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Attorney for Respondents

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

In the Matter of

TPG ADVISORS LLC d/b/a THE
PHILLIPS GROUP ADVISORS, AND
LARRY M. PHILLIPS,

) ADMINISTRATIVE PROCEEDING
) File No. 3-17217

) **JOINT ANSWER OF TPG ADVISORS**
) **LLC d/b/a THE PHILLIPS GROUP**
) **ADVISORS, AND LARRY M. PHILLIPS**
) **("RESPONDENTS")**

I.

This paragraph consists of formula allegations which do not require a response from these answering Respondents.

II.

A. SUMMARY

1. Respondents deny the allegations of this paragraph.

B. RESPONDENTS

2. Respondents admit the allegations of this paragraph.

3. Respondent Phillips admits his stated age, that he resides in Westlake Village, California and that he is the sole owner principal and CCO of Respondent TPG which he formed in 2009. He admits he has been licensed since 1971 and holds the series licenses described in this paragraph. Phillips admits he has been the subject of three disciplinary actions, however denies the SEC's narrative descriptions of the violations and objects to their inclusion in this proceeding in that they have no factual relationship to the allegations being put forth, that they are included as a form of character assassination and in an attempt to improperly influence the administrative law judge who will hear this proceeding.

C. RESPONDENTS' ALLEGED 'CHERRY-PICKING SCHEME'

1. TPG's Trade Allocation Policies

4. Respondents deny the allegations of this paragraph.

2. TPG and Phillips Alleged Favoritism of Certain Accounts

5. Respondents deny the allegations of this paragraph.

6. Respondents deny the allegations of this paragraph.

7. Respondents deny the allegations of this paragraph and allege that, in reaching the conclusion recited in this paragraph, the SEC has mistakenly compared the results in margin accounts in which day-trading took place with cash accounts in which no day-trading took place. In day-traded accounts, Respondents looked for securities that they hoped would suddenly increase in value due to market events. In non-day traded accounts, the idea was to purchase client securities during a period of weakness,

holding them for an extended period, then selling them later in a position of strength. In analyzing the number, frequency and distribution of trades in customer accounts, the SEC ignored this important distinction, which serves to explain why purchases in day-traded accounts tended to go up on the day of purchase, while purchases in non-day traded accounts tended to go down.

8. Respondents deny the allegations of this paragraph. Respondents also allege that the performance in the so called favored accounts is a result of Respondent Phillips' abilities as a day-trader and, to demonstrate this, Respondents will, at the time of hearing of this matter, produce records of his day-trading in these accounts with similar results, under circumstances in which so called "cherry picking" would have been impossible. Respondents further deny that any transactions intended for the allegedly harmed accounts was ever misallocated to a so-called favored account.

9. Respondents deny the allegations of this paragraph.

10. During the period upon which this complaint is based, Respondents received no contact or communication of the kind alleged, from the third party broker. Further, the third party broker's suggestion to Phillips was not to trade directly in the clients' accounts, but, instead, to use the trading system known as Cybertrader, which involves trading in a master account, thus requiring allocations once transactions had been completed. No suggestion was ever made that anything other than this system be employed by Respondents. No concerns were ever expressed about Respondents' success rate.

D. ALLEGED VIOLATIONS

11. Respondents deny the allegations of this paragraph.

12. Respondents deny the allegations of this paragraph.

13. Respondents deny the allegations of this paragraph.

III.

These allegations including subparts A through E are formula allegations and do not require responses from these answering Respondents.

IV.

These allegations including subparts A through E are formula allegations and do not require responses from these answering respondents.

V.

AFFIRMATIVE DEFENSES

1. In reaching the conclusions expressed in its pleading, the SEC has mistakenly compared the results of margined day-trading accounts with cash accounts with a differing investment strategy which did not include day-trading. In this way, the conclusions reached by the SEC are meaningless.

2. The third party broker referred to herein insisted that Respondent use the trading platform known as Cybertrader, which effectively required that all of a day's transactions be executed in a master account. This required that the transactions, once executed, had to be allocated to the accounts for which they were intended. In all situations over the entire period alleged, in cases in which the Cybertrader master account executed trades for more than a single customer, Respondents had allocation sheets reflecting the intended beneficiaries of each transaction. Respondents can and will demonstrate that in every situation in which more than a single customer order was contained in the master account, the executed trades were assigned to the appropriate

accounts according to the allocation sheet which had been prepared before the orders were executed.

3. Although Cybertrader contains information relating to the time at which every trade was executed, there appears to be no independent source from which it can be determined when the third party broker posted the positions to the appropriate accounts. As a result of the manner in which the third party broker maintained its operations, there is no independent source, other than the allocation sheets, from which one can determine whether every trade or any trade in the Cybertrader master account was properly allocated. In order to overcome this lack of independent evidence, the SEC's argument is that the record of favorable transactions in the so called favored accounts is a 'statistical anomaly.' Without any independent evidence to support it, the SEC's argument is that the success rate of the transactions in the so called favored accounts could only have been achieved by post-trade allocations of transactions which actually belonged elsewhere, although the SEC makes no effort to explain where the transactions actually should have gone, nor can it demonstrate that any account-holder was injured by Respondent's practices..

4 After Respondents' activities were challenged by the SEC, Respondent Phillips moved the operations of the day-trading transactions into each of the separate day-traded accounts. In other words, each transaction was executed in the appropriate account without an opportunity to add or subtract positions according to their success rate. Respondents will seek leave to amend this statement of answer to include the results of the day-trading conducted in the manner described. The success rate of these transactions is essentially the same as that of the alleged favored accounts put forward

by the SEC as proof of Respondent's misconduct. This will effectively disprove the 'statistical anomaly' argument and demonstrate that the success ratio is a reflection of Respondent Phillip's skill as a day-trader and not through some form of misconduct.

5 The 'statistical anomaly' theory that the SEC attempts to employ herein has already been attempted in the context of a civil injunctive action brought in the U.S. District Court, District of Rhode Island, where it failed to convince Senior District Judge Lagueux, who entered judgment for Defendants. See S.E. C. v. Slocum, Gordon & Co., 334 F. Supp. 2d 144 (2004).

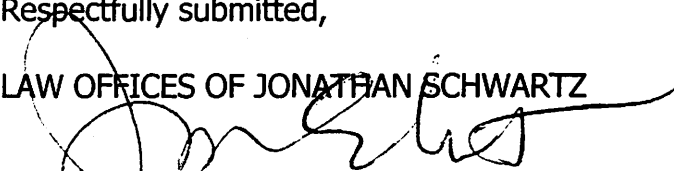
Among other things, Judge Lagueux found that the SEC's theories failed to take into account differences in management strategies of the alleged 'benefited' and 'burdened' accounts. Slocum, Ibid @173, The Court rejected the idea that the success rate of the trades in the 'benefited' accounts (98%) was impossible to achieve legitimately, and found no direct evidence (as opposed to inferences based upon statistical analysis) that any actual 'cherry-picking' had taken place, or that any client was harmed. Slocum, Id.

6 Respondents reserve the right to amend this answer to assert any additional defenses once discovery proceeds and more information becomes available.

Dated: May 25 , 2016

Respectfully submitted,

LAW OFFICES OF JONATHAN SCHWARTZ


By Jonathan Schwartz
Attorney for Respondents

CERTIFICATE OF SERVICE

I certify that on May 25 , 2016, I caused the foregoing JOINT ANSWER OF RESPONDENTS TPG ADVISORS, LLC, D/B/A THE PHILLIPS GROUP ADVISORS, AND LARRY M. PHILLIPS to be served on the following persons by the method of delivery indicated below.

Brent J. Fields, Secretary
Securities and Exchange Commission
100 F. Street, N.E., Mail Stop 1090
Washington, D.C. 20549-1090

(by Federal Express, original and three copies)

Honorable Jason S. Patil
Administrative Law Judge
Securities and Exchange Commission
100 FG. Street N.E., Mail Stop 2557
Washington, D.C. 20549-2557
Email alj@sec.gov

(by Federal Express and by email)

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John W. Berry
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(by email)

dated May 25 , 2016


Ruthann Custer