

2007 BCSECCOM 64

Settlement Agreement

Lionel Mervin Negus, Christopher John Thompson, and Parklane International Corporation

Securities Act, RSBC 1996, c. 418

- ¶ 1 Lionel Mervin Negus (Negus), Christopher John Thompson (Thompson), and Parklane International Corporation (Parklane) (collectively the Respondents) have settled the following issues with the Executive Director.

Agreed Statement of Facts

- ¶ 2 For Canadian securities regulatory purposes only, and as the basis for the undertakings and orders referred to in this settlement, the Respondents acknowledge the following facts as correct:

Background

1. Negus and Thompson are father and son and residents of West Vancouver, British Columbia. Negus is 74 years old and Thompson is 43 years old.
2. From approximately 2000 to 2004, Parklane was engaged by Syndicated Gold Depository S.A. (SGD) to sell SGD Securities, for which SGD paid fees.
3. Negus and Thompson promoted the distribution of SGD Securities from their residences in West Vancouver through Parklane an offshore company.
4. None of the Respondents has ever been registered under the Securities Act, RSBC 1996, c. 418.
5. SGD purports to be incorporated and located in the Bahamas. SGD has never filed a preliminary prospectus, prospectus or offering memorandum with the British Columbia Securities Commission, and has never been registered under the Act.

Distribution

6. SGD represented to Negus and Thompson that the SGD Securities were “secured loan agreements” that would pay interest at rates that varied from 1.5% per month (19.54% annually) to 2.5% per month (34.49% annually).
7. From approximately September 2000 to March 2004, Negus, Thompson and Parklane distributed SGD Securities to 64 investors (Investors) who in 112 trades invested approximately USD \$11.5 million. Thompson took a more active role in distributing SGD Securities than Negus.

2007 BCSECCOM 64

8. All but three of the Investors were resident outside Canada. Most were resident in the United States. SGD required Investors who resided in the United States or Canada to incorporate an offshore company to purchase the SGD Securities.
9. Negus and Thompson, through Parklane, distributed monthly statements to investors from SGD that showed the status of each investor's account at SGD.
10. SGD paid approximately USD\$1.8 million to Parklane in relation to the distribution of SGD securities.
11. In respect of certain of the trades to 31 Investors worth USD \$1.66 million, Negus, Thompson and Parklane distributed SGD Securities contrary to sections 34(1) and 61(1) of the Act.

Representations

12. In their promotional material and in personal communications with Investors and potential investors, Negus, Thompson and Parklane stated that:
 - (a) Parklane is a 40 year-old firm with expertise in providing investment advice and a broad range of investment services;
 - (b) Parklane has a proven performance record and its people have consistently demonstrated unsurpassed knowledge and experience; and
 - (c) Parklane had conducted extensive due diligence on the SGD investment opportunity.
13. The above representations were false or misleading, or omitted information to make them not false or misleading because:
 - (a) Parklane was only incorporated in 2000. Thompson and Parklane did not have any background or expertise in providing financial advice or any other investment services. Negus was an experienced businessman but was not qualified to provide investment advice or investment services.
 - (b) Parklane did not have a proven performance record or experience. Negus had experience managing his own investments. SGD Securities were the only security offered by Parklane, and Negus and Thompson did not disclose to each investor all of the fees received from SGD in respect of SGD Securities.

2007 BCSECCOM 64

- (c) Negus, Thompson and Parklane conducted limited due diligence. Negus, Thompson and Parklane omitted to tell each investor the extent of which they were relying on representations from SGD and Merendon de Honduras, S.A. de C.V. (Merendon), a Honduran company, for their due diligence or that SGD or Merendon refused to provide them with some of the information they requested to support those representations.

14. In making these representations and omissions, Negus, Thompson and Parklane acted contrary to section 50(1)(d) of the Act.

Other Factors

15. Negus and Thompson represent that on February 6, 2002, they consulted British Columbia legal counsel about the application of securities laws to raising funds in the United States and Canada.

16. In the Fall of 2004, Negus, Thompson and Parklane were concerned about SGD and advised some Investors to redeem SGD Securities.

¶ 3 Public Interest

- 1. Negus, Thompson and Parklane acted contrary to the public interest by engaging in the conduct set out above.

¶ 4 Undertakings

- 1. Negus shall pay \$75,000 to the Commission, which is due and payable immediately without further demand.
- 2. Thompson shall pay \$100,000 to the Commission, which is due and payable immediately without further demand.

Orders

¶ 5 *Negus*

- 1. Negus consents to an order by the Executive Director that:
 - (a) under section 161(1)(a) of the Act, Negus comply fully with the Act, the Securities Rules, and any applicable regulations;
 - (b) under section 161(1)(b) of the Act, Negus cease trading in and be prohibited from purchasing any securities for a period of 15 years from the date of the Order, except that he may trade and purchase securities through:
 - (i) one account in his own name, and

2007 BCSECCOM 64

- (ii) an account in the name of a single, private issuer of which Negus is permitted to be a director or officer by the Order,

with a dealer registered to trade in securities under the Act so long as he provides the dealer with a copy of the Order before any trade takes place;

- (c) under section 161(1)(d)(i) and (ii) of the Act, Negus resign any position he may hold, and be prohibited from becoming or acting, as a director or officer of any issuer for a period of 15 years from the date of the Order, except he may be an officer and director of a single private issuer, provided that Negus and/or his immediate family are the sole shareholders; and
- (d) under section 161(1)(d)(iii) of the Act, Negus be prohibited from engaging in investor relations activities for a period of 15 years from the date of the Order.

¶ 6 *Thompson*

2. Thompson consents to an order by the Executive Director that:

- (a) under section 161(1)(a) of the Act, Thompson comply fully with the Act, the Securities Rules, and any applicable regulations;
- (b) under section 161(1)(b) of the Act, Thompson cease trading in and be prohibited from purchasing any securities for a period of 20 years from the date of the Order, except that he may trade and purchase securities through:
 - (i) one account in his own name, and
 - (ii) an account in the name of a single, private issuer of which Thompson is permitted to be a director or officer by the Order,

with a dealer registered to trade in securities under the Act so long as he provides the dealer with a copy of the Order before any trade takes place;

- (c) under section 161(1)(d)(i) and (ii) of the Act, Thompson resign any position he may hold, and be prohibited from becoming or acting, as a director or officer of any issuer for a period of 20 years from the date of the Order, except he may be an officer and director of a single private issuer, provided that Thompson and/or his immediate family are the sole shareholders; and

2007 BCSECCOM 64

- (d) under section 161(1)(d)(iii) of the Act, Thompson be prohibited from engaging in investor relations activities for a period of 20 years from the date of the Order.

¶ 7 *Parklane*

3. Parklane consent to an order by the Executive Director that:

- (a) under section 161(1)(a) of the Act, Parklane comply fully with the Act, the Securities Rules, and any applicable regulations;
- (b) under section 161(1)(b) of the Act, Parklane permanently cease trading in and be prohibited from purchasing any securities; and
- (c) under section 161(1)(d)(iii) of the Act, Parklane be permanently prohibited from engaging in investor relations activities.

Consent to Reciprocal Orders

- ¶ 8 The Respondents each consent to any securities regulator in Canada relying on the facts admitted in this settlement to make orders against them.

Waiver

- ¶ 9 The Respondents each waive any right they may 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.

Counterpart

- ¶ 10 This Settlement Agreement may be executed in counterpart or by facsimile execution and all such counterparts of executed copies or faxed copies shall be read or construed together as if they formed one originally executed document.

2007 BCSECCOM 64

¶ 11 January 14, 2007

“Lionel Negus”

¶ 12 Lionel Mervin Negus

“Robert J. Fialko”)
Witness Signature)
Robert J. Fialko)
Witness Name (please print))
210 Kensington Rd)
River Edge, New Jersey USA)
Address)
Retired)
Occupation)

¶ 13 January 19, 2007

“C. Thompson”

¶ 14 Christopher John Thompson

“K. Nickelson”)
Witness Signature)
Krista Nickelson)
Witness Name (please print))
1880-1066 W. Hastings)
Vancouver, BC V6E 3X1)
Address)
Legal Admin. Assistant)
Occupation)

2007 BCSECCOM 64

¶ 15 January 14, 2007

¶ 16 PARKLANE INTERNATIONAL CORPORATION

“Lionel Negus”
Authorized Signatory
Lionel M. Negus, General Manager
(print name and title)

“Robert J. Fialko”)
Witness Signature)
Robert J. Fialko)
Witness Name (please print))
210 Kensington Rd)
River Edge, New Jersey USA)
Address)
Retired)
Occupation

¶ 17 January 25, 2007

¶ 18 “B. Leong”
Brenda M. Leong
Executive Director