



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 GURDIP SINGH GAHUNIA also known as MICHAEL GAHUNIA**

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”). The Notice of Hearing was issued in connection with the allegations as set out in the Statement of Allegations of Staff of the Commission dated June 10, 2008 (the “Allegations”).

2. The Commission will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to sections 37 and 127 of the Act, it is in the public interest for the Commission to approve this Settlement Agreement (the “Agreement”), between Staff of the Commission (“Staff”) and Gahunia, and to make certain orders in respect of Gahunia.

PART II. – JOINT SETTLEMENT RECOMMENDATION

3. Staff agree to recommend settlement of the proceeding initiated by the Notice of Hearing dated June 11, 2008 against Gahunia in accordance with the terms and conditions set out below. Gahunia 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. Gahunia is a resident of the Greater Toronto Area.

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

6. Prior to his involvement in this matter, Gahunia worked for Global Partners Capital and is one of the respondents in a Commission hearing into allegations of violations of breaches of Ontario securities laws in relation to Global Partners Capital and the sale of securities of Asia Pacific Energy, Inc. (the “Global Partners Matter”).

7. In the Global Partners matter, on October 10, 2007, the Commission issued a temporary order that Gahunia and all of the other respondents in the Global Partners Matter cease trading in all securities (the “Global TCTO”).

8. The Global TCTO has been extended from time to time and remains in effect.
9. The Global TCTO was served on counsel for Gahunia on December 12, 2007.
10. The hearing on the merits in the Global Partners Matter commenced in May, 2009 and the Commission issued the Reasons and Decision with respect to the hearing on the merits on August 31, 2010 (the "Global Partners Decision").
11. In the Global Partners Decision, the Commission found that Gahunia had breached subsections 25(1)(a), 53(1), 38(1), 38(2), 126.1(b) and 122(1)(a) of the Act and acted contrary to the public interest.
12. Gahunia has not yet been sanctioned for his breaches of the Act and for his actions contrary to the public interest as found in the Global Partners Matter. Gahunia has, however, decided to resolve this matter at approximately the same time as the sanctions on the Global Partners Matter in order to bring all of his matters before the Commission to a close. A panel of the Commission will order sanctions against Gahunia and others in relation to the Global Partners Matter. The panel of the Commission making the sanctions order in the Global Partners Matter will do so independently of this agreement.

Shallow Oil & Gas Inc.

13. Between and including September, 2007 and January, 2008 (the "Material Time"), Shallow Oil and the individual respondents traded securities of Shallow Oil from premises located at Unit 224, 7181 Woodbine Avenue, Markham, Ontario (the "Premises").
14. During the Material Time, Shallow Oil securities were traded to numerous investors located in Alberta, Manitoba, Nova Scotia, Ontario, Saskatchewan and these investors sent over \$200,000 to Shallow Oil to purchase shares of Shallow Oil.
15. Throughout the Material Time, Shallow Oil was not registered in any capacity with the Commission.

16. 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.

Gahunia and the trading of securities of Shallow Oil

17. Throughout the Material Time, Gahunia was not registered with the Commission in any capacity.

18. Gahunia commenced working at Shallow Oil in November 2007 and worked for Shallow Oil until January 14, 2008.

19. Sometime in early November, 2007, Gahunia responded to an advertisement, printed in the Toronto Star newspaper, for employment with Sterling Marketing Group (“Sterling”). Gahunia was subsequently interviewed for a job by individuals introduced to him as “Eric” and “Al”. This interview took place at Unit 224, 7181 Woodbine Avenue, Markham, Ontario (the “Premises”).

20. Gahunia attended at the Premises for the interview and he was initially met by Eric who told him that Sterling was a “marketing research group calling up people from leads for potential investments”. Eric went on to tell Gahunia that Gahunia would be supervising a telemarketing staff at Sterling. Al joined in the interview after it was in progress.

21. During the job interview, Gahunia asked Eric and Al if his employment at Sterling would affect his current situation of being on a temporary cease trade order made by the Commission. They advised him that it would not. Furthermore, Eric and Al advised Gahunia that they were in the process of being registered with the Commission.

22. Gahunia was of the view that Eric and Al were in charge of the operations at Sterling and they were his superiors.

23. Gahunia took the job at Sterling and commenced working there shortly after the initial interview. Gahunia worked at the Premises from early November, 2007 to January 14, 2008 (the “Material Time”).

24. During the Material Time, Gahunia was provided with lead lists by Al and it was then Gahunia's job to distribute these lead lists to the qualifiers. These lead lists consisted of lists of names of individuals or companies with phone numbers to contact those persons or companies.
25. Al provided Gahunia with these lead lists every day or every other day. Gahunia would speak with Al once or twice a day.
26. On one occasion during the Material Time, Al directed which lead lists were to go to certain qualifiers.
27. The individuals and companies being contacted were being pitched on purchasing shares of Shallow Oil. The individuals would be directed to the Shallow Oil website and would be sent information with respect to Shallow Oil. Gahunia learned about Shallow Oil from looking at the Shallow Oil website and by being informed about Shallow Oil by Eric and Al.
28. Gahunia was also provided with information from Al and an individual named Abel with respect to certain investors and potential investors. Al or Abel would ask Gahunia to contact those investors and potential investors.
29. Gahunia was also supposed to make sure that the qualifiers were following scripts and making phone calls to persons on the lead lists during the workday. At the end of the workday, Gahunia gathered prospective leads from the qualifiers and delivered those prospective leads to a woman named Jeannie. Jeannie was the administrative person within the Premises.
30. Potential investors were sent information packages about Shallow Oil by e-mail or facsimile.
31. On average, there were ten to fifteen people employed at the Premises during the Material Time.
32. During the Material Time, Al and Eric hired and fired the qualifiers and salespersons.
33. Eric was at the Premises once or twice a week, but Al was at the Premises on a regular basis. Al had his own office and Eric shared an office with Abel.

34. In addition to supervising qualifiers, Gahunia sold shares of Shallow Oil to individuals in several provinces in Canada during the Material Time. Gahunia contacted investors or potential investors by phone.

35. Gahunia 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.

36. 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.

37. When Gahunia was contacting potential investors by telephone he would identify himself as “Mike Rosen” rather than using his real name. Al and Eric told Gahunia to use this alias and told him that his real name was too “ethnic” and that it might not be “user friendly”.

38. Gahunia was directed by Al to call certain investors or potential investors back if those persons had questions or issues.

39. Gahunia received a binder from Al at the beginning of the Material Time. This binder contained various “scripts” to use when soliciting potential investors to buy shares of Shallow Oil (the “Sales Script Binder”). Al told Gahunia where to make corrections in the scripts contained inside the Sales Script Binder. For example, many of the scripts had references to a company called Maitland Energy and Al directed Gahunia to replace those references with Shallow Oil. Al went through the scripts with Gahunia and explained them to Gahunia.

40. During the Material Time, Gahunia made the following sales of Shallow Oil shares:

Initials of Investors	Province	Dollar Value of Shares Purchased	Commissions Paid to Gahunia (30%)	Name of Salesperson as Provided to Investor	
J.D.	ON	\$10,000	\$3,000	Michael Rosen	Dec. 6, 2007

L.F.	ON	\$5,000	\$1,500	Mike Rosen	Nov. 6, 2007
G.G.	AB	\$1,500	\$450	Mike Rosen	Dec. 17, 2007
J.G.	ON	\$5,000	\$1,500	Mike Rosen	Nov. 7, 2007
D.H.	AB	\$2,500	\$750	Michael Rosen	Dec. 10, 2007
J.H.	AB	\$1,000	\$300	Mike Rosen	Nov. 19, 2007
R.K.	AB	\$10,000	\$3,000	Mike Rosen	Nov. 9, 2007
A.M.	SK	\$5,000	\$1,500	Mike Rosen	Nov. 13, 2007
L.R.	SK	\$20,000	\$6,000	Mike Rosen	Nov. 13, 2007
B.T.	AB	\$2,500	\$750	Mike Rosen	Nov. 7, 2007
S.W.	AB	\$2,000	\$600	Mike Rosen	Nov. 29, 2007
S.Z.	AB	\$10,000	\$3,000	Mike Rosen	Nov. 7, 2007
Total		\$74,500	\$22,350		

41. As set out above, Gahunia sold shares of Shallow Oil to twelve individuals and was paid \$22,350 in commissions for his sales of Shallow Oil shares.

42. As previously set out, Gahunia directed the individuals purchasing shares to send their payment and completed subscription agreement to the TD Tower, 161 Bay Street, 27th Floor, Toronto, Ontario. This address is a Regus business centre virtual office (the “Regus Address”) and packages arriving at the Regus Address would then be forwarded to the Premises.

43. Gahunia took no steps to confirm whether Shallow Oil actually had an office on Bay Street in Toronto.

44. During the Material Time, Gahunia heard other persons working at the Premises 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.

45. At no point did Gahunia disclose to investors or potential investors the actual location of the Premises.

46. Payments to Gahunia for his sales of Shallow Oil shares were made by cheques written on a bank account in the name of Shallow Oil. The cheques to Gahunia were made payable to

MG International Enterprises (“MGIE”). MGIE was a sole proprietorship set up by Gahnuia and MGIE had a bank account at TD Canada Trust (the “MGIE TD Account”).

47. The Shallow Oil cheques payable to MGIE were signed by Eric O’Brien.

48. The amounts on the Shallow Oil cheques payable to MGIE were directly related to invoices provided by Gahunia to Shallow Oil. These invoices set out the sales of shares made by Gahunia and the amount of commission that he was to be paid. Each invoice sets out that Gahunia was to be paid a 30% commission on each sale of Shallow Oil shares.

49. At no point did Gahunia advise investors that he would be receiving a commission of 30% of the total purchase price paid by them for shares of Shallow Oil.

50. When persuading investors to buy shares of Shallow Oil, Gahunia was not aware of any legitimate assets possessed by Shallow Oil. He did not exercise any due diligence to ensure what he was telling investors about Shallow Oil, including its alleged assets, was true.

51. In addition to the sales of shares set out above, Gahunia also made two further sales that were never completed. On January 14 and 22, 2008, Staff intercepted eight courier packages sent by investors and delivered to the Regus Address. These packages all contained cheques payable to Shallow Oil for the purchase of Shallow Oil shares. Of these eight packages sent by investors, two of the investors had dealt with Gahunia using the alias Mike Rosen. The details with respect to these two intercepted investment packages are as follows:

Initials of Investors	Province	Dollar Value of Shares Intended to be Purchased	Name of Salesperson as Provided to Investor	Date of Invoice
G.E.	SK	\$10,000	Michael Rosen	Jan. 11, 2008

A.C. AB \$2,500 Mike Rosen Jan. 14, 2008

52. Gahunia was selling shares of Shallow Oil up until the end of the Material Time.

53. On January 14, 2008, Staff conducted an inspection of the Premises. During the inspection, Staff located numerous individuals inside the Premises. Among others, Staff located Al Grossman, Valia Rogitzo, Gord McQuarrie, and Jeanine Robichaud. Gahunia was present inside the Premises when Staff commenced the inspection; however, he left the Premises immediately, prior to being identified by Staff. Gahunia did return inside the Premises about two hours after the inspection began.

54. The inspection confirmed that Gahunia occupied the first office on the south side of the unit turning right into a hallway from the foyer. There were two other offices in the Premises, one office was the office used by Al and the other office was the office shared by Abel and Eric.

55. Staff inspected Gahunia's office and observed a black laptop bag with documents related to Gahunia inside the bag. Also located in the laptop bag was the Sales Script Binder that Al had provided to Gahunia. On the desk in Gahunia's office Staff located a file folder with the typewritten tab "Michael Rosen". Inside this file folder there were a number of subscription agreements for the purchase of Shallow Oil shares.

PART IV. - CONDUCT CONTRARY TO THE PUBLIC INTEREST

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

- (a) Trading securities of Shallow Oil without being registered by the Ontario Securities Commission to trade in securities, contrary to subsection 25(1)(a) of the Act;

- (b) Trading in securities of Shallow Oil 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;
- (c) Trading in securities of Shallow Oil at a time when he was prohibited from trading in securities by order of the Ontario Securities Commission dated October 10, 2007, contrary to section 122(1)(c) of the Act;
- (d) Engaging or participating in acts, practices or courses of conduct relating to the securities of Shallow that he knew or ought to have known perpetrated a fraud on investors in Ontario and elsewhere in Canada; and
- (e) 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.

57. Gahunia admits and acknowledges that he acted contrary to the public interest by contravening Ontario securities law as set out in sub-paragraphs 56. (a) to (e) .

PART V. - TERMS OF SETTLEMENT

58. Gahunia agrees to the terms of settlement listed below.

59. The Commission will make an order, pursuant to section 37 and subsection 127(1) of the Act, that:

- (a) the Settlement Agreement is approved;

- (b) trading in any securities by Gahunia cease permanently from the date of the approval of the Settlement Agreement, with the exception that Gahunia is permitted to trade in securities in mutual funds through a registered dealer for the account of his registered retirement savings plan (as defined in the *Income Tax Act* (Canada));
- (c) the acquisition of any securities by Gahunia is prohibited permanently from the date of the approval of the Settlement Agreement, with the exception that Gahunia is permitted to acquire securities in mutual funds through a registered dealer for the account of his registered retirement savings plan (as defined in the *Income Tax Act* (Canada));
- (d) any exemptions contained in Ontario securities law do not apply to Gahunia permanently from the date of the approval of the Settlement Agreement;
- (e) Gahunia is reprimanded;
- (f) Gahunia is prohibited permanently from the date of this Order from becoming or acting as a director or officer of any issuer, registrant, or investment fund manager;
- (g) Gahunia is prohibited permanently from the date of this Order from becoming or acting as a registrant, as an investment fund manager or as a promoter; and,
- (h) Gahunia shall disgorge to the Commission \$22,350 obtained as a result of his non-compliance with Ontario securities law. The \$22,350 disgorged shall be for allocation to or for the benefit of third parties, including investors who lost money as a result of purchasing Shallow Oil securities, in accordance with s. 3.4(2) of the Act;

- (i) Gahunia shall pay an administrative penalty of \$25,000 for his failure to comply with Ontario securities law. The \$25,000 administrative penalty shall be for allocation to or for the benefit of third parties, including investors who lost money as a result of purchasing Shallow Oil securities, in accordance with s. 3.4(2) of the Act; and
- (j) Gahunia 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.

60. Gahunia 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 subparagraphs 59. (a) to (j) above.

PART VI. - STAFF COMMITMENT

61. If this Settlement Agreement is approved by the Commission, Staff will not initiate any other proceeding under the Act against Gahunia in relation to the facts set out in Part III herein, subject to the provisions of paragraph 62. below.

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

63. 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 Gahunia for the scheduling of the hearing to consider the Settlement Agreement.

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

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

66. 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.

67. Whether or not this Settlement Agreement is approved by the Commission, Gahunia 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

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

69. 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 Gahunia and Staff or as may be required by law.

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

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

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

Signed in the presence of:

“Leo Adler”

Witness

“Gurdip Singh Gahunia”

Gurdip Singh Gahunia

Dated this 12th day of December, 2010

STAFF OF THE ONTARIO SECURITIES COMMISSION

“Tom Atkinson”

Tom Atkinson
Director, Enforcement Branch

Dated this 13th day of December, 2010.



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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 GURDIP SINGH GAHUNIA also known as MICHAEL GAHUNIA

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

WHEREAS on November , , 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 Gurdip Singh Gahunia also known as Michael Gahunia ("Gahunia");

AND WHEREAS Gahunia entered into a Settlement Agreement with Staff of the Commission dated (the "Settlement Agreement") in which Gahunia 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 Gahunia 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) the Settlement Agreement is approved;
- (b) pursuant to clause 2 of subsection 127(1) of the Act, trading in any securities by Gahunia cease permanently, with the exception that Gahunia is permitted to trade in securities in mutual funds through a registered dealer for the account of his registered retirement savings plan (as defined in the *Income Tax Act* (Canada));
- (c) pursuant to clause 2.1 of section 127(1) of the Act, Gahunia is prohibited permanently from the acquisition of any securities, with the exception that Gahunia is permitted to acquire securities in mutual funds through a registered dealer for the account of his registered retirement savings plan (as defined in the *Income Tax Act* (Canada));
- (d) pursuant to clause 3 of section 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Gahunia permanently;
- (e) pursuant to clause 6 of subsection 127(1) of the Act, Gahunia is reprimanded;
- (f) pursuant to clauses 8, 8.2, and 8.4 of subsection 127(1) of the Act, Gahunia is prohibited permanently from the date of this Order from becoming or acting as a director or officer of any issuer, registrant, or investment fund manager;
- (g) pursuant to clause 8.5 of subsection 127(1) of the Act, Gahunia is prohibited permanently from the date of this Order from becoming or acting as a registrant, as an investment fund manager or as a promoter;
- (h) pursuant to clause 9 of subsection 127(1) of the Act, Gahunia shall pay an administrative penalty of \$25,000 for his failure to comply with Ontario securities law. The \$25,000 administrative penalty shall be for allocation to or for the benefit of third parties, including investors who lost money as a result of purchasing Shallow Oil & Gas Inc. securities, in accordance with s. 3.4(2) of the Act;

- (i) pursuant to clause 10 of subsection 127(1) of the Act, Gahunia shall disgorge to the Commission \$22,350 obtained as a result of their non-compliance with Ontario securities law. The \$22,350 disgorged shall be for allocation to or for the benefit of third parties, including investors who lost money as a result of purchasing Shallow Oil & Gas Inc. securities, in accordance with s. 3.4(2) of the Act; and

- (j) pursuant to section 37(1) of the Act of the Act, Gahunia 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 , 2010.
