

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

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 6683 / September 9, 2024**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-22094**

**In the Matter of**

**PROFESSIONAL FINANCIAL  
STRATEGIES, INC.**

**Respondent.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS,  
PURSUANT TO SECTIONS 203(e) 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) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) against Professional Financial Strategies, Inc. (“Professional Financial” 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 it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 203(e) 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 that:

#### Summary

1. This matter involves failures by Professional Financial, a registered investment adviser, to comply with Advisers Act Rule 206(4)-1 (the "Marketing Rule"). Specifically, after the compliance deadline for the Marketing Rule on November 4, 2022, and continuing through July 12, 2024 (the "Relevant Period"), Professional Financial disseminated an advertisement containing a third-party rating that did not clearly and prominently disclose the date on which the rating was given and the period of time upon which the rating was based. As a result, Professional Financial violated Section 206(4) of the Advisers Act and Rule 206(4)-1(c) thereunder.

#### Respondent

2. Respondent Professional Financial is a New York corporation with its principal place of business in Pittsford, New York. Professional Financial has been registered with the Commission as an investment adviser since January 12, 2016. In its Form ADV dated March 29, 2024, Professional Financial reported that it had approximately \$191 million in regulatory assets under management.

#### Facts

3. On December 22, 2020, the Commission adopted significant amendments to Advisers Act Rule 206(4)-1, which governs marketing by Commission-registered investment advisers. *See Investment Adviser Marketing*, Release No. IA-5653 (Dec. 22, 2020) (effective May 4, 2021) ("Adopting Release"). The Commission set a deadline of November 4, 2022, eighteen months after the amendments' effective date of May 4, 2021, for registered investment advisers to come into compliance with the Marketing Rule. *See id.* at 252.

4. Under the Marketing Rule, registered investment advisers are prohibited from including any third-party rating in an advertisement unless the investment adviser clearly and prominently discloses, or the investment adviser reasonably believes that the third-party rating clearly and prominently discloses, the date on which the rating was given and the period of time upon which the rating was based, the identity of the third party that created and tabulated the rating, and, if applicable, that compensation has been provided directly or indirectly by the adviser in connection with obtaining or using the third-party rating. *See* Advisers Act Rule 206(4)-1(c)(2). In adopting the requirement that an advertisement including a third-party rating clearly and prominently disclose the date on which the rating was given and the period of time upon which the rating was based, the Commission observed:

Ratings from an earlier date, or that are based on information from an earlier period, may not reflect the current state of an investment adviser's business. An advertisement that

includes an older rating would be misleading without clear and prominent disclosure of the rating's date.

Adopting Release at 162.

5. The Marketing Rule defines an "advertisement," in pertinent part, to include "[a]ny direct or indirect communication an investment adviser makes to more than one person . . . that offers the investment adviser's investment advisory services with regard to securities to prospective clients . . . or offers new investment advisory services with regard to securities to current clients." Advisers Act Rule 206(4)-1(e)(1). "Third-party rating" is defined as "a rating or ranking of an investment adviser provided by a person who is not a related person (as defined in the Form ADV Glossary of Terms), and such person provides such ratings or rankings in the ordinary course of its business." Advisers Act Rule 206(4)-1(e)(18).

6. During the Relevant Period, Professional Financial published communications on its public website at [www.professionalfinancial.com](http://www.professionalfinancial.com) that constituted "advertisements" because they offered Professional Financial's investment advisory services with regard to securities to prospective clients and offered new investment advisory services with regard to securities to current clients. As the communications were published on Professional Financial's public website, they were made to more than one person. In addition, Professional Financial disseminated "Wealth Planning Reports" to clients and certain prospective clients. Certain "Wealth Planning Reports" offered Professional Financial's investment advisory services with regard to securities.

7. During the Relevant Period, Professional Financial disseminated an advertisement on its public website containing a third-party rating that did not clearly and prominently disclose the date on which the rating was given and the period of time upon which the rating was based. Specifically, Professional Financial's website identified its principal, who provided investment advice to clients, as being recognized by *Reuters AdvisePoint* as one of 500 "Top Advisers" in the United States. Certain "Wealth Planning Reports" provided to clients and certain prospective clients contained a similar statement. These advertisements did not disclose that Professional Financial's principal received the award more than 16 years ago in November 2007.

### **Violations**

8. As a result of the conduct described above, Professional Financial willfully<sup>1</sup> violated Section 206(4) of the Advisers Act and Rule 206(4)-1(c) thereunder.

### **Undertakings**

9. Respondent has undertaken to:

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<sup>1</sup> "Willfully," for purposes of imposing relief under Section 203(e) of the Advisers 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)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." *Tager v. SEC*,

a. Within 45 days of the entry of this Order, review its advertisements and confirm that the advertisements Professional Financial is presently disseminating comply with the requirements of the Marketing Rule.

b. Within 50 days of the entry of this Order, certify, in writing, compliance with the undertakings ordered pursuant to Section IV.C. below. The certification shall identify the undertaking(s), 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 Respondent agrees to provide such evidence. The certification and supporting material shall be submitted to Colin D. Forbes, Assistant Director, Asset Management Unit, Securities and Exchange Commission, Boston Regional Office, 33 Arch Street, 24th Floor, Boston, MA 02110, or such other address as the Commission may provide, with a copy to the Office of Chief Counsel of the Division of Enforcement, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

c. For good cause shown, the Commission staff may extend any of the procedural dates relating to these undertakings. Deadlines for procedural dates shall be counted in calendar days, except that if the last day falls on a weekend or federal holiday, the next business day shall be considered the last day.

#### IV.

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

Accordingly, pursuant to Sections 203(e) 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(4) of the Advisers Act and Rule 206(4)-1 thereunder.

B. Respondent is censured.

C. Respondent shall comply with the undertakings enumerated in Section III, paragraphs 9.a and 9.b above.

D. Respondent shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$60,000 to the Commission for transfer to the general fund of the United

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344 F.2d 5, 8 (2d Cir. 1965). The decision in *The Robare Group, Ltd. v. SEC*, which construed the term "willfully" for purposes of a differently structured statutory provision, does not alter that standard. 922 F.3d 468, 478-79 (D.C. Cir. 2019) (setting forth the showing required to establish that a person has "willfully omit[ted]" material information from a required disclosure in violation of Section 207 of the Advisers Act).

States Treasury, subject to the Securities Exchange Act of 1934 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:

- (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 Professional Financial as a Respondent in these proceedings, and the file number of the proceedings; a copy of the cover letter and check or money order must be sent to Colin D. Forbes, Assistant Director, Asset Management Unit, Securities and Exchange Commission, Boston Regional Office, 33 Arch Street, 24th Floor, Boston, MA 02110, or such other address as the Commission staff may provide.

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, it shall not argue that it is entitled to, nor shall it 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 it 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.

By the Commission.

Vanessa A. Countryman  
Secretary