

ALBERTA SECURITIES COMMISSION

Citation: Re Roadman Investments Corp., 2020 ABASC 136

Docket: ENF-012473

Date: 20200817

**NOTICE OF HEARING**

**To:** Roadman Investments Corp. and Luke Montaine (**Respondents**)

**Notice:** The Alberta Securities Commission (the **Commission**) will convene at 9:00 am on Monday, September 28, 2020, or as otherwise directed (the **Set Date Hearing**), at Calgary, Alberta, to set a date or dates for the conduct of a hearing regarding the allegations in this Notice (the **Merits Hearing**). At the Merits Hearing, the Commission will consider whether the allegations have been proven. If so, the Commission will subsequently consider whether it is in the public interest to make orders against you under sections 198, 199, and 202 of the *Securities Act*, RSA 2000, c. S-4, as amended (the *Act*).

**Location:** Alberta Securities Commission, 5<sup>th</sup> Floor, 250 – 5 Street SW, Calgary, Alberta.

- Procedure:**
1. You may obtain document disclosure and further information about particulars of the allegations in this Notice from Don Young, c/o Alberta Securities Commission, 600, 250 - 5 Street SW, Calgary, Alberta, T2P 0R4, telephone: 403.355.4863, email: Don.Young@asc.ca.
  2. You may be represented by legal counsel or represent yourself. You or your legal counsel may make representations at the Set Date Hearing as part of the process for scheduling the Merits Hearing and the hearing management sessions that will take place between the Set Date Hearing and the Merits Hearing. At the Merits Hearing, you or your legal counsel may make representations and introduce relevant evidence regarding the allegations in this Notice.
  3. If you or your legal counsel fail to attend the Set Date Hearing, the scheduling of the Merits Hearing and the hearing management sessions may proceed in your absence without further notice, and the Merits Hearing itself may proceed in your absence without further notice, following which orders may be made against you.

*See attached sections 29, 92(4.1), 198, 199, and 202 of the Act, and Commission Rule 15-501 – Rules of Practice and Procedure for Commission Proceedings.*

**Reciprocation:** Take notice that orders or settlements made by the Commission may form the basis for parallel orders in other jurisdictions in Canada. The securities laws of some other Canadian jurisdictions may allow orders made in this matter to take effect in those other jurisdictions automatically, without further notice to you. If an order is made or a settlement agreement is reached in relation to this Notice, you should contact the securities regulator of any other jurisdiction in which you may intend to engage in any securities related activities.

## **Allegations**

### *Parties*

1. Roadman Investments Corp. (**Roadman**) is a British Columbia (**BC**) corporation with a head office in Vancouver at Suite 810 – 789 West Pender Street (**Office**).
2. Roadman is a reporting issuer in both Alberta and BC, and its shares are listed for trading on the TSX Venture Exchange (**TSXV**), and quoted for trading on the OTC Link Alternative Trading System (**OTC Link**).
3. On April 10, 2020, Roadman’s trading in the US was suspended by the U.S. Securities and Exchange Commission.
4. Luke Montaine (**Montaine**), a BC resident, is the CEO, interim CFO and a director of Roadman.

### *Circumstances*

5. Roadman is a self-described Canadian venture capital and advisory firm. In the past year alone, it has purportedly entered into letters of intent and plans of arrangement with entities engaged in lithium, blockchain, cannabis, psychedelic mushrooms and, recently, cedar leaf oil for use against the COVID-19 virus.
6. CLOV BioPharma Corp. (**CBP**) is a BC corporation incorporated on February 8, 2020.
7. Four days later, on February 12, 2020, Roadman announced it had signed a letter of intent to acquire all of CBP’s issued and outstanding shares (**Feb 12 Release**). Roadman stated, among other things, that: “The mission of CBP is to conduct further research and development of cedar leaf oil vapour...for the purposes of preventing the spread of Coronavirus.” It also stated that a Dr. Hudson would assist CBP with “further studies to research” the effectiveness of cedar leaf oil vapour “on the Coronavirus.”
8. Two days later, on February 14, 2020, Roadman announced it had entered into a definitive agreement to acquire all of the issued and outstanding shares of CBP (**Feb 14 Release**). Roadman stated, among other things, that CBP “is focused on conducting further research and development of cedar leaf oil vapour...for the purposes of preventing the spread of Coronavirus.” (*emphasis in original*)

9. On March 2, 2020, Roadman announced the resignation of David Yoo as CFO (**Yoo**) and the interim appointment of Montaine.
10. That same day, Roadman announced it had “made an expedited order of certified premium cedar leaf oil under its exclusive licensing agreement so as to expedite its research and development efforts” (**Mar 2 Release**). The Mar 2 Release also referred to “[C]ontinuing studies into killing (inactive) human respiratory viruses including...coronaviruses including [sic] COVID-19.”
11. On March 11, 2020, 1244114 BC Ltd. (**124**) was incorporated in BC.
12. The next day, March 12, 2020, 124 changed its name to Panasia Distribution Corp. (**Panasia**).
13. The next day, March 13, 2020, Roadman announced it had entered into a letter of intent to acquire Panasia (**Mar 13 Release**). Roadman stated that Panasia controlled a distribution agreement covering China and Hong Kong for CBP’s cedar leaf oil. The Mar 13 Release referred to the number of global cases and deaths due to COVID-19, and stated; “we are optimistic that their [Panasia] experience and contacts will be able to bring significant market demand for our products.”
14. On March 19, 2020, the Canadian Securities Administrators issued a news release warning against schemes seeking to take advantage of global events to lure potential investors. The warning reiterated that there was no vaccine or natural health product capable at the time of treating or protecting against COVID-19.
15. On March 26, 2020, Roadman announced it had received a purchase order for 10,000 mL of cedar leaf oil from CBP’s Hong Kong based distribution partner Shanghai Ingredients Trading Limited (**Mar 26 Release**, and **Shanghai**, respectively). Roadman also stated that:
  - 15.1 The purchase order would initially only include quantities of CBP’s cedar leaf compound “when available. We anticipate this order to be available for shipment within the next 7 business days;”
  - 15.2 Shanghai will move to integrate “the full CLOV product line once completed,” and that Shanghai and its contacts and potential buyers have “expressed interest for the CLOV products;”
  - 15.3 Montaine was “excited to announce the launch of the CLOV production line into Asia through this new purchase order of our cedar leaf oil through Shanghai;”
  - 15.4 The effectiveness of its “CLOV compound” in helping to protect personal areas from many air borne (sic) viruses and pathogens is “still under early staged research and development;” and
  - 15.5 It or CBP would order 200 litres of cedar leaf oil from CBP’s licensor within 12 months.

16. Roadman also made reference in the Mar 26 Release to the onset of COVID-19 and the latest World Health Organization statistics on global cases and deaths.
17. Contrary to the impression conveyed by the Mar 13 Release and the Mar 26 Release, the CLOV product or production line was at that time still subject to sufficient testing, regulatory analysis and compliance, commercialization and packaging, and the company had not ascertained a timeline for completion, none of which was disclosed in the releases. Roadman had zero revenue as at March 15, 2020.
18. On March 30, 2020, ASC Staff issued a production order under the *Act* to Roadman seeking, among other things, copies of agreements referenced in the above news releases and supporting documents for statements made by Roadman on COVID-19.
19. Later that same day, Roadman announced the following “clarifications” (**Mar 30 Clarification Release**) to its news releases:
  - 19.1 None of Roadman, CBP or Hudson “have conducted any research with respect to [cedar leaf oil] preventing Coronavirus;”
  - 19.2 Roadman had not conducted any in-house research and development and had no plans to do so;
  - 19.3 None of Roadman, CBP or Hudson have a sample of COVID-19, “which would be needed to conduct research of the effects of [cedar leaf oil] on Covid-19;” and
  - 19.4 Neither Roadman nor CBP had sufficient funds to fulfill its announced obligation to order 200 litres of cedar leaf oil.
20. The March 30 Clarification Release was not posted to the Roadman website, while certain other releases referred to in this Notice were.
21. Staff allege the following statements by Roadman were misleading or untrue, or failed to state a fact required to be stated, or necessary to make a statement not misleading (**Prohibited Statements**):
  - 21.1 The mission of CBP is to conduct further research and development of cedar leaf oil vapour for the purposes of preventing the spread of Coronavirus (Feb 12 Release)—it had conducted no research, had no plans to do so and did not have a sample of the virus to study;
  - 21.2 Dr. Hudson would assist CBP with “further studies to research” the effectiveness of cedar leaf oil vapour on the Coronavirus (Feb 12 Release)—it had conducted no research, had no plans to do so and did not have a sample of the virus to study;
  - 21.3 CBP is focused on conducting further “research and development of cedar leaf oil for the purposes of preventing the spread of Coronavirus” (Feb 14 Release)—it had conducted no research, had no plans to do so and did not have a sample of the virus to study;

- 21.4 Roadman or CBP, or both, were expediting “its research and development efforts” (Mar 2 Release)—it had conducted no research, had no plans to do so and did not have a sample of the virus to study;
  - 21.5 CBP shall focus on “[C]ontinuing studies” into killing coronaviruses, including COVID-19 (Mar 2 Release)—it had conducted no research, had no plans to do so and did not have a sample of the virus to study;
  - 21.6 Panasia’s experience and contacts will bring significant market demand for Roadman’s products (Mar 13 Release)—neither Roadman nor CBP had any ready product or product line;
  - 21.7 The order from Shanghai would initially only include quantities of CBP’s cedar leaf compound when available (Mar 26 Release)—neither Roadman nor CBP had any ready product or product line;
  - 21.8 Shanghai will move to integrate the full CLOV product line once completed (Mar 26 Release)—neither Roadman nor CBP had any ready product or product line;
  - 21.9 Shanghai and “its contacts and potential buyers” have expressed interest for the “CLOV products” (Mar 26 Release)—neither Roadman nor CBP had any ready product or product line;
  - 21.10 The launch of the “CLOV production line” into Asia through the purchase order of “our cedar leaf oil” (Mar 26 Release)—neither Roadman nor CBP had any ready product or product line;
  - 21.11 The effectiveness of Roadman’s “CLOV compound” was still under early stages of research and development (Mar 26 Release)—it had conducted no research, had no plans to do so and did not have a sample of the virus to study, and neither Roadman nor CBP had any ready product or product line; and
  - 21.12 It or CBP would order 200 litres of cedar leaf oil from CBP’s licensor within 12 months (Mar 26 Release)—neither Roadman nor CBP had sufficient funds to fulfill that obligation.
22. Montaine, as CEO, CFO and a director of Roadman, authorized, permitted or acquiesced in the making by Roadman, of the Prohibited Statements.
  23. Staff further allege that the Prohibited Statements, individually or collectively, would reasonably be expected to have had a significant effect on the market price or value of Roadman’s securities.
  24. For a period of approximately six weeks following the issuance of the Feb 12 Release, Roadman was one of the top five most liquid stocks on the TSXV (on March 31, 2020—it was the most liquid stock on that exchange).

25. From approximately October 1, 2019 to January 31, 2020, the average daily trading volume for Roadman's shares on the TSXV was 643,819 and 21 trades per day. The average closing price for Roadman's shares in this period was \$0.035.
26. During the period where the Prohibited Statements were made, February and March 2020, the average daily trading volume for Roadman shares was over 3.6 million (an increase of approximately 466 per cent), with several days greater than 7 million and an average of 113 trades per day. The average closing price for Roadman's shares in this period was \$0.047, an increase of approximately 35 per cent.

*Breaches*

27. As a result of the above, Staff allege the Respondents breached section 92(4.1) of the *Act* by making statements that in a material respect and at the time and in the light of the circumstances in which they were made were misleading or untrue, or which failed to state a fact required or necessary to make a statement not misleading, and would reasonably be expected to have a significant effect on the market price or value of Roadman's securities.
28. Staff further allege that the Respondents' actions as described above were clearly abusive of the disclosure expected of issuers and market participants, and thus was conduct contrary to the public interest.

Calgary, Alberta, 17 August, 2020.

) ALBERTA SECURITIES COMMISSION  
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 ) David C. Linder, Q.C.  
 ) Executive Director