



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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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
LAWRENCE ZEIBEN, GRIT INTERNATIONAL INC.
and TEXAS PETROLEUM INC.**

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

Staff of the Ontario Securities Commission (“Staff”) allege:

I. OVERVIEW

1. Lawrence Zeiben (“Zeiben”), Grit International Inc. (“Grit”) and Texas Petroleum Inc. (collectively, the “Respondents”) are subject to an order made by the Alberta Securities Commission (the “ASC”) dated October 21, 2014 (the “ASC Order”) that imposes sanctions, conditions, restrictions or requirements upon them.
2. In its findings on liability dated May 5, 2014 (the “Findings”), a panel of the ASC (the “ASC Panel”) found that Grit engaged in an illegal distribution of securities, the Respondents made misleading or untrue statements and perpetrated a fraud, and Zeiben and Grit failed to comply with National Instrument 43-101 (*Standards of Disclosure for Mineral Projects*) (“NI 43-101”).
3. Staff are seeking an inter-jurisdictional enforcement order reciprocating the ASC Order, pursuant to paragraph 4 of subsection 127(10) of the Ontario *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “Act”).

4. The conduct for which the Respondents were sanctioned took place between 2009 and 2011 (the “Material Time”).
5. Zeiben was educated as a nurse. He became a book-keeper and, at the time of the ASC proceedings, was operating a book-keeping business in Grande Prairie, Alberta.
6. Grit was incorporated in Nevada in 2000. Zeiben purchased Grit and had it registered in Alberta in 2008. During the Material Time, Zeiben was a director, the CEO and the controlling shareholder of Grit. Grit has never filed a prospectus or preliminary prospectus with the ASC.
7. Texas Petroleum was incorporated in Alberta in November 2010. During the Material Time, Zeiben was the sole director and officer of Texas Petroleum. Texas Petroleum has never filed a prospectus or preliminary prospectus with the ASC.
8. Zeiben came up with the idea of acquiring a series of small, private oilfield services businesses, which he referred to as “Mom and Pop Sandblasting and Painting businesses,” and amalgamating them into one entity. In furtherance of that idea, Zeiben acquired Grit (a shell company) in 2007, and in early 2010, arranged for its shares to be traded on German stock exchanges.
9. By June 2010, Zeiben’s plans changed, and Grit became the parent of a series of shell companies which were to acquire and operate businesses in a variety of industries.
10. Zeiben’s new plans for Grit did not materialize. Although Zeiben said that Grit had interests in precious metals, energy, environmental technology and industrial manufacturing, in reality it never owned more than a janitorial service and a small sandblasting and coating company. Grit issued press releases (through the fall of 2010 and into early 2011) announcing it was buying certain companies, causing Grit’s share price to rise, but then failed to issue follow-up releases when those sales were cancelled.
11. Texas Petroleum began as a subsidiary to Grit and was created to acquire oil and gas assets but never did so. In March 2011, Zeiben and Grit misrepresented, among other

things, that Texas Petroleum had producing wells in Kansas, with over 10.5 million barrels of oil in proven reserves, representing over \$70 million in assets.

II. THE ASC PROCEEDINGS

The ASC Findings

12. In its Findings, the ASC Panel found the following:
 - a. Grit engaged in an illegal distribution of its shares, contrary to subsection 110(1) of the *Alberta Securities Act*, R.S.A. 2000, c. S-4 (the “ASA”);
 - b. the Respondents made materially misleading or untrue statements, contrary to section 92(4.1) of the ASA;
 - c. the Respondents perpetrated a fraud, contrary to section 93(b) of the ASA; and
 - d. Zeiben and Grit disclosed scientific or technical information concerning a mineral project without having a proper underlying report, contrary to the requirements of NI 43-101.

The ASC Order

13. The ASC Order imposed the following sanctions, conditions, restrictions or requirements upon the Respondents:
 - a. against Zeiben:
 - i. under sections 198(1)(b) and (c) of the ASA, that Zeiben cease trading in or purchasing securities or exchange contracts, and all of the exemptions contained in Alberta securities laws do not apply to him, permanently, except that these orders do not preclude Zeiben from trading in or purchasing securities or exchange contracts through a registrant (who has first been given a copy of the ASC Order) in:

1. registered retirement savings plans, registered retirement income funds or tax-free savings accounts (as defined in the *Income Tax Act* (Canada)) or locked-in retirement accounts for Zeiben's benefit;
 2. one other account for Zeiben's benefit; or
 3. both, provided that:
 - (A) the securities are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange or NASDAQ (or their successor exchanges) or are issued by a mutual fund that is a reporting issuer; and
 - (B) Zeiben does not own legally or beneficially more than 1% of the outstanding securities of the class or series of the class in question;
- ii. under sections 198(1)(d) and (e) of the ASA, that Zeiben resign all positions he holds as a director or officer of any issuer, registrant or investment fund manager, and he is prohibited from becoming or acting as a director or officer (or both) of any issuer, registrant or investment fund manager, permanently;
 - iii. under section 199 of the ASA, that Zeiben pay to the ASC an administrative penalty of \$250,000; and
 - iv. under section 202 of the ASA, that Zeiben pay to the ASC \$50,000 of the costs of the ASC's investigation and hearing;
- b. against Grit:
- i. under sections 198(1)(b) and (c) of the ASA, that Grit cease trading in or purchasing securities or exchange contracts, and all of the exemptions contained in Alberta securities laws do not apply to Grit, permanently; and

- c. against Texas Petroleum:
 - i. under sections 198(1)(b) and (c) of the ASA, that Texas Petroleum cease trading in or purchasing securities or exchange contracts, and all of the exemptions contained in Alberta securities laws do not apply to Texas Petroleum, permanently.

III. JURISDICTION OF THE ONTARIO SECURITIES COMMISSION

- 14. The Respondents are subject to an order of the ASC imposing sanctions, conditions, restrictions or requirements upon them.
- 15. Pursuant to paragraph 4 of subsection 127(10) of the Act, an order made by a securities regulatory authority, derivatives regulatory authority or financial regulatory authority, in any jurisdiction, that imposes sanctions, conditions, restrictions or requirements may form the basis for an order in the public interest made under subsection 127(1) of the Act.
- 16. Staff allege that it is in the public interest to make an order against the Respondents.
- 17. Staff reserve the right to amend these allegations and to make such further and other allegations as Staff deem fit and the Commission may permit.
- 18. Staff request that this application be heard by way of a written hearing pursuant to Rules 2.6 and 11 of the *Ontario Securities Commission Rules of Procedure*, (2014) 37 O.S.C.B. 4168.

DATED at Toronto, this 4th day of August, 2015.