



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

22nd Floor
20 Queen Street West
Toronto ON M5H 3S8

22e étage
20, rue queen ouest
Toronto ON M5H 3S8

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

- and -

**IN THE MATTER OF
JONATHAN FINANCIAL INC. and GREGORY FREDERICK HILDERMAN**

**STATEMENT OF ALLEGATIONS
OF STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission (“Staff”) allege:

I. OVERVIEW

1. On January 23, 2017, Jonathan Financial Inc. (“Jonathan Financial”) and Gregory Frederick Hilderman (“Hilderman”) (together, the “Respondents”) entered into a Settlement Agreement and Undertaking with the Alberta Securities Commission (the “ASC”) (the “Settlement Agreement”).
2. Pursuant to the Settlement Agreement, the Respondents each agreed to certain undertakings and to be made subject to sanctions, conditions, restrictions or requirements within the province of Alberta.
3. Staff are seeking an inter-jurisdictional enforcement order reciprocating the Settlement Agreement, pursuant to paragraph 5 of subsection 127(10) of the Ontario *Securities Act*, R.S.O. 1990, c. S.5 (the “Act”).

II. THE ASC PROCEEDINGS

Agreed Facts

Parties

4. Jonathan Financial is a corporation formed pursuant to the laws of Alberta.
5. Hilderman is a resident of Calgary, Alberta. He was, at all material times, the president of Jonathan Financial, its sole director, officer and shareholder, and its guiding mind.

Circumstances

6. Between in or around January 2011 up to at least as late as May 30, 2014, Jonathan Financial sold debentures to individuals in Alberta and elsewhere in Canada.
7. Between January 2011 and May 2014, Jonathan Financial raised over \$10,000,000 through the sale of these debentures. Jonathan Financial filed one report of exempt distribution with the ASC covering debentures worth \$3,376,708, but made no other filings.
8. The debenture form provided to some or all of the investors indicated that their debenture was "...one of a number of secured debentures issuable by the Corporation for an aggregate principal amount of \$2,000,000."
9. The debenture form provided to some or all of the investors further stated that the debentures would be secured by a floating charge in favour of the investor over "all of the present and future accounts due or accruing due to the Corporation and Hilderman as well as any future income from other sources." The debenture further stated that Jonathan Financial would complete "...all registrations or filings necessary or advisable with a relevant provincial property registries to perfect the Charge created herein."
10. The representation that the debenture sales would be sold up to an aggregated amount of \$2 million would reasonably be expected to have had a significant effect on the price or value of the debenture.

11. The representation that Jonathan Financial would make filings to perfect the security interest created by the debentures would reasonably be expected to have a significant effect on the price or value of the debentures.
12. Jonathan Financial did not register the security interests created by the debentures with the Personal Property Registry of Alberta. Further, as noted in paragraph 7 above, Jonathan Financial issued debentures totaling well in excess of \$2 million.
13. Hilderman was personally involved in selling the debentures and effectively made the representations described above by providing the debenture forms to investors. Further, he authorized Jonathan Financial to make the representations set out above. He also permitted Jonathan Financial to fail to file exempt distribution reports covering the entire distribution of debentures.

Admitted Breaches of Alberta Securities Laws

14. Based on the agreed facts, the Respondents admitted as follows:
 - a. the Respondents breached section 6.1 of National Instrument 45-106 by failing to file reports of exempt distribution covering all of Jonathan Financial's sales of debentures; and
 - b. the Respondents breached section 92(4.1) of the *Alberta Securities Act*, RSA 2000, c S-4 (the "Alberta Act") by:
 - i. stating that Jonathan Financial would raise only \$2 million via the distribution of securities when it in fact raised over \$10 million; and
 - ii. stating that Jonathan Financial would conduct all filings necessary to perfect the security interest created by the debentures when in fact Jonathan Financial did not make any such filings.

The Settlement Agreement and Undertakings

15. Pursuant to the Settlement Agreement, the Respondents each agreed to certain undertakings and to be made subject to sanctions, conditions, restrictions or requirements within the province of Alberta:
 - (a) under section 198(1)(b) and (c) of the Alberta Act, refrain from trading in or purchasing securities or making use of any of the exemptions contained in Alberta securities law for 3 years; during this time, Hilderman is not precluded from trading in or purchasing securities in his own account and for his own benefit through a registrant in registered retirement savings plans, registered retirement income funds, tax-free savings accounts or locked-in retirement accounts;
 - (b) under section 199 of the Alberta Act, jointly and severally pay to the ASC an administrative penalty in the amount of \$35,000 forthwith; and
 - (c) under section 202 of the Alberta Act, jointly and severally pay investigation and litigation costs to the ASC in the amount of \$10,000 forthwith.

III. JURISDICTION OF THE ONTARIO SECURITIES COMMISSION

16. In the Settlement Agreement, the Respondents each agreed to be made subject to sanctions, conditions, restrictions or requirements within the province of Alberta.
17. Pursuant to paragraph 5 of subsection 127(10) of the Act, an agreement with a securities regulatory authority, derivatives regulatory authority or financial regulatory authority, in any jurisdiction, to be made subject to sanctions, conditions, restrictions or requirements on a person or company may form the basis for an order in the public interest made under subsection 127(1) of the Act. Staff allege that it is in the public interest to make an order against the Respondents.
18. Staff reserve the right to amend these allegations and to make such further and other allegations as Staff deem fit and the Commission may permit.

19. Staff request that this application be heard by way of a written hearing pursuant to Rules 2.6 and 11 of the *Ontario Securities Commission Rules of Procedure*.

DATED at Toronto, this 23rd day of May, 2017.