



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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

CP 55, 19^e étage
20, rue queen ouest
Toronto ON M5H 3S8

**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 WILLIAM MANKOFSKY**

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 July 16th, 2009, the Commission announced that it will hold a hearing on July 24th, 2009 at 10:00 a.m. in respect of a Settlement Agreement (the “Settlement Agreement”) between Staff of the Commission (“Staff”) and Mankofsky. At the hearing, the Commission will consider whether, pursuant to sections 37 and 127 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 Mankofsky in accordance with the terms and conditions set out below. Mankofsky 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. Mankofsky is a resident of the Greater Toronto Area.
5. Mankofsky has never been registered with the Commission in any capacity.
6. Mankofsky has never worked in the securities business prior to his involvement in this matter.

Shallow Oil & Gas Inc.

7. 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”).
8. During the Material Time, Shallow Oil securities were traded to numerous investors and these investors sent over \$200,000 to Shallow Oil.

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

10. 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.

Mankofsky

11. Throughout the Material Time, Mankofsky was not registered with the Commission in any capacity.

12. Mankofsky commenced working at Shallow Oil in November 2007 and stopped working for Shallow Oil on January 14, 2008.

13. Mankofsky was interviewed for the job at Shallow Oil by Alan Grossman (“Grossman”).

14. During the job interview Mankofsky asked Grossman if Shallow Oil was a legitimate company and Grossman advised him that it was.

15. During the job interview, Grossman told Mankofsky that Shallow Oil was registered and that Mankofsky did not need any sort of license or registration to sell Shallow Oil securities.

16. Mankofsky took the job working at Shallow Oil because he was in dire economic circumstances and needed the money.

17. Mankofsky believed that Grossman and an individual named Abel were the owners of the company. Grossman and Abel identified themselves as the owners and everything was run by Grossman and Abel. Grossman referred to Abel as “my partner”.

18. Both Grossman and Abel had their own offices within the Premises.

19. At the beginning of his employment with Shallow Oil, Mankofsky was told by Grossman and Abel that they had brought Amerigo (TSX symbol: ARG) public. Mankofsky looked up Amerigo and discovered that it was listed on the TSX. This also led Mankofsky to believe that Shallow Oil was legitimate.

20. Mankofsky was initially a qualifier at Shallow Oil, however, not long after he started he was promoted to the job of a salesperson of Shallow Oil securities.
21. Potential investors were sent information packages about Shallow Oil by e-mail or facsimile.
22. Mankofsky 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.
23. Scripts were provided to qualifiers and salespeople by Grossman and Abel.¹ Mankofsky received copies of scripts and used them while working for Shallow Oil.
24. 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 161 Bay Street, 27th floor, Toronto, Ontario.
25. Mankofsky contacted investors or potential investors by phone and used the alias Bill Wilson when speaking with investors or potential investors. Grossman instructed Mankofsky and other salespeople never to use their real names when speaking with investors or potential investors.
26. During the Material Time, Mankofsky heard other employees at Shallow Oil telling investors or potential investors that the Shallow Oil office was located on Bay Street in Toronto. This was done to give Shallow Oil credibility by having an address on Bay Street. Abel instructed Shallow Oil employees to mislead investors or potential investors by stating that the Shallow Oil office was located on Bay Street.
27. Investors received share certificates for common shares in Shallow Oil signed by Eric O'Brien .
28. Mankofsky traded in securities of Shallow Oil as a salesperson². Mankofsky was involved in the sale of Shallow Oil securities to the following individuals and companies:

¹ Attached hereto and marked as Exhibit "A" are copies of some of the scripts that were used at the Premises.

<u>Order Date</u>	<u>Investor</u>	<u>Place of Residence</u>	<u>Amount Invested</u>	<u>Number of Shares @ \$0.50</u>
December 3, 2007	3 [REDACTED] A [REDACTED] [REDACTED]. (R [REDACTED] P [REDACTED])	Alberta	\$3000	6,000
December 4, 2007	H [REDACTED] C [REDACTED]	Alberta	\$1,000	2,000
December 10, 2007	C [REDACTED] F [REDACTED]	Alberta	\$1,500	3,000
December 19, 2007	W [REDACTED] G [REDACTED]	Alberta	\$10,000	20,000

29. Mankofsky was compensated for his sales of Shallow Oil securities. Salespersons received commission payments of 25% of the total amount invested. Mankofsky received \$3,875 in commissions as a result of his sales of Shallow Oil securities.³ Mankofsky was paid via cheques made payable to Mankofsky's company First Choice Steel Building Ltd. The commissions paid to Mankofsky were as follows:

<u>Date of Cheque</u>	<u>Amount</u>	<u>Related to sale of Shallow Oil Securities to:</u>
December 14, 2007	\$1,000 (Shallow Oil cheque #82)	[REDACTED] A [REDACTED] [REDACTED]. and H [REDACTED] C [REDACTED]
January 8, 2008	\$2,875 (Shallow Oil cheque #118)	C [REDACTED] F [REDACTED] and W [REDACTED] G [REDACTED]

² Attached hereto and marked as Exhibit "B" to Agreed Statement of Facts are copies of documents related to the sale of securities of Shallow Oil by Mankofsky.

³ Attached hereto and marked as Exhibit "C" are copies of documents related to the commissions paid to Mankofsky.

30. On January 14, 2008, Staff conducted an inspection of the Shallow Oil operations at the Premises. Mankofsky was working inside the Premises when Staff conducted the inspection.

31. Mankofsky returned to the Premises after January 14, 2008 only to discover that Shallow Oil was no longer operating.

32. On January 16, 2008, Mankofsky attended at the offices of the Commission and voluntarily participated in an examination conducted by Staff. At the start of the examination Mankofsky affirmed to tell the truth during the examination. Mankofsky has had an opportunity to review the entire transcript of his examination and confirms the truth of its contents.⁴

PART IV. - CONDUCT CONTRARY TO THE PUBLIC INTEREST

33. By engaging in the conduct described above, Mankofsky 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.

34. Mankofsky 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) .

⁴ Attached hereto and marked as Exhibit "D" is a copy of the transcript of Mankofsky's examination by Staff on January 16, 2008.

PART V. - TERMS OF SETTLEMENT

35. Mankofsky agrees to the terms of settlement listed below.
36. The Commission will make an order, pursuant to s. 37 and s. 127(1) of the Act, that:
- (a) the Settlement Agreement is approved;
 - (b) trading in any securities by Mankofsky cease for a period of 4 years from the date of the approval of the Settlement Agreement;
 - (c) the acquisition of any securities by Mankofsky 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 Mankofsky for a period of 4 years from the date of the approval of the Settlement Agreement;
 - (e) Mankofsky shall disgorge to the Commission \$3,875 obtained as a result of his non-compliance with Ontario securities law. The \$3,875 disgorged shall be for allocation to or for the benefit of third parties in accordance with s. 3.4(2) of the Act. Mankofsky is to pay \$1,000 on the date of the approval, if granted, of the Settlement Agreement. Mankofsky is to pay a further \$1,000 within 60 days of the approval of the Settlement Agreement and Mankofsky is to pay the balance of the disgorgement of \$1,875 within two years of the approval of the Settlement Agreement;
 - (f) Mankofsky 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) Mankofsky 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; and,

(h) Mankofsky 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

37. If this Settlement Agreement is approved by the Commission, Staff will not initiate any other proceeding under the Act against Mankofsky in relation to the facts set out in Part III herein, subject to the provisions of paragraph 38 below.

38. If this Settlement Agreement is approved by the Commission, and at any subsequent time Mankofsky fails to honour the terms of the Settlement Agreement, Staff reserve the right to bring proceedings under Ontario securities law against Mankofsky 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

39. Approval of this Settlement Agreement will be sought at a 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 Mankofsky for the scheduling of the hearing to consider the Settlement Agreement.

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

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

42. 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.

43. Whether or not this Settlement Agreement is approved by the Commission, Mankofsky 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

44. 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 Mankofsky leading up to its presentation at the settlement hearing, shall be without prejudice to Staff and Mankofsky; and
- (b) Staff and Mankofsky 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.

45. 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 Mankofsky and Staff or as may be required by law.

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

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

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

Dated this 17th day of July, 2009.

Signed in the presence of:

“ Richard Lewin ”

“William Mankofsky”

Witness

William Mankofsky

Dated this 17th day of July, 2009

STAFF OF THE ONTARIO SECURITIES COMMISSION

“Tom Atkinson”

Tom Atkinson
Director, Enforcement Branch

Dated this 16th day of July, 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 WILLIAM MANKOFSKY

**ORDER
(Sections 37 and 127(1))**

WHEREAS on July 16, 2009, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 37 and 127 of the *Securities Act*, R.S.O. 1990, c.S.5, as amended in respect of William Mankofsky ("Mankofsky");

AND WHEREAS Mankofsky entered into a Settlement Agreement with Staff of the Commission dated July, 2009 (the "Settlement Agreement") in which Mankofsky 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 Mankofsky 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 Mankofsky 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 Mankofsky 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 Mankofsky 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), Mankofsky 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), Mankofsky 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 10 of subsection 127(1), Mankofsky shall disgorge to the Commission \$3,875 obtained as a result of his non-compliance with Ontario securities law. The \$3,875 disgorged shall be for allocation to or for the benefit of third parties in accordance with s. 3.4(2) of the Act. Mankofsky is to pay \$1,000 on the date of the approval, if granted, of the Settlement Agreement. Mankofsky is to pay a further \$1,000 within 60 days of the approval of the Settlement Agreement and Mankofsky is to pay the balance of the disgorgement of \$1,875 within two years of the approval of the Settlement Agreement; and,
- (g) pursuant to section 37, Mankofsky 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.

DATED AT TORONTO this day of , 2009.
