

# 2002 BCSECCOM 1052

## Settlement Agreement

**Alwyn Christopher Dales Wright and Catharine Bruce Wright**

***Securities Act, RSBC 1996, c. 418***

- ¶ 1 The following settlement of issues has been reached between Alwyn Christopher Dales Wright (Christopher Wright) and Catharine Bruce Wright (Catharine Wright) on the one hand and the Executive Director on the other.

### **Agreed Statement of Facts**

- ¶ 2 As the basis for the undertakings and orders referred to in this settlement, Christopher Wright and Catharine Wright acknowledge the following facts as correct:

### **The Parties**

1. Velvet Exploration Ltd. (Velvet) was at all relevant times an Alberta company registered extra-provincially in British Columbia and a reporting issuer under the *Securities Act*, RSBC 1996, c. 418 trading on the Toronto Stock Exchange.
2. Christopher Wright resides in British Columbia and was at all relevant times a director of Velvet. He has never been registered in any capacity under the Act.
3. Catharine Wright resides in British Columbia and was at all relevant times the spouse of Christopher Wright. She has never been registered in any capacity under the Act.
4. First Merit Group, (First Merit), Pillion Investments Ltd. (Pillion), Modern Property Ltd. (Modern) and 595129 B.C. Ltd. (595129) (collectively, the Private Holding Companies) are private issuers of whom Christopher Wright is the sole shareholder and sole director and officer.
5. The Private Holding Companies are used by Christopher Wright to hold assets and to trade in securities owned by him.

### **Facts**

6. During the period from April 20, 2001, to June 14, 2001, which is the relevant period, a material fact existed with respect to the affairs of Velvet that was not generally disclosed (the Material Fact).

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7. The Material Fact was a negotiation between Velvet and El Paso Corporation (El Paso) leading to the eventual purchase of all of Velvet's shares by El Paso for \$8.15 per common share, which was announced by Velvet in a press release dated June 14, 2001.
8. As a director of Velvet, Christopher Wright was in a special relationship with Velvet within the meaning of section 86(1)(a) of the Act, during the relevant period and had knowledge of the Material Fact.
9. Catharine Wright was in a special relationship with Velvet within the meaning of section 86(1)(a) of the Act, during the relevant period, by virtue of Christopher Wright's connection with the company and the knowledge of the Material Fact she acquired from him.
10. On April 20, 2001, Christopher Wright learned during the course of a board meeting of an expression of interest from Coastal Oil & Gas Canada Ltd., a subsidiary of El Paso, in acquiring Velvet. Subsequently, Velvet and El Paso entered into an agreement allowing El Paso access to information about Velvet's business and operations on a confidential basis.
11. On Thursday, May 24, 2001, El Paso presented a non-binding indication of interest to acquire all the common shares of Velvet for an amount between \$7.50 and \$8.75 per share. The same day, after the close of the markets, the indication of interest was discussed at a board meeting in Calgary attended by Christopher Wright by telephone. A decision was made at that meeting to explore an agreement with El Paso and to consider an auction of Velvet if no agreement could be reached with El Paso. Velvet shares closed on May 24 at \$6.05.
12. On Friday morning, May 25, 2001, Catharine Wright, through two trust accounts belonging to her children, when she knew or ought to have known of the Material Fact, purchased, at the direction of Christopher Wright, 12,500 shares in each account at \$6.05 per share for a total acquisition cost of \$152,777.50, which includes commission of \$1,527.50. She did not pay for the purchases until she eventually sold the shares on June 14, 2001.
13. On Friday, June 8, 2001, El Paso made a non-binding acquisition proposal to acquire all the outstanding common shares of Velvet by way of a share transfer equivalent to \$8.10 per share. This proposal was discussed at a board meeting of Velvet held on Saturday, June 9, 2001, which Christopher Wright attended by telephone.

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14. On Monday, June 11, 2001, during a Velvet board meeting attended by Christopher Wright by telephone, which concluded at 9:30 am Pacific time, the directors were advised that El Paso was prepared to make a cash offer of \$8.15 per share for all the common shares of Velvet.
15. At approximately 11:51 am Pacific time, on Monday, June 11, 2001, Catharine Wright, when she knew or ought to have known of the Material Fact, purchased, at his direction, 50,000 shares of Velvet at an average price of \$6.76 (rounded from \$6.75848) per share for a total acquisition cost of \$339,219, which includes commission of \$1,280 and a \$15 ticket charge. Again, she did not pay for the shares until she sold them following the announcement of the takeover on June 14, 2001.
16. On Thursday, June 14, 2001, the sale of Velvet was approved by the board at \$8.15 per share. The same day, the shares of Velvet were halted and the sale was announced.
17. Following the announcement on June 14, 2001, of the purchase of Velvet by El Paso, Catharine Wright sold her and her children's shares in Velvet as follows, making a profit of \$107,937.50 after paying all commissions and ticket charges.
18. The proceeds of the trades, whether from accounts owned by Catharine Wright or from accounts owned beneficially by her two children, were put into a bank account owned jointly by Christopher Wright and Catharine Wright and were spent on day to day living expenses.

### **Breaches of the Act**

19. Christopher Wright directed Catharine Wright to purchase and sell Velvet shares during the relevant period, with knowledge of the Material Fact, in breach of section 86(1) and (2) of the Act.
20. Catharine Wright purchased and sold shares of Velvet during the relevant period in breach of section 86(1) of the Act.

### **Public Interest**

21. In directing Catharine Wright to purchase and sell shares of Velvet, Christopher Wright acted contrary to the public interest.
22. In purchasing and selling shares of Velvet, Catharine Wright acted in a manner contrary to the public interest.

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### **Undertaking**

- ¶ 3 Christopher Wright undertakes to do the following:
1. to pay, together with Catharine Wright, to the British Columbia Securities Commission the sum of \$107,937.50 representing the profit from the trading on inside information;
  2. to pay to the Commission the sum of \$34,000 as a voluntary payment, of which \$4,000 represents costs of the investigation; and
  3. not to say anything, in writing or orally, which may contradict the terms of this settlement or call those terms into question.
- ¶ 4 Catharine Wright undertakes to do the following:
1. to pay, together with Christopher Wright, to the Commission the sum of \$107,937.50 representing the profit from the trading on inside information;
  2. to pay to the Commission the sum of \$24,000 as a voluntary payment, of which \$4,000 represents costs of the investigation; and
  3. not to say anything, in writing or orally, which may contradict the terms of this settlement or call those terms into question.

### **Order**

- ¶ 5 Christopher Wright consents to an order by the Executive Director (the CW1 Order) that:
1. under section 161(1)(b) of the Act, he cease trading in any securities for four years subject to the following conditions:
    - (a) Christopher Wright may sell those securities held in his brokerage accounts in British Columbia as of March 1, 2002, the date of notice to him, (the exempted trades);
    - (b) before any exempted trades take place and within two weeks of the date of the CW1 Order, Christopher Wright must deliver a sworn declaration to the Executive Director listing all of the securities of any issuer over which Christopher Wright has direct or indirect beneficial ownership or control or direction;

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- (c) any such exempted trades must take place within one year of the date of the CW1 Order through a single registered dealer designated in writing by Christopher Wright and approved by the Executive Director;
    - (d) before any such exempted trades take place, Christopher Wright must deliver to the registered dealer a copy of the CW1 Order; and
    - (e) Christopher Wright will instruct his registered dealer to provide the Executive Director with a copy of the confirmation slip evidencing the exempted trade within four days of the date of the exempted trade;
  2. under section 161(1)(d) of the Act, Christopher Wright resign immediately any position that he holds as a director or officer of any issuer, and is prohibited from acting as a director and officer of any issuer for four years from the date of the CW1 Order, except that he may continue to act as a director and officer of the Private Holding Companies; and
  3. under section 161(1)(d) of the Act, Christopher Wright is prohibited from engaging in investor relations activities for four years from the date of the CW1 Order.
- ¶ 6 Catharine Wright consents to an order by the Executive Director (the CW2 Order) that:
1. under section 161(1)(b) of the Act, she cease trading in any securities for four years subject to the following conditions:
    - (a) Catharine Wright may sell those securities held in her brokerage accounts in British Columbia as of March 1, 2002, the date of notice to her, (the exempted trades);
    - (b) before any exempted trades take place and within two weeks of the date of the CW2 Order, Catharine Wright must deliver a sworn declaration to the Executive Director listing all of the securities of any issuer over which Catharine Wright has direct or indirect beneficial ownership, or control or direction as of March 1, 2002;
    - (c) any exempted trade must take place within one year of the date of the CW2 Order through a single registered dealer designated in writing by Catharine Wright and approved by the Executive Director;
    - (d) before any exempted trades take place, Catharine Wright must deliver to the registered dealer a copy of the CW2 Order; and

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- (e) Catharine Wright will instruct her registered dealer to provide the Executive Director with a copy of the confirmation slip evidencing the exempted trade within four days of the date of the exempted trade;
2. under section 161(1)(d) of the Act, Catharine Wright immediately resign any position that she holds as a director or officer of any issuer, and is prohibited from acting as a director and officer of any issuer for four years from the date of the CW2 Order except that she may act as a director and officer of the Private Holding Companies; and
3. under section 161(1)(d) of the Act, Catharine Wright is prohibited from engaging in investor relations activities for four years from the date of the CW2 Order.

### Waiver

¶ 7 Christopher Wright and Catharine Wright each waive any right he or she 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.

¶ 8 December 17, 2002

¶ 9 “C. Wright” )  
Alwyn Christopher Dales Wright

“G. Snarch” )  
Witness Signature )  
Gary Snarch )  
Witness Name (please print) )  
907-1030 W. Georgia St. )  
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Address )  
Barrister and Solicitor )  
Occupation

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¶ 10 December 17, 2002

¶ 11 “C. Wright” )  
Catharine Bruce Wright

“J. Forstrom” )  
Witness Signature )  
John Forstrom )  
Witness Name (please print) )  
1200 – 625 Howe Street )  
Vancouver, BC V6C 2T6 )  
Address )  
Barrister and Solicitor )  
Occupation )

¶ 12 December 19, 2002

¶ 13 Stephen J. Wilson  
Executive Director