

**ADMINISTRATIVE PROCEEDING
BEFORE THE
MARYLAND SECURITIES COMMISSIONER**

IN THE MATTER OF:

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Allsource Financial Management, LLC

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IA File No. 2011-2938

Docket No. 2014-0453

and

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Gordana Schifanelli

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Respondents *

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CONSENT ORDER

WHEREAS, the Securities Division of the Office of the Maryland Attorney General (the “Division”), pursuant to the authority granted in section 11-411 of the Maryland Securities Act, Corporations and Associations Article, Title 11, Annotated Code of Maryland (2014 Repl. Vol.) (the “Act”), conducted an on-site examination of the books and records of Allsource Financial Management, LLC (hereinafter referred to as “Allsource” or “Respondent Allsource”); and

WHEREAS, on the basis of that examination and subsequent investigation of Allsource’s advisory activities, the Maryland Securities Commissioner (the “Commissioner”) has found grounds to conclude that Respondent Allsource and its sole owner, Gordana Schifanelli (“Schifanelli” or “Respondent Schifanelli”) (collectively, “Respondents”) violated sections 11-302(a)(2), (a)(3), (c), (d) and (f), 11-303, 11-401(b), 11-402(b), and 11-411(a), (b), (c) of the Act; and

WHEREAS, the Commissioner and the Respondents have reached an agreement in this action whereby the Respondents consent to the terms of this Consent Order;

WHEREAS, the Respondents waive their rights to a hearing and any rights they may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Consent Order; and

WHEREAS, the Commissioner has determined that it is in the public interest to issue this Consent Order;

THEREFORE, before the holding of a hearing in this matter, without trial or final adjudication of any issue of fact or law, and prior to the issuance of a final order in this proceeding, the Commissioner finds:

I. JURISDICTION

1. The Commissioner has jurisdiction in this proceeding pursuant to section 11-701.1 of the Act.

II. RESPONDENTS

2. Allsource is a Maryland limited liability company with a principal place of business in Annapolis, Maryland. Allsource was registered with the Division as an investment adviser from June 6, 2011 to December 31, 2014, at which time Allsource did not renew its investment adviser registration in Maryland. Allsource is owned by Schifanelli.

3. Schifanelli is a resident of Stevensville, MD. Schifanelli is the sole owner and chief compliance officer of Allsource. Schifanelli was registered with the Division as an investment adviser representative for Allsource from June 6, 2011 to December 31, 2014, at which time Schifanelli did not renew her investment adviser representative registration in Maryland. Since June 2, 2011, Schifanelli has been registered as a registered representative with the Financial Industry Regulatory Authority (“FINRA”) and as a broker-dealer agent with the Division through her affiliation with B.B. Graham & Company, Inc. Prior to that, from January 6, 2010 to June 10, 2011,

Schifanelli was registered as a registered representative with FINRA and as a broker-dealer agent and investment adviser representative with the Division through her affiliation with RBC Capital Markets, LLC; from February 26, 2009 to January 7, 2010, Schifanelli was registered as a registered representative with FINRA and as a broker-dealer agent and investment adviser representative with the Division through her affiliation with Wells Fargo Advisors, LLC; and from 2000 to March 4, 2009, Schifanelli was registered as a registered representative with FINRA and as a broker-dealer agent and investment adviser representative with the Division through her affiliation with Merrill Lynch, Pierce, Fenner & Smith Incorporated.

III. FINDINGS OF FACT

Background

4. On or about April 29, 2011, Respondents filed with the Division applications to register Allsource as an investment adviser and Schifanelli as an investment adviser representative.

5. As part of its initial application, Allsource filed with the Division a copy of its Form ADV (Uniform Application for Investment Advisers) and its client contracts -- investment advisory contract and consulting agreement.¹

¹ The Form ADV application consists of two parts, Form ADV Part 1 and Form ADV Part 2. Form ADV Part 1 is divided into two subparts, Part 1A and 1B, and requires the adviser to provide information relating to the investment adviser's business practices and disciplinary history. Form ADV Part 2, also known as the "brochure", is a disclosure document that, under federal and state laws, is required to be given to clients or potential clients prior to entering into the advisory relationship and annually thereafter. Form ADV Part 2 also consists of two subparts, Part 2A and 2B. Form ADV Part 2A provides clients with information relating to the investment adviser firm, including the types of services offered by the adviser, the types of fees charged by the adviser, disciplinary information, and conflicts of interest. Form ADV Part 2B provides clients with information about the investment adviser's representatives. The Form ADV is filed electronically with the Division through the Investment Adviser Registration Depository system (the "IARD").

6. During the application process, the Division requested that Allsource make certain corrections to the information contained in its application. The final changes requested to Allsource's Form ADV Part 2 brochure were filed through the IARD system on May 24, 2011.²

7. On June 6, 2011, Allsource's and Schifanelli's investment adviser and investment adviser representative registration applications, respectively, were approved.

8. In September 2013, the Division conducted an on-site examination of Respondents' advisory practice.

9. The Division's review of documents obtained during, and as a follow up to, the on-site examination, indicate that Respondents Allsource and Schifanelli have engaged in acts in violation of the investment adviser and antifraud provisions of the Act including, but not limited to, the following set forth below.

Fee Misrepresentations Contained in Form ADV and Investment Advisory Agreement

10. The instructions to Form ADV Part 2A require an investment adviser to disclose whether its clients "may or must pay [their] advisory fees in advance" of services rendered. If clients are allowed or required to pay in advance, the instructions require the adviser to "explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period" and how the amount of the refund is determined.

11. The Form ADV Part 2 brochure filed by Respondents on May 24, 2011 (dated May 18, 2011) as part of their initial application ("2011 Part 2 brochure")³ disclosed that Allsource

² The Division reviews the information contained in an applicant's Form ADV application in determining whether to grant the approval of the applicant's registration. The Division conducts subsequent reviews of a registrant's Form ADV as updates to the information contained in the Form ADV are made and filed with the Division.

³ As discussed below, an amendment to this brochure was not filed until January 8, 2014 and presumably was the version used by the adviser throughout calendar years 2011, 2012, and 2013.

offered discretionary asset management services to individually managed accounts for a fee ranging from 1% to 2% of a client's assets under its management.

12. The 2011 Part 2 brochure further disclosed that Allsource's asset management fees were "based on the market value of assets under management at the end of each calendar quarter" and payable "**quarterly in arrears.**" *Emphasis added.*

13. In the section of Allsource's 2011 Part 2 brochure labeled "Advance Payment of Fees and Termination", Allsource explained that it is "**compensated for its services at the end of the quarter after investment advisory services are rendered.**" *Emphasis added.*

14. During the Division's on-site examination of Respondents' advisory practice, the Division discovered that, contrary to disclosures contained in Allsource's 2011 Part 2 brochure, Respondents were charging and deducting their asset management fees from clients' accounts in advance, not in arrears.

15. Respondents also misrepresented in the investment advisory contract filed with the Division as part of their initial application the manner in which Respondents charged and collected their advisory fees.

16. COMAR 02.02.05.03B(16) requires an investment advisory contract to disclose the amount of prepaid fee to be returned in the event of contract termination.

17. Paragraph 3 of Respondents' investment advisory contract incorrectly disclosed that they collected their advisory fees in arrears: "[t]he [c]lient will pay the [a]dvisor a quarterly [i]nvestment [a]dvisory [f]ee at an annual rate of _____%, **payable in arrears**, based on the fair market value of portfolio assets under management in the [a]ccount at the end of each quarter." *Emphasis added.*

18. In addition to misrepresenting when their fees would be collected from client accounts, the contract failed to disclose the amount of prepaid fee that would be returned to a client in the event of contract termination.

19. This contract was given to and required to be executed by Respondents' advisory clients.

20. The misrepresentations and material omissions contained in Respondents' 2011 Part 2 brochure and investment advisory contract continued throughout calendar years 2011, 2012, and 2013, until they were brought to light by the Division.

21. Respondents' internal procedures failed to prevent or detect the misrepresentations and material omissions, which Respondents represent were inadvertent.

Failure to Provide Pro Rata Refund to Clients

22. In or about August 2011, shortly after Allsource's registration was made effective in Maryland, LC became an advisory client of Allsource.

23. LC opened or transferred several brokerage accounts to the brokerage firm that Schifanelli had recently joined as a registered representative and used as the custodian for her advisory clients.

24. LC was given a copy of Allsource's 2011 Part 2 brochure and entered into an investment advisory contract with Allsource.

25. Respondents began managing LC's accounts and receiving asset management fees in connection with their asset management services.

26. Respondents' advisory fees were deducted directly from LC's brokerage accounts on a quarterly basis and remitted to Respondents by the custodian.

27. Each quarter, prior to the fees being deducted, Schifanelli authorized the custodian to deduct the fees.

28. Although the 2011 Part 2 brochure and the investment advisory contract given to LC indicated that Respondents' advisory fees would be deducted from LC's accounts in arrears, the fees were actually deducted in advance of services provided for the quarter.

29. Respondents provided advisory services to LC until June 2013, when LC terminated her advisory relationship with Allsource and transferred her accounts from under Allsource's management.

30. By July 17, 2013, the assets in two of LC's accounts managed by Allsource were completely transferred out of the accounts and, by July 19, 2013, the assets in the third account were transferred out.⁴

31. In July 2013, Respondents directed the custodian to deduct approximately \$12,689 in advisory fees from LC's three accounts. The fees represented a prepaid fee for the third quarter of 2013.

32. Although the advisory relationship ended in June 2013 and LC's accounts were transferred from under Allsource's management 19 days into the new quarter, Respondents did not provide, and have refused to provide, LC with a pro rata refund of the \$12,689 prepaid advisory fee.

33. Respondents' refusal to provide a pro rata refund violates the investment adviser's fiduciary duty by retaining an unearned fee and failing to provide a pro rata refund for managing a client's account for a partial quarter.

⁴ A fourth account of LC was charged an additional \$3,455.65 in the 3rd quarter of 2013 but, due to an error by the custodian, that same account was not charged a quarterly fee for the 1st quarter of 2013.

34. As in the case of LC, in or about August 2011, HR became an advisory client of Allsource.

35. HR was given a copy of Allsource's 2011 Part 2 brochure and was required to execute Allsource's investment advisory agreement.

36. For their advisory services, Respondents received an asset management fee that was deducted on a quarterly basis directly from HR's accounts.

37. Contrary to the fee representations contained in Allsource's Part 2 brochure and investment advisory agreement, the fees were debited from HR's accounts in advance instead of in arrears.

38. According to Allsource, HR terminated her advisory relationship with Respondents in or about March 2014. By May 12, 2014, the assets in one of HR's accounts managed by Allsource was completely transferred out of the account, and by May 21, 2014, the assets in two of HR's other accounts were transferred out.⁵

39. In April 2014, despite the termination of her advisory relationship in March 2014, Respondents directed the custodian to deduct approximately \$6,500 in advisory fees from HR's accounts. The fees represented a prepaid advisory fee for the second quarter of 2014.

40. Although the advisory relationship ended in March 2014 and HR's accounts were transferred by mid May 2014, Respondents did not provide, and have refused to provide, HR with a pro rata refund of the \$6,500 prepaid advisory fee.

41. Respondents also have refused to provide a pro rata refund to a third client, LH and MH, whose assets were transferred out of accounts managed by Allsource by August 1, 2013, but were charged an advisory fee of \$523.24 for the third quarter of 2013.

⁵ A fourth much smaller account was transferred out on or about June 24, 2014.

42. Respondents' practice of not providing pro rata refunds does not serve the best interests of their clients and breaches the fiduciary duty owed to their advisory clients. This breach is compounded by Respondents' 2011 Part 2 brochure and client contract that misleadingly disclosed or omitted to disclose material facts concerning their fees.

Other Misleading Form ADV and Contract Disclosures

43. The 2011 Part 2 brochure filed by Allsource as part of its initial application disclosed that Allsource's asset management fee was "automatically deducted from the client account by the custodian."

44. The authority to direct a third party custodian to deduct the adviser's fee from a client's account gives the adviser custody over the client's account assets.

45. In a letter dated May 16, 2011, the Division notified Respondents of this requirement by stating: "The Maryland Securities Division takes the position that an adviser who directly deducts fees from clients' accounts is deemed to have custody of clients' assets and, thus, should answer Item 9A(1) [of Form ADV Part 1A] in the affirmative."

46. In that same letter, the Division informed Respondents that if they had custody solely because of their ability to deduct fees from client accounts, they would not be required to comply with the custody requirements set forth under COMAR, if they followed certain safeguards:

Although the adviser has custody, the adviser will not be required to comply with the net capital, bonding, or audit requirements set forth in Regulations .15 and .17 of the Code of Maryland Regulations if (1) the adviser has written authorization from the client to deduct advisory fees from the account held with a qualified custodian; (2) each time a fee is directly deducted from a client account, the adviser concurrently (A) sends the qualified custodian notice of the amount of the fee to be deducted from the client's account, and (B) sends the client an invoice itemizing the fee including the formula used to calculate the fee, the amount of assets under management upon which the fee is based, and the time period covered by the fee; (3) the custodian sends statements, on at least a quarterly basis, to your client showing all disbursements for the custodian account, including the amount of the advisory fees;

and (4) the adviser notifies the Commissioner in writing on Form ADV that the investment adviser intends to use the safeguards provided above.

47. The importance of the safeguards are reinforced by Form ADV Part 1B that requires an investment adviser to answer whether it will comply with the safeguards.

48. In response to Item 2I(1)(a) - (c) of Form ADV Part 1B, and as part of its initial application, Respondents indicated that Allsource withdraws its advisory fees directly from clients' accounts, but also affirmatively represented that Allsource complies with the safeguards discussed above, including that it sends a copy of its fee invoice to clients at the same time that it sends a copy to the custodian.

49. Allsource's 2011 Part 2 brochure also disclosed that Allsource follows the safeguards: "Investment Advisory Fees will be automatically deducted from the Client Account by the Custodian. The Adviser shall send an invoice to the Custodian indicating the amount of the fees to be deducted from the Client Account at the respective quarter end date. . . . Clients will be provided with a statement, at least quarterly, from the Custodian reflecting deduction of the Investment Advisory Fee. **In addition, the Adviser will provide a Client a report itemizing the fee, including the calculation period covered by the fee, the account value and the methodology used to calculate the fee.**" *Emphasis added.*

50. The investment advisory contract filed as part of Allsource's initial application further disclosed that Allsource "**will provide the [c]lient a written invoice itemizing the fee, including the calculation period covered by the fee, the account value and the methodology used to calculate the fee.**" *Emphasis added.*

51. During its on-site examination of Respondents' advisory practice the Division learned that, although the custodian was sending account statements, Respondents were not sending invoices

to clients, contrary to Respondents' disclosure representations and contractual obligation regarding fee notification, that they send the calculation, period covered by the fee, the account value and the calculation methodology.

52. In connection with the filing of their initial application for registration, Respondents falsely represented that they were sending fee invoices or statements to clients. Respondents provided clients with those same false disclosures.

53. Allsource's internal procedures failed to detect the misleading disclosures and allowed the disclosures to continue throughout calendar years 2011, 2012, and 2013. After being notified by the Division of this discrepancy, Allsource provided the Division a template of the invoice and notified the Division that it had begun fulfilling this obligation.

Failure to Comply with Custody Requirements

54. An adviser who has custody of client assets is required, under COMAR 02.02.05.04, 02.02.05.15, and 02.02.05.17, to take precautions to safeguard the client's assets including engaging an independent CPA to perform an annual verification of the assets over which the adviser has custody, engaging an independent CPA to perform an annual audit of the adviser's balance sheet, and maintaining a minimum net capital.

55. As discussed above, in a letter dated May 11, 2011, the Division notified Allsource that it had custody of client assets by virtue of its authority to have its advisory fees deducted from client accounts.

56. The Division further advised Allsource that it was not required to comply with the custody requirements under COMAR only if the adviser complied with the safeguards set forth in the Division's May 11th letter and Form ADV Part 1B, including the safeguard of sending clients an invoice itemizing the fee including the formula used to calculate the fee, the amount of assets under

management upon which the fee is based, and the time period covered by the fee.

57. Although Respondents represented that they would comply with the requirement of sending fee invoices to clients, they failed to do so and, thus, should have complied with the custody requirements set forth under COMAR.

58. During calendar years 2011, 2012, and 2013, however, Respondents failed to engage an independent CPA to perform a surprise verification of the assets over which Respondents had custody, as required by COMAR 02.02.05.04, failed to engage an independent CPA to perform an audit of Allsource's balance sheet, as required by COMAR 02.02.05.17, and failed to demonstrate their compliance with the net capital requirements of COMAR 02.02.05.15.

Failure to File or to Timely File Amendments to Form ADV and Client Contracts

59. COMAR 02.02.05.11 requires an adviser, within 90 days of its fiscal year end, to file with the IARD an updated Form ADV.

60. This requirement also is set forth in the instructions to Form ADV. The General Instructions to Form ADV state: "You must amend your Form ADV each year by filing an annual updating amendment within 90 days after the end of your fiscal year." The instructions to Form ADV Part 2 state: "You must update your brochure: (I) each year at the time you file your annual updating amendment."

61. Allsource did not file with the Division an annual updating amendment to Form ADV Part 1 or Form ADV Part 2 for calendar years 2012 and 2013.

62. In addition to the annual amendment requirements, section 11-411 of the Act and COMAR require an investment adviser to file with the Division any material changes to any documents filed with the Division.

63. Under COMAR 02.02.05.11, an investment adviser is required to file with the IARD, in accordance with the instructions to Form ADV, any amendments to its Form ADV.

64. The instructions to Form ADV, in part, state: “In addition to your annual updating amendment, if you are registered with the SEC or a state securities authority, you must amend your Form ADV . . . by filing additional amendments (other-than-annual amendments) promptly if . . .

- information you provided in response to Items 1, 3, 9 (except 9.A.(2), 9.B.(2), 9.E., and 9.F.) or 11 of Part 1A or Items 1, 2.A. through 2.F., or 2.I. of Part 1B becomes inaccurate in any way;
- information you provided in response to Items 4, 8, or 10 of Part 1A or Item 2.G. of Part 1B becomes materially inaccurate; or
- information you provided in your brochure becomes materially inaccurate.”

65. The instructions to Form ADV Part 2 state, in part: “You must update your brochure: . . . (ii) promptly whenever any information in the brochure becomes materially inaccurate.”

66. COMAR 02.02.05.11 defines promptly to mean within 30 days of the event giving rise to the amendment filing.

67. As discussed above, the 2011 Part 2 brochure filed by Allsource as part of its initial application contained material misrepresentations.

68. Although Allsource’s 2011 Part 2 brochure disclosed that Allsource was sending fee invoices to clients, Allsource was not doing so.

69. Although Allsource’s 2011 Part 2 brochure disclosed that Allsource was charging and collecting its fees in arrears, Allsource was collecting its fees in advance.

70. Allsource did not promptly amend its Form ADV to correct the material inaccuracies. Instead, the material inaccuracies persisted in Allsource’s Form ADV throughout calendar years 2011, 2012, and 2013.

71. Allsource also failed to file with the Division an updated investment advisory contract that reflected that Allsource was collecting its advisory fees in advance and that Allsource was not sending fee invoices to clients.

72. COMAR 02.02.05.03 requires an investment advisory contract to disclose whether the contract grants discretionary power to the investment adviser.

73. The investment advisory contract filed by Allsource as part of its initial application disclosed that Allsource has discretionary authority over client accounts.

74. In January 2014, Allsource amended its Form ADV Parts 1 and 2 to disclose that it does not have discretionary authority over client accounts.

75. In a letter dated October 15, 2014, the Division asked Allsource to address the inconsistencies. Allsource initially refused to do so, but has since addressed all inconsistencies brought to light by the Division.

76. In a validly issued subpoena directed to Respondents, the Division attempted to obtain, among other things, copies of the investment advisory contracts currently used by the adviser. The Respondents, through their attorney, have refused to produce the records, even though they are subject to a subpoena and also are subject to periodic, special, or other examination by Division representatives under section 11-411(f) of the Act.

Failure to Annually Deliver Form ADV Part 2 to Clients

77. The instructions to Form ADV Part 2A state that each year an investment adviser is required to “(i) deliver, within 120 days of the end of [the adviser’s] fiscal year, to each client a free updated brochure that either includes a summary of material changes or is accompanied by a summary of material changes, or (ii) deliver to each client a summary of material changes that includes an offer to provide a copy of the updated brochure and information on how a client may

obtain the brochure.”

78. This annual delivery requirement is set forth in COMAR 02.02.05.05, which incorporates by reference the federal rules relating to the annual delivery requirement.

79. In addition to the annual delivery requirement, an investment adviser is required under COMAR 02.02.05.16 to maintain a record of the date that each written disclosure statement or amended disclosure statement is given or offered to be given to each client.

80. Respondents, although given the opportunity, failed to provide the Division with a record documenting the annual offer or delivery of Allsource’s Form ADV Part 2 to clients.

81. During calendar years 2012 and 2013, Respondents failed to give their existing clients a copy of an updated Form ADV Part 2 or a summary of material changes with an offer to provide an updated Form ADV Part 2.

Unregistered Investment Advisory Activities

82. Investment adviser and investment adviser representative registrations expire annually at the end of each year and must be renewed if a person intends to continue transacting business as an investment adviser or investment adviser representative.

83. Respondents Allsource and Schifanelli failed to renew their investment adviser and investment adviser representative registrations, respectively, for calendar year 2015.

84. As of January 1, 2015, Respondents were no longer lawfully registered in this State to offer or provide investment advisory services.

85. Despite their lack of registration, Respondents continued to provide investment advisory services to clients after December 31, 2014.

86. Respondents were compensated for those services.

87. On or about January 7, 2015, Respondents authorized the custodian of their advisory

clients' assets to deduct approximately \$17,384 from the clients' brokerage accounts. The fee represented an advance fee for the first quarter of 2015.

88. Respondents transacted business as an unregistered investment adviser and/or investment adviser representative.

89. Allsource's internal procedures failed to prevent Allsource from failing to renew its registration or the registration of its investment adviser representative and failed to prevent Respondents from acting as an investment adviser or investment adviser representative in this State when not lawfully registered to do so.

Failure to Enforce Supervisory Guidelines

90. COMAR 02.02.05.13 requires an investment adviser to establish, maintain, and enforce written supervisory guidelines that are reasonably designed to supervise the activities of its investment adviser representatives and associated persons to achieve compliance with the Act and reasonably designed to ensure that the investment adviser is in compliance with the Act.

91. Section 1.2 of Allsource's "Investment Advisor Compliance Policy Manual", which serves as Allsource's supervisory guidelines, designated Allsource's CCO, Schifanelli, as the person responsible for administering and enforcing Allsource's compliance program.

92. Section 1.3 of Allsource's supervisory guidelines sets forth the firm's compliance standard:

Allsource regards any violation of the policies and procedures contained or discussed in the Compliance Manual as a serious breach. Advisory persons who violate any element of Allsource's compliance program as described in this Compliance Manual may be subject to disciplinary action ranging from counseling to dismissal, depending on the nature and frequency of such violations to be determined by the CCO. Advisory Persons should also be aware that failure to comply with certain elements of the compliance program may constitute a violation of federal and/or state law and may subject the

respective individual and Allsource to federal and/or state criminal or civil liability.

However, as described below, Respondents failed to enforce this policy.

93. Sections 4, 4.2, and 4.5 of Allsource's supervisory guidelines set forth the annual updating and delivery requirements relating to Form ADV. After describing in detail the annual delivery requirement and the books and records requirement of maintaining a record of the annual Form ADV delivery, Allsource acknowledged that it would comply with the requirements by stating:

- Each year Allsource will deliver, within 120 days of the end of the fiscal year, to each Client a free updated brochure that either includes a summary of material changes or is accompanied by a summary of material changes. Alternatively, Allsource may deliver to each Client a summary of material changes that includes an offer to provide a copy of the updated brochure and information on how a Client may obtain the brochure.
- Allsource will maintain all written and electronic records regarding Client accounts in accordance with the Books and Records Requirements policy.

As discussed above, Respondents failed to annually deliver Allsource's Form ADV to clients and failed to maintain a record of an annual delivery, and, thus, failed to reasonably enforce these compliance procedures set forth in their supervisory guidelines.

94. In Section 10.1 of Allsource's supervisory guidelines, Respondents represent that, in addition to other records, they would "keep true, 'current' and accurate" the following books and records:

- All trial balances, financial statements, and any internal audit working papers
- A copy of each written Disclosure Brochure (and each amendment or revision) given or offered to be given to present or prospective Clients, with a record of the dates on which the statement, as amended or revised, was given or offered to be given.

During the Division's examination of Respondents' advisory practice, Respondents were unable to produce financial statements and, as discussed above, had no record of an annual delivery of their Form ADV Part 2 brochure to clients.

95. In section 16 of its supervisory guidelines, Allsource acknowledges the duties imposed on advisers that have custody or possession of client funds or securities and further acknowledges that it "is considered by the Advisers Act to have custody of Client assets because they have the ability to have fees paid directly from Client accounts." To comply with the rules governing advisers that have custody of client assets, Allsource, in part, stated:

(4) Where applicable, some states may require the Advisor provide an invoice to the Client including the calculation and amount of the management fee to be taken from the Client account. For those states, the Advisor will comply with this requirement.

As discussed above, Respondents were aware of the Division's invoice requirement and, in both Form ADV Part 1B and Form ADV Part 2A, stated that they would comply with this safeguard. However, Respondents failed to send invoices to clients and, thus, failed to reasonably enforce this compliance procedure set forth in its supervisory guidelines.

96. Section 3 of Allsource's supervisory guidelines address Allsource's registration requirements for the State of Maryland. Allsource's supervisory guidelines acknowledge the fact that applications for registration must be made electronically via the Investment Adviser Registration Depository system. Allsource then states that its CCO "will monitor applicable state and federal registration requirements to ensure Allsource files and maintains applicable registrations in all states where Allsource conducts business on behalf of their Clients."

97. However, as stated above, although continuing to transact business as an investment adviser, Respondents failed to renew Allsource's investment adviser registration or the registration

of Allsource's investment adviser representative for calendar year 2015.

98. Section 5 of Allsource's supervisory guidelines addresses the COMAR requirements relating to client contracts by, in part, stating: "The State of Maryland. . . does require written advisory contracts to define the services to be provided, the term of contract, advisory fees charged (including pro-rata fees upon termination), a non-assignment clause, and responsibilities of each party to an advisory relationship, including discretionary authority."

99. Despite Respondents' acknowledgment of COMAR's requirement that client contracts include disclosure regarding the amount of prepaid fee to be returned in the event of contract termination, Respondents failed to do so.

100. Respondents failed to enforce Allsource's supervisory guidelines to achieve compliance with the Act.

Application for Initial Registration

101. Allsource filed with the Division an application for initial registration as an investment adviser by filing with the Division, on June 29, 2015 and July 20, 2015, its Form ADV and client contracts, respectively. On July 23, 2015, Allsource also filed with the Division an application to register its principal, Gordana Schifanelli, as an investment adviser representative.

102. Allsource's Form ADV and client contracts reflect that Respondents have amended their policies to provide for a pro rata refund of prepaid fees.

IV. CONCLUSIONS OF LAW

THE COMMISSIONER, THEREFORE, CONCLUDES AS A MATTER OF LAW:

103. Respondents violated sections 11-302(a)(2) and 11-302(c) of the Act by, among other things, misrepresenting how their advisory fees were charged.

104. Respondent Allsource engaged in dishonest or unethical practices in violation of

section 11-302(a)(3) by, among other things, misrepresenting how its advisory fees were charged and failing to provide pro rata refunds to clients.

105. Respondents violated section 11-302(d) and 11-411(b) of the Act by failing to annually deliver their updated Form ADV brochure to advisory clients.

106. Respondents violated section 11-302(f) of the Act by failing to engage an independent CPA to perform a surprise examination of the client assets over which Respondents had custody.

107. Respondent Allsource violated section 11-303 of the Act by filing with the Division documents containing false and misleading statements.

108. Respondents violated section 11-411(a) of the Act by failing to maintain certain books and records required under COMAR 02.02.05.16.

109. Respondents violated section 11-411(c) of the Act by failing to file with the Commissioner Allsource's audited balance sheet for calendar years 2011, 2012, and 2013.

110. Respondents violated section 11-411(d) of the Act by failing to file or to timely file amendments to information contained in documents previously filed with the Commissioner.

111. Respondents violated section 11-401(b) of the Act by transacting business as an unregistered investment adviser or investment adviser representative.

112. Respondent Allsource violated section 11-402(b) of the Act by employing an unregistered investment adviser representative.

113. Respondents violated COMAR 0202.05.13 by failing to enforce certain compliance procedures set forth in their supervisory guidelines.

114. Grounds exist under sections 11-412(a)(1), (a)(2), (a)(7), and (a)(10) of the Act to revoke Respondent Allsource's and Schifanelli's investment adviser and investment adviser

representative registrations, respectively.

V. CONSENT TO CEASE AND DESIST AND OTHER RELIEF

NOW, THEREFORE, IT IS HEREBY ORDERED, and Respondents expressly consent and agree that:

a. Respondents shall permanently cease and desist from engaging in activities in violation of sections 11-302(a)(2), (a)(3), (c), (d) and (f), 11-303, 11-401(b), 11-402(b), and 11-411(a), (b), (c) of the Act.

b. Respondents Allsource and Schifanelli, jointly and severally, are assessed a civil monetary penalty in the amount of \$10,578 for the violations set forth in this Order. Collection of the monetary penalty shall be reduced by the amount of restitution made by Respondents to former clients LC and HR in the amounts of \$8,413 and \$2,165, respectively; representing pro rata refunds of the prepaid advisory fees collected by Respondents during the quarter in which the clients terminated their advisory relationship with Respondents. Payment shall be made within 90 days of the execution of this Consent Order or within 15 days of Respondents' receipt of their advisory fees for the 3rd quarter of 2015, whichever occurs first. Payment shall be by check made payable to the "Office of the Attorney General." Restitution shall be distributed to LC and HR by the Office of the Attorney General in a manner within its discretion.

c. Respondents shall retain an Independent Consultant experienced in investment adviser compliance and monitoring (the "Independent Consultant") to audit Respondent Allsource's advisory practice, which audit shall occur no later than one hundred twenty (120) days from the date of this Consent Order to verify that Respondents are operating in compliance with the Securities Act and this Consent Order.

d. The Independent Consultant shall promptly report to the Division any discrepancies

or deficiencies found during the audit, and report to the Division plans for correction necessary to address the discrepancies and deficiencies.

e. Respondents shall implement any plans for correction recommended by the Independent Consultant to address any discrepancies or deficiencies.

f. Respondents Allsource's and Schifanelli's applications for registration as an investment adviser and investment adviser representative, respectively, are effective as of June 29, 2015.

g. Respondents shall in all future activities in Maryland comply fully with the Act and the rules and regulations promulgated thereunder.

DATE OF THIS ORDER:

SO ORDERED:

**Commissioner's Signature on File
w/Original Document**

August 27, 2015

Melanie Senter Lubin
Securities Commissioner

CONSENTED TO:

Allsource Financial Management, LLC
by Gordana Schifanelli, President

Gordana Schifanelli

On this ____ day of _____, 2015, personally appeared _____, signer of the foregoing Consent Order, who did duly acknowledge his/her signature to be his/her free act and deed.

On this ____ day of _____, 2015, personally appeared _____, signer of the foregoing Consent Order, who did duly acknowledge his/her signature to be his/her free act and deed.

Notary Public
My Commission Expires: _____
Seal:

Notary Public
My Commission Expires: _____
Seal: