

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



In the Matter of:

Jim J. Hammons,

Respondent.

ODS File 14-017

NOTICE OF SERVICE ON THE ADMINISTRATOR
AND
AFFIDAVIT OF COMPLIANCE

STATE OF OKLAHOMA)
)
COUNTY OF OKLAHOMA) ss.

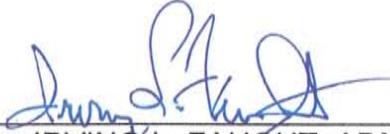
The undersigned affiant, of lawful age, being first duly sworn upon oath deposes and states:

1. That he is the Administrator of the Oklahoma Department of Securities ("Administrator").
2. That a copy of the Notice of Opportunity for Hearing ("Notice") with Enforcement Division Recommendation ("Recommendation") attached was delivered to Affiant in the office of the Administrator pursuant to Section 1-611 of the Oklahoma Uniform Securities Act ("Act"), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (2011).
3. That the Administrator has received service of process on behalf of Respondent, pursuant to Section 1-611 of the Act.
4. That a copy of the Notice, with the Recommendation attached, and a copy of this Notice of Service on the Administrator and Affidavit of Compliance are being sent this 2nd day of May, 2014, by certified mail, return receipt requested, delivery restricted, to the last known address of Respondent, in compliance with Section 1-611 of the Act.
5. That this Affidavit of Compliance is declared filed of record as of the date set forth below in compliance with Section 1-611 of the Act.

FURTHER AFFIANT SAYETH NOT.

Dated this 30th day of April, 2014.

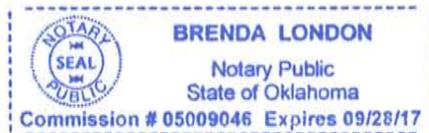
(SEAL)



IRVING L. FAUGHT, ADMINISTRATOR OF THE
OKLAHOMA DEPARTMENT OF SECURITIES

Subscribed and sworn to before me this 30th day of April, 2014.

(SEAL)



Brenda London
Notary Public

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



In the Matter of:

Jim J. Hammons,

Respondent.

ODS File 14-017

NOTICE OF OPPORTUNITY FOR HEARING

1. On the 29th day of April, 2014, the attached Enforcement Division Recommendation ("Recommendation"), in support of the imposition of sanctions on Jim J. Hammons ("Respondent") pursuant to Section 1-411 of the Oklahoma Uniform Securities Act of 2004 ("Act"), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (2011), was left in the office of the Administrator of the Oklahoma Department of Securities ("Administrator").

2. Pursuant to 660:2-9-1 of the Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities (effective August 1, 2013) ("Rules") and Section 1-411 of the Act, the Administrator hereby gives notice to Respondent of his obligation to file an answer and his right to request a hearing to show why an order based on the Recommendation should not be issued.

3. The answer must be in writing and received by the Administrator within fifteen (15) days after service of this Notice. As required by 660:2-9-2 of the Rules, the answer shall indicate whether Respondent requests a hearing and shall specifically admit or deny each allegation contained in the Recommendation or state that Respondent does not have, and is unable to obtain, sufficient information to admit or deny each allegation. If Respondent intends in good faith to deny only a part of an allegation, Respondent shall specify so much of it as is true and shall deny only the remainder.

4. Failure to file an answer in compliance with 660:2-9-2 of the Rules, to include a request for a hearing as provided for herein, shall result in the issuance of an order suspending Respondent's agent and investment adviser representative registrations under the Act for a period of two years, pursuant to Section 1-411 of the Act and 660:2-9-2 of the Rules.

5. Upon receipt of a written request, pursuant to 660:2-9-2 of the Rules, a hearing on the Recommendation shall be promptly scheduled or a written order denying hearing shall be issued.

6. Notice of the date, time and location of the hearing shall be given to Respondent not less than forty-five (45) days in advance thereof, pursuant to 660:2-9-2 of the Rules.

Witness my Hand and the Official Seal of the Oklahoma Department of Securities this 30th day of April, 2014.

(SEAL)

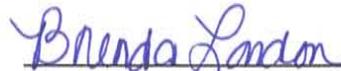


IRVING L. FAUGHT, ADMINISTRATOR OF THE
OKLAHOMA DEPARTMENT OF SECURITIES

CERTIFICATE OF MAILING

The undersigned hereby certifies that on the 2nd day of May, 2014, a true and correct copy of the above and foregoing *Notice of Opportunity for Hearing* and the *Enforcement Division Recommendation* were mailed by certified mail, return receipt requested, delivery restricted, with postage prepaid thereon, addressed to:

Mr. Jim J. Hammons
First Independent Advisory Services, Inc.
First Independent Financial Services, Inc.
6660 S. Sheridan Rd., Ste. 260
Tulsa, OK 74133-1766

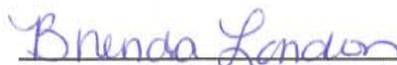


Brenda London, Paralegal

CERTIFICATE OF MAILING

The undersigned hereby certifies that on the 21st day of May, 2014, a true and correct copy of the above and foregoing *Notice of Opportunity for Hearing* and the *Enforcement Division Recommendation* were mailed by certified mail, return receipt requested, delivery restricted, with postage prepaid thereon, addressed to:

Jim J Hammons
9934 S 68th E Ave
Tulsa OK 74133



Brenda London, Paralegal

STATE OF OKLAHOMA
DEPARTMENT OF SECURITIES
THE FIRST NATIONAL CENTER
120 N. ROBINSON, SUITE 860
OKLAHOMA CITY, OKLAHOMA 73102



In the Matter of:

Jim J. Hammons,

Respondent.

ODS File 14-017

ENFORCEMENT DIVISION RECOMMENDATION

The Enforcement Division of the Oklahoma Department of Securities ("Department") submits the following Findings of Fact, Authorities, and Conclusions of Law to the Administrator of the Department ("Administrator") in support of the imposition of sanctions on Jim J. Hammons (CRD# 4451341) ("Respondent"), pursuant to Section 1-411 of the Oklahoma Uniform Securities Act of 2004 ("Act"), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (2011).

Findings of Fact

Respondent

1. Respondent does business as "The Hammons Group." Respondent has been registered under the Act as an agent of First Independent Financial Services, Inc. ("FIFS"), a registered broker-dealer, and as an investment adviser representative of First Independent Advisory Services, Inc. ("FIAS"), a registered investment adviser, since October 2007. FIFS and FIAS are affiliated and share a main office that is located in Tulsa, Oklahoma. Prior to October 2007, Respondent was associated with other broker-dealers and investment advisers.

2. At all times material hereto, Respondent has maintained an office in Tulsa.

3. At all times material hereto, Respondent has been an instructor of martial arts in the Tulsa metropolitan area.

Background

4. On March 2, 2012, a resident of Broken Arrow, Oklahoma ("Client"), entered into an Account Agreement with FIAS and Respondent. The Account Agreement authorized "FIFS" (presumably, a typo intended to be "FIAS") and Respondent to act as an investment adviser for the Client in the selection of a private

money manager or managers to provide investment management and evaluation services. The Account Agreement provided, in part:

FIAS and IAR [Respondent] shall provide managed account services for Program, including an initial consultation to determine the Client's financial situation and investment objectives. Based on this consultation, IAR [Respondent] will provide Client with recommendations and ongoing investment related services in connection with assets in the Account. . . . The IAR [Respondent] (or in his/her absence an alternate designated by FIAS) will be reasonably available during regular business hours to consult with Client regarding Client's financial situation, investment objectives and related matters, provide advice, make recommendations, and execute transactions.

5. Also on March 2, 2012, the Client entered into an Advisory Services Contract with FIAS, "acting by, through and on behalf of [Respondent]." The contract provided, in part, that FIAS, through Respondent, would provide financial advisory services in the nature of "Asset Allocation/Market Timing Services" to the Client. In the contract, the Client chose to do business with a certain third party money manager recommended by Respondent. The contract provided that the Client would pay the third party money manager an annual advisory fee of 2.96% of the market value of his account on a quarterly basis. A related Disclosure Document stated that Respondent would receive a percentage of the annual advisory fee paid by the Client.

6. To utilize the services of the third party money manager recommended by Respondent, the Client liquidated his individual retirement account ("IRA") at a registered broker-dealer and transferred the proceeds, in excess of \$27,600, to an IRA at Trust Company of America. Respondent was designated as the "Client Representative" on the Client's IRA at Trust Company of America.

7. Before Respondent and the Client established their investment advisory relationship in March 2012, they knew each other through martial arts. Respondent provided martial arts instruction to the Client's minor son, beginning in 2010, and later to Client.

Reaction Force, LLC

8. Reaction Force, LLC ("Reaction Force") was an Oklahoma limited liability company that was formed on September 4, 2012, by Greg Cooper ("Cooper"), another one of Respondent's students. Reaction Force was formed as a result of an agreement in principle between Respondent and Cooper to purchase and operate two existing franchised martial arts schools located in Walmart stores in Bartlesville and Broken Arrow, Oklahoma, and possibly others.

9. With knowledge of the funds in the Client's IRA, Respondent met with the Client in Tulsa and told him about the agreement between Respondent and Cooper to

purchase the martial arts schools. Respondent offered the Client an ownership interest in Reaction Force in exchange for a capital contribution to Reaction Force.

10. In connection with the offer to sell the interest in Reaction Force, Respondent, directly or indirectly, made the following representations to the Client:

- a. Respondent—through Executive Black Belt Training Centers, LLC (also known as “Executive Black Belt Centers, LLC”) (“Executive Black Belt”), an Oklahoma limited liability company that was formed on August 29, 2012—and Cooper had each invested \$30,000 in Reaction Force.
- b. As the managing members of Reaction Force, Respondent, through Executive Black Belt, and Cooper would manage the day-to-day operations of Reaction Force.
- c. The Client would in essence be a “silent partner” and would not be involved in the management or day-to-day operations of Reaction Force.

11. Respondent also provided the Client with profit and loss statements for the two existing martial arts schools that Reaction Force was to own and operate. Respondent used these statements to show the Client the potential profitability of the schools. Respondent recommended that the Client invest in Reaction Force.

12. On approximately October 19, 2012, the Client—through a limited liability company under his sole ownership and control—invested \$30,000 in Reaction Force in exchange for a one-third interest in Reaction Force as a “limited member.” The funds for the investment indirectly came from the Client’s IRA.

13. In connection with the offer and/or sale of the interest in Reaction Force to the Client, Respondent omitted to disclose the following:

- a. Respondent had not, directly or indirectly, invested any cash into Reaction Force.
- b. To purchase the two existing schools, Reaction Force had to finance \$40,000 of the total purchase price for three years at 7.9% interest through the seller.
- c. Respondent did not have any ownership interest in, and was not a manager of, Executive Black Belt. Instead, Patricia Reynolds, who is Respondent’s mother-in-law, owned and managed Executive Black Belt.

14. After his initial investment in Reaction Force, the Client put additional funds into the business in an attempt to keep the business from failing. The Client and his wife also had to start working at one, or both, of the schools because the schools did not have the funds to hire and/or retain the necessary staff.

15. Had the Client known that Respondent had not directly or indirectly invested any cash into Reaction Force, that Respondent would not directly or indirectly be a managing member of Reaction Force, or that Reaction Force would have a \$40,000 debt from the outset, the Client would not have agreed to invest in Reaction Force.

16. In August 2013, Reaction Force and Cooper obtained a judgment in the District Court of Tulsa County stating that neither Respondent nor Executive Black Belt had provided adequate consideration in exchange for any membership or ownership interest in Reaction Force and, as a result, had never owned any membership or ownership interest in Reaction Force.

17. Reaction Force was dissolved by Cooper in November 2013.

18. The Client lost his entire investment in Reaction Force.

Respondent's Fiduciary Duty to Client

19. Respondent had a common law and/or a statutory fiduciary duty under Section 1-502 of the Act and/or Section 206 of the Investment Advisers Act of 1940, 15 U.S.C. § 80b-1 et seq., to the Client that included, but was not limited to, a duty to act solely in the best interest of the Client and to make full and fair disclosures of all material facts.

Respondent's False Statements to FIAS, FIFS, and Regulators

20. In connection with its investigation into Respondent's activities relating to this matter, the Department requested certain items from FIAS and FIFS. In response, the Department received, in part, a letter dated November 26, 2013, from Respondent to the Department. In the letter, Respondent falsely stated: "I never, at any time, offered an interest in, or otherwise solicited an investment in or purchase of any of the entities you reference [Reaction Force and Executive Black Belt], or any other investment or business opportunity involving martial arts to anyone, including [the Client] or Cooper."

21. In response to the Department's request for information, the Department also received a document entitled, "Jim Hammons Internal Investigation Interview" ("Interview Report"). The Interview Report appears to be a transcript of a multi-part interview of Respondent that was conducted by the Chief Compliance Officer of FIAS and FIFS on December 18, 2013, and January 20, 2014. The Interview Report states:

These answers are my response to the questions presented [to] me during this interview, and I hereby affirm their accuracy and truthfulness. My participation in this interview was without coercion and completely voluntary. I understand the contents may be shared with industry regulators and other parties at the firm's discretion.

The Interview Report was signed by Respondent and the Chief Compliance Officer and dated January 20, 2014.

22. The Interview Report reflects that Respondent represented to FIAS/FIFS that he has never acted "as an agent or representative for Reaction [Force] in purchasing the martial arts centers at Walmart stores in Bartlesville and Broken Arrow." Yet, Respondent signed the following documents as the purported "Business Development Manager" of Reaction Force:

- a. a Commercial Sublease, dated February 1, 2012, between Reaction Force and the seller of the two existing schools, for the school located in Broken Arrow, Oklahoma;
- b. a Commercial Sublease, dated June 1, 2012, between Reaction Force and the seller of the two existing schools, for the school located in Bartlesville, Oklahoma, and Attachment "A" to the Commercial Sublease; and
- c. an Asset Purchase Agreement, dated September 15, 2012, between Reaction Force and the seller of the two existing schools, and Exhibits "A" and "B" to the Asset Purchase Agreement.

Further, the Commercial Subleases provided that any notices under the subleases were to be sent to Reaction Force at the subleased premises and by email to Jim_rfg@yahoo.com –an email address belonging to Respondent.

23. The Interview Report also reflects that Respondent falsely represented to FIAS/FIFS that he was "absolutely not" "involved in recruiting [the Client] to participate in the purchase of [the martial arts schools]."

24. Respondent intended for the Interview Report to be used, in part, in response to a request by FINRA (also known as "Financial Industry Regulatory Authority") for a signed statement from Respondent.

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 1-102(32) of the Act provides, in pertinent part:

"Security" means a note; stock; treasury stock; security future; bond; debenture; evidence of indebtedness; certificate of interest or participation in a profit-sharing agreement; collateral trust certificate; preorganization certificate or subscription; transferable share; investment contract; voting trust certificate; certificate of deposit for a security; fractional undivided interest in oil, gas, or other mineral rights; put, call, straddle, option, or privilege on a security, certificate of deposit, or group or index of securities, including an interest therein or based on the value thereof; put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency; or, in general, an interest or instrument commonly known as a "security," or a certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing. The term:

- a. includes both a certificated and an uncertificated security,

* * *

- d. includes as an "investment contract" an investment in a common enterprise with the expectation of profits to be derived primarily from the efforts of a person other than the investor and a "common enterprise" means an enterprise in which the fortunes of the investor are interwoven with those of either the person offering the investment, a third party, or other investors,

- e. includes as an "investment contract," among other contracts, an interest in a limited partnership and a third party managed limited liability company and an investment in a viatical or life settlement or similar contract or agreement[.]

2. Section 1-411 of the Act provides, in pertinent part:

B. If the Administrator finds that the order issued is in the public interest and subsection D of this section authorizes the action an order issued under this act may revoke, suspend, condition, or limit the registration of a registrant and if the registrant is a broker-dealer or investment adviser, any partner, officer, or director, any person having a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser. . . .

* * *

D. A person may be disciplined under subsections A through C of this section if the person:

* * *

2. Has willfully violated or willfully failed to comply with this act or the predecessor act or a rule adopted or order issued under this act or the predecessor act within the previous ten (10) years;

* * *

13. Has engaged in dishonest or unethical practices in the securities, commodities, investment, franchise, banking, finance or insurance business within the previous ten (10) years;

* * *

G. An order may not be issued under this section, except under subsection F of this section, without:

1. Appropriate notice to the applicant or registrant;
2. Opportunity for hearing; and
3. Findings of fact and conclusions of law in a record in accordance with the Administrative Procedures Act. If the person to whom the notice is addressed does not request a hearing within fifteen (15) days after the service of notice is effective, a final order as provided in subsection A, B or C of this section may be issued.

3. Section 1-501 of the Act provides:

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

1. To employ a device, scheme, or artifice to defraud;
2. To make an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statement made, in the light of the circumstances under which it is made, not misleading; or

3. To engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

4. Section 1-502 of the Act provides, in pertinent part:

A. It is unlawful for a person that advises others, for compensation, either directly or indirectly, or through publications or writings, as to the value of securities or the advisability of investing in, purchasing or selling securities, or that, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities:

1. To employ a device, scheme, or artifice to defraud another person;

2. To make an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statement made, in the light of the circumstances under which it is made, not misleading; or

3. To engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

5. 660:11-7-42 of the Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities ("Rules"), Okla. Admin., Code §§ 660:1-1-1 through 660:25-7-1 (as effective July 1, 2007 through July 31, 2013, and August 1, 2013, through the present), provides, in pertinent part:

(a) **Purpose.** This rule is intended to set forth the standards of ethical practices for investment advisers and investment adviser representatives. Any noncompliance with the standards set forth in this section will constitute unethical practices in the securities business as the same is set forth in Section 1-411.D.13 of the Securities Act; however, the following is not intended to be a comprehensive listing of all specific events or conditions that may constitute such unethical practices. 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 investment advisers and investment adviser representatives in connection with their activities in this state shall be just, reasonable and not unfairly discriminatory. The standards set forth in this section and the disclosure delivery requirement set forth in 660:11-7-43 shall apply to all investment advisers and investment adviser representatives.

(b) **Standards.** An investment adviser or investment adviser representative shall not engage in dishonest or unethical practices including, although not limited to, the following

Conclusions of Law

1. Respondent offered and/or sold a security in the nature of an investment contract, that is a "limited member" interest in Reaction Force, to the Client in Oklahoma during the year 2012.

2. In connection with the offer and/or sale of said security to the Client, Respondent willfully violated Section 1-501 of the Act by directly or indirectly making untrue statements of material fact and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

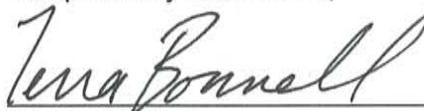
3. In connection with the offer and/or sale of said security to the Client, Respondent—as a person who advises others, for compensation, either directly or indirectly, as to the value of securities or the advisability of investing in, purchasing or selling securities—willfully violated Section 1-502 of the Act by making untrue statements of material fact and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

4. Respondent breached his fiduciary duty to the Client and made false statements to his associated broker-dealer and investment adviser and to the Department and FINRA, thereby engaging in dishonest or unethical practices in the securities business.

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

WHEREFORE, it is recommended that the Administrator issue an order suspending Respondent's registrations under the Act for a period of two years and imposing such other sanctions as deemed appropriate and authorized by law.

Respectfully submitted,



Terra Bonnell
Enforcement Attorney
Oklahoma Department of Securities
120 North Robinson, Suite 860
Oklahoma City, OK 73102
Telephone: (405) 280-7715
Email: tbonnell@securities.ok.gov

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Notice 14-017 TB

Postage	\$	5-2-14	Postmark Here
Certified Fee		330	
Return Receipt Fee (Endorsement Required)		270	
Restricted Delivery Fee (Endorsement Required)		505	
Total Postage & Fees	\$	11.74	

Mr. Jim J Hammons
First Independent Advisory Services Inc
First Independent Financial Services Inc
6660 S. Sheridan Rd Ste 260
Tulsa OK 74133-1766

by mailer)

for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

RESTRICTED DELIVERY

Mr. Jim J Hammons
First Independent Advisory Services Inc

First Independent Advisory Services Inc
6660 N. Sheridan Rd Ste 300
Tulsa OK, 74133-1196

Notice 14-017-10

2. Article Number (Copy from service label)

7000 05 30 0022 7150 4032

PS Form 3811, July 1999

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

Jim Hammons 9/19/14

C. Signature

X Jim Hammons Agent Addressee

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type

- Certified Mail Express Mail
- Registered Return Receipt for Merchandise
- Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee)

Yes

Domestic Return Receipt

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U.S. Postal Service
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(Domestic Mail Only; No Insurance Coverage Provided)

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Notice 14-017 TB

5-21-14

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Certified Fee		3.30
Return Receipt Fee (Endorsement Required)		2.70
Restricted Delivery Fee (Endorsement Required)		5.05
Total Postage & Fees	\$	11.74

Postmark
Here

Jim J Hammons
9934 S 68th E Ave
Tulsa OK 74133

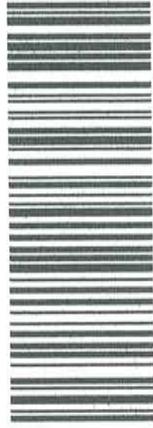
(by mailer)

for Instructions

OKLAHOMA DEPARTMENT OF SECURITIES
First National Center, Suite 860
120 North Robinson
Oklahoma City, Oklahoma 73102

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Tulsa OK 74133

RESTRICTED DELIVERY

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UNABLE TO FORWARD
BC: 73102749499 *2457-01354-17-11

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