

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 6531 / January 16, 2024**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-21830**

**In the Matter of**

**DEAN TELLONE,**

**Respondent.**

**ORDER INSTITUTING**  
**ADMINISTRATIVE PROCEEDINGS**  
**PURSUANT SECTION 203(f) OF THE**  
**INVESTMENT ADVISERS ACT OF 1940,**  
**MAKING FINDINGS, AND IMPOSING**  
**REMEDIAL SANCTIONS**

**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(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Dean Tellone (“Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of 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 him and the subject matter of these proceedings and the findings contained in paragraphs below, which are admitted, Respondent consents to the entry of this Order Instituting Proceedings Pursuant to Section 203(f) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds that

1. Tellone, age 74, resides in Anaheim Hills, California. At all relevant times, Tellone was the president, founder, and sole owner of Tellone Management Group ("TMG"), an SEC-registered investment adviser.

2. On November 21, 2023, a final judgment was entered by consent against Tellone, permanently enjoining him from future violations of Section 17(a) of the Securities Act of 1933 ("Securities Act"), Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1), 206(2), 206(4) and 207 of the Advisers Act, in the civil action entitled Securities and Exchange Commission v. Tellone Management Group, et al., Civil Action Number 8:21-cv-01413, in the United States District Court for the Central District of California..

3. The Commission's complaint alleged that from 2015 through the date of the filing of complaint in August 2021, Tellone engaged in a fraudulent scheme and breached his fiduciary duties to TMG's advisory clients and to investors in TMG's largest fund, the Tellone Mortgage Fund ("TMF"), which, at the end of fiscal year 2020, had \$107 million in net assets and over 230 investors. In 2015, TMF's financial statements were audited for the first time. When the auditors inquired about the valuation of a \$1 million loan that TMF had made to one of Tellone's close friends in 2006, for which payment had not been received for several years, Tellone misled the auditors about the loan's status, which, in fact, had been discharged and its collateral foreclosed upon in the friend's personal bankruptcy proceeding in 2012. Tellone took a series of steps to distort the status of the discharged loan in an attempt to hide the substantial decrease to TMF's rate of return for fiscal year 2014 that would have resulted from writing off the loan. Those steps included TMG's purported issuance of a new \$1 million loan to Tellone's friend, purportedly to modify the discharged loan to a zero-interest, no maturity loan and re-collateralized by a second mortgage deed on an apartment building. But in a side-agreement that Tellone concealed from the auditors, TMF's loan files, and TMG's compliance personnel, Tellone agreed to personally guarantee the new loan, to indemnify and reimburse his friend for the discharged loan expenses and, upon sale of the apartment building, to write off the balance of the discharged loan and split the profits between his friend and TMF in contravention of the written terms of the loan, namely, that if and when the borrower sells the property, the entire debt is due. The complaint further alleges that Tellone directed his friend to falsely confirm to TMG's auditors that the loan was still outstanding, and presented the auditors with a backdated letter that falsely implied that the loan was collateralized. As a result of the scheme, TMF's financial statements provided to investors falsely reported a 3.1% return on investment for 2014. Had the bankruptcy discharge been disclosed and the loan written down accordingly, TMF would have instead reported a 1.6% return. The complaint further alleges that TMF's financial statements from 2015-2019, as well as TMF's offering documents and TMG's Forms ADV never disclosed the side agreement or the conflicts of interest created by that agreement. During those subsequent years, TMG continued to collect its management fees on the discharged loan, which remained on its balance sheet, amounting to over \$110,000 from at least 2015 through 2019.

#### IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Tellone's Offer.

Accordingly, it is hereby ORDERED pursuant to Section 203(f) of the Advisers Act, that Respondent Tellone be, and hereby is barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, compliance with the Commission's order and payment of any or all of the following: (a) any disgorgement or civil penalties ordered by a Court against the Respondent in any action brought by the Commission; (b) any disgorgement amounts ordered against the Respondent for which the Commission waived payment; (c) any arbitration award related to the conduct that served as the basis for the Commission order; (d) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (e) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Vanessa A. Countryman  
Secretary