



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

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**IN THE MATTER OF  
KHALID WALID JAWHARI**

**STATEMENT OF ALLEGATIONS  
OF STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission (“Staff”) allege:

**I. OVERVIEW**

1. On March 22, 2017, Khalid Walid Jawhari (**Jawhari** or the **Respondent**) entered into a Settlement Agreement and Undertaking (the **Settlement Agreement**) with the Alberta Securities Commission (the **ASC**).
2. Pursuant to the Settlement Agreement, Jawhari agreed to certain undertakings and to be made subject to sanctions, conditions, restrictions or requirements within the province of Alberta.
3. Staff are seeking an inter-jurisdictional enforcement order reciprocating the Settlement Agreement, pursuant to paragraph 5 of subsection 127(10) of the Ontario *Securities Act*, R.S.O. 1990, c. S.5 (the **Act**).

**II. THE ASC PROCEEDINGS**

**Agreed Facts**

*Parties*

4. Jawhari is an Edmonton, Alberta resident. He is a long-time friend of Aouad Choufi (**Choufi**), an exploitation engineer employed in Calgary by Kelt Exploration Ltd. (**Kelt**) during all times material to the Settlement Agreement.

5. Kelt is a publically traded oil and gas producing company, whose shares are listed for trading on the Toronto Stock Exchange (**TSX**). Kelt's head office is in Calgary.
6. Artek Exploration Ltd. (**Artek**), as of February 2015, was a publically traded oil and gas producing company with shares listed for trading on the TSX. Artek's head office was in Calgary.
7. On April 16, 2015, Kelt completed the acquisition of all of the issued and outstanding common shares of Artek, and Artek was delisted from the TSX on April 21, 2015.

*Circumstances*

8. On Monday, February 23, 2015, at 7 a.m. EST (the **February 23 Announcement**), Artek/Kelt announced that Artek had entered into an arrangement with Kelt pursuant to which Kelt had agreed to acquire all of the issued and outstanding common shares of Artek (the **Acquisition**).
9. Under the terms of the Acquisition, Artek shareholders were to receive 0.34 common shares of Kelt for each Artek share held. Based on an average trading price of \$8.10 per Kelt share, this represented a value per Artek share of \$2.76. The \$2.76 price per Artek share was a 61% premium to its then average trading price.
10. Days prior to the February 23 Announcement, Choufi and Jawhari had a telephone conversation regarding Artek. In that conversation, Choufi told Jawhari the following facts that were not generally known: Kelt was looking at Artek, Artek was a good buy, and he (Choufi) was purchasing shares of Artek (the **Undisclosed Facts**).
11. Jawhari knew at the time of this conversation that Choufi was employed by Kelt. Choufi's employment, and his knowledge of the Undisclosed Facts, placed him in a special relationship with Artek. Jawhari, having learned of the Undisclosed Facts from a person in a special relationship with Artek, was also in a special relationship with Artek pursuant to the *Alberta Securities Act*, RSA 2000 c S-4 (the **Alberta Securities Act**).
12. Jawhari admits that the Undisclosed Facts communicated to him by Choufi with respect to the potential Acquisition were material.

13. On February 20, 2015, Jawhari's wholly-owned company, 1601590 Alberta Ltd. (**1601590**) purchased 41,500 shares of Artek at a cost of approximately \$70,000. 1601590 sold those shares days later, on February 23 and 25, 2015, for a profit after commissions of \$39,868.

*Admitted Breaches of Alberta Securities Law*

14. Based on the Agreed Facts, Jawhari admits that he breached s. 147(2) of the *Alberta Securities Act* by purchasing shares of Artek, while in a special relationship with it, and with knowledge of a material fact or facts with respect to Artek that had not been generally disclosed, and that he acted contrary to the public interest.

**The Settlement Agreement and Undertakings**

15. Pursuant to the Settlement Agreement, Jawhari agreed to certain undertakings and to be made subject to sanctions, conditions, restrictions or requirements within the province of Alberta:
  - i. Jawhari agreed and undertook to the ASC's Executive Director to:
    - (a) have 1601590 pay to the ASC a monetary settlement of \$59,802, representing 1.5 times the profit from the trading in the Artek shares, plus \$7,500 for costs of the ASC's investigation; and
    - (b) cease trading in securities for a period of 3 years, except that he may trade in or purchase securities in a single account, either in his own name or in the name of 1601590, through a registrant who has been given a copy of the Settlement Agreement.

**III. JURISDICTION OF THE ONTARIO SECURITIES COMMISSION**

16. In the Settlement Agreement, the Respondent agreed to be made subject to sanctions, conditions, restrictions or requirements within the province of Alberta.

17. Pursuant to paragraph 5 of subsection 127(10) of the Act, an agreement with a securities regulatory authority, derivatives regulatory authority or financial regulatory authority, in any jurisdiction, to be made subject to sanctions, conditions, restrictions or requirements on a person or company may form the basis for an order in the public interest made under subsection 127(1) of the Act.
18. Staff allege that it is in the public interest to make an order against the Respondent.
19. Staff reserve the right to amend these allegations and to make such further and other allegations as Staff deem fit and the Commission may permit.
20. Staff request that this application be heard by way of a written hearing pursuant to Rules 2.6 and 11 of the *Ontario Securities Commission Rules of Procedure*.

**DATED** at Toronto, this 29<sup>th</sup> day of August, 2017.