

2006 BCSECCOM 591

Settlement Agreement

Daryl Joseph Klein and Kleincorp Mgmt. Inc., doing business as Insta-Cash Loans

Securities Act, RSBC 1996, c. 418

- ¶ 1 Daryl Joseph Klein (Klein) and Kleincorp Mgmt. Inc., doing business as Insta-Cash Loans (Kleincorp) have settled the following issues with the Executive Director.

Agreed Statement of Facts

- ¶ 2 As the basis for the undertakings and orders referred to in this settlement, Klein and Kleincorp acknowledge that the following facts are correct:

Background

1. Kleincorp is a British Columbia company with its head office in Nanaimo, British Columbia. Kleincorp is a pawn broking business. It grants short term loans to its clients at high interest rates in exchange for a security interest in their motor vehicles. If Kleincorp's clients default under their loans, it attempts to repossess and sell its clients' vehicles to collect on the loans.
2. Klein is a resident of Nanaimo, and has never been registered in any capacity under the *Securities Act, RSBC 1996, c. 418*. Between October 22, 2003 and August 3, 2006, Klein was the president and a director and officer of Kleincorp.
3. Bick Financial Services Inc. (Bick) is a British Columbia company, with its head office in Nanaimo. Bick promotes itself as a financial services company.
4. Neither Kleincorp nor Bick has ever filed a prospectus under the Act.

Misconduct

Illegal Trading and Distribution of Securities

5. Between 1998 and July 31, 2006, Klein and Kleincorp raised approximately \$14.8 million from at least 54 investors, including Bick, through the trading and distribution of Kleincorp securities. Most of these investors were British Columbia residents.

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6. Kleincorp used these funds to make loans to its pawn broking clients, to pay the operating expenses of the pawn broking business, and to pay back principal and interest to investors.
7. During this time Klein did not prepare financial statements and was under the false impression that Kleincorp was a profitable business. In reality, Kleincorp incurred operating losses on the pawn broking business and by 2005 had cumulative losses of \$759,524.
8. In November 2005, due to financial difficulties, Kleincorp stopped making interest and principal payments to its investors.
9. Between 1998 and November 2005 when payments to investors stopped, Kleincorp paid investors approximately \$13.9 million comprising \$10.8 million in interest and \$3.1 million in principal.
10. As of December 31, 2005 Kleincorp owed investors approximately \$17.0 million, comprising \$11.7 million in principal and \$5.3 million in interest.
11. Klein and Kleincorp:
 - (a) traded in securities without being registered, contrary to section 34(1)(a) of the Act; and
 - (b) distributed securities without having filed a prospectus, contrary to section 61(1) of the Act.

Public Interest

- ¶ 3 Klein and Kleincorp acted contrary to the public interest by engaging in the conduct as set out above.

Mitigating Factors

- ¶ 4 The Executive Director has taken into account, as a factor mitigating the sanctions that might otherwise have applied in the public interest that Klein and Kleincorp have provided satisfactory financial evidence that their liabilities exceed their respective worldwide assets, and that they do not have any reasonable prospect of being able to pay the sanction amount of \$150,000 each that would otherwise be assessed in the public interest for the misconduct described in this settlement.

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Order

¶ 5 Klein and Kleincorp consent to an order by the Executive Director (the Order) that:

1. under section 161(1)(a) of the Act, Klein and Kleincorp will comply with the Act, *Securities Rules*, BC Reg. 194/97 and any applicable regulations;
2. under section 161(1)(b) of the Act, Klein and Kleincorp will cease trading in and will not purchase any securities for 20 years from the date of the Order, except that Klein may trade and purchase securities in one account in his name held with a registered dealer provided Klein gives a copy of the Order to the registered dealer;
3. under section 161(1)(d)(i) and (ii) of the Act, Klein resign any position he may hold, and is prohibited from becoming or acting, as a director or officer of any issuer for the later of:
 - (a) 20 years from the date of the Order; and
 - (b) until Klein successfully completes a course of study satisfactory to the Executive Director concerning the duties and responsibilities of directors and officers,

with the exception that Klein may continue to act as director or officer of any issuer solely for the purpose of dissolving, winding down, or filing a proposal in bankruptcy for that issuer; and
4. under section 161(1)(d)(iii) of the Act, Klein and Kleincorp will not engage in any investor relations activities for 20 years from the date of the Order.

Consent to Reciprocal Orders

¶ 6 Klein and Kleincorp consent to any securities regulator in Canada relying on the facts admitted in this settlement to make orders against them.

Waiver

¶ 7 Klein and Kleincorp waive any right they may each 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, other than as agreed upon by the parties.

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Counterpart

¶ 8 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.

¶ 9 October 2nd, 2006

¶ 10 “G. Klein”
Kleincorp Mgmt. Inc., doing business as Insta-Cash Loans
(Signing Authority) Director

“D. O Sullivan”)
Witness Signature)
)
Witness Name (please print))

Deanna O’ Sullivan)
329 Shepherd Ave, Nanaimo)
(Address)
Administration)
Occupation)

¶ 11 October 2nd, 2006

¶ 12 “D. Klein”
Daryl Joseph Klein

“D. O Sullivan”)
Witness Signature)
Deanna O’ Sullivan)
Witness Name (please print))

329 Shepherd Avenue)
Nanaimo, BC)
(Address)

Administration)
Occupation)

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¶ 13 October 17, 2006

¶ 14 Brenda M. Leong
Executive Director