

FC

Financial and
Consumer
Affairs Authority

Suite 601
1919 Saskatchewan Drive
Regina, SK
Canada S4P 4H2

**In the Matter of
*The Securities Act, 1988***

and

**In the Matter of
SHEC Energy Corporation
James Thomas Beck
and
Terrence Michael Stott**

Notice of First Appearance

To: **SHEC Energy Corporation
James Thomas Beck
Terrence Michael Stott**

TAKE NOTICE THAT you or a representative are to attend before a Panel of the Financial and Consumers Affairs Authority of Saskatchewan (the Authority) via teleconference on Tuesday, March 1, 2016 at 9:00 a.m. (CST) to set a date for a hearing into the matters alleged in the Statement of Allegations, dated February 5, 2016, a copy of which is attached hereto.

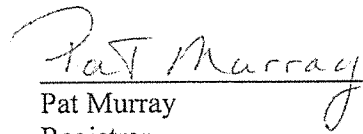
The teleconference number is: [REDACTED]
Pass code: [REDACTED]

TAKE NOTICE that you are entitled to be represented by legal counsel and to make representations on the return date;

AND FURTHER TAKE NOTICE that if you do not attend at the time and place as aforesaid, the conference call will proceed in your absence and the Panel of the Authority may set hearing dates in the above matter without further notice to you;

AND FURTHER TAKE NOTICE that any order made by the Authority may form the basis for a parallel order in another jurisdiction in Canada. The securities laws of some other Canadian jurisdictions may allow orders made in this matter to take effect in other jurisdictions automatically, without further notice to you. If an order is made or a settlement is reached in relation to the matters set out in the Statement of Allegations attached hereto, you should contact the securities regulator of any other jurisdiction in which you may intend to engage in any securities related activities.

DATED at Regina, Saskatchewan on February 11, 2016.



Pat Murray
Registrar

For Delivery To:

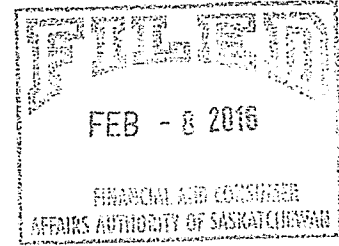
SHEC Energy Corporation and James Thomas Beck
P.O. Box 249
Milden, SK S0L 2L0
Email: [REDACTED]

And To:

Terrence Michael Stott

[REDACTED]
Email: [REDACTED]

Note: Saskatchewan Policy Statement 12-602 *Procedure on Hearings and Reviews* (SP 12-602) sets out information on the procedures for this hearing. SP 12-602 can be found on the Authority's website at www.fcaa.gov.sk.ca.



In the Matter of
The Securities Act, 1988

and

In the Matter of
SHEC Energy Corporation
James Thomas Beck
and
Terrence Michael Stott

STATEMENT OF ALLEGATIONS
OF STAFF OF THE FINANCIAL AND CONSUMER AFFAIRS
AUTHORITY OF SASKATCHEWAN

To: SHEC Energy Corporation
James Thomas Beck
Terrence Michael Stott

Staff of Financial and Consumer Affairs Authority of Saskatchewan (Staff of FCAA) make the following allegations:

The Respondents

1. The Respondent, SHEC Energy Corporation (SHEC) is a business corporation incorporated pursuant to the laws of Saskatchewan since on or about December 1, 2002, with a registered office located in Mildred, Saskatchewan.
2. The Respondent, James Thomas Beck (Beck), is an individual resident in Mildred, Saskatchewan. Beck is, and has at all material times been, the sole director and operating mind of SHEC.
3. The Respondent, Terrence Michael Stott (Stott), is an individual resident in Saskatoon, Saskatchewan. During the relevant time, Stott was employed by SHEC, and held himself out as SHEC's Vice President, or Senior Vice President of Corporate Development. Stott

had signing authority on SHEC's bank accounts, however, he was never listed on SHEC's corporate records as being either a director or officer of SHEC at any time.

Contraventions of sections 27 and 58 of The Securities Act, 1988 (the Act) and section 6.1 of National Instrument 45-106 Prospectus Exemptions (NI 45-106)

4. From time to time from in or around March 2009 to in or around February 2015 (the Relevant Time), SHEC, Beck and Stott (collectively, the Respondents) traded shares in SHEC and options to purchase shares in SHEC with residents of Saskatchewan, other Canadian provinces, and the United States.
5. During the Relevant Time the Respondents traded in securities by selling shares in SHEC (the Shares) to, collectively, approximately 55 residents of Saskatchewan, in exchange for an aggregate sum of approximately \$1,504,135.
6. During the Relevant Time the Respondents also traded in securities by transferring shares in SHEC and options for shares in SHEC (the Options/Shares) to, collectively, approximately eleven persons or companies, resident or situated in Saskatchewan, purported to be employees, consultants or directors of SHEC in exchange for an unknown quantum of value received. One person, namely, Stott, received both Shares and Options/Shares.
7. The Shares and the Options/Shares were previously unissued securities, and as such, trades in these securities would be distributions, pursuant to the Act.
8. The Shares and the Options/Shares were distributed as follows:
 - (a) From on or about March 9, 2009 to on or about December 31, 2009, the Respondents traded, and SHEC issued, approximately 39,433 Shares as well as approximately 137,500 Options/Shares (referred to as the 2009 Distribution). The Respondents raised approximately \$138,017.50 through trades in the Shares, plus an unknown quantum of value received for the Options/Shares, through the 2009 Distribution;
 - (b) From on or about December 31, 2009 to on or about December 15, 2010, the Respondents traded, and SHEC issued, approximately 28,304 Shares as well as approximately 309,685 Options/Shares (referred to as the 2010 Distribution). The Respondents raised approximately \$99,059.00 through trades in the Shares, plus an unknown quantum of value received for the Options/Shares, through the 2010 Distribution;
 - (c) From on or about January 17, 2011 to on or about November 15, 2011, the Respondents traded, and SHEC issued, approximately 113,204 Shares as well as approximately 80,000 Options/Shares (referred to as the 2011 Distribution). The Respondents raised approximately \$378,216.50 through trades in the Shares, plus an unknown quantum of value received for the Options/Shares, through the 2011 Distribution;

- (d) From on or about December 31, 2011 to on or about April 13, 2012, the Respondents traded, and SHEC issued, approximately 27,037 Shares as well as approximately 162,570 Options/Shares (referred to as the 2011-2012 Distribution). The Respondents raised approximately \$89,578 through trades in the Shares, plus an unknown quantum of value received for the Options/Shares, through the 2011-2012 Distribution;
- (e) From on or about April 13, 2012 to on or about December 31, 2012, the Respondents traded, and SHEC issued, approximately 96,203 Shares as well as approximately 51,029 Options/Shares (referred to as the 2012 Distribution). The Respondents raised approximately \$303,065.24 through trades in the Shares, plus an unknown quantum of value received for the Options/Shares, through the 2012 Distribution;
- (f) From on or about February 15, 2013 to on or about April 12, 2013, the Respondents traded, and SHEC issued, approximately 20,550 Shares as well as approximately 20,000 Options/Shares (referred to as the 2013 Distribution). The Respondents raised approximately \$53,120.75 through trades in the Shares, plus an unknown quantum of value received for the Options/Shares, through the 2013 Distribution; and
- (g) From on or about April 26, 2013 to on or about January 3, 2015 the Respondents traded, and SHEC issued, approximately 167,393 Shares as well as approximately 93,214 Options/Shares (referred to as the 2013-2015 Distribution). The Respondents raised approximately \$443,079.00 through trades in the shares, plus an unknown quantum of value received for the Options/Shares, through the 2013-2015 Distribution;

(the 2009 Distribution, the 2010 Distribution, the 2011 Distribution, the 2011-2012 Distribution, the 2012 Distribution, the 2013 Distribution, and the 2013-2015 Distribution are collectively referred to as the Distributions).

Failure to File

- 9. One Form 45-106F - *Report of Exempt Distribution* (SHEC's Filing) was filed with the Financial and Consumer Affairs Authority of Saskatchewan (the Authority) by SHEC, certified by Beck, with respect to all of the Distributions. SHEC's Filing was filed with the Authority in or around February 2015, updated in or around April 2015, and the fees necessary to complete SHEC's Filing were paid in or around April 2015.
- 10. In completing SHEC's Filing in or around April 2015, SHEC and Beck failed to file SHEC's report of exempt distribution within 10 days after each of the seven Distributions, as required by section 6.1 of NI 45-106.

Misuse of Exemptions

- 11. In SHEC's Filing, SHEC stated and Beck certified that the distributions of the Shares and the Options/Shares were exempt from the prospectus requirement under the Act for the

following reasons:

- (a) Pursuant to the “accredited investor” exemption contained in section 2.3 of NI 45-106. SHEC’s Filing claimed this exemption for 23 distributions to 16 investors (the AI Investors). Collectively, the AI Investors were issued a total of approximately 215,548 Shares in exchange for a total of approximately \$668,919.50;
 - (b) Pursuant to the “employee, executive officer, director or consultant” exemption contained in section 2.24 of NI 45-106. SHEC’s Filing claimed this exemption for 44 distributions made to 13 investors (the Employee Investors). Collectively, three of the Employee Investors were issued a total of approximately 62,320 Shares in exchange for a total of approximately \$208,048.44, and 11 of the Employee Investors were issued a total of approximately 853,998 Options/Shares in exchange for some unknown quantum of value received;
 - (c) Pursuant to the “rights offering” provisions of section 2.1 of NI 45-106. SHEC’s Filing claimed this exemption for four distributions to four investors (the RO Investors). Collectively the RO Investors were issued a total of approximately 30,500 Shares in exchange for a total of approximately \$61,000;
 - (d) Pursuant to the “securities for debt” provision of section 2.14 of NI 45-106. SHEC’s Filing claimed this exemption for one distribution to one investor (the SFD Investor). The SFD Investor was issued approximately 20,000 Shares in exchange for approximately \$16,853.05; and
 - (e) Pursuant to a purported “Private Issuer – Security Holder” exemption. SHEC’s Filing claimed this purported exemption for 63 distributions to 34 investors (the PI Investors). The PI Investors were issued a total of approximately 178,938 Shares in exchange for approximately \$549,315.00.
12. Not all of the exemptions as claimed by SHEC in SHEC’s Filing were available for or applicable to the distributions made by SHEC to the AI Investors, the Employee Investors, the RO Investors, the SFD Investor and/or the PI Investors.
 13. No other exemptions from the prospectus requirements were claimed for the distributions to the AI Investors, the Employee Investors, the RO Investors, the SFD Investor or the PI Investors, other than those listed in SHEC’s Filing, and outlined above.
 14. No other report of exempt distribution was filed by SHEC or Beck claiming any other exemptions for the distributions to any of the AI Investors, the Employee Investors, the RO Investors, the SFD Investor or the PI Investors.

Illegal Distributions

15. None of the Respondents filed a preliminary prospectus or a prospectus with the Authority in relation to any of the Distributions and no receipts have been issued by the Director, Securities Division, the Authority (the Director).

16. Insofar as SHEC and Beck are unable to demonstrate the availability of any exemptions from the prospectus requirement in relation to the distributions to the AI Investors, the Employee Investors, the RO Investors, the SFD Investor and/or the PI Investors, in making the distributions to said investors, SHEC and Beck have contravened subsection 58(1) of the Act.

Illegal Trades

17. During the Relevant Time, Stott acted as an intermediary in the trades of certain of the Shares and the Options/Shares between SHEC and the investors. Stott received commissions from SHEC for his involvement in these trades. Many of the Shares and the Options/Shares were sold or transferred to investors pursuant to subscription agreements, filled out and signed by Stott on behalf of SHEC.
18. In carrying out the activities outlined above, during the Relevant Time Stott engaged in the business of trading in securities in Saskatchewan. Stott has never been registered as a "dealer" pursuant to the Act, and therefore, contravened clause 27(2)(a) of the Act.

Sanctions Request

19. Based on the above, Staff of FCAA ask the hearing panel to consider whether it is in the public interest to make the following orders:
20. Based on the above, Staff of FCAA ask the hearing panel to consider whether it is in the public interest to make the following orders:
- (a) Pursuant to clause 134(1)(a) of the Act, all of the exemptions in Saskatchewan securities laws do not apply to the Respondents for a period of five years;
 - (b) Pursuant to clause 134(1)(d) of the Act, the Respondents shall cease trading in any securities or exchange contracts in Saskatchewan for a period of five years;
 - (c) Pursuant to clause 134(1)(h)(iii) of the Act, Beck and Stott shall not be employed by any issuer, registrant or investment fund manager in any capacity that would allow them to trade in securities, for a period of five years;
 - (d) Pursuant to clause 134(1)(h.1) of the Act, each of Beck and Stott are prohibited from becoming or acting as a registrant, an investment fund manager or a promoter, for a period of five years;
 - (e) Pursuant to section 135.1 of the Act, SHEC and Beck shall jointly and severally pay an administrative penalty to the Authority, in the amount of \$50,000.00;
 - (f) Pursuant to section 135.1 of the Act, Stott shall pay an administrative penalty to the Authority, in the amount of \$15,000.00;
 - (g) Pursuant to section 135.6 of the Act, the Respondents shall pay financial compensation to each person or company found to have sustained financial loss as

a result, in whole or in part, of the Respondents' contraventions of the Act, in amounts to be determined; and

- (h) Pursuant to section 161 of the Act, the Respondents shall pay the costs of or relating to this hearing in this matter.

DATED at Regina, Saskatchewan, this 5 day of February, 2016.



Dean Murrison
Director, Securities Division