

2012 BCSECCOM 452

Settlement Agreement

**Zulak Financial Group Ltd.
Melvin Zulak
Karla Ann Davis**

Securities Act, RSBC 1996, c. 418

- ¶ 1 The Executive Director of the British Columbia Securities Commission (the Executive Director) and Zulak Financial Group Ltd. (Zulak Financial), Melvin Zulak (Zulak), and Karla Ann Davis (Davis) agree as follows (collectively, the Respondents):

Agreed Statement of Facts

Background

1. Zulak Financial is a British Columbia corporation with its sole office in Nanaimo, B.C. Zulak Financial is primarily in the business of selling life insurance. Zulak Financial's directors were Zulak and Davis.
2. Zulak and Davis each registered under the Act as an exempt market dealing representatives on March 23, 2012, and February 4, 2011 respectively, and both remain registered as of the date of this settlement.
3. Zulak and Davis are both residents of Nanaimo, B.C.
4. From February 2010 through April 2011 (the Relevant Period), the Respondents acting as agents of Aviawest Resorts Inc. (Aviawest), a British Columbia company that sold timeshare interests in vacation properties, offered for sale Aviawest's promissory notes (Promissory Notes).
5. During and after the Relevant Period, Zulak and Davis made efforts to understand the legal requirements for selling exempt market products by attending seminars and taking courses.
6. Zulak and Davis have no prior history of regulatory or disciplinary proceedings under the Act.

Misconduct - Illegal Distribution

7. During the Relevant Period, 14 of Zulak Financial's insurance clients purchased Promissory Notes totaling \$770,044.

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8. Five of Zulak Financial's clients were not aware of the Promissory Notes until contacted by Zulak Financial. The remaining clients of Zulak Financial were either referred from Aviawest or were already aware of the Promissory Notes.
9. The Respondents met with their clients, provided them the Promissory Notes, assisted them with the process of signing the Promissory Notes and then provided the Promissory Notes and the clients' money directly to Aviawest.
10. Zulak Financial received a commission of 1% for all but one such investment, amounting to approximately \$7,700 in commissions to Zulak Financial.
11. The Respondents distributed the Aviawest securities without Aviawest having filed a prospectus with the Executive Director, and without an exemption from the prospectus requirements, breaching section 61 of the Act.
12. The Respondents, as agents of Aviawest, authorized, permitted, or acquiesced in Aviawest's contravention of the Act and by operation of section 168.2 of the Act, also breached section 61.

Mitigating Factors

13. Zulak and Davis fully cooperated with the Commission Staff's investigation into their conduct regarding this matter.

Undertaking

14. In settlement of this matter, Zulak undertakes to pay \$6,000 to the Commission.
15. In settlement of this matter, Davis undertakes to pay \$6,000 to the Commission.

Waiver

- ¶ 2 Individually and on behalf of Zulak Financial, Zulak and Davis 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

- ¶ 3 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.

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¶ 4 December 3, 2012

¶ 5 “Melvin Zulak”
Melvin Zulak

“Richard J. Tuer”)
Witness Signature)
)
Richard J. Tuer)
Witness Name (please print))
419 Sealion Place)
)
Nanaimo, BC)
Address)
)
Business Administration)
Occupation)

¶ 6 “Karla Ann Davis”
Karla Ann Davis

“Richard J. Tuer”)
Witness Signature)
)
Richard J. Tuer)
Witness Name (please print))
419 Sealion Place)
)
Nanaimo, BC)
Address)
)
Business Administration)
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¶ 7 “Melvin Zulak” “Karla Ann Davis”
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Business Administration)
Occupation)

¶ 8 December 4, 2012

“Paul C. Bourque”

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