



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

P.O. Box 55, 19<sup>th</sup> Floor CP 55, 19<sup>e</sup> étage  
20 Queen Street West 20, rue queen ouest  
Toronto ON M5H 3S8 Toronto ON M5H 3S8

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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 AMERON OIL AND GAS LTD., MX-IV LTD., GAYE  
KNOWLES, GIORGIO KNOWLES, ANTHONY HOWORTH, VADIM TSATSKIN,  
MARK GRINHPUN, ODED PASTERNAK, and ALLAN WALKER**

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**SETTLEMENT AGREEMENT  
BETWEEN STAFF AND GAYE KNOWLES**

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**PART I - INTRODUCTION**

1. By Notice of Hearing dated December 13, 2010, the Ontario Securities Commission (the "Commission") announced that it proposed to hold a hearing, commencing on December 20, 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 Ameron Oil and Gas Ltd. ("Ameron"), MX-IV LTD. ("MX-IV"), Gaye Knowles, Giorgio Knowles, Anthony Howorth ("Howorth"), Vadim Tsatskin ("Tsatskin"), Mark Grinshpun ("Grinshpun"), Oded Pasternak and Allan Walker (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 December 13, 2010. Staff filed an Amended Statement of Allegations dated October 5, 2011.

2. The Commission will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to section 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 Gaye Knowles.

## **PART II – JOINT SETTLEMENT RECOMMENDATION**

3. Staff agree to recommend settlement of the proceeding initiated by the Notice of Hearing dated December 13, 2010 against Gaye Knowles (the “Proceeding”) in accordance with the terms and conditions set out below. Gaye Knowles 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**

### **Global Energy Group, Ltd. and the New Gold Securities**

4. From approximately June 2007 to June 2008, Global Energy Group, Ltd. ("Global Energy"), and employees and agents of Global Energy, distributed units in limited partnerships called New Gold Limited Partnerships (the "New Gold securities") to members of the public. 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.

5. Neither Global Energy nor any of the agents selling the New Gold securities was registered in any capacity with the Commission and the New Gold securities were not qualified by a prospectus.

6. The distribution of the New Gold securities to members of the public by Global Energy, its salespersons and agents, ended in and around June of 2008 following the execution of search warrants by Staff on offices related to Global Energy.

7. On June 8, 2010, the Commission issued a Notice of Hearing accompanied by Staff's Statement of Allegations in the matter of Global Energy, New Gold Limited Partnerships ("New Gold") and various individual respondents including Tsatskin. The allegations included that Global Energy, as well as certain salespersons, representatives or agents of Global Energy, engaged in a course of conduct relating to securities that they knew or reasonably ought to have

known perpetrated a fraud on persons purchasing the New Gold securities contrary to subsection 126.1(b) of the Act.

8. On April 1, 2011, the Commission laid an information in the Ontario Court of Justice in respect of Tsatskin and on April 4, 2011 Tsatskin pled guilty to one count of fraud contrary to subsections 126.1(b) and 122(c) of the Act. In his plea, Tsatskin admitted that the New Gold securities were fraudulently represented to constitute ownership interests in Kentucky oil and gas leases.

### **Ameron and the MX-IV Securities**

9. Gaye Knowles is a resident of the Bahamas and is the principal and directing mind of Travelers Holdings Management Services (Bahamas) Ltd. (“Travelers”).

10. Travelers business involves, among other things, establishing International Business Companies (“IBCs”) in the Bahamas for international clients, assisting these clients in opening bank accounts and/or trading accounts for the IBCs and providing nominee directors and officers for the IBCs.

11. Gaye Knowles advertised his company’s services for providing nominee officers/directors for IBCs to Tsatskin as providing a certain level of anonymity and asset protection as “names do not appear on the public records of the Government Registry”.

12. In 2007, Tsatskin contacted Gaye Knowles for the purpose of establishing an IBC. Gaye Knowles established the IBC under the name American Oil & Gas Resources Inc. (“American Oil”). American Oil had no operations and was eventually struck off the register as an IBC for non-payment of fees.

13. In and around April and May of 2009, Tsatskin contacted Gaye Knowles to have American Oil restored and renamed Ameron Oil and Gas Ltd.

14. Gaye Knowles agreed to act as a nominee director and officer of Ameron and he arranged for Anthony Howorth to do the same. Gaye Knowles also arranged for his son, Giorgio Knowles, to become Ameron's Secretary.

15. Travelers was paid USD \$4,600 for these initial services. The USD \$4,600 was distributed as follows:

(a) USD \$1,510 was paid to the Bahamas government to restore the company;

(b) USD \$100 was paid to Euro Caribbean Management Service Ltd. (the registered agent) for the name change;

(c) USD \$500 was paid to Howorth as an initial fee to act as Vice-President and director of Ameron; and

(d) USD \$2,490 was retained by Travelers and Gaye Knowles.

16. Gaye Knowles has represented to Staff that he did not receive any additional payments from Grinshpun or Tsatskin.

17. Gaye Knowles became a director of Ameron and Ameron's President. Tstatskin and/or Grinshpun agreed to pay USD \$1000 per month to Gaye Knowles to act as a director and President of Ameron and to establish and operate a virtual office for Ameron.

18. Howorth agreed to become a director of Ameron and to become Ameron's Vice-President. Howorth's fee to act as a director and Vice-President of Ameron was to be USD \$500 per month.

19. Tsatskin was the sole shareholder of both American Oil and Ameron until June of 2009 when Tsatskin transferred ownership to his brother Evgenii Tsatskin.

20. Gaye Knowles provided Grinshpun with documents setting out his and Howorth's employment and educational experience.

21. Gaye Knowles has represented to Staff that he was the only one to have direct contact with Grinshpun and Tsatskin and that neither Howorth nor Giorgio Knowles ever met Grinshpun or Tsatskin or corresponded with them in any manner.

22. None of Gaye Knowles, Howorth or Giorgio Knowles ever had any direct contact with Evgenii Tsatskin, the sole shareholder of Ameron.

23. Gaye Knowles has represented to Staff that he advised Howorth and Giorgio Knowles that he would be responsible for conducting all due diligence to ensure the legitimacy of the operations proposed by Tsatskin and Grinshpun and that the proposed operations would comply with all applicable laws and regulations.

24. Gaye Knowles obtained from Tsatskin a photocopy of the page from Tsatskin's passport that included his name, photo and address, a copy of Tsatskin's driver's license as well as two letters: a reference letter from an accountant and a letter from TD Canada Trust confirming that Tsatskin had been a client since 1995 and had operated his accounts satisfactorily. Gaye Knowles requested that Tsatskin and/or Grinshpun provide a copy of a valid identification, a reference letter and confirmation of address for Evgenii Tsatskin; however, Tsatskin only provided Knowles with a photocopy of Evgenii Tsatskin's driver's license.

25. Gaye Knowles understood that Grinshpun was working with lawyers in Kentucky and the Bahamas to obtain opinions on the legality of the operations proposed by Grinshpun and Tsatskin. Gaye Knowles sent emails to "Victor NorStar" at norstarltd@gmail.com, which he understood to be an email address used by Grinshpun, requesting that Grinshpun provide these opinions. However, the legal opinions were never provided.

26. Gaye Knowles was presented with promotional materials for Ameron (the "Promotional Materials") promoting the sale of units in MX-IV Ltd. (the "MX-IV securities"). MX-IV Ltd.

was held out as a Bahamian partnership and the MX-IV securities purported to entitle the purchaser to an interest in four oil wells located in the State of Kentucky in the United States of America.

27. The Promotional Materials included a “welcome letter” (the “Welcome Letter”) purporting to be from Gaye Knowles as President of Ameron. The Promotional Materials, including the Welcome Letter, contained obvious misrepresentations including representations about Knowles’ experience in the industry and made untrue statements about the operations of Ameron (including references to Ameron’s past performance).

28. At the request of Grinshpun, Gaye Knowles provided his electronic signature to Grinshpun to be used on the Welcome Letter.

29. Gaye Knowles took no reasonable steps to determine the accuracy of the representations contained in the Promotional Materials and Welcome Letter. Other than his request that Grinshpun produce legal opinions, Knowles took no steps to determine whether the business proposed by Grinshpun and Tstatskin was legitimate and carried out in compliance with applicable laws and regulations.

30. Gaye Knowles understood that the Welcome Letter, bearing his signature, and the Promotional Materials, which contained the misrepresentations, were being provided to a printing company to be finalized and copied. Gaye Knowles has represented to Staff that he instructed Grinshpun that the Welcome Letter and Promotional Materials should not be used prior to Grinshpun providing him with the legal opinions referred to above but he took no additional steps to ensure that these documents were not used by Grinshpun or Tsatskin to promote Ameron and/or solicit investors in Ameron or the MX-IV Units.

31. Gaye Knowles did not open any bank, trading or other financial accounts for Ameron. However, Grinshpun informed Gaye Knowles of the existence of an escrow agreement with a lawyer located in the Bahamas (the “Escrow Agreement”). The Escrow Agreement purported to

be entered into by Ameron and contemplated the receipt and disbursement of funds through a trust account held at a bank in the Bahamas (the “Trust Account”).

### **Trading in MX-IV Securities**

32. From approximately June of 2009 up to and including April 8, 2010 (the “Material Time”) members of the public in Canada were contacted by individuals purporting to be salespersons, agents or representatives of Ameron, under the direction of Tsatskin and Grinshpun, from offices in Ontario and solicited to purchase the MX-IV securities.

33. None of the salespersons, agents or representatives referred to above was registered with the Commission to trade in securities.

34. None of Ameron, MX-IV, Tsatskin, Grinshpun, Gaye Knowles, Giorgio Knowles or Howorth has ever been registered with the Commission in any capacity.

35. Neither Ameron nor MX-IV has ever filed a prospectus with the Commission with respect to the MX-IV securities and there were no exemptions under the Act that permitted the trading of these securities.

36. Approximately \$615,500 was raised from the sale of the MX-IV securities to approximately 15 investors (the “MX-IV Investors”) as a result of the activities of the individuals purporting to be salespersons, representatives or agents of Ameron. The MX-IV Investors sent their funds to one of two accounts: (i) the Trust Account and (ii) a bank account held at a bank located in Toronto.

37. During the Material Time, Tsatskin, Grinshpun, and other purported employees, representatives or agents of Ameron provided information to the MX-IV Investors that was false, inaccurate and misleading, including, but not limited to, the following:

- (a) The names used by the sales representatives of Ameron were not their true names;

- (b) That there were already wells in production;
- (c) That the net proceeds of the sale of the MX-IV Units would be used primarily for drilling of the wells;
- (d) That Ameron had a 90% success rate with previous projects;
- (e) The return on the investment in MX-IV Units would come within 90 days of investing; and
- (f) Content on the Ameron website was false or misleading to investors, including: statements with respect to the qualifications of employees of Ameron; the location of the Ameron offices; the retainer of a consultant geologist; and the names of the persons that actually operated Ameron.

38. These and other false, inaccurate, misleading representations and omissions were made by Tsatskin, Grinshpun, Pasternak and Walker and other purported employees, representatives or agents of Ameron with the intention of effecting trades in the MX-IV Units.

39. Approximately 19% of the MX-IV Investors funds were paid to the salespersons involved in selling the MX-IV Units to the MX-IV Investors. The MX-IV Investors were not informed of this fact.

40. The Welcome Letter with Gaye Knowles' signature and the Promotional Materials were included in the materials sent to the MX-IV Investors.

41. Biographies for Gaye Knowles and Howorth were included on the Ameron website and they were listed as President and Vice-President respectively.

#### **Conduct Contrary to the Public Interest by Gaye Knowles**

42. Gaye Knowles failed to take reasonable steps to ensure that:

- he understood the business that Tsatskin and Grinshpun proposed to conduct through Ameron;



- the business proposed by Tsatskin and Grinshpun was legitimate and was carried out in compliance with applicable laws and regulations;
- the Promotional Materials, including the Welcome Letter bearing his signature, were not used by Grinshpun or Tsatskin to promote Ameron and/or solicit investors in Ameron or the MX-IV Units; and
- neither Grinshpun nor Tsatskin conducted business in the name of Ameron prior to obtaining legal and/or regulatory approvals and prior to Gaye Knowles satisfying himself that the business was legitimate.

#### **PART IV –RESPONDENT’S POSITION**

43. It is Gaye Knowles’ position that he did not authorize Grinshpun or Tsatskin to undertake any operations in the name of Ameron prior to obtaining the legal opinions referred to above, that he was not aware of the fact that any solicitations were made to members of the public by individuals purporting to act on behalf of Ameron for the purpose of selling the MX-IV Units and that he was not involved in any such solicitations.

44. It is Gaye Knowles’ position that he did not receive a copy of the Escrow Agreement and that he was not aware that the agreement purported to be entered into by Ameron or that investors’ funds were deposited into the Escrow Account.

#### **PART V - CONDUCT CONTRARY TO THE PUBLIC INTEREST**

45. By engaging in the conduct described above, Gaye Knowles has acted in a manner contrary to the public interest.

#### **PART VI - TERMS OF SETTLEMENT**

46. Gaye Knowles agrees to the terms of settlement listed below.

47. The Commission will make an order, pursuant to subsection 127(1) of the Act, that:
- (a) the Settlement Agreement is approved;
  - (b) any exemptions contained in Ontario securities law do not apply to Gaye Knowles for a period of 5 years from the date of the approval of the Settlement Agreement;
  - (c) Gaye Knowles resign any positions he may hold as a director or officer of an issuer;
  - (d) Gaye Knowles is prohibited for a period of 5 years 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; and
  - (e) Gaye Knowles is prohibited for a period of 5 years 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.
48. Gaye Knowles 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 47 (b) to (e) above.

#### **PART VII - STAFF COMMITMENT**

49. If this Settlement Agreement is approved by the Commission, Staff will not initiate any other proceeding under the Act against Gaye Knowles in relation to the facts set out in Part III herein, subject to the provisions of paragraph 50 below.

50. If this Settlement Agreement is approved by the Commission, and at any subsequent time Gaye Knowles fails to honour the terms of the Settlement Agreement, Staff reserve the right to

bring proceedings under Ontario securities law against Gaye Knowles based on, but not limited to, the facts set out in Part III herein as well as the breach of the Settlement Agreement.

### **PART VIII - PROCEDURE FOR APPROVAL OF SETTLEMENT**

51. 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 Gaye Knowles for the scheduling of the hearing to consider the Settlement Agreement.

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

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

54. 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.

55. Whether or not this Settlement Agreement is approved by the Commission, Gaye Knowles 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 IX – DISCLOSURE OF SETTLEMENT AGREEMENT**

56. 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 Gaye Knowles leading up to its presentation at the settlement hearing, shall be without prejudice to Staff and Gaye Knowles; and
- (b) Staff and Gaye Knowles 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 Amended Statement of Allegations of Staff, unaffected by the Settlement Agreement or the settlement discussions/negotiations.

57. 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 Gaye Knowles and Staff or as may be required by law.

**PART X - EXECUTION OF SETTLEMENT AGREEMENT**

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

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

Dated this 21<sup>st</sup> day of February, 2012.

Signed in the presence of:

‘Giorgio Knowles’

‘Gaye Knowles’

\_\_\_\_\_  
Witness:

\_\_\_\_\_  
**Gaye Knowles**

Dated this 21<sup>st</sup> day of February, 2012.

‘Tom Atkinson’

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

Dated this 21<sup>st</sup> day of February, 2012.

SCHEDULE "A"



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P.O. Box 55, 19<sup>th</sup> Floor  
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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 AMERON OIL AND GAS LTD., MX-IV LTD., GAYE  
KNOWLES, GIORGIO KNOWLES, ANTHONY HOWORTH, VADIM TSATSKIN,  
MARK GRINSHPUN, ODED PASTERNAK, and ALLAN WALKER**

- AND -

**IN THE MATTER OF A SETTLEMENT AGREEMENT BETWEEN STAFF OF THE  
ONTARIO SECURITIES COMMISSION AND GAYE KNOWLES**

**ORDER  
(Subsection 127(1))**

**WHEREAS** by Notice of Hearing dated December 13, 2010, the Ontario Securities Commission (the "Commission") announced that it proposed to hold a hearing, commencing on December 20, 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 Ameron Oil and Gas Ltd., MX-IV LTD. ("MX-IV"), Gaye Knowles, Giorgio Knowles, Anthony Howorth, Vadim Tsatskin, Mark Grinshpun, Oded Pasternak and Allan Walker. 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 December 13, 2010;

**AND WHEREAS** Staff filed an Amended Statement of Allegations dated October 5, 2011;

**AND WHEREAS** Gaye Knowles entered into a settlement agreement with Staff dated February \_\_\_\_\_, 2012 (the "Settlement Agreement") in which Gaye Knowles agreed to a proposed settlement of the proceeding commenced by the Notice of Hearing dated December 13, 2010, subject to the approval of the Commission;

**WHEREAS** on February \_\_\_\_\_, 2012, the Commission issued a Notice of Hearing pursuant to section 127 of the Act to announce that it proposed to hold a hearing to consider whether it is in the public interest to approve the Settlement Agreement;

**AND UPON** reviewing the Settlement Agreement, the Notices of Hearing, and the Statements of Allegations of Staff, and upon hearing submissions from Gaye Knowles 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 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Gaye Knowles for a period of 5 years;
- (c) pursuant to clause 7 of subsection 127(1) of the Act, Gaye Knowles resign any positions he may hold as a director or officer of an issuer;
- (d) pursuant to clauses 8, 8.2, and 8.4 of subsection 127(1) of the Act, Gaye Knowles is prohibited for a period of 5 years from becoming or acting as a director or officer of any issuer, registrant, or investment fund manager; and

- (e) pursuant to clause 8.5 of subsection 127(1) of the Act, Gaye Knowles is prohibited for a period of 5 years from becoming or acting as a registrant, as an investment fund manager or as a promoter.

**DATED** at Toronto this            day of            , 2012.

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