

2011 BCSECCOM 544

Settlement Agreement

Jerome John Rak

Securities Act, RSBC 1996, c. 418

¶ 1 The Executive Director of the British Columbia Securities Commission (the Executive Director) and Jerome John Rak (Rak) agree as follows:

Agreed Statement of Facts

1. Velo Energy Inc. (Velo) is an Alberta company and a reporting issuer whose shares traded on the TSX Venture Exchange. At all relevant times Velo maintained a business address in Vancouver, British Columbia. On July 22, 2010, Velo changed its name to Canadian Overseas Petroleum.
2. Belmont Capital Corporation (Belmont) is a private British Columbia holding company.
3. Rak is a resident of West Vancouver, British Columbia and the sole director, officer and shareholder of Belmont. Rak utilizes Belmont for tax purposes to make investments in securities of reporting issuers. Rak has sole trading authority over Belmont's trading accounts.
4. Arthur Millholland (Millholland) is a resident of Calgary, Alberta and formerly the president and chief executive officer (CEO) of the now defunct Oilexco Inc., which was an oil exploration and development company with assets in the North Sea.
5. On August 4, 2009, Millholland came from Calgary and attended a meeting in West Vancouver with Frank Guistra, Ron Brimacombe and Rak. After that meeting, there was a verbal agreement that Millholland would become Velo's president and CEO if the results of Millholland's due diligence were satisfactory.
6. William Smith QC, a solicitor from Calgary, Alberta and an associate of Millholland's, was to conduct the due diligence.
7. On August 5, 2009, Millholland began drafting the news release that would announce he had become the new president and CEO of Velo (the News Release). On August 6, 2009, Millholland sent the draft News Release to Rak.

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8. The due diligence was not completed by Smith until approximately 4:00 pm (EST) on August 7, 2009 at which time Smith gave final approval to issue the release.
9. After the close of the market on Friday, August 7, 2009, Velo issued the News Release. Velo's share price closed that day at \$0.20 per share. On August 10, 2009, Velo's share price rose to a high of \$0.495.
10. On August 5, 6 and 7, 2009, Rak through Belmont, bought 172,000 shares of Velo at a cost of approximately \$32,188:

Date	Volume	Eastern Time	Price
05/08/2009	75,000	2:16:51 pm	\$0.17
06/08/2009	7,000	3:53:20 pm	\$0.17
07/08/2009	30,000	3:07:31 pm	\$0.19
07/08/2009	9,500	3:07:31 pm	\$0.195
07/08/2009	10,500	3:07:31 pm	\$0.195
07/08/2009	17,500	3:16:06 pm	\$0.195
07/08/2009	22,500	3:21:25 pm	\$0.195
	172, 000		

11. Prior to August 5, 2009 Rak was a significant buyer of Velo shares. Between April 1, 2009 and August 1, 2009, Rak bought 2,766,000 shares of Velo through Belmont. Rak's Velo shares were converted to 704,625 shares of Canadian Overseas Petroleum (XOP) in August, 2010. Rak sold only 243,000 of the XOP shares in November 2010 and continues to hold 461,625 shares. With respect to the 172,000 shares referred to in paragraph 10 above, he did not sell any of them until December 1, 2009 at which time he sold 22,000 shares. Rak sold the remainder of the 150,000 Velo shares (converted into 37,500 shares of XOP) in November 30, 2010.
12. Rak agrees that between August 5 and August 7, 2009, he was in a special relationship with Velo, and knew that there was a reasonable likelihood that Millholland would become it's new president and CEO before it was generally disclosed, and purchased securities of Velo through Belmont's trading account, contrary to section 57.2 of the Act.
13. Notwithstanding that Rak did not sell the shares on August 10, 2009, Rak agrees that if he had sold them on that date he could have realized a profit of up to \$52,951.

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Order

¶ 2 The Executive Director will order (the Order) that:

1. under section 161(1)(b) of the Act, Rak is prohibited from purchasing or trading securities or exchange contracts of any reporting issuer with whom he is in a special relationship for ten years; and
2. under section 161(1)(d)(ii) of the Act, Rak is prohibited from acting as a director or officer of any reporting issuer for five years.

Undertaking

3. Rak undertakes to pay \$79,429 to the British Columbia Securities Commission in respect of settlement of this matter which sum is due and payable immediately without further demand.
 - (a) \$52,951 in respect of Rak's notional enrichment by insider trading; and
 - (b) \$26,478 in respect of general deterrence for insider trading.

Consent to Reciprocal Orders

¶ 3 Any securities regulator in Canada may rely on the facts admitted in this agreement solely for the purpose of making an order similar to the one contemplated above.

Waiver

¶ 4 Rak waives any right he 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.

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Counterpart

¶ 5 This Settlement Agreement may be executed in counterpart.

¶ 6 December 8, 2011

¶ 7 Jerome J. Rak
Jerome J. Rak

Eitenne Moshevich)
Witness Signature)

Eitenne Moshevich)
Witness Name (please print))

3611 Raymond Ave)
)

Richmond, BC V7E 1A9)
Address)

Investor Relations)
Occupation)

¶ 8 December 8, 2011

Paul C. Bourque

¶ 9 Paul C. Bourque, Q.C.
Executive Director