Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
FAX: (801)530-6980

BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH

IN THE MATTER OF: **DIABETES MEDICAL DEVELOPMENT CORPORATION, INC., a.k.a. DIABMED; MICHAEL CLARKE;** **Respondents.**	**ORDER TO SHOW CAUSE** **Docket No.** SD-07-0011 **Docket No.** SD-07-0012

It appears to the Director of the Utah Division of Securities (Director) that the Diabetes Medical Development Corporation, Inc., a.k.a. DiabMed, and Michael Clarke (Respondents) may have engaged in acts and practices that violate the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, et seq. (the Act). Those acts are more fully described herein. Based upon information discovered in the course of the Utah Division of Securities' (Division) investigation of this matter, the Director issues this Order to Show Cause in accordance with the provisions of § 61-1-20(1) of the Act.

STATEMENT OF JURISDICTION

1. Jurisdiction over the Respondents and the subject matter is appropriate because the Division alleges that Respondents violated § 61-1-1 (Securities Fraud) of the Act, while engaged in the offer and sale of securities in or from Utah.

STATEMENT OF FACTS

THE RESPONDENTS

2. Diabetes Medical Development Corporation, Inc. (DiabMed) is a Utah corporation, registered on September 21, 2004, and its corporate status is currently "active." DiabMed's business address is 3950 South 700 East, Suite 100, Salt Lake City, Utah. Michael Clarke is the president of DiabMed.

3. Michael Clarke (Clarke) resides in Salt Lake County, Utah.

GENERAL ALLEGATIONS

4. On February 2, 2005, Utah investor, J. J., met with Michael Clarke in Salt Lake City, Utah, to discuss an investment opportunity in DiabMed.

5. Clarke told J. J. that DiabMed had a diabetic treatment center in Sandy, Utah, that was operating. Clarke told J. J. that, if he invested $30,000 in DiabMed, J. J. would receive an ownership interest in DiabMed as well as a royalty, paid as a percentage, on all profits brought in by DiabMed for as long as the company operated.

6. Clarke also told J. J. that, if he only invested $10,000 in DiabMed, the company would return Clarke's principal investment in 90 days, and J. J. would receive $.07 every time DiabMed treated a patient with a "Pulse Insulin Therapy."

7. Clarke told J. J. the Pulse Insulin Therapy restored a blind diabetic patient's sight.

8. Clarke told J. J. that DiabMed needed the $10,000 for 90 days until a $10 million dollar loan came through. Clarke told J. J. that, if the company received the $10 million dollar loan within the next 90 days, J. J. would get his principal back early.

9. At the end of the meeting, J. J. invested $10,000 in DiabMed, by giving Clarke a personal check made payable to DiabMed.

10. In return, J. J. received a promissory note from the company, entitled "Loan Request Term Sheet," signed by Clarke as the president of DiabMed, and a copy of DiabMed's November 2004 business plan. J. J. received no other documentation or information about DiabMed.

11. After 90 days passed, J. J. spoke to Clarke about getting his principal back.

12. Clarke told J. J. that DiabMed would be returning his money in a few more days.

13. On May 25, 2005, J. J. contacted Clarke again, and told him he wanted interest if DiabMed was not going to pay him within the 90 days as per the original promissory note.

14. Clarke agreed to pay J. J. 15% per year on the original $10,000 until the money was paid back.

15. On May 25, 2005, J. J. received a facsimile from Clarke outlining the new agreement regarding 15% annual interest.

16. J. J. called DiabMed weekly afterward, and asked Clarke and other DiabMed employees to keep J. J. updated on the status of his investment.

17. Despite several demands for payment, J. J. has received no return of interest or principal from the Respondents, and J. J. has received no payments from DiabMed for its use of the Pulse Insulin Therapy treatment on patients.

CAUSES OF ACTION

COUNT I
Securities Fraud under § 61-1-1 of the Act

18. The Division incorporates and re-alleges paragraphs 1 through 17.

19. The promissory note offered and sold by the Respondents is a security under § 61-1-13 of the Act.

20. In connection with the offer and sale of a security to J. J., Respondents, directly or indirectly, made false statements, including, but not limited to, the following:

    a. That DiabMed's Pulse Insulin Therapy restored a blind diabetic patient's sight;

    b. That DiabMed had an operational treatment center;

    c. That J. J. would receive a payment from DiabMed for every Pulse Insulin Therapy treatment DiabMed administered to patients;

    d. That DiabMed would return J. J.'s principal in 90 days; and

e. That DiabMed was expecting a $10 million dollar loan to fund.

21. In connection with the offer and sale of a security to J. J., Respondents, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make representations made not misleading:

a. Some or all of the information typically provided in an offering circular or prospectus regarding DiabMed, such as:

i. The business and operating history for DiabMed including the true status of its treatment center(s);

ii. Identities of DiabMed's principals along with their experience in this type of business;

iii. An explanation of the income and expenses for DiabMed and copies of financial statements for the company;

iv. The market for the product of DiabMed;

v. The nature of the competition for the product;

vi. Current capitalization of the issuer;

vii. A description of how the investment would be used by the businesses;

viii. The track record of the companies to investors;

ix. Risk factors for investors;

x. The number of other investors;

xi. The minimum capitalization needed to participate in the investment;

xii. The disposition of any investments received if the minimum capitalization were not achieved;

xiii. The liquidity of the investment;

xiv. Discussion of pertinent suitability factors for the investment;

xv. The proposed use of the investment proceeds;

xvi. Any conflicts of interest the issuer, the principals, or the agents may have with regard to the investment;

xvii. Agent commissions or compensation for selling the investment;

xviii. Whether the investment is a registered security or exempt from registration; and

xix. Whether the person selling the investment is licensed.

22. Based upon the foregoing, DiabMed and Michael Clarke wilfully violated § 61-1-1 of the Act.

ORDER

The Director, pursuant to § 61-1-20 of the Act, hereby orders the Respondents to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63-46b-4 and 63-46b-6 through -10, and held before the Utah Division of Securities. The hearing will occur on Thursday, March 22, 2007, at 11:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah. The purpose of the hearing is to establish a scheduling order and address any preliminary matters. If the Respondents fail to file an answer and appear at the hearing, the Division of Securities may hold

Respondents in default, and a fine may be imposed in accordance with Utah Code Ann. § 63-46b-11. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, the Respondents may show cause, if any they have:

a. Why Diabetes Medical Development Corporation, Inc. and Michael Clarke should not be found to have wilfully engaged in the violations alleged by the Division in this Order to Show Cause;

b. Why Diabetes Medical Development Corporation, Inc. and Michael Clarke should not be ordered to cease and desist from engaging in any further conduct in violation of Utah Code Ann. § 61-1-1, or any other section of the Act;

c. Why Diabetes Medical Development Corporation, Inc. should not be ordered to pay a fine of fifteen thousand dollars ($15,000) to the Division of Securities; and

d. Why Michael Clarke should not be ordered to pay a fine of fifteen thousand dollars ($15,000) to the Division of Securities.

DATED this 14TH day of February, 2007.

WAYNE KLEIN
Director, Utah Division of Securities

Approved:

JEFF BUCKNER
Assistant Attorney General

J. S.

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
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Salt Lake City, UT 84114-6760
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BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH

IN THE MATTER OF: **DIABETES MEDICAL DEVELOPMENT CORPORATION, INC., a.k.a. DIABMED; MICHAEL CLARKE;** **Respondents.**	**NOTICE OF AGENCY ACTION** **Docket No.** SD-07-0011 **Docket No.** SD-07-0012

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENTS:

The purpose of this Notice of Agency Action is to inform you that the Division hereby commences a formal adjudicative proceeding against you as of the date of the mailing of the Order to Show Cause. The authority and procedure by which this proceeding is commenced are provided by Utah Code Ann. §§ 63-46b-3 and 63-46b-6 through 11. The facts on which this action is based are set forth in the foregoing Order to Show Cause.

Within thirty (30) days of the mailing date of this notice, you are required to file an Answer with the Division. The Answer must include the information required by Utah Code § 63-46b-6 (1). In addition, you are required by § 63-46b-6 (3) to state: a) by paragraph, whether you admit or deny each allegation contained in the Order to Show Cause, including a detailed explanation for any response other than an unqualified admission; b) any additional facts or

documents which you assert are relevant in light of the allegations made; and c) any affirmative defenses (including exemptions or exceptions contained within the Utah Uniform Securities Act) which you assert are applicable. To the extent that factual allegations or allegations of violations contained in the Order to Show Cause are not disputed in your Answer, they will be deemed admitted.

Your Answer, and any future pleadings or filings that should be part of the official files in this matter, should be sent to the following:

Signed originals to:	A copy to:
Administrative Court Clerk c/o Pam Radzinski Division of Securities 160 E. 300 S., Second Floor Box 146760 Salt Lake City, UT 84114-6760 (801) 530-6600	Jeff Buckner Assistant Attorney General 160 E. 300 S., Fifth Floor Box 140872 Salt Lake City, UT 84114-0872 (801) 366-0310

A hearing date has been set for Thursday, March 22, 2007, at 11:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah.

If you fail to file an Answer, as set forth herein, or fail to appear at the hearing, the Division of Securities may hold you in default, and a fine and other sanctions may be imposed against you in accordance with Utah Code Ann. § 63-46b-11, without the necessity of providing you with any further notice. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, you may appear and be heard and present evidence on your behalf. You may be represented by counsel during these proceedings.

The presiding officer in this case is Wayne Klein, Director, Division of Securities. Questions regarding the Order to Show Cause and Notice of Agency Action should be directed to the Division's attorney, Jeff Buckner, at (801) 366-0310.

DATED this 14TH day of February, 2007.

WAYNE KLEIN
Director, Division of Securities
Utah Department of Commerce

Certificate of Mailing

I certify that on the 15TH day of February, 2007, I mailed, by certified mail, a true and correct copy of the Order to Show Cause and Notice of Agency Action to:

Diabetes Medical Development Corporation, Inc.
3950 S 700 E No 100
Salt Lake City, UT 84107

Certified Mail # 7005 1820 0003 7190 3952

Michael Clarke
2695 Troon Circle
Salt Lake City, UT 84121

Certified Mail # 7005 1820 0003 7190 3969

Pamela Radzinski
Executive Secretary