

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 9660 / September 30, 2014

SECURITIES EXCHANGE ACT OF 1934
Release No. 73260 / September 30, 2014 i

INVESTMENT ADVISERS ACT OF 1940
Release No. 3940 / September 30, 2014

INVESTMENT COMPANY ACT OF 1940
Release No. 31272 / September 30, 2014

ADMINISTRATIVE PROCEEDING
File No. 3-16182

In the Matter of

**PAUL EDWARD “ED”
LLOYD, JR., CPA,**

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE AND CEASE-
AND-DESIST PROCEEDINGS
PURSUANT TO SECTION 8A OF THE
SECURITIES ACT OF 1933, SECTIONS
15(b) AND 21C OF THE SECURITIES
EXCHANGE ACT OF 1934, SECTIONS
203(f) AND 203(k) OF THE INVESTMENT
ADVISERS ACT OF 1940, AND SECTION
9(b) OF THE INVESTMENT COMPANY
ACT OF 1940 AND NOTICE OF
HEARING**

I.

The Securities and Exchange Commission (“Commission”) deems it necessary and appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted against Paul Edward “Ed” Lloyd, Jr., CPA (“Respondent” or “Lloyd”) pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), Sections 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”), and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”).

II.

After an investigation, the Division of Enforcement alleges that:

SUMMARY

1. This matter concerns the unregistered broker-dealer activity, fraudulent offer and sale of investments in land “conservation easements,” and misappropriation of investor funds by Paul Edward “Ed” Lloyd, Jr., a North Carolina-based certified public accountant (“CPA”) and tax-planner. Between August 2012 and December 2012, Lloyd induced seventeen of his tax-planning clients, including four who also were Lloyd’s investment advisory clients, to purchase a total of \$632,500 of interests in a limited liability company and special purpose vehicle that Lloyd created and controlled, called Forest Conservation 2012, LLC (“Forest Conservation 2012”). Lloyd told his clients that, through Forest Conservation 2012, he would pool their funds and purchase units in a private Regulation D offering of an unrelated entity (hereafter, “Land Entity A”) which planned to acquire controlling interest in land that would then be set aside through a conservation easement.

2. Under the Internal Revenue Code, the owners of land that is set aside as a conservation easement may obtain a tax deduction equal to the difference between a hypothetical best-use of the preserved land (*e.g.*, use for a residential sub-division) and the lower existing value of the undeveloped land. Investing in a land-conservation easement occurs when an investor, for the purpose of obtaining the benefit of a tax deduction, acquires an interest in land that is then set aside for conservation purposes. The value of the tax deduction resulting from the easement is typically a multiple of the value of the ownership units purchased by the investor, thereby leading to a net profit in the form of tax savings for the investor that are greater than the funds used to acquire the ownership units.

3. Lloyd represented to his clients that, once the easement took effect, Forest Conservation 2012 would obtain a tax deduction that Lloyd would then allocate on a *pro rata* basis among those holding interests in Forest Conservation 2012. Lloyd further told his clients that the value in terms of tax savings from the deduction that each would obtain as a result of the investment would exceed the initial amount that each invested through the offering.

4. In fact, Lloyd’s offering was a fraud. Although Lloyd sold to his clients \$632,500 of interests in Forest Conservation 2012, he used only \$502,500 of the funds raised to purchase ownership units of Land Entity A and misappropriated the remainder of \$130,000.

5. The funds that Lloyd misappropriated were the aggregated investments of three of his tax-planning clients. When Lloyd was required to identify the members of Forest Conservation 2012 to the broker-dealer sponsoring the Regulation D offering (“Broker A”) to establish the members’ accredited-investor status, he identified only fourteen of the investors (including the four who also were his advisory clients), along with himself, and never disclosed the existence of the three investors whose money he stole. After receiving contribution checks from all seventeen clients whom Lloyd lured into participating in Forest Conservation 2012, Lloyd then drafted and

signed an operating agreement for Forest Conservation 2012 (hereafter, “Operating Agreement”) to which he attached a schedule of only fifteen investors (fourteen investors plus himself), omitting the names of the three clients whose funds he misappropriated.

6. Of the \$130,000 that Lloyd diverted to himself, he transferred \$105,750 to other accounts that he or his current spouse controlled, and then claimed the remainder, \$24,250, as part of his own fraudulently-inflated personal investment in Forest Conservation 2012.

7. Lloyd took additional steps to conceal his scheme. After Forest Conservation 2012 received its tax deduction based on its ownership interest in Land Entity A, Lloyd prepared and distributed to *all* seventeen of his clients and to himself individual Internal Revenue Service (“IRS”) Schedule K-1s that were fraudulently misstated. To the three tax-planning clients whose money he stole, Lloyd gave Schedule K-1s that allocated a tax deduction that none of the three clients had earned because their funds were not used in their names to purchase ownership interests in Forest Conservation 2012, they were not listed on the Forest Conservation 2012 Operating Agreement as owning any interests in Forest Conservation 2012, and they were never identified to, or approved by Broker A as accredited investors. To the remaining fourteen clients, Lloyd sent Schedule K-1s that understated the deductions that they should have earned. This was the result of Lloyd trying to conceal his scheme by allocating across all seventeen clients on a *pro rata* basis a tax deduction that in actuality was based on his use of only fourteen clients’ funds, plus his own investment, to purchase units in Land Entity A.

8. Between December 2011 and December 2012, Lloyd also offered and sold interests in two other Lloyd-created special purpose vehicles similar to Forest Conservation 2012. When selling these interests, Lloyd collected from each investor a fee, ranging from \$4,500 to \$7,500 per investor.

RESPONDENT AND RELEVANT ENTITIES

9. Paul Edward “Ed” Lloyd, Jr. (“Lloyd”), 51 years of age and a resident of Waxhaw, North Carolina, is a North Carolina-licensed CPA and tax planner and preparer. Between October 2006 and March 2013, he also was a registered representative and associated person of LPL Financial, LLC (“LPL”), a broker-dealer and investment adviser registered with the Commission. Lloyd conducted his LPL activities through an entity called Lloyd Wealth Management, LLC. Lloyd provides his accounting, tax planning, and tax preparer services through Ed Lloyd & Associates, PLLC, which he solely owns and controls. Lloyd holds Financial Industry Regulatory Authority (“FINRA”) Series 6, 7, 24, 65 and 66 licenses. After resigning from LPL, Lloyd sought to register Lloyd Wealth Management, LLC as an investment advisor with the State of North Carolina, but withdrew the application in late 2013.

10. Forest Conservation 2012, LLC (“Forest Conservation 2012”) is a Wyoming limited liability company formed by Lloyd in 2012 to pool investor funds in order to buy ownership units in Land Entity A. At that time, Land Entity A was raising investor funds to acquire an ownership interest in certain undeveloped land in Van Buren County, Tennessee. Lloyd was the managing member of Forest Conservation 2012.

11. Forest Conservation 2011, LLC (“Forest Conservation 2011”) and Forest Conservation 2012 II, LLC (“Forest Conservation 2012 II”) are both Wyoming limited liability companies created by Lloyd as special purpose vehicles to pool investor funds in order to buy ownership units in two unrelated entities, namely Land Entity B and Land Entity C, respectively. In 2011, Land Entity B was raising investor funds to acquire an ownership interest in certain undeveloped land in DeKalb County, Alabama, while, in 2012, Land Entity C was raising investor funds to acquire an ownership interest in certain undeveloped land in Tennessee. Lloyd offered and sold interests in Forest Conservation 2011 and Forest Conservation 2012 II as investments in conservation easements that would yield for investors a tax savings in excess of the amount invested (*i.e.*, a net profit).

BACKGROUND

12. Lloyd first learned of conservation easements as tax-saving devices in 2011 from a conservation easement specialist who also was a registered representative (“Representative A”) of Broker A. At the time, Broker A, among other things, was in the business of sponsoring various private placement offerings of ownership units in entities that were raising funds in order to acquire ownership interests in third-party entities which held large tracts of undeveloped real estate as their main assets. These third-party entities ultimately placed their respective real estate holdings into conservation easements, generating tax deductions for the entities’ owners, (*i.e.*, the investors in the offerings).

13. Such offerings, as structured by Broker A, typically required a minimum threshold investment for individual investors to participate and, thereby, acquire ownership units. Although these offerings were marketed as a means to obtain a tax deduction—indeed, that is what primarily motivated investors to invest in them—the offering documents distributed by Broker A to Lloyd’s clients made clear to investors that there were no guarantees on how the underlying land would be used. For example, once an entity raised sufficient investor funds to acquire controlling ownership units in a certain tract of land, the entity would allow its members to determine how the land would be used, *i.e.*, for investment purposes (such as residential or commercial development) or preserved through a conservation easement.

14. Under Section 170(h) of the Internal Revenue Code, the owners of land that is set aside as a conservation easement may obtain a tax deduction equal to the difference between an appraised best-use of the preserved land (*e.g.*, use for a residential sub-division or commercial structure) and the lower existing value of the undeveloped land.

15. The offering summaries of the real estate investments for which Lloyd pooled investor funds and purchased ownership units made clear that the entities were under no obligation to create conservation easements and could ultimately opt, upon member approval, to develop the land for investment purposes.

16. In order to offer conservation easements to his tax clients, Lloyd created Forest Conservation 2011, Forest Conservation 2012, and Forest Conservation 2012 II (collectively, the “Forest Conservation Entities”) for the purpose of pooling individual investor funds and making

acquisitions of ownership units—one acquisition per each of the Forest Conservation Entities—through the private placement offerings of Broker A. Lloyd’s plan was for each of the Forest Conservation Entities to receive a tax deduction based on its bundled investment in the private placement after a conservation easement was granted on the respective land tract, and for Lloyd then to apportion that deduction among the investors in the corresponding Forest Conservation entity on a *pro rata* basis.

17. Lloyd was the tax preparer for each of the clients to whom he offered investments in the Forest Conservation Entities, and intended to use the tax deductions his clients received to lower their taxable income when he prepared their tax returns.

18. Lloyd never told LPL of any of the offerings of investments in the Forest Conservation Entities, and LPL did not sponsor these offerings.

FOREST CONSERVATION 2011

19. In or around December 2011, Lloyd learned from Representative A that Broker A was offering opportunities to invest in an entity called Land Entity B, a Georgia limited liability company that was in the process of raising investor funds for use in acquiring interest in undeveloped land in Alabama. The Land Entity B offering summary explained that Land Entity B had researched developing the property for investment, consisting of as many as 68 residential lots, or granting a conservation easement to achieve certain business and tax objectives.

20. Lloyd created Forest Conservation 2011, and, in December 2011, offered and sold \$347,480 in ownership interests to ten tax clients, two of whom were also LPL investment advisory clients of Lloyd. These clients bought ownership interests in Forest Conservation 2011, which, through Lloyd’s actions as manager and adviser to the Forest Conservation 2011 fund, pooled their funds and acquired 20 percent of the Land Entity B ownership units.

21. Lloyd required each of his tax clients to pay him a flat transaction fee, separate from the \$347,480 raised, of either \$4,500 or \$5,000 for investing in Forest Conservation 2011. Lloyd also participated as an individual in the Forest Conservation 2011 offering, using \$30,000 of the \$31,500 that he collected in fees from his clients as his own contribution to Forest Conservation 2011.

22. Lloyd deposited the client checks into the bank account for Ed Lloyd & Associates, PLLC.

23. Lloyd never told LPL of the Forest Conservation 2011 offering and LPL did not sponsor the Forest Conservation 2011 offering.

24. Ultimately, the Alabama land in which Land Entity B acquired a controlling ownership interest was preserved as a conservation easement and Land Entity B issued a tax deduction to Forest Conservation 2011 based on the 20 percent of ownership of units that Forest Conservation 2011 held in Land Entity B. Lloyd then issued individual IRS Schedule K-1s to his ten clients and himself based on their *pro rata* ownership in Forest Conservation 2011.

25. Lloyd used these K-1s to prepare each client's taxes for the 2011 calendar year, resulting in a reduction in taxes paid that was greater in amount than the funds each client contributed to invest in Forest Conservation 2011.

FOREST CONSERVATION 2012

26. In 2012, Representative A informed Lloyd of a new real estate-related offering by Land Entity A for which Broker A was serving as the sponsoring broker. As described to Lloyd by Representative A and in the Land Entity A offering summary, the property in which Land Entity A sought to acquire controlling interest, through the raising of investor funds, was a tract of approximately 439.86 acres of undeveloped land in Tennessee, owned by a separate entity as its principal asset.

27. The Land Entity A offering summary explained that Land Entity A was being created for the purpose of selling units of membership in itself to accredited investors. Once a requisite amount of units were sold, Land Entity A would acquire between 95.20 and 95.99 percent ownership interest in the separate entity owning the undeveloped land in Tennessee.

28. The Land Entity A offering summary explained that the manager of Land Entity A would recommend to Land Entity A members to pursue either an investment proposal, such as the development of the land into residential lots for sale, or, in the alternative, a conservation easement proposal. Further, the offering summary explained that Land Entity A was under no obligation to grant a conservation easement for any interest in land the company acquired.

29. Representative A, through her assistant, told Lloyd in an email that the expected return for the investors, in the event of a conservation easement, was a tax deduction equal to approximately 4.25 times the value of each investor's contribution to Forest Conservation 2012.

30. In explaining the prospective offering to Lloyd, Representative A also told Lloyd that, unlike the 2011 offering, Broker A had decided to impose two additional requirements on Lloyd because of his use of special purpose vehicles (*i.e.*, the Forest Conservation entities) to aggregate and invest his clients' funds. In a 2012 email to Lloyd, Representative A told Lloyd that he could not charge his clients fees for participating in the offering, and he would need to provide to Broker A client account forms for each of his participating clients so that Broker A, in turn, could make sure that each of his investors in the special purpose vehicle was an accredited investor.

31. As he previously had done in 2011, Lloyd created a limited liability company—this time calling it, Forest Conservation 2012—for the purpose of aggregating his clients' investment contributions, along with a contribution of his own, and making a single purchase of ownership units in Land Entity A's offering. Lloyd alone advised his LPL clients to invest in Forest Conservation 2012.

32. Between August 2012 and December 2012, Lloyd offered and sold a total of \$632,500 of interests in Forest Conservation 2012 to seventeen of his tax-planning clients, including four clients who were also LPL investment advisory clients with whom Lloyd had entered into advisory contracts giving him discretionary authority to trade securities for these individuals. Lloyd alone created Forest Conservation 2012 and advised his clients to invest in Forest Conservation 2012, and also advised the Forest Conservation 2012 fund as to which securities to purchase (*i.e.*, Land Entity A ownership units) and how many units to acquire.

33. Lloyd represented to his clients that the amount of money they were each providing to Forest Conservation 2012 would be pooled and used to purchase the units of ownership being offered by Land Entity A. Lloyd also represented to his clients that the purchase of a singular amount of ownership units in the Land Entity A offering ultimately would lead to a tax deduction for Forest Conservation 2012 based on the anticipated preservation of the underlying land through a conservation easement. Lloyd further told clients that Forest Conservation 2012 would then provide each investor his or her *pro rata* share of the tax deduction based on the individual's contribution, resulting in a reduction in income taxes paid that was greater than the amount initially invested by each participant in Forest Conservation 2012 (*i.e.*, a net profit).

34. In order to assess each investor's suitability for participation in the Land Entity A offering, Broker A provided Lloyd with paperwork for each individual Forest Conservation 2012 investor to complete, including Lloyd, and return for Broker A's review. Through these documents, Broker A planned to confirm each person was an accredited investor with sufficient assets and net worth to participate in the private offering.

35. On this paperwork, investors in Forest Conservation 2012, including Lloyd himself as a participant, were to indicate their annual income and their individual "Amount of Purchase" of interests in Forest Conservation 2012. Lloyd distributed the paperwork to all seventeen of his clients from whom he had received funds for the Forest Conservation 2012 investment in Land Entity A.

36. The clients then returned the paperwork to Lloyd. However, Lloyd ultimately, in December 2012, only submitted finalized accredited investor paperwork for himself and fourteen of the clients to Broker A for review.

37. On December 7, 2012, Lloyd deposited \$16,802 into the Forest Conservation 2012 bank account for his own participation in the offering. At this point, all seventeen of Lloyd's clients who were pooling their money in Forest Conservation 2012 had already provided their funds, totaling \$632,500, to the Forest Conservation 2012 account via checks deposited by Lloyd. Lloyd then wired \$543,552 from the Forest Conservation bank account to the escrow account for Land Entity A.

38. On December 10, 2012, Lloyd emailed Representative A "a schedule of contributions by person" for Forest Conservation 2012. The schedule included the names of only fourteen investors and Lloyd. The total amount of contributions was listed as \$543,552, and the amount of individual contribution listed for each of Lloyd's fourteen clients matched the individual

amount of funds that each of the fourteen had sent to Forest Conservation 2012. However, Lloyd's individual contribution was listed as \$41,052, which was \$24,250 higher than the amount Lloyd deposited into the account.

39. The schedule did not include the other three individuals ("Client A," "Client B," and "Client C") who were tax-planning clients and who had provided a total of \$130,000, collectively, to the Forest Conservation 2012 bank account in the form of checks. Client A and Client C each gave \$50,000, while Client B gave \$30,000, respectively.

40. Lloyd also listed the \$41,052 figure as the amount he was contributing personally in the accredited investor paperwork that he e-mailed to Representative A for review by Broker A.

41. Also on December 10, 2012, Lloyd e-mailed Representative A the final version of the Forest Conservation 2012 Operating Agreement, dated December 7, 2012, which included a schedule of investors as an attachment. The attachment to the agreement allocated 100 percent of ownership in Forest Conservation 2012 to the fourteen tax clients listed on the separate schedule sent earlier in the day, as well as to Lloyd as the fifteenth investor. This schedule included only Lloyd and the fourteen investors for whom Lloyd returned finalized accredited investor paperwork to Broker A. The schedule did not include Clients A, B, or C. Each of the fourteen clients was noted on the schedule as having a percentage of ownership in Forest Conservation 2012 based on that individual's percentage of contribution to the \$543,552 wired to Land Entity A on December 7, 2012. Each of the fourteen client investors received an ownership percentage based on the full check amount written to Forest Conservation 2012, while Lloyd's percentage was based on his claimed, but fraudulently inflated, contribution of \$41,052.

42. On December 11, 2012, Land Entity A issued a subscription agreement to Forest Conservation 2012 for the purchase of 228 units (23.76 percent of ownership) in the offering. The total-units purchase price was listed as \$543,552, which was the amount Lloyd had wired from the Forest Conservation 2012 account to Land Entity A's escrow account.

43. On December 26, 2012, the undeveloped land underlying Land Entity A's offering was donated as a conservation easement to a private land conservancy. On March 18, 2013, a certified land appraiser, having appraised the conserved land, concluded the value of the easement was \$10,132,000.

44. Land Entity A subsequently issued an IRS Schedule K-1 (IRS Form 1065), indicating that Forest Conservation 2012 was receiving a roughly \$2.2 million tax deduction based on its percentage of ownership units in Land Entity A. Lloyd then issued individual Schedule K-1s, through Forest Conservation 2012, to all seventeen of his clients who had provided contributions to the Forest Conservation 2012, including the three clients who are not listed on the Forest Conservation 2012 Operating Agreement as owning any interests in the entity and who were never approved by Broker A as accredited investors (Clients A, B and C). Lloyd also issued a Schedule K-1 to himself. Lloyd subsequently prepared and submitted income tax filings for the seventeen clients using these Schedule K-1s.

45. Lloyd never told LPL of the Forest Conservation 2012 offering and LPL did not sponsor the Forest Conservation 2012 offering.

MISREPRESENTATIONS

46. Contrary to what Lloyd told Clients A, B and C, the \$130,000 in funds that Forest Conservation 2012 received from these three individuals, collectively, was not used to acquire ownership interests for Clients A, B and C in Forest Conservation 2012, and, therefore, was not used by Forest Conservation 2012 to acquire ownership units in Land Entity A for which Clients A, B and C were entitled to receive individual *pro rata* tax deductions.

47. Lloyd misappropriated the \$130,000 deposited into the Forest Conservation 2012 bank account in the form of checks from Clients A, B and C, using \$24,250 to artificially inflate his own stated contribution to Forest Conservation 2012, per his accredited investor paperwork and the entity's Operating Agreement, while also writing \$105,750 in checks from the Forest Conservation 2012 bank account to other accounts controlled by Lloyd or his current spouse.

48. In or around early December 2012, Lloyd provided Client B's paperwork as a potential investor to Representative A for review, leading Representative A to email Lloyd on December 6, 2012 with various questions, including a request for Lloyd to indicate the dollar amount of ownership interests that Client B was purchasing in Forest Conservation 2012. Lloyd responded to Representative A by email on December 7, 2012, just three days after depositing Client B's check into the Forest Conservation 2012 bank account, writing that Client B was "OUT." Representative A sent an email back to Lloyd on December 7, 2012, seeking clarification as to what Lloyd's earlier email meant, writing: "[Client B] is not participating, correct?" Lloyd responded to Representative A the same day, writing: "Correct."

49. No accredited investor paperwork completed by Client A and Client C was ever provided by Lloyd to Broker A for review, as Lloyd did not reveal to Broker A that Client A and Client C, as well as Client B, had provided investment funds to Forest Conservation 2012.

50. The Schedule K-1s that Lloyd issued on behalf of Forest Conservation 2012 to Clients A, B and C, respectively, were false because Clients A, B and C were not listed as members holding any ownership interests in Forest Conservation 2012 on the entity's Operating Agreement, and their funds were not used in their names by Forest Conservation 2012 to buy units of Land Entity A.

51. Further, the Schedule K-1s that Lloyd issued on behalf of Forest Conservation 2012 to the other fourteen investors known to Broker A also were false. These K-1s understated the tax deductions earned by these clients, including the four individuals who were also LPL advisory clients. Lloyd did not base the tax deductions on the full amounts that each of these fourteen investors provided to Forest Conservation 2012, but instead used a lower amount dictated by his need to conceal his scheme by allocating across all seventeen clients the deduction received from Land Entity A.

FOREST CONSERVATION 2012 II

52. In December 2012, Lloyd learned from Representative A that Broker A was offering opportunities to invest in another real estate-related offering by an entity called Land Entity C, a Tennessee limited liability company that was in the process of acquiring interest in undeveloped land in Tennessee.

53. Like the other offerings described above, Land Entity C's offering summary explained that it had researched the options of developing the land for investment purposes or preserving the land as a conservation easement, and the manager of Land Entity C would later make a recommendation to those acquiring ownership units as to how the land should be used after the closing of the offering.

54. Lloyd created Forest Conservation 2012 II, LLC and, in December 2012, offered and sold a total of \$164,220 of interests in Forest Conservation 2012 II to six of his tax clients. Lloyd required his participating tax clients to pay him a tax-services fee, ranging from \$4,500 to \$7,500. In total, Lloyd collected \$35,780 in fees from clients participating in the Forest Conservation 2012 II offering.

55. Ultimately, the Tennessee land in which Land Entity C acquired controlling ownership interest was preserved as a conservation easement and Land Entity C issued a tax deduction to Forest Conservation 2012 II based on the percentage of ownership of units that Forest Conservation 2012 II held in Land Entity C. Lloyd then issued Schedule K-1s to his six clients based on their *pro rata* ownership in Forest Conservation 2012 II.

56. Lloyd never told LPL of the Forest Conservation 2012 II offering and LPL did not sponsor the Forest Conservation 2012 II offering.

VIOLATIONS

57. As a result of the conduct described above, Respondent willfully 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 and sale of securities and in connection with the purchase or sale of securities.

58. As a result of the conduct described above, Respondent willfully violated Section 206(1), 206(2) and 206(4) of the Advisers Act and Rule 206(4)-8, thereunder, which prohibit fraudulent conduct by investment advisers with regard to any client or prospective client, including making false statements of material fact to any investor or prospective investor in a pooled investment vehicle, failing to state material facts necessary to make statements made to such investors not misleading, or engaging in any act, practice or course of business that is fraudulent, deceptive or manipulative with respect to any investor or prospective investor in a pooled investment vehicle.

59. As a result of the conduct described above, Respondent willfully violated Section 15(a) of the Exchange Act, which prohibits a broker or dealer, unless an exemption applies, from effecting any transactions in, or inducing or attempting to induce the purchase or sale of, any security without registering as, or associating with, a registered broker-dealer.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate and in the public interest that public administrative and cease-and-desist proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange Act, including, but not limited to, disgorgement and civil penalties pursuant to Section 21B of the Exchange Act;

C. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 203(f) of the Advisers Act, including, but not limited to, disgorgement and civil penalties pursuant to Sections 203(j) and 203(k)(5) of the Advisers Act;

D. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 9(b) of the Investment Company Act including, but not limited to, disgorgement and civil penalties pursuant to Section 9 of the Investment Company Act; and

E. Whether, pursuant to Section 8A of the Securities Act, Section 21C of the Exchange Act, and Section 203(k) of the Advisers Act, Respondent should be ordered to cease and desist from committing or causing violations of and any future violations of Section 17(a) of the Securities Act, Sections 10(b) and 15(a) of the Exchange Act and Rule 10b-5, thereunder, and Sections 206(1), 206(2), and 206(4) of the Advisers Act, and Rule 206(4)-8, thereunder, whether Respondent should be ordered to pay a civil penalty pursuant to Section 8A(g) of the Securities Act, Section 21B(a) of the Exchange Act, and Section 203(i) of the Advisers Act, and whether Respondent should be ordered to pay disgorgement pursuant to Section 8A(e) of the Securities Act, Sections 21B(e) and 21C(e) of the Exchange Act, and Sections 203(j) and 203(k)(5) of the Adviser Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened not earlier than 30 days and not later than 60 days from service of this Order at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Brent J. Fields
Secretary