

# 2011 BCSECCOM 243

## Settlement Agreement

### Karnjit Singh Bahd

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

¶ 1 The Executive Director of the British Columbia Securities Commission (the Executive Director) and Karnjit Singh Bahd (Bahd) agree as follows:

#### **Agreed Statement of Facts**

##### ***Background***

1. Sungro Minerals Inc. (Sungro) is a reporting issuer under BC Instrument 51-509, *Issuers Quoted on the U.S. Over the Counter Markets*.
2. On July 29, 2009, the Executive Director issued a temporary order that all persons cease trading in the securities of Sungro and a notice of hearing under section 161 of the *Securities Act, RSBC 1996, c. 418 (Act)*.
3. The temporary order and notice of hearing were based on suspicious trading in Sungro shares and concerns that persons may have engaged in conduct that resulted in or contributed to an artificial price of Sungro shares, contrary to section 57 of the Act.
4. On September 25, 2009, the British Columbia Securities Commission (Commission) extended the temporary order under section 161(3) of the Act until a hearing is held and a decision is rendered.
5. Commission investigators summoned and interviewed Bahd as part of an investigation into suspected cross-border market misconduct involving Sungro.

##### ***Seed shareholders***

6. Bahd is a close friend of A.
7. In or about September 2007, A told Bahd that he was starting a company called Sungro and needed 40 shareholders to get it started. A told Bahd that his plan was to sell the company for between \$450,000 and \$700,000. Bahd agreed to become a Sungro seed shareholder.
8. In or about September 2007, Bahd persuaded nine other individuals, who were each a close relative or friend, to become seed shareholders in Sungro (Nine Seed Shareholders):

## 2011 BCSECCOM 243

- They each signed a Sungro subscription agreement without reading it.
- They each gave Bahd a signed, blank cheque.
- Bahd filled out the rest of the cheque, making each payable to Sungro in the amount of US \$2,375.
- In exchange, Bahd gave each of them a cheque drawn on his personal account, or a company account controlled by him, for an amount in Canadian funds that converted to slightly more than US \$2,375.

### *Trading instructions*

9. In or about June 2009, A provided Bahd with his Sungro share certificate and instructed him to deposit it with his broker, which Bahd did.
10. Between June 23, 2009 and July 6, 2009, A directed Bahd to sell his Sungro shares over a number of days, in a particular sequence, and at certain specified prices, all of which Bahd did.
11. Bahd did not understand why A instructed him to place orders to sell specific amounts of Sungro shares at specific prices on specific dates.
12. The net trading proceeds from the sale of Bahd's Sungro shares was US \$29,543.12.
13. Following A's instructions, Bahd deposited the net trading proceeds into his bank account on July 14, 2009 and then remitted them to A as follows in Canadian funds:
  - \$8,000.00 in cash.
  - \$10,000 cheque.
  - \$15,147.38 cheque.

### *Share purchase agreements*

14. At some point after July 6, 2009 but before August 10, 2009, A or B instructed Bahd to attend at B's office to pick up blank share purchase agreements (Share Purchase Agreements) and get them signed by a number of Sungro seed shareholders, which Bahd did.
15. The Share Purchase Agreements:
  - Purported to transfer Sungro shares from a number of seed shareholders to either Bahd, B, or C Corp.
  - Were signed by the seed shareholders in July or August 2009.

## 2011 BCSECCOM 243

- Were back-dated to early June 2009, with the exception of one that was correctly dated August 10, 2009.

16. Bahd received a Commission interview summons in or about August 2009. Before the interview, A met with Bahd and told him:

- That if he was asked about his Sungro share certificate at the interview, he should say he received it in early 2009.
- Not to disclose at the interview that A had provided him with all of his Sungro trading instructions.

### *Meetings with seed shareholders*

17. Bahd and A met with eight of the Nine Seed Shareholders after they each received a Commission interview summons in or after August 2009. At each meeting:

- A provided the seed shareholder with a Sungro share certificate.
- A told the seed shareholder that if he or she was asked about the certificate at the interview, he or she should say they had received it earlier in the year.

### *False statements*

18. On October 9, 2009, Commission investigators interviewed Bahd. At the interview, he made the following false statements:

- He received his Sungro share certificate in January or February of 2009.
- He could not remember why he deposited his Sungro share certificate with his broker in June 2009.
- All of his Sungro trading instructions were arrived at by himself or in consultation with his broker.
- He did not tell anyone else he was selling his Sungro shares.
- He spent the net trading proceeds on personal expenses and denied giving them to anybody.
- With one exception, the seed shareholders had signed the Share Purchase Agreements in early June 2009.
- He did not know if other seed shareholders received their share certificates or not.

### *Additional false statements*

19. On March 17, 2010, Commission investigators interviewed Bahd again. At the interview, he made the following false statements:

## 2011 BCSECCOM 243

- He had not given any of the Nine Seed Shareholders money to pay for their shares;
- When confronted with copies of his cheques to the Nine Seed Shareholders, he claimed that he had loaned them money to pay for their shares.

### ***Misconduct***

20. By making statements to Commission investigators that in material respects were false, Bahd contravened section 168.1(1)(a) of the Act.

### ***Public Interest***

21. Bahd acted contrary to the public interest.

### ***Undertaking***

22. In settlement of this matter, Bahd undertakes to pay \$75,000 to the Commission.

### **Order**

¶ 2 The Executive Director will order (the Order) that:

1. under section 161(1)(b) of the Act, Bahd will be prohibited from purchasing or trading in securities, except that he may purchase and trade mutual funds through such RSP accounts as he may hold in his own name as at the date of this settlement through a registered representative, provided he first gives a copy of the Order to the registered representative through which he makes a purchase or trade;
2. under section 161(1)(d)(ii), Bahd will be prohibited from becoming or acting as an officer or a director of any issuer;
3. under section 161(1)(d)(iii), Bahd will be prohibited from becoming or acting as a promoter;
4. under section 161(1)(d)(iv), Bahd will be prohibited from acting in a management or consultative capacity in connection with activities in the securities market; and
5. under section 161(1)(d)(v), Bahd will be prohibited from engaging in investor relations activities;

for a period of 25 years from the date of the Order.

## 2011 BCSECCOM 243

### Consent to Reciprocal Orders

- ¶ 3 Any securities regulator in Canada may rely on the facts admitted in this agreement solely for the purpose of making an order similar to the one contemplated above.

### Waiver

- ¶ 4 Bahd waives any right he 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

- ¶ 5 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.
- ¶ 6 May 24, 2011

- ¶ 7 Karnjit Singh Bahd  
Karnjit Singh Bahd

Lisa Ridgedale )  
Witness Signature )  
Lisa Ridgedale )  
Witness Name (please print) )  
1500 – 1055 W. Georgia )  
Address )  
Lawyer )  
Occupation )

- ¶ 8 May 26, 2011  
Paul Bourque

- ¶ 9 \_\_\_\_\_  
Paul C. Bourque, Q.C.  
Executive Director