

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

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 6715 / September 20, 2024**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-22151**

**In the Matter of**

**GEORGE R. COLLETT**

**Respondent.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS,  
PURSUANT TO 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 Sections 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) against George R. Collett (“Collett” or “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 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**

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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.

1. These proceedings concern the Respondent’s failure to implement policies and procedures reasonably designed to prevent violations of the Advisers Act and rules thereunder, and his failure to reasonably supervise another associated person who engaged in a multi-year “cherry-picking” scheme in which Respondent’s supervisee (the “Advisor”) disproportionately allocated profitable trades to favored clients and unprofitable trades to other clients from at least January 2020 through January 2022 (the “relevant period”).

### **Respondent**

2. Collett, age 64, is a resident of Cornville, Arizona. During the relevant period, Collett was a co-managing member, 40% owner, and chief compliance officer of Your Source Financial, PLC (“Your Source”), a Commission-registered investment adviser. Collett was also a member of Your Source’s Investment Committee that oversaw the firm’s investment activities. Collett was the supervisor of the Advisor, who was Your Source’s other co-managing member and 40% owner. Collett had been employed in the securities industry for almost 30 years. Collett is not currently associated with any registered investment adviser or broker-dealer.

### **Other Relevant Parties**

3. Your Source was an SEC-registered investment adviser from February 2004 until April 2023, when it filed a Form ADV-W and ceased operations. According to its March 2023 Form ADV Part 1A amendment, Your Source had 93 clients and approximately \$235 million in assets under management. Your Source was an Arizona limited liability company with its principal place of business in Phoenix, Arizona until January 2024, when it filed articles of dissolution.

4. Advisor, during the relevant period, was a co-managing member and 40% owner of Your Source.

### **Background**

5. Advisor exercised discretionary trading authority to trade securities for his advisory clients, whose brokerage accounts were held at a registered broker-dealer. Advisor principally traded through a block trading account at the broker-dealer, which allowed him to place large securities trades and then later allocate portions of the trades among his clients.

6. From at least January 2020 through January 2022, Advisor placed block trades throughout the trading day but did not allocate most of those trades to his clients until the last two hours before market close. Because he waited to allocate trades, Advisor was able to consider whether the traded security had gone up or down in price since the block trade was executed when deciding how to allocate the block trade.

7. During the relevant period, Advisor disproportionately allocated profitable trades to one or more of his three favored clients and unprofitable trades to his other clients. As a result of Advisor's allocations, his three favored clients received substantial profits and his other clients had substantial losses, with a statistically significant difference in the returns. The likelihood that the favored clients would have received those profits in the absence of cherry-picking, with trade allocations determined by chance, was less than one in a million.

### **Collett's Compliance and Supervision Failures**

8. Registered investment advisers are required to adopt and implement written policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder. During the relevant period, Collett was Advisor's supervisor and was a member of Your Source's Investment Committee that oversaw Your Source's investment activities.

9. Your Source's Compliance Manual acknowledged the danger that an advisor with discretionary authority over advisory client accounts, such as Advisor, could "cherry-pick favorable trades on behalf of favored clients or proprietary accounts" and that block trades could potentially "not [be] allocated in the best interest of clients." To mitigate these risks, the Compliance Manual stated that it was Your Source's policy that block trades "must be allocated in the best interests of all participating clients." The Compliance Manual further established the following block trading procedures: (1) allocations had to be documented on the block trade tickets before the block trades were executed; (2) block trades required trade tickets that documented the pre-trade allocations and any changes to the pre-trade allocation after the trade execution; and (3) the chief compliance officer (*i.e.*, Collett) was specifically responsible for reconciling, on a daily basis, the block trade tickets and trade log to ensure that the trades were properly allocated.

10. Your Source failed to reasonably implement these written policies and procedures. Your Source had no records of block trade tickets showing how the block trades would be allocated before they were executed. To the contrary, Advisor routinely placed block trades throughout the trading day but did not allocate most of the trades until the last two hours before market close. Also, Collett did not reconcile the block trade tickets to the trade log to ensure that the block trades were properly allocated. Instead, Collett trusted that Advisor was properly allocating the block trades.

11. Collett, as a Your Source principal and the person to whom Advisor reported, failed to ensure that Your Source was implementing its written policies and procedures regarding block trading. Although required to do so by those policies and procedures, Collett knew that he was not reconciling daily Advisor's block trade tickets to the trade log to ensure that Advisor was properly allocating the block trades. Had Collett done the required reconciliation, he would have learned that Advisor was not pre-allocating the block trades, as required by Your Source's policies and procedures.

### **Violations**

12. As a result of the conduct described above, Collett willfully<sup>2</sup> aided and abetted and caused Your Source's violations of Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder, which require registered investment advisers to adopt and implement written policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules promulgated thereunder.

13. As a result of the conduct described above, Collett failed reasonably to supervise Advisor within the meaning of Sections 203(e)(6) and 203(f) of the Advisers Act with a view to preventing Advisor's violations of Sections 17(a)(1) and 17(a)(3) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rules 10b-5(a) and 10b-5(c) thereunder, and Sections 206(1) and 206(2) of the Advisers Act.

### **Undertakings**

14. Respondent agrees to cooperate fully and truthfully with the Commission in any and all investigations, litigations, or proceedings relating to or arising from the matters described in the Order. In connection with such cooperation, Respondent shall: (a) produce without service of a notice or subpoena, any and all non-privileged documents and other information reasonably requested by the Staff; (b) be interviewed by the Staff at such time as the Staff may reasonably direct; (c) provide any certification or authentications of business records of Your Source as may be reasonably requested by the Staff; (d) appear and testify without service or a notice of subpoena in such investigations, depositions, hearings, or trials as may be requested by the Staff; and (e) respond fully and truthfully to all inquiries, when requested to do so by the Staff, in connection with any and all investigations, litigations, or the proceedings relating to or arising from the matters described in the Order.

15. In determining whether to accept the Offer, the Commission has considered the undertaking set forth in paragraph 14 above.

### **IV.**

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

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

A. Respondent Collett cease and desist from committing or causing any violations and any future violations of Section 206(4) of the Advisers Act and Rule 206(4)-7 promulgated thereunder.

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<sup>2</sup> "Willfully," for purposes of imposing relief under Section 203(f) of the Advisers Act and Section 9(b) of the Investment Company Act "means no more than 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)).

B. Respondent Collett be, and hereby is, subject to the following limitations on his activities:

- 1) Respondent Collett shall not act in a supervisory or compliance capacity with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and
- 2) Respondent Collett may apply to act in such a supervisory or compliance capacity with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization after three years to the appropriate self-regulatory organization, or if there is none, to the Commission.

Any application to act in such a supervisory or compliance capacity will be subject to the applicable laws and regulations governing the reentry process, and permission to act in such a supervisory or compliance capacity may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

C. Respondent Collett shall pay civil penalties of \$25,000 to the Securities and Exchange Commission. The Commission may distribute civil money penalties collected in this proceeding if, in its discretion, the Commission orders the establishment of a Fair Fund pursuant to 15 U.S.C. § 7246, Section 308(a) of the Sarbanes-Oxley Act of 2002. The Commission will hold funds paid pursuant to this paragraph in an account at the United States Treasury pending a decision whether the Commission, in its discretion, will seek to distribute funds or, subject to Exchange Act Section 21F(g)(3), transfer them to the general fund of the United States Treasury. Payment shall be made in the following installments: within 10 days of the entry of this Order, Respondent shall pay \$12,500; within 90 days of the entry of this Order, Respondent shall pay \$3,125; within 180 days of the entry of this Order, Respondent shall pay \$3,125; within 270 days of the entry of this Order, Respondent shall pay \$3,125; and within 360 days of the entry of this Order, Respondent shall pay \$3,125 plus the amount of all accrued interest. Payments shall be applied first to post order interest, which accrues pursuant to 31 U.S.C. 3717. Prior to making the final payment set forth herein, Respondent shall contact the staff of the Commission for the amount due. If Respondent fails to make any payment by the date agreed and/or in the amount agreed according to the schedule set forth above, all outstanding payments under this Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

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 <https://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 Respondent Collett 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 Gary Y. Leung, the Associate Regional Director, Division of Enforcement, Los Angeles Regional Office, Securities and Exchange Commission, 444 S. Flower Street, Suite 900, Los Angeles, CA 90071.

D. Monies paid in this proceeding may be combined with any other Distribution Fund or Fair Fund in a related proceeding arising out of the same underlying facts, including but not limited to, the related action against the Advisor for the purposes of distribution, if feasible, to harmed investors.

E. Regardless of whether the Commission in its discretion orders the creation of a Fair Fund for the penalties ordered in this proceeding, 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.

Vanessa A. Countryman  
Secretary