

Local feds targeting white-collar fraud in 2012

Cases involving losses of more than \$40 million already filed

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Look alive, white-collar defense attorneys.

If 2011 was “the year of the gang indictment,” as claimed by U.S. Attorney Jerry Martin, then 2012 is shaping up to be the year of multimillion-dollar fraud cases at the federal prosecutor’s office in Nashville, which has jurisdiction over 32 Middle Tennessee counties.

Only halfway through February, Martin said the amount of loss in financial fraud cases this year — which include investment schemes, bank fraud and other alleged crimes — is between \$40 million and \$50 million to victims including investors and financial institutions.

“I think 2012 will be defined by a lot of white-collar prosecutions,” said Martin, who said the Obama administration has made such cases a priority. “I think you’ll continue to see, all throughout the year, us bringing these type of cases.

“It’s very important to us that investors have confidence in the markets and in their financial institutions.”

In the most recent case, filed this week, Aaron Donald Vallett of the former Brentwood investment firm A.D. Vallett & Co. was charged with mail fraud, wire fraud and theft from employee retirement accounts.

According to the charges, from 2008 to 2010, Vallett, 34, obtained client funds under false pretenses, misappropriated and converted funds for his own benefit instead of investing them as promised, and took steps to conceal his actions. Inappropriate uses of client money included payments on a new home, vehicles, office rent, payroll, country club dues and a \$300,000 payment to the Nashville Predators “for the right to market himself as their exclusive investment-services provider,” according to the charges.

Vallett is accused of treating 401(k) funds he managed similarly, and the total amount of the alleged fraud is about \$5 million, prosecutors claim. Vallett is being represented by federal public defender Doug Thoresen. Efforts to contact Vallett and Thoresen were not successful.

Last week, Waffle House franchisee James Shaub II, 54, of Nashville, was indicted on bank fraud and money laundering charges.

According to the indictment, Shaub devised “a ‘check kiting’ scheme, in which funds from one bank were used to pay the other for the purpose of increasing the funds available to” Southeast Waffles, Shaub’s company.

Shaub would “knowingly cause checks to be drawn on an account in one bank and deposited in another account in a second bank when neither bank had sufficient funds to cover the amounts drawn, thus creating a delay known as the ‘float’ and creating an artificial balance in the accounts,” the indictment states.

Prosecutors are seeking a \$3.7 million money judgment against Shaub, which it estimates as the proceeds of his crimes. No attorney has entered an appearance for Shaub yet in federal court and efforts to contact him were not successful.

Other recent prosecutions include that of William Weaver, 35, of Brentwood, who worked for Chicago-based printing and delivery services company R.R. Donnelly. The company had a Nashville office until 2007, and Weaver was the manager of its tax group in Nashville.

He is accused of embezzling more than \$1 million from the company by writing at least 43 checks to “National City Consulting” for consulting services. National City Consulting was a shell company created by Weaver and the funds went to him, according to the charges.

Weaver also is accused of stealing money from clients after he left R.R. Donnelly in 2007 and opened W.G. Weaver Title Company in Brentwood. In total, Weaver is accused of stealing \$2.5 million and he is charged with wire fraud and money laundering. He is represented by Aubrey B. “Trey” Harwell III.

“Due to pending charges, it would not be ethically appropriate for me to talk to you about this matter at this time,” Harwell said.

Previously reported fraud cases brought this year include the prosecutions of Hotel Indigo co-owner David Mark Lineberry, 41, and former Robertson County Commissioner Edward Shannon Polen, 41, of Greenbrier.

Lineberry, who is from Mt. Juliet but now lives in Florida, and co-defendant Delaina Thompson, 40, of Mt. Juliet, are charged with conspiracy, bank fraud, wire fraud, mail fraud and money laundering in connection with a scheme to mislead financial institutions in order to obtain a loan that was used to construct the Hotel Indigo downtown, which is now under new ownership. Branch Banking and Trust Co. and Fidelity National Title Insurance Co. suffered combined losses of \$9.2 million, according to charges.

Lineberry's attorney, David Raybin, said last week that his client is innocent and cooperating with the investigation.

Polen was charged with mail fraud, wire fraud, and money laundering in January. Polen is accused of operating a Ponzi scheme that defrauded about 68 investors out of \$15.3 million. He allegedly used their money to place bets, pay gambling debts and repay other investor-victims. Polen is represented by private defense attorney Patrick Frogge.

Additional fraud prosecutions involving different people and smaller amounts of money also have been filed this year.

If convicted, each of these defendants faces a maximum of at least 20 years in prison and \$250,000 fine.

In addition to bringing new cases, local federal prosecutors also recently wrapped up one against Roger Farley, 53, of Centerville. Farley was sentenced to nearly four years in prison for his role in a \$1.2 million conspiracy involving the bribing of a local bank's loan officer to approve fraudulent loans.

Martin said his focus on white-collar fraud cases will continue to grow with the imminent hiring of two new prosecutors. One is replacing a white-collar prosecutor who left the U.S. Attorney's Office, but the other will be a new position in the white-collar division, Martin said. Additionally, Martin said the U.S. Department of Health and Human Services is launching a pilot program in Nashville that will add another prosecutor to Martin's office to work on health care fraud exclusively.

"We want the message to be loud and clear that if you're ripping somebody off, you're going to get caught and face federal prosecution," Martin said. "And if you're an investor and someone offers you a deal that's too good to be true, you need to trust your gut, because it probably is."

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