

ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND

IN THE MATTER OF:

DAVID C. CONNELLY,

RESPONDENT.

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Securities Division No. 2015-0120

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CONSENT ORDER

WHEREAS, the Maryland Securities Commissioner (“Commissioner”), pursuant to the authority granted in §11-701 of the Maryland Securities Act, Title 11, Corporations and Associations Article, Annotated Code of Maryland (2015 Repl. Vol.) (“Securities Act” or “Act”), initiated an investigation into the activities of Matthew A. Krimm, Krimm Financial Services, LLC, Adam Duso, Kairos Capital, LLC, MBA Mortgage Services, Inc., and David C. Connelly;¹ and

WHEREAS, on the basis of that investigation the Commissioner found grounds to allege that David Connelly had engaged in acts or practices constituting violations of the securities registration provisions and the antifraud provisions set forth at §§11-501 and 11-301 of the Act; and

WHEREAS, pursuant to §11-701.1(a) of the Securities Act, the Commissioner issued a Summary Order To Cease And Desist And Order To Show Cause ordering Connelly to show why he should not be found in violation of the Act, to show why a fine of up to \$5,000 per violation should not be imposed upon him, and to show why he should not permanently be barred from engaging in the securities business in Maryland; and

¹ Adam Duso and Kairos Capital, Respondents in the Securities Commissioner’s Summary Order To Cease And Desist, entered into a Consent Order with the Commissioner and no longer are parties in this proceeding. Respondents Matthew Krimm, Krimm Financial, and MBA Mortgage Services, Inc., requested a hearing. While the matter was pending at the Maryland Office of Administrative Hearings, those Respondents entered into a Consent Order and no longer are parties in this proceeding. This Order names only, and applies only to, David Connelly.

WHEREAS, the Commissioner and Connelly have reached an agreement in this action whereby Connelly, without admitting or denying the Securities Commissioner's findings of fact or conclusions of law, except consenting to the jurisdiction of the Commissioner in this matter and over him, to the Statement of Facts herein, and to the terms of this Order; and

WHEREAS, in settlement of any proceeding that could be brought based upon Connelly's violation of the Act, the Commissioner has determined that it is in the public interest to issue this Consent Order; and

WHEREAS, Connelly has agreed to the provisions set forth below;

THEREFORE, before the holding of a hearing in this matter, without trial or final adjudication of any issue of fact or law, and upon consent of the parties hereto, IT IS HEREBY AGREED AND THE COMMISSIONER ORDERS:

I. JURISDICTION

1. The Commissioner has jurisdiction in this proceeding and over David Connelly pursuant to §11-701.1 of the Securities Act.
2. Connelly permanently waives the right to a hearing and appeal under the Act and the rules and regulations promulgated thereunder with respect to this Consent Order and the underlying Summary Order.
3. If judicial intervention in this matter is sought by any party, Connelly consents to the jurisdiction of the Circuit Court for Baltimore City over any such proceeding and as to himself.

II. PARTIES

4. Melanie Senter Lubin is the Securities Commissioner for the State of Maryland.
5. David C. Connelly ("Connelly") resides in Frederick, Maryland, and at all relevant times was a loan officer for MBA Mortgage Services.

III. STATEMENT OF FACTS

6. In the Fall of 2012, a resident of Hagerstown, Maryland, discussed with David Connelly, his

mortgage loan officer at MBA Mortgage, the possibility of acquiring more financing. Connelly suggested he look into a “note” issued by Krimm that offered an above-market rate of return.

7. Connelly relayed to the resident both written wiring instructions to send Krimm money for a note, and an undated note stating, “Got you a better deal! 15K - you get back \$17,500.”

8. The investor decided to wire his investment monies to Krimm. On or about October 4, 2012, Connelly accompanied the investor to his credit union to wire the funds from the credit union account to a bank account in the name of “Matthew Allen Krimm” of Krimm Financial.

9. In October of 2012, the investor received a “Secured Promissory Note” signed by Krimm on September 27, 2012. The note promised to pay “[t]he sum of \$15,000 with interest from September 6th, 2012, on the unpaid principal at the fixed rate of \$1,500 (\$17,500 total)” on or before October 18, 2012.

10. The promissory note claimed that the note was secured by two vehicles. No information was provided, however, showing that any legally valid securitization had been effected in favor of the investor with respect to those vehicles.

11. Before the end of 2012, Connelly wrote to the investor on Krimm’s behalf, enclosing a \$2,500 check “for interest on the loan.” He stated that Krimm planned to have another \$1,500 paid back by January 2013.

12. In 2013, Connelly suggested that the investor invest additional monies with Krimm and Krimm Financial, and that he roll over the \$15,000 in principal due from the September 2012 note into another note for \$45,000. The investor withdrew \$30,000 from an annuity to use to acquire the new note.

13. In deciding to invest his annuity proceeds, the investor relied upon assurances that Krimm and Krimm Financial would pay transaction expenses, which included taxes and surrender charges arising from the annuity withdrawal totaling approximately \$17,000. He never received any reimbursement for those costs, however.

14. The investor received six payments of \$1,534.37 from Krimm pursuant to the terms of the first two notes. Some of those payments were made in cash or by money order.

15. Subsequently, Krimm advised the investor that the December 2013 payment would be the last from him and Krimm Financial. Krimm stated that he had sold Krimm Financial to Adam Duso of Kairos Capital. He further stated that all future payments on the \$45,000 Krimm Financial note would be made through Kairos Capital.

16. To date, the investor is owed approximately \$45,000 in principal on the notes executed in his favor, as well as the expenses he incurred by making a partial surrender of his annuity.

17. The Securities Division has no record of any securities registration, or claim of exemption or status as federal-covered securities, issued under the name "Krimm Financial" or "Kairos Capital" in connection with the offer and sale of such notes.

18. Connelly did not disclose that he is not registered to offer and sell securities, or that the securities in the form of notes were not registered, exempt from registration or qualified as federal-covered securities. Connelly did not provide the investor with a prospectus or other disclosure document in connection with the Krimm note investments.

19. Krimm and Krimm Financial Services are not registered with the Securities Division as a broker-dealer, securities agent, investment adviser or investment adviser representative.

20. MBA Mortgage Services is not registered with the Securities Division as a broker-dealer, securities agent, investment adviser or investment adviser representative.

21. Connelly is not registered with the Securities Division as a broker-dealer, securities agent, investment adviser or investment adviser representative.

IV. CONCLUSIONS OF LAW

22. The "notes" are securities under §11-101 of the Securities Act in the form of promissory notes and investment contracts.

23. Connelly violated §11-501 of the Securities Act by offering unregistered securities in Maryland in the form of investment contracts or promissory notes, for which no claim of preemption or exemption has been filed.

24. Connelly violated §11-301 of the Act by making material misrepresentations and omissions in connection with the offer or sale of securities, including failing to disclose their financial status, the degree of risk, the use of invested funds, and the source of anticipated profits.

V. ORDER

IT IS HEREBY ORDERED THAT:

25. David Connelly permanently cease and desist from offering or selling securities in Maryland in violation of the Securities Act, from offering and selling any securities whether registered or exempt from registration, and from engaging in any transaction exempted under the Act; and it is further ORDERED that

26. Connelly is barred from engaging in the securities business in Maryland for or on behalf of others, or from acting as a principal or consultant in any entity so engaged; and it is further ORDERED that

27. Connelly is assessed a civil penalty of \$1, 000.00 for violations of the Securities Act pursuant to §11-701.1(b) of the Act, payable by certified check to the Office of the Attorney General. This penalty is to be paid in five payments, on a “quarterly” basis for five quarters, in the amount of \$200.00 each.

VI. RESPONDENTS' REPRESENTATION OF FINANCIAL CONDITION

28. Respondent, as a condition of entering into this agreement, has made representations regarding his financial status. The Commissioner has relied upon these representations in issuing this Order. If the Commissioner receives information that the statement is false in any material respect, the Commissioner may re-open these proceedings and seek such further relief as is appropriate.

VII. CONSEQUENCES OF VIOLATION OF CONSENT ORDER

29. If Connelly fails to comply with any term of this Consent Order, the Commissioner may declare this Consent Order to be null and void. The Commissioner may then proceed with full administrative and/or judicial proceedings to enforce this Consent Order against him, or to sanction Connelly for violating an order of the Commissioner, and may take any other action authorized under the Act or any other applicable law. In any such proceeding, the facts and the violations of the Act set forth and incorporated in this Consent Order

shall be deemed admitted and may be introduced into evidence.

**VIII. OTHER PROVISIONS
RE: DENIAL OF ALLEGATIONS**

30. Connelly agrees not to take any action or make or permit to be made any statement denying, directly or indirectly, any allegation in the Summary Order or the activities upon which this Order is based, as referred to herein. Connelly further agrees not to take any action or make any statement which creates or tends to create the impression that this Consent Order is without factual basis. While Connelly is not required to admit any allegation in the Summary Order or other activities upon which this Order is based, nothing in this provision affects his testimonial obligations. Nor does this provision affect Connelly's right to take positions in litigation to which neither the Division nor the Securities Commissioner is a party.

IX. MODIFICATION OF TERMS OF THIS CONSENT ORDER

31. The terms of this Consent Order may only be modified by a subsequent order issued by the Securities Commissioner.

X. JURISDICTION RETAINED

32. Jurisdiction shall be retained by the Commissioner for the purpose of enabling any party to this Consent Order to apply for such further orders and directions as may be necessary or appropriate for the construction or enforcement of this Consent Order.

33. The provisions of this Consent Order shall become binding when this Consent Order has been executed by both Parties and is issued by the Commissioner.

IT IS SO ORDERED:

**Commissioner's Signature
on File w/Original Document**

May 19, 2016

MELANIE SENTER LUBIN
Securities Commissioner

CONSENTED TO:

DAVID C. CONNELLY

_____, 2016

Subscribed and sworn to before me this

_____ day of _____, 2016.

Notary Public

My Commission Expires _____