

**ALBERTA SECURITIES COMMISSION  
NOTICE OF HEARING**

**Citation:** Shallow Oil & Gas Inc., Re, 2008 ABASC 476

**Date:** 20080801

**Docket:** E03807

*Securities Act, R.S.A. 2000, c. S-4 (Act)*

**To:** Shallow Oil & Gas Inc., Eric O'Brien, Abel Da Silva and Abraham Herbert Grossman (also known as Allen Grossman)

**Notice:** The Alberta Securities Commission (Commission) will convene at 9:00 a.m. on Monday, the 8<sup>th</sup> day of September, 2008, for a hearing in Calgary, Alberta, regarding the allegations in this Notice. At the hearing, the Commission will consider whether, pursuant to section 198(1.1) of the *Act*, it is in the public interest to order:

- (i) Under section 198(1)(a) of the *Act*, that all trading in or purchasing cease in respect of the securities of Shallow Oil & Gas Inc.;
- (ii) Under section 198(1)(b) of the *Act*, that you cease trading in all securities; and
- (iii) Such other order as may be appropriate under section 198 of the *Act*.

**Location:** Alberta Securities Commission, 6<sup>th</sup> Floor, 300 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta.

- Procedure:**
1. You may obtain disclosure and particulars of the allegations in this Notice from Laura Burt, Litigation Counsel, c/o Alberta Securities Commission, 4<sup>th</sup> Floor, 300 - 5 Avenue SW, Calgary, Alberta, T2P 3C4, telephone 403.297.4879.
  2. You may be represented by legal counsel and you or your counsel may make representations and introduce relevant evidence at the hearing.
  3. If you or your counsel fail to attend on Monday, the 8<sup>th</sup> day of September, 2008, or as directed, the hearing may proceed in your absence and an order may be made against you without further notice.

*See also section 29 of the Act.*

## **Allegations**

### *Summary of Breaches*

1. Staff of the Commission (Staff) alleges that it is in the public interest for the Commission to issue an order in Alberta against Shallow Oil & Gas Inc. (Shallow), Eric O'Brien (O'Brien), Abel Da Silva (Da Silva), and Abraham Herbert Grossman (also known as Allen Grossman) (Grossman) (collectively, the Respondents), based on orders issued by the Ontario Securities Commission (OSC).

### *Parties*

2. Shallow is a corporation that was incorporated in Ontario on September 24, 2007, and once carried on business out of an office in Toronto, Ontario. It maintains a website at <http://www.shallowoilinc.com>. The website provides an e-mail address: [info@shallowoilinc.com](mailto:info@shallowoilinc.com) and telephone: 1-888-434-5554, Ext.101, as well as fax: 1-888-434-5554.
3. Shallow:
  - 3.1 has never been registered to trade securities in Alberta;
  - 3.2 has never been a reporting issuer in Alberta; and
  - 3.3 has never filed with the Commission, and the Commission has never issued a receipt for a preliminary prospectus or prospectus with respect to the securities of Shallow.
4. Grossman and Da Silva are individuals resident in Ontario. At all material times, they were the directing minds of Shallow.
5. O'Brien is an individual resident in Ontario. At all material times, he was the sole director and president of Shallow.
6. Grossman is subject to a cease trade order issued by the Commission arising out of his activities with respect to Maitland Capital Ltd. After a full hearing on the merits in November 2006, the Commission issued a decision, dated June 7, 2007 (currently being appealed), that, among other things, imposed a cease trade order against Grossman for a period of 20 years.
7. O'Brien is subject to a cease trade order issued by the Commission arising out of his activities with respect to Limelight Entertainment Inc. After a full hearing on the merits in May 2007, the Commission issued a decision dated December 12,

2007, that, among other things, imposed a cease trade order against O'Brien for a period of 5 years.

8. Grossman, Da Silva and O'Brien have never been registered under the *Act* to trade securities in Alberta.

### *Circumstances*

#### The OSC Proceedings

9. On January 16, 2008, the OSC obtained an *ex parte* temporary cease trade order against Shallow Oil and certain principals of the company (the Temporary Order). The Temporary Order prohibited trading in Shallow securities as well as trading by Shallow and, among others, O'Brien, Da Silva, and Grossman.
10. On January 31, 2008, following a hearing, the OSC extended the Temporary Order until March 31, 2008. In its Reasons and Decision, dated February 15, 2008, the OSC panel found that the matter appears to involve potentially very serious conduct by, among others, Shallow, O'Brien, Da Silva and Grossman, which appears to contravene key provisions of the Ontario *Securities Act*, R.S.O. 1990, c.S.5, as amended, intended to protect investors. The OSC accepted OSC staff's preliminary evidence that:
  - 10.1 the Respondents are not registered with the OSC in any capacity;
  - 10.2 shares of Shallow have been offered for sale and sold to members of the public, in Ontario and elsewhere in Canada, by representatives of Shallow;
  - 10.3 Shallow appears to be merely a shell company with no assets;
  - 10.4 based on information collected by OSC staff during their investigation it appears that [among others] O'Brien, Da Silva and Grossman have traded in shares of Shallow or have acted in furtherance of trades in Shallow;
  - 10.5 representatives of Shallow have made representations about the future listing of the shares of Shallow in order to effect sales in those shares;
  - 10.6 no prospectus has been filed by Shallow to qualify the distribution of Shallow securities;

- 10.7 no exemption from the registration and prospectus requirements under the Act applies to the shares of Shallow or to [among others] O'Brien, Da Silva and Grossman; and
- 10.8 false or misleading information appears to have been posted on the Shallow website in furtherance of the sale of shares. The sale of Shallow shares to the public appears to have perpetrated a fraud on the members of the public who purchased the shares.
11. On March 31, 2008, the OSC further extended the Temporary Order with respect to Shallow, O'Brien, Da Silva, and Grossman until the conclusion of a hearing on the merits of the matter. At this time, a hearing date has not been set.

#### Nexus with Alberta

12. On November 21, 2007, Staff received a complaint from G.M. of Calgary, Alberta stating that a colleague of his in Alberta had been solicited in Alberta by individuals in Ontario to purchase shares in an Ontario based company called Shallow Oil & Gas Inc.
13. On December 12, 2007, Staff received an e-mail complaint from an Alberta resident named R. B. who forwarded to Staff an e-mail that he had received in Alberta from an individual referred to as "Jake" with the e-mail address [jmehofski@shallowoilinc.com](mailto:jmehofski@shallowoilinc.com). The e-mail appears to be promoting Shallow and its largest active holding, PetroMed PLC. The e-mail included a link to the Shallow website at [www.shallowoilinc.com](http://www.shallowoilinc.com).
14. In December 2007, the OSC received complaints from 3 potential investors regarding Shallow who had been solicited by telephone in Alberta to invest in Shallow and were sent emails and facsimiles in Alberta indicating that the company was positioning itself to go public in the near future. The 3 complainants live in Alberta. They did not invest in Shallow.
15. On April 22, 2008, Staff received a list of Shallow shareholders, via e-mail from Matthew Boswell, Litigation Counsel at the OSC. The list was compiled by Wayne Vanderlaan, an investigator in the enforcement branch of the OSC. It lists 33 investors in Shallow as residing in Alberta and purchasing Shallow shares between November 2007 and January 15, 2008.

#### **Relief Sought**

16. As a result of the foregoing, Staff contends that it is in the public interest for the Commission to make a reciprocal order in Alberta against the Respondents under

subsections 198(1)(a) and (b) of the *Act*, pursuant to section 198(1.1) of the *Act*, that shall remain in effect for the same duration as the OSC's Temporary Order as it may from time to time be extended.

Calgary, Alberta, August 1<sup>st</sup>, 2008.    ) ALBERTA SECURITIES COMMISSION  
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  ) \_\_\_\_\_  
  ) John P. Petch  
  ) Director, Enforcement

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