



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

P.O. Box 55, 19<sup>th</sup> Floor  
20 Queen Street West  
Toronto ON M5H 3S8

CP 55, 19<sup>e</sup> étage  
20, rue queen ouest  
Toronto ON M5H 3S8

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## **SCHEDULE "A"**

### **IN THE MATTER OF THE *SECURITIES ACT***

**R.S.O. 1990, c. S.5, AS AMENDED**

**– AND –**

### **IN THE MATTER OF SCOTT EDWARD PURKIS**

## **SETTLEMENT AGREEMENT BETWEEN STAFF OF THE ONTARIO SECURITIES COMMISSION AND SCOTT EDWARD PURKIS**

### **PART I – INTRODUCTION**

1. The Ontario Securities Commission (the "Commission") will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S-5, as amended (the "Act"), it is in the public interest for the Commission to make certain orders in respect of Scott Edward Purkis (the "Respondent").

### **PART II – JOINT SETTLEMENT RECOMMENDATION**

2. Staff of the Commission ("Staff") agree to recommend settlement of the proceeding commenced by Notice of Hearing dated August 24, 2010 (the "Proceeding") against the Respondent according to the terms and conditions set out in Part V of this Settlement Agreement. The Respondent agrees to the making of an order in the form attached as Schedule "A", based on the facts set out below.

### **PART III – AGREED FACTS**

3. For this proceeding, and any other regulatory proceeding commenced by a securities regulatory authority, the Respondent agrees with the facts as set out in Part III of this Settlement Agreement.

#### **A. OVERVIEW**

4. From the autumn of 2006 to January 2010, the Respondent was a business development representative of a company carrying on business as Agoracom Investor Relations (“Agoracom”), an on-line investor relations firm. The business of Agoracom includes moderating client discussion forums, posting information and news to the client forums, and sometimes assisting in the editing and disseminating of press releases. In order to post messages on the discussion forums anonymously, users are required to create a username and provide an e-mail address.
5. Agoracom account representatives were required to make postings using aliases. The Respondent also had several aliases created for him by an Agoracom account representative, upon his request. With the knowledge of the Respondent’s superiors, he used these aliases to participate in discussion forums as an investor or potential investor and posted comments on the client forums, without identifying himself as an Agoracom representative.
6. The Respondent sometimes posted comments using aliases, encouraging purchasing and/or holding of stock. In some instances, he held shares of that same issuer.
7. Agoracom’s compensation for its services frequently included stock options granted to it by its clients. The Respondent was entitled to receive a percentage of any profit realized by Agoracom by exercising options of those clients who the Respondent had helped Agoracom acquire.
8. The Respondent executed agreements with clients on behalf of Agoracom, without knowledge or understanding about the applicable laws, rules, regulations, notices and policies of the stock exchange that would apply to issuers.

9. Agoracom did not prohibit ownership or trading in client securities and did not have any written policies concerning the dissemination of client information, or the use of client information in the personal trading of employees.
10. Between February 2007 and July 2008, the Respondent engaged in insider trading and/or tipping conduct with respect to press releases involving clients of Agoracom whose securities were publicly listed in Canada. The clients of Agoracom were reporting issuers within the definition of the Act (“Reporting Issuers”) or issuers whose securities were publicly listed elsewhere in Canada (“Issuers”).
11. The Respondent, an active trader in small cap issuers, engaged in at least eight (8) trading events whereby he had knowledge of material facts with respect to Agoracom’s clients, which facts had not been generally disclosed. In total, the illegal trading yielded profits of approximately \$9,431.00.
12. The Respondent also engaged in at least eight (8) tipping events whereby he informed one or more persons outside of Agoracom of material facts with respect to Agoracom’s clients, which facts had not been generally disclosed.

## **B. INSIDER TRADING AND TIPPING - REPORTING ISSUERS**

### **i) Kinbauri Gold Corp (now Orvana Minerals Corp) (“Kinbauri”)**

13. In July 2008, Kinbauri was a Reporting Issuer and a client of Agoracom. The Respondent was in a special relationship with Kinbauri within the definition of “special relationship” set out at section 76(5)(c) and (e) of the Act.
14. On July 7, 2008, the Respondent obtained knowledge of a pending positive press release from Kinbauri, and on July 8, 2008, the Respondent obtained the press release from Kinbauri regarding positive drill results (the “Kinbauri Material Facts”).
15. Contrary to section 76(2) of the Act, on July 7 and 8, 2008, the Respondent informed six (6) persons outside of Agoracom of the Kinbauri Material Facts before they had been generally disclosed.

16. Contrary to section 76(1) of the Act, on July 8, 2008, the Respondent traded in securities of Kinbauri with knowledge of the Kinbauri Material Facts, that had not been generally disclosed. The Respondent profited \$55.00 from these trades.
17. Later on July 8, 2008, the press release was released to the newswires.

**ii) Sage Gold Inc. (“Sage Gold”)**

18. In July 2007, Sage Gold was a Reporting Issuer and a client of Agoracom. The Respondent was in a special relationship with Sage Gold within the definition of “special relationship” set out at section 76(5)(c) and (e) of the Act.
19. On July 20, 2007, the Respondent obtained knowledge of a pending positive press release from Sage Gold relating to assay results (the “Sage Gold Material Facts”).
20. Contrary to section 76(2) of the Act, on July 20, 2007, the Respondent informed a person outside of Agoracom of the Sage Gold Material Facts before they had been generally disclosed.
21. Contrary to section 76(1) of the Act, on July 20 and 24, the Respondent purchased securities of Sage Gold with knowledge of the Sage Gold Material Facts, that had not been generally disclosed.
22. On July 24, 2007, trading in the securities of Sage was halted, the press release was released to the newswires, and trading resumed.
23. Later on July 24, 2007, the Respondent sold securities of Sage Gold. The Respondent profited \$1,950 from these trades.

**C. INSIDER TRADING AND TIPPING – ISSUERS**

**i) Torch River Resources Ltd. (“Torch River”)**

24. In February 2007, Torch River was an Issuer and a client of Agoracom.
25. On February 6, 2007, the Respondent obtained knowledge of a pending press release from Torch River relating to a private placement (the “Torch River Material Facts”).

26. Contrary to the public interest, on February 7, 2007, the Respondent purchased securities of Torch River with knowledge of the Torch River Material Facts, that had not been generally disclosed.
27. On February 8, 2007, the press release was released to the newswires, and on February 9, 2007, the Respondent sold securities of Torch River and profited \$675.00 from these trades.

**ii) Canadian Shield Resources, Ltd. (“Canadian Shield”)**

28. In January 2008, Canadian Shield was an Issuer and a client of Agoracom.
29. On January 28, 2008, the Respondent obtained a draft press release from Canadian Shield relating to assay results (the “Canadian Shield Material Facts”).
30. Contrary to the public interest, on January 28, 2008, the Respondent informed a person outside of Agoracom of the Canadian Shield Material Facts before they had been generally disclosed.
31. Contrary to the public interest, on January 28, 2008, the Respondent purchased securities of Canadian Shield with knowledge of the Canadian Shield Material Facts, that had not been generally disclosed.
32. On the January 29, 2008, trading in the securities of Canadian Shield was halted, the press release was released to the newswires, and trading resumed. Later on January 29, 2008, the Respondent sold securities of Canadian Shield and profited \$1,200 from these trades.
33. Contrary to the public interest, on February 22, 2008, the Respondent informed one person outside of Agoracom and on February 25, 2008, the Respondent informed another person outside of Agoracom of material facts relating to a pending press release before the material facts had been generally disclosed. The press release was disseminated on February 27, 2008.

**(iii) Grizzly Diamonds Ltd. (now Grizzly Discoveries Inc.) (“Grizzly Diamonds”)**

34. Between February 2008 and June 2009, Grizzly Diamonds was an Issuer and a client of Agoracom.
35. The Respondent obtained knowledge of material facts relating to Grizzly Diamonds, respecting three press releases dated February 19, 2008, June 13, 2008 and June 19, 2008, that had not been generally disclosed (the “Grizzly Diamonds Material Facts”).
36. Contrary to the public interest, the Respondent informed a total of four (4) persons outside of Agoracom of the Grizzly Diamond Material Facts before they had been generally disclosed.
37. Contrary to the public interest, the Respondent purchased securities of Grizzly Diamonds with prior knowledge of the facts set out in the with knowledge of the Grizzly Diamonds Material Facts, that had not been generally disclosed. The Respondent profited \$2,490 from these trades.

**iv) Golden Chalice Resources Inc. (“Golden Chalice”)**

38. Golden Chalice was an Issuer and a client of Agoracom.
39. On May 13, 2008, the Respondent obtained knowledge of a pending press release from Golden Chalice relating to a diagram depicting survey results (the “Golden Chalice Material Facts”).
40. Contrary to the public interest, the Respondent informed a person outside of Agoracom of the Golden Chalice Material Facts before they had been generally disclosed.
41. Contrary to the public interest, on May 13, 2008, the Respondent purchased securities of Golden Chalice with knowledge of the Golden Chalice Material Facts, that had not been generally disclosed.
42. On May 14, 2008, the press release was released to the newswires, and on May 14, 2008, the Respondent sold securities of Golden Chalice and profited \$3,061 from these trades.

**D. ALIAS POSTING**

43. The Respondent had aliases created for him by an Agoracom account representative, at his request, and he used these aliases to post comments on the client forums as an investor or potential investor, without identifying himself as an Agoracom representative.
44. At a trade show, the Respondent disclosed the fact that he was the person behind certain aliases. Shortly after that event, Agoracom principals issued a false statement suggesting that the Respondent was the only employee who made such postings. Despite the Respondent's conduct being publicly condemned by Agoracom's principals, his employment continued and alias postings by account representatives continued.
45. After the above-noted statement was released, the Respondent ceased making any further alias postings.

#### **E. PROMOTIONAL POSTING WHILE HOLDING SHARES**

46. The Respondent sometimes made postings on Agoracom's client forums using alias identities, encouraging the purchasing and/or holding of client securities. In some instances the Respondent made those postings while he held shares of that same issuer.
47. The Respondent's Offer of Employment from Agoracom states that a portion of his compensation was a percentage of any stock options granted to Agoracom as a result of new clients acquired by the Respondent. The Respondent was entitled to receive a percentage of any profit realized by Agoracom by exercising such options.

#### **PART IV – CONDUCT CONTRARY TO ONTARIO SECURITIES LAW AND THE PUBLIC INTEREST**

48. By posting on Agoracom's client forums using aliases and not identifying himself as an Agoracom employee, the Respondent engaged in conduct contrary to the public interest.
49. By making postings on Agoracom's client forums using aliases encouraging the purchasing and/or holding of securities, while holding shares of that same issuer, the Respondent engaged in conduct contrary to the public interest.

50. By trading securities of Reporting Issuers with knowledge of material facts with respect to the Reporting issuers that had not generally been disclosed, the Respondent has breached Ontario securities law by contravening subsection 76(1) of the Act.
51. By trading securities of Issuers with knowledge of material facts with respect to the Issuers that had not generally been disclosed, the Respondent engaged in conduct contrary to the public interest.
52. By informing other persons of materials facts with respect to Reporting Issuers before the material facts with respect to the Reporting Issuers had been generally disclosed, the Respondent has breached Ontario securities law by contravening subsection 76(2) of the Act.
53. By informing other persons of materials facts with respect to Issuers before the material facts with respect to the Issuers had been generally disclosed, the Respondent engaged in conduct contrary to the public interest.

#### **PART V – RESPONDENT’S POSITION**

54. The Respondent requests that the settlement hearing panel consider the following mitigating circumstances:
  - i) The Respondent acknowledges the infractions as described herein, takes full responsibility for his actions and has co-operated fully with the Commission in its investigation of this matter;
  - ii) The Respondent is not and has never been a registrant in any capacity;
  - iii) Upon receiving an inquiry from another securities regulator wherein it was suggested that one of his trades in client securities was made on the basis of inside information, the Respondent immediately informed his superiors. The Respondent’s employment at Agoracom continued but after that event, he did not trade in client securities in circumstances where he may have been aware of material non-public information;

## PART VI – TERMS OF SETTLEMENT

55. The Respondent agrees to the terms of settlement listed below.
56. The Commission will make an order pursuant to section 127(1) and section 127.1 of the Act that:
- (a) The settlement agreement is approved.
  - (b) Trading in any securities by or of the Respondent cease for a period of 7 years commencing on the date of the Commission's order, save and except for:
    - i) Trading in securities held in any Registered Retirement Savings Account held in the Respondent's name, excepting that trading in individual equities of any issuer shall be prohibited;
    - ii) Trading of securities held in any Registered Educational Savings Plan held for the benefit of any child of the Respondent, excepting that trading in individual equities of any issuer shall be prohibited;
    - iii) Trading in securities held in any Tax Free Savings Account held in the Respondent's name, excepting that trading in individual equities of any issuer shall be prohibited;
    - iv) Liquidating trades, or exercising warrants as the case may be, in the following securities held by the Respondent, and unrelated to his employment at Agoracom:
      - 1. 14,285 warrants of Lateegra Gold Corp. expiring June 30, 2011;
      - 2. 100,000 warrants of Global Hunter, expiring December 2, 2011;
      - 3. 120,000 warrants of Silvershield Resources expiring December 15, 2011;

4. 17,500 warrants of IBC Advanced Alloys Corp., expiring March 23, 2012; and
  5. 80,000 warrants of Active Control, expiring in December of 2014.
- (c) Any exemptions contained in Ontario securities law do not apply to the Respondent for a period of 7 years commencing on the date of the Commission's order.
  - (d) The Respondent is prohibited from becoming or acting as a registrant, as an investment fund manager or as a promoter for a period of 7 years commencing on the date of the Commission's order.
  - (e) The Respondent is prohibited from becoming or acting as a director or officer of any issuer, registrant or investment fund manager for a period of 7 years commencing on the date of the Commission's order.
  - (f) The Respondent will make a settlement payment to the Commission in the sum of \$18,862 obtained as a result of his non-compliance with Ontario securities law for the allocation to or for the benefit of the Investor Education Fund.
  - (g) The Respondent will pay the costs of the Commission's investigation in the amount of \$5,000.
  - (h) The Respondent will cooperate fully with any ongoing proceedings relating to his employment at Agoracom, including testifying.
57. The Respondent agrees to personally make any payments ordered above by certified cheque upon the Commission's approval of this Settlement Agreement. The Respondent will not be reimbursed for, or receive a contribution toward, this payment from any other person or company.
58. The Respondent undertakes to consent to a regulatory Order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the prohibitions set out in sub-paragraphs 56(b) to (e) above. These prohibitions may be modified to reflect the provisions of the relevant provincial or territorial securities law.

## **PART VII – STAFF COMMITMENT**

59. If the Commission approves this Settlement Agreement, Staff will not commence any proceeding under Ontario securities law in relation to the facts set out in Part III of this Settlement Agreement, subject to the provisions of paragraph 60 below.
60. If the Commission approves this Settlement Agreement and the Respondent fails to comply with any of the terms of the Settlement Agreement, Staff may bring proceedings under Ontario securities law against the Respondent. These proceedings may be based on, but are not limited to, the facts set out in Part III of this Settlement Agreement as well as the breach of the Settlement Agreement.

## **PART VIII – PROCEDURE FOR APPROVAL OF SETTLEMENT**

61. The parties will seek approval of this Settlement Agreement at a public hearing before the Commission scheduled for September 8, 2010, or on another date agreed to by Staff and the Respondent, according to the procedures set out in this Settlement Agreement and the Commission's Rules of Practice.
62. Staff and the Respondent agree that this Settlement Agreement will form all of the agreed facts that will be submitted at the settlement hearing on the Respondent's conduct, unless the parties agree that additional facts should be submitted at the settlement hearing.
63. If the Commission approves this Settlement Agreement, the Respondent agrees to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.
64. If the Commission approves this Settlement Agreement, neither party will make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the settlement hearing.
65. Whether or not the Commission approves this Settlement Agreement, the Respondent will not use, in any proceeding, this Settlement Agreement or the negotiation or process of approval of this agreement as the basis for any attack on the Commission's

jurisdiction, alleged bias, alleged unfairness, or any other remedies or challenges that may otherwise be available.

#### **PART IX – DISCLOSURE OF SETTLEMENT AGREEMENT**

66. If the Commission does not approve this Settlement Agreement or does not make the order attached as Schedule “A” to this Settlement Agreement:
- i) this Settlement Agreement and all discussions and negotiations between Staff and the Respondent before the settlement hearing takes place will be without prejudice to Staff and the Respondent; and
  - ii) Staff and the Respondent will each be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations contained in the Statement of Allegations. Any proceedings, remedies and challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this agreement.
67. Both parties will keep the terms of the Settlement Agreement confidential until the Commission approves the Settlement Agreement. At that time, the parties will no longer have to maintain confidentiality. If the Commission does not approve the Settlement Agreement, both parties must continue to keep the terms of the Settlement Agreement confidential, unless they agree in writing not to do so or if required by law.

#### **PART X – EXECUTION OF SETTLEMENT AGREEMENT**

68. The parties may sign separate copies of this agreement. Together, these signed copies will form a binding agreement.
69. A fax copy of any signature will be treated as an original signature.

Dated this 24th day of August, 2010.

Scott Purkis  
Respondent

M. Disney  
Witness

Tom Atkinson  
Director, Enforcement Branch