



State of Tennessee
Department of State
Administrative Procedures Division
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June 7, 2018

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Tennessee Department of Commerce &
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Nashville, TN 37243

RE: In the Matter of: Roger Dale Williams and King Branch Road Church of Christ
Docket No. 12.01-131560J

Enclosed is an Initial Order rendered in connection with the above-styled case.

Administrative Procedures Division
Tennessee Department of State

/aem
Enclosure

RECEIVED

JUN 11 2018

**DEPT. OF COMMERCE AND INSURANCE
LEGAL OFFICE**

**BEFORE THE COMMISSIONER OF THE TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE**

IN THE MATTER OF:

**ROGER DALE WILLIAMS AND KING
BRANCH ROAD CHURCH OF CHRIST**

DOCKET NO. 12.01-131560J

NOTICE

ATTACHED IS AN INITIAL ORDER RENDERED BY AN ADMINISTRATIVE JUDGE WITH THE ADMINISTRATIVE PROCEDURES DIVISION.

THE INITIAL ORDER IS NOT A FINAL ORDER BUT SHALL BECOME A FINAL ORDER UNLESS:

1. THE ENROLLEE FILES A WRITTEN APPEAL, OR EITHER PARTY FILES A PETITION FOR RECONSIDERATION WITH THE ADMINISTRATIVE PROCEDURES DIVISION NO LATER THAN **June 22, 2018.**

YOU MUST FILE THE APPEAL, PETITION FOR RECONSIDERATION WITH THE ADMINISTRATIVE PROCEDURES DIVISION. THE ADDRESS OF THE ADMINISTRATIVE PROCEDURES DIVISION IS:

SECRETARY OF STATE
ADMINISTRATIVE PROCEDURES DIVISION
WILLIAM R. SNODGRASS TOWER
312 ROSA PARKS AVENUE, 8th FLOOR
NASHVILLE, TENNESSEE 37243-1102

IF YOU HAVE ANY FURTHER QUESTIONS, PLEASE CALL THE ADMINISTRATIVE PROCEDURES DIVISION, **615/741-7008 OR 741-5042, FAX 615/741-4472.** PLEASE CONSULT APPENDIX A AFFIXED TO THE INITIAL ORDER FOR NOTICE OF APPEAL PROCEDURES.

as Trustee. The Court acknowledged and accepted the Stipulations and the Notice of Voluntary Dismissal as described. KBRCC and the Trustees of KBRCC, with the exception of Roger Dale Williams as Trustee, were dismissed from the proceedings.

ENTRY OF DEFAULT

The Petitioner demonstrated good and sufficient service of process on Williams via Certified Mail, and later service of the Notice of the Hearing, via Federal Express, at the home address of Williams. Counsel for the Petitioner provided details of a telephone message from Williams that occurred only days before the hearing which indicated an understanding of the date, place, and time of the hearing. Upon the showing of good and sufficient service of process upon Williams of the Notice of Hearing and Charges and of the Notice of Hearing, the Division moved for a default judgment. The Motion for Default was granted, and the Petitioner was given permission to proceed on an uncontested basis.

FINDINGS OF FACT

1. The Tennessee Securities Act of 1980, as amended, TENN. CODE ANN. §§ 48-1-101 to 48-1-201 (“Act”), places the responsibility for the administration of the Act on the Commissioner of the Department (“Commissioner”). The TSD is the lawful agent through which the Commissioner discharges this responsibility. TENN. CODE ANN. §§ 48-1-112 and 48-1-115.
2. The TSD is authorized to bring this action based on the finding that such action 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. TENN. CODE ANN. § 48-1-116.
3. Williams is currently a resident of Kentucky, with a last known address of 520 Creekside Drive, Shelbyville, Kentucky, 40065.

4. Williams, at all times relevant to these proceedings, was the Pastor and a Trustee of KBRCC, which is located in Sevierville, Tennessee.
5. Beginning in approximately 2009, the Members and Trustees of KBRCC sought to consolidate debt of the church, make certain improvements to the Church property, and to set aside funds for maintenance of the property.
6. Williams proposed to the Trustees a plan to issue "church bonds" as a means to raise the funds to accomplish their financial goals. (Tr. P. 21, l. 11-13)
7. Church bonds are a recognized and authorized security as defined under Tennessee law that may be employed by a church to raise funds. (Tr. P. 21, l. 23-25)
8. Williams also promoted the concept of issuing "promissory notes" as a means to raise the funds to accomplish their financial goals. (Tr. P. 21, l. 20-22)
9. A promissory note, unless executed in a transaction involving a merchant, is a security as defined under Tennessee law. (Tr. P. 22, l. 1-2)
10. While the issuance of church bonds and/or promissory notes is permissible under the Act, there are provisions within the Act regarding registration of securities that must be adhered to by issuers of these securities that exist for the protection of the investing public.
11. Williams was on notice of the fact that there are registration requirements for securities as early as 2009. (Collective Exhibit 1)
12. Neither Williams nor KBRCC made any attempt to register as individuals, as an institution, or to register the securities that they offered with the TSD. (Tr. P. 23, l. 21-25); (Affidavits of Steven Patterson, Perry Warden, and John Connors, exhibited to the Notice of Hearing and Charges.)

13. Williams, in his capacity as the pastor of KBRCC, made it a practice to solicit the sale of securities that purported to benefit KBRCC during worship services at the church.
14. In late 2009, Williams, from his base in Sevierville, Tennessee, solicited the sale of a security described as a church bond to a visiting investor. (Gerard Affidavit, Exhibit Three)
15. Williams then later sold to that investor a security described as a "convertible promissory note" that could be converted to a church bond backed by KBRCC. (Id.)
16. The security was valued at five thousand dollars (\$5,000), and was purported by Williams to pay five percent (5%) interest for five (5) years. (Id.)
17. The investor was given no right to participate in the management of KBRCC. (Id.)
18. A check from the investor in the amount of five thousand dollars (\$5,000) was deposited in to the Tennessee based bank account of KBRCC. (Id.)
19. The investor did not receive his invested principal nor any payment of interest from Williams. (Id.)
20. On or about October 24, 2010, Williams solicited the sale of a security described as a church bond to a visiting investor by causing to be inserted into the church bulletin for that day a prospectus describing the security. (Wigninton Affidavit, Exhibit Four)
21. The potential investor, upon inquiry, was told by Williams that the church bonds were not registered because they qualified for an exemption from registration. (Id.)
22. Williams failed to tell the potential investor that the requirements for the exemption of the church bonds under the Act had not been met.

APPLICABLE LAW

Pertaining to the Commissioner's Authority to Enforce the Provisions of the Act

23. TENN. CODE ANN. § 48-1-102(17)(A) of the Act defines a Security in pertinent part as:

any **note**, stock, treasury stock, **bond**, debenture, **evidence of indebtedness**,... **investment contract**,... certificate of interest or participation in an oil, gas, or mining title or lease or in payments out of production under such a title or lease; or, in general, any interest or instrument commonly known as a “security”[.] (emphasis supplied).

24. TENN. CODE ANN. § 48-1-116 provides 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.

Pertaining to the Commissioner's Authority to Enforce the Requirement of Registration of Securities Sold in Tennessee

25. TENN. CODE ANN. § 48-1-104 provides:

(a) It 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.

(b) The commissioner may, after notice and opportunity for a hearing under the Uniform Administrative Procedures Act, compiled in title 4, chapter 5, impose a civil penalty against any person found to be in violation of this section, or any regulation, rule or order adopted or issued under this section amount not to exceed ten thousand dollars (\$10,000) per violation.

Securities Fraud

26. TENN. CODE ANN. § 48-1-121 provides in pertinent part:

(a) It is unlawful for any person, in connection with the offer, sale or purchase of any security in this state, directly or indirectly, to:

- (1) Employ any device, scheme, or artifice to defraud;
- (2) Make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading; or

(3) Engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

...

- (d) The commissioner may, after notice and opportunity for a hearing under the Uniform Administrative Procedures Act, compiled in title 4, chapter 5, impose a civil penalty against any person found to be in violation of this section, or any regulation, rule or order adopted or issued under this section, in an amount not to exceed five thousand dollars (\$5,000) per violation.

CONCLUSIONS OF LAW

27. The proof presented at the hearing of this matter has shown by a preponderance of the evidence that Respondent Williams has committed two violations of the Act under the guise of pastor of the King Branch Road Church of Christ.

28. The Petitioner has shown by documentary evidence and witness testimony that Williams and KBRCC had not registered any security with the TSD at any time from the year 2009 forward to the date of the hearing of this cause, and that Williams was on notice of the requirement to register securities under the Act.

29. The Petitioner has shown by a preponderance of the evidence that on or about December 7, 2009, Williams solicited the sale of an unregistered security within the State of Tennessee and completed the sales transaction of that unregistered security in the State of Tennessee in the month of December, 2009, by depositing the proceeds into a Tennessee based bank account, all in violation of TENN. CODE ANN. § 48-1-104(a).

30. The Petitioner has shown by a preponderance of the evidence that Williams solicited the sale of a second unregistered security within the State of Tennessee on or about October 24, 2010 by distributing a printed prospectus for the security within the worship bulletin of KBRCC.

31. The Petitioner has shown by documentary evidence and witness testimony that Williams was on notice of the requirement to register securities under the Act at the time of the solicitation of the sale of the second unregistered security on or about October 24, 2010.

33. The Petitioner has shown by a preponderance of the evidence that Williams failed to disclose to the prospective investor at the time of the solicitation of the sale of the second unregistered security that the requirements to establish a valid exemption for KBRCC securities had not been met.

34. The Petitioner has shown by a preponderance of the evidence that Williams falsely represented to the prospective investor at the time of the solicitation of the sale of the second unregistered security that the security thus offered qualified for an exemption from registration, all in violation of TENN. CODE ANN. § 48-1-121(a).

JUDGMENT

IT IS THEREFORE, ORDERED, ADJUDGED, AND DECREED that:

1. The members and trustees of the King Branch Road Church of Christ, with the sole exception of Respondent Roger Dale Williams are **DISMISSED** from this action, with prejudice.

2. Respondent Williams shall fully **COMPLY** with the Act, and all rules promulgated thereunder.

3. Respondent Williams shall **CEASE AND DESIST** from conducting any further activities in violation of the Act.

4. All persons in any way assisting, aiding, or helping Williams in any of the aforementioned violations of the Act shall **CEASE AND DESIST** all such activities in violation

of the Act.

5. **CIVIL PENALTIES** in the total amount of **FIFTEEN THOUSAND DOLLARS** (\$15,000) are assessed against Williams as follows:

Ten thousand dollars (\$10,000.00) for Respondent Williams' violation of TENN. CODE ANN. § 48-1-104(a);

Five thousand dollars (\$5,000.00) for Respondent Williams' violation of TENN. CODE ANN. § 48-1-121;

6. This Initial Order imposing sanctions against the Respondent is entered to protect the public and consumers in the State of Tennessee, consistent with the purposes fairly intended by the policy and provisions of the Law.

This Initial Order entered and effective this 14th day of JUNE 2018.



J. SHANNON BARNHILL
ADMINISTRATIVE JUDGE
ADMINISTRATIVE PROCEDURES DIVISION
OFFICE OF THE SECRETARY OF STATE

14th Filed in the Administrative Procedures Division, Office of the Secretary of State, this the JUNE day of JUNE 2018.



J. RICHARD COLLIER, DIRECTOR
ADMINISTRATIVE PROCEDURES DIVISION
OFFICE OF THE SECRETARY OF STATE

APPENDIX A TO INITIAL ORDER
NOTICE OF APPEAL PROCEDURES

Review of Initial Order

This Initial Order shall become a Final Order (reviewable as set forth below) fifteen (15) days after the entry date of this Initial Order, unless either or both of the following actions are taken:

(1) A party files a petition for appeal to the agency, stating the basis of the appeal, or the agency on its own motion gives written notice of its intention to review the Initial Order, within fifteen (15) days after the entry date of the Initial Order. If either of these actions occurs, there is no Final Order until review by the agency and entry of a new Final Order or adoption and entry of the Initial Order, in whole or in part, as the Final Order. A petition for appeal to the agency must be filed within the proper time period with the Administrative Procedures Division of the Office of the Secretary of State, 8th Floor, William R. Snodgrass Tower, 312 Rosa L. Parks Avenue, Nashville, Tennessee, 37243-1102. (Telephone No. (615) 741-7008). See Tennessee Code Annotated, Section (T.C.A. §) 4-5-315, on review of initial orders by the agency.

(2) A party files a petition for reconsideration of this Initial Order, stating the specific reasons why the Initial Order was in error within fifteen (15) days after the entry date of the Initial Order. This petition must be filed with the Administrative Procedures Division at the above address. A petition for reconsideration is deemed denied if no action is taken within twenty (20) days of filing. A new fifteen (15) day period for the filing of an appeal to the agency (as set forth in paragraph (1) above) starts to run from the entry date of an order disposing of a petition for reconsideration, or from the twentieth day after filing of the petition, if no order is issued. See T.C.A. §4-5-317 on petitions for reconsideration.

A party may petition the agency for a stay of the Initial Order within seven (7) days after the entry date of the order. See T.C.A. §4-5-316.

Review of Final Order

Within fifteen (15) days after the Initial Order becomes a Final Order, a party may file a petition for reconsideration of the Final Order, in which petitioner shall state the specific reasons why the Initial Order was in error. If no action is taken within twenty (20) days of filing of the petition, it is deemed denied. See T.C.A. §4-5-317 on petitions for reconsideration.

A party may petition the agency for a stay of the Final Order within seven (7) days after the entry date of the order. See T.C.A. §4-5-316.

YOU WILL NOT RECEIVE FURTHER NOTICE OF THE INITIAL ORDER BECOMING A FINAL ORDER

A person who is aggrieved by a final decision in a contested case may seek judicial review of the Final Order by filing a petition for review in a Chancery Court having jurisdiction (generally, Davidson County Chancery Court) within sixty (60) days after the entry date of a Final Order or, if a petition for reconsideration is granted, within sixty (60) days of the entry date of the Final Order disposing of the petition. (However, the filing of a petition for reconsideration does not itself act to extend the sixty day period, if the petition is not granted.) A reviewing court also may order a stay of the Final Order upon appropriate terms. See T.C.A. §4-5-322 and §4-5-317.