



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
NICHOLAS DAVID REEVES**

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

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

I. THE RESPONDENT

1. Nicholas David Reeves (“Reeves”) is a resident of Calgary, Alberta. Reeves was at all material times the sole director and shareholder of 1087044 Alberta Ltd.

II. THE ALLEGATIONS

The Alberta Securities Commission Proceedings

2. Reeves is subject to an order by the Alberta Securities Commission (the “ASC Order”; the “ASC”) imposing sanctions upon him, issued on February 28, 2011.
3. The conduct for which Reeves was sanctioned took place from 2006 through 2009 and involved the illegal distribution of securities in Alberta, making misrepresentations to investors, perpetrating a fraud on Alberta investors and acting contrary to both the public interest and the *Alberta Securities Act*, R.S.A. 2000, c. S-4, as amended (the “ASA”).

4. Between November 1 and 3, 2010, a panel of the ASC conducted a hearing and in written reasons released on December 14, 2010, made the following findings against Reeves:
 - a. Reeves illegally distributed securities in Alberta in contravention of section 110 of the ASA;
 - b. Reeves contravened section 92(4.1) of the ASA by making a misrepresentation to at least one Alberta investor;
 - c. Reeves contravened section 93 of the ASA by perpetrating a fraud on Alberta investors; and,
 - d. in doing so acted contrary to the public interest.

5. The findings of the ASC were based on the following factual findings:
 - a. In or around 2006, Reeves created an unincorporated investment fund called the Small Cap Participation Fund (the “Fund”) and began soliciting investors to purchase units of the Fund (“Fund Units”) when he was not registered to trade securities, when no prospectus receipt had been issued for the Fund, and when no registration or prospectus exemption was available;
 - b. Reeves received at least \$400,000 from the sale of Fund Units to at least four investors, and converted that money to his own use;
 - c. Reeves made prohibited representations to potential Fund investors, including promises that they would receive returns from 100% to over 300% per year from their investment in the Fund Units;
 - d. From 2007 to 2009, Reeves acted as a promoter for Disenco Energy PLC, an issuer incorporated in the United Kingdom that had securities listed on the TSX Venture Exchange (“Disenco”). Reeves solicited numerous investors to purchase securities of Disenco when he was not registered to trade securities, when no prospectus receipt had been issued for Disenco, and when no registration or prospectus exemption was available;
 - e. Reeves received money from at least 28 investors for the purchase of Disenco securities (the “Disenco Investor Funds”) either personally or into 1087044 Alberta Ltd.; and,

- f. In the case of at least six Disenco Investors, Reeves either converted the money that he or 1087044 Alberta Ltd. received for the sale of Disenco securities to his own use or kept the money without delivering the share certificates.

ASC Findings Respecting Ontario Conduct

6. Reeves marketed, distributed and traded securities of Disenco to at least one Ontario investor (the “Ontario Investor”) when he was not registered to trade in securities, when no prospectus receipt had been issued, and when no registration or prospectus exemption was available under the ASA.
7. Between September 2008 and June 2009, Reeves repeatedly solicited investment in Disenco from the Ontario Investor, who paid a total of \$38,000 for Disenco securities over three separate purchases.
8. Reeves directed the funds that the Ontario Investor paid for Disenco securities to 1087044 Alberta Ltd., and on one occasion converted the Ontario Investor’s funds to his own use. Reeves at no time forwarded the Ontario Investor’s funds to Disenco.

The ASC Order

9. The ASC Order imposed the following sanctions:
 - a. under sections 198(1)(b) and (c) of the ASA, Reeves cease trading in or purchasing securities, and all of the exemptions contained in Alberta securities laws do not apply to him, permanently, except that this order does not preclude Reeves from trading in or purchasing securities through a registrant (who has first been given a copy of this decision) in:
 - i. registered retirement savings plans, registered retirement income funds or tax-free savings accounts (as defined in the Income Tax Act (Canada)) or locked-in retirement accounts for Reeves' benefit;
 - ii. one other account for Reeves' benefit; or both, provided that:
 1. the securities are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange or NASDAQ (or their

successor exchanges) or are issued by a mutual fund that is a reporting issuer; and

2. Reeves does not own legally or beneficially more than 1% of the outstanding securities of the class or series of the class in question;
- b. under sections 198(1)(d) and (e) of the ASA, Reeves resign all positions he holds as a director or officer of any issuer, registrant or investment fund manager, and he is prohibited from becoming or acting as a director or officer (or both) of any issuer, registrant or investment fund manager, permanently;
- c. under section 198(1)(e.2) of the ASA, Reeves is prohibited from becoming or acting as a registrant, investment fund manager or promoter, permanently;
- d. under section 198(1)(e.3) of the ASA, Reeves is prohibited from acting in a management or consultative capacity in connection with activities in the securities market, permanently; and,
- e. under section 199 of the ASA, Reeves pay an administrative penalty of \$650 000.

Jurisdiction of the Ontario Securities Commission

10. Reeves is subject to an order of the ASC imposing sanctions, conditions, restrictions or requirements on him.
11. Pursuant to paragraph 4 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 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 Reeves.
13. Staff reserve the right to amend these allegations and to make such further and other allegations as they deem fit and the Commission may permit.

DATED at Toronto, this 22nd day of March, 2012.