

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

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**SECURITIES AND EXCHANGE** :

**COMMISSION,** :

**Plaintiff,** :

**Civil Action File No. 3:10-CV-00551**

**v.** :

**Judge Haynes**

**AARON DONALD VALLETT AND A.D.** :

**VALLETT & CO., LLC,** :

**Defendants.** :

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**FIRST INTERIM REPORT OF RECEIVER**

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**BACKGROUND**

Aaron Donald Vallett (born Aaron Springate) (hereinafter “Mr. Vallett”) is a native of Nashville, Tennessee, born in September of 1977. He obtained a degree in Business Administration and Finance from Western State Colorado in 2000. He initially commenced a career in Financial Services as a wholesaler of retirement and college savings programs in New York but returned to Nashville following the events of September 11, 2001.

Mr. Vallett became a Financial Industry Regulatory Authority (FINRA) licensed general securities principal, an investment company/variable contract representative, a general securities representative, a Tennessee state life, health, and variable contracts licensee, and passed the Uniform Securities Agent state law and Uniform Investment Advisor law examinations.

Mr. Vallett is registered with the Tennessee Securities Division as an investment advisor representative through an investment advisor, his solely owned company, the A. D. Vallett and Co., LLC (“ADVCo”). Mr. Vallett was registered with the Tennessee Securities Division as a broker/dealer agent through an association with Institutional Capital Management (“ICM”).

After returning from New York, Mr. Vallett obtained employment with Cambridge Way, Inc. from 2002 through 2006. Following his resignation from employment at Cambridge Way, Inc., Mr. Vallett became an employee of Synergy Investment Group, LLC located in Charlotte, North Carolina. He supplemented his agent registration through Synergy Investment Group.

Mr. Vallett formed ADVCo as a Tennessee limited liability company on April 26, 2006. The company did business at 5141 Virginia Way, Suite 460 in Brentwood, Tennessee.<sup>1</sup> ADVCo obtained an employer identification number with the Internal Revenue Service: 42-1701798.

ADVCo and Mr. Vallett applied for investment advisor and investment advisor representative registrations with the Tennessee Securities Division on June 21, 2007. In that application, Mr. Vallett disclosed information regarding a pending regulatory action brought by FINRA then pending which, on May 7, 2008, resulted in a voluntary four-month suspension from any association in any capacity with any member firm of FINRA. Mr. Vallett also agreed to pay a monetary fine of \$5,000.

On June 16, 2008, Mr. Vallett entered into a consent order with the Commissioner of the Tennessee Securities Division, agreeing to fully comply with the requirements of Tenn. Code Ann. Sections 48-2-101, *et seq* (the “Tennessee Act”), as amended, and agreed to a suspension from acting as a broker/dealer agent or investment advisor within the State of Tennessee for a four-month period

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<sup>1</sup>The Receiver surrendered the premises to the landlord shortly after the Receiver was appointed.

from June 16, 2008 through October 15, 2008. This suspension would be served concurrently with the FINRA suspension noted above. In connection with his voluntary agreement with the State of Tennessee, Mr. Vallett was ordered to make a contribution to the Investor Education Fund in the amount of \$1,500.

On June 19, 2008, ADVCo registered as an investment buyer with the Tennessee Securities Division.

On December 15, 2009, the Tennessee Securities Division received a complaint (Complaint 2009-0090) which alleged that Mr. Vallett was engaged in the unlawful sale of unregistered securities. Following the complaint, the Tennessee Securities Division engaged in an investigation and conducted an onsite inspection of ADVCo in the month of April, 2010. The Tennessee Securities Division concluded that Mr. Vallett and ADVCo had violated the state consent order of June 16, 2008.

The business of ADVCo involved several facets. ADVCo acted as an investment advisor to ERISA qualified pension funds on behalf of pension trustees. As such, the investment advisor was responsible for directing investments, generally through a custodial account with a qualified broker/dealer licensee. A number of retirement fund trustees engaged ADVCo to act as the investment advisor.

ADVCo also engaged in the sale of securities, sometimes in the nature of promissory notes and some unspecified.<sup>2</sup> ADVCo also engaged in the business of providing payroll services to several small businesses, in one case actually extended credit to the client for its payroll to be reimbursed

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<sup>2</sup>It is interesting to note that several of the private placement memoranda on such private securities sales referenced the sale of secured promissory notes. The Receiver, however, can find no record of fully signed promissory notes issued nor any evidence that any security or collateral was attached to those notes.

by the client after the payroll period.

In connection with the investments that ADVCo was selling, Mr. Vallett formed the A. D. Vallett Collateral Fund II LLC ("CFII") as a Delaware limited liability company on February 12, 2010. Also in connection with investments already sold by ADVCo, Mr. Vallett created the A.D. Vallett Collateral Fund I, LLC ("CFI") on June 3, 2010.<sup>3</sup>

Mr. Vallett formed the A.D. Vallett Income and Opportunity Fund I, LLC ("I&O Fund") as a Delaware limited liability company on February 12, 2010. ADVCo and Mr. Vallett solicited one investor to invest in this fund, although this investor formally invested in the fund personally as well as trustee for two trust funds.

In May of 2010, an examination was undertaken by FINRA where, it is alleged, Mr. Vallett misrepresented the extent of the collateral for the secured notes in connection with CFI, CFII, and I&O Fund. According to the examination by FINRA, Mr. Vallett produced statements from Fidelity Investments and Trade PMR for brokerage accounts that he represented were his personal assets, apparently intended to secure the secured notes issued in connection with the offerings. When FINRA staff contacted Fidelity Investments and Trade PMR directly, however, to verify the accuracy of this, they were advised that these accounts belonged to advisory clients of ADVCo and Sailer Financial and thus could not serve as security for the notes in question.

The above styled action was initiated on June 2, 2010 by the Securities and Exchange Commission in an effort to freeze any further depletion of assets held by ADVCo, Mr. Vallett or any of the related companies. This court issued a temporary restraining order which essentially froze all

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<sup>3</sup>This fund, CFI, was created long after Mr. Vallett solicited investments for the fund, accepted investments for the fund, and used investor funds, apparently intended for CFI, for other purposes.

of the assets of Mr. Vallett, ADVCo, and all of its related companies, including I&O Fund, CFI, and CFIL.<sup>4</sup>

On June 9<sup>th</sup>, this court converted the temporary injunction into a permanent injunction, which specifically enjoined Mr. Vallett, ADVCo, and any of their agents from further violations of the Securities and Exchange Act of 1934, the Securities Act of 1933, the Investment Advisors Act of 1940, and made permanent the freeze of the assets of Mr. Vallett, ADVCo and the related companies.

On August 18, 2010, this Court appointed the undersigned to serve as the Receiver to assume responsibility for the liquidation of the assets of Mr. Vallett, ADVCo, and the related companies and to take what steps were appropriate to preserve the assets of the various ADVCo and related entities, and provide a report to the court forty-five days after appointment.

#### **STEPS UNDERTAKEN BY THE RECEIVER**

Upon being appointed Receiver on August 18, 2010 (at approximately 1 p.m. CDT), the Receiver was advised that the landlord of the premises at 5141 Virginia Way, the principal office of ADVCo, was intending to execute a detainer warrant on August 19, 2010, jeopardizing the ability of the Receiver to take custody of the records of ADVCo.

The Receiver retained the services of Lassiter, Tidwell, Davis, Keller & Hogan, PLLC to assist the Receiver in pursuing what appeared to be the immediate needs of protecting and securing the records of ADVCo, securing the assets of ADVCo, and commencing actions to recover other

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<sup>4</sup>Again, it is interesting to note that at the time of the injunction freezing the assets, CFI did not legally exist and the concept of a separate “fund” for the individuals that had invested in what they believed to be CFI was simply a deposit into an account of ADVCo identified as either ADVCo Operating Account or CFI Account.

assets. The Receiver retained the services of John Heldreth & Associates to take custody of the physical assets of ADVCo and Mr. Vallett. The Receiver retained the services of Garry Lewis, CPA, to assist in sorting through the books and records of ADVCo and the various accounts.

The Receiver immediately and physically secured custody of the premises, negotiated with the landlord to defer the execution of the detainer warrant, took physical possession of the assets of ADVCo, and secured the computer files and the physical records that were available at the premises. The Receiver then surrendered the premises in Maryland Farms to the landlord. The Receiver retained the services of two employees of ADVCo, Nikki Clemmer and Joanna Fendt. All other employees of ADVCo were not retained or were specifically discharged.

The Receiver became aware of a second location, rented by ADVCo, on Old Hickory Boulevard. The Receiver physically visited this premises, discharged the employees who were present, secured the location, and took possession of the few assets for later liquidation, and subsequently surrendered this premises to the landlord.

The Receiver, with the assistance of his attorneys, immediately began investigating the financial affairs of ADVCo and the related companies. It became very clear that there were substantial intrafund transfers between accounts held in the name of ADVCo and CFI, CFII, accounts at ICM, the Royal Canadian Bank, and Franklin Synergy Bank. It also became immediately clear to the Receiver that the funds on hand held in the name of ADVCo, or any of the related groups, were grossly inadequate to cover the claims of investors with the various entities.

The Receiver learned that a substantial transfer of funds to three entities had taken place just prior to the imposition of the temporary injunction. These transfers were made to two trusts and a couple that had previously invested with Mr. Vallett and ADVCo. It was anticipated that these

investments were to be placed in CFII and the I&O Fund for the benefit of these specific investors. In fact, transfers made to the I&O Fund appeared to have derived only from these investments and were subsequently disbursed from that fund. Funds that were placed in the CFII account, however, were freely intermingled with and transferred among other accounts controlled by Mr. Vallett and ADVCo.

ADVCo returned approximately \$2 million back to investors only hours before the Court's temporary injunction became effective. Because these payments appeared to be payments made in satisfaction of promissory notes, the Receiver felt it appropriate to place the three entities from which such funds were transferred into a Chapter 11 bankruptcy proceeding in order to preserve the rights to recover such transfers in accordance with 11 U.S.C. § 547 for the benefit of the remaining investors. Accordingly, on August 30, 2010, voluntary Chapter 11 petitions were filed on behalf of ADVCo, CFII, and the I&O Fund. Subsequent to the filing, the Receiver has engaged in meaningful and productive discussions with the transferees of the funds and now the Receiver believes it possible that the Chapter 11 petitions can be voluntarily dismissed (with consent of the bankruptcy court) and the various entities (including the individual assets of Mr. Vallett) can be administered by the Receiver as a whole.

**II. PRELIMINARY DESCRIPTION AND LOCATION OF AARON VALLETT'S PERSONAL ASSETS AND LIABILITIES PERTAINING THERETO**

**A. LIQUID ASSETS OF AARON D. VALLETT**

Description:	Value:
TradePMR Account No. 20887586 (balance as of August 27, 2010)	\$31.89
TradePMR Account No. 49617910 (IRA)(balance as of August 27, 2010)	\$1,317.66

Bancorp Bank/TradePMR Bank Account No. 0761 (balance as of August 30, 2010)	\$243.01
Aubrey Vallett's §529 created in 2008.	Unknown

**A. NON-LIQUID ASSETS OF AARON D. VALLETT**

Lightstone REIT interest.	\$15,000.00
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One of ADVCo's representatives sold this REIT interest to Roger and Regina Smith. The Smiths were not pleased with this investment so the investment was repurchased from them. On September 21, 2009, \$15,000 was paid to the Smiths from ADVCo's Bancorp Bank/TradePMR account for their interest in this REIT. The documents transferring the REIT to ADVCo have not been signed. The signatures must be guaranteed by a member of an approved medallion signature guarantee program. The Receiver has been in contact with the Smiths to complete this transfer.

4007 Newman Place Nashville, Tennessee 37204	\$200,000 (estimated equity amount)
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The property is encumbered by a deed of trust in favor of Franklin Synergy Bank, as security for a construction loan in the amount \$1,425,000, of which there is a current balance owed of approximately \$950,000. This property is also encumbered by a lien filed against the property by Davis Properties in the amount of \$25,000. Mr. Vallett purchased this home in his name on June 19, 2009 for \$750,000.00. In order to purchase this home, Mr. Vallett transferred \$198,115.17 from ADVCo's operating account to Russell J. McCann, PLLC on June 30, 2009 for the closing. Mr. Vallett originally obtained a loan from Bank of America in the amount of \$562,500, which was paid off when he obtained the loan from Franklin Synergy Bank. In order to obtain the Franklin Synergy Bank construction loan in January of 2010, Mr. Vallett had to improve the loan to value ratio and

did so by wiring \$199,474.73 to Russell J. McCann, PLLC on January 21, 2010, from ADVCo's Bancorp Bank/TradePMR Bank account. Transfers out of ADVCo's operating account were routinely paid to Davis Properties for construction payments, to the architect, and for the mortgage on the property. The Receiver has listed this property for sale at \$1,250,000.

1714 Temple Avenue Nashville, Tennessee 37215	\$56,726.94 (estimated equity amount)
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Mr. and Mrs. Vallett jointly purchased this house on March 28, 2005 for \$278,000 (this house is owned as tenants by the entirety). The current value of this property is approximately \$350,000.00, and is encumbered by a deed of trust in favor of Bank of America with a balance of approximately \$260,273.06. There is also a Home Equity Line from Bank of America which has a current balance of approximately \$33,000. The Receiver believes that these loans have been accelerated due to the fact that payments are not being made on these loans.

6311 Milbrook Road Brentwood, Tennessee 37027	\$125,855.37 (estimated equity amount)
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Mr. and Mrs. Vallett jointly purchased this house on November 26, 2008 for \$542,000 (this house is owned as tenants by the entirety). This property is encumbered by a deed of trust in favor of Bank of America with a current balance of approximately \$406,144.63. The Receiver believes that this loan has been accelerated due to the fact that debt payments are not being made. This property is currently listed for sale by the Valletts for \$532,000.00.

2004 BMW X5 4.4i 4dr SUV	\$0.00
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Mr. Vallett purchased this vehicle on May 23, 2008. Title to this vehicle is in Mr. Vallett's name individually, but is encumbered by a lien from BMW Financial, which is almost equal to the

value of the vehicle. Car payments in the amount of \$500 were paid from ADVCo's bank account each month to BMW. The vehicle is insured and the Receiver believes that there is no value to the investors from it.

2007 Cadillac STS-V Sedan 4 dr	\$34,000
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Although the title to this vehicle is in Mr. Vallett's name, it was purchased with ADVCo funds for \$32,500 on May 19, 2009. Mr. Vallett also spent an additional \$15,000 of ADVCo funds in improving this vehicle. This vehicle is now in the possession of the Receiver's agent, John Heldreth & Associates, which is marketing the vehicle.

2009 Harley Davidson FXDF	\$20,000
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Mr. Vallett purchased this with ADVCo funds (Check #1002) on September 16, 2008. This motorcycle is now in the possession of the Receiver's agent, John Heldreth & Associates, which is marketing the vehicle.

1985 Chevy K10 Pickup.	\$0.00
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The title to this vehicle is in Mr. Vallett's name individually. This vehicle is currently located at the Temple property and is not operable. The Receiver has not taken custody of the asset to limit storage costs.

1976 Cadillac El Dorado Convertible.	\$0.00
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This vehicle is titled in Mr. Vallett's name individually. Mr. Vallett claims that this vehicle is still owned by his grandfather. This vehicle is inoperable and is located in the carport of the Millbrook property. The Receiver is investigating the possible sale of this asset but has not yet taken possession of the asset.

Toyota Landcruiser FJ40 (in parts).	\$0.00
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Mr. Vallett purchased the parts of this vehicle for the purpose of rebuilding it. The parts were stored in the garage at the Temple property and at a storage facility on Wedgewood. The Receiver has not taken custody of this asset to limit storage costs.

John Deere Tractor (Front loader).	\$15,000.00
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This tractor is located at the Newman property. The Receiver is attempting to take possession of this asset.

Trailer (Mr. Vallett bought this trailer on May 30, 2007 for \$525 by using funds in ADVCo's Bancorp South bank account).	\$525
Personal Property/Furnishings	Unknown.
100% ownership interest in A.D. Vallett & Co., LLC	\$0.00

**III. PRELIMINARY DESCRIPTION AND LOCATION OF THE ASSETS OF A.D. VALLETT & CO., LLC AND LIABILITIES PERTAINING THERETO**

**A. LIQUID ASSETS OF A.D. VALLETT & CO., LLC**

RBC Wealth Management Account No. 770-00697 (balance as of September 22, 2010)	\$623,305.08
Franklin Synergy Bank Account No. 2002459 (Commissions Account)(balance as of September 22, 2010)	\$8,385.82
Franklin Synergy Bank Account No. 2002467 (Operations Account)(balance as of September 22, 2010)	\$4,129.21
Franklin Synergy Bank Account No. 2002475 (Construction Account) (balance as of September 22, 2010)	\$5,567.40

Franklin Synergy Bank Account No. 2002533(this account is in the name of Institutional Capital Management “ICM;” however, the Receiver asserts that this is an asset of the Company)(balance as of August 27, 2010).	\$77,003.67
MG Trust Company Account No. 07C63QXY (this is the company’s pension plan account)(balance as of August 27, 2010)(the Receiver is in the process of transferring the administration of this plan to First Tennessee Bank, Nashville, Tennessee and terminating the plan).	\$12,345.51
TradePMR Account No. 0923 (trading/sundry account for ADVCo)(as of August 27, 2010) (with \$3,886.70 on margin, \$12,453 total equity).	\$12,453.00

**B. NON-LIQUID ASSETS OF A.D. VALLETT & CO., LLC**

43.75% ownership interest in La Givenchy, LLC (EIN: 26-4411677)	Unknown – between \$250,000 and \$350,000.00
Loans to La Givenchy, LLC (based upon information provided by Earl Magdovitch)(this loan was made in addition to ADVCo’s contribution described above).	\$360,000.00
1996 Cadillac Limo (this vehicle is in the possession of the Receiver’s agent, John Massa).	\$8,000.00
GMC Sierra Truck (currently in the possession of Mr. Vallett. The vehicle is insured. Mr. Vallett is using this vehicle for his lawn mowing business).	Unknown
Computers/Equipment/Furniture (in the possession of the Receiver’s agent.	Unknown
Maria Amado (draw)	\$58,000.00
Maria Amado (loan)	\$12,000.00

Vincent Giannattasio (draw)	\$28,000.00
Vincent Giannattasio (loan)	\$12,000.00
Pete Pantazis (Doug Troop's son)(draw)	\$33,423.71
Ann Oakley (draw)	\$16,236.21
Chris Cohen (draw)	\$30,793.46
Bill Taylor (draw)	\$31,226.70
SportsClips (payroll advance) <sup>5</sup>	\$60,000.00
M Holdings (overdraw from Collateral Fund I)(Earl Magdovitz)	\$14,727.98
AG&P	\$25,000.00
Steve Hoffman	\$30,000.00
Gerardo Mese-Meares	\$5,000.00
Lou Perry	\$45,000.00
Center for Due Diligence, prepaid conference fees	\$8,750.00

Funds from investors appear to have been used to purchase a minority interest in La Givenchy LLC, a Memphis based, single asset limited liability company. La Givenchy, LLC was formed as a Tennessee limited liability company on March 9, 2009. La Givenchy, LLC's principal address is located at 207 S. Barksdale #9, Memphis, Tennessee 38104. ADVCo made a contribution to this entity in exchange for a membership interest in this entity. The information the Receiver has obtained indicates that the members are as follows: (i) ADVCo 43.75% interest; (ii) M Holdings 25% interest; (iii) Frank Corrigan 6.25% interest; and (iv) Jose Bissu 25% interest. ADVCo received a K-1 for 2009 which shows that ADVCo's interest in La Givenchy, LLC for 2009 was 43.75%.

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<sup>5</sup>The receivable from SportsClips may be subject to an offset of tax deposits that ADVCo was expected to make on behalf of SportsClips.

However, Earl Magdovitz, managing member of the La Givenchy LLC, indicated that the members are as follows: (i) Tammex USA 50% membership interest; (ii) Frank Corrigan 8% interest; and (iii) ADVCo 42% interest. The Receiver has not found an Operating Agreement or formation documents other than the Articles of Organization.

On March 20, 2009, La Givenchy LLC acquired improved real property located at 1848 Givenchy Place, Memphis, Tennessee from First State Bank for \$480,000. Currently, this asset constitutes four unsold townhomes with an average sales price of \$200,000 each. Two other units are located at this site and have previously been sold.

In addition to the investment made by ADVCo that constituted “ownership” of the La Givenchy, LLC, ADVCo periodically made multiple undocumented loans to La Givenchy, LLC totaling approximately \$360,000.

In addition to the assets described above, there are also transfers out of ADVCo’s accounts over the last two (2) years which may be recoverable pursuant to the Uniform Fraudulent Transfer Act and for which the Receiver has a cause of action against the recipients of such transfers. The face amount of these conveyances is estimated at more than \$2 million. The actual amounts that might be recoverable, however, might be subject to setoff against claims and may be reduced by the costs of recovery.

The Receiver has placed the liquid assets into interest-bearing accounts at First Tennessee Bank. Any proceeds from the liquidation of the other assets of any of the entities related to Mr. Vallett or ADVCo. (including the liquidation of Mr. Vallett’s personal assets) will be deposited into this account.

**B. LIABILITIES/CREDITORS OF A.D. VALLETT & CO., LLC**  
**(EXCLUDING INVESTORS)**

Description:	Amount Owed:
Actuarial Systems Corporation	\$584.00
American Express	\$10,255.93
Ann Oakley (draw plus overdraft fees)	\$8,586.27
Blacksea International (commissions)	\$6,360.00
Corporate Health Partners (subtenant)	\$4,400.00
EMX Designs (website maintenance/IT)	\$6,020.00
Konica/Minolta (copier service)	\$1,200.00
LaDonna Elkins (contract employee/back pay)	\$2,750.00
One Source Inc. (Envelopes/business cards)	\$900.00
Pete Panatazis (draws owed)	\$8,400.00
Schwab Retirement Technologies (401k record keeping)	\$10,000.00
IRS (payroll taxes for 3 <sup>rd</sup> quarter of 2010)	Unknown
Blue Cross Blue Shield (health insurance premiums)	Unknown
Ceridian (payroll tax service)	Unknown.
Charles Mark Kennedy (claim for former employee for unpaid wages)	Unknown
Chase Business Card (business credit card)	Unknown
Direct TV	Unknown
Eco-Systems (subtenant)	Unknown
FedEx (shipped payroll)	\$220.00
FP Mailing Solutions (postage machine lease)	Unknown
Franklin Synergy Bank	Unknown

Gulf Management Systems (direct deposit services)	\$220.00
Inetco (handled tech support)	Unknown
Nashville Predators/Bridgestone (damages for logo/paint change at arena)	Unknown
Nuvox/Windstream (phone/internet service provider)	Unknown
Payroll Associates (payroll software)	Unknown
Priscilla's Plants (plant leasing)	\$400.00
Richland Country Club	Unknown
Rodney Elam (limo driver)	Unknown
Roe Properties (Landlord for Company's Old Hickory office)	Unknown
SportsClips (3 <sup>rd</sup> Quarter federal payroll taxes)	Unknown
Steve (photographer for head shots)	\$300.00
US Bank Manifest Funds (leased phone equipment)	Unknown
Virginia Way, LLC (attorneys: Neal & Harwell) Company's landlord.	Unknown

**IV. PRELIMINARY DESCRIPTION AND LOCATION OF THE ASSETS OF A.D. VALLETT COLLATERAL FUND I, LLC AND LIABILITIES PERTAINING THERETO**

**A. SUMMARY OF A.D. VALLETT COLLATERAL FUND I**

\_\_\_\_\_ In 2008, Mr. Vallett began selling "interests" in CFI to investors. As funds were received from investors, the funds were deposited in the operating account of ADVCo. No separate brokerage account for these investments was established, and the formal LLC was not created (after this Court's temporary injunction was effective) until June 3, 2010.

\_\_\_\_\_ The State of Tennessee has asserted that the interests sold in CFI were not registered with

the Tennessee Securities Division for sale within the State of Tennessee and, contrary to the representations made in the private placement memorandum for CFI, the transactions were not exempted from federal and state registration requirements because Mr. Vallett did not file the necessary documents with the SEC and the Tennessee Securities Division to qualify for the exemption. The State further alleges that CFI did not legally exist until June 3, 2010 and therefore could not have been registered with the SEC or the Tennessee Securities Division at the time that interests in CFI were sold.

Apparently, investors were told that they would receive ‘secured notes’ in return for their investments, the collateral being the personal assets of Mr. Vallett and his affiliated entities; that Mr. 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 Mr. Vallett, including real estate investments.

**B. ASSETS OF A.D. VALLETT COLLATERAL FUND I, LLC**

Description:	Value:
Promissory Note-On Demand in the amount of \$350,000.00 dated 4/30/2010 from ADVCo as the borrower with 6% interest per annum. The Receiver has not found any evidence of payments on this note.	\$350,000.00 (face value)
Promissory Note-On Demand in the amount of \$272,241.41 dated 4/30/2010 from ADVCo as the borrower with 6% interest per annum.	\$272,241.41 (face value)
Total:	\$622,241.41 (face value)

**C. INVESTORS IN A.D. VALLETT COLLATERAL FUND I, LLC**

Investor information:	Amount owed to investor:
<p>Carlos H. Amado (balance of investment as of 7/31/2010). Initial deposit of \$20,000 on June 2, 2009. Mr. Amada has received the following distributions (which total \$1,200.52): (i) \$108.33 on July 14, 2009; (ii) \$108.33 on August 13, 2009; (iii) \$108.33 August 31, 2009; (iv) \$658.87 on May 17, 2010.</p>	<p>\$20,326.76</p>
<p>Mason Armstrong (balance as of 7/31/2010). Mr. Armstrong made an initial investment of \$10,000 on February 15, 2010. No distributions have been made to Mason to date.</p>	<p>\$10,254.72</p>
<p>Jody V. Carter (Mr. Vallett's mother)(balance as of 7/31/2010). Initial investment of \$10,000 on March 1, 2009, a second investment of \$25,000 on March 2, 2009, a third investment of \$25,000 on April 22, 2009 and a final investment of \$43,845.00 on May 19, 2009, for a total investment of \$103,845.00. Ms. Carter has received the following distributions, (totaling \$11,500.00: (i) \$1,300 withdrawal on February 15, 2010; (ii) \$1,300 withdrawal on March 15, 2010; (iii) \$1,300 withdrawal on April 15, 2010; (iv) \$6,300.00 withdrawal on May 10, 2010; and (v) \$1,300 withdrawal on June 15, 2010.</p>	<p>\$98,424.36</p>
<p>Michael W. Carter (Mr. Vallett's step-father)(balance as of 7/31/2010). Mr. Carter made an initial investment of \$100,000 on December 14, 2009 and has not received any distributions.</p>	<p>\$103,288.99</p>

Carmela Caruso (balance as of 7/31/2010). Ms. Caruso made an initial investment of \$10,000.00 on July 28, 2009, and has received the following distributions (which total \$461.07): (i) \$105.23 withdrawal on October 15, 2009; and (ii) \$355.84 on May 18, 2010.	\$10,150.75
David and Martha Feinstein (balance as of 7/31/2010)(the parents of Mrs. Vallett's step-mother). Initial deposit of \$125,000 on January 20, 2009. They have received one withdrawal of \$3,500 on June 2, 2010.	\$129,280.22
Ray and Karen Hamilton (balance as of 7/31/2010). Initial investment of \$5,000.00 on October 30, 2009. No distributions.	\$5,169.81
Sue Ann Hardin (balance as of 7/31/2010). Initial investment of \$5,000 on May 14, 2009. No distributions.	\$5,376.59
Shane Ireland (balance as of 7/31/2010). Initial investment of \$10,000 on April 26, 2010. No distributions. This may have been deposited in an CFII account.	\$10,131.07
Milton and Lynette Less (balance as of 7/31/2010)(Aaron's insurance agent). Initial investment of \$125,000 on March 20, 2009. No distributions.	\$131,994.87
M Holdings (EarlMagdovitz)(Overdrawn as of 7/31/2010). M Holdings made an initial investment of \$40,000 on April 20, 2009 and a second investment of \$25,000 on August 4, 2009, for a total investment of \$65,000. M Holdings has received the following distributions: (i) \$50,000 withdrawal on August 26, 2009; and (ii) \$30,000 withdrawal on October 30, 2009. In addition, M Holdings received monthly payments during each month from Dec. 2009 through June 30, 2010, totaling \$336.69.	(\$14,727.98)

<p>Mary C. Martin (Mr. Vallett's neighbor)(balance as of 7/31/2010). Initial investment of \$30,000 on February 27, 2009, a second investment of \$50,000 on June 16, 2009, a third investment of \$50,000 on June 25, 2009 and a fourth investment of \$20,000 on July 31, 2009, for a total investment of \$150,000.00. Ms. Martin has received the following distributions (which total \$20,000): (i) \$5,000 withdrawal on June 9, 2009; (ii) \$5,000.00 withdrawal on December 9, 2009; (iii) \$5,000 withdrawal on February 22, 2010; and (iv) \$5,000.00 withdrawal on May 10, 2010.</p>	<p>\$136,585.37</p>
<p>Catherine Pedigo (balance as of 7/31/2010). Initial investment of \$5,000 on June 19, 2009. No distributions.</p>	<p>\$5,344.59</p>
<p>Weslee Washington (balance as of 7/31/2010). Ms. Washington made an initial investment of \$100,000 on October 13, 2009 and has received the following distributions (which total \$15,000): (i) \$10,000 withdrawal on March 17, 2010; and (ii) May 20, 2010 withdrawal of \$5,000.00.</p>	<p>\$89,811.63</p>

**D. FORMER INVESTORS IN A.D. VALLETT COLLATERAL FUND I, LLC THAT RECEIVED A FULL RETURN OF THEIR INVESTMENT**

<p>Michael &amp; Deborah O'Brien</p>	<p>(Invested \$200,000 received \$206,412.31) Initially investment: \$100,000 on March 12, 2009. Distribution of \$50,993.32 on August 13, 2009; Distribution of \$50,000 on April 1, 2010; Distribution of \$3,226.17 on May 4, 2010. The O'Briens also invested an additional \$100,000 and received distribution of \$102,192.82 on January 29, 2010.</p>
<p>Magdovitz Family Foundation (Earl Magdovitz, President)</p>	<p>Initially investment \$110,000.00 on September 11, 2008. Distribution of \$116,460.95 on February 26, 2010.</p>

Earl J. Magdovitz IRA	Initial investment \$300,000 on June 30, 2009. Additional investment \$150,000 on December 21, 2009: total investment of \$450,000. Distribution of \$147,000.00 on February 26, 2010, Distribution of \$312,039.55 on March 2, 2010.
Dr. Ali E. Mohammed	Initial investment \$4,000.00 on March 25, 2009. Distribution of \$4,051.64 on June 25, 2009.
Jere Luckey (father of David Luckey of Southeastern Building Corporation)	Initial investment \$20,000 on September 30, 2009. Distribution of \$20,270.84 on November 9, 2009.
Steven G. McLaughlin	Initial investment of \$20,000 on May 14, 2009 additional investment of \$40,000 on May 20, 2009. Distribution of \$61,201.98 on October 14, 2009.
Anthony Cianciolo	Investment of \$45,000.00 on February 13, 2009, distribution of \$45,000 on September 4, 2009 and Distribution of \$264.03 on September 30, 2009.

**E. USE OF FUNDS APPARENTLY INTENDED FOR COLLATERAL FUND I.**

As noted above, solicitations for investments into CFI were made well before this entity was created. As a result, upon receiving funds from investors, Mr. Vallett deposited the funds in ADVCo's operating account (although, as ADVCo moved accounts to various banks, these investor funds were also moved from account to account). After the funds were deposited, the funds were used by ADVCo and by Mr. Vallett for business expenses such as payroll and other operating expenses and by Mr. Vallett personally, for mortgage payments, car purchases and for the purchase of real property located at 4007 Newman Place.

**V. PRELIMINARY DESCRIPTION AND LOCATION OF THE ASSETS OF A.D. VALLETT COLLATERAL FUND II, LLC AND LIABILITIES PERTAINING THERETO**

**A. SUMMARY OF A.D. VALLETT COLLATERAL FUND II, LLC**

Mr. Vallett formed CFII, as a Delaware limited liability company on February 12, 2010. CFII only had one investor, an advisory client of Sailer Financial, Inc., (an Investment Advisory firm owned by Amy Sailer).

CFII was not registered with the Tennessee Securities Division and, despite representations made in the PPM for CFII, and by Mr. Vallett to the investor, the transaction was not exempt from registration.

**B. ASSETS OF A.D. VALLETT COLLATERAL FUND II**

Description:	Value:
Franklin Synergy Bank Account No. 2002491 (balance as of September 22, 2010)	\$800.83
RBC Wealth Management Account No. 770-00708 (balance as of August 27, 2010)	\$0.00

**C. INVESTORS IN A.D. VALLETT COLLATERAL FUND II, LLC**

Investor name:	Description:
Herbert and Barbara Fritch	Original investment \$2,500,000 on February 11, 2010. Distributions: (i) \$4,424.65 withdrawal on March 22, 2010; (ii) \$7,916.67 withdrawal on April 13, 2010; (iii) \$7,916.67 withdrawal on May 13, 2010; and (iv) \$501,250 withdrawal on June 2, 2010

**D. HOW FUNDS IN A.D. VALLETT COLLATERAL FUND II, LLC WERE USED**

On February 11, 2010, Mr. Vallett deposited the \$2.5 million investment that Herbert and Barbara Fritch intended for CFII into Bancorp Bank account in the name of ADVCo. On February

17, 2010, \$2,000,000 of this investment was transferred to the ADVCo TradePMR “sundry account” and \$250,000 to Franklin Synergy Bank account in the name of ADVCo, leaving a balance of \$217,000 in ADVCo’s Bancorp Bank account. On February 25, 2010, the \$2,000,000 in ADVCo’s TradePMR account was transferred to ADVCo’s RBC account. At this point, it appears that Mr. Vallett simply started spending the funds in the various accounts on personal and business expenses.

**VI. PRELIMINARY DESCRIPTION AND LOCATION OF THE ASSETS OF A.D. VALLETT INCOME AND OPPORTUNITY FUND I, LLC AND LIABILITIES PERTAINING THERETO**

**A. SUMMARY OF A.D VALLETT INCOME AND OPPORTUNITY FUND I, LLC**

The A.D. Vallett Income & Opportunity Fund I, LLC (I&O Fund) was formed as a Delaware limited liability company on February 12, 2010. This fund was not registered with the Tennessee Securities Division for sale within the State of Tennessee, and the transaction was not exempted.

**B. ASSETS OF A.D. VALLETT INCOME AND OPPORTUNITY FUND I, LLC**

Description:	Value:
Franklin Synergy Bank Account No. 2002509 (balance as of September 22, 2010)	\$21,272.17
RBC Wealth Management Account No. 770-00709 (balance as of September 22, 2010)	\$18,048.49

**C. INVESTORS IN A.D. VALLETT INCOME AND OPPORTUNITY FUND I, LLC**

Investor name:	Description:
Herbert and Barbara Fritch	Original investment \$500,000 on April 21, 2010). Distributions: (i) \$5,240.03 on May 17, 2010, 2010; and (ii) \$502,655.11 on June 2, 2010.

Jamie Christine Seedig Trust	Original investment \$500,000 on April 21, 2010. Distributions: (i) \$5,240.03 paid on May 17, 2010, 2010; and (ii) \$502,655.11 paid on June 2, 2010.
Jodi Lynn Donvan Seedig Trust	Original investment \$500,000 on April 21, 2010. Distributions: (i) \$5,240.03 paid on May 17, 2010; and (ii) \$502,655.11 paid on June 2, 2010.

**D. HOW FUNDS IN A.D. VALLETT INCOME AND OPPORTUNITY FUND 1, LLC WERE USED**

These funds, were deposited in a specified account for this entity. The funds were returned to the investors on June 2, 2010.

**VII. SUMMARY OF OTHER INVESTORS/TRUST FUNDS**

\_\_\_\_\_ In addition to the investors in CFI, CFII, and the I&O Fund, Mr. Vallett and ADVCo also received funds for other individuals and trusts.

Listed below is the information regarding these investors:

Name of Investor:	Amount Owed to Investor:
Adam Dread as Trustee of the Eileen H. Dithridge Trust created on April 11, 1990 (lifetime beneficiary: Douglas Temple Troop).	\$247,366.24

On October 28, 2008, ADVCo was appointed as Financial Advisor to the Dunham Trust Company for the Dithridge Trust. The Trust invested \$247,366.24 with ADVCo which were deposited in ADVCo's Bancorp Bank account. The following distributions were disclosed: (i) \$1,000 on May 15, 2009; (ii) \$2,000 on June 15, 2009; (iii) \$2,000 on July 15, 2009; (iv) \$2,000

on September 15, 2009; (v) \$2,000 on December 15, 2009; (vi) \$2,000 on January 15, 2010; (vii) \$2,000 on February 16, 2010; (viii) \$2,000 on March 15, 2010; (ix) \$2,000 on April 15, 2010; and (x) \$2,000 on May 14, 2010.

W R and Salter Rackley.	\$277,558.25
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The Rackleys were clients of Mr. Vallett when he was employed at Cambridge Way, Inc. When Mr. Vallett left Cambridge, the Rackleys remained his clients. The following funds were transferred to ADVCo's operating account from the Rackleys' funds: (i) \$100,000 on March 27, 2009; (ii) \$25,000 on May 11, 2009; (iii) \$30,000 on May 28, 2009; (iv) \$35,000 on June 8, 2009; and (v) \$476,476.25 on August 26, 2009. The Rackleys received the following distributions: (i) \$20,000 on August 28, 2009; (ii) \$20,000 on September 3, 2009; (iii) \$100,000 on May 12, 2010; and (iv) \$250,000 on May 28, 2010. With a finding of \$636,476.25 in receipts and \$390,000 in distributions, the Receiver estimates a balance owed to the Rackleys of \$246,476.25.

In August 2009, an annuity owned by the Rackleys was liquidated, apparently by Mr. Vallett. At the time of the surrender, the annuity from Allianz Life Insurance Company of North America (Contract # 70428616) was valued at \$507,707. \$31,082.00 was forfeited as an early termination fee, leaving a balance of \$476,625 on September 3, 2009. The Receiver currently estimates the obligation on the Rackleys' investments as the net transfers noted above plus the \$31,082 termination fee.

C. David and Mary Keith.	\$140,000.00
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The Keiths invested \$190,000 on January 29, 2010. Their funds were deposited into ADVCo's Bancorp Bank Account. The Keiths received a \$5,000 distribution on January 21, 2010—8 days before they made their January 29, 2010 investment). Mrs. Keith received \$50,000 on March 31, 2010.<sup>6</sup>

Marie Francis (Mrs. Vallett's grandmother).	\$180,000.00
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On September 3, 2009, Mr. Vallett moved \$180,000 from Marie Francis' funds at TransAmerica to ADVCo's Bancorp Bank account and deposited it in the "collateral fund." \$135,000 was from a trust in which Ms. Francis is the Trustee. \$45,000 was personal money. The Receiver can find no record of any withdrawals or distributions to Marie Frances individually or as Trustee.

Michael O'Brien	\$56,203.18
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On June 28, 2010, Michael O'Brien wired \$56,203.18 to ADVCo. The Receiver was advised that these funds were intended by Mr. O'Brien to be invested in the I&O Fund. The funds were actually used to reimburse the participants of the Mephisto 401k plan.

**VIII. SUMMARY OF 401K TRANSFERS**

Mr. Vallett acted as financial advisor for several 401k plans. ADVCo acted as Third Party Administrator for these plans. MG Trust (also known as Matrix) was the custodian of these plans. Mr. Vallett and/or ADVCo initiated several transfers from MG Trust to ADVCo on December 22, 2009 and January 20, 2010.

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<sup>6</sup>The records reflect that the \$50,000 withdrawal was identified as a loan to Mrs. Keith. For purposes of this interim report, the Receiver is considering this a withdrawal.

Listed below are the 401k plan distributions in question:

- (a) On December 22, 2009, the following distributions were made from the following plans to ADVCo's Bancorp Bank Account No. 088-1-000554 (which was an operating account for ADVCo):

Name of Plan & Participant	Amount of Transfer
Timothy E. McNutt, Sr.'s share of the Dr. Timothy E. McNutt Sr. DDS Plan	\$300,000.00
Eva C. McNutt's share of the Dr. Timothy E. McNutt Sr. DDS Plan	\$100,000.00
David J. Luckey's share of the Southeastern Building Corporation's Plan	\$100,000.00
Kim M. Luckey's share of the Southeastern Building Corporation's Plan	\$75,000.00
Michael Crosno's share of Mephisto, Inc.'s plan	\$20,000.00
Benjamin Bell's share of Mephisto, Inc.'s plan	\$35,000.00
<b>Total 401k distributions on 12/22/09:</b>	<b>\$630,000.00</b>

- (b) On January 20, 2010, distributions were made from the following plans to ADVCo's Bancorp Bank Account No. 088-1-000554:

Name of Plan & Participant	Amount of Transfer
Roger Murtie's Share of Project Camp's 401k Profit Sharing	\$59,264.66
Stormi Murtie's Share of Project Camp's 401k Profit Sharing	\$30,563.96
Deborah Rhoads' share of the Dr. Timothy E. McNutt Sr. DDS Plan	\$44,438.19
Charles C. Gentry III's share of the Southeastern Building Corporation's Plan	\$42,463.22
Lisa A. Crockett's share of the Southeastern Building Corporation's Plan	\$47,882.16
Danny Wiley's share of the Wiley Group's plan	\$33,625.50
<b>Total 401k distributions on 1/20/10:</b>	<b>\$258,237.69</b>

The total transfer from these plans is \$888,237.69. As noted in the previous section, on June 28, 2010, Michael O'Brien wired \$56,203.18 for the stated purpose of investing in the I&O Fund. These funds were actually used to reimburse the participants of the Mephisto 401k plan, thereby apparently reducing the amount owed to 401k investors to \$833,237.69.

After reviewing the bank statements for ADV Co's Bancorp Bank Account No. 088-1-000554, it appears that, following transfer of these funds, they were spent on operating expenses for ADVCo and on personal expenses for Mr. Vallett. Mr. Vallett also prepared statements for the affected fund participants reflecting that their 401k funds had been deposited in an "outside

brokerage” account. However, these funds were never transferred to another account after being transferred to ADVCo’s operating account.

The Receiver has filed a claim for \$888,237.69 (the amount of the funds transferred out of the above 401k plans to ADVCo’s operating account) with the Fiduciary Fidelity Bond for Employee Benefits Plan that the Company had for the period in question. This bond has a limit of liability of \$1 million.

### **IX. ADVISORY CLIENTS**

\_\_\_\_\_In addition to the investors described above, ADVCo also had approximately 200-300 investment advisory clients. Mr. Vallett and/or ADVCo acted as an advisor or representative of these accounts, which were deposited at TradePMR/Sterne Agee and Leach, RBC or Fidelity. The SEC sent letters to each of these investment advisory clients. As of the date of this Report, the Receiver is not aware of any claims that any of these accounts have been affected by the actions of Mr. Vallett and/or ADVCo.

### **X. SUMMARY OF HOW INVESTORS’ FUNDS WERE USED**

It appears that (with the exception of the funds deposited in the I& O Fund), upon receiving funds from an investor, Mr. Vallett deposited the funds in an operating account in the name of ADVCo and spent the funds on business operating expenses, personal expenses and on reimbursing other investors, either to create an artificial return or to pacify investors who were concerned about the safety of the investments.

Listed below are examples of how most of the funds were spent.

#### **(A) Transfers to La Givenchy, LLC:**

ADVCo made the following transfers to La Givenchy, LLC (it is not clear to the Receiver if these transfers were intended to be loans or were part of the contribution that ADVCo made in return for its 43.75% investment in La Givenchy):

Description:	Amount of Transfer:
March 20, 2009 wire transfer from the Company's Bancorp Bank account to La Givenchy, LLC	\$124,988.00
April 23, 2009 wire transfer from the Company's Bancorp Bank account to La Givenchy, LLC	\$15,000.00
April 23, 2009 wire transfer from the Company's Bancorp Bank account to La Givenchy, LLC	\$15,000.00
May 11, 2009 wire transfer from the Company's Bancorp Bank account to La Givenchy, LLC	\$15,000.00
May 15, 2009 wire transfer from the Company's Bancorp Bank account to La Givenchy, LLC	\$15,000.00
May 19, 2009 wire transfer from the Company's Bancorp Bank account to La Givenchy, LLC	\$15,000.00
May 26, 2009 wire transfer from the Company's Bancorp Bank account to La Givenchy, LLC	\$33,000.00
June 2, 2009 wire transfer from the Company's Bancorp Bank account to La Givenchy, LLC	\$10,000.00
June 8, 2009 wire transfer from the Company's Bancorp Bank account to La Givenchy, LLC	\$20,000.00

June 16, 2009 wire transfer from the Company's Bancorp Bank account to La Givenchy, LLC	\$35,000.00
June 25, 2009 wire transfer from the Company's Bancorp Bank account to La Givenchy, LLC	\$35,000.00
June 30, 2009 wire transfer from the Company's Bancorp Bank account to La Givenchy, LLC	\$10,000.00
July 13, 2009 wire transfer from the Company's Bancorp Bank account to La Givenchy, LLC	\$10,000.00
July 20, 2009 wire transfer from the Company's Bancorp Bank account to La Givenchy, LLC	\$10,000.00
August 4, 2009 wire transfer from the Company's Bancorp Bank account to La Givenchy, LLC	\$15,000.00
August 11, 2009 wire transfer from the Company's Bancorp Bank account to La Givenchy, LLC	\$15,000.00
August 26, 2009 wire transfer from the Company's Bancorp Bank account to La Givenchy, LLC	\$15,000.00
August 31, 2009 wire transfer from the Company's Bancorp Bank account to La Givenchy, LLC	\$15,000.00
October 22, 2009 wire transfer from the Company's Bancorp Bank account to La Givenchy, LLC	\$10,000.00
December 23, 2009 wire transfer from the Company's Bancorp Bank account to La Givenchy, LLC	\$5,000.00

January 28, 2010 wire transfer from the Company's Bancorp Bank account to La Givenchy, LLC	\$15,000.00
February 26, 2010 wire transfer from the Company's Bancorp Bank account to La Givenchy, LLC	\$15,000.00
<b>Total:</b>	<b>\$467,988.00</b>

On November 5, 2009, La Givenchy, LLC wired \$180,000 to ADVCo. The Receiver assumes that this is a payment on the loan that the Company made to La Givenchy, LLC but this is not clear at this time.

(B) **Transfers to build Newman Place:**

On June 19, 2009, Mr. Vallett purchased that certain real property located at 4007 Newman Place, Nashville, TN. Mr. Vallett executed a construction agreement with Davis Properties to renovate the existing house on this property.

Description of Transfer:	Amount of Transfer:
June 30, 2009 wire transfer to Russell J. McCann, PLLC for the down payment on this house. This wire was made out of ADVCo's Bancorp Bank account.	\$198,115.17
August 11, 2009 wire transfer to Davis Properties out of ADVCo's Bancorp Bank account.	\$10,604.00
August 27, 2009 wire transfer to Davis Properties out of ADVCo's Bancorp Bank account.	\$20,000.00
October 27, 2009 wire transfer to Davis Properties out of ADVCo's Bancorp Bank account.	\$70,000.00

November 12, 2009 wire transfer to Davis Properties out of ADVCo's Bancorp Bank account.	\$50,000.00
November 30, 2009 wire transfer to Davis Properties out of ADVCo's Bancorp Bank account.	\$55,000.00
December 14, 2009 wire transfer to Davis Properties out of ADVCo's Bancorp Bank account.	\$75,000.00
December 22, 2009 wire transfer to Davis Properties out of ADVCo's Bancorp Bank account.	\$225,000.00
January 29, 2010 wire transfer to Davis Properties (Receiver is currently determining the account from which these funds were withdrawn)	\$17,993.92
January 21, 2010 wire transfer to Russell J. McCann, PLLC. The Receiver believes this payment was made with the intent of improving the loan to value ratio in order to obtain a construction loan from Franklin Synergy Bank.	\$199,474.73
<b>Total:</b>	<b>\$921,187.82</b>

In addition, \$12,126.30 was paid to Erick Stengal Architecture for the architecture services provided for the Newman property by ADVCo's Bancorp Bank Check #20054 . On December 28, 2009, \$15,265.15 was paid to Mission Stone & Tile for the tile work provided for the Newman property by ADVCo's Bancorp Bank Check #20174 .

(C) **Transfers to purchase Vehicles:**

Description:	Amount of Transfer:
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September 16, 2008, \$20,000 out of ADVCo's Avenue Bank account for the purchase of 2009 Harley Davidson FXDF.	\$20,000.00
May 19, 2009 wire transfer to Andrew's Cadillac out of ADVCo's Bancorp Bank account for the purchase 2007 Cadillac STS-V Sedan	\$32,500.00
<b>Total:</b>	<b>\$52,500.00</b>

(D) **Transfers to the Predators:**

ADVCo entered into a sponsorship agreement with the Nashville Predators, a NHL franchise. ADVCo agreed to pay the Predators in order to advertise at the Bridgestone Arena.

The following wires were made from ADVCo's Bancorp Bank Account to the Predators:

Description:	Amount of transfer:
August 26, 2009 wire transfer	\$144,250.00
December 23, 2009 wire transfer	\$186,000.00
March 7, 2010 wire transfer	\$125,246.00
<b>Total:</b>	<b>\$455,496.00</b>

(E) **Other Transfers**

Description:	Amount of Transfer:
American Express payments in the last 2 years	\$122,842.09
Payroll	Unknown
5/24/10 transfer via Check #97 to J.V. Interiors, owned by Mr. Vallett' mother	\$20,000.00

Mortgage Payments on Mr. Vallett's homes	Unknown
BMW Car loan Payments	Unknown

### ANTICIPATED NEXT STEPS

The Receiver anticipates taking the following additional initial steps in an effort to collect assets for the benefit of the investors:

a. Consolidate all Vallett enterprises into a single enterprise, by negotiating an acceptable waiver with the June 2, 2010 transferees and seeking voluntary dismissal of the three bankruptcy cases filed August 30, 2010.

b. Initiate collection of accounts receivable from all those identified as owing funds to ADVCo including, but not limited to La Givenchy, SportsClips, the representatives, and Mr. Magdovitz.

c. Investigate potential fraudulent transfer actions against individuals and others who received withdrawals from ADVCo after it became insolvent in an effort to equalize the claims of the claimants.

d. Pursue the claim against bond to satisfy the unauthorized ERISA fund withdrawals.

Respectfully submitted by:

/s/ Henry E. Hildebrand, III

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