

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 9806 / June 11, 2015

SECURITIES EXCHANGE ACT OF 1934
Release No. 75144 / June 11, 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 MAKING FINDINGS
AND IMPOSING REMEDIAL
SANCTIONS PURSUANT TO
SECTIONS 8A OF THE
SECURITIES ACT OF 1933 AND
21C OF THE SECURITIES
EXCHANGE ACT OF 1934
AGAINST RESPONDENTS
SPECTRUM AND WORSWICK**

I.

On January 23, 2015, the Securities and Exchange Commission (“Commission”) instituted cease-and-desist proceedings against Spectrum Concepts, LLC (“Spectrum”), Donald James Worswick (“Worswick”) (collectively “Settling Respondents”), Michael Nicholas Grosso (“Grosso”) and Michael Patrick Brown (“Brown”) (collectively “Respondents”), pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”). Settling Respondents have submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept.

II.

Solely for the purpose of settling 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 them and the subject matter of these proceedings, which are admitted, Settling Respondents consent to the entry of this Order Making Findings and Imposing Remedial Sanctions Pursuant To Sections 8A of the Securities Exchange Act of 1933 and Section 21C of the Securities and Exchange Act of 1934 Against Respondents Spectrum and Worswick (“Order”), as set forth below.

III.

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

SUMMARY

1. This matter concerns a prime bank scheme conducted through Spectrum by Worswick, its president and owner, and others.
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").
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 and others 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 \$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 another respondent, who received \$27,500.

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

SETTLING 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.

OTHER RESPONDENTS

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.

10. Brown is 47 years old and a resident of Boca Raton, Florida. 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. In fact, Brown has never been licensed as an attorney by any state. 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 others 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. 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 or others 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.

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

19. 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.

20. 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.

21. 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, 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.

22. 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.

23. 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.

24. 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.

25. 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.

26. Grosso offered the investor the opportunity to purchase an interest in a SBLC that was supposed to be purchased by Advance Funding Group (“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.

27. 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.”

28. 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, from which Worswick returned \$45,000 to an investor. Starting on August 15, 2012, after receiving \$100,000 in later investments, Worswick made four payments to Grosso totaling \$27,500. Also on August 15, 2012, Worswick wired \$20,000 to an intermediary who had found earlier investors, as described above. Worswick also paid Brown a total of between \$15,000 and \$20,000.

29. 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.

30. As a result of the conduct described above, Settling 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.

31. As a result of the conduct described above, Settling Respondents committed violations of Sections 5(a) and 5(c) of the Securities Act, 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.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in the Settling Respondents' Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 8A of the Securities Act and 21C of the Exchange Act, Respondent Spectrum cease and desist from committing or causing any violations 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.

B. Pursuant to Section 8A of the Securities Act and 21C of the Exchange Act, Respondent Worswick cease and desist from committing or causing any violations 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.

C. Worswick shall, within 60 days of the entry of this Order, pay disgorgement of \$166,500 and prejudgment interest of \$12,452.72 to the Securities and Exchange Commission. The Commission will hold funds paid pursuant to this paragraph in an account at the United States Treasury pending a decision whether the Commission, in its discretion, will seek to distribute funds or, transfer them to the general fund of the United States Treasury subject to Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600.

D. Worswick shall, within 60 days of the entry of this Order, pay a civil money penalty in the amount of \$120,000 to the Securities and Exchange Commission. The Commission may distribute civil money penalties collected in this proceeding if, in its discretion, the Commission orders the establishment of a Fair Fund ("Fair Fund distribution") pursuant to 15 U.S.C. § 7246, Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended. The Commission will hold funds paid pursuant to this paragraph in an account at the United States Treasury pending a decision whether the Commission, in its discretion, will seek to distribute funds or, subject to Exchange Act Section 21F(g)(3), transfer them to the general fund of the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

- (1) Worswick may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

- (2) Worswick 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) Worswick may pay by certified check, bank cashier's check, or United States postal money orders, made payable to the Securities and Exchange Commission and hand-deliver or mail to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order for the disgorgement and prejudgment interest and for the civil penalty must be accompanied by a cover letter identifying Spectrum and Worswick as Respondents 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 Edward G. Sullivan, Senior Trial Counsel, Division of Enforcement, 950 East Paces Ferry Road, N.E., Suite 900, Atlanta, Georgia 30326.

E. Regardless of whether the Commission in its discretion orders the creation of a Fair Fund for the penalties ordered in this proceeding, amounts ordered to be 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, Respondent Worswick agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent Worswick's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent Worswick agrees that he 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 Securities and Exchange Commission. 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 Respondent Worswick 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.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Settling Respondents, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Settling Respondents under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Settling Respondents of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields
Secretary