



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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IN THE MATTER OF
NATURAL BEE WORKS APIARIES INC., RINALDO LANDUCCI
and TAWLIA CHICKALO

STATEMENT OF ALLEGATIONS

(Subsection 127(1) and Section 127.1 of the *Securities Act*, RSO 1990, c S.5)

A. Order Sought

Staff of the Enforcement Branch of Ontario Securities Commission (“**Enforcement Staff**”) request that the Commission make the following orders:

1. that trading in any securities or derivatives by the Respondents Rinaldo Landucci (“**Landucci**”) and Tawlia Chickalo, also known as Tawliawhe Chickalo (“**Chickalo**”) (collectively, the “**Respondents**”) cease permanently or for such period as is specified by the Commission, pursuant to paragraph 2 of subsection 127(1) of the *Securities Act*, RSO 1990, c S.5 (the “**Act**”);
2. that the acquisition of any securities by the Respondents is prohibited permanently or for such period as is specified by the Commission, pursuant to paragraph 2.1 of subsection 127(1) of the Act;
3. that any exemptions contained in Ontario securities law do not apply to the Respondents permanently or for such period as is specified by the Commission, pursuant to paragraph 3 of subsection 127(1) of the Act;
4. that the Respondents be reprimanded, pursuant to paragraph 6 of subsection 127(1) of the Act;
5. that the individual Respondents resign any position they hold as a director or officer of an issuer or registrant pursuant to paragraphs 7 and 8.1 of subsection 127(1) of the Act;

6. that the individual Respondents be prohibited from being or acting as a director or officer of any issuer and registrant permanently or for such period as is specified by the Commission, pursuant to paragraphs 8 and 8.2 of subsection 127(1) of the Act;
7. that the Respondents each pay an administrative penalty of not more than \$1 million for each failure by the Respondent to comply with Ontario securities law, pursuant to paragraph 9 of subsection 127(1) of the Act;
8. that the Respondents disgorge to the Commission any amounts obtained as a result of non-compliance with Ontario securities law, pursuant to paragraph 10 of subsection 127(1) of the Act;
9. that the Respondents pay the costs of the Commission investigation and the hearing, pursuant to section 127.1 of the Act; and
10. such other order as the Commission considers appropriate in the public interest.

B. Facts

Enforcement Staff make the following allegations of fact:

(a) Overview

11. This matter concerns the conduct of Landucci and Chickalo, who deceived investors into purchasing shares of Natural Bee Works Apiaries Inc. (“**NBW**”) and then used the majority of the investor funds raised for their own, personal purposes.
12. For there to be fairness and confidence in Ontario’s capital markets, it is critical that issuers and their principals and representatives be appropriately registered with the Commission and ethical in their dealings with investors. Investors must be able to rely on the representations made by issuers and their representatives and be protected from unscrupulous persons and unethical and fraudulent conduct.

(b) The Respondents

13. NBW purports to be in the business of selling bee-related products. NBW was incorporated in British Columbia on June 9, 2017.
14. Landucci is a resident of British Columbia. He is the sole registered director and the directing mind of NBW.
15. Chickalo is a resident of Ontario. Chickalo was held out as President and the “face” of NBW. In reality, Chickalo did not act as NBW’s President, and played little or no role in overseeing or running NBW’s purported business operations. Chickalo’s primary function for NBW was to solicit investors, as described below.

(c) Illegal Unregistered Trading and Illegal Distribution

16. Between April 2017 and January 2018, before the Commission issued a temporary cease trade order, Chickalo solicited potential investors on behalf of NBW to purchase shares pursuant to a purported private placement.
17. Many of the investors were solicited before NBW was even incorporated. The share purchase agreements signed by many investors indicate that shares of “Bee Works Incorporated” were being acquired. Bee Works Incorporated is not a registered corporation in any Canadian jurisdiction. Most investors received NBW shares after its incorporation.
18. The shares were offered and sold in bundles of 5,000 shares, priced at \$0.25 per share, for a total cost of \$1,250 per bundle.
19. Many of the investors solicited by Chickalo were customers of her former beeswax candle business, which ceased operations in 2016. The majority of these investors invested because they knew and trusted Chickalo.
20. Chickalo was assisted in soliciting Ontario investors by one of her former candle business customers, “E.M.”, who also invested.

21. In total, Chickalo and E.M. solicited more than 65 investors who purchased more than \$250,000 worth of NBW shares. The majority of these investors reside in Ontario.
22. Chickalo and E.M. were compensated for soliciting investors. As set out in more detail below, Chickalo kept thousands of dollars from the funds she obtained from investors. E.M. received NBW shares as compensation.

(d) Misrepresentations in the Marketing Materials

23. Landucci and Chickalo prepared the marketing materials (the “**Marketing Materials**”) which were used to solicit investors.
24. The Marketing Materials contain untrue and/or misleading statements, including the following:
 - a. NBW “will be launching on Nasdaq”;
 - In fact, NBW did not list on the Nasdaq stock exchange and had never taken any meaningful steps to do so.
 - b. NBW’s “lowest launch value” on the stock exchange is \$4.00, “which creates a minimum 1600% ROI!”;
 - In fact, NBW did not list on the Nasdaq stock exchange and had never taken any meaningful steps to do so.
 - c. NBW has raised more than \$20 million from more than 200 investors and, accordingly, has already “surpassed” Nasdaq’s monetary requirement of \$5 million “to go public”;
 - In fact, NBW has raised less than \$300,000 from fewer than 80 investors.
 - d. NBW has secured a \$200 million line of credit “to start working with now!”;
 - In fact, NBW has never secured a line of credit from any institution.
 - e. NBW has “major corporate customers waiting for product”; and

- In fact, NBW has not signed contracts with any major corporate customers.
- f. NBW has property worth \$2.8 million, and as of July 2017 has \$1,900,000 worth of apiaries equipment and bees.
- In fact, NBW has never owned any real property or significant assets.
25. These statements were also made verbally by Chickalo to prospective investors.

(e) Misuse of Investor Funds

By Chickalo

26. Of the more than \$250,000 of investor funds raised by Chickalo and E.M., approximately \$125,000 was deposited directly into Chickalo's personal credit union account.
27. Chickalo transferred approximately \$90,000 of the investor funds in her credit union account to (i) two personal bank accounts controlled by Landucci, and (ii) NBW's bank account, which was also controlled by Landucci.
28. Chickalo kept the remainder of the investor funds – approximately \$35,000 – and used the majority of these funds for personal, non-NBW purposes, including for household expenses, restaurants and entertainment. Chickalo withdrew approximately \$16,000 of investor funds in cash from her credit union account.
29. Chickalo's credit union account was frozen on November 11, 2017 by Canada Revenue Agency, with a balance of less than \$60.

By Landucci

30. Landucci came to control, via his two personal bank accounts and the NBW bank account, more than \$230,000 of investor funds. These funds were derived from transfers from Chickalo's credit union account and direct deposits by investors.

31. Landucci used the majority of these investor funds for non-NBW purposes, including payments of approximately \$30,000 to a motel at which he resides. Landucci withdrew more than \$160,000 of investor funds in cash from these three accounts.

(f) Communications with Investors regarding the Temporary Cease Trade Order

32. On February 26, 2018, the Commission extended a Temporary Cease Trade Order (the “TCTO”) which it issued on February 8, 2018. The TCTO prohibits the trading of NBW securities and of any securities by NBW, Landucci and Chickalo.

33. Subsequently, Chickalo sent emails to certain NBW investors about the TCTO which contained the following or similar statements:

“This temporary Cease Order has been prompted to create a short time to confirm information that is sourced out of BC (where we are registered) and also references some material circulated at the very beginning of our investment offer, and these statements have long been corrected.

Know that we are compliant with their requests and are simply awaiting their review of materials we have submitted. (Please note that many of their allegations sound very bad and their statements do not reflect the information duly submitted proving otherwise).”

34. These statements convey, and were intended to convey, that the allegations of misconduct against the Respondents referenced in the TCTO are without merit. These assertions are false and/or misleading.

C. Breaches and Conduct Contrary to the Public Interest

Enforcement Staff allege the following breaches of Ontario securities law and/or conduct contrary to the public interest:

1. In the case of Chickalo, engaging in the business of trading in securities without the necessary registration or an applicable exemption from the registration requirement, contrary to section 25 of the Act;

2. In the case of NBW and Chickalo, trading in securities that would constitute a distribution without a prospectus or an applicable exemption from the prospectus requirement, contrary to section 53 of the Act;
3. In the case of NBW, Landucci and Chickalo, representing that the securities of NBW will be listed on an exchange, contrary to subsection 38(3) of the Act;
4. In the case of NBW, Landucci and Chickalo, engaging or participating in an act, practice or course of conduct relating to securities that they know or reasonably ought to know perpetrates a fraud on any person or company, contrary to section 126.1(1)(b) of the Act;
5. In the case of NBW, Landucci and Chickalo, making statements that they knew or reasonably ought to have known were untrue or misleading and that would reasonably be expected to have a significant effect on the market price or value of the securities of NBW, contrary to subsection 126.2 of the Act, by virtue of the statements made in marketing materials; and
6. In the case of Landucci, authorizing, permitting or acquiescing in the non-compliance with the Act by NBW, contrary to section 129.2 of the Act.

DATED this 25th day of June, 2018.

Staff of the Enforcement Branch
ONTARIO SECURITIES COMMISSION
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