UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 5089 / December 21, 2018

INVESTMENT COMPANY ACT OF 1940
Release No. 33337 / December 21, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-16182

In the Matter of **PAUL EDWARD "ED" LLOYD, JR., CPA** **Respondent.**	**ORDER MAKING FINDINGS AND IMPOSING REMEDIAL SANCTIONS PURSUANT TO SECTIONS 203(f) AND (k) OF THE INVESTMENT ADVISERS ACT OF 1940 AND SECTION 9(b) OF THE INVESTMENT COMPANY ACT OF 1940**

I.

On September 30, 2014, the Securities and Exchange Commission ("Commission") instituted administrative and cease and desist proceedings pursuant to Section 8A of the Securities Act of 1933 ("Securities Act"), Sections 15(b) and 21C of the Securities Exchange Act of 1934, Sections 203(f) and (k) of the Investment Advisers Act of 1940 ("Advisers Act"), and Section 9(b) of the Investment Company Act of 1940 against Respondent Paul Edward "Ed" Lloyd, Jr., CPA ("Lloyd" or "Respondent"). After an initial decision had issued in this matter and an appeal to the Commission was pending and fully briefed, the Commission remanded the case to Chief Judge Murray for reassignment to a new ALJ pursuant to the Supreme Court's decision in *SEC v. Lucia*, 138 S. Ct. 2044 (2018).

II.

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 and without admitting or denying the findings herein, except as to the Commission's jurisdiction over him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Making Findings and Imposing Remedial Sanctions Pursuant to Sections 203(f) and (k) of the Investment Advisers Act of 1940 and Section 9(b) of the Investment Company Act of 1940 ("Order").

Respondent and the Division recognize that, according to *Lucia v. SEC*, 138 S. Ct. 2044 (2018), Respondent is entitled to a "new hearing" before "another ALJ (or the Commission itself)." 138 S. Ct. at 2055. Respondent knowingly and voluntarily waives any claim or entitlement to such a new hearing before another ALJ or the Commission itself. Respondent also knowingly and voluntarily waives any and all challenges to the administrative proceedings or any and all orders that were issued during or at the conclusion of those proceedings, whether before the ALJ, the Commission, or any court, based upon any alleged or actual defect in the appointment of ALJ Cameron Elliot.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

RESPONDENT

1. Lloyd is a certified public accountant and tax-planner, and, until March 2013, was also a registered representative and associated person of LPL Financial, LLC ("LPL"), a broker dealer and investment adviser registered with the Commission.

BACKGROUND

2. During 2011 and 2012, Lloyd created three free-standing Wyoming-law LLCs, which he named Forest Conservation ("FC") 2011, FC 2012 and FC 2012 II (collectively "the FC Entities"). Lloyd solicited his tax and/or LPL investment advisory clients to acquire membership interests in the FC entities, thereby enabling the FC Entities to purchase pooled membership units in separate real-estate equity offerings made by third party entities. The third-party entities, known as Maple Equestrian, Piney Cumberland Holdings and Meadow Creek (the "Land Entities"), filed Forms D with the Commission and offered and sold real estate equity interests to accredited investors through a broker dealer known as Strategic Financial Alliance ("SFA").

3. The managers of the Land Entities proposed possible uses for the land in writing, primarily a conservation easement allowing for land preservation.

4. A conservation easement is a permanent legal restriction placed by the property owner on a piece of property. The terms of the easement, recorded in the land deed, restrict the property from being developed and require that it be conserved for a stated purpose, *e.g.*, animal habitat preservation. Where a piece of land is granted a conservation easement, a federal tax deduction based on a charitable contribution, greater than the cost of the membership units purchased by the investor in the land, may be available. This means that the investor may receive a tax deduction, in dollars, that greatly exceeds the dollars invested in the land.

5. The conservation easement option was ultimately voted for by Lloyd, as manager of each of the FC entities, and by all of the other members of the Land Entities, later generating

charitable tax deductions that were approximately 4.25 times the value of the membership units sold.

6. After the easements were approved, the Land Entities issued IRS Schedule K-1s listing the singular tax deduction for each pooled investment by each FC entity. Lloyd then apportioned the tax deductions earned by the FC investors on a *pro rata* basis, resulting in individual tax reductions that significantly exceeded the amount of money his client investors contributed to purchase the membership interests in the first place.

7. In the fall of 2012, Lloyd solicited seventeen of his advisory and tax clients to invest in FC 2012 so that the Lloyd-managed entity could purchase pooled membership units in a real estate-related offering by Piney Cumberland Holdings ("Piney Cumberland"). SFA was the broker selling interests on behalf of Piney Cumberland. Lloyd deposited the funds he received from his seventeen clients, which were received at various times, into a FC 2012 bank account that he established and controlled. Lloyd also deposited $16,802 of his own funds into the FC 2012 bank account to participate personally in FC 2012, making him the eighteenth investor.

8. Pursuant to its policies, SFA told Lloyd that he needed to disclose the names of all people who were participating in FC 2012 and the amount of their participation. Lloyd provided SFA, on four separate occasions in December 2012, with updated Operating Agreements reflecting new members and/or other accredited investor paperwork that only in the end contained the names of fifteen investors (fourteen investors plus himself), instead of the full list of eighteen people who actually contributed money to FC 2012. On each of the four occasions, Lloyd failed to disclose the names of three of the FC 2012 investors (the "Omitted Investors"), along with the amounts of money they each had given him and the amount of their participation.

9. Seventeen of Lloyd's clients contributed a total of $632,500 to Forest Conservation 2012 and Lloyd contributed $16,802, making a total of $649,302. In the paperwork submitted to SFA in December, 2012, Lloyd advised SFA that the membership purchase amount was $543,552, which included a contribution from him of $41,052.

10. In or around early December 2012, Lloyd provided one of the Omitted Investors' paperwork as a potential investor in FC 2012 to a representative at SFA for review, leading that representative to email Lloyd on December 6, 2012 with various questions, including a request for Lloyd to indicate the dollar amount of ownership interests that this one of the Omitted Investors was purchasing in FC 2012. Lloyd responded to the SFA representative by email on December 7, 2012, after depositing the investor's check into the FC 2012 bank account, writing that this investor was "OUT." The SFA representative sent an email back to Lloyd on December 7, 2012, seeking clarification as to what Lloyd's earlier email meant, writing: "[This investor] is not participating, correct?" Lloyd responded "Correct." Lloyd incorrectly certified to SFA that the list of fifteen people he identified as members of FC 2012, and the amounts of their investments, was true, complete and accurate.

11. In March 2013, roughly three months after FC 2012 had concluded its investment in the Piney Cumberland offering, Lloyd provided the staff of the Commission's National Exam

Program ("the Exam Staff") a list of eighteen investors for FC 2012, which, (a) included the Omitted Investors who had not been disclosed to SFA, (b) identified his personal investment as $16,802 , which was $24,250 less that what was represented to SFA, and (c) represented that the additional $105,750 that he received from investors but did not disclose to SFA represented the tax consulting fee collectively paid by the FC 2012 investors to Lloyd. As a result, the Exam Staff could match up all the deposits in the FC 2012 bank account records with the eighteen-member list.

12. In May 2013, when the tax return for Forest Conservation 2012 was prepared, Lloyd distributed IRS Schedule K-1s to all eighteen people who had given him money to invest in FC 2012, including the three Omitted Investors and himself. The K-1s reflected each of the 18 investor's pro rata share of the FC 2012 tax deduction derived from that entity's ownership interest in Piney Cumberland, and all received the promised tax benefit.

13. After the Commission's Division of Enforcement issued a Wells notice to Lloyd, Lloyd requested the FC 2012 investors to sign an amended operating agreement, to record the three Omitted Investors as members of that entity. Lloyd told his client investors that the failure to include the Omitted Investors initially was a scrivener's error. All clients agreed and signed the Amended Operating Agreement.

VIOLATIONS

14. As a result of the conduct described above, Lloyd willfully violated Section 206(4) of the Advisers Act, which prohibits investment advisers from engaging in any act, practice or course of business that is fraudulent, deceptive or manipulative. This violation does not require a finding of scienter.[1]

IV.

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

Accordingly, pursuant to Sections 203(f) and (k) of the Advisers Act, it is hereby ORDERED that:

A. Lloyd shall cease and desist from committing or causing any violations and any future violations of Section 206(4) of the Advisers Act;

B. Lloyd be, and hereby is:

[1] A willful violation of the securities laws means merely "'that the person charged with the duty knows what he is doing.'" *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "'also be aware that he is violating one of the Rules or Acts.'" *Id.* (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).

barred from association with any investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Brent J. Fields
Secretary