

ALBERTA SECURITIES COMMISSION

Citation: Re Haghshenas, 2023 ABASC 169

Docket: ENF-012959

Date: 20231222

**SETTLEMENT AGREEMENT
AND UNDERTAKING**

Behjat Haghshenas

Regulatory Message

It is a fundamental principle of securities regulation that all investors should have equal access to information necessary for informed investment decision making. Illegal insider trading generally refers to a person or company in a special relationship with an issuer purchasing or selling securities of the issuer while in possession of material, non-public information about the issuer.

Information about a company is non-public until it is disseminated to the capital markets and investors have had a reasonable period of time to react to the information. Using material non-public information for one's own advantage when trading in securities violates the fundamental principle of equal access to material information and undermines investor confidence in the market as a level playing field.

Agreed Facts

Introduction

1. Staff of the Alberta Securities Commission (**Staff** and **Commission**, respectively) conducted an investigation of Behjat Haghshenas (**Haghshenas**) to determine if Alberta securities laws had been breached.
2. The investigation confirmed and Haghshenas admits that she engaged in illegal insider trading in breach of section 147(3) of the *Securities Act*, RSA 2000, c S-4, as amended, (**Act**).
3. Solely for securities regulatory purposes in Alberta and elsewhere, and as the basis for the settlement and undertakings referred to in paragraph 22 and for no other use or purpose, Haghshenas agrees to the facts and consequences set out in this Settlement Agreement and Undertaking (**Agreement**).
4. Terms used in this Agreement have the same meaning as provided in Alberta securities laws, a defined term in the *Act*.

Circumstances

5. Haghshenas is an individual who resided in Calgary, Alberta throughout the relevant period, approximately January 18 to March 28, 2022 (**Relevant Period**). She worked as a senior reservoir specialist for Vermilion Energy Inc. (**Vermilion**) from approximately early January to August 2022, and worked as a senior reservoir engineer for Vermilion from September 2022 to June 2023. Vermilion is an international energy company with a head office in Calgary whose shares traded on the Toronto Stock Exchange throughout the Relevant Period.
6. In January 2022, Vermilion and Leucrotta Exploration Inc. (**Leucrotta**) began discussing a potential transaction whereby Vermilion would acquire significant assets owned by Leucrotta (**Leucrotta Assets**). Leucrotta was an energy company with a head office in Calgary, Alberta, whose shares traded on the TSX Venture Exchange throughout the Relevant Period.
7. Shortly thereafter in January 2022, Haghshenas began conducting extensive engineering and other technical due diligence on the Leucrotta Assets. That became Haghshenas' primary role and responsibility at Vermilion until the end of the Relevant Period.
8. On March 10, 2022, Vermilion delivered a signed Letter of Intent to Leucrotta, which was a non-binding proposal to purchase all of the outstanding shares of Leucrotta. Leucrotta did not accept the proposal at that time, but the parties agreed to commence formal due diligence in respect of the potential acquisition (**Potential Leucrotta Acquisition**).
9. Later on March 10, 2022, Vermilion informed its board, executive committee and certain employees, including Haghshenas, about the Potential Leucrotta Acquisition.
10. Because the negotiations between Vermilion and Leucrotta about the Potential Leucrotta Acquisition had become serious, and formal due diligence in respect of the Potential Leucrotta Acquisition had commenced, by no later than March 10, 2022, Haghshenas became aware of material facts about Leucrotta that had not been generally disclosed—namely, that Vermilion was engaged in serious negotiations with Leucrotta about acquiring Leucrotta (**Material Undisclosed Facts**).
11. Upon learning the Material Undisclosed Facts on March 10, 2022, Haghshenas was in a special relationship with Leucrotta. She was also in a special relationship with Leucrotta as of March 10 because she was an employee of Vermilion, which was considering or evaluating whether, or that was proposing, to acquire a substantial portion of the property of Leucrotta.
12. On March 18 to 21, 2022, Haghshenas communicated with a colleague at Vermilion (**Colleague**) who told her that:
 - 12.1 Vermilion's executive committee met to finalize the offer to purchase Leucrotta;
 - 12.2 Vermilion sent Leucrotta an updated offer to purchase Leucrotta;

12.3 Vermilion “got the deal” with Leucrotta; and

12.4 Vermilion would press release the deal with Leucrotta on March 28, 2022.

(collectively, **Additional Facts**)

13. Each of the Additional Facts was a material fact about Leucrotta that had not been generally disclosed. Therefore, on March 18, 19 and 21, 2022, Haghshenas became aware of additional material facts about Leucrotta that had not been generally disclosed (**Additional Material Undisclosed Facts**).
14. Within minutes of speaking with her Colleague on the morning of March 21, 2022, Haghshenas began placing orders to purchase Leucrotta shares in her spouse’s personal trading account. Although her spouse had sole trading authority over the account, he allowed Haghshenas to trade in it. Haghshenas states that she did not communicate with her spouse or otherwise make him aware of her trading activity in the account. Some of Haghshenas’ orders to purchase Leucrotta shares were filled later in the day on March 21, resulting in Haghshenas purchasing a total of 265,000 Leucrotta shares for an average purchase price of \$1.32 per share, or for a total purchase price of approximately \$349,150 (**Leucrotta Share Purchases**).
15. On March 23, 2022, Vermilion and Leucrotta signed a Letter of Intent, pursuant to which the parties agreed to a non-binding proposal whereby Vermilion would acquire all of the issued and outstanding shares of Leucrotta.
16. On March 28, 2022, before the market opened for the day, Vermilion and Leucrotta each issued a news release announcing that they had entered into an Arrangement Agreement, pursuant to which Vermilion would acquire all of the issued and outstanding shares of Leucrotta for \$500 million, or for \$1.73 per share.
17. Also on March 28, 2022, shortly before the market opened for the day, Haghshenas placed an order to sell all of 265,000 Leucrotta shares that she purchased on March 21, which was filled when the market opened for a sale price of \$1.87 per share, or for approximately \$495,550. Haghshenas earned a profit of approximately \$146,400 from that trade (along with the Leucrotta Share Purchases, **Leucrotta Trades**).

Admitted Breach of Alberta Securities Laws (Admitted Breach)

18. Based on the Agreed Facts, Haghshenas admits that she breached section 147(3) of the *Act* by making the Leucrotta Share Purchases with knowledge of the Material Undisclosed Facts and the Additional Material Undisclosed Facts while being in a special relationship with Leucrotta.

Circumstances Relevant to Settlement

19. Haghshenas made numerous statements to the Commission in her first investigative interview that were, in a material respect and at the time and in light of the circumstances in which they were made, misleading or untrue. However, Haghshenas states that she

instructed her legal counsel to advise Staff of those misleading or untrue statements and then corrected those statements in her second investigative interview.

20. Haghshenas has not been previously sanctioned by the Commission.
21. This Agreement has saved the Commission the time and expense associated with a contested hearing under the *Act*.

Settlement and Undertakings

22. Based on the Agreed Facts and Admitted Breach, Haghshenas agrees and undertakes to the Executive Director of the Commission to:
 - 22.1 pay to the Commission a monetary settlement of \$400,000, inclusive of \$146,400 as disgorgement of the profit that Haghshenas made from the Leucrotta Trades and \$53,600 in costs; and
 - 22.2 cease trading in or purchasing securities and derivatives for a period of 10 years, except that she may trade in or purchase securities and derivatives in a single Registered Retirement Savings Plan and a single Tax-Free Savings Account in her own name through a registrant who has first been given a copy of this Agreement.

Administration

23. Haghshenas acknowledges that she received independent legal advice and has voluntarily made the admissions and undertakings in this Agreement.
24. Haghshenas waives any right existing under the *Act*, or otherwise, to a hearing, review, judicial review or appeal of this matter.
25. Haghshenas acknowledges and agrees that the Commission may enforce this Agreement in the Court of King's Bench of Alberta or in any other court of competent jurisdiction.
26. Haghshenas understands and acknowledges that this Agreement may form the basis for securities-related orders in other jurisdictions in Canada. The securities laws of some other Canadian jurisdictions may allow for provisions of a settlement agreement made in this matter to be given parallel effect in those other jurisdictions automatically, without further notice to them. Haghshenas understands and acknowledges that she should contact the securities regulator of any other jurisdiction in which she may intend to engage in any securities-related activities.
27. Execution and fulfillment of the terms of this Agreement by Haghshenas resolves all issues involving Haghshenas relating to the Admitted Breach, and Staff will take no further steps against her with respect to the Admitted Breach.
28. Notwithstanding paragraph 27, Haghshenas understands and acknowledges that the Commission has entered into this Agreement in reliance on statements made by Haghshenas, including those set out in paragraphs 14 and 19 above. The Commission

reserves its right to take action against Haghshenas if Staff later learn that any of these statements are false or materially misleading and constitute a further breach of Alberta securities laws.

29. This Agreement may be executed in counterpart.

Signed by Behjat Haghshenas at Calgary,)
Alberta this 22 day of December 2023, in)
the presence of:)

_____))
WITNESS NAME)
WITNESS NAME)

_____))
"Original signed by")
SIGNATURE)

_____))
"Original signed by")
Behjat Haghshenas)

) ALBERTA SECURITIES COMMISSION
)

Calgary, Alberta, 22 December 2023)

) "Original signed by")
_____))
Samir Sabharwal)
Executive Director)

Corrigendum of the Agreement

Vermillion Energy Inc. (**Vermillion**) has been corrected to Vermilion Energy Inc. (**Vermilion**) where referenced in this Agreement.