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U.S. DISTRICT COURT
MIDDLE DISTRICT OF TN

IN THE UNITED STATES DISTRICT COURT
FOR THE TENNESSEE MIDDLE DISTRICT COURT

SECURITIES AND EXCHANGE COMMISSION,	:	
Plaintiff,	:	**Civil Action No.**
v.	:	
AARON DONALD VALLETT AND A. D. VALLET & CO. LLC,	:	
Defendants.	:	

COMPLAINT FOR INJUNCTIVE RELIEF

Plaintiff, Securities and Exchange Commission ("Commission"), files its complaint and alleges that:

OVERVIEW

1. This case concerns Aaron D. Vallett ("Vallett"), a registered representative in Brentwood, Tennessee who operates through A.D. Vallett & Co. LLC ("Vallett & Co."), a state-registered investment adviser. Between September 2008 and April 2010, Vallett raised approximately $5.5 million from roughly 20 investors through three unregistered offerings.

2. Vallett represented that investor s would receive secured notes in return for their investments and that investor funds would be used to make various investments, including various real estate ventures. Bank records show, however, that Vallett used substantial investor funds to pay personal and business expenses. Vallett also used investor funds to pay returns to other investors.

3. Brokerage statements obtained from Vallett also show that Vallett is engaged in high risk trading with the remainder of the investor funds. Such trading heightens the risk that additional investor funds will be dissipated.

VIOLATIONS

4. Defendants have engaged and, unless restrained and enjoined by this Court, will continue to engage in acts and practices that constitute and will constitute violations of Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §77q(a)], Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §78j(b)] and Rule 10b-5 thereunder [17 C.F.R.§ 240.10b-5] and Sections 206(1) and (2) of the Investment Advisers Act of 1940 ("Advisers Act") [15 U.S.C. §80b-6(1) and (2)] .

JURISDICTION AND VENUE

5. The Commission brings this action pursuant to Sections 20 and 22 of the Securities Act [15 U.S.C. § 77t and 77v], Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. § 78u(d) and 78u(e)], and Section 209(d) of the Advisers Act [15 U.S.C. §80b-9] to enjoin the defendant from engaging in the transactions, acts, practices, and courses of business alleged in this complaint, and transactions,

acts, practices, and courses of business of similar purport and object, for civil penalties and for other equitable relief.

6. This Court has jurisdiction over this action pursuant to Section 22 of the Securities Act [15 U.S.C. § 77v], Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa] and Section 214 of the Advisers Act [15 U.S.C. § 80b-14].

7. Defendants, directly and indirectly, made use of the mails, the means and instruments of transportation and communication in interstate commerce and the means and instrumentalities of interstate commerce in connection with the transactions, acts, practices, and courses of business alleged in this complaint and made use of mail and means of instrumentality of interstate commerce to effect transactions, or to induce or to attempt to induce the purchase or sale of securities alleged in this complaint.

8. Certain of the transactions, acts, practices, and courses of business constituting violations of the Securities Act, the Exchange Act and the Advisers Act occurred in the Middle District of Tennessee. In addition, Vallett resides in the Middle District of Tennessee and maintains offices in the Middle District of Tennessee.

9. Defendants, unless restrained and enjoined by this Court, will continue to engage in the transactions, acts, practices, and courses of business alleged in this complaint, and in transactions, acts, practices, and courses of business of similar purport and object.

THE DEFENDANTS

10. Aaron Donald Vallett, age 32, is the owner of Vallett & Co., an investment advisory firm located in Brentwood, Tennessee. Vallett is also a registered representative for Institutional Capital Management, Inc. ("ICM"), a broker-dealer, and holds Series 6 (mutual funds and variable annuities), 7 (general securities), 24 (general securities principal), 63 (state securities) and 65 (investment adviser) licenses.

11. A.D. Vallett & Co. LLC, is solely owned by Vallett. Vallett & Co. purportedly provides an array of financial related services, including investment adviser services, portfolio management, insurance, real estate consulting and retirement planning. The firm registered as an investment adviser with the State of Tennessee in June 2008 and claims to advise 200 discretionary accounts holding $10 million in assets and 100 non-discretionary accounts holding $5 million in assets.

12. The firm's website, www.advallett.com, claims that the firm is the exclusive provider of investment services for the Nashville Predators, an NHL franchise.

13. Vallett & Co. places brokerage orders through ICM for Sailer Financial, Inc. ("Sailer Financial"), an adviser located in Nashville that is registered with the Commission.

THE FRAUDULENT SCHEME

14. From September 2008 through February 2010, Vallett offered and sold investments in the A.D. Vallett Collateral Fund I ("Collateral Fund I"), eventually raising approximately $1.5 million from 18 investors. Many of the investors were advisory clients of Vallett & Co.

15. In February 2010, Vallett sold an interest in A.D. Vallett Collateral Fund II ("Collateral Fund II") to a single investor, an advisory client of Sailer Financial, for $2.5 million.

16. No registration statement was filed in connection with either offering.

17. The private placement memoranda ("PPMs") for Collateral Fund I and II represented that investors would receive "secured notes" in return for their investments, with the security being the personal assets of Vallett and his affiliated

entities. The PPMs also represented that Vallett and his affiliated entities guaranteed the payments required under the secured notes.

18. According to the PPMs, the secured notes had various maturity dates, ranging between three months and three years. The interest to be paid on the secured notes increased with the longer maturity.

19. The PPMs represented that investor funds would be used to make various investments selected by Vallett, including real estate investments.

20. After investing, Vallett provided investors with periodic account statements showing the investment amount and the accrued interest.

21. Vallett misrepresented how investor funds would be used. After Vallett deposited investor funds into the Vallett & Co. bank account, he used a significant portion to pay interest or redemptions to other investors. For example, shortly after receiving the $2.5 million investment in Collateral Fund II, Vallett used approximately $500,000 of those funds to pay certain Collateral Fund I investors.

22. In addition, Vallett used investor funds to pay personal expenses, such as country club dues, car payments, and the purchase of a new Harley Davidson motorcycle, and miscellaneous business expenses, such as rent and payroll. He also paid approximately $320,000 to the Nashville Predators, an NHL franchise,

ostensibly for the right to market himself as the exclusive investment services provider for that franchise.

23. From September 2008 through December 2009, Vallett diverted at least $700,000 of Collateral Fund I investor funds to pay personal and business expenses. This amount far exceeds the 6% of offering proceeds (6% of $1.5 million, or $90,000) that the Collateral Fund I PPM specified could be used to pay broker- dealer commissions and "organizational and operating expenses."

24. In April 2010, Vallett sold an additional $1.5 million interest in his A.D. Vallett Income & Opportunity Fund ("Income & Opportunity Fund") to the same investor who invested in Collateral Fund II. No registration statement was filed in connection with this offering.

25. The PPM for the Income & Opportunity Fund represented that investors would receive secured promissory notes, with the security being the assets of the fund.

26. The PPM was vague as to how investor funds would be used, stating that management has "broad discretion to adjust the application and allocation of the net proceeds of the Offering" and representing that proceeds would be used "to fund [an] investment model."

27. In a section entitled "Management Participation," the PPM represented that management "will invest 33% of the funds [sic] maximum offering [$3,000,000]." However, neither Vallett nor any of his affiliated entities have invested any money in this offering.

28. During an exam by the Financial Institution Regulatory Authority ("FINRA") in May 2010, Vallett apparently misrepresented the extent of the collateral for the secured notes issued in connection with the three offerings.

29. When asked to provide documentation showing the collateral for the secured notes, Vallett produced statements from Fidelity Investments and Trade-PMR for brokerage accounts that he represented were his personal assets. The statements showed market values of $3.8 million and $1 million, respectively, for the accounts as of April 30, 2010.

30. When FINRA Staff contacted Fidelity and Trade-PMR, however, FINRA Staff learned that the accounts belonged to advisory clients of A.D. Vallett and Sailer Financial and thus could not provide security for the secured notes. Vallett appears to have pasted his own name on some of the clients' statements from Fidelity Investments and Trade-PMR.

COUNT I—FRAUD

Violations of Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)]

31. Paragraphs 1 through 30 are hereby re-alleged and are incorporated herein by reference.

32. From at least as early as September 2008 through to as recently as April 2010, Vallett and Vallett & Co., in the offer and sale of the securities described herein, by the use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly, employed devices, schemes and artifices to defraud purchasers of such securities, all as more particularly described above.

33. Defendants knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud.

34. While engaging in the course of conduct described above, the defendants acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

35. By reason of the foregoing, the defendants, directly and indirectly, have violated and, unless enjoined, will continue to violate Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

COUNT II—FRAUD

Violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)]

36. Paragraphs 1 through 30 are hereby realleged and are incorporated herein by reference.

37. From at least as early as September 2008 through to as recently as April 2010, Vallett and Vallett & Co., in the offer and sale of the securities described herein, by use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly:

a. obtained money and property by means of untrue statements of material fact and omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and

b. engaged in transactions, practices and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities,

all as more particularly described above.

38. By reason of the foregoing, the defendants, directly and indirectly, have violated and, unless enjoined, will continue to violate Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)].

COUNT III—FRAUD

Violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)]and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]

39. Paragraphs 1 through 30 are hereby re-alleged and are incorporated herein by reference.

40. From at least as early as September 2008 through to as recently as April 2010, Vallett and Vallett & Co., in connection with the purchase and sale of securities described herein, by the use of the means and instrumentalities of interstate commerce and by use of the mails, directly and indirectly:

a. employed devices, schemes, and artifices to defraud;

b. made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and

c. engaged in acts, practices, and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities,

all as more particularly described above.

41. The defendants knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud, made untrue statements of material facts and omitted to state material facts, and engaged in fraudulent acts, practices and courses of business. In engaging in such conduct, the defendants acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

42. By reason of the foregoing, the defendants, directly and indirectly, have violated and, unless enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

COUNT IV—FRAUD

Violations of Section 206(1) of the Advisers Act [15 U.S.C. § 80b-6(1)]

43. Paragraphs 1 through 30 are hereby realleged and are incorporated herein by reference.

44. From at least as early as September 2008 through to as recently as April 2010, Vallett and Vallett & Co., acting as an investment adviser, using the mails and the means and instrumentalities of interstate commerce, directly and indirectly, employed devices, schemes and artifices to defraud one or more advisory clients and/or prospective clients.

45. Defendants Vallett and Vallett & Co. knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud. In engaging in such conduct, defendants acted with scienter, that is, with intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

46. By reason of the foregoing, defendants Vallett and Vallett & Co., directly and indirectly, have violated, and, unless enjoined, will continue to violate Section 206(1) of the Advisers Act [15 U.S.C. § 80b-6(1)].

COUNT V—FRAUD

Violations of Section 206(2) of the Advisers Act [15 U.S.C. § 80b-6(2)]

47. Paragraphs 1 through 30 are hereby realleged and are incorporated herein by reference.

48. From at least as early as September 2008 through to as recently as April 2010, Vallett and Vallett & Co., acting as an investment adviser, by the use of the mails and the means and instrumentalities of interstate commerce, directly and indirectly, engaged in transactions, practices, and courses of business which would and did operate as a fraud and deceit on one or more advisory clients and/or prospective clients.

49. By reason of the foregoing, Vallett and Vallett & Co, directly and indirectly, have violated and, unless enjoined will continue to violate Section 206(2) of the Advisers Act [15 U.S.C. § 80b-6(2)].

PRAYER FOR RELIEF

WHEREFORE, Plaintiff Commission respectfully prays for:

I.

Findings of Fact and Conclusions of Law pursuant to Rule 52 of the Federal Rules of Civil Procedure, finding that the defendants named herein committed the violations alleged herein.

II.

A temporary restraining order, preliminary and permanent injunctions enjoining the defendants, their officers, agents, servants, employees, and attorneys

from violating, directly or indirectly, Section 17(a) of the Securities Act [15 U.S.C. §77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated thereunder, and Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1) and 80b-6(2)].

III.

An order freezing the assets of defendants.

IV.

An order requiring an accounting by of the use of proceeds of the fraudulent conduct described in this Complaint and the disgorgement by the defendants of all ill-gotten gains or unjust enrichment with prejudgment interest, to effect the remedial purposes of the federal securities laws.

V.

An order pursuant to Section 20(d) of the Securities Act [15 U.S.C. §77t(d)], Section 21(d)(3) of the Exchange Act [15 U.S.C. §78u(d)(3)] and Section 209(e) of the Advisers Act [15 U.S.C. §80b-9(e)] imposing civil penalties against defendants.

VI.

Such other and further relief as this Court may deem just, equitable, and appropriate in connection with the enforcement of the federal securities laws and for the protection of investors.

Dated: June 2, 2010

Respectfully submitted,

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