

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

**and**

**IN THE MATTER OF PHOENIX CREDIT RISK MANAGEMENT CONSULTING INC.,  
PHOENIX PENSION SERVICES INC., PHOENIX CAPITAL RESOURCES INC.,  
RATHORE & ASSOCIATES ASSET MANAGEMENT LTD., 2195043 ONTARIO INC.  
JAWAD RATHORE, VINCENZO PETROZZA and OMAR MALONEY**

**SETTLEMENT AGREEMENT BETWEEN STAFF OF THE ONTARIO SECURITIES  
COMMISSION AND PHOENIX CREDIT RISK MANAGEMENT CONSULTING INC.,  
PHOENIX PENSION SERVICES INC., PHOENIX CAPITAL RESOURCES INC.,  
RATHORE & ASSOCIATES ASSET MANAGEMENT LTD., 2195043 ONTARIO INC.,  
JAWAD RATHORE, VINCENZO PETROZZA and OMAR MALONEY**

**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 sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “*Securities Act*”) it is in the public interest for the Commission to make certain orders in respect of Phoenix Credit Risk Management Consulting Inc. (“Phoenix CRMC”), Phoenix Pension Services Inc. (“Phoenix Pension”), Phoenix Capital Resources Inc. (“Phoenix Capital Resources”), Rathore & Associates Asset Management Ltd. (“R&A”), 2195043 Ontario Inc. (“2195043”) (Phoenix CRMC, Phoenix Pension, Phoenix Capital Resources, R&A and 2195043 are collectively referred to herein as the “Companies”), Jawad Rathore (“Rathore”), Vincenzo Petrozza (“Petrozza”) and Omar Maloney (“Maloney”) (collectively the “Respondents”).

**PART II - JOINT SETTLEMENT RECOMMENDATION**

2. Staff of the Commission (“Staff”) agree to recommend settlement of the proceeding commenced by Notice of Hearing (the “Proceeding”) against the Respondents according to the terms and conditions set out in Part VIII of this settlement agreement (the

“Settlement Agreement”). The Respondents agree 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. Subject to paragraph 42 below, the Respondents agree with the facts set out in this Part III.
4. Staff and the Respondents agree that the facts set out in this Part III for the purpose of this settlement are without prejudice to the Respondents in any other proceedings of any kind including, but without limiting the generality of the foregoing, any other proceedings brought by the Commission under the *Securities Act* (subject to paragraph 44 below) or any civil or other proceedings currently pending or which may be brought by any other person, corporation or agency (subject to paragraph 42 below).

#### **Parties**

5. Between January 1, 2007 and June 30, 2009 (the “Relevant Time”), Rathore and Petrozza were the sole officers and directors of Phoenix CRMC and Phoenix Capital Resources.
6. During the Relevant Time, Rathore was the sole officer and director of Phoenix Pension and R&A.
7. During the Relevant Time, Rathore and Petrozza had signing authority on the bank account of 2195043. Rathore’s wife and Petrozza’s wife were each directors and shareholders of 2195043.
8. The Companies are Ontario corporations, with the following incorporation dates:
  - R&A: November 21, 2001;
  - Phoenix Pension: July 12, 2002;
  - Phoenix CRMC: May 30, 2003;
  - Phoenix Capital Resources: February 8, 2006; and
  - 2195043: January 9, 2009.

9. During the Relevant Time, Maloney was an employee of Phoenix CRMC.
10. Prior to the Relevant Time, Phoenix Pension provided consulting services regarding funds in locked-in retirement accounts, including assisting individuals in unlocking or accessing funds in their retirement accounts to repay debts.
11. During the Relevant Time, Phoenix CRMC provided consulting services regarding funds in locked-in retirement accounts, including assisting individuals in unlocking or accessing funds in their retirement accounts to repay debts. Many clients of Phoenix CRMC were referred to it by collection agencies.
12. During the Relevant Time, Phoenix Capital Resources offered short term bridge loans to individuals who were unlocking funds in their retirement accounts to repay debt.
13. During the Relevant Time, Phoenix Pension, R&A and 2195043 received payments in respect of the Respondents' referral of clients of Phoenix CRMC to purchase shares in Great Pacific International Inc. ("GPI") and/or OSE Corp. ("OSE").
14. None of the Respondents were registered with the Commission during the Relevant Time.

#### **GPI and OSE**

15. During the Relevant Time, GPI and OSE were both reporting issuers listed on the TSX Venture Exchange ("TSXV") carrying on business as oil and gas companies.
16. During the Relevant Time, Thalbinder Poonian ("Poonian") was the President and a director of GPI and owned and/or controlled shares of GPI and OSE.
17. The Respondents were introduced to Poonian by a registered representative who was employed by an investment dealer registered with the Investment Dealers Association (as it then was).

**The Phoenix Investors**

18. Some Phoenix CRMC clients had amounts remaining in their accounts after unlocking their retirement funds and repaying debts.
19. During the Relevant Period, Rathore and Maloney, with and through Phoenix CRMC, recommended to many of those clients the purchase of shares of GPI and OSE. Many of those clients subsequently purchased shares of GPI and/or OSE (the “Phoenix Investors”).
20. In many cases, the Respondents (other than Petrozza) told Phoenix Investors that the future value and price of GPI, OSE or both, would increase.
21. The Phoenix Investors purchased their shares in GPI and/or OSE in accounts held at registered investment dealers. Some of the accounts were with full service investment dealers and some were with discount brokerage firms. If a Phoenix Investor did not have a trading account, Phoenix CRMC offered to assist a client in opening an account at an investment dealer and in many cases did so.
22. The Phoenix Investors were, in some cases, referred to representatives of GPI and OSE, including Poonian, who gave them information regarding GPI and OSE. Sometimes one of the Respondents (other than Petrozza), or an employee of one of the Companies, participated in those calls.
23. In order to effect many of the purchases, one of the Respondents (other than Petrozza), or an employee of one of the Companies participated in a three-way telephone call with the Phoenix Investor and a representative of the Phoenix Investor’s investment dealer. Purchases were occasionally effected by the Phoenix Investors directly.
24. The Phoenix Investors thereby acquired shares of GPI, OSE, or both.
25. During the Relevant Time, the Phoenix Investors purchased approximately 11 million GPI shares and approximately 4.9 million OSE shares.
26. The Phoenix Investors invested a total of approximately \$16.5 million in GPI and OSE.

27. In many cases, the shares purchased by the Phoenix Investors through the TSXV were sold by Poonian personally, or persons and companies related to and/or controlled or directed by him (the “Poonian Sellers”). Poonian effected these sales by specifying to the Respondents the timing and price of purchases by the Phoenix Investors.
28. Pursuant to an agreement with Poonian, certain of the Respondents, directly or indirectly, received compensation for referring investors to GPI and OSE from persons and companies related to, directed by and/or associated with Poonian. The compensation was typically a percentage of the amounts invested in GPI and OSE by the Phoenix Investors.
29. During the Relevant Time, approximately \$3 million in compensation was paid to Phoenix Pension, R&A and 2195043 for the sale of GPI and OSE shares to the Phoenix Investors.
30. The Respondents did not disclose to the Phoenix Investors that they received compensation for referring Phoenix Investors to GPI and/or OSE.
31. During the Relevant Time, certain of the Companies caused approximately \$261,787.55 in cheques to be issued to or for the benefit of several Phoenix Investors. Some of the cheques contained the notation “Dividends.” During the Relevant Time, GPI and OSE did not declare dividends.
32. During the Relevant Time, certain of the Companies also made payments to or for the direct benefit of Phoenix Investors in the amount of approximately \$10,500.00.
33. As outlined above, during the Relevant Time, Phoenix Capital Resources offered short term bridge loans to individuals who were unlocking funds in their retirement accounts to repay debt. These funds were advanced either directly to Phoenix Investors or to third party collection agencies as payments towards debts owing by Phoenix Investors. Debts owing to Phoenix Capital Resources by Phoenix Investors in the amount of approximately \$22,500.00 as a result of such loans have been unconditionally forgiven by the Respondents.
34. The Respondents have cooperated with Staff in the investigation of this matter.

**PART IV – RESPONDENTS’ POSITION**

35. The Respondents request that the settlement hearing panel consider the following mitigating circumstances:
- a. The Respondents stopped the conduct contrary to the *Securities Act* and contrary to the public interest, as described below, prior to being aware of any investigation by or concerns of any regulator.
  - b. During their initial meeting and regularly throughout their dealings, Poonian made statements to the Respondents endorsing the business and operations of GPI and OSE. The Respondents also reviewed the publicly available information regarding GPI and OSE, including press releases and annual filings.
  - c. Rathore and Petrozza recommended GPI and/or OSE to friends and family, many of whom purchased and continue to hold shares of one or both companies (including Rathore’s spouse and Petrozza’s parents).

**PART V - CONDUCT CONTRARY TO SECTIONS 25, 38 AND 129.2  
OF THE *SECURITIES ACT***

36. The Respondents’ activities in respect of GPI and OSE constituted trading in securities without registration in respect of which no exemption was available, contrary to section 25 of the *Securities Act*.
37. In their roles as directors and officers, including *de facto* directors and officers, Rathore and Petrozza authorized, permitted or acquiesced in the non-compliance of the Companies with Ontario securities law and, accordingly, failed to comply with Ontario securities law contrary to section 129.2 of the *Securities Act*.
38. The Respondents, except Petrozza, gave undertakings as to the future value or price of GPI and OSE with the intention of effecting trades in those securities, contrary to section 38(2) of the *Securities Act*.

**PART VI - CONDUCT CONTRARY TO THE PUBLIC INTEREST**

39. The Respondents engaged in conduct contrary to the public interest by:
- a. failing to do adequate due diligence with respect to Poonian, the Poonian Sellers, GPI and OSE, before recommending shares of those companies to Phoenix Investors;
  - b. receiving compensation from Poonian or from others associated or related to him for referring Phoenix Investors;
  - c. failing to advise the Phoenix Investors that they received compensation for referring the Phoenix Investors to purchase GPI and/or OSE; and
  - d. describing payments to Phoenix Investors as dividends when they were not.

**PART VII - TERMS OF SETTLEMENT**

40. The Respondents agree to the terms of settlement set out below.
41. The Commission will make an order pursuant to section 127(1) and section 127.1 of the *Securities Act* that:
- (a) the Settlement Agreement is approved;
  - (b) the Respondents shall jointly and severally pay an administrative penalty of \$250,000.00 to be allocated to or for the benefit of third parties in accordance with section 3.4(2)(b) of the *Securities Act* to be paid in quarterly instalments over a period of 4 years from the date this Settlement Agreement is approved;
  - (c) the Respondents shall jointly and severally pay the costs of Staff's investigation in the amount of \$100,000.00 within a period of 1 year from the date this Settlement Agreement is approved;
- The Companies***
- (d) the Companies shall jointly and severally disgorge to the Commission the amount of \$2,705,212.45 to be allocated to or for the benefit of third parties under section 3.4(2)(b) of the *Securities Act*, with payment of

\$250,000.00 to be made by certified cheque at the time of the settlement hearing and the remaining \$2,455,212.45 to be paid in quarterly instalments over a period of 4 years from the date this Settlement Agreement is approved;

- (e) the Companies shall cease trading in securities for 15 years;
- (f) the Companies shall cease acquisitions of securities for a period of 15 years;
- (g) any exemptions in Ontario securities law shall not apply to the Companies for a period of 15 years;

***Rathore***

- (h) Rathore shall resign all positions he holds as a director or officer, and for 15 years shall be prohibited from becoming or acting as a director or officer of any:
  - (a) registrant under the *Securities Act*;
  - (b) investment fund manager; or
  - (c) issuer that distributes securities under a prospectus or prospectus exemption under the *Securities Act*

except Rathore will be permitted to become, or act as or continue to act as a director or officer of:

- A) any issuer that distributes, issues or trades in securities evidencing indebtedness secured or to be secured by a mortgage or charge on real property in Canada or that provides promissory notes or enters into loan agreements incidental thereto in accordance with local provincial legislative requirements (“Mortgage Instruments”); or
- B) any non-reporting issuer that has no more than five beneficial owners and does not distribute securities of the issuer other than to family, friends and business associates of the beneficial owners (a “Closely Held Private Company”);
- (i) any exemptions in Ontario securities law shall not apply to Rathore for a period of 15 years, except those exemptions used in respect of the trading in or acquisition of Mortgage Instruments or securities of a Closely Held Private Company;
- (j) Rathore shall not trade in or acquire securities for 15 years, except:



- (a) Rathore may trade in or acquire securities in his personal registered retirement savings plan (“RRSP”) accounts and/or tax-free savings accounts (“TFSA”) and/or for any registered education savings plan (“RESP”) accounts for which he is the sponsor; and
- (b) Rathore may trade in or acquire Mortgage Instruments or securities of a Closely Held Private Company;

and for greater certainty, nothing in this paragraph shall prevent any issuer which Rathore controls, any issuer of which Rathore is a director, officer and/or shareholder and/or any issuer to which Rathore, either directly or indirectly through a corporation, provides services from trading in or acquiring Mortgage Instruments or securities of a Closely Held Private Company;

- (k) Rathore shall disgorge to the Commission the amount of \$100,000.00 to be allocated to or for the benefit of third parties under section 3.4(2)(b) of the *Securities Act*, with payment of \$25,000.00 to be made by certified cheque at the time of the settlement hearing and the remaining \$75,000.00 to be paid in quarterly instalments over a period of 1 year from the date this Settlement Agreement is approved;

***Petrozza***

- (l) Petrozza shall resign all positions he holds as a director or officer, and for 15 years shall be prohibited from becoming or acting as a director or officer of any:
  - (a) registrant under the *Securities Act*;
  - (b) investment fund manager; or
  - (c) issuer that distributes securities under a prospectus or prospectus exemption under the *Securities Act*

except Petrozza will be permitted to become, or act as or continue to act as a director or officer of:

- A) any issuer that distributes, issues or trades in Mortgage Instruments; or
  - B) any Closely Held Private Company;
- (m) any exemptions in Ontario securities law shall not apply to Petrozza for a period of 15 years, except those exemptions used in respect of the trading in or acquisition of Mortgage Instruments or securities of a Closely Held Private Company;

- (n) Petrozza shall not trade in or acquire securities for 15 years, except:
- (a) Petrozza may trade in or acquire securities in his personal RRSP accounts and/or TFSA accounts and/or for any RESP accounts for which he is the sponsor; and
  - (b) Petrozza may trade in or acquire Mortgage Instruments or securities of a Closely Held Private Company;

and for greater certainty, nothing in this paragraph shall prevent any issuer which Petrozza controls, any issuer of which Petrozza is a director, officer and/or shareholder and/or any issuer to which Petrozza, either directly or indirectly through a corporation, provides services from trading in or acquiring Mortgage Instruments or securities of a Closely Held Private Company;

- (o) Petrozza shall disgorge to the Commission the amount of \$100,000.00 to be allocated to or for the benefit of third parties under section 3.4(2)(b) of the *Securities Act*, with payment of \$25,000.00 to be made by certified cheque at the time of the settlement hearing and the remaining \$75,000.00 to be paid in quarterly instalments over a period of 1 year from the date this Settlement Agreement is approved;

***Maloney***

- (p) Maloney shall resign all positions he holds as a director or officer, and for 15 years shall be prohibited from becoming or acting as a director or officer of any:
- (a) registrant under the *Securities Act*;
  - (b) investment fund manager; or
  - (c) issuer that distributes securities under a prospectus or prospectus exemption under the *Securities Act*

except Maloney will be permitted to become, or act as or continue to act as a director or officer of:

- A) any issuer that distributes, issues or trades in Mortgage Instruments; or
  - B) any Closely Held Private Company;
- (q) any exemptions in Ontario securities law shall not apply to Maloney for a period of 15 years, except those exemptions used in respect of the trading in or acquisition of Mortgage Instruments or securities of a Closely Held Private Company;

- (r) Maloney shall not trade in or acquire securities for 15 years, except:
  - (a) Maloney may trade in or acquire securities in his personal RRSP accounts and/or TFSA accounts and/or for any RESP accounts for which he is the sponsor; and
  - (b) Maloney may trade in or acquire Mortgage Instruments or securities of a Closely Held Private Company;

and for greater certainty, nothing in this paragraph shall prevent any issuer which Maloney controls, any issuer of which Maloney is a director, officer and/or shareholder and/or any issuer to which Maloney, either directly or indirectly through a corporation, provides services from trading in or acquiring Mortgage Instruments or securities of a Closely Held Private Company;

- (s) Maloney shall disgorge to the Commission the amount of \$50,000.00 to be allocated to or for the benefit of third parties under section 3.4(2)(b) of the *Securities Act*, with payment of \$20,000.00 to be made by certified cheque at the time of the settlement hearing and the remaining \$30,000.00 to be paid in quarterly instalments over a period of 1 year from the date this Settlement Agreement is approved;
- (t) in the event that any of the payments set out in paragraph 41(b), (c), (d), (k), (o) or (s) above are not made in full, the provisions of paragraph 41(e), (f), (g), (h), (i), (j), (l), (m), (n), (p), (q) and (r) shall continue in force in respect of each Respondent which has failed to make payment, until such payments are made in full without any limitation as to time period.

42. The Respondents consent to a regulatory order made by any provincial or territorial securities regulatory authority containing any or all of the sanctions set out in paragraph 41(e), (f), (g), (h), (i), (j), (l), (m), (n), (p), (q), (r) and (t), provided that such sanctions in such order or orders shall not remain in effect beyond the date on which the sanctions contained herein cease.

### **PART VIII - STAFF COMMITMENT**

43. If this Settlement Agreement is approved by the Commission, Staff will not commence any other proceeding under the *Securities Act* against the Respondents under Ontario securities law respecting the facts set out in Part III of the Settlement Agreement, subject to the provisions of paragraph 44 below.

44. If the Commission approves this Settlement Agreement and any of the Respondents fail to comply with any of the terms of the Settlement Agreement, Staff may bring proceedings under Ontario securities law against them. 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 IX - PROCEDURE FOR APPROVAL OF SETTLEMENT**

45. The parties will seek approval of this Settlement Agreement at a public hearing before the Commission according to the procedures set out in this Settlement Agreement and the Commission's Rules of Practice.
46. Staff and the Respondents agree that this Settlement Agreement will form all of the agreed facts that will be submitted at the settlement hearing on the Respondents' conduct, unless the parties agree that additional facts should be submitted at the settlement hearing.
47. If the Settlement Agreement is approved by the Commission, the Respondents agree to waive all of their rights to a full hearing, judicial review or appeal of the matter under the *Securities Act*.
48. If the Commission approves this Settlement Agreement, none of the parties will make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the settlement hearing.
49. Whether or not the Commission approves this Settlement Agreement, the Respondents 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 X - DISCLOSURE OF SETTLEMENT AGREEMENT**

50. If the Commission does not approve this Settlement Agreement or does not make the order attached as Schedule "A" to this Settlement Agreement:

- a. this Settlement Agreement and all discussions and negotiations between Staff and the Respondents before the settlement hearing takes place will be without prejudice to Staff and the Respondents; and
  - b. Staff and the Respondents will 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.
51. All 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, all 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 XI - EXECUTION OF SETTLEMENT AGREEMENT**

52. The Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.
53. A facsimile copy of any signature shall be as effective as an original signature.

**DATED** this 14<sup>th</sup> day of December, 2011.

“Jawad Rathore”  
For Phoenix Credit Risk Management  
Consulting Inc.

“Jawad Rathore”  
For Phoenix Pension Services Inc.

“Jawad Rathore”

---

For Phoenix Capital Resources Inc.

“Jawad Rathore”

---

For Rathore & Associates Asset  
Management Ltd.

“Jawad Rathore”

---

For 2195043 Ontario Inc.

“Jawad Rathore”

---

Jawad Rathore

“Vince Petrozza”

---

Vincenzo Petrozza

“Omar Maloney”

---

Omar Maloney

“Kathryn Daniels”

---

December 15, 2011

Kathryn J. Daniels  
Deputy Director, Enforcement  
Branch

**SCHEDULE "A"**

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

**and**

**IN THE MATTER OF PHOENIX CREDIT RISK MANAGEMENT CONSULTING INC.,  
PHOENIX PENSION SERVICES INC., PHOENIX CAPITAL RESOURCES INC.,  
RATHORE & ASSOCIATES ASSET MANAGEMENT LTD., 2195043 ONTARIO INC.  
JAWAD RATHORE, VINCENZO PETROZZA and OMAR MALONEY**

**ORDER**

**(Sections 127(1) and 127.1)**

**WHEREAS** on \_\_\_\_\_ 2011, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "*Securities Act*") in respect of Phoenix Credit Risk Management Consulting Inc., Phoenix Pension Services Inc., Phoenix Capital Resources Inc., Rathore & Associates Asset Management Ltd., 2195043 Ontario Inc. (the "Companies"), Jawad Rathore ("Rathore"), Vincenzo Petrozza ("Petrozza") and Omar Maloney ("Maloney") (collectively, the "Respondents");

**AND WHEREAS** on \_\_\_\_\_, 2011, Staff of the Commission ("Staff") filed a Statement of Allegations in respect of the same matter;

**AND WHEREAS** the Respondents and Staff entered into a Settlement Agreement (the "Settlement Agreement") in which they agreed to a settlement of the proceeding commenced by the Notice of Hearing dated \_\_\_\_\_, 2011, subject to the approval of the Commission;

**AND UPON** reviewing the Settlement Agreement, the Notice of Hearing and the Statement of Allegations, and upon hearing submissions from counsel for Staff and counsel for the Respondents;

**AND WHEREAS** the Commission is of the opinion that it is in the public interest to make this Order;

**IT IS ORDERED THAT:**

1. the Settlement Agreement is approved;
2. the Respondents shall jointly and severally pay an administrative penalty of \$250,000.00 to be allocated to or for the benefit of third parties in accordance with section 3.4(2)(b) of the



*Securities Act* to be paid in quarterly instalment over a period of 4 years from the date the Settlement Agreement is approved;

3. the Respondents shall jointly and severally pay the costs of Staff's investigation in the amount of \$100,000.00 within a period of 1 year from the date the Settlement Agreement is approved;

*The Companies*

4. the Companies shall jointly and severally disgorge to the Commission the amount of \$2,705,212.45 to be allocated to or for the benefit of third parties under section 3.4(2)(b) of the *Securities Act*, with payment of \$250,000.00 to be made by certified cheque at the time of the settlement hearing and the remaining \$2,455,212.45 to be paid in quarterly instalments over a period of 4 years from the date the Settlement Agreement is approved;
5. the Companies shall cease trading in securities for 15 years;
6. the Companies shall cease acquisitions of securities for a period of 15 years;
7. any exemptions in Ontario securities law shall not apply to the Companies for a period of 15 years;

*Rathore*

8. Rathore shall resign all positions he holds as a director or officer, and for 15 years will be prohibited from becoming or acting as a director or officer of any:
  - (a) registrant under the *Securities Act*;
  - (b) investment fund manager; or
  - (c) issuer that distributes securities under a prospectus or prospectus exemption under the *Securities Act*

except Rathore will be permitted to become, or act as or continue to act as a director or officer of:

- A) any issuer that distributes, issues or trades in securities evidencing indebtedness secured or to be secured by a mortgage or charge on real property in Canada or that provides promissory notes or enters into loan agreements incidental thereto in accordance with local provincial legislative requirements ("Mortgage Instruments"); or
- B) any non-reporting issuer that has no more than five beneficial owners and does not distribute securities of the issuer other than to family, friends and business associates

of the beneficial owners (a “Closely Held Private Company”);

9. any exemptions in Ontario securities law shall not apply to Rathore for a period of 15 years, except those exemptions used in respect of the trading in or acquisition of Mortgage Instruments or securities of a Closely Held Private Company;
10. Rathore shall not trade in or acquire securities for 15 years, except:
  - a. Rathore may trade in or acquire securities in his personal registered retirement savings plan (“RRSP”) accounts and/or tax-free savings accounts (“TFSA”) and/or for any registered education savings plan (“RESP”) accounts for which he is the sponsor; and
  - b. Rathore may trade in or acquire Mortgage Instruments or securities of a Closely Held Private Company;

and for greater certainty, nothing in this paragraph shall prevent any issuer which Rathore controls, any issuer of which Rathore is a director, officer and/or shareholder and/or any issuer to which Rathore, either directly or indirectly through a corporation, provides services from trading in or acquiring Mortgage Instruments or securities of a Closely Held Private Company;

11. Rathore shall disgorge to the Commission the amount of \$100,000.00 to be allocated to or for the benefit of third parties under section 3.4(2)(b) of the *Securities Act*, with payment of \$25,000.00 to be made by certified cheque at the time of the settlement hearing and the remaining \$75,000.00 to be paid in quarterly instalments over a period of 1 year from the date the Settlement Agreement is approved;

*Petrozza*

12. Petrozza shall resign all positions he holds as a director or officer, and for 15 years shall be prohibited from becoming or acting as a director or officer of any:
  - (a) registrant under the *Securities Act*;
  - (b) investment fund manager; or
  - (c) issuer that distributes securities under a prospectus or prospectus exemption under the *Securities Act*,

except Petrozza will be permitted to become, or act as or continue to act as a director or officer of:

- A) any issuer that distributes, issues or trades in Mortgage Instruments; or
- B) any Closely Held Private Company;

13. any exemptions in Ontario securities law shall not apply to Petrozza for a period of 15 years, except those exemptions used in respect of the trading in or acquisition of Mortgage Instruments or securities of a Closely Held Private Company;
14. Petrozza will not trade in or acquire securities for 15 years, except:
- (a) Petrozza may trade in or acquire securities in his personal RRSP accounts and/or TFSA accounts and/or for any RESP accounts for which he is the sponsor; and
  - (b) Petrozza may trade in or acquire Mortgage Instruments or securities of a Closely Held Private Company;

and for greater certainty, nothing in this paragraph shall prevent any issuer which Petrozza controls, any issuer of which Petrozza is a director, officer and/or shareholder and/or any issuer to which Petrozza, either directly or indirectly through a corporation, provides services from trading in or acquiring Mortgage Instruments or securities of a Closely Held Private Company;

15. Petrozza shall disgorge to the Commission the amount of \$100,000.00 to be allocated to or for the benefit of third parties under section 3.4(2)(b) of the *Securities Act*, with payment of \$25,000.00 to be made by certified cheque at the time of the settlement hearing and the remaining \$75,000.00 to be paid in quarterly instalments over a period of 1 year from the date this agreement is executed;

*Maloney*

16. Maloney shall resign all positions he holds as a director or officer, and for 15 years shall be prohibited from becoming or acting as a director or officer of any:
- (a) registrant under the *Securities Act*;
  - (b) investment fund manager; or
  - (c) issuer that distributes securities under a prospectus or prospectus exemption under the *Securities Act*

except Maloney will be permitted to become, or act as or continue to act as a director or officer of:

- A) any issuer that distributes, issues or trades Mortgage Instruments; or
  - B) any Closely Held Private Company;
17. any exemptions in Ontario securities law shall not apply to Maloney for a period of 15 years, except those exemptions used in respect of the trading in or acquisition of Mortgage Instruments or securities of a Closely Held Private Company;

18. Maloney shall not trade in or acquire securities for 15 years, except:
- (a) Maloney may trade in or acquire securities in his personal RRSP accounts and/or TFSA accounts and/or for any RESP accounts for which he is the sponsor; and
  - (b) Maloney may trade in or acquire Mortgage Instruments or securities of a Closely Held Private Company;

and for greater certainty, nothing in this paragraph shall prevent any issuer which Maloney controls, any issuer of which Maloney is a director, officer and/or shareholder and/or any issuer to which Maloney, either directly or indirectly through a corporation, provides services from trading in or acquiring Mortgage Instruments or securities of a Closely Held Private Company;

19. Maloney shall disgorge to the Commission the amount of \$50,000.00 to be allocated to or for the benefit of third parties under section 3.4(2)(b) of the *Securities Act*, with payment of \$20,000.00 to be made by certified cheque at the time of the settlement hearing and the remaining \$30,000.00 to be paid in quarterly instalments over a period of 1 year from the date the Settlement Agreement is approved; and
20. in the event that any of the payments set out in paragraphs 2, 3, 4, 11, 15 or 19 above are not made in full, the provisions of paragraphs 5, 6, 7 8, 9, 10, 12, 13, 14, 16, 17 and 18 shall continue in force in respect of each Respondent which has failed to make payment, until such payments are made in full without any limitation as to time period.

**DATED** at Toronto this                      day of                      , 2011.

---