

## Item 1 – Cover Page



### **Valentine Ventures, LLC**

550 S.W. Industrial Way, Bldg 2, Ste 201  
Bend, Oregon 97702  
541-389-4148

[www.valentineventures.com](http://www.valentineventures.com)

**May 10, 2011**

This Brochure provides information about the qualifications and business practices of Valentine Ventures, LLC (VVLLC). If you have any questions about the contents of this Brochure, please contact Jonathan D. Tapper, Chief Compliance Office at 541-389-4148 or [jon@valentineventures.com](mailto:jon@valentineventures.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Valentine Ventures, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information upon which you determine to hire or retain an Adviser.

Additional information about Valentine Ventures, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 31, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Jonathan D. Tapper, Chief Compliance Office at 541-389-4148 or jon@valentineventures.com. Clients may view our Brochure on our website, valentineventures.com, in the Client-only section.

Additional information about Valentine Ventures, LLC is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with Valentine Ventures, LLC who are registered, or are required to be registered, as investment adviser representatives of Valentine Ventures, LLC.

### Item 3 -Table of Contents

Item 1 – Cover Page .....	i
Item 2 – Material Changes .....	ii
Item 3 - Table of Contents .....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	2
Item 6 – Performance-Based Fees and Side-By-Side Management .....	3
Item 7 – Types of Clients.....	3
Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss.....	4
Item 9 – Disciplinary Information .....	6
Item 10 – Other Financial Industry Activities and Affiliations .....	6
Item 11 – Code of Ethics .....	6
Item 12 – Brokerage Practices .....	8
Item 13 – Review of Accounts .....	11
Item 14 – Client Referrals and Other Compensation .....	12
Item 15 – Custody .....	12
Item 16 – Investment Discretion .....	12
Item 17 – Voting Your Securities .....	13
Item 18 – Financial Information.....	13

~ Brochure Supplement(s) ~

## Item 4 – Advisory Business

Valentine Ventures, LLC started business in 1997. William L. Valentine and Jessica N. Valentine are the principal Members.

We provide investment advice and management to individually managed accounts with the goal of capital preservation and growth by investing in exchange traded investment funds (“ETFs”), open-ended mutual funds, and individual bonds.

We seek to limit risk while targeting return potential rather than pursuing excess returns without regard to risk. We tailor our advisory services to your financial needs and risk constraints. We offer financial planning services at no additional charge as part of the investment advisory service. These financial planning services help determine the most appropriate asset allocation for you. The asset allocation assumes the least amount of risk necessary to achieve your objectives, given account-specific constraints. We reduce risk in the investment portfolio through a broad allocation to non-correlating investment classes, as well as diverse security allocation within each class. We believe that investing in individual securities poses too much “single-stock” risk and instead opt to keep you diversified across multiple market sectors by investing in ETFs and open-ended mutual funds.

The investment advisory relationship begins when you sign the Valentine Ventures, LLC Investment Management Agreement (IMA). The IMA authorizes us to act on a discretionary basis with your funds, and generally you may not impose restrictions on the types of securities we purchase. Most client funds are deposited in custodial accounts held at Charles Schwab & Company, Inc. (“Schwab”) and other independent and unaffiliated broker-dealers.

You may terminate your management account by giving us 30 days written notice pursuant to the terms of the IMA. In all cases, you are responsible for expenses incurred and a pro rata portion of the annual management fee through the date of termination.

Our current Investment Management Agreement states that we are not liable for: (a) any loss that you may suffer due to any investment decision made or other action taken or omitted by us, except in the case of our negligence, intentional misconduct or lack of good faith; or (b) any loss arising from our following your instructions. Your Investment Management Agreement also states that disputes are subject to arbitration in Portland, Oregon. The Investment Management Agreement, including the arbitration provision, does not waive your right to any applicable federal or state securities laws, including other laws whose applicability is not permitted to be contractually waived.

As of December 31, 2010, VVLLC manages client assets totaling \$105,269,072, all on a discretionary basis.

## **Item 5 – Fees and Compensation**

Our fees are established in your Investment Management Agreement. Certain legacy fee schedules exist for some clients and fees for accounts over \$2.5 million are negotiable. Our current management fee schedule is:

- an annual fee of 1.25% on the first \$1 million of assets under management,
- an annual fee of 1.00% on the balance of assets in excess of \$1 million.

At the end of each calendar quarter (March 31, June 30, September 30, December 31), we bill you and deduct fees for investment management services rendered during the preceding 3 months or calendar quarter. The fee calculation is based on the net market value of your managed accounts at the close of the market on the last business day of the quarter as calculated by your account custodian. In situations where we only provide investment advisory services for a portion of the quarter, your fees are prorated based on the number of days we managed your account during the quarter.

Mid-quarter contributions or withdrawals in amounts above \$10,000 are prorated based on the number of days we managed your account during the quarter. Quarterly fees are not adjusted for any mid-quarter contributions or withdrawals in amounts below \$10,000.

We deduct management fees directly from your accounts, unless we elect to bill you directly. Payment of fees may require the liquidation of your securities if there is not sufficient cash in the account to pay the fees. We attempt to avoid unnecessary liquidation of securities with appropriate cash management practices. We believe that our fees are competitive with the fees charged by investment advisers providing comparable services. Comparable services may be available, however, from other sources for lower fees.

Our fees do not include fees charged by custodians, brokers, third party investment advisors, and other third parties. These fees include (but are not limited to):

- brokerage commissions
- transaction fees
- custodial fees
- deferred sales charges
- odd-lot trade execution fees

- transfer fees
- wire and electronic fund transfer fees
- other fees on brokerage accounts and securities transactions

ETFs or mutual funds increase your total costs, because in addition to our management fee, you will incur annual operating expenses and/or management fees payable to the manager of the ETF or mutual fund. These fees are disclosed in a fund's prospectus. We do not share in these fees and expenses. If we believe an ETF or mutual fund investment is appropriate for your account, we will evaluate the relative annual costs as a part of the decision process. We do not receive any portion of commissions, fees, and costs charged by custodians, brokers, third party investment advisors, or other third parties.

Please see Item 12 for further description of the factors that we consider in selecting or recommending broker-dealers for your transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

VVLLC does not charge any performance-based fees. Performance-based fees are based on a share of capital gains on, or capital appreciation of, your assets.

We provide investment advisory services to other clients in addition to you. Not all clients receive the same investment advice, nor do they pay the same fee. We strive to act in the best interests of each of our clients at all times.

## **Item 7 – Types of Clients**

We require a minimum portfolio size of \$500,000 to engage in an investment management relationship. We may waive the minimum portfolio size at our discretion.

We provide portfolio management services to:

- individuals
- high net worth individuals
- trusts
- corporate pension and profit-sharing plans
- charitable organizations
- foundations

## **Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss**

### Methods of Analysis

VVLLC utilizes top-down fundamental, technical, and behavioral analysis to determine its investment strategy and the best securities for your portfolios.

- Top down analysis refers to focus on macro economic and market trends.
- Fundamental analysis considers financial metrics for price and valuation of prospective asset classes and markets.
- Technical analysis is a discipline that attempts to forecast the direction of stock prices through the study of past market data, primarily price and volume.
- Behavioral financial analysis uses social, cognitive and emotional factors in understanding the economic decisions of the individuals and institutions who perform economic functions, including consumers, borrowers and investors, and their effects on market prices, returns, and resource allocation.

### Investment Strategy

We attempt to achieve your financial goals by creating a portfolio that invests your assets in “growth” and “fixed income.” Growth assets are those that provide the bulk of their return from the appreciation in price over time. Examples of growth assets include stocks, real estate, and commodities. Fixed income tends to produce interest income as its primary return generator. Examples of fixed income include bonds, CDs, and money market funds.

The percentage of growth assets verses fixed income (“asset allocation”) in your portfolio is moderated depending on your needs/constraints. The financial planning software models various allocations to determine the optimal mix of growth-to-fixed income, based on your circumstances.

Risk management is a foundational principle of VVLLC. We attempt to limit your risk exposure to acceptable amounts based on the risk required to achieve your goals. Within that framework, we seek to limit risk across all accounts through several methods.

- Allocating across multiple asset classes.

- Moderating the sensitivity of the portfolio to market movements during times of uncertainty.
- Broad diversification among securities within each asset class.
- Confining our fixed income invest to only high-quality instruments.

### Growth Assets

The growth portion of your account is invested principally in exchange-traded funds ("ETFs") or, in rare cases, open-ended mutual funds. ETFs and open-ended funds diversify across many investments to limit the specific risk of any individual investment. Our growth strategy invests across a broad list of non-correlating asset classes smooth return and reduce the effect of negative performance of any single asset class:

- US Stocks
- Foreign Stocks
- Real Estate
- Commodities
- Foreign Currencies
- Volatility instruments
- Other Alternative Classes

The investment portfolio's overall sensitivity to changes in the market is controlled in order to reduce exposure to growth assets once a protracted decline has been identified, as measured by proprietary technical analysis.

### Fixed Income

We structure a broad bond portfolio based on high-quality individual bonds and similar instruments (CDs, money market funds, other). We invest in government bonds, municipal bonds, Treasury Inflation Protected notes, mortgage-backed bonds, and bond ETFs. We spread your portfolio across a "ladder" of bonds, gradually increasing the maturity date of the bonds to minimize fluctuations in income and reduce reinvestment risk. Additional consideration is given to protect your bond portfolio against rising interest rates and rising inflation. Specific consideration is given to your financial condition and risk profile in determining which types of bonds we buy for you. We hold bonds to maturity to achieve a positive return in all interest rate environments.



## Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. These risks include:

- Market risk – the risk that the value of a portfolio will decrease due to the change in the market values of the underlying securities from short-term market moves or over longer periods during market downturns.
- Credit risk – the risk of a borrower going into default and not being able to honor its obligations.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of VVLLC or the integrity of our management. We have never been part of any legal or disciplinary events, nor are we aware of any current legal or disciplinary issues pending.

## **Item 10 – Other Financial Industry Activities and Affiliations**

Other than being an Investment Advisor registered with the SEC, with activities that are limited to those mentioned in this document, VVLLC has no additional financial industry activities or affiliations.

## **Item 11 – Code of Ethics**

We have adopted a Code of Ethics, pursuant to SEC rule 204A-1, for all employees and persons associated with the firm (also known as “supervised persons”). The Code of Ethics outlines our high standard of business conduct and fiduciary duty to you. All supervised persons at VVLLC must acknowledge the terms of the Code of Ethics annually, or as often as it is amended. You may request a copy of the firm's Code of Ethics by contacting Jonathan D. Tapper, Chief Compliance Officer of VVLLC.

The Code of Ethics includes policies and procedures relating to:

- the confidentiality of client information
- personal securities trading procedures
- a prohibition on insider trading and rumor mongering
- books and records practices
- custody of client assets
- benefits from custodians
- restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items

#### Employee Trade Policy

Valentine Ventures' officers, directors, employees, and affiliates may trade the same securities for their own accounts that are purchased for you. The Code of Ethics is designed to assure that the personal securities transactions and investment activities of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Certain classes of securities have been designated in the Code of Ethics as "exempt" transactions, based upon a determination that these would not materially interfere with the best interests of our clients. These "exempt" securities include open-end mutual funds and CDs. "Non-exempt" securities include individual bonds, ETFs, CD's, and individual stocks. The Code of Ethics requires that employees get pre-approval for non-exempt security transactions. Employee accounts may trade in the same securities with client accounts on an aggregated basis. Our trading is consistent with the obligation of best execution. Whenever employees and clients participate in an aggregated trade, the employee and client accounts pay the same commission amount and receive the security at the same average price.

The Code of Ethics outlines our internal controls of employee trading, including continual monitoring and quarterly reviews of employee trading by the Chief Compliance Officer, to reasonably prevent conflicts of interest between VVLLC employees and our clients.

#### Principal, Agency, and Non-Agency Cross Transactions

It is our policy that we will not affect any principal or agency cross securities transactions for your accounts.

- Principal transactions are generally defined as transactions where we buy or sell a security from our own account (or the account of an affiliated broker-dealer) to you. A

principal transaction may also be defined as a cross trade between an affiliated hedge fund and another client account.

- An agency cross transaction is defined as a transaction where we act as broker for both you and for the person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. We are not dually registered as an investment advisor and broker-dealer.

We are authorized to execute non-agency cross transactions when such a transaction is in the best interest of the participating clients.

- A non-agency cross transaction is one in which we affect a purchase or sale from one client account to another client account,

Because we manage the accounts of both the buyer and seller and receive an asset-based fee from both the buyer and seller, we have a potential conflict of interest. We will effect a non-agency cross transaction only if we believe that the transaction will aid both the buyer and seller in obtaining the best price for a trade. We will fully disclose to you all cross transactions involving your accounts. Cross transactions involving accounts subject to ERISA are also subject to applicable Department of Labor restrictions.

When appropriate and consistent with your investment objectives, we may utilize our discretionary investment authority to recommend, purchase, or sell securities in which we, our affiliates and/or clients, directly or indirectly, have a position or interest.

## **Item 12 – Brokerage Practices**

### Custodial Relationships

Valentine Ventures, LLC is independently owned and operated and is not affiliated, financially or otherwise, with any particular broker-dealer. We do not receive compensation for suggesting a particular broker-dealer or bank to serve as custodian of your assets. We require each client to have a third-party custodial relationship and currently recommend that clients use Charles Schwab & Co. (“Schwab”) as their custodian.

We recommend Schwab so that all of our client accounts can be on the same electronic back-office platform. Having electronic access to our clients’ account information on the same platform allows us to more quickly and accurately service our clients. We believe that Schwab

meets high standards of recordkeeping, trade execution, research, and that it charges competitive commissions.

Schwab does not charge you for custody of your assets. Schwab's compensation comes from trade commissions and other transaction-related fees, including fees for the clearance and settlement of trades executed through broker-dealers other than Schwab. The clearance and settlement fees charged by Schwab are in addition to the commission charged by the other broker-dealer. Because Schwab (and most other custodians) normally charge this minimum clearance and settlement fee, it often is not economically feasible to use any broker for trading other than Schwab. We have determined that the fees charged to you by Schwab are reasonable, equitable, and fair when compared to fees charged by other custodians.

As part of the custodial relationship, Schwab provides us with products and services that assist in the management and administration of your accounts. Because of the size of our assets under management and business model, Schwab offers us access to institutional-quality trading, research, and operations services which are not typically available to retail investors. They may also provide us with access to mutual-funds and other investment options that are otherwise available only to institutional investors or would require a significantly higher minimum initial investment. These products and services include:

- software and other technology that provide access to client account data
- trade execution and allocation services
- exclusive investment options, including mutual funds, ETFs, and money markets
- research, pricing information, and other market data
- facilitation of payment of our fees from your accounts
- assistance with back-office support, recordkeeping, and client reporting

These products and services are used with all of our accounts, including accounts not custodied with Schwab. We reserve the right to accept or not accept clients who direct the use of brokers other than Schwab.

These products and services are similar to those offered by other broker-dealers who could provide custodial services to VVLLC. Our relationship with Schwab does not negate our duty to select the best custodian for our clients. We regularly review these programs to ensure that our custodial recommendations are consistent with our fiduciary duty. We feel that Schwab's total service package is a benefit to our firm and to our clients.

#### Trading and Best Execution

We typically have complete discretion over the selection and amount of securities to be bought and sold without specifically obtaining your consent. We also typically have complete

discretion over the selection of the broker to be used and the commission rates to be paid. In selecting the broker for any transaction or series of transactions, we consider a number of factors, including:

- net price of the transaction
- reputation, financial strength, and stability of the executing broker
- efficiency of execution and error resolution
- block trading and block positioning capabilities
- willingness to execute related or unrelated difficult transactions in the future
- online access to computerized data regarding client accounts and other matters involved in the receipt of general brokerage services
- commissions and additional clearance and settlement fees

We acknowledge our duty to seek the best execution of trades for your accounts and verify that the trades we place satisfy that requirement. We regularly review the commission rates our clients pay to determine that they are competitive with commission rates paid by clients of other broker-dealers. You may pay commission rates that are higher than the lowest commission rate available through other broker-dealers.

We may aggregate your trade orders with other clients' trade orders of the same security in order to obtain more favorable order execution and lower per share brokerage costs. When this happens, the average price of all securities purchased or sold is calculated and you are charged or credited the average transaction price. Occasionally, an aggregated order may only be partially filled. When this happens, the securities are allocated, to the degree possible, among the applicable clients on a pro-rata basis. Exceptions to the pro-rata allocation of partially filled orders may occur for several reasons, including (but not limited to) avoidance of odd-numbered quantities of stock or minimum numbers of shares and sensitivity toward the total transaction cost to be incurred by the client. When partially-filled orders cannot be allocated on a pro-rata basis, we allocate trades equitably to the accounts participating in the trade allocation. There may be instances when partially-filled orders may adversely affect the size of the position or the price you pay or receive, as compared with the size of the position or price that would have been paid or received had no aggregation occurred.

#### Trade Error Policy

From time-to-time we may make an error in submitting a trade order on your behalf. When this occurs, we may place a correcting trade with the broker-dealer which has custody of your account. If an investment gain results from the correcting trade, the gain will remain in your account unless the same error involved other client account(s) that should have received the gain, it is not permissible for you to retain the gain, or we confer with you and you decide to

forego the gain (e.g., due to tax reasons). If the gain does not remain in your account and Schwab is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, we will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they may be netted. A file of trade errors is maintained by Jonathan D. Tapper, VVLLC's Chief Compliance Officer.

#### Soft Dollars and Brokerage for Referrals

We do not engage in any soft-dollar transactions. A soft-dollar transaction would occur if we executed a trade through a particular broker, at an increased trade commission rate than might normally be paid, in return for receiving securities research and execution from that broker. We do not receive client referrals from particular brokers, nor do we execute trades through particular brokers in return for client referrals.

#### Trade Confirmations

Trade confirmations are provided directly to you by the brokerage firm executing the trade. We do not accept responsibility for any act or omission by any broker.

### **Item 13 – Review of Accounts**

We manage and review all client investment advisory accounts regularly. We use a portfolio accounting software provided by Schwab Performance Technologies to maintain client records.

- On a daily basis, the security holdings, cash holdings, and transactions made in your accounts are reconciled with the custodian by our Trading and Operations departments. Your asset allocation, cash management, and individual assets are considered when reviewing the accounts.
- On a quarterly basis, we provide you with an investment outlook report, along with account performance and holdings reports. These reports provide information regarding the total starting and ending value of your accounts, performance calculations for several time periods, performance numbers for comparative indices, and portfolio holdings. For the purposes of these reports, your security holdings, cash holdings, and transactions are reconciled with the custodian by our Trading and Operations departments. Your asset allocation, cash management, and individual assets are considered when reviewing the accounts.

- On a yearly basis, we review your asset allocation, financial plan, and account balances. We extend an invitation to you to meet with our staff to assess the accuracy of the important data points within your financial plan, in order to determine its ongoing success. These meetings are conducted by Jay Kolar, CFP<sup>®</sup> and Brian Crosby with final analysis and approval provided by William L. Valentine. William L. Valentine reviews and analyzes all portfolios.

Production of the VVLLC performance reports is performed by the VVLLC Operations Department and reviewed by William L. Valentine.

## **Item 14 – Client Referrals and Other Compensation**

We have not entered into any agreements with third parties to give or receive referrals for compensation.

## **Item 15 – Custody**

You retain complete ownership of your assets. You will receive monthly statements from Schwab for each of your accounts. These statements will describe the trading activity during the month as well as the current balance of cash and securities held in your accounts. You are urged to compare the performance reports you receive from us with the account statements you receive from Schwab. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

You have authorized us to deduct periodic investment advisory fees directly from one or more of your accounts managed by us. The authority to deduct investment advisory fees directly from your accounts is the only instance where we have “custody” over your accounts, as defined by the SEC Rule 206(4)-2 Amended Custody Rule. These investment advisory fee deductions are shown on the monthly account statements sent directly to you by Schwab.

## **Item 16 – Investment Discretion**

You give us discretionary authority at the beginning of an advisory relationship to select the type and amount of securities to be bought or sold, the commission rates paid, and the broker-

dealer to be used. This discretionary authority is granted when you complete the VVLLC Investment Management Agreement and you generally may not impose restrictions on this discretionary authority. We exercise our discretionary authority in a manner consistent with the stated investment objectives for your account and we observe your investment policies, limitations, and restrictions when selecting securities and determining portfolio trading amounts for your accounts.

## **Item 17 – Voting Your Securities**

As an investment advisor with discretionary authority over your client holdings, we are generally authorized to vote proxies on your behalf. We vote the proxies in accordance with our proxy voting policy, which is designed to ensure that proxies are voted in your best interest. We exercise our voting responsibility with the goal of maximizing value consistent with applicable laws and your investment policies. We do not purchase securities on your behalf in order to exercise control or to effect corporate change through share ownership. We support sound corporate governance practices in the companies in which we invest, and we reflect that support through our proxy voting process. In deciding how to vote, we may rely on independent research, input and recommendations from third parties, including independent proxy services and other independent sources, and from management and/or shareholder groups of the company submitting the vote to its shareholders.

We maintain a copy of the following documents for five years:

- proxy voting policy and records of votes cast by VVLLC on behalf of its clients
- records of written requests from clients for their proxy voting information and our written responses
- any document prepared by VVLLC, its affiliates or agents, in connection with any voting decision
- proxy statements in hard copy or as obtainable via the EDGAR system

You can obtain a copy of our complete proxy voting policies and procedures, as well as information about how we voted any proxies on behalf of your account(s) by contacting Jonathan D. Tapper, Chief Compliance Office at 541-389-4148 or [jon@valentineventures.com](mailto:jon@valentineventures.com).

## **Item 18 – Financial Information**



Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about their financial condition that might impair their ability to meet contractual and fiduciary commitments to clients. VVLLC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.