

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND**

IN THE MATTER OF:	*	No. 2003-0536
 NIGEL HOWSE	*	
 Respondent.	*	
	* * *	

CONSENT ORDER

WHEREAS, the Securities Division of the Office of the Attorney General (the "Securities Division") initiated an investigation into the activities of Nigel Howse ("Howse" or "Respondent") and his now-defunct company, Hygiene Services Corporation ("HSC"); and

WHEREAS, the Maryland Securities Commissioner (the "Securities Commissioner") has found that grounds exist to allege that Respondent violated the Maryland Securities Act, contained at Md. Code Ann., Corps. and Ass'ns, §§11-101 *et seq.* (1999 Repl. Vol. & Supp. 2005) (the "Securities Act"), by engaging in acts or practices constituting violations of the Securities Act; and

WHEREAS, on September 6, 2005, the Securities Commissioner issued an Order to Show Cause against Respondent (the "Order to Show Cause") which was amended by the Securities Commissioner's issuance on February 9, 2006 of a First Amended Summary Order to Cease and Desist and Order to Show Cause (the "Summary Order"); and

WHEREAS, in response to both the Order to Show Cause and the Summary Order, Respondent filed an answer denying that he violated the Maryland Securities Act and requesting a hearing; and

WHEREAS, the Securities Commissioner referred this matter to the Office of Administrative Hearings for a hearing on the merits; and

WHEREAS, before the holding of a hearing, without trial or final adjudication of any issue of fact or law, and prior to the issuance of a final order in this proceeding, the Securities Commissioner and Respondent have reached an agreement whereby Respondent, without admitting or denying the Statement of Facts and Findings of Fact and Conclusions of Law contained herein, consents to the terms of this Order:

I.

JURISDICTION

1. The Securities Commissioner has jurisdiction in this proceeding pursuant to § 11-701 of the Securities Act.

II.

RESPONDENT

2. Howse is a resident of Reisterstown, MD.

3. Howse is not now, nor has he ever been, registered in Maryland as an issuer agent, broker-dealer agent, or investment adviser or investment adviser representative.

III.

STATEMENT OF FACTS

4. Mr. Howse became acquainted with Sharon Rose of Kingsville, Maryland while a

patron at her hair salon business. In or about June 2001, Mr. Howse solicited Ms. Rose to invest money with him.

5. In June 2001, Mr. Howse solicited Ms. Rose to invest \$50,000 with him “for investment . . . at a rate of ten (10) percent, for a period of 9 months” Mr. Howse advised Ms. Rose that the interest would be earned from depositing the monies into a Swiss bank account in his name. Mr. Howse also led Ms. Rose to believe that the investment would be “tax-free.” In reliance upon Mr. Howse’s representations, Ms. Rose gave Mr. Howse \$50,000 in cash to invest.

6. According to Mr. Howse, he deposited Ms. Rose’s \$50,000 investment monies into a HSC bank account at Bank of America. Mr. Howse testified at a deposition in December 2005 that this was HSC’s “only banking account” and that he “would draw from that account for my personal expenses, for the business expenses.” According to Mr. Howse, the HSC account was “almost a general account” because “[e]ven though it [HSC] wasn’t a fully operating business I was still looking at business transactions and opportunities.”

7. In November 2001, Mr. Howse solicited Ms. Rose to invest an additional \$25,000 “on similar terms” as her \$50,000 investment. In reliance upon Mr. Howse’s representations, Ms. Rose gave Mr. Howse \$25,000 in cash to invest.

8. According to Mr. Howse’s deposition testimony, he deposited all or part of Ms. Rose’s \$25,000 investment monies into HSC’s bank account.

9. In June 2002, Mr. Howse obtained an additional \$15,000 in cash monies from Ms. Rose to invest in his company, HSC. Prior to that time, Mr. Howse offered and agreed to convert Ms. Rose’s earlier investments (totaling \$75,000) into an investment in HSC.

10. In deciding to invest in HSC, Ms. Rose relied upon Mr. Howse’s statements that HSC

was a shareholder in HIPAA IG, Inc. (“HIPAA IG”), a company in which Mr. Howse claimed to have a direct or indirect ownership interest. Mr. Howse represented to Ms. Rose that HIPAA IG’s stock was or was on the verge of becoming valuable because of impending business opportunities including substantial monies “coming in” from a venture capital firm.

11. The receipt Mr. Howse gave to Ms. Rose referenced that HSC was “a shareholder (1/3rd) in Hipaa Compliance Corporation – a corporation dealing in HIPAA software.”

12. By the terms of his written receipt for Ms. Rose’s June 2002 investment, Mr. Howse agreed to provide Ms. Rose with a stock certificate documenting her HSC investment.

13. In July 2002, Mr. Howse wrote to Ms. Rose at her hair salon and day spa, claiming that he could arrange for the landlord of her business location to “have sight of your share certificate, controlling 33 1/3% of the shares in Hygiene Services Corporation, value \$100,000” Mr. Howse also claimed that “Hygiene Services Corporation owns one third of Hipaa Compliance Corporation and is also a major shareholder in Hippa IG Inc.”

14. In October 2002, Mr. Howse solicited Ms. Rose to invest monies in an “IPO issue” of Chakkilam Infotech, Ltd., a company located in India (“Chakkilam”). Mr. Howse claimed that there was a great opportunity to profit from the investment. In reliance upon Mr. Howse’s representations, Ms. Rose gave Mr. Howse \$20,000 in cash to invest in Chakkilam.

15. According to Mr. Howse, he brought Ms. Rose’s Chakkilam investment monies to India and gave them to Chakkilam’s owner, but he did not obtain any receipt showing that Chakkilam received those monies. Furthermore, other than a written receipt of monies received to invest in the Chakkilam IPO, no documentation of the Chakkilam investment was provided to Ms. Rose.

16. In January 2003, Mr. Howse solicited Ms. Rose to invest \$15,000 in HIPAA IG. Mr. Howse continued to advise Ms. Rose that there was a great profit opportunity available by investing in the company. In reliance upon Mr. Howse's representations, Ms. Rose invested \$10,000 in cash through Mr. Howse. Ms. Rose borrowed the investment monies from a neighboring business owner to seize upon the investment opportunity offered by Mr. Howse.

17. When later asked what he did with Ms. Rose's \$10,000 investment from January 2003, Mr. Howse claimed that the borrowed monies "would have more than likely been paid into the bank account [for HSC]."

18. In March 2003, Mr. Howse solicited Ms. Rose to invest monies in HSC to indirectly invest in HIPAA IG. Ms. Rose continued to believe, from Mr. Howse's claims that HIPAA IG was doing well, that her money was safe and that she would profit from the investment. In reliance upon Mr. Howse's assertions, Ms. Rose gave Mr. Howse \$10,000 cash to invest in HIPAA IG.

19. Mr. Howse provided Ms. Rose with receipts totaling \$130,000 for the cash monies she invested through him. Mr. Howse also sent a letter to Ms. Rose and her attorney, verifying her investment in HSC and attaching a copy of an HSC share certificate in her name.

The Bank Of America Bank Deposits

20. All of Ms. Rose's investments with Mr. Howse were in cash. An examination of HSC's Bank of America account reflects that on or about the same day as the receipt prepared by Mr. Howse on behalf of Ms. Rose in connection with her investments, a cash deposit was made into that bank account in an amount equal or substantially equivalent to the amount of Ms. Rose's investment.

21. On June 19, 2001, HSC's Bank of America account had a balance of \$50.28. On that day, Ms. Rose invested \$50,000 in cash with Mr. Howse. On June 20, 2001, Mr. Howse made a cash

deposit of \$45,000 into that account. Those monies were used to pay bills including but not limited to: payments on a Jaguar automobile, pest control services, dental bills, telephone and cable tv bills, a lawn service, payments to Saks Fifth Avenue, and attorneys fees.

22. On November 29, 2001, HSC's Bank of America account had a balance of \$1,033.62. On the following day, Ms. Rose invested \$25,000 in cash with Mr. Howse. On that same day, Mr. Howse made a cash deposit of \$23,000 into that account. Those monies were used to pay credit card bills, a \$10,000 payment to Susquehanna Bank, telephone bills, pest control services, cable tv, and Nordstrom and other credit card bills.

23. On June 19, 2002, HSC's Bank of America account had a balance of \$812.47. On June 21, 2002, Ms. Rose invested \$15,000 in cash with Mr. Howse. On that same day, Mr. Howse made a cash deposit of \$5,000 into the HSC bank account. That money was used to pay bills including "Jaguar Credit," Harrods and other credit card bills, and other personal expenses.

24. On January 13, 2003, HSC's Bank of America account had a balance of \$8.62. On January 17, 2003, Ms. Rose invested \$10,000 cash with Mr. Howse. On that same day, Mr. Howse made a cash deposit of \$2,400 into the HSC bank account. That money was used to pay personal expenses including a Jaguar payment.

25. On March 19, 2003, HSC's Bank of America account had a balance of \$42.27. On March 20, 2003, Ms. Rose invested \$10,000 cash with Mr. Howse. On that same day, Mr. Howse made a cash deposit of \$8,000 into the HSC bank account. That money was used to pay personal expenses, *i.e.*, utilities, \$6,000 in overdue mortgage payments to Susquehanna Bank, and other personal expenses.

Other Information Reflecting Ms. Rose's Investments Were Non-existent

26. According to Ms. Rose, after making her investment in HSC, she was further informed of the worthlessness of her investment by Mr. Howse's wife, Lesley Howse, who advised Ms. Rose that Mr. Howse used her money to pay personal expenses. Mr. Howse specifically denies that Lesley Howse made that statement.

27. After Ms. Rose gave Mr. Howse monies for investment in HSC, Mr. Howse testified that "the company [HSC] never really has traded . . . [w]e've looked at various business opportunities . . . but I've never really gone in for them and the only real activity it [HSC] had was to own ten percent of HIPAA IG."

28. In the June 2002 receipt to Ms. Rose and in his July 2002 letter to her, Mr. Howse suggested that HSC was valuable because of HSC's ownership in HIPAA Compliance. At Mr. Howse's deposition, however, he testified that HIPAA Compliance "was a paper company, it never did anything . . . [i]ts fortunes were very pretty much linked to HIPAA IG" and the company "never did any business at all."

29. In October 2003, Mr. Howse provided Ms. Rose with a check for \$10,000 to repay her the money she borrowed from a business owner to invest in HIPAA IG in January 2003. According to Mr. Howse, "I was getting nowhere with the VC capitalists and I was going to give it back."

30. Mr. Howse's check was returned for insufficient funds, and to date Mr. Howse has not repaid Ms. Rose any monies in connection with her investments.

31. In August 2004, Mr. Howse mailed Ms. Rose's attorney an HSC stock certificate reflecting Ms. Rose's ownership of 1,666 shares of HSC. However, notwithstanding Mr. Howse's

representations regarding HSC's stock value, according to Maryland State Department of Assessments and Taxation records, in October 2003 HSC's corporate charter was forfeited.

No Disclosure To Ms. Rose, No Registration Or Notice To The Securities Division

32. Before Ms. Rose invested monies with Mr. Howse and/or at the time of those investments, Mr. Howse did not provide her with any disclosure documents regarding any of the companies he discussed with her, including HSC, HIPAA IG and HIPAA Compliance, nor did he provide her with any information regarding the risks relating to the investment.

33. The Securities Division has no record of a filing for securities registration or claim of securities exemption or preemption as a federal covered security under any of the following names: "Hygiene Services," "HIPAA IG" or "HIPAA Compliance."

Baltimore County, Maryland Circuit Court Action

____ 34. ____ In 2005, in connection with the above-referenced facts, Ms. Rose filed an action in the Circuit Court for Baltimore County, Case No. 03-C-05-0024370T (the "Baltimore County Circuit Court Action").

IV.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

35. In connection with the facts described in the Statement of Facts contained herein, which are incorporated herein by reference, Howse violated §§11-301, 11-302, 11-401 and 11-501 of the Maryland Securities Act.

V.

**CONSENT TO CEASE AND DESIST
AND OTHER RELIEF**

36. NOW, THEREFORE, IT IS HEREBY **ORDERED**, and Respondent Howse expressly consents and agrees that:

a. Howse has entered into an agreement in the Baltimore County Circuit Court Action, whereby he shall make restitution to Ms. Rose in the amount of \$100,000 (the "Circuit Court Agreement"). According to the Circuit Court Agreement, Howse shall pay Ms. Rose \$10,000 on or before April 15, 2005 and \$4,500 in regularly quarterly installments, with the first installment due on July 15, 2005 and subsequent installments due at regularly quarterly intervals of October 15, January 15, April 15 and July 15, until such time that the \$100,000 indebtedness is paid in full. Howse has further agreed in the Baltimore County Circuit Court Action that in the event that Howse fails to make payment by the due dates set forth in that agreement, he shall have 15 days to cure such default after which time a confessed judgment shall be entered against him in the amount of whatever amount remains owing of the \$100,000 obligation, plus a \$30,000 penalty.

b. Howse is assessed a \$30,000 fine in this matter, however, the fine is waived in light of Howse's agreement to make restitution in accordance with the terms of the Circuit Court Agreement. Howse agrees, however, that in the event of any material default in making payments owed pursuant to the Circuit Court Agreement, the provision of this Consent Order waiving the fine amount contained herein shall become null and void and Respondent automatically shall owe a fine equal to \$30,000 in this matter.

c. Howse is permanently barred from the securities and investment advisory business in Maryland.

d. Howse shall cease and desist from engaging in activities in violation of the Securities Act, and shall in all future activities in Maryland comply with the Securities Act.

VI.

OTHER PROVISION

37. Howse agrees not to take any action, make or permit to be made any statement denying, directly or indirectly, any allegation in the Summary Order or other activities upon which

this Order is based, as referred to herein. Howse further agrees not to take any action or make any statement which creates or tends to create the impression that this Consent Order is without factual basis. While Howse is not required to admit any allegation in the Summary Order or other activities upon which this Order is based, nothing in this provision affects Howse's testimonial obligations. Nor does this provision affect Howse's right to take positions in litigation to which the Division or the Commissioner is not a party and it would not be a violation of this Order if Howse defends himself in such litigation by denying liability.

VII.

SCOPE OF SETTLEMENT

38. This Consent Order relates only to the Securities Commissioner and Respondent. This Consent Order does not waive or relinquish the Securities Commissioner's right to take any action against any other persons, nor does it prevent the Securities Commissioner from bringing any action against Respondent relating to any acts or omissions not specifically raised in this Consent Order.

VIII.

JURISDICTION RETAINED

39. Jurisdiction shall be retained by the Securities Commissioner for such further orders and directions as may be necessary or appropriate for the construction or enforcement of the Consent Order.

40. If Respondent fails to comply with any term of this Consent Order, including

payment of the fine amount that automatically becomes payable in the event of any material default in restitution under the terms of the Circuit Court Agreement, the Securities Commissioner may institute administrative or judicial proceedings against Respondent to seek to enforce this Consent Order and/or to sanction Respondent for violating an Order of the Securities Commissioner, and may take any other action authorized under the Securities Act or under any other applicable law, including the issuance of fines or penalties as provided by the Securities Act. In any such proceeding in which, after an opportunity for a hearing, the Securities Commissioner or the court finds that Respondent has violated this Consent Order, the Securities Division may also seek other sanctions for the violations that initiated this matter. For the purpose of determining those sanctions, the Statement of Facts and violations of the Securities Act set forth in this Consent Order shall be deemed admitted, and may be introduced into evidence against Respondent.

41. In the event that judicial intervention in this matter is sought by the Securities Commissioner or Respondent, subject matter jurisdiction will lie in the Circuit Court for Baltimore City pursuant to §11-702 of the Securities Act. Respondent agrees that that Court will have personal jurisdiction over Respondent, and that venue will be properly in that Court.

42. The terms of this Consent Order may only be vacated or modified by a subsequent order issued by the Securities Commissioner.

DATE OF THIS ORDER:

_____, 2006

SO ORDERED:

Melanie Senter Lubin
Securities Commissioner

CONSENTED TO:

_____, 2006

_____ Nigel Howse

On this _____ day of _____, 2006, personally appeared Nigel Howse, signer of the foregoing Consent Order, who did duly acknowledge his signature to be his free act and deed.

Notary Public

My Commission Expires: _____

Seal:

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