

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

INVESTMENT ADVISERS ACT OF 1940
Release No. 2758/July 24, 2008

ADMINISTRATIVE PROCEEDING
File No. 3-13026

In the Matter of	:	
	:	ORDER MAKING FINDINGS
DIVERSIFIED FINANCIAL CORPORATION	:	AND IMPOSING SANCTION
	:	BY DEFAULT

SUMMARY

This Order censures Diversified Financial Corporation (Diversified). Diversified was previously enjoined from violating the antifraud provisions of the securities laws, based on its wrongdoing as an investment adviser.

I. BACKGROUND

The Securities and Exchange Commission (Commission) issued its Order Instituting Proceedings (OIP) against Diversified on April 29, 2008, pursuant to Section 203(e) of the Investment Advisers Act of 1940 (Advisers Act). The OIP alleges that it was enjoined in 2008 from violating the antifraud provisions of the federal securities laws, based on its wrongdoing while acting as an unregistered investment adviser. Diversified was served with the OIP, and with an Order¹ setting the date and time of a July 18, 2008, prehearing conference, on June 18, 2008, by personal service on its Chief Executive Officer, Dominique S. Alvieri (Alvieri). Diversified failed to file an Answer, due twenty days after service of the OIP. See 17 C.F.R. § 201.220(b); OIP at 3. Nor did it file any other correspondence in this matter or appear at the scheduled July 18, 2008, prehearing conference. A respondent who fails to file an Answer to the OIP, to appear at a conference of which it has been notified, or otherwise to defend the proceeding may be deemed to be in default, and the Administrative Law Judge may determine the proceeding against it. See 17 C.F.R. §§ 201.155(a), .220(f), .221(f); OIP at 3. Thus, Diversified is in default, and the undersigned finds the following allegations in the OIP to be true.

¹ Diversified Fin. Corp., Admin. Proc. No. 3-13026 (A.L.J. June 9, 2008) (unpublished).

II. FINDINGS OF FACT

Diversified is permanently enjoined from violating the antifraud provisions of the federal securities laws – Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Advisers Act. SEC v. Dominique S. Alvieri and Diversified Fin. Corp., 02 Civ. 7893 (DAB) (S.D.N.Y. Mar. 28, 2008).² The wrongdoing that underlies Diversified’s injunction occurred between December 1996 and March 1999. Alvieri, who had incorporated Diversified in the Cayman Islands, individually or acting through Diversified, engaged for compensation in the business of advising clients on investing in securities. He fraudulently induced at least three advisory clients to invest at least \$555,800 in shares of fictitious funds. To induce additional investments in the fictitious funds and to conceal the fraud, Alvieri and Diversified provided the clients with monthly account statements that falsely reported that the fictitious funds were generating steady returns. Further, Alvieri misrepresented to the clients that he was the adviser to the fictitious funds and that, through them, he would invest the clients’ assets in publicly traded securities, when, in fact, Alvieri misappropriated the clients’ monies.

III. CONCLUSIONS OF LAW

Diversified is an (unregistered) investment adviser within the meaning of the Advisers Act. See Advisers Act Sections 202(a)(11) (“Investment Adviser’ means any person who, for compensation, engages in the business of advising others . . . as to the value of securities or as to the advisability of investing in, purchasing, or selling securities”) and 202(a)(16) (“Person’ means a natural person or a company.”). Diversified is permanently enjoined “from engaging in or continuing any conduct or practice in connection . . . with the purchase or sale of any security” within the meaning of Section 203(e)(4) of the Advisers Act.

IV. SANCTION

Diversified will be censured.³ This sanction will serve the public interest and the protection of investors, pursuant to Section 203(e) of the Advisers Act. It accords with Commission precedent and the sanction considerations set forth in Steadman v. SEC, 603 F.2d 1126, 1140 (5th Cir. 1979), aff’d on other grounds, 450 U.S. 91 (1981). Diversified’s unlawful conduct was recurring and egregious, extending over a period of more than two years. There are no mitigating circumstances.

V. ORDER

² The court also held Diversified and Alvieri jointly and severally liable for disgorgement of \$555,800 plus prejudgment interest of \$252,683 and imposed a \$555,800 civil penalty against Diversified.

³ Revocation or suspension of registration are not available as sanctions since Diversified is an unregistered investment adviser.

IT IS ORDERED that, pursuant to Section 203(e) of the Investment Advisers Act of 1940, DIVERSIFIED FINANCIAL CORPORATION IS CENSURED for the fraudulent conduct of its investment adviser business.

Carol Fox Foelak
Administrative Law Judge