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CLERK U.S. DISTRICT COURT
CENTRAL DIST. OF CALIF.
RIVERSIDE

BY _____

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9
 10 UNITED STATES DISTRICT COURT
 11 CENTRAL DISTRICT OF CALIFORNIA

12 EASTERN DIVISION

CV-11-08607 R (DTBx)

13 SECURITIES AND EXCHANGE
COMMISSION,

Case No.

14 Plaintiff,

COMPLAINT FOR VIOLATIONS
OF THE FEDERAL SECURITIES
LAWS

15 vs.

16 CHARLES P. COPELAND,
 17 COPELAND WEALTH MANAGEMENT,
 A FINANCIAL ADVISORY
 18 CORPORATION, and
 19 COPELAND WEALTH MANAGEMENT,
 A REAL ESTATE CORPORATION;

20 Defendants.

21
22 Plaintiff Securities and Exchange Commission ("Commission") alleges:

23 JURISDICTION AND VENUE

24 1. This Court has jurisdiction over this action pursuant to Sections 20(b),
 25 20(d)(1) and 22(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§
 26 77u(b), 77u(d)(1) & 77v(a), Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27(a) of the
 27 Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78(u)(d)(1),
 28 78u(d)(3)(A), 78u(e) & 78aa(a), and Sections 209(d), 209(e)(1) and 214(a) of the

1 Investment Advisers Act of 1940 (“Advisers Act”), 15 U.S.C. §§ 80b-9(d), 80b-
2 9(e)(1) & 80b-14(a). Defendants have, directly or indirectly, made use of the
3 means or instrumentalities of interstate commerce, of the mails, or of the facilities
4 of a national securities exchange in connection with the transactions, acts, practices
5 and courses of business alleged in this Complaint.

6 2. Venue is proper in this district pursuant to Section 22(a) of the
7 Securities Act, 15 U.S.C. § 77v(a), Section 27 of the Exchange Act, 15 U.S.C.
8 § 78aa(a), and Section 214(a) of the Advisers Act, 15 U.S.C. § 80b-14(a), because
9 certain of the transactions, acts, practices and courses of conduct constituting
10 violations of the federal securities laws occurred within this district, Defendant
11 Charles P. Copeland resides in this district, and Defendants Copeland Wealth
12 Management, A Financial Advisory Corporation and Copeland Wealth
13 Management, A Real Estate Corporation are located in this district.

14 SUMMARY

15 3. This matter involves fraud and breach of fiduciary duty by Charles P.
16 Copeland, a certified public accountant, through registered investment adviser
17 Copeland Wealth Management, A Financial Advisory Corporation (“CWM”) and
18 unregistered investment adviser Copeland Wealth Management, a Real Estate
19 Corporation (“Copeland Realty”) (collectively referred to as the “Defendants”).
20 From 2003 through May 31, 2011, the Defendants raised over \$60 million from
21 over 100 investors, including many of Charles Copeland’s tax clients, by selling
22 interests in 23 limited partnerships operated by CWM and Copeland Realty.
23 Throughout the offer and sale of the limited partnerships, the Defendants made
24 material misrepresentations and omissions in the offer, sale and/or purchase of 21
25 of the 23 limited partnerships regarding: (1) the use of investor funds, (2) conflicts
26 of interest, (3) guaranteed returns, (4) the unauthorized trading of put options, and
27 (5) the payment of undisclosed real estate commissions and other related
28 compensation.

1 4. Defendant Charles Copeland violated the antifraud provisions of
2 Section 17(a) of the Securities Act, 15 U.S.C. § 17(a); Section 10(b) of the
3 Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, both as a primary
4 violator, and as a control person of CWM and Copeland Realty pursuant to Section
5 20(a) of the Exchange Act, 15 U.S.C. § 78t(a); and Sections 206(1) and 206(2) of
6 the Advisers Act, 15 U.S.C. §§ 80b-6(1) & 80b-6(2).

7 5. Defendants CWM and Copeland Realty violated the antifraud
8 provisions of Section 17(a) of the Securities Act, 15 U.S.C. § 17(a), Section 10(b)
9 of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, and Sections
10 206(1) and 206(2) of the Advisers Act, 15 U.S.C. §§ 80b-6(1) & 80b-6(2).

11 6. By this action, the Commission seeks permanent injunctions
12 prohibiting future such violations, a receiver over CWM and Copeland Realty and
13 their subsidiaries and affiliates, and an order prohibiting the destruction of
14 documents, disgorgement of the Defendants' ill-gotten gains, and civil penalties.

THE DEFENDANTS

15
16 7. **Charles P. Copeland**, age 64, resides in Redlands, California located
17 in San Bernardino County. Charles Copeland is CWM's founder, 33% part-owner
18 and president. Charles Copeland is also the 67% owner, founder and secretary of
19 Copeland Realty and 50% owner, founder and director of Copeland Accountancy.

20 8. **Copeland Wealth Management, A Financial Advisory**
21 **Corporation** ("CWM") is a California corporation with its principal place of
22 business in Redlands, California located in San Bernardino County. CWM is
23 registered with the Commission as an investment adviser under the name Copeland
24 Wealth Management. As of May 31, 2011, CWM had approximately \$144 million
25 in assets under management comprised of \$123 million invested primarily in
26 mutual funds and \$21 million invested primarily in real estate and real estate
27 related loans through partnerships managed by Copeland Realty. CWM has
28 approximately 770 advisory accounts.

1 12. For approximately 20 years, Charles Copeland has provided income
2 tax and accounting services to clients. During the course of providing such
3 services, he developed a relationship with many of his clients who generally
4 trusted him with their financial and accounting matters. Since 2003, Charles
5 Copeland has operated CWM, an investment advisory business. CWM and
6 Charles Copeland recommended to advisory clients that they invest in the limited
7 partnerships operated by Copeland Realty. As a result, CWM's advisory clients
8 invested approximately \$48.4 million in 21 limited partnerships operated by
9 Copeland Realty. As of May 31, 2011, the fair market value of advisory clients'
10 interests in the limited partnerships was approximately \$32 million, representing a
11 loss of principal of \$16 million or 33%.

12 13. An additional \$9.6 million was invested in the 21 limited partnerships
13 by non-advisory clients. As of May 31, 2011, the fair market value of the non-
14 advisory clients' investments in the limited partnerships was approximately \$7.2
15 million, representing a loss of principal of \$2.4 million, or 25%. The general
16 partner (Copeland Realty) contributed an additional \$4.1 million to the 21 limited
17 partnerships.

18 14. The limited partnership interests in the 23 limited partnerships are
19 investment contracts and therefore securities pursuant to the federal securities laws.

20 CWM AND COPELAND REALTY OFFERINGS

21 15. From approximately 2003 through May 31, 2011, Charles Copeland
22 on behalf of CWM and Copeland Realty raised approximately \$65 million in three
23 types of limited partnerships involving both advisory and non-advisory clients: (1)
24 Private Equity Partnerships – investments in privately-held companies, such as a
25 surgery center; (2) Fixed Income Partnerships (the "Fixed Income Funds") –
26 engaged in "the business of owning real estate backed loans and corporate loans
27 and any activities that are related or incidental to that business;" and (3) Real
28

1 Estate Limited Partnerships (the "Real Estate Funds") – to purchase and lease
 2 commercial property such as office buildings.

3 The following is a list of the 23 partnerships:

General Partner & Fund	Number of Partners	Total Contributions
CWM	18	\$3,305,000
Copeland Private Equity One, L.P. ("CPE One")	4	1,050,000
Copeland Private Equity Two, L.P. ("CPE Two")	14	2,255,000
Copeland Realty	192	\$62,041,910
Copeland Fixed Income One, L.P. ("CFI One")	23	6,080,203
Copeland Fixed Income Two, L.P. ("CFI Two")	23	4,704,329
Copeland Fixed Income Three, L.P. ("CFI Three")	18	3,410,753
Copeland Properties One, L.P. ("CP 1")	10	2,664,070
Copeland Properties Two, L.P. ("CP 2")	9	2,883,119
Copeland Properties Three, L.P. ("CP 3")	8	2,522,710
Copeland Properties Four, L.P. ("CP 4")	9	4,697,136
Copeland Properties Five, L.P. ("CP 5")	15	6,001,674
Copeland Properties Six, L.P. ("CP 6")	3	2,925,000
Copeland Properties Seven, L.P. ("CP 7")	8	1,254,888
Copeland Properties Eight, L.P. ("CP 8")	4	1,575,550
Copeland Properties Nine, L.P. ("CP 9")	12	3,673,713
Copeland Properties Ten, L.P. ("CP 10")	12	3,533,372
Copeland Properties Eleven, L.P. ("CP 11")	-	-
Copeland Properties Twelve, L.P. ("CP 12")	12	4,388,075
Copeland Properties 13, L.P. ("CP 13")	-	-
Copeland Properties 14, L.P. ("CP 14")	-	-
Copeland Properties 15, L.P. ("CP 15")	3	1,350,234
Copeland Properties 16, L.P. ("CP 16")	4	1,731,086

General Partner & Fund	Number of Partners	Total Contributions
Copeland Properties 17, L.P. ("CP 17")	4	4,818,860
Copeland Properties 18, L.P. ("CP 18")	15	3,827,138
Grand Total	210	\$65,346,910

16. There is substantial investor overlap among the limited partnerships. In total, the investors consist of approximately 100 individuals and entities. In addition, CP 11, CP 13 and CP 14 were merged into other partnerships. Consequently, the number of limited partners and their capital contribution are reflected in other partnerships in the above table.

FALSE AND MISLEADING STATEMENTS

A. Fixed Income Funds: Misrepresentations Regarding the Use of Funds and Undisclosed Conflicts of Interest

17. From 2006 through 2010, the Fixed Income Funds raised approximately \$14 million from 70 investors. The limited partnership agreements ("LPAs") for the Fixed Income Funds restricted the use of funds to two specific purposes – real estate and corporate loans. For example, the LPAs for the Fixed Income Funds indicate the partnership may own "real estated [sic] backed loans and corporate loans" including "acquir[ing] loans and trust deeds." However, throughout the offering, Charles Copeland on behalf of Copeland Realty continued to raise additional funds and then used the funds in the Fixed Income Funds for purposes other than real estate and corporate loans. For example, the Fixed Income Funds lent \$1,553,252 to CWM's advisory clients and Copeland Accountancy clients and lent \$128,000 to Copeland Realty for management fees for the Real Estate Funds and distributions to limited partners in the Real Estate Funds.

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1 18. In addition, the LPAs for the Fixed Income Funds required the pre-
 2 approval by the limited partners for any transaction that involved a conflict of
 3 interest by the general partner (i.e., Copeland Realty). However, Charles Copeland
 4 through Copeland Realty directed the Fixed Income Funds to lend the vast
 5 majority of the \$14 million raised to affiliated entities without obtaining any pre-
 6 approval or disclosing this conflict of interest to the Fixed Income Funds' limited
 7 partners.

8 19. Specifically, the following table shows the undisclosed loans made to
 9 affiliates:

11 Recipients of Undisclosed Loans made 12 by Fixed Income Funds as of 13 5/31/2011	Principal Balance
14 Copeland Property Real Estate Funds	\$8,419,269
15 Accounting Clients of Copeland 16 Accountancy	\$3,109,500
17 Copeland Realty and Companies 18 Affiliated with Charles Copeland	\$2,790,040
19 Loans to Nonpublic Companies that 20 were also Owned by the Private Equity 21 Funds	\$1,526,686
22 Advisory Clients of CWM and Copeland 23 Accountancy Clients	\$1,553,252
24 Loans among Fixed Income Funds	\$1,161,688
25 Copeland Family Members	\$111,000
26 Total	\$18,671,435

27 20. The loans from the Fixed Income Funds to the Real Estate Funds
 28 allowed the Real Estate Funds to pay their operational expenses as well as continue
 their distribution payments, essentially a Ponzi-like scheme in which new investor
 funds were paid to existing investors.

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1 **B. Fixed Income Funds: Charles Copeland Misrepresents that**
2 **Investments are "Guaranteed"**

3 21. During 2008, Charles Copeland also sent e-mails to CWM's advisory
4 clients falsely representing that investments in the Fixed Income Funds were
5 "guaranteed." However, virtually all of the \$14 million raised by the Fixed Income
6 Funds was lent to companies or individuals affiliated with Charles Copeland, some
7 of which are insolvent and thus unable to pay back these loans.

8 **C. Real Estate Funds: Misrepresentations Regarding the Use of Funds and**
9 **Undisclosed Conflicts of Interest**

10 22. The LPAs for the Real Estate Funds stated "[t]he partnership will
11 engage in the business of real property ownership and any activities that are
12 related." However, from 2003 through May 2011, Charles Copeland through
13 Copeland Realty continued to raise additional funds and then used the real estate
14 partnerships funds for purposes other than owning real estate, including using
15 approximately \$1.8 million for unsecured loans from one real estate fund to
16 another and approximately \$500,000 for loans to accounting and advisory clients.
17 Similar to the LPAs for the Fixed Income Funds, the LPAs for the Real Estate
18 Funds required the pre-approval by the limited partners for any transaction that
19 involved a conflict of interest by the general partner (i.e. Copeland Realty), which
20 was not received. Consequently, Charles Copeland commingled and loaned funds
21 to affiliates without the knowledge or consent of the limited partners in
22 contradiction of the representations in the LPAs.

23 **D. Real Estate Funds: The Put Fund and Copeland Realty's Role as an**
24 **Investment Adviser**

25 23. From approximately 2006 through 2008, Copeland Realty transferred
26 approximately \$5.7 million from 14 of the Real Estate Partnerships to CWM to
27 trade put options, a speculative investment that has nothing to do with real estate.
28 Specifically, Charles Copeland directed the transfer of limited partnership
investments and lease payment buyouts to CWM. For example, Copeland Realty

1 received approximately \$3.6 million from three lease payment buyouts for property
2 owned by Funds CP 4 and CP 9. Under the terms of the LPAs, the Real Estate
3 Funds were restricted to using the money from the buyouts to operate the
4 properties owned or distribute the buyout payments to limited partners as a return
5 of capital or distribution. Instead, from 2006 through 2008, Charles Copeland
6 authorized the transfer of these monies to CWM to trade put option contracts.
7 CWM sold "uncovered" put equity options; that is, CWM received a cash payment
8 (called a premium) and in return agreed to purchase a specific amount of common
9 stock at a specified price and date. As a result of this unauthorized trading
10 strategy, the 14 Real Estate Funds lost approximately \$800,000 of the \$5.7 million
11 invested.

12 24. Although Copeland Realty did not registered with the Commission as
13 an investment adviser, it acted as an investment adviser under the federal securities
14 laws.

15 **E. Real Estate Funds: Real Estate Commissions and Other Compensation**
16 **Received by Copeland Realty**

17 25. From 2003 until 2008, at the direction of Charles Copeland, Copeland
18 Realty received real estate commissions and other compensation of approximately
19 \$2.4 million in connection with the purchase and sale of real estate by the Real
20 Estate Funds. Specifically, Copeland Realty received: (i) cash commissions
21 totaling \$756,570 and (ii) limited partnership interests in lieu of cash totaling
22 \$1,601,000 in five of the Real Estate Funds. Copeland Realty converted the
23 limited partnership interests to cash by selling them to investors. However, with
24 the exception of compensation relating to Fund CP 9, Copeland Realty and Charles
25 Copeland failed to disclose the commissions and other compensation to the limited
26 partners in the Real Estate Funds.

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1 **FIRST CLAIM FOR RELIEF**

2 **FRAUD IN THE OFFER OR SALE OF SECURITIES**

3 **Violations of Section 17(a) of the Securities Act**

4 **(Against All Defendants)**

5 26. The Commission realleges and incorporates by reference paragraphs 1
6 through 25 above.

7 27. Defendants Charles Copeland, CWM and Copeland Realty, and each
8 of them, by engaging in the conduct described above, directly or indirectly, in the
9 offer or sale of securities by the use of means or instruments of transportation or
10 communication in interstate commerce or by use of the mails:

- 11 a. with scienter, employed devices, schemes, or artifices to defraud;
- 12 b. obtained money or property by means of untrue statements of a
13 material fact or by omitting to state a material fact necessary in order
14 to make the statements made, in light of the circumstances under
15 which they were made, not misleading; or
- 16 c. engaged in transactions, practices, or courses of business which
17 operated or would operate as a fraud or deceit upon the purchaser.

18 28. By engaging in the conduct described above, Defendants Charles
19 Copeland, CWM and Copeland Realty violated, and unless restrained and enjoined
20 will continue to violate, Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a).

21 **SECOND CLAIM FOR RELIEF**

22 **FRAUD IN CONNECTION WITH THE PURCHASE OR**

23 **SALE OF SECURITIES**

24 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder**

25 **(Against All Defendants)**

26 29. The Commission realleges and incorporates by reference paragraphs 1
27 through 25 above.

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1 30. Defendants Charles Copeland, CWM and Copeland Realty, and each
2 of them, by engaging in the conduct described above, directly or indirectly, in
3 connection with the purchase or sale of a security, by the use of means or
4 instrumentalities of interstate commerce, of the mails, or of the facilities of a
5 national securities exchange, with scienter:

- 6 a. employed devices, schemes, or artifices to defraud;
- 7 b. made untrue statements of a material fact or omitted to state a
8 material fact necessary in order to make the statements made, in
9 the light of the circumstances under which they were made, not
10 misleading; or
- 11 c. engaged in acts, practices, or courses of business which
12 operated or would operate as a fraud or deceit upon other
13 persons.

14 31. By engaging in the conduct described above, Defendants violated, and
15 unless restrained and enjoined will continue to violate, Section 10(b) of the
16 Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R.
17 § 240.10b-5.

18 32. Defendant Charles Copland was also a control person of CWM
19 because he possessed, directly or indirectly, the power to direct or cause the
20 direction of the management and policies of CWM. Accordingly, pursuant to
21 Section 20(a) of the Exchange Act, 15 U.S.C. § 78t(a), Defendant Copeland is
22 also liable.

23 **THIRD CLAIM FOR RELIEF**

24 **FRAUD WHILE ACTING AS AN INVESTMENT ADVISER**
25 **Violations of Sections 206(1) and 206(2) of the Advisers Act**
26 **(Against All Defendants)**

27 33. The Commission realleges and incorporates by reference paragraphs 1
28 through 25 above.

1 34. Defendants Charles Copeland, CWM and Copeland Realty, and each
2 of them, by engaging in the conduct described above, directly or indirectly, while
3 acting as investment advisers, by use of the mails or means or instrumentalities of
4 interstate commerce:

- 5 a. with scienter, employed devices, schemes, or artifices to
- 6 defraud clients or prospective clients; or
- 7 b. engaged in transactions, practices, or courses of business which
- 8 operated or would operate as a fraud or deceit upon clients or
- 9 prospective clients.

10 35. By engaging in the conduct described above, Defendants Charles
11 Copeland, CWM and Copeland Realty violated, and unless restrained and enjoined
12 will continue to violate, Sections 206(1) and 206(2) of the Advisers Act,
13 15 U.S.C. §§ 80b-6(1) & 80b-6(2).

14 **PRAYER FOR RELIEF**

15 WHEREFORE, the Commission respectfully requests that the Court:

16 **I.**

17 Issue findings of fact and conclusions of law that the Defendants committed
18 the alleged violations.

19 **II.**

20 Issue orders, in a form consistent with Fed. R. Civ. P. 65(d), permanently
21 enjoining Defendants Charles Copeland, CWM and Copeland Realty and their
22 officers, agents, servants, employees, and attorneys, and those persons in active
23 concert or participation with any of them, who receive actual notice of the order by
24 personal service or otherwise, and each of them, from violating Section 17(a) of
25 the Securities Act, 15 U.S.C. § 77q(a), Section 10(b) of the Exchange Act, 15
26 U.S.C. § 78j(b) and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5; and Sections
27 206(1) and 206(2) of the Advisers Act, 15 U.S.C. §§ 80b-6(1) & 80b-6(2).

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1 **III.**

2 Issue in a form consistent with Fed. R. Civ. P. 65, an order appointing a
3 receiver over CWM and Copeland Realty and their subsidiaries and affiliates and
4 prohibiting each of the Defendants from destroying documents.

5 **IV.**

6 Order Defendants Charles Copeland, CWM and Copeland Realty to
7 disgorge all ill-gotten gains from their illegal conduct, together with prejudgment
8 interest thereon.

9 **V.**

10 Order Defendants Charles Copeland, CWM and Copeland Realty to pay
11 civil penalties under Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d),
12 Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3), and Section 209 of
13 the Advisers Act, 15 U.S.C. § 80b-9.

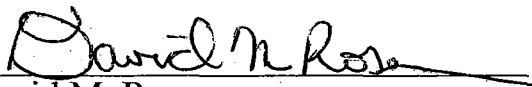
14 **VI.**

15 Retain jurisdiction of this action in accordance with the principles of equity
16 and the Federal Rules of Civil Procedure in order to implement and carry out the
17 terms of all orders and decrees that may be entered, or to entertain any suitable
18 application or motion for additional relief within the jurisdiction of this Court.

19 **VII.**

20 Grant such other and further relief as this Court may determine to be just and
21 necessary.

22
23 DATED: October 17, 2011

24 
25 David M. Rosen
26 Attorney for Plaintiff
27 Securities and Exchange Commission
28