STATE OF MICHIGAN
DEPARTMENT OF ENERGY, LABOR AND ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE REGULATION

Before the Commissioner of the Office of Financial and Insurance Regulation

In the matter of:

David McQueen

Enforcement Case No. 10-7797

Diversified Global Finance, Ltd.

Respondents.
_____/

ORDER TO CEASE AND DESIST

Issued and entered
this 10th day of August 2010
by Ken Ross
Commissioner

The Commissioner of the Office of Financial and Insurance Regulation ("OFIR"), pursuant to his statutory authority and responsibility to administer and enforce the Michigan Uniform Securities Act ("MUSA"), 1964 PA 265, MCL 451.501 *et seq.*, as made applicable by 2008 PA 551, MCL 451.2703 hereby orders **DAVID McQUEEN AND DIVERSIFIED GLOBAL FINANCE, LTD.,** ("Respondents") to immediately **CEASE AND DESIST** from engaging in the offer and sale of securities without first obtaining a registration of said securities, and to cease and desist from employing an investment scheme intended to defraud the public. Respondents are also notified of an opportunity to request a hearing on this matter.

I. BACKGROUND AND FINDINGS OF FACT

1. Respondent Diversified Global Finance, Ltd. ("DGF") is a corporation allegedly formed in Auckland, New Zealand with offices allegedly located in Grand Rapids, Michigan. DGF has never been registered with OFIR as a broker-dealer or investment advisor firm or as being associated with a broker-dealer firm or investment advisor firm that is registered with OFIR. DGF's securities are not registered with OFIR, nor were its offerings.

2. Respondent David McQueen ("McQueen") is a resident of the State of Michigan. McQueen is not registered as a securities agent with any securities brokerage firm. He is the director of DGF.

3. Beginning in 2008, McQueen through his company DGF induced or otherwise caused Michigan investors to purchase securities in offerings that were not registered with OFIR. These offerings provided inadequate disclosures to investors, misrepresented the offering, and investors suffered substantial monetary losses.

4. More specifically, OFIR received information that McQueen through his business DGF developed, made and issued investment contracts that involved an investment scheme dealing with multiple investment opportunities. For example, some investors were told the opportunity involved hedge funds and short term loans. Other investors were told the opportunity involved real estate and alternative energy.

5. One of DGF's investment schemes entitled, "5 Year Silver Private Offering Depository Account", represented it would pay annual returns of 12% (twelve percent); and, that investors could withdraw their monies at anytime with nominal forfeiture penalties.

6. DGF contracted with American Benefits Concepts, Inc., ("ABC") a Michigan corporation and insurance agency. ABC, in turn, contracted with insurance agents, whom DGF authorized to represent DGF to the agent's old and new clients. The insurance agents then solicited investments in all dollar amounts. The agents were paid commissions for their sales. The agents did not provide a prospectus that included financial statements, risk disclosures, or certain other related disclosures that would have been material to a reasonable investor prior to investing.

7. OFIR staff has identified several Michigan residents who have invested in DGF's investment scheme. OFIR has information that at least one investor received an in-home presentation from ABC and was offered opportunities to invest in one type of product, but was later offered DGF's securities. Others received cold calls from ABC agents and were offered DGF's securities. Based on representations that DGF was a good investment with a 12% return, investors purchased DGF's securities.

8. DGF provided account statements to investors reflecting that principal investments were earning returns. The statements did not reflect the true value of the accounts. The statements did not disclose any fees, costs, or other expenses that were being assessed and deducted from investment proceeds.

9. There came a time where some investors requested withdrawal of their investment money. Neither McQueen, nor DGF has returned to these investors their principal investment or a fraction thereof. McQueen informed investors that his assets had been frozen by federal authorities.

10. Because McQueen and DGF sold unregistered securities and failed to provide material information Michigan investors have been financially harmed.

II. CONCLUSIONS OF LAW

A. Violations of Section 301, MCL 451.701, of the Securities Act.

1. A security is defined in Section 401(z) of the Act, MCL 451.801(z), to mean any note; stock; treasury stock; bond; debenture; evidence of indebtedness; certificate of interest or participation in any profit-sharing agreement; collateral-trust certificate; preorganization certificate or subscription; transferable share; investment contract; voting-trust certificate; or certificate of deposit for a security; certificate of interest or participation in an oil, gas, or mining title or lease ...or, any contractual or quasi contractual arrangement pursuant to which (1) a person furnishes capital, other than services, to an issuer; (2) a portion of that capital is subjected to the risks of the issuer's enterprise; (3) the furnishing of that capital is induced by the representations of an issuer, promoter, or their affiliates which give rise to a reasonable understanding that a valuable tangible benefit will accrue to the person furnishing the capital as a result of the operation of the enterprise; (4) the person furnishing the capital does not intend to be actively involved in the management of the enterprise in a meaningful way; and (5) a promoter or its affiliates anticipate, at the time the capital is furnished, that financial gain may be realized as a result thereof.

2. Pursuant to *SEC v. W.J. Howey Co.,* 328 U.S. 293 (1946), an investment contract exists if there is present "an investment of money in a common enterprise with profits to come solely from the efforts of others." *Id.* at 301. An investment contract is a security under Section 401(z) of the Act, MCL 451.801(z), the offer or sale of which must be registered or exempt pursuant to Section 301 of the Act, MCL 451.301.

3. The investments offered by McQueen and DGF meets the definition of an investment contract as set forth in Section 401(z) and in *Howey*. Members of the public invested money in the scheme promoted, recommended and offered by McQueen, DGF, ABC, and ABC's agents with the expectation of profit generation. Notwithstanding, the representations of 12% returns, the investors bore 100% of the risk of loss each time they invested money with DGF. The investors were entirely passive with respect to realizing a profit on their investments. The investors had no connection to the issuers of the securities, or any authorization to exercise any powers and authority over investor funds to pursue DGF's business purposes, or use and allocation of the funds.

4. Moreover, McQueen, DGF, ABC, and ABC's agents were instrumental in inducing members of the public to invest their monies in the securities they offered and sold. They, individually and through their businesses or employment, exploited investors lack of knowledge in investing to promote the securities by misrepresenting that the securities were low risk, greater yielding and promised high returns. They represented that their clients would directly benefit from DGF's investment strategy to achieve higher returns, which the investors interpreted to mean financial benefits would inure to them.

5. There is a common enterprise because investors are dependent on McQueen, DGF, and ABC to facilitate receipt and transfer of funds, completion of investment contracts, and

investment of the proceeds into to their alleged projects and disbursement of principal and interest payments. All the investors would be negatively affected if the McQueen and DGF were ineffective in following their alleged investment plan. A common enterprise also exists because McQueen, DGF, ABC, ABC agents all earned percentages of the investment dollars received in the form of referral fees, commissions, wages and other compensation. Finally, the investors were totally dependent upon the efforts of McQueen and DGF for the realization of any return on their investment. As mentioned earlier, the investors had no connection to the issuers of the securities, or any authorization to exercise any powers and authority over investor funds to pursue DGF's business purposes, or use and allocation of the funds.

6. OFIR staff conducted a search to locate records of any registration or exemption filings pursuant to the MUSA related to McQueen and DGF. No such records were found for the individual, business entity, or its securities.

7. As a result of the conduct described above, McQueen and DGF violated Section 301 of the MUSA, which states it is unlawful for any person to offer or sell any security in this state unless the security is registered or exempt under the Act.

B. Violations of Section 101, MCL 451.501 of the Securities Act.

8. Section 101 of the MUSA provides "it is unlawful for any person, in connection with the offer, sale or purchase of any security, directly or indirectly to:

   - employ any device, scheme, or artifice to defraud,

   - 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 are made, not misleading,

   - engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person."

9. McQueen, individually and through his business, committed acts and caused events to happen to bring about the sale of securities in a way that defrauded Michigan investors by taking investment money in exchange for unlawful securities.

10. More specifically, McQueen took investment money in exchange for unregistered, nonexempt investment contracts.

11. McQueen also made untrue statements of material facts or failed to state material facts necessary in order to keep the statements made, in the light of the circumstances under which they were made, from being misleading and which would have been material to a reasonable investor prior to investing.

12. More specifically, McQueen did not provide the investors with a prospectus or offering document that included the risks associated with the investments, and fees and commissions that would be assessed.

13. Based on the foregoing, McQueen and DGF violated Section 101 of the MUSA where they took money in an investment scheme from Michigan residents in exchange for unregistered, nonexempt securities without providing the risks associated with the investment, and fees and commissions assessed.

14. Further McQueen and DGF violated Section 101 of the MUSA where they did not provide financial statements of DGF, did not disclose the specific use of investment proceeds by DGF, which are all demonstrative of engaging in acts, practices, or a course of business which operated as a fraud upon Michigan investors.

WHEREAS, Section 408 of the MUSA, MCL 451.808, states that whenever it appears to the Administrator (Commissioner of the Office of Financial and Insurance Regulation) that any person has engaged or is about to engage in any Act or practice constituting a violation of any provision of this Act or any rule or order hereunder, it may in its discretion issue a cease and desist order or bring an action in a circuit court to enjoin the Act or practices and to enforce compliance with this Act or any rule or order hereunder; and

WHEREAS, the Administrator finds this Order necessary and appropriate in the public interest, for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the MUSA; and

WHEREAS, the Administrator retains the right to pursue further administrative action against Respondents should the Administrator determine that such action is necessary and appropriate in the public interest, for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the MUSA, and may include but not be limited to bringing an action in circuit court to enjoin the acts and practices of the Respondents and upon proper showing seek an order to require an accounting or disgorgement of ill-gotten gains; and

WHEREAS, based on the foregoing, OFIR Staff recommends that the Administrator find that Respondents have engaged in acts and practices that violate Sections 101 and 301 of the MUSA.

III. ORDER

IT IS THEREFORE ORDERED, pursuant to Section 408 of the Act, MCL 451.808, and Section 409 of the Act, MCL 451.809, that:

1. Respondents shall immediately **CEASE AND DESIST** from violating Sections 101 and 301 of the MUSA.

2. Based upon Respondents' violations of the MUSA and because the Administrator finds that it would be in the public interest, that any exemptions under Section

402(a)(1), (6), (7), (8), (9), (10), and 402(b) of the MUSA, MCL 451.802(a)(1), (6), (7), (8), (9), (10), and 451.802(b) for which Respondents might qualify, are hereby **SUMMARILY DENIED AND REVOKED** for all purposes provided under Section 408(c) of the MUSA, MCL 451.808(c), including but not limited to Respondents' right to engage in transactions otherwise exempt under Section 402(b) of the Act, MCL 451.802(b) in the future absent compliance with the registration provisions of the Act.

3. Similarly, the Administrator finds that it would be in the public interest, that any exemptions for which Respondents might qualify for pursuant to the Michigan Uniform Securities Act 2002, 2008 PA 551, MCL 451.2101, *et seq.,* effective October 1, 2009, are hereby **SUMMARILY DENIED AND REVOKED.**

Failure to comply with this **ORDER** may subject the Respondents to a criminal penalty of not more than $25,000 for each violation, or imprisonment of not more than 10 years, or both.

IV. NOTICE OF OPPORTUNITY FOR HEARING

Section 408(b) of the MUSA, MCL 451.808, provides:

> A person who has been ordered to cease and desist may file with the administrator within **15 days** after service on him or her of the order a written request for a hearing. The administrator within 15 days after the filing shall issue a notice of hearing and set a date for the hearing. If a hearing is not requested by the person or is not ordered by the administrator within 15 days, the order will stand as entered. The administrator shall hold the hearing in accordance with the administrative procedures act of 1969, Act No. 306 of the Public Acts of 1969, as amended, being sections 24.201 to 24.328 of the Michigan Compiled Laws, and shall have all the powers granted thereunder. The administrator shall issue a decision sustaining, modifying, or dismissing the original order.

Should Respondents wish to request a hearing relating to the Commissioner's Order to Cease and Desist, a hearing must be requested in writing within 15 days of the issuance of this Order. The request for a hearing must be addressed to:

Dawn Kobus, Hearings Coordinator
Office of Financial and Insurance Regulation
Ottawa State Office Building, Third Floor
611 West Ottawa Street
Lansing, Michigan 48933

Please be advised that any statements made are voluntary and may be used in any proceeding that may be held. If a hearing is requested, Respondents have the right at its expense to legal representation at the hearing. A licensed attorney must represent Respondents that are corporations or limited liability companies.

The Commissioner retains the right to pursue further administrative action against the Respondents should the Commissioner determine that such action is necessary and appropriate in the public interest, for the protection of consumers, and consistent with the purposes fairly intended by the policy and provisions of the Act.

Any other communication regarding this Order should be addressed to the Office of Financial and Insurance Regulation, Attention: Elizabeth V. Bolden, Esq., P.O. Box 30220, Lansing, Michigan 48909, Telephone: 877-999-6442.

OFFICE OF FINANCIAL AND INSURANCE REGULATION

K. R

Ken Ross
Commissioner