

2006 BCSECCOM 251

Notice of Hearing

**John DeVries, David DeVries, Ernest Reed Grafke,
Ralph Bromley and Wesley Campbell**

Section 161 of the *Securities Act*, RSBC 1996, c. 418

- ¶ 1 The Commission will hold a hearing at which the Executive Director will tender evidence, make submissions and apply for orders against John DeVries, David DeVries, Ernest Reed Grafke, Ralph Bromley, and Wesley Campbell (collectively, the Respondents) under sections 161, 162 and 174 of the *Securities Act*, RSBC 1996, c. 418. (the Act).
- ¶ 2 The Executive Director alleges that the following conduct and activity was contrary to the public interest.

Background

1. Amber Enterprises Ltd. (Amber) was incorporated in the Bahamas. It has never filed a prospectus under the Act.
2. John DeVries has residences in Peachland, British Columbia and the Turks and Caicos Islands. He was the President, Secretary, Director and sole shareholder of Amber.
3. David DeVries is the son of John DeVries. He is a resident of the Turks and Caicos Islands.
4. Ernest Reed Grafke (Grafke) is a resident of Texas in the United States.
5. John DeVries, David DeVries, and Grafke managed the day to day operations of Amber.
6. The New Life Church (NLC) is located in Kelowna, British Columbia. Hope for the Nations (HFTN) is a registered charitable organization operated largely by members of NLC. Wealth for the Nations (WFTN) is the governing body that oversees and distributes charitable funds generated through companies such as Amber. WFTN is based out of Barbados. The members of these organizations share certain common religious beliefs.
7. Ralph Bromley (Bromley) is a resident of Kelowna, British Columbia. He is a close personal friend of John DeVries and the President of HFTN and a pastor at NLC.

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8. Wesley Campbell (Campbell) is a resident of Kelowna, British Columbia. He was a director of HFTN and a co-founder and pastor of NLC.
9. None of the Respondents has ever been registered under the Act.

Misconduct

10. Between the spring of 2002 and November of 2003, John DeVries, with the assistance of the other Respondents, obtained funds from investors based on the promise that if they invested in Amber, they would receive the full return of their principal investment, together with a fixed amount of interest, in a single payment within a few months following their initial investment.
11. The Respondents told investors that the interest to be paid on the principal investments in Amber would be derived from profits earned by IPIC International Inc. (IPIC). Amber entered into joint venture agreements with IPIC who purportedly used investors' capital to purchase bulk lots of goods overseas for import to the United States and resale to large well-known retailers within the United States.
12. Investors invested by entering into partnership agreements with Amber (Partnership Agreements).
13. John DeVries was the guiding mind behind the Amber promotion.
14. David DeVries was responsible for overseeing administrative operations, including reviewing and approving all applications for investment in Amber by potential investors.
15. Grafke's management responsibilities included overseeing the production and dissemination of information materials to potential investors in Amber.
16. Many of the investors in Amber were members of NLC, affiliated churches or regular contributors to HFTN. Campbell and Bromley both used their positions as pastors of NLC to solicit investments in Amber by members of HFTN and NLC.
17. For its services, Amber collected fees that were paid out to John DeVries, David DeVries and Grafke.

Illegal Trading and Distribution

18. All of the Respondents were directly or indirectly involved in soliciting, facilitating or negotiating the Amber securities, contrary to 34(1) and 61 of the Act.

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Misrepresentation and Fraud

19. John DeVries and Grafke, in promoting the Partnership Agreements, made false statements to investors and potential investors, including, among other things, claims that:
 - (a) Investors would be guaranteed margins which were higher than anything they could receive in the stock market;
 - (b) Amber had conducted proper due diligence on the buyers and sellers involved in the IPIC investments;
 - (c) Amber's business would expand from hundreds of millions to billions;
 - (d) Amber was completely compliant with respect to securities laws and up to date on all filings; and
 - (e) Amber was spending significant funds to comply with securities regulations.
20. In making these and other statements, John DeVries and Grafke made misrepresentations, contrary to section 50(1)(d) of the Act.
21. John DeVries and Grafke also omitted to advise investors and potential investors of certain material facts on a timely basis or at all, including, among other things, that:
 - (a) Amber had no other source of revenue other than its dealings with IPIC;
 - (b) Amber was owed almost \$60 million by IPIC; and
 - (c) countless products supposedly purchased by IPIC with investors' monies had been stolen or had gone missing.
22. By failing to inform investors and potential investors of these and other facts, John DeVries and Grafke made misrepresentations, contrary to section 50(1)(d) of the Act.
23. In making deceitful statements to them and by failing to inform them of material facts, John DeVries and Grafke perpetrated a fraud against investors, contrary to sections 57 and 57.1 of the Act.

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24. Overall, investors suffered losses totaling approximately \$10 million USD. British Columbia investors suffered losses totaling approximately \$2 million USD.

Unfair Practice

25. John DeVries and Grafke, while engaging in investor relations activities or with the intention of effecting a trade in a security or both, represented to religiously devout individuals that a investment in Amber was sanctioned by God. This put unreasonable pressure on these individuals by exploiting their beliefs and the trust shared among them within their religious community, contrary to section 50(1)(e) of the Act.
26. John DeVries and Grafke exploited the common religious affiliation and beliefs among potential investors by making representations about investing in Amber that could not be objectively verified.

Hearing Process

- ¶ 3 At the Hearing, the Respondents may be represented by counsel, make submissions and tender evidence. The Respondents are requested to advise the Commission of their intention to attend the Hearing by informing the Secretary to the Commission at PO Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC V7Y 1L2 phone: (604) 899-6500; email: commsec@bcsc.bc.ca.
- ¶ 4 The Respondents or their counsel are required to attend at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia, on Monday, June 5, 2006, at 10:30 am if they wish to be heard before the Commission sets a date for the Hearing.
- ¶ 5 If the Respondents or their counsel do not appear at the Hearing, the Executive Director will apply to have questions of liability and sanction heard at the same time. Determinations adverse to the Respondents may be made in their absence.
- ¶ 6 May 4, 2006
- ¶ 7 Brenda M. Leong
Executive Director