

ALBERTA SECURITIES COMMISSION

Citation: Re Black Box Management Corp., 2024 ABASC 56

File No.: ENF-013198

Date: 20240402

NOTICE OF HEARING

To: **Black Box Management Corp., Invader Management Ltd., and Craig Michael Thompson (Respondents)**

Notice: The Alberta Securities Commission (the **Commission**) will convene at 11:00 a.m. on Tuesday, May 21, 2024, 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, 5th Floor, 250 – 5 Street S.W., Calgary, Alberta.

Procedure:

1. You may obtain disclosure and further information about particulars of the allegations in this Notice from Richard Van Dorp, c/o Alberta Securities Commission, 600, 250 - 5 Street S.W., Calgary, Alberta, T2P 0R4, telephone: 403.355.3869, email: richard.vandorp@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, 75(1)(a) and (c), 93(1)(b), 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. Craig Michael Thompson (**Thompson**) is an individual who resided in Calgary, Alberta during the period March 2020 September 2023 (**Relevant Period**).
2. Black Box Management Corp. (**Black Box**) is an Alberta company incorporated on August 21, 2007.
3. Invader Management Ltd. (**Invader**) is an Alberta company incorporated on January 23, 2021.
4. Thompson was the sole director and guiding mind of Black Box and Invader during the Relevant Period.

Purported Trading and Invoice Factoring Activities

5. During the Relevant Period, the Respondents received funds from investors to trade in securities on their behalf (**Trading Investors**) or to invest in invoice factoring activities (**Factoring Investors**). The Respondents raised approximately \$150 million from approximately 1,000 investors, most of whom were Trading Investors and a small number of whom were Factoring Investors.
6. Thompson represented to Trading Investors that their funds would be used to trade in securities in order to generate returns for them.
7. The Factoring Investors invested through companies owned and controlled by one individual, SD. Thompson represented to SD that the funds provided by those companies would be used for invoice factoring activities to generate returns.
8. Black Box was the primary company used by Thompson. Most investors entered into written contracts with Black Box. The majority of investor funds were deposited into bank accounts belonging to Black Box.
9. Funds from one investor were deposited into a bank account belonging to Invader, although that investor's contract was with Black Box.

10. The written contracts between Black Box and investors were labelled either Joint Venture Agreement or Joint Venture Demand Note (both are hereinafter referred to as **Investment Agreements**).
11. The Investment Agreements for Trading Investors stated that investor funds would be invested in “publicly traded companies or currencies.”
12. The Investment Agreements for Factoring Investors, the parties to which were Black Box and SD’s companies, stated that investor funds would be invested in “accounts receivable purchasing (also known as invoice factoring).”
13. In reality, only a portion of investor funds were used by the Respondents in accordance with the Investment Agreements and/or with the representations made to investors as referenced in paragraphs 6 and 7 above. The majority of investor funds were used instead to pay existing investors their principal and/or purported returns.
14. Thompson regularly provided written reports to the Trading Investors, which indicated that his trading was generating consistently positive returns. These reports also provided each investor with an update on the positive growth of their investment generated from trading; the reported returns and account balances contained in these reports were false.
15. In the fall of 2023, Thompson informed the Trading Investors that there had been a catastrophic loss. In reality, the Respondents had run out of sufficient funds to meet the demand to repay investors their principal or purported returns. The Respondents could no longer sustain the scheme.

Conduct Related to Securities

16. The Investment Agreements were securities within the meaning of section 1(ggg) of the *Act*. In addition, the activities engaged in on behalf of Trading Investors involved trading or purporting to trade in securities within the meaning of section 1(ggg) of the *Act*.

Fraudulent Course of Conduct

17. By engaging in the conduct outlined above, the Respondents deceived investors. While the Respondents engaged in some trading and invoice factoring activities with investor funds, the majority of investor funds were not used for these purposes.
18. In reality, during the Relevant Period, the Respondents were predominantly engaged in operating a Ponzi-like scheme.
19. In carrying out the scheme, some or all of the Respondents engaged in the following conduct:
 - 19.1 using investor funds for unauthorized purposes; and

- 19.2 regularly making false reports to investors of consistently positive gains and/or growth of their investments.

(collectively, **Prohibited Acts**)

Investors' Pecuniary Interests at Risk

20. By carrying out the Prohibited Acts, the Respondents put investors' pecuniary interests at risk by:
- 20.1 using investor funds for purposes contrary to the representations made to and/or agreements with investors; and
 - 20.2 putting investors at risk of losing their funds, causing investors to lose their funds and depriving investors of the opportunity to invest those funds in productive or useful activities.

The Respondents had Knowledge of the Fraud and Deception

21. Thompson, by engaging in the Prohibited Acts, had knowledge of the Prohibited Acts.
22. In carrying out the Prohibited Acts, Thompson knew or reasonably ought to have known that engaging in the Prohibited Acts could result in investors losing their money or investors' pecuniary interests being put at risk.
23. Through their guiding mind, Thompson, each of Black Box and Invader had knowledge of the Prohibited Acts and knew or reasonably ought to have known that engaging in the Prohibited Acts could result in investors losing their money or investors' pecuniary interests being put at risk.

Breach of Registration Requirements

24. During the Relevant Period, some or all of the Respondents engaged, or held themselves out as engaged, in the business of dealing in securities and/or acting as an investment fund manager by:
- 24.1 engaging in activities similar to a person or company required to be registered pursuant to National Instrument 31-103, *Registration Requirements, Exemptions and Ongoing Registrant Obligations*;
 - 24.2 intermediating or purporting to intermediate trades in securities;
 - 24.3 regularly engaging or purporting to engage in trading in securities and regularly disseminating reports to investors of positive gains and growth of their investments;
 - 24.4 being, or expecting to be, compensated for trading in securities; and
 - 24.5 soliciting funds from investors based on the representation that those funds would be used for trading in securities.

25. None of the Respondents were registered in accordance with Alberta securities laws.
26. None of the exemptions in part 8 of the National Instrument 31-103, *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, applied to the Respondents or their activities described above.

Breaches

27. As a result of the above, Staff allege that the Respondents:
 - 27.1 breached section 93(1)(b) of the *Act* by directly or indirectly engaging in an act, practice or course of conduct relating to securities that they knew or ought to have known may perpetrate a fraud on investors; and
 - 27.2 breached section 75(1)(a) and/or (c) of the *Act* by acting as a dealer and/or investment fund manager without being registered in accordance with Alberta securities laws.
28. Thompson authorized, permitted or acquiesced in Black Box's and/or Invader's breaches of sections 93(1)(b) and 75(1)(a) and (c) of the *Act*.

Calgary, Alberta, 2nd April, 2024.

) ALBERTA SECURITIES COMMISSION
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) "Original signed by"
) _____
) Samir Sabharwal
) Executive Director