

**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,  
and MATTHEW NOAH COLEMAN**

**AMENDED AMENDED STATEMENT OF ALLEGATIONS OF STAFF  
OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission (“Staff”) make the following allegations:

**I. Background**

1. 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.

2. The respondent Robert Patrick Zuk (“Zuk”) is a resident of Toronto, Ontario. He was an insider of Visa Gold by virtue of his direct and indirect share control which, at various times in the relevant period, exceeded 10% of the outstanding common shares of Visa Gold.

3. Dane Alan Walton (“Walton”) is a trader who, at all material times, was employed by Taurus Capital Markets Limited as a trader and as the Manager of Trading. Walton supervised other traders and was responsible to oversee their trading activity in Visa Gold and other shares. Walton is currently registered as a salesperson at Canaccord Capital Corporation, subject to the term and condition that he is restricted to trading by means of Computer Assisted Trading System (CATS) only.

4. The respondent Derek Reid (“Reid”) is a registered representative and trader who, at all material times, was employed by Brant Securities Limited. Reid is currently registered as a salesperson at Union Securities Ltd.

5. The respondent Ivan Djordjevic (“Djordjevic”) is a registered representative who, at all material times, was employed by Rampart Securities Inc.

6. The respondent Matthew Noah Coleman (“Coleman”) is a registered representative who, at all material times, was employed by Dundee Securities Corporation.

7. Reid, Djordjevic and Coleman will be referred to collectively as the “Registered Representatives”. Reid and Walton will be referred to collectively as the “Traders”.

## **II. Background of Visa Gold and of Zuk’s Shareholding in Visa Gold**

8. 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.

9. In order to take Visa Gold public, a reverse takeover (RTO) was effected by a company in which Zuk held a material interest.

10. Prior to the commencement of public trading of Visa Gold shares on or about August 25, 1999, Zuk controlled a substantial majority of the issued Visa Gold shares.

### **III. Zuk's Trading Activity in Visa Gold shares**

11. 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, were designed to create, and did create, a misleading appearance as to the value of and market activity in Visa Gold's shares.

#### **a. Brokerage Accounts used by Zuk**

12. For his trading in Visa Gold shares, Zuk used at least 27 brokerage accounts at 11 brokerage houses in his own name and in the names of the following controlled companies over whose accounts Zuk held and exercised trading authority: Chinggis Capital Corporation Limited, 1125590 Ontario Inc. (also known as Del Mar Ventures Ltd.) and 1266447 Ontario Limited (collectively, the "Zuk Companies"). In addition, Zuk held and exercised trading authority over at least 35 accounts at 8 brokerage houses in the names of the following nominee individuals and companies: Bruce Hodgman, 1402185 Ontario Inc., Redcap Management and Consulting, Lisa Laudenbach, ENT Management Inc., Christine Sheehan, The Winfield Group, Louise L'Abbe-Zuk, Paul Frustaglio, 1249443 Ontario Limited (also known as Lampar Capital), Paul Viveiros and Wilkinson International Ltd. (collectively, the "Zuk Nominees"). Brokerage accounts held in the name of Zuk, the Zuk Companies and the Zuk Nominees will be referred to as the "Zuk Controlled Accounts".

#### **b. Manipulative trading by Zuk**

13. Zuk entered into numerous trades, which were reported on the public market via the CDN or CDNX, when he knew or ought to have known that the trades would or may

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 misleading 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. prearranged trades with house inventory accounts at brokerage firms ("Prearranged Inventory Trades");
  - d. 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
  - e. entering into orders to buy or sell Visa Gold shares at a price higher than the last reported trade (the "Uptick Trades").
14. On 13 occasions, Zuk engaged in Wash Trades of Visa Gold shares between himself and the Zuk Companies. Seven of those trades were Uptick Trades and three of those trades were High Close Trades in Visa Gold shares.
15. Zuk also entered into 33 Match Trades among himself and the Zuk Nominees. Nine of those trades were Uptick Trades, and eight of those Trades were High Close Trades in Visa Gold shares.
16. In cooperation with Walton and Reid, Zuk also entered into trades of Visa Gold shares with firm inventory accounts at Taurus Capital Markets Limited and Brant Securities Limited. Those trades are more particularly described in paragraph 24 below.
17. The Zuk Controlled 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.

18. Zuk used various techniques to mask his trading activity including using nominee and controlled corporate accounts, using brokerage accounts at different firms, and failing to file complete and accurate insider trading reports. He also augmented his trading activity by securing a substantial number of shares from Visa Gold's treasury and depositing them into Zuk Controlled Accounts. Zuk's activities also included transfers and/or trades of shares to cover debit balances in the various accounts over which he held and exercised trading authority, which were designed to eliminate compliance scrutiny of the trading in the various brokerage accounts that he controlled.

**c. The Role of the Registered Representatives**

19. The Registered Representatives were aware of the nature (as described in paragraphs 14 through 19 above) and level of Zuk's trading activities in Visa Gold shares, by acting as registered representatives in the accounts that Zuk used for his trading in Visa Gold shares. The Registered Representatives participated in or acquiesced in the misleading trading in the Zuk Controlled Accounts. Zuk Controlled Accounts were held with the Registered Representatives, as follows:

- a. 11 brokerage accounts with Reid, 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 which approximately 7 million shares of Visa Gold were traded on each of the buy and sell side;
- c. 8 brokerage accounts with Djordjevic, 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.

20. The Registered Representatives were involved on behalf of either the buyer or the seller (or both) in substantially all of the Wash Trades and Match Trades involving the Zuk Controlled Accounts. Trades in which the Registered Representatives acted for both the buyer and the seller of the Visa Gold shares ("Cross Trades") were as follows:

- a. Reid was involved in 17 Cross Trades and, of those trades, three were Match Trades among Zuk Controlled Accounts, one was a Wash Trade between Zuk Controlled Accounts, and six were High Close Trades; and
  - b. Djordjevic was involved in 4 Cross Trades, one of which was an Uptick Trade, and three of which were High Close Trades in Visa Gold shares.
21. Each of the Registered Representatives were involved in Uptick Trading and High Close Trading on behalf of the Zuk Controlled Accounts.
22. Djordjevic was also the registered representative for Match Trades involving his family members, one of which was a High Close Trade in Visa Gold shares.
23. In respect of the Zuk Nominees, Djordjevic, Reid and Coleman acted on trading instructions from Zuk for accounts for which Zuk did not have trading authority and accepted trading instructions from Zuk Nominees with knowledge that their trading was being directed by Zuk.

**d. The Role of the Traders**

24. Reid and Walton were involved in buying Visa Gold shares from Zuk or selling Visa Gold shares to Zuk Controlled Accounts in prearranged trades by or on behalf of their firm's inventory accounts. In particular,
- a. Walton or traders supervised by him supplied Visa Gold shares from his firm's inventory account for 23 Uptick Trades and 3 High Close Trades where Zuk Controlled Accounts were the purchasers. In addition, with Walton or a trader supervised by him acting as trader, his firm's inventory account acted as purchaser on 11 Uptick Trades and 4 High Close Trades in Visa Gold shares, in trades primarily involving Zuk Controlled Accounts as the sellers of the shares.
  - b. on behalf of his firm's inventory account, Walton or a trader supervised by Walton entered into 15 prearranged trades with Zuk Controlled Accounts, involving the purchase of Visa Gold shares from the inventory account

and subsequent resale (often on the same day) of the shares to the inventory account, for a total profit of to the inventory account of \$27,455.00. These prearranged trades typically accounted for the majority of the day's trading volume in Visa Gold's shares;

- c. Reid supplied 500,000 Visa Gold shares from his firm's inventory account to a Zuk Nominee in a series of 5 associated trades;
- d. Reid supplied Visa Gold stock from his firm's inventory account or bought Visa Gold shares as a trader on behalf of his firm's inventory account for 8 High Close Trades and 11 Uptick Trades involving Zuk Controlled Accounts.

All of the Uptick Trades and High Close Trades in which Walton and Reid were involved caused an upward pressure on the price of Visa Gold's shares.

25. Reid and Walton's firms were approved market makers for Visa Gold shares, with Reid and Walton carrying out the daily function of market maker for Visa Gold. The trading activity described in paragraph 25 went beyond the mandate of a market maker, which involves maintaining reasonable liquidity for Visa Gold's shares by making firm bids or offers for Visa Gold's shares, as necessary to operate an orderly market for Visa Gold's shares. The market makers only had an obligation to fill orders for one board lot of Visa Gold's shares at the bid or offer price. In addition, on at least 9 occasions, Walton was involved in month end trades in which large share positions in Visa Gold were traded, with reversing trades occurring a number of days later after the month end. One or both of the initial trades and the reversing trades were reported to the public through the market.

**e. Market price of Visa Gold shares**

26. At the commencement of public trading, the common shares of Visa Gold were trading in the range of \$1.65-\$1.75 per share. The stock peaked at \$2.05 per share. In the entire period, trading by Zuk Controlled Accounts comprised approximately 40 percent of the trading in Visa Gold shares.

27. The respondents profited from their trading activities involving Visa Gold shares, as follows:

- a. Zuk's trading volume in Visa Gold shares totalled \$5.1 million;
- b. The Registered Representatives earned commissions on all trades in Visa Gold shares by Zuk Controlled Accounts;
- c. Djordjevic made trading profits from his personal trading activities (through accounts held personally and/or in the names of his family members) in Visa Gold shares; and
- d. The Traders' compensation was increased, as it was based, in part, on profits earned through their inventory trading in Visa Gold shares.

#### **IV. Conduct contrary to the Act and the public interest**

28. Trading in the Zuk Controlled Accounts created the misleading impression that there was a higher volume of trading in Visa Gold shares than there truly was. In addition, where trades in the Zuk Controlled Accounts occurred at prices that were higher than the preceding reported trade, the trades by the Zuk Controlled Accounts had the effect of maintaining the value of the Visa Gold shares at a level that was higher than would otherwise have occurred. These trades, accordingly, interfered with the operation of a fair market for Visa Gold shares and were abusive of the capital markets.

29. The respondents knew or ought to have known that the trades described above would or may create a misleading appearance as to market activity for Visa Gold shares or as to the price of those shares. In addition, the Registered Representatives and Traders acted in a manner that is contrary to the public interest by permitting and/or acquiescing in the misleading trading in the Zuk Controlled Accounts and the firm inventory accounts, as applicable.

30. The respondents benefited financially from their misconduct.



31. The respondents' conduct was contrary to Ontario securities law, and the public interest.

32. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

Dated at Toronto this 7<sup>th</sup> day of March, 2007