

IN THE MATTER OF THE SECURITIES ACT  
R.S.N.S. 1989, CHAPTER 418, AS AMENDED ("Act")

- AND -

IN THE MATTER OF LARRY ENOS BEATON  
(the "RESPONDENT")

## SETTLEMENT AGREEMENT

### PART I – INTRODUCTION

1. The parties to this Settlement Agreement ("Agreement") are the Respondents and Staff of the Nova Scotia Securities Commission.
2. The parties agree that the Nova Scotia Securities Commission ("Commission") has jurisdiction over this matter.
3. The parties agree to recommend to the Commission approval of this Agreement in accordance with the terms and process set out herein.

### PART II – PROCEDURE FOR APPROVAL OF THE AGREEMENT

4. Staff of the Commission ("Staff") agrees to request that a Notice of Hearing be issued setting down a hearing ("Settlement Hearing") wherein the Commission will consider whether it is in the public interest to approve this Agreement and to issue an Order in the form attached as Schedule "A".
5. The parties agree that the Agreement constitutes the entirety of evidence to be submitted to the Commission at the Settlement Hearing.
6. Staff agrees to recommend that the allegations acknowledged and admitted by the Respondent be resolved and disposed of in accordance with this Agreement.
7. The Parties acknowledge that this Agreement will become a public document upon its approval by the Commission at the Settlement Hearing.



**PART III – STATEMENT OF AGREED FACTS**

8. Staff and the Respondent agree with the facts and conclusions set out in this Part of the Agreement.
9. At all material times the Respondent was a resident of Nova Scotia. The Respondent is a self-employed carpenter.
10. Jabez Financial Services, Inc. ("Jabez") was a corporation organized on November 22, 2005 pursuant to the General Corporation Law of the Republic of Panama and registered on November 24, 2005 with the Public Registry of Panama. Its contact address was listed as World Trade Center, 1<sup>st</sup> Floor – Commercial Area, Street 53, Marbella, Postal Box 0832-0755 WTC, Panama, Republic of Panama.
11. Jabez was not registered to distribute or trade in securities with the Comisión Nacional De Valores, the national securities regulator in the Republic of Panama.
12. Jabez was dissolved in Panama, effective October 16, 2007.
13. JFS Credit Union Ekonomisk Förening ("JFSCU") was an Economic Association registered with the Bolagsverket, the Companies Registration Office of Sweden, on November 17, 2005. Its contact address was listed as Box 882, 11479 Stockholm, Sweden.
14. JFSCU was not authorised by the Finansinspektionen, the financial regulator in Sweden, to conduct any banking business, provide financial services or any other financial business.
15. In early 2006, the Respondent became interested in the concept of "offshore investing." Around that time, the Respondent was introduced to Quintin Sponagle ("Sponagle") and Trevor Hill ("Hill") through a fellow parishioner at his church.
16. In or around early 2006, the Respondent met with Sponagle and Hill and came to understand that people he knew had been involved in investment activity through Sponagle for approximately two years. As a result of this meeting, the Respondent began investing in Jabez himself.
17. The Respondent later asked Sponagle and Hill whether he was permitted to tell others about investing in Jabez. Sponagle and Hill replied that he could do so, and that he would be paid a commission for doing so. The Respondent did not ask nor was he told what the amount of any such commission would be.

PS

R

18. Prior to investing any funds in Jabez or JFSCU, investors were required to agree to and acknowledge the terms of the Membership Governance Document via the Jabez website.
19. Upon approval of the Membership Governance Document by Jabez, individuals were advised to wire-transfer their funds to a bank account in the name of Jabez in Curaçao, Netherlands Antilles.
20. Beginning in April 2006, the Respondent encouraged friends, family and others to invest in Jabez and JFSCU through the following actions:
  - a. advising others of the investment opportunity;
  - b. directing others to the Jabez website (which promoted returns ranging from 8% to 10% per month for investments in Jabez and 60% per year for investments in JFSCU), and providing an "invitation code" to access the website;
  - c. assisting others to complete the documentation required to open an account with Jabez and/or JFSCU, including the above-noted Membership Governance Document; and
  - d. assisting others to complete wire transfers to Jabez.
21. Between April and September 2006, approximately US\$3.2 million from 137 residents of Nova Scotia and approximately US\$930,000 from 52 investors residing in other Canadian provinces was invested into the securities of Jabez or JFSCU. Between April and September 2006, the individuals who had been directed to the Jabez website by the Respondent effected trades in securities of Jabez or JFSCU valuing approximately US\$1,565,751.18.
22. The Respondent was not registered with the Commission at any time or in any other jurisdiction to trade or distribute securities in any capacity whatsoever.
23. As a result of soliciting investments from residents of Nova Scotia and elsewhere, without being registered to do so, the Respondent violated section 31(1) of the Act, as rep. by S.N.S. 2008, c. 32, s. 6.



#### **PART IV – STATEMENT OF ALLEGATIONS ACKNOWLEDGED AND ADMITTED BY THE RESPONDENTS**

24. The Respondent acknowledges and admits that he violated section 31(1) of the Act, as rep. by S.N.S. 2008, c. 32, s. 6.
25. The Respondent acknowledges that his actions undermined investor confidence in the fairness and efficiency of capital markets in Nova Scotia and were contrary to the public interest.
26. The Respondent admits the facts set forth in Part III herein and acknowledge that he violated the Act.

#### **PART V – MITIGATING FACTORS**

27. The Respondent acknowledges and accepts responsibility for his conduct which is the subject matter of this Agreement.
28. The Respondent has limited investment experience and investment knowledge. At all material times, the Respondent was unfamiliar with Nova Scotia securities laws and, in particular, the requirement that a person may not solicit other persons to invest in securities unless the person is duly registered under the Act.
29. The Respondent believed that investing with Jabez was lawful and legitimate. It never occurred to the Respondent to investigate the legitimacy or legality of Jabez. The Respondent believed Jabez and JFSCU were viable organizations and sound investment vehicles.
30. The Respondent was not involved in the development or creation of Jabez or JFSCU, nor was he involved in any administrative functions related to Jabez or JFSCU. The Respondent had no knowledge of how investor funds were being used. The Respondent knew nothing about how the investment would generate the promoted returns, nor did he know what Jabez was.
31. In advising others about Jabez, the Respondent was motivated by a desire to help others to be involved with what he believed to be a good investment. While the Respondent's account at Jabez received some deposits from other sources, and the Respondent withdrew approximately \$15,000 from the account, at all times the Respondent had deposited more than he withdrew from the account.
32. In all, the Respondent deposited approximately \$250,000 of his own money into his Jabez account, which amount was comprised of approximately \$200,000 borrowed from a personal line of credit and approximately \$50,000 cashed out from his personal registered retirement savings plan – the full extent of his RSP savings. He has been unable to recover over 85% of his investment.

410

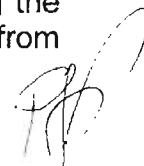
33. The losses have caused a great deal of stress on the Respondent and on his relationships with his family and friends.

#### **PART VI – TERMS OF SETTLEMENT**

34. The terms of settlement are set forth in the order contained in Schedule "A" to this Agreement which is expressly incorporated herein.
35. The Respondent consents to the order contained in Schedule "A".

#### **PART VII – COMMITMENTS**

36. If this Agreement is approved and the Order as set out in Schedule "A" is granted, the parties agree to waive any right to a full hearing and judicial review and appeal of this matter.
37. If this Agreement is approved by the Commission, the parties will not in any way make any statement, public or otherwise, that is inconsistent with the terms of this Agreement.
38. If this Agreement is approved by the Commission, the Respondent agrees to abide by all terms of this Agreement as set out in the Order attached as Schedule "A".
39. If, for any reason whatsoever, this Agreement is not approved, or the Order set forth in Schedule "A" is not granted by the Commission:
- a. Staff and the Respondent will be entitled to proceed to a hearing of the allegations which are the subject matter of this Agreement unaffected by the Agreement or the settlement negotiations;
  - b. The terms of the Agreement will not be raised in any other proceeding or disclosed to any person except with the written consent of Staff and the Respondent or as may otherwise be required by law; and
  - c. The Respondent agrees that he will not raise in any proceeding the Agreement or the negotiations or process of approval thereof as a basis of any attack or challenge of the Commission's jurisdiction, alleged bias, appearance of bias, alleged unfairness or any other challenge that may otherwise be available.
40. If, in the view of Staff and prior to the approval of this Agreement by the Commission, there are new facts or issues of substantial concern regarding the facts set out in Part III of this Agreement, Staff will be at liberty to withdraw from



facts set out in Part III of this Agreement, Staff will be at liberty to withdraw from this Agreement. Notice of such intention will be provided to the Respondent in writing. In the event of such notice being given, the provisions of paragraph 39 in this Part will apply as if this Agreement had not been approved in accordance with the procedures set out herein.

**PART VIII – DISCLOSURE OF SETTLEMENT AGREEMENT**

41. Staff or the Respondent may refer to any or all parts of this Agreement as required by the General Rules of Practice and Procedure and in the course of the Settlement Hearing. Otherwise, this Settlement Agreement and its terms will be treated as confidential by all parties to it until approved by the Commission, and forever if, for any reason whatsoever, this settlement is not approved by the Commission.

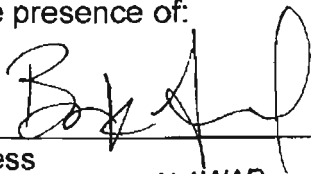
**PART IX – EXECUTION OF SETTLEMENT AGREEMENT**

42. This Agreement may be signed in one or more counterparts that together shall constitute a binding agreement and a facsimile copy of any signature shall be as effective as an original signature.

Dated this 31<sup>st</sup> day of May, 2011.

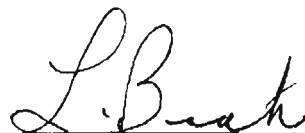
SIGNED, SEALED AND DELIVERED

In the presence of:



Witness

**BRIAN AWAD**  
A Barrister of the Supreme  
Court of Nova Scotia

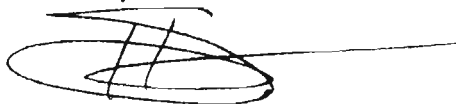


Larry Enos Beaton

Dated this 31<sup>st</sup> day of May, 2011.

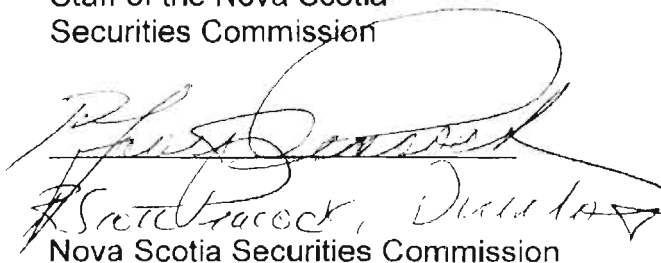
SIGNED, SEALED AND DELIVERED

In the presence of:



Witness

Staff of the Nova Scotia  
Securities Commission

  
Nova Scotia Securities Commission

**SCHEDULE "A"**

IN THE MATTER OF THE SECURITIES ACT  
R.S.N.S. 1989, CHAPTER 418, AS AMENDED ("Act")

- AND -

IN THE MATTER OF LARRY ENOS BEATON  
(the "RESPONDENT")

**ORDER**

(Sections 134, 135 and 135A)

**WHEREAS** on \_\_\_\_\_, 2011 the Nova Scotia Securities Commission ("Commission") issued a Notice of Hearing to the Respondent pursuant to sections 134, 135 and 135A of the Act;

**AND WHEREAS** the Respondent entered into a settlement agreement with Staff of the Commission ("Staff") whereby he agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

**AND WHEREAS** Staff and the Respondent recommended approval of the settlement agreement;

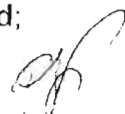
**AND WHEREAS** the Commission is of the opinion that the Respondent has contravened the Act and it is in the public interest to make this Order;

**AND UPON** reviewing the settlement agreement;

**AND UPON** and upon hearing submissions of counsel for Staff and the Respondent;

**IT IS HEREBY ORDERED** that:

1. The Settlement Agreement dated May \_\_\_\_\_, 2011, a copy of which is attached, is approved;
2. Pursuant to section 134(1)(c) of the Act, that any or all of the exemptions contained in Nova Scotia securities laws do not apply to the Respondent permanently;
3. Pursuant to section 134(1)(d)(ii) of the Act, the Respondent be permanently prohibited from becoming or acting as a director or officer of any issuer, registrant, or investment fund manager;
4. Pursuant to section 134(1)(h) of the Act, the Respondent be reprimanded;



5. Pursuant to section 135 of the Act, the Respondent shall pay an administrative penalty in the amount of twenty thousand dollars (\$20,000.00) forthwith; and
6. Pursuant to section 135A of the Act, the Respondent shall pay costs in connection with the investigation and conduct of the proceedings before the Commission in the amount of five thousand dollars (\$5,000.00) forthwith.

DATED at Halifax, Nova Scotia, this \_\_\_\_\_ day of \_\_\_\_\_ 2011.

NOVA SCOTIA SECURITIES COMMISSION



---

(Chairman)