

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 79867/ January 24, 2017

INVESTMENT ADVISERS ACT OF 1940
Release No. 4622/ January 24, 2017

INVESTMENT COMPANY ACT OF 1940
Release No. 32430/ January 24, 2017

ADMINISTRATIVE PROCEEDING
File No. 3-17810

In the Matter of

GEOFFREY J. BLOCK,

Respondent.

ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTION 15(b) OF THE SECURITIES EXCHANGE ACT OF 1934, SECTIONS 203(f) AND 203(k) OF THE INVESTMENT ADVISERS ACT OF 1940 AND SECTION 9(b) OF THE INVESTMENT COMPANY 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 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”), Sections 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”), and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Geoffrey J. Block (“Block” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Block 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, Block consents to the entry of this Order Instituting Administrative And Cease-and-Desist Proceedings, Pursuant to Section 15(b) of the

Securities Exchange Act of 1934, Sections 203(f) and 203(k) of the Investment Advisers Act of 1940 and Section 9(b) of the Investment Company 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 Block’s Offer, the Commission finds that:

Summary

1. From 2012 to 2014, Block improperly directed all or virtually all of four separate payments that were owed to two of Block’s advisory clients to other accounts in which Block had an interest. The payments, which totaled approximately \$2.4 million, were distributions of proceeds from the sale of a privately-held American medical devices company (“Medical Devices”) in which both clients were investors. In each instance, Block returned the funds to the respective client, twice on his own initiative after one to three months, and twice after Commission staff identified to Block the applicable transfers.

Respondent

2. **Block**, 43, is a resident of Bluffton, South Carolina. At all relevant times, Block was the managing member and majority owner of Crown Growth Partners LLC, which was the general partner of Crown Growth Partners, L.P., a private investment fund. Block also was president of Crown Advisors International, Ltd., a registered investment adviser until 2007, whose advisory clients included Crown Growth Partners, L.P. and Client A, defined below. Block continued to advise both clients with respect to the Medical Devices investment after 2007. In addition, Block was associated from October 2011 to October 2013 with Agile PT Group LLC, a registered broker-dealer (“Agile”), as a general securities representative, and he was associated from August 2011 to June 2012 with Cuttone & Co., Inc., a registered broker-dealer, as a proprietary trader. While associated with Agile, Block held Series 56 and 65 securities licenses, but he currently holds no securities licenses.

Other Relevant Entities

3. **Crown Growth Partners, L.P.** (“Crown Growth”), is a Delaware limited partnership whose principal place of business was in New York, New York. A private investment fund formed in 1998, Crown Growth had a portfolio of actively traded securities through approximately 2007. During this time, Crown Growth also acquired an equity position in Medical Devices. Crown Growth held onto its position in Medical Devices through 2011, when Medical Devices was sold to a third party. From 2011 to 2014, Crown Growth’s principal activity was to receive and distribute funds received on account of the sale to its approximately 32 remaining limited partners. Crown Growth made final distributions to investors in late 2013 and early 2014.

4. **Crown Advisors International, Ltd.** (“Crown Advisors”), a New York corporation, was an investment adviser registered with the Commission, with its principal place of

business in New York, New York. Block was Crown Advisors' president and one of its principal owners. Crown Advisors served as the investment adviser to Crown Growth and Client A until the termination of its registration in July 2007, managing among other things Crown Growth's securities trading and the two clients' respective private equity investments in Medical Devices. Crown Advisors received fees from Crown Growth and Client A in connection with their investments.

5. **Client A** is a Panamanian corporation. Crown Advisors served as investment adviser to Client A with respect to its investment in Medical Devices, and Block thereafter acted as investment adviser to Client A, undertaking to obtain and distribute proceeds paid to Client A on account of the sale of Medical Devices.

Background

6. Beginning in approximately 2000, Block engaged in active securities trading for Crown Growth. He also advised Crown Growth and Client A with respect to their respective private equity investments in Medical Devices. Then, in approximately 2007, Crown Growth wound down its securities trading, and Crown Advisors ceased operations and terminated its adviser registration. However, Block continued to monitor the investments in Medical Devices for Crown Growth and Client A.

Block Directs Transfers of Investor Funds from the Sale of Medical Devices

7. In 2011, Medical Devices was acquired by a third party. The proceeds of this sale were distributed to Medical Devices' investors, including approximately \$8 million to Crown Growth and more than \$2 million to Client A. The distributions occurred in three tranches from late 2011 to late 2013. Shortly before the distributions began, Block opened a brokerage account in the name of Crown Growth to obtain and distribute the sale proceeds owed to Crown Growth. Additionally, in late 2012, Block assisted in obtaining lost share certificates for Client A. Representing himself as Client A's investment manager, Block provided the necessary documentation to Medical Devices to facilitate distributions.

8. Block directed the deposit into Crown Growth's brokerage account of approximately \$8 million distributed by Medical Devices to Crown Growth for the benefit of Crown Growth's investors, and he caused most of those funds to be distributed to Crown Growth's limited partners. However, on four occasions Block directed certain Medical Devices proceeds owed to Crown Growth and Client A to other accounts for other purposes, including at times to benefit Agile, the unrelated proprietary trading business with which Block was associated from 2011 to 2013.

9. First, in December 2012, Block directed the deposit into Crown Growth's brokerage account of approximately \$69,000 in Medical Devices sale proceeds owed to Client A. In February 2014, Block closed the account and transferred the remaining funds in the account to another account he controlled. When Commission staff later identified this transaction, Block promptly reimbursed Client A in full, with appropriate interest, from personal funds.

10. Second, in early January 2013, Block transferred approximately \$2 million in Medical Devices proceeds owed to Client A to Agile. By the end of January 2013, prior to the Commission's investigation, Block had repaid Client A from personal funds the full amount owed to Client A on account of the Medical Devices investment.

11. Third, in September 2013, Block directed the deposit into Crown Growth's brokerage account of approximately \$270,000 in Medical Devices sale proceeds owed to Crown Growth and its investors. A few days later, he transferred \$250,000 of these Crown Growth funds to Agile to meet a capital call. In December 2013, prior to the Commission's investigation, Block repaid the \$250,000 to Crown Growth's brokerage account. All such funds, less fees and expenses, were subsequently transferred to Crown Growth's investors.

12. Finally, also in September 2013, Block directed the deposit into the Crown Growth brokerage account of a distribution of approximately \$71,000 from Medical Devices for the benefit of Client A. Three days later, Block transferred \$70,000 to Agile. When Commission staff identified this transfer, Block promptly reimbursed Client A in full, with appropriate interest, from personal funds.

Violations

13. As a result of the conduct described above, Block willfully violated Sections 206(1) and 206(2) of the Advisers Act, which make it unlawful for any investment adviser, directly or indirectly, to (1) "employ any device, scheme, or artifice to defraud any client or prospective client" or (2) "engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client."

IV.

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

Accordingly, pursuant to Section 15(b) of the Exchange Act, Sections 203(f) and 203(k) of the Advisers Act, and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondent Block cease and desist from committing or causing any violations and any future violations of Sections 206(1) and 206(2) of the Advisers Act.

B. Respondent Block 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; and

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter; and

barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock,

with the right to apply for reentry after three (3) years to the appropriate self-regulatory organization, or if there is none, to the Commission.

C. Any reapplication for association by Block 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, the satisfaction of any or all of the following: (a) any disgorgement ordered against Block, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) 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 (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

D. Block shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of \$100,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

E. Payment must be made in one of the following ways:

- (1) Block may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Block may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Block may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard

Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Block as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Lara S. Mehraban, Division of Enforcement, Securities and Exchange Commission, Brookfield Place, 200 Vesey Street, Suite 400, New York, New York 10281.

F. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Block agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Block's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Block by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

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 Block, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Block 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 Block 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