



**BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE
FOR THE STATE OF TENNESSEE**

TENNESSEE SECURITIES DIVISION,)
)
 Petitioner,)
)
 vs.) **TSD No. 21-008**
)
 SOUTHERN UNION REVOLVING FUND, INC.,)
)
 Respondent.)

CONSENT ORDER

The Tennessee Securities Division of the Department of Commerce and Insurance (“Division”) and Southern Union Revolving Fund, Inc. (“Respondent”) hereby stipulate and agree to the entry and execution of this Consent Order, subject to the approval of the Commissioner of the Tennessee Department of Commerce and Insurance (“Commissioner”) as follows:

I. GENERAL STIPULATIONS

1. It is expressly understood that this Consent Order is subject to and requires the Commissioner’s acceptance and has no force and effect until such acceptance is evidenced by the Commissioner’s signature and execution of this Consent Order. Entry and execution of this Consent Order by the Commissioner shall occur once the Commissioner signs and dates this Consent Order.

2. This Consent Order is entered into by the Respondent for the purpose of avoiding further administrative action with respect to this cause. Should this Consent Order not be accepted by the Commissioner, it is agreed that presentation to and consideration of this Consent Order by

the Commissioner shall not unfairly or illegally prejudice the Commissioner from further participation or resolution of these proceedings.

3. The Respondent fully understands that this Consent Order will in no way preclude additional proceedings by the Commissioner against the Respondent for acts and/or omissions not specifically addressed in this Consent Order nor for facts and/or omissions that do not arise from the facts or transactions addressed herein.

4. The Respondent fully understands that this Consent Order will in no way preclude proceedings by state government representatives, other than the Commissioner, for violations of the law addressed specifically in this Consent Order, or for violations of the law under statutes, rules, or regulations of the State of Tennessee, which may arise out of the facts, acts, or omissions contained in the Statements of Fact and Conclusions of Law stated herein, or which may arise as a result of the execution of this Consent Order.

5. The Respondent expressly waives all further procedural steps and all rights to seek a hearing, judicial review, or to otherwise challenge or contest the validity of this Consent Order, the stipulations and imposition of discipline contained herein, and the consideration and entry and execution of this Consent Order by the Commissioner.

6. The Respondent fully understands that this Consent Order, when entered, will constitute a public document for purposes of any applicable statutes governing public access to government records.

II. AUTHORITY AND JURISDICTION

7. The Commissioner has jurisdiction over securities matters pursuant to Tennessee Code Annotated (“Tenn. Code Ann.”) §§ 48-1-101 to 48-1-201 *et seq.* of the Tennessee Securities

Act of 1980, as amended (“Act”). The administration of the Act is vested in the Commissioner pursuant to Tenn. Code Ann. § 48-1-115.

III. PARTIES

8. The Division is the lawful agent through which the Commissioner discharges the administration of the Act pursuant to Tenn. Code. Ann. § 48-1-115, and it is authorized to bring this action for the protection of investors.

9. The Respondent is a non-profit issuer whose address of record is 302 Research Drive, Norcross, Georgia 30092. At all times relevant to this Consent Order, the Respondent maintained the responsibility to comply with securities law, rules, and regulations of the State of Tennessee.

IV. STATEMENTS OF FACT

10. On or about May 11, 2020, the Respondent submitted a filing for renewal of its Non-Profit Exemption, as found in Tenn. Code Ann. § 48-1-103(a)(7) and Tenn. Comp. R. & Regs. 0780-04-02-.07, which the Respondent has relied upon in the past to sell its investment notes to Seventh-day Adventist Church members residing in Tennessee.

11. A Securities Examiner for the Division informed the Respondent that the Non-Profit Exemption filing was materially incomplete via four (4) Comment Letters, issued on May 16, 2020; May 29, 2020; June 29, 2020; and September 3, 2020. The Respondent, through its counsel, responded to the Division’s four Comment Letters on May 20, 2020; June 16, 2020; August 21, 2020; and September 4, 2020, respectively.

12. The Respondent’s Non-Profit Exemption status expired on May 31, 2020, and remained expired until the Non-Profit Exemption filing was completed on August 21, 2020.

13. On June 18, 2020, the Respondent sold an unregistered security (an investment note of the Respondent) to the Edwin E. and Mary Belle Martin Trust in the amount of two hundred thousand dollars (\$200,000).

14. The Division inquired about the June 18, 2020, sale to the Edwin E. and Mary Belle Martin Trust, to which the Respondent responded that it believed the security was sold in compliance with the Non-Profit Exemption, and concurrently, the Existing Investor Exemption, as found in Tenn. Code Ann. § 48-1-103(b)(12), because the Respondent had an existing relationship with the Trust's trustee and beneficiary, the Kentucky-Tennessee Conference of the Seventh-day Adventist Church, an affiliate of the Respondent.

V. CONCLUSIONS OF LAW

15. Tenn. Code Ann. § 48-1-116 establishes that the Commissioner may make, promulgate, amend, and rescind such orders as are necessary to carry out the provisions of the Act upon a finding that such order is in the public interest, necessary for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act.

16. Tenn. Code Ann. § 48-1-104(a) states that “[i]t is unlawful for any person to sell any security in this state unless: (1) It is registered under this part; (2) The security or transaction is exempted under § 48-1-103; or (3) The security is a covered security.”

17. Tenn. Code Ann. § 48-1-104(b) states, in pertinent part, that the Commissioner may:

[I]mpose a civil penalty against any person found to be in violation of this section . . . in an amount not to exceed ten thousand dollars (\$10,000) per violation, or in an amount not to exceed twenty thousand dollars (\$20,000) per violation if an individual who is a designated adult is a victim.

18. Tenn. Code Ann. § 48-1-103(a)(7) provides that the following security is exempted from the requirements of Tenn. Code Ann. § 48-1-103:

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; provided, that at least ten (10) days prior to any sale of a security pursuant to an exemption under this subdivision (a)(7), such person has filed with the commissioner all information as the commissioner may by rule require and paid a fee of one hundred dollars (\$100), and that the commissioner does not by order disallow the exemption under this subdivision (a)(7) and no sales are made until expiration of that ten (10) days; provided further, that the commissioner may restrict the availability of this exemption to any class or subclass of securities of such issuer[.]

19. Tenn. Comp. R. & Regs. 0780-04-02-.07(1) provides, in pertinent part, that:

All persons offering securities claimed to be exempt under T.C.A. § 48-1-103(a)(7) shall, at least ten (10) days prior to any sale of such securities, file a notice on Form U-1 (including all applicable exhibits thereto) accompanied by the following additional information:

...

(e) A description of the method by which full disclosure of material facts will be made to each offeree and a copy of the prospectus, pamphlet, offering circular, or similar literature should be provided[.]

20. Further, Tenn. Code Ann. § 48-1-103(b) provides that:

The following transactions are exempted from § 48-1-104 and, except as the commissioner may otherwise require by rule, §§ 48-1-113 and 48-1-124(e):

(12) Any transaction pursuant to an offer to existing security holders of the issuer, including the persons who at the time of the transaction are holders of convertible securities, nontransferable warrants, or transferable warrants exercisable within not more than ninety (90) days of their issuance if no commission or other remuneration (other than a standby commission) is paid or given directly or indirectly for soliciting any security holder in this state[.]

21. The Respondent violated Tenn. Code Ann. § 48-1-104(a) when, on June 18, 2020, it sold an unregistered security in this state to the Edwin E. and Mary Belle Martin Trust in the amount of two hundred thousand dollars (\$200,000) that was neither exempted under

Tenn. Code Ann. § 48-1-103 nor a covered security. The Respondent did not qualify for the Non-Profit Exemption when it sold the unregistered security because the filing was materially incomplete as of the date submitted to the Commissioner, as identified in the Division's Comment Letters. Further, the Respondent did not qualify for the Existing Investor Exemption because the Edwin E. and Mary Belle Martin Trust was not an existing security holder of the Respondent prior to the sale on June 18, 2020.

22. The Respondent hereby acknowledges the Commissioner's authority to administer the statutes cited herein, concedes that the interpretation of the statutes cited herein are reasonable and enforceable, and agrees to the Commissioner's entry and execution of this Consent Order, including each of the following sanctions ordered below.

VI. ORDER

NOW, THEREFORE, based on the foregoing, including the Respondent's waiver of the right to a hearing and appeal under the Act and the Tennessee Uniform Administrative Procedures Act, Tenn. Code Ann. §§ 4-5-101 *et seq.*, and the Respondent's admission to the jurisdiction of the Commissioner, the Commissioner finds that the Respondent agrees to the entry and execution of this Consent Order to settle this matter as evidenced by the Respondent's signature.

IT IS ORDERED, pursuant to Tenn. Code Ann. §§ 48-1-116 and 48-1-104 that the Respondent shall:

1. **COMPLY** with the Act, as amended, and all rules promulgated thereunder; and
2. **PAY A CIVIL PENALTY** to the State of Tennessee of two hundred fifty dollars (\$250). The payment of such civil penalty shall be made by check payable to the Tennessee Department of Commerce and Insurance. Page one (1) of this Consent Order must accompany the payment for reference. Payment shall be remitted within thirty (30) days after the entry and

execution of this Consent Order, as evidenced by the Commissioner's signature, and mailed to the attention of:

Tennessee Department of Commerce and Insurance
Legal Division
Attn: Garron Amos
Davy Crockett Tower
500 James Robertson Parkway
Nashville, TN 37243

3. This Consent Order represents the complete and final resolution of and discharge of all administrative and civil claims, demands, actions, and causes of action by the Commissioner against the Respondent for violations of the Act with respect to the transactions involved in the above-referenced facts. However, excluded from, and not covered by this paragraph, are any claims by the Division arising from or relating to the enforcement of the Consent Order provisions contained herein.

4. This Consent Order is not intended to form the basis for any disqualification from registration as a broker-dealer, investment adviser, or issuer under the laws, rules, and regulations of Tennessee and shall not disqualify the Respondent from relying upon the securities registration exemptions or safe harbor provisions to which the Respondent or any of the Respondent's affiliates or employers may be subject under the laws, rules, and regulations of Tennessee.

5. Nothing in this Consent Order is intended to form the basis for any disqualification under the laws of Tennessee, any other state, the District of Columbia, Puerto Rico, or the U.S. Virgin Islands; under the rules or regulations of any securities or commodities regulator or self-regulatory organizations (SROs); or under the federal securities laws, including but not limited to, Section 3(a)(39) of the Securities Exchange Act of 1934, Regulation A, Rules 504 and 506 of Regulation D under the Securities Act of 1933, and Rule 503 of Regulation CF. Further, nothing in this Consent Order is intended to form the basis for disqualification under the FINRA rules

prohibiting continuance in membership or disqualification under other SRO rules prohibiting continuance in membership. This Consent Order is not intended to be a Final Order based upon any violation of any Tennessee statute, rule, or regulation that prohibits fraudulent, manipulative, or deceptive conduct.

6. This Consent Order is in the best interest of both the public and the parties, and it represents a compromise and settlement of the controversy between the parties. By its signature affixed below, the Respondent states that it has (1) freely agreed to the entry and execution of this Consent Order; (2) effectively consulted with legal counsel in this matter; (3) reviewed the Statements of Fact and Conclusions of Law contained herein; and (4) waived its right to a hearing on the matters underlying this Consent Order and the enforcement of this Consent Order. The Respondent further states that no threats or promises of any kind have been made by the Commissioner, the Division, or any agent or representative thereof with regard to this Consent Order.

7. By signing this Consent Order, the parties affirmatively state their agreement to be bound by the terms of this Consent Order and aver that no promises or offers relating to the circumstances described herein, other than the terms of the settlement as set forth herein, are binding upon them.

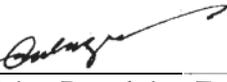
8. This Consent Order may be executed in two (2) or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same document. The facsimile, email, or other electronically delivered signatures of the parties shall be deemed to constitute original signatures, and facsimile or electronic copies shall be deemed to constitute duplicate originals.

ENTERED AND EXECUTED June 7, 2021.


Carter Lawrence (Jun 7, 2021 17:02 CDT)

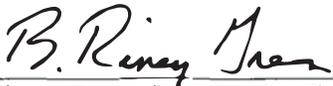
Carter Lawrence, Commissioner
Department of Commerce and Insurance

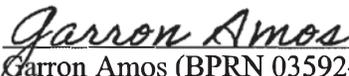
APPROVED FOR ENTRY:


Southern Union Revolving Fund, Inc.
By: Carlos C. Salazar, Treasurer


EB (Jun 7, 2021 13:03 CDT)

Elizabeth Bowling
Assistant Commissioner for Securities
Department of Commerce and Insurance


B. Riney Green (BPRN 07047)
Attorney for the Respondent
Bass, Berry & Sims PLC


Garron Amos (BPRN 035924)

Associate General Counsel
Department of Commerce and Insurance