

**STATE OF ARKANSAS
SECURITIES DEPARTMENT**

IN THE MATTER OF

**CEASE AND DESIST ORDER
NO. S-03-023-03-CD01**

CHARLES E. ELLIOTT, INDIVIDUALLY
AND D/B/A BREAD OF LIFE
INVESTMENTS, LTD.; CHARLES E.
ELLIOTT AND NICHOLAS J. KRUG,
INDIVIDUALLY, AND D/B/A GOLD
STAR PROPERTIES AND GOLDEN
EAGLE 1 GROUP; PLATINUM ADVANTAGE
LLC INTERNATIONAL CREDIT UNION;
VANTAGE GLOBAL FUND LP; DOVE
HOLDINGS, LLC; REBATES INTERNATIONAL,
INC.; AND TERRY H. MAHON

CEASE AND DESIST ORDER

The Arkansas Securities Department (the "Department") has received information and has in its possession certain evidence that indicates that Charles E. Elliott, both individually and d/b/a Bread Of Life Investments, Ltd., Charles E. Elliott and Nicholas J. Krug, both individually and d/b/a Gold Star Properties and Golden Eagle 1 Group, Platinum Advantage LLC International Credit Union, Vantage Global Fund LP, Dove Holdings, LLC, Rebates International, Inc., and Terry H. Mahon have violated provisions of the Arkansas Securities Act, Ark. Code Ann. § 23-42-101 *et. seq.* (the "Act").

FINDINGS OF FACT

RESPONDENTS

1. Charles E. Elliott (hereafter referred to as “Elliott”) is an individual presently residing in Henderson, Arkansas, and controls Gold Star Properties, Golden Eagle 1 Group, Platinum Advantage LLC International Credit Union, Vantage Global Fund LP, and Dove Holdings, LLC.

2. Nicholas J. Krug (hereafter referred to as “Krug”) is an individual presently residing in Mountain Home, Arkansas, and controls Gold Star Properties, Golden Eagle 1 Group, Platinum Advantage LLC International Credit Union, Vantage Global Fund LP, and Dove Holdings, LLC.

3. Gold Star Properties (hereafter referred to as “Gold Star”) is a general partnership composed entirely of Elliott and Krug and is completely controlled by Elliott and Krug.

4. Golden Eagle 1 Group (hereafter referred to as “Golden Eagle”) is a general partnership composed entirely of Elliott and Krug and is completely controlled by Elliott and Krug.

5. Platinum Advantage LLC International Credit Union (hereafter referred to as “Platinum”) purports to be a limited liability company organized and existing under the laws of The Marshall Islands, having as its principal place of business P.O. Box 1802, Gibson’s Building, Suite 1-3, Majuro, The Marshall Islands MH 96960. Its sole founding member, also believed to be its sole member, is Golden Eagle. Platinum is completely controlled by Elliott and Krug.

6. Vantage Global Fund, LP (hereafter referred to as “Vantage”) purports to be a limited partnership organized under the laws of the state of Delaware with its principal

place of business located in Henderson, Arkansas. Vantage is completely controlled by Elliott and Krug.

7. Dove Holdings, LLC (hereafter referred to as "Dove Holdings") purports to be a limited liability company with its principal place of business located at P.O. Box 642, Charleston, Nevis, West Indies. Dove Holdings is completely controlled by Elliott and Krug.

8. Bread of Life Investments, LTD. (hereafter referred to as "Bread of Life") is believed to be a business name under which Elliott transacts business and maintains funds. There are no records filed under such name in the records of the Arkansas Secretary of State.

9. Rebates International, Inc. (hereafter referred to as "Rebates International") purports to be a corporation organized under the laws of the state of Nevada with its principal place of business located in Hollister, Missouri. Rebates International is controlled by Terry H. Mahon.

10. Terry H. Mahon (hereafter referred to as "Mahon") is an individual whose last known address was in Hollister, Missouri, but who may presently be residing in the state of Nevada. Mahon is President and controls Rebates International.

THE REBATE CERTIFICATES

11. During the period from January 2001 through approximately April 2002, Elliott, individually and d/b/a Bread of Life Investments, and Krug, on behalf of themselves and Gold Star, Dove Holdings, Mahon, and Rebates International, embarked upon a course of conduct involving the offer and sale of securities in the form of "Rebate Certificates" to residents of Arkansas and other states.

12. Each such offer and sale took place in, originated from, or was consummated by Elliott and Krug or their agents in Arkansas.

13. The particular securities offered and sold consisted of “Rebate Certificates” issued by Mahon on behalf of Rebates International, and purport to entitle the holder named in each Rebate Certificate to the sum of money invested by such holder plus profits thereon. A copy of one such Rebate Certificate with the name and personal information of the holder thereof redacted is attached hereto as Exhibit “A”.

14. The scheme by which such securities were offered and sold by Elliott, Krug, and others acting on their behalf and on behalf of Gold Star, Dove Holdings, Mahon, and Rebates International, consisted of the performance of what Elliott and Krug referred to as an “Equity Evaluation” for persons owning real property, in which Elliott, Krug, and their agents, purported to identify that portion of the homeowner’s real property that could be used to secure a loan in order to purchase a Rebate Certificate. In the event that the homeowner decided to participate in the program, the homeowner in a typical scenario, would obtain a loan (often from a mortgage company recommended by Elliott, Krug or their agents) in an amount sufficient to pay to Elliott and Krug or their agents a sum equal to at least 17% of the appraised value of the homeowner’s real property. In exchange for such payment, the homeowner would receive a Rebate Certificate from Elliott and Krug or their agents issued by Mahon and Rebates International purporting to obligate Rebates International to pay to the homeowner, upon presentation no sooner than five years from the date of issuance, a sum of money that included the amount originally paid by the homeowner to Elliott and Krug or their agents plus a profit thereon ranging from 488.24% to 566.67% of the original amount paid by the homeowner. For example, if the homeowner originally paid \$17,000, the Rebate Certificate would purportedly entitle him to receive \$100,000 five years from the date of issuance. Although Elliott and Krug referred to the Rebate Certificate as a “gift”, the homeowner was advised that he would only receive a Rebate Certificate if he paid the required amount, and he received nothing else of value.

15. Elliott and Krug or their agents took at least \$272,123 from individuals in exchange for Rebate Certificates issued by Mahon and Rebates International purporting to obligate Rebates International to ultimately pay at least \$2,014,704 under the terms of the Rebate Certificates.

THE CERTIFICATES OF DEPOSIT

16. During the period from May 2002 through approximately July 2003, Elliott, individually and d/b/a Bread of Life Investments, and Krug, on behalf of themselves and Gold Star, Dove Holdings, and Golden Eagle, employed a scheme and engaged in a course of conduct designed to and which did operate as a fraud upon residents of Arkansas and other states involving the offer and sale of securities in the form of "Certificates of Deposit" to residents of Arkansas and other states.

17. Each such offer and sale took place in, originated from, or was consummated by Elliott and Krug or their agents in Arkansas.

18. The particular securities offered and sold were referred to by Elliott and Krug as "Certificates of Deposit" (at times hereafter referred to as "CDs"), and were issued by Elliott and Krug on behalf of Dove Holdings. The CDs purport to entitle the holder named in each CD to the sum of money invested by such holder plus profits thereon. A copy of one such Certificate of Deposit with the name and personal information of the holder thereof redacted is attached hereto as Exhibit "B".

19. The scheme by which such securities were offered and sold by Elliott, Krug, and others acting on their behalf and on behalf of Gold Star, Dove Holdings, and Golden Eagle, consisted of the performance of what Elliott and Krug referred to as an "Equity Evaluation" for persons owning real property, in which Elliott, Krug, and their agents purported to identify that portion of the homeowner's real property that could be used to secure a loan in order to purchase a Certificate of Deposit. In the event that the

homeowner decided to participate in the program, the homeowner in a typical scenario, would obtain a loan (often from a mortgage company recommended by Elliott, Krug or their agents) in an amount sufficient to pay to Elliott and Krug or their agents a sum equal to at least 17% of the appraised value of the homeowner's real property. In exchange for such payment, the homeowner would receive a Certificate of Deposit from Elliott and Krug or one of the companies controlled by them, issued by Dove Holdings and purporting to obligate Dove Holdings to pay interest on the invested amount (less 25% thereof which Elliott and Krug retained as fees and commissions) at the rate of 3.4924%, compounded monthly, for a term of five years from the date of issuance, and amounting to a sum of money equal to 784.3137% of the face amount of the Certificate of Deposit. For example, if the investor originally paid \$17,000, a Certificate of Deposit would be issued in the face amount of \$12,750, purportedly entitling him to receive \$100,000 five years from the date of issuance.

20. Elliott and Krug or their agents took at least \$310,814.57 from individuals in exchange for Certificates of Deposit issued by Dove Holdings in a face amount of \$237,156.59, purporting to obligate Dove Holdings to ultimately pay at least \$1,860,127.45 under the terms of the Certificates of Deposit.

THE DEFERRED PRIVATE ANNUITIES

1. During the period from May 2003 through approximately June 2003, Elliott, individually and d/b/a Bread of Life Investments, and Krug, on behalf of themselves and Gold Star, Dove Holdings, and Golden Eagle, employed a scheme and engaged in a course of conduct designed to and which did operate as a fraud upon residents of Arkansas and other states involving the offer and sale of securities in the form of "Deferred Private Annuities" to residents of Arkansas and other states.

2. Each such offer and sale took place in, originated from, or was consummated by Elliott and Krug or their agents in Arkansas.

3. The particular securities offered and sold were referred to by Elliott and Krug as "Deferred Private Annuities" (at times hereafter referred to as "DPA"s), and were issued by Elliott and Krug on behalf of Golden Eagle. The DPAs purport to entitle the holder named in each DPA to the sum of money invested by such holder plus profits thereon. A sample form of one such DPA is attached hereto as Exhibit "C".

4. The scheme by which such securities were offered and sold by Elliott, Krug, and others acting on their behalf and on behalf of Gold Star, Dove Holdings, and Golden Eagle, consisted of the performance of what Elliott and Krug referred to as an "Equity Evaluation" for persons owning real property, in which Elliott, Krug, and their agents purported to identify that portion of the homeowner's real property that could be used to secure a loan in order to purchase a DPA. In the event that the homeowner decided to participate in the program, the homeowner in a typical scenario, would obtain a loan (often from a mortgage company recommended by Elliott, Krug or their agents) in an amount sufficient to pay to Elliott and Krug or their agents a sum equal to at least 17% of the appraised value of the homeowner's real property. In exchange for such payment, the homeowner would receive a DPA from Elliott and Krug or one of the companies controlled by them, issued by Golden Eagle and purporting to obligate Golden Eagle to pay, after a term of either five or six years from the date of issuance, an amount equal to 615.944% (5 year term) or 888.117% (6 year term) of the original amount paid by the homeowner. For example, if the investor originally paid \$17,000, the DPA would purportedly entitle him to receive \$150,979.91 six years from the date of issuance.

5. Elliott and Krug or their agents took at least \$14,857.91 from individuals in exchange for DPAs issued by Golden Eagle purporting to obligate Golden Eagle to ultimately pay at least \$123,578.41 under the terms of the DPAs.

FRAUD

6. In connection with the sale of the CDs and the DPAs as set forth above, Elliott and Krug and their agents made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

7. The untrue statements of material fact made Elliott and Krug and their agents included:

- a. The representation that Gold Star was not required by law to register with the Arkansas Securities Department, when in fact Gold Star, Elliott, Krug, and their agents were all required by the Act to register as broker dealers or agents due to the offering and selling of securities;
- b. The representation that in five years the CDs and DPAs would appreciate to unrealistic values and provide unrealistic profits, when in fact it appears that the investors will not even realize the amount originally invested;
- c. The representation that the CDs and DPAs were guaranteed, when in fact they are not;
- d. The representation that the CDs and DPAs could be used as collateral for a loan, when in fact such securities are illiquid and have no market value;
- e. The representation that at the end of the five year term the CDs could be used to pay off the mortgage incurred by the homeowner as a result of participation in the program, when in fact it appears impossible that such homeowners will even get the original amount back, let alone

profits by which they could discharge the mortgage foisted upon them by Elliott and Krug or their agents;

- f. The representation that the funds paid on account of the CDs would be invested with a major corporation, when in fact they were either converted and disbursed to personal accounts of Elliott and Krug, used for personal and other expenses of Elliott and Krug, or transferred for “investment” in unregulated, unregistered schemes, companies, or offshore entities, none of which had stock listed on any stock exchange or could otherwise be considered major corporations;
- g. The representation that Golden Eagle was not generally in the business of providing annuities, when in fact the sale of annuities was their primary business subsequent to April 2003;
- h. The representation that the DPAs were fully insured, when in fact they were not insured at all;
- i. The representation that Elliott and Krug, through Gold Star or Golden Eagle, owned a “hedge fund”, namely Vantage, which was “SEC licensed” and SEC accredited”, when in fact Vantage was never licensed, registered, accredited or approved in any way by the SEC or any other regulatory body, nor was application to become licensed, registered, or accredited ever made to the SEC;
- j. The representation that Elliott and Krug, through Gold Star or Golden Eagle, had set up a “holding account” to receive funds from individuals desiring to participate in what they referred to as the First Step Program, when in fact no such account was ever set up, and the First Step Program funds were commingled with all other funds of Gold Star;

- k. The representation that Platinum was a bona fide credit union when in fact it is nothing more than a foreign limited liability company.
1. The material facts which were omitted by Elliott and Krug and their agents in all written, advertising, and sales materials included:
- a. The fact that the CDs and DPAs were neither registered nor exempt from registration under the Act;
 - b. The fact that Elliott, Krug, the companies under and through which they did business, or the agents of any of them, were not registered as broker dealers or agents, nor exempted from registration under the Act;
 - c. The fact that neither Elliott nor Krug had any formal education or experience in the securities, banking or investment fields;
 - d. The fact that the principal of one of the mortgage companies to whom Elliott and Krug referred homeowners for loans, namely Emzie Huletty, was the subject of a Cease and Desist Order issued by the Arkansas Securities Commissioner in connection with illegal lending activities in Arkansas;
 - e. The fact that at least two of the mortgage companies to whom Elliott and Krug referred homeowners for loans were neither registered nor exempt from registration under the Arkansas Mortgage Loan Company and Loan Brokers Act;
 - f. The fact that Dove Holdings (from whom Gold Star supposedly purchased the CDs) was completely owned and controlled by Elliott and Krug;
 - g. The fact that the CPA purportedly providing the Letter of Recommendation appearing on the Web page for Gold Star was not

licensed in the state in which his letterhead indicated that he lived and worked;

- h. The fact that the investment funds received by Elliott and Krug on behalf of Gold Star, Dove Holdings, and Golden Eagle were to be invested by them in extremely risky, unregistered, unregulated entities or schemes, including unlicensed offshore entities;
- i. The fact that any return on the Rebate Certificates, CDs, or DPAs was entirely dependent upon the successful investments of Elliott and Krug in the extremely risky, unregistered, unregulated entities or schemes, including unlicensed offshore entities;
- j. The fact that each investor's funds were not held separate and apart from other investors' funds or even from the operating funds of Gold Star Dove Holdings and Golden Eagle, and that in fact, investors' funds were used as operating funds for Gold Star and Golden Eagle;
- k. The fact that purchasers of Rebate Certificates might not receive any funds whatsoever from such Rebate Certificates;
- l. The fact that investors in CDs and DPAs might not receive even the return of the original amount invested.

OTHER ACTIVITIES

1. Elliott and Krug, on behalf of themselves, Gold Star, Golden Eagle, Platinum, Vantage, and Dove Holdings, maintained a website describing, among other things, their Equity Evaluation Program, how they could purportedly provide the means by which one could retire one's mortgage within six to twelve years, and other representations. On the website, they also indicated that one could invest in or become a member of Platinum, and that one could invest in Vantage.

RECORDS OF THE DEPARTMENT

2. Records of the Department contained in the Central Registration Depository as maintained by the National Association of Securities Dealers, Inc., reflect that Elliott, Krug, Gold Star, Dove Holding, Golden Eagle, Platinum, Vantage, Rebates International, or Mahon, are not, nor have they ever been, registered with the Department as agents or broker dealers as required by the Act.

3. The records of the Department reflect that the Rebate Certificates issued by Mahon and Rebates International, and offered and sold by Elliott, Krug and their agents, have never been registered pursuant to the Act, nor has a proof of exemption to exempt the sale of the Rebate Certificates ever been filed pursuant to the Act and Rules of the Arkansas Securities Commissioner.

4. The records of the Department reflect that the Certificates of Deposit issued by Dove Holdings, and offered and sold by Elliott, Krug and their agents, have never been registered pursuant to the Act, nor has a proof of exemption to exempt the sale of the Certificates of Deposit ever been filed pursuant to the Act and Rules of the Arkansas Securities Commissioner.

5. The records of the Department reflect that the DPAs issued by Golden Eagle, and offered and sold by Elliott, Krug and their agents, have never been registered pursuant to the Act, nor has a proof of exemption to exempt the sale of the DPAs ever been filed pursuant to the Act and Rules of the Arkansas Securities Commissioner.

6. The records of the Department reflect that no shares or membership interests of Platinum or Vantage have ever been registered pursuant to the Act, nor has a proof of exemption to exempt the sale of such shares or interests ever been filed pursuant to the Act and Rules of the Arkansas Securities Commissioner.

APPLICABLE CODE PROVISIONS

7. Ark. Code Ann. § 23-42-102(2) defines an “agent” as any individual, other than a broker-dealer, who represents a broker-dealer or issuer in effecting or attempting to effect purchases or sales of securities.

8. Ark. Code Ann. § 23-42-102(3) defines “broker-dealer” as any person engaged in the business of effecting transactions in securities for the account of others or for his own account.

9. Ark. Code Ann. § 23-42-102(13) defines "offer" or “offer to sell” as every attempt or offer to dispose of, or solicitation of an offer to buy, a security or interest in a security for value, and specifically provides that any security given or delivered with, or given as a bonus on account of, any purchase of securities or any other thing is considered to constitute part of the subject of the purchase and to have been offered and sold for value.

10. Ark. Code Ann. § 23-42-102(13) defines a “security”, among other things, as any note, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, or investment contract.

11. 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 Act.

12. 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 Act.

13. Ark Code Ann. § 23-42-507 states that 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.

14. Ark. Code Ann. § 23-42-209 provides that whenever it appears to the commissioner, upon sufficient grounds or evidence satisfactory to the commissioner, that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of this chapter, he may summarily order the person to cease and desist from the act or practice.

CONCLUSIONS OF LAW

15. The Rebate Certificates described in paragraph 13 above constitute securities as defined in Ark. Code Ann. § 23-42-102(13).

16. The Certificates of Deposit described in paragraph 18 above constitute securities as defined in Ark. Code Ann. § 23-42-102(13).

17. The Deferred Private Annuities described in paragraph 23 above constitute securities as defined in Ark. Code Ann. § 23-42-102(13).

18. The Rebate Certificates, the Certificates of Deposit, and the Deferred Private Annuities were not exempt from the registration provisions of the Act, and the sale of such securities did not qualify for or satisfy any transactional exemption under the Act.

19. Elliott and Krug acted as agents or broker-dealers in the sale of the Rebate Certificates, the Certificates of Deposit, and the Deferred Private Annuities.

20. Neither Elliott nor Krug were exempt from the provisions of Ark. Code Ann. § 23-42-301.

21. The representations set forth in paragraph 27 above were material and were made so as to induce investors to participate in and invest in the securities sold by Elliott and Krug.

22. The facts set forth in paragraph 28 above were material and should necessarily have been made to purchasers of the securities from Elliott and Krug in order to make the representations made by Elliott and Krug in the sale of the securities not misleading.

23. The activities of Elliott and Krug described above constitute violations of Ark. Code Ann. §§ 23-42-301(a), 23-42-501, and 23-42-507.

24. The activities of Dove Holdings, Rebates International and Mahon constitute violations of Ark. Code Ann. §§ 23-42-301(a) and 23-42-501.

OPINION

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

26. From the facts known by the staff of the Department, there is reason to believe that Elliott, individually and d/b/a Bread of Life, Krug, Gold Star, Golden Eagle, Platinum, Vantage, Dove Holdings, Rebates International, and Mahon have engaged in activities in violation of the Act by offering to sell and selling the unregistered,

nonexempt securities described above and by offering and selling such securities without being registered as agents or broker-dealers.

27. Pursuant to Ark. Code Ann. § 23-42-209(a)(1), the Arkansas Securities Commissioner may order Elliott, individually and d/b/a Bread of Life, Krug, Gold Star, Golden Eagle, Platinum, Vantage, Dove Holdings, Rebates International, and Mahon to immediately cease and desist from the further offer and sale of the securities described herein and any other securities in violation of the Act.

28. Such an Order is in the public interest.

ORDER

IT IS THEREFORE ORDERED that Charles E. Elliott, both individually and d/b/a Bread Of Life Investments, Ltd., Charles E. Elliott and Nicholas J. Krug, Gold Star Properties, Golden Eagle 1 Group, Platinum Advantage LLC International Credit Union, Vantage Global Fund LP, Dove Holdings, LLC, Rebates International, Inc., and Terry H. Mahon, and all agents of any of them **CEASE AND DESIST** from any further actions in the State of Arkansas in connection with the offer of the securities described hereinabove and from any other act or practice constituting a violation of the Act or Rules of the Arkansas Securities Commissioner.

WITNESS MY HAND AND SEAL this 16th day of October 2003.



MICHAEL B. JOHNSON
ARKANSAS SECURITIES COMMISSIONER