



British Columbia Securities Commission

Citation: 2013 BCSECCOM 8

Notice of Hearing

Doris Elizabeth Nelson

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

- ¶ 1 The British Columbia Securities Commission (Commission) will hold a hearing (Hearing) at which the Executive Director will tender evidence, make submissions and apply for orders against the Respondent under sections 161, 162 and 174 of the *Securities Act*, RSBC 1996, c. 418 (Act), based on the following facts:

Background

1. Doris Elizabeth Nelson (Nelson) is a Canadian citizen who currently resides and is under house arrest in Colbert, Washington. She has never been registered under the Act.
2. Nelson operated a payday loan business through a group of companies that she directed and controlled, and which she represented and promoted collectively as the Little Loan Shoppe.
3. Nelson financed the growth of her business by raising funds from investors in British Columbia and the United States. In return for investors' money, she had her companies issue promissory notes. Nelson represented to investors, both directly and through her recruiters, that banks refused or were unable to lend to payday loan businesses, but since her business was so profitable she could afford promissory notes paying annual interest rates of 40% to 60%. She also represented the investment was risk-free.
4. Nelson paid out purported returns to some investors, but her business was not profitable. Instead it consistently lost money due to its high rate of customer loan defaults. Nelson was able to create the appearance of profitability, and to pay high rates of interest on the promissory notes, only because she used money obtained from later investors to make payments to earlier investors.
5. Nelson used existing investors to recruit new investors, paying these recruiters on a commission basis. In total, Nelson paid \$2.2 million in commissions to recruiters.
6. On April 4, 2009, Nelson ceased making payments to investors. Three months later, a group of investors petitioned one of Nelson's companies into



bankruptcy, and another of Nelson's companies filed a voluntary petition for bankruptcy. In due course, the Washington State Department of Financial Institutions and the U.S. Securities and Exchange Commission each commenced civil proceedings against her. The U.S. Federal Bureau of Investigation subsequently arrested her on federal criminal charges. Nelson is awaiting trial, currently scheduled to be held in June 2013, on 71 counts of wire fraud, 22 counts of mail fraud, and 17 counts of international money laundering.

Investigation by the Commission

Fraud and illegal distribution

7. Nelson's payday loan business was a Ponzi scheme. The examiner appointed in the bankruptcy proceedings in U.S. federal court determined that from 1998 through 2009, Nelson raised \$135.4 million from at least 800 investors. Of these funds, Nelson raised over \$69 million from at least 355 investors in British Columbia.
8. In return for investors' money, Nelson had her companies issue promissory notes, for which no prospectus was filed and for which there were no exemptions under the Act.
9. In total, Nelson paid out \$118 million to investors, including \$2.2 million in commissions to recruiters. The examiner has attributed the remaining \$17.4 million, none of which appears recoverable, to operating losses for Nelson's companies, money she withdrew from the business for her own use, and other unaccounted for losses.

False statements

10. One of the companies that Nelson controlled and used to issue promissory notes was 0738126 B.C., Ltd. (the BC Company).
11. On July 11, 2008, Commission investigators notified Nelson that the BC Company's capital raising activities in British Columbia were under investigation. Nelson emailed investors, telling them that she planned to make false statements to the Commission and coaching them to hide relevant information if contacted by the Commission.
12. The Commission ordered the BC Company to provide information and records regarding its investors. Nelson produced a false affidavit in which she misrepresented the number of Canadian investors in the BC Company, and attached false evidence that purported to establish exemptions for those



distributions the BC Company had already made. Nelson also stated, correctly, that the BC Company had ceased distributing securities.

Misconduct

Fraud

13. Between 1998 and 2009, Nelson perpetrated a fraud against investors, contrary to section 57 of the Act.

Illegal Distribution of a Security

14. Nelson illegally distributed securities by causing the companies she controlled to issue promissory notes, contrary to section 61(1) of the Act.

False statements to the Commission

15. Nelson made false statements to the Commission, contrary to sections 168.1(1)(a) and 168.2 of the Act.

Public Interest

- ¶ 2 It is in the public interest that the Commission issue orders under sections 161 and 162 of the Act.

Hearing Process

- ¶ 3 The Respondent or her counsel are required to attend at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia, on **Tuesday, February 19, 2013 at 9:00 a.m.** if she wishes to be heard before the Commission sets a date for the Hearing. Relevant information gathered by Commission staff in the investigation of this matter will be disclosed to the Respondent upon request to the Executive Director.
- ¶ 4 At the Hearing, the Respondent may be represented by counsel, make submissions and tender evidence. The Respondent is requested to advise the Commission of her intention to attend the Hearing by informing the Secretary to the Commission at PO Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC V7Y 1L2 phone: (604) 899-6500; email: commsec@bcsc.bc.ca.



¶ 5 If the Respondent or her counsel do not appear at the Hearing, the Executive Director will apply to have questions of liability and sanction heard at the same time. Determinations adverse to the Respondent may be made in her absence.

¶ 6 January 21 , 2013.

Paul C. Bourque
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¶ 7 Paul C. Bourque, Q.C.
Executive Director