

IN THE MATTER OF: THE SECURITIES ACT

-and-

**IN THE MATTER OF: JACK HIEBERT NEUFELD, GEOFFREY SCOTT
EDGELOW AND THE JACK NEUFELD FAMILY
FOUNDATION**

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

**STAFF OF THE MANITOBA SECURITIES COMMISSION ALLEGE, INTER
ALIA THAT:**

A. REGISTRATION

1. At all material times, Jack Hiebert Neufeld (“NEUFELD”) and Geoffrey Scott Edgelow (“EDGELOW”) were residents of Calgary, Alberta.
2. The Jack Neufeld Family Charitable Foundation (the “FOUNDATION”) is a registered charity based in Calgary, Alberta.
3. None of the Respondents have ever been registered in any capacity under The Securities Act (the “Act”).
4. At all material times, NEUFELD was the founder of the FOUNDATION.
5. At all material times, EDGELOW was the managing director and CEO of the FOUNDATION.

B. DETAILS

GENERAL

6. On May 26, 2005, the Respondents raised \$1,000,000 USD through a promissory note issued to a private investment company in Alberta, JSI Holdings Ltd (“JSI”). Property owned by Neufeld was used as collateral for the promissory note to JSI.
7. From April 2005 to January 2006, the Respondents issued promissory

notes to Manitoba residents (the “Investors”), raising a total of \$1,412,087 (Canadian Funds).

8. The Respondents told some of the Investors that their money would be used to fund construction for a low-income housing development in Bolivia (the “Project”).
9. Some of the Investor’s money was used to purchase a bank in Bolivia, The Mutual Guapay (“MG”).
10. None of the Investors knew how profit would be generated from the Project.
11. Some of the Investors were told that their money would remain in Canada and be used to secure a line of credit for the Project and the purchase of MG.
12. The purchase of MG collapsed over legal issues and the Bolivian government dissolved it in January 2008. All the invested money disappeared.
13. In July 2008, EDGELOW left the FOUNDATION under unclear circumstances.
14. The Investors primarily dealt with EDGELOW during the material time. All the Investors were certain that EDGELOW and NEUFELD were working together.
15. In 2009, NEUFELD proposed to the Investors that they re-assign their promissory notes to a numbered Alberta company. This was apparently necessary to pursue legal action in Bolivia, according to NEUFELD.
16. All the Investors refused to re-assign their promissory notes. NEUFELD unilaterally transferred the promissory notes to 1443896 Alberta Ltd (“144896”).
17. Some of the Investors’ monies were used to repay the promissory note between NEUFELD and JSI.

THE INVESTORS

Y4C

18. Y4C, is a registered charity in Portage la Prairie, Manitoba. B.R. was the Acting Executive Director of Y4C during the relevant times.

19. On June 28, 2005, Y4C invested \$100,000 USD and received a promissory note issued by the Foundation and signed by EDGELOW. The FOUNDATION was to pay a 10% return per annum on the Note. The Note was for a term of 3 years.
20. Y4C understood the investment was to be used to buy a Bank in Bolivia and that the Note was guaranteed by the Foundation. B.R. was also advised by EDGELOW and Neufeld that Y4C would receive shares in the businesses that profited off the housing development.
21. Y4C received \$30,054.00 (USD) in interest before payments stopped in 2008.
22. To date, Y4C has not received the remaining interest or payment of the principal owing under the Note.

H.F.

23. On April 14, 2005, H.F. invested approximately \$250,000.00 (USD) with the Foundation consisting of two payments of \$69,000 (CDN) and two payments of \$45,000.00 (USD). H.F. received four promissory notes issued by the Foundation and signed by EDGELOW. The Foundation was to pay a 10% return per annum on the Notes. The Notes were for a term of 3 years. The investments by H.F. were made through two companies, M.J. and D. L.
24. H.F. was told his money was to be used to build housing for the poor in Bolivia, that his money was to remain in Canada and was to be used for collateral for a line of credit in Bolivia, there was very little risk, and the investment was secure.
25. On December 22, 2008, H.F. went to Bolivia and discovered that the housing development had gone bankrupt.
26. To date, H.F. has not received any interest payments or any of the principal amounts owing under the Notes.

B.P. and H.P.

27. On June 27, 2005, B.P. and H.P. invested \$550,000 USD (and received a promissory note issued by the Foundation and signed by EDGELOW. Under the Note the FOUNDATION was to pay a 10% return per annum for a term of 3 years.
28. On January 9, 2006, B.P, after a request for additional funds by Neufeld, invested an additional \$95,000 (USD) the on the same terms as the Note above.

29. B.P. received a thank you letter that explained the housing project. This was the first time B.P. learned what his investments would be used for.
30. To date, B.P and H.P. have not received any interest payments or any of the principal amounts owing under the Notes.

B to B

31. B to B is a registered charity and it was headquartered in Winnipeg, Manitoba during the relevant time. B.R. was the CFO for B to B during the relevant time.
32. On June 30, 2005, B to B invested \$200,284 USD with the Foundation and received two promissory notes signed by EDGELOW. One Note F was for \$100,000 USD with a term of 10 years and a return rate of 5% to 7% depending on the performance of MG. The second note was for \$100,284 USD with a 10% return per annum for a term of 3 years.
33. B to B was told that the money invested would remain in Canada and be used to secure a line of credit in Bolivia to buy a bank. The bank was to fund a low income housing development.
34. B to B received \$48,963 (CND) in interest before payments stopped in 2008.
35. To date, B to B has not received the remaining interest or their principal. Amounts owing under the notes.

INVESTOR FUNDS

36. Investor funds raised by the Respondents were not all used for purposes related to developing the Project. Instead, a portion of the Investors' funds were diverted to other purposes, including:
 - (a) payment of Foundation expenses;
 - (b) partial repayment of the JSI promissory note;
 - (c) transfers to Avanti Polymers, a company partially owned by NEUFELD.

The Respondents engaged in these transactions without informing or seeking the approval of the Investors.

C. COMPENSATION FOR FINANCIAL LOSS

The Director, Legal and Enforcement (“Director”) of The Manitoba Securities Commission (the “Commission”) received an application for a claim against the FOUNDATION and/or NEUFELD for compensation for financial loss in favour of B.P., H.P., H.F., M.J., D.L. and Y4C. The Director requests that the Commission order financial loss compensation to the claimant in an amount to be determined at or prior to the hearing.

D. ALLEGATIONS

1. Staff of the Commission allege the Respondents:

- (a) traded and distributed securities by issuing promissory notes without having been registered and without prospectus in contravention of sections 6 and 37 of the Act;
- (b) made misrepresentations to investors that were, in material aspects, misleading or untrue, or did not state facts that required to be stated or were necessary to make the statements not misleading, in contravention of section 74.1 of the Act;

and due to any or all of the foregoing allegations, the Respondents acted contrary to public interest, and that pursuant to section 148.1 of the Act, an administrative penalty be ordered against the Respondents, and that pursuant to section 148.2(3) of the Act, NEUFELD and/or the FOUNDATION pay B.P., H.P., Y4C, H.F., M.J. and D.L. compensation for financial loss.

DATED at the City of Winnipeg, in Manitoba this 6th day of March, 2015.

Director

TO: JACK HIEBERT NEUFELD

AND TO: GEOFFREY SCOTT EDGELOW

AND TO: THE JACK NEUFELD FAMILY CHARITABLE FOUNDATION