

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

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 3378 / February 27, 2012**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-14773**

**In the Matter of**

**DAMIAN OMAR VALDEZ,**

**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 Damian Omar Valdez (“Valdez” 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. Valdez, age 43, of New York, New York, was the managing member and 100% owner of Evolution Capital Advisors, LLC ("Evolution Capital"). Valdez also controlled Evolution Investment Group I ("EIGI"). Evolution Capital was an investment adviser registered with the Commission until June 2010. Evolution Capital, EIGI, and Valdez raised at least \$10 million from more than 80 investors through two note offerings which the Commission alleged were fraudulent.

2. On December 22, 2011, following a contested evidentiary hearing, a permanent injunction was entered against Valdez, 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, in the civil action entitled Securities and Exchange Commission v. Evolution Capital Advisors, et al., Civil Action Number 4:11-CV-02945, in the United States District Court for the Southern District of Texas.

3. The Commission's complaint alleged that, in the note offerings, Valdez, Evolution Capital, and EIGI falsely promised that the notes were safe and secured by assets guaranteed by the United States government. It further alleged that the defendants also falsely promised that they would use leverage to purchase the assets securing the notes. In fact, according to the Commission's complaint, the assets securing the notes were subject to significant, undisclosed default and prepayment risk. Moreover, the Commission alleged that the defendants did not obtain sufficient leverage to purchase the assets. The Commission further alleged that the defendants paid themselves more than \$2.4 million in fees and expenses and used approximately \$2.7 million from the second note offering to make Ponzi-like payments to investors in the first note offering. As a result of defaults and prepayments on the underlying assets, the alleged failure to obtain sufficient leverage and excessive Ponzi-like payments and fees, the Commission alleged that the defendants did not have sufficient assets to repay investors in accordance with the notes.

### IV.

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

Accordingly, it is hereby ORDERED pursuant to Section 203(f) of the Advisers Act that Respondent Valdez 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