

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 82509 / January 17, 2018**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 4844 / January 17, 2018**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-18337**

**In the Matter of**

**JOHN TARPINIAN,**

**Respondent.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS  
PURSUANT TO SECTION 15(b) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
AND SECTIONS 203(f) AND 203(k) OF THE  
INVESTMENT ADVISERS 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”) and Sections 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”), against John Tarpinian (“Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent 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, Respondent 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 and Sections 203(f) and 203(k) of the Investment Advisers 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 Respondent's Offer, the Commission finds<sup>1</sup> that:

#### Summary

These proceedings involve John Tarpinian's ("Tarpinian") undisclosed principal trades with advisory clients while he was associated with a dually-registered broker-dealer and investment adviser, Newport Coast Securities, Inc. ("Newport"). From approximately March 2013 through December 2015, Tarpinian engaged in thousands of trades between Newport's brokerage proprietary trading account and advisory client accounts, without first providing written disclosure that he was effecting the trades as a principal or obtaining consent from his clients for such trades. Tarpinian also charged undisclosed mark-ups and mark-downs to such clients with respect to such trades. As a result of this conduct, Tarpinian willfully aided and abetted and caused Newport's violations of Section 206(3) of the Advisers Act.

#### Respondent

1. **Tarpinian**, 57, is a resident of West Brookfield, Massachusetts. He was a Managing Director at Newport from February 2013 through December 2015. Thereafter, he has been an associated person with a firm which was registered as an investment adviser with the Commission from February 2016 to June 2017, and has been registered as a broker-dealer since 1981. Tarpinian holds Series 7, 63 and 65 securities licenses.

#### Other Relevant Entity

2. **Newport** is a California corporation whose principal place of business was in New York, New York. It was dually registered with the Commission as an investment adviser and a broker-dealer. Newport withdrew its broker-dealer registration in October 2016 and withdrew its investment adviser registration in March 2017, and it has ceased operations.

#### Facts

3. While a Managing Director at Newport, Tarpinian provided advice on the value, purchase and sale of securities to over one hundred advisory clients and received an advisory fee from each of these clients based on their assets under management. Tarpinian invested most of his clients' accounts in structured products as well as some municipal bonds and equities.

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<sup>1</sup> The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

4. Tarpinian used a brokerage proprietary trading account at Newport over which he had trading authority (the “Principal Account”).

5. Starting in approximately March 2013 and continuing through December 2015, Tarpinian knowingly placed approximately 2,785 trades between the Principal Account and advisory client accounts, including instances in which Tarpinian purchased securities on behalf of his clients directly from the Principal Account, and instances in which Tarpinian sold securities on behalf of his clients directly to the Principal Account (the “Principal Trades”).

6. For the vast majority of these Principal Trades, Tarpinian knowingly charged and Newport’s brokerage arm collected at least 25 basis points per unit purchased or sold by the advisory client, by either marking up the security the Principal Account was selling to a client or by marking down the security the Principal Account was buying from a client.

7. Although Tarpinian knew, or recklessly disregarded the fact, that he was required to provide written disclosure that he was acting as a principal and obtain consent from advisory clients for such Principal Trades prior to their completion, he never did so, nor did Newport.

8. On certain occasions, clients received notification of the Principal Trades after the Principal Trades had settled. These post-settlement notifications did not inform clients that they had been charged a mark-down or mark-up of at least 25 basis points, in addition to the other applicable fees and commissions.

9. Tarpinian unlawfully obtained approximately \$50,000 from advisory clients as mark-ups and mark-downs with respect to such Principal Trades.

10. As a result of the conduct described above, Tarpinian willfully<sup>2</sup> aided and abetted and caused Newport’s violations of Section 206(3) of the Advisers Act, which prohibits an investment adviser, while acting as a principal for his own account, from knowingly selling any security to or purchasing any security from any client, without disclosing to such client in writing before the completion of such transaction the capacity in which he is acting and obtaining the consent of the client to such transaction.

#### IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent’s Offer.

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<sup>2</sup> A willful violation of the securities laws means merely ““that the person charged with the duty knows what he is doing.”” *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)).

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

A. Respondent cease and desist from committing or causing any violations and any future violations of Section 206(3) of the Advisers Act.

B. Respondent is censured.

C. Respondent shall, within 30 days of the entry of this Order, pay disgorgement of \$50,000 and prejudgment interest of \$3,652.09 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Section 21F(g)(3) of the Securities Exchange Act of 1934 (“Exchange Act”). If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600.

D. Respondent shall, within 30 days of the entry of this Order, pay a civil money penalty in the amount of \$25,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Section 21F(g)(3) of the Exchange Act. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent 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) Respondent 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 Tarpinian 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 Shalov Mehraban, Associate Regional Director, Division of Enforcement, New York Regional Office, Securities and Exchange Commission, Brookfield Place, 200 Vesey Street, New York, NY 10281.

E. 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, Respondent 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 Respondent'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 Respondent 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 Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent 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 Respondent 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