BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE OF THE STATE OF TENNESSEE AT NASHVILLE

TENNESSEE SECURITIES DIVISION	)	
Petitioner,	)	
VS.	)	
	)	**File No.: 03-019**
SOUTHERN AUTOMOTIVE FINANCIAL EXECUTIVES, INC., THE FINANCE CENTER, HERITAGE FUNDING, L.L.C., CLAUDE CHUMLEY, CLEDIS CHUMLEY, AND LOUIS E. CHUMLEY	)	
Respondents.	)	

ORDER TO CEASE AND DESIST

This Order issues as a result of a Petition and its exhibits attached hereto filed by the Tennessee Securities Division of the Department of Commerce and Insurance and is predicated upon the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. Southern Automotive Financial Executives, Inc. ("SAFE") is a Tennessee corporation with its principal place of business being 9040 Executive Park, Knoxville, Tennessee 37923.

2. The Finance Center ("TFC") is a business entity located at 9040 Executive Park, Knoxville, Tennessee 37923.

3. Heritage Funding, L.L.C. ("Heritage") is a Tennessee Limited Liability Corporation with its principal place of business being 10816 Kingston Pike, Knoxville, Tennessee 37923.

4. Claude Chumley is a citizen and resident of the State of Tennessee with his address being 283 Hunley Road, Speedwell, Tennessee 37879. Claude Chumley is currently offering and/ or selling securities from or in the State of Tennessee.

5. Cledis Chumley is a citizen and resident of the State of Tennessee with his address being 283 Hunley Road, Speedwell, Tennessee 37879. Cledis Chumley has never been registered with the Division as a broker-dealer, an agent of a broker-dealer or as an investment advisor. Cledis Chumley is currently offering and/ or selling securities from or in the State of Tennessee.

6. Louis E. Chumley is a citizen and resident of the State of Tennessee with his address being 400 Amanda Circle, Knoxville, Tennessee 37922. Louis Chumley has never been registered with the Division as a broker-dealer, an agent of a broker-dealer or as an investment advisor. Louis Chumley is currently offering and/ or selling securities from or in the State of Tennessee.

7. Claude Chumley, Cledis Chumley, and Louis A. Chumley (collectively referred to as the "Chumleys") approached several individuals in the Knoxville area in order to solicit them to invest in SAFE, which was doing business as The Finance Center, Inc. The Chumleys represented to the potential investors that their investment would finance of a series of satellite stores that provide loans to people who are unable to obtain automobile financing from traditional sources of financing.

8. SAFE is not currently, nor has the company ever been, registered with the Division pursuant to the Tennessee Securities Act of 1980, as amended. Moreover, SAFE has never registered a securities offering with the Division.

9. TFC is not currently, nor has the company ever been, registered with the Division pursuant to the Tennessee Securities Act of 1980, as amended. Moreover, TFC has never registered a securities offering with the Division.

10. Heritage is not currently, nor has the company ever been, registered with the Division pursuant to the Tennessee Securities Act of 1980, as amended. Moreover, Heritage has never registered a securities offering with the Division.

11. Claude Chumley is not currently, nor has he ever been, registered with the Division pursuant to the Tennessee Securities Act of 1980, as amended. Claude Chumley has never been registered with the Division as a broker-dealer, an agent of a broker-dealer or as an investment advisor. Moreover, Claude Chumley has never registered a securities offering with the Division.

12. Cledis Chumley is not currently, nor has he ever been, registered with the Division pursuant to the Tennessee Securities Act of 1980, as amended. Cledis Chumley has never been registered with the Division as a broker-dealer, an agent of a broker-dealer or as an investment advisor. Moreover, Cledis Chumley has never registered a securities offering with the Division.

13. Louis A. Chumley is not currently, nor has he ever been, registered with the Division pursuant to the Tennessee Securities Act of 1980, as amended. Louis A. Chumley has never been registered with the Division as a broker-dealer, an agent of a broker-dealer

or as an investment advisor. Moreover, Louis A. Chumley has never registered a securities offering with the Division.

14. Potential investors were given the opportunity to invest in both stock of SAFE, as well as to operate a satellite store themselves. SAFE stock promised a high return. The offering of stock in SAFE sold by the Chumleys is a security.

15. Potential investors were given the opportunity to purchase royalty agreements. The royalty agreements promised the investor a return on every contract that was completed. The offering of royalty agreements is a security.

16. The Respondents are presently and will continue to offer and/or sell unregistered securities, without the proper registration, from or in the State of Tennessee. As result of this activity the public will suffer immediate and irreparable injury, loss or damage.

17. The Respondents, in connection with the offer, sale and purchase of a security in this state, are engaged in acts, practices or courses of business which operate as a fraud or deceit upon citizens of the State of Tennessee.

18. This Order is in the public interest and necessary for the protection of investors, and consistent with the purposes fairly intended by the Act.

CONCLUSIONS OF LAW

1. Tennessee Code Annotated §48-2-104 provides that it is unlawful for any person to sell any security in this state unless it is registered with the Division, qualified for an exemption pursuant to §48-2-103, or a covered security.

2. Tennessee Code Annotated § 48-2-102 provides that a security includes stock.

3. Tennessee Code Annotated § 48-2-102 provides that a security includes investment contracts. In *King v. Pope*, 91 S.W.3d 314, 320-322 (Tenn. 2002), the court held that an instrument or agreement would be considered an investment contract when (1) an offeree furnishes initial value to an offeror, (2) a portion of this initial value is subjected to the risks of the enterprise, (3) the furnishing of the initial value is induced by the offeror's promises or representations which give rise to a reasonable understanding that a valuable benefit of some kind, over and above the initial value, will accrue to the offeree as a result of the operation of the enterprise, and (4) the offeree does not receive the right to exercise practical and actual control over the managerial decisions of the enterprise. Investment contracts would include royalty agreements; thus, royalty agreements are a security.

4. Based upon the Findings of Fact and the Exhibits filed by the Petitioner, the Respondents have violated and are violating Tennessee Code Annotated §48-2-104 by offering and/or selling unregistered securities to Tennessee residents.

5. Tennessee Code Annotated §48-2-102(3) provides that a "broker-dealer" means any person engaged in the business of effecting transactions in securities for the account of others, or any person engaged in the business of buying or selling securities issued by one (1) or more other persons for such person's own account and as part of a regular business rather than in connection with such person's investment activities.

6. Tennessee Code Annotated §48-2-102(2) provides that an "agent" means any individual, other than a broker-dealer, who represents a broker-dealer in effecting or attempting to effect purchases or sales of securities from or in this state.

7. Tennessee Code Annotated §48-2-109(a) provides that it is unlawful for any person to transact business from or in this state as a broker-dealer or agent unless such person is registered as a broker-dealer or agent under this part.

8. Tennessee Code Annotated §48-2-109(b) provides that it is unlawful for any broker-dealer to employ an agent to transact business as an agent unless the agent is registered under this part.

9. Based upon the Findings of Fact and the Exhibits filed by the Petitioner, the Respondents, SAFE, TFC, and Heritage have violated and are violating Tennessee Code Annotated §48-2-109(a) and (b) by acting as unregistered broker-dealers and employing unregistered agents to solicit Tennessee residents and residents of other states.

10. Tennessee Code Annotated §48-2-109(a) provides that it is unlawful for any person to transact business from or in this state as a broker-dealer or agent unless such person is registered as a broker-dealer or agent under this part.

11. Based upon the Findings of Fact and the Exhibits filed by the Petitioner, Respondent Claude Chumley, Cledis Chumley, and Louis A. Chumley have violated and are violating Tennessee Code Annotated §48-2-109(a) by acting as unregistered agents of a broker-dealer from and in the State of Tennessee.

12. Tennessee Code Annotated § 48-2-121(a) provides that it is unlawful for any person, in connection with the offer, sale or purchase of any security in this state, directly or indirectly, to employ any device, scheme, or artifice to defraud, make any untrue statement

of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading, or engage in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person.

13. Based upon the Findings of Fact, the Respondents SAFE, TFC, Heritage and the Chumleys have violated and are violating Tennessee Code Annotated § 48-2-121(a) by failing to perform their duties under the agreements, including failing to make payments as scheduled, and failing to act on and process contracts forwarded to Respondents.

14. Additionally, Respondents have violated and are violating Tennessee Code Annotated §48-2-121(a) by making untrue statements of material fact or omitting to state material facts, including that the investments were secured by property that did not exist.

15. Tennessee Code Annotated §48-2-116 provides that the Commissioner may make, promulgate, amend, and rescind such Orders as are necessary to carry out the provisions of the Tennessee Securities Act of 1980, as amended, and 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. Tennessee Code Annotated §48-2-116(e)(2) states, in pertinent part, that no Order may be entered without: 1) prior notice to affected parties, unless the Commissioner determines that prior notice would not be in the public interest and would be detrimental to the protection of investors; 2) an opportunity for a hearing before the Commissioner; and 3) written Findings of Fact and Conclusions of Law.

17. Based upon the Findings of Fact, it would not be in the public interest and it would be detrimental to the protection of investors if prior notice of this Order were given to affected parties.

NOW, THEREFORE, in consideration of the foregoing, it is **ORDERED** that:

1. The Respondents Southern Automotive Financial Executives, Inc., The Finance Center, Heritage Funding, L.L.C., Claude Chumley, Cledis Chumley, and Louis A. Chumley shall comply with the provisions of the Tennessee Securities Act of 1980, as amended.

2. The Respondents Southern Automotive Financial Executives, Inc., The Finance Center, and Heritage Funding shall cease and desist in the further conduct as a broker-dealer from or in the State of Tennessee until such time as it is effectively registered with the Division to engage in such activity.

3. The Respondents Claude Chumley, Cledis Chumley, and Louis A. Chumley shall cease and desist in further conduct as an agent of a broker-dealer from or in the State of Tennessee until such time each is effectively registered with the Division to engage in such activity.

4. All Respondents shall cease and desist the further offer and/or sale of unregistered securities from and in the State of Tennessee.

5. The Respondents shall cease and desist, from and in the state of Tennessee, in the present and future conduct of employing any device, scheme, or artifice to defraud, making any untrue statement of a material fact or omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are

made, not misleading, or engaging in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person.

6. All persons in any way assisting, aiding, or helping any of the aforementioned Respondents in any of the aforementioned violations of the Tennessee Securities Act of 1980, as amended, Tennessee Code Annotated §§48-2-101 et seq. shall cease and desist from all such activities in violation of the Tennessee Securities Act of 1980, as amended.

This Order is not intended to prohibit any lawful conduct in which any of the Respondents might be engaged.

Entry of this Order shall not in any way restrict the Tennessee Securities Division or the Commissioner of Commerce and Insurance from taking further action with respect to these or other possible violations by Respondents of the Act or any of the Rules promulgated there under.

This Order shall become a Final Order 30 days from the date of its entry, unless written notification requesting a hearing is made within that 30 day period.

You are advised that you have the right to a hearing as to all matters raised in this Order. If you wish to exercise your right to a hearing, please notify:

DAPHNE D. SMITH
ASSISTANT COMMISSIONER FOR SECURITIES
STATE OF TENNESSEE, DEPARTMENT OF COMMERCE AND INSURANCE
DAVY CROCKETT TOWER, SUITE 680
500 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37243

Such request must be received within 30 days of the date of entry of this Order.

Entered this 7th day of August, 2003.

Paula A. Flowers
Paula A. Flowers,
Commissioner

APPROVED FOR ENTRY:

Daphne D. Smith
Daphne D. Smith
Assistant Commissioner for Securities
Department of Commerce and Insurance

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