

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



In the Matter of:

R. David Vernon, individually
and doing business as
The Vernon Company,
and
The Vernon Group, LLC
Ardmore, Oklahoma,

Respondents.

File No. ODS 03-057

NOTICE OF OPPORTUNITY FOR HEARING

1. Pursuant to his authority under Section 1-411 of the Oklahoma Uniform Securities Act of 2004 (Act), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (Supp. 2003), the Administrator (Administrator) of the Oklahoma Department of Securities (Department) gives notice of his intent to revoke the registration under the Act of R. David Vernon (Vernon) as an investment adviser representative of The Vernon Group, LLC (Vernon Group). The Administrator also gives notice of his intent to suspend the registration under the Act of the Vernon Group as an investment adviser.

2. On the 15th day of December, 2004, the attached Enforcement Division Recommendation (Recommendation) was left in the office of the Administrator concerning the activities of Vernon and the Vernon Group in connection with the rendering of investment advisory services in Oklahoma.

3. Further, the Administrator hereby gives notice to Respondents Vernon and the Vernon Group of the right to request a hearing to show why an order based on the Recommendation should not be issued.

4. Pursuant to 660:2-9-1(a) of the Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities (Rules), each Respondent has twenty (20) days after service of this Notice of Opportunity for Hearing (Notice) to request a hearing from the Administrator. Failure to timely request a hearing as provided for herein shall result in the issuance of an order to revoke the registration of Vernon and to suspend the registration of the Vernon Group.

5. The request for hearing shall be in writing and each Respondent shall specifically admit or deny each allegation in said request as required by 660:2-9-2(a) of the Rules.

6. Upon receipt of a written request, a hearing on this Notice shall be set within ninety (90) days or a written order denying hearing shall be issued pursuant to 660:2-9-2(b) of the Rules.

7. Notice of the date, time, and location of the hearing shall be given to both Respondents not less than forty-five (45) days in advance thereof pursuant to 660:2-9-2(c) of the Rules. Additionally, the notice may contain matters to supplement this Notice and the Recommendation attached hereto.

Witness my Hand and the Official Seal of the Oklahoma Department of Securities this 22nd day of December, 2004.

(SEAL)

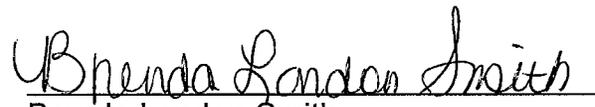


IRVING L. FAUGHT, ADMINISTRATOR OF THE
OKLAHOMA DEPARTMENT OF SECURITIES

CERTIFICATE OF MAILING

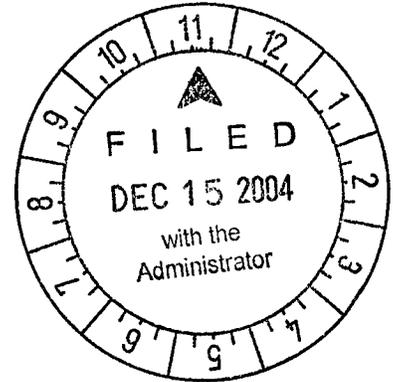
The undersigned hereby certifies that on the 22nd day of December, 2004, a true and correct copy of the above and foregoing Notice of Opportunity for Hearing and attached Enforcement Division Recommendation was mailed by certified mail, return receipt requested, delivery restricted, with postage prepaid thereon addressed to:

R. David Vernon
The Vernon Group LLC
P.O. Box 1925
Ardmore, OK 73401



Brenda London Smith
Paralegal

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In the Matter of:

R. David Vernon, individually
and doing business as
The Vernon Company,

Respondent.

File No. ODS 03-057

ENFORCEMENT DIVISION RECOMMENDATION

Information has come to the attention of the Administrator (Administrator) of the Oklahoma Department of Securities (Department) in connection with the registration of R. David Vernon (Vernon) and The Vernon Group, LLC (Vernon Group). Based thereon, and pursuant to Section 1-411 of the Oklahoma Uniform Securities Act of 2004 (Act), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (Supp. 2003), the following Findings of Fact, Authorities, and Conclusions of Law are submitted to the Administrator of the Department, or his designee, in support of the issuance of an order revoking the registration under the Act of Vernon as investment adviser representative of the Vernon Group.

Findings of Fact

1. Vernon became registered under the Oklahoma Securities Act (Predecessor Act), Okla. Stat. tit. 71, §§ 1-413, 501, 701-703 (2001 & Supp. 2002), as an investment adviser representative of the Vernon Group, effective January 30, 2004. The Vernon Group became registered under the Act as an investment adviser on the same date. The Vernon Group has no other investment adviser representative.

2. Prior to these registrations, Vernon, his grandfather, and his father, while doing business as The Vernon Company, had acted as the financial advisor to various governmental entities in connection with securities offerings. Subsequent to a statutory amendment effective November 1, 1988, persons providing financial advisory services to governmental entities in Oklahoma have been required to comply with the investment adviser and investment adviser representative registration requirements until July 1, 2004, under the Predecessor Act, and thereafter pursuant to the Act. Such parties continued their activities after November 1, 1988, without registration or exemption in violation of the Predecessor Act.

3. In resolution of the described violations, Vernon, the Vernon Group, and the Administrator entered into an agreement, effective as of January 30, 2004. The final amended form of this agreement is attached as Exhibit A (Agreement). The Agreement contains the following provisions:

Civil Penalty. David Vernon and The Vernon Group, LLC agree to pay to the Department as a civil penalty the amount of Five Hundred Dollars (\$500) per offering for each of the seven (7) offerings completed from January 1, 2000, until December 31, 2002, for a total of Three Thousand Five Hundred Dollars (\$3,500). David Vernon has tendered One Hundred Dollars (\$100.00) of this amount to the Oklahoma Department of Securities. He further agrees to submit thereafter to the Department the additional sum of Three Thousand Four Hundred Dollars (\$3,400.00) in installments payable at the end of each calendar quarter to be paid on or before the fifth (5th) day of each month following the end of the quarter, beginning in July 2004, until paid in full. Each future installment will be in the amount of Five Hundred Dollars (\$500.00) except for the last that will be in the amount of Four Hundred Dollars (\$400.00).

* * *

Failure to Comply with Agreement. The Vernon Group, LLC and David Vernon, as an individual and/or doing business as The Vernon Company, agree to the payment of an additional civil penalty in the amount of Ten Thousand Dollars (\$10,000.00) if either is found to have violated this Agreement after its effective date, January 30, 2004.

* * *

Consideration. In consideration of the above agreements by David Vernon, the Department shall terminate all actions against him in connection with the matters set forth herein. However, should David Vernon or The Vernon Group, LLC fail to comply with the terms of this Agreement in any material respect, the Department will initiate action as authorized by the Act and by the terms of this Agreement.

4. The first quarterly payment of \$500 under the Agreement was due on or before July 5, 2004 (July payment). When the July payment had not yet been received by July 15, 2004, a Department staff member left a telephone message for Vernon advising him to submit such payment or contact the Department no later than July 19, 2004. This same message was transmitted to Vernon by electronic mail on July 16, 2005.

5. The staff member had a telephone conversation with Vernon on July 22, 2004. Vernon stated therein that he would make the July payment to the Department within 10 days or that he would contact the Department. When Vernon had not made the July payment or contacted the Department by August 16, 2004, the staff member sent another message by electronic mail demanding payment by the end of the week.

6. On August 23, 2004, the Department received the July payment. A letter was sent to Vernon on that date confirming receipt and noting the need to timely make the second quarterly payment due on or before October 5, 2004 (October payment). Vernon was reminded of the clause of the Agreement whereby violation of the terms of the Agreement would trigger an additional civil penalty in the amount of Ten Thousand Dollars (\$10,000). The letter stressed that if the October payment could not be submitted, Vernon needed to timely contact the Department. On September 28, 2004, the staff member sent an electronic mail to Vernon reminding him that the October payment was due on or before October 5, 2004.

7. As of this date, Vernon has not submitted the October payment or contacted the Department. Vernon has failed to comply with the terms of the Agreement.

8. Vernon, individually and while doing business as The Vernon Company, violated Section 201(c) of the Predecessor Act.

9. Based upon the foregoing, it is in the public interest to revoke the registration of Vernon as investment adviser representative of the Vernon Group under the Act.

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

Authority

1. 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[.]

2. Section 201 of the Predecessor Act provides in pertinent part:

(c)(1) It is unlawful for any person to transact business in this state as an investment adviser unless registered under this act or unless exempt from registration as provided in paragraph (2) of this subsection.

Conclusions of Law

1. The Administrator of the Department is authorized to revoke the investment adviser representative registration of Vernon pursuant to Section 1-411 of the Act.

2. It is in the public interest to revoke the registration of Vernon under the Act.

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 revoking the registration of Vernon as an investment adviser representative under the Act.

Dated this 13th day of December, 2004.

Respectfully Submitted,



Z Faye Martin Morton, Attorney
Oklahoma Department of Securities
120 North Robinson, Suite 860
Oklahoma City, OK 73102