

**OFFICE OF THE MISSISSIPPI SECRETARY OF STATE
SECURITIES DIVISION**

IN THE MATTER OF: FREDERICK M. ABRAHAM CRD #393 Respondent	ADMINISTRATIVE CONSENT ORDER NO. LS-15-1434
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ADMINISTRATIVE CONSENT ORDER

WHEREAS, the Securities Division of the Mississippi Secretary of State (“Division”), having the authority to administer and provide for the enforcement of all provisions of the Mississippi Securities Act (“Act”) codified at Mississippi Code Annotated Sections 75-71-101 *et. seq.*;

WHEREAS, Frederick M. Abraham (“Respondent”) has advised the Division of his agreement to resolve the matter;

WHEREAS, Respondent, solely for the purpose of concluding this open matter with the Division and without admitting or denying the Findings of Fact and Conclusions of Law set forth herein, agrees to take certain actions described herein and consents to the terms and conditions of this Administrative Consent Order (“Order”); and

WHEREAS, Respondent elects to permanently waive any right to a hearing and appeal under the Act in Sections 75-71-604 and 75-71-609 with respect to this Order;

NOW, THEREFORE, the Division, as Administrator of the Act, hereby enters this Order:

I. FINDINGS OF FACT

1. The Act gives authority to the Secretary of State to administer and enforce the Act and regulate the offer and sale of securities in Mississippi including the firms and persons who offer or sell securities or who provide investment advice regarding securities.

2. Frederick M. Abraham ("Respondent") is an individual with last known residence in Vicksburg, Mississippi. The Central Registrations Depository ("CRD") number for Abraham is 393. Respondent is not currently registered with the Division and is not employed by any broker-dealer firm or investment adviser firm.
3. From August 2005 to October 2015, Abraham was employed at CFD Investments, Inc. ("CFD" or the "Firm") as a broker-dealer agent operating out of a branch office in Vicksburg Mississippi.
4. Prior to his employment with CFD Respondent sold a variable annuity to a Customer K (the "Annuity").
5. According to her account opening documentation dated 1/26/2007 at CFD, Customer K was 62 years old, her net worth was less than \$500,000 and her investment objectives were balanced/conservative growth- focus is on generating current income and/or long term growth- Conservative. Based on documentation that Customer K provided to the Division, the value of the Annuity constituted 61% of her personal retirement assets and 32% of the combined retirement assets with her husband, excluding life insurance policies.
6. On January 22, 2007, Respondent while employed by CFD recommended to Customer K that she liquidate the Annuity and invest the proceeds in a church bond issued by a church in Washington, DC that the Firm was selling to its clients. Based on that recommendation Customer K executed documents which liquidated her Annuity. Respondent then used the proceeds (\$35,349.48) from the Annuity to purchase a church bond for Customer K through the Firm's trading desk-- Metropolitan Baptist Church Series 04 coupon 8.7% due 12/15/2011 (the "Church Bond" or the "Bond").
7. Customer K denies that she was ever provided a prospectus for the Bond. The church bonds were extremely risky as according to the prospectus they were subordinate to other bonds and not secured by church property.

8. Customer K received monthly account statements from CFD from 2007 to 2011 reflecting an increase in the value of the Church Bond until shortly before its maturity date (December 15, 2011) when the value of the Church Bond began to decline. The Church Bond was her only account and the only asset on the statements.
9. Upon noticing the decline in value, Customer K called Respondent about her concerns and he told her that he could no longer discuss this Bond investment with her because of a lapse in a license that allowed him to sell bond investments and other types of securities. He then told her that David Nielsen (“Nielsen”) would be her new investment adviser and point of contact.
10. After the call Customer K met with Respondent and Nielsen at Respondent’s Office. They assured her that it was normal for bonds to slightly decrease in value just before maturity.
11. On December 14, 2011, the day before maturity date of the Bond, Customer K contacted Respondent regarding the status of the Church Bond and Respondent told her to contact Nielsen who informed her that the church had defaulted on the Church Bond due to the bad economy.
12. FK’s December 31, 2011 statement from CFD reflected a zero balance as a result of the default on the Church Bond.
13. On or about August 13, 2015, the Division received a complaint from FK and subsequently began an investigation into Respondent’s activities related to his representations and sale of the Bond to Customer K.
14. On September 3, 2015, the Division mailed a request to the Firm for all documents regarding FK’s account, the sale of the Church Bond, and Respondent. Shortly afterward the Firm notified the Division that the Firm had terminated Respondent’s employment On October 16, 2015.
15. The Division investigators met with Respondent at the Division on December 18, 2015. During this meeting Respondent stated that he had not previously sold church bonds, nor did he personally

research the Church Bond prior to the sale of it to FK. Respondent further stated that he was not greatly concerned about risk because he had never experienced a default on a bond before.

16. On January 12, 2016, FK signed a General Release and Settlement Agreement which provided a settlement amount of \$25,000 for her claims filed in a civil action in Warren County, Mississippi against Respondent and other parties.

Applicable Law

17. The Act provides that a person may be disciplined if the person has engaged in dishonest or unethical practices in the securities, commodities, investment, franchise, banking, finance, or insurance business within the previous ten (10) years. Miss. Code Ann. § 75-71-412(d)(13).

18. The Mississippi Securities Act Rules (the "Rules") further describe these practices referred to above that apply to broker-dealers and agents which may constitute grounds for denial, suspension, or revocation of registration, imposition of fines, or such other action authorized by statute. With respect to agents, these acts and practices include recommending to a customer the purchase, sale, or exchange of any security without reasonable grounds to believe that such transaction or recommendation is suitable for the customer based upon reasonable inquiry concerning the customer's investment objectives, financial situation, and needs, and any other relevant information known by the agent. Rules 5.21(A)(3), 5.21(B)(6).

19. The Division may employ remedies set out in Miss. Code Ann. § 75-71-604 of the Act, which include, among other remedies the issuance of a cease and desist order, restitution or imposition of a civil penalty for violations of the Act.

Action Necessary to Protect the Public

20. Action by the Division to halt further conduct by Respondent in violation of the Act is necessary and appropriate in the public interest and for the protection of investors, and is consistent with the purposes fairly intended by the policy and provisions of the Act.

21. Based upon the foregoing Findings of Fact, and consistent with the consent of the Respondent, the Division makes the following:

II. CONCLUSIONS OF LAW

1. The Administrator has jurisdiction over Respondent as he was a registered broker-dealer agent in Mississippi during the time of the conduct.
2. Respondent recommended an unsuitable purchase of a security in violation of Rules 5.21(A)(3), and 5.21(B)(6).

III. ORDER

IT IS HEREBY ORDERED:

1. This Order concludes the open matter with the Division with respect to Respondent's conduct. However, nothing herein limits the ability of the Division, individually or jointly with other agencies, in pursuing any investigation with respect to any other securities-related matter involving the Respondent.
2. This Order is entered into solely for the purpose of resolving the previously referenced allegations and is not intended to be used for any other purpose.
3. Respondent shall fully and fairly comply with all of the following requirements:
 - a. Respondent shall permanently refrain from registration in Mississippi with the Division;
and
 - b. Respondent shall not take any action, or make or permit to be made any public statement, denying, directly or indirectly, any finding in this Order or creating the impression that this Order is without factual basis. Nothing in this paragraph affects Respondent's (a) testimonial

obligations; or (b) right to take legal or factual positions in defense of litigation or other legal proceedings to which the Administrator is not a party.

4. Any failure by Respondent to follow the terms of this Order shall be considered a violation of this Order, authorizing the Administrator to either enforce this Order pursuant to its statutes or the Administrator may vacate this Order in his sole discretion upon fifteen (15) days' notice to Respondent and without opportunity for administrative hearing and refer this matter for enforcement as provided in Section 75-71-604(g) of the Act. In addition, the Division may impose additional sanctions and seek other appropriate relief for violation of this Order.

5. This Order contains, constitutes, and embodies the entire agreement between the undersigned, there being no agreement of any kind, verbal or otherwise, which varies, alters, or adds to this Order.

Dated this the 19 day of May 2016.

C. DELBERT HOSEMANN, JR.
Secretary of State
State of Mississippi

By: Chesyn Metz

CONSENT TO ENTRY OF FINAL ORDER

Frederick Abraham hereby acknowledges that he has been served with a copy of this Administrative Consent Order ("Order"), has read this Order, is aware of his right to a hearing and appeal in this matter, and has waived the same.

Frederick Abraham admits the jurisdiction of the Division, neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order, and consents to entry of this Order by the Division solely for purposes of settlement.

Frederick Abraham states that no promise of any kind or nature whatsoever was made to him to induce him to enter into this Order and that he has entered into this Order voluntarily.

Date: 5/11/16

Frederick Abraham
Frederick Abraham

STATE OF MS

COUNTY OF Warren

SUBSCRIBED AND SWORN TO before me this 11th day of May 2016.

Kathy Ann Bass
Notary Public

My commission expires: March 24, 2020

