

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 86541 / August 1, 2019**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-19301**

**In the Matter of**

**KENDALL J. GROOM, CPA,**

**Respondent.**

**ORDER DIRECTING PAYMENT OF  
CERTAIN FUNDS RECEIVED BY  
COMMISSION**

On August 1, 2019, the Securities and Exchange Commission (“Commission”) issued an Order (the “Order”)<sup>1</sup> that simultaneously instituted and settled public administrative and cease-and-desist proceedings against Kendall J. Groom (“Groom”). The Commission found that, from March 2012 through January 2016, Groom – who was an investment adviser representative of a registered investment adviser, a registered representative of a registered broker-dealer, and the trustee and investment adviser for two related trusts (the “Trusts”) – diverted some of the Trusts’ assets to brokerage and bank accounts that he owned or controlled in violation of Sections 206(1) and 206(2) of the Investment Advisers Act of 1940 (the “Advisers Act”). The Commission ordered Groom to cease and desist from committing or causing any violations and any future violations of Sections 206(1) and 206(2) of the Advisers Act. The Commission also ordered that Groom be

- (i) barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization;
- (ii) prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter; and
- (iii) barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock

with the right to apply for reentry after five (5) years to the appropriate self-regulatory organization, or if there is none, to the Commission. The Commission further ordered Groom to pay a total of \$485,988.45 to the Commission within twenty (20) days from the date of the Order, comprised of

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<sup>1</sup> Securities Exchange Act Rel. No. 86540 (Aug. 1, 2019).

disgorgement of \$262,498.95, prejudgment interest of \$38,489.50, and a civil penalty of \$185,000. The Commission created a Fair Fund (the “Fair Fund”) pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002 so the disgorgement, prejudgment interest, and civil penalty could be distributed to the beneficiaries of the Trusts or their lawful successors that were harmed by Groom’s violations as described in the Order (the “Beneficiaries”).

The payment of disgorgement, prejudgment interest, and civil penalty constitutes a qualified settlement fund (“QSF”) under Section of 468B(g) of the Internal Revenue Code (IRC), 26 U.S.C. § 468B(g), and related regulations, 26 C.F.R. §§ 1.468B-1 through 1.468B-5.

After receipt of the disgorgement, interest, and penalty amounts referenced above, the Commission staff will seek the appointment of a tax administrator to establish a reserve for taxes and related administrative expenses (the “Reserve”). Upon establishing and withholding the Reserve, the Commission staff will cause \$300,946.75 to be distributed to the Beneficiaries, which is the total loss to the Beneficiaries due to the violations described in the Order as determined by the Commission staff, plus reasonable interest.<sup>2</sup> The distribution to each Beneficiary as determined by the Commission staff is reflected in Exhibit 1. After the distribution payments and all taxes and administrative expenses are paid, the Commission staff will transfer the remaining funds, if any, to the general fund of the United States Treasury subject to Section 21F(g)(3) of the Securities Exchange Act of 1934 (“Exchange Act”).

Accordingly, it is ORDERED that:

- A. After the receipt of funds simultaneously ordered in this proceeding, the Commission staff shall seek the appointment of a tax administrator to, among other things, comply with tax-related obligations of the QSF and establish the Reserve;
- B. After withholding the Reserve, the Commission staff shall cause distribution of \$300,946.75 to the Beneficiaries as set forth in Exhibit 1; and
- C. Any amounts remaining in the Fair Fund after completion of A. and B. above, and any amounts returned to the Fair Fund in the future, shall be transferred to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act.

By the Commission.

Vanessa A. Countryman  
Secretary

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<sup>2</sup> This amount includes reasonable interest calculated using the short-term Applicable Federal Rate plus three percentage points, compounded quarterly from October 1, 2018, through July 1, 2019.

**Exhibit 1**

<b>Beneficiary</b>	<b>Amount</b>
Beneficiary A	\$54,609.95
Beneficiary B	\$13,444.75
Beneficiary C	\$68,054.70
Beneficiary D	\$68,054.70
Beneficiary E	\$68,054.70
Beneficiary F	\$28,727.95
Total	\$300,946.75