ADMINISTRATIVE PROCEEDING
File No. 3-17217

Investment Adviser Agrees to Settle Cherry-Picking Charges

December 15, 2016 – Investment adviser firm TPG Advisors, LLC d/b/a The Phillips Group (TPG) and its principal Larry M. Phillips have agreed to admit wrongdoing to settle charges that they systematically allocated trades to the benefit of favored clients and to the detriment of unfavored ones. The charges were previously announced by the SEC in April 2016.

According to the SEC's order making findings and imposing remedial sanctions, from at least January 2010 to August 2014, TPG and Phillips engaged in a fraudulent trade allocation practice known as "cherry-picking" by unfairly allocating profitable equity and options trades to at least six favored accounts and unfairly allocating unprofitable trades to other, disfavored client accounts. The SEC's order finds that TPG's favored clients received profits on trades that were virtually impossible to have achieved by chance. The SEC's order also finds that TPG and Phillips had been warned about their allocations process by the third-party broker that maintained custody of these accounts and that the broker's employees had, at least 5 times, contacted Phillips about TPG's allocation practices, each time making suggestions that Phillips disregarded.

The SEC's order finds that TPG and Phillips violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and Sections 206(1), 206(2), and 207 of the Investment Advisers Act of 1940. TPG and Phillips agreed to a cease-and-desist order and to pay, jointly and severally, disgorgement, prejudgment interest, and a civil penalty totaling $328,437.70. The SEC's order also imposes on Phillips permanent associational and penny stock bars and an investment company prohibition.

The charges against TPG and Phillips were the second to arise from a data-driven enforcement initiative led by the Enforcement Division's Asset Management Unit and the Los Angeles and Boston Regional Offices and the agency's Division of Economic and Risk Analysis (DERA) to combat cherry-picking that the SEC announced in 2015. The investigation that led to the charges was conducted by Tony Regenstreif and supervised by Victoria Levin of the Los Angeles Regional Office. The trial team consisted of John Berry and Kristin Escalante. Data analysis was performed Eugene Canjels and Carmen Taveras of DERA.

See also: Order