

2008 BCSECCOM 572

Settlement Agreement

Alvin Lee Johnson

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

- ¶ 1 The Executive Director of the British Columbia Securities Commission (the Executive Director) and Alvin Lee Johnson (Johnson) agree as follows:

Agreed Statement of Facts

1. Johnson is a resident of Prince George, British Columbia. Johnson was registered under the *Securities Act*, RSBC 1996, c. 418 (the Act) as a salesperson in mutual fund securities from April 25, 1996 to February 28, 1999, and from April 6, 1999 to April 24, 2000.
2. VG Capital Group Inc. (the Management Company) was a British Columbia company beneficially owned by Johnson, Heng Goh and William Christopher Teet Fung Chan, also known as Bill Chan, now deceased (Chan). The Management Company purported to be a financial consulting firm specializing in wealth preservation, tax minimization, and wealth creation. Through the securities of its subsidiaries and other companies (the VG Affiliates), it offered investments in leasing, collateral lending contracts, bridge financing, equity mortgages, international investment opportunities, and joint venture and investment opportunities in real estate world wide.
3. Advanced Rescue Technologies Inc. (ARTI) is a British Columbia company. ARTI was in the business of attempting to design and market a rescue shuttle for transport of injured persons.
4. NOF Electrical Generation Inc. (NOF) is a British Columbia company. NOF was in the business of attempting to construct an electrical co-generation power plant.
5. None of the Management Company, VG Affiliates, ARTI or NOF has ever been registered or filed a prospectus under the Act.

Misconduct

Illegal Distributions

6. Between March 2002 and July 2003, the Management Company and Johnson, directly and through agents, distributed a total of \$2,582,258 in securities of the VG Affiliates (collectively, the VG Securities) to approximately 45 investors. Of those investors, at least 13 reside in British Columbia, eight reside in Ontario, 11 reside in Alberta, and one resides in Saskatchewan. The

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British Columbia residents invested a total of \$654,091 (CDN) and \$95,922 (USD) with the VG Affiliates.

7. Between February 2002 and March 2005, ARTI distributed at least \$2,100,000 of preferred shares (the ARTI Securities) to at least 48 investors. Of those investors, at least eight reside in British Columbia, 27 reside in Ontario and four reside in Manitoba. The eight British Columbia residents invested a total of \$182,740. Of the total money raised, Johnson, directly and through an agent and the Management Company, raised \$123,400 from five investors.
8. Between November 2002 and April 2005, NOF distributed approximately \$4,500,000 of preferred shares (the NOF Securities) to approximately 96 investors. Of those investors, at least 19 reside in British Columbia, 43 reside in Alberta, ten reside in Ontario, five reside in Saskatchewan, and two reside in Manitoba. The 19 British Columbia residents invested a total of approximately \$769,000. Johnson, directly and through the Management Company, corporate agents and two Alberta agents, was responsible for raising approximately \$2,600,000 from 61 investors.
9. Johnson traded in securities without being registered and without a prospectus, contrary to sections 34(1)(a) and 61(1) of the Act.

Misrepresentations

10. In making distributions of VG Securities:

- (a) Johnson stated in corporate brochures that:
 - (i) investments in VG Affiliates were safe and secure and generated great or above average returns;
 - (ii) an investment in one of the VG Affiliates would provide a guaranteed 8% return;
 - (iii) some of the VG Affiliates invested in a company called "VG Real Estate Inc." that would participate in joint venture and investment opportunities in real estate worldwide; and
 - (iv) some of the VG Affiliates invested in a company called "VG Equity Investments Inc." that had a potential for exceptional returns;
- (b) Johnson stated in financial plans for potential investors that one of the VG Affiliates would provide a projected average rate of return of

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between 15% and 25 % annually with complete security of an investor's capital; and

- (c) Johnson personally stated to various investors in VG Affiliates that VG Securities were good investments that:
 - (i) were risk free;
 - (ii) guaranteed a minimum 8% return and investors could expect to receive up to a 20% return;
 - (iii) the principal of which was completely secured; and
 - (iv) were low, risk, cash flow generating, high-yield investments earning money from leasing operations and other similar sources of income.

11. The above representations were false or misleading, or omitted information to make them not false or misleading, because:

- (a) VG Equity Investments Inc. was not an operational business;
- (b) VG Real Estate Inc. did not invest in real estate;
- (c) the Management Company and two of the VG Affiliates had deficits at the time some of the representations were made;
- (d) the VG Affiliates made interest-free inter-company loans of approximately \$900,000 to one another;
- (e) the VG Affiliates transferred a total of approximately \$1 million in investor funds to companies of which Chan was a director and shareholder or otherwise controlled, for the purchase of boats, cars and properties; and
- (f) the Management Company and the VG Affiliates transferred at least \$113,000 to a company owned by an affiliate of Chan's.

12. In making distributions of ARTI securities, Johnson failed to disclose to investors that instead of using the investors' funds for investment in the design and marketing of a rescue shuttle for transport of injured persons:

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- (a) ARTI paid Johnson approximately \$4,950 in commissions for his sale of ARTI securities; and
 - (b) ARTI paid the Management Company approximately \$69,949.
13. In making distributions of NOF securities, Johnson failed to disclose to investors that instead of using the investors' funds for investment in the construction of an electrical co-generation power plant:
- (a) NOF made interest-free non arm's length loans of \$3,745,972 to various individuals and companies, including companies for which Johnson was a director or otherwise had an interest in, and companies in which the agents who assisted in the sale of NOF Securities were directors, officers, managers or sales agents; and
 - (b) NOF made loans and payments of \$289,000 to ARTI.
14. Johnson made statements of material facts and omitted to state material facts that were necessary to prevent them from being misleading in the circumstances in which they were made, contrary to section 50(1)(d) of the Act.

Inability to Pay

15. Johnson is 73 years old. He has no assets of any significant value, and his expenses exceed his income. There is no reasonable prospect of Johnson paying a monetary penalty of \$200,000 that would otherwise be imposed in the public interest for the conduct described in this Settlement Agreement.

Public Interest

16. Johnson acted contrary to the public interest by engaging in the conduct set out above.

Order

- ¶ 2 Johnson consents to an order (Order) by the Executive Director that:
- 1. under section 161(1)(a) of the Act, Johnson comply fully with the Act, the Securities Rules, and any applicable regulations;
 - 2. under section 161(1)(b) of the Act, Johnson cease trading in and be permanently prohibited from purchasing any securities or exchange contracts, except that Johnson may trade and purchase securities in one account in his name held with a registered dealer, provided that Johnson first gives the registered dealer a copy of the Order;

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3. under section 161(1)(d) of the Act, Johnson:
- (a) resign any position he may hold as a director or officer of an issuer, registrant or investment fund manager; and
 - (b) be permanently prohibited from:
 - (i) becoming or acting as a director or officer of any issuer, registrant or investment fund manager,
 - (ii) becoming or acting as a registrant, investment fund manager or promoter;
 - (iii) acting in a management or consultative capacity in connection with activities in the securities market; and
 - (iv) engaging in investor relations activities.

Consent to Reciprocal Orders

- ¶ 3 Johnson consents to any securities regulator in Canada relying on the facts admitted in this agreement solely for the purpose of making orders similar to the Order set out above.

Waiver

- ¶ 4 Johnson waives any right he may have, under the Act or otherwise, to a hearing, hearing and review, judicial review or appeal related to, in connection with or incidental to this settlement.

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Counterpart

¶ 5 This Settlement Agreement may be executed in counterpart or by facsimile execution and all such counterparts of executed copies or faxed copies shall be read or construed together as if they formed one originally executed document.

¶ 6 October , 2008

“Alvin Johnson”

¶ 7 Alvin Lee Johnson

_____)
”Ashley Pauley”
Witness Signature)
_____)
Ashley Pauley
Witness Name (please print))
_____)
7821 Latrobe Cres.
_____)
Prince George, BC
Address)
_____)
Receptionist
Occupation)

¶ 8 October 24, 2008

“Brenda Leong”

¶ 9 Brenda M. Leong
Executive Director