



Ontario  
Securities  
Commission

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## IN THE MATTER OF NICOLAS BLITTERSWYK

### STATEMENT OF ALLEGATIONS

(Subsection 127(1) and Section 127.1 of the *Securities Act*, RSO 1990 c S.5)

#### A. Order Sought

Staff of the Enforcement Branch (“**Enforcement Staff**”) of the Ontario Securities Commission (the “**Commission**”) request that the Commission make an order pursuant to subsection 127(1) and (2) and section 127.1 of the *Securities Act*, RSO 1990 c S.5 (the “**Act**”) to approve the settlement agreement dated April 19, 2018 between Enforcement Staff and Nicolas Blitterswyk (“**Blitterswyk**” or the “**Respondent**”).

#### B. FACTS

##### a. Overview

1. This matter is about misleading and unreported trading in UGE International Ltd. (“UGE”) shares by Blitterswyk, a significant UGE insider. From August 2014 to May 2016 (the “**Material Time**”), Blitterswyk traded in UGE shares without reporting his trades as an insider, contrary to subsection 107(2) the Act and National Instrument 55-104 (*Insider Reporting Requirements and Exemptions*). Although by trading in UGE shares Blitterswyk intended to act as a “market maker” and thereby to create liquidity in the limited-volume market for UGE shares, Blitterswyk’s trading had the effect of creating a misleading appearance of trading activity in UGE shares contrary to subsection 126.1(a) of the Act.

##### b. The Respondent

2. Blitterswyk is the founder, Chief Executive Officer, and a Director of UGE. Blitterswyk is 38 years old, and he has never been registered with a securities regulatory authority. Prior to UGE Blitterswyk had never held a position as a director or officer of a publicly-traded company

3. UGE is a reporting issuer in Ontario, and the Commission is its principal regulator. UGE is a nano cap company with a market capitalization below \$50 million. Its shares trade on the TSX Venture Exchange (“**TSX-V**”) under the symbol “UGE” and also trade over-the-counter in the United States under the symbol “UGEIF”.

**c. Overview of Blitterswyk's Trading in UGE Securities During the Material Time**

4. During the Material Time, Blitterswyk was a party to transactions in UGE shares listed on the TSX-V and bought and sold UGE shares over-the-counter in the United States. Blitterswyk was aware that the secondary market for UGE shares was comparatively illiquid and that there were days on which no transactions were executed in UGE shares. In this context, he adopted a course of action to place orders to buy or sell small quantities of UGE shares on numerous trading days, at random times during those days, aimed at ensuring that UGE could display some volume of trading activity to the market. His trading activities took place during a time period when the market price for UGE shares was generally trending downward. Blitterswyk's conduct, though misleading, was not aimed at manipulating the price of UGE shares.

5. Blitterswyk used three separate accounts to trade in UGE shares, of which, one was registered to his mother ("**Mother's Account**"), one was registered to his Ex-Wife ("**Ex-Wife's Account**"), and one was registered to him ("**E\*Trade Account**").

6. Blitterswyk traded actively in UGE shares as an officer and director of UGE, during the Material Time. He traded on the TSX-V and over-the counter through multiple accounts without disclosing his trading to the public, and he traded during UGE blackout periods.

***Significance of Transactions***

7. During the period starting August 13, 2014 (immediately following the commencement of trading in UGE shares on the TSX-V) and through to April 14, 2015 (the "**TSX-V Time Period**"), there were 168 trading sessions available for investors to trade UGE shares on the TSX-V. There was at least one executed transaction involving UGE shares on 137 of these trading sessions (namely, 81% of the sessions included at least one transaction in UGE shares). Trading volume in UGE shares during this time period on the TSX-V was very light, averaging approximately 7,328 shares per trading session, with an average total value traded per trading session of approximately \$12,881.

8. In this context, Blitterswyk was an active trader in UGE shares on the TSX-V during the TSX Time Period. His trading on the TSX-V was conducted entirely through his Mother's Account and he traded on 103 of the 137 trading sessions referenced above. This represented approximately 75% of the trading sessions on which UGE shares traded on the TSX-V. The total number of transactions he executed on these 137 trading sessions was 213 trades: 128 purchases and 85 sales.

9. Blitterswyk trading activities on the TSX-V reflected the following:

a. Substantial trading

- i. For over 80 of those trading sessions Blitterswyk was a party to greater than, or equal to 10% of all of the transactions in UGE shares, including over 20 trading sessions where he was a party to 100% of all transactions in UGE shares.
- ii. Blitterswyk was a party to approximately 15% of all UGE transactions executed on the TSX-V, and he was a party to transactions that represent approximately 10% of the total volume of UGE shares traded.

b. Participation as Both Buyer and Seller

- i. Market participants executed a total of 1,449 transactions in UGE shares. Blitterswyk was one of the parties (either buyer or seller) for 212 of these transactions (namely, he was a party to approximately 14.6% of all transactions executed on the TSX-V).
- ii. Market participants traded a total of 1,003,902 UGE shares on the TSX-V. Blitterswyk traded a total of 91,621 UGE shares (which represented approximately 9% of all UGE shares traded on the TSX-V). Blitterswyk purchased approximately 54,000 shares and sold approximately of 37,700.
- iii. On 26 trading sessions (namely, 18% of all trading sessions during which UGE shares traded), Blitterswyk bought and sold UGE shares during the same trading session. On 9 of these 26 sessions, Blitterswyk bought and sold the same number of shares.

- iv. One of the 213 transactions Blitterswyk transacted, which involved 100 UGE shares at a price of \$1.10 (totaling \$110), resulted in no beneficial change in ownership.

***Trading of UGE Shares in the U.S. Over-the-Counter Market***

10. During the Material Time, using the E\*Trade Account and his Ex-Wife's Account, Blitterswyk was active in placing orders to buy and/or sell UGE shares in the U.S. over-the-counter market.
11. On number of trading sessions Blitterswyk both bought and sold UGE shares involving the E\*Trade Account and his Ex-Wife's Account accounts on the same day. In addition, there were trading sessions during which Blitterswyk bought and sold UGE shares across all three accounts.

***Transactions During Blackout Periods***

12. During the Material Time, Blitterswyk was a party to transactions in UGE shares during blackout periods related to the public disclosure of UGE financial statements and material change reports. Blitterswyk engaged in trading activity during 15 blackout periods.

**d. Blitterswyk Did Not Disclose His Trading By Filing Insider Reports**

13. During the Material Time Blitterswyk was an insider of UGE pursuant to Ontario securities law. As a UGE insider, Blitterswyk failed to disclose the change in the direct or indirect beneficial ownership of, or control or direction over UGE shares he traded in the three accounts.

**C. Breaches and Conduct Contrary to the Public Interest**

14. By failing to file insider trading reports disclosing his transactions in UGE shares, and by engaging in undisclosed transactions in UGE shares that resulted in or contributed to the misleading appearance of trading activity in UGE shares, Blitterswyk engaged in a course of conduct contrary to sections 107(2) and 126.1(a) of the Act, breached Ontario securities law and acted contrary to the public interest.

**DATED** this 23<sup>rd</sup> day of April, 2018.