



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

P.O. Box 55, 19th Floor CP 55, 19^e étage
20 Queen Street West 20, rue queenouest
Toronto ON M5H 3S8 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
YORK RIO RESOURCES INC., BRILLIANTE BRASILCAN RESOURCES CORP.,
VICTOR YORK, ROBERT RUNIC, GEORGE SCHWARTZ, PETER ROBINSON,
ADAM SHERMAN, RYAN DEMCHUK, MATTHEW OLIVER,
GORDON VALDE AND SCOTT BASSINGDALE**

**SETTLEMENT AGREEMENT
BETWEEN STAFF AND ADAM SHERMAN**

PART I - INTRODUCTION

1. By Notice of Hearing dated March 2, 2010, the Ontario Securities Commission (the "Commission") announced that it proposed to hold a hearing, commencing on March 3, 2010, pursuant to sections 37, 127, and 127.1 of the *Securities Act*, R.S.O. 1990, c. S. 5, as amended (the "Act"), to consider whether it is in the public interest to make orders, as specified therein, against York Rio Resources Inc. ("York Rio"), Brilliante Brasilcan Resources Corp. ("Brilliante"), Victor York ("York"), Robert Runic ("Runic"), George Schwartz ("Schwartz"), Peter Robinson ("Robinson"), Adam Sherman ("Sherman"), Ryan Demchuk ("Demchuk"), Matthew Oliver ("Oliver"), Gordon Valde ("Valde") and Scott Bassingdale ("Bassingdale"), (collectively the "Respondents"). 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 March 2nd, 2010.

2. The Commission will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to sections 37, 127 and 127.1 of the Act, it is in the public interest for the Commission to approve this Settlement Agreement and to make certain orders in respect of Sherman.

PART II – JOINT SETTLEMENT RECOMMENDATION

3. Staff agree to recommend settlement of the proceeding initiated by the Notice of Hearing dated March 2, 2010 against Sherman (the “Proceeding”) in accordance with the terms and conditions set out below. Sherman consents to the making of an order in the form attached as Schedule “A”, based on the facts set out below.

PART III – AGREED FACTS

Background Regarding York Rio and Sherman

4. York Rio was incorporated in Ontario on May 10, 2004. It was also incorporated in Nevada in May of 2006. York Rio has never filed a prospectus with the Commission and has never been registered with the Commission in any capacity.

5. Between and including May 10, 2004 and October 21, 2008 (the “Material Time”), York Rio was trading in securities by selling securities in itself to investors in Ontario and elsewhere in Canada.

6. During the Material Time, York was the sole registered director of York Rio. York has never been registered in any capacity with the Commission.

7. Sherman was not registered with the Commission in any capacity during the Material Time.

8. During the Material Time, Sherman was a resident of Ontario and was a salesperson of York Rio.

Trading in York Rio Securities by Sherman

9. Around May of 2007, Sherman was contacted by Runic about selling York Rio securities to members of the public. Sherman and Runic were old friends and had known each other since childhood.

10. Later in the summer of 2007, Sherman began to work under the supervision of Runic as a salesperson of York Rio securities. Sherman was provided with scripts (the “York Rio Scripts”) by Runic containing information designed to induce members of the public to purchase York Rio securities. Sherman read from the York Rio Scripts while selling securities of York Rio.

11. Using the York Rio Scripts, Sherman provided information about York Rio to members of the public, including persons that invested in York Rio, that was false, inaccurate and misleading, including, but not limited to, the following:

- (a) the extent of his background in the investment industry;
- (b) that York Rio owned or held interests in certain mining properties in Brazil;
- (c) that these York Rio mining properties in Brazil were currently producing diamonds ranging in size from 1 to 69 carats;
- (d) the nature and extent of the mining assets owned by York Rio; and
- (e) that numerous significant companies had approached York Rio with a view to taking over York Rio.

12. Sherman relied solely on the information that was provided to him by Runic and conducted no independent due diligence to determine whether the information in the York Rio Scripts was true. This did not constitute sufficient due diligence.

13. While selling York Rio securities, Sherman was instructed not to use his real name so Sherman used the alias “Jason Sebrook.” Sherman was told by Runic that using an alias was permissible.

14. Sherman understood York to be the president of York Rio.

15. Sherman initially sold York Rio securities from offices on Yonge Street in Toronto (the “Yonge Office”) and subsequently from offices on Finch Avenue West in Toronto (the “Finch Office”). Both the Yonge Office and the Finch Office were rented at the direction of Runic.
16. Runic paid Sherman in cash. Sherman received a 10% commission on the gross sales of York Rio securities that he made. In total, Sherman raised approximately \$2,000,000 from investors through the sale of York Rio securities and received approximately \$200,000 from Runic for commissions related to his sales of York Rio securities.
17. As part of his sales activity, Sherman, sold shares of York Rio to members of the public that had previously purchased York Rio securities from other salesmen. A person undertaking this role is often referred to as a “loader”.
18. Sherman stopped selling shares of York Rio sometime in the fall of 2008.

PART IV - CONDUCT CONTRARY TO THE PUBLIC INTEREST

19. By engaging in the conduct described above, Sherman admits and acknowledges that he contravened Ontario securities law during the Material Time in the following ways:
 - (a) During the Material Time, Sherman engaged or participated in acts, practices or courses of conduct relating to securities of York Rio that the Sherman knew or reasonably ought to have known perpetrated a fraud on persons or companies, contrary to section 126.1(b) of the Act and contrary to the public interest;
 - (b) During the Material Time, Sherman traded in securities without being registered to trade in securities, contrary to section 25(1) of the Act and contrary to the public interest;
 - (c) During the Material Time, Sherman made representations without the written permission of the Director, with the intention of effecting a trade in securities of York Rio, that such security would be listed on a stock exchange or quoted on any quotation and trade reporting system, contrary to section 38(3) of the Act and contrary to the public interest; and

- (d) During the Material Time, Sherman traded in securities of York Rio when a preliminary prospectus and a prospectus had not been filed and receipts had not been issued for them by the Director, contrary to section 53(1) of the Act and contrary to the public interest.

20. Sherman admits and acknowledges that he acted contrary to the public interest by contravening Ontario securities law as set out in sub-paragraphs 19. (a)-(d).

PART V - TERMS OF SETTLEMENT

21. Sherman agrees to the terms of settlement listed below.

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

- (a) the Settlement Agreement is approved;
- (b) trading in any securities by Sherman cease permanently from the date of the approval of the Settlement Agreement subject to the terms of sub-paragraph (k) below;
- (c) the acquisition of any securities by Sherman is prohibited permanently from the date of the approval of the Settlement Agreement subject to the terms of sub-paragraph (k) below;
- (d) any exemptions contained in Ontario securities law do not apply to Sherman permanently from the date of the approval of the Settlement Agreement;
- (e) Sherman is reprimanded;
- (f) Sherman 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) Sherman 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) Sherman shall disgorge to the Commission \$200,000 obtained as a result of his non-compliance with Ontario securities law. The \$200,000 disgorged shall be for allocation to or for the benefit of third parties, including investors who lost money as a result of purchasing York Rio securities, in accordance with s. 3.4(2)(b) of the Act;

(i) Sherman shall pay an administrative penalty of \$50,000 for his failure to comply with Ontario securities law. The \$50,000 administrative penalty shall be for allocation to or for the benefit of third parties, including investors who lost money as a result of purchasing York Rio securities, in accordance with s. 3.4(2)(b) of the Act; and

(j) Sherman 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;

(k) Notwithstanding the provisions of this Order, once Sherman has fully satisfied the terms of sub-paragraphs (h) and (i) above, Sherman is permitted to trade for his own account, solely through a registered dealer or, as appropriate, a registered dealer in a foreign jurisdiction (which dealer must be given a copy of this order) in (a) any "exchange-traded security" or "foreign exchange-traded security" within the meaning of National Instrument 21-101 provided that he does not own beneficially or exercise control or direction over more than 5 percent of the voting or equity securities of the issuer(s) of any such securities; (b) any security issued by a mutual fund that is a reporting issuer; and provided that Sherman provides Staff with the particulars of the accounts in which such trading is to occur (as soon as practicable before any trading in such accounts occurs) including the name of the registered dealer through which the trading will occur and the account numbers, and Sherman shall instruct the registered dealer to provide copies of all trade confirmation notices with respect to trading in the accounts directly to Staff at the same time that such notices are provided to him; or (c) any shares in a "private company" as defined in section 1 of the Act.

23. Sherman 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 sub-paragraphs 22 (a) - (j) above.

PART VI - STAFF COMMITMENT

24. If this Settlement Agreement is approved by the Commission, Staff will not initiate any other proceeding under the Act against Sherman in relation to the facts set out in Part III herein, subject to the provisions of paragraph 25 below.

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

26. 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 Sherman for the scheduling of the hearing to consider the Settlement Agreement.

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

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

29. 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.

30. Whether or not this Settlement Agreement is approved by the Commission, Sherman 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

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

32. 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 Sherman and Staff or as may be required by law.

PART IX. - EXECUTION OF SETTLEMENT AGREEMENT

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

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

Dated this 2nd day of June, 2011.

Signed in the presence of:

“Ana Martinez”

“Adam Sherman”

Ana Martinez

Adam Sherman

Dated this 3rd day of June, 2011

STAFF OF THE ONTARIO SECURITIES COMMISSION

“Tom Atkinson”

Tom Atkinson
Director, Enforcement Branch

Dated this 2nd day of June, 2011

SCHEDULE "A"



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

ADAM SHERMAN

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

WHEREAS on _____, 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 (the "Act") in respect of Adam Sherman ("Sherman");

AND WHEREAS Sherman entered into a Settlement Agreement with Staff of the Commission dated _____, 2011 (the "Settlement Agreement") in which Sherman 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 the Statement of Allegations of Staff of the Commission, and upon hearing submissions from counsel for Sherman 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;

SCHEDULE "A"

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 Sherman cease permanently subject to the terms of sub-paragraph (k) below;
- (c) pursuant to clause 2.1 of section 127(1) of the Act, Sherman is prohibited permanently from the acquisition of any securities subject to the terms of sub-paragraph (k) below;
- (d) pursuant to clause 3 of section 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Sherman permanently;
- (e) pursuant to clause 6 of subsection 127(1) of the Act, Sherman is reprimanded;
- (f) pursuant to clauses 8, 8.2, and 8.4 of subsection 127(1) of the Act, Sherman 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, Sherman 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, Sherman shall pay an administrative penalty of \$50,000 for his failure to comply with Ontario securities law. The \$50,000 administrative penalty shall be for allocation to or for the benefit of third parties, including investors who lost money as a result of purchasing York Rio Resources Inc. securities, in accordance with s. 3.4(2)(b) of the Act;
- (i) pursuant to clause 10 of subsection 127(1) of the Act, Sherman shall disgorge to the Commission \$200,000 obtained as a result of their non-compliance with Ontario securities law. The \$200,000 disgorged shall be for allocation to or for the benefit of

SCHEDULE "A"

third parties, including investors who lost money as a result of purchasing York Rio Resources Inc. securities, in accordance with s. 3.4(2)(b) of the Act;

- (j) pursuant to section 37(1) of the Act of the Act, Sherman 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
- (k) Notwithstanding the provisions of this Order, once Sherman has fully satisfied the terms of sub-paragraphs (h) and (i) above, Sherman is permitted to trade for his own account, solely through a registered dealer or, as appropriate, a registered dealer in a foreign jurisdiction (which dealer must be given a copy of this order) in (a) any "exchange-traded security" or "foreign exchange-traded security" within the meaning of National Instrument 21-101 provided that he does not own beneficially or exercise control or direction over more than 5 percent of the voting or equity securities of the issuer(s) of any such securities; (b) any security issued by a mutual fund that is a reporting issuer; and provided that Sherman provides Staff with the particulars of the accounts in which such trading is to occur (as soon as practicable before any trading in such accounts occurs) including the name of the registered dealer through which the trading will occur and the account numbers, and Sherman shall instruct the registered dealer to provide copies of all trade confirmation notices with respect to trading in the accounts directly to Staff at the same time that such notices are provided to him; or (c) any shares in a "private company" as defined in section 1 of the Act.

(l)

DATED AT TORONTO this day of , 2011.
