

BEFORE THE IOWA INSURANCE COMMISSIONER

IN THE MATTER OF)	CEASE AND DESIST ORDER AND
)	SUBPOENA DUCES TECUM
DAVID W. JOHNSON)	
)	DIVISION FILE NO.: 79381

Now comes the Iowa Insurance Division ("Division"), pursuant to the provisions of the Iowa Uniform Securities Act – Iowa Code Chapter 502 and finds as follows:

PARTIES AND JURISDICTION

1. The Commissioner of Insurance, Nick Gerhart, pursuant to Iowa Code § 502.601(2013), administers the Iowa Uniform Securities Act.
2. David William Johnson ("Johnson") is an individual with a last known address of 1500 Chase Oaks Drive, Keller, Texas. Johnson is not currently registered with the Division to offer or sell securities or act as an investment adviser representative in the state of Iowa.
3. Johnson had been registered as a securities agent with J.P. Tuner & Company from January 2010 until December 2011.
4. Johnson has engaged in acts or practices within the state of Iowa constituting violations of Iowa Code Chapter 502 and/or any rule or order adopted or issued pursuant to Iowa Code Chapter 502. The Insurance Commissioner is authorized to issue a summary order directed to any person requiring the person to cease and desist from engaging in such acts or practices or take other affirmative action as in his judgment is necessary to comply with the requirements of Iowa Code Chapter 502 pursuant to Iowa Code § 502.604 (2013).

FACTUAL BACKGROUND

I. Investments made KB

5. KB, an Iowa resident, was contacted by Johnson about investments. Johnson was familiar with KB's portfolio because of their previous relationship when he had been employed at J.P. Turner.

6. Johnson told KB that she should purchase Iraqi currency because the United States markets were failing. On February 17, 2012, KB wired \$2420 to the Global Transaction Services LLC in Roswell, Georgia. KB believed she was purchasing Iraqi currency. KB has never received any Iraqi currency.

7. On February 29, 2012, KB wired \$50,020 to the "Eijah Spendthrift Trust" at Frost Bank in Keller, Texas. Johnson told KB that her money would be invested in the International Bank of Me'Ekamui. KB believed that she would be earning interest in a foreign bank account.

8. KB has never received any documentation regarding her investments.

9. KB asked Johnson to return her money and he said it was impossible to get her money back.

10. The Division has reason to believe that the bank account in Keller, Texas, is a bank account controlled by Johnson.

11. The Division has reason to believe that Johnson has converted KB's money for his own personal use.

II. Investment made by GB

12. On or about January 31, 2012, GB, an Iowa resident, attended a financial seminar conducted by Johnson at the Super 8 Motel in Humboldt, Iowa. Johnson was giving the attendees of the seminar financial advice regarding foreign investments.

13. On February 2, 2012, GB met Johnson and gave him a cashier's check, made payable to the Elijah Trust, for \$20,000. GB believed that she was investing her money in foreign currency.

14. Immediately after giving Johnson the cashier's check, KB had reservations about the investment and stopped payment on the cashier's check. KB has not received any further communication from Johnson.

III. Failure to Disclose Material Facts

15. In connection with the offer and sales of securities, Johnson failed to disclose material facts to investors, including, but not limited to, the following:

- a. any financial information regarding the performance of the Elijah Trust and Iraqi currency;
- b. the fact that he was not licensed to sell securities in the state of Iowa;
- c. that Johnson failed to disclose to investors an adequate accounting of how investors' funds were expended;
- d. that Johnson failed to adequately disclose to investors the background and investment experience of the individuals managing and operating the Elijah Trust.

VIOLATIONS OF SECURITIES ACT

COUNT I

UNREGISTERED SECURITIES

16. Paragraphs 1 - 15 are incorporated herein by reference.

17. Johnson has offered or sold, have aided or abetted the offer or sale of, or have participated in the offer or sale of unregistered evidences of joint venture units and/or investment contracts.

18. The investment in the Elijah Trust and the Iraqi currency are securities within the meaning of Iowa Code § 502.102(28) (2013).

19. The securities promoted by Johnson were not registered with the Iowa Securities Bureau pursuant to Iowa Code §§ 502.303, 502.304 or 502.304A (2013), nor do any of the exemptions in Iowa Code §§ 502.201 or 502.202 (2013) appear to apply, nor were they federally covered securities.

20. Therefore, Johnson has violated Iowa Code § 502.301 (2013), by offering and/or selling unregistered, non-exempt and non-federal covered securities in Iowa and should be ordered to cease and desist.

21. This action is necessary and appropriate in the public interest and for the protection of investors and consistent with the purposes fairly intended by the provisions of Iowa Code Chapter 502 (The Iowa Uniform Securities Act).

COUNT II

UNREGISTERED AGENTS

22. Paragraphs 1 - 21 are incorporated herein by reference.

23. No individual associated with the Elijah Trust, including Johnson, is registered as a securities agent with the Iowa Securities Bureau.

24. Johnson acted as an unregistered agent in violation of Iowa Code § 502.402 (2013).

25. Therefore, those representatives of the Elijah Trust, including Johnson, who have solicited, offered or sold in Iowa these securities have violated Iowa Code § 502.402 (2013) and should be ordered to cease and desist.

26. This action is necessary and appropriate in the public interest and for the protection of investors and consistent with the purposes fairly intended by the provisions of Iowa Code Chapter 502 (The Iowa Uniform Securities Act).

COUNT IV

MISREPRESENTATIONS

27. Paragraphs 1 - 28 are incorporated herein by reference.
28. Johnson has made untrue statements of material fact in the sale of securities.
29. Therefore, Johnson has violated Iowa Code § 502.501 (2013) by making untrue statements of material facts and should be ordered to cease and desist.
30. This action is necessary and appropriate in the public interest and for the protection of investors and consistent with the purposes fairly intended by the provisions of Iowa Code Chapter 502 (The Iowa Uniform Securities Act).

COUNT V

OMISSIONS

31. Paragraphs 1 - 32 are incorporated herein by reference.
32. Johnson has made omissions of material fact in the sale of securities.
33. The omission of these material facts, in light of the circumstances surrounding the sale of securities, is misleading.
34. Therefore, Johnson has violated Iowa Code § 502.501 (2013) by failing to state material facts, and should be ordered to cease and desist.
35. This action is necessary and appropriate in the public interest and for the protection of investors and consistent with the purposes fairly intended by the provisions of Iowa Code Chapter 502 (The Iowa Uniform Securities Act).

ORDERS

WHEREFORE, IT IS HEREBY ORDERED pursuant to the powers granted to the Commissioner of Insurance by Iowa Code §§ 502.604 and 507A.10 (2013) as follows:

- A. Johnson shall Cease and Desist the offer or sale of, aiding and abetting the offer or sale of, and participating in the offer or sale of the securities described above or any other securities in the State of Iowa while those securities are unregistered, non-exempt and not federal covered securities, in violation of Iowa Code § 502.301 (2013).
- B. Johnson shall Cease and Desist acting as an agent in the state of Iowa without registration, in violation of Iowa Code § 502.402 (2013).
- C. Johnson shall Cease and Desist making untrue statements of material facts in the offer or sale of securities in violation of Iowa Code § 502.501 (2013).
- D. Johnson shall Cease and Desist omitting material facts which, in light of the circumstances surrounding the sale of securities, are misleading in violation of Iowa Code § 502.501 (2013).
- E. Johnson shall be assessed a civil penalty of \$10,000.00 for knowingly and recklessly violating provisions of the Iowa Uniform Securities Act pursuant to Iowa Code § 502.604(4) (2013) and rules enacted thereunder.
- F. The Division shall retain \$1,000 costs from any penalty or payment.

IT IS FURTHER ORDERED pursuant to the authority of Iowa Code § 502.602 (2013) that Johnson shall make available at the premises of the Iowa Insurance Division, 330 Maple Street, Des Moines, Iowa 50319, on or before April 1, 2013, the following:

1. All written agreements, contracts, letters, memorandums, or correspondence relating to the offer or issuance of the above described securities with Iowa investors.
2. All written advertising, solicitation and offering materials used in connection with the offer or issuance of the above described securities, including prospectuses, brochures, pamphlets, web pages, and materials distributed to Iowa investors.

3. All documents reflecting those Iowa residents who have purchased any interest or investment related to stock or investment contracts from you or through your efforts, including names, complete addresses, date of investment(s), amount invested, and the purchase price.
4. All documents reflecting proof of registration or supporting your claim of exemption for each transaction identified above.
5. All documents reflecting the complete name, address, social security number and job title, of every partner or agent.
6. All documents reflecting financial statements of The Elijah Trust for the last three years including, but not limited to, balance sheets, income statements, statements of changes in financial condition and statements of sources and uses of funds.
7. All documents reflecting the balances in each Iowa investor or purchaser's account, balances in all bank accounts or investments made on behalf of yourself or on behalf of an investor or purchaser.
8. All documents reflecting the name, complete address, and account number(s) of all bank accounts and/or other depositories used by or for the Elijah Trust.

NOTICE REGARDING FAILURE TO REQUEST A HEARING

If you fail to request a hearing within thirty (30) days of the date of this Cease and Desist Order, the Order shall be a final Order of the Commissioner of Insurance and shall be enforceable by the Commissioner of Insurance in an administrative or court proceeding.

NOTICE REGARDING EXHAUSTION OF ADMINISTRATIVE REMEDIES AND RIGHT TO SEEK JUDICIAL REVIEW

The failure to request a hearing can constitute a failure to exhaust your administrative remedies and limit the issues subject to judicial review. You may seek judicial review of this Order

pursuant to Iowa Code chapter 17A after the Order becomes final. The Order becomes final thirty (30) days after it is issued if you do not timely request a contested case hearing, or following hearing if you do timely request a contested case hearing.

NOTICE OF PENALTIES FOR WILLFUL VIOLATION OF THIS ORDER

YOU ARE NOTIFIED that any person who willfully violates this order shall be deemed in contempt of the order pursuant to Iowa Code § 502.604. The administrator may petition the district court to hold a hearing to enforce the order as certified by the administrator. The district court may assess a civil penalty against the person in an amount not less than three thousand dollars but not greater than ten thousand dollars per violation and may issue further orders as it deems appropriate.

YOU ARE ALSO NOTIFIED that a person who willfully violates any provision of this chapter, or any rule or order under this chapter, is guilty of a class "D" felony pursuant to Iowa Code § 502.605(1)(a). A person who willfully violates §§ 502.401, 502.402, 502.403, or 502.408, subsection (1) or (2), resulting in a loss of more than ten thousand dollars is guilty of a class "C" felony pursuant to Iowa Code § 502.605(1)(b).

NOTICE REGARDING IMPACT OF ORDER ON EXISTING LICENSES


A final Cease and Desist Order may adversely affect existing business or professional licenses and result in license revocation or disciplinary action. For example, a final Cease and Desist Order issued to a licensed insurance agent may subject the insurance agent to insurance license revocation or other disciplinary action. Further notice is given that the Iowa Insurance Division may review this Cease and Desist Order for a potential license revocation or disciplinary action.

NOTICE OF RIGHT TO REQUEST HEARING

NOTICE IS HEREBY GIVEN that David William Johnson, or any individual representing any Respondent, may request a hearing in this matter. This request must be in writing and must be filed within thirty (30) calendar days of the date of this Order with Emily F. Zach, Enforcement Attorney, Iowa Insurance Division, 330 Maple Street, Des Moines, Iowa 50319. A notice of the hearing shall be prepared and shall be given at least fifteen (15) days before the date of the hearing unless the parties agree to an earlier date. The hearing shall be held within ninety (90) days after the date of the notice of the hearing unless extended by the presiding officer for good cause with at least fifteen days notice to the parties. The resulting hearing will be held in accordance with Iowa Code Chapter 17A (2013).

Dated this 1st day of March, 2013.

Iowa Insurance Division



by JIM MUMFORD
First Deputy Commissioner and
Securities Administrator

COPY SENT BY PERSONAL SERVICE AND CERTIFIED MAIL TO:

David William Johnson
1500 Chase Oaks Drive
Keller, TX 76244