

# 2012 BCSECCOM 61

## Notice of Hearing

### Damien Edward Reynolds

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

- ¶ 1 The Commission will hold a hearing (Hearing) at which the Executive Director will tender evidence, make submissions and apply for orders against Damien Edward Reynolds (Reynolds) under sections 161, 162 and 174 of the Securities Act, RSBC 1996, c. 418 (the Act), based on the following facts:

#### **Background**

1. Reynolds is a resident of Vancouver, British Columbia.
2. Coltstar Ventures Inc. (Coltstar) is a British Columbia corporation that is listed on the TSX Venture Exchange (TSX-V). From June 2009 to present, Reynolds has been a director of Coltstar. From March 22, 2010 to January 2012, Reynolds was the president and CEO of Coltstar.
3. JAT 001 Holdings Ltd. (JAT) is a British Columbia corporation. Reynolds is a director of JAT. Coltstar describes JAT in its filings with the TSX-V as both an insider of Coltstar, and a family trust controlled by Reynolds.
4. Between February 2, 2010 and March 11, 2010, the market closing price for Coltstar shares ranged between \$0.26 and \$0.33:

#### **Creating an Artificial Price in Coltstar Shares**

##### ***March 12, 2010***

5. On March 12, 2010, Coltstar shares opened at \$0.24. There was no trading in Coltstar shares until Reynolds, through a brokerage account at a Vancouver firm held in his mother's name (the Account), placed an order to sell 20,000 shares of Coltstar at a minimum price of \$0.15 per share (the First Sell).
6. Reynolds provided instructions for the First Sell at 3:49 pm (EST) from his telephone. At that time, bids for Coltstar shares had remained unchanged in the market since 9:30 am (EST) and ranged between from a low of \$0.05, and a high of \$0.24.
7. The First Sell was filled at 3:51:14 pm (EST) at:
  - (a) \$0.24 per share for 5,000 shares;
  - (b) \$0.23 per share for 5,000 shares;
  - (c) \$0.21 per share for 6,000 shares; and

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- (d) \$0.15 per share for 4,000 shares.
- 8. Coltstar's share price closed at \$0.15 on March 12, 2010, representing a decrease of \$0.12 (44% ) per share from the previous day's closing price of \$0.27. The First Sell represented 100% of the market volume that day.
- 9. On March 17, 2010, Coltstar issued a press release announcing a private placement (Private Placement). The sole placee in the Private Placement was JAT. JAT was to receive 700,000 convertible debentures, each convertible into one Coltstar common share and one warrant within five years, based on the March 12, 2010 closing price of \$0.15
- 10. Coltstar's share price steadily increased after the First Sell, with market closing prices of \$0.30 on March 17, 2010, and \$0.35 on March 18, 2010.

### ***March 19, 2010***

- 11. On March 19, 2010, Coltstar shares opened at \$0.30. There was no trading in Coltstar shares until Reynolds placed an order through the Account to sell 10,000 shares of Coltstar at prevailing market prices (the Second Sell).
- 12. Reynolds provided instructions for the Second Sell at 12:33 pm (EST) from his telephone. At the time, the highest open bid was for 5,000 shares at \$0.30. The next highest bid was for 10,000 shares at \$0.22.
- 13. The Second Sell was filled at 12:38 (EST) at:
  - (a) \$0.30 per share for 5,000 shares; and
  - (b) \$0.22 per share for 5,000 shares.
- 14. Coltstar's share price closed at \$0.22 on March 19, 2010, a decrease of \$0.13 (37%) per share from the previous day's closing price of \$0.35. The Second Sell represented 100% of the market volume that day.
- 15. On March 22, 2010, Coltstar held a meeting of the Board of Directors (Board Meeting), where Coltstar approved the granting of incentive stock options to its directors, based on the March 19, 2010 closing price of \$0.22 (Stock Options). Reynolds chaired the Board Meeting and personally received 1,000,000 optioned shares pursuant to the Stock Options.
- 16. Coltstar's share price steadily increased after the Second Sell, with market closing prices as follows:
  - (a) \$0.28 on March 23, 2010;

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- (b) \$0.28 on March 25, 2010;
- (c) \$0.50 on March 26, 2010;
- (d) \$0.40 on March 30, 2010;
- (e) \$0.43 on April 5, 2010;
- (f) \$0.49 on April 6, 2010; and
- (g) \$0.62 on April 7, 2010.

17. Between November 25, 2009 and November 12, 2010, the lowest market closing price for Coltstar shares was after the First Sell; the second lowest market closing price for Coltstar shares was after the Second Sell.
18. Reynolds, by engaging in the conduct outlined above, caused or contributed to an artificially low price for Coltstar shares, contrary to section 57(a) of the Act.

### **Public interest**

- ¶ 2 It is in the public interest that the Commission issue orders under sections 161 and 162 of the Act.

### **Hearing Process**

- ¶ 3 The Respondent or his counsel is required to attend at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia, on **March 6, 2012, at 9:00 am** if he wishes to be heard before the Commission sets a date for the Hearing. Relevant information gathered by Commission staff in the investigation of this matter will be disclosed to the Respondent upon request to the Executive Director.
- ¶ 4 At the Hearing, the Respondent may be represented by counsel, make submissions and tender evidence. The Respondent is requested to advise the Commission of his 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.
- ¶ 5 If the Respondent or his counsel do not appear at the Hearing, the Executive Director may apply to have questions of liability and sanction heard at the same time. Determinations adverse to the Respondent may be made in his absence.
- ¶ 6 February 24, 2012

Paul C. Bourque

- ¶ 7 Paul C. Bourque Q.C.  
Executive Director