

IN THE MATTER OF THE *SECURITIES ACT*,
S.N.B. 2004, c. S-5.5

AND IN THE MATTER OF

**WILLIAM GILDEA (aka BILL GILDEA),
TERRASPHERE SYSTEMS LLC,
and TERRASPHERE INC.**

(Respondent)

STATEMENT OF ALLEGATIONS

(of Staff of the New Brunswick Securities Commission)

1. TerraSphere Systems LLC ("**TerraSphere Systems**") is a corporation incorporated pursuant to the laws of Massachusetts, and has a corporate mailing address of 7A Lewis Wharf, Boston, Massachusetts, U.S.A.
2. TerraSphere Inc. ("**TerraSphere**") is a corporation incorporated pursuant to the laws of Delaware, and has a corporate mailing address of 7A Commercial Wharf West, Boston, Massachusetts, U.S.A.
3. William Gildea ("**Gildea**") is a resident of Boston, Massachusetts, U.S.A. and has a mailing address of [REDACTED], Boston, Massachusetts, U.S.A. Gildea is listed as the "Manager" of TerraSphere Systems.
4. Neither TerraSphere Systems, TerraSphere nor Gildea is registered to trade in securities in New Brunswick, nor have any of them filed a prospectus or a Report of Exempt Distribution with the New Brunswick Securities Commission (the "**NBSC**").
5. Sometime in late November or early December 2011, two New Brunswick residents (the "**New Brunswick Residents**") had conversations with Gildea about the formation of a new company called Terrasphere Systems.
6. One of the New Brunswick Residents was a principal of a company that had entered into a licensing agreement with Terrasphere. Pursuant to that agreement, a licensing fee was regularly paid to Terrasphere (the "**Licensing Fee**").
7. During these conversations about Terrasphere Systems, Gildea solicited them to invest in this new company via a Private Placement Memorandum ("**PPM**").
8. The PPM offered investment units in Terrasphere Systems consisting of one (1) share of common stock, two (2) "A" warrants and two (2) "B" warrants (the "**Investment Units**").

9. During his discussions with the New Brunswick Residents, Gildea also represented to them that Terrasphere Systems had already raised \$1.4 million dollars, and that a British Columbia resident (the "**British Columbia Resident**") had made a commitment to invest \$250,000 dollars with Terrasphere Systems.
10. As a further inducement, Gildea represented that any investment made pursuant to the PPM, in addition to purchasing Investment Units in Terrasphere Systems, would also be credited against any outstanding Licensing Fee owed to Terrasphere Inc. in order to reduce any investment risk.
11. As a direct result of the solicitations made by Gildea, the New Brunswick Residents did invest funds, ostensibly with Terrasphere Systems, in December 2011 (the "**Funds**") by wiring funds to Gildea.
12. Around the same time as the funds were wired to Gildea, Terrasphere Inc. issued a PPM of its own offering investment units consisting of one (1) share of common stock, one (1) "A" warrant and one (1) "B" warrant in Terrasphere Inc.
13. It was never made clear to the New Brunswick Residents whether the investment funds they provided to Gildea were to be credited to the Terrasphere Systems PPM or to the Terrasphere Inc. PPM.
14. Subsequent to their providing the Funds to Gildea, the New Brunswick Residents never received any shares or paperwork from either TerraSphere Systems, TerraSphere or Gildea confirming their investment.
15. Staff of the New Brunswick Securities Commission ("**Staff**") contacted the British Columbia Resident. The British Columbia Resident advised Staff that he had committed funds, about \$250,000, to Terrasphere approximately five to seven years earlier. He further indicated that Gildea had contacted him in 2011 about a PPM but that he had refused to invest.
16. The solicitations made by Gildea on behalf of TerraSphere and TerraSphere Systems constitute a distribution of securities as well as trading in securities under the *Securities Act*, S.N.B. 2004, c. S-5.5 (the "**Securities Act**"). Gildea, TerraSphere Systems LLC and TerraSphere Inc. have not brought themselves within any exemptions to New Brunswick securities laws and are therefore in breach of sections 45 and 71(1) of the *Securities Act*.
17. William Gildea, in an attempt to effect a trade in securities, made statements which he knew or ought reasonably to have known were a misrepresentation, and is therefore in breach of section 58(4) of the *Securities Act*.

Relief sought

18. Staff seek the following relief:

- Upon a hearing being conducted in this matter, an order pursuant to section 184(1)(c), 184(1)(d) of the *Securities Act* that:
 - The Respondents cease trading securities permanently or for such period of time as the Commission may deem appropriate;

All trading in any securities offered by the Respondent cease permanently or for such period as the Commission may deem appropriate;
 - Any exemptions contained in New Brunswick securities law do not apply to the Respondent permanently or for such period as the Commission may deem appropriate;
 - Pursuant to section 185(1) of the *Act* the Respondents pay the costs of the investigation;
 - Pursuant to section 185(2) of the *Act* the Respondents pay the costs of the hearing; and
 - Pursuant to section 186(1) of the *Act* the Respondents pay an administrative penalty.

DATED at the City of Saint John this 12th day of February 2013.

“original signed by”

Brian Maude
Counsel to Staff of the Commission

New Brunswick Securities Commission
Suite 300, 85 Charlotte Street
Saint John, New Brunswick E2L 2J2

Tel: (506) 658-3060
Fax: (506) 643-7793
brian.maude@nbsc-cvmnb.ca