

ADMINISTRATIVE PROCEEDING
File No. 34-79126

SEC Charges Bay Area Investment Adviser With Failing To Disclose Conflict of Interest

October 20, 2016 – The Securities and Exchange Commission today announced that it charged John Leo Valentine, the founder and president of former registered investment adviser firm Valentine Capital Asset Management, Inc. (VCAM) based in Northern California, with failing to disclose a financial conflict of interest when making an investment recommendation and making other misleading statements to his advisory clients. The SEC [previously charged Valentine and VCAM](#) in 2010 for failing to fully and adequately disclose a material conflict of interest. VCAM has withdrawn its registration as an investment adviser with the SEC and has ceased all operations.

According to the SEC's order instituting settled administrative and cease-and-desist proceedings, between late 2011 and 2012, Valentine recommended that his clients sell shares of a fund named Bridgeton Global Directional Fund, LP and buy shares of another fund he created named Valt LP. However, Valentine failed to disclose that he had a financial incentive to make the recommendation because he had recently lost the ability to earn approximately \$1 million per year in commissions based on client investments in the Bridgeton fund, but would be compensated based on client investments in Valt.

Also according to the SEC's order, Valentine misled his clients when he told them that VCAM terminated its prior custodian after conducting a year-long independent review and determining that moving to a new custodian would benefit clients. In reality, the prior custodian had terminated its relationship with VCAM due in part to concerns about [the SEC's 2010 enforcement action against Valentine and VCAM](#).

The SEC's order finds that Valentine violated section 206(2) of the Investment Advisers Act of 1940. Without admitting or denying the findings in the SEC's order, Valentine consented to entry of a cease-and-desist order, to be barred from the securities industry with a right to apply for reentry after two years, and to pay a \$140,000 penalty.

The SEC Enforcement Division's investigation was conducted by Jason H. Lee, Jennifer J. Lee, E. Barrett Atwood, and Marc D. Katz of the San Francisco office. The SEC examination that led to the investigation was conducted by Cindy Cooper, John Chee, and Kenneth Schneider.

See also: [Order](#)