

I would like to respectfully thank the Administrator of the Oklahoma Department of Securities for the extension of time granted to provide these Responses.

Responses to Findings of Fact filed 4/29/14

Jim Hammons, Respondent ODS File 14-017



Respondent

1. Admit
2. Admit
3. Admit

Background

4. Admit with Stipulations

It should be noted that the Account Agreement referred to does not cover any outside business activities, and I have made sure the citation of martial arts instruction has been regularly and properly disclosed on my Outside Business Activity Report. All outside business activities related to martial arts were conducted at karate school locations and/or while wearing a karate uniform, but never at FIAS offices or my office. All IAR duties were conducted thoroughly and carefully regarding the client's IRA investment at Trust Company of America, which was the only account related to FIAS or this IAR. As stated in the advisory agreement, the scope was limited to the selection of third party money managers as approved by FIAS. The internal investigation completed by FIAS found no evidence that I had engaged in, or planned to engage in, the sale of any unapproved securities to anyone.

5. Admit with Stipulations

This had nothing to do with the Outside Business Activity related to martial arts or karate schools. The account at FIAS was properly handled with Tommy Jacobs (the Client), fully disclosed, and the client never expressed any displeasure about the advised third party money manager.

6. Admit with Stipulations

The Client did approach me as a financial advisor regarding his IRA due to unhappiness with his previous advisor, chose me to be his IAR, and did invest IRA funds at Trust Company of America, according to the normal procedures at FIAS. This was the only account and the only investment advice I provided to this client.

7. Admit with Stipulations

The Client did have an established relationship with me through the martial arts, and often expressed interest in helping others the way his child was helped.

Reaction Force, LLC

8. Deny with explanations

Greg Cooper (Cooper) formed Reaction Force in order to promote his brand. He shared plans publicly about his big picture plans for Reaction Force, including owning multiple schools for teaching Mixed Martial Arts (a significantly different style of martial arts training than what I am involved in), hosting nationwide fights, launching a clothing line, and creating an international brand. He may have chosen to create it at that time to purchase existing martial arts schools as well, but his plans were much broader. The purchase he made from the franchise was his entry point into martial arts school ownership, with a general style of martial arts I could help him with as his instructor, with my 35+ years of experience in the industry. My resume includes multiple world and national championships, induction into the Universal Martial Arts Hall of Fame, and the World Martial Arts Hall of Fame. I have, in the past, owned and operated multiple martial arts school locations. I don't give this information to be prideful, but rather so that the reader can understand that I have a well established presence in the martial arts community and would be a solid resource for anyone entering the field for the first time. Cooper sought me out in my capacity as a martial arts expert, experienced at running martial arts schools, not as a financial advisor. Just to be clear, I am not running the school owned by Patricia Reynolds, but I have successfully run other schools in the past.

The agreement was between Cooper and Executive Black Belt Centers, LLC, not me. I was involved as a consultant, a trusted and experienced martial arts school professional with a network of contacts. Furthermore, the Asset Purchase Agreement was between Reaction Force and the franchisee. (See original signed Asset Purchase Agreement) To my knowledge, despite being asked to repeatedly, Cooper never completed an Operating Agreement showing the responsibilities of the different members, or provided Mr. Jacobs with any documentation regarding his financial contribution to Reaction Force

9. Deny with explanations

In Cooper's own Petition, filed in the District Court of Tulsa County on April 5, 2013, it states in Section II, number 15 that Reaction Force (not me) was required to bring in another investor. The Client heard about Reaction Force's plans from Cooper, as stated in his Petition. Jacobs asked Cooper in class about talking to him about being part of Reaction Force. I could not offer the client an ownership interest as I had no ownership, authorization, power or legal authority to do so, I neither represented Reaction Force nor owned any part of Reaction Force. (See Agreed Journal Entry of Judgment) Because Cooper states that he brought in another investor as a material fact in his Petition, I am unsure as to what his motivation would be to now claim that I was the one who brought in the investor, unless it is truly just a desire to blame someone else for his failure as a businessman, or perhaps fear that if this was deemed a security and he already admitted that he sold it, there could be other legal ramifications for him.

Any decision by the Client to invest in a business was made on his own accord with advice from his attorney after completing his due diligence, and not part of the client relationship he had with me as an IAR. The agreement signed with FIAS limits my scope of advising to recommending third party money managers approved by FIAS. I was instead advised by the Client that he was interested in becoming a part of Reaction Force, to which I immediately advised to not touch his IRA funds and to do his due diligence with his attorney and tax adviser, and put notes into his file regarding this (See 2 Notes from Client File). Any capital contribution agreement was between Reaction Force and the Client, and the actual check from the Client was given to Cooper and deposited into Reaction Force's bank account, none of which had anything to do with me. No withdrawal was made from his IRA funds in order to purchase any part of Reaction Force. (See #12) I cannot follow a client around and control what he does with his own business choices, or investment choices outside the realm of the IAR relationship defined and agreed to on FIAS account forms.

10. Deny with explanations

There was no offer to sell interest in Reaction Force made by me. The internal investigation completed by FIAS and FIFS also found no evidence that I had engaged in, or planned to engage in, the sale of any unapproved securities to anyone.

Furthermore, there were no representations made to the Client. Specifically:

- a. I could not invest through Executive Black Belt Centers, as I was not an owner or manager of Executive Black Belt Centers. There was no representation that Executive Black Belt Centers had or would invest any amount of money, as you can see from the Agreement between Reaction Force and Executive Black Belt Centers. I personally never paid, invested or intended to pay or invest any money into Reaction Force or to Cooper. No documents have been produced to show that I am an owner of Executive Black Belt Centers.
- b. Again, I was not a member or owner of Executive Black Belt Centers. The role of unpaid consultant to Reaction Force would include areas of assistance in marketing and the teaching of martial arts and general principles of successfully running a martial arts school. All other responsibilities of running the franchised locations would be done by the full and part time on site employees and Cooper, who quit his job to run and manage these two schools full time. Reaction Force was provided extensive training and detailed franchise operational handbooks to follow for the day to day operations. I could not and would not be managing the day to day operations as I run an investment business during the day and teach martial arts at another location in the evenings and would not have been available. If there is a claim to the contrary, I would like to see the agreement signed by me that shows I agreed to day-to-day management or operations. In fact, Cooper often did not show up to even open the doors or teach the classes at his locations.
- c. I did hear Cooper make assurances to the Client that he (Cooper) would be responsible for the day to day operations and that the Client would not have to be involved in the day to day operations. As a business owner himself, the Client would have known what questions to ask Cooper as he made his decision to go into business with him. Additionally, he had his own copy of the Franchise systems, and had received training on those systems by the franchisee. Cooper was the owner of Reaction Force and the on-site full time owner and manager of these locations. If he did not do his job and this resulted in the Client having to become involved in the day to day operations in a business investment that he made, this is beyond the scope of an unpaid consultant to control, and certainly beyond the scope of the IAR relationship I had with the Client. I cannot speak to what Jacobs and Coopers agreement was beyond what I heard myself.

11. Deny with explanations

Profit and Loss statements were provided to Reaction Force, which was owned by Cooper, by the franchisees, the owners of the karate schools, not me, as I did not have an ownership interest in or operate the facilities and could not have produced Profit and Loss statements. In other words, these P&L statements were provide directly to Jacobs and Cooper by the franchisee, not by me. I did not recommend that the client invest in Reaction Force, but rather to consult his attorney and tax adviser as he did with his other business ventures after he was approached by Cooper. Cooper, sole owner of Reaction Force, recruited the client to invest in his company, as he needed the additional capital to complete the Asset Purchase Agreement between Reaction Force and the franchisee karate school owners. He states this himself in his Petition, filed in the District Court of Tulsa County on April 5, 2013, where he states in part in Section II, number 15 that Cooper (not Jim Hammons) brought in another investor. I did not own or operate Reaction Force, nor the franchise locations.

12. Deny with explanations

The funds for investment did not come from the client's IRA, directly or indirectly. I specifically advised the client to not invest in a business venture with his IRA money. There are notes reflecting these conversations in the Client's file. (Copies are attached) The Client indicated that he had other cash reserves and intended to move forward, that he had \$150,000 net worth outside of his home and an income of \$110,000 per year, matching the signed documents in his IAR file. Furthermore, this transaction between the Client and Reaction Force is reported to be in October of 2012, the Client did not withdraw any funds from his IRA account until the end of December 2012 and did so without consulting me at all, going around both the firm and the advisor and dealing directly with Trust Company of America. This \$15,000 withdrawal was purportedly for his new property and horses, and again well after any agreement between the Client and Reaction Force was entered into. Notably, it was made after Cooper began collecting information and threatening to turn things over to attorneys after trying to extort me into purchasing one of the locations he had run into the ground. (See email dated 12/17/12)

February 14th of 2013, the Client removed me as advisor on the account at Trust Company of America, and over a week later requested a full distribution of the IRA account, again dealing directly with Trust Company of America and not the firm or me. Clearly funds withdrawn in late December 2012 and after firing me as his advisor late February 2013 could not be used in a October 2012 transaction. As to investing for a one-third interest in Reaction Force, although that was the understanding at the time, the Client repeatedly complained that he had not received paperwork from Reaction Force to indicate that he was an owner, and I encouraged him to follow up with his attorney to protect himself and his apparent interest. I don't know exactly what was done with the membership and investment in Reaction Force. Regardless, it would still be outside the scope of any IAR relationship I had with the Client.

13. Deny with explanations

I did not offer to sell nor was there a sale of interest of anything outside the scope of the account related to FIAS and Trust Company of America to the Client. There were no material facts to disclose, as I did not represent the franchisee or Reaction Force or any party in a sale, nor did I receive or intend to receive any form of payment from any party involved.

- a. I did not represent that I invested cash into Reaction Force because I didn't, but rather that I had done my due diligence and would not be investing in any of the franchises at that time for personal reasons. This was well known by both Cooper and Jacobs. The Client claims that he was involved in the day to day business operations, so he was fully aware that I was only an unpaid consultant. I was never an owner nor a partner in Reaction Force at all (Please see Journal Entry of Judgment).
- b. I was not an owner or partner of Reaction Force or the franchisee and I would have not had the power nor the authority to discuss or disclose this type of information. This would have been the responsibility of the members of Reaction Force, as laid out in its Operating Agreement. Moreover, the Asset Purchase Agreement plainly stated that there was an additional \$40,000 financed, on the second page in bold print. Obviously a purchase price of \$100,000 minus Reaction Force's initial \$30,000 and the Client's \$30,000 would leave an amount to be financed, and those terms were laid out. Prior to the \$30,000 transaction between the Client and Reaction Force on or around October 19, 2012, referred to in #12, the Client signed a notarized Agreement (copy enclosed) that indicates his investment as a capital contribution and says that it "will be used to complete the execution of the Asset Purchase Agreement dated 9/15/12 and attached." The Client is an experienced business owner, and would not have moved forward before both he and his attorney did their due diligence, and he signed that he had read and agreed to these terms. Additionally, in Cooper's own Petition, filed in the

District Court of Tulsa County on April 5, 2013, it states in Section II, number 15 that Reaction Force was required to bring in another investor, which neither involved me nor FIAS.

- c. I did not represent that I owned or managed Executive Black Belt Centers, as I never did. I own a full time financial planning practice, as the Client was well aware, because he was an advisory client since March of 2012. I volunteer regularly teaching martial arts, as the Client was well aware, as he and his son were his students since approximately 2010. I would have no reason to disclose that I did not own it, and all parties involved were aware that Patricia Reynolds did own it. Anytime a signature was needed for Executive Black Belt Centers, she had to be contacted. There were times everyone involved was aware that because her signature was needed for Executive Black Belt Centers nothing could happen until that signature was obtained. Even in December when Cooper was making demands of me and of Executive Black Belt Centers, my answer was consistent (see email dated 12/17/13).

14. Deny – outside the scope of what is reasonable for me to know.

Because Reaction Force used me as a consultant I have some information that could be related to this statement. I do not have direct knowledge of the day to day operations, and my consulting tapered off in October and November and ceased in December of 2012. They had a full time owner-operator (Cooper) working at the martial arts locations, plus hired other full time and part time employees in excess of the staffing levels outlined in the franchisee manual. The excess staff plus the large salary and missing cash taken by Cooper are a large part of Cooper's failure to make his locations profitable. According to the information provided to me by Cooper, these locations were, in fact, profitable with lower staffing numbers before Reaction Force took over management. The consultant relationship ended in part because of the refusal of Reaction Force to follow the franchise systems, plus regularly not showing up to teach classes, leaving early, and not opening on time. The consulting relationship couldn't continue with that sort of irresponsible business practices, especially in a small town where I also taught martial arts.

This reference to additional funds and to the Client and his wife working in both locations is beyond both the scope and the time frame that I was a consultant to Reaction Force. To my knowledge, the Client attended trainings by the franchisee and sought out additional training, which would not have happened if the Client did not intend to be active in the business operations. The decision to be an investor and/or partner in Reaction Force, and the degree of his involvement would have been a business decision between the Client the owner of Reaction Force, not me. He obviously decided to become more than a silent partner.

It should be noted that in December 2012, Cooper started to solicit, pressure and even extort me to invest money or purchase one of the locations, which I declined to do. He even had his father, David Cooper, come into the school I teach at and threaten to run my family through years of court expenses if I didn't take the extraordinary action of purchasing the Bartlesville location that had been run into the ground by Cooper. Cooper's mother ran into the facility on another occasion taking pictures or video and yelling obscenities, shocking the children present. Both my wife and I received threatening texts and phone calls from Cooper on numerous occasions.

15. Deny with explanations

The Client is an experienced businessman who ran all paperwork past his attorney during his due diligence, as I encouraged him to, as I could not advise him on this kind of transaction. As addressed in 13a, the Client was aware that I had not invested cash into Reaction Force, and that I was not a managing member of Reaction Force, but I did offer to be an unpaid consultant in order to have access to an interesting and successful franchise model. As addressed in 13b, the Client was aware of the Asset Purchase Agreement involving the \$40,000 debt, and signed the Agreement with Reaction Force to that effect. How does an intelligent businessman not understand that a \$100,000 purchase price minus Cooper's \$30,000 and Jacob's

\$30,000 results in a remaining \$40,000? Especially one that he already signed an Agreement that he was aware of the breakdown, and knew the details of the financing?

16. Deny with explanations

Reaction Force and Cooper filed in the District Court of Tulsa County, but even the judge questioned why there was a lawsuit filed regarding my not being an owner when I did not claim to be an owner. The “good and valuable consideration” they referred to was clearly my experience, knowledge and connections, as there was never a dollar amount or cash investment mentioned at all. I'm a 7th Degree Senior Master (this is very unusual for a non-Korean to achieve this ranking), several time world and national champion, and have been successfully running or assisting with others running martial arts schools for 35+ years. To be clear, there was never intended to be any cash invested by either me or Executive Black Belt Centers, in order to own part of the company. There was not a judgment for Reaction Force, but rather an Agreed Journal Entry of Judgment entered for both parties.

The lawsuit never alleged that I had ever offered an unapproved security for sale, a security in which I had ownership, or a security for which I would have been paid a commission or finder's fee. This lawsuit never alleged I had violated any securities industry regulation or sought relief from such violation. The lawsuit did not seek to compel me to complete the purchase, but rather to render the agreements null and void. As I have consistently stated, I had agreed to render the agreements null and void before the suit was filed, as had Executive Black Belt Centers.

After publicly threatening me and my wife at Panera Bread, and demonstrating increasing patterns of hostility and aggression, plus the fact that literally everything I coached him on, he refused to do, along with other concerns, I decided to send the email on December 17 to officially take a step back from consulting Cooper, since multiple face to face conversations didn't seem to be working. Almost immediately, his father, David Cooper, became involved and with his financial backing the two began this string of frivolous lawsuits and claims in both our legal system and now are abusing our regulatory system with these false claims. (See screenshot of text example from Cooper to both me and my wife)

Greg Cooper has not ever been a client of mine or FIAS. David Cooper, who wrote the complaint letter, has never been a client of mine or FIAS in any way, or a party to Reaction Force in any way. This is a case of someone unhappy with their own business choices, followed by irresponsible business practices, which ultimately resulted in the failure of his business venture. From what I observed, he did not provide Mr. Jacobs with appropriate documentation of either his investment or his responsibilities, but in no way do any of those inactions involve me at all.

17. Deny with explanations

Oklahoma Secretary of State records show that Reaction Force, LLC is inactive due to nonpayment, not dissolved.

18. Neither Admit nor Deny – outside the scope of my knowledge. However, Cooper sent me a text that he had sold the locations for \$150,000 and that he was a good businessman.

Respondent's Fiduciary Duty to Client

19. Admit to the extent of any disclosures related to the Client's investment adviser relationship with me in regards to the Client's IRA account invested at Trust Company of America, outlined in signed FIAS account documentation. My activities as a martial arts consultant and expert are not covered by Section 1-502 of the Act, and/or Section 206 of the Investment Advisory Act of 1940, 15 U. S. C. Subsection 80 b-1 et seq. I did act in the clients best interest by telling him to compete his due diligence with his attorney and tax adviser regarding any business investment. As to the allusion that this fiduciary duty extends to the relationship between Reaction Force and the Client, I would not have a fiduciary duty as I did not act as a financial advisor to the client in that situation. My involvement was solely as a consultant martial arts instructor, which has been appropriately disclosed on the Outside Business Activity disclosure. My expertise was in the arena of running a martial arts school, not as a financial advisor offering a security for sale. While I do not run the school owned by Patricia Reynolds, I have run other schools in the past. I cannot follow clients around and give advice about products outside the scope of those approved by FIAS and FIFS.

I have had no previous customer complaints, I take my fiduciary duty to my clients seriously.

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

20. Deny that this is a false statement, with explanations

A letter was sent, but no part was false. That was and is a true statement. Once again, even in Cooper's own Petition, filed in the District Court of Tulsa County on April 5, 2013, it states in Section II, number 15 that Reaction Force was required to bring in another investor, not me. This "another investor" found by Cooper, not me, was Jacobs.

21. Deny that this is a false statement, with explanations

The Interview Report is true. FIAS fully investigated all allegations and concluded *"Based on our investigation and findings we have concluded that no violations of securities industry regulations, the Firm's written supervisory policies and procedures, or the Advisor's written supervisory policies and procedures occurred. It is our conclusion that the complaint received by the OSD was not based in fact, but was likely a malicious attempt to cause Mr. Hammons distress and damage because he chose, for his own reasons, not to participate in the purchase of Gregory M. Cooper's company and because the court found Mr. Hammons was not liable for any costs or damages.*

Therefore, we are closing this investigation and declining any and all complaints relating to Mr. Hammons, the Firm, the Advisor, or this issue."

22. Deny that this is a false statement, with explanations

I did not act as an agent or representative for Reaction Force in purchasing the martial arts Centers at Walmart stores. Cooper signed all documents for the franchisee on September 15, 2012 as the sole and Managing Member of Reaction Force. (See attached document) After the consummation of the Agreement, and purportedly because of my high ranking and experience in the martial arts community, the franchisee continued to press for a new set of signed documents with an additional signature. They wanted assurance that I was attached to this as a consultant because all the other franchise owners they were working with were experienced martial arts school owners and Cooper was not.

The week of Oct 1, 2012 a number of people were asked to travel to the Bartlesville location for training by Ms. Ross, a trainer for the Centers franchise. Before training began, she informed Cooper that before she

could start, there was a new set of documents the franchisee wanted signed. They were identical to the set he signed as managing member of Reaction Force on September 15, 2012, but these had a space for me to sign as well. Notably, the document was undated when I signed it, but the date was entered as September 15, 2012 after it went back to the office. It was made clear at the time of the request for my signature on a second set of forms (referred to here in a, b, and c) from the franchisee that I was not a member or officer of Reaction Force, and that my signature was not necessary on the forms. After about half an hour or more of deliberation, since the training could move forward, Cooper asked me to sign as "Business Development Manager" (Cooper's term) because "it wouldn't matter as you're not an owner or manager and they already have the only signature that matters"(his). I admit to signing documents as an unpaid consultant to Reaction Force, for which Cooper wished to use the term "Business Development Manager", but that was not as an agent or representative as Cooper signed as the Managing (and only) Member. It was made clear to everyone involved at that time that there was no ownership or legal authority that I had to sign those documents. Again, as I had no ownership interest, I made no investment, there was never a commission or finder's fee for the purchase of said stores by any party paid or intended to be paid to me, there was no reason to do this other than the request of Cooper. He sought to use my good reputation in the martial arts community to promote and legitimize his business.

As to the email used on the subleases, Cooper gave the franchisee my email address in July-September during the time the paperwork was originally drafted as he was finishing up his employment time at American Airlines and did not want to use his own email address there. At the time of the signing of the second set, Cooper made a request to update the email address to his own as his was the appropriate email address for Reaction Force.

23. Deny that this is a false statement, with explanations

This is not a false statement; there was no false representation to FIAS/FIFS. Cooper approached me, I did not recruit him, about helping him with the business so he did not have to take a transfer out of state with American Airlines. He then approached others including Jacobs when he was unable to get the original amount he intended to invest from his father in law. (See Journal Entry of Judgement and previous Answers)

24. Deny that this is a false statement, with explanations

I did not lie then, and I am not lying now. Please review my specific responses.

Responses to Conclusions of Law

1. Deny, with explanations

I did not offer to sell or sell an interest in Reaction Force. I did not own, nor was I an agent of Reaction Force or of the franchisee. One cannot sell something they do not own or have the right to sell. I did not receive or intend to receive any compensation from any party in regards to a sale. It was always clear to everyone involved that I was only helping in the role of consultant or mentor. Cooper himself stated he had to find an additional investor in his civil suit. The civil courts have already determined that I am not nor was I ever an owner of Reaction Force.

The Client gave Cooper a check directly, who then wrote a check for the franchisee. I was not an intermediary to that transaction. Nor did the funds come from the clients IRA.

Furthermore, taking a step back and looking at the bigger picture, because Cooper sold the Client ownership in Reaction Force, and this was a securities transaction, there should be an investment contract signed by the Client and an Operating Agreement outlining the responsibilities and ownership of the managing members and owners. These documents have never been produced, and had they been in existence they would have been part of Cooper's lawsuit, and they were not. In fact, Cooper stated in his Petition that he was the sole owner, and according to the Journal Entry of Judgement he was the sole owner, so how can there be a claim that a security was sold? The Client repeatedly asked Cooper for a receipt, Operating Agreement, or some sort of documentation regarding his ownership, and as far as I know never received anything. If Cooper, through Reaction Force, took the Client's money and did not give him ownership, it would seem like Cooper was the one perpetrating fraud in regards to the Client in order to complete his Asset Purchase Agreement he signed on September 15, 2012. We would like to have the contract produced that shows the limited member interest, and who the parties were in the sale. It was certainly not me.

2. Deny, with explanations

I did not make untrue statements of material facts. I did not omit material facts. It was always clear to everyone involved that I was not going to have an interest in Reaction Force. It was always clear to everyone involved that Patricia Reynolds was the owner of Executive Black Belt Centers. There was no misleading of any parties involved, nor were there any securities sold by me as evidenced by the filing by Cooper in district court, and my responses to Findings of Fact and to Conclusions of Law #1. I didn't offer to sell or actually sell anything, just to help the review the opportunity, business practices and procedures as requested by Cooper.

3. Deny, with explanations

As there was never an offer to sell or sale related to me in any way, there were also no misleading statements made. There was no compensation intended or executed, there was no benefit at all for me to encourage this transaction. My goal as a martial arts instructor, was to explore a successful and interesting martial arts franchise. I only reviewed material provided to everyone by the franchisee. I did not offer or sell any security regarding this franchise. I did what was asked of me, to do a basic review and use my background as a martial arts school owner to determine the viability of their systems and teaching methods.

I didn't offer or sell the security, Cooper through Reaction Force bought the martial arts schools directly from the franchisee. I did not offer or sell interest in the franchise, or his company. The person who bought the security (franchise) did so after in a face to face meeting in Florida. The civil court found that Cooper was the only owner of Reaction Force. If Cooper offered to sell a security in the form of ownership in his company to the Client, that did not involve me. As Cooper stated, he found an investor, Jacobs. The Agreement clearly states Reaction Force was selling the interest, not me.

4. Deny, with explanations

I did not breach my Fiduciary duty or engage in unethical practices, nor did I make any false statements to anyone, as detailed in my responses to the Findings of Fact. I did not advise the Client to purchase any investment outside the FIAS approved third party money managers, and instead told the client he should do his due diligence with his attorney and tax adviser before moving forward with Reaction Force and Cooper. Cooper's Petition filed in the District Court of Tulsa County states that he had to find another investor and the subsequent Journal Entry restates that I was never an owner or member and that Cooper was the sole owner and member, supporting this fully. The client wrote a \$30,000 check directly to Reaction Force in October 2012. He later made a partial withdrawal more than 2 months later without my knowledge in December 2012 for \$15,000 and a full withdrawal more

than 4 months later in February 2013 after firing me as his IAR and ending his advisory relationship. Clearly, these funds were not used in the October 2012 transaction.

I advised Cooper on how to market, develop rapport with his student base, display gear for pro shop sales, and generally how to run a martial arts school. I looked at paperwork from the franchisee and made a determination that they did know how to run a martial arts school, but I didn't advise him or anyone else to buy the franchise. I didn't make untrue statements about material facts. I didn't omit any material facts. In addition, I was acting in my capacity of an expert of running a martial arts school, not a financial advisor, and this was disclosed on my Outside Business Activity Report. In light of his own representations, lack of Operating Agreement or Contract with the Client, Cooper in his own words brought the Client into Reaction Force (although the extent to how appropriately he handled that is unclear). Cooper has demonstrated unstable behavior, being a till-tapper and not reporting where significant amounts of cash disappeared, personally taking a high salary and hiring in excess of what his businesses could support, refusing to follow systems and running it into the ground, and then abusing the civil and now this regulatory system to try to get back at me when I wouldn't be bullied into doing what he wanted me to do and buy one of his failing programs. Meanwhile, the Client gave Cooper \$30,000 without documentation or an Operating Agreement or Contract, allowed Cooper to run the schools into the ground, and eventually selling them (supposedly for a profit). Now, the only route available to them is to attack my professional licensing.

I am requesting a dismissal of the charges, and in lieu of a dismissal, a hearing on them. I am eager to dispute these claims, and to defend my practice. I am further requesting that no suspension of my registrations or sanctions be imposed.

Respectfully,



Jim Hammons, Respondent

6/29/14

Date