PRESS RELEASE

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SEC Charges Hudson Valley Wealth Management Advisory Firm and Founder for Failing to Disclose Conflicts of Interest

Firm owner received undisclosed fee for investing clients' money in films

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Washington D.C., May 14, 2024 —The Securities and Exchange Commission today announced settled charges against New York-based registered investment adviser Hudson Valley Wealth Management Inc. and its founder, Christopher Conover, for breaching their fiduciary duties by failing to disclose conflicts of interest and making misleading statements to their clients. To settle the charges, Hudson Valley agreed to pay a civil penalty of $200,000, and Conover agreed to pay more than $600,000 in disgorgement and prejudgment interest and a $150,000 civil penalty.

According to the SEC's order, between September 2017 and October 2021, Hudson Valley and Conover advised a private investment fund and their individual clients to make investments in films produced by a particular film production company. At the same time, Conover, through his affiliated company, received approximately $530,000 from the production company in exchange for the money that the investment fund and the individual clients invested in these same films. Hudson Valley and Conover initially failed to disclose these payments to the clients and then later misrepresented that Conover earned this compensation for work as an executive producer on these films.

In addition, the SEC's order finds that, in May 2021, Hudson Valley and Conover satisfied a redemption request from one fund investor but did not satisfy several redemption requests submitted at the same time by other fund investors who were Hudson Valley advisory clients. By preferencing one investor's redemption request over other client redemption requests, Hudson Valley and Conover violated their fiduciary duties to the other clients.

"Fully and fairly disclosing conflicts of interest are at the heart of an investment adviser's fiduciary duty," said Andrew Dean, Co-Chief of the Enforcement Division's Asset Management Unit. "Investors must have confidence that their investment advisers are treating them fairly and acting in their best interest when investing their funds."

The SEC's order finds that Hudson Valley and Conover violated the antifraud provisions of Sections 206(2) and 206(4) of the Investment Advisers Act of 1940 and Rule 206(4)-8 thereunder. In addition to disgorgement and penalties, Hudson Valley and Conover agreed to cease-and-desist orders and censures.

The SEC's investigation was conducted by Brian Kudon of the Division of Enforcement's Asset Management Unit and David Zetlin-Jones and Hermann Vargas of the New York Regional Office, with assistance from Kerri Palen and James Addison, also of the New York Regional Office. The investigation was supervised by Lee A. Greenwood, and Mr. Dean of the Asset Management Unit, and Sandeep Satwalekar and Antonia Apps of the New York Regional Office.

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Last Reviewed or Updated: May 14, 2024

RESOURCES

- SEC Order