

BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE
OF THE STATE OF TENNESSEE AT NASHVILLE

2010 SEP 22 PM 4:09

TENNESSEE SECURITIES DIVISION,)	
TENNESSEE INSURANCE DIVISION,)	
Petitioners.)	Docket # 12.06-108775J
)	
vs.)	TSD Order No.: 10-008
)	TID Order No.: 10-046
A.D. VALLETT & CO., LLC,)	
A.D. VALLETT & COMPANY,)	
A.D. VALLETT COLLATERAL FUND I, LLC,)	
A.D. VALLETT COLLATERAL FUND II, LLC,)	
A.D. VALLETT INCOME & OPPORTUNITY)	
FUND I, LLC, and)	
AARON DONALD VALLETT,)	
Respondents.)	

**SUMMARY ORDER TO CEASE AND DESIST ALL
SECURITIES AND INSURANCE ACTIVITY**

This Order issues as the result of a Petition, and its Exhibits attached hereto, filed by the Tennessee Securities Division (“TSD”) and the Tennessee Insurance Division (“TID”) (collectively the “Divisions”) of the Department of Commerce and Insurance (“Department”). This Order is predicated upon the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. Title 48 of the Tennessee Code Annotated, the Tennessee Securities Act (the “Act”), as amended, TENN. CODE ANN. §§ 48-2-101, *et seq.* places the responsibility for the administration of the Act on the Commissioner. The TSD is the lawful agent through which the Commissioner discharges this responsibility. TENN. CODE ANN. § 48-2-112 and § 48-2-115.

2. Title 56 of the Tennessee Code Annotated, the Tennessee Insurance Law (the “Law”), TENN. CODE ANN. §§ 56-1-101 *et seq.*, places the responsibility of the administration of

the Law on the Commissioner. The TID is the lawful agent through which the Commissioner discharges this responsibility. TENN. CODE ANN. § 56-1-202 and § 56-6-112.

3. The Divisions are authorized to bring this action based on a finding by the Commissioner that the action is in the public interest, necessary for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act and the Law. TENN. CODE ANN. §§ 4-5-320(c), 48-2-116(e)(2)(A) and 56-2-304.

4. Respondent A.D. Vallett & Co., LLC (“Vallett & Co.”) (CRD # 144065) is a Tennessee limited liability company with its principal place of business located at 5141 Virginia Way, Suite 460, Brentwood, TN 37027. Vallett & Co. is currently registered as an investment adviser with the TSD and has been so registered since June 19, 2008.

5. Respondent A.D. Vallett & Company (“A.D. Vallett & Company”) (CRD # 144271) is a doing-business-as designation used by Vallett for A.D. Vallett & Co., LLC and likewise its principal place of business is located at 5141 Virginia Way, Suite 460, Brentwood, TN 37027.

6. Respondent A.D. Vallett Collateral Fund I, LLC (“Collateral Fund I”) is a Delaware limited liability company, as of June 3, 2010, with its registered office located at 1201 Orange Street, Suite 600, Wilmington, DE 19801 and its principal place of business located at 5141 Virginia Way, Suite 460, Brentwood, TN 37027. Collateral Fund I is a wholly owned subsidiary of Vallett & Co.

7. Respondent A.D. Vallett Collateral Fund II, LLC (“Collateral Fund II”) is a Delaware limited liability company, as of June 3, 2010, with its registered office located at 1201 Orange Street, Suite 600, Wilmington, DE 19801 and its principal place of business located at

5141 Virginia Way, Suite 460, Brentwood, TN 37027. Collateral Fund II is a wholly owned subsidiary of Vallett & Co.

8. Respondent A.D. Vallett Income and Opportunity Fund I, LLC (“I&O Fund”) is a Delaware limited liability company, as of February 12, 2010, with its principal place of business located at 5141 Virginia Way, Suite 460, Brentwood, TN 37027. I&O Fund is a wholly owned subsidiary of Vallett & Co.

9. Respondent Aaron Donald Vallett (“Vallett”) (CRD # 4421122) is a citizen and resident of Davidson County Tennessee, residing at 1714 Temple Avenue, Nashville, TN 37215. Vallett is a licensed insurance producer (License # 857611) in the State of Tennessee. Vallett is currently registered with the TSD as an investment adviser representative through his associated investment adviser, Vallett & Co., and at all relevant times, until June 11, 2010, he was registered with the TSD as a broker-dealer agent through his associated broker-dealer, Institutional Capital Management, Inc. (“ICM”) (CRD # 41055).

10. At all relevant times, Vallett conducted business through his companies, Respondent Vallett & Co., Respondent A.D. Vallett & Company, Respondent Collateral Fund I, Respondent Collateral Fund II, and Respondent I&O Fund. Vallett is the sole owner of Vallett & Co. and A.D. Vallett & Company, and also created and owns Collateral Fund I, Collateral Fund II, and I&O Fund.

11. On June 16, 2008, Vallett entered into a Consent Order with the Commissioner whereby he agreed to fully comply with the Act and to be suspended from acting as a broker-dealer agent or investment adviser representative from or in the State of Tennessee for a four-month period beginning on June 16, 2008 and ending October 15, 2008. (Exhibit 1).

12. During the suspension period covered by the Consent Order, from July 16, 2008 through October 6, 2008, Vallett executed no fewer than eight (8) separate investment advisory agreements as President of Vallett & Co. which required the company and Vallett to provide investment advisory services and assessed a one percent (1%) annual fee based on the market value of the client's account. (Exhibit 2). Attached hereto as exhibits to this Petition are three (3) of the investment advisory agreements that Vallett executed during his suspension period: one dated July 17, 2008 (Exhibit 3); one dated August 1, 2008 (Exhibit 4); and one dated October 6, 2008 (Exhibit 5).

13. Between January 2008 and April 2010, Vallett raised approximately \$5.5 million from approximately twenty (20) investors through three (3) unregistered securities offerings: Collateral Fund I, Collateral Fund II, and the I&O Fund (collectively, the "Funds"). (Exhibit 2).

14. From January 2008 through February 2010, Vallett offered and sold investments in Collateral Fund I, eventually raising approximately \$1.5 million from eighteen (18) investors, many of whom were investment advisory clients of Vallett and Vallett & Co. (Exhibit 2).

15. The interests sold in Collateral Fund I were not registered with the TSD for sale within the State of Tennessee (Exhibit 6), and despite representations made in the private placement memorandum ("PPM") for the Fund, and by Vallett to investors, that the transactions were exempted from federal and state securities registration requirements under Securities and Exchange Commission ("SEC") Rule 504 of Regulation D, 17 C.F.R. § 230.504, and TENN. CODE ANN. § 48-2-125, the transactions were not so exempted because Tennessee does not recognize the Rule 504 exemption and even if it did Vallett did not file the necessary documents with the SEC and the TSD. (Exhibit 6). In addition, Collateral Fund I, LLC did not legally exist

until June 3, 2010 and therefore could not have been registered with the SEC or the TSD at the time that interests in the Collateral Fund I were sold. (Exhibit 6).

16. The PPM for Collateral Fund I misrepresented the following: that investors would receive “secured notes” in return for their investments, the collateral being the personal assets of Vallett and his affiliated entities; that Vallett and his affiliated entities guaranteed the payments required under the secured notes; and that investor funds would be used to make various investments selected by Vallett, including real estate investments. (Exhibit 2).

17. Vallett failed to adequately disclose how invested funds would be used. Vallett, through the PPM, told investors that they would receive secured notes, guaranteed by Vallett’s assets and the assets of his various business entities, in return for their investments and that investor money would be used to fund various investments, including real estate ventures. (Exhibit 2). Brokerage statements obtained from Vallett show, however, that instead Vallett engaged in high-risk, speculative trading with investor funds. (Exhibit 2).

18. Vallett defrauded investors by representing the offerings of the Funds as private placements exempted from any state securities registration requirements under SEC Rules 504 or 506 of Regulation D, 17 C.F.R. §§ 230.504, 230.506. (Exhibit 6). Vallett failed to make the necessary filings with the SEC to qualify for the Rule 504 or Rule 506 exemption, and likewise failed to make the requisite notice filings with the TSD as required by TENN. CODE ANN. § 48-2-125(b) in order to exempt the securities from state registration. (Exhibit 6). As stated previously, Tennessee does not recognize the Rule 504 exemption and in addition, Collateral Fund I did not legally exist at the time that interests in it were sold. Collateral Fund I did not legally exist until June 3, 2010. (Exhibit 6).

19. On April 14, 2010, two of Vallett's investment advisory clients discovered that in 2008 Vallett had liquidated some of the holdings in their investment accounts and invested the proceeds into an investment called Collateral Fund I (an investment created and wholly owned by Vallett), without their knowledge or consent. (Exhibits 2, 3). In addition, Vallett did not provide his clients with any offering materials or tell them about the liquidation and transfer of assets to Collateral Fund I at any time after making the investment. (Exhibit 3). On April 14, 2010, Vallett's clients received an Internal Revenue Service Interest Income 1099 form from Vallet & Co. that indicated that they were receiving interest income from an investment in Collateral Fund I. (Exhibit 3). Vallett's clients did not know anything about this investment. (Exhibit 3). Prior to receiving this 1099 form they had never heard of the Collateral Fund I, had no knowledge of investing in such a fund and to their knowledge had never received any interest payments from the fund. (Exhibit 3).

20. In August 2009, Vallet fraudulently cashed out an annuity, held by two (2) of his investment advisory clients (Ms. Salter N. Rackley ("Rackley") and her husband, William R. Rackley) as joint policyholders, without their knowledge or consent and without disclosing to his clients that there would be an early termination fee charged. (Exhibit 3). The signature used to make the redemption and appearing on page two (2) of the Withdrawal Request Form for Annuity Contract # 70428616 (attached as Exhibit B to Exhibit 3) is not Rackley's signature. (Exhibit 3). Rackley does not know who signed her name and she did not grant permission for anyone to sign her name on her behalf. (Exhibit 3).

21. At the time of full surrender, the annuity from Allianz Life Insurance Company of North America was valued at five hundred seven thousand seven hundred and seven dollars (\$507,707.00). (Exhibit 3). Thirty one thousand eighty two dollars (\$31,082.00) was paid as

an early termination fee for cashing out the annuity prior to the maturity date. (Exhibit 3). Rackley does not know what happened to the balance of the proceeds of four hundred seventy-six thousand six hundred and twenty-five dollars (\$476,625) on or about September 3, 2009; however, seven (7) months later on April 13, 2010, Rackley contacted Vallett and asked for her money. On April 14, 2010, Vallett wire transferred two hundred fifty thousand dollars (\$250,000) to the Rackleys' personal bank account, and on April 14, 2010, Vallett deposited one hundred thousand dollars (\$100,000) into Mr. Rackley's brokerage account (to cover a margin balance before the account was transferred to a new broker). The balance of the annuity proceeds, one hundred twenty-six thousand six hundred twenty-five dollars (\$126,625) is still unaccounted for as of the date of this petition.

22. On June 9, 2010, the Honorable William Haynes of the Middle District of Tennessee entered an Order permanently enjoining Respondents from 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 promulgated thereunder; and Sections 206(1) and 206(2) of the Investment Advisers Act of 1940. (Exhibit 2).

23. On June 23, 2010, Vallett formed three (3) new entities and registered them for business with the Tennessee Secretary of State Division of Business Services. (Exhibit 2). The three entities, Axtell Business Solutions, Inc., Axtell Payroll Services, Inc., and Axtell Retirement Services, Inc. were all formed on June 23, 2010. (Exhibit 2). Shortly thereafter, Vallett created a new website for Axtell Business Solutions, Inc. at www.axtellonline.com. (Exhibit 2). This new website is nearly identical to Vallett & Co.'s business website, still located at www.advallett.com (Exhibit 2); however, it does not mention Vallett or any of his other

business entities by name. (Exhibit 2). Both websites encourage customers to contact the site's owner at 5141 Virginia Way, Suite 460, Brentwood, TN 37027, Vallett's address. (Exhibit 2).

CONCLUSIONS OF LAW

A.D. Vallett's Ongoing Unlawful Conduct Warrants the Summary Suspension of All of Respondents' Licenses and Registrations

1. The facts as stated above demonstrate that shortly following the entry of a permanent injunction by the SEC, Vallett formed three (3) new entities and registered them for business with the Tennessee Secretary of State Division of Business Services. The website for these entities is nearly identical to Vallett & Co.'s business website; however, it does not mention Vallett or any of his other business entities by name. Both websites encourage customers to contact the site's owner at 5141 Virginia Way, Suite 460, Brentwood, TN 37027, Vallett's address.

2. The Commissioner finds that the Divisions are authorized to bring this action as that the action is in the public interest, necessary for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act and the Law. TENN. CODE ANN. §§ 4-5-320(c), 48-2-116(e)(2)(A) and 56-2-304. Respondents' continued unlawful conduct necessitates a summary suspension of all of Respondents' registrations and licenses with the Department, pending a forthcoming administrative action seeking revocation of those registrations and licenses.

A.D. Vallett Violated the June 16, 2008 Consent Order with the Tennessee Securities Division

3. The facts as stated above demonstrate that Vallett executed no fewer than eight (8) separate investment advisory agreements as President of Vallett & Co. while he was serving an agreed suspension from providing investment advisory services and other related services.

This conduct was in direct violation of the June 16, 2008 Consent Order with the Tennessee Securities Division

4. Vallett's willful violations of the June 16, 2008 Consent Order with the Securities Division provides adequate grounds under TENN. CODE ANN. § 48-2-112(a)(2)(B) for the entry of an Order summarily suspending respondents' registrations with the TSD.

5. Vallett's willful violations of the June 16, 2008 Consent Order with the Securities Division demonstrates incompetence, untrustworthiness, and financial irresponsibility in the conduct of business in this state and provides adequate grounds under TENN. CODE ANN. §§ 56-6-112(a)(8) for the entry of an Order summarily suspending Vallett's insurance producer license.

A.D. Vallett Sold Unregistered Securities

6. The facts as stated demonstrate that Vallett offered to sell and sold securities which were not registered with the TSD. It is unlawful to sell any security in this state unless it is registered under TENN. CODE ANN. §§ 48-2-101 *et seq.*, or the transaction is exempted under § 48-2-103, or it is a covered security. The investment contracts offered were not registered with TSD, and were not exempted by statute and are not covered securities.

7. Vallett's sales of unregistered securities provide adequate grounds under TENN. CODE ANN. § 48-2-112(a)(2)(B) for the entry of an Order summarily suspending respondents' registrations with the TSD.

8. Vallett's sale of unregistered securities demonstrates incompetence, untrustworthiness, and financial irresponsibility in the conduct of business in this state and provides adequate grounds under TENN. CODE ANN. §§ 56-6-112(a)(8) for the entry of an Order summarily suspending Vallett's insurance producer license.

A.D. Vallett and Vallett & Co. Engaged in Securities Fraud

9. The facts as stated demonstrate that Vallett fraudulently misrepresented the investments he was selling, failed to adequately disclose how invested funds would be used, and defrauded investors by misrepresenting the offerings of the Funds as private placements exempted from any state securities registration requirements under SEC Rules 504 or 506 of Regulation D, 17 C.F.R. §§ 230.504, 230.506.

10. Each of Vallett's fraudulent acts provides adequate grounds under TENN. CODE ANN. § 48-2-112(a)(2)(B) for the entry of an Order summarily suspending Respondents' registrations with the TSD.

11. Each of Vallett's fraudulent acts demonstrates incompetence, untrustworthiness, and financial irresponsibility in the conduct of business in this state and provides adequate grounds under TENN. CODE ANN. §§ 56-6-112(a)(8) for the entry of an Order summarily suspending Vallett's insurance producer license.

A.D. Vallett Unlawfully Forged his clients' Names to a Document Related to an Insurance Transaction

12. The facts as stated demonstrate that Vallett fraudulently cashed out an annuity, held by two (2) of his investment advisory clients (Rackley and her husband, William R. Rackley) as joint policyholders. Vallett forged the Rackleys signatures, redeemed their annuity without their knowledge or consent, without obtaining a valid signature from Rackley and without disclosing to his clients that there would be an early termination fee charged.

13. Vallett's forgery and fraudulent redemption of the Rackleys' annuity provide adequate grounds under TENN. CODE ANN. §§ 56-6-112(a)(10) for the entry of an Order summarily suspending Vallett's insurance producer license.

ORDER

NOW, THEREFORE, in consideration of the foregoing, it is **ORDERED** that:

1. Respondents A.D. Vallett & Co., LLC, A.D. Vallett Collateral Fund I, A.D. Vallett Collateral Fund II, A.D. Vallett Income and Opportunity Fund I, LLC, and Aaron Donald Vallett shall fully comply with the Act, the Law, and all rules promulgated thereunder;

2. Respondent Aaron Donald Vallett shall **CEASE and DESIST** in any further conduct as a broker-dealer, agent of a broker-dealer, investment adviser, or investment adviser representative from or in the State of Tennessee, beginning on the date this Order is executed by the Commissioner for the Department of Commerce and Insurance.

3. Respondent Aaron Donald Vallett shall **CEASE and DESIST** in conducting securities transactions on behalf of others from, in, or into the State of Tennessee, beginning on the date this Order is executed by the Commissioner for the Department of Commerce and Insurance.

4. Respondent A.D. Vallett & Co., LLC shall **CEASE and DESIST** in any further conduct as an investment adviser from or in the State of Tennessee, beginning on the date this Order is executed by the Commissioner for the Department of Commerce and Insurance.

5. Respondent Aaron Donald Vallett shall **CEASE and DESIST** in any further conduct as an insurance producer from or in the State of Tennessee, beginning on the date this Order is executed by the Commissioner for the Department of Commerce and Insurance.

6. All persons in any way assisting, aiding, or helping the aforementioned Respondent in any of the aforementioned violations of the Tennessee Securities Act of 1980, as amended, TENN. CODE ANN. §§ 48-2-101 *et seq.* or the Tennessee Insurance Law, TENN. CODE

ANN. §§ 56-1-101 *et seq.*, shall **CEASE AND DESIST** all such activities in violation of the Tennessee Securities Act of 1980, as amended.

7. This Order is not intended to prohibit any lawful conduct in which Respondents might be engaged.

8. Entry of this Order shall not in any way restrict the Tennessee Securities Division, the Tennessee Insurance Division or the Commissioner of the Tennessee Department of Commerce and Insurance from taking further action with respect to these or other possible violations of the Act or any of the Rules promulgated thereunder by Respondents.

9. You are advised that you have the right to an informal hearing before the agency within seven (7) business days of the issuance of this Order of summary suspension. The sole issue to be considered is whether the public health, safety or welfare imperatively required emergency action by the agency. If you wish to exercise your right to this informal hearing, please notify:

**LARRY C. KNIGHT
ASSISTANT COMMISSIONER FOR INSURANCE
STATE OF TENNESSEE DEPARTMENT OF COMMERCE AND INSURANCE
DAVY CROCKETT TOWER
500 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37243**

AND

**DAPHNE D. SMITH
ASSISTANT COMMISSIONER FOR SECURITIES
STATE OF TENNESSEE DEPARTMENT OF COMMERCE AND INSURANCE
DAVY CROCKETT TOWER
500 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37243**

10. Such request must be received within seven (7) business days of the date of entry of this Order.

11. You are advised that you have the right to a hearing as to all matters raised in this Order. If you wish to exercise your right to a hearing, please notify:

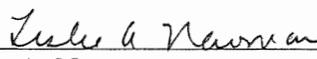
LARRY C. KNIGHT
ASSISTANT COMMISSIONER FOR INSURANCE
STATE OF TENNESSEE DEPARTMENT OF COMMERCE AND INSURANCE
DAVY CROCKETT TOWER
500 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37243

AND

DAPHNE D. SMITH
ASSISTANT COMMISSIONER FOR SECURITIES
STATE OF TENNESSEE DEPARTMENT OF COMMERCE AND INSURANCE
DAVY CROCKETT TOWER
500 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37243

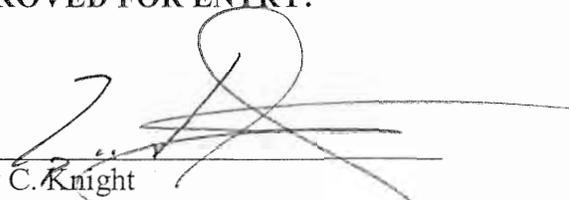
12. Such request must be received within thirty (30) days of the date of entry of this Order. This Order shall become a Final Order thirty (30) days from the date of its entry, unless written notification requesting a hearing is made within that thirty (30) day period.

Entered this 20th day of September 2010.

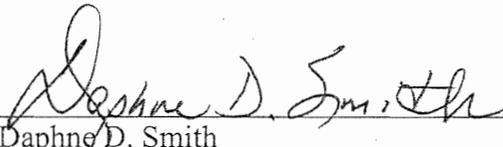


Leslie A. Newman,
Commissioner

APPROVED FOR ENTRY:

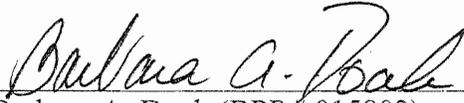


Larry C. Knight
Assistant Commissioner for Insurance
Department of Commerce and Insurance

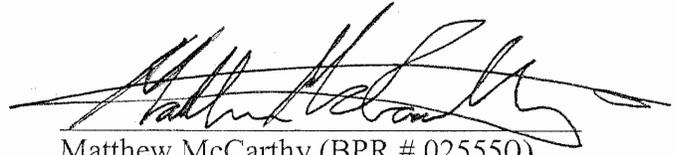


Daphne D. Smith
Assistant Commissioner for Securities
Department of Commerce and Insurance

ISSUANCE REQUESTED BY:



Barbara A. Doak (BPR# 015802)
Chief Counsel
Department of Commerce and Insurance
Office of Legal Counsel
500 James Robertson Parkway, 2nd Floor
Nashville, Tennessee 37243
(615) 741-2199/Fax (615) 741-4000



Matthew McCarthy (BPR # 025550)
Assistant General Counsel
Department of Commerce and Insurance
Office of Legal Counsel
500 James Robertson Parkway, 2nd Floor
Nashville, Tennessee 37243
(615) 741-2199/Fax (615) 741-4000

EXHIBIT 1



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
500 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37243-5065
615-741-6007

PHIL BREDESEN
GOVERNOR

LESLIE A. NEWMAN
COMMISSIONER

I, Leslie A. Newman, Commissioner of Commerce and Insurance of the State of Tennessee, pursuant to *Tenn. Code Ann.* § 56-1-604, do hereby certify that the attached are true and correct copies of the following:

- Consent Order in the matter of A.D. Vallett & Co., Aaron Donald Vallett.

In Witness Whereof, I have hereunto
subscribed my hand and affixed my
official Seal, at Nashville, Tennessee
this 7th day of September
2010.

Leslie A. Newman
Leslie A. Newman
Commissioner of Commerce and
Insurance

Official Seal

consideration of this Consent Order by the Commissioner shall not unfairly or illegally prejudice the Commissioner from further participation or resolution of these proceedings.

3. Respondents fully understand that this Consent Order will in no way preclude additional proceedings by the Commissioner against the Respondents for acts or omissions not specifically addressed in this Consent Order for facts and/or omissions that do not arise from the facts or transactions herein addressed.

4. Respondents fully understand that this Consent Order will in no way preclude additional proceedings by the Commissioner of Commerce and Insurance or any other state government representative against the Respondents for violations of law under other statutes, rules, or regulations of the State of Tennessee, which may arise out of the facts, acts, or omissions contained in the Findings of Fact and Conclusions of Law stated herein, or which may arise as a result of the execution of this Consent Order by the Respondents.

5. Respondents expressly waive all further procedural steps, and expressly waive all rights to seek judicial review of or to otherwise challenge or contest the validity of the Consent Order, the stipulations and imposition of discipline contained herein, and the consideration and entry of said Consent Order by the Commissioner.

FINDINGS OF FACT

1. The Tennessee Securities Act of 1980, as amended, T.C.A. § 48-2-101, et seq. ("Act"), places the responsibility for the administration of the Act on the Commissioner of Commerce and Insurance ("Commissioner"). The TSD is the lawful agent through which the Commissioner discharges this responsibility. T.C.A. § 48-2-115.

2. Respondent, A.D. Vallett & Company, LLC ("ADV&C") is a Tennessee limited

liability company that is currently seeking investment adviser registration with the TSD. The firm is located at 5141 Virginia Way, # 460, Brentwood, TN 37027.

3. Respondent, Aaron Donald Vallett, ("Vallett") (CRD# 4421122) is a citizen and resident of Davidson County, Tennessee. Vallett is currently seeking investment adviser representative registration with the TSD. He maintains his address at 1714 Temple Avenue, Nashville, TN 37215. Vallett is currently registered with and employed by Synergy Investment Group, LLC ("SIG") (CRD # 46035), located at 8320 University Executive Park Drive, Charlotte, NC 28262. Vallett is a former agent of Cambridge Way, Inc., ("CWI") (CRD # 16328) and at all times pertinent to the matters addressed in this Consent Order Vallett was a registered agent of either CWI or SIG.

4. On June 21, 2007, Vallett and ADV&C filed for investment adviser and investment adviser representative registrations with the TSD. The filings listed Vallett as the owner of ADV&C.

5. In connection with the filing for investment adviser and investment adviser representative registrations, Vallett disclosed information regarding a pending regulatory action by the Financial Industry Regulatory Authority ("FINRA") against him, which included a four (4) month suspension from association in any capacity with any FINRA member firm and a monetary fine of five thousand dollars (\$5,000).

6. FINRA is a self-regulatory organization, registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934.

7. On May 7, 2008, Vallett executed an Acceptance, Waiver and Consent (No. 2006005754402), specifying the above referenced sanctions, which was fully executed and

accepted by FINRA on May 21, 2008, thereby making it binding on the parties.

CONCLUSIONS OF LAW

8. Pursuant to T.C.A. §48-2-115(a), the responsibility for administration of the Act is upon the Commissioner. The TSD is the lawful agent through which the Commissioner discharges this responsibility.

9. T.C.A. § 48-2-112(a)(1) and (2)(F)(ii) states that the commissioner may by order deny, suspend, or revoke any registration under this part if she finds that the order is in the public interest and necessary for the protection of investors; and the applicant or registrant or, in the case of a broker-dealer or investment adviser, any affiliate, partner, officer, director, or any person occupying a similar status or performing similar functions is the subject of an order suspending or expelling such person from a national securities exchange or national securities association registered under the Securities Exchange Act of 1934, as amended.

10. The averments in paragraphs one – seven of this Consent Order, constitute practices by Aaron Donald Vallett which would provide grounds under T.C.A. § 48-2-112(a)(1) and (2)(F)(ii) for the entry of an order of sanctions.

ORDER

NOW, THEREFORE, on the basis of the foregoing, and Respondents' waiver of their right to a hearing and appeal under the Tennessee Securities Act and Tennessee's Uniform Administrative Procedures Act, T.C.A. § 4-5-101 *et seq.*, and Respondents' admission of jurisdiction of the Commissioner, the Commissioner finds that Respondents, for the purpose of settling this matter, admit the matters herein, have agreed to the entry of

this Order and that the following Order is appropriate, in the public interest and necessary for the protection of investors.

IT IS ORDERED, pursuant to T.C.A. § 48-2-116(a) of the Tennessee Securities Act that:

1. Respondents, A.D. Vallett & Company, LLC and Aaron Donald Vallett, **ARE ORDERED TO AND AGREE** to fully comply with the Tennessee Securities Act, as amended, and all rules promulgated thereunder;

2. Respondent, Aaron Donald Vallett, **IS ORDERED AND AGREES** to fully comply with all of the terms and conditions contained in the Acceptance, Waiver and Consent issued by FINRA on May 21, 2008;

3. Respondent, Aaron Donald Vallett, **IS ORDERED AND AGREES** to amend form U-4 and/or U-5, pursuant to the instructions of said forms and as required by FINRA, and file the appropriate Disclosure Reporting Page to disclose the details of this action;

4. The investment adviser representative application for Respondent, Aaron Donald Vallett, is hereby granted, but **shall be suspended** as to any conduct as an investment adviser representative from or in the state of Tennessee, for a term to be served concurrently with the FINRA suspension and is to be commenced on June 16, 2008 and ended on October 15, 2008;

5. Respondent, Aaron Donald Vallett, **shall be suspended from** any further conduct as an agent of a broker-dealer or investment adviser representative for SIG from

or in the state of Tennessee, for a term to be served concurrently with the FINRA suspension and is to be commenced on June 16, 2008 and ended on October 15, 2008;

6. Respondent, Aaron Donald Vallett, **shall** make a contribution to the Investor Education Fund in the amount of one thousand and five hundred dollars (\$1,500.00). Said sum shall be due and payable in full upon execution of this document, but in no event later than June 30, 2008. Payment, in the form of a check **made payable to the Tennessee Department of Commerce and Insurance – Investor Education Fund, Securities Division**, shall be mailed to:

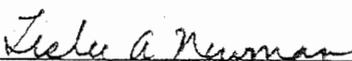
State of Tennessee
Department of Commerce and Insurance
Securities Division
Attention: Broker-Dealer Registration Section
500 James Robertson Parkway, 6th Floor, DCT
Nashville, Tennessee 37243.

7. Respondents hereby **AGREE** that failure to comply with all the requirements and prohibitions contained in this Order shall result in further enforcement action by the TSD, the Department of Commerce and Insurance, and/or the State of Tennessee in order to enforce the provisions contained herein.

IT IS ORDERED that this Order represents the complete and final resolution of, and discharge with respect to all administrative and civil, claims, demands, actions and causes of action by the Commissioner against A.D. Vallett & Company, LLC, and Aaron Donald Vallett for violations of the Act alleged by the TSD to have occurred with respect to the facts contained herein.

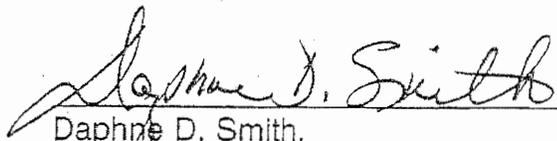
This Consent Order is in the public interest and in the best interests of the parties, and represents a compromise and settlement of the controversy between the parties and is for settlement purposes only. By the signatures affixed below, A.D. Vallett & Company, LLC, and Aaron Donald Vallett, affirmatively state that they have freely agreed to the entry of this Consent Order, that they waive the right to a hearing on the matters underlying this Consent Order and to a review of the Findings of Fact and Conclusions of Law contained herein, and that no threats or promises of any kind have been made by the Commissioner, the TSD, or any agent or representative thereof. The parties, by signing this Consent Order, affirmatively state their agreement to be bound by the terms of this Consent Order and aver that no promises or offers relating to the circumstances described herein, other than the terms of settlement set forth in this Consent Order, are binding upon them.

ENTERED this 16th day of June, 2008.



Leslie A. Newman, Commissioner.
Department of Commerce and Insurance

APPROVED FOR ENTRY:



Daphne D. Smith,
Assistant Commissioner for Securities
Department of Commerce and Insurance

Aaron Donald Vallett

Aaron Donald Vallett

Respondent

*David Zager by permission
Scott Ellis #19065*

David Zager #5291

Attorney at Law

Suite 2909, Renaissance Tower

611 Commerce Street

Nashville, TN 37203

(615) 242-9090

Barbara A. Doak

Barbara A. Doak (#015802)

Asst. General Counsel-Securities Division

Department of Commerce and Insurance

500 James Robertson Parkway, 12th Floor

Nashville, TN 37243

(615) 741-2199

EXHIBIT 2

BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE
FOR THE STATE OF TENNESSEE

TENNESSEE SECURITIES DIVISION,)	
TENNESSEE INSURANCE DIVISION,)	
Petitioners.)	Docket # 12.06-108775J
)	
vs.)	TSD Order No.: 10-008
)	TID Order No.: 10-046
A.D. VALLETT & CO., LLC,)	
A.D. VALLETT & COMPANY,)	
A.D. VALLETT COLLATERAL FUND I, LLC,)	
A.D. VALLETT COLLATERAL FUND II, LLC,)	
A.D. VALLETT INCOME & OPPORTUNITY)	
FUND I, LLC, and)	
AARON DONALD VALLETT,)	
Respondents.)	

AFFIDAVIT

STATE OF TENNESSEE)
)
COUNTY OF DAVIDSON)

I, APRIL POCCHIARI, HAVING BEEN DULY SWORN, DEPOSE AND SAY AS
FOLLOWS:

1. I am employed as a Securities Examiner and Investigator with the Enforcement Section of the Tennessee Securities Division ("TSD"), Tennessee Department of Commerce and Insurance.

1. As a Securities Examiner and Investigator with the Enforcement Section, I am responsible for the investigation of complaints of alleged violations of the Tennessee Securities Act of 1980, as amended (the Act).

2. On December 15, 2009, the TSD received a complaint (Complaint 2009-0090)

alleging the unlawful sale of unregistered securities by Aaron Donald Vallett ("Vallett") (CRD # 4421122). Vallett is a citizen and resident of Davidson County Tennessee, residing at 1714 Temple Avenue, Nashville, TN 37215. Vallett is currently registered with the TSD as an investment adviser representative through his associated investment adviser, Vallett & Co. Until June 11, 2010, Vallett was registered with the TSD as a broker-dealer agent through his associated broker-dealer, Institutional Capital Management, Inc. ("ICM") (CRD # 41055).

3. The TSD prepared a complaint preliminary memorandum based on Complaint 2009-0090 requesting that an investigation be opened. On January 7, 2010, the Assistant Commissioner for Securities entered an Order of Investigation in this matter (SI-2010-003).

4. Pursuant to the TSD's investigation, the TSD conducted an on-site examination of A.D. Vallett & Co., LLC ("Vallett & Co.") (CRD # 144065) beginning on April 5, 2010 and concluding on April 7, 2010. Vallett & Co. is a Tennessee limited liability company with its principal place of business located at 5141 Virginia Way, Suite 460, Brentwood, TN 37027. Vallett & Co. is currently registered as an investment adviser with the TSD and has been so registered since June 19, 2008.

5. The TSD investigation revealed that on June 16, 2008, Vallett entered into a Consent Order with the Commissioner whereby he agreed to fully comply with the Act and to refrain from acting as a broker-dealer agent or investment adviser representative from or in the State of Tennessee for a four-month period beginning on June 16, 2008 and ending October 15, 2008. (Exhibit 1).

6. The TSD investigation revealed that during the suspension period covered by the Consent Order, from July 16, 2008 through October 6, 2008, Vallett executed no fewer than eight (8) separate investment advisory agreements as President of Vallett & Co. which required the company

and Vallett to provide investment advisory services and assessed a one percent (1%) annual fee based on the market value of the client's account. Attached hereto as exhibits to the Petition are three (3) of the investment advisory agreements that Vallett executed during his suspension period: one dated July 17, 2008 (Exhibit 3); one dated August 1, 2008 (Exhibit 4); and one dated October 6, 2008 (Exhibit 5).

7. The TSD investigation revealed that between January 2008 and April 2010, Vallett raised approximately \$5.5 million from approximately twenty (20) investors through three (3) unregistered offerings: Collateral Fund I, Collateral Fund II, and the I&O Fund (collectively, the "Funds"). From January 2008 through February 2010, Vallett offered and sold investments in Collateral Fund I, eventually raising approximately \$1.5 million from eighteen (18) investors, many of whom were advisory clients of Vallett & Co.

8. The TSD investigation revealed that the interests sold in Collateral Fund I were not registered with the TSD for sale within the State of Tennessee (Exhibit 6), and despite representations made in the private placement memorandum ("PPM") for the Fund, and by Vallett to investors, that the transactions were exempted from federal and state registration requirements under Securities and Exchange Commission ("SEC") Rule 504 of Regulation D, 17 C.F.R. § 230.504, and TENN. CODE ANN. § 48-2-125, the transactions were not so exempted because Tennessee does not recognize the Rule 504 exemption and even if it did Vallett did not file the necessary documents with the SEC and the TSD. (Exhibit 6). In addition, Collateral Fund I, LLC did not legally exist until June 3, 2010 and therefore could not have been registered with the SEC or the TSD at the time that interests in the Collateral Fund I were sold. (Exhibit 6).

9. The PPM for Collateral Fund I misrepresented the following: that investors would

receive “secured notes” in return for their investments, the collateral being the personal assets of Vallett and his affiliated entities; that Vallett and his affiliated entities guaranteed the payments required under the secured notes; and that investor funds would be used to make various investments selected by Vallett, including real estate investments.

10. Vallett failed to adequately disclose how invested funds would be used. Vallett, through the PPM, told investors that they would receive secured notes, guaranteed by Vallett’s assets and the assets of his various business entities, in return for their investments and that investor money would be used to fund various investments, including real estate ventures. Brokerage statements obtained from Vallett show, however, that instead Vallett engaged in high-risk, speculative trading with investor funds.

11. Vallett defrauded investors by representing the offerings of the Funds as private placements exempted from any registration requirements under SEC Rules 504 or 506 of Regulation D, 17 C.F.R. §§ 230.504, 230.506. (Exhibit 6). Vallett failed to make the necessary filings with the SEC to qualify for the Rule 504 or Rule 506 exemption, and likewise failed to make the requisite notice filings with the TSD as required by TENN. CODE ANN. § 48-2-125(b) in order to exempt the securities from state registration. (Exhibit 6). As stated previously, Tennessee does not recognize the Rule 504 exemption and in addition, Collateral Fund I did not legally exist at the time that interests in them were sold. Collateral Fund I did not legally exist until June 3, 2010. (Exhibit 6).

12. The TSD investigation revealed that on April 14, 2010, two of Vallett’s investment advisory clients discovered that in 2008 Vallett had liquidated some of the holdings in their investment accounts and invested the proceeds into an investment called Collateral Fund I (an investment created and wholly owned by Vallett),, without their knowledge or consent. (Exhibit 3).

In addition, Vallett did not provide his clients with any offering materials or tell them about the liquidation and transfer of assets to Collateral Fund I at any time after making the investment. (Exhibit 3). On April 14, 2010, Vallett's clients received an Internal Revenue Service Interest Income 1099 form from Vallet & Co. that indicated that they were receiving interest income from an investment in Collateral Fund I. (Exhibit 3). Vallett's clients did not know anything about this investment. (Exhibit 3). Prior to receiving this 1099 form they had never heard of the Collateral Fund I, had no knowledge of investing in such a fund and to their knowledge had never received any interest payments from the fund. (Exhibit 3).

13. The TSD investigation revealed that in August 2009, Vallet fraudulently cashed out an annuity, held by two (2) of his investment advisory clients (Ms. Salter N. Rackley ("Rackley") and her husband, William R. Rackley) as joint policyholders, without their knowledge or consent and without disclosing to his clients that there would be an early termination fee charged. (Exhibit 3). The signature used to make the redemption and appearing on page two (2) of the Withdrawal Request Form for Annuity Contract # 70428616 (attached as Exhibit B to Exhibit 3) is not Rackley's signature. (Exhibit 3). Rackley does not know who signed her name and she did not grant permission for anyone to sign her name on her behalf. (Exhibit 3).

14. At the time of full surrender, the annuity from Allianz Life Insurance Company of North America was valued at five hundred seven thousand seven hundred and seven dollars (\$507,707.00). (Exhibit 3). Thirty one thousand eighty two dollars (\$31,082.00) was paid as an early termination fee for cashing out the annuity prior to the maturity date. (Exhibit 3). Rackley does not know what happened to the balance of the proceeds or four hundred seventy-six thousand six hundred and twenty-five dollars (\$476,625) on or about September 3, 2009; however, on April

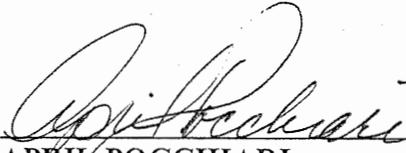
13, 2010, Rackley contacted Vallett and asked for her money.

15. The TSD investigation revealed that on April 14, 2010, Vallett wire transferred two hundred fifty thousand dollars (\$250,000) to the Rackleys' personal bank account, and on April 14, 2010, Vallett deposited one hundred thousand dollars (\$100,000) into Mr. Rackley's brokerage account (to cover a margin balance before the account was transferred to a new broker). The balance of the annuity proceeds, one hundred twenty-six thousand six hundred twenty-five dollars (\$126,625) is still unaccounted for as of the date of this affidavit.

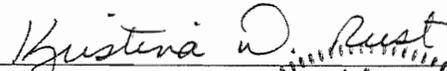
16. The TSD investigation revealed that Vallett is still working in the insurance and securities businesses. The TSD investigation revealed that on June 9, 2010, the Honorable William Haynes of the Middle District of Tennessee entered an Order permanently enjoining Respondents from violations of Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder; and Sections 206(1) and 206(2) of the Investment Advisers Act of 1940. (Exhibit A).

17. The TSD investigation revealed that on June 23, 2010, Vallett formed three (3) new entities and registered them for business with the Tennessee Secretary of State Division of Business Services. (Exhibit B). The three entities, Axtell Business Solutions, Inc., Axtell Payroll Services, Inc., and Axtell Retirement Services, Inc. were all formed on June 23, 2010. (Exhibit B). Shortly thereafter, Vallett created a new website for Axtell Business Solutions, Inc. at www.axtellonline.com. This new website is nearly identical to Vallett & Co.'s business website, still located at www.advallett.com; however, it does not mention Vallett or any of his other business entities by name. Both websites encourage customers to contact the site's owner at 5141 Virginia Way, Suite 460, Brentwood, TN 37027, Vallett's address.

FURTHER, AFFIANT SAITH NOT.


APRIL POCCHIARI

Sworn to and subscribed before me this 17TH day of SEPTEMBER, 2010.


Notary Public

My commission expires: 3/10/12

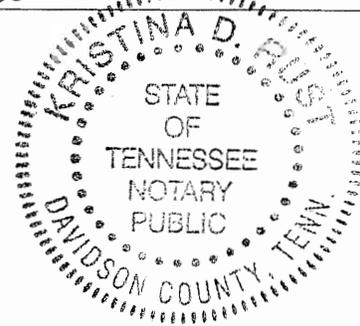


EXHIBIT A

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

AARON DONALD VALLETT AND A. D.
VALLETT & CO. LLC,

Defendants.

Civil Action No.
3:10-CV-00551

**ORDER GRANTING PERMANENT INJUNCTIONS,
AND ORDERING OTHER RELIEF AS TO DEFENDANTS
AARON DONALD VALLETT AND A.D. VALLETT & CO. LLC**

The Securities and Exchange Commission having filed a Complaint and Defendants Aaron Donald Vallett ("Vallett") and A.D. Vallett & Co. LLC ("Vallett & Co.") (collectively, the "Defendants") having entered a general appearance; consented to the Court's jurisdiction over Defendants and the subject matter of this action; consented to entry of this Order Granting Permanent Injunctions and Ordering Other Relief ("Order") without admitting or denying the allegations of the Complaint (except as to jurisdiction); waived findings of fact and conclusions of

law; and waived any right to appeal from this Order:

I.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Defendants and Defendants' agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Order by personal service or otherwise are permanently restrained and enjoined from violating, directly or indirectly, Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], by using any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of any security:

- (a) to employ any device, scheme, or artifice to defraud;
- (b) 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 the light of the circumstances under which they were made, not misleading; or
- (c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

II.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendants and Defendants' agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Order by personal service or otherwise are permanently restrained and enjoined from violating Section 17(a) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. § 77q(a)] in the offer or sale of any security by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly:

- (a) to employ any device, scheme, or artifice to defraud;
- (b) to obtain money or property by means of any untrue statement of a material fact or any omission of a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- (c) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

III.

IT IS FURTHER ORDERED that Defendants and Defendants' agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Order by personal service or otherwise are

permanently restrained and enjoined from, directly or indirectly:

- (a) employing devices, schemes, or artifices to defraud clients or prospective clients; or
- (b) engaging in transactions, practices, or courses of business which operate as a fraud or deceit upon clients or prospective clients;

in violation of Sections 206(1) and (2) of the Investment Advisers Act of 1940 (the "Advisers Act") [15 U.S.C. § 80b-6(1) and (2)].

IV.

IT IS FURTHER ORDERED that the assets of Defendants be, and hereby are, frozen. The freeze shall include but not be limited to those funds located in any bank accounts of the Defendants. In addition, proceeds derived from the securities offerings alleged in the Commission's complaint remaining in the custody and control of the Defendants are hereby frozen regardless of where said proceeds are located. The Defendants, their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, be, and hereby are, restrained from, directly and indirectly, transferring, setting off, receiving, changing, selling, pledging, assigning, liquidating or otherwise disposing of or withdrawing any assets and property owned by, controlled by, or in the possession of said Defendants. The court further enjoins any disbursement by the Defendants, their agents, representatives,

employees and officers and all persons acting in concert or participation with them, whatever business names they may operate under, of any proceeds derived from the sales of securities described in the complaint.

V.

IT IS FURTHER ORDERED that the parties may take expedited discovery as follows:

A. The parties may take depositions upon oral examination subject to at least ten (10) business days notice prior to expiration of thirty (30) days after service of the Summons and Complaint upon all Defendants, pursuant to Rule 30(a) of the Federal Rules of Civil Procedure;

B. Pursuant to Rule 33(a) of the Federal Rules of Civil Procedure, the parties shall answer all interrogatories within ten (10) business days of service of such interrogatories;

C. Pursuant to Rule 34 of the Federal Rules of Civil Procedure, the parties shall produce all documents within ten (10) business days of service of such request;

D. Pursuant to Rule 36(a) of the Federal Rules of Civil Procedure, the parties shall answer requests for admissions within ten (10) business days of service of such request;

E. The parties may serve discovery by facsimile, electronic mail or by any other means provided for within the Federal Rules of Civil Procedure, with the date of service of such discovery being the date of sending in the event that discovery is served by either facsimile, electronic mail, or by hand delivery;

F. All written responses to the requests for discovery under the Federal Rules of Civil Procedure shall be delivered to counsel for the party that served the discovery by the most expeditious means available, including facsimile, hand delivery, or electronic mail, in which event the date of service of responses shall be deemed to be the date of sending the responses by the above-mentioned means.

VI.

IT IS FURTHER ORDERED that each Defendant prepare and present to this Court and to the Commission a sworn accounting of all funds received by each of them pursuant to the scheme described in the Commission's complaint and of the disposition and use of said proceeds. This accounting shall include, but not be limited to, the name and address of each investor (for each contract with an investor by each Defendant), the total amount invested, the total amount received from investors, the date each such investment was made and a listing of all expenditures showing the amount and to whom paid and the date of payment. The accountings

shall be submitted to this Court and served upon the Commission within 20 days from the date of entry of this Order.

VII.

Upon motion of the Commission, the Court shall determine whether it is appropriate to order disgorgement of ill-gotten gains and/or a civil penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)] and, if so, the amount(s) of the disgorgement and/or civil penalty. If disgorgement is ordered, Defendant shall pay prejudgment interest thereon, calculated from January 1, 2010, based on the rate of interest used by the Internal Revenue Service for the underpayment of federal income tax as set forth in 26 U.S.C. § 6621(a)(2). In connection with the Commission's motion for disgorgement and/or civil penalties, and at any hearing held on such a motion: (a) Defendants will be precluded from arguing that they did not violate the federal securities laws as alleged in the Complaint; (b) Defendants may not challenge the validity of the Consent or this Order; (c) solely for the purposes of such motion, the allegations of the Complaint shall be accepted as and deemed true by the Court; and (d) the Court may determine the issues raised in the

motion on the basis of affidavits, declarations, excerpts of sworn deposition or investigative testimony, and documentary evidence, without regard to the standards for summary judgment contained in Rule 56(c) of the Federal Rules of Civil Procedure. In connection with the Commission's motion for disgorgement and/or civil penalties, the parties may take discovery, including discovery from appropriate non-parties.

VIII

IT IS FURTHER ORDERED that the Defendant Vallett is allowed \$8,000 per month for living expenses for four months from the date of this Order. After such period, Defendant Vallett may apply to the Court with a sworn financial statement for an amount which the Court may determine may be exempted from the freeze for the purpose of his ordinary and necessary living expenses. Nothing in this Order shall prevent Vallett from obtaining employment in the future and any earnings from that employment shall be segregated from any frozen accounts and shall not be subject to the freeze, provided that no employment or earnings may be derived from the other defendant in this case or from any entity under its control.

IX.

IT IS FURTHER ORDERED that FRANKLIN SYNERGY BANK in Franklin, Tennessee is ordered to disburse by wire the total amount of four month's

living expenses set out about in Paragraph VIII above from Account No. 2002509 to Vallett's personal joint bank account number 0880000761 at Bancorp Bank in Wilmington Delaware upon receipt of this order. No further disbursements from account number 2002509 at FRANKLIN SYNERGY BANK shall be allowed pursuant to this paragraph. Upon the entry of this Order, the asset freeze shall be lifted from Vallett's personal joint bank account number 0880000761 at Bancorp Bank.

X.

IT IS FURTHER ORDERED that FRANKLIN SYNERGY BANK may immediately disburse from account number 2002509 the sum of \$7,755. This amount represents the total of past due payroll as of June 4, 2010 to Vallett & Co.'s employees (\$15,128) and the employees of one its payroll clients (\$29,167.47), totaling 44,295.63, less the current balance of account number 2002467 at Franklin Synergy Bank in the name of Vallett & Co. by wire to account number 2002467 referenced above. No further disbursements from account number account number 2002509 at Franklin Synergy Bank shall be allowed pursuant to this paragraph. The freeze on account number 2002467 at Franklin Synergy Bank is hereby lifted so that account number 2002467 may be used in the order course of business to make the aforementioned payroll expenses, provided that no disbursements may be

made to the defendants from this account. The defendants to are hereby directed to provide the Commission with weekly activity reports in this account.

XI.

In order to preserve the value of the assets of each of the defendants for the benefit of investors, the Commission and the defendants have agreed in principle to certain carve-outs from the freeze as follows:

- (a) The ongoing payment of monthly mortgage indebtedness on the real estate assets owned and managed by the Defendant Vallett.
- (b) The payment of operational expenses for the Defendant Vallett & Co.'s payroll, broker-dealer and Third Party Administrator and Advisory businesses to allow those businesses to continue operations in the ordinary course business on a month to month basis so that the businesses may be wound down or liquidated for the benefit of investors.

The parties contemplate that each of the foregoing carve-outs will be supported by the submission of written budgets reflecting the expenses associated with the operation of the Defendants' businesses and other reasonable and customary information and valuations which may be reasonably requested by the Commission. Upon submission of those budgets and other valuations, the parties contemplate that the proposed carve-outs will be submitted by motion to the Court for approval.

With respect to each of the carve-outs ordered herein or contemplated by the parties, any money released will be placed in a segregated account to be determined. Disbursements may be made from that account in the ordinary course of business, provided no funds shall be paid to the defendants or any of their affiliates.

XII.

IT IS FURTHER ORDEERED that Franklin Synergy Bank may immediately continue disbursements from the construction loan account for the property located at 4007 Newman Place in Nashville, Tennessee and the freeze is hereby lifted from the construction loan account number 2002475 at Franklin Synergy Bank exclusively for the purpose of continuing the construction of said property. No other disbursements from the construction loan account may be made.

XIII.

Defendants' Consent is incorporated herein with the same force and effect as if fully set forth herein, and that the Defendants shall comply with all of the undertakings and agreements set forth therein.

XIV.

There being no just reason for delay, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, the Clerk is ordered to enter this Final Judgment forthwith and without further notice.

Dated: 6-9-10


UNITED STATES DISTRICT JUDGE

EXHIBIT B



STATE OF TENNESSEE
Tre Hargett, Secretary of State
Division of Business Services
312 Rosa L. Parks Avenue
6th Floor, William R. Snodgrass Tower
Nashville, TN 37243

Filing Information

Name: **Axtell Business Solutions, Inc.**

General Information

Control # : 634045
Filing Type: Corporation For-Profit - Domestic
Filing Date: 06/23/2010 9:58 AM
Status: Active
Duration Term: Perpetual
Formation Locale: Williamson County
Date Formed: 06/23/2010
Fiscal Year Close 12

Registered Agent Address

AARON D VALLETT
5141 VIRGINIA WAY
STE 460
BRENTWOOD, TN 37027 USA

Principal Address

5141 Virginia Way
Ste. 460
Brentwood, TN 37027 USA

The following document(s) was/were filed in this office on the date(s) indicated below:

Date Filed	Filing Description	Image #
06/23/2010	Initial Filing	6736-0463

Active Assumed Names (if any)	Date	Expires
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STATE OF TENNESSEE
Tre Hargett, Secretary of State
Division of Business Services
312 Rosa L. Parks Avenue
6th Floor, William R. Snodgrass Tower
Nashville, TN 37243

Filing Information

Name: **Axtell Payroll Services, Inc.**

General Information

Control # : 634047 Formation Locale: Williamson County
Filing Type: Corporation For-Profit - Domestic Date Formed: 06/23/2010
Filing Date: 06/23/2010 9:58 AM Fiscal Year Close 12
Status: Active
Duration Term: Perpetual

Registered Agent Address

AARON D VALLETT
5141 VIRGINIA WAY
STE 460
BRENTWOOD, TN 37027 USA

Principal Address

5141 Virginia Way
Ste. 460
Brentwood, TN 37027 USA

The following document(s) was/were filed in this office on the date(s) indicated below:

<u>Date Filed</u>	<u>Filing Description</u>	<u>Image #</u>
06/23/2010	Initial Filing	6736-0464

<u>Active Assumed Names (if any)</u>	<u>Date</u>	<u>Expires</u>
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STATE OF TENNESSEE
Tre Hargett, Secretary of State
Division of Business Services
312 Rosa L. Parks Avenue
6th Floor, William R. Snodgrass Tower
Nashville, TN 37243

Filing Information

Name: **Axtell Retirement Services, Inc.**

General Information

Control #: 634049
Filing Type: Corporation For-Profit - Domestic
Filing Date: 06/23/2010 9:58 AM
Status: Active
Duration Term: Perpetual
Formation Locale: Williamson County
Date Formed: 06/23/2010
Fiscal Year Close: 12

Registered Agent Address

AARON D VALLETT
5141 VIRGINIA WAY
STE 460
BRENTWOOD, TN 37027 USA

Principal Address

5141 Virginia Way
Ste. 460
Brentwood, TN 37027 USA

The following document(s) was/were filed in this office on the date(s) indicated below:

<u>Date Filed</u>	<u>Filing Description</u>	<u>Image #</u>
06/23/2010	Initial Filing	6736-0465

<u>Active Assumed Names (if any)</u>	<u>Date</u>	<u>Expires</u>
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EXHIBIT 3

agreement that day. The agreement was signed by A.D. Vallett, dated July 17, 2008.

3. In August 2009, Vallet cashed out an annuity, held by my husband and I as joint policyholders, without our knowledge or consent and without disclosing to us that there would be an early termination fee charged. The signature that appears on page two (2) of the Withdrawal Request Form for Annuity Contract # 70428616 (attached as Exhibit B) is not my signature. I do not know who signed my name and I did not grant permission for anyone to sign my name on my behalf.

4. In August 2009, my husband contracted to purchase a boat for two hundred twenty-five thousand dollars (\$225,000). On August 3, 2009, my husband wrote a seventeen thousand five hundred dollar (\$17,500) check on his Stern-Agee account. This combined with a previous check for five thousand dollars (\$5,000) was the down payment on the boat (leaving a balance of two hundred two thousand five hundred dollars (\$202,500.00) to pay Citizens Bank, Carthage, TN to wire transfer the balance of the contract. My husband left for Lake Superior to pick up the boat.

5. On August 19, 2009 the two hundred two thousand five hundred dollars (\$202,500.00) check was declared non sufficient funds (NSF). Vallett then started to draw money from "whatever source" to repay the bank. On August 31, 2009, Vallett withdrew one hundred ten thousand dollars (\$110,000) from my securities account (after selling securities), and on September 2, 2009 Vallett withdrew ten thousand dollars (\$10,000) from my securities account. On September 2, 2009 Vallett withdrew fifty thousand dollars (\$50,000) from my investment retirement account (IRA). On September 2, 2009 Vallett withdrew thirty thousand dollars (\$30,000) from my husband's IRA account. Vallett sent all of this money directly to the Bank. On September 1, 2009, I was being driven to Chicago to join the boat trip and only recently discovered where Vallett got the funds to cover the balance due on the boat.

6. On September 2, 2009, Vallett telephoned me while I was on the boat and Vallett told me that a check was being sent by FedEx to my home. Vallett did not tell me where the check came from or to whom it was made out. Vallett stated that he would pick up the check from my house sitter (and he did) and would take it to the bank. Only later did I learn that the check was the proceeds of the surrender of my husband's annuity.

7. At the time of full surrender, the annuity from Allianz Life Insurance Company of North America was valued at five hundred seven thousand seven hundred and seven dollars (\$507,707.00). Thirty one thousand eighty two dollars (\$31,082.00) was paid as an early termination fee for cashing out the annuity prior to the maturity date. I do not know what happened to the balance of the proceeds or four hundred seventy-six thousand six hundred and twenty-five dollars (\$476,625) on or about September 3, 2009; however, on April 13, 2010, I contacted Vallett and asked for our money. On April 14, 2010, Vallett wire transferred two hundred fifty thousand dollars (\$250,000) to our personal bank account, and on April 14, 2010, Vallett deposited one hundred thousand dollars (\$100,000) into my husband's brokerage account (to cover a margin balance before the account was transferred to a new broker). That leaves one hundred twenty-six thousand six hundred twenty-five dollars (\$126,625) unaccounted for to date.

8. On April 14, 2010, I learned that Vallett had liquidated some of the holdings in our investment accounts in 2008 and invested the proceeds into an investment called Collateral Fund I, without my knowledge or consent. In addition, Vallett did not provide us with any offering materials or tell us about the liquidation and transfer of assets to Collateral Fund I at any time after making the investment. It was not until April 14, 2010, when I received an Internal Revenue Service Interest Income 1099 form (attached as Exhibit C) from Vallet & Co. that indicated that I was receiving

interest income from my investment in Collateral Fund I that I knew anything about this investment.

Prior to receiving this 1099 form we had never heard of the Collateral Fund I, had no knowledge of investing in such a fund and to our knowledge had never received any interest payments from the fund.

FURTHER, AFFIANT SAITH NOT.

Salter N. Rackley
SALTER N. RACKLEY

Sworn to and subscribed before me this 7th day of September, 2010.

Lila G. Thomas
Notary Public Lila G. Thomas

My commission expires: 3/12/13

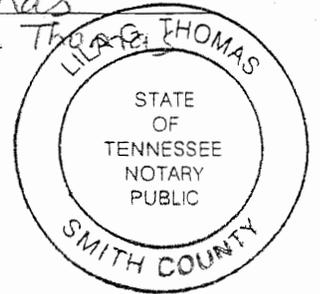


EXHIBIT A

a.d. vallett & co.

financial management

5141 Virginia Way, Ste. 460 * Brentwood * TN * 37027
615-312-8240 * 615-312-8241 fax * 877-312-8240 toll free
info@advallett.com * www.advallett.com

Private Wealth Management
Investment Advisory Agreement

Account # _____

Re: the account of Salter N. Rackley (the "Account")

The undersigned ("Client") hereby employs A.D. Vallett & Co., LLC ("Adviser") as investment adviser for the Account. Adviser agrees to serve in that capacity under the following terms and conditions:

1. **Authority** - Adviser shall have full power to direct, manage, and change the investment and reinvestment of the assets in the Account, the proceeds thereof, and any additions thereto, and to take other action with respect to such assets, all without prior consultation with Client, in accordance with such objectives as Client may, from time to time, have furnished Adviser in writing, and subject only to such written limitations as Client may impose. In providing all services hereunder, Adviser is entitled to rely on the financial information and other information provided by Client without any duty or obligation to investigate the accuracy or completeness of the information. Adviser does not guarantee the investment performance of any of the investments in the Account.
2. **Custody** - The assets in the Account shall be held for safekeeping with Sterne, Agee, & Leach, Inc., a.k.a. S.A.L.I. ("Custodian"). Adviser shall not act as Custodian for the assets in the Account and shall not be liable to Client for any act, conduct or omission by Custodian. Adviser is hereby authorized and empowered to issue instructions to Custodian and to request information about the Account from Custodian.
3. **Reports to Client** - Adviser will send Client an inventory of the investments, list of transactions, and performance returns of the Account as soon as reasonably possible after the end of each quarterly period. Copies of confirmations of transactions executed will be sent promptly to the Client or its designated party by the Custodian. Adviser does not assume responsibility for the accuracy of information furnished by Custodian or any other party.
4. **Confidential Relationship** - All information and advice furnished by either party to the other shall be treated as confidential and shall not be disclosed to third parties except as required by law.
5. **Proxy Voting** - The Adviser does not vote Client proxies. The Client is responsible for voting any such proxies.
6. **Non-Exclusive Contract** - Client understands that Adviser acts as adviser to other clients, and may publish or give advice and take action with respect to any other client which may differ from the timing or nature of action taken with respect to the Account. Client further understands that Adviser will not have any obligation to purchase or sell for the Account, or to recommend for purchase or sale for the Account, any securities which Adviser, its principals, affiliates, or employees may purchase or sell for any other client or themselves if in their opinion such transaction appears inadvisable for the Account. Client recognizes that transactions in a specific security may not be accomplished for all clients at the same time at the same price.
7. **Liability** - Adviser shall not be subject to liability for any act or omission in the course of, or connected with, its performance of this agreement, except in the case of willful misfeasance, bad faith or gross negligence on the part of the Adviser, or the reckless disregard by the Adviser of its obligations and duties under this agreement, but nothing herein shall in any way constitute a waiver or limitation of any rights which Client may have under any federal or state securities law or the Employee Retirement Income Security Act of 1974 ("ERISA"), if applicable. All actions taken by Adviser hereunder, either before or after the death or incapacity of the undersigned, but

A.D. Vallett & Co., LLC
Private Wealth Management * Investment Advisory Agreement

before receipt by Adviser of information of such death or incapacity, shall be binding upon Client and Client's legal representatives who shall hold Adviser harmless hereunder from all liability arising from such action so taken.

8. Disclaimers and Limitations - The Client's investments are subject to risks associated with investing in securities, including various market, currency, economic, political and business risks. The Adviser does not guarantee the performance of the Client's investments or guarantee that the Adviser's investment advice or strategies will be successful or that the Client's investment objectives will be met. In the event that the Client directs Adviser to use a particular broker or dealer, the Adviser may not be authorized under those circumstances to negotiate commissions and may not be able to obtain volume discounts or best execution. In addition, under these circumstances a disparity in commission charges may exist between the commissions charged to clients who direct the Adviser to use a particular broker or dealer.

9. Agreement Not Assignable - No assignment (as that term is defined in the Investment Advisers Act of 1940) of this Agreement may be made by either party without written consent of the non-assigning party. For purposes of determining Client consent in the event of an assignment, Adviser will send the Client written notice of the Assignment. If the Client does not object in writing within sixty (60) days of sending of such notice, the Client will be deemed to have consented to the assignment. This Agreement and all subsequent amendments shall inure to the benefit of the successor and assigning of the parties hereto.

10. Adviser Representations - Adviser represents that it is registered as an investment adviser under the Advisers Act and that such registration is currently effective. If the Account is subject to ERISA, Adviser acknowledges that it is a "fiduciary" (as that term is defined by ERISA) with respect to the Account.

11. Client Representations - Client represents that employment of Adviser, including the right to make decisions with respect to the voting of proxies, if granted, is authorized by, has been accomplished in

accordance with, and does not violate, the documents governing the Account. Client will furnish Adviser with true copies of all governing documents. If the Account is subject to ERISA: (i) Client acknowledges that it is a "named fiduciary" with respect to control or management of the assets of the Account; (ii) Client agrees to obtain and maintain a bond, satisfying the requirements of Section 412 of ERISA, and to include Adviser and its agents among those insured under that bond; and (iii) Client represents that Adviser's investment strategy is appropriate for the Account's assets.

12. Termination - This agreement may be terminated at any time by either party upon 30 days' written notice to the other party. Fees will be prorated to date of termination. In the event of termination of this agreement, Adviser shall have no obligation whatsoever to recommend any action with respect to or to liquidate the assets in the Account. Adviser shall be entitled to be paid its fees in connection with its services provided hereunder for the period to such termination.

13. Communications - Instructions with respect to securities transactions may be given orally or via facsimile and where deemed necessary, may be confirmed in writing as soon as possible. Notices required to be given under this agreement, but not including reports to clients, shall be delivered by hand or by overnight mail or sent by certified or registered mail and shall be deemed given when received at the address specified below, and, as to the Custodian, at such address as it may specify to the Adviser in writing, or at such other address as a party to receive notice may specify in a notice given in accordance with this provision. Adviser may rely on any notice from any person reasonably believed to be genuine and authorized.

14. Fees - For Adviser's services, Client will pay a management fee based on the market value of the Account in accordance with the negotiated fee printed below. Adviser's fees are exclusive of and in addition to any fees assessed by the funds that the Client's account is invested in and/or fees charged by the Custodian. The percentage fee will be prorated for any period of less than a quarter year, but a fee shall be due for each such quarter during any part of which Adviser is managing the Account. One fourth of the annual

management fee will be charged in advance each quarter based upon the Account's market value at the end of the quarter. The management fee may be deducted directly from Client's Account by the Custodian and automatically remitted to Adviser. Adviser will mail Client a copy of the bill and it is the Client's responsibility to verify the accuracy of the fee calculation. The annual fee will be determined based on the ending aggregate market value of the assets in the Account each quarter. Client is responsible for any management fee accrued from the beginning of the quarter to the date of termination. Adviser is responsible for refund of any payment made in advance accrued from the beginning of the quarter to the date of termination.

Annual % Fee 1.0%

15. Disclosure - Client acknowledges that he/she has read the foregoing and has kept a copy for future reference, and Client acknowledges receipt of Adviser's Disclosure Statement, as required by Rule 204-3 under the Advisers Act.

16. Severability - If any provision in this agreement is invalid or unenforceable, the remainder of the agreement will continue in full force and effect.

17. Amendment and Waiver - The Adviser may change this agreement with prior notice to the Client. The failure to insist on strict compliance with this agreement will not constitute a waiver of rights under the agreement.

18. Arbitration - Client hereby agrees that all controversies which may arise between Client and the Adviser concerning any transaction or the construction, performance, or breach of this agreement between Client and the Adviser, whether entered into prior to, on, or subsequent to the date hereof, shall be determined by arbitration. Client understands that this agreement to arbitrate does not constitute a waiver of the right to seek a judicial forum where such waiver would be void under federal securities laws. Any arbitration shall be held in the city chosen by the Adviser or the American Arbitration Association, pursuant to the Arbitration Laws of Tennessee, or before the American Arbitration Association and in accordance with its rules then applying.

19. Captions - The captions in this agreement are included for convenience of reference only and in no way define or delimit any of the provisions hereof or otherwise affect their construction or effect.

20. Entire Agreement - This agreement constitutes the entire agreement of the parties with respect to management of the Account and can be amended only by written document signed by both parties. This agreement and the rights and obligations of the parties hereunder shall be construed in accordance with and governed by the law of the State of Tennessee, without giving effect to the conflict of law principles thereof.

21. Signatures - In witness whereof, the Client and Adviser have executed this Agreement on the day, month, and year written below:

Salter N. Rackley 9/17/08
Client Signature Date

Salter N. Rackley
Name of Client (type or print)

Second Signature (joint account) Date

Name of Client (type or print)

If corporation or other entity:

Signature Date

Name of Client (type or print) Title

Accepted by A.D. Vallett & Co, LLC:

A.D. Vallett
Signature Date

Aaron D. Vallett President
Name Title

EXHIBIT B

Allianz Life Insurance Company of North America
PO Box 59050
Minneapolis, MN 55459-0050
800.950.1962



Withdrawal Request Form for Annuity Contract # 70428616

This form is used to request a disbursement from your contract.

- Use this form only if the tax plan type is non-qualified, or a qualified IRA, Roth IRA.
- Do not use this form for qualified types 403(b), 401(k), Keogh, pension plan, or profit sharing plan. Complete the Qualified Disbursement Request form S2085 instead.
- Read and complete all sections of this form.

Consult resources to determine what is allowable, available, tax plan, definitions, and impact to policy values:

- www.allianzlife.com for your policy information
- The writing agent or a tax advisor
- The policy contract and riders
- Allianz Contact Center 800.950.1962

Section A: Policyowner information			
Policyowner's printed full name: <u>William R. Reckley</u>	Tax ID / SS#: _____	Date of birth: (mm-dd-yyyy) _____	Daytime phone number: <u>(615) 897-2727</u>
Joint policyowner's printed full name: <u>Sally N. Reckley</u>	Tax ID / SS#: _____	Date of birth: (mm-dd-yyyy) _____	Daytime phone number: <u>(615) 897-2727</u>

Section B: Selection of withdrawal type

- Free Withdrawal
- Maximum free withdrawal (less any tax withholding elected)
 - Specific dollar amount \$ _____ (Must be less than the maximum available. Amount will be less any tax withholding. For monthly, provide the monthly amount).
- Payment frequency: Monthly* One time payment
- *If you choose the monthly option, and it is not available on your product, we will send you one free withdrawal check equal to 12 monthly payments or your maximum amount available, whichever is less.
- Partial surrender
- Specific dollar amount \$ _____
 - If you elect to withhold taxes in section C, we will increase the partial surrender amount so that you will receive the net amount requested.
- Full surrender
- Full surrender: Allianz is released, acquitted, and discharged from all claims and/or liabilities under this contract, if any, which may exist now or hereafter. The payment represents the full amount due under the contract. If your full surrender proceeds exceed the current applicable minimum, your net cash value is automatically available to you in an interest-bearing guaranteed benefit account opened in your name. You will receive a checkbook and will easily be able to take all of your funds at once by writing a check for the full amount. You may also leave your account open and earn interest at a competitive rate while writing checks on the balance as needed. In the event of your death, the balance of your account will be paid to your estate. The guaranteed benefit account is not available for residents of Kansas.
- Loan
- Maximum loan
 - Specific dollar amount \$ _____
- A loan on a non-qualified tax plan is considered a taxable event and any gains on the contract will be reported to the IRS on form 1099R. The check will equal either the loan amount requested (specific or maximum available), less advanced interest and less elected tax withholding.

Section C: Choose a tax withholding election

All, or part, of the payment you receive in connection with the surrender, withdrawal, or loan of a life insurance, endowment, or annuity contract, including the values used to cancel any outstanding loan indebtedness, may be includable in your gross income for tax purposes. The taxable portion of the distribution is subject to federal (and potentially state) withholding unless you elect not to have withholding apply. You may elect not to have withholding apply by marking the appropriate box below. If an election is not made, federal income tax will be withheld from the taxable portion at the rate of 10%. Once the funds are distributed to you, Allianz Life will not reverse federal or state withholding.

If you elect not to have withholding apply or if you do not have enough federal income tax withheld, you may be responsible for payment of estimated tax. You may incur penalties under the estimated tax rules if your withholding and estimated tax payments are not sufficient. You may wish to contact your financial professional regarding any questions you may have about taxes.

I have read the above information and I DO NOT want to have federal income tax withheld from my payment.

I have read the above information and I DO want to have federal income tax withheld at the rate of _____% (10% is the minimum allowed if withholding is elected). I realize I will be subject to state income tax withholding if I elect federal withholding and reside in a state where state tax withholding is mandatory.

pg. 1 of 3

19

From:

08/18/2009 14:25

#315 P.002/003

Section D: Select payee information and mailing instructions

<input type="checkbox"/> Mail to policyowner:	<input type="checkbox"/> United States Postal Service (no fee) <input type="checkbox"/> Overnight (\$15 fee)	<input type="checkbox"/> To current address on record <input type="checkbox"/> To alternate address: _____ _____
<input type="checkbox"/> Mail to financial institution:	<input type="checkbox"/> United States Postal Service (no fee) <input type="checkbox"/> Overnight (\$15 fee)	• Name of financial institution: _____ • Address: _____ • Account Number: _____ • For the benefit of: _____
<input checked="" type="checkbox"/> Wire transmittal (\$20 fee)	<input type="checkbox"/> Attach a voided check. Ask the receiving bank about their fees, if any. <i>See attached</i>	

Section E: Complete the signatures section

 I understand that once Allianz has processed my request, Allianz Life will not reverse federal or state withholding I selected. For a full surrender, if the original contract is not attached, I/We certify that the contract has been lost or destroyed, and the best of my/our knowledge and belief, is not in anyone's possession.

William K. Pochley _____ 08/07/2009
 Policyowner's signature Signed date

Walter M. Pochley _____ 8/19/09
 Joint policyowner's signature Signed date

(ADDITIONAL SIGNATURES REQUIRED, IF APPLICABLE)

*Trust _____ As trustee of the: _____
 Trustee's signature Trust name (printed) Signed date

*Power-of-Attorney: _____ By: _____
 Policyowner's name Attorney-in-fact signature Signed date

Collateral assignment: _____
 Collateral Assignee signature Signed date

*Submit legal documents such as trust papers and power-of-attorney paperwork. Trust papers required include 1) trust name 2) trust date 3) names of trustee and successor 4) signature page.

Submit this form. Options:
 Fax to number 763.562.6004
 Mail to address: PO Box 59060, Minneapolis MN 55459-0060

These were NOT signed by the Pochleys

DOMESTIC WIRE REQUEST FORM

Beneficiary's Information:

Amount: full liquidation / surrender

ABA #: _____

Bank Name: Bancorp Bank

409 Silverside Rd; Ste 105

Wilmington, DE 19809

Beneficiary Account #: _____

Reference: William R. Rackley

Requestor's Information:

Request Date: 08/07/2009

Account Number: Allianz Policy # 70428616

Account Name: William R. Rackley

Address: _____

Authorized Acct Signer: _____

Signature: William R. Rackley *Not signed by Rackley*

Phone Number for verification of request: 615-897-2727

TradePMR Bank
409 Silverside Road, Suite 100
Wilmington, DE 19809

Banking Services provided by The Bancorp Bank. Member FDIC. Equal Housing Lender

pg. 3 of 3

21

EXHIBIT C

Not registered with St of TN

4/14/10

CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no. Collateral Fund I, LLC 5141 Virginia Way Brentwood, TN 37027 Telephone NO: 615-312-8240		Payer's RTN (optional) 1 Interest income \$ 22,495.98 2 Early withdrawal penalty \$		OMB No. 1545-0112 2009 Interest Income Form 1099-INT	
PAYER'S federal identification number	RECIPIENT'S identification number	3 Interest on U.S. Savings Bonds and Treas. obligations \$		Copy B For Recipient This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.	
RECIPIENT'S name SAJTER N KACKLEY		4 Federal income tax withheld \$	6 Investment expenses \$		
Street address (including apt. no.)		5 Foreign tax paid \$	7 Foreign country or U.S. possession		
City, state, and ZIP code		8 Tax-exempt interest \$	9 Specified private activity bond interest \$		
Account number (see instructions)					

Form 1099-INT

(keep for your records)

Department of the Treasury - Internal Revenue Service

Received 4/14/10

NO MONEY EVER RECEIVED

I doubt these were filed with IRS

ct

EXHIBIT 4

BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE
FOR THE STATE OF TENNESSEE

TENNESSEE SECURITIES DIVISION,)
TENNESSEE INSURANCE DIVISION,)
Petitioners.) Docket # 12.06-108775J
)
vs.) TSD Order No.: 10-008
) TID Order No.: 10-046
)
A.D. VALLETT & CO., LLC,)
A.D. VALLETT & COMPANY,)
A.D. VALLETT COLLATERAL FUND I, LLC,)
A.D. VALLETT COLLATERAL FUND II, LLC,)
A.D. VALLETT INCOME & OPPORTUNITY)
FUND I, LLC, and)
AARON DONALD VALLETT,)
Respondents.)

AFFIDAVIT

STATE OF Tennessee)
COUNTY OF Davidson)

PERSONALLY came and appeared before me, the undersigned notary, the within named Donna M. Boswell, who is a resident of Davidson County, State of TN, and makes this her statement and Affidavit upon oath and affirmation of belief and personal knowledge that the following matters, facts, and statements set forth herein are true and correct to the best of her knowledge:

I, DONNA M. BOSWELL, HAVING BEEN DULY SWORN, DEPOSE AND SAY AS FOLLOWS:

1. I, Donna M. Boswell, am a resident of Nashville, TN;
City State

2. On August 1, 2008, I signed an investment advisory agreement with A.D. Vallet & Co., LLC ("Vallett & Co."). I was first contacted about this agreement by Mr. Vincent Giannattasio ("Giannattasio"), an investment advisor representative with Vallett & Co. I know Giannattasio from

U.S. Bank, where I am an employee and Giannattasio was a former employee. Giannattasio contacted me and suggested that I sign an advisory agreement with his new employer, Vallett & Co. I agreed and entered a new investment advisory agreement with Vallett & Co. I received a copy of the agreement, signed by A.D. Vallett, dated August 1, 2008. I have included a copy of the agreement with this affidavit.

FURTHER, AFFIANT SAITH NOT.

Donna M. Boswell
DONNA M. BOSWELL

Sworn to and subscribed before me this the 31st day of August, 2010.

Terese L. Newkirk-Ladd
Notary Public

MY COMMISSION EXPIRES
ON JULY 7, 2014

My commission expires: _____



a.d. vallett & co.

financial management

5141 Virginia Way, Ste. 460 * Brentwood * TN * 37027
615-312-8240 * 615-312-8241 fax * 877-312-8240 toll free
info@advallett.com * www.advallett.com

Private Wealth Management
Investment Advisory Agreement

Account # _____

Re: the account of *Danna M. Boswell* (the "Account")

The undersigned ("Client") hereby employs A.D. Vallett & Co., LLC ("Adviser") as investment adviser for the Account. Adviser agrees to serve in that capacity under the following terms and conditions:

- 1. Authority** - Adviser shall have full power to direct, manage, and change the investment and reinvestment of the assets in the Account, the proceeds thereof, and any additions thereto, and to take other action with respect to such assets, all without prior consultation with Client, in accordance with such objectives as Client may, from time to time, have furnished Adviser in writing, and subject only to such written limitations as Client may impose. In providing all services hereunder, Adviser is entitled to rely on the financial information and other information provided by Client without any duty or obligation to investigate the accuracy or completeness of the information. Adviser does not guarantee the investment performance of any of the investments in the Account.
- 2. Custody** - The assets in the Account shall be held for safekeeping with Sterne, Agee, & Leach, Inc., a.k.a. S.A.L.I. ("Custodian"). Adviser shall not act as Custodian for the assets in the Account and shall not be liable to Client for any act, conduct or omission by Custodian. Adviser is hereby authorized and empowered to issue instructions to Custodian and to request information about the Account from Custodian.
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- 7. Liability** - Adviser shall not be subject to liability for any act or omission in the course of, or connected with, its performance of this agreement, except in the case of willful misfeasance, bad faith or gross negligence on the part of the Adviser, or the reckless disregard by the Adviser of its obligations and duties under this agreement, but nothing herein shall in any way constitute a waiver or limitation of any rights which Client may have under any federal or state securities law or the Employee Retirement Income Security Act of 1974 ("ERISA"), if applicable. All actions taken by Adviser hereunder, either before or after the death or incapacity of the undersigned, but

A.D. Vallett & Co., LLC

Private Wealth Management * Investment Advisory Agreement

before receipt by Adviser of information of such death or incapacity, shall be binding upon Client and Client's legal representatives who shall hold Adviser harmless hereunder from all liability arising from such action so taken.

8. Disclaimers and Limitations - The Client's investments are subject to risks associated with investing in securities, including various market, currency, economic, political and business risks. The Adviser does not guarantee the performance of the Client's investments or guarantee that the Adviser's investment advice or strategies will be successful or that the Client's investment objectives will be met. In the event that the Client directs Adviser to use a particular broker or dealer, the Adviser may not be authorized under those circumstances to negotiate commissions and may not be able to obtain volume discounts or best execution. In addition, under these circumstances a disparity in commission charges may exist between the commissions charged to clients who direct the Adviser to use a particular broker or dealer.

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13. Communications - Instructions with respect to securities transactions may be given orally or via facsimile and where deemed necessary, may be confirmed in writing as soon as possible. Notices required to be given under this agreement, but not including reports to clients, shall be delivered by hand or by overnight mail or sent by certified or registered mail and shall be deemed given when received at the address specified below, and, as to the Custodian, at such address as it may specify to the Adviser in writing, or at such other address as a party to receive notice may specify in a notice given in accordance with this provision. Adviser may rely on any notice from any person reasonably believed to be genuine and authorized.

14. Fees - For Adviser's services, Client will pay a management fee based on the market value of the Account in accordance with the negotiated fee printed below. Adviser's fees are exclusive of and in addition to any fees assessed by the funds that the Client's account is invested in and/or fees charged by the Custodian. The percentage fee will be prorated for any period of less than a quarter year, but a fee shall be due for each such quarter during any part of which Adviser is managing the Account. One fourth of the annual

management fee will be charged in advance each quarter based upon the Account's market value at the end of the quarter. The management fee may be deducted directly from Client's Account by the Custodian and automatically remitted to Adviser. Adviser will mail Client a copy of the bill and it is the Client's responsibility to verify the accuracy of the fee calculation. The annual fee will be determined based on the ending aggregate market value of the assets in the Account each quarter. Client is responsible for any management fee accrued from the beginning of the quarter to the date of termination. Adviser is responsible for refund of any payment made in advance accrued from the beginning of the quarter to the date of termination.

Annual % Fee 1.2

15. Disclosure - Client acknowledges that he/she has read the foregoing and has kept a copy for future reference, and Client acknowledges receipt of Adviser's Disclosure Statement, as required by Rule 204-3 under the Advisers Act.

16. Severability - If any provision in this agreement is invalid or unenforceable, the remainder of the agreement will continue in full force and effect.

17. Amendment and Waiver - The Adviser may change this agreement with prior notice to the Client. The failure to insist on strict compliance with this agreement will not constitute a waiver of rights under the agreement.

18. Arbitration - Client hereby agrees that all controversies which may arise between Client and the Adviser concerning any transaction or the construction, performance, or breach of this agreement between Client and the Adviser, whether entered into prior to, on, or subsequent to the date hereof, shall be determined by arbitration. Client understands that this agreement to arbitrate does not constitute a waiver of the right to seek a judicial forum where such waiver would be void under federal securities laws. Any arbitration shall be held in the city chosen by the Adviser or the American Arbitration Association, pursuant to the Arbitration Laws of Tennessee, or before the American Arbitration Association and in accordance with its rules then applying.

19. Captions - The captions in this agreement are included for convenience of reference only and in no way define or delimit any of the provisions hereof or otherwise affect their construction or effect.

20. Entire Agreement - This agreement constitutes the entire agreement of the parties with respect to management of the Account and can be amended only by written document signed by both parties. This agreement and the rights and obligations of the parties hereunder shall be construed in accordance with and governed by the law of the State of Tennessee, without giving effect to the conflict of law principles thereof.

21. Signatures - In witness whereof, the Client and Adviser have executed this Agreement on the day, month, and year written below:

Donald M. Boswell 8/1/08
Client Signature Date

Dorinda M. Boswell
Name of Client (type or print)

Second Signature (joint account) Date

Name of Client (type or print)

If corporation or other entity:

Signature Date

Name of Client (type or print) Title

Accepted by A.D. Vallett & Co, LLC:

A.D. Vallett 8/1/08
Signature Date

Aaron D. Vallett President
Name Title

EXHIBIT 5

BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE
FOR THE STATE OF TENNESSEE

TENNESSEE SECURITIES DIVISION,)
TENNESSEE INSURANCE DIVISION,)
Petitioners.)
)
vs.)
)
A.D. VALLETT & CO., LLC,)
A.D. VALLETT & COMPANY,)
A.D. VALLETT COLLATERAL FUND I, LLC,)
A.D. VALLETT COLLATERAL FUND II, LLC,)
A.D. VALLETT INCOME & OPPORTUNITY)
FUND I, LLC, and)
AARON DONALD VALLETT,)
Respondents.)

Docket # 12.06-108775J

TSD Order No.: 10-008

TID Order No.: 10-046

AFFIDAVIT

STATE OF Tennessee)
COUNTY OF Davidson)

PERSONALLY came and appeared before me, the undersigned notary, the within named Donna Broadaway, who is a resident of Hickman County, State of Tennessee, and makes this her statement and Affidavit upon oath and affirmation of belief and personal knowledge that the following matters, facts, and statements set forth herein are true and correct to the best of her knowledge:

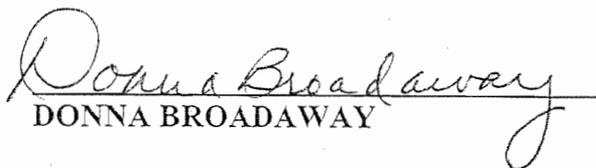
I, DONNA BROADAWAY, HAVING BEEN DULY SWORN, DEPOSE AND SAY AS FOLLOWS:

1. I, Donna Broadaway, am a resident of Lyles, TN;
City State

2. On October 3, 2008, I signed an investment advisory agreement with A.D. Vallett & Co., LLC ("Vallett & Co."). I was first contacted and about this agreement by Mr. Vincent Giannattasio ("Giannattasio"), an investment advisor representative with Vallett & Co. He suggested

that I sign an advisory agreement with his new employer, Vallett & Co. I agreed and entered a new investment advisory agreement with Vallett & Co. I received a copy of the agreement, signed by A.D. Vallett, dated October 6, 2008. I have included a copy of the agreement with this affidavit.

FURTHER, AFFIANT SAITH NOT.


DONNA BROADAWAY

Sworn to and subscribed before me this the 27th day of August, 2010.


Notary Public

My commission expires: 3/3/2014



a.d. vallett & co.
financial management

5141 Virginia Way, Ste. 460 * Brentwood * TN * 37027
615-312-8240 * 615-312-8241 fax * 877-312-8240 toll free
info@advallett.com * www.advallett.com

Private Wealth Management
Investment Advisory Agreement

Account # _____

Re: the account of Donna G. Broadway (the "Account")

The undersigned ("Client") hereby employs A.D. Vallett & Co., LLC ("Adviser") as investment adviser for the Account. Adviser agrees to serve in that capacity under the following terms and conditions:

- 1. Authority** - Adviser shall have full power to direct, manage, and change the investment and reinvestment of the assets in the Account, the proceeds thereof, and any additions thereto, and to take other action with respect to such assets, all without prior consultation with Client, in accordance with such objectives as Client may, from time to time, have furnished Adviser in writing, and subject only to such written limitations as Client may impose. In providing all services hereunder, Adviser is entitled to rely on the financial information and other information provided by Client without any duty or obligation to investigate the accuracy or completeness of the information. Adviser does not guarantee the investment performance of any of the investments in the Account.
- 2. Custody** - The assets in the Account shall be held for safekeeping with Sterne, Agee, & Leach, Inc., a.k.a. S.A.L.I. ("Custodian"). Adviser shall not act as Custodian for the assets in the Account and shall not be liable to Client for any act, conduct or omission by Custodian. Adviser is hereby authorized and empowered to issue instructions to Custodian and to request information about the Account from Custodian.
- 3. Reports to Client** - Adviser will send Client an inventory of the investments, list of transactions, and performance returns of the Account as soon as reasonably possible after the end of each quarterly period. Copies of confirmations of transactions executed will be sent promptly to the Client or its designated party by the Custodian. Adviser does not assume responsibility for the accuracy of information furnished by Custodian or any other party.
- 4. Confidential Relationship** - All information and advice furnished by either party to the other shall be treated as confidential and shall not be disclosed to third parties except as required by law.
- 5. Proxy Voting** - The Adviser does not vote Client proxies. The Client is responsible for voting any such proxies.
- 6. Non-Exclusive Contract** - Client understands that Adviser acts as adviser to other clients, and may publish or give advice and take action with respect to any other client which may differ from the timing or nature of action taken with respect to the Account. Client further understands that Adviser will not have any obligation to purchase or sell for the Account, or to recommend for purchase or sale for the Account, any securities which Adviser, its principals, affiliates, or employees may purchase or sell for any other client or themselves if in their opinion such transaction appears inadvisable for the Account. Client recognizes that transactions in a specific security may not be accomplished for all clients at the same time at the same price.
- 7. Liability** - Adviser shall not be subject to liability for any act or omission in the course of, or connected with, its performance of this agreement, except in the case of willful misfeasance, bad faith or gross negligence on the part of the Adviser, or the reckless disregard by the Adviser of its obligations and duties under this agreement, but nothing herein shall in any way constitute a waiver or limitation of any rights which Client may have under any federal or state securities law or the Employee Retirement Income Security Act of 1974 ("ERISA"), if applicable. All actions taken by Adviser hereunder, either before or after the death or incapacity of the undersigned, but

before receipt by Adviser of information of such death or incapacity, shall be binding upon Client and Client's legal representatives who shall hold Adviser harmless hereunder from all liability arising from such action so taken.

- 8. Disclaimers and Limitations** - The Client's investments are subject to risks associated with investing in securities, including various market, currency, economic, political and business risks. The Adviser does not guarantee the performance of the Client's investments or guarantee that the Adviser's investment advice or strategies will be successful or that the Client's investment objectives will be met. In the event that the Client directs Adviser to use a particular broker or dealer, the Adviser may not be authorized under those circumstances to negotiate commissions and may not be able to obtain volume discounts or best execution. In addition, under these circumstances a disparity in commission charges may exist between the commissions charged to clients who direct the Adviser to use a particular broker or dealer.
- 9. Agreement Not Assignable** - No assignment (as that term is defined in the Investment Advisers Act of 1940) of this Agreement may be made by either party without written consent of the non-assigning party. For purposes of determining Client consent in the event of an assignment, Adviser will send the Client written notice of the Assignment. If the Client does not object in writing within sixty (60) days of sending of such notice, the Client will be deemed to have consented to the assignment. This Agreement and all subsequent amendments shall inure to the benefit of the successor and assigning of the parties hereto.
- 10. Adviser Representations** - Adviser represents that it is registered as an investment adviser under the Advisers Act and that such registration is currently effective. If the Account is subject to ERISA, Adviser acknowledges that it is a "fiduciary" (as that term is defined by ERISA) with respect to the Account.
- 11. Client Representations** - Client represents that employment of Adviser, including the right to make decisions with respect to the voting of proxies, if granted, is authorized by, has been accomplished in

accordance with, and does not violate, the documents governing the Account. Client will furnish Adviser with true copies of all governing documents. If the Account is subject to ERISA: (i) Client acknowledges that it is a "named fiduciary" with respect to control or management of the assets of the Account; (ii) Client agrees to obtain and maintain a bond, satisfying the requirements of Section 412 of ERISA, and to include Adviser and its agents among those insured under that bond; and (iii) Client represents that Adviser's investment strategy is appropriate for the Account's assets.

- 12. Termination** - This agreement may be terminated at any time by either party upon 30 days' written notice to the other party. Fees will be prorated to date of termination. In the event of termination of this agreement, Adviser shall have no obligation whatsoever to recommend any action with respect to or to liquidate the assets in the Account. Adviser shall be entitled to be paid its fees in connection with its services provided hereunder for the period to such termination.
- 13. Communications** - Instructions with respect to securities transactions may be given orally or via facsimile and where deemed necessary, may be confirmed in writing as soon as possible. Notices required to be given under this agreement, but not including reports to clients, shall be delivered by hand or by overnight mail or sent by certified or registered mail and shall be deemed given when received at the address specified below, and, as to the Custodian, at such address as it may specify to the Adviser in writing, or at such other address as a party to receive notice may specify in a notice given in accordance with this provision. Adviser may rely on any notice from any person reasonably believed to be genuine and authorized.
- 14. Fees** - For Adviser's services, Client will pay a management fee based on the market value of the Account in accordance with the negotiated fee printed below. Adviser's fees are exclusive of and in addition to any fees assessed by the funds that the Client's account is invested in and/or fees charged by the Custodian. The percentage fee will be prorated for any period of less than a quarter year, but a fee shall be due for each such quarter during any part of which Adviser is managing the Account. One fourth of the annual

management fee will be charged in advance each quarter based upon the Account's market value at the end of the quarter. The management fee may be deducted directly from Client's Account by the Custodian and automatically remitted to Adviser. Adviser will mail Client a copy of the bill and it is the Client's responsibility to verify the accuracy of the fee calculation. The annual fee will be determined based on the ending aggregate market value of the assets in the Account each quarter. Client is responsible for any management fee accrued from the beginning of the quarter to the date of termination. Adviser is responsible for refund of any payment made in advance accrued from the beginning of the quarter to the date of termination.

Annual % Fee 1

15. **Disclosure** - Client acknowledges that he/she has read the foregoing and has kept a copy for future reference, and Client acknowledges receipt of Adviser's Disclosure Statement, as required by Rule 204-3 under the Advisers Act.

16. **Severability** - If any provision in this agreement is invalid or unenforceable, the remainder of the agreement will continue in full force and effect.

17. **Amendment and Waiver** - The Adviser may change this agreement with prior notice to the Client. The failure to insist on strict compliance with this agreement will not constitute a waiver of rights under the agreement.

18. **Arbitration** - Client hereby agrees that all controversies which may arise between Client and the Adviser concerning any transaction or the construction, performance, or breach of this agreement between Client and the Adviser, whether entered into prior to, on, or subsequent to the date hereof, shall be determined by arbitration. Client understands that this agreement to arbitrate does not constitute a waiver of the right to seek a judicial forum where such waiver would be void under federal securities laws. Any arbitration shall be held in the city chosen by the Adviser or the American Arbitration Association, pursuant to the Arbitration Laws of Tennessee, or before the American Arbitration Association and in accordance with its rules then applying.

19. **Captions** - The captions in this agreement are included for convenience of reference only and in no way define or delimit any of the provisions hereof or otherwise affect their construction or effect.

20. **Entire Agreement** - This agreement constitutes the entire agreement of the parties with respect to management of the Account and can be amended only by written document signed by both parties. This agreement and the rights and obligations of the parties hereunder shall be construed in accordance with and governed by the law of the State of Tennessee, without giving effect to the conflict of law principles thereof.

21. **Signatures** - In witness whereof, the Client and Adviser have executed this Agreement on the day, month, and year written below:

Donna G. Broadaway 10/3/08
Client Signature Date

Donna G. Broadaway
Name of Client (type or print)

Second Signature (joint account) Date

Name of Client (type or print)

If corporation or other entity:

Signature Date

Name of Client (type or print) Title

Accepted by A.D. Vallett & Co, LLC:

A.D. Vallett 10-6-08
Signature Date

Aaron D. Vallett President
Name Title

EXHIBIT 6

**BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE
FOR THE STATE OF TENNESSEE**

TENNESSEE SECURITIES DIVISION,)	
TENNESSEE INSURANCE DIVISION,)	
Petitioners.)	Docket # 12.06-108775J
)	
vs.)	TSD Order No.: 10-008
)	TID Order No.: 10-046
A.D. VALLETT & CO., LLC,)	
A.D. VALLETT & COMPANY,)	
A.D. VALLETT COLLATERAL FUND I, LLC,)	
A.D. VALLETT COLLATERAL FUND II, LLC,)	
A.D. VALLETT INCOME & OPPORTUNITY)	
FUND I, LLC, and)	
AARON DONALD VALLETT,)	
Respondents.)	

AFFIDAVIT

STATE OF TENNESSEE)
)
COUNTY OF DAVIDSON)

I, DANA VERNON, HAVING BEEN DULY SWORN, DEPOSE AND SAY AS FOLLOWS:

1. I am employed as a Securities Examiner with the Securities Registration Section of the Tennessee Securities Division ("TSD"), Tennessee Department of Commerce and Insurance.
2. As a Securities Examiner with the Securities Registration Section, I am responsible for the maintenance and use of documents and electronically transmitted information received by the Securities Registration Section relating to the registration of securities products registered with the State of Tennessee and/or the United States Securities and Exchange Commission ("SEC"). Such documents and electronically transmitted information contain the product information for all

products which have been registered pursuant to the Tennessee Securities Act of 1980, as amended (Act), for sale from, in, or into Tennessee.

3. At the request of the Enforcement Section of the TSD, I have searched the records of the Securities Registration Section and the SEC to determine whether the A.D. Vallett Collateral Fund I, LLC was registered with the Division for sale from, in, or into Tennessee as required by the Act. My search of the TSD records included a search for any notice filings or exemption claims filed for A.D. Vallett Collateral Fund I, LLC. My search included a search for any necessary filings with the SEC to qualify for either a SEC Regulation D Rule 504 or SEC Regulation D Rule 506 exemption. My search included a search for any articles of incorporation with the State of Delaware Division of Corporations for A.D. Vallett Collateral Fund I, LLC.

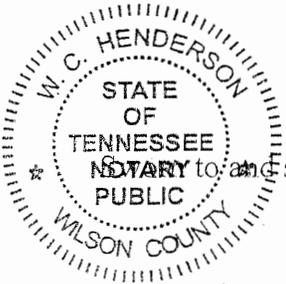
4. My search revealed that the A.D. Vallett Collateral Fund I, LLC is not currently registered under the Act for sale from, in, or into Tennessee and has never been registered as required by the Act. My search DID NOT REVEAL ANY requisite notice filings with the TSD or SEC Regulation D filings as required by TENN. CODE ANN. § 48-2-125(b) in order to exempt the securities from state registration. Tennessee does not recognize the Rule 504 exemption. My search revealed that A.D. Vallett Collateral Fund I, LLC did not legally exist until June 3, 2010, when it was incorporated with the State of Delaware Division of Corporations as a newly formed Delaware limited liability company.

5. If an issuer or seller intends to rely on an exemption or prior registration with another jurisdiction, then he or she must make such a filing with the TSD. As of the date noted below there have not been any notice filings or exemption claims filed for A.D. Vallett Collateral Fund I, LLC.

FURTHER, AFFIANT SAITH NOT.



DANA VERNON



NOTARY to and subscribed before me this the 7th day of September, 2010.



Notary Public

My commission expires: August 19, 2013