

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SECURITIES EXCHANGE ACT OF 1934
Release No. 66510/March 5, 2012

ADMINISTRATIVE PROCEEDING
File No. 3-14647

In the Matter of	:	
	:	ORDER MAKING FINDINGS AND
JOSEPH VALKO	:	IMPOSING SANCTION BY DEFAULT

SUMMARY

This Order bars Joseph Valko (Valko) from association with any broker or dealer. Valko was previously enjoined from violating the antifraud and registration provisions of the securities laws.

I. BACKGROUND

The Securities and Exchange Commission (Commission) instituted this proceeding with an Order Instituting Proceedings (OIP), pursuant to Section 15(b) of the Securities Exchange Act of 1934 (Exchange Act), on November 29, 2011. The OIP alleges that Valko was enjoined in 2011 from violating the antifraud and registration provisions of the federal securities laws, based on his involvement in the fraudulent use of investor proceeds from offerings of membership interests in two limited liability companies. Valko was served with the OIP on January 21, 2012. He failed to file an Answer, due twenty days after service of the OIP. See OIP at 3; 17 C.F.R. § 201.220(b). The Division of Enforcement (Division) filed a Motion for Entry of Default and Imposition of Sanctions on February 23, 2012. Valko did not respond. Accordingly, he has failed to answer, to respond to a dispositive motion within the time provided, or otherwise to defend the proceeding; thus, he is in default, and the undersigned finds that the following allegations in the OIP are true. See 17 C.F.R. §§ 201.155(a), .220(f).

II. FINDINGS OF FACT

Valko is permanently enjoined from violating the antifraud and registration provisions of the federal securities laws, specifically, from violating Sections 10(b) and 15(a) of the Exchange Act and Rule 10b-5 thereunder.¹ SEC v. Petroleum Unlimited, LLC, No. 11-cv-80038 (S.D. Fla. Nov. 9, 2011). The wrongdoing that underlies the injunction occurred from March until July 2008

¹ Official notice, pursuant to 17 C.F.R. § 201.323, is taken of the fact that Valko was also ordered to disgorge \$27,300 and prejudgment interest of \$3,690.96 and to pay a civil penalty in an amount to be determined. SEC v. Petroleum Unlimited, LLC, No. 11-cv-80038 (S.D. Fla. Nov. 9, 2011).

when Valko, through telemarketers that he hired, trained, and managed, solicited investors to purchase securities in Petroleum Unlimited, LLC, and Petroleum Unlimited II, LLC (collectively, Petroleum) in exchange for transaction-based compensation in the form of sales commissions. Valko drafted, reviewed, or distributed Petroleum’s offering materials, which misrepresented the use of the offering proceeds by stating that Petroleum would use investor funds primarily for oil and gas development and production, when, in fact, Petroleum used 49% to 74% of investors’ funds to pay commissions to sales agents, including Valko himself. During this period, Valko was neither registered as a broker-dealer nor associated with a registered broker-dealer.

III. CONCLUSIONS OF LAW

Valko is permanently enjoined “from engaging in or continuing any conduct or practice in connection . . . with the purchase or sale of any security” within the meaning of Sections 15(b)(4)(C) and 15(b)(6)(A)(iii) of the Exchange Act.

IV. SANCTION

Valko will be barred from association with any broker or dealer.^{2, 3} This sanction will serve the public interest and the protection of investors, pursuant to Section 15(b) of the Exchange Act. It accords with Commission precedent and the sanction considerations set forth in Steadman v. SEC, 603 F.2d 1126, 1140 (5th Cir. 1979), aff’d on other grounds, 450 U.S. 91 (1981). Valko’s unlawful conduct was egregious, over a period of five months. There are no mitigating circumstances.

V. ORDER

IT IS ORDERED that, pursuant to Section 15(b) of the Securities Exchange Act of 1934, JOSEPH VALKO IS BARRED from association with any broker or dealer.

Carol Fox Foelak
Administrative Law Judge

² Although not associated with a registered broker-dealer, Valko is subject to a bar from association with a broker or dealer pursuant to Section 15(b) of the Exchange Act. See Vladislav Steven Zubkis, Exchange Act Release No. 52876 (Dec. 2, 2005), 86 SEC Docket 2618, 2627, recon. denied, Exchange Act Release No. 53651 (Apr. 13, 2006), 87 SEC Docket 2584 (unregistered associated person of an unregistered broker-dealer barred from association with a broker or dealer).

³ The Division’s request for sanctions also includes a collateral bar pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act). However, Valko’s misconduct antedates the July 22, 2010, effective date of the Dodd-Frank Act. Neither the Commission nor the courts have approved such retroactive application of its provisions in any litigated case, and the undersigned declines to impose the new sanction retroactively. See Koch v. SEC, 177 F.3d 784 (9th Cir. 1999); see also Sacks v. SEC, 648 F.3d 945 (9th Cir. 2011).