



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

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**IN THE MATTER OF THE *SECURITIES ACT*  
R.S.O. 1990, c.S.5, AS AMENDED**

**- AND -**

**IN THE MATTER OF SHALLOW OIL & GAS INC., ERIC O'BRIEN, ABEL DA SILVA,  
GURDIP SINGH GAHUNIA also known as MICHAEL GAHUNIA, ABRAHAM  
HERBERT GROSSMAN also known as ALLEN GROSSMAN, MARCO DIADAMO,  
GORD McQUARRIE, KEVIN WASH, and WILLIAM MANKOFSKY**

**SETTLEMENT AGREEMENT BETWEEN  
STAFF OF THE ONTARIO SECURITIES COMMISSION  
AND GORD McQUARRIE**

**PART I. - INTRODUCTION**

1. By Notice of Hearing dated June 11, 2008, the Ontario Securities Commission (the "Commission") announced that it proposed to hold a hearing commencing on, June 18, 2008 to consider whether, pursuant to sections 37, 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 orders, as specified therein, against Shallow Oil & Gas Inc. ("Shallow Oil"), Eric O'Brien ("O'Brien"), Abel Da Silva ("Da Silva"), Gurdip Singh Gahunia, also known as Michael Gahunia ("Gahunia"), Abraham Herbert Grossman, also known as Allen Grossman ("Grossman"), Marco Diadamo ("Diadamo"), Gord McQuarrie ("McQuarrie"), Kevin Wash ("Wash"), and William Mankofsky ("Mankofsky").

2. By Notice of Hearing dated April 21<sup>st</sup>, 2009, the Commission announced that it will hold a hearing on May 12<sup>th</sup>, 2009 at 4 p.m. in respect of a Settlement Agreement (the “Settlement Agreement”) between Staff of the Commission (“Staff”) and McQuarrie. At the hearing, the Commission will consider whether, pursuant to sections 37, 127(1) and 127.1 of the Act, it is in the public interest to approve the Settlement Agreement.

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

3. Staff agree to recommend settlement of the proceeding initiated by the Notice of Hearing against McQuarrie in accordance with the terms and conditions set out below. McQuarrie 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.

## **PART III. – AGREED FACTS**

### **Background**

4. McQuarrie is a resident of Toronto. McQuarrie worked for over 20 years for Richardson Securities, Midland Walwyn, and Merrill Lynch in Toronto. Staff do not allege any violations of the Act by McQuarrie while he worked for these firms

5. McQuarrie has never been registered with the Commission in any capacity.

6. In 2006 and 2007, McQuarrie worked as a “qualifier” for Global Partners Capital (“Global Partners”).

7. In 2006, McQuarrie worked as a “qualifier” at Limelight Entertainment Inc. (“Limelight”).

8. As a qualifier, McQuarrie would call individuals and determine if they were interested in purchasing the securities being offered by Global Partners and Limelight.

9. Limelight was a respondent, along with other individuals, before the Commission as a result of a Notice of Hearing dated April 7, 2006. On February 12, 2008, after a hearing on the merits, a Panel of the Commission found that Limelight and certain of the other respondents had violated the Act. On December 10, 2008, a Panel of the Commission released its decision on sanctions as against Limelight and the other respondents.

10. Global Partners and certain other related companies and individuals are presently respondents before the Commission facing allegations of various breaches of the Act. A hearing on the merits with respect to this matter has been scheduled for dates in May and June, 2009.

11. McQuarrie was not a respondent before the Commission on the Limelight matter. McQuarrie is not a respondent before the Commission on the Global Partners matter.

### **Shallow Oil**

12. Between September, 2007 and February, 2008 (the "Material Time"), Shallow Oil and the individual respondents traded securities of Shallow Oil from premises located at 7181 Woodbine Avenue in Markham, Ontario (the "Premises").

13. During the Material Time, Shallow Oil securities were traded to numerous investors and these investors sent over \$200,000 to Shallow Oil.

14. Throughout the Material Time, Shallow Oil was not registered in any capacity with the Commission.

15. The trades in Shallow Oil securities were trades in securities not previously issued and were therefore distributions. No preliminary prospectus or prospectus was filed and no receipts were issued for them by the Director to qualify the trading of Shallow Oil securities.

16. Throughout the Material Time, McQuarrie was not registered with the Commission in any capacity.

17. McQuarrie commenced working at Shallow Oil in mid-November 2007 and stopped working for Shallow Oil on January 14, 2008.

18. January 14, 2008 was the date that Staff conducted an inspection of the Shallow Oil operations at the Premises. McQuarrie was inside the Premises when Staff conducted the inspection.
19. McQuarrie returned to the Premises after January 14, 2008 only to discover that Shallow Oil was no longer operating.
20. McQuarrie was interviewed for the job at Shallow Oil by an individual who identified himself as Wayne Matthews. McQuarrie later learned that this person's name was actually Al Grossman ("Grossman"). McQuarrie believed that Grossman was either the owner or a director of the company.
21. During the job interview, Grossman told McQuarrie that Shallow Oil was fully licensed by the Ontario Securities Commission and licensed by the Commission to sell shares.
22. At the beginning of his employment with Shallow Oil, McQuarrie was told by Wash that the people involved with Shallow Oil were also involved in "bringing out" Amerigo (TSX symbol: ARG). McQuarrie looked up Amerigo on the internet and discovered that it was listed on the TSX. This also led McQuarrie to believe that Shallow Oil was legitimate.
23. McQuarrie contacted investors or potential investors by phone and used the alias Gord Sinclair when speaking with investors or potential investors on the telephone.
24. McQuarrie was initially a qualifier at Shallow Oil, however, not long after he started Grossman promoted him to the job of a salesperson of Shallow Oil securities.
25. A party named Abel oversaw the salespeople and the qualifiers at Shallow Oil.
26. Potential investors were sent information packages about Shallow Oil by e-mail or facsimile.
27. McQuarrie advised potential investors and investors, with the intention of effecting trades, that Shallow Oil was about to be listed on a stock exchange and that the value or price of the securities would rise significantly when Shallow Oil was listed on a stock exchange.
28. After orally agreeing to invest, investors received a subscription agreement from Shallow Oil. The subscription agreement set out the quantity, unit price and total amount of investment.

Investors were instructed to make cheques payable to Shallow Oil and to send the subscription agreement and cheques to a virtual office in Toronto, Ontario.

29. Investors received share certificates for common shares in Shallow Oil.

30. McQuarrie traded in securities of Shallow Oil as a salesperson. McQuarrie was involved in the sale or attempted sale of Shallow Oil securities to the following individuals and companies:

<u>Order Date</u>	<u>Investor</u>	<u>Place of Residence</u>	<u>Amount Invested</u>	<u>Number of Shares @ \$0.50</u>
November 26, 2007	H. [REDACTED] T. [REDACTED] & [REDACTED] (J. [REDACTED] H. [REDACTED])	Alberta	\$1,000	2,000
November 27, 2007	J. [REDACTED] B. [REDACTED]	Alberta	\$1,000	2,000
December 4, 2007	P. [REDACTED] V. [REDACTED]	Alberta	\$25,000	50,000
January 7, 2008	C. [REDACTED] L. [REDACTED] <sup>1</sup>	Alberta	\$5,000	10,000
December 6, 2007	F. [REDACTED] J. [REDACTED] <sup>2</sup>	Alberta	\$1,000	2,000
January 9, 2008	J. [REDACTED] N. [REDACTED] <sup>3</sup>	Ontario	\$1,000	2,000
January 10, 2008	C. [REDACTED] H. [REDACTED] <sup>3</sup>	Ontario	\$1,000	2,000
January 14, 2008	D. [REDACTED] R. [REDACTED] <sup>3</sup>	Alberta	\$1,000	2,000

<sup>1</sup> McQuarrie did not receive any commission payment for this sale and does not recall making the trade. Shallow Oil documents list McQuarrie as the salesperson on this trade.

<sup>2</sup> Mr. J. [REDACTED] did not end up purchasing securities of Shallow Oil.

<sup>3</sup> Mr. N. [REDACTED] Mr. H. [REDACTED] and Mr. [REDACTED]'s courier packages to Shallow Oil (containing cheques payable to Shallow Oil) were intercepted by Staff of the Enforcement Branch of the Ontario Securities Commission.

31. McQuarrie was compensated for his sales of Shallow Oil securities. Salespersons received commission payments of 25% of the total amount invested. McQuarrie received \$2,500 in commissions as a result of his sales of Shallow Oil securities. The commissions paid to McQuarrie were as follows:

<u>Date of Cheque</u>	<u>Amount</u>	<u>Related to sale of Securities to:</u>
December 7, 2007	\$250 (Shallow Oil cheque #63)	H. [REDACTED] T. [REDACTED] & [REDACTED]
December 14, 2007	\$250 (Shallow Oil cheque #79)	J. [REDACTED] B. [REDACTED]
December 21, 2007	\$2,000 (Shallow Oil cheque #96)	P. [REDACTED] V. [REDACTED]

32. The December 21, 2007 cheque was the commission payment on the sale of securities to P. [REDACTED] V. [REDACTED]. McQuarrie had done the initial sales work with V [REDACTED] but was away when the sale was finalized. As a result, McQuarrie shared his commission for this sale with Kevin Wash.

33. On February 28, 2008, McQuarrie voluntarily attended at the offices of the Commission and was interviewed by Staff.

34. McQuarrie has had an opportunity to review the transcript of his interview and confirms the truth of the contents.

#### **PART IV. - CONDUCT CONTRARY TO THE PUBLIC INTEREST**

35. By engaging in the conduct described above, McQuarrie admits and acknowledges that he contravened Ontario securities law in the following ways:

- (a) Trading securities of Shallow Oil & Gas Inc. without being registered by the Ontario Securities Commission to trade in securities, contrary to subsection 25(1)(a) of the Act;
- (b) Trading securities of Shallow Oil & Gas Inc. in circumstances where the trading constituted a distribution and where no preliminary prospectus and prospectus had been filed and receipts issued by the Director, contrary to subsection 53(1) of the Act; and,
- (c) Making prohibited representations, with the intention of effecting a trade in Shallow Oil & Gas Inc., that securities of Shallow Oil & Gas Inc. would be listed on a stock exchange, contrary to subsection 38(2) of the Act.

36. McQuarrie admits and acknowledges that he acted contrary to the public interest by contravening Ontario securities law as set out in sub-paragraphs 34 (a), (b), and (c) .

#### **PART V. - TERMS OF SETTLEMENT**

37. McQuarrie agrees to the terms of settlement listed below.

38. The Commission will make an order, pursuant to s. 37, s. 127(1) and s. 127.1 of the Act, that:

- (a) the Settlement Agreement is approved;
- (b) trading in any securities by McQuarrie cease for a period of 4 years from the date of the approval of the Settlement Agreement;
- (c) the acquisition of any securities by McQuarrie is prohibited for a period of 4 years from the date of the approval of the Settlement Agreement;

- (d) any exemptions contained in Ontario securities law do not apply to McQuarrie for a period of 4 years from the date of the approval of the Settlement Agreement;
- (e) McQuarrie disgorge to the Commission \$2,500 obtained as a result of his non-compliance with Ontario securities law. The \$2,500 disgorged shall be for allocation to or for the benefit of third parties in accordance with s. 3.4(2) of the Act. McQuarrie is to pay \$250 per month commencing on the 1<sup>st</sup> day of the June, 2009 and continuing each month thereafter until the \$2,500 has been disgorged;
- (f) McQuarrie is prohibited from becoming or acting as a director or officer of any issuer, registrant, or investment fund manager for a period of four years from the date of this Order;
- (g) McQuarrie is prohibited for a period of 4 years from the date of this Order from becoming or acting as a registrant, as an investment fund manager or as a promoter;
- (h) McQuarrie pay an administrative penalty of \$500 for his failure to comply with Ontario securities law. The \$500 administrative penalty shall be for allocation to or for the benefit of third parties in accordance with s. 3.4(2) of the Act. McQuarrie is to pay this sum in full on or before July 30, 2009;
- (i) McQuarrie pay costs of the investigation to Commission in the amount of \$500 within six months of the date of this order; and,
- (j) McQuarrie cease permanently, from the date of the approval of the Settlement Agreement, to telephone from within Ontario to any residence within or outside Ontario for the purpose of trading in any security or any class of securities.

#### **PART VI. - STAFF COMMITMENT**

39. If this Settlement Agreement is approved by the Commission, Staff will not initiate any other proceeding under the Act against McQuarrie in relation to the facts set out in Part III herein, subject to the provisions of paragraph 18 below.

40. If this Settlement Agreement is approved by the Commission, and at any subsequent time McQuarrie fails to honour the terms of the Settlement Agreement, Staff reserve the right to bring proceedings under Ontario securities law against McQuarrie based on, but not limited to, the facts set out in Part III herein as well as the breach of the Settlement Agreement.

#### **PART VII. - PROCEDURE FOR APPROVAL OF SETTLEMENT**

41. Approval of this Settlement Agreement will be sought at a public hearing of the Commission scheduled on a date to be determined by the Secretary to the Commission, or such other date as may be agreed to by Staff and McQuarrie for the scheduling of the hearing to consider the Settlement Agreement.

42. Staff and McQuarrie agree that this Settlement Agreement will constitute the entirety of the agreed facts to be submitted at the settlement hearing regarding McQuarrie's conduct, unless the parties agree that further facts should be submitted at the settlement hearing.

43. If this Settlement Agreement is approved by the Commission, McQuarrie agrees to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.

44. If this Settlement Agreement is approved by the Commission, neither party will make any public statement that is inconsistent with this Settlement Agreement or inconsistent with any additional agreed facts submitted at the settlement hearing.

45. Whether or not this Settlement Agreement is approved by the Commission, McQuarrie agrees that he will not, in any proceeding, refer to or rely upon this Settlement Agreement or the settlement negotiations as the basis of any attack on the Commission's jurisdiction, alleged bias or appearance of bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

#### **PART VIII. – DISCLOSURE OF SETTLEMENT AGREEMENT**

46. If, for any reason whatsoever, this Settlement Agreement is not approved by the Commission or the order attached as Schedule "A" is not made by the Commission:

- (a) this Settlement Agreement and its terms, including all settlement negotiations between Staff and McQuarrie leading up to its presentation at the settlement hearing, shall be without prejudice to Staff and McQuarrie; and
- (b) Staff and McQuarrie shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations in the Notice of Hearing and Statement of Allegations of Staff, unaffected by the Settlement Agreement or the settlement discussions/negotiations.

47. The terms of this Settlement Agreement will be treated as confidential by all parties hereto until approved by the Commission. Any obligations of confidentiality shall terminate upon approval of this Settlement Agreement by the Commission. The terms of the Settlement Agreement will be treated as confidential forever if the Settlement Agreement is not approved for any reason whatsoever by the Commission, except with the written consent of both McQuarrie and Staff or as may be required by law.

**PART IX. - EXECUTION OF SETTLEMENT AGREEMENT**

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

49. A facsimile copy of any signature will be as effective as an original signature.

Dated this 10<sup>th</sup> day of May, 2009.

Signed in the presence of:

*“Susan McQuarrie”*

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Witness

*“Gord McQuarrie”*

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**Gord McQuarrie**

Dated this 10 day of May, 2009

**STAFF OF THE ONTARIO SECURITIES COMMISSION**

*“Tom Atkinson”*

\_\_\_\_\_  
**Tom Atkinson**  
Director, Enforcement Branch

Dated this 8<sup>th</sup> day of May, 2009



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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 GORD MCQUARRIE

#### ORDER (Sections 37, 127(1), and 127.1)

**WHEREAS** on , the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 37, 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c.S.5, as amended in respect of Gord McQuarrie ("McQuarrie");

**AND WHEREAS** McQuarrie entered into a Settlement Agreement with Staff of the Commission dated , 2009 (the "Settlement Agreement") in which McQuarrie agreed to a proposed settlement of the proceeding commenced by the Notice of Hearing, subject to the approval of the Commission;

**AND UPON** reviewing the Settlement Agreement, the Notice of Hearing and Statement of Allegations of Staff of the Commission, and upon hearing submissions from McQuarrie and from Staff of the Commission;

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

**IT IS HEREBY ORDERED THAT:**

- (a) pursuant to clause 2 of subsection 127(1), trading in any securities by McQuarrie cease for a period of 4 years from the date of this Order;
- (b) pursuant to clause 2.1 of subsection 127(1), the acquisition of any securities by McQuarrie is prohibited for a period of 4 years from the date of this Order;
- (c) pursuant to clause 3 of subsection 127(1), any exemptions contained in Ontario securities law do not apply to McQuarrie for a period of 4 years from the date of this Order;
- (d) pursuant to clauses 8, 8.2, and 8.4 of subsection 127(1), McQuarrie shall be prohibited for a period of 4 years from the date of this Order from becoming or acting as a director or officer of any issuer, registrant or investment fund manager;
- (e) pursuant to clause 8.5 of subsection 127(1), McQuarrie shall be prohibited for a period of 4 years from the date of this Order from becoming or acting as a registrant, as an investment fund manager or as a promoter;
- (f) pursuant to clause 9 of subsection 127(1), McQuarrie shall pay an administrative penalty of \$500 for his failure to comply with Ontario securities law. The \$500 administrative penalty shall be for allocation to or for the benefit of third parties in accordance with s. 3.4(2) of the Act. McQuarrie is to pay this sum in full on or before July 30, 2009;
- (g) pursuant to clause 10 of subsection 127(1), McQuarrie shall disgorge to the Commission \$2,500, being the amount obtained by him as a result of non-compliance with securities law. The \$2,500 disgorged shall be for allocation to or for the benefit of third parties in accordance with s. 3.4(2) of the Act. McQuarrie is to pay \$250 per month commencing on the 1<sup>st</sup> day of the June, 2009 and continuing each month thereafter until the \$2,500 has been disgorged;

- (h) pursuant to section 37, McQuarrie shall be prohibited permanently from telephoning from within Ontario to any residence within or outside Ontario for the purpose of trading in any security or in any class of security; and,
- (i) pursuant to section 127.1, McQuarrie shall pay \$500 in respect of the costs of the investigation and the hearing incurred by or on behalf of the Commission within six months of the date of this Order.

**DATED AT TORONTO** this            day of            , 2009.

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