

IN THE MATTER OF THE *SECURITIES ACT*,
R.S.O. 1990 c. S.5, as amended

- and -

IN THE MATTER OF
STAFFORD KELLEY (“Kelley”)

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. By Notice of Hearing dated July 11, 2005, the Ontario Securities Commission (the “Commission”) announced that it would hold a hearing to consider whether, pursuant to sections 127 and 127.1 of the Ontario Securities Act, R.S.O. 1990, c.S.5, as amended (the “Act”), it is in the public interest to make an order that:

- (i) Kelley cease trading in any securities;
- (ii) Kelley be prohibited from acquiring securities
- (iii) Kelley be reprimanded;
- (iv) Kelley resign any position he currently holds as an officer or director of any issuer;
- (v) Kelley be banned from acting as an officer or director of any issuer;
- (vi) Kelley pay costs of the investigation of this matter; and,
- (vii) such other order as the Commission may deem appropriate.

II. JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission (“Staff”) recommend settlement of the proceeding initiated in respect of Kelley in accordance with the terms and conditions set out below. Kelley consents to the making of an order against him in the form attached as Schedule “A” on the basis of the facts set out below.

III. STATEMENT OF FACTS

A. Acknowledgement

3. Only for the purposes of this proceeding, and any other proceeding commenced by a securities regulatory agency, Kelley agrees with the facts as set out in Part III of this Settlement Agreement.

B. Facts

4. Until 2006, Kelley, of Oakville, Ontario, was registered with the Commission as an Officer and Director of Medallion Capital Corp. (“Medallion”). Medallion was registered with the Commission as a Limited Market Dealer and, among other things, provided investor relations consulting services to junior public companies.

5. Hucamp Mines Limited (“Hucamp”), a junior mining company, was a reporting issuer in Ontario until becoming dormant in early 2002. Until October 9, 2000 common shares in Hucamp were quoted on the Canadian Dealing Network (“CDN”). From October 10, 2000 until early 2002 when trading in Hucamp was halted, common shares in Hucamp were listed for trading on the CDNX exchange.

6. John Illidge (“Illidge”) was the President and CEO of Hucamp from March, 1996 until May, 2001. He was Chairman of Hucamp from May, 2001 to September 6, 2001.

7. Illidge was also a director of Rampart Mercantile Inc. (“Mercantile”) from December 1999 until his resignation on September 19, 2001. Mercantile was the parent corporation of Rampart Securities Inc. (“Rampart”), a Toronto brokerage house. Rampart was a member of the IDA until its membership was terminated on January 21, 2002.

8. Kelley first met Illidge in approximately 1997. In June 2000, Kelley was approached by Illidge, who asked that Kelley have Medallion provide Investor Relations services and act as a “market maker” for Hucamp. Initially, Kelley declined this invitation but, after several approaches by Illidge, he agreed to have Medallion act for Hucamp for one year and an agreement to this effect was signed on January 3, 2001 (the “January 3 Agreement”).

9. Medallion was paid \$8,000.00 per month pursuant to the January 3 Agreement. Payments started in February and ended in July 2001. In addition, Medallion entered into a side agreement with Sloop Investments (“Sloop”) pursuant to which Medallion received the right to purchase 500,000 Hucamp shares at fixed prices (the “Sloop Agreement”). The Sloop Agreement permitted Medallion to purchase one twelfth of 500,000 Hucamp shares each month for the duration of the January 3 Agreement. The first 250,000 of these shares were made available at \$0.25 per share and the second 250,000 shares were made available at \$0.50 per share. The optioned shares were deposited to a safekeeping

account at Thompson Kernaghan in the name of Medallion and drawn down as agreed upon.

10. The Sloop Agreement was negotiated by Kelley with Patricia McLean (“McLean”). McLean was a director of Hucamp from March 1996 until June 30, 2001, the Secretary of Hucamp until she was terminated from the position in May 2001 and also a member of the corporate finance department of Rampart. She was a registered representative with Rampart between February 2000 and February 2001.

11. Prior to signing the Sloop Agreement, Kelley did not know or ask who controlled Sloop. During the course of his work for Hucamp, however, it became clear that Illidge was connected with Sloop. For example, Illidge directed Kelley about where to make payments to Sloop.

12. Kelley was aware at the time that Medallion entered into the January 3 Agreement with Hucamp that the majority of the Hucamp shares were held in accounts at Rampart. Kelley understood that Illidge and others through Mercantile controlled Rampart. Kelley had observed that shares of Hucamp had been high closed at the end of November, 2000. Illidge acknowledged to Kelley at that time that he had wanted to keep the price of the Hucamp shares at \$2.00 or above at month end so that Rampart would give margin on the shares.

13. Kelley and Medallion traded shares of Hucamp between January 30, 2001 and March 20, 2002.

14. At the material time during 2001, Kelley traded Hucamp shares in two accounts in the name of “Stafford Kelley” (held at National Bank Financial and Nesbitt Burns), and four accounts in the name of “Medallion Capital Corp.” (held at Canaccord, McDermid St. Lawrence, National Bank Financial and Nesbitt Burns).

15. Kelley also had trading authority for a company called Elkhorn Capital Corp. (“Elkhorn”). On June 7, 2001 Colin James (“James”) and Henry Kloepper (“Kloepper”) met with Kelley and represented to him that Kloepper was the principal of Elkhorn and wanted to accumulate a position at Hucamp. James represented that he was the Company’s lawyer. Elkhorn accounts were opened at Thompson Kernaghan and at Canaccord over which Kelley was granted trading authority.

16. Elkhorn was referred to Kelley by Illidge. Kelley was aware that Illidge had loaned money to Elkhorn.

17. Pursuant to the January 3, 2001 Agreement, Kelley participated in an effort to “clean up the market” by getting Hucamp shares into the hands of new investors and Elkhorn. Elkhorn was a dominant purchaser of Hucamp stock from June to late 2001 through trading done in the accounts at Canaccord and Thompson Kernaghan, and elsewhere.

18. Kelley had a computer terminal that permitted him to see the market for Hucamp and what brokers were buying and selling. Sometimes, Kelley gave the directions on both sides of trades of Hucamp shares. On at least 12 occasions, the Medallion accounts engaged in sales to Elkhorn accounts (4 times on June 14, 2001; 2 on June 28, 2001; and 1 on each of July 9, July 19, July 26, August 10, August 21, and August 24, 2001).

19. Kelley engaged in wash trades. On March 23, 2001, the account of “Stafford Kelley” at First Marathon sold 1,000 Hucamp shares at \$1.80 to the account of “Medallion Capital Corp.” at Canaccord. On September 19, 2001, the account of “Medallion Capital Corp.” at First Marathon bought 3,500 Hucamp shares at \$1.00 from the “Medallion Capital Corp.” account at Nesbitt Burns and 1,500 Hucamp shares at \$1.00 from the “Stafford Kelley” account at Nesbitt Burns.

20. Also on March 23, 2001, at Kelley’s direction, the account of “Medallion Capital Corp.” at Canaccord bought Hucamp shares in ten trades, all but one at the same or successively higher prices. The purchases were made as follows:

1.	5,000	@	\$1.75 (8:10 a.m.)
2.	5,000	@	\$1.75 (8:30 a.m.)
3.	4,000	@	\$1.75 (9:09 a.m.)
4.	1,000	@	\$1.78 (9:33 a.m.)
5.	10,000	@	\$1.80 (9:33 a.m.)
6.	10,000	@	\$1.85 (11:42 a.m.)
7.	10,000	@	\$1.90 (11:45 a.m.)
8.	1,000	@	\$1.80 (12:35 p.m.)
9.	2,500	@	\$1.89 (12:53 p.m.)
10.	10,000	@	\$1.90 (12:53 p.m.)

The eighth trade described above, the only one of the ten trades at a price below the previous trade, was the wash trade described above.

21. Following these ten trades, a company controlled by an investor client known to Kelley, made the last two purchases of Hucamp shares that trading day: 3,000 shares at \$1.94 and 9,500 shares at \$1.95. There was no news release respecting Hucamp on

March 23, 2001 that would have justified any increase in the price of the shares of the company.

22. Kelley's trading had the effect of generating the appearance of market activity in Hucamp by selling and buying Hucamp shares in the same market. For example, on March 26, 2001, the first trading day following March 23, 2001 (when Medallion purchased 58,500 shares), Medallion sold 60,000 Hucamp shares at \$1.88 to an account in the name of St. James Capital, an account controlled by Illidge. On June 22, 2001, at Kelley's direction, Elkhorn's Canaccord account purchased 3,000 shares at \$1.95 at 8:37 a.m., then bought 6,000 shares at \$1.95 at 11:08 a.m. At 1:03 p.m., Elkhorn's Thompson Kernaghan account purchased 3,000 shares at \$2.00. Throughout the period from March until the fall of 2001, Kelley was a frequent participant on both sides of the market.

23. Medallion's sale of 60,000 shares at \$1.88 on March 26, 2001 was the last trade of the day at the highest price of the day. Prices for the three trades in Hucamp shares earlier that day were \$1.80, \$1.75 and \$1.75.

24. At certain times during 2001, Kelley and Medallion had access to information about Hucamp that had not yet been disclosed to the public as a result of Medallion's work as Hucamp's investor relations consultant.

25. Kelley acknowledges that his conduct, as described in paragraphs 4 to 24 above, was contrary to the public interest.

26. Kelley and Medallion have provided undertakings to Staff that they will not apply for registration with the Commission in any capacity.

C. Position of the Respondent

27. Kelley is almost 76 years old. He has worked as an officer, director and investor relations consultant to public companies since 1975.

28. The business of Hucamp was the development of mining properties in Canada. It was a legitimate business with interests in properties that appeared to have value. Kelley perceived Hucamp to have real potential as a mining company.

29. Before entering into the January 3 Agreement, Kelley advised Illidge that any activity relating to manipulating the price of Hucamp shares for margin purposes would have to stop.

30. Kelley and Medallion's investor relations work for Hucamp included making investors aware of the company and finding buyers for the stock. Kelley sold some of the shares of Hucamp acquired pursuant to the Sloop Agreement from time to time to pay office and administrative expenses.

31. Kelley was involved in Elkhorn's trading for only approximately four months. During that time, Elkhorn also traded Hucamp through accounts over which Kelley had no authority and in which he had no involvement. Kelley was not aware that Elkhorn was trading through other accounts at the time.

32. After October 9, 2001, Kelley ceased directing any trading in Elkhorn accounts.

33. During the relevant period during 2001, Kelley was unaware of the identity of other accounts trading large volumes of Hucamp, and the relationship of those accounts

to Illidge. In particular, Kelley was unaware that Medallion's sale of 60,000 shares of Hucamp on March 26, 2001 was to an account controlled by Illidge.

34. Kelley directed trades for Elkhorn during June, July, August, September and early October 2001 pursuant to instructions from James and Kloepper to accumulate shares for Elkhorn at prices up to or exceeding \$2.00 a share.

35. Kelley did not ever accept any trading instructions in respect of those Elkhorn accounts from Illidge.

36. The Elkhorn purchases directed by Kelley during that time were made pursuant to instructions received from Kloepper and James to accumulate shares of Hucamp in Elkhorn's accounts. Kelley notified them whenever he intended to sell shares of Hucamp to Elkhorn from Medallion's accounts.

37. The 1,000 share wash trade on March 23, 2001 was not intentional. Medallion did a lot of buying that day in response to selling pressure from accounts over which Kelley had no control. A total of 72,000 shares changed hands that day. The wash trade was at one of the lower prices of the day, and did not affect the market price.

38. The wash trade on September 19, 2001 also was not in accordance with Kelley's instructions. Kelley instructed Paradigm to transfer funds from Medallion's account at Paradigm (for which First Marathon provided back office services) to Kelley's account at Nesbitt Burns, which was in a debit position. Kelley did not instruct Nesbitt Burns to sell shares from his account and Medallion's that day.

39. Kelley had no beneficial interest in the company referred to in paragraph 22 and did not direct its trading in Hucamp on March 23.

40. On first trading day following March 23, 2001 (when Medallion had purchased 58,500 shares) Medallion sold 60,000 Hucamp shares at \$1.88 to an unknown purchaser after learning that another broker had an order to purchase a large number of shares.

41. Kelley did not agree to assist Illidge to manipulate trading in Hucamp shares. However, he acknowledges that he ignored various red flags indicating that Illidge or some group, including Elkhorn, was likely attempting to gain control of Hucamp. Although he did not appreciate it at the time, Kelley agrees that it now appears that the trading volume in shares of Hucamp was inflated during 2001 and that the trading by Elkhorn was part of an attempt to maintain the price. Kelley agrees that that trading volume could have influenced the public market.

42. Medallion lost money as a result of its dealing with Hucamp in relation to the January 3, 2001 Agreement.

43. Kelley continued to carry out the undertakings of Medallion set out in the January 3, 2001 Agreement until March 2002 even though Hucamp stopped paying Medallion in July 2001. Kelley made several efforts to convince other investors to take control of Hucamp to salvage the company and its projects.

IV. TERMS OF SETTLEMENT

44. The following terms of settlement, agreed to between Staff and Kelley, have been agreed to by Staff in light of the age of Kelley. But for Kelley's age, Staff would not have agreed to these terms given the seriousness of the conduct described in paragraphs 4 to 24 above.

45. The Respondent agrees to the following terms of settlement:

(a) The Commission will make an Order under section 127 of the Act that:

(i) Kelley shall cease trading in any securities for a period of five (5) years with the exception that Kelley will be permitted:

(a) to sell, exclusively for his own benefit, any securities that he beneficially and legally owns as of the date of this Order; and

(b) to exercise, exclusively for his own benefit, any option or warrant that he legally and beneficially owns as of the date of this Order, entitling him to purchase shares, and to sell said shares;

(ii) Kelley shall be reprimanded;

(iii) Kelley shall resign any position he currently holds as an officer or director of any registrant or reporting issuer;

(iv) Kelley shall be banned for a period of ten (10) years from acting as an officer or director of any reporting issuer or registrant; and

(b) The Commission will make an order under section 127.1 of the Act that Kelley pay costs of the investigation of this matter in the amount of \$10,000.00 within 90 days of the Order.

V. STAFF COMMITMENT

46. If this Settlement Agreement is approved by the Commission, Staff will not initiate any proceeding under Ontario securities law in respect of any conduct or alleged conduct of Kelley in relation to the facts set out in Part III of this Settlement Agreement, subject to the provisions of paragraph 50, below.

VI. PROCEDURE FOR APPROVAL OF SETTLEMENT

47. Approval of this Settlement Agreement shall be sought at the public hearing of the Commission scheduled for May 12, 2008, or such other date as may be agreed to by Staff and Kelley in accordance with the procedures described in this Settlement Agreement.

48. Staff and Kelley agree that if this Settlement Agreement is approved by the Commission, it will constitute the entirety of the evidence to be submitted respecting Kelley's conduct in this matter, and Kelley agrees to waive his right to a full hearing, judicial review, or appeal of the matter under the Act.

49. Staff and Kelley agree that if this Settlement Agreement is approved by the Commission, Kelley will not make any public statement inconsistent with this Settlement Agreement and that Staff will not make any public statement inconsistent with Parts I, II, III-A, III-B, IV, V, VI and VII of this Settlement Agreement.

50. If Kelley fails to honour the agreement contained in the preceding paragraph of this Settlement Agreement, Staff reserve the right to bring proceedings under Ontario securities law against Kelley based on the facts set out in Part III of this Settlement Agreement and based on the breach of this Settlement Agreement.

51. If, for any reason whatsoever, this Settlement Agreement is not approved by the Commission or an order in the form attached as Schedule “A” is not made by the Commission, each of Staff and Kelley will be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations in the Notice of Hearing and Statement of Allegations, unaffected by this Settlement Agreement or the settlement negotiations.

52. Whether or not this Settlement Agreement is approved by the Commission, Kelley agrees that he will not, in any proceeding, refer to or rely upon this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any attack on the Commission’s jurisdiction, alleged bias, appearance of bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

VII. DISCLOSURE OF AGREEMENT

53. The terms of this Settlement Agreement will be treated as confidential by all parties hereto until approved by the Commission, and forever if, for any reason whatsoever, this Settlement Agreement is not approved by the Commission, except with the written consent of both Kelley and Staff or as may be required by law.

54. Any obligations of confidentiality shall terminate upon approval of this Settlement Agreement by the Commission execution of settlement agreement.

55. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.

56. A facsimile copy of any signature shall be as effective as an original signature.

DATED this 12th day of May, 2008

Signed in the presence of:

“Linda Fuerst”

Witness

“Stafford Kelley”

**Stafford Kelley
Respondent**

DATED this 8th day of May, 2008

STAFF OF THE ONTARIO SECURITIES

Acting Director “Kelley McKinnon”

Per:

**Michael Watson
Director, Enforcement Branch**

SCHEDULE 'A'

IN THE MATTER OF THE *SECURITIES ACT*,

R.S.O. 1990 c. S.5, as amended (the "Act")

- and -

IN THE MATTER OF

STAFFORD KELLEY ("Kelley")

ORDER

(Sections 127 and 127.1)

WHEREAS on July 11, 2005, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 127 and 127.1 of the Act in respect of Kelley, and others;

AND WHEREAS the Respondent and Staff of the Commission entered into a settlement agreement dated May 12, 2008 (the "Settlement Agreement") in which they agreed to a settlement of the proceeding subject to the approval of the Commission;

AND UPON reviewing the Settlement Agreement and the Statement of Allegations of Staff of the Commission, and upon hearing the submissions from counsel for Kelley and for Staff of the Commission;

AND WHEREAS Kelley and Medallion Capital Corp. have undertaken to the Commission that neither of them will ever apply to the Commission for registration in any capacity contemplated by the Act;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED THAT:

- (1) the Settlement Agreement attached to this Order is hereby approved;
- (2) pursuant to section 127 of the Act:
 - (a) Kelley shall cease trading in any securities for a period of five (5) years with the exception that Kelley will be permitted:
 - (i) to sell, exclusively for his own benefit, any securities that he beneficially and legally owns as of the date of this Order; and
 - (ii) to exercise, exclusively for his own benefit, any option or warrant that he legally and beneficially owns as of the date of this Order, entitling him to purchase shares, and to sell said shares;
 - (b) Kelley shall be reprimanded;
 - (c) Kelley shall resign any position he currently holds as an officer or director of any registrant or reporting issuer;
 - (d) Kelley shall be banned for a period of ten (10) years from acting as an officer or director of any reporting issuer or registrant; and
- (3) pursuant to section 127.1 of the Act that Kelley pay costs of the investigation of this matter in the amount of \$10,000.00 within 90 days of the Order.

Dated at Toronto on this 13th day of May, 2008

“James E. A. Turner”

James E. A. Turner

“Margot C. Howard”

Margot C. Howard