BEFORE THE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES

In the matter of, JAMES A. VALENTINE, Respondent.	SUMMARY ORDER TO CEASE AND DESIST DFI Case No. S-238222 (EX)

I.

The Administrator of the State of Wisconsin, Department of Financial Institutions, Division of Securities ("Division"), having legal authority and jurisdiction to administer and enforce the Wisconsin Uniform Securities Law, Wis. Stats. Ch. 551 ("Ch. 551") and rules and orders promulgated thereunder, and having determined that this action is necessary and appropriate in the public interest and for the protection of investors, hereby enters this Order as follows:

II.

Division staff have presented evidence sufficient for the Administrator to make the following findings of fact and conclusions of law:

A. Findings of Fact

Respondent

1. JAMES A. VALENTINE, ("Valentine") is an adult male with a last known address of 213 N. Federal Highway, Unit 4, Hallandale Beach, FL 33009-4342.

Respondent's Affiliated Entities

2. GALAXY PICTURES, INC. was a Florida corporation organized on January 28, 2003 with a last known address of 2221 N.E. 164th Street, Suite 301, N. Miami Beach, Florida 33162. Galaxy Pictures Inc. was dissolved administratively effective October 1, 2004.

3. GALAXY PICTURES II, INC. has no known state of organization but holds itself out as a corporation with business addresses of 410 E. Leota Street, Suite 5, North Platte, Nebraska and 800 Silks Run Road, Suite 1330, Hallandale Beach, Florida 33009. The Leota Street location is the address for a UPS store, and the Silks Run Road location is the address for a different, unaffiliated corporation called The Movie Studio, Inc.

4. GALAXY PICTURES, LLC was a Florida limited liability company organized on February 4, 2003 with a last known address of 2040 N.E. 163rd Street, Suite 307A, N. Miami Beach, Florida 33162. Galaxy Pictures LLC was dissolved administratively effective October 1, 2004.

5. GALAXY PICTURES II, LLC was a Florida limited liability company organized on September 27, 2007 with a last known address of 2212 N. Surf Road, Apt 1, Hollywood, Florida 33019. Galaxy Pictures II, LLC was dissolved administratively effective September 26, 2008. Another business address associated with Galaxy Pictures II, LLC is 2769 E. Oakland Park Blvd. F. Lauderdale FL 33306.

6. At all material times, Valentine was a controlling person of Galaxy Pictures, Inc., Galaxy Pictures II, Inc., Galaxy Pictures, LLC and Galaxy Pictures II, LLC ("Galaxy Pictures").

Conduct

7. On or about December 4, 2017, Division investigator MD received the first of several unsolicited phone calls from an individual who identified himself as James Valentine of Galaxy Pictures, Inc. Valentine solicited MD to invest in a movie venture through Galaxy Pictures, which he stated was a publicly traded company. MD did not disclose to Valentine that he had called MD on an undercover line at the office of DOS.

8. During the December 4, 2017 phone call, Valentine told MD he was raising $25 million in a limited partnership at $5,000 per unit. He said the return on investment was 300% in 90 days.

9. On the same day, December 4, 2017, Valentine emailed several documents to MD's personal email account which included additional information about Galaxy Pictures and The Movie Studio, Inc.

10. Over the next three months, Valentine continued to call and email MD with additional documents and information. Among other things, Valentine represented the following:

    a. Valentine is the executive producer and president of Galaxy, and had 23 years' experience in the movie industry.

b. The Movie Studio, Inc., is a publicly traded company that is a subsidiary of Galaxy Pictures.
c. The limited partnership was called Cigarette Limited Partners 1 ("CLP1") a/k/a Cigarette Miami Limited Partnership ("CMLP").
d. MD's actual investment would not be in CLP1 or CMLP, but in shares of Galaxy Pictures, a publicly traded company.
e. MD's money would be used to produce the movie "Cigarette-Legend of Donzi," which is a prequel.
f. The offering was being made to accredited investors under a Reg D filing.

11. The documents which Valentine sent to MD via his personal email and in two packages sent to MD's home address included (among other things):

    a. Subscription agreement for limited partnership units in CMLP;
    b. A Preliminary Information Sheet concerning a "$25,000,000 Limited Partnership Private Placement entitled 'Cigarette Limited Partners I.' 100 units are available at $250,000 each."
    c. Articles of Incorporation for Galaxy Pictures, Inc.
    d. Stock certificates in the name of Galaxy Pictures II Inc., incorporated under the laws of the State of Florida.
    e. 2017 financial reports for The Movie Studio, Inc.

12. MD asked Valentine to provide him with a private placement memorandum. Valentine provided only the first page of a document titled "CONFIDENTIAL PRIVATE OFFERING MEMORANDUM DATED SEPTEMBER 7, 1999." The Memorandum stated that the offering would expire on December 15, 1999. MD asked to see the rest of the private placement memorandum. Valentine refused to provide any other pages to the memorandum, asserting in an email dated February 28, 2018:

    > "The entire PPM is sent to are [sic] high end investors 100K or above we have sent you two packages and the pdf with 7 files. Make a decision realistic to your liquidity that is set aside for an investment of this type under 506c."

13. When MD pointed out the subscription agreement requires the investor to acknowledge receipt of the confidential private placement memorandum and that he understands the risks, Valentine stated:

    > "I will explain those aspects on risk factors and operating history over the phone and make your decision then. All legal information was sent I have not had a problem with any single one of my investors regarding the risk vs. reward.

* * *

Risk of Failure to Collect Revenue

Risk Associated with General Economic Factors

I will happy to explain over the phone all risk factors."

14. On March 6, 2018, Valentine called MD on the undercover line. During the call, Valentine confirmed details about the investment which he had already told MD about, i.e. that MD would be investing in shares of Galaxy Pictures, he would receive a return of 300% in 90 days, and that The Movie Studio is a subsidiary of Galaxy Pictures.

15. Valentine told MD to send his investment money to the business address of Galaxy Pictures at 410 E. Leota Street, Suite 5, North Platte, Nebraska. Valentine said the funds would be deposited into Galaxy Pictures' account at the Western Nebraska Bank in North Platte.

16. MD then asked Valentine if it was okay for him to invest. Valentine said "yes, fantastic." At that point, MD informed Valentine that he was an investigator with the Wisconsin Division of Securities, and that he was taking Valentine's pitch to determine if it complied with the anti-fraud provisions of the Wisconsin Uniform Securities Law. Valentine abruptly ended the telephone call.

17. MD's investigation of Valentine's offer to sell shares in a publicly traded company called Galaxy Pictures disclosed that no such company currently exists.

18. Valentine organized three companies under the laws of Florida: Galaxy Pictures, Inc., Galaxy Pictures, LLC; and Galaxy Pictures II, LLC. All of those companies were administratively dissolved at the time Valentine made the securities offer to MD and none had ever made Reg D filings with the SEC. No company called Galaxy Pictures II, Inc., Cigarette Limited Partners 1, or Cigarette Miami Limited Partnership were ever organized under the laws of Florida or made filings with the SEC.

19. The Movie Studio, Inc. is a publicly traded company involved in the movie industry. However, The Movie Studio, Inc. has no legal relationship with Valentine or any company with the name Galaxy Pictures.

20. Valentine provided false and misleading documentation to support his verbal statements to MD that Galaxy Pictures, Inc. is a publicly traded company. The documentation included an "About Us" information sheet that asserts "The Company, Galaxy Pictures, Inc., a publicly traded company, currently trades over the counter (OTC Stock Symbol: GPI). The company has 750,000,000 Authorized Shares; 3,930,200 Shares Outstanding; and 400,000 Floating Shares." GPI is a stock symbol on

the New York Stock Exchange actually belonging to a company called Group 1 Automotive, Inc.

21. The false and misleading documentation also included SEC Schedule 13G which identifies the name of the "issuer" as Galaxy Pictures, Inc. with a CUSIP Number of 62459P 209. The CUSIP Number of 62459P 209 actually belongs to The Movie Studio, Inc. which has no relationship to Valentine or any Galaxy Pictures entity.

22. Valentine provided numerous false documents to MD linking the names of The Movie Studio, Inc. and Galaxy Pictures in an attempt to establish a relationship between the companies that does not actually exist. In addition, Valentine told MD that Galaxy Pictures' studio was located at 800 Silks Run Road, in Hallandale Beach, Florida. This address is actually affiliated with The Movie Studio, Inc.—not Galaxy Pictures.

23. The subscription agreement Valentine provided to MD was for interests in CMLP even though Valentine told MD he would be purchasing shares of Galaxy Pictures. In any event, the Division could not find any evidence that either of these entities legally exist or had ever filed any offerings with the SEC.

24. Contrary to the subscription agreement for investing in CMLP, the Preliminary Information Sheet was for investing in CLP1. The Division could not find any evidence that CLP1 legally exists or ever filed a Reg D offering with the SEC.

25. The Preliminary Information Sheet stated units would be available only to accredited investors. MD is not an accredited investor and never represented himself as one.

26. On or about October 25, 2017, the Department of Banking and Securities of the Commonwealth of Pennsylvania issued a Summary Order to Cease and Desist against Valentine, Cigarette Limited Partners 1 and Galaxy Pictures II, LLC for violations of Pennsylvania securities laws including the offering and selling unregistered securities.

27. Valentine did not disclose Pennsylvania's Summary Order to Cease and Desist when he offered to sell shares of Galaxy Pictures to MD.

28. The information and documentation Valentine provided to MD regarding the investment in a company controlled by him was replete with fraudulent and misleading information including, but not limited to:

    a. The private offering memorandum was outdated (1999) and incomplete;
    b. The certified articles of incorporation for Galaxy Pictures, Inc. were outdated because the corporation had been dissolved, and the attached partial copies of the articles were for a limited liability company—not a corporation;

c. The subject matter of the Department of the Treasury letter dated April 14, 2010 concerned a limited liability company, Galaxy Pictures II, LLC, that had been dissolved in 2008;
d. The Preliminary Information Sheet was for a private placement offering in Cigarette Limited Partners I, whereas the subscription agreement was for a different entity identified as Cigarette Miami Limited Partnership;
e. The following business entities were never organized under the laws of any state: Galaxy Pictures II, Inc., Cigarette Limited Partners I, and Cigarette Miami Limited Partnership;
f. No Reg D filings for any of the entities affiliated with Valentine have been made, including the entities that had been organized under the laws of the State of Florida; and
g. There is no affiliation between The Movie Studio, Inc. and Valentine or any of his business entities.

29. The shares of Galaxy Pictures that Valentine offered to sell to MD were securities as defined by Wis. Stat. § 551.102(28).

30. None of the Galaxy Pictures entities controlled by Valentine have ever been registered for offer and sale in Wisconsin pursuant to Ch. 551, Wis. Stats.

31. At no time was James A. Valentine registered with the Division in any capacity, nor was he registered with the SEC or FINRA.

B. Conclusions of Law

Legal Authority and Jurisdiction

32. The Administrator has legal authority and jurisdiction over the conduct described above, pursuant to Wis. Stats. Ch. 551 and the rules and orders promulgated thereunder.

33. Pursuant to Wis. Stat. § 551.301, it is unlawful for a person to offer or sell a security in this state unless the security is registered in this state or is an exempt or covered security.

34. Pursuant to Wis. Stat. § 551.501(2), it is unlawful for a person, in connection with the offer, sale or purchase of a security, directly or indirectly, to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

35. Pursuant to Wis. Stat. § 551.501(3), it is unlawful for a person, in connection with the offer, sale or purchase of a security, directly or indirectly, to engage in an act, practice, or course of business that operates as a fraud or deceit upon another person.

Violations

36. Through the conduct described above, Respondent violated Wis. Stat. § 551.301 by offering unregistered securities to a person in this state.

37. Through the conduct described above, including but not limited to the conduct set forth in paragraphs 27 and 28, Respondent violated Wis. Stat. § 551.501(2) by, in connection with the offer and sale of securities, directly or indirectly, making untrue statements of material fact and omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

38. Through the conduct described above, Respondent violated Wis. Stat. § 551.501(3) by conducting his businesses, in connection with the offer and sale of securities, so as to operate a fraud and deceit upon MD.

III.

In view of the above findings of fact and conclusions of law, the Administrator deems it necessary and appropriate in the public interest and for the protection of investors, and pursuant to its legal authority and jurisdiction under Ch. 551, to wit Wis. Stat. § 551.604, to issue the following orders and notices:

A. Summary Orders issued pursuant to Wis. Stat. § 551.604(2)

(a) IT IS ORDERED that RESPONDENT, his agents, servants, officers, employees, successors, affiliates, and every entity and person directly or indirectly controlled or organized by or on behalf of the RESPONDENT, shall cease and desist from making or causing to be made to any person or entity in Wisconsin any further offers or sales of securities unless and until such securities qualify as covered securities or are registered under Ch. 551 or successor statute, pursuant to Wis. Stat. §§ 551.604(1)(a) and (2).

(b) IT IS FURTHER ORDERED that all exemptions from registration set forth at Ch. 551 or successor statute that might otherwise apply to any offer or sale of any security of or by the RESPONDENT, his agents, servants, officers, employees, successors, affiliates, and every entity and person directly or indirectly controlled or organized by or on behalf of RESPONDENT, are hereby revoked, pursuant to Wis. Stats. §§ 551.604(1)(b) and (2).

(c) IT IS FURTHER ORDERED that RESPONDENT, his successors, affiliates, controlling persons, officers, agents, servants, employees and every entity and person directly or indirectly controlled or hereafter organized by or on behalf of the RESPONDENT, are prohibited from violating Wis. Stat. § 551.501 or successor statute.

(d) PLEASE TAKE NOTICE that the summary orders of the Administrator are effective as of the date of issuance of this order, pursuant to Wis. Stat. § 551.604(2). You are advised that any willful violation of an Order issued by the Division under Ch. 551 is a criminal offense punishable under the provisions of Wis. Stat. § 551.508.

B. Service of Order

(e) IT IS FURTHER ORDERED that this order shall be sent promptly by certified mail to each party named in the order at his or her last known address or to the party's attorney of record, or shall be personally served upon the party or the party's attorney of record, pursuant to Wis. Admin. Code § DFI-Sec. 8.06. This order shall also be served upon the office of the administrator pursuant to Wis. Stat. § 551.611.

(f) PLEASE TAKE NOTICE that the date of the service of this order is the date it is placed in the mail.

C. Notice of Hearing Rights

(g) PLEASE TAKE NOTICE that you have the right to request a hearing. Every request for a hearing shall be in the form of a petition with the Division, pursuant to Wis. Admin. Code § DFI-Sec. 8.01. A petition for a hearing to review the order shall:

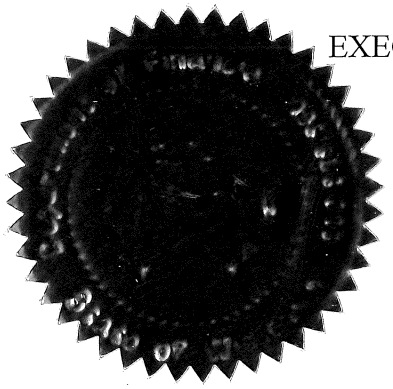
(1) Plainly admit or deny each specific allegation, finding or conclusion in the order and incorporated papers. However, if the petitioner lacks sufficient knowledge or information to permit an admission or denial, the petition shall so state, and that statement shall have the effect of a denial; and

(2) State all affirmative defenses. Affirmative defenses not raised in the request for hearing may be deemed waived.

(h) PLEASE TAKE FURTHER NOTICE that, within 15 days after receipt of a request in a record from you, the matter will be scheduled for a hearing or other public administrative proceedings, pursuant to Wis. Stats. §§ 551.604(2) and (3).

(i) PLEASE TAKE FURTHER NOTICE that if you do not request a hearing and none is ordered by the Administrator within 30 days after the date of service of this order, the findings of fact, conclusions of law, and summary and proposed orders, including the

imposition of civil penalty and restitution and interest, become final as by operation of law, pursuant to Wis. Stat. §551.604(2).



EXECUTED at Madison, Wisconsin, this 22nd day of March, 2018.

Leslie M. Van Buskirk

Leslie M. Van Buskirk
Administrator

Division of Securities
State of Wisconsin Department of Financial Institutions
201 West Washington Avenue, Suite 300
Madison, Wisconsin 53703

State of Wisconsin

Department of Financial Institutions

Scott Walker, **Governor** | Jay Risch, **Secretary**

AFFIDAVIT OF SERVICE

STATE OF WISCONSIN)
) ss.
COUNTY OF DANE)

I, KATHERINE CLEMENTI, first being duly sworn, depose and state:

1. I am employed with the State of Wisconsin, Department of Financial Institutions, Division of Securities.

2. On the date of this Affidavit and in the course of regularly conducted activity, I have caused to be served by certified mail upon the Respondent at Respondent's last known address:

   i. SUMMARY ORDER TO CEASE AND DESIST, DFI Case No. S-238222 (EX); and

   ii. A copy of this Affidavit of Service.

3. I have also caused to be served copies of those same documents upon the Administrator for the Division of Securities, pursuant to Wis. Stat. §§ 227.48, 551.611, and 891.46; and Wis. Admin. Code. §§ DFI-Sec 8.06 and 8.07.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Katherine Clementi

KATHERINE CLEMENTI

State of Wisconsin
Department of Financial Institutions
Division of Securities

Subscribed and sworn to before me

This 22nd day of March, 2018.

Lindsay M. Fedler

Notary Public, State of Wisconsin

(Notary Seal)

LINDSAY FEDLER
NOTARY
PUBLIC
STATE OF WISCONSIN

My commission is permanent.