

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 4702 / May 5, 2017

ADMINISTRATIVE PROCEEDING
File No. 3-17969

In the Matter of

**SOURCE FINANCIAL
ADVISORS, LLC and
MICHELLE M. SMITH,**

Respondents.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS
PURSUANT TO SECTIONS 203(e), 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 Sections 203(e), 203(f), and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) against Source Financial Advisors, LLC and Michelle M. Smith (collectively, “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceeding 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 them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 203(e), 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 Respondents' Offers, the Commission finds that:

SUMMARY

1. These proceedings concern material misrepresentations by Michelle M. Smith ("Smith") and Source Financial Advisors, LLC ("Source"), the registered investment adviser Smith founded and owns. From 2012 through 2016, Source misrepresented on its Form ADV brochure supplements that Smith earned a marketing degree from Radford University. In fact, Smith attended Radford, but did not graduate. In addition, from 2012 through 2016, Source misrepresented in materials distributed to clients and prospective clients that Smith held the Certified Financial Planner ("CFP") credential. In fact, Smith took CFP coursework but did not earn the CFP credential. Smith was aware of these misrepresentations as they were made. She and Source corrected the statements after they were contacted by Commission staff in 2016. Through these actions, Source and Smith violated Sections 206(2) and 207 of the Advisers Act.

RESPONDENTS

2. **Source Financial Advisors, LLC** ("Source"), a New York limited liability company based in New York, New York, has been registered with the Commission as an investment adviser since August 2012 (File No. 801-77037).

3. **Michelle M. Smith** ("Smith"), 52, resides in New York, New York, and is the founder, owner, and managing member of Source. At all times discussed herein, Smith controlled Source. Smith holds Series 7, 24, 63, and 65 licenses, is a Certified Divorce Financial Analyst, and previously was associated with several financial services firms from 1986 to 2012.

FACTS

4. Smith founded Source in 2012 as an independent investment advisory and financial planning firm principally geared toward divorced high-net-worth women. As of 2016, Source had more than \$250 million in assets under management on behalf of approximately 75 clients.

5. Prior to Source, Smith worked for more than two decades as a registered representative and financial advisor. She began her career in the securities industry in 1986.

6. Source registered with the Commission as an investment adviser in August 2012. Source's initial Form ADV brochure supplement misrepresented Smith's educational background, stating that she "graduated from Radford University in 1986, with a Bachelor of Arts degree in Marketing." While Smith attended Radford, she did not earn enough credits to graduate.

7. Until 2016, each subsequent brochure supplement stated that Smith had earned a college degree. Smith was aware that this information was inaccurate.

8. Beginning in September 2012, Smith and other Source personnel developed marketing materials for current and prospective advisory clients. Certain of these materials stated that Smith was a CFP in addition to a Certified Divorce Financial Analyst.

9. Though Smith completed CFP coursework in the 1990s, she did not sit for the final examination or complete the other remaining requirements to obtain and use the certification.

10. Until 2016, certain materials misrepresented that Smith was a CFP, including Source's website, certain client communications, presentation slides, brochures, and press articles. These materials included information provided by Source and Smith.

11. After being contacted by Commission staff in February 2016, Source revised its Form ADV brochure supplement to correct the misrepresentation that Smith received a college degree.

12. From March to May 2016, Smith contacted each of Source's clients and advised them of the misrepresentations regarding her education and CFP credentials.

VIOLATIONS

13. As a result of the conduct described above, Respondents willfully¹ violated Section 206(2) of the Advisers Act, which prohibits an investment adviser from engaging in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client.

14. As a result of the conduct described above, Respondents willfully violated Section 207 of the Advisers Act, which prohibits a person from making any untrue statement of a material fact in any registration application or report filed with the Commission under Sections 203 or 204 of the Advisers Act.

¹ A willful violation of the securities laws means merely “that the person charged with the duty knows what he [or she] 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)).

UNDERTAKINGS

15. Notice to Advisory Clients. Within thirty (30) days of the entry of this Order, Respondent Source shall provide an Internet link to this Order via mail, email, or other such method not unacceptable to the Commission staff,² together with a cover letter in a form not unacceptable to the Commission staff, to each of Source's existing advisory clients as of the entry of this Order.

16. Certification of Compliance. Source shall certify, in writing, compliance with the undertaking set forth above. The certification shall identify the undertaking, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Source agrees to provide such evidence. The certification and supporting material shall be submitted to Adam S. Aderton, Assistant Director, Asset Management Unit, Division of Enforcement, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-5012, or such other address as the Commission staff may provide, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertaking.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents' Offers.

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

A. Respondents Source and Smith cease and desist from committing or causing any violations and any future violations of Sections 206(2) and 207 of the Advisers Act.

B. Respondents Source and Smith are censured.

C. Respondent Smith shall, within twenty (20) days of the entry of this Order, pay a civil money penalty in the amount of \$35,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). 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:

² Source further agrees to provide a paper copy of the Order to any existing advisory client as of the date of the entry of this Order who requests it.

- (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 Source Financial Advisors, LLC and Michelle M. Smith as Respondents 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 Anthony S. Kelly, Co-Chief, Asset Management Unit, Division of Enforcement, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-5012.

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, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent Smith's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within thirty (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 one or more Respondents 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.

D. Respondent Source shall comply with the undertakings enumerated in Section III above.

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