

**COMMONWEALTH OF KENTUCKY
PUBLIC PROTECTION CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS
AGENCY CASE NO. 2019-AH-00052**

DEPARTMENT OF FINANCIAL INSTITUTIONS

COMPLAINANT

vs.

AGREED ORDER

ANABAPTIST FINANCIAL

RESPONDENT

FACTUAL BACKGROUND

1. The Kentucky Department of Financial Institutions (DFI) is responsible for administering the provisions of Kentucky Revised Statutes (KRS) Chapter 292, the Securities Act of Kentucky (the "Act"), as well as the rules and regulations enacted thereunder.

2. Respondent Anabaptist Financial (hereafter "Anabaptist" or "Respondent") is a church extension fund associated with members of traditional Anabaptist churches, and is a non-profit corporation existing under the laws of Pennsylvania.

3. On May 29, 2018, DFI received a request from Anabaptist to sell securities in Kentucky under a claim of exemption pursuant to KRS 292.400 and 292.415. Through subsequent communications with Anabaptist, DFI discovered that: (a) between 2017 and 2018, Anabaptist opened and maintained eleven (11) active investment accounts for Kentucky residents and (b) Anabaptist sold securities to Kentucky residents during those years. DFI has no record of Anabaptist registering with DFI or filing a claim of exemption from registration, as required under the Act. Anabaptist maintains it did not intentionally violate any securities laws in Kentucky, but agrees to pay a civil penalty to settle this matter.

4. As a result of these communications with Anabaptist and DFI's subsequent investigation, DFI has determined that Anabaptist has offered and sold securities in Kentucky in violation of the Act for at least one (1) year.

STATUTORY AUTHORITY

5. KRS 292.310(19), in pertinent part, states that "[s]ecurity" means "any note, stock, treasury stock, bond, debenture, evidence of indebtedness..."

6. KRS 292.340 states that it "is unlawful for any person to offer or sell any security in this state, unless the security is registered under this chapter, or the security or transaction is exempt under this chapter, or the security is a covered security."

7. KRS 292.400 directs in relevant part that "KRS 292.340 to 292.390 shall not apply to any of the following:

...

(9) 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..."

8. However, pursuant to KRS 292.415, "[b]efore any security may be issued as an exempt security under KRS 292.400(9) . . . , a claim of exemption must first be filed with the commissioner and the commissioner by order shall not have determined that the exemption is unavailable within the next ten (10) full business days."

9. The Commissioner possesses a range of administrative authority in addressing violations of the Act, including the imposition of civil fines up to twenty thousand dollars (\$20,000) for each violation of the Act. *See* KRS 292.337; KRS 292.500(14).

CONCLUSIONS OF LAW

10. The Commissioner finds that this Agreed Order is in the public interest.

11. In offering and selling securities in Kentucky, where such securities were neither registered with DFI nor properly exempted from registration under the Act, Respondent violated KRS 292.340.

AGREEMENT AND ORDER

12. To resolve this matter without litigation or other adversary proceedings, DFI and Respondent agree to compromise and settle all claims arising from the above-referenced factual background in accordance with the terms set forth herein.

13. In the interest of economically and efficiently resolving the violations described, without admitting or denying the allegation contained herein, DFI and Respondent hereby agree as follows:

- a. Respondent shall cease and desist from any further violations of the Act;
- b. Respondent agrees to pay a civil fine in the amount of **five thousand and five hundred dollars (\$5,500)** for the violations described herein, which shall be due and payable upon the entry of this Agreed Order; and
- c. All payments under this Order shall be in the form of a **certified check or money order** made payable to “Kentucky State Treasurer” and mailed to the Department of Financial Institutions, Securities Division, 2019-AH-00052, 1025 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601.

14. Respondent waives its right to demand a hearing at which it would be entitled to legal representation, to confront and cross-examine witnesses, and to present evidence on its own behalf, or to otherwise appeal or set aside this Agreed Order.

15. Respondent consents to and acknowledges the jurisdiction of DFI over this matter and recognizes that this Agreed Order is a matter of public record and may be disseminated as such.

16. In consideration of execution of this Agreed Order, Respondent for itself, and for its successors and assigns, hereby releases and forever discharges the Commonwealth of Kentucky, DFI, Office of Legal Services, and each of their members, agents, and employees in their individual capacities, from any and all manner of actions, causes of action, suits, debts, judgments, executions, claims and demands whatsoever, known and unknown, in law or equity, that Respondent ever had, now have, may have or claim to have against any or all of the persons or entities named in this paragraph arising out of or by reason of this investigation, this disciplinary action, this settlement or its administration.

17. By signing below, the parties acknowledge they have read the foregoing Agreed Order, know and fully understand its contents, and that they are authorized to enter into and execute this Agreed Order and legally bind their respective parties.

18. This Agreed Order shall constitute the Final Order in this matter.

IT IS SO ORDERED on this the 3rd day of September, 2019.



CHARLES A. WICE
COMMISSIONER

Consented to:
This 30th day of August, 2019

Chad K. Harlan

Director
Division of Securities
Department of Financial Institutions

Consented to:
This 27th day of August, 2019

Timothy R. Stoltzfus

Authorized Representative for
Anabaptist Financial

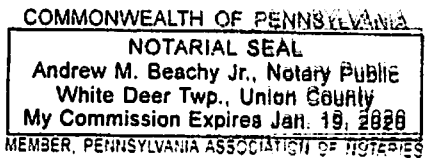
ACKNOWLEDGEMENT

STATE OF Pennsylvania)
)
COUNTY OF Union)

On this the 27th day of August, 2019, before me Andrew M. Beachy, Jr.
the undersigned, Timothy R. Stoltzfus, did personally appear and acknowledge
himself and did enter into and execute the foregoing instrument for the purposes therein contained.

In witness whereof I hereunto set my hand.

My Commission Expires: 1-19-2020



Andrew M. Beachy Jr.
Notary Public

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing **Agreed Order** was sent by certified United States mail, return receipt requested, on this the 3rd day of September, 2019, to the following:

Hon. Tyler W. Hochstetler
Anabaptist Financial
1245 Old Route 15
New Columbia, PA 17856
Counsel for Respondent

Via Hand-Delivery to:

Hon. Christine Foster
1025 Capital Center Drive, Suite 200
Frankfort, KY 40601
Counsel for Department of Financial Institutions



Kentucky Department of Financial Institutions