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Notice of Hearing

James Terrence Alexander, Anne Christine Eilers and JT Alexander and Associates Holding Corporation

Section 161 of the *Securities Act*, RSBC 1996, c. 418

- ¶ 1 A hearing will be held (the Hearing) to give James Terrence Alexander (Alexander), JT Alexander & Associates Holding Corporation (JTA) and Anne Christine Eilers (Eilers) (collectively, the Respondents) an opportunity to be heard before the British Columbia Securities Commission considers whether it is in the public interest to make the following orders:
1. under section 161(1)(c) of the *Securities Act*, RSBC 1996, c. 418 (the Act), that any or all of the exemptions described in sections 44 to 47, 74, 75, 98 or 99 of the Act do not apply to the Respondents;
 2. under section 161(1)(b) of the Act, that the Respondents cease trading in any securities or exchange contracts;
 3. under section 161(1)(b) of the Act, that the Respondents be prohibited from purchasing any securities or exchange contracts;
 4. under section 161(1)(d) of the Act, that Eilers and Alexander resign any position they may each hold as a director or officer of any issuer;
 5. under section 161(1)(d) of the Act, that Alexander and Eilers be prohibited from becoming or acting as a director or officer of any issuer;
 6. under section 161(1)(d) of the Act, that Alexander and Eilers be prohibited from engaging in investor relations activities;
 7. under section 162 of the Act that, the Respondents each pay an administrative penalty;
 8. under section 174 of the Act, that the Respondents pay the prescribed fees or charges of or related to the hearing; and
 9. any other orders that may be appropriate in the circumstances.
- ¶ 2 The Commission will be asked to consider the following facts and allegations in making its determination:

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BACKGROUND

Respondents

1. Alexander is a resident of West Vancouver, British Columbia who has engaged in securities related activity since 1968. During all relevant times, Alexander carried on business from premises located at Suite 420 – 171 West Esplanade in North Vancouver, British Columbia (the Common Premises).
2. Eilers is a resident of West Vancouver, British Columbia who has been Alexander's assistant or business associate since 1987. During all relevant times, Eilers carried on business from the Common Premises.
3. JTA is a British Columbia company and is Alexander's private holding company. At all relevant times, JTA held 2,647,000 shares, or approximately 29%, of Pinewood Resources Ltd. (Pinewood) and was the largest single shareholder of record of Pinewood. Eilers was the sole director and officer of JTA from April 26, 1999 to January 15, 2002.

Other Parties

4. Pinewood is a reporting issuer in British Columbia. During all relevant times, Pinewood was listed and traded on the Canadian Venture Exchange (the Exchange), had 9,008,944 shares issued and outstanding and carried on business from the Common Premises. Alexander was a director of Pinewood from November 3, 1993 to May 15, 1998 and was president of the company during part of that time.
5. Clarion Finanz A.G. (Clarion) is an investment firm based in Zurich, Switzerland.
6. Carlo Civelli (Civelli) is a resident of Zurich, Switzerland. He directed and managed Clarion at all relevant times. Civelli is a long-time business associate of Alexander's.
7. Ratya Energy Group Ltd. (Ratya) is a Gibraltar company and at all relevant times was a subsidiary or affiliate of an investment firm based in London, England.
8. Ian Neilson (Neilson) is a professional engineer and consultant. During all relevant times Neilson was pursuing an oil exploration project in the Gambela region of the Federal Democratic Republic of Ethiopia (the Gambela Opportunity).

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9. Gambela Petroleum Corporation (GPC) is a wholly-owned subsidiary of Pinewood.
10. Buzz Communications Inc. (Buzz) is British Columbia company that is ostensibly controlled and operated by Eilers, its sole director and officer. During all relevant times Buzz carried on business from the Common Premises.

Previous Commission Order

11. While he was a director of a reporting issuer named Arakis Energy Corporation (Arakis) Alexander committed violations of the *Securities Act*, S.B.C. 1985, c. 83.
12. On February 23, 1999 Alexander, JTA and the Executive Director of the Commission entered into an Agreed Statement of Facts (the ASF) that described these violations in detail. Under the ASF, Alexander consented to an order (the Order) by the Executive Director under section 161 of the Act.
13. Under the Order, which was also made on February 23, 1999, and for a period of twenty years:
 - (a) Alexander was prohibited from acting as an officer or director of any issuer in British Columbia;
 - (b) Alexander was prohibited from engaging in investor relations activities in British Columbia;
 - (c) the trading exemptions described in sections 44 to 47, 74, 75, 98 and 99 of the Act did not apply to Alexander; and
 - (d) the trading exemptions described in sections 44 to 47, 74, 75, 98 and 99 of the Act did not apply to JTA.

OVERVIEW

14. Alexander contravened the terms of the Order by:
 - (a) directing and managing the business and affairs of Pinewood from at least May 2000 to June 2001 (the Material Time) and, thereby, acting as a *de facto* director and officer of Pinewood;
 - (b) directing and managing the business and affairs of JTA from the time he became subject to the Order and, thereby, acting as a *de facto* director and officer of JTA;

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- (c) directing and managing the business and affairs of Buzz from the time he became subject to the Order and, thereby, acting as a *de facto* director and officer of Buzz;
 - (d) engaging in investor relations on behalf of Pinewood during the Material Time;
 - (e) engaging in acts in furtherance of a trade of securities in Pinewood held by JTA and, also, a proposed distribution of Pinewood's securities; and
 - (f) acting as the sole director and officer of six British Columbia issuers.
15. Alexander concealed his involvement in directing and managing Pinewood, JTA and Buzz by using Eilers as his intermediary and agent. Eilers was complicit in this deception when she knew or ought to have known he was subject to the Order.
16. During the Material Time, Alexander and JTA contravened section 34(1) of the Act by engaging in acts in furtherance of a trade of securities in Pinewood held by JTA and, also, a proposed distribution of Pinewood's securities.
17. During the Material Time, Eilers contravened section 34(1) of the Act by:
- (a) assisting Alexander in carrying on the unregistered activity described immediately above when she knew or ought to have known he was subject to the Order; and
 - (b) engaging in acts in furtherance the disposition of JTA's shareholding in Pinewood to Ratya and also directing JTA to that purpose.

DIRECTING PINEWOOD – PRELIMINARY PERIOD

18. From May to August 2000 (the Preliminary Period), Alexander took a number of steps to cause Pinewood to pursue the Gambela Opportunity and to pay expenses in doing so. During this time, none of the appointed directors of Pinewood were aware of this business activity being undertaken on the company's behalf.

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Initiating Pinewood's Involvement

19. On May 29, 2000 Alexander made a written agreement (the Participation Agreement) with Neilson. Under the Participation Agreement, Alexander acknowledged that the agreement was binding not only on him, but also on companies affiliated with him. Neilson was led to believe that Alexander was representing Pinewood in executing the Participation Agreement.
20. The Participation Agreement obliged Alexander and Neilson to each do certain things in an effort to obtain a petroleum production sharing agreement with the Ethiopian government respecting the Gambela Opportunity (the Gambela PSA).
21. After executing the Participation Agreement and during the Preliminary Period, Alexander and Neilson engaged in extensive business discussions concerning the Gambela Opportunity. In these discussions, among other things, it was further agreed between Alexander and Neilson that:
 - (a) Neilson was to approach the Ethiopian government and to apply for the Gambela PSA on behalf of Pinewood;
 - (b) Pinewood was to provide a US \$5 million bank guarantee as part of its application;
 - (c) the oil exploration program to be proposed in the application would require significant funds that would exceed the amount of the bank guarantee and that Pinewood would have to raise those funds;
 - (d) in raising the additional funds, Pinewood would have to consider enlisting a partner in the project who could provide additional financing in exchange for an equity position in the project;
 - (e) a cash fee payable to Neilson under the Participation Agreement would be negotiable subject to the grant of stock and options in Pinewood; and
 - (f) Neilson was to be appointed the president of the corporate entity that was to apply for the Gambela PSA.
22. In mid-July 2000 and in keeping with his arrangements with Alexander, Neilson traveled to Ethiopia to commence negotiations with the Ethiopian government about obtaining the Gambela PSA.

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23. On his way to Ethiopia and at Alexander's request, Neilson stopped in Zurich to discuss the project with Civelli.
24. Neilson's expenses for this trip were paid in advance by Pinewood, notwithstanding that none of Pinewood's appointed directors were aware of the Gambela Opportunity and that Alexander was personally obliged to cover such expenses under the Participation Agreement.
25. During the Preliminary Period, Alexander communicated with Civelli about financing the Gambela Opportunity. Alexander told Civelli that putting the Gambela Opportunity in Pinewood could be a way for Alexander to sell his Pinewood shares.
26. During the Preliminary Period, Civelli actively participated in the attempt to secure the Gambela Opportunity for Pinewood. This included writing to the Ethiopian government in late July 2000 to confirm that Clarion was in a position to provide a bank guarantee, that Clarion was a shareholder of Pinewood and, notwithstanding that the directors of Pinewood had not even yet addressed the issue, that GPC would be formed as a Pinewood subsidiary. Civelli also arranged for a Swiss bank to independently confirm to the Ethiopian government that Clarion had assets in excess of US \$5 million. All of this activity took place only after Alexander had introduced Civelli to Neilson and the Gambela Opportunity, but before the appointed directors of Pinewood were even aware of the Gambela Opportunity.
27. Alexander visited Zurich and was present at meetings between Civelli and Neilson at which the Gambela Opportunity was discussed.

DIRECTING PINEWOOD – ADOPTING GAMBELA OPPORTUNITY

28. Pinewood's board of directors only became informed about the Gambela Opportunity on or about September 7, 2000. On that date, Eilers convened a meeting of the board of directors and presented information on the Gambela Opportunity. The board authorized the incorporation of GPC as a subsidiary of Pinewood and the appointment of Neilson as president and chief executive officer of GPC. The board also authorized Neilson to enter into the Gambela PSA.
29. However, without the Pinewood board of directors' knowledge GPC had already been incorporated the day before on September 6, 2000 under Neilson's direction.

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30. During the Material Time, Neilson never received any directions, communications or instructions from any director or officer of Pinewood or even met any of them. He only received direction from Alexander, either directly or indirectly through Eilers.

Pinewood Continued to Cover Alexander's Liabilities

31. Under the Participation Agreement, among other things, Alexander agreed to pay the expenses incurred by Neilson in obtaining the Gambela PSA.

32. However, during the Material Time it was Pinewood, not Alexander, who paid them. Alexander was the individual who decided on Pinewood's behalf when and under what circumstances those expenses should be paid.

33. Eilers acted as Alexander's intermediary and assisted him in directing Pinewood to pay Neilson's expenses.

Alexander's Direct Involvement

34. Neilson regularly reported directly to Alexander.

35. On a number of occasions, Alexander provided Neilson with direct instructions. For example:

- (a) Alexander directly and specifically advised Neilson in writing to cultivate good relations with the Ethiopian military in the interests of advancing the Gambela Opportunity.
- (b) Alexander wrote directly to Neilson to address his concerns about the funding of the Gambela Opportunity and to assure him that Alexander and Civelli would, as promoters, be able to raise the necessary capital.
- (c) Alexander wrote directly to Neilson to discuss his expenses in connection with pursuing the Gambela Opportunity.

EILERS ASSISTED ALEXANDER IN BREACHING THE ORDER

Pinewood

36. Alexander concealed his direction of Pinewood by using Eilers to provide instructions to both Neilson and Pinewood's board of directors. Eilers was complicit in this deception when she knew or ought to have known he was subject to the Order.

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37. In her correspondence with Neilson, Eilers openly indicated that she was a conduit for Alexander. The correspondence also discloses that she considered Alexander to be the true directing mind of Pinewood. Eiler's written remarks to Alexander profess complete loyalty to him and his interests.
38. On at least one occasion, Eilers caused a document that was to be filed with the Exchange to be changed to conceal Alexander's involvement. Neilson had originally prepared this document at Alexander's request and for his use in promoting Pinewood with a prospective investor. Eilers instructed Neilson to revise the document to remove all references to Alexander and the investor.

JTA

39. Eilers was the sole appointed director and officer of JTA during the Material Time. By acting in this capacity, and when she knew or ought to have known Alexander and JTA were subject to the Order, Eilers assisted Alexander in concealing the fact that he was actually directing JTA while attempting to dispose of his Pinewood shares.

Buzz Communications

40. Alexander directed the affairs of Buzz to suit his own purposes. Eilers was complicit in this deception when she knew or ought to have known he was subject to the Order
41. In Buzz planning documents Eilers consistently indicated that Alexander was the individual who would decide what Buzz would do, what purposes it would serve and how it would be funded. Buzz was funded by JTA under Alexander's direction.

INVESTOR RELATIONS AND ACTS IN FURTHERANCE OF TRADES

42. Neilson eventually secured the Gambela PSA for GPC. However, the financing for the project still had to be obtained. The first stage of this involved GPC posting a US \$5 million bank guarantee, as required under the Gambela PSA. Failure to do so would result in the lapse of the Gambela PSA.
43. Alexander participated in the attempt to secure the necessary financing and, in doing so, engaged in investor relations and trading activity.
44. Alexander admitted in writing to Neilson that he was acting as Pinewood's promoter and that he and Civelli working together would raise the financing needed to allow Pinewood to move forward with the Gambela opportunity.

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45. Neilson introduced Ratya to Pinewood as a potential source of financing for the Gambela Opportunity. After some negotiation, a proposed transaction was developed under which Ratya was to acquire majority control of Pinewood through an equity financing and also by acquiring the beneficial shareholding Alexander held in Pinewood through JTA.
46. Alexander was privy to and participated in the drafting of a share sale agreement under which Ratya was contemplated as the purchaser and JTA was contemplated as the vendor of Pinewood shares.
47. Pinewood eventually lost the Gambela Opportunity. Alexander engaged in direct correspondence with officials of the Ethiopian government in an attempt to retrieve the opportunity. In his correspondence, Alexander identified himself as central to the success of Arakis and, by implication, indicated that he would be able to do the same for the Gambela Opportunity. He also indicated that he was the major shareholder of Pinewood, implying that he controlled it.

DIRECTING OTHER COMPANIES

54. Alexander has been the sole director and officer of:
 - (a) JTA from January 15, 2002 to the present;
 - (b) Caulfeild Management Inc., a British Columbia company, from January 2, 2002 to the present;
 - (c) 630679 B.C. Ltd., a British Columbia company, from July 8, 2002 to the present;
 - (d) Silverado Estate Coffee Corp., a British Columbia company, from May 29, 2003 to the present;
 - (e) 568160 B.C. Ltd., a British Columbia company, from July 13, 1998 to the present; and
 - (f) 372171 B.C. Ltd., a British Columbia company, from November 15, 1993 to the present.

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¶ 3 The Commission will be asked to make the following determinations:

CONTRAVENTIONS OF THE ORDER

1. Alexander contravened the Order by:

- (a) acting as a *de facto* director and officer of Pinewood;
- (b) acting as a *de facto* director and officer of JTA;
- (c) acting as a *de facto* director and officer of Buzz;
- (d) engaging in investor relations on behalf of Pinewood and JTA;
- (e) acting as a director and officer of JTA;
- (f) acting as a director and officer of Caulfeild Management Inc.;
- (g) acting as a director and officer of 630679 B.C. Ltd.;
- (h) acting as a director and officer of Silverado Estate Coffee Corp.;
- (i) acting as a director and officer of 568160 B.C. Ltd.;
- (j) acting as a director and officer of 372171 B.C. Ltd.;
- (k) engaging in acts in furtherance of the disposition of JTA's shareholding in Pinewood to Ratya; and
- (l) engaging in acts in furtherance of the issuance of shares of Pinewood to finance the Gambela Opportunity.

2. JTA contravened the Order by engaging in acts in furtherance of the disposition of its shareholding in Pinewood to Ratya.

BREACHES OF THE ACT

3. During the Material Time, by engaging in acts in furtherance of:

- (a) the disposition of JTA's shareholding in Pinewood to Ratya; and
- (b) the issuance of shares of Pinewood to finance the Gambela Opportunity,

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Alexander traded in securities without registration and without an exemption from the registration requirements of the Act, contrary to section 34(1) of the Act.

4. During the Material Time, by engaging in acts in furtherance of the disposition of its shareholding in Pinewood to Ratya, JTA traded in securities without registration and without an exemption from the registration requirements of the Act, contrary to section 34(1) of the Act.
5. During the Material Time, by:
 - (a) engaging in acts in furtherance of the disposition of JTA's shareholding in Pinewood to Ratya and also directing JTA to that purpose; and
 - (b) assisting Alexander in contravening section 34(1) of the Act,

Eilers traded in securities without registration and without an exemption from the registration requirements of the Act, contrary to section 34(1) of the Act.

ACTS CONTRARY TO THE PUBLIC INTEREST

6. Alexander acted contrary to the public interest by:
 - (a) acting as a *de facto* director and officer of Pinewood;
 - (b) acting as a *de facto* director and office JTA;
 - (c) acting as a *de facto* director and officer of Buzz;
 - (d) engaging in investor relations on behalf of Pinewood and JTA;
 - (e) acting as a director and officer of JTA;
 - (f) acting as a director and officer of Caulfeild Management Inc.;
 - (g) acting as a director and officer of 630679 B.C. Ltd.;
 - (h) acting as a director and officer of Silverado Estate Coffee Corp.;
 - (i) acting as a director and officer of 568160 B.C. Ltd.; and
 - (j) acting as a director and officer of 372171 B.C. Ltd.,all contrary to and in breach of the terms of the Order.

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7. Alexander acted contrary to the public interest by breaching section 34(1) of the Act.
 8. Eilers acted contrary to the public interest by:
 - (a) assisting Alexander in contravening the terms of the Order; and
 - (b) breaching section 34(1) of the Act.
 9. JTA acted contrary to the public interest by breaching section 34(1) of the Act.
- ¶ 4 The Respondents may be represented by counsel at the Hearing, and make representations and lead evidence. The Respondents are requested to advise the Commission of their intention to attend the Hearing by informing the Commission Secretary at PO Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC V7Y 1L2 phone: (604) 899-6500; email: commsec@bcsc.bc.ca.
- ¶ 5 The Respondents or their counsel are required to attend at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia, on Wednesday, January 14, 2004, at 10:00 am if they wish to be heard before the Commission sets a date for the Hearing.
- ¶ 6 Determinations may be made in this matter if the Respondents, or their counsel, do not appear at the Hearing.
- ¶ 7 December 8, 2003
- ¶ 8 Stephen J. Wilson
Executive Director