



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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

- and -

**IN THE MATTER OF
FREDERICK JOHNATHON NIELSEN, previously known as
FREDERICK JOHN GILLILAND**

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

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

I. THE RESPONDENT

1. Frederick Johnathon Nielsen, previously known as Frederick John Gilliland (“Nielsen”), resided in British Columbia in 2009, and at least as recently as March 2011.
2. Nielsen has never been registered with the British Columbia Securities Commission (“BCSC”) in any capacity.

II. OVERVIEW

3. Nielsen entered into a settlement agreement with the BCSC, dated March 25, 2011 (the “Settlement Agreement”).
4. The Settlement Agreement was approved by order of the BCSC on March 25, 2011 (the “Order”), in which the BCSC imposed sanctions on Nielsen.

5. In the Settlement Agreement, Nielsen consented to any securities regulator in Canada relying on the facts admitted in his Settlement Agreement for the purpose of making a similar order.
6. The conduct for which Nielsen was sanctioned occurred between late March 2009 and early May 2009.

III. FACTS AGREED TO BY NIELSEN

Misconduct: Cold Calling and Trading without Registration

7. In his Settlement Agreement, Nielsen admitted the following:
 - a. Between late March and early May 2009, Nielsen organized and operated a telephone room in Surrey, British Columbia for the purpose of marketing and selling shares in Green Farms International Inc. (“Green Farms”), a private United States (“U.S.”) company.
 - b. During that time, Nielsen hired, supervised and instructed four salespeople who placed hundreds of phone calls per day to U.S. residents in an attempt to sell shares in Green Farms.
 - c. As a direct result of the calls made from the telephone room, two U.S. residents invested a total of \$4,500 in Green Farms.
 - d. Nielsen convinced another U.S. resident to invest \$10,000 in Green Farms, independent of the telephone room operation.
 - e. By engaging in the conduct above, Nielsen:
 - i. contravened section 49 of the *Securities Act*, RSBC 1996, c. 418 (the “BC Act”) by having salespeople telephone residences on his behalf from within British Columbia for the purpose of trading in securities; and
 - ii. contravened section 34 of the BC Act by engaging in acts in furtherance of a trade in securities without being registered.

Aggravating Factor: Past Securities Misconduct and Sanctions

8. In his Settlement Agreement, Nielsen admitted the following aggravating factor:
 - a. While residing in Florida in the late 1990s, Nielsen, then known as Gilliland (“Gilliland”), was involved in a Ponzi scheme throughout the United States, Canada and the United Kingdom, fraudulently soliciting more than \$20 million from over 200 investors;
 - b. In March, 2002, the Securities and Exchange Commission (the “SEC”) filed a civil complaint against Gilliland in relation to the Ponzi scheme. The SEC was granted final judgement against Gilliland in October, 2004 for \$10,141,179;
 - c. In June, 2005, Gilliland pleaded guilty to conspiracy to commit wire fraud and securities fraud, and conspiracy to commit money laundering in relation to the Ponzi scheme. In October, 2005, he was sentenced to 60 months in prison and ordered to pay over \$12 million in restitution;
 - d. A receiver was appointed to recover assets from Gilliland’s estate to satisfy the civil and criminal monetary orders. The receiver was able to seize and recover just over \$3.6 million; and
 - e. Gilliland was released from prison in October, 2008, moved to British Columbia, and changed his name to Nielsen.

The BCSC Order

9. In its Order dated March 25, 2011, the BCSC imposed the following sanctions:
 - a. Pursuant to section 161(1)(b) of the BC Act, Nielsen is to cease trading or purchasing securities or exchange contracts for 25 years from the date of the Order, except that he may trade and purchase securities and exchange contracts through a registrant in one cash and one RSP account if he first provides a copy of the Order to the registrant;
 - b. Pursuant to section 161(1)(d)(i) of the BC Act, Nielsen is to resign any position that he holds as a director or officer of any issuer;

- c. Pursuant to section 161(1)(d)(ii) of the BC Act, Nielsen is prohibited from acting as a director or officer of any issuer for 25 years from the date of the Order;
- d. Pursuant to section 161(1)(d)(iii) of the BC Act, Nielsen is prohibited from becoming or acting as a registrant, investment fund manager or promoter for 25 years from the date of the Order;
- e. Pursuant to section 161(1)(d)(iv) of the BC Act, Nielsen is prohibited from acting in a management or consultative capacity in connection with activities in the securities market for 25 years from the date of the Order; and
- f. Pursuant to section 161(1)(d)(v) of the BC Act, Nielsen is prohibited from engaging in investor relations activities for 25 years from the date of the Order.

IV. JURISDICTION OF THE ONTARIO SECURITIES COMMISSION

- 10. In the Settlement Agreement, Nielsen agreed with the BCSC to be made subject to sanctions, conditions, restrictions or requirements. Nielsen also consented to any securities regulator in Canada relying on the facts admitted in the Settlement Agreement for the purpose of making an order similar to the BC Order.
- 11. Pursuant to paragraphs 4 and 5, respectively, of subsection 127(10) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “Act”), an order made by a securities regulatory authority, derivatives regulatory authority or financial regulatory authority, in any jurisdiction, that imposes sanctions, conditions, restrictions or requirements on a person or company, or 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 the person or company may form the basis for an order in the public interest made under subsection 127(1) of the Act.
- 12. Staff allege that it is in the public interest to make an order against Nielsen.
- 13. 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.

14. 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 22nd day of November, 2012.