

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 3300 / October 18, 2011**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-14590**

**In the Matter of**

**JOHN CLEMENT,**

**Respondent.**

**ORDER INSTITUTING**  
**ADMINISTRATIVE PROCEEDINGS**  
**PURSUANT TO SECTION 203(f) OF THE**  
**INVESTMENT ADVISERS ACT OF 1940,**  
**MAKING FINDINGS, AND IMPOSING**  
**REMEDIAL SANCTIONS**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against John Clement (“Clement” or “Respondent”).

**II.**

In anticipation of the institution of these proceedings, 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, and the findings contained in Section III.2 below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 203(f) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

### III.

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

1. Clement was the Chief Executive Officer and co-owner, with his spouse, of Edgefund Capital, LLC ("Edgefund"). Neither Clement nor Edgefund have ever been registered with the Commission in any capacity. Clement, 65 years old, is a resident of Encinitas, California.

2. On September 16, 2011, a judgment was entered by consent against Clement, permanently enjoining him from future violations of Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and Sections 206(1), 206(2) and 206(4) of the Advisers Act and Rule 206(4)-8 thereunder, in the civil action entitled Securities and Exchange Commission v. John Clement and Edgefund Capital, LLC, Case Number 11CV1034 LAB WVG, in the United States District Court for the Southern District of California.

3. The Commission's Complaint alleged that, beginning in approximately August 2008, Clement raised at least \$2,161,000 from at least 22 investors to invest in purported hedge funds The Edge Fund Ltd., LP and The Edgefund LP (of which Edgefund was the general partner). The Complaint further alleged that to induce investors to invest, Clement represented that their monies would be invested in hedge funds which he day traded, that they would receive a monthly return of one to two percent, and that the losses were capped at a maximum of 5% of their principal investment. The Complaint alleged that, in fact, rather than investing the funds, Clement deposited investor monies into a bank account in the name of Edgefund, and that additionally, although he deposited \$320,000 of the almost \$2.2 million in investor funds raised into a brokerage account in the name of Edgefund, Clement in fact did not make a profit for investors from his trading in that account. The Complaint alleged that nevertheless, in Ponzi-like fashion, Clement distributed investor funds to investors as purported "returns." The Complaint also alleged that Clement used the Edgefund accounts as his personal accounts, misappropriating at least \$295,300 for his personal use, and withdrawing at least another \$293,417 in cashier's checks.

### IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Clement's Offer.

Accordingly, it is hereby ORDERED pursuant to Section 203(f) of the Advisers Act that Respondent Clement be, and hereby is:

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

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.

Elizabeth M. Murphy  
Secretary