

2011 BCSECCOM 109

Temporary Order and Notice of Hearing

Kunekt Corporation and Mark Bruk

Section 161 of the *Securities Act*, RSBC 1996, c. 418

- ¶ 1 The British Columbia Securities Commission (the Commission) will hold a hearing at which the Executive Director will tender evidence, make submissions and apply for an order that all persons cease trading in the securities of Kunekt Corporation (Kunekt) under section 161(1)(b) of the Securities Act, RSBC 1996, c. 418 (the Act), and for orders against Kunekt and Mark Bruk (Bruk) under sections 161, 162 and 174 of the Act, based on the following facts:

Background

1. Kunekt is a Nevada corporation, and its shares trade on the mid-tier of the Over-The-Counter market in the United States (the OTCQB).
2. Mark Bruk is a resident of British Columbia and is a director and officer of Kunekt.
3. At all material times, business of Kunekt has been carried on in or from British Columbia.
4. Since September 15, 2008, Kunekt has been:
 - (a) an OTC issuer pursuant to British Columbia Instrument 51-509 – *Issuers Quoted in the U.S. Over-The-Counter Markets*,
 - (b) a reporting issuer under the Act.

News Releases

5. On December 2, 2010, Kunekt issued a news release which stated that it had filed a trademark application with the United States Trademark and Patent Office in connection with smartphones and mobile phones.
6. On January 21, 2011, Kunekt issued a news release which stated that Kunekt had moved its headquarters to Hong Kong to capitalize on rapid growth of mobile phone and mobile device sales in China and India.
7. On January 24, 2011, Kunekt issued a news release which stated that it had signed agreements to acquire two Chinese mobile phone companies.

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8. On January 28, 2011, Kunekt issued a news release which stated that it had applied for trademarks for lines of smartphones, mobile phones and handheld wireless devices.

Promotion

9. In January and February, 2011, promotional material about Kunekt was disseminated on the internet, including material released by entities called Breakaway Stocks and StockReads.com (the Internet Material).
10. The Internet Material included versions of a document from Breakaway Stocks which included claims that Kunekt could provide profits of 5,192% by “June” or “Summer” 2011 (the Promotion Report). Versions of the Promotion Report appeared on the internet no later than January 24, 2011.
11. Versions of the Promotion Report include a statement that an entity called Capital Financial Media has received and managed a total production budget of \$2,500,000 “for this online advertising effort...”

Increase in Share Price and Trading Volume

12. Through most of 2010, trading in Kunekt shares was very limited. From January 1, 2010 to December 2, 2010, a total of 124,900 shares of Kunekt traded on nine days.
13. On December 3, 2010, 2,500 shares of Kunekt traded, and the closing price was \$0.51.
14. In January 2011, 20,690,517 shares of Kunekt traded, and its closing price on January 31, 2011 was \$1.20. In February, 2011, 70,802,677 shares of Kunekt traded, and its closing price on February 28, 2011 was \$2.89.

Orders Issued Under Section 89 of the Act

15. Because of the unusual trading pattern of Kunekt shares, the Executive Director issued an order under section 89 of the Act on February 28, 2011, halting trading in the securities of Kunekt until the end of March 3, 2011.
16. On March 3, 2011, the Executive Director issued another order under section 89 of the Act, halting trading in the securities of Kunekt until the end of March 8, 2011.

Efforts to Determine Reasons for Increased Share Price and Trading Volume

17. Under section 141 of the Act, the Executive Director issued two Orders for Production to Kunekt, dated March 3, 2011 and March 4, 2011 and one Order

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for Production to Bruk, dated March 3, 2011 (the Production Orders). The Production Orders each had a deadline of 1:00 p.m. on March 8, 2011.

18. Before the Executive Director issued the Production Orders, Commission staff attempted to speak to Bruk about the Internet Material.
19. The Respondents have not provided responses to the Production Orders, and Bruk has not spoken to Commission staff about the Internet Material.

Temporary Order

- ¶ 2 The Executive Director considers the length of time to hold a hearing under section 161(1) of the Act could be prejudicial to the public interest and, considering that it would be in the public interest to do so, orders that all persons cease trading in the securities of Kunekt under section 161(1)(b) of the Act.
- ¶ 3 A hearing (the Hearing) will be held at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia, on **March 22 at 9:00 am**.
- ¶ 4 At the Hearing, the Executive Director will ask the Commission to grant an order that all persons cease trading in the securities of Kunekt until
 - (a) Kunekt and Bruk have complied with the Production Orders; and
 - (b) Kunekt has generally disclosed to the public the extent to which Kunekt and its directors, officers and insiders were involved in or had knowledge of the Internet Material.
- ¶ 5 At the Hearing, the Respondents may be represented by counsel, make submissions and tender evidence. The Respondents are requested to advise the Commission of their intention to attend the Hearing by informing the Secretary to the Commission at PO Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC V7Y 1L2 phone: (604) 899-6500; email: commsec@bcsc.bc.ca.

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¶ 6 Determinations may be made in this matter if the Respondents or their counsel do not appear at the Hearing.

¶ 7 March 8, 2011

Paul Bourque

¶ 8 Paul C. Bourque, Q.C.
Executive Director