



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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IN THE MATTER OF KLAAS VANTOOREN

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. ORDER SOUGHT

2. Staff request that the Commission make the following inter-jurisdictional enforcement order, pursuant to paragraph 5 of subsection 127(10) of the Ontario *Securities Act*, RSO 1990 c S.5 (the **Act**):

(a) against Klaas Vantootoren (**Vantootoren** or the **Respondent**) that:

- i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in securities or derivatives by Vantootoren cease until December 19, 2027, except trades that are made through a registrant (who has first been given a copy of the Settlement Agreement and Undertaking between Vantootoren and the Alberta Securities Commission (the **ASC**) dated December 19, 2017 (the **Settlement Agreement**), and a copy of the Order of the Commission in this proceeding, if granted (the **Order**)), in accounts maintained with that registrant for the benefit of one or

more of himself and members of his immediate family, being Vantooren's spouse and dependent children;

- ii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Vantooren cease until December 19, 2027, except acquisitions that are made through a registrant (who has first been given a copy of the Settlement Agreement, and a copy of the Order), in accounts maintained with that registrant for the benefit of one or more of himself and members of his immediate family, being Vantooren's spouse and dependent children;
 - iii. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Vantooren until December 19, 2027;
 - iv. pursuant to paragraphs 7, 8.1 and 8.3 of subsection 127(1) of the Act, Vantooren resign any positions that he holds as a director or officer of any issuer, registrant or investment fund manager;
 - v. pursuant to paragraphs 8, 8.2 and 8.4 of subsection 127(1) of the Act, Vantooren be prohibited until December 19, 2027 from becoming or acting as a director or officer of any issuer, registrant or investment fund manager; and
 - vi. pursuant to paragraph 8.5 of subsection 127(1) of the Act, Vantooren be prohibited until December 19, 2027 from becoming or acting as a registrant, investment fund manager or promoter;
- (b) such other order or orders as the Commission considers appropriate.

B. FACTS

Staff make the following allegations of fact:

3. On December 19, 2017, Vantooren entered into the Settlement Agreement with the ASC.
4. Pursuant to the Settlement Agreement, Vantooren agreed to certain undertakings and to be made subject to sanctions, conditions, restrictions or requirements within the province of Alberta.

(i) The ASC Proceedings

Agreed Facts

Parties

5. At all material times, Vantooren was a resident of Rocky View County, Alberta and was registered under the Alberta *Securities Act*, RSA 2000, c S-4 (the **Alberta Act**) as a dealing representative for certain exempt market dealer (**EMD**) firms.
6. Vantooren was a director and shareholder (through his corporation The Premier Financial Group Inc.) of Alberta corporations Kredo Ranch Ltd. (**Kredo Ranch**), 1740247 Alberta Ltd. (operating as Summersaults of Bentley) (**Summersaults**), and National Flood Strategies Corp. (**NFSC**).

Circumstances

7. As a dealing representative, Vantooren was only registered to sell securities approved for sale by the EMD firms. EMD-approved securities are subject to extensive due diligence and all sales must be reported to the chief compliance officer at the EMD firm.

Lack of Registration

8. From approximately 2012 to 2015, Vantooren raised funds from the sale to Albertans of securities of Kredo Ranch, Summersaults and NFSC. In total, Vantooren raised approximately \$657,000 from at least eight investors, some of whom invested in several projects. All of the investors were Vantooren's

clients through EMD firms, and all knew he was an experienced dealing representative.

(i) Kredo Ranch

9. Kredo Ranch was a real estate development company, engaged in the development of a community near DeWinton, Alberta.
10. Vantooten raised approximately \$200,000 from the sale of preferred shares to three investors. At least one investor did not qualify for the accredited investor exemption under the Alberta Act, and the Kredo Ranch preferred shares were not approved for sale by any of the EMD firms.

(ii) Summersaults

11. Summersaults is a real estate development company, engaged in residential development in Bentley, Alberta.
12. Vantooten provided information regarding Summersaults to certain of his clients and provided Summersaults with his clients' contact information. From these efforts, two of Vantooten's clients invested \$157,000 with Summersaults, \$51,000 in the form of a syndicated mortgage, and \$106,000 in loans. At least one investor did not qualify for any exemptions under the Alberta Act, and the mortgage and loans were not approved for sale by any of the EMD firms.

(iii) NFSC

13. NFSC was involved in flood mitigation products.
14. Vantooten raised at least \$300,000 for NFSC through loans from six of his clients. At least two investors did not qualify for any exemptions under the Alberta Act, and the loans were not approved for sale by any of the EMD firms.

Misrepresentations

15. In approximately June 2013, Vantooren informed the Kredo Ranch investors that the project was not feasible. Vantooren recommended that their Kredo Ranch funds be reinvested in Green Haven Estates Construction & Development Inc. (**Green Haven**), a real estate development project near Okotoks, Alberta.
16. At least two Kredo Ranch investors agreed to reinvest in Green Haven, on representations from Vantooren that all of their original investment in Kredo Ranch would be reinvested in Green Haven, and the Green Haven shares would provide a return of 8%.
17. These representations were misleading or untrue, as only a portion of the original investment in Kredo Ranch was available for reinvestment in Green Haven, and the rate of return on Green Haven shares was 6%.
18. The representations made by Vantooren were intended to and did influence investors to purchase securities of Green Haven, and would reasonably be expected to have a significant effect on the market price or value of Green Haven securities.
19. At least one Green Haven investor did not qualify for any exemptions under the Alberta Act, and the securities were not approved for sale by any of the EMD firms.

Illegal Distributions

20. The Kredo Ranch preferred shares, Summersaults syndicated mortgage and loans, NFSC loans, and Green Haven shares were all securities as defined in the Alberta Act. No preliminary prospectus or prospectus was filed with the ASC, nor was a receipt issued, for any of these securities.

21. Vantooten's activities constituted trades as defined in the Alberta Act. Further, as the securities were not previously issued, the trades were distributions under the Alberta Act.

Admitted Breaches of Alberta Securities Laws

22. Based on the Agreed Facts, Vantooten admitted that he breached:
- (a) section 75(1)(a) of the Alberta Act, by acting as a dealer without registration and without an exemption from that requirement;
 - (b) section 92(4.1) of the Alberta Act, by making statements that Vantooten knew, or reasonably ought to have known, were misleading or untrue in a material respect, or which failed to state a fact necessary to make a statement not misleading, and which would reasonably be expected to have a significant effect on the market price or value of the Green Haven securities; and
 - (c) section 110 of the Alberta Act, by engaging in a distribution of securities without a prospectus or appropriate exemption.

(ii) ASC Settlement and Undertakings

23. Based on the Agreed Facts and Admitted Breaches, Vantooten agreed and undertook to the ASC's Executive Director to:
- (a) pay to the ASC the amount of \$10,000 in settlement of all allegations against him;
 - (b) except as specifically outlined below, refrain for a period of 10 years from the date of the Settlement Agreement from:
 - 1. trading in and purchasing securities or derivatives, except trades that are made through a registrant (who has first been given a copy of the Settlement Agreement) in accounts maintained with that registrant for the benefit of one or more of himself and

members of his immediate family, "immediate family" being understood to mean his spouse and dependent children;

2. using any of the exemptions contained in Alberta securities laws;
3. advising in securities or derivatives;
4. becoming or acting as a registrant, investment fund manager or promoter;
5. acting in a management or consultative capacity in connection with activities in the securities market; and
6. resign any positions he has as a director or officer, or both, of any issuer, registrant, or investment fund manager, and to refrain from becoming or acting in that capacity.

Circumstances Relevant to Settlement

24. As set out in the Settlement Agreement, Vantooren had not been previously sanctioned by the ASC, and there was no evidence that he received a financial benefit as a result of his breaches of Alberta securities laws. Further, as set out in the Settlement Agreement, Vantooren received partial credit for his exemplary cooperation with respect to the ASC proceedings.

C. JURISDICTION OF THE ONTARIO SECURITIES COMMISSION

25. In the Settlement Agreement, the Respondent agreed to be made subject to sanctions, conditions, restrictions or requirements within the province of Alberta.
26. 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.

27. Staff allege that it is in the public interest to make an order against the Respondent.
28. 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.

DATED at Toronto this 23rd day of May, 2018.

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