



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

- AND -

**IN THE MATTER OF
GLOBAL ENERGY GROUP, LTD., NEW GOLD LIMITED PARTNERSHIPS,
CHRISTINA HARPER, VADIM TSATSKIN, MICHAEL SCHAUMER, ELLIOT
FEDER, ODED PASTERNAK, ALAN SILVERSTEIN, HERBERT GROBERMAN,
ALLAN WALKER, PETER ROBINSON, VYACHESLAV BRIKMAN,
NIKOLA BAJOVSKI, BRUCE COHEN and ANDREW SHIFF**

**SETTLEMENT AGREEMENT
BETWEEN STAFF AND MICHAEL SCHAUMER**

PART I - INTRODUCTION

1. By Notice of Hearing dated June 8, 2010, the Ontario Securities Commission (the "Commission") announced that it proposed to hold a hearing, commencing on June 14, 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 Global Energy Group, Ltd. ("Global Energy"), New Gold Limited Partnerships ("New Gold"), Christina Harper ("Harper"), Vadim Tsatskin ("Tsatskin"), Michael Schaumer ("Schaumer"), Elliot Feder ("Feder"), Oded Pasternak ("Pasternak"), Alan Silverstein ("Silverstein"), Herbert Groberman ("Groberman"), Allan Walker ("Walker"), Peter Robinson ("Robinson"), Vyacheslav Brikman ("Brikman"), Nikola Bajovski ("Bajovski"), Bruce Cohen ("Cohen") and Andrew Shiff ("Shiff"), (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 ("Staff") dated June 8, 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 and 127 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 Schaumer.

PART II – JOINT SETTLEMENT RECOMMENDATION

3. Staff agree to recommend settlement of the proceeding initiated by the Notice of Hearing dated June 8, 2010 against Schaumer (the “Proceeding”) in accordance with the terms and conditions set out below. Schaumer 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 Global Energy

4. Global Energy and New Gold have never been registered with the Commission in any capacity.

5. The primary business of Global Energy was selling the securities of New Gold (the “New Gold securities”) to members of the public through its salespersons operating from offices in the Toronto area (the “Ontario Offices”). The New Gold securities purported to entitle the purchaser to an interest in oil wells in the State of Kentucky in the United States of America.

6. Global Energy was purportedly based in and operated from the Bahamas. The partnerships underlying the New Gold securities were purportedly registered in Kentucky and/or the Bahamas.

7. The other operating office of Global Energy was located in Lexington, Kentucky and operated by a lawyer named Bryan Coffman (“Coffman”).

8. Members of the public could buy full units of New Gold for \$49,000 as well as quarter-units and half-units from salespersons affiliated with Global Energy.

9. New Gold has never filed a prospectus with the Commission with respect to the New Gold securities. There was no exemption under the Act that permitted the trading of these securities.

10. The trading of the New Gold securities occurred during the period from approximately June of 2007 up to and including June 25, 2008 (the “Material Time”). Tsatskin and Harper supervised and directed the sale of the New Gold securities by Schaumer and other persons affiliated with Global Energy from the Ontario Offices.

11. Approximately \$14.75 million (U.S.) was raised from the sale of New Gold securities to approximately 200 members of the public (the “New Gold Investors”) as a result of the activities of salespersons, representatives or agents of Global Energy, including Schaumer.

12. The sale of the New Gold securities has also been the subject of an investigation by the United States Attorney General and securities regulatory authorities in the State of Kentucky.

Sale of the New Gold Securities by the Global Energy Boiler Rooms

13. Tsatskin and Harper controlled the Global Energy sales operations in Ontario, overseeing the sales of New Gold securities to members of the public.

14. Members of the public were cold-called and “qualified” by salespersons, representatives or agents of Global Energy to generate sales leads. Using these sales leads, “openers” and “loaders”, working for Global Energy from the Ontario Offices then solicited members of the public to purchase the New Gold securities.

15. Members of the public that invested in the New Gold securities were instructed by the Global Energy salespersons to send their funds to the Central Bank in Kentucky to an account in the name of American Oil & Gas and to forward signed subscription agreements to an address in Lexington, Kentucky. Coffman controlled both American Oil & Gas and its bank accounts located at the Central Bank in Lexington, Kentucky and the address New Gold Investors were

told to send their subscription agreements to was a virtual address for Global Energy in Kentucky and consisted of a mailbox at a location next to the office of Coffman's law firm.

16. The New Gold Investors' funds were then diverted to a number of overseas bank accounts – including an account in the name of Schaumer's wife - and/or used to fund the operations of the Ontario Offices.

17. Tsatskin arranged for the recording of sales calls made by the salespersons, representatives or agents of Global Energy to members of the public (the "Recordings"). The Recordings were maintained on a computer in one of the Ontario Offices.

18. The Recordings captured the sales techniques and pitches used to persuade members of the public to purchase the New Gold securities. The Recordings capture salespersons, representatives or agents of Global Energy using aliases and disseminating misleading and untrue information about the nature and quality of the underlying assets of the New Gold securities, the revenue generated from the alleged producing assets of the New Gold securities, the location of the Global Energy offices and the directing minds of Global Energy.

19. The Recordings also captured Schaumer recruiting other persons to sell New Gold Securities. Schaumer told one prospective salesmen that average salesmen at Global Energy make \$15,000 per month and that he could make as much as \$60,000 to \$70,000 per month.

Contraventions of the Act by Schaumer

20. From approximately June of 2007 up to approximately June of 2008, Schaumer, a resident of Ontario, sold New Gold securities to members of the public from the Ontario Offices under the direction and supervision of Tsatskin and Harper.

21. Schaumer has never been registered with the Commission in any capacity.

22. Using high-pressure sales techniques, Schaumer then telephoned members of the public across Canada for the purpose of selling New Gold securities. During these sales calls, Schaumer used the alias “Michael Simon”.

23. Schaumer used deceit and falsehood when selling New Gold securities to members of the public. The Recordings include calls made by Schaumer (again using the alias “Michael Simon”) to members of the public which include the following misrepresentations:

- that the offices of Global Energy were based in Kentucky;
- that Global Energy had been around for 4 ½ to 5 yrs;
- that he was based out of Nassau, the Bahamas;
- that he was “Director of Investor Relations” for Global Energy;
- that the New Gold partnership was “100% legal” and that they were investing in partnerships registered in the State of Kentucky and / or the Bahamas; and
- that Global Energy did not have to be registered with securities regulators.

24. Schaumer also made untrue and misleading statements with respect to the oil production of the wells purportedly owned by New Gold and the use of the proceeds from the sale of the New Gold securities.

25. By using an alias and lying about where he was calling from, Schaumer prevented any member of the public from ascertaining his registration status from the Commission.

26. Schaumer received a commission of approximately 20% of his net sales of the New Gold securities. Investors were not informed of this commission structure.

27. As a result of his breaches of Ontario securities law through the sale and distribution of the New Gold securities, Schaumer received approximately \$255,272 (Cdn.) and \$ 384,000

(U.S.) in sales commissions. Tsatskin paid Schaumer these commissions through both the GVC bank account and from the American Oil & Gas accounts.

PART IV - CONDUCT CONTRARY TO ACT AND TO THE PUBLIC INTEREST

28. By engaging in the conduct described above, Schaumer admits and acknowledges that he contravened Ontario securities law during the Material Time in the following ways:

- (a) During the Material Time, Schaumer traded in securities without being registered to trade in securities, contrary to subsection 25(1)(a) of the Act and contrary to the public interest; and
- (b) During the Material Time, Schaumer traded in securities of New Gold when a preliminary prospectus and a prospectus in respect of such securities had not been filed and receipts had not been issued for them by the Director, contrary to subsection 53(1) of the Act and contrary to the public interest; and
- (c) During the Material Time, Schaumer engaged or participated in acts, practices or courses of conduct relating to the New Gold securities that Schaumer knew or reasonably ought to have known perpetrated a fraud on persons or companies, contrary to subsection 126.1(b) of the Act and contrary to the public interest.

Schaumer admits and acknowledges that he acted contrary to the public interest by contravening Ontario securities law as set out in sub-paragraphs 28 (a), (b) and (c) above.

PART V - TERMS OF SETTLEMENT

29. Schaumer agrees to the terms of settlement listed below.

30. 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 Schaumer cease permanently from the date of the approval of the Settlement Agreement;
- (c) the acquisition of any securities by Schaumer is prohibited permanently from the date of the approval of the Settlement Agreement;
- (d) any exemptions contained in Ontario securities law do not apply to Schaumer permanently from the date of the approval of the Settlement Agreement;
- (e) Schaumer is prohibited permanently from the date of the approval of the Settlement Agreement from becoming or acting as a director or officer of any issuer, registrant, or investment fund manager;
- (f) Schaumer is prohibited permanently from the date of the approval of the Settlement Agreement from becoming or acting as a registrant, as an investment fund manager or as a promoter;
- (g) Schaumer shall disgorge to the Commission the amount of \$640,000 obtained as a result of his non-compliance with Ontario securities law. The amount of \$640,000 disgorged shall be for allocation to or for the benefit of third parties, including investors who lost money as a result of purchasing New Gold securities, in accordance with subsection 3.4(2)(b) of the Act;
- (h) Schaumer shall pay an administrative penalty in the amount of \$800,000 for his failure to comply with Ontario securities law. The administrative penalty in the amount of \$800,000 shall be for allocation to or for the benefit of third parties, including investors who lost money as a result of purchasing New Gold securities, in accordance with subsection 3.4(2)(b) of the Act; and
- (i) Schaumer is prohibited permanently, from the date of the approval of the Settlement Agreement, from telephoning from within Ontario to any residence within or outside Ontario for the purpose of trading in any security or any class of securities.

31. Schaumer undertakes to consent to a regulatory order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the sanctions set out in sub-paragraphs 30 (b) to (f) and (i) above.

PART VI - STAFF COMMITMENT

32. If this Settlement Agreement is approved by the Commission, Staff will not initiate any other proceeding under the Act against Schaumer in relation to the facts set out in Part III herein, subject to the provisions of paragraph 33 below.

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

34. 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 Schaumer for the scheduling of the hearing to consider the Settlement Agreement.

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

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

37. 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.

38. Whether or not this Settlement Agreement is approved by the Commission, Schaumer 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

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

40. 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 Schaumer and Staff or as may be required by law.

PART IX. - EXECUTION OF SETTLEMENT AGREEMENT

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

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

Dated this 24th day of November, 2011.

Signed in the presence of:

“Arlene Schaumer”

“Michael Schaumer”

Witness:

Michael Schaumer

Dated this 24th day of November, 2011.

“Tom Atkinson”

STAFF OF THE ONTARIO SECURITIES COMMISSION
per Tom Atkinson
Director, Enforcement Branch

Dated this 25th day of November, 2011.



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*,
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- AND -

**IN THE MATTER OF
GLOBAL ENERGY GROUP, LTD., NEW GOLD LIMITED PARTNERSHIPS,
CHRISTINA HARPER, VADIM TSATSKIN, MICHAEL SCHAUER, ELLIOT
FEDER, ODED PASTERNAK, ALAN SILVERSTEIN, HERBERT GROBERMAN,
ALLAN WALKER, PETER ROBINSON, VYACHESLAV BRIKMAN,
NIKOLA BAJOVSKI, BRUCE COHEN and ANDREW SHIFF**

- AND -

**IN THE MATTER OF A SETTLEMENT AGREEMENT BETWEEN STAFF OF THE
ONTARIO SECURITIES COMMISSION AND MICHAEL SCHAUER**

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

WHEREAS by Notice of Hearing dated June 8, 2010, the Ontario Securities Commission (the "Commission") announced that it proposed to hold a hearing, commencing on June 14, 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 Global Energy Group, Ltd., New Gold Limited Partnerships ("New Gold"), Christina Harper, Vadim Tsatskin, Michael Schauer ("Schauer"), Elliot Feder, Oded Pasternak, Alan Silverstein, Herbert Groberman, Allan Walker, Peter Robinson, Vyacheslav Brikman, Nikola Bajovski, Bruce Cohen and Andrew Shiff. The Notice of Hearing was issued in connection with the allegations as set out in the Statement of Allegations of Staff of the Commission ("Staff") dated June 8, 2010;

AND WHEREAS Schaumer entered into a settlement agreement with Staff dated _____, 2011 (the "Settlement Agreement") in which Schaumer agreed to a proposed settlement of the proceeding commenced by the Notice of Hearing dated June 8, 2010, subject to the approval of the Commission;

WHEREAS on _____, 2011, the Commission issued a Notice of Hearing pursuant to sections 37 and 127 of the Act to announce that it proposed to hold a hearing to consider whether it is in the public interest to approve a settlement agreement entered into between Staff and Schaumer;

AND UPON reviewing the Settlement Agreement, the Notices of Hearing, and the Statement of Allegations of Staff, and upon hearing submissions from counsel for Schaumer and from Staff;

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 Schaumer cease permanently;
- (c) pursuant to clause 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Schaumer is prohibited permanently;
- (d) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Schaumer permanently;
- (e) pursuant to clauses 8, 8.2, and 8.4 of subsection 127(1) of the Act, Schaumer is prohibited permanently from becoming or acting as a director or officer of any issuer, registrant, or investment fund manager;

- (f) pursuant to clause 8.5 of subsection 127(1) of the Act, Schaumer is prohibited permanently from becoming or acting as a registrant, as an investment fund manager or as a promoter;
- (g) pursuant to clause 9 of subsection 127(1) of the Act, Schaumer shall pay an administrative penalty in the amount of \$800,000 for his failure to comply with Ontario securities law to be designated for allocation to or for the benefit of third parties, including investors who lost money as a result of purchasing securities of New Gold, in accordance with subsection 3.4(2)(b) of the Act;
- (h) pursuant to clause 10 of subsection 127(1) of the Act, Schaumer shall disgorge to the Commission the amount of \$640,000 obtained as a result of his non-compliance with Ontario securities law to be designated for allocation to or for the benefit of third parties, including investors who lost money as a result of purchasing securities of New Gold, in accordance with subsection 3.4(2)(b) of the Act; and
- (i) pursuant to subsection 37(1) of the Act, Schaumer is 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 securities.

DATED at Toronto this day of , 2011.
