

VIRGINIA:

IN THE CIRCUIT COURT FOR LOUDOUN COUNTY

BLUE LABEL AVIATION, INC.

Plaintiff,

v.

Case No. CL25001689-00

MCDANIEL, Robert Kyle,

Serve at:

Herndon, VA 20171

Defendant.

MOTION FOR LEAVE TO AMENDED THE COMPLAINT

COMES NOW the plaintiff, by and through the undersigned counsel, and moves that this Court grant it leave to amend its Complaint, and more its motion, states as follows:

1. Plaintiff filed its Complaint on March 13, 2025 against the defendant, alleging one count of embezzlement and one count for injunctive relief seeking the return of certain company property.
2. Since filing the case, the plaintiff has become aware of additional acts by the defendant that give rise to additional causes of action.
3. A copy of the proposed Amended Complaint is attached hereto as Exhibit A.
4. As of this date, the defendant has not filed any answer, there are no counter claims, cross claims or third-party claims pending in this suit.
5. No trial date has yet been set.
6. There is no prejudice to the defendant in allowing the plaintiff to amend its suit at this time.

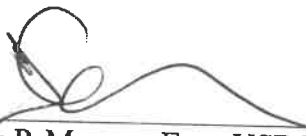
COPY

FILED
2025 APR -3 P 2:31
CIRCUIT COURT
CLERK'S OFFICE
LOUDOUN COUNTY, VA
STATE: _____ DC

7. Neither the defendant nor any counsel representing the defendant has made an appearance in this case at this time, however, counsel claiming to represent the defendant has contacted plaintiff's counsel, and plaintiff's counsel made a good faith effort to resolve this matter with that attorney prior to setting this motion for a hearing in accordance with Rule 4:15(b).

WHEREFORE the plaintiff prays that this Court grant the plaintiff leave to amend the complaint and further, that the Court deem the Amended Complaint attached hereto to have been filed as of the date of the entry of the Order granting such leave.

Respectfully submitted:
Blue Label Aviation, Inc.
By counsel:

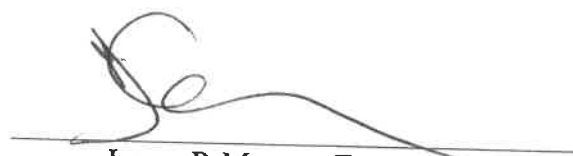


James P. Magner, Esq., VSB No. 45599
Magner Law, PC
6 Wirt Street, NW, First Floor
Leesburg, VA 20176
T (540) 431-4400
F (703) 543-5788
jim@magnerlaw.com
Counsel for the Plaintiff

CERTIFICATE OF SERVICE

I hereby certify that no other party has yet made any appearance in this case, however on the 3rd day of April, 2025, I served a true and accurate copy of the foregoing on the following persons via electronic mail as a courtesy:

John C. Cook, Esq.
Cook Craig & Francuzenko, PLLC
3050 Chain Bridge Road, Suite 200
Fairfax, VA 22030



James P. Magner, Esq.

EXHIBIT A

VIRGINIA:

IN THE CIRCUIT COURT FOR LOUDOUN COUNTY

BLUE LABEL AVIATION, INC.

Plaintiff,

v.

Case No. 25001689-00

MCDANIEL, Robert Kyle,

Serve at:

2741 Calkins Rd

Herndon, VA 20171

Defendant,

and

N1463T LLC,

Serve: Robert Kyle McDaniel, registered Agent

2741 Calkins Rd

Herndon, VA 20171

and

N555AZ LLC,

Serve: Robert Kyle McDaniel, Registered Agent

2741 Calkins Rd

Herndon, VA 20171

AMENDED CIVIL COMPLAINT

COMES NOW the plaintiff, by and through the undersigned counsel, and issues this civil complaint against the defendant, and for its complaint, states as follows:

JURISDICTION and VENUE

1. Plaintiff is a Virginia corporation with its headquarters located in Leesburg, Virginia.
2. Defendant Robert Kyle McDaniels (“McDaniels”) is a Virginia resident who currently resides in Fairfax County, Virginia and who regularly conducts business in Loudoun County.
3. Defendant N1463T LLC is a Virginia limited liability company registered to defendant McDaniel’s home address.
4. Defendant N555AZ LLC is a Virginia limited liability company registered to defendant McDaniel’s home address.
5. The facts and circumstances giving rise to this complaint took place within Loudoun County, Virginia.
6. The majority of the witnesses and evidence in this case are located in Loudoun County, Virginia.
7. Plaintiff seeks injunctive relief and damages in an amount in excess of the jurisdictional limit of the General District Courts.
8. Based upon the foregoing, jurisdiction and venue are appropriate in the Loudoun County Circuit Court.

FACTS COMMON TO ALL COUNTS

A. The Corporate Entities.

9. Prior to March of 2023, the defendant was the managing member and majority interest holder of Commonwealth Aviation Services, LLC (“Commonwealth”), a flight school operating out of Manassas, Virginia.
10. In March of 2023, Commonwealth merged with Aero Elite, Inc. (“Aero Elite”), a

flight school operating out of Leesburg, Virginia.

11. In order to carry out the merger, the plaintiff, Blue Label Aviation, Inc., was formed and became the parent company and sole owner of both Aero Elite and Commonwealth.

12. As part of the merger, the McDaniel's interest in Commonwealth was exchanged for 3200 shares of common stock in the plaintiff.

13. The value of Commonwealth for the purposes of establishing the amount of equity in the new company was based upon the value of certain aircraft assets owned by Commonwealth.

14. The merger process began in January 2023 and was completed on March 28, 2023.

15. While the merger was being completed, the defendant secretly re-registered Commonwealth Aviation's two aircraft with the Federal Aviation Administration into two separate LLC's, defendants N463T LLC and N555AZ LLC.

16. Upon information and belief, the two LLCs did not actually exist; rather the registrations with the FAA were done fraudulently for the purpose of diverting the aircraft to McDaniels without alerting Aero Elite or the plaintiff.

17. As part of the merger plan, defendant was appointed to the offices of Secretary and Treasurer of the plaintiff.

18. Defendant also continued to serve as the CEO of Commonwealth, which was now a wholly owned subsidiary of the plaintiff.

19. The defendant thereafter served as Secretary and Treasurer of the plaintiff until February 2025.

20. The plaintiff, Blue Label Aviation, Inc., moved all flight training operations under

its subsidiary, Aero Elite, and moved all aircraft fleet operations under its subsidiary, Commonwealth.

B. Initial Acts of Misappropriation of Funds

21. Sometime in about June 2024, Timothy Fisher, the plaintiff's president and CEO, became aware of charges in excess of those considered normal for business operations to the company's credit card and bank account.

22. Because these operational costs were handled under the Commonwealth subsidiary, the defendant had direct control over both those credit cards and bank accounts.

23. Upon a review of the records, Fisher discovered that the defendant had been charging personal expenses related to personal travel, meals, entertainment and even expenses related to the defendant's political campaign for the Fairfax County School Board.

24. None of the said charges were authorized by any the Corporation.

25. The total of the unauthorized charges as of that date was approximately \$120,000.00.

26. Sometime in July 2024, Fisher confronted the defendant about the misuse of the company's credit cards and bank accounts.

27. The defendant confessed and agreed to pay back the misappropriated funds.

28. Sometime in July, 2024, the defendant made a payment in the amount of approximately \$50,000.

C. Second Act of Misappropriation of Funds

29. In December 2024, Fisher began finalizing the Plaintiff's year end financial statements in order to provide them to the company's accountant and to prepare for the company's annual shareholder meeting.

30. Fisher discovered that, not only had the defendant not ceased misappropriating the company's funds for his personal use, he had vastly expanded his use of the company's credit cards and bank accounts for his personal expenses.

31. Fisher had the accounts audited and the audit revealed approximately \$160,000.00 in misappropriated funds and credit card transactions, for everything from vacations with his family, to meals, charges at a local strip club and a strip club in New Orleans, groceries and personal household expenses.

D. Separation from the Company

32. On or about January 22, 2025, Fisher again confronted the defendant, this time in the offices of the plaintiff's corporate general counsel.

33. Again, the defendant confessed, and Fisher offered to allow the defendant to resign without having to pay back the misappropriated funds, if the defendant:

- a) resigned from all offices and positions held in the company and from the board of directors; and
- b) transferred his shares of common stock back to the company; and
- c) turned over all of his company credit cards, passwords, and access to all company accounts, email accounts, websites and the like.

34. At the January 22, 2025 meeting, the defendant told Fisher that he wanted a week to have the proposed agreement reviewed by an attorney, which Fisher agreed to.

35. Within days after the meeting, Fisher was made aware of new non-business-related charges against the company credit card, and contacted the defendant to tell him that the agreement was off and that the defendant had been terminated.

36. The defendant immediately responded denying that he had continued to misuse

the company card and said that he accepted all of the terms of the offer to resign, including transferring his shares back to the company.

37. Fisher thereafter continued to observe that new, non-business-related charges were being made to the company credit card.

38. On February 13, 2025, the plaintiff's annual meeting of its shareholders and directors took place wherein a resolution was adopted by the shareholders to accept the defendant's resignation and to approve the redemption of his shares.

39. Thereafter, the plaintiff attempted to get the defendant's name removed from the credit cards, bank accounts, email accounts and websites, however, the plaintiff was unable to accomplish most of these without the defendant's cooperation.

40. Fisher made numerous attempts to contact the defendant to get his cooperation on the transfers, to no avail.

41. Fisher was also made aware that there was "suspicious activity" in the defendant's company email account and that the defendant's entire e-mail account and other email accounts were deleted. Only the defendant had the powers to delete these accounts.

42. On March 2, 2025, the plaintiff requested its corporate general counsel send a message to the defendant instructing him to meet with Fisher to complete the transfer of the said accounts.

43. The defendant ignored the message from Corporate General Counsel.

E. Fraudulent Registration of the Aircraft

44. Prior to March 2023, both Aero Elite and Commonwealth operated flight schools providing flight training to student pilots, however, Aero Elite leased all of its training aircraft from private owners.

45. Beginning in December 2022 and through January 2023, McDaniel made representations to Aero Elite that Commonwealth owned its own airplanes, thereby bolstering the value of Commonwealth.

46. McDaniel made the representations for the purposes enticing Aero Elite's shareholders into a merger with Commonwealth.

47. In January 2023, Aero Elite and Commonwealth executed a joint Letter of Intent to begin the merger process.

48. McDaniel then began the process of secretly re-registering the Commonwealth Aviation aircraft into the names of the LLCs, which did not actually exist at that time.

49. After the merger, the plaintiff continued to utilize the aircraft that it thought it owned in flight training operations.

50. After the merger, the plaintiff used its ownership of the aircraft assets to leverage an acquisition of a third flight school based in Maryland, including making representations to its lenders and creditors that it owned the said aircraft.

51. In February 2025, the plaintiff's president and CEO, Tim Fisher, confronted McDaniel with evidence of McDaniel's embezzlement, and offered to work out a solution.

52. McDaniel admitted to the embezzlement but requested more time to speak with an attorney.

53. On February 9, 2025, after meeting with Tim Fisher, McDaniel immediately formed two LLCs with the Virginia State Corporation Commission, N463T LLC and N555AZ LLC, to match the names of the phone companies listed in the FAA registrations for the two aircraft.

54. Upon information and belief, McDaniel is the sole member of the said defendant

LLCs.

55. McDaniel now claims that he is the true owner of the aircraft registered to the LLCs and is attempting to sell the same for his own, personal gain.

56. All other facts necessary to support each Count are set forth therein below, *Infra*.

COUNT I: EMBEZZLEMENT AND MISAPPROPRIATION - McDaniel

57. The facts and allegations set forth in paragraphs 1 through 55 above are incorporated herein by reference as if each were set forth in its entirety.

58. Defendant misused his access to the plaintiff's credit cards and bank accounts to pay for his own, personal expenses.

59. The defendant's use of the company's credit cards and bank accounts for his personal expenses was not authorized by the company.

60. Defendant's misuse of the company's credit cards and bank accounts constitutes embezzlement and/or misappropriation of company funds.

61. Defendant has failed and refused to repay the sums he misappropriated and embezzled from the company.

62. As a direct and proximate result of the defendant's embezzlement and misappropriation, the company has been injured in the amount of \$175,000.00.

63. Because defendant's actions constitute an intentional tort, the plaintiff may seek punitive damages.

WHEREFORE the plaintiff prays that this Court award it a judgment against the defendant in the amount of \$175,000, punitive damages in the amount of \$350,000.00, together with its costs and interest thereon.

COUNT II: INJUNCTIVE RELIEF – McDaniel

64. The facts and allegations set forth in paragraphs 1 through 55 above are incorporated herein by reference as if each were set forth in its entirety.

65. Defendant has failed and refused to turn over all of the credit cards associated with the company's accounts.

66. Defendant has failed and refused to cooperate with the plaintiff to gain access to the company email system and websites.

67. Defendant has failed and refused to cooperate with the plaintiff to transfer the company bank accounts out of his name.

68. Because the defendant has resigned all positions with the company and the company has redeemed all of his shares of stock, the plaintiff no longer has any lawful authority to exercise any control over the company's credit cards, bank accounts, email accounts or systems or websites.

69. Defendant's refusal to turn over the credit cards and to assist with the transfer of the company's credit cards, bank accounts, email accounts or systems and websites is unlawful and continues to cause harm to the plaintiff.

70. Plaintiff is without any adequate remedy at law short of an injunction ordering the defendant to turn over control of the company's credit cards, bank accounts, email accounts or systems and websites.

71. If injunctive relief is not granted, the plaintiff will suffer irreparable harm in the form of loss of its proprietary business assets, damage to its corporate credit history and loss of its business records.

72. Defendant's actions to retain the credit cards, delete company email accounts, and

withhold permission to remove his name from the company's bank accounts and credit card accounts are done with the intent to harm the plaintiff and to conceal his own wrongful acts, and therefore the plaintiff is entitled to seek punitive damages.

WHEREFORE the plaintiff prays that this Court issue an injunction Ordering the defendant to turn over control of all the company's credit cards, bank accounts, email accounts or systems and websites in his possession or control, and to award the plaintiff punitive damages in the amount of \$350,000.00, together with its costs associated with bringing this action.

COUNT III: FRAUD IN THE INDUCEMENT - McDaniel

73. The facts and allegations set forth in paragraphs 1 through 55 above are incorporated herein by reference as if each were set forth in its entirety.

74. McDaniel used Commonwealth's aircraft assets to bolster the value of his company, Commonwealth Aviation Services, Inc. and to lure the shareholders of Aero Elite into a merger.

75. McDaniel had no intent to allow Aero Elite, or the plaintiff, which was formed by the merger, to actually acquire the aircraft.

76. McDaniel made fraudulent misrepresentations about the ownership of the aircraft which was a material fact and formed the basis of the merger.

77. McDaniel secretly re-registered the aircraft into phony companies while negotiating the terms of the merger, knowing that the FAA registration process would take many months to complete and to be listed on the FAA registry.

78. McDaniel's actions constitute fraud in the inducement.

79. Aero Elite relied to its detriment on McDaniel's representations that the aircraft were owned by Commonwealth when it negotiated the terms of the merger and agreed to give

McDaniel and his Father a combined 40% equity interest in Blue Label Aviation, Inc.

80. Aero Elite had the right to rely on the fraudulent misrepresentations of McDaniel because the FAA registrations were not visible and searchable to the public for several months after the merger was completed.

81. Commonwealth was valued at \$1,500,000.00 for the purposes of the merger.

82. As a direct and proximate result of McDaniel's fraud in the inducement, the shareholders of Aero Elite, now shareholders of the Plaintiff, were duped into issuing stock to McDaniel and his father for essentially nothing, and the plaintiff was therefore damaged in the amount of \$1,500,000.00.

83. As a direct and proximate result of McDaniel's fraudulent misrepresentations, the plaintiff, believing that it now owned the aircraft, has misrepresented its own value to its lenders and investors, including in relation to transactions that McDaniel himself helped to negotiate on behalf of the plaintiff while serving as plaintiff's treasurer.

84. Because McDaniel's actions constitute an intentional tort of fraud, the plaintiff is entitled to punitive damages.

WHEREFORE the plaintiff prays that this Court award it a judgment against McDaniel in the amount of \$1,500,000.00, together with \$350,000.00 in punitive damages, plus its costs and interest thereon, and FURTHER, that this Court Order that all shares of plaintiff's common stock issued to any former member of Commonwealth Aviation be cancelled.

COUNT IV: INJUNCTIVE RELIEF – McDaniel, N463T LLC and N555AZ LLC

85. The facts and allegations set forth in paragraphs 1 through 55 above are incorporated herein by reference as if each were set forth in its entirety.

86. McDaniel fraudulently registered two aircraft, both Piper PA-28's (commonly

known as a "Piper Archer") with federal registration numbers N463T and N555AZ to two LLC entities that did not exist.

87. At the time that McDaniel created the fraudulent registrations, he was negotiating a merger under the pretense that the aircraft were owned by Commonwealth.

88. McDaniel did not even form the LLC defendants until after he learned that the plaintiff had discovered his embezzlement.

89. On February 9, 2025, McDaniel formed defendants N463T LLC and N555AZ LLC, to match the names of the phony entities that he had registered the said aircraft to.

90. Upon information and belief, McDaniel made himself the sole member of each of the LLC's, listed himself as the registered agent for both LLCs, and listed his home address as the registered address,

91. McDaniel then started attempting to sell the aircraft to unknowing third parties.

92. McDaniel's actions constitute multiple acts of fraud, conversion of company assets and fraudulent misrepresentations.

93. Plaintiff will be irreparably harmed by McDaniel's actions as the plaintiff, in the belief that the aircraft were owned by its subsidiary, has used the value of the said assets to obtain financing and investors and the loss of those assets would place the plaintiff in a position of default and, potentially, accusations of sanctionable acts by its own investors and creditors.

94. Plaintiff is without any adequate remedy at law as the assets themselves form the basis for the plaintiff's own corporate valuation, not just to the extent of the cash value of the assets, but in the ability of the assets to produce future revenues, provide for depreciation expenses, etc.

95. Plaintiff is likely to succeed on the merits of its claims, particularly as the FAA

registrations and the formation dates of the LLCs are inescapable facts that are now a matter of public record.

96. Based upon the foregoing, the plaintiff is entitled to injunctive relief.

WHEREFORE the plaintiff prays that this Court ORDER and ENJOIN the defendants to immediately transfer the aircraft assets to the plaintiff and to reregister the same with the FAA accordingly.

Respectfully submitted:
Blue Label Aviation, Inc.
By counsel:



James P. Magner, Esq., VSB No. 45599
Magner Law, PC
6 Wirt Street, NW, First Floor
Leesburg, VA 20176
T (540) 431-4400
F (703) 543-5788
jim@magnerlaw.com
Counsel for the Plaintiff

CERTIFICATE OF SERVICE

I hereby certify that no other party has yet made any appearance in this case, however on the 3rd day of April, 2025, I served a true and accurate copy of the foregoing on the following persons via electronic mail as a courtesy:

John C. Cook, Esq.
Cook Craig & Francuzenko, PLLC
3050 Chain Bridge Road, Suite 200
Fairfax, VA 22030



James P. Magner, Esq.