

BETWEEN:

ONTARIO SECURITIES COMMISSION

(Applicant)

-and-

DOUGLAS DEBOER

(Respondent)

APPLICATION FOR ENFORCEMENT PROCEEDING

(Subsections 127(1) and 127(4.0.1) of the *Securities Act*, RSO 1990, c S.5)

I. OVERVIEW

1. The Applicant, the Ontario Securities Commission (the **Commission**), requests that the Capital Markets Tribunal (the **Tribunal**) make an order in the public interest against the Respondent, Douglas DeBoer (**DeBoer**), based on a conviction by the Ontario Court of Justice (**OCJ**), without providing the Respondent an opportunity to be heard.

2. In 2021, DeBoer pleaded guilty to and was convicted of three counts of contravening Ontario securities laws under s. 122(1)(c) of the Ontario *Securities Act*, RSO 1990, c S.5 (the **Act**): two counts of fraud, contrary to s. 126.1(1)(b) of the Act, and one count related to the breach of a temporary cease trade order issued by the Tribunal. DeBoer's conviction was based on admissions that between June 1, 2011 and December 31, 2013, he misappropriated investor funds and made false representations with respect to two separate oil investment schemes, and sold securities when he was prohibited from doing so by a temporary cease trade order.

3. For his offences, DeBoer was sentenced to three years in custody.

4. The Tribunal has jurisdiction to make orders in the public interest on an *ex parte* basis under ss. 127(1) and 127(4.0.1) of the Act where, as here, a person or company has been convicted in any jurisdiction of an offence under laws respecting securities or derivatives.

5. The order sought is in the public interest. It is necessary to restrain potential future misconduct by the Respondent that exposes Ontario investors to unacceptable risks and to deter others from engaging in securities misconduct such as fraud and the breach of a Tribunal order.

II. GROUND

A. OCJ Proceeding and Sentence

6. In an Information sworn April 24, 2018, DeBoer was charged with eight counts under s. 122(1)(c) of the Act for offences relating to the securities of “Hockley Energy” (**Hockley**) and “Rocky Point Energy” (**Rocky Point**):

- (a) two counts of engaging in an act, practice, or course of conduct related to securities that he knew or ought to have known perpetrated a fraud on Ontario investors, contrary to s. 126.1(1)(b) of the Act;
- (b) two counts of engaging in or holding himself out as engaging in the business of trading in securities without being registered to trade in securities, as required by s. 25(1) of the Act;
- (c) two counts of trading in securities, where such trading was a distribution of securities, without having filed a preliminary prospectus and prospectus and obtaining receipts for them from the Director, as required by s. 53(1) of the Act; and
- (d) two counts of trading in securities while subject to a temporary cease trade order.

7. On August 19, 2021, DeBoer pleaded guilty before the Honourable Justice A. Camara to the first, fifth, and eighth counts (the **Offences**), being:

- (a) engaging in an act, practice, or course of conduct related to securities of Hockley that he knew or ought to have known perpetrated a fraud on Ontario investors, contrary to s. 126.1(1)(b) of the Act;

(b) engaging in an act, practice, or course of conduct related to securities of Rocky Point that he knew or ought to have known perpetrated a fraud on Ontario investors, contrary to s. 126.1(1)(b) of the Act; and

(c) trading in securities of Rocky Point while subject to a temporary cease trade order.

8. DeBoer was convicted of the Offences based on admissions contained in an Agreed Statement of Facts (**ASF**), which was entered into the court record.

9. On December 14, 2021, DeBoer was sentenced to three years in custody, noted as two years on count one, concurrent to two years on count five, and one year consecutively on count eight.

B. Admitted Misconduct

10. The Commission relies on the following admissions in the ASF:

(a) on July 27, 2011 DeBoer was named in a temporary cease trade order (the **TCTO**) issued by the Tribunal in relation to a company called Ground Wealth Inc., which distributed an oil investment scheme between October 2010 and April 2011. Investors in the scheme were told that the oil wells were controlled by a company called Armadillo Energy (**Armadillo**). DeBoer was one of the directing minds of Armadillo. The Armadillo investment scheme was sold to investors in Canada and Ireland. The TCTO required that DeBoer cease trading in all securities, including Armadillo securities;

(b) the TCTO was extended until the conclusion of a Tribunal proceeding against DeBoer, which ended in a settlement agreement on January 5, 2015;

(c) beginning early 2012, DeBoer began telling investors that the Armadillo investments were ending and encouraged investors to move their investments to Hockley. Hockley's purported investment model was identical to the Armadillo project. Investors provided money to Hockley that was to be used in the extraction of oil from reserves it controlled. In exchange, investors received

- ownership over a certain number of barrels of oil yet to be extracted, and would receive their share of profits when the barrels were sold;
- (d) when difficulties began to arise with Hockley payments, a third investment opportunity was presented to investors: the Rocky Point project. Rocky Point was initially presented to investors as following the same model as Armadillo and Hockley. However, Rocky Point subsequently moved to a different model wherein investors provided a “loan” to Rocky Point by way of a promissory note. The purported purpose of the loan was to provide bridge financing for a future project (**Par-5**), which was to close imminently;
 - (e) the Par-5 project fell through by the end of March 2012. However, soliciting of investments for the Par-5 project continued months after the project had defaulted;
 - (f) eventually, payments from all three schemes ceased. Many investors lost most, if not all, of their investments;
 - (g) in total, Hockley received approximately US\$4.2 million and Rocky Point received approximately US\$3.3 million from investors;
 - (h) the Hockley and Rocky Point investments were securities as defined under the Act;
 - (i) in facilitating and promoting the sale of the Hockley and Rocky Point investment, DeBoer perpetrated a fraud in the following ways. He:
 - i. directed significant sums of investor money to purposes other than oil extractions, and to Armadillo;
 - ii. represented that Hockley was producing barrels of oil when, in reality, none of Hockley’s projects came to fruition;
 - iii. paid Hockley investors using the funds of other investors, not the sale of barrels of oil;

- iv. represented that Rocky Point had control of oil reserves and that investor money would be used to assist in oil extraction, when, in reality, Rocky Point did not control any oil reserves and had no oil to sell;
 - v. sold investments in Rocky Point for the Par-5 project after the project fell through; and
 - vi. failed to disclose to investors that he was subject to the TCTO; and
- (j) by promoting and selling the Hockley and Rocky Point investments, DeBoer breached the terms of the TCTO.

C. Jurisdiction of the Tribunal

11. Pursuant to paragraph 2 of s. 127(4.0.1) of the Act, if a person or company has been convicted in any jurisdiction of an offence under laws respecting securities and derivatives, the Tribunal may make any of the orders described in paragraphs 1 to 8.5 of s. 127(1) of the Act against the Respondent without giving the Respondent an opportunity to be heard.

12. DeBoer has been convicted by the OCJ of offences under Ontario securities laws.

13. Subsection 127(4.0.4) allows the Tribunal to make an order under s. 127(4.0.1) even if the circumstances arose before s. 127(4.0.1) came into force.

14. It is in the public interest to make the requested orders against the Respondent to protect investors and safeguard the integrity of Ontario's capital markets.

III. ORDER SOUGHT

15. The Commission requests that the Tribunal make the following orders against DeBoer:

- (a) pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by DeBoer cease permanently;

- (b) pursuant to paragraph 2.1 of subsection 127(1) of the Act, acquisition of any securities by DeBoer be prohibited permanently;
- (c) pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to DeBoer permanently;
- (d) pursuant to paragraphs 7, 8.1 and 8.3 of subsection 127(1) of the Act, DeBoer resign any positions that he holds as a director or officer of any issuer or registrant;
- (e) pursuant to paragraphs 8, 8.2 and 8.4 of subsection 127(1) of the Act, DeBoer be prohibited permanently from becoming or acting as a director or officer of any issuer or registrant;
- (f) pursuant to paragraph 8.5 of subsection 127(1) of the Act, DeBoer be prohibited permanently from becoming or acting as a registrant or promoter; and
- (g) such other order or orders as the Tribunal considers appropriate.

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ONTARIO SECURITIES COMMISSION

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