



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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**IN THE MATTER OF
DAVID RANDALL MILLER**

STATEMENT OF ALLEGATIONS

(Subsection 127(1) and Section 127.1 of the *Securities Act*, RSO 1990 c S.5)

A. OVERVIEW

1. This proceeding involves David Randall Miller (“Miller”), the former CEO of a reporting issuer called Inspiration Mining Corporation (“Inspiration”), who directed the issuer to publish false and misleading press releases to capitalize on investor interest in cannabis. He obtained proceeds of \$112,116.92 by selling his own Inspiration shares during the price spike created by the false and misleading press releases. In addition to being deceitful, Miller’s conduct was fraudulent, and amounted to illegal insider trading.

2. It is critical to investor protection and the integrity of the capital markets that disclosure by issuers be truthful and not misleading. When an industry is experiencing significant investor interest, as cannabis was in 2018, individuals that try to capitalize on that interest by publishing false and misleading press releases about plans to enter that industry are breaching Ontario securities law. Insiders who sell their own securities after issuing false and misleading press releases, with knowledge of material facts not disclosed to the public, are abusing the market. This type of misconduct warrants enforcement action by Staff and significant sanctions.

3. Miller is the former CEO of Inspiration. Between about January 11, 2018 and August 7, 2018 (the “Material Time”), while he was CEO of Inspiration, Miller caused Inspiration to issue a

series of press releases (the “Press Releases”) regarding purported negotiations between Inspiration and Compassion Cannabis Corporation (“Compassion”). The Press Releases indicated, among other things, that Inspiration was considering purchasing Compassion as a wholly-owned subsidiary, that Compassion had expertise which would allow it to capitalize on the growing marijuana industry, and that Inspiration intended to take steps to change its business from exploration to cannabis in connection with this acquisition.

4. The Press Releases were false and misleading. They falsely stated that Compassion had expertise in the cannabis industry. They also failed to disclose that Compassion’s representative in the purported negotiations was a former Inspiration employee and a personal friend of Miller’s, who was working as Miller’s assistant at another company during the Material Time.

5. Inspiration’s share price increased approximately 450% following the first of the Press Releases. Between January 12 and 19, 2018, Miller sold shares of Inspiration for gross proceeds of \$112,116.92. At the time he made these sales, Miller was aware that the Press Releases were false and misleading. The true nature of Inspiration’s purported acquisition target, and the relationship between the two parties to the negotiation, were material facts in respect of Inspiration which were known to Miller but had not been generally disclosed.

B. FACTS

Staff (“Enforcement Staff”) of the Enforcement Branch of the Ontario Securities Commission (the “Commission”) make the following allegations of fact:

Background

6. Miller is a resident of Ontario. Miller was the CEO of Inspiration during the Material Time.

7. Inspiration, now known as Silk Energy Limited, is a reporting issuer whose stated business during the Material Time was mining and exploration. The Ontario Securities Commission (the “Commission”) is Silk Energy Limited’s principal regulator and was Inspiration’s principal regulator during the Material Time. During the Material Time, Inspiration traded on the Canadian Securities Exchange under the symbol ISM. On or about July 4, 2019, Inspiration changed its name to Silk Energy Limited in anticipation of a reverse take-over transaction with Silk Energy AS. The effective date of the transaction was September 3, 2019.

Inspiration Announces Negotiations with Compassion

8. During the Material Time, Inspiration issued the Press Releases, which announced various developments in the purported negotiations between Inspiration and Compassion, as set out below. Miller authored, participated in the drafting of, and/or approved the release of, each of the Press Releases.

9. On January 11, 2018, Inspiration announced that it had commenced formal negotiations to acquire Compassion, which Inspiration’s news release described as a private Ontario company which “has the expertise to capitalize on the various facets of the going marijuana market, including the ‘Vape’ market and dispensary centers for the industry.” No other information about Compassion was disclosed in this news release.

10. On January 18, 2018, Inspiration announced that it had scheduled a shareholders’ meeting to seek approval to change its name to “Inspiration Cannabis Corporation” and to change its business from exploration to cannabis distribution.

11. Inspiration made further announcements on February 23, 2018, April 24, 2018, and April 26, 2018 regarding the state of negotiations with Compassion and related due diligence.

12. On or about August 7, 2018, Inspiration announced that negotiations with Compassion had been terminated.

Compassion

13. Compassion is a private Ontario company incorporated in 2014. Its sole director and officer is JC (“JC”). During the Material Time, Compassion had no assets, employees, or active business operations. It had never generated any revenue. It did not hold a cannabis distribution licence and had never applied for one. During the Material Time, its negotiations with Inspiration were its sole business activity, save for occasional internet research about the cannabis industry conducted by JC.

14. JC has not previously worked in the cannabis industry and does not have any significant expertise in the cannabis industry.

15. JC and Miller have a business relationship dating back to at least 2013 and are personal friends. JC worked for Inspiration between about 2013 and 2016 in an administrative and business development capacity. She reported to Miller. After about 2016, including during the Material Time, JC continued to work as Miller’s assistant at another company or companies.

The Press Releases were False and Misleading

16. Miller caused Inspiration to issue five press releases that were false and misleading. The press releases issued on or about January 11 and 18, 2018 were false and misleading for the following reasons:

- a) They falsely stated that Compassion had expertise in the cannabis industry which would allow it to capitalize on the marijuana market, when in fact it had no real expertise in the cannabis industry; and

- b) They failed to state that Compassion was represented in the negotiations by JC. They moreover failed to disclose the nature of the relationship between Miller and JC, specifically that JC was a business associate and friend of Miller, that she had worked as an assistant to Miller for some time, and that she was working as an assistant to Miller during the Material Time.

17. The press releases issued on or about February 23 and April 24, 2018 were misleading because they indicated that due diligence was being conducted in relation to the purported negotiations. The February 23, 2018 press release stated that the due diligence and negotiations were “ahead of schedule and on track.” The April 24, 2018 press release stated that the negotiations and related due diligence were “going very well and ahead of the targeted date.” In reality, Inspiration was not conducting formal due diligence on Compassion.

18. Moreover, the press releases issued on or about April 24 and April 26, 2018 were misleading as they repeated the statements from the January 11 and 18, 2018 press releases that falsely stated that Compassion had expertise in the cannabis industry which would allow it to capitalize on the marijuana market, when in fact it had no real expertise in the cannabis industry. These press releases in addition to the February 23, 2018 press release also failed to state that Compassion was represented in the negotiations by JC, and failed to disclose the nature of the relationship between Miller and JC, as did the January 11 and 18, 2018 press releases.

19. In addition, the April 26, 2018 press release falsely stated that Inspiration “is contemplating upon the request of Compassion Cannabis that it is allowed to accept crypto currency for settlement for any transactions that occur.” In reality, Compassion made no such request.

20. The false and misleading statements in the Press Releases, and their failure to disclose the information about JC’s connection to Miller, constituted deceit, falsehood or other fraudulent

means and put the economic interests of investors at risk. The false and misleading statements in the January 11 and 18, 2018 press releases would also reasonably be expected to have a significant effect on the market price of Inspiration's securities. Following these two press releases, Inspiration's share price increased by approximately 450%.

21. During the Material Time, Miller was aware aware that the Press Releases were false and misleading, as set out above at paragraphs 16 to 19 above. He was aware of the above-noted facts which were not disclosed in the Press Releases and/or was aware that he had no information which would support the claims about Compassion which appeared in the Press Releases. The undisclosed facts, as well as the generally misleading nature of the Press Releases, were material facts in respect of Inspiration which had not been generally disclosed.

Increase in Inspiration Share Price and Share Sales by Miller

22. Between January 10 and 22, 2018, the same week that Inspiration began issuing the Press Releases about negotiations with Compassion, the market price of Inspiration shares increased from \$0.04 to \$0.22 (450%). Between January 12 and 19, 2018, Miller sold shares of Inspiration for gross proceeds of \$112,116.92.

23. At the time of these trades, Miller was Inspiration's CEO and was therefore in a special relationship with Inspiration pursuant to s. 76(5)(c)(i) of the *Securities Act*, RSO 1990, c S.5 (the "Act"). Moreover, as the CEO of Inspiration, Miller was an "insider" of Inspiration as defined in s. 1(1) of the Act; he was therefore in a special relationship with Inspiration pursuant to s. 76(5)(a)(i) of the Act.

24. At the time of these trades, Miller was aware that the January 11 and January 18, 2018 press releases were false and misleading for the reasons identified in subparagraphs 16.a) and 16.b)

above. He was aware of the facts which were not disclosed in the January 11 and January 18, 2018 press releases. These facts, as well as the generally misleading nature of the January 11 and January 18, 2018 press releases, were material facts which had not been generally disclosed.

25. Miller did not file insider reports with regard to these trades, as required by s. 107(2) of the *Act*, which had the effect of preventing the market from learning of his sales of Inspiration shares immediately after the 450% increase caused by the false and misleading Press Releases.

C. BREACHES AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

Enforcement Staff allege the following breaches of Ontario securities law and conduct contrary to the public interest:

26. Miller's conduct as described above constitutes fraud, making illegal materially false and misleading statements, illegal insider trading, and failing to file the required reports of his trades.

Fraud

27. By participating in the drafting and release of the false and misleading Press Releases, as set out above, Miller engaged or participated in an act, practice or course of conduct relating to securities that he knew or reasonably ought to have known perpetrated a fraud on any person or company, contrary to subsection 126.1(1)(b) of the *Act*. In addition, by authorizing and permitting the release of the false and misleading Press Releases, as set out above, Miller is deemed under s. 129.2 of the *Act* to have not complied with s. 126.1(1)(b) of the *Act*.

Illegal Materially False and Misleading Statements

28. By authorizing and permitting the release of the January 11 and 18, 2018 press releases, as set out above, Miller is deemed under s. 129.2 of the *Act* to have not complied with s. 126.2 of the *Act* in respect of Inspiration's statements that he knew or reasonably ought to have known were

untrue or misleading and that would reasonably be expected to have a significant effect on the market price or value of the securities of Inspiration.

Illegal Insider Trading

29. By engaging in the conduct set out above at paragraph 22, while in possession of the knowledge set out above at paragraph 24, Miller, while in a special relationship with Inspiration, purchased or sold securities of Inspiration with the knowledge of a material fact or material change with respect to Inspiration that had not been generally disclosed, contrary to subsection 76(1) of the *Act*.

30. In relation to his sales of Inspiration shares between January 12 and 19, 2018, Miller failed to file a report disclosing, in the prescribed manner and form, changes in the direct or indirect beneficial ownership of, or control or direction over, securities of Inspiration or any interest in, or right or obligation associated with, a related financial instrument, within 5 days as prescribed by section 2.2 of National Instrument 55-104 *Insider Reporting Requirements and Exemptions*, contrary to subsection 107(2) of the *Act*.

31. Miller's conduct described above was contrary to the public interest.

D. ORDERS SOUGHT

32. Enforcement Staff request that the Commission make the following orders:

- a) That Miller cease trading in any securities or derivatives permanently or for such period as is specified by the Commission under paragraph (2) of subsection 127(1) of the *Act*;

- b) that Miller be prohibited from acquiring any securities permanently or for such period as is specified by the Commission under paragraph (2.1) of subsection 127(1) of the Act;
- c) that any exemption contained in Ontario securities law not apply to Miller permanently or for such period as is specified by the Commission under paragraph (3) of subsection 127(1) of the Act;
- d) that Miller be reprimanded under paragraph (6) of subsection 127(1) of the Act;
- e) that Miller resign any position he may hold as a director or officer of any issuer under paragraph (7) of subsection 127(1) of the Act;
- f) that Miller be prohibited from acting as a director or officer of any issuer permanently or for such period as is specified by the Commission under paragraph (8) of subsection 127(1) of the Act;
- g) that Miller resign any position he may hold as a director or officer of any registrant under paragraph (8.1) subsection 127(1) of the Act;
- h) that Miller be prohibited from acting as a director or officer of any registrant permanently or for such period as is specified by the Commission under paragraph (8.2) of subsection 127(1) of the Act;
- i) that Miller be prohibited from becoming or acting as a registrant or promoter permanently or for such period as is specified by the Commission under paragraph (8.5) of subsection 127(1) of the Act;
- j) that Miller pay costs of the Commission investigation and hearing under section 127.1 of the Act; and

k) such other order as the Commission may consider appropriate in the public interest.

33. Staff reserve the right to amend these allegations and to make such further and other allegations as Staff deems fit and the Commission may permit.

DATED this 19th day of December 2019

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