



Ontario  
Securities  
Commission

Commission des  
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de l'Ontario

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## IN THE MATTER OF NICOLAS BLITTERSWYK

### SETTLEMENT AGREEMENT

#### PART I - INTRODUCTION

1. This matter is about misleading and unreported trading in UGE International Ltd. (“UGE”) shares by a significant UGE insider, Nicolas Blitterswyk (“Blitterswyk” or “the Respondent”). The Respondent improperly attempted to act as a “market maker” to create liquidity in the limited-volume market for UGE shares. No profit was generated from the Respondent’s trades in UGE shares. However, the Respondent’s trades in UGE shares, which were unreported, had the effect of creating a misleading appearance of trading activity in UGE shares.

2. The Ontario Securities Commission (the “Commission”) will issue a Notice of Hearing (the “Notice of Hearing”) to announce that it will hold a hearing (the “Settlement Hearing”) to consider whether, pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “Act”), it is in the public interest for the Commission to make certain orders against Blitterswyk.

#### PART II - JOINT SETTLEMENT RECOMMENDATION

3. Staff of the Commission (“Staff”) recommend settlement of the proceeding (the “Proceeding”) against the Respondent commenced by the Notice of Hearing, in accordance with the terms and conditions set out in Part V of this Settlement Agreement. Staff and the Respondent consent to the making of an order (the “Order”) in the form attached as Schedule “A” to this Settlement Agreement based on the facts set out herein.

4. For the purposes of the Proceeding, the Respondent agrees with the facts set out in Part III of this Settlement Agreement and the conclusion in Part IV of this Settlement Agreement.

#### PART III - AGREED FACTS

##### A. Overview

5. 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 acknowledges that his 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**

6. 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.

7. 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 Shares During the Material Time**

8. 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.

9. 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”).

10. 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*

11. 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.

12. 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.

13. 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***

14. 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.

15. On a 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***

16. 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**

17. 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.

#### **E. Mitigating Factors**

18. Blitterswyk is a novice director and officer of a startup corporation. He had never held a position as a director or officer of a publicly-traded company prior to UGE. He has never been registered with a securities regulatory authority.

19. Blitterswyk earned no profit from the impugned trading activity, whose purported purpose was to improve liquidity of UGE shares. Blitterswyk had no beneficial ownership of the shares owned or traded in his Mother's Account or Ex-Wife's Account.

20. Blitterswyk has initiated certain corporate governance changes within UGE since the conclusion of the Material Time. Among these changes, with the assistance of external counsel, UGE has reviewed its insider trading policies and added a requirement that all UGE officers and directors read and certify compliance with the insider trading policies annually. UGE has also chosen an independent Chairperson of its Board of Directors and initiated an independent committee responsible for pre-approval of trades in UGE securities by UGE insiders during Blackout Periods.

21. At the request of Staff, Blitterswyk has filed insider reports on the System for Electronic Disclosure by Insiders under his name in regard to all of the Respondent's unreported trades in UGE shares during the Material Time.

22. Blitterswyk has cooperated fully with Enforcement Staff.

#### **PART IV - CONDUCT CONTRARY TO THE PUBLIC INTEREST**

23. By engaging in the conduct described above, the Respondent admits and acknowledges that he breached Ontario securities law, and admits and acknowledges that he has acted contrary to the public interest in that:

- (a) his trades in UGE shares during the Material Time resulted in or contributed to a misleading appearance of trading activity in UGE shares;
- (b) as a UGE insider, he failed to disclose his trades in UGE shares pursuant to Ontario securities law; and
- (c) as a director and officer of an issuer, he failed to adhere to the high standard expected of him in the circumstances.

#### **PART V - TERMS OF SETTLEMENT**

24. The Respondent agrees to the terms of settlement set out below.

25. The Respondent consents to the Order, pursuant to which it is ordered that:

- (a) this Settlement Agreement be approved;

- (b) the Respondent be reprimanded, pursuant to paragraph 6 of subsection 127(1) of the Act;
- (c) the Respondent pay an administrative penalty of \$10,000, pursuant to paragraph 9 of subsection 127(1) of the Act, which amount is designated for allocation or use by the Commission in accordance with subsection 3.4(2)(b)(i) or (ii) of the Act;
- (d) trading by the Respondent in any securities of any issuers of which he is an officer or director cease for a period of 2 years commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to paragraph 2 of subsection 127(1) of the Act, except through a blind trustee or with the prior written approval of Staff;
- (e) the acquisition by the Respondent of any securities of any issuer of which he is an officer or director be prohibited for a period of 2 years commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to paragraph 2.1 of subsection 127(1) of the Act, except through a blind trustee or with the prior written approval of Staff, and excluding options he may receive that form part of his compensation and that shall not be exercised for a period of 2 years commencing on the date of the Commission's order approving this Settlement Agreement;
- (f) any exemptions contained in Ontario securities law do not apply to the Respondent for a period of 2 years, commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to paragraph 3 of subsection 127(1) of the Act;
- (g) The Respondent be prohibited from becoming or acting as a director or officer of any issuer for a period of 1 year commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to paragraph 8 of subsection 127(1) of the Act, except he will be permitted to be or act as a director and officer of UGE International Ltd.;
- (h) the Respondent shall successfully complete either the Directors Education Program of the Institute of Corporate Directors, or the Partners, Directors and Senior Officers Course of the Canadian Securities Institute within 1 year commencing on

the date of the Commission's order approving this Settlement Agreement and report his completion thereof to the Commission; and

- (i) the Respondent pay costs of the Commission's investigation, in the amount of \$5,000, pursuant to section 127.1 of the Act.

26. The amounts set out in sub-paragraphs 25(c) and (i) shall be paid by the Respondent by the date of the Commission's order approving this Settlement Agreement, in separate certified cheques payable to "the Ontario Securities Commission".

27. The Respondent acknowledges that this Settlement Agreement and the Order may form the basis for orders of parallel effect in other jurisdictions in Canada. The securities laws of some other Canadian jurisdictions allow orders made in this matter to take effect in those other jurisdictions automatically, without further notice to the Respondent. The Respondent should contact the securities regulator of any other jurisdiction in which the Respondent intends to engage in any securities - or derivatives - related activities, prior to undertaking such activities.

28. The Respondent undertakes to consent to a regulatory Order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the prohibitions set out in sub paragraphs 25(d), (e), (f) and (g) above. These sanctions may be modified to reflect the provisions of the relevant provincial or territorial law.

## **PART VI - FURTHER PROCEEDINGS**

29. If the Commission approves this Settlement Agreement, Staff will not commence or continue any proceeding against the Respondent under Ontario securities law based on the misconduct described in Part III of this Settlement Agreement, unless the Respondent fails to comply with any term in this Settlement Agreement, in which case Staff may bring proceedings under Ontario securities law against the Respondent that may be based on, among other things, the facts set out in Part III of this Settlement Agreement as well as the breach of this Settlement Agreement.

30. The Respondent acknowledges that, if the Commission approves this Settlement Agreement and the Respondent fails to comply with any term in it, the Commission is entitled to bring any proceedings necessary.

31. The Respondent waives any defences to a proceeding referenced in paragraph 29 that are based on the limitation period in the Act, provided that no such proceeding shall be commenced

later than six years from the date of the occurrence of the last failure to comply with this Settlement Agreement.

#### **PART VII - PROCEDURE FOR APPROVAL OF SETTLEMENT**

32. The parties will seek approval of this Settlement Agreement at the Settlement Hearing before the Commission, which shall be held on a date determined by the Secretary to the Commission in accordance with this Settlement Agreement and the Commission's Rules of Procedure, adopted October 31, 2017.

33. The Respondent will attend the Settlement Hearing in person.

34. The parties confirm that this Settlement Agreement sets forth all of the agreed facts that will be submitted at the Settlement Hearing, unless the parties agree that additional facts should be submitted at the Settlement Hearing.

35. If the Commission approves this Settlement Agreement:

- (a) the Respondent irrevocably waives all rights to a full hearing, judicial review or appeal of this matter under the Act; and
- (b) the parties will not make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the Settlement Hearing.

36. Whether or not the Commission approves this Settlement Agreement, the Respondent will not use, in any proceeding, this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any attack on the Commission's jurisdiction, alleged bias, alleged unfairness or any other remedies or challenges that may be available.

#### **PART VIII - DISCLOSURE OF SETTLEMENT AGREEMENT**

37. If the Commission does not make the Order:

- (a) this Settlement Agreement and all discussions and negotiations between Staff and the Respondent before the Settlement Hearing will be without prejudice to Staff and the Respondent; and
- (b) Staff and the Respondent will each be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations contained in the Statement of Allegations in respect of the Proceeding. Any such



proceedings, remedies and challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this Settlement Agreement.

38. The parties will keep the terms of this Settlement Agreement confidential until the Settlement Hearing, unless they agree in writing not to do so or unless otherwise required by law.

**PART IX - EXECUTION OF SETTLEMENT AGREEMENT**

39. This Settlement Agreement may be signed in one or more counterparts which together constitute a binding agreement.

40. A facsimile copy or other electronic copy of any signature will be as effective as an original signature.

**DATED** at “New York City” this “17<sup>th</sup>” day of “April”, 2018.

**“Xingyu Pan”**

**“Nicolas Blitterswyk”**

Witness: (print name):

Nicolas Blitterswyk

**DATED** at Toronto, Ontario, this “19<sup>th</sup>” day of “April;”, 2018.

**STAFF OF THE ONTARIO SECURITIES  
COMMISSION**

By: **“Jeff Kehoe”**

Name: Jeff Kehoe

Title: Director, Enforcement Branch



## SCHEDULE "A"

Ontario  
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### IN THE MATTER OF NICOLAS BLITTERSWYK

[INSERT COMMISSIONERS OF THE PANEL]

\_\_\_\_, 2018

#### ORDER

**Sections 127 and 127.1 of the  
*Securities Act*, RSO 1990, c S.5**

THIS APPLICATION, made jointly by Nicolas Blitterswyk (the "Respondent") and Staff of the Commission ("Staff") for approval of a settlement agreement dated \_\_\_\_, 2018 (the "Settlement Agreement"), was heard on \_\_\_\_, 2018 at the offices of the Commission located at 20 Queen Street West, 17th Floor, Toronto, Ontario;

ON READING the Statement of Allegations dated \_\_\_\_, 2018, and the Settlement Agreement and on hearing the submissions of representatives of each of the parties;

IT IS ORDERED THAT:

1. the Settlement Agreement be approved;
2. the Respondent be reprimanded, pursuant to paragraph 6 of subsection 127(1) of the Act;
3. the Respondent pay an administrative penalty of \$10,000, pursuant to paragraph 9 of subsection 127(1) of the Act, which amount is designated for allocation or use by the Commission in accordance with subsection 3.4(2)(b)(i) or (ii) of the Act;
4. trading by the Respondent in any securities of any issuer of which he is an officer or director cease for a period of 2 years, pursuant to paragraph 2 of subsection 127(1) of the Act, except through a blind trustee or with the prior approval of Staff;
5. the acquisition by the Respondent of any securities of any issuer of which he is an officer or director be prohibited for a period of 2 years, pursuant to paragraph 2.1 of subsection 127(1) of the Act, except through a blind trustee or with the prior written

approval of Staff and excluding options he may receive that form part of his compensation and that shall not be exercised for a period of 2 years commencing on the date of the Commission's order approving this Settlement Agreement;

6. any exemptions contained in Ontario securities law do not apply to the Respondent for a period of 2 years, pursuant to paragraph 3 of subsection 127(1) of the Act;
7. The Respondent be prohibited from becoming or acting as a director or officer of any issuer for a period of 1 year commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to paragraph 8 of subsection 127(1) of the Act, except he will be permitted to be or act as a director or officer of UGE International Ltd.;
8. the Respondent shall successfully complete either the Directors Education Program of the Institute of Corporate Directors, or the Partners, Directors and Senior Officers Course of the Canadian Securities Institute within 1 year commencing on the date of the Commission's order approving this Settlement Agreement and report his completion thereof to the Commission; and
9. the Respondent pay costs in the amount of \$5,000, pursuant to section 127.1 of the Act.

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