



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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Toronto ON M5H 3S8

**IN THE MATTER OF THE *SECURITIES ACT*
R.S.O. 1990, c.S.5, AS AMENDED**

- AND -

**IN THE MATTER OF
NELSON FINANCIAL GROUP LTD., NELSON INVESTMENT GROUP LTD.,
MARC D. BOUTET, STEPHANIE LOCKMAN SOBOL,
PAUL MANUEL TORRES, H. W. PETER KNOLL**

**SETTLEMENT AGREEMENT BETWEEN
STAFF OF THE ONTARIO SECURITIES COMMISSION
AND PAUL MANUEL TORRES**

PART I – INTRODUCTION

1. The Ontario Securities Commission (the “Commission”) will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S-5, as amended (the “Act”), it is in the public interest for the Commission to make certain orders in respect of Paul Manuel Torres (the “Respondent”).

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission (“Staff”) agree to recommend settlement of the proceeding commenced by Notice of Hearing dated May 12, 2010 (the “Proceeding”) against the Respondent according to the terms and conditions set out in Part V of this Settlement Agreement. The Respondent agrees to the making of an order in the form attached as Schedule “A”, based on the facts set out below.

PART III – AGREED FACTS

3. This proceeding relates to Staff’s allegations of an illegal distribution of securities in breach of the *Securities Act*, R.S.O. 1990, c.S.5, as amended (the “Act”), by the respondent issuer, Nelson Financial Group Ltd. (“Nelson Financial”), its related investment company, Nelson Investment Group Ltd. (“Nelson Investment”) (collectively, the “Nelson Entities”), the directing mind of these entities, Marc D. Boutet (“Boutet”), and by the other individually named respondents, H. W. Peter Knoll (“Knoll”), Paul Manuel Torres (“the Respondent”) and Stephanie Lockman Sobol (“Sobol”), who were employees and/or agents of Nelson Financial and/or Nelson Investment (collectively, the “Respondents”).
4. Between December 19, 2006 and January 31, 2010 (the “Material Time”), Nelson Financial, through Nelson Investment and/or its employees and agents, including the Respondent, raised investor funds of over \$50 million (net of redemptions) from approximately 500 Ontario investors by issuing non-prospectus qualified securities. Although the Respondents purported to rely upon the Accredited Investor Exemption (defined below) in selling securities of Nelson Financial, a significant percentage of investors were not accredited. The Respondent’s conduct as described herein constituted a violation of Ontario securities law.

A. THE RESPONDENTS

5. Nelson Financial was incorporated in Ontario on September 14, 1990. Nelson Financial is not a reporting issuer and is not registered under the Act. Nelson Financial provides vendor assisted financing for the purchase of home consumable products, either through a vendor (or an aggregator of vendors), or directly to the consumer (the “Consumer Loans”).
6. Nelson Investment was incorporated in Ontario on September 14, 2006 and sold securities of Nelson Financial. On December 19, 2006, Nelson Investment obtained registration under the Act as a dealer in the category of limited market dealer (“LMD”), now exempt market dealer (“EMD”).

7. Boutet is a resident of Ontario and was at all material times listed as the sole officer and director of Nelson Financial and Nelson Investment (together, the “Nelson Entities”). Boutet was the directing mind of the Nelson Entities.
8. Respondent was employed by and acted as a salesperson for Nelson Investment beginning in or around August 2008. The Respondent has been registered under the Act as a salesperson (now dealing representative) with Nelson Investment since November 13, 2008.

B. BACKGROUND AND PARTICULARS

Illegal Distribution – Sections 25 and 53 of the Act

9. Nelson Investment was incorporated by Boutet in 2006 for the sole purpose of selling securities of Nelson Financial and, throughout the Material Time, Nelson Investment’s business was limited to selling securities of Nelson Financial.
10. During the Material Time and through Nelson Investment, Nelson Financial raised approximately \$82 million through the sale and distribution of securities of Nelson Financial to (almost exclusively) Ontario investors. As of February 28, 2010, there were approximately 500 Nelson investors with a total investment amount outstanding of approximately \$51.2 million, net of redemptions.
11. The securities sold and distributed by Nelson Financial were in the form of fixed term promissory notes and preferred shares and were offered by Nelson Financial at fixed/guaranteed annual rates of return of 12% and 10%, respectively, typically paid to investors on a monthly basis.
12. The Respondent received commissions on the funds raised by the sale of Nelson Financial securities, including on amounts “rolled over” by investors upon maturity of the promissory notes, i.e. where an investor opted to remain invested with Nelson Financial instead of redeeming their investment.

13. Throughout the Material Time, the scope of registration for the Respondent was limited to the sale of securities for which a prescribed exemption was properly available.
14. In distributing its securities, Nelson Financial relied upon the accredited investor exemption (the "AI Exemption") as set out in section 2.3 of National Instrument 45-106 and the minimum investment exemption as set out in section 2.10 of 45-106.
15. A significant percentage of the investors to whom securities were issued by Nelson Financial either did not meet the requirements necessary to qualify as accredited investors or there was insufficient information for the Nelson Entities and their employees and/or agents (including the Respondent) to make that determination.
16. In many instances, the Respondent knew or ought to have known that the investors were not accredited and failed to make further inquiries to determine whether investors were, in fact, accredited.
17. The Respondent traded, either directly or through acts in furtherance of trading, in securities of Nelson Financial. The trades in the securities of Nelson Financial were trades in securities not previously issued and were therefore distributions. No preliminary prospectus or prospectus was filed and no receipts were issued for them by the Director to qualify the trading of the securities.
18. The Respondent failed to ensure that the requirements of the AI Exemption were met and, therefore cannot rely on the AI Exemption in respect of many of the trades of Nelson Financial securities. The Respondent did not discuss the criteria to qualify for the AI Exemption with investors, unless they asked. He did not review the Know Your Client documentation that was completed by investors. In addition, the Respondent did not discuss risks with potential investors for the Respondent. The Respondent breached section 53 of the Act by distributing securities of Nelson Financial without a prospectus in circumstances where no exemption was properly available.

19. Further, as no exemption was properly available, the trades in the securities of Nelson Financial were beyond the registerable activity permitted by the category of registration for the Respondent under the Act and thus in breach of section 25 of the Act.
20. The Respondent received a salary of \$48,000 per year and 0.5% commission on new investments and investments “rolled over”. In 2009, the Respondent earned approximately \$200,000 in total. He did not advise investors that he, or his employer, Nelson Investment, received a sales commission.
21. On or about January 31, 2010, due to regulatory concerns raised by Staff following its on-site compliance review, Nelson Financial temporarily suspended the distribution of any of its securities. The Respondent family members redeemed their investments in Nelson Financial on February 16, 2010.
22. On March 23, 2010, less than two months after suspending its capital raising activities, Nelson Financial was required to seek an order for creditor protection and restructuring under the companies *Creditors Arrangement Act* on the basis that it was insolvent.

**PART IV - BREACHES OF ONTARIO SECURITIES LAW
AND CONDUCT CONTRARY TO THE PUBLIC INTEREST**

23. The foregoing conduct engaged in by the Respondent constituted breaches of Ontario securities law and/or was contrary to the public interest:
 - (a) The Respondent traded securities of Nelson Financial without a prospectus in circumstances where no exemption was available contrary to the prospectus requirements of section 53 of the Act and contrary to the public interest;
 - (b) The Respondent traded securities of Nelson Financial where no exemption was available contrary to the scope of his registration and the registration requirements of section 25 of the Act and contrary to the public interest;

PART V – TERMS OF SETTLEMENT

24. The Respondent agrees to the terms of settlement listed below.
25. The Commission will make an order pursuant to section 127(1) of the Act that:
- (a) The settlement agreement is approved;
 - (b) Pursuant to ss. 127(1)2. of the Act, trading in any securities by the Respondent shall cease permanently, with a carve out for trading by the Respondent in his personal RRSP account after the payment set out in subparagraph (f) is paid in full;
 - (c) Pursuant to ss. 127(1)1. of the Act, the registration granted to the Respondent under Ontario securities law shall be terminated, permanently;
 - (d) Pursuant to ss. 127(1)8. of the Act, the Respondent is prohibited from becoming or acting as a director or an officer of any issuer for the greater of 15 years, or until such time as the payment specified in paragraph (f) is made in full;
 - (e) Pursuant to ss. 127(1)3. of the Act, any exemptions contained in Ontario securities law do not apply to the Respondent, permanently;
 - (f) Pursuant to ss. 127(1)9. of the Act, the Respondent shall pay the amount of \$50,000 to be allocated to or for the benefit of third parties under s. 3.4(2)(b) of the *Act*, with payment of \$20,000 to be made by certified cheque at the time of the settlement hearing and the remaining \$30,000 to be paid within five years of the date this Agreement is executed;
26. In connection with this settlement, the Respondent has represented to the Commission that he is not currently employed and that his net worth is not sufficient to pay the entire settlement amount immediately.

PART VI – STAFF COMMITMENT

27. If the Commission approves this Settlement Agreement, Staff will not commence any proceeding against the Respondent under Ontario securities law in relation to the facts set out in Part III of this Settlement Agreement, subject to the provisions of paragraph 27 below.
28. If the Commission approves this Settlement Agreement and the Respondent fails to comply with any of the terms of the Settlement Agreement, Staff may bring proceedings under Ontario securities law against the Respondent. These proceedings may be based on, but are not limited to, the facts set out in Part III of this Settlement Agreement as well as the breach of the Settlement Agreement.

PART VII – PROCEDURE FOR APPROVAL OF SETTLEMENT

29. The parties will seek approval of this Settlement Agreement at a public hearing before the Commission scheduled for May 16, 2011, or on another date agreed to by Staff and the Respondent, according to the procedures set out in this Settlement Agreement and the Commission's Rules of Practice.
30. Staff and the Respondent agree that this Settlement Agreement will form all of the agreed facts that will be submitted at the settlement hearing on the Respondent's conduct, unless the parties agree that additional facts should be submitted at the settlement hearing.
31. If the Commission approves this Settlement Agreement, the Respondent agrees to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.
32. If the Commission approves this Settlement Agreement, neither party will make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the settlement hearing.
33. Whether or not the Commission approves this Settlement Agreement, the Respondent will not use, in any proceeding, this Settlement Agreement or the negotiation or process

of approval of this agreement as the basis for any attack on the Commission's jurisdiction, alleged bias, alleged unfairness, or any other remedies or challenges that may otherwise be available.

PART X – DISCLOSURE OF SETTLEMENT AGREEMENT

34. If the Commission does not approve this Settlement Agreement or does not make the order attached as Schedule "A" to this Settlement Agreement:
- i. this Settlement Agreement and all discussions and negotiations between Staff and the Respondent before the settlement hearing takes place will be without prejudice to Staff and the Respondent; and
 - ii. Staff and the Respondent will each be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations contained in the Statement of Allegations. Any proceedings, remedies and challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this agreement.
35. Both parties will keep the terms of the Settlement Agreement confidential until the Commission approves the Settlement Agreement. At that time, the parties will no longer have to maintain confidentiality. If the Commission does not approve the Settlement Agreement, both parties must continue to keep the terms of the Settlement Agreement confidential, unless they agree in writing not to do so or if required by law.

PART X – EXECUTION OF SETTLEMENT AGREEMENT

36. The parties may sign separate copies of this agreement. Together, these signed copies will form a binding agreement.

37. A fax copy of any signature will be treated as an original signature.

DATED at Toronto this 11th day of May, 2011.

“Paul Manuel Torres”

Respondent

“Swapna Chandra”

Witness

“Tom Atkinson”

Director, Enforcement Branch



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SCHEDULE "A"

IN THE MATTER OF THE SECURITIES ACT R.S.O. 1990, c.S.5, AS AMENDED

- AND -

IN THE MATTER OF NELSON FINANCIAL GROUP LTD., NELSON INVESTMENT GROUP LTD., MARC D. BOUTET, STEPHANIE LOCKMAN SOBOL, PAUL MANUEL TORRES, H. W. PETER KNOLL

ORDER

WHEREAS on May 12, 2010, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing in connection with a Statement of Allegations issued by Staff of the Commission in this matter pursuant to section 127 and 127.1 of the Securities Act, R.S.O. 1990, c. S.5, as amended (the "Act");

AND WHEREAS on November 10, 2010, the Staff of the Commission amended the Statement of Allegations;

AND WHEREAS Paul Manuel Torres ("Torres") entered into a settlement agreement with Staff of the Commission ("Staff") dated May 11, 2011 (the "Settlement Agreement"), subject to the approval of the Commission;

AND UPON reviewing the Settlement Agreement, and upon hearing submissions from counsel for Staff and from Paul Manuel Torres.

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this order;

IT IS ORDERED THAT

- (a) The settlement agreement is approved;
- (b) Pursuant to clause 2 of ss. 127(1) of the Act, trading in any securities by Torres shall cease permanently with a carve out for trading by Torres in his personal RRSP account after the payment set out in subparagraph (f) is paid in full;
- (c) Pursuant to clause 1 of ss. 127(1) of the Act, the registration granted to Torres under Ontario securities law shall be terminated, permanently;
- (d) Pursuant to clause 8 of ss. 127(1) of the Act, Torres is prohibited from becoming or acting as a director or an officer of any issuer for the greater of 15 years, or until such time as the payment specified in paragraph (f) is made in full;
- (e) Pursuant to clause 3 of ss. 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Torres, permanently;
- (f) Pursuant to clause 9 and 10 of ss. 127(1) of the Act, Torres shall pay the amount of \$50,000 to be allocated to or for the benefit of third parties under s. 3.4(2)(b) of the *Act*, with payment of \$20,000 to be made by certified cheque at the time of the settlement hearing and the remaining \$30,000 to be paid within five years of the date this Agreement is executed;

DATED at Toronto this th day of May, 2011.
