

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: SOURCE DYNAMICS, INC.,)
ITS OFFICERS, DIRECTORS,) File No. 0900380
EMPLOYEES, AFFILIATES, SUCCESSORS,)
AGENTS AND ASSIGNS,)
AND TOM M. SMITH)

CONSENT ORDER

TO THE RESPONDENTS: Tom M. Smith
Source Dynamics, Inc.
P.O. Box 51
Batchtown, Illinois 62006

WHEREAS, Respondents Source Dynamics, Inc. and Tom M. Smith (the "Respondents") on December 10, 2010, executed a certain Stipulation To Enter Consent Order (the "Stipulation"), which hereby is incorporated by reference herein.

WHEREAS, by means of the Stipulation, the Respondents have admitted to the jurisdiction of the Secretary of State and service of the Notice of Hearing in this matter and the Respondents have consented to the entry of this Consent Order.

WHEREAS, the Secretary of State, by and through his designated representative, the Securities Director, has determined that the matter related to the aforesaid formal hearing may be dismissed without further proceeding.

WHEREAS, the Respondents have acknowledged that the allegations contained in paragraph seven (7) of the Stipulation shall be adopted as the Secretary of State's Findings of Fact as follows:

1. That Respondent, Source Dynamics, Inc., is a purported business entity with a last known address of P.O. Box 51, Batchtown, Illinois 62006;

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2. That at all times relevant, the Respondent Tom M. Smith, an Illinois resident, was President of Source Dynamics, Inc.;
3. That on or about November 10, 2006, Respondents Source Dynamics, Inc., by and through its Officers, Directors, Employees, Affiliates, Successors, Agents and Assigns, and Tom M. Smith, offered and sold to E.A, an Illinois resident, a working interest in an oil well located in Brown County, Illinois, for a total investment of \$20,000;
4. That the aforesaid oil well interest is a security as that term is defined pursuant to Section 2.1. of the Illinois Securities Law of 1953 [815 ILCS 5/1 et seq.] (the "Act");
5. That Section 5 of the Act provides, inter alia, that all securities except those exempt under Section 3 of the Act or those offered and sold in transactions exempt under Section 4 of the Act shall be registered with the Secretary of State prior to their offer or sale in the State of Illinois;
6. That Section 12.A of the Act provides, inter alia, that it shall be a violation of the Act for any person to offer or sell securities except in accordance with the provisions of the Act;
7. That Section 12.C of the Act provides, inter alia, that it shall be a violation of the Act for any person to act as a dealer or salesperson unless registered as such, where such registration is required;
8. That Section 12.D of the Act provides, inter alia, that it shall be a violation of the Act for any person to fail to file with the Secretary of State any document or application required to be filed under the provisions of the Act;
9. That at all times relevant hereto, Respondents Source Dynamics, Inc., by and through its Officers, Directors, Employees, Affiliates, Successors, Agents and Assigns, and Tom M. Smith, failed to file an application for registration of the above-referenced securities with the Secretary of State prior to their offer or sale in the State of Illinois;
10. That at all times relevant hereto, Respondents Source Dynamics, Inc., by and through its Officers, Directors, Employees, Affiliates, Successors, Agents and Assigns, and Tom M. Smith, failed to file an application for registration

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as a dealer or salesperson for the sales of securities in the State of Illinois;

11. That at all times relevant hereto, Respondents Source Dynamics, Inc., by and through its Officers, Directors, Employees, Affiliates, Successors, Agents and Assigns, and Tom M. Smith, acted as a dealer and/or salesperson of securities while not being registered as such;
12. That by virtue of the foregoing, Respondents Source Dynamics, Inc., by and through its Officers, Directors, Employees, Affiliates, Successors, Agents and Assigns, and Tom M. Smith, have violated Sections 12.A, 12.C and 12.D of the Act;
13. That Section 11.E(2) of the Act provides, inter alia, that if the Secretary of State shall find that any person has violated subsections C and/or D of Section 12 of the Act, the Secretary of State may by written order prohibit the person from offering or selling any securities in this State;
14. That Section 11.E.(3) of the Act provides, inter alia, that if the Secretary of State shall find that any person is engaging or has engaged in the business of selling or offering for sale securities as a dealer or salesperson without prior thereto and at the time thereof having complied with the registration or notice filing requirements of this Act, the Secretary of State may by written order prohibit the person from offering or selling any securities in this State;
15. That Section 11.E(4) of the Act provides, inter alia, that if the Secretary of State, after finding that any provision of the Act has been violated, may impose a fine as provided by rule, regulation or order not to exceed \$10,000.00 for each violation of the Act, as well as an order of public censure and the costs of investigation and reasonable expenses;
16. That by virtue of the foregoing, the Respondents Source Dynamics, Inc., by and through its Officers, Directors, Employees, Affiliates, Successors, Agents and Assigns, and Tom M. Smith, are subject to a fine of up to \$10,000.00 per violation, costs of investigation, reasonable expenses, an order of censure, and an order which permanently prohibits

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the Respondents from offering or selling securities in the State of Illinois.

WHEREAS, the Respondents have acknowledged that the allegations contained in paragraph eight (8) of the Stipulation shall be adopted as the Secretary of State's Conclusions of Law as follows:

1. That by virtue of the foregoing, Respondents Source Dynamics, Inc., by and through its Officers, Directors, Employees, Affiliates, Successors, Agents and Assigns, and Tom M. Smith, have violated Sections 12.A, 12.C and 12.D of the Act;
2. That by virtue of the foregoing, Respondents Source Dynamics, Inc., by and through its Officers, Directors, Employees, Affiliates, Successors, Agents and Assigns, and Tom M. Smith, are subject to an Order which prohibits Respondents from offering and/or selling securities in the State of Illinois.

WHEREAS, the Respondents acknowledge and agree that the Respondents shall be prohibited from offering and/or selling securities in the State of Illinois except that Respondents may make offers and sales of securities to accredited investors;

WHEREAS, the Respondents acknowledge and agree that Respondents shall, within 30 days of the entry of aforesaid Consent Order, pay a fine and costs of investigation in the amount of \$1,000 to the Illinois Secretary of State, that such payment will be made by money order or cashier's check payable to the Illinois Secretary of State and mailed in a timely manner to Illinois Department of Securities, Jefferson Terrace, 300 West Jefferson Street, Suite 300A, Springfield, Illinois 62702;

NOW THEREFORE IT IS HEREBY ORDERED THAT:

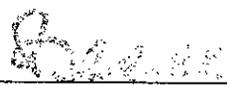
1. The foresaid allegations contained in the Stipulation shall be and are hereby adopted as the Secretary of State's Findings of Fact and Conclusions of Law;
2. The Respondent shall be prohibited from offering and/or selling securities in the State of Illinois except that Respondents may make offers and sales of securities to accredited investors;

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3. The Respondents shall, within 30 days of the entry of aforesaid Consent Order, pay a fine and costs of investigation in the amount of \$1,000 to the Illinois Secretary of State, that such payment will be made by money order or cashier's check payable to the Illinois Secretary of State and mailed in a timely manner to Illinois Department of Securities, Jefferson Terrace, 300 West Jefferson Street, Suite 300A, Springfield, Illinois 62702;

ENTERED: This 20th day of December, 2010.



JESSE WHITE
Secretary of State
State of Illinois

NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12(D) of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act"). Any person or entity who fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of this Order, shall be guilty of a Class 4 felony.

Attorney for the Secretary of State
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Hearing Officer:
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