

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



In the Matter of:

The Vernon Group, LLC (CRD 129496), and
Ronald David Vernon (CRD 4729523),

Respondents.

ODS File No. 12-021

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 *Enforcement Division Recommendation to Revoke Registrations, Summary Order Suspending Registrations and Notices of Opportunity for Hearing* ("Order and Notices") was delivered to Affiant in the office of the Administrator pursuant to Section 1-611 of the Oklahoma Uniform Securities Act of 2004 ("Act"), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (Supp. 2010).
3. That the Administrator has received service of process on behalf of Respondents, pursuant to Section 1-611 of the Act.
4. That a copy of the *Order and Notices* and a copy of this *Notice of Service on the Administrator and Affidavit of Compliance* are being sent this 26th day of January, 2012, by certified mail, return receipt requested, delivery restricted to the addressees, to the last known address of Respondents, 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 26th day of January, 2012.

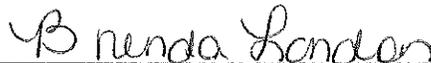
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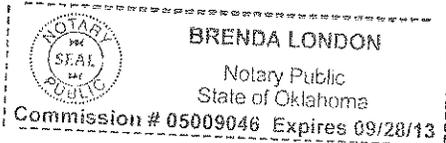
IRVING L. FAUGHT, ADMINISTRATOR OF THE
OKLAHOMA DEPARTMENT OF SECURITIES

Subscribed and sworn to before me this 26th day of January, 2012.

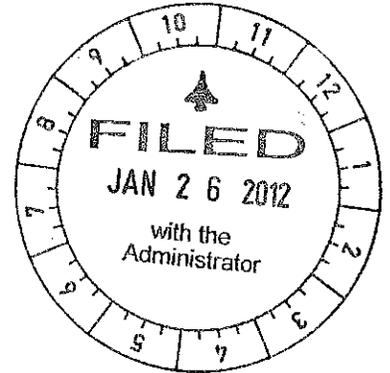
(SEAL)



BRENDA LONDON, NOTARY PUBLIC



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



In the Matter of:

The Vernon Group, LLC (CRD 129496), and
Ronald David Vernon (CRD 4729523),

Respondents.

ODS File No. 12-021

ENFORCEMENT DIVISION RECOMMENDATION TO REVOKE REGISTRATIONS

Pursuant to Section 1-602 of the Oklahoma Uniform Securities Act of 2004 ("Act"), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (2011), the Enforcement Division of the Oklahoma Department of Securities ("Department") conducted an investigation to determine whether The Vernon Group, LLC, (the "Group") and Ronald David Vernon ("Vernon") (collectively, the "Respondents") have violated, are violating, or are about to violate the Act.

The Enforcement Division submits the following Findings of Fact, Authorities, and Conclusions of Law to the Administrator of the Oklahoma Department of Securities ("Administrator") in support of sanctions against the Respondents.

Findings of Fact

1. Since November 2002, and at all times material hereto, the Group has claimed Vernon as its 75% or more owner and the Group's only control person in the Financial Industry Regulatory Authority's ("FINRA") Central Registration Depository ("CRD").
2. In September 2005, the Group renewed its registration under the Act as an investment adviser under FINRA's CRD number 129496. The Group has remained registered as such. At all times material hereto, the Group's principal office and place of business has been located at 33 Ridgeview Road, Ardmore, Oklahoma ("Office").
3. In September 2005, Vernon renewed his registration under the Act as an investment adviser representative for the Group under FINRA's CRD number 4729523. Vernon has remained registered as such.
4. On September 8, 2011, a representative of the Examinations Division of the Department ("Examinations") attempted to contact the Respondents by telephone in order to schedule a periodic examination in accordance with § 1-410.D of the Act.

4. On September 8, 2011, a representative of the Examinations Division of the Department ("Examinations") attempted to contact the Respondents by telephone in order to schedule a periodic examination in accordance with § 1-410.D of the Act. However, the contact number provided to the Investment Adviser Registration Depository ("IARD") by the Respondents, (580) 223-7678, was inoperative. A search of prior filings revealed an operable number, (580) 277-7678. Examinations called the prior filed number but was unable to establish direct contact. Examinations instead left a voice message requesting that Respondents contact the Department. The Department did not receive a call as a result of the September 8th telephone message.

5. On September 9, 2011, Examinations mailed a certified letter to the residential address Vernon filed with the CRD: Route 6 Lake Ardmere, Ardmere, Oklahoma. The letter was returned to the Department, marked "not deliverable as addressed" and "unable to forward," on September 13, 2011.

6. On September 13, 2011, Examinations attempted to email Respondents the September 9th letter. The email was sent to the address Respondents provided to the IARD and was immediately returned as undeliverable.

7. In order to establish communications and conduct an examination of the Respondents, Examinations and a representative of the Enforcement Division of the Department traveled to Ardmere on September 16, 2011. A visit to the Office's address revealed a residential home located in a private neighborhood. No answer was received after multiple knocks on the Office's front door. Upon inquiry with the neighborhood office, the Department learned what the office believed was Vernon's current business: Vernon's Plumbing Heating & AC, in Ardmere, Oklahoma. After a brief inquiry, the Department determined that Vernon was neither an owner nor affiliated with this business. The employees present at the time of the visit informed the Department of "Health by Nature," a different business in Ardmere they believed belonged to Vernon.

8. Upon the Department's arrival to the referred business, "Health by Nature," located at 201 A Street North East, Ardmere, Oklahoma, the business was discovered closed for the day. Displayed on the business' storefront was a phone number, (580) 277-7678, matching the number Examinations had previously used to leave the September 8th message. A second call and message were made at approximately 9:45 a.m. informing Vernon of the Department's intent to remain in Ardmere for at least an additional hour awaiting his response. No response was received within that time frame.

9. At approximately 3 p.m. on September 16th, the Department received a phone call from Vernon. Vernon informed the Department he had been recovering from a heat stroke suffered sometime during the summer. Vernon agreed to contact Examinations on Monday, September 19th, in order to set up an examination and discuss the materially inaccurate contact information contained in the Respondents' filings.

10. On September 19, 2011, Examinations contacted Vernon via telephone. The Respondents were advised of their obligations under the Act and the Rules of the Oklahoma Securities Commission and the Administrator of the Oklahoma Department of Securities ("Rules"), Okla. Admin. Code, 660:1-1-1 through 660:25-7-1. The Respondents and the Department agreed to a September 30th deadline for Respondents to correct and update CRD and IARD and to provide the Department with the Group's last six months of financial statements for examination. The agreed upon corrections or updates to CRD and IARD were not fully completed nor were any financial reports provided to the Department on or before September 30th.

11. On October 20, 2011, the Group filed its Uniform Application for Investment Adviser Registration and Report by Exempt Reporting Advisers Form ("Form ADV"), Part I, with updated physical addresses, email address and telephone number.

12. Examinations conducted an on-site examination of the Respondents, including a review of the Respondents' advisory client contracts, in accordance with § 1-410.D of the Act on October 31, 2011.

13. Examinations completed a Deficiency Letter, dated December 5, 2011, a copy of which is attached hereto as Exhibit "A" and incorporated herein by reference, and mailed it to Respondents via certified letter to the Group's updated "Owner/Member" contact address listed on the IARD.

14. The Deficiency Letter required the Respondents to provide the Department with a written outline of steps taken to address the listed deficiencies by December 19, 2011.

15. Respondents have failed to contact the Department regarding the Deficiency Letter or the written outline. The Deficiency Letter was returned to the Department, marked as "undeliverable", on December 14, 2011.

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 1-406 of the Act states in pertinent part:

B. If the information contained in an application that is filed under subsection A of this section is or becomes inaccurate or incomplete in any material respect, the registrant shall promptly file a correcting amendment.

2. Section 1-410 of the Act states in pertinent part:

B. Subject to Section 15(h) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78o(h)) or Section 222 of the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-18a), . . . an investment adviser registered or required to be registered under this act shall file such financial reports as are required by a rule adopted or order issued under this act. If the information contained in a record filed under this subsection is or becomes inaccurate or incomplete in a material respect, the registrant shall promptly file a correcting amendment.

C. Subject to Section 15(h) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78o(h)) or Section 222 of the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-18a):

1. A[n] . . . investment adviser registered or required to be registered under this act shall make and maintain the accounts, correspondence, memoranda, papers, books, and other records as required by rule adopted or order issued under this act;

* * *

D. The records of . . . an investment adviser registered or required to be registered under this act are subject to such reasonable periodic, special, or other audits or inspections by a representative of the Administrator, within or without this state, as the Administrator considers necessary or appropriate in the public interest and for the protection of investors. An audit or inspection may be made at any time and without prior notice. The Administrator may copy, and remove for audit or inspection copies of, all records the Administrator reasonably considers necessary or appropriate to conduct the audit or inspection. The Administrator may assess a reasonable charge for conducting an audit or inspection under this subsection.

3. Section 1-411 of the Act states 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[n] . . . 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 . . . investment adviser[.]

C. If the Administrator finds that the order is in the public interest and paragraphs 1 through 6, 8, 9, 10, 12 or 13 of subsection D of this section authorizes the action, an order under this act may censure, impose a bar, impose a civil penalty in an amount not to exceed a maximum of Five Thousand Dollars (\$5,000.00) for a single violation or Two Hundred Fifty Thousand Dollars (\$250,000.00) for multiple violations on a registrant, and/or recover the costs of the investigation from a registrant and if the registrant is a[n] . . . investment adviser, from any partner, officer, or director, any person having a similar function or any person directly or indirectly controlling the . . . 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;

* * *

8. Refuses to allow or otherwise impedes the Administrator from conducting an audit or inspection under subsection D of Section 27 of this act [Section 1-410 of this title] or refuses access to any registrant's office to conduct an audit or inspection under subsection D of Section 27 of this act [Section 1-410 of this title]; [or]

* * *

13. Has engaged in dishonest or unethical practices in the securities . . . business within the previous ten (10) years[.]

* * *

F. The Administrator may summarily postpone an application or summarily suspend a registration before final determination of an administrative proceeding.

* * *

H. A person who controls, directly or indirectly, a person not in compliance with this section may be disciplined by order of the Administrator under subsections A through C of this section to the same extent as the noncomplying person, unless the controlling person did not know, and in the exercise of reasonable care could not have known, of the existence of conduct that is the basis for discipline under this section.

4. 660:11-7-31 of the Rules states in pertinent part:

(a) Filing requirement. Pursuant to Section 1-410.B of the [Act], all investment advisers registered under Section 1-406 . . . must make post-registration filings with the Department. The Department will not accept incomplete or piecemeal filings. The post-registration filing shall contain the financial or operating report fee set forth in Section 1-612 of the [Act]. Failure to file a complete report when due may result in the suspension or revocation of registration.

5. 660:11-7-41 of the Rules states in pertinent part:

(a) General requirements. Every investment adviser registered or required to be registered under the [Act] shall make and keep true, accurate and current the following books and records:

(1) A journal or journals, including cash receipts and disbursements, records, and any other records of original entry forming the basis of entries in any ledger.

(2) General and auxiliary ledgers (or other comparable records) reflecting asset, liability, reserve, capital, income and expense accounts. In no event shall the general ledger be posted less than once a month.

* * *

(4) All check books, bank statements, canceled checks and cash reconciliations of the investment adviser.

(5) All bills or statements (or copies thereof), paid or unpaid, relating to the business of the investment adviser as such.

(6) All trial balances, financial statements prepared in accordance with generally accepted accounting principles, and internal audit working papers relating to the business of such investment adviser. The trial balance shall be prepared no later than fifteen (15) business days after the end of the accounting period.

* * *

(19) Written procedures to supervise the activities of employees and investment adviser representatives that are reasonably designed to achieve compliance with applicable securities laws and regulations.

* * *

(e) Records retention. Every investment adviser subject to (a) of this Section shall preserve the following records in the manner prescribed:

(1) All books and records required to be made under the provisions of (a) to (c)(1), inclusive, of this Section (except for books and records required to be made under the provisions of (a)(11) and (a)(16) of this Section), shall be maintained and preserved in an easily accessible place for a period of not less than five years from the end of the fiscal year during which the last entry was made on record, the first two years in the principal office of the investment adviser.

* * *

6. 660:11-7-42 of the Rules states in pertinent part:

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

* * *

(10) Failing to disclose to clients in writing before any advice is rendered any material conflict of interest relating to the investment adviser or any of its employees which could reasonably be expected to impair the rendering of unbiased and objective advice including[.]

* * *

(15) Entering into, extending or renewing any investment advisory contract unless such contract is in writing and discloses, in substance, the services to be provided, the term of the contract, the advisory fee, the formula for computing the fee, the amount of prepaid fee to be returned in the event of contract termination or nonperformance, whether the contract grants discretionary power to the investment adviser or investment adviser representative and that no assignment of such contract shall be made by the investment adviser without the consent of the other party to the contract.

7. 660:11-7-43 of the Rules states in pertinent part:

(a) Disclosure delivery requirement. In furtherance of compliance with the standards of ethical practices specified in 660:11-7-42, every investment adviser, registered or required to be registered under the [Act] shall, in accordance with the provisions of this section, furnish each advisory client and prospective advisory client with a written disclosure statement which may be a copy of Part II of its Form ADV including Schedule F, if applicable, or written documents containing at least the information then so required by Part II of the Form ADV including Schedule F, if applicable; provided however, delivery of the required statement need not be made in connection with entering into an investment company contract or a contract for impersonal advisory services.

(b) Time of delivery. An investment adviser shall deliver the statement required by (a) of this section to an advisory client or prospective advisory client[:]

(1) not less than 48 hours prior to entering into any written or oral investment advisory contract with such client or prospective client, or

(2) at the time of entering into any such contract, if the advisory client has a right to terminate the contract without penalty within five business days after entering into the contract.

Conclusions of Law

1. Vernon, at all times material hereto, controlled the Group and may be disciplined to the same extent as the Group in accordance with § 1-411.H of the Act.
2. Respondents have failed to promptly file a complete and correcting amendment to the Respondents' applications in violation of § 1-406.B of the Act.

3. Respondents have impeded the Examinations Division timely access to certain books and records thereby impeding a representative of the Administrator from conducting an audit or inspection in accordance with § 1-410 of the Act.

4. The Group has failed to make, keep current, preserve, and produce copies to the Department the required accounts, correspondence, memoranda, papers, books and other records in violation of § 1-410 of the Act and 660:11-7-31 and 660:11-7-41 of the Rules.

5. Respondents have engaged in unethical practices in the securities business within the previous ten (10) years, in violation of 660:11-7-42 of the Rules, by failing to promptly file a complete and correcting amendment to Respondents' Form ADV and Uniform Application for Securities Industry Registration or Transfer form, by failing to disclose conflicts of interests and material terms in their advisory contracts, and by failing to disclose to each advisory or prospective advisory client a written disclosure statement in accordance with, and in violation of, 660:11-7-43 of the Rules.

6. The Administrator is authorized, pursuant to § 1-411 of the Act, to revoke and summarily suspend the registrations of Respondents and impose a civil penalty upon each Respondent.

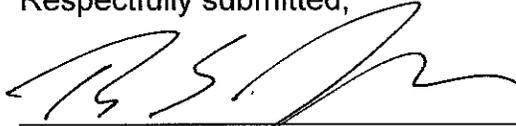
7. It is in the public interest for the Administrator to issue an order revoking and summarily suspending the registrations of Respondents and imposing a civil penalty upon each Respondent in accordance with § 1-411.B and C of the Act.

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

WHEREFORE, it is recommended that the Administrator issue an order revoking and summarily suspending the Group's and Vernon's registration as an investment adviser and investment adviser representative, respectively, imposing a civil penalty in the amount of Twelve Thousand Five Hundred Dollars (\$12,500) due upon re-application of each Respondent and/or imposing such other sanctions as deemed appropriate and authorized by law.

Dated this 26th day of January, 2012.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'R. Fagnant', written over a horizontal line.

Robert Fagnant
Enforcement Division Attorney
Oklahoma Department of Securities
120 North Robinson, Suite 860
Oklahoma City, OK 73102
Telephone: (405) 280-7700
Facsimile: (405) 280-7742

IRVING L. FAUGHT
ADMINISTRATOR



MARY FALLIN
GOVERNOR

STATE OF OKLAHOMA
DEPARTMENT OF SECURITIES

December 5, 2011

Mr. David Vernon
The Vernon Group, LLC
33 Ridgeview Road
Ardmore, OK 73401

Re: Investment Adviser Examination

Dear Mr. David Vernon:

The Oklahoma Department of Securities (Department) conducted a routine examination of The Vernon Group, LLC, (Firm) on October 31, 2011. The examination was conducted under the authority of Section 203(d) of the Oklahoma Securities Act (Act).

Registration

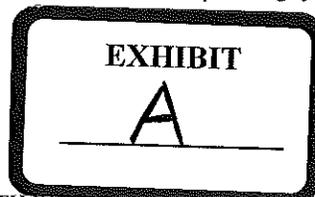
It appears the Firm's Form ADV, Part I and Mr. Vernon's Form U-4 have not been filed since 2005. In addition, Form ADV, Part 2 was not available to view on line. Following the Department's examination, the Firm was advised to file an updated Form ADV, Parts I and 2 and Form U-4 by November 9, 2011. To date, it appears the only information that has been updated on IARD is the Firm's contact information on Form ADV Part 1.

In addition to being outdated, it appears that the following material information has not been adequately disclosed on either the Form ADV or the Form U-4:

- Description of compensation arrangements by way of fees and expense reimbursement
- Mr. Vernon's home serves as an alternate location of books and records
- Identity of the firm's Chief Compliance Officer
- Current status of liens and judgments

It also appears that the Firm could not provide evidence of initial delivery of the Form ADV, Part 2.

The Instructions for Part 2A of Form ADV: Preparing your Firm Brochure, provides in pertinent part:



(4.) When must we update our brochure? You must update your brochure: (1) each year at the time you file your annual updating amendment; and (ii) promptly whenever any information in the brochure becomes materially inaccurate.

The Instructions for Form U-4 provide, in pertinent part:

An individual is under a continuing obligation to amend and update information required by Form U-4 as changes occur.

Rule 660:11-7-31(c) states, post-registration filings become due on the last day of the fiscal year to which they apply; however a grace period is provided before a filing becomes delinquent. The filing must be made by the last day of the fourth month following the close of the registrant's fiscal year.

Rule 660:11-7-43(a) states, in furtherance of compliance with the standards of ethical practices specified in 660:11-7-42, every investment adviser, registered or required to be registered under the Securities Act shall, in accordance with the provisions of this section, furnish each advisory client and prospective advisory client with a written disclosure statement which may be a copy of Part II of its Form ADV including Schedule F, if applicable, or written documents containing at least the information then so required by Part II of the Form ADV including Schedule F if applicable; provided however, delivery of the required statement need not be made in connection with entering into an investment company contract or a contract for impersonal advisory services.

Books and Records

The Firm has failed to produce copies of the following books and records for the years 2010 and 2011:

- Monthly financial statements, bank statements, and other supporting documentation
- Incoming and outgoing correspondence, including letters, faxes, and emails
- Documentation related to any deals in progress or completed
- Paid and unpaid bills
- Personal brokerage account statements
- Details of any political campaigns for which Mr. Vernon received a fee
- Written policies and procedures manual

Rule 660:11-7-41(a) states in pertinent part, every investment adviser registered or required to be registered under the Securities Act shall make and keep true, accurate and current the following books and records:

- (1) A journal or journals, including cash receipts and disbursements, records, and any other records of original entry forming the basis of entries in any ledger.

- (2) General and auxiliary ledgers (or other comparable records) reflecting asset, liability, reserve, capital, income and expense accounts. In no event shall the general ledger be posted less than once a month.

- (4) All check books, bank statements, canceled checks and cash reconciliations of the investment adviser
- (5) All bills or statements (or copies thereof), paid or unpaid, relating to the business of the investment adviser as such.
- (6) All trial balances, financial statements prepared in accordance with generally accepted accounting principles, and internal audit working papers relating to the business of such investment adviser. The trial balance shall be prepared no later than fifteen (15) business days after the end of the accounting period.

- (19) Written procedures to supervise the activities of employees and investment adviser representatives that are reasonably designed to achieve compliance with applicable securities laws and regulations.

Rule 660:11-7-41(g)(1) states, in pertinent part, the records to be maintained and preserved may be immediately produced or reproduced, and maintained and preserved for the required time, by an investment adviser on:

- (A) paper or hard copy form, as those records are kept in their original form

- (C) electronic storage media, including any digital storage medium or system that meets the terms of this section

Rule 660:11-7-41(e)(1) states, every investment adviser subject to (a) of this Section shall preserve all books and records required to be made under the provisions of (a) to (c)(1), inclusive, of this Section (except for books and records required to be made under the provisions of (a)(11) and (a)(16) of this Section), shall be maintained and preserved in an easily accessible place for a period of not less than five years from the end of the fiscal year during which the last entry was made on record, the first two years in the principal office of the investment adviser.

Electronic Data

It appears the Firm has failed to establish procedures to preserve and protect electronic data. It appears that the Firm had not backed up any files on an old computer that crashed about a year ago. As a result, computer back-ups are now done every evening to an external drive, but the back-up files are not stored off-site. Mr. Vernon also stated that he has never changed his password and it does not appear he logs out when he steps away from the computer.

Rule 660:11-7-41(g)(3) states, In the case of records created or maintained on electronic storage media, the investment adviser must establish and maintain procedures:

- (A) to maintain and preserve the records, so as to reasonably safeguard them from loss, alteration, or destruction;
- (B) to limit access to the records to properly authorized personnel and the Administrator and his representatives; and
- (C) to reasonably ensure that any reproduction of a non-electronic original record on electronic storage media is complete, true, and legible when retrieved

Conflict of Interest

Mr. Vernon indicated he receives fees, through the Firm, for organizing local political campaigns for friends and acquaintances. The Department recommends that this activity should be kept separate from the investment advisory business, and disclosed as an outside business activity.

Rule 660:11-7-42(b)(10)(A) states, an investment adviser or investment adviser representative shall not engage in dishonest or unethical practices including, although not limited to, failing to disclose to clients in writing before any advice is rendered any material conflict of interest relating to the investment adviser or any of its employees which could reasonably be expected to impair the rendering of unbiased and objective advice including compensation arrangements connected with advisory services to clients which are in addition to compensation from such clients for such services.

Advisory Contract

A review of the Firm's advisory contract fails to include adequate disclosures related to:

- Name of the municipality who has engaged the Firm's services
- Whether the advisor has discretionary authority
- Whether fees are collected in advance or in arrears
- Fees may be negotiated

- Policy for refunding fees collected in advance
- Types of expenses incurred which may be passed onto the client
- Client's right to received ADV 2 at least 48 hours in advance of entering into the contract or the client's right to terminate services within 5 business days without penalty

In addition, the contract refers to the Firm as a fiscal and / or statistical adviser, rather than an investment adviser. It also appears that the Firm does not differentiate between those contracts that include lease purchases from those that do not by including either a check-off box or a separate attachment for the client to initial and/or sign and date and clearly discloses the fees associated with this service

Rule 660:11-7-42(b)(15) states, an investment adviser or investment adviser representative shall not engage in dishonest or unethical practices including, although not limited to entering into, extending or renewing any investment advisory contract unless such contract is in writing and discloses, in substance, the services to be provided, the term of the contract, the advisory fee, the formula for computing the fee, the amount of the prepaid fee to be returned in the event of contract termination or nonperformance, whether the contract grants discretionary power to the investment adviser or investment adviser representative and that no assignment of such contract shall be made by the investment adviser without the consent of the other party to the contract.

Rule 660:11-7-43(b) states, an investment adviser shall deliver the statement required by (a) of this section to an advisory client or prospective client

- (1) not less than 48 hours prior to entering into any written or oral investment advisory contract with such client or prospective client, or
- (3) at the time of entering into any such contract, if the advisory client has a right to terminate the contract without penalty within five business days after entering into the contract.

MSRB Registration

It appears the Firm failed to register with the MSRB by December 31, 2010. MSRB Notice 2010-55 states, "Municipal advisors that have engaged in municipal advisory activities on or after October 1, 2010 must register with the MSRB by no later than December 31, 2010. In addition, any municipal advisor that engages in municipal advisory activities after December 31, 2010 without having first registered with the MSRB will be in violation of MSRB rules."

Advertising

A review of Mr. Vernon's business cards does not appear to properly identify the Firm as the Registered Investment Adviser and Mr. Vernon as the Registered Investment

Adviser Representative. In addition, they include a phone number that is no longer in service and an invalid address.

Please note that the Act authorizes the Administrator of the Department to suspend or revoke the registration of any investment adviser who has willfully violated or willfully failed to comply with any provision of the Act or any rule under the Act. You are requested to acknowledge receipt of this letter no later than December 19, 2011, by outlining in writing the steps taken to address these areas of concern. This letter is an informal action by the Department; however, a copy of this letter will remain a permanent record with this office.

Please be advised that an unannounced follow-up examination may be appropriate to ensure compliance with the Act. If you have any questions, you may contact Jennifer Draheim at (405) 280-7700.

Sincerely,

A handwritten signature in cursive script that reads "Carol A. Gruis".

Carol A. Gruis
Director of Examinations

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



In the Matter of:

The Vernon Group, LLC (CRD 129496), and
Ronald David Vernon (CRD 4729523),

Respondents.

ODS File No. 12-021

NOTICE OF OPPORTUNITY FOR HEARING

Pursuant to Section 1-602 of the Oklahoma Uniform Securities Act of 2004 ("Act"), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (2011), the Enforcement Division of the Department conducted an investigation to determine whether Respondents have violated, are violating, or are about to violate the Act.

On the 26th day of January, 2012, the *Enforcement Division Recommendation to Revoke Registrations* ("Recommendation"), a copy of which is attached hereto and incorporated herein by reference, was left in the office of the Administrator.

Pursuant to Section 1-411 of the Act and 660:2-9-1 of the Rules of the Oklahoma Securities Commission and the Administrator of the Oklahoma Department of Securities ("Rules"), Okla. Admin. Code, 660:1-1-1 through 660:25-7-1, 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.

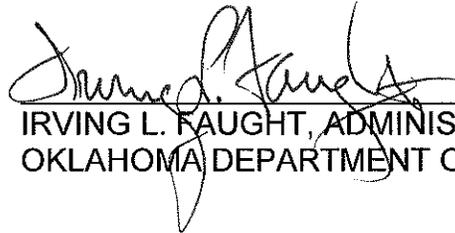
The answer must be in writing and received by the Administrator within fifteen (15) days after service of this notice. As required by 660:2-9-2 of the Rules, the answer shall indicate whether Respondent requests a hearing and shall specifically admit or deny each allegation contained in the Recommendation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

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 revoking the Group's and Vernon's registration as an investment adviser and investment adviser representative, respectively, imposing a civil penalty in the amount of Twelve Thousand Five Hundred Dollars (\$12,500) due upon re-application of each Respondent and imposing such other sanctions deemed appropriate and authorized by law.

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. 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.

Witness my Hand and the Official Seal of the Oklahoma Department of Securities this 26th day of January, 2012.

(SEAL)



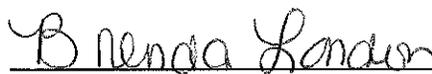
IRVING L. FAUGHT, ADMINISTRATOR OF THE
OKLAHOMA DEPARTMENT OF SECURITIES

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 26th day of January, 2012, a true and correct copy of the above and foregoing *Enforcement Division Recommendation to Revoke Registrations* and *Notice of Opportunity for Hearing* was mailed by certified mail, return receipt requested, delivery restricted, with postage prepaid thereon, addressed to:

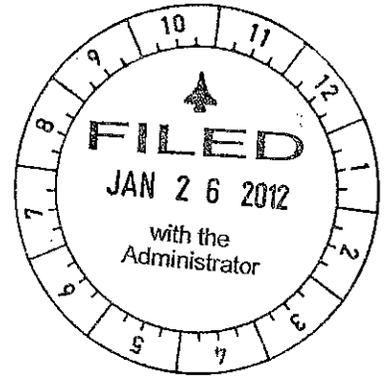
The Vernon Group, LLC
201 A Street North East
Ardmore, OK 73401

Ronald David Vernon
33 Ridgeview Road
Ardmore, OK 73402-1925



Brenda London
Paralegal

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



In the Matter of:

The Vernon Group, LLC (CRD 129496), and
Ronald David Vernon (CRD 4729523),

Respondents.

ODS File No. 12-021

ENFORCEMENT DIVISION RECOMMENDATION TO REVOKE REGISTRATIONS

Pursuant to Section 1-602 of the Oklahoma Uniform Securities Act of 2004 ("Act"), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (2011), the Enforcement Division of the Oklahoma Department of Securities ("Department") conducted an investigation to determine whether The Vernon Group, LLC, (the "Group") and Ronald David Vernon ("Vernon") (collectively, the "Respondents") have violated, are violating, or are about to violate the Act.

The Enforcement Division submits the following Findings of Fact, Authorities, and Conclusions of Law to the Administrator of the Oklahoma Department of Securities ("Administrator") in support of sanctions against the Respondents.

Findings of Fact

1. Since November 2002, and at all times material hereto, the Group has claimed Vernon as its 75% or more owner and the Group's only control person in the Financial Industry Regulatory Authority's ("FINRA") Central Registration Depository ("CRD").
2. In September 2005, the Group renewed its registration under the Act as an investment adviser under FINRA's CRD number 129496. The Group has remained registered as such. At all times material hereto, the Group's principal office and place of business has been located at 33 Ridgeview Road, Ardmore, Oklahoma ("Office").
3. In September 2005, Vernon renewed his registration under the Act as an investment adviser representative for the Group under FINRA's CRD number 4729523. Vernon has remained registered as such.
4. On September 8, 2011, a representative of the Examinations Division of the Department ("Examinations") attempted to contact the Respondents by telephone in order to schedule a periodic examination in accordance with § 1-410.D of the Act.

4. On September 8, 2011, a representative of the Examinations Division of the Department ("Examinations") attempted to contact the Respondents by telephone in order to schedule a periodic examination in accordance with § 1-410.D of the Act. However, the contact number provided to the Investment Adviser Registration Depository ("IARD") by the Respondents, (580) 223-7678, was inoperative. A search of prior filings revealed an operable number, (580) 277-7678. Examinations called the prior filed number but was unable to establish direct contact. Examinations instead left a voice message requesting that Respondents contact the Department. The Department did not receive a call as a result of the September 8th telephone message.

5. On September 9, 2011, Examinations mailed a certified letter to the residential address Vernon filed with the CRD: Route 6 Lake Ardmore, Ardmore, Oklahoma. The letter was returned to the Department, marked "not deliverable as addressed" and "unable to forward," on September 13, 2011.

6. On September 13, 2011, Examinations attempted to email Respondents the September 9th letter. The email was sent to the address Respondents provided to the IARD and was immediately returned as undeliverable.

7. In order to establish communications and conduct an examination of the Respondents, Examinations and a representative of the Enforcement Division of the Department traveled to Ardmore on September 16, 2011. A visit to the Office's address revealed a residential home located in a private neighborhood. No answer was received after multiple knocks on the Office's front door. Upon inquiry with the neighborhood office, the Department learned what the office believed was Vernon's current business: Vernon's Plumbing Heating & AC, in Ardmore, Oklahoma. After a brief inquiry, the Department determined that Vernon was neither an owner nor affiliated with this business. The employees present at the time of the visit informed the Department of "Health by Nature," a different business in Ardmore they believed belonged to Vernon.

8. Upon the Department's arrival to the referred business, "Health by Nature," located at 201 A Street North East, Ardmore, Oklahoma, the business was discovered closed for the day. Displayed on the business' storefront was a phone number, (580) 277-7678, matching the number Examinations had previously used to leave the September 8th message. A second call and message were made at approximately 9:45 a.m. informing Vernon of the Department's intent to remain in Ardmore for at least an additional hour awaiting his response. No response was received within that time frame.

9. At approximately 3 p.m. on September 16th, the Department received a phone call from Vernon. Vernon informed the Department he had been recovering from a heat stroke suffered sometime during the summer. Vernon agreed to contact Examinations on Monday, September 19th, in order to set up an examination and discuss the materially inaccurate contact information contained in the Respondents' filings.

10. On September 19, 2011, Examinations contacted Vernon via telephone. The Respondents were advised of their obligations under the Act and the Rules of the Oklahoma Securities Commission and the Administrator of the Oklahoma Department of Securities ("Rules"), Okla. Admin. Code, 660:1-1-1 through 660:25-7-1. The Respondents and the Department agreed to a September 30th deadline for Respondents to correct and update CRD and IARD and to provide the Department with the Group's last six months of financial statements for examination. The agreed upon corrections or updates to CRD and IARD were not fully completed nor were any financial reports provided to the Department on or before September 30th.

11. On October 20, 2011, the Group filed its Uniform Application for Investment Adviser Registration and Report by Exempt Reporting Advisers Form ("Form ADV"), Part I, with updated physical addresses, email address and telephone number.

12. Examinations conducted an on-site examination of the Respondents, including a review of the Respondents' advisory client contracts, in accordance with § 1-410.D of the Act on October 31, 2011.

13. Examinations completed a Deficiency Letter, dated December 5, 2011, a copy of which is attached hereto as Exhibit "A" and incorporated herein by reference, and mailed it to Respondents via certified letter to the Group's updated "Owner/Member" contact address listed on the IARD.

14. The Deficiency Letter required the Respondents to provide the Department with a written outline of steps taken to address the listed deficiencies by December 19, 2011.

15. Respondents have failed to contact the Department regarding the Deficiency Letter or the written outline. The Deficiency Letter was returned to the Department, marked as "undeliverable", on December 14, 2011.

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 1-406 of the Act states in pertinent part:

B. If the information contained in an application that is filed under subsection A of this section is or becomes inaccurate or incomplete in any material respect, the registrant shall promptly file a correcting amendment.

2. Section 1-410 of the Act states in pertinent part:

B. Subject to Section 15(h) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78o(h)) or Section 222 of the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-18a), . . . an investment adviser registered or required to be registered under this act shall file such financial reports as are required by a rule adopted or order issued under this act. If the information contained in a record filed under this subsection is or becomes inaccurate or incomplete in a material respect, the registrant shall promptly file a correcting amendment.

C. Subject to Section 15(h) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78o(h)) or Section 222 of the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-18a):

1. A[n] . . . investment adviser registered or required to be registered under this act shall make and maintain the accounts, correspondence, memoranda, papers, books, and other records as required by rule adopted or order issued under this act;

* * *

D. The records of . . . an investment adviser registered or required to be registered under this act are subject to such reasonable periodic, special, or other audits or inspections by a representative of the Administrator, within or without this state, as the Administrator considers necessary or appropriate in the public interest and for the protection of investors. An audit or inspection may be made at any time and without prior notice. The Administrator may copy, and remove for audit or inspection copies of, all records the Administrator reasonably considers necessary or appropriate to conduct the audit or inspection. The Administrator may assess a reasonable charge for conducting an audit or inspection under this subsection.

3. Section 1-411 of the Act states 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[n] . . . 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 . . . investment adviser[.]

C. If the Administrator finds that the order is in the public interest and paragraphs 1 through 6, 8, 9, 10, 12 or 13 of subsection D of this section authorizes the action, an order under this act may censure, impose a bar, impose a civil penalty in an amount not to exceed a maximum of Five Thousand Dollars (\$5,000.00) for a single violation or Two Hundred Fifty Thousand Dollars (\$250,000.00) for multiple violations on a registrant, and/or recover the costs of the investigation from a registrant and if the registrant is a[n] . . . investment adviser, from any partner, officer, or director, any person having a similar function or any person directly or indirectly controlling the . . . 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;

* * *

8. Refuses to allow or otherwise impedes the Administrator from conducting an audit or inspection under subsection D of Section 27 of this act [Section 1-410 of this title] or refuses access to any registrant's office to conduct an audit or inspection under subsection D of Section 27 of this act [Section 1-410 of this title]; [or]

* * *

13. Has engaged in dishonest or unethical practices in the securities . . . business within the previous ten (10) years[.]

* * *

F. The Administrator may summarily postpone an application or summarily suspend a registration before final determination of an administrative proceeding.

* * *

H. A person who controls, directly or indirectly, a person not in compliance with this section may be disciplined by order of the Administrator under subsections A through C of this section to the same extent as the noncomplying person, unless the controlling person did not know, and in the exercise of reasonable care could not have known, of the existence of conduct that is the basis for discipline under this section.

4. 660:11-7-31 of the Rules states in pertinent part:

(a) Filing requirement. Pursuant to Section 1-410.B of the [Act], all investment advisers registered under Section 1-406 . . . must make post-registration filings with the Department. The Department will not accept incomplete or piecemeal filings. The post-registration filing shall contain the financial or operating report fee set forth in Section 1-612 of the [Act]. Failure to file a complete report when due may result in the suspension or revocation of registration.

5. 660:11-7-41 of the Rules states in pertinent part:

(a) General requirements. Every investment adviser registered or required to be registered under the [Act] shall make and keep true, accurate and current the following books and records:

(1) A journal or journals, including cash receipts and disbursements, records, and any other records of original entry forming the basis of entries in any ledger.

(2) General and auxiliary ledgers (or other comparable records) reflecting asset, liability, reserve, capital, income and expense accounts. In no event shall the general ledger be posted less than once a month.

* * *

(4) All check books, bank statements, canceled checks and cash reconciliations of the investment adviser.

(5) All bills or statements (or copies thereof), paid or unpaid, relating to the business of the investment adviser as such.

(6) All trial balances, financial statements prepared in accordance with generally accepted accounting principles, and internal audit working papers relating to the business of such investment adviser. The trial balance shall be prepared no later than fifteen (15) business days after the end of the accounting period.

* * *

(19) Written procedures to supervise the activities of employees and investment adviser representatives that are reasonably designed to achieve compliance with applicable securities laws and regulations.

* * *

(e) Records retention. Every investment adviser subject to (a) of this Section shall preserve the following records in the manner prescribed:

(1) All books and records required to be made under the provisions of (a) to (c)(1), inclusive, of this Section (except for books and records required to be made under the provisions of (a)(11) and (a)(16) of this Section), shall be maintained and preserved in an easily accessible place for a period of not less than five years from the end of the fiscal year during which the last entry was made on record, the first two years in the principal office of the investment adviser.

* * *

6. 660:11-7-42 of the Rules states in pertinent part:

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

* * *

(10) Failing to disclose to clients in writing before any advice is rendered any material conflict of interest relating to the investment adviser or any of its employees which could reasonably be expected to impair the rendering of unbiased and objective advice including[.]

* * *

(15) Entering into, extending or renewing any investment advisory contract unless such contract is in writing and discloses, in substance, the services to be provided, the term of the contract, the advisory fee, the formula for computing the fee, the amount of prepaid fee to be returned in the event of contract termination or nonperformance, whether the contract grants discretionary power to the investment adviser or investment adviser representative and that no assignment of such contract shall be made by the investment adviser without the consent of the other party to the contract.

7. 660:11-7-43 of the Rules states in pertinent part:

(a) Disclosure delivery requirement. In furtherance of compliance with the standards of ethical practices specified in 660:11-7-42, every investment adviser, registered or required to be registered under the [Act] shall, in accordance with the provisions of this section, furnish each advisory client and prospective advisory client with a written disclosure statement which may be a copy of Part II of its Form ADV including Schedule F, if applicable, or written documents containing at least the information then so required by Part II of the Form ADV including Schedule F, if applicable; provided however, delivery of the required statement need not be made in connection with entering into an investment company contract or a contract for impersonal advisory services.

(b) Time of delivery. An investment adviser shall deliver the statement required by (a) of this section to an advisory client or prospective advisory client[:]

(1) not less than 48 hours prior to entering into any written or oral investment advisory contract with such client or prospective client, or

(2) at the time of entering into any such contract, if the advisory client has a right to terminate the contract without penalty within five business days after entering into the contract.

Conclusions of Law

1. Vernon, at all times material hereto, controlled the Group and may be disciplined to the same extent as the Group in accordance with § 1-411.H of the Act.
2. Respondents have failed to promptly file a complete and correcting amendment to the Respondents' applications in violation of § 1-406.B of the Act.

3. Respondents have impeded the Examinations Division timely access to certain books and records thereby impeding a representative of the Administrator from conducting an audit or inspection in accordance with § 1-410 of the Act.

4. The Group has failed to make, keep current, preserve, and produce copies to the Department the required accounts, correspondence, memoranda, papers, books and other records in violation of § 1-410 of the Act and 660:11-7-31 and 660:11-7-41 of the Rules.

5. Respondents have engaged in unethical practices in the securities business within the previous ten (10) years, in violation of 660:11-7-42 of the Rules, by failing to promptly file a complete and correcting amendment to Respondents' Form ADV and Uniform Application for Securities Industry Registration or Transfer form, by failing to disclose conflicts of interests and material terms in their advisory contracts, and by failing to disclose to each advisory or prospective advisory client a written disclosure statement in accordance with, and in violation of, 660:11-7-43 of the Rules.

6. The Administrator is authorized, pursuant to § 1-411 of the Act, to revoke and summarily suspend the registrations of Respondents and impose a civil penalty upon each Respondent.

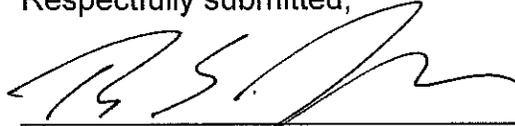
7. It is in the public interest for the Administrator to issue an order revoking and summarily suspending the registrations of Respondents and imposing a civil penalty upon each Respondent in accordance with § 1-411.B and C of the Act.

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

WHEREFORE, it is recommended that the Administrator issue an order revoking and summarily suspending the Group's and Vernon's registration as an investment adviser and investment adviser representative, respectively, imposing a civil penalty in the amount of Twelve Thousand Five Hundred Dollars (\$12,500) due upon re-application of each Respondent and/or imposing such other sanctions as deemed appropriate and authorized by law.

Dated this 26th day of January, 2012.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'R. Fagnant', written over a horizontal line.

Robert Fagnant
Enforcement Division Attorney
Oklahoma Department of Securities
120 North Robinson, Suite 860
Oklahoma City, OK 73102
Telephone: (405) 280-7700
Facsimile: (405) 280-7742

IRVING L. FAUGHT
ADMINISTRATOR



MARY FALLIN
GOVERNOR

STATE OF OKLAHOMA
DEPARTMENT OF SECURITIES

December 5, 2011

Mr. David Vernon
The Vernon Group, LLC
33 Ridgeview Road
Ardmore, OK 73401

Re: Investment Adviser Examination

Dear Mr. David Vernon:

The Oklahoma Department of Securities (Department) conducted a routine examination of The Vernon Group, LLC, (Firm) on October 31, 2011. The examination was conducted under the authority of Section 203(d) of the Oklahoma Securities Act (Act).

Registration

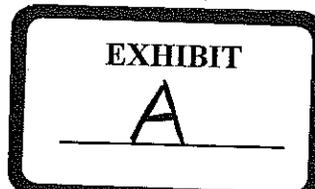
It appears the Firm's Form ADV, Part I and Mr. Vernon's Form U-4 have not been filed since 2005. In addition, Form ADV, Part 2 was not available to view on line. Following the Department's examination, the Firm was advised to file an updated Form ADV, Parts I and 2 and Form U-4 by November 9, 2011. To date, it appears the only information that has been updated on IARD is the Firm's contact information on Form ADV Part 1.

In addition to being outdated, it appears that the following material information has not been adequately disclosed on either the Form ADV or the Form U-4:

- Description of compensation arrangements by way of fees and expense reimbursement
- Mr. Vernon's home serves as an alternate location of books and records
- Identity of the firm's Chief Compliance Officer
- Current status of liens and judgments

It also appears that the Firm could not provide evidence of initial delivery of the Form ADV, Part 2.

The Instructions for Part 2A of Form ADV: Preparing your Firm Brochure, provides in pertinent part:



(4.) When must we update our brochure? You must update your brochure: (1) each year at the time you file your annual updating amendment; and (ii) promptly whenever any information in the brochure becomes materially inaccurate.

The Instructions for Form U-4 provide, in pertinent part:

An individual is under a continuing obligation to amend and update information required by Form U-4 as changes occur.

Rule 660:11-7-31(c) states, post-registration filings become due on the last day of the fiscal year to which they apply; however a grace period is provided before a filing becomes delinquent. The filing must be made by the last day of the fourth month following the close of the registrant's fiscal year.

Rule 660:11-7-43(a) states, in furtherance of compliance with the standards of ethical practices specified in 660:11-7-42, every investment adviser, registered or required to be registered under the Securities Act shall, in accordance with the provisions of this section, furnish each advisory client and prospective advisory client with a written disclosure statement which may be a copy of Part II of its Form ADV including Schedule F, if applicable, or written documents containing at least the information then so required by Part II of the Form ADV including Schedule F if applicable; provided however, delivery of the required statement need not be made in connection with entering into an investment company contract or a contract for impersonal advisory services.

Books and Records

The Firm has failed to produce copies of the following books and records for the years 2010 and 2011:

- Monthly financial statements, bank statements, and other supporting documentation
- Incoming and outgoing correspondence, including letters, faxes, and emails
- Documentation related to any deals in progress or completed
- Paid and unpaid bills
- Personal brokerage account statements
- Details of any political campaigns for which Mr. Vernon received a fee
- Written policies and procedures manual

Rule 660:11-7-41(a) states in pertinent part, every investment adviser registered or required to be registered under the Securities Act shall make and keep true, accurate and current the following books and records:

- (1) A journal or journals, including cash receipts and disbursements, records, and any other records of original entry forming the basis of entries in any ledger.

(2) General and auxiliary ledgers (or other comparable records) reflecting asset, liability, reserve, capital, income and expense accounts. In no event shall the general ledger be posted less than once a month.

(4) All check books, bank statements, canceled checks and cash reconciliations of the investment adviser

(5) All bills or statements (or copies thereof), paid or unpaid, relating to the business of the investment adviser as such.

(6) All trial balances, financial statements prepared in accordance with generally accepted accounting principles, and internal audit working papers relating to the business of such investment adviser. The trial balance shall be prepared no later than fifteen (15) business days after the end of the accounting period.

(19) Written procedures to supervise the activities of employees and investment adviser representatives that are reasonably designed to achieve compliance with applicable securities laws and regulations.

Rule 660:11-7-41(g)(1) states, in pertinent part, the records to be maintained and preserved may be immediately produced or reproduced, and maintained and preserved for the required time, by an investment adviser on:

(A) paper or hard copy form, as those records are kept in their original form

(C) electronic storage media, including any digital storage medium or system that meets the terms of this section

Rule 660:11-7-41(e)(1) states, every investment adviser subject to (a) of this Section shall preserve all books and records required to be made under the provisions of (a) to (c)(1), inclusive, of this Section (except for books and records required to be made under the provisions of (a)(11) and (a)(16) of this Section), shall be maintained and preserved in an easily accessible place for a period of not less than five years from the end of the fiscal year during which the last entry was made on record, the first two years in the principal office of the investment adviser.

Electronic Data

It appears the Firm has failed to establish procedures to preserve and protect electronic data. It appears that the Firm had not backed up any files on an old computer that crashed about a year ago. As a result, computer back-ups are now done every evening to an external drive, but the back-up files are not stored off-site. Mr. Vernon also stated that he has never changed his password and it does not appear he logs out when he steps away from the computer.

Rule 660:11-7-41(g)(3) states, In the case of records created or maintained on electronic storage media, the investment adviser must establish and maintain procedures:

- (A) to maintain and preserve the records, so as to reasonably safeguard them from loss, alteration, or destruction;
- (B) to limit access to the records to properly authorized personnel and the Administrator and his representatives; and
- (C) to reasonably ensure that any reproduction of a non-electronic original record on electronic storage media is complete, true, and legible when retrieved

Conflict of Interest

Mr. Vernon indicated he receives fees, through the Firm, for organizing local political campaigns for friends and acquaintances. The Department recommends that this activity should be kept separate from the investment advisory business, and disclosed as an outside business activity.

Rule 660:11-7-42(b)(10)(A) states, an investment adviser or investment adviser representative shall not engage in dishonest or unethical practices including, although not limited to, failing to disclose to clients in writing before any advice is rendered any material conflict of interest relating to the investment adviser or any of its employees which could reasonably be expected to impair the rendering of unbiased and objective advice including compensation arrangements connected with advisory services to clients which are in addition to compensation from such clients for such services.

Advisory Contract

A review of the Firm's advisory contract fails to include adequate disclosures related to:

- Name of the municipality who has engaged the Firm's services
- Whether the advisor has discretionary authority
- Whether fees are collected in advance or in arrears
- Fees may be negotiated

- Policy for refunding fees collected in advance
- Types of expenses incurred which may be passed onto the client
- Client's right to received ADV 2 at least 48 hours in advance of entering into the contract or the client's right to terminate services within 5 business days without penalty

In addition, the contract refers to the Firm as a fiscal and / or statistical adviser, rather than an investment adviser. It also appears that the Firm does not differentiate between those contracts that include lease purchases from those that do not by including either a check-off box or a separate attachment for the client to initial and/or sign and date and clearly discloses the fees associated with this service

Rule 660:11-7-42(b)(15) states, an investment adviser or investment adviser representative shall not engage in dishonest or unethical practices including, although not limited to entering into, extending or renewing any investment advisory contract unless such contract is in writing and discloses, in substance, the services to be provided, the term of the contract, the advisory fee, the formula for computing the fee, the amount of the prepaid fee to be returned in the event of contract termination or nonperformance, whether the contract grants discretionary power to the investment adviser or investment adviser representative and that no assignment of such contract shall be made by the investment adviser without the consent of the other party to the contract.

Rule 660:11-7-43(b) states, an investment adviser shall deliver the statement required by (a) of this section to an advisory client or prospective client

- (1) not less than 48 hours prior to entering into any written or oral investment advisory contract with such client or prospective client, or
- (3) at the time of entering into any such contract, if the advisory client has a right to terminate the contract without penalty within five business days after entering into the contract.

MSRB Registration

It appears the Firm failed to register with the MSRB by December 31, 2010. MSRB Notice 2010-55 states, "Municipal advisors that have engaged in municipal advisory activities on or after October 1, 2010 must register with the MSRB by no later than December 31, 2010. In addition, any municipal advisor that engages in municipal advisory activities after December 31, 2010 without having first registered with the MSRB will be in violation of MSRB rules."

Advertising

A review of Mr. Vernon's business cards does not appear to properly identify the Firm as the Registered Investment Adviser and Mr. Vernon as the Registered Investment

Adviser Representative. In addition, they include a phone number that is no longer in service and an invalid address.

Please note that the Act authorizes the Administrator of the Department to suspend or revoke the registration of any investment adviser who has willfully violated or willfully failed to comply with any provision of the Act or any rule under the Act. You are requested to acknowledge receipt of this letter no later than December 19, 2011, by outlining in writing the steps taken to address these areas of concern. This letter is an informal action by the Department; however, a copy of this letter will remain a permanent record with this office.

Please be advised that an unannounced follow-up examination may be appropriate to ensure compliance with the Act. If you have any questions, you may contact Jennifer Draheim at (405) 280-7700.

Sincerely,

A handwritten signature in cursive script that reads "Carol A. Gruis".

Carol A. Gruis
Director of Examinations

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



In the Matter of:

The Vernon Group, LLC (CRD 129496), and
Ronald David Vernon (CRD 4729523),

Respondents.

ODS File No. 12-021

SUMMARY ORDER SUSPENDING REGISTRATIONS
AND
NOTICE OF OPPORTUNITY FOR HEARING

The Administrator issues this Summary Order pursuant to Section 1-411 of the Oklahoma Uniform Securities Act of 2004 ("Act"), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (2011), and 660:2-9-1 of the Rules of the Oklahoma Securities Commission and the Administrator of the Oklahoma Department of Securities, Okla. Admin. Code, 660:1-1-1 through 660:25-7-1. The Findings of Fact and Conclusions of Law set forth in the *Enforcement Division Recommendation to Revoke Registrations* are incorporated herein by reference.

IT IS HEREBY ORDERED that the investment adviser registration of The Vernon Group, LLC, and the investment adviser representative registration of Ronald David Vernon are summarily suspended.

NOTICE OF OPPORTUNITY FOR HEARING

Pursuant to § 1-411 of the Act, the Administrator hereby gives notice to Respondents of their right to request a hearing. The request for hearing must be received by the Administrator within thirty (30) days after service of this Order. The request for hearing must be in writing and Respondents shall specifically admit or deny each allegation against Respondents.

Within fifteen (15) days after receipt of a request for hearing from Respondents, this matter will be scheduled for hearing. The hearing shall commence within fifteen (15) days of the matter being set for hearing. Notice of the date, time and location of the hearing shall be given to Respondents. If a hearing is requested, the Administrator, after notice and opportunity for hearing to Respondents, may modify or vacate this Order or extend it until final determination.

If Respondents do not request a hearing within thirty (30) days after the date of service of this Order and none is ordered by the Administrator, the Order becomes final as to Respondents by operation of law.

Witness my Hand and the Official Seal of the Oklahoma Department of Securities this 26th day of January, 2012.

(SEAL)



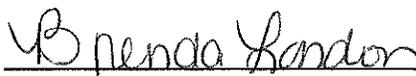
IRVING L. FAUGHT, ADMINISTRATOR OF THE
OKLAHOMA DEPARTMENT OF SECURITIES

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 26th day of January, 2012, a true and correct copy of the above and foregoing *Summary Order Suspending Registrations and Notice of Opportunity for Hearing* was mailed by certified mail, return receipt requested, delivery restricted, with postage prepaid thereon, addressed to:

The Vernon Group, LLC
201 A Street North East
Ardmore, OK 73401

Ronald David Vernon
33 Ridgeview Road
Ardmore, OK 73402-1925



Brenda London
Paralegal