ALBERTA SECURITIES COMMISSION

DECISION

Citation: Re Zeiben, 2014 ABASC 412 **Date: 20141021**

Lawrence Zeiben, Grit International Inc., and Texas Petroleum Inc.

Panel:	Bradley G. Nemetz, Q.C. Ann Rooney, FCA, ICD.D. Dr. Ian Beddis
Representation:	Adrienne Wong for Commission Staff Lawrence Zeiben for the Respondents
Submissions Completed:	July 21, 2014
Decision:	October 21, 2014

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I. INTRODUCTION

[1] On May 5, 2014, this panel of the Alberta Securities Commission (the **Commission**) issued its decision and reasons (**Merits Decision**, cited as *Re Zeiben*, 2014 ABASC 167) on the merits of allegations made by Commission Staff (**Staff**) against Lawrence Zeiben (**Zeiben**), Grit International Inc. (**Grit**), and Texas Petroleum Inc. (**Texas Petroleum**) (together the **Respondents**).

[2] In the Merits Decision we found that allegations of breaches of securities laws by Zeiben, Grit and Texas Petroleum were proven. We directed that submissions on sanction be submitted in writing to be supplemented by oral submissions if requested by the parties or required by the panel.

[3] Written submissions were filed. The panel had questions concerning Staff's costs submissions. Those questions were asked in writing, and Staff and Zeiben replied to them in writing. Neither Zeiben nor Staff requested an opportunity to make oral submissions and the panel concluded that it could reach its decision on the basis of the written submissions.

[4] As detailed below, we have decided that Zeiben is to pay an administrative penalty of $250,000.00, costs of $50,000.00, and is barred from various aspects of participation in the Alberta securities market on a permanent basis (with limited exceptions).

[5] With respect to Grit and Texas Petroleum, Staff only requested and we have ordered that they be barred from the securities market permanently.

II. BACKGROUND

[6] For convenience we summarize some of the factual background, much of which is discussed in greater detail in the Merits Decision.

[7] Zeiben acquired Grit, a Nevada corporation, in 2007 with the intention of using it as a public vehicle in which he would aggregate small private oilfield service businesses. He arranged for its shares to be traded on German stock exchanges. He caused it to raise money in Alberta and the Commission's investigator testified that, according to his investigation, in excess of $1 million was raised from the public in Alberta. He also caused Texas Petroleum to be incorporated in Alberta and arranged for its shares to trade on a German stock exchange.

[8] We found that Zeiben abandoned his original business plan of aggregating small oil and gas service companies due to a lack of public interest in Grit's business plan and in its stock. He came across a new business model for Grit. Grit was to become:

> an Industrial Resources and Investment Management Conglomerate with interests in:
>
> - Precious metals
> - Energy
> - Environmental Technology
> - Industrial Manufacturing & Services

[9] As we found in the Merits Decision, Grit never owned or operated more than a janitorial service and a small sand-blasting and coating company.

[10] However, its activities were misrepresented. Grit failed to comply with Alberta securities laws in that it distributed shares without a prospectus or appropriate exemptions. Further, we found that Zeiben was the controlling mind of Grit and Texas Petroleum. We found that Zeiben and Grit failed to comply with National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (**NI 43-101**) in that they disclosed technical and scientific information concerning mineral properties without complying with NI 43-101.

[11] As a result of the false information placed in the public realm concerning Grit, Grit's shares increased in price on the Frankfurt exchange. For example, in October of 2010 daily trading volumes exceeded 600,000 shares at a price per share of 0.60 Euros which represents approximately $500,000 Canadian. On another day in November of 2010, volumes exceeded 500,000 shares in one day at a value per share in excess of 0.80 Euros. Grit's shares are now worthless. However, in October and November of 2010, the company was being improperly portrayed to the public, by press releases approved by Zeiben, as a vibrant, growing and valuable conglomerate.

[12] While Zeiben testified that he never sold any of his stock in Grit and therefore did not profit from the increase in the price and trading value of Grit's stocks, he did receive a salary from the company. He was the company's majority shareholder and therefore while he was not selling the stock, an increase in the value of the stock was an increase in his net worth.

[13] In the Merits Decision we enumerated the multiple representations about Grit and Texas Petroleum approved by Zeiben. We found that he knowingly and willfully allowed misrepresentations to remain in the public realm to help pump up the stock prices.

[14] Zeiben represented himself in these proceedings. The position he took during the hearing and the evidence he gave demonstrated a disregard for the fundamental proposition that investors should be told the truth. He accepted little or no responsibility for his and the companies' failure to follow Alberta securities laws; his position was that those laws did not apply to him and the companies. He blamed others for the misrepresentations and for not correcting the misrepresentations that he knew existed. He said he should not be found responsible because others did not tell him what the law was.

III. PARTIES' POSITIONS

A. Staff

[15] Staff submitted that we should make the following orders against Zeiben:

(a) Issuing permanent cease trade and denial of exemptions orders under sections 198(1)(b) and (c) of the *Securities Act* (Alberta) (the **Act**);

(b) Issuing an order that he resign from any position he might hold as an officer or director of a public company and be permanently prohibited from acting as an officer or director of any issuer pursuant to sections 198(1)(d) and (e);

(c) Ordering that he pay an administrative penalty of $400,000 pursuant to section 199; and

(d) Ordering that he pay costs of $100,000 under section 202.

[16] With respect to Grit and Texas Petroleum, Staff submitted that we should issue an order against each of them pursuant to sections 198(1)(b) and (c) of the Act that they cease trading in or purchasing securities and exchange contracts and be denied the use of all exemptions contained in Alberta securities laws, permanently.

[17] Concerning the sanctions suggested against Zeiben, Staff urged that we take into account the seriousness of the findings against Zeiben and noted Zeiben's apparent failure to recognize and understand his role in the breaches of Alberta securities laws. Staff submitted that Zeiben's prior inexperience in the capital market was of little import given the findings of fraud and misrepresentation. Reference was made to the losses the public suffered. We were urged to consider that the improper conduct was not an isolated incident of poor judgment or oversight but involved, among other things, eight press releases over four months, showing a persistent pattern of fraud and misrepresentation.

[18] Staff also supplied to the panel a number of decisions which they submitted justified all of their suggested sanctions against all Respondents.

[19] Concerning costs, Staff noted that the actual costs of the investigation and hearing totaled $112,760.71 and suggested that we issue a costs award of $100,000.00 which provided some recognition of costs that were solely attributable to others who settled on the eve of the hearing.

[20] The panel asked Staff to provide more details on the costs. On July 21, 2014, the panel and the Respondents were provided with a breakdown of the costs which showed a revised total of $113,473.21. Of the $34,272.50 in Investigation Staff costs, $32,522.50 were incurred before the first day of the hearing and $1,750 occurred during the hearing. Litigation Staff costs totaled $50,700 of which $18,300 was prior to the first day of the hearing and $32,400 thereafter. The disbursements were split $11,574.01 before the first day of the hearing and $16,926.70 thereafter.

B. Respondents

[21] Zeiben submitted a reply to Staff's initial brief in which he raised a number of points. He provided no specific response to Staff's request for a $400,000 administrative penalty and $100,000 in costs.

[22] Zeiben's submissions, both initially with respect to the position of Staff and subsequently in answer to the breakdown of costs provided by Staff, remained that of blaming others, minimizing his role, denying a breach of Alberta securities laws, denying the application of Alberta securities laws to his activities, and denying harm to Alberta residents.

[23] We will not in this decision attempt to enumerate the multiple and sometimes repetitive positions taken by Zeiben on his behalf and on behalf of the other Respondents, but, for illustration, we will touch upon some of the major themes.

[24] Zeiben asserted that Mr. LaRochelle was the individual raising funds from Albertans for Grit and that Mr. LaRochelle was responsible for the day-to-day activities of the company during the time that it was raising money by subscriptions from Albertans. He also stated that some investors had been repaid.

[25] Zeiben pointed out that the allegation of illegal distribution of securities was an allegation only made against Grit and not against him personally.

[26] He asserted repeatedly that Grit was a Nevada corporation whose shares were trading on the Frankfurt exchange and therefore he and it were not obliged to follow any Alberta securities laws.

[27] He pointed out that the misrepresentations and fraud were alleged to have occurred from November 2010, to April 2011, only seven months of his 84 months as a director of the company. He asserted that there was no evidence of any sales to Albertans during this period of time.

[28] He pointed out that while he did receive $2,000 a week from Grit, he also had his own funds deposited to the company and he sold none of the shares he himself owned and therefore did not make a profit by way of share sales.

[29] Concerning the costs submissions, Zeiben said that the costs should be allocated between himself, Grit and Texas Petroleum. He also reiterated his points regarding no evidence of the Alberta funds being raised during the period covered by the misrepresentations. Again, he raised the issues that other parties were involved who were not charged. He reiterated his position in particular with respect to Mr. LaRochelle's involvement and he asserted a limitation period defence under section 211 of the Act.

[30] Before turning to a discussion of the law and its application to the facts, we wish to address the above limitation argument based on section 211 of the Act. The limitation contained in section 211 only applies to claims for civil liability under that section. It does not apply to administrative sanctions or cost recovery orders associated with proceedings of the nature before us.

IV. LEGAL PRINCIPLES

[31] This Commission has for some time stated that its sanctioning authority, found in sections 198 and 199 of the Act, is to be exercised prospectively in the public interest, with a view to protecting investors in the capital market from future harm (*Committee for the Equal Treatment of Asbestos Minority Shareholders v. Ontario (Securities Commission)*, 2001 SCC 37 at paras. 39-45).

[32] The Commission in exercising this jurisdiction has considered a non-exhaustive list of factors. These factors were discussed at para. 43 of *Re Workum and Hennig*, 2008 ABASC 719 (affirmed 2010 ABCA 405) and para. 11 of *Re Lamoureux*, [2002] A.S.C.D. No. 125 (affirmed on other grounds 2002 ABCA 253):

- the seriousness of the findings against the respondent and the respondent's recognition of that seriousness;
- characteristics of the respondent, including capital market experience and activity and any prior sanctions;
- any benefits received by the respondent and any harm to which investors or the capital market generally were exposed by the misconduct found;
- the risk to investors and the capital market if the respondent were to continue to operate unimpeded in the capital market or if others were to emulate the respondent's conduct;
- decisions or outcomes in other matters; and
- any mitigating considerations.

[33] With respect to the costs order, it has been established that an order for the payment of investigation and hearing costs is not a sanction. In the recent decision of *Re Marcotte*, 2011 ABASC 287 (at para. 20), it was said that such an Order is:

> . . . a means of recovering, from a respondent found to have engaged in capital market misconduct, certain investigation and hearing costs that would otherwise be borne indirectly by law-abiding market participants whose fees fund the Commission's operations. It is generally appropriate that a respondent pay at least some portion of the relevant costs. Determination of the appropriate portion may involve assessing parties' contributions to the efficient conduct and ultimate resolution of the proceeding.

V. ANALYSIS

[34] We now turn to a discussion of the facts before us in light of these principles. As Zeiben was the originator of the plan for Grit and was the majority shareholder and its and Texas Petroleum's guiding mind, we will not address Grit and Texas Petroleum separately. Any comments we make concerning Zeiben are attributable to Grit and, insofar as they relate to Texas Petroleum, to that company as well.

A. The Seriousness of the Findings Against the Respondent and the Respondent's Recognition of that Seriousness

[35] Zeiben acted as though Alberta securities laws did not apply to the Respondents. While he blamed others for not telling him that he needed to follow Alberta securities laws, he gave no evidence that he had made any inquiries as to whether or not those laws applied to his activities. He did this despite the fact that he had no prior experience in this area, that he was a resident of Alberta, that all of Grit's operations were in Alberta, that he was raising money from Albertans, and that Grit was to acquire Alberta businesses by, in part, issuing shares to the owners of those Alberta businesses to acquire them.

[36] Not only did Zeiben ignore Alberta securities laws, he demonstrated callous disregard for truth in portraying the companies to the public and he did so for the purpose of stimulating investor interest, trading volumes, and share price. Positive misstatements were made – for example, Grit's October 1, 2010 press release stated:

> GRIT International is a Canadian based company registered in the State of Nevada, US; - Diversified Industrial Services Company, offering Support Services, Utilities, Oil & Gas and Mineral holdings.

[37] This representation was made to the public when Zeiben knew that Grit had no "Support Services" to offer, no "Utilities", no "Oil & Gas", and no "Mineral holdings".

[38] To allow such a false representation to be put forward to the public reveals a most wanton disregard for the interests of investors. It and other press releases were issued to stimulate share trading and share price. There is nothing more fundamental to the regulation of the securities market than telling the truth when raising funds.

[39] We will not repeat the other findings relevant to Zeiben and the companies which outline lying and misrepresenting the companies to the public and the disregard for Alberta securities laws when the companies were Canadian based companies whose place of business, office and employees were located in Alberta.

[40] Turning to Zeiben's recognition of the seriousness of the Respondents' behaviour, the panel finds a remarkable absence of such recognition.

[41] Respondents are entitled to defend themselves against allegations and this is not to be held against them. However, continuing to insist one has done no wrong following the Merits Decision demonstrates a failure to appreciate the seriousness and inappropriateness of their behaviour and demonstrates an ongoing need to protect investors.

[42] Zeiben's blaming others, which persisted throughout both parts of the hearing, indicates a continuous failure to acknowledge his responsibility and the inappropriateness of his actions.

[43] Throughout both parts of the hearing, Zeiben stressed that Mr. LaRochelle was also a director of Grit for a time and was actively involved in soliciting Alberta investors. It is to be recalled that Mr. LaRochelle was not the mastermind of the plan, but was recruited by Zeiben. Mr. LaRochelle was a client of Zeiben's bookkeeping/accounting business. Mr. LaRochelle had no prior experience in capital markets. His background included having a Grade 10 education, owning a car wash and storage business, and having a wide ranging work history including trucking and contracting. Zeiben gave Mr. LaRochelle financial, tax and accounting advice. Zeiben sold Mr. LaRochelle on the original plan. Mr. LaRochelle declined to participate when the original plan faltered and Zeiben began to develop the Grit conglomerate alternative. Zeiben's attempt to deflect his responsibility and place it upon Mr. LaRochelle is only one example of Zeiben's failure to accept responsibility for his conduct.

[44] Another example is Zeiben's response to Staff's submission at para. 13 which alleged Zeiben's failure to acknowledge the seriousness of his actions. Zeiben's written response to that particular paragraph was:

> . . . There was no blame; a structured administrative process was followed whereby Zeiben administratively signed-off.

[45] Staff's submission at para. 14 again alleged Zeiben's failure to acknowledge the seriousness of his actions. It stated:

> In short, Zeiben's complete failure to recognize the seriousness of his actions calls for significant sanction.

[46] Zeiben's written response to this paragraph was:

> . . . There were no Cease and Desist orders (at the commencement of this investigation; throughout the investigation, after the allegations, during the proceedings) against Grit or Texas Petroleum from Alberta Securities that would recognized [recognize] serious breaches of the Alberta Securities Act. Both companies were de-listed in 2011. Zeiben withdrew his association with Prochow, did not renew his contract with Maisey-Prochow 2011 for Grit. Zeiben's failure to action was more the action thereof to release Mr. LaRochelle, Cancel Maisey-Prochow Investor Relation contract for Grit, and work with the Timberlake assets, only to be made aware that Timberlake sold encumbered assets.

[47] The panel finds that the breaches of Alberta securities laws, and indeed breaches of basic norms of common truthfulness, are serious. Zeiben's appreciation and acceptance of the seriousness of the Respondents' behaviour is remarkably lacking. We have no confidence that the hearing process, or the findings of the panel, have had any appreciable impact upon the Respondents. In fact Zeiben's written response shows a lack of appreciation of the seriousness of the behaviour.

B. Characteristics of the Respondent, Including Capital Market Experience and Activity and Any Prior Sanctions

[48] We have no evidence that Zeiben had any prior capital market experience. He has no prior sanctions. However, one does not need to have capital market experience to know that it is wrong to provide to the public false information to induce the public to become involved in a company and to cause the share volumes and prices to rise.

[49] As to Zeiben's "characteristics", beyond his demonstrated disregard for the truth, we note a recklessness with regard to securities laws. He continued throughout the merits hearing and in the sanctioning submissions to insist that Alberta securities laws did not apply to him, and that he should be excused, or treated with leniency, because others did not tell him what he was doing was wrong. The panel finds that while Zeiben had no prior sanctions and no prior capital market experience he was reckless as to the applicability of Alberta securities laws to his operations and, concerning the findings of fraud and misrepresentations, that he did not require prior "capital market experience" to know that what he was doing was wrong.

C. Any Benefits Received by the Respondent and Any Harm to which Investors or the Capital Market Generally Were Exposed by the Misconduct Found

[50] Zeiben held a majority of the shares of Grit and therefore, on paper at least, the value of his holdings in Grit increased dramatically with the increase in share price and increase in trading volumes. If he had been able to keep the share price up he stood to gain millions. In addition, he did receive $2000 a week ($100,000 a year) from Grit over an undetermined period; although, as he pointed out, he was a director for 84 months.

[51] There was some evidence that he put revenues from his bookkeeping operations into Grit. How much and for what period was not in evidence.

[52] In the circumstances, we are unable to decide the extent to which he personally profited from his promotion and operation of this failed business venture.

[53] As to harm to investors or the capital market generally, we find serious harm, although it is difficult to quantify.

[54] It appears that approximately $1,000,000 was raised directly from investors in Alberta. There was a suggestion that some of that has been repaid, but we are unaware of any significant repayments.

[55] What we do know is that Mr. LaRochelle testified that he made an investment of in excess of $100,000 and sold his shares for between $3,000 and $3,500 after the value dropped in late 2010 or early 2011.

[56] We also know that an investor called as a witness by Zeiben testified that he had invested approximately $70,000 in Grit through Zeiben. That investor received none of his money back.

[57] As we mentioned earlier, during the period covered by the fraud and misrepresentations, Grit's share price and trading volumes on the Frankfurt exchange increased dramatically, with hundreds of thousands of dollars of shares changing hands on a daily basis (as much as $500,000 on some days). This posed significant harm to the public as the company had no substance and therefore these shares had no real value. These valueless shares traded at inflated values directly linked to the false statements being put out by the company concerning its operations.

[58] Accordingly, we find that Zeiben's misconduct posed considerable harm to investors and harm to the capital market, and promised potentially significant benefits to Zeiben.

D. The Risk to Investors and the Capital Market if the Respondent Were to Continue to Operate Unimpeded in the Capital Market or if Others Were to Emulate the Respondent's Conduct

[59] Given Zeiben's behaviour and his persistent failure to appreciate the seriousness of his actions, the panel concludes that if the Respondents are allowed to be involved in raising capital there is serious risk to investors in the capital market.

[60] Zeiben's actions were not technical breaches of obscure regulatory rules. In part, the misrepresentations and fraud showed deliberate disregard for the basic principles of forthright conduct. The absence of any evidence of inquiry into the applicability of Alberta securities laws to a company which he himself knew was based in Alberta and which raised money through the sale of shares in Alberta to Albertans, shows recklessness when one considers his complete lack of prior experience in such activities.

[61] The panel is of the opinion that sanctions must ensure that Zeiben and the companies are deprived of further opportunities to access the capital market. In addition, the sanctions should

send a message to others who might emulate his conduct that breaches of such laws will result in the imposition of sanctions that are more than a cost of doing business.

E. Decisions or Outcomes in Other Matters

[62] Staff submitted a series of decisions to us which indicated prior sanctions in cases involving illegal distributions, fraud or misstatements of information provided to investors and a case involving disclosure deficiencies with respect to mineral deposits. We will briefly review some of these cases and the sanctions set out in them, but we are mindful that when it comes to sanctions each case is unique; while past cases can provide useful examples of the range of sanctions awarded for a range of behaviour, no direct correlations can be drawn.

[63] In *Workum and Hennig*, Workum, the president of the company, and Hennig, the chartered accountant who was the chief financial officer and treasurer of the company, were sanctioned for various misconduct, including misrepresentations in three years of financial statements. Both of the individuals intended to reap financial benefits from their misconduct. Staff requested an administrative penalty of $1,000,000 for Workum and $500,000 for Hennig. The panel imposed a $750,000 administrative penalty against Workum and a $400,000 administrative penalty against Hennig. Market bans were also imposed, permanently for Workum and 20 years for the majority of Hennig's bans.

[64] *Re Reeves*, 2010 ABASC 572, involved a respondent who, after the first day of the hearing, accepted responsibility for illegal distribution of shares, misrepresentation and fraud. The evidence was that he obtained a personal benefit of at least $500,000. In *Re Reeves*, 2011 ABASC 107, the panel addressed sanctions and costs. Staff requested an administrative penalty of $550,000. The panel ordered a $650,000 administrative penalty. It also ordered a permanent ban on certain participation in the Alberta capital market except for personal investments on restricted terms.

[65] *Re Mandyland Inc.*, 2013 ABASC 69, involved illegal trading, fraud and misrepresentations. There was evidence of a benefit of $1,716,647.20. The sanctioning orders included a joint and several disgorgement of that benefit plus administrative penalties of $150,000 against each of the three individuals, costs and certain permanent capital market bans against those individuals.

[66] In *Re Russell*, 2012 ABASC 249, this Commission, having found material misrepresentations and the failure to comply with NI 43-101 (mineral deposit disclosure) ordered a $150,000 administrative penalty, $40,000 in costs, and a five year ban on being an officer or director of any issuer.

[67] We have considered, but do not propose to discuss, the following cases: *Re 1205676 Alberta Ltd.*, 2010 ABASC 544; *Re Capital Alternatives Inc.*, 2007 ABASC 482; *Re Kapusta*, 2011 ABASC 521; *Re Anderson*, 2009 ABASC 126; *Re Schmidt*, 2013 ABASC 320; and *Re Cloutier*, 2014 ABASC 170.

[68] The above cases generally show a wide range of administrative penalties which varies with the number of breaches of securities laws found, the benefit gained by the respondents, the damage done to investors and the market, and the degree of responsibility for their actions

accepted by the respondents. In reaching our decision on the administrative penalty and other orders to be made in this case, we have placed the conduct in this case appropriately within the range of sanctions illustrated by the above cases.

[69] Zeiben did not submit any cases or make any representations specifically addressing the applicability, or comparability, of the decisions that Staff put before us.

[70] Further, Zeiben presented no evidence concerning his ability to pay nor did he make any submissions to us on this point.

F. Mitigating Considerations

[71] Zeiben did appear to us to believe his dream. He did not sell his own stock as the stock price rose or indeed at any time.

VI. CONCLUSION

[72] We will first address Zeiben.

[73] He was not found to have illegally distributed securities; Grit was. He did participate in the illegal distribution, and believed and continues to believe, that Alberta securities laws did not apply to him and his companies. We find that his behaviour with respect to NI 43-101 was the product of reckless indifference to applicable law. His fraud and misrepresentations were deliberate and knowing.

[74] Zeiben's behaviour overall leads us to the conclusion that, to protect the capital market, he needs to be removed from it permanently. As an officer and director of Grit and Texas Petroleum he has shown a reckless disregard for Alberta securities laws. He continues to generally believe that they do not apply to the activities he undertook. He has failed to accept responsibility for his role in what has transpired and he seeks to project himself as a victim. He continues to blame others for the difficulties that he created. This is despite his deep involvement in all of the transgressions that we have enumerated and including his authorization and continuation of the false and misleading public statements concerning the companies. Taken as a whole this leads us to the conclusion that the only way to protect investors and the capital market is to remove Zeiben from participating in the capital market whether as a director or officer or other participant except for limited personal investment purposes as set out in our orders.

[75] While he had no capital market experience, and therefore could not have been subject to previous sanctions for breaches of capital market rules, he knew that the image of the company that was being projected was false. A significant penalty is necessary as a specific deterrent and as a general deterrent to others who might be tempted to emulate his behaviour and risk only a minor penalty for the potential of major gain. We believe that the administrative penalty should take into consideration the trading history of the stock and particularly the fact that hundreds of thousands of dollars changed hands on the Frankfurt exchange during the period of the false representations about Grit. We are mindful of the fact that we have no evidence or any submissions regarding Zeiben's ability to pay and have treated this matter as a neutral factor. We note that Zeiben was to receive $2,000 a week ($100,000 a year) for an indeterminate period of time. We have taken this into account. Also, we take into account the fact that Staff requested a

$400,000 administrative penalty and we would have expected Zeiben to tell us if he considered that amount to be excessive for his personal circumstances, particularly given the detail of his submissions on sanction.

[76] We conclude that an administrative penalty of $250,000 as against Zeiben for those breaches of Alberta securities laws for which we have found him responsible is appropriate. The behaviour for which we have found him responsible, fraud and misrepresentations, is more egregious than merely distributing stock without a prospectus or without appropriate exemptions.

[77] As for costs, the actual costs submitted by Staff were $113,473.21. Staff suggested that the award be $100,000 to take into account the costs exclusively referable to other parties who settled. We note that Zeiben was not alleged to have engaged in the illegal distributions and that this aspect of the case constituted a significant aspect of the overall allegations and time taken during the hearing. We find that the $100,000 that Staff requested for costs is appropriate but we also find that Zeiben is only to be responsible for $50,000 of those costs. We have reduced the costs requested by Staff by half to take into account costs associated with the illegal distribution charges.

[78] As for Grit and Texas Petroleum, we were only asked to make cease trade and denial of exemptions orders under sections 198(1)(b) and (c) of the Act and we do so. While the companies appear to be defunct, we are satisfied that there should be these orders against them so that they can never be used as a vehicle for the raising of funds from the public.

VII. ORDERS

[79] As against Zeiben we order:

(a) under sections 198(1)(b) and (c) of the Act, that Zeiben cease trading in or purchasing securities or exchange contracts, and all of the exemptions contained in Alberta securities laws do not apply to him, permanently, except that these orders do not preclude Zeiben from trading in or purchasing securities or exchange contracts through a registrant (who has first been given a copy of this decision) in:

(i) registered retirement savings plans, registered retirement income funds or tax-free savings accounts (as defined in the *Income Tax Act* (Canada)) or locked-in retirement accounts for Zeiben's benefit;

(ii) one other account for Zeiben's benefit; or

(iii) both, provided that:

(A) the securities are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange or NASDAQ (or their successor exchanges) or are issued by a mutual fund that is a reporting issuer; and

(B) Zeiben does not own legally or beneficially more than 1% of the outstanding securities of the class or series of the class in question;

(b) under sections 198(1)(d) and (e), that Zeiben resign all positions he holds as a director or officer of any issuer, registrant or investment fund manager, and he is prohibited from becoming or acting as a director or officer (or both) of any issuer, registrant or investment fund manager, permanently;

(c) under section 199, that Zeiben pay an administrative penalty of $250,000; and

(d) under section 202, that Zeiben pay $50,000 of the costs of the investigation and hearing.

[80] As against Grit we order, under sections 198(1)(b) and (c) of the Act, that Grit cease trading in or purchasing securities or exchange contracts, and all of the exemptions contained in Alberta securities laws do not apply to Grit, permanently.

[81] As against Texas Petroleum we order, under sections 198(1)(b) and (c) of the Act, that Texas Petroleum cease trading in or purchasing securities or exchange contracts, and all of the exemptions contained in Alberta securities laws do not apply to Texas Petroleum, permanently.

October 21, 2014

For the Commission:

"original signed by"
Bradley G. Nemetz, Q.C.

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Ann Rooney, FCA, ICD.D.

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Dr. Ian Beddis