

ADMINISTRATIVE PROCEEDING

File No. 3-17217

SEC Announces Charges Against Two California-based Investment Advisers for Cherry-Picking Profitable Trades for Favored Accounts

April 19, 2016 – The Securities and Exchange Commission today announced fraud charges against two California-based investment advisers for cherry-picking profitable trades for favored accounts.

TPG Advisors, LLC d/b/a The Phillips Group Advisors and Larry M. Phillips

In the first matter, the SEC Enforcement Division alleges that from at least January 2010 to August 2014, Larry Phillips and his firm, TPG Advisors, LLC (TPG), systematically allocated profitable equity and options trades to at least six favored accounts held by four favored clients to whom Phillips had personal connections and allocated unprofitable trades to other, disfavored client accounts despite warnings from the third-party broker that maintained custody over the firm's accounts about the allocation practices. The SEC Enforcement Division further alleges that the likelihood that the profitability in the favored accounts originated from random chance was less than 1%.

The SEC Enforcement Division further alleges that Phillips and his firm 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. The matter will be scheduled for a public hearing before an administrative law judge, who will prepare an initial decision stating what, if any, remedial actions are appropriate.

The investigation, which was the second to arise from a data-driven enforcement initiative to combat cherry-picking led by the Enforcement Division's Asset Management Unit and the SEC's Boston and Los Angeles Regional Offices, was conducted by Tony Regenstein and supervised by Victoria A. Levin of the Los Angeles Regional Office. The Enforcement Division's litigation will be led by John Berry, Kristin Escalante, and Tony Regenstein.

Bruce A. Hartshorn

A separate SEC investigation found that Bruce A. Hartshorn, the founder and control person of Hartshorn & Co., Inc. (H&C), a defunct California-based adviser, disproportionately allocated profitable trades to proprietary accounts and unprofitable trades to clients. The probability that such allocations could have been by chance was less than one-in-one-million. As a result of the scheme, Hartshorn reaped \$109,516 in ill-gotten gains.

Hartshorn consented to the SEC's order without admitting or denying the SEC's findings that he violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Advisers Act and agreed to a cease-and-desist order, to pay disgorgement, prejudgment interest, and a civil penalty totaling \$189,552.20, and to be barred from working as an investment adviser or with an investment company.

The investigation was conducted by Alfred C. Tierney and Marie K. N. DeBonis of the Asset Management Unit, and supervised by Adam S. Aderton of the Asset Management Unit.

See also: [Order – TPG Advisors, LLC et al.](#)
 [Order – Hartshorn](#)