

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 9581 / May 1, 2014

SECURITIES EXCHANGE ACT OF 1934
Release No. 72073 / May 1, 2014

INVESTMENT ADVISERS ACT OF 1940
Release No. 3828 / May 1, 2014

INVESTMENT COMPANY ACT OF 1940
Release No. 31037 / May 1, 2014

ADMINISTRATIVE PROCEEDING
File No. 3-15518

In the Matter of

**DIEGO F. HERNANDEZ, THE
WEALTH MANAGEMENT
PARTNERS, LLC, WEALTH
FINANCIAL, LIMITED LIABILITY
COMPANY, DFHR
INVESTMENTS, INC., and HD
MILE HIGH MARKETING, INC.,**

Respondents.

**ORDER MAKING FINDINGS AND
IMPOSING REMEDIAL SANCTIONS
AND A CEASE-AND-DESIST ORDER
PURSUANT TO SECTION 8A OF THE
SECURITIES ACT OF 1933, SECTIONS
15(b) AND 21C OF THE SECURITIES
EXCHANGE ACT OF 1934, SECTION
203(f) OF THE INVESTMENT
ADVISERS ACT OF 1940, AND
SECTION 9(b) OF THE INVESTMENT
COMPANY ACT OF 1940 AS TO DIEGO
F. HERNANDEZ AND HD MILE HIGH
MARKETING, INC.**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest to enter this Order Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), Section 203(f) of the

Investment Advisers Act of 1940 (“Advisers Act”), and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Diego F. Hernandez (“Hernandez”) and pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act against HD Mile High Marketing (“Mile High” or together with Hernandez “Respondents”).

II.

Following the institution of administrative proceedings against Respondents on September 24, 2013, Respondents 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, Respondents consent, without admitting or denying the Commission’s findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, to the entry of this Order Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Pursuant to Section 8A of the Securities Act of 1933, Sections 15(b) and 21C of the Securities Exchange Act of 1934, Section 203(f) of the Investment Advisers Act of 1940 and Section 9(b) of the Investment Company Act of 1940 (“Order”), as set forth below.

III.

On the basis of this Order and the Respondents’ Offer, the Commission finds¹ that:

A. Summary

1. Between July 2011 and approximately April 2013, Hernandez, through Wealth Management, Wealth Financial, DFHR, and HD Mile High, willfully violated the antifraud provisions of the Securities Act and the Exchange Act by raising and misappropriating approximately \$921,000 from 13 Colorado investors through a fraudulent offering of securities. Hernandez carried out his fraudulent offering by meeting with each investor and telling them that he, through his entities, would invest their money in corporate bonds or other “safe” investments that would pay a guaranteed, above-market annual interest rate. In reality, Hernandez, through Wealth Management, Wealth Financial, DFHR, and HD Mile High, willfully misappropriated investor funds for (1) personal expenses, (2) business expenses, and (3) to repay other investors. HD Mile High is the only Hernandez entity still in existence; the other entities are now defunct.

2. Between July 2011 and January 2013, in connection with his fraudulent offering and through Wealth Management, Wealth Financial, and DFHR, Hernandez and his entities also willfully operated as unregistered brokers.

¹ The findings herein are made pursuant to Respondents’ Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

B. Respondents

3. Diego Hernandez, age 39, is a Colombian national who has been a lawful permanent resident of the United States since he was a child. He resides in Lone Tree, Colorado. Hernandez held a Series 6 license from 1998 until January 2013. From 1998 to January 2013, Hernandez was a registered representative associated with three broker dealers registered with the Commission.

4. The Wealth Management Partners, LLC was a Colorado limited liability company with its principal place of business in Lakewood, Colorado. Hernandez owned and controlled Wealth Management. Wealth Management was not registered with the Commission in any capacity, but Wealth Management acted as an unregistered broker-dealer in connection with the offer and sale of securities to investors between April 2012 and January 2013. Wealth Management never conducted a registered offering or registered a class of securities with the Commission. Hernandez used Wealth Management to receive customer funds. Wealth Management is now a defunct entity.

5. Wealth Financial, Limited Liability Company was a Colorado limited liability company with its principal place of business in Lakewood, Colorado. Hernandez owned and controlled Wealth Financial. Wealth Financial was not registered with the Commission in any capacity, but Wealth Financial acted as an unregistered broker-dealer in connection with the offer and sale of securities to investors between April 2012 and January 2013. Wealth Financial never conducted a registered offering or registered a class of securities with the Commission. Hernandez used Wealth Financial to receive customer funds. Wealth Financial is now a defunct entity.

6. DFHR Investments, Inc. was a Colorado corporation that was in delinquent status with the Colorado Secretary of State since May 1, 2011. Hernandez owned and controlled DFHR. DFHR was not registered with the Commission in any capacity, but DFHR acted as an unregistered broker-dealer in connection with the offer and sale of securities to investors between July 2011 and January 2012. DFHR never conducted a registered offering or registered a class of securities with the Commission. Hernandez used DFHR to receive customer funds. DFHR is a defunct entity.

7. HD Mile High Marketing, Inc. is a Colorado corporation with its principal place of business in Lakewood, Colorado. Hernandez owns and controls HD Mile High. HD Mile High has never conducted a registered offering or registered a class of securities with the Commission. HD Mile High is a marketing agency that focuses on advertising boards placed in elevators, lobbies, and restrooms. Hernandez used HD Mile High to receive customer funds.

C. Facts Regarding the Respondents

8. From August 2005 to April 2012, Hernandez was a registered representative associated with broker-dealer registered with the Commission. From April 12, 2012 to January 31, 2013, Hernandez was a registered representative associated with a dually-registered broker-dealer and investment adviser registered with the Commission. During his fraudulent offering, Hernandez was selling away from both firms, while also targeting their retail customers.

9. In 2009, Hernandez incorporated DFHR. During the relevant time, Hernandez controlled DFHR, including its bank accounts. Between July 2011 and January 2012, Hernandez instructed four investors to provide investment funds to DFHR.

10. In December 2011, Hernandez incorporated HD Mile High. During the relevant time, Hernandez controlled HD Mile High, including its bank accounts. In 2012, in connection with his fraudulent offering, Hernandez instructed three investors to provide investment funds to HD Mile High.

11. In March 2012, Hernandez organized Wealth Management. During the relevant time, Hernandez controlled Wealth Management, including its bank account. Between April 2012 and January 2013, Hernandez instructed 10 investors to provide investment funds to Wealth Management.

12. From approximately May 2012 to January 2013, Hernandez used “Wealth Financial, LLC” as his d/b/a for his brokerage business. In February 2013, Hernandez organized Wealth Financial. During the relevant time, Hernandez controlled Wealth Financial, including its bank account. Between approximately May 2012 and April 2013, Hernandez used Wealth Financial in connection with his fraudulent securities transactions. In January 2013, one investor provided investment funds to Wealth Financial.

13. Hernandez failed to disclose adequately to the two broker-dealers with which he was associated his outside business activities at DFHR, HD Mile High, and Wealth Management. Hernandez also failed adequately to disclose to one broker-dealer with which he was associated from April 2012 to January 2013, his outside business activities at Wealth Financial.

The Respondents Engaged in a Fraudulent Offering of Securities and a Scheme and Fraudulent Practices or Course of Business

14. Hernandez generally carried out his fraudulent offering by meeting with the investors face-to-face and convincing them to invest their money with him based on numerous material false statements and omissions.

15. To generate funds for the fraudulent offering, Respondents targeted Hernandez’s customers who were retail investors, almost all of whom were individuals.

16. Hernandez advised several investors to surrender out of their existing annuities, and he assisted his customers with completing the paperwork necessary to complete the surrenders. Hernandez also advised various customers to provide him with their cash savings and funds they removed from their 401(k) plans.

17. Hernandez told at least two investors that he would provide them with a six to eight percent monetary “bonus” for agreeing to transfer their funds as he advised.

18. Investors provided Respondents with funds because they sought to make a profit from the above-market annual interest rates promised by Respondents.

19. Hernandez told investors that he would invest their funds and he instructed them to direct payment to one or more of his entities. The Respondents then pooled investor funds in the Respondents' bank accounts, which were controlled by Hernandez.

20. The investors had an expectation of profits to be derived solely from the efforts of the Respondents; after investing, the investors were passive and had no control over the use of their funds.

The Respondents Made Material False Statements, Misrepresentations, and Omissions

21. Between July 2011 and January 2013, Hernandez, through his entities, made material misrepresentations, false statements, and omissions, both orally and in writing, when offering and selling securities to approximately 13 investors.

22. Hernandez falsely told investors that he, through his entities, would be investing their funds in corporate bonds. The account statements for Wealth Management and Wealth Financial, which were drafted by Hernandez and provided to some investors, also described the investment as a "corporate bond." The account statements also falsely stated that there was a "market" for the "corporate bonds," and that Wealth Management was a "fund."

23. Hernandez also told investors that he, through DFHR or Wealth Management, would be placing their money in another "safe" investment, such as mutual funds or annuities.

24. Hernandez failed to disclose to investors that the Respondents would be the sole recipients of their funds, that their funds would be treated as a "loan" to the Respondents, that their funds would be used to pay the business and personal expenses of the Respondents, and that their funds would be used to repay other investors.

25. Hernandez also falsely touted the safety of the investments, and he both misrepresented and failed to disclose the risks. He told numerous investors that the securities he offered and sold were "safe." Hernandez also assured investors that the securities he offered provided both flexibility and liquidity. For example, he told one investor that if she liquidated her 401(k) and provided the funds to him, he and his entities could liquidate her "corporate bond" account on demand so that she could use the funds for a down payment on a home. Similarly, he told another investor that at least \$10,000 of her \$50,000 would be available to her on demand and penalty free so that she could cover her school and living expenses.

26. Hernandez told investors that the securities he offered and sold would pay a guaranteed, above-market, annual interest rate. Numerous investors were assured by Hernandez that the investments he was putting them into would result in a higher rate of return than the investment products they currently held.

27. Hernandez knew that these statements were false because the Respondents did not have any means of generating interest on the investor funds, much less a “guaranteed” above-market interest rate.

28. Hernandez failed to inform investors that their funds would not be maintained in a separate “account,” as was stated on their account statements. Instead, investor funds remained in bank accounts controlled by the Respondents, where they were comingled with the funds of other investors, as well as other funds deposited by the proposed Respondents.

29. All of these misrepresentations, false statements, and omissions were material to investors.

30. Hernandez knew that his statements regarding the use of investor proceeds were false because he controlled Wealth Management, Wealth Financial, DFHR, and HD Mile High, and he knew that neither he nor any of those entities were purchasing or issuing corporate bonds or using investor funds to purchase any other security or investment product for which there was a “market.” Hernandez also knew that Wealth Management, which he owned and controlled, was not a “fund.” Hernandez also knew that all of these statements were false because he and his entities were misappropriating investors’ funds.

31. Hernandez knew that the investments were not safe, liquid, or risk-free, and that his statements regarding these material facts were false. Hernandez knew that the Respondents misappropriated investors’ funds, that the Respondents took no measures to protect investor funds, and that, other than raising funds from other investors, and the Respondents had no means to generate sufficient revenue to repay investors on demand.

The Respondents Misappropriated Investor Funds

32. The Respondents spent investor funds on a variety of business and personal expenses; none of which provide any promise for protecting principal or generating “guaranteed” interest. Examples of such spending include tens of thousands of dollars in cash withdrawals, repayments of Hernandez’s personal debts, payments to the Respondents’ employees, payments to restaurants and bars, payments related to vehicles, residential rent payments, and payments to other investors.

Hernandez, Wealth Management, Wealth Financial and DFHR, acted as unregistered brokers

33. Hernandez, through Wealth Management, Wealth Financial, and DFHR, was involved throughout the entire investment process. He solicited investors, met with investors, explained the investments, drafted account statements, accepted investor deposits, and controlled the Respondents’ bank accounts into which investor funds were placed and from which investor funds were spent.

34. Hernandez, Wealth Management, Wealth Financial, and DFHR received transaction-based compensation in the form of investors' funds, which they misappropriated.

35. The investors relied upon Hernandez for all of their information about these investments. Hernandez, through Wealth Management, Wealth Financial, and DFHR, told investors that the investments were safe and were good investments.

36. Wealth Management, Wealth Financial, and DFHR were not registered as broker-dealers at the time of the sales.

37. Hernandez was not registered as a broker or associated with a registered broker-dealer in connection with these sales. Hernandez was conducting a securities business beyond the scope of his employment at two broker-dealers; therefore, his affiliation with those broker-dealers does not exempt him from registering as a broker.

D. Violations

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

39. Hernandez willfully violated Section 15(a) of the Exchange Act which makes it unlawful for any broker or dealer to effect any transactions in, or to induce or attempt to induce the purchase or sale of, any security, unless such broker or dealer is registered in accordance with subsection (b) of Section 15.

IV.

In view of the foregoing, the Commission deems it appropriate, in the public interest, and for the protection of investors to impose the sanctions agreed to in Respondents' Offer.

According, pursuant to Section 8A of the Securities Act, Sections 15(b) and 21C of the Exchange Act, Section 203(f) of the Advisers Act, and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondent Hernandez shall cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act, Section 10(b) and 15(a) of the Exchange Act and Rules 10b-5 thereunder;

B. Respondent HD Mile High shall cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rules 10b-5(a) and (c) thereunder;

C. Respondent Hernandez be, and hereby is:

Barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization;

Prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter; and

Barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

Any reapplication for association by Hernandez 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 Hernandez, 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.

D. Hernandez shall, within 10 days of the entry of this Order, pay disgorgement of \$710,000 and prejudgment interest of \$69,010.71, joint and severally with HD Mile High as to \$121,000 disgorgement and \$8,076.36 prejudgment interest, and a civil penalty of \$710,000 to the Securities and Exchange Commission.

E. HD Mile High shall, within 10 days of the entry of the Order, pay disgorgement of \$121,000 and prejudgment interest of \$8,076.36, joint and severally with Hernandez, and a civil penalty of \$121,000 to the Securities and Exchange Commission.

If timely payment is not made by Respondents, additional interest shall accrue pursuant to SEC Rule of Practice 600 and 31 U.S.C. §3717. Payment must be made in one of the following ways:

- (1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or

(3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Hernandez's name as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Nancy Gegenheimer, Esq., Division of Enforcement, Securities and Exchange Commission, 1801 California Street Suite 1500, Denver, CO 80202

F. Such civil money penalty may be distributed pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended ("Fair Fund distribution"). Regardless of whether any such Fair Fund distribution is made, amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agrees that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the United States Treasury or to a Fair Fund, as the Commission directs. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Jill M. Peterson
Assistant Secretary