

Citation: 2015 BCSECCOM 304

## **Settlement Agreement**

**Keith Henry Alexander**

***Securities Act, RSBC 1996, c. 418***

¶ 1 The Executive Director of the British Columbia Securities Commission (the Executive Director) and Keith Henry Alexander (Alexander) agree as follows:

### **Agreed Statement of Facts**

1. Alexander was a resident of British Columbia and has never been registered under the Act.
2. Alexander was an investor in The Little Loan Shoppe, which was a Ponzi scheme masquerading as a payday loan business. The scheme operated through a group of companies directed and controlled by Doris Nelson (Nelson).
3. Nelson used loans by new investors in the business to pay returns she had promised to other investors. Nelson used existing investors, like Alexander, to bring in new investors, paying the existing investors a percentage of the new funds they brought to the scheme.
4. Nelson has pleaded guilty in the United States to 110 counts related to charges of wire fraud, mail fraud, and international money laundering connected to The Little Loan Shoppe.
5. The Commission has scheduled a separate hearing into the Executive Director's allegations that Nelson committed fraud and an illegal distribution through The Little Loan Shoppe.

### **Misconduct**

#### ***Illegal Distribution and Unregistered Trading***

6. Alexander formed two companies to serve as "feeders" into the Little Loan Shoppe. These companies, 1127477 Alberta Ltd. (the Alberta Company) and 0827213 British Columbia Ltd. (the BC Company), dissolved when the Ponzi scheme collapsed.
7. Alexander was a director of the Alberta Company and the BC Company (the Companies). Neither of the Companies ever filed a prospectus under the Act.

8. Alexander told investors that he would invest their money in Nelson's payday loan business.
9. Upon receiving money from investors, Alexander issued them "promissory notes" (the Investment Contracts). In the Investment Contracts, the Companies promised to loan the investor's funds to a company controlled by Nelson.
10. Alexander promised investors an annual interest rate of 40%. The Little Loan Shoppe paid him 60%, with his profit being the difference between the two interest rates.
11. Alexander raised approximately \$1,440,000 from thirteen investors between February 1, 2007, and August 15, 2008, relying on the "family, friends and business associates" and other exemptions in National Instrument 45-106 *Prospectus Exemptions*.
12. Alexander used the investor funds to buy promissory notes from the Little Loan Shoppe in the names of his Companies. The Little Loan Shoppe Ponzi scheme collapsed around April 2009. Investors stopped receiving interest payments from Alexander around late 2008 and early 2009.
13. On July 24, 2008, one investor gave \$20,000 to Alexander. Alexander's distribution to that investor did not qualify for any prospectus exemptions.
14. By distributing an Investment Contract to that investor without the Companies having filed a prospectus, Alexander committed an illegal distribution contrary to section 61(1)(a) of the Act.
15. By distributing an Investment Contract to that investor without being registered, Alexander contravened section 34 of the Act.

***Mitigating Factors***

16. Alexander lost his own money in the Little Loan Shoppe scheme, both through investments of his own and by buying the positions of investors who wanted to cash out.
17. Alexander returned \$143,000.00 to the investors named in the Notice of Hearing.

***Public Interest***

18. Alexander's conduct described in this Settlement Agreement is contrary to the public interest.

19. It is in the public interest that the Executive Director issue orders under section 161 of the Act.

***Undertaking***

20. Alexander undertakes to pay \$7,500.00 to the British Columbia Securities Commission in respect of settlement of this matter, which is due and payable immediately without further demand.

**Order**

¶ 2 The Executive Director will issue an order (Order) that:

1. for a period of three (3) years:
  - (a) under section 161(1)(b) of the Act, Alexander cease trading in, and is prohibited from purchasing, any securities, except that he may trade or purchase securities for his own account through one RRSP and one cash account at a registered dealer provided he first provides that dealer with a copy of this Settlement Agreement and the Order,
  - (b) under section 161(1)(d)(ii) of the Act, Alexander is prohibited from becoming or acting as a director or officer of any issuer or registrant, other than:
    - (i) KAOS Enterprises Ltd., or
    - (ii) Peace Enviro Services Ltd.
  - (c) under section 161(1)(d)(iii) of the Act, Alexander is prohibited from becoming or acting as a promoter,
  - (d) under section 161(1)(d)(iv) of the Act, Alexander is prohibited from acting in a management or consultative capacity in connection with activities in the securities market,
  - (e) under section 161(1)(v) of the Act, Alexander is prohibited from engaging in investor relations activities, and
2. under section 161(1)(g) of the Act, Alexander pays to the Commission \$20,000.000.

**Consent to Regulatory Orders**

¶ 3 Alexander consents to a regulatory order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the Order set out in paragraph 2 above.

**Waiver**

¶ 4 Alexander 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.

**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 July , 2015

¶ 7 Keith Alexander  
Keith Henry Alexander

Danika Bray )  
Witness Signature )  
 )  
Danika Bray )  
Witness Name (please print) )  
Danika Bray )  
2320 Deer Side Drive )  
Address )  
Secretary @ Kaos )  
Occupation )

¶ 8 Aug 4 , 2015

Paul Bourque

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