

2006 BCSECCOM 710

Settlement Agreement

Exotics.com Inc., Firoz Jinnah and Ingo W. Mueller

Section 161 of the *Securities Act*, RSBC 1996, c. 418

¶ 1 Exotics.com Inc., Firoz Jinnah and Ingo Mueller (collectively the Respondents) have settled the following issues with the Executive Director.

Agreed Statement of Facts

¶ 2 As the basis for the undertakings and orders referred to in this Settlement Agreement, the Respondents acknowledge the following facts as correct:

1. Exotics.com Inc. (Exotics) is incorporated in Nevada. It maintained a head office in Vancouver, British Columbia and its shares traded on the Over the Counter Bulletin Board trading system in the United States of America (the OTCBB).
2. Firoz Jinnah (Jinnah) is a resident of British Columbia and was the President and sole director of Exotics. He was also the General Manager of St. George Capital Corp. (St. George), a management services and venture capital company with a head office in Vancouver. St. George provided management and other services to Exotics. As General Manager of St. George, Jinnah reported to Mueller.
3. Ingo Mueller (Mueller) is a resident of British Columbia and was the guiding mind of Exotics, a director of an Exotics subsidiary and the President and sole shareholder of St. George.

False Press Release and E-mail Alerts

4. While it was listed on the OTCBB, Exotics made and published press releases and related disclosure that contained materially false or misleading statements or omissions of material fact concerning Exotics, as follows:
 - (a) On March 19, 2001, Exotics issued a press release in which it stated that its 2001 revenue was over US\$2,500,000 (the Press Release).
 - (b) On December 7, 2001, Exotics issued fax and e-mail alerts (the Alerts) to several hundred thousand recipients in the United States and Canada that repeated the substance of the Press Release, stating that Exotics' "network of website revenue" had grown to US\$2.59 million in 2001.

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- (c) Both the Press Release and the Alerts omitted the material fact that most of the 2001 revenue actually belonged to licensees and that Exotics' own revenue was significantly less, namely, US\$470,000.
5. Following the issuance of the Alerts, Exotics' share price increased from a close of \$0.39 on December 6, 2001 to a close of \$0.556 on December 7, 2001 and almost doubled to \$0.79 during the following weeks. On December 7, 2001 the trading volume of Exotics' shares increased 860% from its December 6, 2001 volume.
 6. Jinnah, under Mueller's direction, authorized the Press Release. Mueller directed, and Jinnah participated in, the issuance of the Alerts.

Misrepresentations in Public Filings

7. On November 26, 2001, Exotics, as required under the federal securities laws of the United States, filed a Form 10Q Quarterly Report (the 10Q) with the United States Securities and Exchange Commission (the SEC).
8. The 10Q included financial statements that inappropriately reported goodwill, resulting in an overstatement of Exotics' assets by approximately 627%. Investors reading the 10Q were materially misled concerning Exotics assets.
9. The Respondents were subsequently made aware of the misleading statements in the 10Q, but failed to take steps to correct the misrepresentations in the SEC filings in a timely manner.

Misconduct

10. In causing the Press Release and Alerts to be publicly disseminated, the Respondents, while engaged in investor relations activities, made statements which they ought reasonably to have known were misrepresentations, contrary to section 50 (1)(d) of the Act.
11. In authorizing, permitting or acquiescing in the filing of the 10Q when it contained a misrepresentation, and in failing to take steps to correct the filing, the Respondents acted contrary to the public interest.

Other Factors

12. Exotics, Jinnah and Mueller represent that legal counsel for Exotics vetted, reviewed and approved the Press Release and the Alerts and that the company's auditor prepared the financial statements prior to their being disseminated to the public.

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¶ 3 **Undertakings**

1. Jinnah undertakes to pay to the British Columbia Securities Commission the sum of \$25,000, of which \$5,000 represents costs of the investigation, which sum is due and payable immediately, without further demand, upon signing of this Settlement Agreement.
2. Mueller undertakes to pay to the British Columbia Securities Commission the sum of \$40,000, of which \$5,000 represents costs of the investigation, which sum is due and payable immediately, without further demand, upon signing of this Settlement Agreement.

Order

- ¶ 4 Each of the Respondents consents to an order by the Executive Director (the Order) that:

Exotics, Jinnah and Mueller

1. under section 161(1)(a) of the Act, Exotics, Jinnah and Mueller each comply fully with the Act, the Securities Rules, and any applicable regulations;

Jinnah

2. under section 161(1)(d)(i) and (ii) of the Act, Jinnah resign any position he may hold, and be prohibited from becoming, or acting as, a director or officer of any issuer except a private issuer in which he and/or his immediate family are the sole shareholders for the later of 18 months and the date by which he has paid \$25,000 to the Commission;
3. under section 161(1)(d)(iii) of the Act, Jinnah be prohibited from engaging in investor relations activities for the later of 18 months and the date by which he has paid \$25,000 to the Commission;

Mueller

4. under section 161(1)(d)(i) and (ii) of the Act, Mueller resign any position he may hold, and be prohibited from becoming, or acting as, a director or officer of any issuer except a private issuer in which he and/or his immediate family are the sole shareholders for the later of 36 months and the date by which he has paid \$40,000 to the Commission; and
5. under section 161(1)(d)(iii) of the Act, Mueller be prohibited from engaging in investor relations activities for the later of 36 months and the date by which he has paid \$40,000 to the Commission.

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Consent to Reciprocal Orders

- ¶ 5 The Respondents each agree that any securities regulator anywhere in Canada may rely on the facts admitted in this settlement solely for the purpose of making an Order similar to the one contemplated immediately above.

Waiver

- ¶ 6 The Respondents each waive any right they may each have, under the Act or otherwise, to a hearing, hearing and review, judicial review or appeal related to, in connection with, or incidental to this settlement.

- ¶ 7 November 30, 2006

- ¶ 8 Exotics.com Inc.

Firoz H. Jinnah
Authorized Signatory
Firoz H. Jinnah
Please print name

H. R. Anderson)
Witness Signature)
H. Roderick Anderson)
Witness Name (please print))
3200 – 650 West Georgia Street)
Address)
Vancouver, BC V6B 4P7)
Barrister & Solicitor)
Occupation

- ¶ 9 November 30, 2006

- ¶ 10 Firoz Jinnah

Firoz Jinnah

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¶ 11 November 30, 2006

¶ 12 Ingo W. Mueller

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¶ 13 December 1, 2006

Brenda M. Leong

¶ 14 Brenda M. Leong
Executive Director