

STATE OF ARKANSAS  
SECURITIES DEPARTMENT

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ARKANSAS SECURITIES DEPT.

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IN THE MATTER OF  
TIMOTHY ALONZA LILLY, DAVID LARRY PUCKETT,  
JOE A. RICHARDS and FIRST FIDELITY FINANCIAL  
GROUP of MAUMELLE, LLC

Case No. S-08-043

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REQUEST FOR CEASE AND DESIST ORDER

The Staff of the Arkansas Securities Department (the Staff) has received information and has in its possession certain evidence which indicates that TIMOTHY ALONZA LILLY, DAVID LARRY PUCKETT, JOE A. RICHARDS, FIRST FIDELITY FINANCIAL GROUP of MAUMELLE, LLC, and others unknown to the Staff connected with those persons and that entity have violated provisions of the Arkansas Securities Act (the Act), codified at Ark. Code Ann. §§ 23-42-101, *et seq.* (Repl. 2000).

ADMINISTRATIVE AUTHORITY

1. This matter is brought in connection with violations of sections of the Arkansas Securities Act, §§ 23-42-101, *et seq.* (Repl. 2000) (Act), and is therefore properly before the Arkansas Securities Commissioner (Commissioner) in accordance with Ark. Code Ann. § 23-42-209 (Repl. 2000).

RESPONDENTS

2. Timothy Alonza Lilly is a licensed insurance agent and a resident of Maumelle, Arkansas.
3. David Larry Puckett is licensed as an insurance agent and a resident of Maumelle, Arkansas. He works with Lilly.

4. Joe A. Richards is a licensed insurance agent and a resident of Greenbrier, Arkansas. He works with Lilly.
5. First Fidelity Financial Group of Maumelle, LLC, (First Fidelity) is an Arkansas limited liability company owned and formed by Lilly on 17 March 2008. Its present address is 650 Edgewood Drive, Suite 100, Maumelle, Arkansas 72113.

### FACTS SUPPORTING CEASE AND DESIST ORDER

6. The Staff has in its possession a copy of a newspaper advertisement of First Fidelity advertising “FDIC-Insured CD’s” (certificates of deposit) a 4.75% annual percentage yield and the reports of several consumers who were considering whether to invest with First Fidelity. Fine print in the ad states that First Fidelity does not sell CDs, but locates banks selling CDs and that “promotional incentive may be included to obtain yield.” A copy of the advertisement that ran in the *Arkansas Democrat Gazette* on 14 May 2008 is attached hereto as Exhibit A. Investigation of First Fidelity’s office shows that many Arkansas residents are responding to this ad, which apparently has been running for several weeks.
7. In order to achieve the yield advertised on a 1 year CD, the respondents must add money to the principal amount. Prospective investors are told that additional money will be added to FDIC insured bank CDs. The respondents give investors wanting to purchase an advertised CD a document entitled “Certificate of Deposit Bonus Disclosure.” One such document executed on 8 May 2008 reflects that the CD being sold is issued by a bank paying an “Annual Percentage Yield of 3.51%.” In the next paragraph of this form it is

revealed that although the investor is writing First Fidelity a check for \$30,000, his “FDIC insured Certificate of Deposit account will be opened for \$30,118.75.” The next sentence states that with the addition of the \$118.75, the investor will realize a 4.75% annual percentage yield on his \$30,000 investment.

8. For investors to receive the quoted yields, First Fidelity would have to create new terms not offered by the FDIC insured bank that actually issues the CD. These CDs are securities issued by First Fidelity and not CDs issued by the FDIC insured bank. The bank only issues a CD paying 3.51%, and that amount of risk is insured by the FDIC. The addition of the extra principal is not insured by the FDIC. There are two risks involved with First Fidelity’s addition of principal that are not insured, to wit:

- a. The possibility that First Fidelity will not make the deposit of additional principal and
- b. The possibility if First Fidelity makes a deposit of additional principal, it will not be in an amount sufficient for the investor to realize an annual yield of 4.75% on his or her investment.

9. The Staff’s investigation of First Fidelity’s office shows that these risks were realized:

- a. Of twenty-three (23) files examined in which investors purchased these CDs, the required deposits were not made in sixteen (16) cases.
- b. Of seven (7) files examined where the deposits of additional principal were made, they were insufficient to generate an annual yield of 4.75% in two (2) cases.

Indeed, the example discussed in ¶ 7, above, is an example of an insufficient deposit of additional principal.

10. These First Fidelity securities delivering 4.75% annual yields are not registered with the Arkansas Securities Department (Department), and no proof of exemption appears in the records of the Department.

### APPLICABLE LAW

11. Ark. Code Ann. § 23-42-102(15)(A)(xi) (Supp. 2007) defines a security as an investment contract.
12. Ark. Code Ann. § 23-42-102(15)(A)(vi) (Supp. 2007) defines a security as an evidence of indebtedness.
13. Ark. Code Ann. § 23-42-501 (Repl. 2000) provides that it is unlawful for any person to offer or sell any security which is not registered or which is not exempt from registration under the terms of the Act.
14. Ark. Code Ann. § 23-42-507(2) (Repl. 2000) provides that it is unlawful for any person in connection with the offer or sale of any security to make any untrue statement or omit to state a material fact necessary in order to make the statements made not misleading in light of the circumstances under which they are made.

### VIOLATIONS OF LAW

15. The facts set out in ¶¶ 2-9 clearly show the offer of a security in the form of an investment contract, as that term is defined in Ark. Code Ann. § 23-42-102(15)(A)(xi) (Supp. 2007), whereby investors were led to expect to make money based on the efforts of the respondents to create a security paying a 4.75% annual percentage yield from a bank issued CD paying less than a 4.75% annual percentage yield.

16. The facts set out in ¶¶ 2-9 also show the offer of security in the form of an evidence of indebtedness, as that term is defined in Ark. Code Ann. § 23-42-102(15)(A)(vi) (Supp. 2007), whereby the investor holds a promise to pay him or her back his investment, plus a return on the investment expressed as an annual percentage yield.
17. The facts set out in ¶¶ 2-9 show the actual sales of unregistered securities in violation of Ark. Code Ann. § 23-42-501 (Repl. 2000).
18. As set out in ¶¶ 6 and 7, the statement in the newspaper advertisement that First Fidelity is offering an FDIC insured CD paying a 4.75% annual yield is a false statement made in connection with the offer or sale of a security because no bank offers a CD paying that high an annual yield on a twelve month certificate. This false statement is a violation of Ark. Code Ann. § 23-42-507(2) (Repl. 2000).
19. As set out in ¶¶ 8 and 9, where the respondents told the investors that they would realize a 4.75% annual yield by First Fidelity's deposit of additional principal but either a) made no deposit of additional principal, or b) made a deposit of additional principal in an amount insufficient to realize an annual yield of 4.75%, the respondents made a false statement made in connection with the offer or sale of a security, a violation of Ark. Code Ann. § 23-42-507(2) (Repl. 2000).

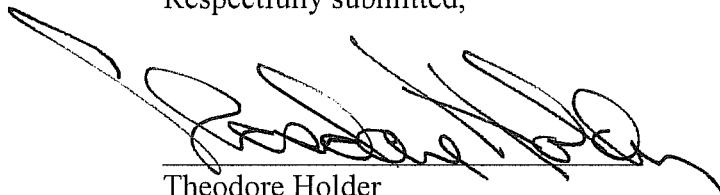
#### LEGAL AUTHORITY TO ISSUE CEASE AND DESIST ORDER

20. Ark. Code Ann. § 23-42-209(a)(1)(A) (Repl. 2000) provides that whenever it appears to the Commissioner that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of the Act, he may summarily order the person to

cease and desist from the act or practice.

WHEREFORE, the Staff respectfully requests that the Commissioner summarily issue a cease and desist order against TIMOTHY ALONZA LILLY, DAVID LARRY PUCKETT, JOE A. RICHARDS, FIRST FIDELITY FINANCIAL GROUP of MAUMELLE, LLC, as well as others whose identities are not yet known who are employed by or otherwise affiliated with TIMOTHY ALOANZA LILLY, DAVID LARRY PUCKETT, JOE A RICHARDS, FIRST FIDELITY FINANCIAL GROUP of MAUMELLE, LLC, directly or through other business entities owned or controlled by any of the respondents, ordering them to cease and desist from any further actions in the state of Arkansas in connection with the offer or sale of the securities described above and any other securities until such time as the securities are properly registered or shown to be exempt from registration pursuant to the Arkansas Securities Act and the persons offering them for sale are properly registered or shown to be exempt from registration pursuant to the Arkansas Securities Act.

Respectfully submitted,

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

Theodore Holder  
ASSISTANT SECURITIES COMMISSIONER

*Attorney for the Staff*  
Arkansas Securities Department

Submitted: 22 May 2008

# UA alters raise plan for classified workers

ARKANSAS DEMOCRAT-GAZETTE

FAYETTEVILLE — The University of Arkansas has changed a preliminary plan to offer its classified employees a combination of cost-of-living and merit raises in the coming fiscal year.

Instead, those employees will get a chance at merit raises only, Fayetteville campus officials announced Tuesday evening.

Last Wednesday, UA announced it had made a major decision in the early stages of crafting the budget for the fiscal year that begins July 1: People would be put ahead of most new programs because of the tight economy.

The original plan called for 2 percent cost-of-living raises for all classified university employees, whose pay scale and job descriptions are regulated by the state, as well as the possibility of merit raises.

The cost-of-living raises would have been a sure thing, but the merit raises would hinge on performance evaluations.

"This plan required a change in state personnel pay plan regulations, however, and that change was not approved by the state's Office of Personnel Management," UA officials said in a news release.

So UA officials now plan to craft a budget that will set aside a funding pool for classified workers' merit raises. The pool will total 3 percent of the current salaries for classified employees.

UA officials plan to craft a budget that will set aside a funding pool for classified workers' merit raises. The pool will total 3 percent of the current salaries for classified employees.

"It's possible someone could get less than 3 percent," said UA spokesman Steve Voorhies, or that a person could get no raise. "But it's also possible someone could get more than 3 percent, depending on how the performance evaluation goes."

UA's plans to set aside a 2 percent merit-raise pool for nonclassified employees haven't changed. Those employees, who have less structured jobs and pay levels, include administrators, faculty members, graduate students and some staff workers.

All together, the university employs about 850 faculty members and about 2,900 other workers, its chief spokesman, Tysen Kendig, said last week.

the chapel of Dial & Dudley Funeral Home, 4212 Hwy. 5 North Bryant, Ark. 72022 (501) 847-9099, with Pastor George Dudley, Brother Oscar Golden and Billy Pearson officiating. Interment will follow at Traskwood Cemetery. Visitation will be held from 6-8 p.m. on Wednesday at the funeral home.

In lieu of flowers donations may be made to the Krysti White and Family Memorial Fund, C/O Metropolitan National Bank. To sign Ethan's online guest book go to [www.dialanddudleyfuneralhome.com](http://www.dialanddudleyfuneralhome.com).

TRASKWOOD — Krysti Mae White, 28, of Traskwood passed away on Sunday, May 11, 2008. Kristina was born July 6, 1979 in Benton, Ark. to parents Gregg Miller and Veronica Miller.



Krysti's greatest joy in life was becoming a mother and cherished time with her children, nieces and nephews. She was currently attending UALR and was a member of Christ Church.

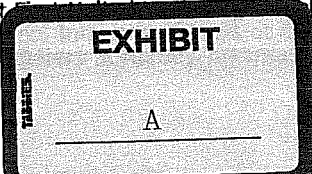
She is preceded in death by her great-grandmother, Gertie Donham; grandparents, Carl and Zella Witham; grandfather, Berterm Eugene Miller Jr.; two aunts, Linda Hill Witham and Shirley Pearson; and a stepdaughter, Sydney Renae White. Krysti passed in death with her two children, Ethan Jakob and Emileigh Jayden White.

Krysti is survived by her loving husband of 10 years, Randy "P-Nut" White; her father Gregg Lee Miller and her mom Sandy; her Mother, Veronica Miller; siblings Jennifer Draper, Kandyis and Brett Morin and Stephen and Melissa Feyen; her uncle Craig Miller and her mother and father in-law, Ricky and Barbara Taylor. She is also survived by three nieces, seven nephews and numerous cousins, aunts, uncles and people who loved her. She will be deeply missed by all who knew her.

A Celebration of Krysti's Life will be at 11:30 a.m. Thursday, May 15 in the chapel of Dial & Dudley Funeral Home, 4212 Hwy. 5 North Bryant, Ark. 72022 (501) 847-9099, with Pastor George Dudley, Brother Oscar Golden and Billy Pearson officiating. Interment will follow at Traskwood Cemetery. Visitation will be held from 6-8 p.m. on Wednesday at the funeral home.

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VANDERVOORT — David Leland "Lee" Hamilton, age 71, of Vandervoort, passed away Sunday, May 11, 2008 in Hot Springs. Services are Thursday, May 15, 2008 at 2 p.m. at the Pharr Funeral Home. To sign the guestbook at [www.pharrfuneralhome.com](http://www.pharrfuneralhome.com).



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