

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

-AND-

**IN THE MATTER OF
MOMENTAS CORPORATION, HOWARD RASH,
ALEXANDER FUNT, SUZANNE MORRISON
AND MALCOLM ROGERS**

-AND-

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

-AND-

**IN THE MATTER OF
SUZANNE MORRISON**

**SETTLEMENT AGREEMENT
(SUZANNE MORRISON)**

I. INTRODUCTION

1. By Notice of Hearing dated March 31, 2006, the Ontario Securities Commission (“the Commission”) announced that it proposed to hold a hearing to consider whether, pursuant to sections 127 and 127.1 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 an order approving the settlement agreement entered into between Staff of the Commission and the Respondent, Suzanne Morrison, in the within proceedings.

II. JOINT SETTLEMENT RECOMMENDATION

2. Staff recommend settlement of the allegations against the respondent, Suzanne Morrison (“Morrison”), in accordance with the terms and conditions set out below. Morrison agrees to the settlement on the basis of the facts agreed to as provided in Part III and consents to the making of an order against her in the form attached as Schedule “A” on the basis of the facts set out in Part III.
3. This settlement agreement, including the attached Schedule “A” (collectively, the “Settlement Agreement”), will be released to the public only if and when the Settlement Agreement is approved by the Commission.

III. AGREED FACTS

4. Staff and Morrison agree with the facts set out in Part III for the purpose of this settlement proceeding only and further agree that this agreement of facts is without prejudice to Morrison in any civil or other proceedings which may be brought by any other person or agency.

A. The Respondent

5. Morrison is a resident of Ontario. She is 51 years old.
6. Since its incorporation July 2003, Morrison has held the positions of director, President and Chief Financial Officer (“CFO”) of Momentas Corporation. Although Morrison held these positions, she was not a directing mind of the company.

7. Morrison acted as the office manager and bookkeeper of Momentas Corporation. Her duties consisted primarily of bookkeeping, banking and office administration. Some of her administrative responsibilities related to the sale of securities of Momentas Corporation to members of the public (as described below). Morrison was paid a salary by Momentas Corporation.

B. The Sale of Momentas Corporation Securities

8. Between August 2003 and June 2005, Momentas Corporation sold 'Series A Secured Convertible Debentures' of Momentas Corporation ("Momentas Corporation Convertible Debentures") to residents of Ontario, British Columbia and Alberta pursuant to its offering memorandum, as amended April 1, 2004 (the "Momentas Corporation Offering Memorandum").
9. The Offering Memorandum describes the business of Momentas Corporation as involving the development and licensing of an automated proprietary stock trading system ("ARF"), the trading by Momentas Corporation of foreign currencies, and potential acquisitions by Momentas Corporation of other businesses.
10. The majority of Momentas Corporation's employees were directly involved in the sale of Momentas Corporation Convertible Debentures through telephone solicitation with no other employment responsibilities. Momentas Corporation and its officers, directors or employees, including Morrison, were not registered with the Commission in any capacity.

11. In selling the Momentas Corporation Convertible Debentures, Momentas Corporation purportedly relied upon the exemption from registration contained in OSC Rule 45-501 with respect to the sale of securities to accredited investors (the “Accredited Investor Exemption”). Momentas Corporation filed forms 45-501 F1 with the Commission reporting the sales of Convertible Debentures as required by Rule 45-501.
12. Momentas Corporation raised approximately \$7.8 million from the sale of Momentas Corporation Convertible Debentures. Of this amount, approximately \$2.95 million was raised from residents of Ontario.

C. The Temporary Orders

13. On June 9, 2005, the Commission made a temporary order that, *inter alia*, Momentas Corporation cease trading in its securities and Morrison, Howard Rash (“Rash”) and Alexander Funt (“Funt”) cease trading in any securities. The Commission further ordered that any exemptions contained in Ontario securities law do not apply to Momentas Corporation, Rash, Funt and Morrison (the “Temporary Cease Trade Order”).
14. On June 24, 2005, the Commission issued proceedings pursuant to section 127 of the Act with respect to the sale of Momentas Corporation Convertible Debentures (the “Momentas Corporation Commission Proceedings”).
15. By subsequent orders of the Commission, the Temporary Cease Trade Order was, subject to certain limited exceptions related to personal trading, extended against the individuals until the conclusion of the hearing in the Momentas Corporation Commission Proceedings.

16. On July 14, 2005, the Commission held a hearing to determine whether it was in the public interest to further extend the Temporary Cease Trade Orders against Momentas Corporation. The Commission concluded that, in selling the Momentas Corporation Convertible Debentures, Momentas Corporation “had been acting as a market intermediary and distributing its securities without being registered”.
17. The panel held that it was in the public interest to extend the Temporary Cease Trade Order until the conclusion of the hearing of the matter, or the date upon which Momentas Corporation becomes registered as a limited market dealer and its officers, directors and/or employees involved in the sale of securities to the public become registered in accordance with Ontario securities law.
18. Neither Momentas Corporation nor any of its officers, directors and/or employees have sought or obtained such registration.

D. Sale of Momentas Realty Securities

19. Morrison was also the President, CFO and a director of Momentas Realty Corp. (“Momentas Realty”), an affiliate of Momentas Corporation.
20. Momentas Corporation is a 48% shareholder of Momentas Realty.
21. Following the Temporary Cease Trade Order, between June 2005 and October 2005, Momentas Realty sold Momentas Realty ‘Series A Secured Convertible Debentures’ (the “Momentas Realty Convertible Debentures”) pursuant to an offering memorandum dated May 1, 2005 (the “Momentas Realty Offering Memorandum”).

22. The Momentas Realty Offering Memorandum states that it intends to raise \$10 million in aggregate proceeds from the sale of Momentas Realty Convertible Debentures for its stated business of “real estate development and investment”.
23. Momentas Realty raised approximately \$3 million through the sale of Momentas Realty Convertible Debentures to residents Ontario, Alberta, British Columbia and Nova Scotia. Of this amount, approximately \$1.6 million has been raised from residents of Ontario, purportedly in reliance upon the Accredited Investor Exemption.

E. Acts in Furtherance of Trades of Securities

24. Morrison’s activities relating to the sale of securities of both Momentas Corporation and Momentas Realty consisted of the following:
 - (a) Prior to the Temporary Cease Trade Order, Morrison’s name was inserted into the offering memoranda of Momentas Corporation and Momentas Realty as a signatory, and she was identified as President and CFO. She does not recall actually signing those documents, but did become aware of the fact that her name was on the documents and took no steps to have it removed;
 - (b) Prior to the Temporary Cease Trade Order, Morrison signed letters to prospective investors of Momentas Corporation enclosing promotional materials;
 - (c) Prior to the Temporary Cease Trade Order, Morrison signed subscription agreements on behalf of Momentas Corporation;
 - (d) Prior to the Temporary Cease Trade Order, Morrison ordered debenture certificates from the transfer agent and made the necessary arrangements to send the certificates to debenture holders of Momentas Corporation;
 - (e) Both before and after the Temporary Cease Trade Order, Morrison deposited investors’ funds received by the issuers into the respective bank accounts of Momentas Corporation and Momentas Realty; and
 - (f) Following the Temporary Cease Trade Order, Morrison took steps to ensure that Momentas Realty had sufficient copies of its promotional materials, including copies of its offering memorandum, to be distributed to prospective investors.

F. Permitting, Authorizing or Acquiescing

25. Morrison knew that most of the employees of Momentas Corporation and Momentas Realty were directly involved in the sale of Convertible Debentures through telephone solicitation and had no other employment responsibilities.
26. Morrison was not involved in the preparation of the offering memoranda or in the structuring of the offerings and has no experience with such matters. However, Morrison allowed her name to remain affixed to the offering memoranda of both Momentas Corporation and Momentas Realty in her capacity as President and CFO of each issuer.
27. Morrison took no steps to inform herself of whether the companies' activities, as structured, were in compliance with Ontario securities law. Morrison relied entirely upon Rash and Funt, the founders and directing minds of Momentas Corporation and Momentas Realty, to ensure compliance in that regard.
28. Morrison took no steps to apply to the Commission for registration prior to any sales of Momentas Realty securities taking place and took no steps to ensure that Momentas Realty did not sell its securities in the absence of registration.

H. Mitigating Factors

29. Morrison has no prior disciplinary record with the Commission.
30. Morrison has resigned her positions as a director and officer and has cooperated fully with Staff of the Commission. Morrison submitted to a voluntary interview and provided documents to Staff in respect of Momentas Corporation and Momentas Realty.

IV. RESPONDENT'S POSITION

31. Following the Temporary Cease Trade Order, Morrison did not understand that her activities in respect of Momentas Realty constituted trading in securities or that she was breaching the terms of the cease trade order. Morrison did not intend to breach Ontario securities law.

V. CONDUCT CONTRARY TO THE PUBLIC INTEREST

32. Morrison was an officer and director of Momentas Corporation and Momentas Realty in name only. In failing to take steps to determine whether the activities of Momentas Corporation and Momentas Realty complied with the Ontario securities law, Morrison failed to appropriately discharge her duties as an officer and director of an issuer offering securities to members of the public.
33. As a Respondent in the Commission's proceedings against Momentas Corporation, Morrison had direct knowledge of the Commission's finding that Momentas Corporation had been acting as a market intermediary and of the Commission's conclusion that Momentas Corporation, as well as its officers, directors and/or employees involved in the sale of its securities to members of the public, were required to be registered.
34. The sale of Momentas Realty Convertible Debentures continued thereafter in a manner similar to the sale of the Momentas Corporation Convertible Debentures. Morrison was not involved in the solicitations made to potential investors of Momentas Realty and restricted her role to depositing funds received from them and ordering copies of promotional materials to be sent by others to investors. However, she did allow her name

to remain affixed to the offering memorandum and was aware that it was being provided to potential investors.

35. Morrison's conduct as described above was contrary to Ontario securities law and was contrary to the public interest.

VI. TERMS OF SETTLEMENT

36. Morrison agrees to the following terms of settlement, to be set out in an order by the Commission pursuant to section 127(1) and 127.1 of the Act:

- (a) pursuant to paragraph 2 of subsection 127(1) of the Act, Morrison shall cease trading in securities for a period of 10 years, except after a period of 2 years Morrison shall be permitted to trade in securities for her own registered retirement savings plan or registered retirement income fund through a registered dealer, effective from the date of the order of the Commission approving the Settlement Agreement;
- (b) pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law shall not apply to Morrison for a period of 10 years, except after a period of 2 years Morrison shall be permitted to trade in securities for her own registered retirement savings plan or registered retirement income fund through a registered dealer, effective from the date of the order of the Commission approving the Settlement Agreement;
- (c) pursuant to paragraph 7 of subsection 127(1) of the Act, Morrison shall forthwith resign any positions that she holds as an officer and/or director of any issuer;
- (d) pursuant to paragraph 8 of subsection 127(1) of the Act, Morrison is prohibited for a period of 10 years from becoming or acting as an officer and/or director of any issuer, effective from the date of the order of the Commission approving the Settlement Agreement; and
- (e) Morrison shall pay to the Commission a portion of the costs of its investigation in the amount of \$7,500.00 within 90 days of the date of the order approving the Settlement Agreement.

37. As a term of settlement, Morrison also agrees that she will testify as a witness for Staff at the hearing of the Momentas Corporation Commission Proceeding.

VII. STAFF COMMITMENT

38. If this settlement is approved by the Commission Staff will not initiate any other proceeding under Ontario securities law against Morrison in respect of the facts set out in Part III of the Settlement Agreement, subject to the provisions of paragraph 43 below.

VIII. PROCEDURE FOR APPROVAL OF SETTLEMENT

39. Approval of this Settlement Agreement shall be sought at a hearing of the Commission scheduled on a date agreed to by Staff and Morrison.
40. Counsel for Staff or for Morrison may refer to any part, or all, of the Settlement Agreement at the Settlement Hearing. Staff and Morrison agree that the Settlement Agreement will constitute the entirety of the evidence to be submitted at the Settlement Hearing, unless the parties later agree that further evidence should be submitted at the Settlement Hearing.
41. If the Settlement Agreement is approved by the Commission, Morrison agrees to waive her right to a full hearing, judicial review or appeal of the matter under the Act.
42. Staff and Morrison agree and undertake that if the Settlement Agreement is approved by the Commission, they will not make any statement inconsistent with the Settlement Agreement.

43. If this Settlement Agreement is approved by the Commission and, at any subsequent time, Morrison fails to honour any of the Terms of Settlement set out in Part VI, Staff reserve the right to bring proceedings under Ontario securities law against Morrison based on, but not limited to, the facts set out in Part III of the Settlement Agreement, as well as the breach of the Settlement Agreement.
44. Whether or not the Settlement Agreement is approved by the Commission, Morrison agrees that she will not, in any proceeding, refer to or rely upon the 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.

IX. DISCLOSURE OF SETTLEMENT AGREEMENT

45. The Settlement Agreement and its terms will be treated as confidential by Staff and Morrison until approved by the Commission, and forever if, for any reason whatsoever, the Settlement Agreement is not approved by the Commission, except with the written consent of Staff and Morrison, or as may be required by law.
46. Any obligations of confidentiality shall terminate upon approval of the Settlement Agreement by the Commission.

X. EXECUTION OF SETTLEMENT AGREEMENT

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

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

DATED this 31st day of March, 2006

Signed in the presence of:

"Suzanne Morrison"
Suzanne Morrison

Staff of the Ontario Securities Commission

"Michael Watson"
Michael Watson
Director, Enforcement Branch