



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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Toronto ON M5H 3S8

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

- and -

**IN THE MATTER OF
QUARTZ CAPITAL GROUP LTD. and PETER LLOYD WALLACE**

- and -

**IN THE MATTER OF A
SETTLEMENT AGREEMENT BETWEEN STAFF
OF THE ONTARIO SECURITIES COMMISSION and QUARTZ CAPITAL GROUP LTD.
and PETER LLOYD WALLACE**

**SETTLEMENT AGREEMENT BETWEEN STAFF OF THE COMMISSION and
QUARTZ CAPITAL GROUP LTD. and PETER LLOYD WALLACE**

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 “Act”), it is in the public interest for the Commission to make certain orders in respect of Quartz Capital Group Ltd. (“Quartz”) and Peter Lloyd Wallace (“Wallace”) (the “Respondents”).

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission (“Staff”) agree to recommend settlement of the proceeding commenced by the Notice of Hearing dated August 17, 2016 (the “Proceeding”) against the

Respondents according to the terms and conditions set out in Part VI of this Settlement Agreement (the “Settlement Agreement”). The Respondents agree to the making of an order in the form attached as Schedule “A” (the “Order”), based on the facts set out below.

3. For the purposes of this Proceeding, and any other regulatory proceeding commenced by a securities regulatory authority, the Respondents agree with the facts as set out in Parts III, IV and V of this Settlement Agreement.

PART III – AGREED FACTS

A. OVERVIEW

4. Quartz has been registered as an exempt market dealer (“EMD”) under the Act since September 28, 2011. On May 1, 2015, Quartz consented to terms and conditions being placed on its registration which prevented Quartz from trading in securities and from opening any new client accounts or accepting any assets from clients.

5. Blythco Inc. (“Blythco”) is a corporation incorporated pursuant to the laws of Ontario. Blythco is not registered under the Act. Since at least 2007, Wallace has been the sole officer, director, and shareholder of Blythco.

6. Since at least October 2012, Wallace has been a director and the chief executive officer of Quartz. Wallace has been registered as the ultimate designated person (the “UDP”) of Quartz since October 30, 2012.

7. On January 31, 2012, Quartz gave notice under section 11.10 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (“NI 31-103”) that Blythco intended to acquire all of the issued and outstanding shares of Quartz owned at that time by Kaplanco Inc. (the “Blythco Proposed Acquisition”). At that time, Eric Kaplan (“Kaplan”) was the sole shareholder of Kaplanco Inc. and was the UDP, chief compliance officer (“CCO”) and sole dealing representative (“DR”) of Quartz.

8. Shortly after the receipt of the notice regarding the Blythco Proposed Acquisition, Staff of the Commission's Compliance and Registrant Regulation Branch ("CRR") had identified conduct by Quartz, Kaplan and William Russell ("Russell") on behalf of Quartz which CRR Staff considered to be in breach of Ontario securities law.

9. On October 12, 2012, a Deputy Director of CRR, acting in his capacity as a Director for the purposes of Ontario securities law, issued a decision, (the "Director's Decision") not to object to the Blythco Proposed Acquisition, based on the agreed facts, agreed terms, representations and submissions contained in a settlement agreement between CRR Staff and Quartz, Kaplan and Russell (the "Settling Parties") dated October 12, 2012 (the "2012 Settlement Agreement").

10. As set out in greater detail below, during the period December 2012 to April 2013, when Wallace was the UDP of Quartz, Quartz breached the terms of the 2012 Settlement Agreement and allowed Russell and Michael Svetkoff ("Svetkoff") act on behalf of Quartz before they were registered under the Act with Quartz.

B. BACKGROUND

The 2012 Settlement Agreement and the Director's Decision

11. In the 2012 Settlement Agreement,

- (i) among other admissions, Kaplan admitted that:
 - (a) he permitted Svetkoff and Russell to trade in securities on behalf of Quartz without registration, and allowed Trend Auto Lease LP securities to be distributed by Quartz to investors without properly collecting their know-your-client information in order to determine trade suitability and, in doing so, Kaplan failed to discharge his duties as the UDP and CCO of Quartz, contrary to Part 5 of NI 31-103;

- (b) by representing to Staff that he was the only person doing registrable activity on behalf of Quartz, Kaplan made an untrue statement about a material fact; and
- (ii) among other admissions, Russell admitted that by trading in securities of two issuers while he was not registered under the Act in any capacity, he was engaged in the business of trading securities without registration, contrary to paragraph 25(1)(b) of the Act.

12. Pursuant to the 2012 Settlement Agreement, Staff agreed not to recommend an objection to the Blythco Proposed Acquisition and the Settling Parties agreed, among other things, that:

- (i) Quartz would amend the terms of the Blythco Proposed Acquisition, including the following amendments:
 - (a) Wallace would apply to be the UDP of Quartz;
 - (b) Craig Loverock (“Loverock”) would apply to be the CCO of Quartz;
 - (c) none of Svetkoff, Russell or Kaplan would, directly or indirectly, be employed by, or act on behalf of, Quartz following the closing of the amended Blythco Proposed Acquisition until such time as they may be registered under the Act with Quartz; and
- (ii) Russell would not apply for registration as a DR in the category of EMD for a period of twelve months from March 6, 2012, after which Staff would not recommend to the Director that his application be refused, unless Staff became aware after the date of the 2012 Settlement Agreement of conduct impugning Russell’s suitability for registration, and provided he met all other applicable criteria for registration at the time he applied for registration.

13. On October 12, 2012, the Director's Decision was issued pursuant to which the Director did not object to the Blythco Proposed Acquisition on the basis of the agreed facts and the agreed terms, representations and submissions contained in the 2012 Settlement Agreement.

Events Following the 2012 Settlement Agreement and the Director's Decision

14. The amended Blythco Proposed Acquisition closed on or about October 30, 2012.

15. On April 10, 2013, Russell became registered as a DR in the category of EMD with Quartz, which registration was suspended on December 9, 2014 when Russell resigned from Quartz.

16. On June 25, 2013, Svetkoff became registered as a DR in the category of EMD with Quartz, which registration was suspended on September 8, 2014 when Svetkoff resigned from Quartz.

17. On October 8, 2013, Roadmap Capital Inc. ("Roadmap"), a registered investment fund manager, portfolio manager and EMD, gave notice under section 11.10 of NI 31-103 that Roadmap intended to acquire the voting shares of Quartz from Blythco (the "Roadmap Proposed Acquisition"). The Roadmap Proposed Acquisition involved a two-step process. In the first step, Svetkoff and Russell would acquire the shares of Quartz from Blythco and in the second step, Svetkoff and Russell would exchange their Quartz shares for Roadmap shares.

18. As a result of inquiries made in connection with CRR Staff's review of the Roadmap Proposed Acquisition and an ensuing investigation by Staff of the Enforcement Branch, Staff became aware that:

- (i) during the period December 2012 to approximately April 9, 2013, Quartz allowed both Russell and Svetkoff to act on behalf of Quartz, despite the fact that neither individual was registered under the Act, in breach of the 2012 Settlement Agreement; and

- (ii) Russell engaged in registrable activity on behalf of Quartz subsequent to the date of the 2012 Settlement Agreement and prior to the date Russell became registered under the Act on April 10, 2013.

19. The particulars of the conduct which breached the terms of the 2012 Settlement Agreement were as follows:

- (i) Stantive Technologies Group Inc. (“Stantive”)
 - (a) In December 2012, Svetkoff, Russell and a Quartz DR met with the chief executive officer (“CEO”) of Stantive.
 - (b) In January 2013, Svetkoff and Russell met with Stantive’s CEO twice to learn more about Stantive and to discuss a deal for Quartz to raise \$5 million for Stantive.
 - (c) On January 25, 2013, Quartz and Stantive signed a term sheet for Quartz to raise \$5 million for Stantive.
 - (d) Svetkoff was the lead person in determining the terms and structure of the transaction.
 - (e) As of approximately April 5, 2013, Quartz had raised \$1.5 million for Stantive.
 - (f) On or about April 5, 2013, Svetkoff became the chief financial officer of Stantive. Svetkoff did not have any position at Stantive before April 5, 2013.
- (ii) Terrapro Group Inc. (“Terrapro”)
 - (a) In January and February 2013, Svetkoff and Russell met with representatives of Terrapro to discuss a deal for Quartz to raise \$5 million for Terrapro.

- (b) In February 2013, Loverock, the then CCO and a director of Quartz, forwarded at least three sets of emails to Svetkoff, regarding Terrapro, including one with the subject line “Re: Quartz - Terrapro Term Sheet”.
 - (c) Russell reviewed and commented on a term sheet between Terrapro and Quartz in an email to Svetkoff dated February 7, 2013.
 - (d) Svetkoff reviewed due diligence information and provided comments by email to Terrapro representatives and to a Quartz DR. Svetkoff also reviewed and provided edits to a Powerpoint presentation for investors prepared by the Quartz DR.
 - (e) On March 5, 2013, Svetkoff sent an email to Terrapro representatives indicating that Quartz was not interested in the deal.
- (iii) Russell’s Interactions with Investors re: Securities Offered for Sale by Quartz
- (a) From in or about February 2013 to April 9, 2013, Russell had discussions with three investors about two issuers whose securities were being offered for sale by Quartz: a secured loan issued by Trend Dealer Services Inc. (“Trend”) and a secured loan issued by GTP Loan Corp. (“GTP”).
 - (b) Following these discussions, a total of \$1.05 million was invested by these three investors.

20. Wallace has advised Staff that he was not aware of Svetkoff or Russell’s interactions with Terrapro representatives when they were occurring in January and February 2013. In the end, Quartz did not complete the deal with Terrapro.

21. Quartz permitted and/or acquiesced in the conduct referred to in paragraph 19 above by Svetkoff and Russell which conduct was in breach of the 2012 Settlement Agreement.

22. Wallace was the UDP of Quartz during the material time. By at least February 2013, Wallace was aware that Svetkoff was acting on Quartz's behalf in the negotiations with Stantive. As Quartz's UDP, Wallace failed to supervise the activities of Quartz relating to Quartz's offering for sale of the securities of Stantive to ensure that these activities complied with the 2012 Settlement Agreement and securities legislation.

PART IV – CONDUCT CONTRARY TO ONTARIO SECURITIES LAW AND THE PUBLIC INTEREST

23. By engaging in the conduct referred to above, Quartz admits and acknowledges that it breached the terms of the 2012 Settlement Agreement which was contrary to subsection 122(1)(c) of the Act and contrary to the public interest.

24. As a result of the conduct referred to above, Wallace admits and acknowledges that he failed to carry out the responsibilities of a UDP in breach of section 5.1 of NI 31-103 and that he acted contrary to the public interest.

PART V – RESPONDENTS' POSITION

25. The Respondent Wallace states that:

- (a) Wallace has participated in the capital markets for more than 35 years;
- (b) Wallace has held senior management position with registrants for more than 25 years;
- (c) Prior to this matter, Wallace had no record of securities regulatory proceedings against him;
- (d) Wallace's impugned conduct relates to a lack of oversight rather than direct involvement in the marketing of securities;

- (e) Since Wallace became aware of Staff's investigation, Wallace voluntarily ceased Quartz's investment operating activities; and
- (f) This Settlement Agreement has been reached, with an order of costs, prior to Staff spending money conducting a contested hearing.

26. The Respondent Quartz states that Quartz ceased to employ Russell in September 2014, Svetkoff in December 2014 and Loverock in December 2014.

PART VI – TERMS OF SETTLEMENT

27. The Respondents agree to the terms of settlement listed below and to the Order attached hereto, made pursuant to subsection 127(1) and section 127.1 of the Act that:

- (a) the Settlement Agreement be approved;
- (b) the registration of Quartz be suspended permanently pursuant to paragraph 1 of subsection 127(1) of the Act;
- (c) the registration granted to Wallace under Ontario securities law be suspended for a period of two years commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to paragraph 1 of subsection 127(1) of the Act;
- (d) Wallace and Quartz be reprimanded, pursuant to paragraph 6 of subsection 127(1) of the Act;
- (e) Wallace resign one or more positions that he holds as a director or officer of a registrant, pursuant to paragraph 8.1 of subsection 127(1) of the Act;
- (f) Wallace resign one or more positions that he holds as a director or officer of an issuer pursuant to paragraph 7 of subsection 127(1) of the Act, with the

exception that Wallace shall be permitted to continue to act as a director and officer of NB3 Inc. (“NB3”), Blythco and ST GP Inc. (“ST GP”) provided that NB3, Blythco and ST GP shall not raise capital through the issuance of securities during the two year period following the date of the Commission’s order approving this Settlement Agreement;

- (g) Wallace is prohibited from becoming or acting as a director or officer of any registrant for a period of two years commencing on the date of the Commission’s order approving this Settlement Agreement, pursuant to paragraph 8.2 of subsection 127(1) of the Act;
- (h) Wallace is prohibited from becoming or acting as a director or officer of an investment fund manager for a period of two years commencing on the date of the Commission’s order approving this Settlement Agreement, pursuant to paragraph 8.4 of subsection 127(1) of the Act;
- (i) Wallace is prohibited from becoming or acting as a director or officer of an issuer for a period of two years commencing on the date of the Commission’s order approving this Settlement Agreement, pursuant to paragraph 8 of subsection 127(1) of the Act, with the exception that Wallace shall be permitted to continue to act as a director and officer of NB3, Blythco and ST GP provided that NB3, Blythco and ST GP shall not raise capital through the issuance of securities during the two year period following the date of the Commission’s order approving this Settlement Agreement;
- (j) Wallace is prohibited from becoming or acting as a registrant, as an investment fund manager or as a promoter for a period of two years commencing on the date of the Commission’s order approving this Settlement Agreement, pursuant to paragraph 8.5 of subsection 127(1) of the Act;

- (k) Quartz shall pay costs in the amount of \$25,000 pursuant to section 127.1 of the Act; and
- (l) Until the entire amount of the payment set out in subparagraph 27(k) is paid in full, the provisions of subparagraphs 27(f) and (i) shall continue in force without the benefit of the stated exceptions.

28. The Respondents undertake to consent to a regulatory Order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the prohibitions set out in paragraph 27(b) to (j) above. These prohibitions may be modified to reflect the provisions of the relevant provincial or territorial securities law.

29. Wallace agrees to attend in person at the hearing before the Commission to consider the Settlement Agreement.

30. Wallace agrees, directly or through Quartz, to make the payment specified in paragraph 27(k) by certified cheque prior to the issuance of any Commission order approving the Settlement Agreement.

31. Wallace acknowledges that failure to pay in full any monetary sanctions and/or costs ordered will result in Wallace's name being added to the list of "Respondents Delinquent in Payment of Commission Orders" published on the OSC website.

32. The Respondents acknowledge that this Settlement Agreement and proposed Order may form the basis for parallel orders in other jurisdictions in Canada. The securities laws of some other Canadian jurisdictions may allow orders made in this matter to take effect in those other jurisdictions automatically, without further notice to the Respondents. The Respondents should contact the securities regulator of any other jurisdiction in which the Respondents may intend to engage in any securities related activities, prior to undertaking such activities.

PART VII – STAFF COMMITMENT

33. If the Commission approves this Settlement Agreement, Staff will not commence any proceeding under Ontario securities law against the Respondents in relation to the facts set out in Part III of this Settlement Agreement, subject to the provisions of paragraph 34 below.

34. If the Commission approves this Settlement Agreement and any of the Respondents fails to comply with any of the terms of the Settlement Agreement, Staff may bring proceedings under Ontario securities law against that Respondent. 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 VIII – PROCEDURE FOR APPROVAL OF SETTLEMENT

35. The parties will seek approval of this Settlement Agreement at a public hearing before the Commission scheduled for August 19, 2016 at 2:30 p.m., or on another date agreed to by Staff and the Respondents, according to the procedures set out in this Settlement Agreement and the Commission's Rules of Procedure.

36. 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.

37. If the Commission approves this Settlement Agreement, the Respondents agree to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.

38. If the Commission approves this Settlement Agreement, neither party will make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the settlement hearing.

39. 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 Settlement 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 IX – DISCLOSURE OF SETTLEMENT AGREEMENT

40. 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 each 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.

41. The parties will keep the terms of the Settlement Agreement confidential until the Commission approves the Settlement Agreement. Any obligations of confidentiality shall terminate upon the commencement of the public settlement hearing. If, for whatever reason, the Commission does not approve the Settlement Agreement, the terms of the Settlement Agreement remain confidential indefinitely, unless Staff and the Respondents otherwise agree or if required by law.

PART X – EXECUTION OF SETTLEMENT AGREEMENT

42. This Settlement Agreement may be signed in one or more counterparts which, together, constitute a binding agreement.

43. A facsimile copy or other electronic copy of any signature will be as effective as an original signature.

Dated at Toronto this “17th” day of August, 2016

“Peter Wallace”
Quartz Capital Group Ltd.

“Adam Chisholm”
[Name]
Witness

“Peter Wallace”
Peter Lloyd Wallace

“Adam Chisholm”
[Name]
Witness

“James Sinclair”
James Sinclair
Acting Director, Enforcement Branch

Schedule “A”



Ontario Securities Commission	Commission des valeurs mobilières de l'Ontario	22 nd Floor 20 Queen Street West Toronto ON M5H 3S8	22e étage 20, rue queen ouest Toronto ON M5H 3S8
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**IN THE MATTER OF A
SETTLEMENT AGREEMENT BETWEEN STAFF
OF THE ONTARIO SECURITIES COMMISSION AND
QUARTZ CAPITAL GROUP LTD. and PETER LLOYD WALLACE**

**ORDER
(Subsections 127(1) and 127.1)**

WHEREAS:

1. On August 17, 2016, the Ontario Securities Commission (the “Commission”) issued a Notice of Hearing pursuant to subsections 127(1) and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “Act”) to consider whether it is in the public interest to make orders, as specified therein, against and in respect of Quartz Capital Group Ltd. (“Quartz”) and Peter Lloyd Wallace (“Wallace”) (the “Respondents”). The Notice of Hearing was issued in connection with the allegations as set out in the Statement of Allegations of Staff of the Commission (“Staff”) dated August 16, 2016 (the “Statement of Allegations”);

2. the Respondents entered into a Settlement Agreement with Staff dated August 17, 2016 (the “Settlement Agreement”) in which the Respondents agreed to a proposed settlement of the proceeding commenced by the Notice of Hearing dated August 17, 2016, subject to the approval of the Commission;
3. on August 17, 2016, the Commission issued a Notice of Hearing pursuant to section 127 of the Act to announce that it proposed to hold a hearing to consider whether it is in the public interest to approve a settlement agreement entered into between Staff and the Respondents;
4. Quartz has agreed to deliver a certified cheque payable to the Commission in the amount of \$25,000 in payment of the costs order at the public hearing to approve the draft settlement agreement;
5. the Respondents acknowledge that failure to pay in full any costs ordered will result in Wallace’s name being added to the list of “Respondents Delinquent in Payment of Commission Orders” published on the OSC website;
6. the Respondents acknowledge that this Order may form the basis for parallel orders in other jurisdictions in Canada. The securities laws of some other Canadian jurisdictions may allow orders made in this matter to take effect in those other jurisdictions automatically, without further notice to the Respondents. The Respondents should contact the securities regulator of any other jurisdiction in which the Respondents may intend to engage in any securities related activities, prior to undertaking such activities;
7. the Commission has reviewed the Settlement Agreement, the Notices of Hearing, and the Statement of Allegations of Staff, and heard submissions from counsel for the Respondents and from Staff;
8. the Commission is of the opinion that it is in the public interest to make this Order;

IT IS ORDERED THAT:

- a. this Settlement Agreement is approved;
- b. the registration of Quartz is suspended permanently, pursuant to paragraph 1 of subsection 127(1) of the Act;
- c. the registration granted to Wallace under Ontario securities law is suspended for a period of two years commencing on the date of this order approving this Settlement Agreement, pursuant to paragraph 1 of subsection 127(1) of the Act;
- d. Wallace and Quartz are reprimanded, pursuant to paragraph 6 of subsection 127(1) of the Act;
- e. Wallace shall resign one or more positions that he holds as a director or officer of a registrant, pursuant to paragraph 8.1 of subsection 127(1) of the Act;
- f. Wallace shall resign one or more positions that he holds as a director or officer of an issuer, pursuant to paragraph 7 of subsection 127(1) of the Act, with the exception that Wallace shall be permitted to continue to act as a director and officer of NB3 Inc. (“NB3”), Blythco and ST GP Inc. (“ST GP”) provided that NB3, Blythco and ST GP shall not raise capital through the issuance of securities during the two year period following the date of this Order;
- g. Wallace is prohibited from becoming or acting as a director or officer of a registrant for a period of two years commencing on the date of this Order, pursuant to paragraph 8.2 of subsection 127(1) of the Act;
- h. Wallace is prohibited from becoming or acting as a director or officer of an investment fund manager for a period of two years commencing on the date of this Order, pursuant to paragraph 8.4 of subsection 127(1) of the Act;
- i. Wallace is prohibited from becoming or acting as a director or officer of an issuer for a period of two years commencing on the date of this Order, pursuant to paragraph 8 of subsection 127(1) of

the Act, with the exception that Wallace be permitted to continue to act as a director and officer of NB3, Blythco and ST GP provided that NB3, Blythco and ST GP shall not raise capital through the issuance of securities during the two year period following the date of this Order;

j. Wallace is prohibited from becoming or acting as a registrant, as an investment fund manager or as a promoter for a period of two years commencing on the date of this Order, pursuant to paragraph 8.5 of subsection 127(1) of the Act;

k. Quartz shall pay costs in the amount of \$25,000, pursuant to section 127.1 of the Act; and

l. Until the entire amount of the payment set out in subparagraph (k) is paid in full, the provisions of subparagraphs (f) and (j) shall continue in force without the benefit of the stated exceptions.

DATED at Toronto, this _____ day of August, 2016
