



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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**IN THE MATTER OF
MATTHEW JOHN HAMILTON**

**STATEMENT OF ALLEGATIONS
(Subsections 127(1) and 127(10) of the *Securities Act*, RSO 1990 c S.5)**

1. Staff of the Enforcement Branch (**Staff**) of the Ontario Securities Commission (the **Commission**) elect to proceed using the expedited procedure for inter-jurisdictional proceedings as set out in Rule 11(3) of the Commission's *Rules of Procedure*.

A. OVERVIEW

2. Matthew John Hamilton (**Hamilton** or the **Respondent**) created a publicly traded shell company for use in a scheme to deceive securities regulatory authorities, gatekeepers in the capital markets and the investing public. Hamilton's conduct was contrary to the public interest.
3. Staff are seeking an inter-jurisdictional enforcement order reciprocating a British Columbia Securities Commission (**BCSC**) order (the **BCSC Order**) pursuant to paragraph 4 of subsection 127(10) of the Ontario *Securities Act*, RSO 1990, c S.5 (the **Act**).

B. FACTS

Staff make the following allegations of fact:

4. Hamilton is subject to the BCSC Order that imposes sanctions, conditions, restrictions or requirements upon him.

5. In its findings on liability dated October 9, 2018 (the **Findings**) a panel of the BCSC (the **BCSC Panel**) found that Hamilton engaged in conduct contrary to the public interest, contrary to section 161 of the British Columbia *Securities Act*, RSBC 1996, c. 418 (the **BC Act**). The BCSC Panel dismissed all allegations against Braeden William Sinclair Lichti (**Lichti**), a respondent at the contested hearing on the merits.

(i) **The BCSC Proceedings**

Background

6. The conduct for which the Respondent was sanctioned occurred in early 2010 and early 2012 (the **Material Time**).
7. During the Material Time, Hamilton was a resident of Vancouver, British Columbia. Hamilton has never been registered in any capacity under the BC Act.
8. In late 2009 and early 2010, Hamilton had the idea to form a public company whose shares would be listed or traded in the US. Hamilton created an email address (guruhealthinc@gmail.com) (the **Guru Email**).
9. In February 2010, Hamilton incorporated Guru Health Inc. (**Guru Health**) through a Nevada agent. Hamilton acknowledged he was responsible for corresponding with the Nevada agent through the Guru Email and provided the agent with the instructions to incorporate the company. Hamilton incorporated Guru Health in a manner that concealed his involvement in the company from the agent.
10. Hamilton also acknowledged that he was primarily responsible for all of Guru Health's banking transactions, and retaining and principally dealing with Guru Health's US counsel.
11. Hamilton drafted, with some input from US counsel, a registration statement with respect to the business and affairs of Guru Health. The registration statement was to be filed with the U.S. Securities and Exchange Commission. There was no mention of Hamilton or Lichti in the registration statement, nor was there any mention of either of them owning or controlling any of the securities in Guru Health.

Guru Health's Shareholders

12. Subscription agreements for Guru Health were signed by 27 individuals from Alberta. Both the number of shares and the dollar amounts in these subscription agreements were blank. None of these individuals paid any money for their shares. Hamilton confirmed that he purchased (or caused to be purchased) separate bank drafts and money orders in the exact amount of each of the purported subscription amounts and deposited them (or had them deposited) into the Guru Bank account.

Guru Health Ticker Symbol

13. In September of 2011, Guru Health sought and obtained sponsorship from a FINRA registered firm (**SS**) to obtain a ticker symbol to have its shares quoted for trading on the OTC Bulletin Board (**OTCBB**). An application to have Guru Health's shares quoted for trading was filed in October of 2011. In filing this application, Hamilton provided copies of the Guru Health share certificates and documents which evidenced the purported payments by the 27 shareholders for their Guru Health shares.
14. The evidence clearly established that the proof of payment documents provided to FINRA included copies of several bank drafts and money orders which were originally purchased by Lichti's brother and then altered to substitute the name of one of the 27 purported shareholders as the purchaser. This gave the appearance that they were payments made to Guru Health by one of the 27 purported shareholders.
15. Hamilton admitted that none of the 27 purported shareholders paid any money for their Guru Health shares, and he also confirmed that he used his own money and made deposits into the Guru Health bank account in amounts equal to some of the purported subscription amounts for the Guru Health shares. Hamilton confirmed that all of this was done to create the appearance that the purported shareholders had paid for their shares. He also confirmed that neither SS nor FINRA was made aware that it was actually he and Lichti who had provided the funds for the shares.

Sale of Guru Health

16. In early 2012, Hamilton asked Lichti to see if he could find a buyer for Guru Health.
17. Lichti said that he contacted an individual (S) that he had met in Las Vegas whom he knew only by his first name. Lichti met S at a restaurant in Bellingham, Washington and took to this meeting the Guru Health share certificates (and related stock powers of attorney) registered in the names of the 27 purported shareholders.
18. Lichti said that he and S agreed on a price of US\$230,000 for the company. US\$30,000 of this money was to be wired to Lichti as a finder's fee, and the remainder was to be wired to Hamilton as the purchase price for the company.
19. US\$190,000 and US\$30,000 was subsequently wired to Hamilton and Lichti, respectively, from an entity in Monrovia, Liberia. There was no evidence at the merits hearing to clarify why the total amount transferred differed from the agreed upon purchase price.
20. In order to complete the transfer of the Guru Health shares to the purchaser(s), the Guru Email account communicated with the transfer agent to facilitate the transfer and reissuance of the Guru Health share certificates from the names of the 27 shareholders to a complex web of offshore entities.
21. After the sale of the company, the shares of Guru Health commenced trading on the OTCBB in a suspicious manner that suggested the possibility that persons were engaged in manipulative trading in connection with the shares of the company. There was no evidence to suggest that either of the respondents was connected to this suspicious trading activity or that they had prior knowledge of this activity.
22. Guru Health's shares were subsequently cease traded in both British Columbia and in the United States.

BCSC Findings - Conclusions

23. In its findings, the BCSC Panel concluded that Hamilton:

- incorporated Guru Health in a manner that concealed his involvement;
- installed nominee directors and officers of Guru Health, and until the sale of the company, acted as an undisclosed *de facto* director and officer of the company;
- became a signing officer for the Guru Health bank account and was responsible for Guru Health banking transactions;
- maintained undisclosed control of all of the issued and outstanding shares of Guru health;
- along with Lichti, supplied the consideration for the share subscriptions;
- prepared and filed a registration statement with the SEC that:
 - failed to disclose his role as the *de facto* director and officer of the company;
 - failed to disclose his control of all of the issued and outstanding shares of the company; and
 - misrepresented the nature of the prior share subscriptions in the company;
- provided false records, such as altered bank drafts and money orders, and other misleading information to be filed with FINRA in order to obtain a ticker symbol;
- dealt with various gate keepers in the capital markets through the Guru Email in a manner that concealed his involvement with Guru Health;
- sold control of a public company without public disclosure; and
- received US\$190,000 for the sale of Guru Health.

24. In its Findings, the BCSC Panel concluded that Hamilton's conduct was abusive to the capital market and that it is in the public interest to make orders against him.

(ii) The BCSC Order

25. The BCSC Order imposed the following sanctions, conditions, restrictions or requirements upon the Respondent:

- (a) under section 161(1)(d)(i) of the BC Act, Hamilton resign any position he holds as a director or officer of an issuer or registrant;
- (b) Hamilton is prohibited for seven years:
 - i. under section 161(1)(b)(ii) of the BC Act, from trading in or purchasing any securities or exchange contracts, except that he may trade and purchase securities or exchange contracts for his own account (including one RRSP account, one TFSA account and one RESP account) through a registered dealer, if he gives the registered dealer a copy a copy of the BCSC Order;
 - ii. under section 161(1)(c) of the BC Act, from relying on any of the exemptions set out in the BC Act, the regulations or a decision (as those terms are defined by the BC Act);
 - iii. under section 161(1)(d)(ii) of the BC Act, from becoming or acting as a director or officer of any issuer or registrant;
 - iv. under section 161(1)(d)(iii) of the BC Act, from becoming or acting as a promoter;
 - v. under section 161(1)(d)(iv) of the BC Act, from acting in a management or consultative capacity in connection with activities in the securities market; and
 - vi. under section 161(1)(d)(v) of the BC Act, from engaging in investor relations activities.

C. JURISDICTION OF THE ONTARIO SECURITIES COMMISSION

26. The Respondent is subject to an order of the BCSC imposing sanctions, conditions, restrictions or requirements upon them.

27. Pursuant to paragraph 4 of subsection 127(10) of 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 may form the basis for an order in the public interest made under subsection 127(1) of the Act.
28. Staff allege that it is in the public interest to make an order against the Respondent.
29. 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.

D. ORDER SOUGHT

30. Staff request that the Commission make the following inter-jurisdictional enforcement order, pursuant to paragraph 4 of subsection 127(10) of the Act:
 - (a) against Hamilton that:
 - i. pursuant to paragraphs 7 and 8.1 of subsection 127(1) of the Act, Hamilton resign any positions that he holds as a director or officer of any issuer or registrant;
 - ii. pursuant to paragraphs 2 and 2.1 of subsection 127(1) of the Act, trading in any securities or derivatives, and acquiring any securities by Hamilton cease until April 3, 2026, except that he may trade securities or derivatives for his own account (including one RRSP account, one TFSA account and one RESP account) through a registered dealer, if he gives the registered dealer a copy of the BCSC Order dated April 3, 2019 and the order of the Commission in this proceeding, if granted;
 - iii. pursuant to paragraph 3 of subsection 127(1) of the Act, all exemptions contained in Ontario securities law do not apply to Hamilton until April 3, 2026;
 - iv. pursuant to paragraphs 8 and 8.2 of subsection 127(1) of the Act, Hamilton be

prohibited from becoming or acting as a director or officer of any issuer or registrant until April 3, 2026; and

- v. Pursuant to paragraph 8.5 of subsection 127(1) of the Act, Hamilton be prohibited from becoming or acting as a registrant or promoter until April 3, 2026;

(b) such other order or orders as the Commission considers appropriate.

DATED at Toronto this 30th day of January, 2020

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