



British Columbia Securities Commission

Citation: 2015 BCSECCOM 13

Amended Notice of Hearing

**HRG Healthcare Resource Group Inc., Alexander Downie,
and Daniel G. Mohan**

(collectively the Respondents)

Section 161 of the *Securities Act*, RSBC 1996, c. 418

- ¶ 1 The British Columbia Securities Commission (Commission) will hold a hearing (Hearing) at which the Executive Director will tender evidence, make submissions and apply for orders against HRG Healthcare Resource Group Inc., Alexander Downie, and Daniel G. Mohan under sections 161, 162 and 174 of the *Securities Act*, RSBC 1996, c. 418 (the Act), based on the following facts:

Background

1. HRG Healthcare Resource Group Inc., (HRG) is an Alberta-incorporated, non-reporting issuer that is extra-provincially registered in British Columbia. HRG's business was to implement a web based hospital entertainment system for patients.
2. Alexander Downie (Downie) is a director and founder of HRG. He resides in Vancouver, British Columbia.
3. Daniel G. Mohan (Mohan) was a director and chief executive officer of HRG. He resides in Vancouver, British Columbia.
4. Downie and Mohan have never been registered under the Act, and HRG has never filed a prospectus under the Act.

Misconduct

Illegal distribution

5. Between December 2010 and March 2012 (the Relevant Period), the Respondents distributed over \$5.6 million HRG securities to 149 investors. Of this amount, the Respondents raised approximately \$4.5 million from 129 investors without an exemption from the prospectus requirements of the Act.
6. Mohan and Downie actively promoted HRG securities by participating in meetings and marketing presentations with potential investors. In addition, Downie designed HRG promotional materials and provided regular updates to investors.



7. By distributing HRG securities without having filed a prospectus, the Respondents contravened section 61 of the Act.

False or Misleading Filings

8. During the Relevant Period, HRG filed 13 exempt distribution reports (the Reports) with the Commission, for 67 investors for a total of \$2.1 million. Downie and Mohan signed the Reports as HRG's authorized signatories.
9. HRG purported to rely on the Family, Friends and Business Associates and Accredited Investor Exemptions for the investors included in the Reports.
10. Of the 67 investors, the exemptions claimed for 31 investors who invested approximately \$988,000 were not available.
11. Despite being required to do so, HRG failed to disclose in the Reports that it paid its finders at least \$329,700 in commissions for their fundraising activities.
12. By providing false or misleading information in the filed Reports, HRG contravened section 168.1(1)(b) of the Act.

Liability under s.168.2 of the Act

13. Downie and Mohan as officers and directors of HRG, authorized, permitted or acquiesced in HRG's contravention of section 61 and 168.1(1)(b) of the Act and, therefore also contravened the same provisions under section 168.2 of the Act.

Conduct Contrary to the Public Interest

14. The Respondents' conduct described in this Amended Notice of Hearing including:
 - (a) depriving investors of the protection of full disclosure where no prospectus exemption was available;
 - (b) providing false or misleading information in the Reports filed with the Commission; and
 - (c) failing to disclose commissions paid to finders in the Reports when required to do so;

harmed the reputation, integrity and credibility of the province's securities market and regulatory environment, and is contrary to the public interest.



15. It is in the public interest that the Commission issue orders under sections 161 and 162 of the Act.

Hearing Process

- ¶ 2 The Respondents or their counsel are required to attend at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia, on **Thursday, January 22, 2015, at 10:00 a.m.** for the hearing.
- ¶ 3 At the Hearing, the Respondents may be represented by counsel, make submissions and tender evidence. The Respondents are requested to advise the Commission of their intention to attend the Hearing by informing the Secretary to the Commission at PO Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC V7Y 1L2 phone: (604) 899-6500; email: commsec@bcsc.bc.ca.
- ¶ 4 If the Respondents or their counsel do not appear at the Hearing, the Executive Director will apply to have questions of liability and sanction heard at the same time. Determinations adverse to the Respondents may be made in their absence.

John Hinze
Jan 12 2015 8:51 AM

- ¶ 5 John Hinze
Acting Executive Director