

STATE OF OKLAHOMA
DEPARTMENT OF SECURITIES
FIRST NATIONAL CENTER, SUITE 860
120 NORTH ROBINSON
OKLAHOMA CITY, OKLAHOMA 73102



In the Matter of:

Timothy B. Dickey,

Respondent.

ODS File No. 03-074

**ORDER BARRING FROM ASSOCIATION
WITH A BROKER-DEALER OR INVESTMENT ADVISER**

On May 26, 2004, a recommendation to issue an order barring Timothy B. Dickey (Dickey), and Timothy B. Dickey doing business as Nova Financial Group, Inc., from association with a broker-dealer or investment adviser (Recommendation) was filed with the Administrator (Administrator) of the Oklahoma Department of Securities (Department). The issuance of such order is authorized by subsection (a) of Section 406 of the Oklahoma Securities Act (Act), Okla. Stat. *tit.* 71, §§ 1-413, 501, 701-703 (2001 & Supp. 2003).

On May 26, 2004, the Administrator of the Department issued a Notice of Opportunity for Hearing with the Recommendation attached (Notice). Pursuant to subsection (h) of Section 413 of the Act, the Notice was served on the Administrator of the Department on May 26, 2004, and mailed to the last known address of Dickey, by certified mail, return receipt requested, and delivery restricted. The Notice was received by Dickey on June 10, 2004.

The Notice specified that failure to request a hearing within fifteen (15) days of service of the Notice will result in the issuance of an order to cease and desist. No request for hearing or any other response has been received by the Administrator within the time limit specified in the Notice.

The Administrator, being fully advised in the premises, hereby finds that this action is necessary and appropriate in the public interest and sets forth the following Findings of Fact and Conclusions of Law in support thereof.

Findings of Fact

1. On September 22, 1994, Dickey became registered under the Act as an investment adviser representative of FFP Advisory Services, Inc. (FFP Advisory). Dickey's registration as an investment adviser representative of FFP Advisory

terminated on March 11, 2003. On July 22, 1994, Dickey became registered under the Act as an agent of FFP Securities, Inc. (FFP Securities), a broker-dealer registered under the Act. Dickey's registration as an agent of FFP Securities terminated on March 10, 2003.

2. At all times relevant hereto, Dickey was the president and owner of Nova Financial Corporation (Nova), an Oklahoma corporation with an office in Oklahoma City, Oklahoma. On February 8, 2002, Nova's corporate charter was suspended by the Oklahoma Secretary of State, upon order of the Oklahoma Tax Commission, for non-payment of franchise taxes.

3. During the summer of 1999, an Oklahoma resident (Investor) was invited by Dickey to attend a financial planning seminar in Oklahoma City, Oklahoma. At the meeting, Dickey told attendees that he could evaluate their financial condition, consult with FFP Securities and various insurance representatives, and develop a financial plan that would suit their financial needs.

4. Shortly thereafter, Dickey contacted Investor and invited Investor to meet with him at his office in Oklahoma City. At the meeting, Investor told Dickey that he was 69 years old, married, and retired. Investor advised Dickey that he had been diagnosed with a malignant brain tumor for which he had been treated and, as a result of the treatments, he was suffering from increasing memory problems.

5. Investor also advised Dickey that virtually all of his retirement income from the company where he had served as President and Chief Executive Officer (CEO) for 13 years had been lost due to the bankruptcy of the acquiring company. Investor was subsequently employed as President and CEO of a private company for 8 years but, due to his health problems, Investor's employment was terminated. By the summer of 1999, Investor was completely disabled and unable to work. Investor told Dickey that he was seeking advice on how to enhance his portfolio without jeopardizing his principal.

6. Dickey told Investor that he and his wife (Investors) should liquidate their holdings and transfer the cash value of such holdings to FFP Securities to, in large part, purchase variable life insurance policies. Investors followed Dickey's advice.

7. On September 28, 1999, on Dickey's advice, Investors purchased 7,500 units of Boston Capital Tax Credit Fund IV LP at a cost of \$75,000. The only material benefit to Investors from the investment was potential tax credits. Dickey advised Investors that they could use the increased cash flow from the use of the tax credits to fund premiums on life insurance products that Dickey would assist Investors in purchasing.

8. On October 29, 1999, on Dickey's advice, Investor purchased two flexible premium universal variable life insurance policies (Variable Life Policies) with an aggregate face value of \$2,655,983.

9. While the Variable Life Policies offer the policy owner a choice of underlying investment accounts, the premiums and the death benefit of Variable Life Policies may rise or fall, depending on the success of those underlying investments. The policy owner assumes all of the risks inherent in the underlying securities investments.

10. After paying \$320,657 in premiums, Investors were unable to continue paying the premiums on the Variable Life Policies and the policies lapsed.

11. On December 31, 1999, on Dickey's advice, Investor purchased \$100,000 in interests in the Warren Resources, Inc. (Warren Resources) 12% Sinking Fund Convertible Bond Fund payable on December 31, 2017. Approximately one year later, Warren Resources, a privately held company, offered investors an opportunity to convert the bonds to Warren Resources restricted common stock. Dickey told Investor that he was aware of the business of Warren Resources and its management and that Warren Resources would be making a public offering of its common stock in early 2001. On the advice of Dickey, Investor converted his Warren Resources bonds to common stock. Investor received 13,333 shares of restricted common stock.

12. On October 22, 2002, Dickey provided Investor with a statement showing that his Warren Resources common stock had a value of \$200,000. There was no basis for this valuation that was fabricated by Dickey. To date, there has been no public offering by Warren and there is no public market for the stock.

13. On February 20, 2000, Dickey induced Investor to rollover his qualified individual retirement account in the amount of \$528,773 into a flexible premium variable annuity contract with Pacific Life. Investor derived no true benefit from the rollover since Investor's retirement was already growing tax-deferred until earnings were withdrawn. The purchase of the variable annuity resulted in significant financial benefit to Dickey in the form of large commissions on the first year premiums and continued yearly commissions thereafter.

14. In February, 2000, Dickey recommended that Investor purchase shares of common stock in Black Giant Resource Group (Black Giant). On February 18, 2000, Investor purchased 5,000 shares of stock in Black Giant at \$4.00 per share. Dickey advised Investor that Black Giant was a shell company that was merging with Broadband Wireless Communication Corporation (Broadband) and that the stock was expected to go as high as \$13.00 to \$15.00 a share. After the merger of Broadband and Black Giant, Dickey told Investor that he knew the management of Broadband and advised him to purchase additional stock in Broadband. Upon Dickey's recommendation, over the next four months, Investor purchased 7,100 additional shares of Broadband at a cost of \$28,166. Several months later, Broadband was forced into bankruptcy. During June and September, 2000, Investor sold all of his shares in Broadband for a total price of \$4,827. The investments in Broadband were unsuitable for Investor because Investor was seeking investments without unnecessary or excessive risk.

15. It is in the public interest to enter an order to bar Dickey from association with a broker-dealer or an investment adviser that is subject to the provisions of the Act.

To the extent any of these Findings of Fact are more properly characterized as Conclusions of Law, they should be so considered.

Authorities

1. Section 101 of the Act provides:

It is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly[:]

- (1) to employ any device, scheme, or artifice to defraud,
- (2) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading,
- (3) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

2. 660:10-5-42 of the Rules provides in part:

(a) Purpose. This rule is intended to be in definition of the phrase "unethical practices in the securities business" as set forth in Section 204(a)(2)(G)[(a)(8)] of the Securities Act. Any noncompliance with the Standards of Ethical Practices specified in this Section will constitute unethical practices in the securities business, as the same is set forth in Section 204(a)(2)(G)[(a)(8)] of the Securities Act. The standards shall be interpreted in such manner as will aid in effectuating the policy and provisions of the Securities Act, and so as to require that all practices of broker-dealers, and their agents in connection with their activities in this state shall be just, reasonable and not unfairly discriminatory. The standards shall not be construed to apply to contracts made prior to the effective date hereof. The standards set forth in this Section shall apply to all broker-dealers and their agents if applicable. A broker-dealer or agent whose registration has been suspended shall be considered as nonactive during the period of suspension for purposes of applying the provisions of the standards. Nevertheless, such persons shall have all of the obligations imposed by the Securities Act, these Standards of Ethical Practices and other applicable rules and regulations of the Administrator and/or the Commission.

(b) Standards.

(1) A broker-dealer and his agents, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade. A broker-dealer and his agents shall not violate any rule of a national securities exchange or national securities association of which it is a member with respect to any customer, transaction or business effected in this state.

(2) In recommending to a customer the purchase, sale or exchange of any security, the broker-dealer and his agents shall have reasonable grounds for believing that the recommendation is suitable for such customer upon the basis of the facts, if any, disclosed by such customer as to his other security holdings and as to his financial situation and needs. Prior to making a recommendation to a customer a broker-dealer shall also make reasonable efforts to obtain information concerning the customer's financial background, tax status, and investment objectives, and such other information used or considered to be reasonable and necessary by such broker-dealer or registered agent in making such recommendation.

3. Section 406 of the Act provides in pertinent part:

(a) If the Administrator reasonably believes, whether or not based upon an investigation conducted under Section 405 of this title, that a person has violated the Oklahoma Securities Act, except under the provisions of Section 202.1 or 305.2 of this title, or a rule or order of the Administrator under the Oklahoma Securities Act or has engaged in dishonest or unethical practices in the securities business, the Administrator, in addition to any specific power granted by any other section of the Oklahoma Securities Act, may impose one or more of the following sanctions:

* * *

(3) bar or suspend the person from association with a broker-dealer or investment adviser subject to the provisions of the Oklahoma Securities Act[.]

Conclusions of Law

1. Effective service of process was made on Dickey pursuant to Section 413 of the Act.
2. Dickey employed a device, scheme, or artifice to defraud Investors in connection with the offer and sale of securities in and/or from the state of Oklahoma, in violation of subsection (1) of Section 101 of the Act.
3. Dickey made untrue statements of material facts and omitted to state material facts in connection with the offer and/or sale of securities in and/or from the state of Oklahoma, in violation of subsection (2) of Section 101 of the Act.
4. Dickey engaged in an act, practice or course of business that operated as a fraud or deceit in connection with the offer and/or sale of securities in and/or from the state of Oklahoma, in violation of subsection (3) of Section 101 of the Act.
5. Dickey engaged in dishonest or unethical practices in the securities business as defined in 660:10-5-42 of the Rules.
6. The Administrator has the authority under Section 406 of the Act to enter an order barring Dickey from association with a broker-dealer or investment adviser that is subject to the provisions of the Act.
7. It is in the public interest to enter an order barring Dickey from association with a broker-dealer or an investment adviser that is subject to the provisions of the Act.

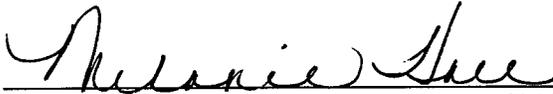
To the extent any of these Conclusions of Law are more properly characterized as Findings of Fact, they should be so considered.

ORDER

IT IS HEREBY ORDERED that Dickey is barred from association with a broker-dealer or investment adviser subject to the provisions of the Act.

Witness my Hand and the Official Seal of the Oklahoma Department of Securities this 30th day of June, 2004.

(SEAL)



MELANIE HALL, DEPUTY ADMINISTRATOR OF
THE OKLAHOMA DEPARTMENT OF SECURITIES

CERTIFICATE OF MAILING

The undersigned hereby certifies that on the 30 day of June, 2004, a true and correct copy of the above and foregoing Order Barring from Association with a Broker-Dealer or Investment Adviser was mailed by certified mail, return receipt requested, delivery restricted, with postage prepaid thereon addressed to:

Timothy B. Dickey
423 NE 5th Street
Durant, OK 74701


Brenda London Smith
Brenda London Smith
Paralegal