

**BETWEEN:**

**ONTARIO SECURITIES COMMISSION**

**(Applicant)**

– and –

**ROBERT GEORGE FREEMAN and PLOVER MILLS FARMS INC.**

**(Respondents)**

**APPLICATION FOR ENFORCEMENT PROCEEDING**

(Subsection 127(1) and Section 127.1 of the *Securities Act*, RSO 1990 c S.5)

**A. OVERVIEW**

1. This case involves the fraudulent conduct of Robert George Freeman who misled 190 investors by selling \$4.8 million of his shares of Qu Biologics Inc. (**QBI**) to them under false pretences. Freeman transferred investor funds obtained as a result of the fraud to Plover Mills Farms Inc. (**Plover Mills**), an Ontario corporation wholly owned and controlled by Freeman.
2. Freeman, an Ontario resident, is a founder, shareholder and former director of QBI, a non-reporting issuer incorporated in B.C.
3. Freeman perpetrated a fraud on investors in two ways. First, Freeman deceived investors by selling his QBI shares to at least 190 investors using investor agreements (**Investor Agreements**). The Investor Agreements represented that investors could register the transfer of Freeman's QBI shares with QBI, giving investors the false impression that this was the only step they need to take to obtain legal title to their QBI shares. In reality, the transfer of title was contingent on the investor qualifying for a prospectus exemption and receiving QBI board approval of the transfer.
4. Second, in his communications with some of the 190 investors, Freeman falsely represented to investors that: (i) he was acting as an intermediary on behalf of investors who wanted to sell their QBI shares, when in fact, Freeman was always the one seeking to resell his shares to investors; (ii) no one was willing to sell their QBI shares when in fact, Freeman was

willing to, and did sell, his QBI shares to investors; and (iii) Freeman maintained a list of interested buyers and sellers of QBI shares when, in fact, he never maintained such a list. Freeman also recommended that investors not sell their QBI shares while concealing that Freeman himself was actively selling his shares.

5. Freeman's sale of QBI shares to investors also constituted illegal distributions and unregistered trading. QBI has never filed a prospectus with the Commission, yet Freeman entered into the Investor Agreements without providing a prospectus or ascertaining whether the investors qualified for an exemption to the prospectus requirement. Freeman has never been registered to engage in the business of trading and his sales of QBI shares breached the registration requirement.

6. Lastly, Freeman engaged in conduct contrary to the public interest by making misleading and unsubstantiated sales representations to investors about returns that investors could obtain on QBI shares, and/or about a significant price increase in QBI shares in the near future.

7. Protecting investors from unfair, improper, or fraudulent practices is a fundamental purpose of Ontario securities law. Persons who make false statements and mislead investors violate investors' trust, place investors' interests at risk, and undermine confidence in the capital markets. Further, the registration and prospectus requirements are cornerstone investor protection provisions, which ensure that persons who engage in the business of trading in securities meet the applicable proficiency, integrity and financial requirements and that investors have full, true and plain disclosure of information to properly assess the risks of the investment.

## B. GROUNDS

The Ontario Securities Commission (the **Commission**) makes the following allegations of fact:

8. From September 2007 to March 2022, Freeman acquired approximately 5.96 million shares of QBI, either personally or through his wholly owned companies, Robco Limited and Plover Mills, for a total purchase price of approximately \$5.75 million.

## **I. Freeman's Fraudulent Conduct**

9. As described below, Freeman engaged in a course of conduct that he knew or reasonably ought to have known would perpetrate a fraud on investors through his use of Investor Agreements and in his communications with investors.

### **A. Fraud Through Investor Agreements**

10. From July 4, 2009 to April 17, 2024, Freeman deceived 190 investors by selling them, collectively, 1,643,297 of his QBI shares for a total of \$4.8 million through the Investor Agreements.

11. The Investor Agreements state, among other things, that:

...[Freeman] will hold the shares "In Trust", until you are ready to sell part or all of them. In the event of you needing to sell all or part of your shares, or upon my death or mental incapacitation, this signed letter will allow you to legally gain access to such shares & register the transfer from myself to yourself in the Central Securities Register of QU Biologics Inc.

12. QBI is not a party to the Investor Agreements. As QBI is not a reporting issuer and has never filed a prospectus, QBI may only issue or transfer shares to investors who qualify for a prospectus exemption. Further, per QBI's shareholders' agreement, QBI share transfers require QBI board approval. Freeman knew about these two requirements but did not disclose them to any of the 190 investors.

13. Freeman did not inform QBI nor seek QBI board approval for the sale of his QBI shares to the 190 investors through the Investor Agreements nor did he ascertain whether any of the investors qualified for a prospectus exemption.

14. Freeman's sale of QBI shares through the Investor Agreements exposed investors to undisclosed risks, in particular, that they would not be able to obtain legal title to their QBI shares.

15. Freeman transferred investor funds obtained as a result of the fraud to a Plover Mills bank account. Plover Mills used investor funds to make payments towards a loan and a mortgage that was secured by a property in Ontario owned by Plover Mills.

16. Plover Mills knew, or ought to have known, that the funds it received were acquired by Freeman as a result of a fraud perpetrated against investors. Plover Mills had no legitimate reason to receive or benefit from those funds. By using the investor funds for its benefit, Plover Mills participated in a course of conduct related to securities that perpetrated a fraud upon the investors.

## **B. Fraud Through Investor Communications**

17. Freeman also fraudulently misled investors in his email communications and text messages with investors from at least August 15, 2019 to November 18, 2023, (collectively **Investor Communications**).<sup>1</sup> The Investor Communications falsely conveyed to investors that an active market existed for QBI shares or that QBI shares were low in supply. First, Freeman regularly pretended to act as an intermediary on behalf of investors who wanted to sell their QBI shares, when in fact, Freeman was always the one seeking to resell his shares to investors. Second, Freeman told investors that no one was willing to sell their shares when in fact, Freeman was willing to, and did sell, his shares to investors. Third, Freeman told investors that he maintained a list of interested buyers and sellers of QBI shares when, in fact, he did not maintain any such list.

18. Freeman knew or ought to have known that these statements were false. Freeman's conduct in the Investor Communications exposed investors to undisclosed risks.

19. In addition, in the Investor Communications, Freeman recommended that investors not sell their QBI shares without telling them that Freeman himself was actively selling his own shares.

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<sup>1</sup> During this period, 41 investors received Investor Agreements and one investor received Freeman's shares through a transfer approved by QBI.

## **II. Illegal Distributions**

20. From July 4, 2009 to April 17, 2024, Freeman illegally distributed QBI shares and/or Investor Agreements to the 190 investors.

21. Freeman's sale of the 1,643,297 QBI shares to the 190 investors, through Investor Agreements, were first trades of QBI securities previously distributed to Freeman under a prospectus exemption and as such, were distributions under National Instrument 45-102 *Resale of Securities*.

22. In the alternative, the Investor Agreements were themselves securities and the sale of 369 Investor Agreements to the 190 investors were trades in securities not previously issued and were therefore distributions.

23. No preliminary prospectus or other prospectus was filed for the distribution of QBI shares or the Investor Agreements. Freeman did not ascertain whether any of the 190 investors qualified for an exemption to the prospectus requirement.

## **III. Unregistered trading**

24. From at least January 8, 2012 to April 17, 2024, Freeman engaged in the business of trading without registration in relation to a total of \$5.98 million that he raised from 185 investors<sup>2</sup> who received Investor Agreements and 29 investors who received QBI shares through share transfers approved by QBI during this period.

25. Freeman engaged in the business of trading by, among other things:

- a) actively soliciting investors for the purpose of selling securities;
- b) selling securities on a continuous basis to investors;

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<sup>2</sup> Five of the 190 investors referred to in paragraph 20 received Investor Agreements before 2012 and as such, are not included in the January 8, 2012 to April 17, 2024 period related to the unregistered trading allegation.

- c) making a profit on these sales; and
- d) engaging in activities similar to a registrant, including, among other things, by preparing Investor Agreements, receiving payments for the shares resold and by holding himself out as an intermediary to sell shares on behalf of other investors, as described above, and making sales representations to induce investors to purchase his QBI shares.

26. Freeman has never been registered with the Commission.

#### **IV. Conduct Contrary to the Public Interest**

27. In addition to the conduct described above, Freeman also engaged in conduct contrary to the public interest when he made sales representations from February 11, 2020 to November 18, 2023 to investors in the Investor Communications that in the near future: (i) returns were expected on QBI shares, including by way of an IPO, dividends and/or the sale of QBI's business; and (ii) a significant price increase in QBI shares would occur. These representations were unsubstantiated, misleading and in some cases contradicted by information Freeman had learned from QBI's management.

#### **BREACHES OF ONTARIO SECURITIES LAW AND CONDUCT CONTRARY TO THE PUBLIC INTEREST**

28. The Commission alleges the following breaches of Ontario securities law which also demonstrate conduct alleged to be contrary to the public interest:

- a) Freeman engaged or participated in acts, practices or course of conduct relating to securities that he knew or reasonably ought to have known perpetrated a fraud on persons or companies, contrary to subsection 126.1(1)(b) of the Act;
- b) Plover Mills engaged or participated in acts, practices or course of conduct relating to securities that it knew or reasonably ought to have known perpetrated a fraud on persons or companies, contrary to subsection 126.1(1)(b) of the Act;

- c) Freeman engaged in distributions of securities without a preliminary prospectus or prospectus having been filed and without applicable exemptions from the prospectus requirement, contrary to subsection 53(1) of the Act; and
- d) Freeman engaged in, or held himself out as engaging in, the business of trading in securities without being registered and without an applicable exemption from the registration requirement, contrary to subsection 25(1) of the Act.

29. As outlined in paragraph 27, Freeman further acted in a manner contrary to the fundamental purposes and principles of the Act as set out in sections 1.1 and 2.1 of the Act, and contrary to the public interest and harmful to the integrity of the Ontario capital markets.

30. These allegations may be amended and further allegations may be added as counsel may advise and the Tribunal may permit.

#### **D. ORDERS SOUGHT**

31. The Commission requests that the Tribunal make the following orders as against the respondents:

- a) that the respondents cease trading in any securities or derivatives permanently or for such period as is specified by the Tribunal under paragraph 2 of subsection 127(1) of the Act;
- b) that the respondents be prohibited from acquiring any securities or derivatives permanently or for such period as is specified by the Tribunal under paragraph 2.1 of subsection 127(1) of the Act;
- c) that any exemption contained in Ontario securities law not apply to the respondents permanently for such period as is specified by the Tribunal under paragraph 3 of subsection 127(1) of the Act;
- d) that the respondents pay an administrative penalty of not more than \$5 million for each failure by the respondents to comply with Ontario securities law under paragraph 9 of subsection 127(1) of the Act;

- e) that the respondents disgorge to the Commission any amounts obtained as a result of non-compliance with Ontario securities law under paragraph 10 of subsection 127(1) of the Act;
- f) that the respondents pay the costs of the investigation and the hearing under section 127.1 of the Act; and
- g) such other order as the Tribunal may consider appropriate in the public interest.

32. The Commission requests that the Tribunal make the following additional orders as against Freeman:

- a) that Freeman resign any position he may hold as director or officer of any issuer under paragraph 7 of subsection 127(1) of the Act;
- b) that Freeman be prohibited from becoming or acting as a director or officer of any issuer permanently or for such period as is specified by the Tribunal under paragraph 8 of subsection 127(1) of the Act;
- c) that Freeman resign any position he may hold as a director or officer of any registrant under paragraph 8.1 of subsection 127(1) of the Act;
- d) that Freeman be prohibited from acting as a director or officer of any registrant permanently or for such period as is specified by the Tribunal under paragraph 8.2 of subsection 127(1) of the Act;
- e) that Freeman be prohibited from becoming or acting as a registrant or as a promoter permanently or for such period as is specified by the Tribunal under paragraph 8.5 of subsection 127(1) of the Act; and
- f) such other orders as the Tribunal may consider appropriate in the public interest.

**DATED** this 3<sup>rd</sup> day of February, 2026

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