

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 6710 / September 19, 2024**

**INVESTMENT COMPANY ACT OF 1940**  
**Release No. 35326 / September 19, 2024**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-22145**

**In the Matter of**

**INSPIRE INVESTING, LLC**

**Respondent.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS,  
PURSUANT TO SECTIONS 203(e) AND  
203(k) OF THE INVESTMENT ADVISERS  
ACT OF 1940 AND SECTIONS 9(b) AND 9(f)  
OF THE INVESTMENT COMPANY ACT  
OF 1940, MAKING FINDINGS, AND  
IMPOSING REMEDIAL SANCTIONS AND  
A CEASE-AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) and Sections 9(b) and 9(f) of the Investment Company Act of 1940 (“Investment Company Act”) against Inspire Investing, LLC (“Inspire” or “Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 and Sections 9(b) and 9(f) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

#### **Summary**

1. This matter arises from Inspire's material misstatements concerning how it managed investments for clients. Inspire is a registered investment adviser that currently advises eight exchange-traded funds ("Inspire ETFs"), and separately managed accounts ("SMAs"), that employ what it refers to as a "biblically responsible investing" ("BRI") strategy that purported to exclude investments in companies that engage in certain enumerated business practices which Inspire determined "do not align with biblical values." Inspire stated that it uses a science- and data-driven proprietary methodology to provide a positive or negative score for companies based on their business practices. From at least 2019 to March 2024 ("Relevant Period"), Inspire represented in its Form ADV Part 2A Brochure ("Brochure") and the Inspire ETFs' prospectuses that the Inspire ETFs and SMAs it advised would not invest in companies that "ha[ve] any degree of participation in" certain enumerated activities or products that Inspire determined did not align with biblical values. In practice, however, Inspire misrepresented its research process, did not apply its investment criteria consistently, invested in companies that should have been excluded based on Inspire's stated investment criteria, and had a research process that failed to prevent departures from its stated investment criteria. Inspire also failed to adopt reasonably designed policies and procedures related to its investment process.

#### **Respondent**

2. Inspire, a Delaware limited liability company headquartered in Meridian, Idaho, has been registered with the Commission as an investment adviser since January 2017. Inspire is investment adviser to eight ETFs, each of which is a series of an open-end investment company and a pooled investment vehicle under the Advisers Act, as well as individual retail clients and other institutions. In its Form ADV dated March 26, 2024, Inspire reported having approximately \$2.5 billion in regulatory assets under management.

#### **Other Relevant Entities**

3. The Inspire ETFs are:
- a. Inspire 100 ETF (ticker symbol BIBL), which commenced operations on October 30, 2017, and, as of November 30, 2023, had approximately \$308.5 million in net assets;
  - b. Inspire Corporate Bond ETF (ticker symbol IBD), which commenced operations on July 10, 2017, and as of November 30, 2023, had approximately \$232.7 million in net assets;

- c. Inspire Faithward Mid Cap Momentum ETF (ticker symbol GLRY), which commenced operations on December 7, 2020, and, as of November 30, 2023, had approximately \$45.1 million in net assets;
- d. Inspire Fidelis Multi Factor ETF (ticker symbol FDLS), which commenced operations on August 23, 2022, and, as of November 30, 2023, had approximately \$70.6 million in net assets;
- e. Inspire Global Hope ETF (ticker symbol BLES), which commenced operations on February 27, 2017, and, as of November 30, 2023, had approximately \$166.8 million in net assets;
- f. Inspire International ETF (ticker symbol WWJD), which commenced operations on September 30, 2019, and, as of November 30, 2023, had approximately \$227.7 million in net assets;
- g. Inspire Small/Mid Cap ETF (ticker symbol ISMD), which commenced operations on February 27, 2017, and, as of November 30, 2023, had approximately \$169 million in net assets;
- h. Inspire Tactical Balanced ETF (ticker symbol RISN), which commenced operations on July 15, 2020, and, as of November 30, 2023, had approximately \$83.4 million in net assets; and
- i. Inspire Faithward Large Cap Momentum ESG ETF (ticker symbol FEVR), which commenced operations on December 7, 2020, and, on November 28, 2022, ceased operations and liquidated and distributed its assets to shareholders.

### **Inspire's Investment Strategy**

4. Inspire offers investment advisory services and represents that it employs its BRI strategy when advising the ETFs and individual clients. Inspire advises the Inspire ETFs, identified above, that follow Inspire's BRI strategy. Inspire also manages SMAs for individual advisory clients according to the BRI strategy. It primarily invests those accounts in the Inspire ETFs.

5. Inspire represented in its Brochure and prospectuses for the Inspire ETFs that it invests its clients in companies that it deems to be aligned with biblical values. For example, the March 2023 Inspire ETFs' prospectuses stated that Inspire's proprietary "Inspire Impact Score" methodology "removes from the investment universe the securities of any company that has any degree of participation in the following activities or products that do not align with biblical values": "Abortifacients," "Abortion Philanthropy," "Abortion Legislation," "Abortion Procedures," "Alcohol," "Cannabis Retail THC," "Cannabis Cultivation/Processing," "Embryonic

Stem Cell Research,” “Gambling,” “Human Rights [exploitation],” “In Vitro Fertilization,” “LGBT Legislation,” “LGBT Philanthropy,” “LGBT Promotion,” “Pornography,” “State Owned Enterprise,” and “Tobacco” (collectively, “Prohibited Activities”). The prospectuses further stated that Inspire utilizes “software that analyzes publicly available data relating to the primary business activities, products and services, philanthropy, legal activities, policies and practices when assigning Inspire Impact Scores to a company.”

6. On its website, Inspire described its methodology as “objective” and “rules-based” and represented that it “brings together the most robust data sets from the world’s leading providers.”

7. Inspire elaborated on its methodology and touted its reliability in a white paper published on its website. According to the white paper, by relying on data science and analysis of faith-based screening data, the Inspire Impact Score “reflects a rules-based, scientifically rigorous methodology of faith-based ESG analysis which creates a level of consistency and reliability of results necessary for making well-informed, quantitatively sound, biblically responsible investment decisions.” The white paper contrasted its methodology with previous methods of faith-based investing that were “often too subjective and lacking in verifiably objective foundational data” and “did not lend itself well to the construction of investment portfolios that could stand up to the demanding due-diligence standards of serious investors.”

### **Inspire’s Investment Practices Were Inconsistent and Failed to Comply with Representations**

8. Inspire’s actual investment process deviated from what it represented to clients and Inspire ETF investors in its Brochure and the Inspire ETF prospectuses. To assess companies under the Inspire Impact Score methodology, Inspire relied on manual research by a small staff of Inspire employees and did not “introduc[e] best-practice disciplines of data science into the collection, organization, and analysis of faith-based screening data,” as represented to investors. Inspire employees’ research was primarily limited to cross-referencing company names with donor and sponsor lists of well-known national organizations that it determined were associated with Prohibited Activities. Despite its representations to clients, Inspire did not typically conduct research at an individual company level to determine whether a company engaged in any of the Prohibited Activities.

9. Inspire’s screening process resulted in numerous instances of the Inspire ETFs and client portfolios investing in companies that engaged in Prohibited Activities. Inspire excluded certain companies from the investment universe for engaging in Prohibited Activities, while its manual research process failed to identify and exclude other companies that engaged in similar Prohibited Activities, according to publicly available information.

10. For example, certain companies were excluded from Inspire’s investment universe for donating to certain advocacy organizations or sponsoring certain events that Inspire considered

to be Prohibited Activities. At the same time, multiple companies held within the Inspire ETF portfolios donated to organizations or sponsored events that were the same or similar.

11. As a result of the above, Inspire made material misrepresentations to clients and investors about how it would invest and failed to adhere to the Inspire ETFs' and SMA clients' investment criteria.

### **Compliance Deficiencies**

12. Inspire also failed to adopt and implement written policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder. The firm lacked written policies or procedures establishing a due diligence process that would support the representations made to investors and clients. It also lacked written policies and procedures setting forth a process for evaluating companies' activities as part of its investment process, which at times resulted in inconsistent application of Inspire's investment criteria in determining that certain sponsorships, donations, or products were Prohibited Activities while other companies' similar activities were not deemed to be Prohibited Activities.

### **Violations**

13. As a result of the conduct described above, Inspire willfully violated Section 206(2) of the Advisers Act, which makes it unlawful for any investment adviser, directly or indirectly, to engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client.

14. As a result of the conduct described above, Inspire willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-8 thereunder, which together make it unlawful for any investment adviser to (1) make any untrue statement of a material fact or to omit to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, to any investor or prospective investor in the pooled investment vehicle; or (2) otherwise engage in any act, practice, or course of business that is fraudulent, deceptive, or manipulative with respect to any investor or prospective investor in the pooled investment vehicle.

15. As a result of the conduct described above, Inspire willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder, which together require a registered investment adviser to adopt and implement written policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder by the adviser and its supervised persons.

16. As a result of the conduct described above, Inspire willfully violated Section 34(b) of the Investment Company Act, which, in relevant part, makes it unlawful for any person to make any untrue statement of a material fact in any registration statement, application, report, account, record, or other document filed or transmitted pursuant to the Investment Company Act, or to omit

to state therein any fact necessary in order to prevent the statements made therein, in the light of the circumstances under which they were made, from being materially misleading.

### **Inspire's Remedial Efforts**

17. In determining to accept the Offer, the Commission considered remedial acts undertaken by Inspire and cooperation afforded the Commission staff. Throughout the investigation, Inspire voluntarily met with the Commission staff on multiple occasions and cooperated to provide factual summaries of relevant information. Following the identification of certain issues by the Commission staff, Inspire began to make changes to its disclosures and policies and procedures.

### **Undertakings**

18. Respondent has undertaken to:

- a. Retain, within 30 days of the issuance of this Order, the services of an Independent Compliance Consultant ("Independent Consultant") not unacceptable to the staff of the Commission and provide a copy of this Order to the Independent Consultant. Not later than ten (10) days following the date of the Independent Consultant's engagement, Respondent shall provide the Commission staff with a copy of the engagement letter detailing the Independent Consultant's responsibilities, which shall include the reviews and reports to be made by the Independent Consultant as set forth in this Order. The Independent Consultant's compensation and expenses shall be borne exclusively by Respondent.
- b. Require the Independent Consultant to:
  - i. review the firm's practices, disclosures, and written policies and procedures concerning selection of investments and application of investment criteria, including due diligence and monitoring relating to investment selections and holdings;
  - ii. at the end of the review, which in no event shall be more than 180 days after the entry of this Order, submit a written and dated report to Respondent and the Commission staff that shall include a description of the review performed, the names of the individuals who performed the review, the Independent Consultant's findings and recommendations for changes or improvements to the disclosures, practices, policies, and procedures, and a procedure for implementing the recommended changes and improvements;

- iii. conduct one annual review 365 days from the date of the issuance of the Independent Consultant's initial report, to assess whether Respondent is complying with its then-current disclosures, policies, and procedures, and whether the then-current disclosures, policies, and procedures are effective in achieving their stated purposes; and
    - iv. at the end of the annual review, which in no event shall be more than 180 days from the date that the annual review commenced, submit a written annual report to Respondent and the Commission staff that shall include a description of its findings and recommendations, if any, for additional changes or improvements to the disclosures, policies, and procedures, and a procedure for implementing the recommended changes and improvements.
- c. Within forty-five (45) days of receipt of each of the Independent Consultant's reports, adopt all recommendations contained in the reports, provided, however, that within thirty (30) days after the date of the applicable report, Respondent shall in writing advise the Independent Consultant and the Commission staff of any recommendations that it considers to be unduly burdensome, impractical, or inappropriate. With respect to any recommendation that Respondent considers to be unduly burdensome, impractical, or inappropriate, Respondent need not adopt that recommendation at that time but Respondent shall instead propose in writing to the Independent Consultant and Commission staff an alternative policy or procedure designed to achieve the same objective or purpose as that recommended by the Independent Consultant. Respondent shall attempt in good faith to reach an agreement with the Independent Consultant on any recommendations objected to by Respondent. Within fifteen (15) days after the conclusion of the discussion and evaluation by Respondent and the Independent Consultant, Respondent shall require that the Independent Consultant inform Respondent and the Commission staff in writing of the Independent Consultant's final determination concerning any recommendation. At the same time, Respondent may seek approval from the Commission staff to not adopt recommendations that the Respondent can demonstrate to be unduly burdensome, impractical, or inappropriate. In the event that Respondent and the Independent Consultant are unable to agree on an alternative proposal within thirty (30) days and the Commission staff does not agree that any proposed recommendations are unduly burdensome, impractical, or inappropriate, Respondent shall abide by the determinations of the Independent Consultant.
- d. Within thirty (30) days of Respondent's adoption and implementation of all of the recommendations in the Independent Consultant's reports that the Independent Consultant deems appropriate, as determined pursuant to the

procedures set forth herein, certify in writing to the Independent Consultant and the Commission staff that Respondent has adopted and implemented all recommendations in the applicable report. The Commission staff may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence.

- e. Cooperate fully with the Independent Consultant and shall provide the Independent Consultant with access to such of its files, books, records and personnel as reasonably requested for the Independent Consultant's review, including access by on-site inspection.
- f. To ensure the independence of the Independent Consultant, (1) not have the authority to terminate the Independent Consultant or substitute another independent consultant for the initial Independent Consultant without prior written approval of the Commission staff; and (2) compensate the Independent Consultant and persons engaged to assist the Independent Consultant for services rendered pursuant to this Order at their reasonable and customary rates.
- g. For the period of engagement and for a period of two years from completion of the engagement, not (i) retain the Independent Consultant for any other professional services outside of the services described in this Order; (ii) enter into any other professional relationship with the Independent Consultant, including any employment, consultant, attorney-client, auditing or other professional relationship; or (iii) enter, without prior written consent of the Commission staff, into any such professional relationship with any of the Independent Consultant's present or former affiliates, employers, directors, officers, employees, or agents acting in their capacity as such.
- h. Agree that Respondent shall not be in, and shall not have an attorney-client relationship with the Independent Consultant and shall not seek to invoke the attorney-client privilege or any other doctrine of privilege to prevent the Independent Consultant from transmitting any information, reports, or documents to the Commission staff.
- i. Certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence. The certification and supporting material shall be submitted to Jeffrey Shank, Assistant Regional Director, Securities and Exchange Commission, 175 West Jackson Boulevard, Suite 1450, Chicago, IL 60604, with a copy to the Office of Chief Counsel of the Enforcement Division, 100



F Street N.E., Washington, DC 20549, no later than sixty (60) days from the date of the completion of the undertakings.

19. For good cause shown, the Commission staff may extend any of the procedural dates relating to the undertakings set forth in paragraph 18 above. Deadlines for procedural dates shall be counted in calendar days, except that if the last day falls on a weekend or federal holiday, the next business day shall be considered the last day.
20. The reports by the Independent Consultant will likely include confidential financial, proprietary, competitive business or commercial information. Public disclosure of the reports could discourage cooperation, impede pending or potential government investigations or undermine the objectives of the reporting requirement. For these reasons, among others, the reports and the contents thereof are intended to remain and shall remain non-public, except (1) pursuant to court order, (2) as agreed to by the parties in writing, (3) to the extent that the Commission determines in its sole discretion that disclosure would be in furtherance of the Commission's discharge of its duties and responsibilities, or (4) is otherwise required by law.

#### IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Inspire's Offer.

Accordingly, pursuant to Sections 203(e) and 203(k) of the Advisers Act and Section 9(b) and 9(f) of the Investment Company Act, it is hereby ORDERED that:

- A. Respondent Inspire cease and desist from committing or causing any violations and any future violations of Sections 206(2) and 206(4) of the Advisers Act and Rules 206(4)-1, 206(4)-7, and 206(4)-8 promulgated thereunder, and Section 34(b) of the Investment Company Act.
- B. Respondent Inspire is censured.
- C. Respondent Inspire shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of \$300,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Section 21F(g)(3) of the Securities Exchange Act of 1934. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or

- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Inspire as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Jeffrey Shank, Assistant Regional Director, Securities and Exchange Commission, 175 West Jackson Boulevard, Suite 1450, Chicago, IL 60604.

D. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

E. Respondent Inspire shall comply with the undertakings enumerated in paragraph 18 above.

By the Commission.

Vanessa A. Countryman  
Secretary