

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

**AND**

**ROBERT PATRICK ZUK, DANE ALAN WALTON  
DEREK REID, IVAN DJORDJEVIC,  
DANIEL DAVID DANZIG,  
and MATTHEW NOAH COLEMAN**

**SETTLEMENT AGREEMENT BETWEEN  
ROBERT PATRICK ZUK and  
STAFF OF THE ONTARIO SECURITIES COMMISSION**

**I. INTRODUCTION**

1. By Notice of Hearing to be issued, the Commission will announce a hearing to consider whether, pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S.5 (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 Robert Patrick Zuk.

**II. JOINT SETTLEMENT RECOMMENDATION**

2. Staff of the Commission (“Staff”) recommend settlement with Robert Patrick Zuk (also referred to hereafter as the “Respondent”) in accordance with the terms and conditions set out below. The Respondent agrees to the settlement on the basis of the facts set out in Part III herein and consents to the making of an Order in the form attached as Schedule “A” on the basis of the facts set out in Part III herein.

3. The terms of 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. For the purposes of this settlement agreement, the Respondent agrees with the facts set out in Part III of this agreement.

#### **(a) Background**

5. Visa Gold Explorations Inc. (“Visa Gold”) is a reporting issuer involved in the recovery of underwater artefacts, which was listed on the Canadian Dealing Network (“CDN”) on August 25, 1999. Visa Gold common shares traded over the counter and were quoted on the CDN until October 10, 2000, when Visa Gold shares began trading on the CDNX. Visa Gold shares continued to trade on the CDNX until December 19, 2002, when trading in Visa Gold’s shares was suspended. Visa Gold shares were cease traded on May 28, 2003 and remain cease traded.

6. Visa Gold originated as a privately-held company. In February 1998, Visa Gold entered into a joint venture agreement with a Cuban state-owned entity to explore historic shipwrecks and recover artefacts within Cuba’s territorial waters. In order to fund Visa Gold’s obligations under the joint venture agreement, Visa Gold determined that the public markets should be accessed to raise capital. Visa Gold contacted Zuk and another individual to take Visa Gold public and, specifically, to raise funds to purchase and equip a salvage boat and to supply working capital needed to continue Visa Gold’s exploration and recovery operations. Zuk agreed to act as a stock promoter and fundraiser for Visa Gold.

7. In order to take Visa Gold public, an acquisition was effected by a company in which Zuk held a material interest. Prior to the commencement of public trading of Visa Gold shares on or about August 25, 1999, Zuk controlled a material number of the total issued Visa Gold shares.

8. Zuk is 43 years old, is working as an independent consultant and is an undischarged bankrupt.

**(i) Zuk's Trading Activity in Visa Gold shares**

9. In the period between August 1999 and November 2001, Zuk, through brokerage accounts over which he held and/or exercised trading authority, was an active trader in Visa Gold shares. In the relevant period, Zuk entered into hundreds of trades involving millions of shares of Visa Gold in those accounts on both the buy side of trades and the sell side of trades. Those trades (which were reported to the public on the CDN or CDNX), viewed individually and collectively, created a misleading appearance as to the value of and market activity in Visa Gold's shares.

**(ii) Brokerage Accounts used by Zuk**

10. For his trading in Visa Gold shares, Zuk used at least 29 brokerage accounts at 11 brokerage houses in his own name and in the following names: Chinggis Capital Corporation Limited, 1266447 Ontario Limited and Louise L'Abbe-Zuk (collectively, the "Zuk Accounts"). Chinggis Capital Corporation and 1266447 Ontario Limited were investor relations companies owned and operated by Zuk. Louise L'Abbe-Zuk was Zuk's spouse.

11. In addition, Zuk gave trading instructions in and/or arranged for the purchase or sale of Visa Gold shares by at least 33 accounts at 8 brokerage houses in the names of the following individuals and companies: Bruce Hodgman, 1402185 Ontario Inc., Redcap Management and Consulting, Lisa Laudenbach, ENT Management Inc., Christine Sheehan, The Winfield Group, Paul Frustaglio, 1249443 Ontario Limited (also known as Lampar Capital) and Paul Viveiros, 1125590 Ontario Inc. (also known as Del Mar Ventures Ltd.), and Wilkinson International Ltd. (collectively, the "Zuk-Related Accounts"). Zuk did not have formal trading authority in the Zuk-Related Accounts.

12. At all material times, the following holders of Zuk-Related Accounts were related to Visa Gold or to Zuk by employment or other contractual arrangements. The contractual arrangements included providing investor relations services or other services to Visa Gold. In particular,

- a. Bruce Hodgman, together with entities in which he held an ownership interest or trading control (Redcap Management and Consulting, 1402185 Ontario Inc. and The Winfield Group), provided investor relations services to Visa Gold;
- b. Lisa Laudenbach, together with an entity through which she held an ownership interest or trading control (ENT Management Inc.), provided travel services to Visa Gold, and provided rented office space to Zuk for his investor relations activities;
- c. Paul Frustaglio was the President of Visa Gold and was a director and officer of 1249443 Ontario Limited (also known as Lampar Capital), a company that he owned jointly with Zuk;
- d. Christine Sheehan was the office manager for Visa Gold, held an ownership interest in The Winfield Group through which she provided investor relations services to Visa Gold;
- e. The Winfield Group was a corporation established under the direction of Zuk for the purpose of investor relations activities for Visa Gold and other entities; and
- f. Paul Vivieros was a business associate of Zuk.

13. In addition, 1125590 Ontario Inc. (also known as Del Mar Ventures Ltd.) is an investment company in which Zuk was a director. Wilkinson International Ltd. was an offshore investment entity that had been introduced to Visa Gold by Zuk and the respondent Dane Walton. Zuk influenced trading in and arranged for purchases, sales or transfers of shares to accounts in the names of those companies.

14. Zuk did a majority of his trading through accounts held with the Respondents Derek Reid, Ivan Djordjevic and Matthew Coleman (the “Registered Representatives”). Zuk had personal relationships of many years’ duration with each of the Registered Representatives, and directed new clients to the Registered Representatives on an ongoing basis. Zuk gave trading instructions in, or directed trades to, Zuk Accounts and Zuk-Related Accounts held with the Registered Representatives, as follows:

- a. 11 brokerage accounts with Reid [in the names of 1249443 Ontario Limited (also known as Lampar Capital), Bruce Hodgman, Chinggis Capital, Christine Sheehan, Del Mar Ventures, Louise Zuk, Paul Frustaglio, Redcap Management and Consulting, Robert Zuk and Wilkinson International Ltd.] in which approximately 10 million shares of Visa Gold were traded on the buy side of trades and 13 million shares of Visa Gold were traded on the sell side;
- b. 8 brokerage accounts with Coleman [in the names of Bruce Hodgman, Christine Sheehan, ENT Management Inc., Lisa Laudenbach, Paul Frustaglio, Robert Zuk and Wilkinson International Ltd.], in which approximately 7 million shares of Visa Gold were traded on each of the buy and sell side; and
- c. 8 brokerage accounts with Djordjevic [in the names of 1266447 Ontario Limited, Bruce Hodgman, Chinggis Capital Corporation Limited, Christine Sheehan, ENT Management Inc., Lisa Laudenbach, Louise L’Abbe-Zuk, Paul Frustaglio, Robert Zuk and The Winfield Group.] in which approximately 2 million shares of Visa Gold were traded on the buy side of trades and 4 million shares of Visa Gold were traded on the sell side.

15. Zuk entered into trades, which were reported on the public market via the CDN or CDNX, when he knew that the trades would create a misleading appearance as to the volume of trading in Visa Gold’s common shares and as to the market price for those shares. Those trades involved:

- (a) no change in beneficial ownership of the Visa Gold shares (“Wash Trades”);
- (b) entering an order to buy or sell Visa Gold shares with knowledge that an offsetting order of substantially the same size and price has been or will be entered (“Match Trades”);

- (c) entering into trades at or near the end of the trading day which resulted in a higher closing price for Visa Gold shares (“High Close Trades”); and
- (d) entering into orders to buy or sell Visa Gold shares at a price higher than the last reported trade (the “Uptick Trades”).

16. On 13 occasions, Zuk engaged in Wash Trades of Visa Gold shares among the Zuk Accounts. Seven of those trades were Uptick Trades and three of those trades were High Close Trades.

17. Zuk also entered into 33 Match Trades among the Zuk Accounts and the Zuk-Related Accounts. Nine of those trades were Uptick Trades and eight of those trades were High Close Trades in Visa Gold shares.

18. Zuk was aware that Reid also acted as a trader at Brant Securities Limited and was acting as a market maker for Visa Gold. From time to time, Zuk agreed to purchase or find a purchaser among the Zuk-Related Accounts for trades with Reid’s inventory account, including 11 Uptick Trades and 8 High Close Trades.

19. Zuk was aware that Walton acted as a trader at Taurus Capital Markets Limited (“Taurus”), which was a market maker for Visa Gold. From time to time, Zuk asked Taurus traders (including the Respondent Walton) to purchase Visa Gold shares in the firm’s inventory account and made arrangements with Taurus traders (including the Respondent Walton) to find purchasers for Visa Gold shares that the traders wished to sell from the firm’s inventory account.

20. The Zuk Accounts and Zuk-Related Accounts made more than 90 additional purchases of Visa Gold shares at prices higher than the last reported trade, exerting an upward pressure on the price of Visa Gold shares.

21. Zuk also augmented his trading activity by securing a substantial number of shares from Visa Gold’s treasury (by exercising warrants and options and taking share loans), and depositing them into the Zuk Accounts or Zuk-Related Accounts. Zuk maintained debit balances over substantial periods of time in numerous brokerage

accounts, including the accounts held with each of the Registered Representatives. In order to avoid a sell-out of Visa Gold shares in those accounts at month end, Zuk also transferred and/or traded Visa Gold shares to cover debit balances in the various accounts over which he held and exercised trading authority, including accounts held with each of the Registered Representatives. Visa Gold shares were often purchased in one of the Zuk Accounts or Zuk-Related Accounts early in the next month, again creating a debit balance.

22. Zuk's intention in effecting and arranging the trades described in paragraphs 9 to 20 above was as follows:

- a. to support the price of Visa Gold shares and prevent the price of those shares from dropping substantially; and
- b. to transfer shares among the Zuk Accounts and the Zuk-Related Accounts to cover significant debit balances that had accumulated in his brokerage accounts, which he could not cover by other means.

**(v) Market price of Visa Gold shares**

23. At the commencement of public trading, the common shares of Visa Gold were trading in the range of \$1.65 to \$1.75 per share. The stock peaked at \$2.05 per share.

24. Zuk's trading volume in Visa Gold shares totalled \$5.1 million. Between August 1999 and until October 2000, Zuk's trading in Visa Gold shares represented approximately one-quarter of the trading on each of the buy sides and sell sides of trades.

#### **IV CONDUCT CONTRARY TO THE PUBLIC INTEREST**

25. The trading in Visa Gold shares that was directed by Zuk gave the misleading impression that there was a higher volume of trading in Visa Gold shares than there truly was. In addition, where trades directed by Zuk occurred at prices that were higher than the preceding reported trade, those trades contributed to an artificially high price for Visa Gold shares.

26. The Respondent knew that the trades described above would create a misleading appearance as to market activity for Visa Gold shares or as to the price of those shares.

27. The Respondent's conduct was contrary to the public interest.

28. But for Zuk's bankruptcy, Zuk acknowledges that he would be required to pay costs of the Commission's investigation into his trading activity in Visa Gold shares.

## **V TERMS OF SETTLEMENT**

29. The Respondent agrees to the following terms of settlement and to the Order attached as Schedule "A":

- (a) that Zuk is required to cease buying or selling securities for a period of 15 years from the date of the Order approving the Settlement. For greater certainty, the Order will pertain to all trading by Zuk, whether directly or indirectly, in any capacity whatsoever, or through nominee accounts;
- (b) that after an initial 3-year period, Zuk will be permitted to buy or sell securities in one RRSP account, which he will identify in writing to the Director of Enforcement of the Commission and, in that RRSP account, Zuk will be permitted to buy or sell mutual fund units, guaranteed investment certificates, treasury bills, or debt instruments that cannot be converted (directly or indirectly) into shares;
- (c) that the exemptions contained in s. 35 of the *Securities Act* and OSC Rule 45-106 do not apply to Zuk for a period of 15 years from the date of the Order;



- (d) that Zuk undertakes never to apply for registration in any capacity under Ontario securities law;
- (e) Zuk will forthwith resign from any positions that he holds as officer and/or director of any reporting issuer;
- (f) Zuk will not act as a director or officer of a reporting issuer for a period of 15 years from the date of the Order;
- (g) that should any order be required from the Superior Court of Justice (in Bankruptcy) in order to give effect to this settlement, Zuk irrevocably consents to such an order;
- (h) that Zuk will cooperate with Staff in their investigation of trading in Visa Gold shares, including providing a statement under oath to Staff of the Commission in advance of executing this Settlement Agreement and testifying as a witness for Staff at any proceedings commenced by Staff.

## **VI STAFF COMMITMENT**

30. If this Settlement Agreement is approved by the Commission, Staff will not initiate any proceeding under Ontario securities law in respect of any conduct or alleged conduct of the Respondent in relation to the facts set out in Part III of this Settlement Agreement, subject to the provisions of paragraph 34 below.

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

31. Approval of this Settlement Agreement shall be sought at a hearing of the Commission on a date agreed to by Staff and the Respondent.

32. Staff and the Respondent may refer to any part, or all, of the Settlement Agreement at the Settlement Hearing. Staff and the Respondent also agree that if this

Settlement Agreement is approved by the Commission, it will constitute the entirety of the evidence to be submitted respecting the Respondent in this matter, and the Respondent agrees to waive his rights to a full hearing, judicial review or appeal of the matter under the Act.

33. Staff and the Respondent agree that if this Settlement Agreement is approved by the Commission, neither Staff nor the Respondent will make any public statement inconsistent with this Settlement Agreement.

34. If this Settlement Agreement is approved by the Commission and, at any subsequent time, the Respondent fails to honour any of the Terms of Settlement set out in Part V herein, Staff reserve the right to bring proceedings under Ontario securities law against the Respondent 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.

35. If, for any reason whatsoever, this Settlement Agreement is not approved by the Commission or an Order in the form attached as Schedule "A" is not made by the Commission, each of Staff and the Respondent will be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations in the Notice of Hearing and Statement of Allegations, unaffected by this Settlement Agreement or the settlement negotiations.

36. Whether or not this Settlement Agreement is approved by the Commission, the Respondent agrees that he will not, in any proceeding, refer to or rely upon this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any allegation against the Commission of lack of jurisdiction, bias, appearance of bias, unfairness, or any other remedy or challenge that may otherwise be available.

## **VIII. DISCLOSURE OF AGREEMENT**

37. The terms of this Settlement Agreement will be treated as confidential by all parties hereto until approved by the Commission, and forever if, for any reason whatsoever, this Settlement Agreement is not approved by the Commission, except with the written consent of both the Respondent and Staff or as may be required by law.

38. Any obligations of confidentiality shall terminate upon approval of this Settlement Agreement by the Commission.

**IX. EXECUTION OF SETTLEMENT AGREEMENT**

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

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

Dated this 19<sup>th</sup> day of February, 2007

“Caroline Frayssignes”  
Witness

“Robert Zuk”  
Robert Patrick Zuk

Dated this 26<sup>th</sup> day of February, 2007

STAFF OF THE ONTARIO  
SECURITIES COMMISSION

“Michael Watson”  
Michael Watson  
Director, Enforcement Branch

**Schedule A**

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

**AND**

**ROBERT PATRICK ZUK, DANE ALAN WALTON  
DEREK REID, IVAN DJORDJEVIC,  
DANIEL DAVID DANZIG,  
and MATTHEW NOAH COLEMAN**

**ORDER**

**WHEREAS** on March 11, 2005 the Commission issued a Notice of Hearing pursuant to section 127 of the *Securities Act* (the “Act”) in respect of trading in the shares of Visa Gold Explorations Inc.;

**AND WHEREAS** on March 11, 2005 Staff of the Commission filed a Statement of Allegations;

**AND WHEREAS** on September 25, 2006 Staff of the Commission filed an Amended Statement of Allegations;

**AND WHEREAS** Robert Patrick Zuk entered into a settlement agreement (the “Settlement Agreement”) in relation to the matters set out in the Amended Statement of Allegations;

**AND WHEREAS** the Commission issued a Notice of Hearing setting out that it proposed to consider the Settlement Agreement;

**UPON** reviewing the Settlement Agreement, the Notice of Hearing, the Statement of Allegations, and upon considering submissions from Robert Patrick Zuk 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, PURSUANT TO SECTIONS 127 AND 127.1 OF THE ACT, THAT:**

- i. Zuk is required to cease trading in securities for a period of 15 years from the date of the Order approving the Settlement. For greater certainty, the Order will pertain to all trading by Zuk, whether directly or indirectly, in any capacity whatsoever, or through nominee accounts;
- ii. after an initial 3-year period, Zuk will be permitted trade in securities in one RRSP account, which he will identify in writing to the Director of Enforcement of the Commission and, in that RRSP account, Zuk will be permitted to trade in mutual fund units, guaranteed investment certificates, treasury bills, or debt instruments that cannot be converted (directly or indirectly) into shares;
- iii. the exemptions contained in s. 35 of the *Securities Act* and OSC Rule 45.106 do not apply to Zuk for a period of 15 years from the date of the Order;
- iv. Zuk will forthwith resign from any positions that he holds as officer and/or director of any reporting issuer; and

- v. Zuk will not act as a director or officer of a reporting issuer for a period of 15 years from the date of the Order.

Dated at Toronto, Ontario this                      day of February, 2007

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