

ALBERTA SECURITIES COMMISSION

Citation: Re Bluforest Inc., 2018 ABASC 20

Docket: ENF-010137

Date: 20180205

NOTICE OF HEARING

To: Bluforest Inc., Cem (Jim) Can, Norman David Anderson, Charles Michael Miller, and Farhang (Fred) Dagostar Nikoo (the **Respondents**)

Notice: The Alberta Securities Commission (the **Commission**) will convene at 3:00 p.m. on Wednesday, March 14, 2018 (**Set Date**), at Calgary, Alberta, to set a date for hearing regarding the allegations in this Notice. At the hearing, the Commission will consider whether it is in the public interest to make orders against you under sections 198, 199, and 202 of the *Securities Act*, RSA 2000, c S-4, as amended (*Act*).

Location: Alberta Securities Commission, 5th Floor, 250 – 5 Street SW, Calgary, Alberta.

Procedure:

1. You may obtain disclosure and particulars of the allegations in this Notice from Don Young, c/o Alberta Securities Commission, 600, 250 - 5 Street SW, Calgary, Alberta, T2P 0R4, telephone: 403.297.2642, email: don.young@asc.ca.
2. You may be represented by legal counsel and you or your counsel may make representations and introduce relevant evidence.
3. If you or your counsel fail to attend at the Set Date, or as directed, the hearing may proceed in your absence and an order may be made against you without further notice.

See attached sections 29, 198, 199, and 202 of the Act, and Commission Rule 15-501 – Rules of Practice and Procedure for Commission Proceedings.

Reciprocation: Take notice that orders or settlements made by the Commission may form the basis for parallel orders in other jurisdictions in Canada. The securities laws of some other Canadian jurisdictions may allow orders made in this matter to take effect in those other jurisdictions automatically, without further notice to you. If an order is made or a settlement agreement is reached in relation to this Notice, you should contact the securities regulator of any other jurisdiction in which you may intend to engage in any securities-related activities.

Allegations

Parties

1. Bluforest, Inc. (**Blu**), formerly Greenwood Gold Resources Inc. until its name changed in June 2012, is a Nevada, U.S.A. corporation. It became a reporting issuer in Alberta in July 2012. For ease of reference, the company will be represented as Blu throughout this Notice.
2. Cem (Jim) Can (**Can**) is an individual and former resident of Calgary, whose present whereabouts are unknown. At all material times, he owned, controlled, and/or was the directing mind of Blu.
3. Norman David Anderson (**Anderson**) is a lawyer and resident of Calgary, Alberta.
4. Charles Michael Miller (**Miller**) is an individual and former resident of Calgary, whose present whereabouts are unknown. From and after February 2012, Miller was the President of Blu.
5. Farhang (Fred) Dagostar Nikoo (**Nikoo**), is a former mutual fund salesman and resident of Calgary, Alberta.

Circumstances

6. In December 2010, Can acquired control of Blu, a company whose securities were quoted for trading on the U.S. Over-the-Counter Quotation Board (**OTC**).

Unregistered Trading and Illegal Distribution

7. In approximately February 2012, Can, Miller, and Nikoo began selling shares of Blu to Albertans. Over the next year, in excess of \$1,000,000 was raised from the sale of Blu shares to at least seven Albertans. To varying degrees, each of Can, Miller, and Nikoo, directly or indirectly, met with prospective investors, promoted the sale of shares, negotiated the sale of shares, handled funds and share transfer documents, provided payment and wiring directions for funds, delivered shares, and deposited funds. Some of the funds raised flowed through Anderson's law firm account.
8. The Blu shares sold to Albertans were either not previously issued, or were previously issued and sold from the holdings of a control person, Can.
9. None of Can, Miller, Nikoo, and Blu were registered in accordance with Alberta securities laws as a dealer of securities or adviser. At no time was a preliminary prospectus and prospectus filed and a receipt issued by the Executive Director of the Commission for the trade of any securities of Blu. There were no reports of exempt distribution filed with respect to these trades of Blu securities.

Prohibited Transactions

10. During the course of the sale to Albertans of Blu shares, Nikoo made representations or statements as follows:
 - 10.1 to JD, that she would double her money in six months;
 - 10.2 to JD, that the shares would be listed on NASDAQ;
 - 10.3 to JD, that the shares would open on NASDAQ at a price of \$11 USD; and
 - 10.4 to CJB, that once the shares were listed on NASDAQ, they would double in price.
11. During the course of the sale to Albertans of Blu shares, Miller made representations or statements as follows:
 - 11.1 to CM, that the shares would be listed on NASDAQ;
 - 11.2 to CJB, that once the shares were listed on NASDAQ, they would double in price; and
 - 11.3 to CJB, that Blu had a tangible asset valued at \$698,962,128 USD.
12. During the course of the sale to Albertans of Blu shares, Can made representations or statements as follows:
 - 12.1 to CJB, that once the shares were listed on NASDAQ, they would double in price.
13. In March 2013, in a press release and documents filed with the Commission and the United States Securities and Exchange Commission, Blu represented it had a “tangible” asset worth almost \$700,000,000 USD.
14. Blu did not disclose in any press releases or documents filed with the Commission that Can had control and direction over and was the guiding mind of Blu, and that Can controlled the majority of Blu’s free trading shares.
15. Staff allege that the representations and statements made by Nikoo, Miller, Can, and Blu, and the omission to disclose Can’s control and direction over the company and its shares, were prohibited, misleading, unauthorized, or untrue, and would reasonably be expected to have a significant effect on the market price or value of Blu’s securities.

Artificial Price

16. From approximately November 2012 to November 2013, Blu engaged in a marketing campaign to artificially inflate the price and volumes traded of Blu shares on the OTC (**Promotional Campaign**). The Promotional Campaign, orchestrated by Can, used supposed third-party electronic and hard copy mailers to disseminate false or misleading positive information to the market regarding Blu.

17. At the peak of the Promotional Campaign, in August 2013, large volumes of Blu shares were traded daily, and the price per share rose to a closing day high of \$2 USD. At a time when it had no business operations, employees, or income, and its assets comprised alleged carbon credit agreements with non-arms length companies in Ecuador, Blu had a market capitalization of almost \$200 million USD.
18. Shortly following the sale of large volumes of controlled shares into the market for profit by some or all of Can, Miller, and Anderson, or entities owned or controlled directly or beneficially by them, and the cessation of the Promotional Campaign, the price per share of Blu declined to almost zero.

Fraud

19. Staff allege that Can and Miller directly or indirectly engaged in acts, practices, and courses of conduct that perpetrated a fraud on a person or persons. Staff allege that Anderson participated in or facilitated, and knew or ought to have known of, the fraud being perpetrated. Blu was not, and was never intended to be, an operating business. Rather, it was a vehicle through which a false promotional campaign would be run and profit made from the sale of secretly controlled shares into the market.
20. Can, Miller, and Anderson, to varying degrees, were involved in the following acts, practices, and courses of conduct in support of the fraud:
 - 20.1 creating an invoice dated January 15, 2011, from North American Investments (**NAI**) to Blu, for a fictitious debt of \$60,000 USD (**NAI Debt**);
 - 20.2 listing Anderson's home address as that of NAI in the NAI Debt invoice;
 - 20.3 Blu entering into a 'consulting agreement' with Can's company Mainland Investments Ltd. (**Mainland**), for a yearly fee of \$1,000,000 USD;
 - 20.4 listing Anderson's home address in a Mainland invoice to Blu;
 - 20.5 Anderson representing himself as beneficial owner of Lightship Capital Management Ltd. (**Lightship**), a Belizean international business company (**IBC**);
 - 20.6 Anderson opening up a trading account for Lightship with Legacy Global Markets SA (**Legacy**), a Belizean brokerage secretly owned or controlled by Greg Mulholland;
 - 20.7 Anderson having a trading account for Lightship with Unicorn International Securities LLC, a Belizean brokerage owned or controlled by Can;
 - 20.8 Blu approving the issuance of 25 million shares in purported payment for the \$60,000 NAI Debt;

- 20.9 NAI assigning those 25 million Blu shares to Lightship and other IBC's owned or controlled directly or through nominees by Can, Miller, and Anderson, among others;
- 20.10 Blu entering into non-arm's length agreements with Ecuadorian companies owned or controlled by Miller;
- 20.11 Blu signing two agreements with companies owned or controlled by Can for the sale of carbon credits;
- 20.12 Blu positively promoting the Ecuadorian and carbon credit agreements in press releases;
- 20.13 Blu issuing an additional 100,000,000 shares for \$900,000 of fictitious debt owing to various creditors—including Lightship and other IBCs owned or controlled directly or through nominees by Can, Miller and Anderson, among others;
- 20.14 transferring Blu shares to Legacy from Lightship and other offshore IBCs owned or controlled directly or through nominees by Can, Miller, and Anderson, for sale into the market;
- 20.15 secretly controlling the majority of the free trading shares of Blu;
- 20.16 engaging in the Promotional Campaign in relation to Blu; and
- 20.17 selling shares of Blu into the artificially inflated market for a profit.

Breaches

- 21. As a result of the above, Staff allege that:
 - 21.1 Nikoo breached section 75(1)(a) of the *Act*, by acting as a dealer or adviser, or both, without registration in accordance with Alberta securities laws;
 - 21.2 Can, Miller, and Nikoo breached section 110 of the *Act*, by engaging in a distribution of securities of Blu without filing a preliminary prospectus and prospectus with and receiving a receipt from the Commission;
 - 21.3 Can, Miller, Nikoo, and Blu breached section 92(4.1) of the *Act*, by making a statement that each knew or reasonably ought to have known was misleading or untrue, or failing to state a fact necessary to make a statement not misleading, and that would reasonably be expected to have a significant effect on the market price or value of Blu's securities;
 - 21.4 Can, Miller, and Nikoo breached section 92(3)(b)(i) of the *Act*, by representing without the written permission of the Executive Director of the Commission that Blu's securities would be listed on an exchange;

- 21.5 Can, Miller, and Blu breached section 93(a)(ii) of the *Act*, by directly or indirectly engaging in an act, practice, or course of conduct relating to Blu's securities that each knew or reasonably ought to have known resulted in or contributed to an artificial price for those securities;
- 21.6 Can and Miller breached section 93(b) of the *Act*, by directly or indirectly engaging in an act, practice, or course of conduct relating to Blu's securities that they knew or reasonably ought to have known perpetrated a fraud on a person or persons; and
- 21.7 Anderson breached section 93(b) of the *Act*, by directly or indirectly facilitating or engaging in an act, practice, or course of conduct relating to Blu's securities that he knew or reasonably ought to have known perpetrated a fraud on a person or persons.
22. Staff further allege that the Respondents' actions were incompatible with a fair and efficient capital market operating on accurate information and genuine supply and demand, clearly abusive, and therefore contrary to the public interest.

Calgary, Alberta, 5 February, 2018.

) ALBERTA SECURITIES COMMISSION
)
)
) *"Original Signed By"*
) _____
) David C. Linder, Q.C.
) Executive Director