

# Alabama Securities Commission

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INVESTOR ALERT

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## "IBFT--A PONZI SCHEME"



**THE ASC MISSION IS  
TO PROTECT INVESTORS  
FROM SECURITIES FRAUD  
AND PRESERVE LEGITIMATE CAPITAL MARKETS  
IN ALABAMA.**

# International Benevolence Foundation Trust - A Ponzi Scheme!

The International Benevolence Foundation and its Trust fund IBFT was permanently closed for committing fraud in April 1999. IBFT's founder, Frank R. Johnson, has since served prison time for wire fraud involving unregistered securities and the operation of an illegal Ponzi scheme.

Mr. Johnson began the IBFT scheme in Montgomery, Alabama in 1996 and it was closed in 1999 through enforcement actions taken in a cooperative effort by the Alabama Securities Commission (ASC), the Alabama Attorney General's Office, the Federal Bureau of Investigation and the Internal Revenue Service.

The organization operated an illegal investment scheme often referred to as a Ponzi Scheme. The Ponzi scheme is named for Charles A. Ponzi, who defrauded hundreds of investors in the 1920's. A Ponzi pays off "old" investors with money from "new" investors.

Investors in the IBFT were promised a "tax free" return of \$10,000 for each \$100 investment. They were told the funds would be placed in offshore accounts to keep profits tax-free.

Each \$100 investment was placed into one of five separate "Projects". The investment contract was called a "Private Party Loan Agreement". Each loan had an

additional fee of \$35. The investor was asked to wait between 275 and 365 days to receive the promised return.

As time passed, new investor monies were required to pay the original investors--unless the original investor agreed to "roll over" their profit for another 275 to 365 days for the opportunity to make an astronomical profit.

In this Ponzi scheme none of the funds sent to IBFT were ever invested as represented. As in most Ponzi schemes the first investors received unbelievable returns, which of course was a great word-of-mouth advertisement to other prospective investors. As the number of investors grew there would never be enough money to pay the promised return and most investors would lose their money. In just a few months the IBFT program spread like wildfire through Alabama, the United States and across international boundaries soliciting over 9,500 investors throughout the United States and in over 18 foreign countries.

Presently the ASC is working to return approximately \$1.8 million in seized assets from IBFT to investors. Original investments were estimated to exceed \$13 million. As in most cases the founder of scheme spent or hid the money before being caught. Remember the old saying, "If it sounds too good to be true, it probably is!"

## From the Director



Dear Investor,

The Alabama Securities Commission (ASC) regulates the securities industry in Alabama.

ASC is committed to protect investors against securities fraud and provides aggressive enforcement actions against any firm or individual who has violated the Alabama Securities Act or other state and federal statutes to the detriment of Alabama investors.

The Alabama Securities Act provides for the licensing and regulation of securities broker-dealers, agents, investment advisers and investment adviser representatives, and financial planners. ASC regulates the individual securities through registration. All of the above entities must be registered with the ASC to conduct business in Alabama unless subject to a statutory exemption from registration.

ASC promotes financial literacy to all citizens and students in Alabama by providing presentations, free information and access to curriculum for financial literacy education.

Prepare yourself to make an informed investment decision! Contact the Alabama Securities Commission to determine if the representative and firm with whom you wish to do business are properly registered in Alabama. Also, the Commission staff can provide free information relating to the disciplinary history (complaints, civil law suits, etc.), educational background and work experience of a firm or representative.

Sincerely,

A handwritten signature in black ink that reads "Joseph P. Borg". The signature is written in a cursive style with a long horizontal line extending to the right.

Joseph P. Borg  
Director

# Alabama Securities Commission

Contact ASC for inquiries regarding securities broker-dealers, agents, investment advisors, and investment advisor representatives, the registration status of securities, to report suspected fraud, or obtain consumer information:

Call: 1-800-222-1253.

Fax: 1-334-242-0240.

Email: [asc@asc.state.al.us](mailto:asc@asc.state.al.us).

Write:

Alabama Securities Commission,  
770 Washington Ave., Suite 570,  
Montgomery, Alabama 36130-4700

The Alabama Securities Commission is a member of the North American Securities Administrator Association (NASAA), an organization of the 66 state, provincial and territorial securities administrators in the U.S., Canada, Mexico and Puerto Rico.

The Internet is a great source of free investment information. A good starting point is the ASC website at: [www.asc.state.al.us](http://www.asc.state.al.us)