was uncertain, as were many of the other investors, as to whether he had received an offering memorandum, but stated that he "was sure if it was required by law." (Ex. 39). At the hearing Mr. J. [REDACTED] under questioning by respondents' attorney, Mr. J. [REDACTED] testified that he had received "an offering memorandum," but neither party ever asked Mr. J. [REDACTED] to even identify this "offering memorandum." (Tr. 708). From the hesitation in Mr. J. [REDACTED]'s voice in his interview and the lack of foundation for the question about a nondescript document, we are inconclusive about whether or not Mr. J. [REDACTED] received, read or understood the offering memorandum for the EWP Permian Basin Fund II subscription agreement and notes in the \$5,000,000 fund of 200 Units with each unit offered at \$25,000 per unit. (Tr. 309; Ex. 9, 39).

850. Mr. and Mrs. J. [REDACTED] signed a customer profile on September 15, 2021, five months after Mr. J. [REDACTED] made his investment in EWP Permian Basin Fund II. According to the September 15, 2021, customer profile, Mr. J. [REDACTED] had \$280,000 of investible assets in stocks, bonds and mutual funds. (Ex. 37, 39). Mr. and Mrs. J. [REDACTED] had approximately \$106,000 in annuities and \$62,000 in assets under management with Elite Wealth. (SOC ¶ 63; Answer ¶ 63). Mr. and Mrs. J. [REDACTED] had an annual household income of between \$50,001 and \$100,000, a household net worth of between \$100,000 and \$250,000, and household liquid assets of less than \$50,000. (SOC ¶ 62; Answer ¶ 62; Ex. 37). The gross household monthly income is listed as \$6,500 and monthly expenses of \$3,000. The customer profile also indicated that Mr. J. [REDACTED]'s risk tolerance was "low" and investment objective was "growth and income."

851. Based on the investment experience described in Mr. J. [REDACTED]'s testimony, in his customer profile and his statements to Investigator Hansen, we find Mr. J. [REDACTED] had significant investment experience with his prior investments being in stocks and mutual funds. However, the whole of the evidence, including Mr. J. [REDACTED]'s testimony and statements to Investigator Hansen, we find that Mr. J. [REDACTED] lacked of any prior knowledge or experience in high risk and illiquid private placements. (Ex. 39; Tr. 715-716).

852. Without restating every fact and violation here, we find that many of the unlawful acts or practices by Elite Wealth, Dawkins and EWP Permian Basin Fund II that we found in connection with the EWP Permian Basin Fund II subscription agreements and notes recommended, offered, issued and sold to Mr. M. [REDACTED], Dr. K. [REDACTED], Mrs. L. [REDACTED], Dr. G. [REDACTED], Mrs. P. [REDACTED], Mrs. C. [REDACTED], Mr. V. [REDACTED], Mr. and Mrs. D. [REDACTED], Mr. M. [REDACTED], Mr. Ch. [REDACTED], and Mr. M. [REDACTED] were repeated by Elite Wealth, Dawkins and EWP Permian Basin Fund II in the recommendation, offer, issuance and sale of the April 15, 2021, EWP Permian Basin II subscription agreement and note to Mr. J. [REDACTED]. (Ex. 12 and A).

853. From Mr. J. [REDACTED]'s testimony, his statements to Investigator Hansen, and a review of his customer profile, we conclude that Mr. J. [REDACTED] was not a qualified sophisticated investor as that phrase is interpreted by law, and as such, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with the requirements of 17 CFR 230.506(b)(2)(ii). Mr. J. [REDACTED] had substantial investment experience in stocks and mutual funds, but no prior knowledge or experience in high risk and illiquid private placements.

854. On April 15, 2021, Dawkins and Elite Wealth offered to Mr. J. [REDACTED] a subscription agreement issued by EWP Permian Basin Fund II for an unsecured promissory note.

855. As with the 2020 – 2021 EWP 12-month 8.5% Permian Basin Fund II investments in a \$5,000,000 fund of 200 Units with each unit offered at \$25,000 per unit to Mr. M. [REDACTED], Dr. K. [REDACTED], Mrs. L. [REDACTED], Dr. G. [REDACTED], Mr. V. [REDACTED], Mr. and Mrs. D. [REDACTED], Mr. M. [REDACTED], Mr. Ch. [REDACTED], Mr. M. [REDACTED], Mrs. M. [REDACTED] and Mr. R. [REDACTED], based on the whole of the evidence we conclude that this offer around April 15, 2021, to Mr. J. [REDACTED] was represented by Dawkins and Elite Wealth as an offering of a \$5,000,000 fund of 200 Units with each unit offered at \$25,000 per unit. (Ex. 9).

856. The April 15, 2021, subscription agreement presented the following qualification requirements to Mr. J. [REDACTED]:

Sophisticated Investor. The Subscriber shall be deemed to be a Sophisticated Investor if:

Qualified Sophisticated Investor: To be a qualified sophisticated investor, an investor must represent that it has a sufficient degree of sophistication to understand and evaluate the merits and risks associated with an investment in the Note and (a) its overall commitment to investments which are not readily marketable is not disproportionate to its net worth and its investment in the Note will not cause such overall commitment to become excessive; (b) it has adequate net worth and means of providing for any current needs and contingencies such

that it is able to sustain a complete loss of its investment in the Note, and it has no such need for liquidity in this investment; (c) it has evaluated the risk of investing in the Note and the Company; and (d) it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risk of an investment in the Note and the Company. The information must be represented in the Subscription Agreement. The Subscriber affirms the preceding statements and has reviewed the terms herein and in the Private Placement Memorandum to their satisfaction.

Yes  No

857. The subscription agreement was checked “yes” in response to the qualification requirements as a “sophisticated investor” at the time of Mr. J. [REDACTED]’s investment.

858. As with the others, we are not persuaded by which answer box on the subscription agreement is checked. The evidence as a whole reveals that Dawkins, Elite Wealth and EWP Permian Basin Fund II disregarded their responsibility to evaluate each investor’s qualification as a “qualified sophisticated investor.” Mr. J. [REDACTED] had no prior experience and no knowledge about high risk and illiquid oil and gas development private placements. (Ex. 30, 32).

859. Giving Dawkins and Elite Wealth the benefit of reasonable inference, we conclude he would assert that the offer and sale to Mr. J. [REDACTED] was exempt from registration under federal regulation 17 CFR 230.506(c)(2)(ii)(B).

860. Dawkins, Elite Wealth and EWP Permian Basin Fund II did not carry their burden of proof that they have complied with the conditions of this exemption. We have found from Mr. [REDACTED]’s testimony and statements that he did not possess sufficient knowledge or experience to evaluate the potential risks, rewards and costs of these high risk, illiquid investments and was not a qualified sophisticated investor as that phrase is interpreted by law, and as such, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with the requirements of 17 CFR 230.506(b)(2)(ii).

861. Mr. J. [REDACTED] e-signed a subscription agreement with EWP Permian Basin Fund II on April 15, 2021, to purchase a one-year note for \$100,000.00 at 8.5% annual interest. (SOC ¶ 64, Answer ¶ 64, Ex. 38). From that amount, Dawkins and Elite Wealth received \$5,000.00 in compensation. (Ex. 12).

862. On April 15, 2021, EWP Permian Basin Fund II, under the authority of Dawkins as the fund manager, issued an unsecured promissory note to Mr. J. [REDACTED]. (Ex. 12, 38, A).

863. Dawkins, and Elite Wealth did not file with the Division the required “Form D, Notice of Exempt Offering of Securities” for the 12-month subscription agreements and notes issued by EWP Permian Basin Fund II and sold to Mr. J. [REDACTED]. (Tr. 54-55). Without the required Reg D filing under Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 and other proof of compliance with the federal covered security exemption under Iowa Code § 502.503, we find Dawkins, Elite Wealth and EWP Permian Basin Fund II have not carried their burden of proving the applicability of the Regulation D federal exemption, and have therefore violated Iowa Code §

502.301, when the 12-month subscription agreement and note of \$100,000 was unlawfully recommended, offered, issued and sold to Mr. J [REDACTED] on April 15, 2021.

864. We find from all the evidence that Elite Wealth, Dawkins and EWP Permian Basin Fund II had reckless disregard for whether the security recommended, offered, issued and sold on April 15, 2021, to Mr. J [REDACTED] was registered or exempt from registration. Dawkins lacked sufficient expertise to know whether or not the EWP Permian Basin Fund II offerings were lawful.

865. Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 in the recommendation, offer, issuance and sale of the EWP Permian Basin Fund II subscription agreement and unsecured note to Mr. J [REDACTED] on April 15, 2021.

866. We find Elite Wealth, Dawkins and EWP Permian Basin Fund II did not demonstrate compliance with federal covered security requirements, and, in fact, did violate Iowa Code §502.301, when the EWP Permian Basin Fund II subscription agreement and note was unlawfully recommended, offered, issued and sold to Mr. J [REDACTED] on April 15, 2021. This violation subjects Elite Wealth and Dawkins to disciplinary action under Iowa Code §502.412(4)(b).

867. We also conclude that the material representations made by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. J [REDACTED] and other investors concerning the exemption from registration were untrue, and as securities fraud, violated Iowa Code §502.501(2). The facts concerning registration and exemption were material to investors, the statements were untrue, and were willfully made by Elite Wealth, Dawkins and EWP Permian Basin Fund II.

868. We conclude that in recommending, offering and selling this April 15, 2021, subscription agreement and note, which was unregistered, non-exempt and unlawful, Dawkins and Elite Wealth, failed to exercise the reasonable diligence, care and skill of an investment adviser in understanding and evaluating the potential risks, rewards, and costs associated with their recommendation and in so doing, breached their fiduciary duty of reasonable care. This breach of fiduciary duty constituted an act, practice, and course of business “that operates or would operate as a fraud or deceit upon” Mr. J [REDACTED].

869. Dawkins and Elite Wealth, engaged in an act, practice, and course of business “that operates or would operate as a fraud or deceit upon another person” in violation of Iowa Code §§502.501(3) and 502.502(1)(b), when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary duty of care by recommending, offering and selling to Mr. J [REDACTED] on April 15, 2021, an unlawful unregistered and non-exempt security.

870. Dawkins and Elite Wealth also engaged in practices and courses of business that operated as fraud upon Mr. J [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care by disregarding their obligation to demonstrate a registered investment adviser’s “reasonable diligence, care and skill” in fulfilling their best interest care obligation to Mr. J [REDACTED] and others. (Ex. 14).

871. Dawkins and Elite Wealth engaged in an act, practice and course of business that operated, or would operate as fraud or deceit upon Mr. J. [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b) when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary obligations of care when they failed to comply with the conditions required for a federal covered security exemption in offering and selling the April 15, 2021, subscription agreement and note.

872. We again make note that as specified in 17 CFR §230.506, the conditions of 17 CFR §230.502 must be met in order for a promoter to avail itself of the federal covered security exemption. This includes the provision of financial statement information. Elite Wealth, Dawkins and EWP Permian Basin Fund II also omitted material facts pertaining to the financial condition of the issuer and maker of the notes, EWP Permian Basin Fund II in offering and selling the April 15, 2021, subscription agreement and note to Mr. J. [REDACTED]. (Tr. 720 – 721). This failure negates eligibility for the federal covered security exemption, but it is also a violation of Iowa Code 502.501(2) because the facts related to the financial condition of the issuer are “material,” and the omissions made the statements made concerning future revenues misleading.

873. The EWP Permian Basin Fund II subscription agreement and note on April 15, 2021, recommended, issued and sold to Mr. J. [REDACTED] created a complex structure of rights in the event of default. Mr. J. [REDACTED] testimony suggested he had reviewed some information about the financial condition of EWP Permian Basin Fund II, but we know that is not true because it was not made available to any investor. (Tr. 720-722). Mr. J. [REDACTED] did not understand the complexity of the investment structure of rights in the event of default. Mr. J. [REDACTED] did not have sufficient information to appreciate the risks of Dawkins’ conflicted recommendation of a \$100,000 investment in debt units issued by a “recently formed” company with “no operating history upon which [he] may evaluate its business and prospects” managed by an individual who believed that the primary purpose of forming the issuer was so that he “could deduct [his] fees.” In fact, the first time any financial statements for EWP Permian Basin Fund II were prepared and made available to investors was after the Commissioner ordered them from Respondents on October 25, 2023. Although Mr. J. [REDACTED] is a sophisticated investor in stocks and mutual fund, he did not have sufficient information and experience to understand and appreciate the conflict of interest that Dawkins and Elite Wealth had created by recommending a private placement with a potential \$100,000 personal liability by Dawkins as the fund manager of his own limited liability company, EWP Permian Basin Fund II, the issuer of the security.

874. Dawkins and Elite Wealth also engaged in practices and courses of business that operated as fraud in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care when they recommended and sold to Mr. J. [REDACTED] the April 15, 2021, subscription agreement and note. Dawkins and Elite Wealth should have known this high risk and illiquid investment was not in the best interest of Mr. J. [REDACTED], because Mr. J. [REDACTED] did not have sufficient information concerning this oil and gas speculation and complex unregistered private placement offerings to evaluate the merits and risk of the investment; neither did Elite Wealth or Dawkins have a reasonable basis to believe the recommended EWP Permian Basin Fund II subscription agreement and note effectively addressed Mr. J. [REDACTED]’s financial situation, insurance needs and financial objectives.

875. There were no assets securing the EWP Permian Basin Fund II notes. Neither Dawkins, Elite Wealth or EWP Permian Basin Fund II, provided financial statements of the issuer to Mr. J [REDACTED] or other investors.

876. Dawkins and Elite Wealth breached their fiduciary duties to Mr. J [REDACTED] on April 15, 2021, when Dawkins recommended the very high-risk investment of \$100,000 in debt units issued by a “recently formed” company with “no operating history upon which you may evaluate its business and prospects” managed by an individual who believed that the primary purpose of forming the issuer was so that he “could deduct [his] fees.”

877. Dawkins and Elite Wealth breached their fiduciary duties to Mr. J [REDACTED] on April 15, 2021, when Dawkins based his recommendation to Mr. J [REDACTED] on his own misplaced and conflicted judgment to risk his own money in the illiquid, high risk investments. (Tr. 355, 475 – 479, 501).

878. Dawkins and Elite Wealth breached their fiduciary duties to Mr. J [REDACTED] when Dawkins employed his own version of fiduciary duties. (Tr. 354, 475 – 479, 501). Each individual client has his own unique “situations, needs and objectives.” The reasonable diligence, care and skill of an investment adviser necessarily involves assessing particularities of each individual client. The pervasiveness of Dawkins’ recommendations of his high-risk EWP Permian Basin Fund II notes to such a significant number of his clients with widely varying “situations, needs and objectives” is strong evidence of his disregard for the individualized responsibility in his best interest obligation to Mr. J [REDACTED] and others. (Ex. 14).

879. Dawkins and Elite Wealth knew that Mr. J [REDACTED] was relying on his investment advisers’ fiduciary obligations of care and professional investment experience, and recommended placing an excessive amount of Mr. J [REDACTED]’s net worth and therefore, an excessive concentration of risk in the high risk, illiquid investment. (Tr. 114 – 116).

880. The EWP Permian Basin Fund II subscription agreement and note issued and sold to Mr. J [REDACTED] on April 15, 2021, created a complex structure of rights in the event of default.

881. Regardless of whether the 2020 EWP Permian Basin Fund II – Heartland III Debt Offering memorandum was provided to Mr. J [REDACTED], we have found Mr. J [REDACTED] was not provided sufficient financial statements and other material information concerning the structure of these investments to be a qualified sophisticated investor to understand the complexities of these structures, nor the related merits and risks of the investment. We also conclude that Mr. J [REDACTED]’s interests in any related oil or gas fields is attenuated at best and will make any recovery extraordinarily complicated in default.

882. Certainly by 2021, EWP Permian Basin Fund II’s contravention of the exemption requirements and the implications of fraud should have been apparent to a reasonable competent investment adviser. The violations were readily apparent in 2021, raising significant “red flags” for any reasonably careful, diligent, skillful and attentive investment adviser in circumstance similar to that of Elite Wealth and Dawkins in 2021. We again make note that as specified in 17 CFR 230.506, the conditions of 17 CFR 230.502 must be met in order for a promoter to avail



itself of the federal covered security exemption. This includes the provision of relevant financial statement information. Despite that passage of time, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not provide to investors material facts pertaining to the financial condition of the issuer of the securities, EWP Permian Basin Fund II. As in prior recommendations, offerings and sales, this failure to provide annual financial information negates eligibility for the federal covered security exemption, but it is also a violation of Iowa Code 502.501(2) because the facts related to the financial condition of the issuer are “material,” and these omissions made the statements made concerning future revenues misleading. The willful absence of financial statements provided “red flags” to any reasonably careful, diligent, skillful and attentive investment adviser that the offering was likely a Ponzi scheme. By 2021, Dawkins and Elite Wealth should have known that they were recommending not only a high risk, illiquid private placement to Mr. J [REDACTED], but an offering that had numerous characteristics of a fraudulent Ponzi scheme.

883. Each violation of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II serves as grounds under Iowa Code § 502.412(4)(b) to revoke, suspend, condition, or limit Dawkins’ investment adviser representative registration.

884. Each violation of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II serves as grounds under Iowa Code § 502.412(4)(b) to revoke, suspend, condition, or limit both Elite Wealth’s investment adviser registration and Dawkins’ registration.

885. We conclude that all of the above described conduct and violations of law by Dawkins and Elite Wealth also constitutes a dishonest and unethical practice under Iowa Code §502.412(4)(m) and Iowa Administrative Code rule 191—50.38(1).

886. While we have concluded that Dawkins’ level of training, experience and knowledge was clearly inadequate for him to meet his fiduciary obligations of care and loyalty to Mr. J [REDACTED] and other investors, we do not find that this inadequacy could not be remedied, nor that his general training, experience and knowledge were so inadequate that he is unqualified to hold an Iowa registration under Iowa Code Iowa Code 502.412(4)(n). At this time, we have found that Dawkins has demonstrated that he is wholly unqualified to recommend, offer or sell high risk, illiquid, unregistered and exempt securities.

**P [REDACTED] J [REDACTED] Investment**  
**Count 1 – Unregistered Agent – Iowa Code §§ 502.402 and 502.604**

887. We now return to Count 1 in regards to the recommendation, offer, issuance and sale of securities by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. J [REDACTED]. The EWP Permian Basin Fund II subscription agreement and note recommended, offered, issued and sold by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. J [REDACTED] are “securities.”

888. Neither Elite Wealth, nor Dawkins were registered with the Division as securities agents when Elite Wealth and Dawkins offered and sold these securities to Mr. J [REDACTED]. See Joint Stipulation of Facts, ¶¶ 3 & 7. Dawkins had been registered with a broker-dealer in the past, and

was aware of the requirement under Iowa law to be licensed in order to offer and sell securities. (Tr. 49-50).

889. Elite Wealth and Dawkins did not demonstrate compliance with the requirements for any exemption provided under Iowa Code § 502.402(2). We conclude these exemptions are unavailable to individuals who receive remuneration for their selling efforts. *See* Iowa Code §§ 502.402(2)(c) & (e) (providing exemptions to registration only where the individual does not receive compensation in connection with the sale of securities). Elite Wealth and Dawkins received compensation for the sale of the EWP Permian Basin Fund II securities to Mr. J [REDACTED]. (Ex. 8, 12; Tr. 61-62). Indeed, the sale of these securities represented the largest source of Elite Wealth and Dawkins' income. (Ex. 13; Tr. 75).

890. While Dawkins repeatedly testified at hearing that he did not consider himself to be "selling" any securities, Dawkins previously stated in an email to the Division that he "sold" these securities. (Ex. 15). Dawkins also testified that he presented and discussed the EWP Permian Basin Fund II subscription agreements with Mr. J [REDACTED] and each of the Iowa consumers. (Tr. 778-781). Nevertheless, the evidence, including testimony and documents of numerous transactions, was overwhelming that Dawkins was selling securities.

891. Further, in this determination under Count 1, we incorporate all of the foregoing findings and conclusions in this decision.

892. Based on the above facts and conclusions, Elite Wealth, Dawkins and EWP Permian Basin Fund II have each acted as or employed an unregistered agent and violated Iowa Code §502.402(2) on at least one occasion on April 15, 2021, and are each liable for separate securities transactions involving Mr. J [REDACTED] for all necessary and appropriate relief available under Iowa Code § 502.602, including orders to cease and desist violations, to make restitution to Mr. J [REDACTED], and to implement other corrective actions to accomplish compliance with the Iowa Uniform Securities Act.

**P J [REDACTED] Investment**  
**Count 2 – Securities Fraud – Iowa Code §502.501 and 502.604**

893. We now consider the charge of securities fraud under Count 2 in connection with the recommendation, offer and sale of securities by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. J [REDACTED].

894. In this determination under Count 2, we incorporate all of the foregoing findings and conclusions in this decision, including the varied methods in which Elite Wealth, Dawkins and EWP Permian Basin Fund II have each violated Iowa Code § 502.501.

895. Based on the above facts and conclusions, Elite Wealth, Dawkins and EWP Permian Basin Fund II, have each committed securities fraud and violated Iowa Code § 502.501 on at least one occasion on April 15, 2021, and are each liable for separate securities transactions involving Mr. J [REDACTED] for all necessary and appropriate relief available under Iowa Code § 502.602, including orders to cease and desist violations, to make restitution to Mr. J [REDACTED], and to

implement other corrective actions to accomplish compliance with the Iowa Uniform Securities Act.

***Pat J. ██████ Investment***

***Count 4 – Disciplinary Action on Insurance Producer Licenses of Dawkins and Elite Wealth – Iowa Code §§ 522B.11(1) and 522B.17***

896. We complete our analysis of the conduct of Elite Wealth and Dawkins under Iowa Code §522B.11 in relationship to their transactions with Mr. J. ██████. As with Count 3, this charge broadly relates to any wrongful conduct that implicates the professional licenses of Dawkins and Elite Wealth. However, this charge implicates the insurance producer licenses of Dawkins and Elite Wealth.

897. Iowa Code § 522B.11(1)(h) provides that the commissioner may place on probation, suspend, or revoke an insurance producer’s license for “[u]sing fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness and/or financial irresponsibility in the conduct of business in this state or elsewhere.” As provided in Iowa Code § 522B.17, the commissioner may also issue cease and desist orders and levy a civil penalty.

898. In this determination under Count 4, we incorporate all of the foregoing findings and conclusions in this decision, including the varied methods in which Elite Wealth and Dawkins, directly or through EWP Permian Basin Fund II, have each violated Iowa Code §§ 502.301, 502.402, 502.501 and 502.502, as well as enumerated securities regulations.

899. We conclude that all of the above described conduct and violations of law by Dawkins and Elite Wealth in regards to transactions involving Mr. J. ██████ constitute fraudulent and dishonest and unethical practices, and demonstrate incompetence, untrustworthiness and financial irresponsibility in the conduct of business in this state under Iowa Code §522B.11(1)(h).

***C. ██████ S. ██████ Investment***

***Count 3 – Investment Adviser Disqualifications – Iowa Code §502.412***

900. We now begin our analysis under Iowa Code §502.412 of the conduct of Elite Wealth, Dawkins and EWP Permian Basin Fund II in relationship to their transactions with C. ██████ S. ██████. Ms. S. ██████ was named as an investor in the Division’s statement of charges. (SOC ¶ 42 – 45).

901. Ms. S. ██████ was called to testify by the Division. (Tr. 162 – 187). Ms. S. ██████ also made statements to Investigator Larry Ellison on November 9, 2021, in a telephone interview that were received into evidence. (Ex. 24 and 25).

902. Ms. S. ██████ is a resident of Des Moines. At the time she testified, Ms. S. ██████ was a 21-year-old student studying kinesiology at Iowa State University. (Tr. 163 – 164, 180). Shortly prior to her introduction to Dawkins and Elite Wealth and their offer and sale of securities to this young student, Ms. S. ██████’s father died of cancer. (Tr. 164, 168, 170, Ex.

A). Ms. S [REDACTED] had no prior experience with Dawkins, but found his business card on her dad's nightstand after one of her older brothers asked her to "look for a card with anything that can help us with paying for a funeral." (Tr. 164).

903. Dawkins and Elite Wealth hit the pinnacle of recklessly disregarding the interests of his clients in his dealings with Ms. S [REDACTED] as her dealings with Dawkins began shortly after her father's death and she was still in the midst of grief. (Tr. 168-169). We found her testimony about Dawkins' services and advice to be simply heartbreaking. An example of this experience occurred during background questioning by the Division's counsel:

Mr. Grace: So how did you come to make this investment?

Ms. S [REDACTED]: So in all honesty, the way we kind of went with this investment is because we needed money to pay for a funeral. We simply had dad's body in a freezer for two weeks. So we really were struggling and we owed a whole bunch of our family members money. And we kind of just proceeded because we were so desperate for funeral money to pay his gravestone and to pay the mortgage on our home. We were pretty high risk for that.

(Tr. 168).

904. Ms. S [REDACTED] was heavily influenced by what she understood about her father's conversations with Mr. Dawkins prior to her father's death. The following testimony suggested this:

Mr. Grace: Okay. And, you know, what did Cory Dawkins tell you in that initial meeting?

Ms. S [REDACTED]: So during that meeting it made sense in a way for me a little bit to understand. I just know that the first thing I heard was that my brother came in the room and he's like "I think someone needs to talk to you. Like, it's Cory." And the first thing he told me is that my dad had a whole bunch of money set back for me to go off to college so that way I don't have to work much, enjoy my life, be a normal college student. That's all he wanted me to do. And he just had this plan for me, I guess, that he told me my dad had. But I didn't know I was the person on the beneficiary. And I think the reason why I was the only one on there is because my dad didn't know – wanted me to graduate college, but he didn't have time to put all the rest of the kids on there on time because he passed away probably less than six months after he found out he had cancer.

Mr. Grace: So did Cory present you multiple options or just one?

Ms. S [REDACTED]: It was just – well, it was already set there – kind of – because I guess my dad already chose that investment. So we kind of just went with whatever he had the investment already clicked on. I was agreeing because I usually trust my dad a lot, too. So if my dad liked it, then I am going to go with it. And if he trusted Cory with that market on that, then I just went with it instead.

(Tr. 170-171).

905. Dawkins provided an explanation of his suitability analysis for each investor in a written document submitted to the Division and offered into evidence as Exhibit A. Essentially, Dawkins justifies his recommendation of an investment in EWP Permian Basin Fund II by explaining that “[t]he suitability process for [C ██████ S ██████] was very unique because the vast majority of it was with her father [Mr. S ██████]. (Ex. A).

906. The transactions by Elite Wealth and Dawkins with Ms. S ██████ involved one transaction:

Date	Description	Issuer	Amount	Return	Maturity
04/21/2021	Subscription and Note	EWP Permian Basin Fund II, LLC	\$187,838.56	12%	04/21/2024

(Ex. 12, 14, 23 and A).

907. Ms. S ██████ had no prior experience or knowledge about investing – of any kind. In response to the Division’s counsel question about how the investment worked, Ms. S ██████ testified:

I wish I could, but I – trust me, I did not understand any big words that was going on in this conversation. I think I started crying at point because I just simply didn’t understand the investment and like, anything about, like what an adult do. And just coming from a kid, like, I still think of me as a kid because I did just start college. And I just felt overwhelmed by all this investment that was going on and it just didn’t make sense to me, so I kind of just went with the flow. And I just went with if my dad trusted, then I will trust him. And whatever he had there, it’s already there and I’m not going to change it if it was already made for me right there. (Tr. 171).

908. Ms. S ██████ testified that she did not understand what was meant by “accredited investor,” nor “qualified sophisticated investor.” (Tr. 168). Ms. S ██████ testified that she was not aware that the EWP Permian Basin Fund II subscription agreement and note was a high risk investment, but then reversed herself and said it was described by Dawkins as a high risk investment. (Tr. 173-174). We conclude that Ms. S ██████ was confused about the investment and did not understand any of the risks. As many of the other investors, she also did not recall receiving an offering memorandum, but testified that even if she had her brother would have reviewed it. (Tr. 173).

909. We find that Ms. S ██████ had no prior investment knowledge or experience in oil and gas development or private placement investments.

910. Ms. S ██████ signed a customer profile on April 15, 2021, about five days prior to her investment in EWP Permian Basin Fund II. According to the April 15, 2021 customer profile, Ms. S ██████ had \$200,000 of investible assets, but listed no current holdings. Ms. S ██████ had no prior investment experience of any kind. (SOC ¶42; Answer ¶42; Ex. 22).

Ms. S [REDACTED] had an annual household income between \$0 and \$25,000, a household net worth between \$100,001 and \$250,000, and household liquid assets between \$100,001 and \$250,000. (SOC ¶42; Answer ¶42; Ex. 22). The gross household monthly income is not completed, the monthly expenses are not listed, her risk tolerance is listed as “low,” and her investment objectives are “income.” Given Ms. S [REDACTED] was only 19 years old, working part time as a clerk at Target, and without any investment experience when Dawkins asked her to sign this document, we conclude she was wholly unfamiliar with the information contained in the document. Ms. S [REDACTED] testified at the time of the hearing as a college student, she had three part time jobs that totaled approximately \$17,000 in 2023, trying to cover expenses.

911. Dawkins testified concerning his other investors that he viewed his responsibility was to treat them as “an adult.” For most purpose the age of majority in Iowa is eighteen. Iowa Code § 599.1. The age of majority does not determine whether an individual is a qualified sophisticated investor. Simply being an adult does not qualify an individual as a “qualified sophisticated investor.”

912. Without restating every fact and violation here, we find that many of the unlawful acts or practices by Elite Wealth, Dawkins and EWP Permian Basin Fund II that we found in connection with the EWP Permian Basin Fund II subscription agreements and notes recommended, offered, issued and sold to Mr. M [REDACTED], Dr. K [REDACTED], Mrs. L [REDACTED], Dr. G [REDACTED], Mrs. P [REDACTED], Mrs. C [REDACTED], Mr. V [REDACTED], Mr. and Mrs. D [REDACTED], Mr. M [REDACTED], Mr. C [REDACTED], Mr. M [REDACTED], and Mr. J [REDACTED] were repeated by Elite Wealth, Dawkins and EWP Permian Basin Fund II in the recommendation, offer, issuance and sale of the April 21, 2021, EWP Permian Basin II subscription agreement and note to Ms. S [REDACTED]. (Ex. 12, 23 and A).

913. During her testimony at hearing, Ms. S [REDACTED] offered compelling information that reveals that she was not a qualified sophisticated investor as that phrase is interpreted by law, and as such, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with the requirements of 17 CFR 230.506(b)(2)(ii). Ms. S [REDACTED] was a grieving, 19-year-old college student with no investment experience. She had no prior knowledge or experience in high risk and illiquid private placements. Ms. [REDACTED] did not understand these risks or the complexity of private placement offerings.

914. On April 21, 2021, Dawkins and Elite Wealth offered to Ms. S [REDACTED] a subscription agreement issued by EWP Permian Basin Fund II for an unsecured promissory note.

915. Although there are similarities to the 2020 – 2021 12-month 8.5% EWP Permian Basin Fund II investments in a \$5,000,000 fund of 200 Units with each unit offered at \$25,000 per unit to Mr. M [REDACTED], Dr. K [REDACTED], Mrs. L [REDACTED], Dr. G [REDACTED], Mr. V [REDACTED], Mr. and Mrs. D [REDACTED], Mr. M [REDACTED], Mr. C [REDACTED], Mr. M [REDACTED], Mr. J [REDACTED], Mrs. M [REDACTED] and Mr. R [REDACTED], and to the 2020 – 2021 36-month 9% (with 10% balloon) EWP Permian Basin Fund II investments in a \$5,000,000 fund with notes of a minimum \$100,000 unit to Mrs. L [REDACTED], Dr. G [REDACTED], Mrs. P [REDACTED] and Mrs. C [REDACTED], based on the whole of the evidence we conclude that the offer on April 21, 2021, to Ms. S [REDACTED] was a distinct offering. The offer to Ms. S [REDACTED] was represented by Dawkins and Elite Wealth as a separate EWP Permian Basin Fund II offering of a \$5,000,000 fund with notes not less than \$250,000. The April 21, 2021 subscription agreement and note

recommended, sold and issued to Ms. S [REDACTED] involved 36-month investments with a 12% return that were also issued and sold to Dr. K [REDACTED] in 2021. While both parties discussed an offering memorandum, neither party offered a relevant offering memorandum for this offering.

916. The April 21, 2021, subscription agreement presented the following qualification requirements to Ms. S [REDACTED]:

D. Accredited Investor. Under Federal and certain state securities laws and applicable regulations, the Subscriber may acquire the Note by representing and warranting this it is (i) an “Accredited Investor,” as hereafter defined,

(a) Accredited Investor. The Subscriber shall be deemed to be an Accredited Investor if: (Please check one for each question)

The subscription then lists six options for the subscriber to indicate the type of accredited investor she believes qualifies her as an accredited investor. All six were checked “no” in response to the qualification requirements as an accredited investor at the time of Ms. S [REDACTED]’s investment. (Ex. 23).

917. As with the others, we are more persuaded by the investor’s explanation of their net worth and limited knowledge of and experience in high risk and illiquid private placements than which answer box on the subscription agreement is checked. Certainly, an investor’s testimony of her net worth and her understanding, or lack thereof, of the question itself should bear on our determination of whether the investor is in fact a “qualified sophisticated investor” or qualification as an “accredited investor.” Ms. S [REDACTED] undoubtedly was not a qualified sophisticated investor. However, a review of the EWP Permian Basin Fund II subscription agreement makes clear any potential qualification as a sophisticated investor is irrelevant. Dawkins, Elite Wealth and EWP Permian Basin Fund II had the burden of proving that Ms. S [REDACTED] was an accredited investor under the terms of this offering. She was not.

918. Giving Dawkins and Elite Wealth the benefit of reasonable inference, we conclude he would assert that the offers and sales to Ms. S [REDACTED] was exempt from registration under federal regulation 17 CFR 230.506(c)(2)(ii)(B).

919. Dawkins, Elite Wealth and EWP Permian Basin Fund II did not carry their burden of proof that they have complied with the conditions of this exemption. Dawkins admits this. In a statement made to the Division, Dawkins wrote: “The suitability process for [C [REDACTED] S [REDACTED]] was very unique because a vast majority of it was with her father.” (Ex. A). The net worth of Ms. S [REDACTED]’s deceased father is irrelevant. The net worth of this 19-year-old college student was limited to the less than \$200,000 left to her by her father. (Tr. 169-170, 377; Ex. A).

920. Ms. S [REDACTED] was not an accredited investor. This offering by EWP Permian Basin Fund II was a \$5,000,000 fund with notes not less than \$250,000. Ms. S [REDACTED] did not even have sufficient cash and assets to meet the \$250,000 requirement under this offering. (Ex. 23). Dawkins offered no evidence that Ms. S [REDACTED] was an accredited investor. (Tr. 377-396, 514-

516; Ex. A). We have found from Ms. S [REDACTED]'s testimony and other evidence that she did not possess sufficient knowledge or experience to evaluate the potential risks, rewards and costs of these high risk, illiquid investments and was not qualified sophisticated investors as that phrase is interpreted by law. Ms. S [REDACTED] did not know what it meant to be an accredited investor. (Tr. 168). We find that Ms. S [REDACTED] was not an "accredited investor" as that phrase is interpreted by law and as such, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with the requirements of 17 CFR 230.506(b)(2)(ii).

921. Elite Wealth and Dawkins had a fiduciary duty to know and, in fact, did know that Ms. S [REDACTED] did not have "such knowledge and experience in financial and business matters that [she was] capable of evaluating the merits and risk of an investment in the Note and the Company." Dawkins and Elite Wealth disregarded this fact known to them and made the high-risk recommendation to Ms. S [REDACTED] anyway. As with all other investors, Dawkins maintained in his testimony that he had no responsibility for his recommendation to Ms. S [REDACTED]. (Tr. 389-390). He absurdly claimed that although he was a fiduciary, his introduction of the EWP Permian Basin Fund II, which incidentally was his own company, his explanation of it, and his advice and assurances about the amount of oil and gas in the ground was not a recommendation. In response to a question by Division counsel Dawkins abruptly interrupted with "I don't recommend anything!" (Tr. 389). We found his testimony to be wholly untrustworthy especially on this issue, leaving us with the unmistakable impression that Dawkins was willing to say practically anything to avoid the accountability we would reasonably expect of an investment adviser fiduciary with the responsibility to act in the best interest of a 19-year-old college student who had recently and suddenly lost her father.

922. Elite Wealth and Dawkins had a fiduciary duty to know and, in fact, did know that Ms. S [REDACTED] was not an accredited investor. Dawkins and Elite Wealth disregarded this fact known to them and made the high-risk recommendation to Ms. S [REDACTED] anyway.

923. Ms. S [REDACTED] e-signed a subscription agreement with EWP Permian Basin Fund II on April 20, 2021, to purchase a three-year note for \$187,838.56 at 12% annual interest. (SOC ¶ 44, Answer ¶ 44, Ex. 23). From that amount, Dawkins and Elite Wealth received \$9,391.95 in compensation. (Ex. 12).

924. On April 21, 2021, EWP Permian Basin Fund II, under the authority of Dawkins as the fund manager, issued an unsecured promissory note to Ms. S [REDACTED]. (Ex. 12, 23 and A).

925. As with the earlier one-year EWP Permian Basin Fund II, subscription agreements and notes, Dawkins, and Elite Wealth did not file with the Division the required "Form D, Notice of Exempt Offering of Securities" for the 36-month subscription agreement and note issued by EWP Permian Basin Fund II and sold to Ms. S [REDACTED]. (Tr. 54-55). Without the required Reg D filing under Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 and other proof of compliance with the federal covered security exemption under Iowa Code § 502.503, we find Dawkins, Elite Wealth and EWP Permian Basin Fund II have not carried their burden of proving the applicability of the Regulation D federal exemption, and have therefore violated Iowa Code § 502.301, when the 36-month subscription agreement and note of \$187,838.56 was unlawfully recommended, offered, issued and sold to Ms. S [REDACTED] on April 20-21, 2021.



926. We find from all the evidence that Elite Wealth, Dawkins and EWP Permian Basin Fund II had reckless disregard for whether the security recommended, offered, issued and sold on April 20-21, 2021, to Ms. S [REDACTED] was registered or exempt from registration. Dawkins lacked sufficient expertise to know whether or not the EWP Permian Basin Fund II offerings were lawful.

927. Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 in the recommendation, offer, issuance and sale of the EWP Permian Basin Fund II subscription agreements and unsecured notes to Ms. S [REDACTED] on April 20-21, 2021.

928. We find Elite Wealth, Dawkins and EWP Permian Basin Fund II did not demonstrate compliance with federal covered security requirements, and, in fact, did violate Iowa Code §502.301, when the EWP Permian Basin Fund II subscription agreement and note was unlawfully recommended, offered, issued and sold to Ms. S [REDACTED] on April 20-21, 2021. These violations subject Elite Wealth and Dawkins to disciplinary action under Iowa Code §502.412(4)(b).

929. We also conclude that the material representations made by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Ms. S [REDACTED] and other investors concerning the exemption from registration were untrue, and as securities fraud, violated Iowa Code §502.501(2). The facts concerning registration and exemption were material to investors, the statements were untrue, and were willfully made by Elite Wealth, Dawkins and EWP Permian Basin Fund II.

930. We conclude that in recommending, offering and selling this April 20-21, 2021, subscription agreement and note, which was unregistered, non-exempt and unlawful, Dawkins and Elite Wealth, failed to exercise the reasonable diligence, care and skill of an investment adviser in understanding and evaluating the potential risks, rewards, and costs associated with their recommendation and in so doing, breached their fiduciary duty of reasonable care. This breach of fiduciary duty constituted an act, practice, and course of business “that operates or would operate as a fraud or deceit upon” Ms. S [REDACTED].

931. Dawkins and Elite Wealth, engaged in an act, practice, and course of business “that operates or would operate as a fraud or deceit upon another person” in violation of Iowa Code §§502.501(3) and 502.502(1)(b), when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary duty of care by recommending, offering and selling to Ms. S [REDACTED] on April 20-21, 2021, unlawful unregistered and non-exempt securities.

932. Dawkins and Elite Wealth also engaged in practices and courses of business that operated as fraud upon Ms. S [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care by disregarding their obligation to demonstrate a registered investment adviser’s “reasonable diligence, care and skill” in fulfilling their best interest care obligation to Ms. S [REDACTED] and others. (Ex. 14).

933. Dawkins and Elite Wealth engaged in an act, practice and course of business that operated, or would operate as fraud or deceit upon Ms. S [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b) when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary obligations of care when they failed to comply with the conditions required for a federal covered security exemption in offering and selling the April 20-21, 2021, subscription agreement and note.

934. We again make note that as specified in 17 CFR §230.506, the conditions of 17 CFR §230.502 must be met in order for a promoter to avail itself of the federal covered security exemption. This includes the provision of financial statement information. Elite Wealth, Dawkins and EWP Permian Basin Fund II also omitted material facts pertaining to the financial condition of the issuer and maker of the notes, EWP Permian Basin Fund II in offering and selling the April 20-21, 2021, subscription agreement and note to Ms. S [REDACTED]. This failure negates eligibility for the federal covered security exemption, but it is also a violation of Iowa Code 502.501(2) because the facts related to the financial condition of the issuer are “material,” and the omissions made the statements made concerning future revenues misleading.

935. The EWP Permian Basin Fund II subscription agreement and note on April 20-21, 2021, recommended, issued and sold to Ms. S [REDACTED] created a complex structure of rights in the event of default. Ms. S [REDACTED] testified that she did not remember if she received an offering memorandum. (Tr. 173). Ms. S [REDACTED] was not a qualified sophisticated investor with the sufficient experience to understand the complexities of these structures. Nor could she understand the complexity of the investment structure of rights in the event of default. Ms. S [REDACTED] was a not qualified sophisticated investor with sufficient experience to appreciate the risks of Dawkins’ conflicted recommendation of a \$187,838.56 investment in debt units issued by a “recently formed” company with “no operating history upon which [she] may evaluate its business and prospects” managed by an individual who believed that the primary purpose of forming the issuer was so that he “could deduct [his] fees.” In fact, the first time any financial statements for EWP Permian Basin Fund II were prepared and made available to investors was after the Commissioner ordered them from Respondents on October 25, 2023. Ms. S [REDACTED] did not have sufficient information and experience to understand and appreciate the conflict of interest that Dawkins and Elite Wealth had created by recommending a private placement with a potential \$187,838.56 personal liability by Dawkins as the fund manager of his own limited liability company, EWP Permian Basin Fund II, the issuer of the security.

936. Dawkins and Elite Wealth also engaged in practices and courses of business that operated as fraud in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care when they recommended and sold to Ms. S [REDACTED] the April 20-21, 2021, subscription agreement and note. Dawkins and Elite Wealth knew this high risk and illiquid investment was not in the best interest of Ms. S [REDACTED], because she did not have sufficient experience in oil and gas speculation and complex investments. Elite Wealth or Dawkins also did not have a reasonable basis to believe the recommended EWP Permian Basin Fund II subscription agreement and note effectively addressed Ms. S [REDACTED]’s financial situation, insurance needs and financial objectives. Falling well short of the analysis of options expected of an investment adviser with reasonable diligence, care and skill, Dawkins broadly dismissed

“the market,” suggesting the only two options were “sitting in cash” or the illiquid, high risk EWP Permian Basin Fund II subscription agreement and note. (Tr. 391-392).

937. There were no assets securing the EWP Permian Basin Fund II notes. Neither Dawkins, Elite Wealth or EWP Permian Basin Fund II, provided financial statements of the issuer to Ms. S [REDACTED] or other investors.

938. Dawkins and Elite Wealth breached their fiduciary duties to Ms. S [REDACTED] on April 20-21, 2021, when Dawkins recommended the very high-risk investment of \$25,000 in debt units issued by a “recently formed” company with “no operating history upon which you may evaluate its business and prospects” managed by an individual who believed that the primary purpose of forming the issuer was so that he “could deduct [his] fees.”

939. Dawkins and Elite Wealth breached their fiduciary duties to Ms. S [REDACTED] on April 20-21, 2021, when Dawkins based his recommendation to Ms. S [REDACTED] on his own misplaced and conflicted judgment to risk his own money in the illiquid, high risk investments. (Tr. 355, 475 – 479, 501).

940. Dawkins and Elite Wealth breached their fiduciary duties to Ms. S [REDACTED] when Dawkins employed his own version of fiduciary duties. (Tr. 354, 475 – 479, 501). Each individual client has his own unique “situations, needs and objectives.” The reasonable diligence, care and skill of an investment adviser necessarily involves assessing particularities of each individual client. The pervasiveness of Dawkins’ recommendations of his high-risk EWP Permian Basin Fund II notes to such a significant number of his clients with widely varying “situations, needs and objectives” is strong evidence of his disregard for the individualized responsibility in his best interest obligation to Ms. S [REDACTED] and others. (Ex. 14, 84).

941. Dawkins and Elite Wealth knew that Ms. S [REDACTED] was relying on her investment advisers’ fiduciary obligations of care and professional investment experience, and recommended placing an excessive amount of Ms. S [REDACTED]’s net worth and therefore, an excessive concentration of risk in the high risk, illiquid investment. (Tr. 98-99).

942. Regardless of whether the 2020 EWP Permian Basin Fund II – Heartland III Debt Offering memorandum or another offering memorandum for the 36-month EWP Permian Basin Fund II subscription agreements and notes was provided to Ms. S [REDACTED], we have found she was not a qualified sophisticated investor with the sufficient experience to understand the complexities of these structures, nor the related merits and risks of the investment. We also conclude that Ms. S [REDACTED]’s interests in any related oil or gas fields is attenuated at best and will make any recovery extraordinarily complicated in default.

943. Certainly by 2021, EWP Permian Basin Fund II’s contravention of the exemption requirements and the implications of fraud should have been apparent to a reasonable competent investment adviser. The violations were readily apparent in 2021, raising significant “red flags” for any reasonably careful, diligent, skillful and attentive investment adviser in circumstance similar to that of Elite Wealth and Dawkins in 2021. We again make note that as specified in 17 CFR 230.506, the conditions of 17 CFR 230.502 must be met in order for a promoter to avail

itself of the federal covered security exemption. This includes the provision of relevant financial statement information. Despite that passage of time, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not provide to investors material facts pertaining to the financial condition of the issuer of the securities, EWP Permian Basin Fund II. As in prior recommendations, offerings and sales, this failure to provide annual financial information negates eligibility for the federal covered security exemption, but it is also a violation of Iowa Code 502.501(2) because the facts related to the financial condition of the issuer are “material,” and these omissions made the statements made concerning future revenues misleading. The willful absence of financial statements provided “red flags” to any reasonably careful, diligent, skillful and attentive investment adviser that the offering was likely a Ponzi scheme. By 2021, Dawkins and Elite Wealth should have known that they were recommending not only a high risk, illiquid private placement to Ms. S [REDACTED], but an offering that had numerous characteristics of a fraudulent Ponzi scheme.

944. Each violation of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II serves as grounds under Iowa Code § 502.412(4)(b) to revoke, suspend, condition, or limit Dawkins’ investment adviser representative registration.

945. Each violation of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II serves as grounds under Iowa Code § 502.412(4)(b) to revoke, suspend, condition, or limit both Elite Wealth’s investment adviser registration and Dawkins’ registration.

946. We conclude that all of the above described conduct and violations of law by Dawkins and Elite Wealth also constitutes a dishonest and unethical practice under Iowa Code §502.412(4)(m) and Iowa Administrative Code rule 191—50.38(1).

947. While we have concluded that Dawkins’ level of training, experience and knowledge was clearly inadequate for him to meet his fiduciary obligations of care and loyalty to Ms. S [REDACTED] and other investors, we do not find that this inadequacy could not be remedied, nor that his general training, experience and knowledge were so inadequate that he is unqualified to hold an Iowa registration under Iowa Code Iowa Code 502.412(4)(n). At this time, we have found that Dawkins has demonstrated that he is wholly unqualified to recommend, offer or sell high risk, illiquid, unregistered and exempt securities.

**C [REDACTED] S [REDACTED] Investment**  
**Count 1 – Unregistered Agent – Iowa Code §§ 502.402 and 502.604**

948. We now return to Count 1 in regards to the recommendation, offer, issuance and sale of securities by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Ms. S [REDACTED]. The EWP Permian Basin Fund II subscription agreement and note recommended, offered, issued and sold by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Ms. S [REDACTED] are “securities.”

949. Neither Elite Wealth, nor Dawkins were registered with the Division as securities agents when Elite Wealth and Dawkins offered and sold these securities to Ms. S [REDACTED]. See Joint

Stipulation of Facts, ¶¶ 3 & 7. Dawkins had been registered with a broker-dealer in the past, and was aware of the requirement under Iowa law to be licensed in order to offer and sell securities. (Tr. 49-50).

950. Elite Wealth and Dawkins did not demonstrate compliance with the requirements for any exemption provided under Iowa Code § 502.402(2). We conclude these exemptions are unavailable to individuals who receive remuneration for their selling efforts. *See* Iowa Code §§ 502.402(2)(c) & (e) (providing exemptions to registration only where the individual does not receive compensation in connection with the sale of securities). Elite Wealth and Dawkins received compensation for the sale of the EWP Permian Basin Fund II securities to Ms. S [REDACTED]. (Ex. 8, 12; Tr. 61-62). Indeed, the sale of these securities represented the largest source of Elite Wealth and Dawkins' income. (Ex. 13; Tr. 75).

951. While Dawkins repeatedly testified at hearing that he did not consider himself to be “selling” any securities, Dawkins previously stated in an email to the Division that he “sold” these securities. (Ex. 15). Dawkins also testified that he presented and discussed the EWP Permian Basin Fund II subscription agreements with Ms. S [REDACTED] and each of the Iowa consumers. (Tr. 778–781). Nevertheless, the evidence, including testimony and documents of numerous transactions, was overwhelming that Dawkins was selling securities.

952. Further, in this determination under Count 1, we incorporate all of the foregoing findings and conclusions in this decision.

953. Based on the above facts and conclusions, Elite Wealth, Dawkins and EWP Permian Basin Fund II have each acted as or employed an unregistered agent and violated Iowa Code §502.402(2) on at least one occasion on April 21, 2021, and are each liable for separate securities transactions involving Ms. S [REDACTED] for all necessary and appropriate relief available under Iowa Code § 502.602, including orders to cease and desist violations, to make restitution to Ms. S [REDACTED], and to implement other corrective actions to accomplish compliance with the Iowa Uniform Securities Act.

**C [REDACTED] S [REDACTED] Investment**  
**Count 2 – Securities Fraud – Iowa Code §502.501 and 502.604**

954. We now consider the charge of securities fraud under Count 2 in connection with the recommendation, offer and sale of securities by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Ms. S [REDACTED].

955. In this determination under Count 2, we incorporate all of the foregoing findings and conclusions in this decision, including the varied methods in which Elite Wealth, Dawkins and EWP Permian Basin Fund II have each violated Iowa Code § 502.501.

956. Based on the above facts and conclusions, Elite Wealth, Dawkins and EWP Permian Basin Fund II, have each committed securities fraud and violated Iowa Code § 502.501 on at least one occasion on April 21, 2021, and are each liable for separate securities transactions involving Ms. S [REDACTED] for all necessary and appropriate relief available under Iowa Code §

502.602, including orders to cease and desist violations, to make restitution to Ms. S [REDACTED] and to implement other corrective actions to accomplish compliance with the Iowa Uniform Securities Act.

**C [REDACTED] S [REDACTED] Investment**

**Count 4 – Disciplinary Action on Insurance Producer Licenses of Dawkins and Elite Wealth – Iowa Code §§ 522B.11(1) and 522B.17**

957. We complete our analysis of the conduct of Elite Wealth and Dawkins under Iowa Code §522B.11 in relationship to their transactions with Ms. S [REDACTED]. As with Count 3, this charge broadly relates to any wrongful conduct that implicates the professional licenses of Dawkins and Elite Wealth. However, this charge implicates the insurance producer licenses of Dawkins and Elite Wealth.

958. Iowa Code § 522B.11(1)(h) provides that the Commissioner may place on probation, suspend, or revoke an insurance producer’s license for “[u]sing fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness and/or financial irresponsibility in the conduct of business in this state or elsewhere.” As provided in Iowa Code § 522B.17, the commissioner may also issue cease and desist orders and levy a civil penalty.

959. In this determination under Count 4, we incorporate all of the foregoing findings and conclusions in this decision, including the varied methods in which Elite Wealth and Dawkins, directly or through EWP Permian Basin Fund II, have each violated Iowa Code §§ 502.301, 502.402, 502.501 and 502.502, as well as enumerated securities regulations.

960. We conclude that all of the above described conduct and violations of law by Dawkins and Elite Wealth in regards to transactions involving Ms. S [REDACTED] constitute fraudulent and dishonest and unethical practices, and demonstrate incompetence, untrustworthiness and financial irresponsibility in the conduct of business in this state under Iowa Code §522B.11(1)(h).

**A [REDACTED] Mc [REDACTED] Investment**

**Count 3 – Investment Adviser Disqualifications – Iowa Code §502.412**

961. We now begin our analysis under Iowa Code §502.412 of the conduct of Elite Wealth, Dawkins and EWP Permian Basin Fund II in relationship to their transaction with A [REDACTED] Mc [REDACTED]. Mrs. Mc [REDACTED] was named as an investor in the Division’s statement of charges. (SOC ¶ 52 – 55).

962. Mrs. Mc [REDACTED] did not testify. She did make statements to Division Investigator David Sullivan on November 9, 2021. (Ex. 32).

963. Mrs. Mc [REDACTED] is married to D [REDACTED] Mc [REDACTED] and is resident of Iowa. Mrs. Mc [REDACTED] is a cosmetologist and Mr. Mc [REDACTED] works in shipping and receiving. (Ex. 30).

964. According to Dawkins, Mr. and Mrs. Mc [REDACTED] are his neighbors. (Tr. 405). Dawkins said he told Mrs. Mc [REDACTED] in March of 2021 that Dawkins was “spooked about GameStop and removed 100% of [his] money from the market at that time, and [he] suggested that she do the same.” (Tr. 407; Ex. A). As Dawkins had also told Mr. V [REDACTED] and Mr. and Mrs. D [REDACTED], Dawkins told Mrs. Mc [REDACTED] that he would get back to her if he found anything with “less risk than the market.” As with the others Dawkins stated that “I informed her that I only had one option that I could find that he could consider.” (Ex. A). Initially, she did not follow his recommendation. She did, however, invest in EWP Permian Basin Fund II in August of 2021. The recommendation my Dawkins and Elite Wealth involved use of Mrs. Mc [REDACTED]’s retirement money that was in a 401k. (Tr. 407-411).

965. The transaction by Elite Wealth and Dawkins with Mrs. Mc [REDACTED] was limited to one transaction:

Date	Description	Issuer	Amount	Return	Maturity
08/08/2021	Subscription and Note	EWP Permian Basin Fund II, LLC	\$25,000.00	8.5%	08/08/2022

(Ex. 12, 14, 31 and A).

966. Dawkins testified because he discussed the risks with Mrs. Mc [REDACTED] and he “just allow[s] them to be an adult at that point,” he may conclude that she was a “qualified sophisticated investor.” (Tr. 412-413). For most purpose the age of majority in Iowa is eighteen. Iowa Code § 599.1. The age of majority does not determine whether an individual is a qualified sophisticated investor. Simply being an adult does not qualify an individual as a qualified sophisticated investor.

967. Mrs. Mc [REDACTED] had no prior investment knowledge or experience in oil and gas development investments. (Ex. 30, 32 and A).

968. As many of the other investors, Mrs. Mc [REDACTED] did not recall whether she had received an offering memorandum. (Ex. 32).

969. Mr. and Mrs. Mc [REDACTED] signed a customer profile on August 8, 2021, the same day Mrs. Mc [REDACTED] made her investment in EWP Permian Basin Fund II. According to the August 8, 2021, customer profile, Mr. and Mrs. Mc [REDACTED] each had \$50,000 of investible assets in indexed annuities and mutual funds. (Ex. 30). This is not consistent with other information admitted by Dawkins and Elite Wealth. Mr. and Mrs. Mc [REDACTED] had approximately \$32,000 in annuities and \$7,000 in assets under management with Elite Wealth. (SOC ¶ 53; Answer ¶53). Mr. and Mrs. Mc [REDACTED] had an annual household income between \$50,001 and \$100,000, a household net worth between \$50,001 and \$100,000, and household liquid assets of less than \$50,000. (SOC ¶52; Answer ¶52; Ex. 30). The gross household monthly income is listed as \$5,500 and monthly expenses are \$2,000. The customer profile indicates a risk tolerance as “high” and investment objective as “growth.” Yet, Mrs. Mc [REDACTED] told Investigator Sullivan that her risk tolerance was actually “medium” to “low” risk as she was looking to retire.

970. Based on the limited investment experience described in her customer profile and her statements to Investigator Sullivan, we find Mrs. Mc [REDACTED] had very little investment experience with her prior investments being limited to mutual funds. The evidence, including Dawkins own testimony, reveal Mrs. Mc [REDACTED] lacked of any prior knowledge or experience in high risk and illiquid private placements.

971. Without restating every fact and violation here, we find that many of the unlawful acts or practices by Elite Wealth, Dawkins and EWP Permian Basin Fund II that we found in connection with the EWP Permian Basin Fund II subscription agreements and notes recommended, offered, issued and sold to Mr. Mu [REDACTED], Dr. K [REDACTED], Mrs. L [REDACTED], Dr. G [REDACTED], Mrs. P [REDACTED], Mrs. Cr [REDACTED], Mr. V [REDACTED], Mr. and Mrs. D [REDACTED], Mr. Me [REDACTED], Mr. Ch [REDACTED], Mr. Mc [REDACTED], Mr. J [REDACTED], and Ms. S [REDACTED] were repeated by Elite Wealth, Dawkins and EWP Permian Basin Fund II in the recommendation, offer, issuance and sale of the August 8, 2021, EWP Permian Basin II subscription agreement and note to Mrs. Mc [REDACTED]. (Ex. 12 and A).

972. From Dawkins' own testimony and a cursory review of her the customer profile, it is clear that Mrs. Mc [REDACTED] was not a qualified sophisticated investor as that phrase is interpreted by law, and as such, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with the requirements of 17 CFR 230.506(b)(2)(ii). Mrs. Mc [REDACTED] had very little investment experience with her prior investments being limited to mutual funds. Dawkins' testimony and statements in the record make clear that Mrs. Mc [REDACTED] lacked of any prior knowledge or experience in high risk and illiquid private placements. Mrs. Mc [REDACTED] did not understand these risks or the complexity of private placement offerings.

973. On August 8, 2021, Dawkins and Elite Wealth offered to Mrs. Mc [REDACTED] a subscription agreement issued by EWP Permian Basin Fund II for an unsecured promissory note.

974. As with the 2020 – 2021 EWP 12-month 8.5% Permian Basin Fund II investments in a \$5,000,000 fund of 200 Units with each unit offered at \$25,000 per unit to Mr. Mu [REDACTED], Dr. K [REDACTED], Mrs. L [REDACTED], Dr. G [REDACTED], Mr. V [REDACTED], Mr. and Mrs. D [REDACTED], Mr. Me [REDACTED], Mr. Ch [REDACTED], Mr. Mc [REDACTED], Mr. J [REDACTED], and Mr. R [REDACTED], based on the whole of the evidence we conclude that this offer around February 26, 2021, to Mrs. Mc [REDACTED] was represented by Dawkins and Elite Wealth as an offering of a \$5,000,000 fund of 200 Units with each unit offered at \$25,000 per unit. (Ex. 9).

975. The August 8, 2021, subscription agreement presented the following qualification requirements to Mrs. Mc [REDACTED]:

Sophisticated Investor. The Subscriber shall be deemed to be a Sophisticated Investor if:

Qualified Sophisticated Investor: To be a qualified sophisticated investor, an investor must represent that it has a sufficient degree of sophistication to understand and evaluate the merits and risks associated with an investment in the Note and (a) its overall commitment to investments which are not readily marketable is not disproportionate to its net worth and its investment in the Note will not cause such overall commitment to become excessive; (b) it has adequate



net worth and means of providing for any current needs and contingencies such that it is able to sustain a complete loss of its investment in the Note, and it has no such need for liquidity in this investment; (c) it has evaluated the risk of investing in the Note and the Company; and (d) it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risk of an investment in the Note and the Company. The information must be represented in the Subscription Agreement. The Subscriber affirms the preceding statements and has reviewed the terms herein and in the Private Placement Memorandum to their satisfaction.

Yes  No

976. The subscription agreement was checked “yes” in response to the qualification requirements as a “sophisticated investor” at the time of Mrs. Mc[REDACTED]’s investment.

977. As with the others, we are not persuaded simply because by the investor’s explanation of their limited knowledge of and experience in high risk and illiquid private placements than which answer box on the subscription agreement is checked. Certainly, an investor’s understanding, or lack thereof, of the question itself should bear on our determination of whether the investor is in fact a “qualified sophisticated investor.” Mrs. Mc[REDACTED] in her statements on November 9, 2021, to Investigator Sullivan described herself as a “simple investor.” (Ex. 32). When asked about prior private placement investment experience, Mrs. Mc[REDACTED]’s answer confirms what we can see from her customer profile, she has very limited investment sophistication, and she lacked of knowledge or experience in high risk and illiquid oil and gas development private placements. (Ex. 30, 32).

978. Giving Dawkins and Elite Wealth the benefit of reasonable inference, we conclude he would assert that the offer and sale to Mrs. Mc[REDACTED] was exempt from registration under federal regulation 17 CFR 230.506(c)(2)(ii)(B).

979. Dawkins, Elite Wealth and EWP Permian Basin Fund II did not carry their burden of proof that they have complied with the conditions of this exemption. We have found from Mrs. Mc[REDACTED]’s statements and other evidence that she did not possess sufficient knowledge or experience to evaluate the potential risks, rewards and costs of these high risk, illiquid investments and was not a qualified sophisticated investor as that phrase is interpreted by law, and as such, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with the requirements of 17 CFR 230.506(b)(2)(ii).

980. Elite Wealth and Dawkins had a fiduciary duty to know and, in fact, did know that Mrs. Mc[REDACTED] did not have “such knowledge and experience in financial and business matters that [she was] capable of evaluating the merits and risk of an investment in the Note and the Company.” Dawkins and Elite Wealth disregarded this fact known to them and made the high-risk recommendation to Mrs. Mc[REDACTED] anyway.

981. Mrs. Mc[REDACTED] e-signed a subscription agreement with EWP Permian Basin Fund II on August 8, 2021, to purchase a one-year note for \$25,000.00 at 8.5% annual interest. (SOC ¶ 54,

Answer ¶ 54, Ex. 31). From that amount, Dawkins and Elite Wealth received \$1,250.00 in compensation. (Ex. 12).

982. On August 8, 2021, EWP Permian Basin Fund II, under the authority of Dawkins as the fund manager, issued an unsecured promissory note to Mrs. Mc [REDACTED]. (Ex. 12, 31, A).

983. Dawkins, and Elite Wealth did not file with the Division the required “Form D, Notice of Exempt Offering of Securities” for the 12-month subscription agreements and notes issued by EWP Permian Basin Fund II and sold to Mrs. Mc [REDACTED]. (Tr. 54-55). Without the required Reg D filing under Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 and other proof of compliance with the federal covered security exemption under Iowa Code § 502.503, we find Dawkins, Elite Wealth and EWP Permian Basin Fund II have not carried their burden of proving the applicability of the Regulation D federal exemption, and have therefore violated Iowa Code § 502.301, when the 12-month subscription agreement and note of \$25,000 was unlawfully recommended, offered, issued and sold to Mrs. Mc [REDACTED] on August 8, 2021.

984. We find from all the evidence that Elite Wealth, Dawkins and EWP Permian Basin Fund II had reckless disregard for whether the security recommended, offered, issued and sold on August 8, 2021, to Mrs. Mc [REDACTED] was registered or exempt from registration. Dawkins lacked sufficient expertise to know whether or not the EWP Permian Basin Fund II offerings were lawful.

985. Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 in the recommendation, offer, issuance and sale of the EWP Permian Basin Fund II subscription agreement and unsecured note to Mrs. Mc [REDACTED] on August 8, 2021.

986. We find Elite Wealth, Dawkins and EWP Permian Basin Fund II did not demonstrate compliance with federal covered security requirements, and, in fact, did violate Iowa Code §502.301, when the EWP Permian Basin Fund II subscription agreement and note was unlawfully recommended, offered, issued and sold to Mrs. Mc [REDACTED] on August 8, 2021. This violation subjects Elite Wealth and Dawkins to disciplinary action under Iowa Code §502.412(4)(b).

987. We also conclude that the material representations made by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mrs. Mc [REDACTED] and other investors concerning the exemption from registration were untrue, and as securities fraud, violated Iowa Code §502.501(2). The facts concerning registration and exemption were material to investors, the statements were untrue, and were willfully made by Elite Wealth, Dawkins and EWP Permian Basin Fund II.

988. We conclude that in recommending, offering and selling this August 8, 2021, subscription agreement and note, which was unregistered, non-exempt and unlawful, Dawkins and Elite Wealth, failed to exercise the reasonable diligence, care and skill of an investment adviser in understanding and evaluating the potential risks, rewards, and costs associated with their recommendation and in so doing, breached their fiduciary duty of reasonable care. This breach of fiduciary duty constituted an act, practice, and course of business “that operates or would operate as a fraud or deceit upon” Mrs. Mc [REDACTED].

989. Dawkins and Elite Wealth, engaged in an act, practice, and course of business “that operates or would operate as a fraud or deceit upon another person” in violation of Iowa Code §§502.501(3) and 502.502(1)(b), when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary duty of care by recommending, offering and selling to Mrs. Mc [REDACTED] on August 8, 2021, an unlawful unregistered and non-exempt security.

990. Dawkins and Elite Wealth also engaged in practices and courses of business that operated as fraud upon Mrs. Mc [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care by disregarding their obligation to demonstrate a registered investment adviser’s “reasonable diligence, care and skill” in fulfilling their best interest care obligation to Mrs. Mc [REDACTED] and others. (Ex. 14).

991. Dawkins and Elite Wealth engaged in an act, practice and course of business that operated, or would operate as fraud or deceit upon Mrs. Mc [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b) when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary obligations of care when they failed to comply with the conditions required for a federal covered security exemption in offering and selling the August 8, 2021, subscription agreement and note.

992. We again make note that as specified in 17 CFR §230.506, the conditions of 17 CFR §230.502 must be met in order for a promoter to avail itself of the federal covered security exemption. This includes the provision of financial statement information. Elite Wealth, Dawkins and EWP Permian Basin Fund II also omitted material facts pertaining to the financial condition of the issuer and maker of the notes, EWP Permian Basin Fund II in offering and selling the August 8, 2021, subscription agreement and note to Mrs. Mc [REDACTED]. This failure negates eligibility for the federal covered security exemption, but it is also a violation of Iowa Code 502.501(2) because the facts related to the financial condition of the issuer are “material,” and the omissions made the statements made concerning future revenues misleading.

993. The EWP Permian Basin Fund II subscription agreement and note on August 8, 2021, recommended, issued and sold to Mrs. Mc [REDACTED] created a complex structure of rights in the event of default. Mrs. Mc [REDACTED] told Investigator Sullivan that she could not recall if she had received an offering memorandum. (Ex.32). Mrs. Mc [REDACTED] was not a qualified sophisticated investor with the sufficient experience to understand the complexities of these structures. Nor could she understand the complexity of the investment structure of rights in the event of default. Mrs. Mc [REDACTED] was not a qualified sophisticated investor with sufficient experience to appreciate the risks of Dawkins’ conflicted recommendation of a \$25,000 investment in debt units issued by a “recently formed” company with “no operating history upon which [he] may evaluate its business and prospects” managed by an individual who believed that the primary purpose of forming the issuer was so that he “could deduct [his] fees.” In fact, the first time any financial statements for EWP Permian Basin Fund II were prepared and made available to investors was after the Commissioner ordered them from Respondents on October 25, 2023. Mrs. Mc [REDACTED] did not have sufficient information and experience to understand and appreciate the conflict of interest that Dawkins and Elite Wealth had created by recommending a private placement with a potential

\$187,838.56 personal liability by Dawkins as the fund manager of his own limited liability company, EWP Permian Basin Fund II, the issuer of the security.

994. Dawkins and Elite Wealth also engaged in practices and courses of business that operated as fraud in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care when they recommended and sold to Mrs. Mc [REDACTED] the August 8, 2021, subscription agreement and note. Dawkins and Elite Wealth knew this high risk and illiquid investment was not in the best interest of Mrs. Mc [REDACTED], because Mrs. Mc [REDACTED] did not have sufficient experience in oil and gas speculation and complex unregistered private placement offerings to evaluate the merits and risk of the investment; neither did Elite Wealth or Dawkins have a reasonable basis to believe the recommended EWP Permian Basin Fund II subscription agreement and note effectively addressed Mrs. Mc [REDACTED]'s financial situation, insurance needs and financial objectives.

995. There were no assets securing the EWP Permian Basin Fund II notes. Neither Dawkins, Elite Wealth or EWP Permian Basin Fund II, provided financial statements of the issuer to Mrs. Mc [REDACTED] or other investors.

996. Dawkins and Elite Wealth breached their fiduciary duties to Mrs. Mc [REDACTED] on August 8, 2021, when Dawkins recommended the very high-risk investment of \$25,000 in debt units issued by a “recently formed” company with “no operating history upon which you may evaluate its business and prospects” managed by an individual who believed that the primary purpose of forming the issuer was so that he “could deduct [his] fees.”

997. Dawkins and Elite Wealth breached their fiduciary duties to Mrs. Mc [REDACTED] on August 8, 2021, when Dawkins based his recommendation to Mrs. Mc [REDACTED] on his own misplaced and conflicted judgment to risk his own money in the illiquid, high risk investments. (Tr. 355, 475 – 479, 501).

998. Dawkins and Elite Wealth breached their fiduciary duties to Mrs. Mc [REDACTED] when Dawkins employed his own version of fiduciary duties. (Tr. 354, 475 – 479, 501). Each individual client has his own unique “situations, needs and objectives.” The reasonable diligence, care and skill of an investment adviser necessarily involves assessing particularities of each individual client. The pervasiveness of Dawkins’ recommendations of his high-risk EWP Permian Basin Fund II notes to such a significant number of his clients with widely varying “situations, needs and objectives” is strong evidence of his disregard for the individualized responsibility in his best interest obligation to Mrs. Mc [REDACTED] and others. (Ex. 14).

999. Dawkins and Elite Wealth knew that Mrs. Mc [REDACTED] was relying on his investment advisers’ fiduciary obligations of care and professional investment experience, and recommended placing an excessive amount of Mrs. Mc [REDACTED]'s net worth and therefore, an excessive concentration of risk in the high risk, illiquid investment. (Tr. 102 – 106).

1000. The EWP Permian Basin Fund II subscription agreement and note issued and sold to Mrs. Mc [REDACTED] on August 8, 2021, created a complex structure of rights in the event of default.

1001. Regardless of whether the 2020 EWP Permian Basin Fund II – Heartland III Debt Offering memorandum was provided to Mrs. Mc [REDACTED], we have found Mrs. Mc [REDACTED] was not a qualified sophisticated investor with the sufficient experience to understand the complexities of these structures, nor the related merits and risks of the investment. We also conclude that Mrs. Mc [REDACTED]’s interests in any related oil or gas fields is attenuated at best and will make any recovery extraordinarily complicated in default.

1002. Certainly by 2021, EWP Permian Basin Fund II’s contravention of the exemption requirements and the implications of fraud should have been apparent to a reasonable competent investment adviser. The violations were readily apparent in 2021, raising significant “red flags” for any reasonably careful, diligent, skillful and attentive investment adviser in circumstance similar to that of Elite Wealth and Dawkins in 2021. We again make note that as specified in 17 CFR 230.506, the conditions of 17 CFR 230.502 must be met in order for a promoter to avail itself of the federal covered security exemption. This includes the provision of relevant financial statement information. Despite that passage of time, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not provide to investors material facts pertaining to the financial condition of the issuer of the securities, EWP Permian Basin Fund II. As in prior recommendations, offerings and sales, this failure to provide annual financial information negates eligibility for the federal covered security exemption, but it is also a violation of Iowa Code 502.501(2) because the facts related to the financial condition of the issuer are “material,” and these omissions made the statements made concerning future revenues misleading. The willful absence of financial statements provided “red flags” to any reasonably careful, diligent, skillful and attentive investment adviser that the offering was likely a Ponzi scheme. By 2021, Dawkins and Elite Wealth should have known that they were recommending not only a high risk, illiquid private placement to Mrs. Mc [REDACTED], but an offering that had numerous characteristics of a fraudulent Ponzi scheme.

1003. Each violation of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II serves as grounds under Iowa Code § 502.412(4)(b) to revoke, suspend, condition, or limit Dawkins’ investment adviser representative registration.

1004. Each violation of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II serves as grounds under Iowa Code § 502.412(4)(b) to revoke, suspend, condition, or limit both Elite Wealth’s investment adviser registration and Dawkins’ registration.

1005. We conclude that all of the above described conduct and violations of law by Dawkins and Elite Wealth also constitutes a dishonest and unethical practice under Iowa Code §502.412(4)(m) and Iowa Administrative Code rule 191—50.38(1).

1006. While we have concluded that Dawkins’ level of training, experience and knowledge was clearly inadequate for him to meet his fiduciary obligations of care and loyalty to Mrs. Mc [REDACTED] and other investors, we do not find that this inadequacy could not be remedied, nor that his general training, experience and knowledge were so inadequate that he is unqualified to hold an Iowa registration under Iowa Code Iowa Code 502.412(4)(n). At this time, we have found that Dawkins

has demonstrated that he is wholly unqualified to recommend, offer or sell high risk, illiquid, unregistered and exempt securities.

**A ■■■ Mc ■■■ Investment**  
**Count 1 – Unregistered Agent – Iowa Code §§ 502.402 and 502.604**

1007. We now return to Count 1 in regards to the recommendation, offer, issuance and sale of securities by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mrs. Mc ■■■. The EWP Permian Basin Fund II subscription agreement and note recommended, offered, issued and sold by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mrs. Mc ■■■ are “securities.”

1008. Neither Elite Wealth, nor Dawkins were registered with the Division as securities agents when Elite Wealth and Dawkins offered and sold these securities to Mrs. Mc ■■■. *See* Joint Stipulation of Facts, ¶¶ 3 & 7. Dawkins had been registered with a broker-dealer in the past, and was aware of the requirement under Iowa law to be licensed in order to offer and sell securities. (Tr. 49-50).

1009. Elite Wealth and Dawkins did not demonstrate compliance with the requirements for any exemption provided under Iowa Code § 502.402(2). We conclude these exemptions are unavailable to individuals who receive remuneration for their selling efforts. *See* Iowa Code §§ 502.402(2)(c) & (e) (providing exemptions to registration only where the individual does not receive compensation in connection with the sale of securities). Elite Wealth and Dawkins received compensation for the sale of the EWP Permian Basin Fund II securities to Mrs. Mc ■■■. (Ex. 8, 12; Tr. 61-62). Indeed, the sale of these securities represented the largest source of Elite Wealth and Dawkins’ income. (Ex. 13; Tr. 75).

1010. While Dawkins repeatedly testified at hearing that he did not consider himself to be “selling” any securities, Dawkins previously stated in an email to the Division that he “sold” these securities. (Ex. 15). Dawkins also testified that he presented and discussed the EWP Permian Basin Fund II subscription agreements with Mrs. Mc ■■■ and each of the Iowa consumers. (Tr. 778–781). Nevertheless, the evidence, including testimony and documents of numerous transactions, was overwhelming that Dawkins was selling securities.

1011. Further, in this determination under Count 1, we incorporate all of the foregoing findings and conclusions in this decision.

1012. Based on the above facts and conclusions, Elite Wealth, Dawkins and EWP Permian Basin Fund II have each acted as or employed an unregistered agent and violated Iowa Code §502.402(2) on at least one occasion on August 8, 2021, and are each liable for separate securities transactions involving Mrs. Mc ■■■ for all necessary and appropriate relief available under Iowa Code § 502.602, including orders to cease and desist violations, to make restitution to Mrs. Mc ■■■, and to implement other corrective actions to accomplish compliance with the Iowa Uniform Securities Act.

***A ■■■ Mc ■■■ Investment***  
***Count 2 – Securities Fraud – Iowa Code §502.501 and 502.604***

1013. We now consider the charge of securities fraud under Count 2 in connection with the recommendation, offer and sale of securities by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mrs. Mc ■■■.

1014. In this determination under Count 2, we incorporate all of the foregoing findings and conclusions in this decision, including the varied methods in which Elite Wealth, Dawkins and EWP Permian Basin Fund II have each violated Iowa Code § 502.501.

1015. Based on the above facts and conclusions, Elite Wealth, Dawkins and EWP Permian Basin Fund II, have each committed securities fraud and violated Iowa Code § 502.501 on at least one occasion on August 8, 2021, and are each liable for separate securities transactions involving Mrs. Mc ■■■ for all necessary and appropriate relief available under Iowa Code § 502.602, including orders to cease and desist violations, to make restitution to Mrs. Mc ■■■, and to implement other corrective actions to accomplish compliance with the Iowa Uniform Securities Act.

***A ■■■ Mc ■■■ Investment***  
***Count 4 – Disciplinary Action on Insurance Producer Licenses of Dawkins and Elite Wealth – Iowa Code §§ 522B.11(1) and 522B.17***

1016. We complete our analysis of the conduct of Elite Wealth and Dawkins under Iowa Code §522B.11 in relationship to their transactions with Mrs. Mc ■■■. As with Count 3, this charge broadly relates to any wrongful conduct that implicates the professional licenses of Dawkins and Elite Wealth. However, this charge implicates the insurance producer licenses of Dawkins and Elite Wealth.

1017. Iowa Code § 522B.11(1)(h) provides that the commissioner may place on probation, suspend, or revoke an insurance producer’s license for “[u]sing fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness and/or financial irresponsibility in the conduct of business in this state or elsewhere.” As provided in Iowa Code § 522B.17, the commissioner may also issue cease and desist orders and levy a civil penalty.

1018. In this determination under Count 4, we incorporate all of the foregoing findings and conclusions in this decision, including the varied methods in which Elite Wealth and Dawkins, directly or through EWP Permian Basin Fund II, have each violated Iowa Code §§ 502.301, 502.402, 502.501 and 502.502, as well as enumerated securities regulations.

1019. We conclude that all of the above described conduct and violations of law by Dawkins and Elite Wealth in regards to transactions involving Mrs. Mc ■■■ constitute fraudulent and dishonest and unethical practices, and demonstrate incompetence, untrustworthiness and financial irresponsibility in the conduct of business in this state under Iowa Code §522B.11(1)(h).

**E R Investments**  
**Count 3 – Investment Adviser Disqualifications – Iowa Code §502.412**

1020. We now begin our analysis under Iowa Code §502.412 of the conduct of Elite Wealth, Dawkins and EWP Permian Basin Fund II in relationship to their transaction with E R. Mr. R was named as an investor in the Division’s statement of charges. (SOC ¶ 70 – 73).

1021. Mr. R did not testify. He did make statements to Division Investigator Elijah Hansen on November 9, 2021. (Ex. 47).

1022. Mr. R is married and is resident of Iowa, living near Newton. Mr. R is a retired farmer. (Tr. 121; Ex. 43, 47, A).

1023. Mr. R met Dawkins many years ago because he took over Mr. R’s investment/insurance account at Waddell and Reed when a prior agent retired. When asked by Investigator Hansen about the length of his investment experience, Mr. R replied “I am not an investor – uh – as far as playing the stock market or anything.” (Ex. 47).

1024. According to Mr. R, Dawkins told him that “he and several others were talking about the stock market was gonna go – us – hit the skids, and we better get out.” (Ex. 47, A). In his statements to Investigator Hansen, Mr. R provided the following additional description: “So, we got out of the Ivy Funds and invested in the – in these three companies. And the way it looks now – it might have been a bad idea.” Dawkins and Elite Wealth recommended that Mr. R invest with three different “companies,” one of which was “Heartland.” (Ex. 47). Mr. R followed the recommendation to invest in EWP Permian Basin Fund II in August of 2021. Mr. R liquidated \$240,000 of Ivy Funds and cash on hand from crops to invest based upon the recommendations of Dawkins and Elite Wealth.

1025. The transaction by Elite Wealth and Dawkins with Mr. R involved three transactions:

Date	Description	Issuer	Amount	Return	Maturity
08/17/2021	Subscription and Note	EWP Permian Basin Fund II, LLC	\$80,000	8.5%	08/17/2022
08/17/2021	Limited Partnership Interest	Carson Oil Field Dev Fund II, LP	\$100,000		
08/17/2020	Heartland Life Settlement	EWP Permian Basin Fund II, LLC	\$100,000		

(Ex. 12, 14, 44, 45, 46 and A).

1026. Mr. R had no prior investment knowledge or experience in oil and gas development investments. (Ex. 47 and A).

1027. Investigator Hansen’s question to Mr. R during the interview was suggestive that he received an offering memorandum. Dawkins in his testimony was certain that he had provided an offering memorandum. (Tr. 572). But Mr. R did not testify, nor did the Division during its investigation ever ask Mr. R to even identify this “offering memorandum.” (Ex. 47). From the hesitation in Mr. R’s voice in response to the



question in his interview and the lack of any follow-up questions about this nondescript document, we are inconclusive about whether or not Mr. R [REDACTED] received, read or understood the offering memorandum for the EWP Permian Basin Fund II subscription agreement and notes in the \$5,000,000 fund of 200 Units with each unit offered at \$25,000 per unit. (Ex. 9, 47).

1028. Mr. R [REDACTED] signed a customer profile on April 2, 2021, five months before Mr. R [REDACTED] made his investments in EWP Permian Basin Fund II. According to the April 2, 2021, customer profile, Mr. R [REDACTED] had \$310,000 of investible assets in stocks and mutual funds. (Ex. 43). Mr. R [REDACTED] had an annual household income between \$100,001 and \$500,000, a household net worth of \$5,000,001 or greater, and household liquid assets of less than \$50,000. (SOC ¶70; Answer ¶70; Ex. 43). Mr. R [REDACTED]'s gross household monthly income and monthly expenses were omitted by Dawkins and Elite Wealth. The customer profile indicates a risk tolerance as "low" and investment objective as "income." Mr. R [REDACTED] told Investigator Hansen that his investment objective was to "make a little money." He described his prior "investment experience" as "farming." While Iowa farmers are very sophisticated in business, understanding the risks of high risk and illiquid private placements is not the same sophistication. Based on the limited investment experience described in his customer profile and his statements to Investigator Hansen, we find Mr. R [REDACTED] had very little investment experience with his prior investments being limited to mutual funds and possibly stocks. Mr. R [REDACTED] told Investigator Hansen that Mr. R [REDACTED] did not have any prior knowledge or experience in private placements. (Ex. 47). We find that Dawkins and Elite Wealth knew Mr. R [REDACTED] had very limited investment knowledge and experience in high risk and illiquid private placements.

1029. Without restating every fact and violation here, we find that many of the unlawful acts or practices by Elite Wealth, Dawkins and EWP Permian Basin Fund II that we found in connection with the EWP Permian Basin Fund II subscription agreements and notes recommended offered,

issued and sold to Mr. R [REDACTED], Mr. M [REDACTED], Dr. K [REDACTED], Mrs. P [REDACTED], Mr. V [REDACTED], Mr. S. D [REDACTED], Mr. Me [REDACTED], Mr. Cl [REDACTED], Mrs. Mo [REDACTED], Mr. J [REDACTED], Mrs. S [REDACTED], and Mrs. Mo [REDACTED] were repeated by Elite Wealth, Dawkins and EWP Permian Basin Fund II in the recommendation, offer, issuance and sale of the August 17, 2021, EWP Permian Basin II subscription agreement and note to Mr. R [REDACTED]. (Ex. 12 and A).

1030. From Mr. R [REDACTED]'s statements, Dawkins' statements and a review of the customer profile, it is clear that Mr. R [REDACTED] was not a qualified sophisticated investor as that phrase in interpreted by law, and as such, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with the requirements of 17 CFR 230.506(b)(2)(ii).

1031. On August 17, 2021, Dawkins and Elite Wealth offered to Mr. R [REDACTED] a subscription agreement issued by EWP Permian Basin Fund II for an unsecured promissory note.

1032. As with the 2020 – 2021 EWP 12-month 8.5% Permian Basin Fund II investments in a \$5,000,000 fund of 200 Units with each unit offered at \$25,000 per unit to Mr. M [REDACTED], Dr. K [REDACTED], Mrs. L [REDACTED], Dr. G [REDACTED], Mr. V [REDACTED], Mr. and Mrs. D [REDACTED], Mr. Me [REDACTED], Mr. Cl [REDACTED], Mr. Mo [REDACTED], Mr. J [REDACTED], and Mrs. Mo [REDACTED] and based on the whole of the evidence we conclude that

this offer around February 26, 2021, to Mr. R [REDACTED] was represented by Dawkins and Elite Wealth as an offering of a \$5,000,000 fund of 200 Units with each unit offered at \$25,000 per unit. (Ex. 9).

1033. The August 17, 2021, subscription agreement presented the following qualification requirements to Mr. R [REDACTED]:

D. Accredited Investor. Under Federal and certain state securities laws and applicable regulations, the Subscriber may acquire the Note by representing and warranting this it is (i) an “Accredited Investor,” as hereafter defined,

(a) Accredited Investor. The Subscriber shall be deemed to be an Accredited Investor if: (Please check one for each question)

(i) The Subscriber is an individual, and his or her net worth, or joint net worth with his or her spouse, exceeds \$1,000,000;

Yes  No

1034. The subscription agreement was checked “yes” in response to the qualification requirements as an “accredited investor” at the time of Mr. R [REDACTED]’s investment. Given the number of investors that Dawkins and Elite Wealth encouraged to check the “qualified sophisticated investor” box knowing they had no knowledge or experience in high risk and illiquid oil and gas development private placements, we have little confidence which box is checked. However, in his testimony, Dawkins offered no other evidence of compliance with federal regulation 17 CFR 230.506(c)(2)(ii)(B). (Tr. 571-573).

1035. Presumably, Dawkins was asserting that the offer and sale to Mr. R [REDACTED] was exempt from registration under federal regulation 17 CFR 230.506(c)(2)(ii)(B). But Dawkins and Elite Wealth did not file with the Division the required “Form D, Notice of Exempt Offering of Securities” for the 12-month subscription agreements and notes issued by EWP Permian Basin Fund II and sold to Mr. R [REDACTED]. (Tr. 54-55). Without the required Reg D filing under Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 and other proof of compliance with the federal covered security exemption under Iowa Code § 502.503, we find Dawkins, Elite Wealth and EWP Permian Basin Fund II have not carried their burden of proving the applicability of the Regulation D federal exemption, and have therefore violated Iowa Code § 502.301, when the 12-month subscription agreement and note of \$80,000 was unlawfully recommended, offered, issued and sold to Mr. R [REDACTED] on August 17, 2021.

1036. We also note the requirement in 17 CFR 230.506 that each of the allowed 35 investors allowed under this federal covered security exemption who are not “accredited investors,” must have “such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment, or the issuer reasonably believes immediately prior to making any sale that such purchaser comes within this description.” 17 CFR 230.506(b)(2). This was also referenced in Mr. DeArme’s testimony. (Tr. 55 – 65). As with Mr. Mu [REDACTED], the lawfulness of an offering is also not salvaged by two individuals who might otherwise qualify as accredited investors.

1037. As specified in 17 CFR 230.506, the conditions of 17 CFR 230.502 must be met in order for a promoter to avail itself of the federal covered security exemption. This includes the provision of financial statement information.” This information was not provided to any of the investors that should have received it in order to be qualified as qualified sophisticated investors. In fact, the first time any financial statements for EWP Permian Basin Fund II were prepared and made available to investors was after the Commissioner ordered them from Respondents on October 25, 2023. The investors did not and could not have sufficient information to understand and appreciate the conflict of interest that Dawkins and Elite Wealth had created by recommending a private placement with the potential for thousands of dollars of personal liability by Dawkins as the fund manager of his own limited liability company, EWP Permian Basin Fund II, the issuer of the security.

1038. Irrespective of whether Elite Wealth, Dawkins and EWP Permian Basin Fund II were required as a condition of the exemption from securities registration to disclose the financial statements of the issuer and maker of the notes, EWP Permian Basin Fund II, to Mr. R [REDACTED], as an accredited investor, the failure to provide the financial statements of the issuer and maker of the notes is a violation of Iowa Code 502.501(2), because the facts related to the financial condition of the issuer are “material,” and the omissions made the statements made concerning future revenues misleading.

1039. For the transaction with Mr. R [REDACTED] to be lawful and to fulfil the fiduciary duty of reasonable care owed by Dawkins and Elite Wealth to Mr. R [REDACTED] and the public, we conclude that each of the other investments issued by EWP Permian Basin Fund II and offered and sold by Elite Wealth and Dawkins to Iowans must also comply with all conditions required for Regulation D federal covered security exemption. The evidence shows that although Mr. R [REDACTED], like Mr. Mu [REDACTED], may have been qualified as an accredited investor, Dawkins and Elite Wealth engaged in practices and courses of business that operated as a fraud on others in violation of Iowa Code §§502.501(3) and 502.502(1)(b) when they breached their fiduciary duty of care to numerous other investors who were not appropriately qualified sophisticated investors.

1040. Elite Wealth and Dawkins had a fiduciary duty to know and, in fact, did know that Mr. R [REDACTED], as all of the other investors that Dawkins and Elite Wealth recommended invest in EWP Permian Basin Fund II, did not have “such knowledge and experience in financial and business matters that [he was] capable of evaluating the merits and risk of an investment in the Note and the Company.” Dawkins and Elite Wealth disregarded this fact known to them and made the high-risk recommendation to Mr. R [REDACTED] anyway. As Mr. R [REDACTED] explained in his statement to Investigator Hansen, “I got a lot of trust in Cory ...because of the things that happened with him [my son], so I pretty much go by what he recommends.” (Ex. 47). Dawkins recommendation of a high risk and illiquid oil and gas development private placement to Mr. R [REDACTED] in these circumstances is a breach of that fiduciary duty.

1041. Mr. R [REDACTED] signed a subscription agreement with EWP Permian Basin Fund II on August 17, 2021, to purchase a one-year note for \$80,000.00 at 8.5% annual interest. (SOC ¶ 72, Answer ¶ 72, Ex. 44). From that amount, Dawkins and Elite Wealth received \$4,800.00 in compensation. (Ex. 12).

1042. On August 17, 2021, EWP Permian Basin Fund II, under the authority of Dawkins as the fund manager, issued an unsecured promissory note to Mr. R [REDACTED]. (Ex. 12, 44, A).

1043. On August 17, 2021, Dawkins and Elite Wealth also offered to Mr. R [REDACTED] a subscription agreement issued by EWP Permian Basin Fund II for “Class A Units of EWP Permian Basin II, LLC, which are invested in partnership interest (a “unit”) of Carson Oil Field Development Fund II, LP, a Texas limited partnership...” (Ex. 45). This offering appears similar to the interests sold to Mr. Mu [REDACTED] in the February 16 – 19, 2021, transaction.

1044. On August 17, 2021, Mr. R [REDACTED] purchased ten limited partnership units in the Carson Oil Field Development Fund II, LP for \$100,000 from EWP Permian Basin Fund II. (SOC ¶ 72, Answer ¶ 72, Ex. 45). From that amount, Dawkins and Elite Wealth received \$7,000 in compensation.

1045. Carson Oil Field Development Fund II, LP, Dawkins, Elite Wealth and EWP Permian Basin Fund II did not file with the Division the required “Form D, Notice of Exempt Offering of Securities” for the Class A Units of EWP Permian Basin II, which are invested in limited partnership interests in Carson Oil Field Development Fund II, LP. (Tr. 54-55). Without the required Reg D filing under Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 and other proof of compliance with the federal covered security exemption under Iowa Code § 502.503, we find Dawkins, Elite Wealth and EWP Permian Basin Fund II have not carried their burden of proving the applicability of the Regulation D federal exemption, and have therefore violated Iowa Code § 502.301, when the Class A Units of EWP Permian Basin II, which were then purportedly invested in limited partnership interests in Carson Oil Field Development Fund II, LP, were unlawfully issued and sold to Mr. R [REDACTED] on August 17, 2021.

1046. The evidence is not clear whether Dawkins, Elite Wealth and EWP Permian Basin Fund II performed the obligations under the subscription agreement and actually issued and delivered the EWP Permian Basin Fund II Class A Units to Mr. R [REDACTED].

1047. On August 17, 2021, Dawkins and Elite Wealth also offered to Mr. R [REDACTED] a subscription agreement issued by EWP Permian Basin Fund II for “Units of Membership Interest of the Issuer.” Conceptually, EWP Permian Basin Fund II was reinvesting in Heartland Life Settlements 1, LLC, a limited liability company established purportedly in the state of Wyoming, with offices in the state of California. However, the private placement offering by Heartland Life Settlements 1, LLC could not be lawfully resold to investors. This offering appears similar to the interests sold to Mr. Mu [REDACTED] in the February 16 – 19, 2021, transaction.

1048. Regardless, Heartland Life Settlements 1, LLC, Dawkins, Elite Wealth and EWP Permian Basin Fund II did not file with the Division the required “Form D, Notice of Exempt Offering of Securities” for the Units of Membership Interest of the Issuer, so that the proceeds could purportedly be reinvested in “Issuer Units” in Heartland Life Settlements 1, LLC (Tr. 54-55). Without the required Reg D filing under Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 and other proof of compliance with the federal covered security exemption under Iowa Code § 502.503, we find Dawkins, Elite Wealth and EWP Permian Basin Fund II have not carried their burden of proving the applicability of the Regulation D federal exemption,

and have therefore violated Iowa Code § 502.301, when the EWP Permian Basin Fund II “Units of Membership Interest of the Issuer” were unlawfully issued and sold to Mr. R [REDACTED] on August 17, 2021.

1049. Dawkins, on behalf of EWP Permian Basin Fund II, issued to Mr. R [REDACTED] the “Limited Liability Operating Agreement of Heartland Life Settlements 1, LLC” for the “Units of Membership Interest of the Issuer” on August 17, 2021. (Ex. 46).

1050. We find from all the evidence that Elite Wealth, Dawkins and EWP Permian Basin Fund II had reckless disregard for whether the securities recommended, offered, issued and sold on August 17, 2021, to Mr. R [REDACTED] were registered or exempt from registration. Dawkins lacked sufficient expertise to know whether or not the EWP Permian Basin Fund II offerings were lawful.

1051. Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 in the recommendation, offer, issuance and sale of the EWP Permian Basin Fund II subscription agreement and unsecured note to Mr. R [REDACTED] on August 17, 2021.

1052. Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 in the recommendation, offer, issuance and sale of the Class A Units of EWP Permian Basin II, which are purportedly reinvested in limited partnership interests in Carson Oil Field Development Fund II, LP, to Mr. R [REDACTED] on August 17, 2021.

1053. Elite Wealth, Dawkins and EWP Permian Basin Fund II did not comply with Iowa Code § 502.302(3) and Iowa Administrative Rule 191—50.81 in the recommendation, offer, issuance and sale of the EWP Permian Basin Fund II “Units of Membership Interest” of the Heartland Life Settlements 1, LLC to Mr. R [REDACTED] on August 17, 2021.

1054. We find Elite Wealth, Dawkins and EWP Permian Basin Fund II did not demonstrate compliance with federal covered security requirements, and, in fact, did violate Iowa Code §502.301, when the EWP Permian Basin Fund II securities were unlawfully recommended, offered, issued and sold to Mr. R [REDACTED] on August 17, 2021. This violation subjects Elite Wealth and Dawkins to disciplinary action under Iowa Code §502.412(4)(b).

1055. We also conclude that the material representations made by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. R [REDACTED] and other investors concerning the exemption from registration were untrue, and as securities fraud, violated Iowa Code §502.501(2). The facts concerning registration and exemption were material to investors, the statements were untrue, and were willfully made by Elite Wealth, Dawkins and EWP Permian Basin Fund II.

1056. We conclude that in recommending, offering and selling these August 17, 2021, securities, which were unregistered, non-exempt and unlawful, Dawkins and Elite Wealth, failed to exercise the reasonable diligence, care and skill of an investment adviser in understanding and evaluating the potential risks, rewards, and costs associated with their recommendations and in

so doing, breached their fiduciary duty of reasonable care. This breach of fiduciary duty constituted an act, practice, and course of business “that operates or would operate as a fraud or deceit upon” Mr. R [REDACTED].

1057. Dawkins and Elite Wealth, engaged in an act, practice, and course of business “that operates or would operate as a fraud or deceit upon another person” in violation of Iowa Code §§502.501(3) and 502.502(1)(b), when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary duty of care by recommending, offering and selling to Mr. R [REDACTED] on August 17, 2021, unlawful unregistered and non-exempt securities.

1058. Dawkins and Elite Wealth also engaged in practices and courses of business that operated as fraud upon Mr. R [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care by disregarding their obligation to demonstrate a registered investment adviser’s “reasonable diligence, care and skill” in fulfilling their best interest care obligation to Mr. R [REDACTED] and others. (Ex. 14).

1059. Dawkins and Elite Wealth engaged in an act, practice and course of business that operated, or would operate as fraud or deceit upon Mr. R [REDACTED] in violation of Iowa Code §§502.501(3) and 502.502(1)(b) when as an investment adviser and investment adviser representative, Dawkins and Elite Wealth breached their fiduciary obligations of care when they failed to comply with the conditions required for federal covered security exemptions in offering and selling the August 17, 2021, securities.

1060. We again make note that as specified in 17 CFR §230.506, the conditions of 17 CFR §230.502 must be met in order for a promoter to avail itself of the federal covered security exemption. This includes the provision of financial statement information. Elite Wealth, Dawkins and EWP Permian Basin Fund II also omitted material facts pertaining to the financial condition of the issuer and maker of the notes, EWP Permian Basin Fund II in offering and selling the August 17, 2021, securities to Mr. R [REDACTED]. This failure negates eligibility for the federal covered security exemption for those investors that Dawkins and Elite Wealth presented as “qualified sophisticated investors,” but it is also a violation of Iowa Code 502.501(2) because the facts related to the financial condition of the issuer are “material,” and the omissions made the statements made concerning future revenues misleading.

1061. The EWP Permian Basin Fund II subscription agreement and note on August 17, 2021, recommended, issued and sold to Mr. R [REDACTED] created a complex structure of rights in the event of default. Mr. R [REDACTED] has been a successful farmer, but he did not have experience or knowledge about oil and gas development private placements, especially not with Dawkins as manager for his own investment fund. Mr. R [REDACTED] did not have sufficient experience to understand the complexities of these structures. Nor could he understand the complexity of the investment structure of rights in the event of default. Mr. R [REDACTED] did not have sufficient experience to appreciate the risks of Dawkins’ conflicted recommendation of thousands of dollars of investments issued by a “recently formed” company with “no operating history upon which [he] may evaluate its business and prospects” managed by an individual who believed that the primary purpose of forming the issuer was so that he “could deduct [his] fees.” This is for the EWP Permian

Basin Fund II subscription agreement and notes, but can also be said for the limited partnership interests and the units of interest in the Wyoming life settlement company. In fact, the first time any financial statements for EWP Permian Basin Fund II were prepared and made available to investors was after the Commissioner ordered them from Respondents on October 25, 2023. Mr. R [REDACTED] did not have sufficient information and experience to understand and appreciate the conflict of interest that Dawkins and Elite Wealth had created by recommending a private placement with thousands of dollars of potential personal liability by Dawkins as the fund manager of his own limited liability company, EWP Permian Basin Fund II, the issuer of the securities.

1062. Dawkins and Elite Wealth also engaged in practices and courses of business that operated as fraud in violation of Iowa Code §§502.501(3) and 502.502(1)(b) by breaching their fiduciary obligations of care when they recommended and sold to Mr. R [REDACTED] the August 17, 2021, securities. Dawkins and Elite Wealth knew these high risk investments were not in the best interest of Mr. R [REDACTED], because Mr. R [REDACTED] did not have sufficient experience in complex unregistered private placement offerings to evaluate the merits and risk of the investments; neither did Elite Wealth or Dawkins have a reasonable basis to believe the recommended EWP Permian Basin Fund II securities effectively addressed Mr. R [REDACTED]'s financial situation, insurance needs and financial objectives.

1063. There were no assets securing the EWP Permian Basin Fund II notes. Neither Dawkins, Elite Wealth or EWP Permian Basin Fund II, provided financial statements of the issuer to Mr. R [REDACTED] or other investors.

1064. Dawkins and Elite Wealth breached their fiduciary duties to Mr. R [REDACTED] on August 17, 2021, when Dawkins recommended the very high-risk investment of \$25,000 in debt units issued by a “recently formed” company with “no operating history upon which you may evaluate its business and prospects” managed by an individual who believed that the primary purpose of forming the issuer was so that he “could deduct [his] fees.”

1065. Dawkins and Elite Wealth breached their fiduciary duties to Mr. R [REDACTED] on August 17, 2021, when Dawkins based his recommendation to Mr. R [REDACTED] on his own misplaced and conflicted judgment to risk his own money in the illiquid, high risk investments. (Tr. 355, 475 – 479, 501).

1066. Dawkins and Elite Wealth breached their fiduciary duties to Mr. R [REDACTED] when Dawkins employed his own version of fiduciary duties. (Tr. 354, 475 – 479, 501). Each individual client has his own unique “situations, needs and objectives.” The reasonable diligence, care and skill of an investment adviser necessarily involves assessing particularities of each individual client. The pervasiveness of Dawkins’ recommendations of his high-risk EWP Permian Basin Fund II securities to such a significant number of his clients with widely varying “situations, needs and objectives” is strong evidence of his disregard for the individualized responsibility in his best interest obligation to Mr. R [REDACTED] and others. (Ex. 14).

1067. Dawkins and Elite Wealth knew that Mr. R [REDACTED] was relying on his investment advisers’ fiduciary obligations of care and professional investment experience, and

recommended placing an excessive amount of Mr. R [REDACTED]'s investible assets and therefore, an excessive concentration of risk in the high risk, illiquid investments. (Tr. 102 – 106).

1068. The EWP Permian Basin Fund II securities issued and sold to Mr. R [REDACTED] on August 17, 2021, created a complex structure of rights in the event of default.

1069. Regardless of whether the 2020 EWP Permian Basin Fund II – Heartland III Debt Offering memorandum was provided to Mr. R [REDACTED], we have found Mr. R [REDACTED] did not possess sufficient experience or knowledge to understand the complexities of these structures, nor the related merits and risks of the investment. We also conclude that Mr. R [REDACTED]'s interests in any related oil or gas fields, or life settlements is attenuated at best and will make any recovery extraordinarily complicated in default.

1070. Certainly by 2021, EWP Permian Basin Fund II's contravention of the exemption requirements and the very apparent implications of fraud should have been apparent to a reasonable competent investment adviser. The violations were readily apparent in 2021, raising significant "red flags" for any reasonably careful, diligent, skillful and attentive investment adviser in circumstance similar to that of Elite Wealth and Dawkins in 2021. We again make note that as specified in 17 CFR 230.506, the conditions of 17 CFR 230.502 must be met in order for a promoter to avail itself of the federal covered security exemption. This includes the provision of relevant financial statement information. Despite that passage of time, Elite Wealth, Dawkins and EWP Permian Basin Fund II did not provide to investors material facts pertaining to the financial condition of the issuer of the securities, EWP Permian Basin Fund II. As in prior recommendations, offerings and sales, this failure to provide annual financial information negates eligibility for the federal covered security exemption, but it is also a violation of Iowa Code 502.501(2) because the facts related to the financial condition of the issuer are "material," and these omissions made the statements made concerning future revenues misleading. The willful absence of financial statements provided "red flags" to any reasonably careful, diligent, skillful and attentive investment adviser that the offering was likely a Ponzi scheme. By 2021, Dawkins and Elite Wealth should have known that they were recommending not only high risk private placements to Mr. R [REDACTED], but offerings that had numerous characteristics of a fraudulent Ponzi scheme.

1071. Each violation of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II serves as grounds under Iowa Code § 502.412(4)(b) to revoke, suspend, condition, or limit Dawkins' investment adviser representative registration.

1072. Each violation of Iowa Code §§ 502.301, 502.501 and 502.502(1)(b) by Dawkins, Elite Wealth or EWP Permian Basin Fund II serves as grounds under Iowa Code § 502.412(4)(b) to revoke, suspend, condition, or limit both Elite Wealth's investment adviser registration and Dawkins' registration.

1073. We conclude that all of the above described conduct and violations of law by Dawkins and Elite Wealth also constitutes a dishonest and unethical practice under Iowa Code §502.412(4)(m) and Iowa Administrative Code rule 191—50.38(1).



1074. While we have concluded that Dawkins' level of training, experience and knowledge was clearly inadequate for him to meet his fiduciary obligations of care and loyalty to Mr. R [REDACTED] and other investors, we do not find that this inadequacy could not be remedied, nor that his general training, experience and knowledge were so inadequate that he is unqualified to hold an Iowa registration under Iowa Code Iowa Code 502.412(4)(n). At this time, we have found that Dawkins has demonstrated that he is wholly unqualified to recommend, offer or sell high risk, illiquid, unregistered and exempt securities.

***E [REDACTED] R [REDACTED] Investments***  
***Count 1 – Unregistered Agent – Iowa Code §§ 502.402 and 502.604***

1075. We now return to Count 1 in regards to the recommendations, offers, issuance and sales of securities by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. R [REDACTED]. The EWP Permian Basin Fund II subscription agreements and notes recommended, offered, issued and sold by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. R [REDACTED] are “securities.”

1076. Neither Elite Wealth, nor Dawkins were registered with the Division as securities agents when Elite Wealth and Dawkins offered and sold these securities to Mr. and Mrs. R [REDACTED]. See Joint Stipulation of Facts, ¶¶ 3 & 7. Dawkins had been registered with a broker-dealer in the past, and was aware of the requirement under Iowa law to be licensed in order to offer and sell securities. (Tr. 49-50).

1077. Elite Wealth and Dawkins did not demonstrate compliance with the requirements for any exemption provided under Iowa Code § 502.402(2). We conclude these exemptions are unavailable to individuals who receive remuneration for their selling efforts. See Iowa Code §§ 502.402(2)(c) & (e) (providing exemptions to registration only where the individual does not receive compensation in connection with the sale of securities). Elite Wealth and Dawkins received compensation for the sale of the EWP Permian Basin Fund II securities to Mr. R [REDACTED]. (Ex. 8, 12; Tr. 61-62). Indeed, the sale of these securities represented the largest source of Elite Wealth and Dawkins' income. (Ex. 13; Tr. 75).

1078. While Dawkins repeatedly testified at hearing that he did not consider himself to be “selling” any securities, Dawkins previously stated in an email to the Division that he “sold” these securities. (Ex. 15). Dawkins also testified that he presented and discussed the EWP Permian Basin Fund II subscription agreements with Mr. R [REDACTED] and each of the Iowa consumers. (Tr. 778–781). Nevertheless, the evidence, including testimony and documents of numerous transactions, was overwhelming that Dawkins was selling securities.

1079. Further, in this determination under Count 1, we incorporate all of the foregoing findings and conclusions in this decision.

1080. Based on the above facts and conclusions, Elite Wealth, Dawkins and EWP Permian Basin Fund II have each acted as or employed an unregistered agent and violated Iowa Code §502.402(2) on at least two occasions on February 16, 2021, and December 4, 2021, and are each liable for separate securities transactions involving Mr. R [REDACTED] for all necessary and

appropriate relief available under Iowa Code § 502.602, including orders to cease and desist violations, to make restitution to Mr. R [REDACTED], and to implement other corrective actions to accomplish compliance with the Iowa Uniform Securities Act.

***E [REDACTED] R [REDACTED] Investments***  
***Count 2 – Securities Fraud – Iowa Code §502.501 and 502.604***

1081. We now consider the charge of securities fraud under Count 2 in connection with the recommendations, offers and sales of securities by Elite Wealth, Dawkins and EWP Permian Basin Fund II to Mr. R [REDACTED].

1082. In this determination under Count 2, we incorporate all of the foregoing findings and conclusions in this decision, including the varied methods in which Elite Wealth, Dawkins and EWP Permian Basin Fund II have each violated Iowa Code § 502.501.

1083. Based on the above facts and conclusions, Elite Wealth, Dawkins and EWP Permian Basin Fund II, have each committed securities fraud and violated Iowa Code § 502.501 on at least two occasions on February 16, 2021, and December 4, 2021, and are each liable for separate securities transactions involving Mr. R [REDACTED] for all necessary and appropriate relief available under Iowa Code § 502.602, including orders to cease and desist violations, to make restitution to Mr. R [REDACTED], and to implement other corrective actions to accomplish compliance with the Iowa Uniform Securities Act.

***E [REDACTED] R [REDACTED] Investments***  
***Count 4 – Disciplinary Action on Insurance Producer Licenses of Dawkins and Elite Wealth – Iowa Code §§ 522B.11(1) and 522B.17***

1084. We complete our analysis of the conduct of Elite Wealth and Dawkins under Iowa Code §522B.11 in relationship to their transactions with Mr. R [REDACTED]. As with Count 3, this charge broadly relates to any wrongful conduct that implicates the professional licenses of Dawkins and Elite Wealth. However, this charge implicates the insurance producer licenses of Dawkins and Elite Wealth.

1085. Iowa Code § 522B.11(1)(h) provides that the commissioner may place on probation, suspend, or revoke an insurance producer’s license for “[u]sing fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness and/or financial irresponsibility in the conduct of business in this state or elsewhere.” As provided in Iowa Code § 522B.17, the commissioner may also issue cease and desist orders and levy a civil penalty.

1086. In this determination under Count 4, we incorporate all of the foregoing findings and conclusions in this decision, including the varied methods in which Elite Wealth and Dawkins, directly or through EWP Permian Basin Fund II, have each violated Iowa Code §§ 502.301, 502.402, 502.501 and 502.502, as well as enumerated securities regulations.

1087. We conclude that all of the above described conduct and violations of law by Dawkins and Elite Wealth in regards to transactions involving Mr. R [REDACTED] constitute fraudulent and

dishonest and unethical practices, and demonstrate incompetence, untrustworthiness and financial irresponsibility in the conduct of business in this state under Iowa Code §522B.11(1)(h).

***Motions for Show Cause for Violations of April 19, 2022 Summary Cease and Desist Order  
Iowa Code § 502.604***

1088. We now take up the Division’s two motions alleging that Dawkins had violated the Commissioner’s summary order that was issued on April 19, 2022.

1089. This case has been under advisement since the hearing on March 2, 2023. A significant concern has been the uncertainty surrounding the extent of losses suffered by the investors. Respondents’ counsel made an argument in his closing brief that as of the final day of the March 2, 2023, hearing, we were unable to determine the extent of the loss. (Respondents’ Post Hearing Brief and Argument, page 2 and 7). Based on all of the evidence in this matter, including many of the EWP Permian Basin Fund II notes were unpaid and in default, and information from the federal court receiver in *SEC v. The Heartland Group Ventures, LLC, et al.*, we were able to determine the losses to the investors were substantial. We no longer have much uncertainty as to size of the losses. This will be addressed below.

1090. However, in part, due to the ongoing receivership action, we issued a summary cease and desist to avoid further harm during the pendency of this case. In a case such as this with repetitive violations of law and significant indications of a Ponzi scheme, the risk of continued harm to innocent investors is high.

1091. The entire premise of a Ponzi scheme is creating an illusion of revenue generation, so that investors believe they will continue to receive returns, when the returns are actually being funded by new investors. Often related to this fraud – as the indications become increasingly pronounced – is the deception of lulling investors into complacency with hopeful sounding explanations that the investors’ money is not lost. Evidence of “activities tending to lull investors, either to prevent discovery of fraud or to permit further fraudulent activities to progress unhindered, have been held to constitute a part of the execution of the fraudulent scheme and to be integral to the offense rather than incidental to it.” *United States v. Brown*, 578 F.2d 1280, 1285 (9th Cir. 1978). See also *United States v. Jones*, 712 F.2d 1316, 1323 (9th Cir. 1983) (causing bank to mail notices of lease payments to investors to reassure them that all was well and discourage investigation of fraud “lulled investors into feeling their investments were secure. Lulling mailings warrant jurisdiction over securities fraud.”); *S.E.C. v. Holschuh*, 694 F.2d 130, 143 (7th Cir. 1982) (court may consider evidence of lulling activities to determine if a fraudulent scheme was present because “[a] scheme to defraud may well include later efforts to avoid detection of the fraud.”); *United States v. Shields*, 2014 WL 4744617, at \*4 (N.D. Cal. Sept. 23, 2014) (defendant “is mistaken when he says an alleged misrepresentation made months after the investment cannot constitute securities fraud.... [P]ost-investment misrepresentations designed to lull investors into a false sense that their investments are safe can constitute securities fraud” under Section 10(b) of Securities Exchange Act).

1092. We issued the April 19, 2022, in part, to prevent greater loss. In particular, we note the following prohibition:

IT IS FURTHER ORDERED that Respondents and any of their agents, representatives, or any other person acting with them, pursuant to Iowa Code §§ 502.502 and 502.604, are prohibited from engaging in any prohibited conduct in providing investment advice, which shall include, but is not limited to, engaging in any deception, manipulative or unethical conduct with any current, former, or prospective advisory clients: **and further, Respondents shall not discuss, communicate or provide information on the Heartland receivership to any EWP2 [EWP Permian Basin Fund II, LLC] investors or EWP [Elite Wealth Partners LLC] clients.**

(Emphasis added.)

1093. It was alleged violations of the last phrase of this prohibition that gave rise to the Division's two motions to show cause. On October 25, 2023, because this prohibition may be interpreted to impede the performance of Dawkins' and Elite Wealth's ongoing fiduciary duties as a registered investment adviser representative and investment adviser, we modified the summary cease and desist by substituting the following in lieu of the last sentence of the provision:

During the pendency of this matter and prior to any communication, discussion or representations concerning the Heartland receivership to EWP Permian Basin Fund II, LLC investors or Elite Wealth Partners LLC clients, Respondents shall have provided such materials, information or representations to their counsel for review, who upon his review and approval, shall disclose such materials, information or representations to the Division's attorney.

1094. In light of this October 25, 2023, modification, the Division's two motions to find Dawkins has violated the Commissioner's order of April 19, 2022, are dismissed as moot.

***Summary of Losses Requiring Restitution***  
***Iowa Code § 502.604***

1095. Throughout this litigation, Respondents and their prior counsel have maintained that the extent of the investors' loss cannot be determined because additional recovery by the federal receiver is possible (Tr. 17; Dawkins' Closing Statement filed February 4, 2025). To further consider the merits of this contention, on February 4, 2025, the Commissioner opened the record and received evidence and testimony on this question. The Division appeared by counsel. The Elite Wealth and EWP Permian Basin Fund II failed to appear. Dawkins appeared pro se. The Division called Deborah D. Williamson, the Court-appointed Receiver to testify. (Ex. 103 – 110, 112 and 118). Respondent Dawkins made a statement and called two witnesses. We find the testimony of Ms. Williamson to be credible. We conclude that some additional recovery might be possible. While some additional recovery is possible, the testimony of Dawkins and witnesses was based on unsupported speculation and is not credible.

1096. The commissioner is authorized under Iowa Code § 502.604(3) to vacate the summary order issued on April 19, 2022, and issue a final order. Iowa Code § 502.604(4) also authorizes the following monetary relief:

In a final order under subsection 3, the administrator may impose a civil penalty up to an amount not to exceed a maximum of ten thousand dollars for a single violation or one million dollars for more than one violation, or in an amount as agreed to by the parties, order restitution, or take other corrective action as the administrator deems necessary and appropriate to accomplish compliance with the laws of the state relating to all securities business transacted in the state.

1097. We find that Elite Wealth, Dawkins and EWP Permian Basin Fund II are jointly and severally liable for full restitution. This conclusion is supported by the law even if the Receiver distributes additional recovery. Restitution may make the investors whole, but does not permit a windfall. In any collection, just as a joint and several party will have their liability reduced by collection from codefendants, the Respondents' liability may be partially satisfied by any amount distributed by the Receiver.

1098. Based on all of the evidence received in this matter, we calculate the following as appropriate restitution amounts for each of the investors identified in this action:

Name	Total unpaid principal	Unpaid interest to maturity	Unpaid post-maturity interest to date	Total unpaid principal and interest	Receivership payment	Total restitution owed
J. [redacted] and J. [redacted] Mu [redacted]	\$450,000.00	\$67,500.00	\$27,500.00	\$545,000.00	-\$46,158.04	\$498,841.96
J. [redacted] and R. [redacted] K. [redacted]	\$250,000.00	\$76,595.00	\$24,345.00	\$350,940.00	-\$33,566.78	\$317,373.22
M. [redacted] and C. [redacted] L. [redacted]	\$170,000.00	\$57,800.00	\$10,200.00	\$238,000.00	-\$21,807.26	\$216,192.74
K. [redacted] G. [redacted]	\$161,947.84	\$55,062.26	\$9,716.87	\$226,726.97	-\$18,579.40	\$216,192.74
S. [redacted] and G. [redacted] P. [redacted]	\$104,544.60	\$33,192.94	\$8,624.93	\$146,362.47	-\$14,412.18	\$131,950.29
M. [redacted] C. [redacted]	\$100,000.00	\$34,825.00	\$7,800.00	\$142,625.00	-\$14,233.06	\$128,391.94
J. [redacted] V. [redacted]	\$25,000.00	\$1,062.52	\$6,197.92	\$32,260.44	-\$3,482.79	\$28,777.65
B. [redacted] and R. [redacted] D. [redacted]	\$50,000.00	\$2,125.04	\$12,395.84	\$64,520.88	-\$6,965.58	\$57,555.30
J. [redacted] Me [redacted]	\$25,000.00	\$2,125.00	\$6,020.83	\$33,145.83	-\$3,637.38	\$29,508.45
M. [redacted] Ch [redacted]	\$50,000.00	\$2,124.98	\$12,041.67	\$64,166.65	-\$6,965.65	\$57,201.08
M. [redacted] Mo [redacted]	\$35,000.00	\$2,727.08	\$8,181.25	\$45,908.33	-\$5,056.26	\$40,852.07
F. [redacted] J. [redacted]	\$100,000.00	\$4,958.35	\$23,375.00	\$128,333.35	-\$14,034.22	\$114,299.13

C	\$187,838.56	\$58,229.93	\$16,905.47	\$262,973.96	-\$25,963.12	\$237,010.84
A	\$25,000.00	\$1,947.91	\$5,135.42	\$32,083.33	-\$3,611.61	\$28,471.72
Mc	\$280,000.00	\$6,800.00	\$16,433.33	\$303,233.33	-\$26,189.13	\$277,044.20
<b>TOTALS</b>	<b>\$2,014,331.00</b>	<b>\$407,076.01</b>	<b>\$194,873.53</b>	<b>\$2,616,280.54</b>	<b>-\$244,662.38</b>	<b>\$2,371,618.16</b>

1099. Under Iowa Code § 502.604(4), the Division is entitled to recover restitution and for every investor who has been wronged by a violation committed by Elite Wealth, Dawkins or EWP Permian Basin Fund II, and distribute recovered funds to the investors. For the notes and subscription agreements, correcting the wrong involves a return of all invested principal amounts, promised interest and interest since default, less any paid returns. For limited partnership units or interests, life settlement units or interests, or other noninterest bearing investments, the amount due for restitution is calculated at the principal investment, plus 8% per annum, less any paid returns.

### **III. ORDERS**

**IT IS THEREFORE ORDERED** that the summary order issued in this matter on April 19, 2022 is vacated and replaced by this final order.

**IT IS FURTHER ORDERED** that Dawkins' investment adviser representative registration is revoked pursuant to Iowa Code § 502.412, effective immediately.

**IT IS FURTHER ORDERED** that Elite Wealth's investment adviser registration is revoked pursuant to Iowa Code § 502.412, effective immediately.

**IT IS FURTHER ORDERED** that pursuant to Iowa Code § 502.301 that EWP Permian Basin Fund II is permanently barred and prohibited from issuing, offering or selling any subscription agreements, notes, limited partnership units or interests, life settlement units or interests, or any other securities in this state.

**IT IS FURTHER ORDERED** that pursuant to Iowa Code § 502.301 that Dawkins and Elite Wealth are prohibited from offering, selling or advising any person to purchase any EWP Permian Basin Fund II subscription agreements, notes, limited partnership interests, life settlement interests, or any other securities in this state, unless Dawkins and Elite Wealth, at least 180 days prior to any solicitation, offer or advice, file with the Division all required notices of registration, exemption or condition of a federal covered securities.

**IT IS FURTHER ORDERED** that pursuant to Iowa Code § 502.501(1), Dawkins, Elite Wealth and EWP Permian Basin Fund II are prohibited in connection with the offer or sale of any subscription agreement, note, limited partnership interest, life settlement interest, business promissory note, or any other security issued by EWP Permian Basin Fund II, Carson Oil Field Development Fund II, Heartland Life Settlement, or any other issuer, from employing any device, scheme or artifice to defraud, including the following:

1. Employing a device, scheme or artifice to defraud by forming EWP Permian Basin Fund II, an investment fund company with no operating history upon which to evaluate its business and prospects, and appointing Dawkins himself to the fictional position of fund manager of EWP Permian Basin Fund II to justify his deduction of a sales commission, and then issuing high risk, illiquid, unsecured, unregistered and non-exempt subscription agreements and notes, that were not in the best interest of the investors.

**IT IS FURTHER ORDERED** that pursuant to Iowa Code § 502.501(2), Dawkins, Elite Wealth and EWP Permian Basin Fund II are prohibited in connection with the offer or sale of any subscription agreement, note, limited partnership interest, life settlement interest, business promissory note, or any other security issued by EWP Permian Basin Fund II, Carson Oil Field Development Fund II, Heartland Life Settlement, or any other issuer, from making any statement of material fact, omitting to state any material fact that makes the statements made misleading, including the following:

1. Making any untrue statements of material facts, or omitting any material facts, concerning the registration or exemption status of EWP Permian Basin Fund II subscription agreements, notes, limited partnership interests or life settlement interests, or their qualification as federal covered securities;
2. Making any untrue statements of material facts, or omitting any material facts, concerning the past and current financial condition of the issuer of the securities, EWP Permian Basin Fund II, including annual balance sheets, annual income statements, operating history, sources of revenue for the payment of returns to prior investors, and other material financial information.

**IT IS FURTHER ORDERED** that pursuant to Iowa Code §§ 502.501(3) and 502.502(1)(b), Dawkins, Elite Wealth and EWP Permian Basin Fund II are prohibited in connection with the offer or sale of any subscription agreement, note, limited partnership interest, life settlement interest, business promissory note, or any other security issued by EWP Permian Basin Fund II, Carson Oil Field Development Fund II, Heartland Life Settlement, or any other issuer, or in the rendering of any investment advice, from engaging in any act, practice or course of business that operates, or would operate, as a fraud or deceit upon any person, including the following:

1. Engaging in the acts, practice and course of business of breaching an investment adviser's fiduciary duty to exercise reasonable diligence, care and skill by lacking the expertise to fully and completely understand and consider the consequences of unlawfully issuing, offering, and selling an unregistered, non-exempt security, failing to do so, and rendering the advice to invest in, recommending, offering and selling unregistered, non-exempt securities, all of which operated, and would operate, as a fraud and deceit on investors;
2. Engaging in the acts, practice and course of business of breaching an investment adviser's fiduciary duty to exercise reasonable diligence, care and skill by

failing to fully and completely understand and consider all conditions and regulatory requirements associated with the issuance of a security under a Regulation D exemption, establish full compliance with each condition and requirement, and fully explaining these requirements to the investors prior to rendering any advice or recommendation to invest in the securities, all of which operated, and would operate, as a fraud and deceit on investors;

3. Engaging in the acts, practice and course of business of breaching an investment adviser's fiduciary duty to exercise reasonable diligence, care and skill by failing to determine that each investor has full access to the issuer's annual financial statements and other material information, and possesses the necessary knowledge and experience in the financial and business matters of high risk and illiquid unregistered, non-exempt Regulation D offerings sufficient to fully evaluate the merits and risks the high risk, illiquid and unregistered EWP Permian Basin Fund II subscription agreements and notes, all prior to giving the advice to invest in these securities, all of which operated, and would operate, as a fraud and deceit on investors;
4. Engaging in the acts, practice and course of business of breaching an investment adviser's fiduciary duty to exercise reasonable diligence, care and skill by giving the advice to invest in high risk, illiquid and unregistered EWP Permian Basin Fund II subscription agreements and notes, knowing that the investors did not have full access to the issuer's annual financial statements and other material information, nor did investors possess the necessary knowledge and experience in the financial and business matters related to these high risk and illiquid unregistered, non-exempt Regulation D offerings sufficient to fully evaluate the merits and risks of investing in these securities, all of which operated, and would operate, as a fraud and deceit on investors;
5. Engaging in the acts, practice and course of business of breaching an investment adviser's fiduciary duty to exercise reasonable diligence, care and skill by giving the advice to invest in a recently formed company with no operating history upon which to evaluate its business and prospects that Dawkins himself claimed to be managing, but the company was only formed for the single purpose so that Dawkins believed he could legally deduct his compensation, all of which operated, and would operate, as a fraud and deceit on investors;
6. Engaging in the acts, practice and course of business of breaching an investment adviser's fiduciary duty to exercise reasonable diligence, care and skill by giving the advice to invest in EWP Permian Basin Fund II on Dawkins' misplaced and conflicted judgment to risk his own money in the high risk, illiquid and unregistered investments, which was a reckless disregard of his duty to carefully and prudently evaluate each investor's individual situation, needs and objectives, all of which operated, and would operate, as a fraud and deceit on investors;



7. Engaging in the acts, practice and course of business of breaching an investment adviser's fiduciary duty to exercise reasonable diligence, care and skill by giving the advice to invest in EWP Permian Basin Fund II placing an excessive concentration of each investor's risk the high risk, illiquid and unregistered investments, all of which operated, and would operate, as a fraud and deceit on investors;
8. Engaging in the acts, practice and course of business of breaching an investment adviser's fiduciary duty to exercise reasonable diligence, care and skill by giving the advice to invest in EWP Permian Basin Fund II in 2021 after years without the production and distribution to investors of current annual financial statements, that absence of which was a strong indication to any reasonably careful, diligent and attentive investment adviser that the offering was furthering a Ponzi scheme, all of which operated, and would operate, as a fraud and deceit on investors.

**IT IS FURTHER ORDERED** that Dawkins' insurance producer license is revoked pursuant to Iowa Code § 522B.11, effective immediately.

**IT IS FURTHER ORDERED** that Elite Wealth's insurance producer license is revoked pursuant to Iowa Code § 522B.11, effective immediately.

**IT IS FURTHER ORDERED** that pursuant to Iowa Code § 502.604(4) EWP Permian Basin Fund II, the issuer of the securities in this matter, shall pay to the state of Iowa the amount of \$2,371,618.16 in restitution for the violations determined in this matter. Payments shall be made by check payable to the state of Iowa and once received by the Iowa Insurance Division may then be distributed to the above-named investors. The amount of \$1,971,618.16 is immediately due and payable. The balance of \$400,000 is due and payable on March 31, 2026. That amount may be offset by any additional distributions made by the federal Court-appointed Receiver.


**IT IS FURTHER ORDERED** that pursuant to Iowa Code § 502.604(4) that Elite Wealth and Dawkins are jointly and severally liable for the \$2,371,618.16 in restitution ordered herein and shall pay such unpaid amounts to the state of Iowa for the violations determined in this matter in the manner ordered above. Payment shall be made by check payable to the state of Iowa and once received by the Iowa Insurance Division may then distributed to the above-named investors.

**IT IS FURTHER ORDERED** that Elite Wealth, Dawkins and EWP Permian Basin Fund II are jointly and severally liable to the state of Iowa for costs of the Division's investigation and this proceeding in the amount of \$52,663.65 pursuant to Iowa Code § 502.604(5).

**IT IS FURTHER ORDERED** that all documents and items admitted as evidence at hearing are received under seal to protect the personally identifiable and confidential information of the investors in this matter. Once any such information is redacted, the documents may be released upon appropriate request. This decision is under seal, but the clerk is ordered to prepare a redacted version of this decision for publication protecting the names and identities of the

victimized investors: J [redacted] and J [redacted] Mu [redacted]; J [redacted] and R [redacted] Ka [redacted]; M [redacted] and C [redacted]  
L [redacted]; K [redacted] G [redacted]; S [redacted] and G [redacted] P [redacted] M [redacted] C [redacted]; J [redacted] V [redacted]; E [redacted]  
and R [redacted] D [redacted]; J [redacted] Me [redacted]; M [redacted] Ch [redacted]; M [redacted] Mo [redacted]; P [redacted] J [redacted]; C [redacted]  
S [redacted]; A [redacted] Mo [redacted]; and E [redacted] R [redacted].

Dated this 13 day of March, 2025.



DOUGLAS M. OMMEN  
Iowa Insurance Commissioner

**NOTICE OF PENALTIES FOR WILLFUL VIOLATION OF THIS ORDER**

**YOU ARE NOTIFIED** that acting as a securities agent or investment adviser, as defined in Iowa Code Chapter 502, following revocation or otherwise without a registration, is a felony under Iowa Code §§ 502.402, 502.403 and 502.508, subjecting you to punishment of imprisonment, jail, fines, or any combination of custody and fines.

**YOU ARE NOTIFIED** that offering or selling a security without registration, an effective exemption, or qualification as a federal covered security is a felony under Iowa Code §§ 502.301 and 502.508, subjecting you to punishment of imprisonment, jail, fines, or any combination of custody and fines.

**YOU ARE ALSO NOTIFIED** that acting as an insurance producer, as defined in Iowa Code Chapter 522B, following revocation or otherwise without a license, is a felony under Iowa Code § 507A.10, subjecting you to punishment of imprisonment, jail, fines, or any combination of custody and fines.

**YOU ARE ALSO NOTIFIED** that any person who violates this order may be subject to civil and administrative enforcement and civil penalties pursuant to Iowa Code §§ 502.603, 502.604, 507B.7 and 522B.17(3). The commissioner may petition the district court to hold a hearing to enforce the order as certified by the commissioner.

**NOTICE REGARDING IMPACT OF ORDER ON EXISTING LICENSES**

A final order of registration suspension or revocation, or a cease and desist order may adversely affect other existing business or professional licenses and result in license revocation or disciplinary action. For example, a final cease and desist order issued to a registered securities investment adviser representative may subject the adviser to an insurance producer license revocation, suspension or other disciplinary action. Further notice is given that the Iowa Insurance Division may review this order for a potential license revocation or disciplinary action.

CERTIFICATE OF SERVICE

The undersigned certifies that the foregoing instrument was served upon all parties to the above cause, or their attorney, at their respective addresses disclosed on the pleadings on March 13, 2025.

By:  First Class Mail ( ) Personal Service  
 Restricted certified mail, return receipt  Email, by consent  
( ) Certified mail, return receipt ( ) \_\_\_\_\_

Signature: Brooke Hohn  
Brooke Hohn