

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
September 23, 2004

ADMINISTRATIVE PROCEEDING
File No. 3-11681

In the Matter of

KENNETH B. MACQUEEN,

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
PROCEEDINGS PURSUANT TO SECTION
203(f) OF THE INVESTMENT ADVISERS
ACT OF 1940**

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 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Kenneth B. MacQueen (“Respondent” or “MacQueen”).

II.

After an investigation, the Division of Enforcement alleges that:

1. MacQueen, age 47, was a resident of Orland Park, Illinois, during the relevant time. From at least 1993 until March 2003, MacQueen was a principal of MacQueen Capital Management Corp. (“MacQueen Capital”). MacQueen was not registered with the Commission in any capacity.
2. MacQueen Capital was an unregistered investment adviser and was an Illinois corporation during the relevant time. MacQueen operated MacQueen Capital’s advisory business. MacQueen Capital was the adviser to the Dividend Reinvestment Fund, L.L.C. (“Dividend Fund”), an unregistered hedge fund.
3. On February 29, 2003, the Commission filed a Complaint in the United States District Court for the Northern District of Illinois against MacQueen, MacQueen Capital and the Dividend Fund captioned, SEC v. Kenneth B. MacQueen, et al., Case No. 03C-1423.
4. The Complaint alleges that MacQueen, through MacQueen Capital and the Dividend Fund, raised at least \$1.325 million from five investors in an ongoing fraudulent

investment scheme. According to the Complaint, MacQueen misrepresented the Dividend Fund's investment objectives by telling investors that the Dividend Fund would generate annual returns of approximately 25% through a low risk, dividend reinvestment arbitrage investment strategy, even though the Dividend Fund generated little or no returns from its stated investment strategy. The Complaint also alleges that MacQueen misrepresented the use of investor proceeds by claiming that proceeds would be used by the Dividend Fund for its dividend reinvestment arbitrage trading strategy, when MacQueen actually used the proceeds to pay existing investors and to pay personal expenses such as the purchase of a vacation home. The Complaint also alleges that, to conceal his fraud and to obtain additional investments, MacQueen made numerous misrepresentations to investors regarding the value of their interests in the Dividend Fund. Based on these allegations, the Complaint asserts that MacQueen violated Sections 17(a)(1), 17(a)(2) and 17(a)(3) of the Securities Act of 1933 ("Securities Act"), Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Advisers Act.

5. On July 8, 2003, the Court entered an order permanently enjoining MacQueen, MacQueen Capital and the Dividend Fund from violating Sections 17(a)(1), 17(a)(2) and 17(a)(3) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Advisers Act. In a written consent, MacQueen and MacQueen Capital admitted the allegations of the Complaint and agreed to the entry of the order of permanent injunction.

6. On May 7, 2004, the Court entered a final judgment incorporating the July 8, 2003 order permanently enjoining MacQueen, MacQueen Capital and the Dividend Fund from violating Sections 17(a)(1), 17(a)(2) and 17(a)(3) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Advisers Act.

III.

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

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

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 203(f) of the Advisers 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 at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 200 of the Commission's Rules of Practice, 17 C.F.R. § 201.200.

IT IS FURTHER ORDERED that Respondent shall file an Answer 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 Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him 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), 221(f) and 201.310.

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

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 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.

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

Jonathan G. Katz
Secretary