

2004 BCSECCOM 218

Order

Michael Jerome Knight

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

Background

- ¶ 1 The Executive Director has entered into a Settlement Agreement with Michael Jerome Knight, a copy of which is attached as Schedule A.

The Order

- ¶ 2 The Executive Director, considering it to be in the public interest to do so, orders by consent that:
1. under sections 161(1)(b) and (c) of the Act, Knight cease trading in securities for three years from the date of the Order except that Knight may rely on the exemption in section 45(2)(7) of the Act to trade in two RRSP and one non-RRSP accounts in his own name through a registered dealer, as long as Knight provides the registered dealer with a copy of the Order before any trade takes place;
 2. under section 161(1)(d) of the Act, Knight must resign any position he holds as a director or officer of any issuer, except as set out in part 4, paragraph 3;
 3. under section 161(1)(d) of the Act, Knight is prohibited from becoming or acting as a director or officer of any issuer, except for an issuer in which he is the sole director, officer and shareholder and provided that the issuer does not provide management, promotion, consulting or administrative services to any reporting issuer or registrant, for the later of:
 - (a) three years from the date of the Order,
 - (b) the date Knight successfully completes a course of study satisfactory to the Executive Director concerning the duties and responsibilities of directors and officers, and
 - (c) the date Knight satisfies his undertaking to pay \$15,000 to the Commission; and

2004 BCSECCOM 218

4. under section 161(1)(d) Knight is prohibited from engaging in investor relations activities for three years from the date of the Order.

¶ 3 April 5, 2004

“Stephen J. Wilson”

¶ 4 Stephen J. Wilson
Executive Director

2004 BCSECCOM 218

Settlement Agreement

Michael Jerome Knight

Securities Act, RSBC 1996, c. 418

- ¶ 1 The following settlement of issues has been reached between Michael Jerome Knight and the Executive Director.

Agreed Statement of Facts

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

Background

1. Knight was at all material times a senior officer and director of 3644871 Canada Inc. (Aspen Group). As such, he was required to ensure that any distribution of securities by Aspen Group complied with the *Securities Act*, R.S.B.C. 1996, c.418 (the Act).
2. Knight was registered under the Act as a mutual fund salesperson between 1992 and 1995 but was not registered at the material times and is not currently registered.
3. Aspen Group was federally incorporated on July 29, 1999 and became registered as an extra-provincial company in British Columbia on May 5, 2000.
4. Aspen Group was not a reporting issuer, and its shares were not listed and posted for trading on any exchange. Aspen Group has not filed a prospectus, preliminary prospectus or offering memorandum with the Commission.
5. In December 1999, Knight sold 200,000 shares of Aspen Group to two British Columbia investors for proceeds of \$100,000 (the Aspen Group Investors).
6. Also in December 1999, another British Columbia resident, not Knight, sold 96,000 shares of Aspen Group to 12 investors for proceeds of \$48,000.
7. The shares of Aspen Group were from Aspen Group's treasury and had not been previously issued. The sale was therefore a distribution under the Act, for which a prospectus and registration were required. No exemptions from these requirements under the Act were available.

2004 BCSECCOM 218

8. The proceeds from Knight's sale of Aspen Group shares to the Aspen Group Investors represented substantially all of the capital of Aspen Group at the time. Knight did not disclose this to the Aspen Group Investors.
9. Knight told the Aspen Group Investors that the Aspen Group shares were eligible for a registered retirement savings plan (RRSP). Knight failed to disclose to the Aspen Group Investors that the RRSP eligibility of the Aspen Group shares was dependent on certain assumptions about Aspen Group's capital structure that, if not true, meant that the investment was not RRSP eligible.

Breaches of the Act and Actions Contrary to the Public Interest

10. Knight distributed Aspen Group shares to the Aspen Group Investors without a prospectus, contrary to section 61 of the Act.
11. Knight sold Aspen Group shares to the Aspen Group Investors without being registered to do so under the Act, contrary to section 34 of the Act.
12. Knight, as a director and officer of Aspen Group, failed to exercise the care, diligence and skill of a reasonably prudent person as required by sections 118 and 135 of the *Company Act*, RSBC 1996, c.62, and contrary to the public interest.
13. Knight's failure to disclose to the Aspen Group Investors all the material information in his possession regarding Aspen Group was contrary to the public interest.

Undertaking

¶ 3 Knight undertakes to:

1. comply with the Act and the *Securities Rules*, B.C. Reg. 194/97;
2. pay to the Commission the sum of \$15,000 of which \$7,500, including \$4,000 which represents investigation costs, must be paid at the time of settlement;
3. not to apply for registration under the Act for three years from the date of the Executive Director's order consented to in this settlement (the Order); and
4. not to say anything, in writing or orally, which may contradict the terms of this settlement or call those terms into question.

Order

¶ 4 Knight consents to an Order that:

2004 BCSECCOM 218

1. under sections 161(1)(b) and (c) of the Act, Knight cease trading in securities for three years from the date of the Order except that Knight may rely on the exemption in section 45(2)(7) of the Act to trade in two RRSP and one non-RRSP accounts in his own name through a registered dealer, as long as Knight provides the registered dealer with a copy of the Order before any trade takes place;
2. under section 161(1)(d) of the Act, Knight resign any position he holds as a director or officer of any issuer, except as set out in part 4, paragraph 3;
3. under section 161(1)(d) of the Act, Knight be prohibited from becoming or acting as a director or officer of any issuer, except for an issuer in which he is the sole director, officer and shareholder and provided that the issuer does not provide management, promotion, consulting or administrative services to any reporting issuer or registrant, for the later of:
 - (a) three years from the date of the Order,
 - (b) the date Knight successfully completes a course of study satisfactory to the Executive Director concerning the duties and responsibilities of directors and officers, and
 - (c) the date Knight satisfies his undertaking to pay \$15,000 to the Commission; and
4. under section 161(1)(d) Knight be prohibited from engaging in investor relations activities for three years from the date of the Order.

2004 BCSECCOM 218

Waiver

¶ 5 Knight 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.

¶ 6 March 24, 2004

“Michael Jerome Knight”

¶ 7 _____
Michael Jerome Knight

“Taryn Grant” _____)
Witness Signature _____)
Taryn Grant _____)
Witness Name (please print) _____)
304 – 2929 W. 4th Avenue _____)
Vancouver, BC V6K 4T3 _____)
Address _____)
Businesswoman _____)
Occupation _____)

¶ 8 April 5, 2004

“Stephen J. Wilson”

¶ 9 Stephen J. Wilson
Executive Director