

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 56514 / September 24, 2007**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-12823**

**In the Matter of**

**MICHAEL VALLONE,**

**Respondent.**

**ORDER INSTITUTING**  
**ADMINISTRATIVE PROCEEDINGS**  
**PURSUANT TO SECTION 15(b) OF THE**  
**SECURITIES EXCHANGE ACT OF 1934,**  
**MAKING FINDINGS, AND IMPOSING**  
**REMEDIAL SANCTIONS**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Michael Vallone (“Respondent” or “Vallone”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, and the findings contained in Section III.2 below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

**III.**

On the basis of this Order and Respondent’s Offer, the Commission finds that:

1. Vallone is an Illinois resident and Executive Director of Heritage America. Since at least March 2002, Vallone used various entities to deposit investors’ funds into the Capital Holdings offering for which he earned commissions.

2. On August 22, 2007, a judgment was entered against Vallone permanently enjoining him from future violations of Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. §§ 77e(a), 77e(c) and 77q(a)], and Sections 10(b) and 15(a) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78o(a)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], in the civil action captioned Securities and Exchange Commission v. Capital Holdings, L.L.C., et al., Civil Action No. 03-RB-0923, in the United States District Court for the District of Colorado.

3. The Commission’s Complaint alleged that Capital Holdings, L.L.C., Smitty's Investments, LLC, Capital Holdings Int, LLC and Monarch Capital Holdings LLC, and their principals defrauded investors by falsely promising that: (1) investor funds would be used as collateral to facilitate leveraged trading of financial instruments issued by major banks and governments and that investors would share in the trading profits; (2) investors would earn a fixed monthly return ranging from 2% to 15%; (3) the safety of invested principal would be guaranteed; and (4) investors' funds would be fully insured. The Complaint also alleged that there is no trading program and that the defendants regularly paid undisclosed sales commissions, Ponzi payments and personal expenses with investor funds.

#### IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Smith’s Offer.

Accordingly, it is hereby ORDERED:

Pursuant to Section 15(b)(6) of the Exchange Act that Respondent Smith be, and hereby is barred from association with any broker or dealer.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

For the Commission, by its Secretary, pursuant to delegated authority.

Nancy M. Morris  
Secretary