

STATE OF ARKANSAS
SECURITIES DEPARTMENT

IN THE MATTER OF

HALO SPARK PLUG, INC.,
JAMES E. JOHNSON, PRESIDENT,
CHIEF EXECUTIVE OFFICER &
CHAIRMAN OF THE BOARD,
EVA LOU JOHNSON, SECRETARY &
TREASURER, AND CHARLES R.
("RUSS") RASNIC, CHIEF OPERATING
OFFICER & GENERAL MANAGER

CEASE AND DESIST ORDER
NO. 00-022-S

The Arkansas Securities Department ("Department") has received information and has in its possession certain evidence which indicates that Halo Spark Plug, Inc. ("Halo Spark Plug"), James E. Johnson ("Johnson"), Eva Lou Johnson and Charles R. ("Russ") Rasnic ("Rasnic") have violated provisions of the Arkansas Securities Act ("Act"), Ark. Code Ann. § 23-42-101 et seq.

FINDINGS OF FACT

1. Halo Spark Plug is a Nevada Corporation, incorporated on August 11, 1997, with 25,000,000 authorized shares of stock. Halo Spark Plug, whose principal place of business is located at 278 Kaufman Road, Building 1 Suite A, Hot Springs, Arkansas 71913, plans to manufacture and sell spark plugs with the Halo® ground electrode tip.

2. Johnson is the President, Chief Executive Officer and Chairman of the Board of Halo Spark Plug, whose business address is 278 Kaufman Road, Building 1 Suite A, Hot Springs, Arkansas 71913.

3. Eva Lou Johnson is the wife of Johnson and is Secretary and Treasurer of Halo Spark Plug, whose business address is 278 Kaufman Road, Building 1, Suite A, Hot Springs, Arkansas 71913.

4. Rasnic is Chief Operating Officer and General Manager of Halo Spark Plug, whose business address is 278 Kaufman Road, Building 1, Suite A, Hot Springs, Arkansas 71913.

5. On or about May 11, 1999 the Department received information from an Arkansas resident who had been offered the opportunity to purchase 10,000 shares of stock in Halo Spark Plug. This resident stated he was offered the opportunity by Johnson to invest in a block of shares, each block priced at \$10,000 for which he would receive 10,000 shares of stock in Halo Spark Plug.

6. On May 13, 1999, the Department wrote to Johnson informing him of possible violations of the Act, requesting his assurance that any solicitation or collection of funds in Arkansas had ceased, and requesting the name, address, and amount invested by each investor in Arkansas.

7. On May 18, 1999, the Department received a letter from Johnson assuring the Department that Halo Spark Plug had voluntarily suspended solicitation of securities as well as receiving any additional moneys for securities until Halo Spark Plug was in full compliance with any applicable laws regarding securities sales. Johnson also stated Halo Spark Plug had retained counsel to represent them in this matter. However, the

information did not contain the names, addresses and amounts invested by Arkansas investors.

8. On June 22, 1999 the Staff of the Department met with Johnson, Rasnic and their attorney. At this meeting Johnson submitted a list of approximately 30 Arkansas residents who had invested approximately \$400,000. Johnson, Rasnic and their attorney represented to the Department their desire to comply with all applicable securities laws and stated their intention to raise additional capital through the sale of stock. The Staff of the Department ("Staff") explained to Johnson, Rasnic and their attorney that a rescission offer providing full disclosure, as approved by the Staff, would have to be made to the Arkansas investors after which time Johnson could apply for registration or exemption from registration to offer additional shares of Halo Spark Plug.

9. As of September 2, 1999 the Department had not received a draft of the rescission offer and again met with Johnson and Rasnic and reiterated the necessity of Halo Spark Plug to submit a draft of the rescission offer to the Department for approval as soon as possible.

10. Following the meeting of September 2, 1999 Halo Spark Plug, through their second attorney, did submit a draft of the Rescission Offer Offering Memorandum ("Rescission Offer"), to the Department. The Rescission Offer contained information regarding Johnson's prior operation of Ultra Performance International, Inc. ("UPI"), a Florida corporation founded by Johnson in October 1989. According to the Rescission Offer, the purpose of the UPI venture was to provide a mechanism for early research and development of the Halo® ground electrode tip to be attached to a spark plug.

According to the Rescission Offer, a minimum of \$750,000 was raised through stock sales to approximately 34 individual Florida investors.

11. According to the Rescission Offer, the funds of UPI were used to secure and maintain a total of eight patents in the United States and several other countries, as well as to build prototype variations of the Halo® ground electrode tip. Sometime in early 1995, Florida shareholders of UPI brought suit against Johnson for failure to provide: financial information, a list of shareholders, an accounting of the number of UPI shares outstanding, and use of proceeds from stock sales. However, the lawsuit was dismissed for lack of prosecution. According to the Rescission Offer, Halo Spark Plug will offer to UPI shareholders the following: (1) one share in Halo Spark Plug for every dollar invested in UPI; or (2) a return of principal paid by the Florida investors.

12. In the fall of 1995, Johnson abruptly relocated to Hot Springs, Arkansas. On August 11, 1997 Johnson incorporated Halo Spark Plug as a Nevada corporation. Johnson issued 1,100,000 shares of Halo Spark Plug in the name of James E. and Lou Johnson as compensation for the assignment of the "Halo" trademark name to Halo Spark Plug. Johnson also issued 13,750,000 shares of stock in Halo Spark Plug to "The Bollinger Family Trust," a trust controlled by Johnson and his wife Eva Lou Johnson.

13. According Halo Spark Plug Corporate Resolution No. 005, "Day to day decision-making responsibility, and decisions on information required to be disseminated to the Board and shareholders will be solely at the discretion of the President of the Company," Johnson.

14. On February 25, 1999 Johnson incorporated Halo Inc. a Nevada corporation of which Johnson is President and Eva L. Johnson is Secretary and Treasurer.

According to information the Department received on July 29, 1999 from Johnson's patent attorney, Herbert W. Larson of Largo, Florida, the records of the U.S. Patent and Trademark Office reflect ownership of the two U.S. Patents #5,280,214 and 5,430,346 in the name of Halo, Inc. It appears the ability of Halo Spark Plug to manufacture the Halo® tip electrode is dependent on the design and technology patented and owned by Halo, Inc.

15. On December 1, 1999 the Staff again met with Halo Spark Plug's second attorney and made recommendations for changes to the Rescission Offer.

16. On April 20, 2000 the Department received information that Halo Spark Plug, through Johnson, was continuing to accept investors' money by issuing promissory notes. The Staff has received copies of four promissory notes issued by Halo Spark Plug and signed by Johnson during the month of December 1999. Each promissory note states that it promises to pay the investor a return of their principal with interest of 9.00% per annum one year from the date of the promissory note. Each promissory note states that it is secured by one Halo Spark Plug for each dollar invested.

17. The Staff has spoken with four individuals who have purchased promissory notes. Each investor has stated that Johnson has verbally promised to issue one share of stock in Halo Spark Plug for each dollar invested. Johnson has stated to these investors that he is presently unable to sell the shares of stock until compliance is met with the applicable securities laws.

18. Based on information received by the Staff, it appears Johnson has sold at least \$500,000 worth of promissory notes.

19. The stock and promissory notes offered to the Arkansas investors by Halo Spark Plug, or any of its principals, are securities as defined by the Act: "Security" means any note, stock or evidence of indebtedness. According to the records of the Arkansas Securities Commissioner, neither the stock nor the promissory notes are registered with the Commissioner or exempt from that registration for sale in Arkansas.

20. Johnson is an "agent" as that term is defined by the Act: "Agent" means any individual who represents an issuer in effecting or attempting to effect purchases or sales of securities. According to the records of the Arkansas Securities Commissioner, Johnson is not registered as an agent for the purpose of selling securities in Arkansas.

CONCLUSIONS OF LAW

21. Ark. Code Ann. § 23-42-102(2) defines "agent as any individual who represents a broker-dealer or issuer in effecting or attempting to effect purchases or sales of securities.

22. Ark. Code Ann. § 23-42-102(15)(A) defines "security" to include any note; stock; or evidence of indebtedness.

23. Ark. Code Ann. § 23-42-501 states that it is unlawful for any person to offer or sell any security which is not registered or which is not exempt from registration under the terms of the Act.

24. Ark. Code Ann. § 23-42-301(a) states that it is unlawful for any person to transact business in this State as a broker-dealer or agent unless such person is registered under the terms of the Act.

OPINION

25. This matter has been properly brought before the Arkansas Securities Commissioner in accordance with Ark. Code Ann. §§ 23-42-201 and 209.

26. From the facts known by the Commissioner, the Commissioner has reason to believe that Halo Spark Plug, and its principals, Johnson, Eva Lou Johnson and Rasnic, have engaged in activity in violation of the Act by offering and selling securities in Arkansas.

27. Pursuant to Ark. Code Ann. § 23-42-209(a)(1), the Arkansas Securities Commissioner can and should order Halo Spark Plug, Johnson, Eva Lou Johnson and Rasnic to immediately cease and desist from the further solicitation and sale of the securities described above and to immediately cease and desist from the collection of additional funds from any current investors.

28. This Order is in the public interest.

ORDER

IT IS THEREFORE ORDERED THAT Halo Spark Plug, Inc., James E. Johnson, Eva Lou Johnson and Charles R. ("Russ") Rasnic **CEASE AND DESIST** from any further actions in the State of Arkansas in connection with the offer and sale of securities until such time as they and the securities offered are properly registered or exempted from registration pursuant to the Arkansas Securities Act.

WITNESS MY HAND AND SEAL THIS 28th DAY OF APRIL, 2000.



MAC DODSON
SECURITIES COMMISSIONER