

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10114 / July 21, 2016

INVESTMENT ADVISERS ACT OF 1940
Release No. 4460 / July 21, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17355

In the Matter of

DENNIS NAVARRA,

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS,
PURSUANT TO 8A OF THE SECURITIES
ACT OF 1933 AND SECTIONS 203(f) AND
203(k) OF THE INVESTMENT ADVISERS
ACT OF 1940, MAKING FINDINGS, AND
IMPOSING REMEDIAL SANCTIONS AND A
CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Sections 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) against Respondent Dennis Navarra (“Navarra”).

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, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 and Sections 203(f) and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that

Summary

1. From 2010 through 2013, Navarra raised approximately \$2.2 million for Concert Global Group Limited ("Concert Global") through unregistered offers and sales of its common stock to investors, including several of Concert Wealth Management, Inc.'s advisory clients. In soliciting investments, Navarra provided investors with materially misleading private placement memoranda ("PPMs"). These PPMs (1) overstated Concert Global's subsidiaries' assets under management, (2) overstated Concert Global's financial results, and (3) misrepresented or failed to disclose conflicts of interest arising from the potential use of offering proceeds to pay affiliated entities. Navarra made similar materially misleading statements and omissions to the Concert Wealth advisory clients he solicited to participate in the offering.

Respondent

2. **Dennis Navarra** ("Navarra"), age 63, is a resident of Aptos, California. During the relevant timeframe, Navarra served as Concert Global's CFO, COO, and Chief Strategy Officer until his termination in August 2013. Navarra also was a registered investment adviser representative associated with Concert Wealth between August 2010 and August 2013. Navarra received a salary from Concert Global, which generated revenues from the advisory fees remitted by Concert Wealth.

Other Relevant Entities

3. **Concert Global Group Limited** ("Concert Global") is a California corporation with its principal place of business in San Jose, California. Concert Global is the parent company and 100% owner of Commission-registered investment adviser Concert Wealth Management, Inc.

4. **Concert Wealth Management, Inc.** ("Concert Wealth") is a California corporation with its principal place of business in San Jose, California. Concert Wealth has been registered as an investment adviser with the Commission since June 21, 2007. From 2010 to 2013, Concert Wealth primarily provided investment advice to individual retail investors. During that period, Concert Wealth grew from approximately \$800 million to \$1.5 billion in assets under management.

¹ The findings herein are made pursuant to Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

Facts

A. Navarra Raised Money for Concert Global from Investors By Making Material Misrepresentations and Omissions

5. At all relevant times, Concert Global was the parent holding company for Concert Wealth, a Commission-registered investment adviser which primarily provided investment advice to individual retail investors. From 2010 to 2013, Concert Global sought to add new investment advisers and their books of business to Concert Wealth's investment advisory platform. To induce investment advisers to join Concert Wealth, Concert Global helped finance certain of those adviser's start-up costs as well as build out their branch offices. In order to pay for these costs, two entities that Concert Global's CEO controlled provided loans to Concert Global; these loans were in addition to a pre-existing loan to Concert Global from the CEO's family trust, which was later converted into preferred stock.

6. In order to sustain Concert Global's rate of growth and to continue funding Concert Wealth's addition of branch offices, Concert Global began soliciting the CEO's family members and friends, some of whom were Concert Wealth's advisory clients, to invest in the offerings through in-person meetings and by providing them with private placement memoranda ("PPMs") describing the offering. Navarra and Concert Global's CEO individually met with prospective investors, and Navarra provided PPMs to investors.

7. Concert Global ultimately raised \$2.2 million from approximately 21 investors in multiple states, including 12 of Concert Wealth's advisory clients. During the same time period, Concert Wealth's assets under management grew from \$800 million to \$1.5 billion. Concert Global used the offering proceeds for general corporate purposes, to repay the loans issued by the CEO-affiliated entities, and to pay quarterly dividends on the CEO's preferred stock.

8. As Concert Global's CFO, Navarra had responsibility for drafting the PPMs, including the financial statements included in the PPMs, and for meeting with investors to discuss the PPMs. These PPMs contained materially false and/or misleading information that overstated Concert Global's subsidiaries' total assets under management by approximately \$1 billion and overstated certain of Concert Global's financial results, including its revenues (in at least one instance by approximately \$1 million – an overstatement of approximately 50%) and earnings (in at least one instance by approximately \$500,000 – presenting a profit as opposed to a loss). Concert Global's PPMs also failed to disclose that Concert Global could use, and in fact was using, the offering proceeds to repay its debt to affiliated entities as well as to pay quarterly dividends to Concert Global's CEO on his preferred stock.

9. Navarra knew, or should have known, that Concert Global's PPMs were materially false and misleading. Among other things, as Concert Global's CFO, Navarra had access to accurate information concerning Concert Global's financial condition, including its revenues and earnings. Further, as the day-to-day manager of Concert Global's accounting records, Navarra also knew, or should have known about Concert Global's indebtedness and payments to affiliated entities and of the dividends paid on Concert Global's CEO's preferred shares. Nevertheless,

Navarra prepared PPMs that misstated Concert Global's size and profitability and failed to disclose – either in the PPMs or during meetings with investors – that Concert Global could use, and in fact was using, offering proceeds to repay related party indebtedness. Navarra therefore failed to exercise reasonable care in describing the investment opportunity in Concert Global to investors, including several of Concert Wealth's advisory clients.

B. Navarra Engaged in an Unregistered Offering of Concert Global's Common Shares

10. Navarra offered and sold the Concert Global securities without a registration statement or an applicable exemption from registration. From September 2010 through July 2011, Concert Global and Navarra raised over \$1 million through common stock sales to 12 investors in a 12 month period. No registration statement was filed or in effect for the offerings, and Concert Global and Navarra offered the shares through the use of interstate facilities including by sending emails and received investments through wire transactions. Navarra made no efforts to ensure Concert Global complied with any registration requirement in connection with the offerings, nor did Concert Global rely on any exemption from registration.

Violations

11. As a result of the conduct described above, Navarra violated Sections 17(a)(2) and 17(a)(3) of the Securities Act. Section 17(a)(2) makes it unlawful, in the offer or sale of securities, to obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, Section 17(a)(3) makes it unlawful, in the offer or sale of securities, to engage in any transaction, practice or course of business that operates as a fraud or deceit upon the purchaser. Sections 17(a)(2) and 17(a)(3) of the Securities Act do not require a showing of scienter, negligence is sufficient. *See Aaron v. SEC*, 446 U.S. 680, 697, 701-02 (1980).

12. As a result of the conduct described above, Navarra violated Sections 5(a) and 5(c) of the Securities Act, which prohibit the offers and sales of unregistered securities absent an applicable exemption from registration.

13. As a result of the conduct described above, Navarra willfully² aided and abetted and caused Concert Wealth's violation of Section 206(2) of the Advisers Act, which makes it "unlawful for any investment adviser . . . directly or indirectly to engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client." A violation of Section 206(2) of the Advisers Act may rest on a finding of simple

² A willful violation of the securities laws means merely "that the person charged with the duty knows what he is doing." *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." *Id.* (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).

negligence. *SEC v. Steadman*, 967 F.2d 636, 643 n.5 (D.C. Cir. 1992) (citing *SEC v. Capital Gains Research Bureau, Inc.*, 375 U.S. 180, 195 (1963)). Proof of scienter is not required to establish a violation of Section 206(2) of the Advisers Act. *See id.*

IV.

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

Accordingly, pursuant to Section 8A of the Securities Act and Sections 203(f) and 203(k) of the Advisers Act, it is hereby ORDERED that:

A. Respondent Navarra cease and desist from committing or causing any violations and any future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act and Section 206(2) of the Advisers Act.

B. Respondent Navarra is censured.

C. Based upon Respondent's sworn representations in his Statement of Financial Condition dated May 1, 2016 and other documents submitted to the Commission, the Commission is not imposing a penalty against Respondent.

D. The Division of Enforcement ("Division") may, at any time following the entry of this Order, petition the Commission to: (1) reopen this matter to consider whether Respondent provided accurate and complete financial information at the time such representations were made; and (2) seek an order directing payment of the maximum civil penalty allowable under the law. No other issue shall be considered in connection with this petition other than whether the financial information provided by Respondent was fraudulent, misleading, inaccurate, or incomplete in any material respect. Respondent may not, by way of defense to any such petition: (1) contest the findings in this Order; (2) assert that payment of a penalty should not be ordered; (3) contest the imposition of the maximum penalty allowable under the law; or (4) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree

or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields
Secretary