

**STATE OF NORTH CAROLINA
DEPARTMENT OF THE SECRETARY OF STATE
SECURITIES DIVISION**

IN THE MATTER OF:)	
)	FINAL CONSENT ORDER
WESLEYAN INVESTMENT)	18 SEC 072
FOUNDATION INC.)	
)	
Respondent.)	

The Secretary of State of the State of North Carolina (the “Administrator”), as the Administrator of the North Carolina Securities Act, (N.C. Gen. Stat. Chapter 78A, the “Act”), has considered the evidence in this matter and finds that it is in the public interest to resolve it on the terms set forth in this Final Consent Order (“Order”). With the consent of Wesleyan Investment Foundation Inc. (“WIF”), the Administrator enters this Order.

I. FINDINGS OF FACT

1. WIF is a corporation organized and existing under and by virtue of the laws of Indiana, with its principal office in Fishers, Indiana. On September 29, 2008, it filed an Application for Certificate of Authority in North Carolina.
2. WIF is a non-member, non-profit 501(c)(3) corporation. It is affiliated with, but legally distinct from, the Wesleyan Church.
3. WIF has been in continuous operation since 1960.
4. WIF’s primary purpose is to assist Wesleyan churches by providing favorable financing rates for the purchase, construction, renovation and expansion of churches and parsonages. It also provides loans for general expenses and operations of these churches.
5. WIF raises money by offering, generally to members of the Wesleyan church, unsecured general debt obligations (the “Investments”). The Investments have varying interest

rates, which usually depend on the amount invested. The Investments operate as “demand notes,” that is, an investor can request and receive her Investment plus any accrued and accumulated interest at any time. The Investments are securities.

6. Under North Carolina law, it is unlawful for any person to offer or sell a security in North Carolina unless the security is registered pursuant to the Act, is subject to a perfected exemption under the Act, or is a security covered under federal law. N.C. Gen. Stat. §78A-24.

7. Under North Carolina law, securities issued by a person organized and operated not for private profit but exclusively for religious purposes are exempt from registration in North Carolina, so long as the issuer complies with the applicable administrative rules. N.C. Gen. Stat. §78A-16(9); 18 NCAC 06A .1209.

8. 18 NCAC 06A .1209 establishes requirements for an issuer seeking exemption pursuant to N.C. Gen. Stat. §78A-16(9). 18 NCAC 06A .1209(d) requires, generally, that the issuer file specific information with the Administrator prior to the sale of any security relying on the exemption in N.C. Gen. Stat. §78A-16(9).

9. WIF has been selling and offering to sell Investments continuously in North Carolina since at least 1962.

10. WIF failed to file the required information pursuant to 18 NCAC 06A .1209(d) with the Administrator prior to the sale of these Investments until October 18, 2016.

11. Because WIF failed to properly file this information with the Administrator, the Investments that WIF offered prior to October 18, 2016, were not exempt from registration and were thus sold in violation of North Carolina law.

12. WIF contends that it offered these securities in North Carolina because it mistakenly believed that the Investments qualified for a self-executing exemption.

13. From 1962 through 2017, WIF offered Investments in North Carolina. Over \$26,000,000.00 worth of investments are currently held by 679 North Carolina residents (“North Carolina Investors”). North Carolina residents hold 442 accounts with WIF (“North Carolina Accounts”).

14. WIF’s failure to properly file with the Administrator and perfect an exemption to North Carolina’s registration laws, as more particularly described above, violates N.C. Gen. Stat. §78A-24.

II. CONCLUSIONS OF LAW

1. The Investments that WIF offered to sell and sold in North Carolina are securities as defined under North Carolina law. N.C. Gen. Stat. §78A-2(11).

2. WIF failed to comply with 18 NCAC 06A .1209 when it offered and sold the Investments without first filing the specific required information with the Administrator.

3. WIF’s failure to comply with 18 NCAC 06A .1209 meant that the Investments were not exempt from registration pursuant to N.C. Gen. Stat. §78A-16(9).

4. When WIF offered to sell and sold these Investments, the Investments were not registered pursuant to the Act, were not subject to a perfected exemption and were not covered under federal law.

5. WIF’s actions violated N.C. Gen. Stat. §78A-24.

6. This Order is in the public interest, is for the protection of investors, and is consistent with the purposes fairly intended by the policy and provisions of the Act. It is also in the public interest, for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act that the Administrator impose a civil penalty in this matter and assess reimbursement of investigative costs.

7. The Administrator has the authority to enter this Order, and has jurisdiction over WIF and the subject matter of this Order.

III. JURISDICTION, CONSENT AND WAIVER

WIF, as evidenced by the authorized signature on the *Consent to Entry of Order*, below, affirmatively states and agrees that:

1. The Administrator has jurisdiction over WIF, and the subject matter of this Order.
2. WIF voluntarily consents to the entry of this Order and understands this is a public document.
3. WIF has read the contents of this Order and has had the opportunity to consult with an attorney prior to the signing of this Order.
4. WIF freely signs this Order. No threats, promises, or offers of any kind, other than as stated in this document, have been made by the Administrator, Deputy Securities Administrator, any member of the staff of the Securities Division, or any agent or employee of the North Carolina Department of the Secretary of State in connection with the signing of this Order.
5. This Order contains the entire agreement between the undersigned, and WIF understands its effect.
6. WIF permanently waives any and all rights under the Securities Act, the North Carolina Administrative Procedure Act (N.C. Gen. Stat. Chapter 150B), and any other law, to a *Notice of Hearing*, a hearing, and any other proceedings before the Administrator or other entity to which it may be entitled related to the subject of this Order, including any court of competent jurisdiction. WIF's also permanently waives its rights to seek judicial review of this Order under N.C. Gen. Stat. Chapter 150B, to appeal this Order, or to otherwise challenge either the validity or

entry of this Order in any court or administrative agency. This Order resolves this matter without further administrative proceedings.

7. The execution, delivery, and performance of this Order has been duly authorized and signed by a person who meets the statutory or other binding approval to sign on behalf of WIF as named in this Order.

8. The presentation of this Order to the Administrator and any subsequent discussion of the Order prior to its entry without WIF or its counsel being present shall not constitute an improper *ex parte* communication between the Administrator and the Securities Division or counsel for the Securities Division.

NOW, THEREFORE, the Administrator, pursuant to and under all authority granted by the North Carolina Securities Act based upon the forgoing Findings of Fact, Conclusions of Law, and Jurisdiction, Consent and Waiver, and with WIF's express written consent to the entry of this Order, orders the following:

IV. ORDER

1. WIF shall immediately and permanently cease and desist from violating N.C. Gen. Stat. §78A-24, N.C. Gen. Stat. §78A-16(9), and 18 NCAC 06A .1209.

2. WIF shall immediately and permanently cease and desist from violating any other provisions of the North Carolina Securities Act and any administrative rules promulgated under the Act.

3. WIF shall use its best efforts to notify all North Carolina Investors of this matter by providing to each North Carolina Account a cover letter explaining this Order, which letter has been reviewed and approved by the Securities Division, a copy of this Order, and an updated and/or amended Offering Circular. WIF will mail these documents to the North Carolina Accounts within

thirty (30) days of the entry of this Order, and will then provide written confirmation of this mailing to the Securities Division within sixty (60) days of the entry of this Order.

4. WIF shall pay to the Securities Division a civil penalty in the amount of \$10,000.00 within fifteen days of the date of entry of this Order.

5. WIF shall pay the Securities Division the sum of \$5,000.00 as reimbursement for investigative costs within fifteen days of the date of entry of this Order.

6. WIF shall not take any action, or make, or permit to be made, any public statement, denying, directly or indirectly, any finding in this Order or creating the impression that this Order is without factual basis.

7. This Order shall become final upon entry and shall be binding upon WIF and its successors and assigns as well as its affiliates and their successors and assigns with respect to all conduct subject to the provisions above and all future obligations, responsibilities, undertakings, commitments, limitations, restrictions, events, and conditions.

WITNESS MY HAND AND THE OFFICIAL SEAL of the North Carolina

Department of the Secretary of State, this the 4th day of September 2018.

Time of entry: 10:55 A.M.



ELAINE F. MARSHALL
SECRETARY OF STATE OF NORTH CAROLINA and
SECURITIES ADMINISTRATOR, by
REDACTED

KEVIN M. HARRINGTON
Deputy Securities Administrator