

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

- AND -

**IN THE MATTER OF
FRANCIS JASON BILLER**

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

Staff of the Ontario Securities Commission (“Staff”) make the following allegations:

Background

1. Francis Jason Biller (“Biller”) is an individual residing in Ontario and is not registered with the Ontario Securities Commission in any capacity. Biller moved to Ontario from British Columbia in 2003.
2. While resident in British Columbia, Biller was not registered with the British Columbia Securities Commission in any capacity.
3. Biller is a former officer and director of Eron Mortgage Corporation (“Eron Mortgage”), Eron Investment Corporation (“EIC”), Eron Financial Services Ltd. (“Eron Financial”) and Capital Productions Inc. (“Capital Productions”) (hereinafter collectively referred to as “Eron”).
4. Eron solicited investments in its notes and mortgages (the “Eron investments”) through the efforts of Biller and Biller’s team of mortgage brokers at Eron who employed a variety of marketing techniques to solicit the Eron investments. Through these various

marketing efforts, Biller made a number of material misrepresentations with respect to the nature of the Eron investments, the level of risk associated with the Eron investments and the manner in which the investors' funds were being invested.

5. By the fall of 1997, Eron had raised \$240 million from investors through the brokering of mortgages and the sale of promissory notes. Following the close of Eron's business in 1997, the court appointed receiver estimated that financial losses to investors would exceed \$170 million.

Proceedings at the British Columbia Securities Commission

6. On November 26, 1999, following a 31 day hearing, the British Columbia Securities Commission found that Biller, his former partner and the founder of Eron, Brian Slobogian, and Eron:
 - a. traded and distributed securities without being registered and without filing a prospectus, contrary to sections 34 and 61 of the *Securities Act*, R.S.B.C. 1996, c.418 (the "*British Columbia Securities Act*");
 - b. made misrepresentations, contrary to section 50(1)(d) of the *British Columbia Securities Act*;
 - c. perpetrated a fraud on persons in British Columbia, contrary to section 57(b) of the *British Columbia Securities Act*; and
 - d. acted contrary to the public interest.
7. In its reasons with respect to sanctions and costs dated February 16, 2000 (the "Reasons"), the British Columbia Securities Commission imposed a 10 year trading ban on Biller. In its Reasons, the British Columbia Securities Commission summarized the Eron matter before it as being one of:

[M]assive fraud and misplaced trust. Investors were seriously misled about the nature of their investments, the level of risk associated with the investments and how their money was being invested and spent. Eron encouraged investors, many of whom were unsophisticated, to trust Eron and they did so. As is apparent from our Findings, this trust was abused by the respondents, who acted dishonestly, contrary to the public interest and contrary to fundamental provision of the Act.

As a result of the respondents' actions, the investors' financial losses will exceed \$170 million. The loss of the investors' health, their happiness and the security they expected to enjoy in their retirement years is incalculable.

8. In its Reasons, the British Columbia Securities Commission stated with respect to Biller that:

[B]iller's conduct contributed significantly to the investors' losses and to the damage to the integrity of the capital markets. In addition, Biller enjoyed substantial enrichment during the relevant period. We found his earnings from Eron to be between \$6 million and \$7 million.

9. Staff plead and rely upon the British Columbia Securities Commission's findings and reasons in support of its findings.

Criminal Charges and Guilty Plea

10. In April 2002, Biller and Slobogian, were also charged pursuant to the *Criminal Code of Canada*, R.S. 1985, c. C46 ("*Criminal Code*") with respect to their conduct at Eron.
11. On January 21, 2005, Slobogian pled guilty in the British Columbia Supreme Court to five of the fourteen counts with which he was charged and received concurrent sentences for a total sentence of six years' imprisonment.
12. On April 5, 2005, Biller pled guilty in the British Columbia Supreme Court to four counts of fraud contrary to section 380(1) of the *Criminal Code* and one count of misappropriation of funds contrary to section 334(a) of the *Criminal Code* with respect to his conduct at Eron. Biller's sentencing hearing was adjourned and is scheduled to proceed on May 9, 2005.
13. Biller's guilty pleas on the above charges constitute findings by the British Columbia Supreme Court. Staff plead and rely upon the findings arising out of Biller's guilty pleas.

Improper Conduct in Ontario

14. In January 2003, Biller requested a variation to the conditions of his bail imposed by the British Columbia Supreme Court which restricted his residence to the province of British Columbia pending the outcome of the criminal proceedings.
15. Biller cited certain sanctions by the British Columbia Securities Commission as the source of his inability to obtain employment in British Columbia and requested that he be permitted to move to Ontario where he had been offered employment.
16. While residing in Ontario, Biller has traded in securities without being registered in accordance with section 25(1)(a) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended, by engaging in conduct and carrying out acts in furtherance of trades in securities of Extreme Poker Ltd. (“Extreme Poker”), a non-reporting issuer in the United States whose securities trade on the Pink Sheets under the symbol “EXTP”.

Conduct Contrary to Public Interest

17. By engaging in the conduct described above, Biller acted in a manner contrary to the public interest.
18. It is in the public interest for the Commission to consider the findings of the British Columbia Securities Commission and the findings arising out of Biller’s guilty pleas in determining the appropriateness of an order pursuant to section 127 of the Act.
19. Staff reserve the right to make such other allegations as it may advise and the Commission may permit.

DATED AT TORONTO this 19th day of April, 2005