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Settlement Agreement

Khem Singh Gill

Securities Act, RSBC 1996, c. 418

¶ 1 The following settlement of issues has been reached between Khem Singh Gill (Gill) and the Executive Director.

Agreed Statement of Facts

¶ 2 As the basis for the undertakings and orders referred to in this settlement, Gill acknowledges the following facts as correct:

1. Gill is a resident of British Columbia and has never been registered in any capacity under the *Securities Act*, RSBC 1996, c. 418.

1989 Criminal Conviction

2. On or about December 6, 1989, Gill was found guilty of obtaining by a false pretence 1,000 shares of Plaser Light Corp. from Canarim Investment Corporation, contrary to section 362(1)(a) of the *Criminal Code*, R.S.C. 1985, c. C-46 and was ordered to pay a fine and make restitution (the Canarim Offence).

3. On or about January 15, 1991, in relation to the Canarim Offence, Gill entered into an Agreed Statement of Facts and Undertaking with the Superintendent of Brokers in which he, among other things, agreed that for a period of two years:

- (a) the exemptions described in sections 30 to 32, 55, 58, 80 or 81 of the *Securities Act*, SBC 1985, c.83 were not available to him; and
- (b) he would not become or act as a director or officer.

Sale of Shares

4. From on or about February 2000 to September 2000 (the Relevant Period), Gill solicited and obtained approximately \$61,000 from individuals in British Columbia for the purported purpose of purchasing for them shares of 3Com Corporation and MVP.com (the Shares).

5. 3Com Corporation (3Com) is a publicly traded company based in the United States of America (the United States), whose principal business activity is the provision of computer products.

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6. MVP.com was a private company based in the United States that sold sports related apparel.
7. Gill did not own or have any right to sell the Shares.
8. With regard to 3Com, Gill among other things, falsely represented to individuals in British Columbia, that:
 - (a) he held a preferred client account at an United States investment dealer; and
 - (b) as such he was able to purchase shares of 3Com that were being offered for sale via an initial public offering.
9. With regard to MVP.com Gill, among other things, falsely represented to individuals in British Columbia that:
 - (a) he was a personal friend of a sports celebrity whom he linked to MVP.com;
 - (b) MVP.com was about to go public; and
 - (c) he had acquired shares of MVP.com from the sports celebrity.
10. In order to facilitate the sale of the Shares, Gill, among other things, forged signatures and created false documents. In particular he created:
 - (a) a letter addressed to himself and purportedly signed by the sports celebrity;
 - (b) a share certificate in the name of MVP.com; and
 - (c) a Registration Rights Agreement for MVP.com.

Criminal Proceedings in Relation to the Shares

11. On or about March 5, 2001, in relation to the sale of the Shares, Gill pleaded guilty and was convicted in the Provincial Court of British Columbia of committing the following offences at or near Vancouver, British Columbia:
 - (a) eight counts of defrauding approximately eight British Columbia residents, contrary to section 380(1)(a) of the Criminal Code;

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- (b) three counts of making the forged documents referred to in paragraph 2, item 10, with the intent that these forged documents be used or acted upon as genuine to the prejudice of another person, contrary to section 367 of the Criminal Code; and
 - (c) one count of using a letter prepared on the letterhead of a law firm and purportedly signed by a lawyer, while knowing it was a forgery, contrary to section 368(1)(a) of the Criminal Code.
12. As a result of the conviction outlined in paragraph 2, item 11, on or about March 7, 2001, Gill was sentenced to a term of imprisonment of nine months, followed by fifteen months of parole and pursuant to section 738 of the Criminal Code he was ordered to pay restitution to those that he had defrauded.

Breaches of the Act & Activity Contrary to the Public Interest

13. During the Relevant Period, in relation to the sale of the Shares, Gill did the following:
- (a) directly engaged in a series of transactions relating to trades in securities, when he knew that the series of transactions perpetrated a fraud on persons in British Columbia, contrary to section 57(b) of the Act;
 - (b) traded in securities with individuals in British Columbia without being registered in accordance with the requirements of the Act, and without an exemption from the registration requirements of the Act, contrary to section 34(1)(a) of the Act;
 - (c) while engaging in investor relations activities made statements which he knew were misrepresentations, contrary to section 50(1)(d) of the Act; and
 - (d) distributed securities to individuals in British Columbia without filing and obtaining a receipt for a prospectus and without an applicable exemption from the prospectus requirements of the Act, contrary to section 61(1) of the Act.

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14. In breaching these sections of the Act, Gill acted contrary to the public interest.

Mitigating Factors

- ¶ 3 The Executive Director has taken into account Gill's conviction and sentencing and in particular the compensatory order made against him as mitigating the sanctions which would otherwise have applied in the public interest.

Undertaking

- ¶ 4 Gill undertakes to do the following:
1. to comply with the Act and the *Securities Rules*, B.C. Reg. 194/97 and all applicable regulations, policies and guidelines from the date of this agreement; and
 2. not to say anything, in writing or orally, which may contradict the terms of this settlement or call those terms into question.

Order

- ¶ 5 Gill consents to an order by the Executive Director (the Order) that:
1. pursuant to section 161(1)(b) of the Act, for a period of 20 years from the date of this Order, he may only purchase securities through a single registered dealer designated in writing by him and approved by the Executive Director and that before any such purchases take place, he must deliver to the registered dealer a copy of the Order;
 2. pursuant to section 161(1)(c) of the Act, the exemptions described in sections 44 to 47, 74, 75, 98 or 99 of the Act do not apply to him for a period of 20 years from the date of the Order and he may not therefore sell any securities, except that within 12 months of the date of the Order, he may sell securities beneficially owned by him at the date of the Order, subject to the following conditions:
 - (a) that within two weeks of the Order, he must deliver a sworn declaration to the Executive Director listing all of the securities beneficially owned by him at the date of the Order;
 - (b) that any such sales must take place through a single registered dealer designated in writing by him and approved by the Executive Director;

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- (c) that before any such sales take place, he must deliver to the registered dealer a copy of the Order; and
 - (d) that no unusual effort will be made to prepare the market or create a demand for the securities;
3. pursuant to section 161(1)(d)(ii) of the Act, Gill is prohibited from being or acting as a director or officer of any issuer, for a period ending on the later of:
- (a) 20 years from the date of the Order;
 - (b) the date on which the compensation order referred to in paragraph 2, item 12, of the Settlement Agreement is satisfied; and
 - (c) the date that he has successfully completed a course of study satisfactory to the Executive Director concerning the duties and responsibilities of directors and officers of reporting issuers; and
4. pursuant to section 161(1)(d)(iii) of the Act, Gill is prohibited from engaging in investor relations activities for a period ending on the later of:
- (a) 20 years from the date of the Order;
 - (b) the date on which the compensation order referred to in paragraph 2, item 12, of the Settlement Agreement is satisfied; and
 - (c) the date that he has successfully completed a course of study satisfactory to the Executive Director concerning investor relations.

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Waiver

¶ 6 Gill waives any right he 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.

¶ 7 April 22, 2003

¶ 8 “Khem S. Gill”
Khem Singh Gill

“N. Hanna”)
Witness Signature)
Nicole Hanna)
Witness Name (please print))
1200 – 701 West Georgia Street)
Vancouver, BC V7Y 1L2)
Address)
Legal Secretary)
Occupation)

¶ 9 April 23, 2003

¶ 10 Stephen J. Wilson
Executive Director