

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES ACT OF 1933**  
**Release No. 11011 / December 6, 2021**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 93717 / December 6, 2021**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-20668**

**In the Matter of**  
  
**STEVEN TURNER,**  
  
**Respondent.**

**ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933 AND SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Steven A. Turner (“Turner” or “Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, Respondent admits the Commission’s jurisdiction over him and the subject matter of these proceedings, and consents to the entry of this Order Instituting Cease-And-Desist Proceedings, Pursuant to Section 8A of the Securities Act of 1933 and Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-And-Desist Order (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds<sup>1</sup> that:

#### Summary

1. These proceedings arise out of an offering fraud involving material misrepresentations that Turner made as part of a scheme to misappropriate money from investors in his company, Coyote Capital Investments, LLC ("Coyote Capital"). From June 2013 through May 2020, Turner, acting on behalf of Coyote Capital, raised money through deceptive means and misappropriated over \$11 million from 50 investors.

2. Turner solicited money from investors to provide capital for Coyote Capital's "hard money" real estate lending business. Turner represented—both in writing and orally—that investors' funds would be used solely for real estate lending, and that Coyote Capital's loans to borrowers would be secured by first liens on real property. Coyote Capital executed investment contracts in the form of promissory notes to each investor, which provided for regular interest payments.

3. Beginning in 2013, while operating Coyote Capital's real estate lending business, Turner engaged in a scheme to divert Coyote Capital investor money to an online gaming start-up company, rather than use the monies to fund hard money loans. Turner never informed the Coyote Capital investors of this diversion. Instead, he continued to solicit new investors—and to retain existing investors—by misrepresenting the use of investors' funds. By 2019, Turner had conveyed the majority of Coyote Capital's assets to the online gaming company, which has not repaid the money. Coyote Capital, therefore, defaulted on interest payments to its investors and was unable to return their principal to them.

#### Respondent

4. Respondent Steven A. Turner is the founder, sole principal, and owner of Coyote Capital Investments, LLC. Turner, 67 years old, is a resident of Wimberley, Texas. Turner was also a licensed real estate agent and formerly lived in the Scottsdale, Arizona area. Turner does not hold any securities industry licenses.

#### Other Relevant Entities

5. Coyote Capital Investments, LLC is an Arizona company. Coyote Capital was in the business of making loans for the acquisition, rehabilitation, and sale of real estate, secured by

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<sup>1</sup> The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

the underlying real estate. The company maintained an office in Scottsdale, Arizona. From 2012 until 2020, Coyote Capital was a registered mortgage broker in Arizona.

6. Knockout Headquarters, Inc. (“Knockout”) is a Wyoming corporation that purports to be in the business of creating and developing online gaming platforms. Originally incorporated in Nevada in 2009, the company has also been named “KO Gaming, Inc.” and “Knockout,” and may have also conducted business as “Knockout Gaming, LLC.” Knockout had an office in Scottsdale, Arizona, and additional operations in Malaga, Spain.

### **Background**

7. In 2006, Turner founded Coyote Capital using personal funds and money raised from friends. Coyote Capital was primarily in the business of hard money lending, *i.e.*, providing short-term, high-interest rate loans to borrowers who typically purchased dilapidated housing, improved the property, and then resold it within months of purchase. From 2006 to present, Turner has been the sole owner and decision-maker for Coyote Capital.

8. Starting in 2009, Turner solicited friends and acquaintances to raise additional money for Coyote Capital’s real estate lending business, using a Private Placement Memorandum (“PPM”) to raise \$10 million through an unregistered offering. The PPM described the nature of Coyote Capital’s real estate lending business and the use of funds raised from investors: to make real estate loans secured by first liens. In return for their investments, investors received a promissory note, which referenced the PPM, and entitled investors to regular interest payments as a result of Coyote Capital’s efforts.

9. Although the Coyote Capital offering was set to expire in April 2011, Turner extended the offering for all subsequent years and continued to use the PPM to solicit prospective investors. Most investors were personal acquaintances and friends of Turner or family of existing Coyote Capital investors. Some investors were referred by other Coyote Capital investors or by Turner’s former business associates. Turner never modified the material terms of the PPM, including the representations about investor funds being used to make and acquire real estate loans.

10. In addition to the PPM, Turner specifically represented in oral discussions with investors that Coyote Capital would use the funds raised for hard money lending and that all loans would be secured by first liens on the underlying properties. Investors believed that their investments in Coyote Capital involved relatively limited principal risk based on the PPM’s written and Turner’s oral representations about obtaining first liens on the underlying real estate, which would provide additional recourse in the event of a loan default. Investors further believed their Coyote Capital investment was relatively low risk because Turner regularly remitted monthly interest payments, until he first defaulted on such payments in early 2019.

11. Between approximately 2009 and 2012, Turner also became involved with an online gaming start-up that subsequently became Knockout. Between 2010 and 2012, Turner invested substantial personal funds, including Turner’s profits from Coyote Capital, in Knockout.

12. After loaning most of his own liquid assets to Knockout, Turner began using investor assets from Coyote Capital in an attempt to protect his investment and to continue funding Knockout. Beginning in or around 2013, Turner, who controlled the money invested in Coyote Capital, began to loan money to Knockout from Coyote Capital's investor funds, even though he knew the money was required to be invested in real estate loans. Turner's loans of Coyote Capital funds to Knockout were intended to be short-term until Knockout received longer-term funding. However, Knockout never obtained long-term financing and did not repay the short-term loans.

13. Turner never informed Coyote Capital's investors that he was using their money to fund Knockout, even though he separately solicited some of Coyote Capital's investors to invest directly in Knockout, which some did. Many other Coyote Capital investors declined to invest in Knockout because they considered it highly speculative. The Coyote Capital investors who Turner solicited to invest in Knockout were unaware that he had already diverted—and was continuing to misappropriate and transfer—Coyote Capital funds to Knockout.

14. Through Turner's scheme, Coyote Capital became Knockout's primary funding source for several years. In 2016, Turner began to increase Coyote Capital's illicit funding of Knockout by causing his company to wire over \$1.2 million to Knockout for supposed short-term funding. Although Coyote Capital received no return of principal or interest from Knockout, Turner misappropriated and caused Coyote Capital to wire an additional \$3.85 million to Knockout in 2017; and over \$3.12 million 2018.

15. By late 2017, Coyote Capital's hard money lending activity was a fraction of its earlier business because Turner had diverted most of the working capital (*i.e.*, money from investors) to Knockout. Nevertheless, Turner continued to raise funds for Coyote Capital by misrepresenting that the money would be used for real estate lending. In 2018 and 2019, contrary to his representations, Turner used the funds acquired from new Coyote Capital investors to provide additional money to Knockout, to pay certain personal expenses, and to pay interest to existing Coyote Capital investors.

16. Later in the scheme, Turner deliberately misled investors to secure funds for specific properties—and then wired that money directly to Knockout. On several occasions, Turner solicited investor funds for real property loans even though he never intended to use that money to make or acquire such loans. In mid-September 2018, an investor sent \$150,000 to Coyote Capital. The next day, Turner caused Coyote Capital to wire \$125,000 directly to Knockout. Later in the month, two investors wired \$150,000 and \$125,000 to Coyote Capital on consecutive days. Turner then immediately caused Coyote Capital to send two wires in the amounts of \$150,000 each to Knockout.

17. In early 2019, Coyote Capital stopped making interest payments to investors and failed to return their principal. However, Turner continued to convey money from Coyote Capital investors to Knockout, and used investors' funds to pay his personal expenses, even after Coyote Capital had halted payments to most investors.

18. From October 2015 through May 2020, Turner misappropriated \$9,393,101 from Coyote Capital and transferred it directly to Knockout without authorization from or disclosure to investors. During that same time period, Turner also directed that Coyote Capital pay from investor funds over \$33,000 in legal costs for Knockout. Finally, Turner caused Coyote Capital to transfer over \$324,000 to him, as well as almost \$26,000 for his car payments.

### **Violations**

19. As a result of the conduct described above, Turner violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in the offer or sale of securities and in connection with the purchase or sale of securities.

### **Disgorgement**

20. The disgorgement and prejudgment interest ordered in paragraph IV.C. is consistent with equitable principles and does not exceed Respondent Turner's net profits from his violations. However, the full amount of disgorgement and prejudgment interest shall be deemed satisfied as to Turner based on the Restitution Order (Dkt. No. 30) that was entered against Turner in *United States v. Steven A. Turner*, Crim. No.: 21-00056-JAT (D. Ariz.).

### **Undertakings**

21. Respondent has undertaken to:

- a. Refrain from participating, directly or indirectly, including through any entity Respondent Turner owns or controls, in any offering of any security, provided, however, that such undertaking shall not prevent Turner from purchasing or selling securities for his own personal account.
- b. Fully and truthfully cooperate with the Commission's ongoing investigation and any judicial or administrative proceeding to which the Commission is a party relating to matters in this Order. This ongoing cooperation includes, but is not limited to, appearing for interviews, testimony, deposition, and trial and reviewing documents.
- c. In determining whether to accept the Offer, the Commission has considered the undertaking in paragraph 21.b. above.

### **Criminal Plea Agreement**

22. Respondent has pleaded guilty to criminal conduct relating to the findings in the Order. Specifically, in *United States v. Steven A. Turner*, Crim. No. 21-00056-JAT (D. Ariz.), Respondent pleaded guilty to a violation of Section 10(b) of the Securities Act and Rule 10b-5 thereunder, [15 U.S.C. § 78j(b) and 17 C.F.R. § 240-10b-5].

#### IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent's Offer.

Accordingly, pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, it is hereby ORDERED that:

A. Respondent cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

B. Respondent be, and is hereby prohibited from the date of the Order from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act, or that is required to file reports pursuant to Section 15(d) of the Exchange Act.

C. Respondent shall pay disgorgement of \$9,776,332 and prejudgment interest of \$1,458,107. However, the full amount of disgorgement and prejudgment interest shall be deemed satisfied based on the Restitution Order (Dkt. No. 30) that was entered against Turner in *United States v. Steven A. Turner*, Crim No.: 21-00056-JAT (D. Ariz.).

D. Respondent shall comply with the undertaking enumerated in Section III, paragraph 21.a., above.

By the Commission.

Vanessa A. Countryman  
Secretary