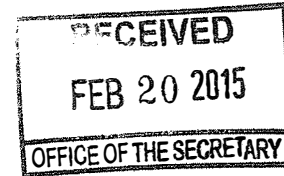


UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-16358



In the Matter of

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

Respondents.

**DIVISION OF ENFORCEMENT'S
RESPONSE IN OPPOSITION TO
RESPONDENTS SPECTRUM'S AND
WORSWICK'S MOTION FOR MORE
DEFINITE STATEMENT**

The Division of Enforcement ("Division") respectfully submits this memorandum of law in opposition to Respondents Spectrum's and Worswick's February 13, 2015 motion for more definite statement ("Motion"), which was received by the Division on February 17, 2015.

INTRODUCTION

The Order Instituting Proceedings ("OIP") describes a fraudulent prime bank scheme in which Spectrum Concepts, LLC and its president Worswick, who along with their co-respondents Grosso and Brown, made misrepresentations to investors, and misused funds entrusted to them for investment purposes, by converting those funds for the Respondents' personal benefit. The OIP explains that the scope of the fraudulent offering for which the Respondents are charged occurred between May and October of 2012, and specifically identifies that the "Private Joint Venture Credit Enhancement Agreements" ("Enhancement Agreements"), written by Brown but signed by Worswick, were sold by the respondents to at least five investors

for a total investment of \$465,000. The OIP further describes that the Enhancement Agreements represented to investors that the investors' funds would be placed by Spectrum in "private funding projects" and used to "set up" a "credit facility." Thereafter, the OIP alleges that the Enhancement Agreements falsely stated that something called a "trade slot" would thereafter be "blocked" for the benefit of a supposed "trade platform." (OIP ¶ 2-3). The OIP specifically alleges that Worswick, Brown and Grosso told investors that by investing in the Enhancement Agreements the investors along with Spectrum would earn outrageous returns, ranging from 900% in 20 days to 4,627% annually, and further alleges that the investments were fictitious. The OIP also alleges that Worswick signed the Enhancement Agreements on Spectrum's behalf in exchange for investor funds, which included the above misrepresentations.

Moreover, the OIP alleges that some of the investors received Enhancement Agreements that included the representation that the investor would receive a full return of his principal investment after a specified number of days, but that the investor would nonetheless continue to receive a steady stream of promised returns. The OIP alleges that of the \$465,000 of investor funds raised, two investors obtained a return of their funds in the amount of \$265,000 when they had second thoughts about the investments, but that the remainder of the \$200,000 was misappropriated by Worswick for his living expenses, and who in turn transferred some of the investor funds to Grosso and Brown, and to other individuals who had located and/or identified investors. OIP ¶ 6, 24 and 30.

Faced with an OIP that recounts all this and more in blow-by-blow fashion, *see, e.g.* OIP ¶¶ 7-31 (demonstrating that Respondents had promised outrageous returns supposedly generated by fictitious "credit facilit[ies]" and "trade slots" which would be "blocked" for the benefit of a supposed "trade platform") Respondents Spectrum and Worswick nonetheless seek more definite

statement. Their one paragraph “motion,” is but a simple add-on to their Answer to the OIP. The five sentence motion alleges simply that OIP fails to inform respondents of which specific conduct violates which prongs of Section 17(a) of the Securities Act (Answer at pp. 5-6).

Yet respondents’ Answer ironically demonstrates a detailed understanding of the Division’s allegations. Virtually every allegation has been denied by Spectrum and Worswick. Far from needing a more definite statement, Respondents Spectrum and Worswick have used this opportunity to offer a sneak preview of the defenses that they plan to present at trial, such as that Spectrum and Grosso lacked scienter when the investments were offered, that Worswick did not personally solicit investors, and that the securities offered and sold were exempt securities under Section 4(2) of the Securities Act. These arguments, which belong if anywhere in a pre-or post-hearing brief, are premature. Also premature is the moving respondents’ implicit demand for early production of the Division’s witness and exhibit lists. The Court will timely set reasonable dates in the near future for those disclosures. In the meantime, the OIP gives ample notice.

ARGUMENT

Rule 200(b) of the Commission’s Rules of Practice (“Rules”) requires only that an OIP state the nature of a hearing, the legal authority for it, and the “factual and legal basis” for the order “in such detail as will permit a specific response.” While “a respondent is entitled to be sufficiently informed of the nature of the charges so that he or she may adequately prepare a defense,” *Jeffrey A. Wolfson*, AP Rulings Release No. 699, 2012 WL 8702983, at *1 (ALJ Mar. 28, 2012) (citing *Morris J. Reiter Co.*, 39 S.E.C. 484 (1959), *J. Logan & Co.*, 38 S.E.C. 827 (1959), and *Charles M. Weber*, 35 S.E.C. 79 (1953)), respondents are “not entitled to disclosure [prematurely, in the OIP] of evidence on which the Division intends to rely,” *optionsXpress, Inc.*, AP Rulings Release No. 710, 2012 WL 8704501, at *2 (ALJ July 11, 2012) (citing *Charles M.*

Weber, J. Logan, and Morris J. Reiter). Under these well-established standards, motions for more definite statements are routinely denied.¹ This case is no different.

Further, the Division has no duty “to go into such detail in a bill of particulars as to include therein the nature of the oral testimony which the [Division] intends to produce.” *In re Samuel B. Franklin & Co., Inc.*, Release No. APR – 21 (May 24, 1968) 52 S.E.C. Docket 34. The Division also is not required to allege, in the OIP, the exact statements made by the respondents, or when they were made. *In re MGSJ Securities, Inc.*, Admin. Proc. File No. 3-9702 (Oct. 21, 1998), 68 S.E.C. Docket 843, 844 (denying respondent’s motion requesting Division to identify pretrial “what the purported misrepresentations and omissions were, when they were made, who heard or saw them made, how or why they were false or misleading, or what securities were purchased or sold in reliance upon any misrepresentation or omission.”); *Samuel B. Franklin & Co., Inc.*, 52 S.E.C. Docket 34 (Division’s OIP is not required to allege specific “representations inducements or omissions.”)

THERE IS NO NEED FOR MORE DETAIL AS TO THE ALLEGATIONS THAT RESPONDENTS VIOLATED SECTION 17(a) OF THE SECURITIES ACT

Respondents Spectrum and Worswick contend that the OIP fails to identify which conduct of the respondents violated which subsections of Section 17(a) of the Securities Act. This is not a good reason for more definite statement, and sure enough, Respondents Spectrum and Worswick have failed to cite a single precedent in which supposed deficiencies of this sort were held to require one.

¹ E.g., *Jeffrey A. Wolfson, supra*; *optionsXpress, supra*; *MGSJ Securities, Inc.*, AP Rulings Release No. 570, 1998 SEC LEXIS 2411, at *3 (ALJ Oct. 21, 1998); *Edward D. Jones & Co.*, AP Rulings Release No. 534, 1996 SEC LEXIS 3458, at *3 (ALJ Dec. 9, 1996); *Gail G. Griseuk*, AP Rulings Release No. 440, 1994 SEC LEXIS 2706, at *3-*5 (ALJ Aug. 31, 1994) (“It is hard for me to understand how the Order could be any more specific without requiring the Division to try its case before the hearing.”).

First, the Division is alleging that all three prongs of Section 17(a) were violated. (*See* OIP ¶ 32). If that was not clear previously, it should be clear now.

Second, to the extent that violations of Section 17(a)(3) are alleged, the Division intends to show deceptive conduct extending beyond pure misstatements. *See* OIP ¶¶ 2-5, 7-8, 11-31 (describing the misrepresentations in the Enhancement Agreements, drafted by Brown, signed by Worswick, and sold thereafter by Worswick, Brown and Grosso; also setting out various actionable misrepresentations and omissions). Moreover, case law provides that the inclusion in a complaint of misstatements and omissions does not disqualify the Commission from asserting Section 17(a)(3) or so-called “scheme” claims in addition to Section 17(a)(2) or pure misstatement claims. *See SEC v. Stoker*, 865 F. Supp. 2d 457 (S.D.N.Y. 2012) (defendant may be liable under Section 17(a)(3) in addition to Section 17(a)(2) “based on allegations stemming from the same set of facts as long as the SEC alleges that the defendants ‘undertook a deceptive scheme or course of conduct that went beyond the misrepresentations.’”); *cf. IBEW Local 90 Pension Fund v. Deutsche Bank AG* 2013 WL 1223844, at *1 (S.D.N.Y. Mar. 27, 2013) (scheme claim “may, but need not necessarily, involve separately actionable statements”).²

Third, the Division is under no additional obligation to specify the level of scienter underpinning the violations. It is settled that a violation of Section 17(a)(1) (which the Division is invoking) requires intentional or reckless conduct, whereas violations of Sections 17(a)(2) and 17(a)(3) (which the Division is also invoking) may be shown with negligent conduct. *E.g., Aaron v. SEC*, 446 U.S. 680, 697 (1980). Complaints and OIPs routinely invoke all three subparagraphs of Section 17(a), giving respondents and defendants all the notice they need of the mental state required to make out a violation.

² The Division directly alleges a prime bank *scheme* orchestrated by the Respondents, in ¶ 1 of the OIP.

**THE DIVISION'S PRODUCTION OF FILE MATERIALS TO SPECTRUM AND
WORSWICK BEFORE THE FILING OF THEIR RESPONSIVE PLEADING
CONSTITUTES SUPPLEMENTAL DISCLOSURES TO THE MOVING
RESPONDENTS**

On January 29, 2015, the OIP was personally served by process server Douglas D. McCall on Spectrum and upon Worswick. The Affidavits of Service on Spectrum and Worswick were previously filed with the Court on February 5, 2015, as Exhibits A and B to the Division's *initial* status report. On February 4, 2015, the Division served by overnight delivery its complete investigative file on Respondents Spectrum and Worswick. A true and correct copy of the correspondence transmitting two compact disks with hard copy documents is attached hereto as Exhibit A. Separate correspondence also dated February 4, 2015 for overnight delivery to Spectrum and Worswick provided password access to the disks. A true and correct copy of that correspondence is attached hereto as Exhibit B.

While the moving respondents' attorney did not file his notice of appearance until February 17, 2015, his clients were timely served more than 10 days earlier (on February 5, 2015) with the documents and electronic media that comprised the Division's full investigative file in this matter. Simply put, they had the file production in their possession nearly two weeks before the Answer was due. The instant motion is however silent as to the file production that had taken place earlier. This timely production of the Division's file materials constitutes a supplemental disclosure to the OIP.

What cannot be seen from Exhibits A and B attached hereto, is that the two CDs referenced therein included, among other things, the sworn testimonies taken by the staff during its investigation of respondents' conduct, and Exhibits 1-84 and Exhibits A-P which had been identified and marked during the Division's investigation in this matter.

The transcripts of testimony produced to Spectrum and Worswick on February 5, 2015 include: 1) Testimony of Michael Brown dated 10/19/2013; 2) Testimony of Roger Estey dated 1/24/2014; 3) Testimony of James Homich dated 8/27/2014; 4) Testimony of Don Worswick dated 9/18/2013; 5) Testimony of Don Worswick dated 11/14/2013; 6) Testimony of David Cregger dated 12/9/2014; 7) Testimony of Michael Grosso (no show) dated 3/28/2013; 8) Testimony of Michael Grosso dated 5/5/2014; 9) Testimony of Michael Grosso (no show) dated 10/3/2013; 10) Testimony of Bobby Halliburton, Jr. dated 3/5/2013; 11) Testimony of Preston Knepp (no show) dated 12/19/2013; 12) Testimony of Patricia Salem (no show) dated 11/19/2014; 13) Testimony of James Van Nest dated 4/23/2014; and 14) Testimony of Solveig White dated 12/3/2014. The production of these transcripts, corresponding 100 or so exhibits and other file materials constitute supplemental disclosures by the Division made subsequent to the issuance of the OIP, but in advance of the time that the moving respondents' Answer was due. Simply reading the produced transcripts and exhibits identifies the investors, the investment amounts and further illustrates the evidence giving rise to the allegations of the fraudulent prime bank offering scheme set forth in the OIP.


As a practical matter, the determinative consideration when deciding any motion for more definite statement is whether the respondents have sufficient knowledge of the factual basis of the allegations in the OIP, so as to have an opportunity to defend themselves at the evidentiary hearing. See *Donald J. Anthony et al.*, AP Release No. 1098 (Dec. 12, 2013) (citing *Rita J. McConville*, Exchange Act Release No. 51950 (June 30, 2005), 85 SEC Docket 3127, 3149 (OIP allegations sufficient where respondent put "on notice" of the issues that "would be an issue in the proceeding"), *petition denied*, 465 F.3d 780 (7th Cir. 2006). In this case, in addition to providing information on its allegations in the OIP, the Division on February 5, 2015 made its

investigative file available to the moving respondents. *See* 17 C.F.R. § 201.230(a). The Division has therefore provided the moving respondents with the additional factual information that they need to respond to the OIP and to defend themselves in this proceeding.

CONCLUSION

Respondents Spectrum's and Worswick's Motion for More Definite Statement should be denied.

Respectfully submitted, this 19th day of February, 2015.



Edward G. Sullivan
Micheal D. Watson
Counsel for Division of Enforcement
Securities and Exchange Commission
Atlanta Regional Office
950 East Paces Ferry Road, N.E., Suite 900
Atlanta, Georgia 30326-1392
sullivan@sec.gov
(404) 842-7612
(404) 842-7666 (fax)



U.S. SECURITIES AND EXCHANGE COMMISSION
ATLANTA REGIONAL OFFICE
950 East Paces Ferry Road, N.E., Suite 900
Atlanta, GA 30326-1382

EDWARD G. SULLIVAN
Senior Trial Counsel

Direct Line (404) 842-7612
Facsimile (404) 842-7666

February 4, 2015

VIA UNITED PARCEL SERVICE, for overnight delivery

Donald James Worswick
Spectrum Concepts, LLC
19310 Park Place Blvd.
Eustis, FL 32736

RE: In the Matter of Spectrum Concepts, LLC; Donald James Worswick; Michael Nicholas Grosso; and Michael Patrick Brown, Administrative Proceeding File No. 3-16358 (Before the Securities and Exchange Commission)

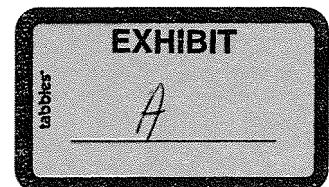
Dear Mr. Worswick:

This follows service of process of the Order Instituting Proceedings ("OIP") on you and on Spectrum Concepts, LLC by personal service on January 29, 2015. Please let me know if and when you and/or Spectrum retain counsel to represent you in this matter.

Pursuant to SEC Rule of Practice 230, and in connection with the above-referenced matter, the Division of Enforcement is providing the enclosed documents and electronic media to you. These documents are being timely delivered to you on February 5, 2015 in compliance with Rule 230(d). As the rule speaks in terms of *Documents to be Available for Inspection and Copying*, this electronic production format is the reasonable alternative to you coming to Atlanta to "inspect and copy" the documents as set forth in SEC Rule of Practice 230(a)(1), and is provided to you to expedite the transfer of documents.


The documents and electronic media included comprise the Division's investigative file, including among other things all testimony taken, exhibits identified, and third party productions pursuant to SEC issued investigative subpoenas. Enclosed you will find 2 CDs, and one box of hardcopy documents. The latter comprise the SEC staff's external e-mail messages related to this investigation. The CDs are encrypted; I will provide the relevant passwords to you separately for purposes of security.

Please contact me with any questions or concerns.



Mr. Worswick and Spectrum Concepts, LLC
February 4, 2015
Page 2

Sincerely,



Edward G. Sullivan
Senior Trial Counsel

Enclosures


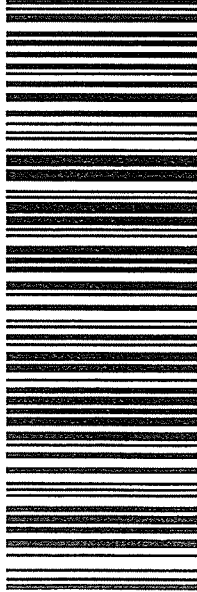

UPS CampusShip: View/Print Label

1. **Ensure there are no other shipping or tracking labels attached to your package.** Select the Print button on the print dialog box that appears. Note: If your browser does not support this function select Print from the File menu to print the label.
2. **Fold the printed label at the solid line below.** Place the label in a UPS Shipping Pouch. If you do not have a pouch, affix the folded label using clear plastic shipping tape over the entire label.
3. **GETTING YOUR SHIPMENT TO UPS**
 UPS locations include the UPS Store®, UPS drop boxes, UPS customer centers, authorized retail outlets and UPS drivers.
 Schedule a same day or future day Pickup to have a UPS driver pickup all your CampusShip packages.
 Hand the package to any UPS driver in your area.
 Take your package to any location of The UPS Store®, UPS Drop Box, UPS Customer Center, UPS Alliances (Office Depot® or Staples®) or Authorized Shipping Outlet near you. Items sent via UPS Return Services(SM) (including via Ground) are also accepted at Drop Boxes. To find the location nearest you, please visit the Resources area of CampusShip and select UPS Locations.

Customers with a Daily Pickup

Your driver will pickup your shipment(s) as usual.

FOLD HERE

<p>0.0 LBS LTR</p> <p>1 OF 1</p> <p>SH</p>	<p>FL 327 0-09</p> 	<p>UPS NEXT DAY AIR</p> <p>TRACKING #: 1Z A37 49A NT 9398 0329</p> <p>1</p> 	<p>BILLING: P/P</p> <p>ATTENTION UPS DRIVER: SHIPPER RELEASE</p> <p>Reference #1: spectrum_docs</p> <p>CS 17-0-02. WNT1E100 60.0A 01/2015</p> 
--------------------------------------------	--------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------



U.S. SECURITIES AND EXCHANGE COMMISSION
ATLANTA REGIONAL OFFICE
950 East Paces Ferry Road, N.E., Suite 900
Atlanta, GA 30326-1382

EDWARD G. SULLIVAN
Senior Trial Counsel

Direct Line (404) 842-7612
Facsimile (404) 842-7666

February 4, 2015

VIA UNITED PARCEL SERVICE

Donald James Worswick,
Spectrum Concepts, LLC
19310 Park Place Boulevard
Eustis, FL 32736

RE: In the Matter of Spectrum Concepts, LLC, Donald James Worswick, Michael Nicholas Grosso and Michael James Brown, Administrative Proceeding File No. 3-16358 (Before the Securities and Exchange Commission)

Dear Mr. Worswick:

This letter is sent the same day as the separate file production by the Division of Enforcement. In this correspondence, I include the secured passwords and download instructions for the 2 disks which make up the substantial portion of the Division's investigative file in this matter. The remainder of the production is the banker's box of staff external e-mails in hard copy.

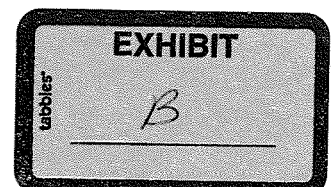
For the disk in the white sleeve, you will need to download the free software "TrueCrypt." After you have downloaded the software, the password is Sec_A-03448\$. In the disk in the orange sleeve, it is a regular DVD (not in TrueCrypt), and the password is the same—Sec_A-03448\$.

Please contact me with any questions or concerns.

Sincerely,

A handwritten signature in cursive script, appearing to read "Edward G. Sullivan".

Edward G. Sullivan
Senior Trial Counsel



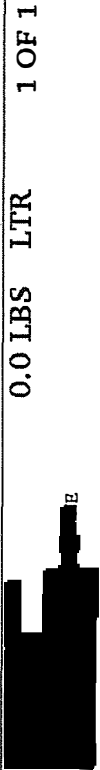

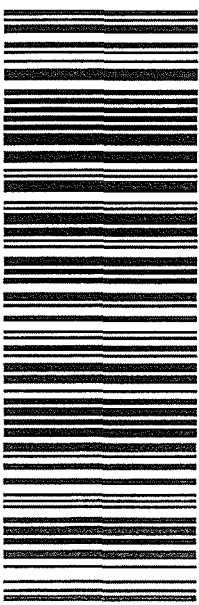

UPS CampusShip: View/Print Label

1. **Ensure there are no other shipping or tracking labels attached to your package.** Select the Print button on the print dialog box that appears. Note: If your browser does not support this function select Print from the File menu to print the label.
2. **Fold the printed label at the solid line below.** Place the label in a UPS Shipping Pouch. If you do not have a pouch, affix the folded label using clear plastic shipping tape over the entire label.
3. **GETTING YOUR SHIPMENT TO UPS**
UPS locations include the UPS Store®, UPS drop boxes, UPS customer centers, authorized retail outlets and UPS drivers.
 Schedule a same day or future day Pickup to have a UPS driver pickup all your CampusShip packages.
 Hand the package to any UPS driver in your area.
 Take your package to any location of The UPS Store®, UPS Drop Box, UPS Customer Center, UPS Alliances (Office Depot® or Staples®) or Authorized Shipping Outlet near you. Items sent via UPS Return Services(SM) (including via Ground) are also accepted at Drop Boxes. To find the location nearest you, please visit the Resources area of CampusShip and select UPS Locations.

Customers with a Daily Pickup

Your driver will pickup your shipment(s) as usual.

FOLD HERE

<p>0.0 LBS LTR 1 OF 1</p>  <p>S</p>	<p>FL 327 0-09</p> 	<p>UPS NEXT DAY AIR</p> <p>TRACKING #: 1Z A37 49A NT 9380 9130</p> <p>1</p>		<p>BILLING: P/P ATTENTION UPS DRIVER: SHIPPER RELEASE</p> <p>Reference #1: spectrum_egs</p> <p>CS 17.0.32. YNTE100 60.0A 01/2015</p> 
------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------