

## **Settlement Agreement**

**Robert Scott Morrice**

*Securities Act, RSBC 1996, c. 418*

- ¶ 1 The Executive Director of the British Columbia Securities Commission (the Executive Director) and Robert Scott Morrice (Morrice) agree as follows:

### **Agreed Statement of Facts**

#### ***Background***

1. Morrice is a retired lawyer who lives in Victoria, British Columbia.
2. Donald Gordon Byrne (Byrne) is a British Columbia resident and was a friend and business associate of Morrice's prior to 2006.
3. In 2006, Byrne and Morrice talked about incorporating a mining company because Morrice had prior knowledge about obtaining ticker symbols for companies on the United States Over-the-Counter markets (OTC) and selling them after incorporation. After their discussion, Morrice incorporated Edgemont Mining Inc. (Edgemont) in Nevada for this purpose.
4. Around the same time, Morrice incorporated in Nevada two other mining companies for other persons for the purpose of assisting them in obtaining ticker symbols for the companies on the OTC. The two companies were:
  - (a) Interfac Mining Inc. (Interfac); and
  - (b) Jupiter Resources Inc. (Jupiter)
5. At all material times, Edgemont, Interfac, and Jupiter had minimal assets, no revenue, and no active mining business (collectively, the Companies).
6. Morrice was primarily responsible for maintaining the Companies and caused each of them to be quoted on the OTC. He was responsible for their filings with the United States Securities and Exchange Commission (SEC), and he instructed their transfer agents and auditors.
7. From 2006 to August 2008, each of the Companies had an officer and director who resided in British Columbia (BC Directors). Morrice was not listed as an officer or director of record for any of the Companies.

8. In order to obtain an OTC ticker symbol, Morrice advised Byrne to find seed shareholders for Edgemont, and he advised the directors of Jupiter and Interfac to find seed shareholders for those companies as well.

***The new OTC rule***

9. In July 2008, Corporate Finance Compliance staff sent letters addressed to the Companies informing them that because they had significant connections to British Columbia, a new OTC rule, BC Instrument 51-509 (OTC Rule), applied to the Companies.
10. The OTC Rule was an initiative to address the potential harm caused to the reputation of British Columbia's securities markets by abusive activities from British Columbia market participants through over-the-counter markets in the United States.
11. The OTC Rule imposed for the first time:
  - (a) filing requirements for OTC reporting issuers, and
  - (b) restrictions on the resale of OTC securities.

***Morrice arranged for nominee directors outside British Columbia***

12. Morrice told Byrne that the new OTC Rule made it too onerous for Edgemont to be maintained and sold from British Columbia. He then told Byrne about Jupiter and Interfac, and he suggested that the new OTC Rule might be avoided by finding people outside of British Columbia who could become officers and directors. However, Morrice agreed to continue to assist with the administration of the Companies' affairs from British Columbia.
13. As a result of Morrice's suggestion, Byrne contacted his family in Saskatchewan and asked them to help find new officers and directors for the Companies (Saskatchewan Directors).
14. The Saskatchewan Directors were a farmer, a welder and a freight broker. None of them had any experience in mining or had ever held any executive positions with a company. The Saskatchewan Directors were all friends, and they were all residents of Saskatchewan. They thought the Companies were going to be sold and they would be paid some money.
15. In September 2008, just days before the OTC Rule was in effect and after he had acquired the Saskatchewan Directors' signatures, Morrice filed documents with the SEC stating that:
  - (a) the Companies' head offices moved from British Columbia to Saskatchewan;
  - (b) the Companies' British Columbia presidents stepped down and new presidents from Saskatchewan were appointed; and
  - (c) the new Saskatchewan presidents purchased shares from the British Columbia presidents.

16. However, the Saskatchewan Directors did not use their own money to pay for the shares they had purportedly purchased from the BC Directors. Morrice directed Byrne to have the Saskatchewan Directors write cheques to make it appear that they purchased shares. Some of the Saskatchewan Directors' cheques were never cashed. For others, Morrice transferred money he received from one of the BC Directors into the Saskatchewan Directors' accounts to cover the amount of the cheques written.
17. The Companies were essentially inactive and the Saskatchewan Directors did not perform any executive role for the Companies. Their role was limited to signing documents at the request of Morrice.
18. Since only one of the Saskatchewan Directors had a computer or fax machine, Morrice would send that director documents for his signature. For the other two directors, who did not have a computer or fax machine, Morrice would send the documents to Byrne's family who would then drive the documents over to their homes for their signatures.
19. The Saskatchewan Directors did not control any of the Companies' money. The Companies' bank accounts remained in Vancouver and the former BC Directors remained as the signing authorities on the accounts.

***Morrice sold the Jupiter shell company***

20. In May 2009, Morrice received some inquiries about the potential sale of Jupiter and assisted in the sale of its shares to a third party who was represented by a lawyer from New Jersey.
21. Morrice then rendered an account for legal services to Jupiter for approximately \$100,000 and was paid from the proceeds of sale.

**Conduct Contrary to the Public Interest**

22. Morrice:
  - (a) suggested to Byrne that he arrange for directors for the Companies outside of British Columbia to avoid the application of the OTC Rule;
  - (b) facilitated the transfer of seed shares of Jupiter that were not his; and
  - (c) filed disclosure with the SEC saying that the Companies' head offices and directors had moved to Saskatchewan when he ought to have known that they effectively had not.
23. This conduct was contrary to the public interest because by doing so, Morrice harmed the reputation, credibility, and integrity of British Columbia's securities markets.
24. It is in the public interest that the Executive Director issue an order under section 161 of the Act.

### **Order**

¶ 2 The Executive Director will issue an order that:

1. Under section 161(1)(d)(i) of the Act, Morrice must resign from any position he holds as a director or officer of any issuer, except he may remain a director and officer of R.S. Morrice Personal Law Corporation;
2. Under section 161(1)(d)(ii) of the Act, Morrice is prohibited from becoming or acting as a director or officer of any issuer or registrant for 12 years, except a private issuer for which he beneficially owns 100% of the outstanding shares;
3. Under section 161(1)(d)(iii) of the Act, Morrice is prohibited from becoming or acting as a registrant or promoter for 12 years;
4. Under section 161(1)(d)(iv) of the Act, Morrice is prohibited from acting in a management or consultative capacity in connection with activities in the securities market for 12 years; and
5. Under section 161(1)(d)(v) of the Act, Morrice is prohibited from engaging in investor relations activities for 12 years.

### **Consent to Regulatory Orders**

¶ 3 Morrice consents to a regulatory order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the orders set out in paragraphs 1 to 5 above.

### **Waiver**

¶ 4 Morrice 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.

**Counterpart**

¶ 5 This Settlement Agreement may be executed in counterpart or by facsimile execution and all such counterparts of executed copies or faxed copies shall be read or construed together as if they formed one originally executed document.

¶ 6 April 23, 2015

*R. Morrice*

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Robert Scott Morrice

*Mark Green* \_\_\_\_\_ )

Witness Signature \_\_\_\_\_ )

*Mark Green* \_\_\_\_\_ )

Witness Name (please print) \_\_\_\_\_ )

*2625 Arbutus Rd* \_\_\_\_\_ )

*Victoria, BC* \_\_\_\_\_ )

Address \_\_\_\_\_ )

*Clergy* \_\_\_\_\_ )

Occupation \_\_\_\_\_ )

¶ 8 April 27, 2015

*Paul Bourque*

¶ 9 \_\_\_\_\_  
Paul C. Bourque, Q.C.  
Executive Director