



Local Financial Advisor Sentenced to Ten Years in Prison for Ponzi Scheme

FOR IMMEDIATE RELEASE

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Aaron Donald Vallett, 35, former Brentwood financial advisor and owner of A.D. Vallett & Co., LLC, was sentenced on October 2, 2012, by United States District Court Judge Todd J. Campbell to 120 months in prison, announced Jerry E. Martin, U.S. Attorney for the Middle District of Tennessee.

The sentence followed Vallett's guilty plea in July 2012 in which he admitted to orchestrating a multi-million dollar Ponzi scheme involving more than 30 victims, many of whom were family and friends. Vallett was ordered to repay over \$5.4 million in restitution to his victims.

The sentence also comes as the Department of Justice kicks off a series of investment fraud summits this week in several cities across the nation, including one in Nashville, which is being held on Thursday at the Vanderbilt School of Law. The summit will feature national experts, including federal law enforcement officials, community leaders, and victims to discuss issues associated with investment fraud schemes and to help educate the investing public on how to avoid falling prey.

"Large cases like these are very serious, in particular for the investors," said U.S. Attorney Jerry E. Martin. "Mr. Vallett repeatedly encouraged people to invest by falsely promising inflated returns on their money, but instead, the investors lost their savings as part of an elaborate Ponzi scheme. In cases like these, a lot of people have invested money they can't afford to lose, particularly in hard economic times. The United States Attorney's Office will diligently and aggressively prosecute the perpetrators of such schemes."

Vallett admitted to operating an elaborate Ponzi Scheme to defraud investors who deposited funds with A. D. Vallett & Co., LLC, for various financial services, including investment advice, portfolio management, insurance, real-estate consulting, and retirement planning. In addition, Vallett & Co. acted as Third Party Administrator for several 401(k) plans. It was through those services, however, that Vallett defrauded numerous clients of more than \$5 million dollars. Much of the loss came from investor-clients who placed money in one of Vallett's investment "Funds." Instead of investing that money as promised, Vallett kept it in his company's operating account and spent it on various personal and business expenses. In addition, in some cases, Vallett used a portion of the funds to repay older investors, giving them

the false impression that the “returns” were from their investment. In reality, those returns were simply money derived from newer investors, and Vallett, rather than using the funds as promised, was perpetrating a type of Ponzi scheme.

Vallett’s 401(k) advisory clients suffered a similar fate. Because Vallett was the plan administrator for several clients’ 401(k) plans, he had access to their retirement accounts. In that role, he transferred, without authorization, funds from those retirement accounts to his operating account and again spent the money on personal and business expenses. He later attempted to conceal his fraud by lying to securities regulators and falsifying documents.

Before passing sentence, Judge Campbell heard statements from two of the more than thirty victims who described the financial destruction caused by Vallett’s Ponzi scheme. In sentencing Vallett, Judge Campbell found that Vallett’s repeated conduct showed a lack of respect for the law and that Vallett was motivated by “sheer unadulterated greed.” Judge Campbell noted that Vallett wanted “more material things” at the expense of his victims which included family and friends. Judge Campbell further noted that Vallett’s victims had expressed “a strong degree of betrayal” and “broken family relations.”

Joining Martin in the announcement were Aaron T. Ford, Special Agent in Charge, Memphis Division of the Federal Bureau of Investigation (FBI); Keith Morris, Inspector in Charge, United States Postal Inspection Service; Isabel Colon, Department of Labor / Regional Director of Employee Benefits Security Administration, Atlanta Field Division; and Daphne D. Smith, Asst. Commissioner for the Tennessee Securities Division / Department of Commerce and Insurance.

“Those individuals who engage in illegal investment schemes and prey upon innocent investors are not only breaking the law, they are degrading the trust investors place in their investment advisors and the financial markets,” said Aaron T. Ford, Special Agent in Charge of the Memphis Division of the Federal Bureau of Investigation. “The FBI is committed to work closely with its law enforcement partners to vigorously pursue anyone who commits these crimes.”

“Theft of employee benefit assets jeopardizes the benefits of workers. This case reaffirms the Labor Department’s commitment to protect workers’ benefits by identifying criminal activity wherever and whenever it occurs,” said Isabel Colon, Regional Director of EBSA’s Atlanta Regional Office.”

“The Tennessee Securities Division values our ongoing collaboration with the U.S. Attorney’s office and the result in the Vallett case is a prime example of the outcomes that can be achieved through the cooperative approach that we have cultivated between the Division and law enforcement.” said Asst. Commissioner for Securities, Daphne D. Smith.

This case was prosecuted under the Employee Benefits Security Administration’s Consultant/Adviser Project (CAP) which focuses on the receipt of improper or undisclosed compensation by employee benefit plan consultants and other investment advisers and further seeks to identify potential criminal violations by such entities.

The case was investigated by agents with the United States Postal Inspection Service, the FBI, the Department of Labor - Employee Benefits Security Administration and the Tennessee Securities Division.

The United States is represented by Assistant U.S. Attorney Sandra G. Moses.