

Suite 1100, 225 - 6th Avenue S.W.  
Brookfield Place  
Calgary, Alberta  
Canada T2P 1N2  
T: 403.269.6900

January 5, 2026

Alexis Teasdale  
D: 403.218.7564  
F: 403.269.9494  
ateasdale@lawsonlundell.com

DELIVERED VIA EMAIL  
([CommercialCoordinator.KBJCalgary@albertacourts.ca](mailto:CommercialCoordinator.KBJCalgary@albertacourts.ca))

The Honourable Justice Simard  
c/o Calgary Commercial Coordinator  
Calgary Courts Centre  
601 5 Street SW  
Calgary, AB T2P 5P7

Dear Justice Simard:

**RE: In the Matter of the Notice of Intention to file a Proposal of Catalx CTS Ltd. (“CatalX”)  
– Action No.: B301-223290 – Hearing on the Calgary Commercial List on January 6, 2026  
at 10:00 a.m. (the “Application”)**

We are counsel to the Alberta Securities Commission (the “Commission”), the Applicant in respect of the above-captioned Application.

We write to provide you and the Service List with Appendix “A” to the Commission’s Brief of Argument, which was inadvertently omitted from the version of the Brief that was filed with the Court and served on the Service List. Enclosed please find Appendix “A”.

In addition, we enclose a copy of an additional decision on which we will rely at the hearing before you tomorrow, namely the Commission’s decision to extend an interim cease trade order in respect of CatalX and Mr. Lee, dated February 9, 2024.

Please contact me should you have any questions or require any further information.

Yours very truly,

LAWSON LUNDELL LLP



Alexis Teasdale\*

\*Professional Corporation

AET/raa1

Encls. (2)

cc. Service List  
Eloise Hirst, Lawson Lundell LLP (via email)

Summary of Alberta Securities Commission Sanction Decisions – 2021 to 2025

|    | ASC Decision                      | Date           | Sanctions Ordered by ASC  |
|----|-----------------------------------|----------------|---|
| 1. | <b>FLOREANI, James Domenic</b>    | Sept. 26, 2025 | <p><u>Citation:</u> <i>Re Floreani</i>, 2025 ABASC 129</p> <p><u>Factual Background:</u> The ASC found that James Domenic Floreani and Jayconomics Inc. breached s. 103.1(2) of the <i>Securities Act</i> (Alberta) by posting paid, promotional social-media content for four issuers without clear and conspicuous disclosure that the posts were made on behalf of the issuers. The conduct spanned from Nov 2020 to Mar 2022 and included YouTube, X, and Patreon content. Compensation included cash and issuer shares. Many posts used attention-grabbing forecasts and minimized risk.</p> <p><u>Sanctions:</u> For two years from the decision date or until the administrative penalty is paid (whichever is later), the Respondents are prohibited from:</p> <ul style="list-style-type: none"> <li>- Investor related activities;</li> <li>- Advising in securities or derivatives; and</li> <li>- Disseminating to the public any information/opinion/recommendation promoting securities or derivatives.</li> </ul> <p><u>Monetary orders include:</u></p> <ul style="list-style-type: none"> <li>- An administrative penalty: \$30,000, joint and several;</li> <li>- Costs: \$10,185.10, joint and several; and</li> <li>- NOTE: Disgorgement was NOT ordered (found to be disproportionate in the circumstances).</li> </ul> <p><u>Rationale:</u> The ASC found the misconduct serious because undisclosed paid promotions deprived investors of transparency and undermined confidence in the market. Posts were deliberately promotional, minimized risk, and buried or omitted disclosure that they were sponsored. While the Respondents were cooperative (e.g. they made admissions that shortened the proceedings and demonstrated understanding of their misconduct), the panel stressed that general deterrence was critical given the low barriers to “finfluencing” and its growing influence over retail investors. As a result, guided by the <i>Homerun</i> factors and the <i>Stock Social</i> precedents, the panel decided that the above sanctions were appropriate.</p> |
| 2. | <b>Black Box Management Corp.</b> | Aug. 27, 2025  | <p><u>Citation:</u> <i>Re Black Box Management Corp.</i>, 2025 ABASC 113</p> <p><u>Factual Background:</u> ASC found that BBMC contravened ss. 93(1)(b) and 75(1)(a) of the <i>Securities Act</i> by engaging in fraud and acting as a dealer or investment fund manager without being registered in accordance with securities laws. From March 2020 to December 2023, BBMC raised approx. \$150 million from over 1,000 investors and misappropriated the funds.</p> <p><u>Sanctions:</u></p> <ul style="list-style-type: none"> <li>- Permanent market access ban, and prevented from trading in securities and relying on exemptions contained in Alberta securities laws;</li> <li>- Administrative penalty of \$750,000;</li> <li>- Disgorgement of \$8,180,103; and</li> <li>- Costs of \$14,000.</li> </ul> <p><u>Rationale:</u> The ASC found that BBMC engaged in extremely serious misconduct involving a large-scale Ponzi scheme and unregistered dealing,</p>   |

|    | <b>ASC Decision</b>      | <b>Date</b>  | <b>Sanctions Ordered by ASC</b>  |
|----|--------------------------|--------------|--|
|    |                          |              | <p>causing massive financial harm. However, BBMC/Thompson's cooperation, admissions, and remorse were significant mitigating factors. Still, the ASC held that the need for general deterrence remains high, and strong sanctions are necessary to protect the public and the integrity of Alberta's capital market.</p>   |
| 3. | <b>CAWALING, Raymond</b> | July 9, 2025 | <p><u>Citation:</u> <i>Re Cawaling</i>, 2025 ABASC 96</p> <p><u>Factual Background:</u> ASC found that Cawaling and RTAX Financial Corp contravened ss. 110(1) and 93(1)(b) of the <i>Securities Act</i> by illegally distributing securities and perpetrating a fraud on RTAX investors.</p> <p><u>Sanctions:</u></p> <ul style="list-style-type: none"> <li>- Permanent ban from participating in the Alberta capital market in certain capacities;</li> <li>- Administrative penalty of \$175,000;</li> <li>- Disgorgement of \$462,421; and</li> <li>- Costs of \$81,755.</li> </ul> <p><u>Rationale:</u></p> <p>The ACS held that Cawaling's misconduct was serious, intentional, and harmful, warranting significant sanctions to deter future wrongdoing and protect market integrity. Regarding his characteristics and history, the ASC held that nothing about Cawaling's background suggests a reduced risk of future misconduct. In fact, his knowledge and experience combined with his disregard for warning signs imply an increased risk and the need for strong deterrence measures. Cawaling benefited by misappropriating approx. \$462,421 of investor funds for personal use. ASC found no mitigating factors – Cawaling never accepted responsibility or showed remorse and blamed others.</p>   |
| 4. | <b>LACKAN, Paul</b>      | Dec. 2, 2024 | <p><u>Citation:</u> <i>Re Lackan</i>, 2024 ABASC 186</p> <p><u>Factual Background:</u> ASC found that Lackan raised \$153,500 between July 1, 2018 and December 31, 2020. He told the investors their money would be used to acquire or invest in ACT Medical Centres Inc. However, he perpetrated a fraud on those investors by instead spending at least \$115,378 of the \$153,500 for his own purposes, not for the purchase or attempted purchase of ACT.</p> <p><u>Sanctions:</u></p> <ul style="list-style-type: none"> <li>- Permanent market-access bans;</li> <li>- Must pay to the ASC \$115,378 obtained because of his non-compliance with Alberta securities laws;</li> <li>- Administrative penalty of \$60,000; and</li> <li>- Costs of \$47,009.</li> </ul> <p><u>Rationale:</u> Lackan's misconduct was serious and deliberate fraud: he lied to investors, used their funds meant for investing in ACT for personal expenses, and issued falsified share certificates. Despite ACT being legitimate, he never intended to invest the money as promised, causing real financial harm and undermining investor confidence. Though lacking formal market experience, this didn't reduce the severity of his actions or the need for deterrence. Financially impecunious and bankrupt before raising funds, he misappropriated \$153,500, showed no remorse, made no restitution, and</p> |

|    | <b>ASC Decision</b>               | <b>Date</b>  | <b>Sanctions Ordered by ASC</b>   |
|----|-----------------------------------|--------------|---|
|    |                                   |              | <p>disregarded regulatory processes. His abuse of trust as a bookkeeper and dishonesty during the investigation are aggravating factors, with no credible mitigation. He remains a significant risk, justifying strong sanctions.</p>   |
| 5. | <b>GHANI, Ali</b>                 | Mar 21, 2024 | <p><u>Citation:</u> <i>Re Ghani</i>, 2024 ABASC 48</p> <p><u>Factual Background:</u> Ghani led the Prism Group, which raised public funds to develop Summerside Plaza in Edmonton. Investors were misled about how their money was used, as funds were pooled and diverted without disclosure. After selling the property, over \$3.4 million of the proceeds were misappropriated for unrelated expenses and personal use. ASC ruled that Ghani and the Prism entities committed securities fraud, causing investors to lose their investments.</p> <p><u>Sanctions against Ghani:</u></p> <ul style="list-style-type: none"> <li>- Immediately resign from all director or officer roles in any issuer, registrant, or recognized market entities;</li> <li>- Permanently cease trading securities or derivatives, and lose all exemptions under Alberta securities laws;</li> <li>- Permanently banned from investor relations, advising, or management roles in securities;</li> <li>- Pay jointly with Summerside DevCo \$2,561,493 and with PREIC \$873,072;</li> <li>- \$325,000 administrative penalty, jointly; and</li> <li>- Costs of \$173,983, jointly.</li> </ul> <p><u>Sanctions against Summerside DevCo:</u></p> <ul style="list-style-type: none"> <li>- Jointly with Ghani, pay to the ASC \$2,561,493 obtained because of its non-compliance with Alberta securities laws.</li> </ul> <p><u>Rationale:</u> Fraud is very serious because it involves deceit and investor harm. Ghani deliberately misled investors, causing them to lose all their money and damaging market integrity, warranting strong sanctions. His youth, experience, and prior regulatory history increase the risk of future misconduct. Ghani also personally benefited by misusing over \$3.4 million, which is an aggravating factor. No mitigating factors or remorse were shown, so strong deterrence is needed to prevent reoffending and protect the market.</p> |
| 6. | <b>EDWARDS, Devon Christopher</b> | Jan 12, 2024 | <p><u>Citation:</u> <i>Re Edwards</i>, 2024 ABASC 9</p> <p><u>Factual Background:</u> Edwards (Alberta resident) is the sole director and owner of Bahamas-based KB Crypto, incorporated in 2021. Neither he nor the company was registered under Canadian securities laws or had any prior regulatory sanctions. Edwards is unemployed, has no income or significant assets, and KB Crypto is also assetless. Between Feb 2021 and Nov 2022, he raised about US\$446,600 from 75 investors by promising 5–15% weekly returns. Funds were sent via KB Crypto's website, converted to USD or stablecoins, and used to trade CFDs - often in Edwards' name. Poor record-keeping made fund use unclear. Investors lost roughly US\$308,499.</p> <p><u>Sanctions For Edwards:</u></p> <ul style="list-style-type: none"> <li>- Immediately resign from any director or officer roles;</li> </ul>  |

|    | <b>ASC Decision</b>              | <b>Date</b>   | <b>Sanctions Ordered by ASC</b>   |
|----|----------------------------------|---------------|---|
|    |                                  |               | <ul style="list-style-type: none"> <li>- For 5 years, or until he pays a \$40,000 administrative penalty, he is prohibited from trading or purchasing securities or derivatives (with limited exceptions), relying on exemptions, becoming or acting as a director/officer, advising in securities/derivatives, or acting in a management or consultative role in the market; and</li> <li>- \$10,000 in costs.</li> </ul> <p><b>For KB Crypto (permanent):</b></p> <ul style="list-style-type: none"> <li>- All trading or purchasing of securities or derivatives must cease. It cannot rely on exemptions or advise in securities or derivatives.</li> </ul> <p><b>Rationale:</b> The Respondents committed serious misconduct by violating key securities laws, resulting in over US\$300,000 in investor losses. Despite warnings, they continued unregistered trading activities, showing recklessness. While they gained financially from their actions, poor record-keeping obscured the exact benefit. Edwards' cooperation and acceptance of responsibility were mitigating factors, as was his limited financial means. Overall, the misconduct warranted meaningful sanctions to ensure both specific and general deterrence.</p>   |
| 7. | <b>BUDZINSKI, Gerald Michael</b> | Oct 31, 2023  | <p><b>Citation:</b> <i>Re Budzinski</i>, 2023 ABASC 146</p> <p><b>Factual Background:</b> In a decision dated February 3, 2023 (<i>Re Budzinski</i>, 2023 ABASC 13), ASC determined that Budzinski contravened Alberta securities laws by failing to comply with insider reporting, early warning disclosure and reporting, and take-over bid requirements.</p> <p><b>Sanctions:</b></p> <ul style="list-style-type: none"> <li>- For 3 years from this decision or until the \$30,000 penalty is paid, whichever is later, he must: <ul style="list-style-type: none"> <li>o stop trading or purchasing any security or derivative;</li> <li>o lose all exemptions under Alberta securities laws;</li> <li>o be prohibited from advising on securities or derivatives;</li> </ul> </li> <li>- Pay a \$30,000 administrative penalty; and</li> <li>- Pay costs of \$30,000 toward investigation and hearing costs.</li> </ul> <p><b>Rationale:</b></p> <p>Budzinski repeatedly failed to comply with key securities laws, showing recklessness or wilful blindness, which seriously harmed the fairness of the capital market and warrants strong sanctions for deterrence. Despite no prior disciplinary history, Budzinski was a knowledgeable, experienced investor who ignored warnings and deliberately avoided regulatory obligations. Although he claimed financial hardship, evidence suggested he had assets, so his impecuniosity was not fully accepted but slightly considered due to his age. There was no clear evidence he sought personal financial gain, but his disregard for the rules and regulators poses an ongoing risk. Therefore, meaningful sanctions are needed to deter Budzinski and others from similar misconduct.</p> |
| 8. | <b>SHAW, Logan Keith</b>         | July 14, 2023 | <p><b>Citation:</b> <i>Re Shaw</i>, 2023 ABASC 110</p> <p><b>Factual Background:</b> Shaw raised \$940,000 by selling shares of 168 but used about \$808,000 to buy a house instead of funding a promised Mexican taxi business. Shaw diverted investor funds through various accounts, borrowed</p>  |

|    | ASC Decision                | Date        | Sanctions Ordered by ASC  |
|----|-----------------------------|-------------|---|
|    |                             |             | <p>\$600,000 to help buy the house, and repaid it with investor money. The ASC found Shaw knowingly committed fraud, causing investor losses, and imposed interim market restrictions on him in 2019.</p> <p><u>Sanctions against Shaw:</u></p> <ul style="list-style-type: none"> <li>- Permanent bans from Alberta capital markets;</li> <li>- Must pay to ASC \$283,780 obtained as a result of his non-compliance with Alberta securities laws;</li> <li>- Administrative penalty of \$150,000; and</li> <li>- Costs of \$129,000.</li> </ul> <p><u>Sanctions against Shaw:</u></p> <ul style="list-style-type: none"> <li>- Permanently cease trading of securities or derivatives of 168;</li> <li>- Permanently cease trading in or purchasing any security or derivative; and</li> <li>- Permanently not be applicable for any exemptions contained in Alberta securities laws.</li> </ul> <p><u>Rationale:</u> The Respondents (Shaw and 168) committed serious, deliberate misconduct that caused significant financial harm to investors and the market, warranting strong sanctions to deter future wrongdoing. Shaw, despite limited formal education, engaged in fraud and blames others for his issues, highlighting the need for specific deterrence. Both Shaw and 168 gained financially from their actions. While Shaw faces financial and health challenges, significant penalties are necessary to reduce incentives for such misconduct. No clear aggravating or mitigating factors were found.</p>                             |
| 9. | <b>WARD, Shane Courtney</b> | May 8, 2023 | <p><u>Citation:</u> <i>Re Ward</i>, 2023 ABASC 62 Date: 20230508</p> <p><u>Factual Background:</u> Ward, founder and sole operator of E-Wealth, raised over \$500,000 from investors without proper registration or prospectuses, breaching securities laws. He misled investors by falsely promising principal protection, guaranteed high returns, and that funds would be invested using his strategy, while diverting over \$106,000 for personal use. These misrepresentations constituted fraud, causing significant investor losses. Ward's defenses—limitations and reliance on legal advice—were rejected due to continuing misconduct and disregard of clear legal warnings.</p> <p><u>Sanctions:</u></p> <ul style="list-style-type: none"> <li>- Permanent market-access ban;</li> <li>- Must pay to ASC \$106,610.22 obtained as a result of his non-compliance with Alberta securities laws;</li> <li>- Administrate penalty of \$100,00; and</li> <li>- Costs of \$98,400 to ASC.</li> </ul> <p><u>Rationale:</u> Ward deliberately broke securities laws, committing fraud and misusing investor funds, causing significant harm and undermining market trust. Despite seeking legal advice, he ignored it and exploited personal relationships for gain. His inexperience and clean record don't lessen the seriousness. He misappropriated over \$106,000, warranting strong sanctions. Though he shows some regret, his blame-shifting and harmful actions make the misconduct very serious, requiring significant deterrence.</p> |

|            | <b>ASC Decision</b>                    | <b>Date</b>    | <b>Sanctions Ordered by ASC</b>  |
|------------|--|----------------|--|
| <b>10.</b> | <b>LAVALLEE, Lambert (Bert) Joseph</b> | April 21, 2023 | <p><u>Citation:</u> <i>Re Lavallee</i>, 2023 ABASC 41 Date: 20230421</p> <p><u>Factual Background:</u> Lavallee contravened s. 93.1 of the <i>Securities Act</i> by trading in securities of North America Frac Sand, Inc. while those securities were subject to a cease-trade order. Lavallee also contravened s. 93.4(1) by withholding from ASC staff information reasonably required for an investigation.</p> <p><u>Sanctions:</u></p> <ul style="list-style-type: none"> <li>- Pay a \$75,000 administrative penalty;</li> <li>- Cease trading in or purchasing any security or derivative for the later of 6 years and the date by which he pays that administrative penalty; and</li> <li>- Pay a cost-recovery order of \$11,000.</li> </ul> <p><u>Rationale:</u> Lavallee engaged in serious misconduct by deliberately and recklessly breaching a cease-trade order (CTO) and withholding information during an investigation. He sold over 4.5 million shares contrary to the CTO, gaining around US\$137,090. While no direct investor harm was proven, his actions undermined market integrity and the investigative process. Lavallee's prior regulatory history and experience increase the risk of repeat offenses, warranting stronger sanctions. No mitigating factors were found, and significant deterrence is needed to prevent future violations.</p>  |
| <b>11.</b> | <b>OGILVIE, Paul Anthony</b>           | Mar 21, 2023   | <p><u>Citation:</u> <i>Re Ogilvie</i>, 2023 ABASC 33 Date: 20230321</p> <p><u>Factual Background:</u> Ogilvie contravened s. 92(4.1) of the <i>Securities Act</i> by making statements in two news releases that he knew or reasonably ought to have known were misleading or untrue and would reasonably be expected to have a significant effect on the market price or value of the securities of Saint Jean Carbon Inc (SICI).</p> <p><u>Sanctions:</u></p> <ul style="list-style-type: none"> <li>- 3-year restriction from acting as an officer or director of any issuer;</li> <li>- Pay an administrative penalty of \$60,000; and</li> <li>- Pay costs related to the investigation and hearing of \$30,000.</li> </ul> <p><u>Rationale:</u> Ogilvie's misconduct involved issuing misleading and untrue press releases that significantly impacted SICI's share price and trading volume, increasing the risk of investor losses and undermining market integrity. Although there was no direct evidence of investor harm or personal financial gain, the seriousness lies in the potential harm to the capital market and investor confidence. Ogilvie did not maliciously intend to mislead but acted with overconfidence. As an experienced senior executive, he should have known better, and his role demands high disclosure standards. There were no mitigating factors, and while he did not benefit personally, his misconduct poses enough public risk to warrant strong deterrence.</p> |
| <b>12.</b> | <b>CERATO, Jan Gregory</b>             | Sept 19, 2022  | <p><u>Citation:</u> <i>Re Cerato</i>, 2022 ABASC 121</p> <p><u>Factual Background:</u> Cerato solicited public investments in the WhaleClub starting in December 2017, promoting it as suitable for inexperienced cryptocurrency investors. He raised at least \$200,000 from 16 investors</p>   |

|     | ASC Decision           | Date          | Sanctions Ordered by ASC   |
|-----|------------------------|---------------|--|
|     |                        |               | <p>without filing a prospectus or explaining risks, promising high returns. Investors lost most of their money, receiving only 10-40% back. ASC found that Cerato breached s. 110 of the <i>Securities Act</i> by illegally distributing securities.</p> <p><u>Sanctions:</u></p> <ul style="list-style-type: none"> <li>- Pay an administrative penalty of \$40,000;</li> <li>- Pay costs of \$125,000; and</li> <li>- For at least 8 years (contingent on his payment of the administrative penalty, whichever is later), be subject to the following market-access bans: <ul style="list-style-type: none"> <li>o Prohibited from trading or buying securities/derivatives;</li> <li>o Prohibited from using any exemptions and from investor relations;</li> <li>o Prohibited from advising; and</li> <li>o Prohibited from acting in management or consultative roles in the securities market.</li> </ul> </li> </ul> <p><u>Rationale:</u> Cerato's serious misconduct involved promoting WhaleClub investments without required disclosure, harming mainly novice investors financially and emotionally. He showed no remorse and intimidated victims, posing ongoing risks. Though he didn't seek direct financial gain, his actions warrant strong sanctions for deterrence, especially in crypto markets. The proposed market bans are seen as fair and necessary.</p>   |
| 13. | MAGNESON, Allan Robert | July 26, 2022 | <p><u>Citation:</u> <i>Re Magneson</i>, 2022 ABASC 101</p> <p><u>Factual Background:</u> The ASC sanctioned Magneson, 1111108 Alberta Ltd. (his conduit), and New Wave Innovations Ltd. (NWI) after finding they perpetrated fraud on NWI investors. NWI raised about \$7.0M to develop a low-decibel dental drill. Investors were told funds would go to R&amp;D. In fact, about \$5.79M (~82%) went to/for Magneson via 111 Alberta: \$2,011,250 compensation/expenses; \$1,518,830 repayment of purported pre-2011 loans; \$2,043,122 proceeds from personal share sales during the relevant period. He concealed these uses and minimized/denied pay when asked. Most investors lost their money. NWI and 111 Alberta were liable as Magneson's conduct/knowledge were attributable to them.</p> <p><u>Sanctions against Magneson (permanent unless noted)</u></p> <ul style="list-style-type: none"> <li>- Immediate resignation from all director/officer roles (s.198(1)(d)).</li> <li>- Market bans: cease trading/purchasing; all exemptions removed; bans on investor relations, serving as director/officer of any issuer/registrant/IFM/market entity, and management/consultative roles</li> <li>- \$3,561,952 in disgorgement (joint &amp; several with 111 Alberta) (s.198(1)(i)).</li> <li>- An administrative penalty of \$300,000 (joint &amp; several)</li> <li>- Costs of \$70,000 (joint &amp; several)</li> </ul> <p><u>Sanctions against 1111108 Alberta Ltd. (permanent)</u></p> <ul style="list-style-type: none"> <li>- Cease trading/purchasing; all exemptions removed</li> <li>- \$3,561,952 in disgorgement (joint &amp; several with Magneson).</li> <li>- An administrative penalty of \$300,000 (joint &amp; several).</li> </ul> |

|     | ASC Decision                              | Date         | Sanctions Ordered by ASC  |
|-----|---|--------------|---|
|     |   |              | <ul style="list-style-type: none"> <li>- Costs of \$70,000 (joint &amp; several)</li> </ul> <p><b><u>Sanctions against NWI</u></b></p> <p>Until a preliminary prospectus and prospectus are filed and received, NWI is:</p> <ul style="list-style-type: none"> <li>- subject to a cease-trade in its securities</li> <li>- prohibited from trading/purchasing any securities/ derivatives and cannot rely on exemptions</li> <li>- No monetary sanctions against NWI.</li> </ul> <p><b>Rationale:</b> This case involved a prolonged and deliberate fraud that diverted large amounts of investor funds, causing significant losses and undermining market integrity. Permanent bans were imposed to protect the market, disgorgement ensured there was no windfall from the misconduct, and a \$300,000 administrative penalty provided consequences beyond treating sanctions as a “cost of doing business.” A costs order shifted investigation and hearing expenses back to the wrongdoers. For NWI, the ASC imposed a protective cease-trade order with a pathway to resume financing under full disclosure and without Magneson, so as not to further prejudice existing investors.</p>   |
| 14. | <b>NYADONGO, Tinashe (Nash) Sylvester</b> | Feb 24, 2022 | <p><b>Citation:</b> <i>Re Nyadongo</i>, 2022 ABASC 19</p> <p><b>Factual Background:</b> The ASC sanctioned Nyadongo and 10194131 Canada Ltd. (Future Growth Investments/ “Numberco”) after they admitted to an illegal distribution and fraud scheme (Nov 2017–Mar 2019). They raised at least \$1.2 million from 28 investors (10 in Alberta), with 22 investors lacking a valid prospectus exemption. For 19 investors, Nyadongo falsely claimed funds would be withheld for taxes, but instead misappropriated at least \$234,000 for personal use and directed about \$440,000 to an unsecured loan to Collage Homes Inc., which has not been repaid. Approximately \$485,000 was paid to unlock investors, but no funds were set aside for taxes, and Numberco was left with no remaining assets.</p> <p><b><u>Sanctions against Nyadongo:</u></b></p> <ul style="list-style-type: none"> <li>- Must resign any director/officer roles immediately;</li> <li>- 20-year market bans (or until the admin penalty is paid in full, whichever is later): <ul style="list-style-type: none"> <li>o Cease trading/purchasing securities or derivatives; all exemptions removed.</li> <li>o Director/officer, management/consultative bans across issuers, registrants, IFMs, or in any management/ consultative role</li> <li>o Limited carve-out: may trade through a registrant (who must first receive this decision and the Statement of Admissions) in registered plans (RRSP, RRIF, RESP, TFSA, LIRA) for the benefit of himself, spouse, and dependent children.</li> </ul> </li> <li>- An administrative penalty of \$150,000;</li> <li>- \$234,000 in disgorgement;</li> <li>- Costs: \$10,000.</li> </ul> <p><b><u>Sanctions against Numberco (with permanent effect)</u></b></p> <ul style="list-style-type: none"> <li>- Cease all trading/purchasing in its own securities (and in any other securities/derivatives).</li> <li>- All exemptions removed under Alberta securities laws.</li> </ul> |

|     | ASC Decision   | Date         | Sanctions Ordered by ASC  |
|-----|--|--------------|---|
|     |  |              | <p><b>Rationale:</b> Nyadongo and Numberco engaged in deceptive, unregistered fundraising and fraudulent misappropriation of investor funds, putting investors at risk of both financial loss and tax liability. Their conduct eroded confidence in Alberta's markets and required strong deterrence. While the ASC credited their early cooperation, provision of investor information, lack of prior history, and Nyadongo's impecuniosity, the misconduct warranted long-term market bans, significant monetary penalties, disgorgement, and costs to protect investors and uphold market integrity.</p>   |
| 15. | <b>Kilimanjaro Capital Ltd. (now known as N1 TECHNOLOGIES INC)</b> | Aug 16, 2021 | <p><b>Citation:</b> <i>Re Kilimanjaro Capital Ltd.</i>, 2021 ABASC 131</p> <p><b>Factual Background:</b> the ASC sanctioned Kilimanjaro Capital Ltd. (now N1 Technologies Inc.), Ashmit Patel, and Zulfikar Hussein Rashid for their roles in a pump-and-dump scheme involving Kilimanjaro shares. Patel, the scheme's architect and Kilimanjaro's de facto controller, orchestrated the release of misleading news releases, directed a paid promotional campaign, and covertly sold over 113.5 million shares through nominee accounts, all while breaching an ASC cease-trade order. Rashid, Kilimanjaro's CEO and director in name only, acted as Patel's nominee by permitting the use of his electronic signature, raising funds from friends and family, and allowing his name to be tied to misleading disclosures. Rashid also made false statements to ASC investigators while under oath.</p> <p><b>Sanctions against Patel:</b></p> <ul style="list-style-type: none"> <li>- Required to resign from any director/officer positions and is permanently prohibited from: <ul style="list-style-type: none"> <li>o trading or purchasing securities or derivatives (no exemptions available);</li> <li>o serving as a director or officer of any issuer or securities-related entity;</li> <li>o engaging in investor relations;</li> <li>o advising in securities or derivatives;</li> <li>o acting as a registrant, investment fund manager, promoter, or in any management/consultative role in the securities market.</li> </ul> </li> <li>- Pay \$117,400 in disgorgement;</li> <li>- Pay an administrative penalty of \$450,000;</li> <li>- Pay \$120,000 in costs.</li> </ul> <p><b>Sanctions against Rashid</b></p> <ul style="list-style-type: none"> <li>- Required to resign any director/officer positions and is prohibited from: <ul style="list-style-type: none"> <li>o acting as a director/officer of any issuer or registrant until 2031 (with a limited carve-out for his private family business);</li> <li>o trading in or purchasing securities and acting in a management/consultative capacity until 2029.</li> </ul> </li> <li>- Pay an administrative penalty of \$75,000;</li> <li>- Pay \$30,000 in costs.</li> </ul> <p><b>Sanctions against Kilimanjaro:</b></p> |

|     | ASC Decision                  | Date         | Sanctions Ordered by ASC   |
|-----|-------------------------------|--------------|--|
|     |                               |              | <ul style="list-style-type: none"> <li>- Permanently prohibited from trading in, purchasing, or relying on exemptions under Alberta securities laws.</li> </ul> <p><u>Rationale:</u> The ASC found Patel's misconduct to be egregious and highly damaging, amounting to a classic pump-and-dump that eroded investor confidence and inflicted significant harm on the market. Patel knowingly flouted securities laws for his personal benefit and continued trading despite a cease-trade order, demonstrating he could not be trusted in the capital markets. Rashid's role was less central but still serious. He enabled Patel's scheme as a nominee director and misled investigators, though he personally lost money and later corrected false testimony, warranting somewhat lesser penalties. Kilimanjaro, as Patel's vehicle, remained a continuing risk. The sanctions emphasize strong specific and general deterrence, investor protection, and maintaining integrity in Alberta's capital markets.</p>   |
| 16. | <b>FELGATE, Nicholas John</b> | May 11, 2021 | <p><u>Citation:</u> <i>Re Felgate</i>, 2021 ABASC 68</p> <p><u>Factual Background:</u> The ASC sanctioned Felgate for contravening s. 93.1 of the <i>Securities Act (Alberta)</i> by trading securities in violation of an interim cease-trade order issued against him in March 2018 and later extended. Despite knowing of the order, Felgate entered into two agreements with investors (RVL and DVL), raising \$300,000 through promissory note arrangements. He attempted to characterize the agreements as not being securities, included disclaimers to that effect, and assured investors that the ASC order did not apply. The ASC determined that the agreements were securities under the Act and that Felgate's conduct amounted to trading in breach of the interim order.</p> <p><u>Sanctions:</u></p> <ul style="list-style-type: none"> <li>- Required to resign any existing director/officer roles and is banned for five years (or until payment of his administrative penalty, whichever is later) from: <ul style="list-style-type: none"> <li>o trading or purchasing securities or derivatives (no exemptions available);</li> <li>o serving as a director or officer of any issuer or securities-related entity;</li> <li>o engaging in investor relations;</li> <li>o advising in securities or derivatives;</li> <li>o acting as a registrant, investment fund manager, or promoter;</li> <li>o acting in a management or consultative capacity in the securities market.</li> </ul> </li> <li>- Pay a \$50,000 administrative penalty; and</li> <li>- Pay \$41,800 in costs.</li> </ul> <p><u>Rationale:</u> The ASC held that Felgate's breach of an interim order was serious and deliberate. Instead of appealing the order, he tried to circumvent it by modifying contract language and misleading investors that the agreements were exempt. His actions exposed investors to significant risk and undermined confidence in Alberta's capital markets. The panel noted that his "belligerent" and "contemptuous" communications with ASC staff were aggravating and showed disregard for the securities regulatory framework. Permanent deterrence was not required given the narrower scope of the</p> |

|     | <b>ASC Decision</b>               | <b>Date</b>  | <b>Sanctions Ordered by ASC</b>   |
|-----|-----------------------------------|--------------|---|
|     |                                   |              | <p>misconduct, but significant market-access bans, costs, and an administrative penalty were imposed to ensure specific and general deterrence, protect investors, and uphold respect for ASC orders.</p>   |
| 17. | <b>Bluforest Inc.</b>             | Mar 15, 2021 | <p><u>Citation:</u> <i>Re Bluforest Inc.</i>, 2021 ABASC 25</p> <p><u>Factual Background:</u> The ASC sanctioned Bluforest Inc., Cem (Jim) Can, and Charles Miller for an elaborate pump-and-dump scheme. Can secretly controlled Bluforest (formerly Greenwood), funneled large blocks of shares to offshore nominees, illegally distributed shares to Alberta investors, orchestrated a tout-sheet promotion, and sold into the inflated market. The panel found: Can illegally distributed securities (s.110), Bluforest made misrepresentations (s.92(4.1)), Can manipulated the market (s.93(a)(ii)), and Can and Miller committed fraud (s.93(b)). Alberta investors paid substantial sums for restricted shares later diluted and rendered essentially worthless.</p> <p><u>Sanctions:</u> All respondents received permanent market-access bans. Specifically:</p> <ul style="list-style-type: none"> <li>- Must resign any director/officer roles and is permanently prohibited from: trading or purchasing securities/derivatives (no exemptions); engaging in investor relations; serving as a director/officer of any issuer or securities-related entity; advising; acting as a registrant, investment fund manager, or promoter; or acting in any management/consultative role in the market. He must pay \$1,485,834 disgorgement, a \$750,000 administrative penalty, and \$80,000 costs.</li> <li>- Miller must resign any director/officer roles and is permanently prohibited on the same bases as Can. He must pay a \$300,000 administrative penalty and \$50,000 costs.</li> <li>- Bluforest Inc. is permanently cease-traded; all exemptions are removed and it is barred from trading or purchasing its securities or derivatives.</li> </ul> <p><u>Rationale:</u> The misconduct was deliberate, sophisticated, and prolonged, involving hidden control, sham debt settlements, offshore nominees, and a coordinated promotion to create an artificial market. The scheme caused concrete harm to Alberta investors and undermined confidence in the capital markets. Can and Miller sought personal financial benefit and concealed their roles, which the Commission treated as aggravating. Permanent bans and significant monetary orders were deemed to have been necessary to protect investors and provide strong specific and general deterrence proportionate to the gravity of the fraud and manipulation.</p> |
| 18. | <b>Rustulka Investments Corp.</b> | Feb 5, 2021  | <p><u>Citation:</u> <i>Re Rustulka</i>, 2021 ABASC 15</p> <p><u>Factual Background:</u> The ASC imposed sanctions against Kenton Roy Rustulka, a former exempt-market dealing representative, for serious breaches of registrant obligations between 2013 and 2016. Rustulka sold over \$6.5 million in exempt-market securities, earning approximately \$463,000 in commissions. He deliberately falsified KYC forms, overstated clients' income, experience, and risk tolerance, and recommended unsuitable, high-risk, illiquid products. He also misrepresented the risks of these investments as "safe" or "low-risk," downplayed mandatory risk acknowledgements, and encouraged leverage and asset liquidation, exposing mostly unsophisticated, retirement-age investors to huge losses.</p>  |

| ASC Decision | Date | Sanctions Ordered by ASC  |
|--------------|------|---|
|              |      | <p><b><u>Sanctions:</u></b></p> <ul style="list-style-type: none"> <li>- Resign any existing director/officer roles and is permanently prohibited from: <ul style="list-style-type: none"> <li>o trading or purchasing securities or derivatives (no exemptions available);</li> <li>o serving as a director or officer of any issuer or securities-related entity;</li> <li>o engaging in investor relations, advising in securities, acting as a registrant, investment fund manager, or promoter;</li> <li>o acting in a management or consultative capacity in the securities market.</li> </ul> </li> <li>- Pay \$99,242.37 in disgorgement, a \$100,000 administrative penalty, and \$55,000 in costs.</li> </ul> <p><b><u>Rationale:</u></b> The ASC found that Rustulka knowingly failed to carry out fundamental registrant duties, deliberately misled clients about risk, and exploited their trust, causing substantial financial and emotional harm. His experience and training heightened his responsibility, and his personal commissions created a profit motive. While his claims of impecuniosity moderated the administrative penalty, the Commission emphasized that strong sanctions were needed for both specific and general deterrence, to protect investors and preserve confidence in Alberta's capital markets.</p> |