

**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
DEREK REID and STAFF OF THE
ONTARIO SECURITIES COMMISSION**

I. INTRODUCTION

1. By Notice of Hearing dated March 30, 2007, the Commission announced that it proposed to hold 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 Derek Reid.

II. JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission (“Staff”) recommend settlement with Derek Reid (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 only, the Respondent agrees with the facts set out in this Part III.

(a) Background

5. Visa Gold Explorations Inc. (“Visa Gold”) was a reporting issuer that was involved in the recovery of underwater artefacts. Trading in Visa Gold’s shares was first reported 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’s shares were cease traded on May 28, 2003 and remain cease traded.

6. The respondent Robert Patrick Zuk (“Zuk”) is an Ontario resident. He is a stock promoter who, to the knowledge of the Respondent, was hired by Visa Gold to generate investment interest in Visa Gold. Zuk had business and personal relationships of many years’ duration with the Respondent, and referred new clients to him on an ongoing basis. The Respondent was aware that Zuk was an active trader and promoter of Visa Gold shares.

7. The respondent Derek Reid (“Reid”) is 43 years old, and has been a registered representative since October 1987. Prior to commencing employment at Brant Securities in April 1998, the respondent had only acted as a trader and had never had client responsibility as a registered representative. At all material times, he was employed by Brant Securities Limited (“Brant Securities”) simultaneously in the capacities of registered representative and trader. In addition to being a trader, Reid carried out the

market making function on the CDN for Visa Gold on behalf of Brant Securities. The Respondent is currently registered as a salesperson at Union Securities Ltd.

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. Visa Gold became a public company on or about August 25, 1999, and its trades were reported to the public on the CDN and subsequently, the CDNX.

(b) Client Trading Activity in Visa Gold shares

(i) Brokerage Accounts

9. In the period between August 1999 and November 2001, Visa Gold shares were traded in 11 brokerage accounts (the "Client Accounts") at Brant Securities over which the Respondent had client responsibility as registered representative. The Client Accounts included 1 in Zuk's name and 1 account in the name of a company over whose account Zuk held and exercised trading authority: Chinggis Capital Corporation Limited (collectively, the "Zuk Accounts"). The Client Accounts also included accounts in the names of the following individuals and companies: Louise Zuk (1 account), 1402185 Ontario Inc. (1 account), 1249443 Ontario Ltd. (1 account), Christine Sheehan (1 account), Wilkinson International Ltd. (1 account), Redcap Management & Consulting (1 account), Paul Frustaglio (1 account), Bruce Hodgman (1 account), and 1125590 Ontario Limited also known as Del Mar Ventures (1 account) (collectively, the "Zuk-Related Clients"). The trading in two of the Zuk-Related Client accounts was infrequent and low in volume.

10. Of the Zuk-Related Clients Accounts, Zuk gave trading instructions in the account of his wife, Louise Zuk, without a proper third party trading authorization in place. The remaining Zuk-Related Clients gave trading instructions in their respective accounts; however, from time to time, Zuk gave trading instructions in certain of those accounts without a proper third party trading authorization in place. The Respondent was aware

that each of the remaining Zuk-Related Clients were related to Visa Gold or Zuk by employment or by providing investor relations services pertaining to Visa Gold.

(ii) Trading Activity in Client Accounts

11. The Respondent regularly processed trades in Visa Gold shares in the Client Accounts at or near month end. The sole purpose of those trades, which were reported in the CDN or CDN-X markets, was the elimination of debit balances that had accumulated in one or more of the Client Accounts. In the relevant period, Brant Securities required that debit balances in client accounts be cleared by the end of each month. This could be accomplished by depositing funds to pay for shares; if, however, the client was not willing or able to deposit funds, the firm would sell the shares in the open market to eliminate the debit balance. In order to avoid a sell-out of Visa Gold shares by the firm at month end, the Client Account sold the shares in order to eliminate debit balances from the Client Accounts over month end. Visa Gold shares were often purchased in one of the Client Accounts early in the next month, again creating a debit balance. By participating in this repetitive pattern in the Client Accounts, the Respondent knew that the Client Accounts were engaged in free riding or, alternatively stated, were using Brant Securities' capital to finance their trading activities in Visa Gold shares.

12. The Client Accounts were involved in hundreds of trades, which were reported to the public on the CDN or CDNX. The total volume of trading in Visa Gold shares in the Client Accounts exceeded 10 million shares on the buy side and 13 million shares on the sell side. As a registered representative, the Respondent acted for both the buying and selling accounts at Brant Securities ("Cross Trades") for 7 trades of Visa Gold shares that involved the Client Accounts. Those trades included 3 trades among the Client Accounts and two purchases by Client Accounts that resulted in High Closes¹ for Visa Gold. Because he was the registered representative for the Client Accounts and also a trader, the identity of the parties to these trades and the nature of these 7 trades was apparent to

¹ High Close Trades are defined as entering into trades at or near the end of the trading day which result in a higher closing price for the shares.

the Respondent. During the period between August 1999 and November 2001, the Respondent was involved as registered representative in 27 Uptick² purchases and in 10 additional purchases by a Client Account that resulted in High Closes for Visa Gold.

13. As a trader, the Respondent also effected Cross Trades of Visa Gold shares involving the Brant Securities inventory account that he operated and used to fulfill his market maker role; in particular, the Respondent sold 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 6 trades that resulted in High Closes of Visa Gold shares and a number of Uptick Trades involving the Client Accounts for which he was registered representative. In the high close trades involving the Brant Securities inventory account, the inventory account was the seller. The Respondent also entered into one trade in Visa Gold shares between his personal account and his firm's inventory account.

14. The Respondent was also aware that share certificates for 580,000 Visa Gold shares were deposited into the Robert Zuk, Louise Zuk and/or Chinggis Capital Accounts in furtherance of the trading activities described herein, and that Visa Gold share certificates were also deposited into the Zuk-Related Client Accounts to further the trading in those accounts.

15. The Respondent ought to have recognized that since Zuk was acting as a stock promoter for Visa Gold, he would benefit from an increased trading price and/or the appearance of interest in Visa Gold shares that an increase in trading volume could create. Further, the Respondent ought to have been aware that the Zuk-Related Clients, by virtue of their relationships to Zuk and Visa Gold, as described above, each had a similar interest. The Respondent ought to have been aware that the trading in the Client Accounts, specifically as described in paragraphs 11 to 13, could cause a misleading appearance of the market for Visa Gold's shares.

² Uptick Trades are defined as entering into orders to buy or sell shares at a price higher than the last reported trades.

16. The Respondent's firm was an approved market maker for Visa Gold shares, with the Respondent carrying out the daily function of market maker for Visa Gold. The function of a market-maker is to maintain liquidity and stability in the trading activity of over-the-counter shares. The trading activity described above involving clients related to the promoter and issuer was inconsistent with the expectation that the market maker be free from conflict of interest.

(iii) Market price of Visa Gold shares

17. At the commencement of public trading, the common shares of Visa Gold were trading in the range of \$1.50-\$1.70 per share on August 25, 1999. The stock peaked at \$2.05 per share on September 9, 1999. Other than this initial price increase and a short-lived increase in February 2000, during the period when the Respondent was a market maker, the shares of Visa Gold did not increase or decline precipitously and traded within relatively narrow price bands for extended periods.

18. The Client Accounts paid Brant Securities commissions of \$55,388.00, of which the Respondent earned \$27,694.00 in commissions on the total trading activity in Visa Gold shares in the Client Accounts.

IV. THE RESPONDENT'S POSITION

19. The Respondent acknowledges that Zuk has admitted in this proceeding that his intention in conducting the trading in Visa Gold shares included supporting the price of Visa Gold shares and preventing the price of those shares from dropping substantially. The Respondent should have but did not recognize a repetitive pattern in respect of trading in the Client Accounts such as to make him alert to Zuk's intentions as set out above. The Respondent also did not receive any complaints from the holders of the Client Accounts, nor was he questioned by compliance at Brant Securities.

20. For his trading activities, the Respondent focused on the bid-ask spreads posted by the various market makers for Visa Gold and not on the price of the last reported

trade. The Respondent realizes with hindsight that he ought to have also considered the last reported trading price and to have made more detailed inquiries of his clients.

21. The Respondent's firm, Brant Securities, permitted the debit balances to accrue in the Client Accounts, provided that the debits were resolved by the end of the month.

22. The Respondent has worked diligently with Staff of the Commission to resolve this matter without the need for a full hearing.

23. The Respondent has not previously been subject to disciplinary proceedings.

V. CONDUCT CONTRARY TO THE PUBLIC INTEREST

24. The Respondent ought to have known that the Visa Gold trades in the Client Accounts for which he was the registered representative, and the Visa Gold trades that he participated in as a trader, as described above, could create a misleading appearance as to the market for Visa Gold shares.

25. In addition, the Respondent failed in his role as a gatekeeper in the capital markets by allowing the trading described above.

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

VI. TERMS OF SETTLEMENT

27. The Respondent agrees to the following terms of settlement, to be set out in an order by the Commission pursuant to s. 127(1) of the Act, as follows:

- (a) that the Respondent's registration will be restricted permanently to acting as a trader for a registered dealer in good standing, subject to the further restrictions set out in paragraph (b) below. For greater certainty, the

Respondent will not act as a salesperson or as a registered representative for client accounts in the future;

(b) trading, directly or indirectly, in any securities by the Respondent, for his own account or for the account of others, will cease for a period of 6 months. Thereafter, for a period of 5 years from the date of the Order, the Respondent's trading will be restricted as follows:

(1) the Respondent will be permitted to trade in securities on behalf of a registered dealer who provides Staff of the Commission with an undertaking to supervise the Respondent's trading activities, with the following restrictions:

(A) the Respondent will be permitted to act as an agent to input orders for client trades entered on behalf of retail clients by Registered Representatives at the registered dealer;

(B) The Respondent will be permitted to act as an agent to input orders for Toronto Stock Exchange or TSX Venture Exchange trades on behalf of 6 U.S. brokerage firms, which have been disclosed to Staff of the Commission, or any further U.S. brokerage firms that are disclosed to, and approved by, the Manager of Surveillance of the Commission;

(C) the Respondent will not be permitted to apply to be a specialist or market maker for any publicly traded security;

(D) the Respondent will be permitted to conduct trading in a firm inventory account at the registered dealer, provided that the securities:

(i) are debt instruments that cannot be converted (directly or indirectly) into shares;

- (ii) are listed on the Toronto Stock Exchange, TSX Venture Exchange, NASDAQ, Amex and New York Stock Exchange;
 - (iii) are not exempt securities for purposes of the Ontario Securities Act;
 - (iv) are securities in which the Respondent and the registered dealer, in the aggregate, do not hold a 10% interest;
- (2) the Respondent will be permitted trade in securities in one RRSP and one non-RRSP account, which he will identify in writing to the Staff of the Commission and, in those accounts, the Respondent will be permitted to trade in securities described in paragraph (1)(D)(i) to(iv) above;
- (c) the Respondent will be permitted to exercise warrants for two securities currently held in broker warrant accounts, and to sell those securities, which he has identified in writing to Staff of the Commission;
 - (d) subject to paragraph (b) above, any exemptions contained in Ontario securities law do not apply to the Respondent for a period of 5 years from the date of the Order;
 - (e) that the Respondent will not act as an officer or director of any reporting issuer or registrant for a period of 5 years from the date of the Order;
 - (f) that the Respondent disgorge to the Commission the amount of \$27,694.00 for allocation to or for the benefit of third parties pursuant to s. 3.4(2)(b) of the *Act*, within 2 years of the date of this Agreement, failing which the trading restrictions set out in paragraph (b) above will continue for a further period of 2 years;
 - (g) that the Respondent will contribute to the Commission's costs of its investigation, in the amount of \$10,000; and

- (h) that the Respondent will cooperate with Staff in its investigation of trading in Visa Gold shares, including testifying as a witness for Staff at any proceedings commenced by Staff and meeting with Staff in advance of that proceeding to prepare for that testimony.

VII. STAFF COMMITMENT

28. 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 32 below.

VIII. PROCEDURE FOR APPROVAL OF SETTLEMENT

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

30. 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.

31. 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.

32. 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 VI 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.

33. 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.

34. 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.

IX. DISCLOSURE OF AGREEMENT

35. 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.

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

X. EXECUTION OF SETTLEMENT AGREEMENT

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

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

Dated this 30th March, 2007

“Anne Paiement”
Witness

“Derek Reid”
Derek Reid

Dated this 30th day of March, 2007

STAFF OF THE ONTARIO
SECURITIES COMMISSION

“Kelley McKinnon”
per: 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 on March 14, 2007, Staff of the Commission filed an Amended Amended Statement of Allegations, dated March 7, 2007;

AND WHEREAS on March 26, 2007, Staff of the Commission filed an Amended Amended Amended Statement of Allegations;

AND WHEREAS Derek Reid entered into a settlement agreement dated March 20, 2007 (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 dated March 21, 2007 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 Derek Reid 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:

- (a) the Settlement Agreement dated March 20, 2007 between Staff of the Commission and Derek Reid is approved;
- (b) that the Respondent's registration will be restricted permanently to acting as a trader for a registered dealer in good standing, subject to the further restrictions set out in paragraph (c) below. For greater certainty, the Respondent will not act as a salesperson or as a registered representative for client accounts in the future;
- (c) trading, directly or indirectly, in any securities by the Respondent, for his own account or for the account of others, will cease for a period of 6 months. Thereafter, for a period of 5 years from the date of the Order, the Respondent's trading will be restricted as follows:
 - (1) the Respondent will be permitted to trade in securities on behalf of a registered dealer who provides Staff of the Commission with an undertaking to supervise the Respondent's trading activities, with the following restrictions:
 - (A) the Respondent will be permitted to act as an agent to input orders for client trades entered on behalf of retail clients by Registered Representatives at the registered dealer;
 - (B) The Respondent will be permitted to act as an agent to input orders for Toronto Stock Exchange or TSX Venture Exchange trades on behalf of 6 U.S. brokerage firms, which have been disclosed to Staff of the Commission, or any further U.S. brokerage firms that are disclosed to, and approved by, the Manager of Surveillance of the Commission;

- (C) the Respondent will not be permitted to apply to be a specialist or market maker for any publicly traded security;
- (D) the Respondent will be permitted to conduct trading in a firm inventory account at the registered dealer, provided that the securities:
- (i) are debt instruments that cannot be converted (directly or indirectly) into shares;
 - (ii) are listed on the Toronto Stock Exchange, TSX Venture Exchange, NASDAQ, Amex and New York Stock Exchange;
 - (iii) are not exempt securities for purposes of the Ontario Securities Act;
 - (iv) are securities in which the Respondent and the registered dealer, in the aggregate, do not hold a 10% interest;
- (2) the Respondent will be permitted trade in securities in one RRSP and one non-RRSP account, which he will identify in writing to the Staff of the Commission and, in those accounts, the Respondent will be permitted to trade in securities described in paragraph (1)(D)(i) to(iv) above;
- (d) the Respondent will be permitted to exercise warrants for two securities currently held in broker warrant accounts, and to sell those securities, which he has identified in writing to Staff of the Commission;
- (e) subject to paragraph (c) above, any exemptions contained in Ontario securities law do not apply to the Respondent for a period of 5 years from the date of the Order;

- (f) that the Respondent will not act as an officer or director of any reporting issuer or registrant for a period of 5 years from the date of the Order;
- (g) that the Respondent disgorge to the Commission the amount of \$27,694.00 for allocation to or for the benefit of third parties pursuant to s. 3.4(2)(b) of the *Act*, within 2 years of the date of this Agreement, failing which the trading restrictions set out in paragraph (b) above will continue for a further period of 2 years;
- (h) that the Respondent will contribute to the Commission's costs of its investigation, in the amount of \$10,000.

Dated at Toronto, Ontario this 3rd day of April, 2007

"Suresh Thakrar"

"Carol S. Perry"

"James E.A. Turner"