

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND**

IN THE MATTER OF: *

Universal Financial Group aka UFG *

and * Securities Division No. 2004-0516

Charles A. Bragg aka Chuck Bragg, Individually *
and as Owner and President of UFG *

Respondents *

* * * * *

FINAL ORDER TO CEASE AND DESIST

WHEREAS, the Securities Division of the Office of the Maryland Attorney General (the “Division”), pursuant to the authority granted by section 11-701 of the Maryland Securities Act, Corporations and Associations Article, Title 11, Annotated Code of Maryland (1999 Repl. Vol. & Supp. 2004) (the “Act”), undertook an investigation into the securities activities of Universal Financial Group aka UFG (“Respondent UFG” or “UFG”) and Charles A. Bragg aka Chuck Bragg (“Respondent Bragg” or “Bragg”) (collectively, the “Respondents”); and

WHEREAS, on the basis of that investigation the Maryland Securities Commissioner (the “Commissioner”) found grounds to allege that the Respondents have engaged and may continue to engage in acts or practices constituting violations of sections 11-301, 11-302, 11-401, 11-402, and 11-501 of the Act; and

WHEREAS, the Commissioner issued a Summary Order to Cease and Desist and Order to Show Cause, which ordered Respondents to cease and desist from engaging in acts constituting violations of the securities registration, agent registration, and antifraud provisions of the Act, and to show cause why each should not be barred from engaging in the securities and investment advisory business in Maryland, and why a statutory penalty should not be assessed against each for such violations; and

WHEREAS, that Order gave Respondents' notice of opportunity for a hearing in this matter, if requested in writing within fifteen days of receipt of that Order, and gave notice that if no hearing was requested a Final Order would be issued, directing each Respondent to permanently cease and desist from engaging in violations of the Act, barring each Respondent permanently from engaging in the securities or investment advisory business in Maryland, and imposing on each Respondent a monetary penalty; and

WHEREAS, Respondents have neither filed an answer nor requested a hearing;

NOW, THEREFORE, the Commissioner finds it to be in the public interest to issue this Final Order to Cease and Desist, and the COMMISSIONER FINDS AND ORDERS:

I. JURISDICTION

1. The Commissioner has jurisdiction in this proceeding and over these Respondents pursuant to Section 11-701.1 of the Act.

II. RESPONDENTS

2. Universal Financial Group ("UFG") is a Maryland based company. At all times relevant to this action, UFG maintained a place of business at 2315 B Forest Drive, Ste. 43, Annapolis, MD 21401. UFG also maintained a place of business at 3410 13th Street, NW,

Washington DC 20010. UFG is not now nor has it ever been registered in Maryland as a broker-dealer, broker-dealer agent, investment adviser, or investment adviser representative.

3. Charles A. Bragg (“Bragg”), at all times relevant to this action, maintained a place of business at 2315 B Forest Drive, Ste. 43, Annapolis, MD 21401. Bragg also maintained a place of business and residence at 3410 13th Street, NW, Washington, DC 20010. Bragg is the sole owner and president of UFG. Bragg was registered as a broker-dealer agent with the State of Maryland and as a registered representative with the NASD from June 1996 through March 1999, while affiliated with First Union Brokerage Services, Inc. Bragg has not been registered in Maryland as a broker-dealer agent, or with the NASD as a registered representative, since March 1999.

III. STATEMENT OF FACTS

The Commissioner finds that:

4. In or about the Spring of 2003, Bragg approached an investor with what Bragg described as an investment opportunity. Bragg told the investor that if she invested \$10,000 with his company, UFG, he would personally guarantee the return of her principal and pay her an additional \$10,000. Bragg further told the investor that her money, along with funds from other investors, would be invested in a real estate investment trust or REIT and used to buy, refurbish, and sell distressed properties. Bragg explained that he could guarantee the return of the investor’s \$10,000 principal because UFG invested only in properties that were priced at least 50% below market value.

5. To formalize the investment opportunity, on May 26, 2003, the investor entered a contractual agreement with Bragg and UFG. Under the agreement, Bragg and UFG promised to

pay the investor \$20,000 on or before November 26, 2003 in exchange for her investment of \$10,000. The contract stated that the \$10,000 would be invested “for the purpose of growth.” The contract further disclosed that neither Bragg nor UFG was “under the regulations of any jurisdiction which requires a license to operate.”

6. At the time of the investment, except for the contractual agreement that generally stated that the investor’s funds were being invested “for the purpose of growth,” the investor was not given any disclosure materials relating to the nature of the investment or the risks associated with the investment.

7. When the contract came due in November 2003, Bragg assured the investor that the check was in the mail; however, the check never arrived by mail.

8. On or about December 12, 2003, Bragg personally presented the investor with a check in the amount of \$14,500. The check, however, was returned by the bank due to “insufficient funds.”

9. To date, the investor has not received her initial investment of \$10,000 or the 100% return promised to her under the agreement.

10. In or about October 2003, Bragg and UFG approached another investor with an investment opportunity similar to the opportunity discussed above. Bragg told the investor that her money would be pooled with money from other investors and used to buy properties subject to foreclosure or similar legal actions or, as Bragg called them, distressed properties.

11. The investor decided to invest \$5,000 with Bragg and UFG. Bragg, however, told the investor that there was a minimum investment requirement of \$10,000. Although reluctant, the investor decided to invest \$10,000 with Bragg and UFG.

12. As with the previous investor, Bragg and UFG presented this investor with a contractual agreement in which Bragg and UFG promised that the \$10,000 would be “invested for the purpose of growth,” that the investor would receive a 100% return on her investment on or before April 30, 2004, and that the investor’s principal was guaranteed.

13. The investor received no additional disclosure documents relating to the nature of the investment or the risks associated with the investment.

14. When the contract came due in April 2004 Bragg convinced the investor to extend the contract due date by an additional 30 days. In exchange, Bragg promised to pay the investor an additional return of \$5,000.

15. To date, however, neither Bragg nor UFG has made any payment under the contract.

16. Bragg and UFG have solicited funds from other investors. One investor invested \$25,000 with Bragg and UFG after being told that the money was being invested in a variety of real estate and mortgage notes. Like the other investors, she was told that she would receive a 100% return on her investment within a six month period and that her principal investment was guaranteed.

17. Another individual invested \$37,000 with Bragg and UFG. Bragg told this investor that he was a commercial broker who bought and sold notes and mortgage backed securities.

18. None of the investors was given disclosure materials that described the nature of the investment or the risks associated with those investments.

19. A review of UFG’s bank records reveals no evidence that investors’ funds were

invested in REITs, notes, or any other investment vehicle. Instead, it appears that investor funds were used to pay for personal and business expenses of UFG and Bragg.

20. Bragg and UFG have failed to repay any of the funds solicited from investors.

IV. CONCLUSIONS OF LAW

The Commissioner concludes that:

21. Respondents violated section 11-501 of the Act by offering and selling unregistered securities in or from Maryland, for which no claim of preemption or exemption has been filed.

22. Respondents violated section 11-401 of the Act by transacting business in Maryland as an investment adviser or representative without being registered pursuant to the Act.

23. Respondents violated section 11-401 of the Act by transacting business as a broker-dealer or agent without being registered pursuant to the Act.

24. Respondent UFG violated section 11-402 of the Act by employing an unregistered agent for the offer and sale of securities and an unregistered investment adviser representative for the offer and sale of investment advisory services.

25. Respondents violated section 11-301 of the Act by omitting or misrepresenting material facts regarding the nature of the investments offered and sold to investors as well as the risks associated with those investments.

26. Respondents violated section 11-302 of the Act by omitting or misrepresenting material facts regarding the nature of the investments recommended to investors as well as the risks associated with those investments.

V. SANCTIONS

IT IS HEREBY ORDERED THAT:

27. (a) Each Respondent shall permanently cease and desist from engaging in activities in violation of sections 11-301, 11-302, 11-401, 11-402, and 11-501 of the Act.

(b) Each Respondent is permanently barred from engaging in the securities or investment advisory business in Maryland for or on behalf of any others, or from acting as principal or consultant in any entity so engaged.

(c) Respondents, jointly and severally, are assessed a civil monetary penalty of \$150,000 pursuant to section 11-702 of the Act, payable by certified check to the order of the Office of the Attorney General.

VI. JURISDICTION RETAINED

28. Jurisdiction shall be retained by the Commissioner for such further orders and directions as may be necessary or appropriate for the construction or enforcement of this Consent Order.

DATE OF THIS ORDER:

_____, 2005

SO ORDERED:

Melanie Senter Lubin
Maryland Securities Commissioner

**ADMINISTRATIVE PROCEEDING
BEFORE THE
MARYLAND SECURITIES COMMISSIONER**

IN THE MATTER OF: *

Universal Financial Group aka UFG *

and * Securities Division No.: 2004-0516

Charles A. Bragg aka Chuck Bragg, Individually *
and as Owner and President of UFG *

Respondents

* * * * *

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this _____ day of February, 2005, I served the following Final Order to Cease and Desist by causing a copy to be sent by United States Mail, certified mail, return receipt requested, addressed to Respondents' last known address:

Charles Bragg and UFG
2315 B Forest Drive, Ste. 43
Annapolis, MD 21401

and

Charles Bragg and UFG
3410 13th Street, NW
Washington DC 20010

and by hand delivering a copy of the Summary Order to Cease and Desist and Order to Show Cause to Melanie Senter Lubin, Maryland Securities Commissioner, Maryland Division of Securities, 200 St. Paul Place, 25th Floor, Baltimore, Maryland 21202.

Kelvin M. Blake
Assistant Attorney General

**ADMINISTRATIVE PROCEEDING
BEFORE THE
MARYLAND SECURITIES COMMISSIONER**

IN THE MATTER OF: *

Universal Financial Group aka UFG *

and * Securities Division No.: 2004-0516

Charles A. Bragg aka Chuck Bragg, Individually *
and as Owner and President of UFG *

Respondents

* * * * *

AFFIDAVIT OF COMPLIANCE WITH SECTION 11-802(b)

I hereby certify that, in accordance with Section 11-802(b) of the Maryland Securities Act, Title 11, Corporations and Associations Article of the Annotated Code of Maryland (1999 Repl. Vol. & Supp. 2004), I have effected service upon the Respondents Universal Financial Group and Charles A. Bragg by serving the foregoing Final Order to Cease and Desist upon the Securities Commissioner, and immediately sending a copy of the Final Order To Cease and Desist and certificate of service by United States mail, certified mail, return-receipt requested, to Respondents' last known address:

Charles Bragg and UFG
2315 B Forest Drive, Ste. 43
Annapolis, MD 21401

and

Charles Bragg and UFG
3410 13th Street, NW
Washington DC 20010

I solemnly affirm under penalties of perjury that the contents of this affidavit are true to the best of my knowledge, information and belief.

Dated: _____

Kelvin M. Blake
Assistant Attorney General