

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**  
**April 29, 2008**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-13026**

**In the Matter of**

**Diversified Financial  
Corporation,**

**Respondent.**

**ORDER INSTITUTING  
ADMINISTRATIVE PROCEEDINGS  
PURSUANT TO SECTION 203(e) OF  
THE INVESTMENT ADVISERS ACT  
OF 1940 AND NOTICE OF HEARING**

**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(e) of the Investment Advisers Act of 1940 (“Advisers Act”) against Diversified Financial Corporation (“Diversified” or “Respondent”).

**II.**

After an investigation, the Division of Enforcement alleges that:

**RESPONDENT**

A. **Diversified** is a corporation incorporated in the Cayman Islands by Dominique S. Alvieri (“Alvieri”) on May 7, 1996. In its incorporation documents, Diversified is described as an “investment company.” Between approximately January 1996 and April 1999, Alvieri, individually or acting through Diversified, engaged for compensation in the business of advising clients on investing in securities.

## **ENTRY OF THE INJUNCTION**

B. On March 28, 2008, the Southern District Court of New York entered a permanent injunction by default against Diversified and Alvieri from violating 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 Investment Advisers Act of 1940. The court also held Diversified and Alvieri jointly and severally liable for disgorgement of \$555,800, the profits gained as a result of the fraudulent acts, together with prejudgment interest in the amount of \$252,682.84, for a total of \$909,482.82. The court imposed a civil penalty against Diversified in the amount of \$555,000 or the gross amount of its pecuniary gain as a result of the violation. SEC v. Dominique S. Alvieri and Diversified Financial Corporation, 02 Civ. 7893 (DAB) (March 28, 2008 Final Judgment).

C. The Complaint alleged that, between December 1996 and March 1999, Alvieri fraudulently induced at least three of his advisory clients to purchase at least \$555,800 worth of shares in fictitious funds. To induce additional investments in the fictitious funds and conceal the fraud, Alvieri and Diversified engaged in further wrongdoing, including providing the clients with falsified monthly account statements that baselessly reported that the fictitious funds were generating steady returns. The Complaint further alleged that Alvieri misrepresented to his clients that he was the adviser to the fictitious funds and that, through them, he would invest his clients' assets in publicly traded securities, when in fact Alvieri misappropriated his clients' monies.

### **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 Diversified an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Diversified pursuant to Section 203(e) 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 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

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 it 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), 201.221(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.

Nancy M. Morris  
Secretary