

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

- and -

IN THE MATTER OF
SEXTANT CAPITAL MANAGEMENT INC.,
SEXTANT CAPITAL GP INC., OTTO SPORK, KONSTANTINOS
EKONOMIDIS, ROBERT LEVACK AND NATALIE SPORK

SETTLEMENT AGREEMENT
BETWEEN STAFF OF THE COMMISSION and
ROBERT LEVACK

PART I – INTRODUCTION

1. The Ontario Securities Commission (the “Commission”) will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to section 127(1) of the *Securities Act*, R.S.O. 1990, c. S-5, as amended (the “Act”), it is in the public interest for the Commission to make certain orders in respect of Robert Levack (the “Respondent”).

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission (“Staff”) agree to recommend settlement of the proceeding commenced by Notice of Hearing dated December 8, 2008, (the “Proceeding”) against the Respondent according to the terms and conditions set out in Part VI of this Settlement Agreement. The Respondent agrees to the making of an order in the form attached as Schedule “A”, based on the facts set out below.

PART III – AGREED FACTS

3. For the purpose of this Settlement Agreement, the Respondent agrees with the facts set out in Part III.

The Respondent

4. The Respondent resides in the Province of Ontario. The Respondent held the Chartered Financial Analyst designation at all material times. From February 2006 to July 17, 2009, the Respondent was employed by Sextant Capital Management Inc. ("SCMI") as Chief Compliance Officer.
5. The Respondent was registered under the Act as an Officer (Advising, Non-Trading) and Chief Compliance Officer in the categories of limited market dealer and investment counsel and portfolio manager with SCMI from February 1, 2006, until June 5, 2008. On June 5, 2008, the Respondent's registration was modified to Officer (Advising and Trading), Chief Compliance Officer and Designated Compliance Officer.

SCMI and Sextant Canadian Fund

6. SCMI was incorporated in Ontario in 2005. Until its registration was suspended by the Commission, SCMI was registered under the Act as an investment counsel, portfolio manager and limited market dealer. Otto Spork ("Spork") was SCMI's sole director until May 28, 2008, when Natalie Spork, Spork's daughter, replaced him in that role. SCMI was at all material times the investment adviser and the primary investor contact for the Sextant Strategic Opportunities Hedge Fund L.P. (the "Sextant Canadian Fund").
7. The Sextant Canadian Fund was created in early 2006 as a limited partnership formed in accordance with the *Limited Partnerships Act*, R.S.O. 1990, c. L-16. Units in the Sextant Canadian Fund were sold by way of successive offering memoranda by its investment adviser, SCMI, and by Investment Industry

Regulatory Organization of Canada member firms pursuant to prospectus exemptions in the *Securities Act*, R.S.O. 1990, c. S-5 (the "Act") and National Instrument 45-106 – *Prospectus and Registration Exemptions*. Nearly 250 investors in Ontario and elsewhere in Canada invested \$29.8 million in the Sextant Canadian Fund.

The Respondent's Statutory Role

8. SCMI was an investment fund manager for the Sextant Canadian Fund. As the Chief Compliance Officer, the Respondent, in turn, was a person who directed some of the affairs of the Sextant Canadian Fund. As such, the Respondent was an investment fund manager, as defined in section 1(1) of the Act, for the Sextant Canadian Fund and had the duties as set out in section 116 of the Act and the OSC Rule 31-505 – *Conditions of Registration* ("Rule 31-505").
9. As an investment fund manager, the Respondent had duties pursuant to section 116 of the Act to: (a) exercise the powers and discharge the duties of his office honestly, in good faith and in the best interests of the Sextant Canadian Fund, and (b) exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.
10. As a representative of SCMI, a registered adviser and dealer, the Respondent had a duty to deal fairly, honestly and in good faith with its clients pursuant to section 2.1 of Rule 31-505. As the Chief Compliance Officer of SCMI, the Respondent also had duties to supervise the registered adviser's adherence to the policies and procedures for the discharge of the obligations of the registered adviser under Ontario securities law and to supervise trades made for and advice provided to a client, pursuant to section 1.3 of Rule 31-505 as it was in force at all relevant times.

The Respondent Breached His Duties

11. The Respondent breached his duties pursuant to section 116 of the Act and Rule 31-505 as described below:
 - (a) **Working capital deficiency**
12. As portfolio manager, SCMI was required to maintain a minimum free capital in the amount of \$25,000. At least on two occasions, at the end of 2006 and at the beginning of 2008, the Respondent was aware that SCMI was deficient in meeting the minimum capital requirement. The Respondent failed to report the working capital deficiency to the OSC and failed to take necessary steps to ensure that the non-compliance was remedied.
- (b) **Over-concentration**
13. Between July 31, 2007, and November 30, 2008, SCMI purchased on behalf of the Sextant Canadian Fund shares of Iceland Glacier Products S.A ("IGP"), a private company in Luxemburg, which made up over 90% of the fund's portfolio by November 30, 2008. This investment concentration was prohibited by the Act and inconsistent with the investment strategy and restrictions set out in the Sextant Canadian Fund's Offering Memorandum ("OM").
14. In July 2008, the Respondent was aware that the Sextant Canadian Fund's portfolio composition did not comply with both the OM and securities legislation. The Respondent breached his duties by failing to ensure conformity of Sextant Canadian Fund's portfolio to its OM and Ontario securities law and by failing to take necessary steps to ensure that the non-compliance was remedied.
- (c) **Prohibited Investment**
15. At all material times when SCMI invested in IGP on behalf of the Sextant Canadian Fund, Spork was a substantial security holder of SCMI and also SCMI's officer and

director (until May 28, 2008). At the same time, Spork held a significant interest in IGP through his wholly owned holding company, Riambel Holding S.A. ("Riambel"). SCMI's investment on behalf of the Sextant Canadian Fund in IGP, while Spork was a directing mind of SCMI and had significant interest in both SCMI and IGP, was a prohibited investment by the operation of the Act.

16. The Respondent knew of Spork's ownership of IGP through Riambel and was aware of the prohibited investment in July 2008. However, the Respondent took no steps to ensure that the non-compliance was remedied.

(d) Failure to Supervise

17. Additionally, the Respondent breached his duties as the Chief Compliance Officer of SCMI. The Respondent breached his duties to supervise the trades made and advice provided by SCMI for and to the Sextant Canadian Fund and the duty to ensure SCMI's adherence to policies and procedures under Ontario securities law, by allowing, and failing to remedy, the non-compliance identified in paragraphs 12 to 16 above.

**PART IV – CONDUCT CONTRARY TO ONTARIO SECURITIES LAW
AND THE PUBLIC INTEREST**

18. By engaging in the conduct described above, the Respondent has breached Ontario securities law by contravening section 116 of the Act and Rule 31-505 and has acted contrary to the public interest.

PART V – TERMS OF SETTLEMENT

19. The Respondent agrees to the terms of settlement listed below.
20. The Commission will make an order pursuant to section 127(1) of the Act that:
 - (a) The settlement agreement is approved.

- (b) The registration granted to the Respondent under Ontario securities law be terminated.
 - (c) The Respondent resign one or more positions that the Respondent holds as a director or officer of a registrant, issuer, or investment fund manager.
 - (d) The Respondent is prohibited from becoming or acting as a director or officer of any issuer, registrant, or investment fund manager for a period of 10 years.
 - (e) The Respondent is prohibited from becoming or acting as a registrant, as an investment fund manager or as a promoter for a period of 10 years.
 - (f) The Respondent pay an administrative penalty of \$15,000, to be allocated under s. 3.4(2)(b) of the Act to or for the benefit of third parties.
 - (g) The Respondent will cooperate fully with any ongoing proceedings relating to his employment at SCMI, including testifying.
21. The Respondent agrees to personally make any payments ordered above by certified cheque when the Commission approves this Settlement Agreement. The Respondent will not be reimbursed for, or receive a contribution toward, this payment from any other person or company.
22. The Respondent undertakes to consent to a regulatory Order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the prohibitions set out in sub-paragraphs (d) and (e) above. These prohibitions may be modified to reflect the provisions of the relevant provincial or territorial securities law.

PART VI – STAFF COMMITMENT

23. If the Commission approves this Settlement Agreement, Staff will not commence any proceeding under Ontario securities law in relation to the facts set out in Part III of this Settlement Agreement, subject to the provisions of paragraph 26 below.

24. If the Commission approves this Settlement Agreement and the Respondent fails to comply with any of the terms of the Settlement Agreement, Staff may bring proceedings under Ontario securities law against the Respondent. These proceedings may be based on, but are not limited to, the facts set out in Part III of this Settlement Agreement as well as the breach of the Settlement Agreement.

PART VII – PROCEDURE FOR APPROVAL OF SETTLEMENT

25. The parties will seek approval of this Settlement Agreement at a public hearing before the Commission scheduled for June 1, 2010, or on another date agreed to by Staff and the Respondent, according to the procedures set out in this Settlement Agreement and the Commission's Rules of Practice.
26. Staff and the Respondent agree that this Settlement Agreement will form all of the agreed facts that will be submitted at the settlement hearing on the Respondent's conduct, unless the parties agree that additional facts should be submitted at the settlement hearing.
27. If the Commission approves this Settlement Agreement, the Respondent agrees to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.
28. If the Commission approves this Settlement Agreement, neither party will make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the settlement hearing.
29. Whether or not the Commission approves this Settlement Agreement, the Respondent will not use, in any proceeding, this Settlement Agreement or the negotiation or process of approval of this agreement as the basis for any attack on the Commission's jurisdiction, alleged bias, alleged unfairness, or any other remedies or challenges that may otherwise be available.

PART VIII - DISCLOSURE OF SETTLEMENT AGREEMENT

30. If the Commission does not approve this Settlement Agreement or does not make the order attached as Schedule "A" to this Settlement Agreement:
- i. this Settlement Agreement and all discussions and negotiations between Staff and the Respondent before the settlement hearing takes place will be without prejudice to Staff and the Respondent; and
 - ii. Staff and the Respondent will each be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations contained in the Statement of Allegations. Any proceedings, remedies and challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this agreement.

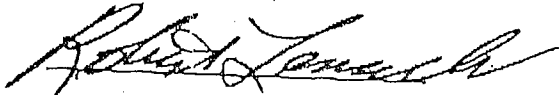
31. Both parties will keep the terms of the Settlement Agreement confidential until the Commission approves the Settlement Agreement. At that time, the parties will no longer have to maintain confidentiality. If the Commission does not approve the Settlement Agreement, both parties must continue to keep the terms of the Settlement Agreement confidential, unless they agree in writing not to do so or if required by law.

PART IX - EXECUTION OF SETTLEMENT AGREEMENT

32. The parties may sign separate copies of this agreement. Together, these signed copies will form a binding agreement.

33. A fax copy of any signature will be treated as an original signature.

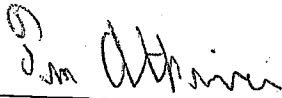
Dated this 27th day of May, 2010.



Respondent:



Witness



Director, Enforcement Branch