

STATE OF ARKANSAS
SECURITIES DEPARTMENT

IN THE MATTER OF

CEASE & DESIST ORDER

INTERNATIONAL BENEVOLENCE FUND TRUST

FRANK R. JOHNSON; and

DIRECTORS, OFFICERS, EMPLOYEES and AGENTS

OF INTERNATIONAL BENEVOLENCE FUND TRUST

No. 99-004-S

CEASE AND DESIST ORDER

The Arkansas Securities Department ("Department") has received information and has in its possession certain evidence which indicates that International Benevolence Fund Trust ("IBF"), Frank R. Johnson ("Johnson"), and the Directors, Officers, Employees And Agents of IBF have violated provisions of the Arkansas Securities Act ("Act"), Ark. Code Ann. § 23-42-101 *et seq.*

FINDINGS OF FACT

1. According to documents and information received by the Department, IBF is a "Private Trust Group" with offices located in Alabama and a "funding" office located in the Bahamas.
2. According to documents and information received by the Department, Johnson is identified as a "Trust Manger" of IBF.
3. Each investor/participant in IBF is required to enter into a "Private-Party Loan Agreement" ("Agreement") which provides that loans to IBF ". . . will be transferred to the project of the overseas Trust firm whereby the loan and earnings combined will be deposited to the lender in an amount up to twenty (20) times the amount loaned. Expected time of repayment is calculated to be on or around three hundred and sixty-five (365) days from the date of trading." A copy of the Agreement is attached hereto as Exhibit A. These 'loans' are pooled with others into a common fund that purportedly buys and sells 'world bank' instruments in international markets.
4. According to documents and information received by the Department, IBF and Johnson represent that "Before the Manager, Frank R. Johnson, deposits your funds overseas, he will have a written guarantee of principal by a World Bank, resulting in a ZERO RISK [emphasis in original] of loss, as guaranteed by the Bank."
5. According to documents and information received by the Department, Johnson and/or solicitors and agents for IBF and/or Johnson have solicited, offered for sale, and/or sold the foregoing Agreements in Arkansas to Arkansas resident(s).
6. The Agreement is a security as that term is defined by the Act under "investment contract". Ark. Code Ann. § 23-42-102 (15) (A) (xi). According to the records of the Arkansas Securities Commissioner, these Agreement investment contracts are not registered with the Commissioner, nor has an exemption from registration been filed and approved by the Commissioner. Further, the investment contracts are not "covered securities" as defined by the Act. Ark. Code Ann. § 23-42-102 (4).

7. IBF is an "issuer" as that term is defined by the ACT, to-wit: "every person who issues or proposes to issue any security . . ." Ark. Code Ann. § 23-42-102 (9).
8. Johnson is an "agent" as that term is defined by the Act, to-wit: "any individual . . . who represents a broker-dealer or issuer in effecting or attempting to effect purchases or sales of securities." Ark. Code Ann. § 23-42-102 (2) (A).
9. On October 15, 1997, the North Dakota Securities Commissioner entered a Cease and Desist Order against IBF and Johnson based upon his findings that IBF and Johnson had sold the Agreements to North Dakota residents in violation of the North Dakota Century Code. A copy of that order is attached hereto as Exhibit B.

CONCLUSIONS OF LAW

10. Ark. Code Ann. § 23-42-201 gives the Arkansas Securities Commissioner authority to administer the provisions of the Act.
11. Ark. Code Ann. § 23-42-209 (a) (1) provides that, when it appears to the Commissioner that sufficient grounds or evidence exists that any person has violated or is about to violate any provision of the Act, the Commissioner may summarily order the person to cease and desist from that act or practice.
12. Ark. Code Ann. § 23-42-301 (a) provides that it is unlawful for any person to transact business in this state as a broker-dealer or agent unless he is registered under this chapter.
13. Ark. Code Ann. § 23-42-301 (b) provides that it is unlawful for any issuer to employ an unregistered agent.
14. Ark. Code Ann. § 23-42-501 provides that it is unlawful for a person to offer or sell any security in this state unless the security is registered in accordance with the Act, exempt from that registration, or a covered security.
15. Ark. Code Ann. § 23-42-507 states:

It is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly:

- (1) To employ any device, scheme, or artifice to defraud;
- (2) To make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading; or
- (3) To engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

OPINIONS

For reasons set forth herein, and based upon Findings of Fact and Conclusions of Law recited above, it is the opinion of the Commissioner that:

16. This matter has been properly brought before the Commissioner.
17. The IBF Agreements are securities subject to the registration requirements of the Act.
18. IBF and/or Johnson attempted to effect the offer and sale of the Agreements in Arkansas.

19. The Agreements have not been registered with the Department, neither are they exempt from that registration nor are they covered securities.
20. IBF is not registered as a broker-dealer with the Department.
21. Johnson is not registered with the Department as a broker-dealer representative, or as an agent of the issuer for IBF.
22. IBF and Johnson have engaged in fraud, in violation of Ark. Code Ann. § 23-42-507, in that they engaged in a course of business which deceived or could deceive Arkansas residents into believing the offer and sale of the Agreements in Arkansas was lawful, that the Agreements were guaranteed and not subject to risk of loss.
23. IBF and Johnson should immediately cease and desist from further solicitation and/or sale of the Agreements or any other similar instrument or contract.
24. IBF and/or Johnson should immediately cease and desist from the collection of funds from any Arkansas resident.
25. This order is in the public interest.

ORDER

IT IS THEREFORE ORDERED THAT International Benevolence Fund Trust, Frank R. Johnson, and the Directors, Officers, Employees and Agents of International Benevolence Fund Trust CEASE AND DESIST from any future action in the State of Arkansas in connection with the offer and sale of securities.

WITNESS MY HAND AND SEAL this 25th day of February, 1999

MAC DODSON

Arkansas Securities Commissioner