

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 74123 / January 23, 2015

ADMINISTRATIVE PROCEEDING
File No. 3-16358

In the Matter of

**SPECTRUM CONCEPTS, LLC,
DONALD JAMES WORSWICK,
MICHAEL NICHOLAS GROSSO,
and MICHAEL PATRICK
BROWN,**

Respondents.

**ORDER INSTITUTING CEASE-
AND-DESIST PROCEEDINGS
PURSUANT TO SECTION 8A OF THE
SECURITIES ACT OF 1933 AND
SECTION 21C OF THE SECURITIES
EXCHANGE ACT OF 1934 AND NOTICE
OF HEARING**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that cease-and-desist proceedings be, and hereby are, instituted against Spectrum Concepts, LLC (“Spectrum”), Donald James Worswick (“Worswick”), Michael Nicholas Grosso (“Grosso”), and Michael Patrick Brown (“Brown”) (collectively, “Respondents”) pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”).

II.

After an investigation, the Division of Enforcement alleges that:

SUMMARY

1. This matter concerns a prime bank scheme conducted through Spectrum by Worswick, its president and owner. In perpetrating the scheme, Worswick was helped by Brown and Grosso.

2. Between approximately May 2012 and October 2012 (the “Offering Period”), Worswick, acting through Spectrum, offered and sold to at least five elderly investors \$465,000 of investments in what he called “Private Joint Venture Credit Enhancement Agreements”

(“Enhancement Agreements”). In selling the Enhancement Agreements, Worswick was helped by Brown, who devised and drafted the language of the Enhancement Agreements and helped sell them to at least two investors, and Grosso who also helped sell them to investors while portraying himself falsely as an officer or employee of Spectrum. Worswick, Brown, and Grosso were helped in their sale efforts by one or more of four individuals (collectively, the “Finders”) who helped to identify and refer investors interested in Spectrum’s Enhancement Agreements.

3. The Enhancement Agreements represented to investors that investor funds would be placed by Spectrum in “private funding projects” and used to “set up” a “credit facility” and something called a “trade slot” that would then be “blocked” for the benefit of a supposed “trade platform.” In selling Enhancement Agreements, Worswick, Brown, and Grosso told investors that, by investing in an Enhancement Agreement, the investors, along with Spectrum, would earn returns ranging from 900% in 20 days to 4,627% annually. The investments were fictitious.

4. Worswick signed each Enhancement Agreement on behalf of Spectrum in exchange for receiving investor funds. At least four of the Enhancement Agreements also included the representation that the investor would receive a full return of his or her principal investment after a specified number of days, but the investor would continue nonetheless to receive a steady stream of promised returns.

5. Worswick’s scheme was a blatant fraud. The supposed “private funding projects,” “credit facilit[ies],” and “trade slot[s]” described in the Enhancement Agreements did not exist, and none of the funds Worswick obtained from investors was used for the investors’ benefit. Moreover, none of the investors has received a return of their principal.

6. Of the \$465,000 of investor funds raised, two investors were subsequently able to obtain a return of their funds of \$265,000 when they had second thoughts about the investments. However, most of the remainder of \$200,000 was misappropriated by Worswick for his own purposes. Among other things, he spent a portion of this amount on living expenses and paid other portions to a variety of people, including Grosso, who received \$27,500.

RESPONDENTS

7. Spectrum is a Florida limited liability company that Worswick created in January 2010 for the supposed purpose of sponsoring and promoting concerts. However, other than the investor funds which Spectrum received into its bank account, Spectrum has never had any corporate assets or business operations, and has served only as a vehicle for Worswick’s fraud. Spectrum has never registered an offering of securities under the Securities Act or a class of securities under the Exchange Act.

8. Worswick is 64 years of age and a resident of Eustis, Florida. He is president and owner of Spectrum.

9. Grosso is 60 years of age and a resident of Rocky Point, New York. During the Offering Period, Grosso was not an employee or officer of Spectrum. Previously, he has worked as a nutritionist and fitness trainer.

10. Brown is 47 years old and a resident of Boca Raton, Florida. During the Offering Period, Brown portrayed himself to be an attorney-at-law but, in fact, has never been licensed as an attorney by any state. In 2004, Brown was charged by the Commission with violations of Section 10(b) of the Exchange Act and Rule 10b-5, thereunder. In 2005, Brown settled those charges by consenting to a Court order enjoining him from future violations of Section 10(b) of the Exchange Act and Rule 10b-5, thereunder, and barring him for a period of two years from participating in the offering of a penny stock.

BACKGROUND

11. After forming Spectrum, Worswick began looking for ways to raise money in order to fund Spectrum's concert promotion business. To this end, he explored various "investment programs" advertised on the internet as a means to earn a return that he could use for Spectrum's business. Through his efforts, Worswick met Brown who presented himself as an attorney with years of experience with such investment programs. Worswick hired Brown to draft the Enhancement Agreements for Spectrum that Worswick, Grosso, and Brown subsequently offered and sold to investors. Through the sale of Enhancement Agreements, Worswick and Brown hoped to raise upwards of \$15 million for Spectrum from investors.

12. Shortly after Worswick hired Brown, Worswick met Grosso and elicited his help in recruiting investors to invest in Enhancement Agreements.

THE OFFERING

13. Between approximately May 2012 and October 2012, Spectrum offered and sold \$465,000 of Enhancement Agreements to at least five investors. Brown drafted the language of the Enhancement Agreements, as well as other documents presented, or intended to be presented, to investors as part of the offering. These included: (i) a Board Resolution; (ii) an Origin and History of Funds; (iii) an Authorization to Verify Funds; (iv) a Letter of Intent; (v) a Letter of Request for Information and Non-Solicitation; (vi) an Investor Letter; and (vii) a Client Information Form. Brown also communicated with investors directly (or indirectly through one or more of the Finders) if investors had questions or wanted more information about the offering.

14. Worswick and Grosso reviewed, edited, and disseminated to investors the documents created by Brown, and also themselves solicited investors. Additionally, Grosso posted information about the offering on a classified advertisement website in order to attract investors broadly. To further facilitate the fraud, Worswick provided Brown and Grosso with access to Spectrum's letterhead for use in communicating with investors and drafting documents. Moreover, Worswick allowed Spectrum's bank account to be used for receipt of investor funds, and Worswick signed the documents related to each investment, including the Enhancement Agreements, on behalf of Spectrum.

15. With the final three investors, Grosso and Worswick also made some revisions to the Enhancement Agreements drafted by Brown.

16. With regards to early investors in the program, Worswick or Grosso informed Brown of an expressed interest by a prospective investor. Worswick or Grosso also asked the investor to complete and sign various forms, whose purpose was portrayed as verifying that an investor had the financial resources to invest. After an investor completed and signed the forms, he or she was allowed to discuss his or her potential investment with Brown. When an investor decided to invest, Brown, Grosso, or Worswick finalized an Enhancement Agreement for that particular investor and provided it to the investor to sign.

17. In or about the late summer of 2012, Brown's role in the fraud lessened and the recruitment of subsequent investors occurred in a less formal manner.

18. To add legitimacy to the offering, Worswick arranged for an escrow agent to receive funds from the investors and then release the funds to Spectrum at the direction of the investors once Spectrum had met certain pre-conditions. These pre-conditions included the creation of the "trade slot" or "credit facility," which Worswick, Brown, or Grosso would tell the investors had occurred or, in the case of two investors, the provision of a "financial guarantee" from an insurance company, insuring the investors against the loss of their principal. In actuality, the use of an escrow agent provided a façade of legitimacy. Investors in the Enhancement Agreements had no means to verify independently whether Spectrum had created the "trade slot" or "credit facility," as represented. Moreover, the financial guarantee provided to two investors in was fictitious.

19. The escrow agreement also gave the escrow agent responsibility for receiving profits from the trade platform and disbursing those profits to the investors.

20. The Enhancement Agreements only vaguely described how investor funds would be used. According to their terms, Spectrum would establish a credit facility and trade slot "approximately 7 banking days" after it received investor funds from escrow. Afterwards, the credit facility and trade slot would be "blocked for the benefit of a trade platform." The Enhancement Agreements further represented that the trade platform would begin making profit payments to the escrow attorney within 30 banking days of the trade platform being blocked, and that the escrow agent would disperse profit payments to investors within one business day of the escrow agent receiving them. In addition, Spectrum itself would somehow participate in the investment with the investors and share in the profits accordingly.

21. The Enhancement Agreements, signed by Worswick, varied. At least one agreement represented that the return of the initial investment would occur immediately after the supposed line of credit was established or within 15 days prior to the trade platform being entered. At least two Enhancement Agreements promised that the respective investor would be paid \$100,000 per week for 52 weeks for a total of \$5.2 million—a return of 4,627% return on the investments.

22. At least two Enhancement Agreements also stated that Spectrum was required to provide a financial guarantee of the investors' principal from a particular insurance company. The

Enhancement Agreement further specified that no escrowed funds could be released by the escrow agent until such a financial guarantee was provided. On June 18, 2012, Spectrum provided the investors with a financial guarantee, drafted by Brown and signed by Worswick, and purportedly backed by this particular insurance company. In a June 18, 2012 email, Brown communicated through an intermediary to one of the investors that the “policy will be effective tomorrow . . . and must be signed by [the investor] and Mr. Worswick and sent back to [Brown].” Brown added that the investor needed to release the funds from the escrow agent so that the policy premium could be paid. In fact, the financial guarantee provided by Spectrum was fictitious.

23. In August 2012, Spectrum obtained investments of \$50,000 each from two additional investors. The investors each signed Enhancement Agreements, dated August 2, 2012 and August 6, 2012, respectively, that were essentially identical to the earlier versions used by Spectrum. Worswick signed the Enhancement Agreements on behalf of Spectrum. Each of these Enhancement Agreements acknowledged receipt of \$50,000 of investor funds and promised in return that the investor would receive profit payments of \$50,000 a month for 12 months for a total of \$600,000 for each investor. This represented an 1100% return on each investment. Additionally, each investor was promised a return of their initial investment thirty days after the trade platform was entered.

24. On August 6 and 7, 2012, the new investors signed letters authorizing the escrow agent to release their respective funds to Spectrum. Spectrum’s bank records show that Spectrum received the \$100,000 into its bank account on August 14, 2012. The next day, on August 15, 2012, without knowledge of the new investors, Worswick transferred \$20,000 of these funds to an individual who had located other investors.

25. One of the investors received a single page letter from Spectrum, addressed to “Dear Client” with the typed name of “Mike Grosso” at the bottom, describing a supposed “Standby Letter of Credit” (“SBLC”) in which the investor was supposed to be investing (hereafter, the “Dear Client letter”). The Dear Client letter described in detail how Spectrum works with a “Credit Facility” to use a “Proof of Funds” to leverage a bank instrument which then goes through a “monetizing” process.

26. Despite the language of the Enhancement Agreements, Grosso directly or indirectly told the investors that each was investing in a SBLC issued by a Channel Islands entity called, the Advance Funding Group (“AFG”).

27. In early September 2012, Spectrum obtained an investment of \$100,000 from another investor (who invested through an entity the investor controlled). The investor was introduced to Spectrum by an intermediary, and was recruited to invest by Grosso. Grosso represented himself to the investor as an agent or representative of Spectrum.

28. Grosso offered the investor the opportunity to purchase an interest in a SBLC that was supposed to be purchased by AFG from a European bank. Grosso told the investor that this SBLC would cost \$200,000 in total, but that the investor would only need to invest \$100,000 since Grosso had identified two other individuals who together would invest the remaining \$100,000.

Grosso further told the investor that AFG would use the invested funds to purchase the SBLC and, thereafter, transfer the SBLC to another entity that would then somehow “monetize” the SBLC by investing the proceeds in long-term investments. Grosso provided the investor with the same Dear Client letter referenced above, and gave the investor the documents to sign to make the investment, including the Enhancement Agreement and the escrow agreement. Grosso represented to the investor that the investment would yield a total return of \$6.5 million.

29. Based on Grosso’s representations, the investor signed an Enhancement Agreement with Spectrum on September 10, 2012 and, thereafter, authorized the escrow agent to release the investor’s funds to Spectrum. Worswick signed the Enhancement Agreement on behalf of Spectrum. While the language of this Enhancement Agreement was substantially similar to the terms of the earlier Enhancement Agreements, there were notable differences. For instance, for a \$100,000 investment, Spectrum promised the investor a profit of \$1 million in 20 banking days, a return of 900%, after Spectrum supposedly received “its anticipated profit payment.” Also, the Enhancement Agreement actually referenced a SBLC. In any event, Grosso promised the investment return no later than 20 days after November 19, 2012, the date on which Grosso claimed the SBLC would be “monetized.”

30. The investment programs described to the investors by the Respondents were fictitious. Contrary to the representations to investors, Worswick largely diverted for his own purposes the investor funds Spectrum received. Between August 2012 and December 2012, Spectrum received into its bank account \$245,000 of investor proceeds from the sale of Enhancement Agreements. Of the \$245,000 Spectrum obtained, Worswick returned \$45,000 to the initial investors. Starting on August 15, 2012, after receiving \$100,000 in later investments, Worswick made four payments to Grosso totaling \$27,500. Additionally, on August 15, 2012, Worswick wired \$20,000 to an intermediary who had found earlier investors, also described above. Worswick also paid Brown a total of between \$15,000 and \$20,000.

31. Worswick also used Spectrum funds received from investors for expenses of his own. For instance, Worswick wired \$30,000 to his personal attorney, withdrew approximately \$6,400 in cash, and transferred \$17,000 to another bank account he controlled. He also wrote checks totaling approximately \$8,769, and paid \$2,701, for personal expenses such as purchases made at convenient stores or on the internet for diet items.

VIOLATIONS

32. As a result of the conduct described above, Respondents committed violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5, thereunder, which prohibit fraudulent conduct in the offer and sale of securities and in connection with the purchase or sale of securities.

33. As a result of the conduct described above, Respondents committed violations of Sections 5(a) and 5(c), which prohibit, absent an exemption, any person, directly or indirectly, making use of any means or instruments of transportation or communication in interstate

commerce or of the mails to sell a security for which a registration statement is not in effect or to offer to sell a security for which a registration statement has not been filed.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that cease-and-desist proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondents an opportunity to establish any defenses to such allegations;

B. Whether, pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, Respondents should be ordered to cease and desist from committing or causing violations of and any future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5, thereunder, whether Respondents should be ordered to pay a civil penalty pursuant to Section 8A(g) of the Securities Act and Section 21B(a)(2) of the Exchange Act, and whether Respondents should be ordered to pay disgorgement plus prejudgment interest pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened not earlier than 30 days and not later than 60 days from service of this Order at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondents shall file Answers to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If a Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, that Respondent may be deemed in default and the proceedings may be determined against Respondent upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondents personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not “rule making” within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Brent J. Fields
Secretary