

2002 BCSECCOM 1025

Settlement Agreement

Prism Online Corporation, Jean-Marie Skelly and Barbara Leanne Nast

Securities Act, RSBC 1996, c. 418

¶ 1 The following settlement of issues has been reached between Prism Online Corporation (Prism), Jean-Marie Skelly (Skelly) and Barbara Leanne Nast (Nast), and the Executive Director.

Agreed Statement of Facts

¶ 2 As the basis for the undertakings and orders referred to in this settlement, Prism, Skelly and Nast acknowledge the following facts as correct:

1. Prism was incorporated in the state of Delaware on July 30, 1998, had its head office located in Victoria, British Columbia, and has never been registered in any capacity under the *Securities Act, RSBC 1996, c. 418*.
2. During the period from July 15, 1998 through to June 30, 2000, Prism distributed 2,844,665 of its common shares to 212 persons, from whom it raised a total of approximately US \$783,402.
3. Of the 212 persons, 83 were British Columbia residents (the BC Investors), from whom Prism raised a total of US \$128,584.
4. Prism did not file a prospectus under the Act, nor was it able to rely upon any statutory exemptions from the registration and prospectus requirements of the Act, to distribute its securities in and from British Columbia, contrary to sections 34(1) and 61(1) of the Act (the Illegal Distributions).
5. Skelly and Nast have never been registered in any capacity under the Act.
6. At all material times, Skelly and Nast were directors, and, at various times, shared the title of "Co-CEO", of Prism. Skelly and Nast participated in the Illegal Distributions, by trading in the securities of Prism without being able to rely upon any statutory exemption from the registration requirements of the Act, contrary to section 34(1) of the Act.
7. Skelly and Nast fraudulently used some of the funds, which were raised by Prism through the Illegal Distributions from persons in British Columbia and elsewhere, for personal purposes that were unrelated to the business of Prism, contrary to section 57.1 of the Act.

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8. Prism represents that it is insolvent and unable to provide the BC Investors with a right to rescind their subscription for Prism's common shares and receive a full or any refund of the amount paid to Prism.

Mitigating Factors

¶ 3 The Executive Director has taken into account the following fact as a factor mitigating the sanctions that would otherwise have applied in the public interest:

1. Prism is inactive, insolvent, and has ceased distributing its securities and soliciting money from the public; otherwise, the Executive Director would have required Prism to make restitution to the BC Investors.

Undertaking

¶ 4 Prism undertakes to:

1. comply fully with the Act, the *Securities Rules*, BC Reg. 194/97, and any applicable regulations; and
2. not say anything, in writing or orally, which may contradict the terms of this settlement or call those terms into question.

¶ 5 Skelly and Nast undertake to:

1. comply fully with the Act, the Rules, and any applicable regulations;
2. advise the British Columbia Securities Commission, in writing, of any change to either of their personal names, within two weeks of any such name change;
3. pay to the Commission the sum of \$10,000, of which \$1,000 represents the costs of the investigation; and
4. not say anything, in writing or orally, which may contradict the terms of this settlement or call those terms into question.

Order

¶ 6 Prism, Skelly and Nast consent to an order by the Executive Director (the Order) that:

1. under section 161(1)(b) of the Act, Prism ceases trading in its securities until Prism files a preliminary prospectus and a prospectus with the Executive Director, and the Executive Director issues receipts to Prism for the preliminary prospectus and prospectus;

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2. under section 161(1)(c) of the Act, any or all of the exemptions described in sections 44 to 47, 74, 75, 98 or 99 of the Act do not apply to each of Skelly and Nast, until five years after the date of the Order, except that each of Skelly and Nast may trade in securities, solely through one registered dealer, under section 45(2)(7) of the Act;
3. under section 161(1)(d) of the Act, each of Skelly and Nast resigns any position held as a director and officer of any issuer, and is prohibited from becoming or acting as a director or officer of any issuer, until five years after the date of the Order; and
4. under section 161(1)(d) of the Act, each of Skelly and Nast be prohibited from engaging in investor relations activities on behalf of any issuer, until five years after the date of the Order.

Waiver

¶ 7 Prism, Skelly and Nast waive any right they may have, under the Act or otherwise, to a hearing, hearing and review, judicial review or appeal related to, in connection with, or incidental to this settlement.

¶ 8 December 12, 2002

¶ 9 “J.M. Skelly”
Prism Online Corporation (Signing Authority)

“D. Tozer”)
Witness Signature)
Darren Tozer)
Witness Name (please print))
Main Floor – 734 Broughton)
Victoria, B.C.)
Address)
Process Server)
Occupation)

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¶ 10 December 12, 2002

¶ 11 “J.M. Skelly”
Jean-Marie Skelly

“D. Tozer”)
Witness Signature)
Darren Tozer)
Witness Name (please print))
Main Floor – 734 Broughton)
Victoria, B.C.)
Address)
Process Server)
Occupation)

¶ 12 December 12, 2002

¶ 13 “B. Nast”
Barbara Leanne Nast

“D. Tozer”)
Witness Signature)
Darren Tozer)
Witness Name (please print))
Main Floor – 734 Broughton)
Victoria, B.C.)
Address)
Process Server)
Occupation)

¶ 14 December 16th, 2002

“Stephen J. Wilson”

¶ 15 Stephen J. Wilson
Executive Director