

## **ADMINISTRATIVE PROCEEDING**

**File No. 3-16730**

### **Owner of Formerly Registered Investment Adviser Settles with SEC Regarding Custody Rule, Compliance Rule, and Form ADV Violations**

**April 14, 2016** – On April 14, 2016, the Securities and Exchange Commission announced that Reid S. Johnson, the sole owner of formerly registered investment adviser The Planning Group of Scottsdale, LLC (TPG), agreed to settle custody and compliance rule and Form ADV violations.

On August 6, 2015, the Commission instituted proceedings against Johnson. In the order instituting proceedings, the Enforcement Division alleged, among other things, that from at least 2010 until it withdrew its registration with the Commission in March 2013, TPG had custody of certain client funds and securities, including funds and securities of pooled investment vehicles whose managing members were entities owned and controlled by Johnson. The Enforcement Division further alleged that:

- TPG violated Section 206(4) of the Advisers Act and Rule 206(4)-2 thereunder – also known as the “Custody Rule” – because it failed to accurately determine the securities over which it had custody; failed to ensure the securities were maintained by a qualified custodian; and failed to obtain adequate surprise examinations.
- TPG also violated Section 206(4) and Rule 206(4)-7 thereunder – also known as the “Compliance Rule” – by failing to adopt and implement written compliance policies and procedures reasonably designed to prevent violations of the Custody Rule.
- Johnson willfully aided and abetted and caused TPGS’s Custody Rule and Compliance Rule violations, and willfully violated Section 207 of the Advisers Act regarding disclosures in Forms ADV.

To settle the matter, Johnson submitted an offer of settlement in which he admitted wrongdoing and agreed to the imposition of a cease-and-desist order and to pay a \$45,000 civil penalty, to be barred from the securities industry for at least one year, to a one-year penny stock bar, and to complete thirty hours of compliance training relating to the Advisers Act prior submitting any reapplication for re-association.

The SEC’s investigation was conducted by Marisa G. Westervelt and Lorraine L. Pearson and supervised by Victoria A. Levin; the litigation was led by Amy J. Longo and Marisa G. Westervelt and supervised by John W. Berry, all of the Los Angeles Regional Office.

**See also:** [Order](#)