



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

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**IN THE MATTER OF  
PETER VOLK**

**STATEMENT OF ALLEGATIONS**

(Subsection 127(1) and Section 127.1 of the *Securities Act*, RSO 1990 c S.5)

**A. ORDER SOUGHT**

Staff of the Enforcement Branch (“**Enforcement Staff**”) of the Ontario Securities Commission (the “**Commission**”) request that the Commission make an order pursuant to subsection 127(1) and (2) and section 127.1 of the *Securities Act*, RSO 1990 c S.5 (the “**Act**”) to approve the settlement agreement dated June 8, 2018 between Enforcement Staff and Peter Volk (the “**Respondent**”).

**B. FACTS**

**a. Overview**

1. This matter concerns the trading in Pacific Rubiales Energy Corporation (currently named Frontera Energy Corporation and prior to that named Pacific Exploration and Production Corporation (“**Pacific**”)) debentures by Pacific’s general counsel, at a time when Pacific was involved in a due diligence process regarding its potential acquisition with two potential purchasers. As Pacific’s general counsel, the Respondent was in a position of high responsibility and trust and was subject to a high professional standard to avoid any appearance of conflicts of interest and any appearance of misuse of confidential information related to Pacific.

**b. The Respondent**

2. The Respondent was the general counsel to Pacific and its predecessors and successors from 2004 to March 2018. Pacific is a Canadian oil and gas company with offices in Toronto, Calgary, Peru and Colombia. Pacific’s common shares trade on the TSX. The Respondent has significant experience in capital markets transactions and has an unblemished regulatory reputation.

### c. Background

#### *Interest in acquiring Pacific (October 2014 – July 2015 (the “Material Time”))*

3. On October 17, 2014, Pacific received a confidential, non-binding letter from ALFA S.A.B. de C.V. (“ALFA”), a Mexican conglomerate. Despite ALFA’s interest, the period by which ALFA and Pacific were to execute a confidentiality agreement with respect to a potential transaction expired on October 31, 2014, in large part because Pacific’s stock price had declined significantly, a decline that continued throughout the Material Time. As a result, ALFA did not commence any due diligence review of Pacific with regard to a potential transaction at this time.

4. On December 28, 2014, Harbour Energy Ltd. (“Harbour”) delivered a due diligence request to Pacific in regard to the potential acquisition of Pacific. Harbour is an investment vehicle specializing in private investments in energy and energy-related infrastructure. The parties entered into a confidentiality agreement to allow Harbour to commence due diligence investigations in order to determine whether it wished to make a binding offer.

5. Although ALFA’s original October 2014 proposal to acquire Pacific did not result in a confidentiality agreement being entered into, a few months later, in February 2015, ALFA and Pacific entered into a confidentiality agreement, which allowed ALFA to have access to non-public Pacific information for the purposes of conducting a due-diligence review for the potential acquisition of Pacific by ALFA.

6. Pacific’s management participated in separate discussions regarding due diligence with ALFA and Harbour throughout the first few months of 2015.

7. In March 2015, ALFA and Harbour each advised Pacific that they were unwilling to propose a transaction with Pacific without a partner. Pacific then proceeded to introduce Harbour and ALFA and they discussed a possible joint offer. This led to ALFA and Harbour delivering a non-binding expression of interest to acquire Pacific on April 26, 2015. However, despite negotiations between all three parties that eventually led to a May 20, 2015 agreement for ALFA and Harbour to acquire Pacific, ultimately the bid was withdrawn in July 2015 and no acquisition of Pacific occurred.

***Pacific's Insider Trading Policy***

8. As per Pacific's insider trading policy (the "**IT Policy**") during the Material Time, all employees including the Respondent were required to sign documentation acknowledging that they were aware of the IT Policy and that they agreed to follow it. The IT Policy covered among other things, prohibitions on insider trading and tipping, insider reporting obligations, and trading during blackout periods. Under the IT Policy, blackout periods were imposed in relation to Pacific's financial disclosures, and in relation to the knowledge of material, generally-undisclosed information held by Pacific employees. The imposition of blackout periods, where not prescribed by the IT Policy, was at the Respondent's discretion.

9. The IT Policy directed that all Pacific insiders must give the Respondent (or alternatively, Pacific's Deputy General Counsel at the time) advance notification of any trading in Pacific securities so that the Respondent could confirm that the trade would be made at a time when there was no knowledge of material non-public information and/or any blackout period in place to prohibit the trade.

10. On February 13, 2015 (the "**Purchase Date**") the Respondent purchased USD \$100,000 par value Pacific senior unsecured notes (the "**Notes**") for a total of \$75,349.31. In making the purchase of the Notes the Respondent self-assessed (pursuant to the IT Policy) that he had no knowledge of any material, generally-undisclosed information.

11. On the Purchase Date, the Respondent had knowledge of a non-binding expression of interest received from Harbour on January 8, 2015, the ongoing Harbour due diligence process, and meetings between Harbour and Pacific related to the due diligence (the "**Harbour Facts**"). With respect to ALFA, the Respondent knew about a February 4, 2015 confidentiality agreement and ALFA having been granted access to confidential Pacific information to conduct due diligence with respect to a potential transaction, although ALFA had not yet commenced its due diligence investigations (the "**ALFA Facts**").

***Pacific blackout periods imposed due to the existence of material, generally-undisclosed information during the Material Time***

12. At the Purchase Date the Respondent had knowledge of the Harbour Facts and the ALFA Facts. No blackout period was in place on the Purchase Date. The Respondent subsequently imposed a blackout in March 2015, at which point Pacific was actively working to combine the two parties, who had made it clear that neither was interested in proceeding alone.

13. The Respondent had previously imposed a blackout on October 21, 2014, in relation to the preparation and filing of quarterly financial information. This blackout was lifted on November 7, 2014 upon filing of that information. No blackout was imposed specifically relating to ALFA's initial expression of interest. The Respondent imposed a separate blackout between December 2, 2014 and December 9, 2014 related to the entering into of a joint venture with ALFA on Mexican opportunities, unrelated to any interest ALFA may have had in acquiring Pacific. The Respondent imposed another blackout in March 2015. The March 2015 blackout was in response to the joint expression of interest by ALFA and Harbour to acquire Pacific. The March 2015 blackout was in effect from on or around March 9, 2015 to on or around May 15, 2015.

**C. CONDUCT CONTRARY TO THE PUBLIC INTEREST**

14. As Pacific's general counsel, the Respondent was in a position of high responsibility and trust and was subject to a high professional standard to avoid any appearance of conflicts of interest and any appearance of misuse of confidential information related to Pacific. The Respondent's conduct was contrary to the public interest as he failed to adhere to the high standard of conduct expected of him in the circumstances.

**DATED** this 8<sup>th</sup> day of June, 2018.