

**BEFORE THE ARKANSAS SECURITIES COMMISSIONER  
CASE NO. S-20-0050  
ORDER NO. S-20-0050-21-OR01**

**IN THE MATTER OF:  
CHURCH EXTENSION LOAN FUND, INC.**

**RESPONDENT**

**CONSENT ORDER**

This Consent Order is entered pursuant to the Arkansas Securities Act ("Act"), codified at Ark. Code Ann. §§ 23-42-101 through 23-42-509, the Rules of the Arkansas Securities Commissioner ("Rules") promulgated under the Act, and the Arkansas Administrative Procedures Act, codified at Ark. Code Ann. §§ 25-15-101 through 25-15-220, in accordance with an agreement by and between the Staff of the Arkansas Securities Department ("Staff") and Church Extension Loan Fund, Inc. ("CELFF") in full and final settlement of all claims that could be brought against CELFF by the Staff on the basis of the facts set forth herein.

CELFF admits the jurisdiction of the Act and the Arkansas Securities Commissioner ("Commissioner"), waives its right to a formal hearing, and consents to the entry of this order and agrees to abide by the terms of the Undertaking stated herein.

**FINDINGS OF FACT**

1. CELFF is a not-for-profit organization as described in section 501(c)(3) of the Internal Revenue Code of 1986, as amended. CELFF is organized under the laws of the state of Tennessee, and its principal office is located at 5233 Mount View Road, Antioch, Tennessee 37013.
2. Between 1990 and 2020, CELFF sold securities issued by CELFF to twenty-seven (27) Arkansas residents without properly registering with the Department or filing a claim of exemption from registration, as required under the Act and Rules.

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3. The proceeds of the investments were used to support its activities as a not-for-profit organization, which consist primarily of financing loans made to member churches and organizations.
4. No person received fees or commissions in association with the offer or sale of CELF securities.
5. CELF securities were sold only to a limited class of investors determined by CELF to have a reasonable association with CELF or one of its associated organizations.

#### **LEGAL AUTHORITY**

6. Ark. Code Ann. § 23-42-501 states it is unlawful for any person to offer or sell any security in this state unless: (1) it is registered under this chapter; (2) the security or transaction is exempted under Ark. Code Ann. § 23-42-503 or Ark. Code Ann. § 23-42-504; or (3) it is a covered security.
7. Ark. Code Ann. § 23-42-503(a)(7) provides in part that any security issued by any person organized and operated not for private profit but exclusively for religious, educational, benevolent, charitable, fraternal, social, athletic, or reformatory purposes, or as a chamber of commerce or trade or professional association is exempted from §§ 23-42-501 and 23-42-502.
8. Ark. Code Ann. § 23-42-503(d)(1) states before any security may be issued as an exempted security under subdivision (a)(7) of this section or subdivision (c)(1)(A) of this section, a proof of exemption must first be filed with the commissioner, and the commissioner by order shall not have disallowed the exemption within the next ten (10) full business days.

9. Rule 503.01(a)(7) provides the proof of exemption filing requirements for securities exempt under Ark. Code Ann. § 23-42-503(a)(7).
10. Ark. Code Ann. § 23-42-504(a)(10) provides in part that any transaction pursuant to an offer to existing security holders of the issuer is exempted from §§ 23-42-501 and 23-42-502, provided that no commission or other remuneration is paid or given directly or indirectly for soliciting any security holder in Arkansas.
11. Ark. Code Ann. § 23-42-504(b)(1) states that before any security may be issued as an exempted security under subdivision (a)(10) of this section, a proof of exemption must first be filed with the commissioner, and the commissioner by order shall not have disallowed the exemption within the next ten (10) full business days.
12. Rule 504.01(a)(10) provides the proof of exemption filing requirements for transactions exempt under Ark. Code Ann. § 23-42-504(a)(10).

#### **CONCLUSIONS OF LAW**

13. The offer and sale of securities by CELF to Arkansas residents, where such securities were neither registered with the Department nor exempted from registration, constituted a violation of Ark. Code Ann. § 23-42-501.
14. Ark. Code Ann. §23-42-308(h) provides that matters may be resolved by consent order in lieu of a formal proceeding.

**UNDERTAKING**

15. In settlement of all claims that could be brought against CELF by the Arkansas Securities Department based on the above stated findings of fact, CELF agrees to the terms of this Undertaking.

16. CELF agrees to pay a fine in the amount of \$7,300.00, which shall be due upon the entry of this Order.

17. CELF agrees to make an offer of rescission to all security holders of record in Arkansas.

18. CELF shall cease and desist from soliciting, offering, or selling securities in the state of Arkansas unless and until the securities are properly registered, exempt from registration, or are covered securities pursuant the Act and Rules.

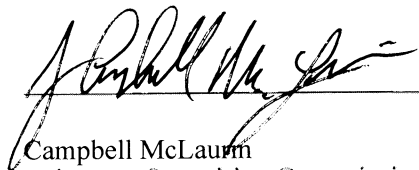
**OPINION**

This Order is in the public interest. The facts set out in paragraphs one through five support the violation of the Act as set out in paragraph ten.

**ORDER**

IT IS THEREFORE ORDERED that Church Extension Loan Fund, Inc. pay a fine in the amount of \$7,300.00, make rescission offers to all security holders of record in Arkansas, and cease and desist from further violations of the Act.

WITNESS MY HAND AND SEAL on this 29<sup>th</sup> day of March, 2022.

  
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Campbell McLaurin  
Arkansas Securities Commissioner

I hereby agree to the entry of this Consent Order; consent to all terms, conditions, and orders contained therein; and waive any right to appeal from this Order.

RESPONDENT:

Dr. H. David Crowe  
H. David Crowe, President

3/18/2022  
Date

*Approved as to content and form:*

RESPONDENT'S ATTORNEY:

Warner Norcross + Judd LLP

By: Timothy L. Horner  
Timothy L. Horner, Partner

03/18/2022  
Date

Aislinn Andrews  
Aislinn Andrews, Staff Attorney  
Arkansas Securities Department

3/29/22  
Date