



Ontario
Securities
Commission

Commission des
valeurs mobilière
de l'Ontario

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**IN THE MATTER OF THE *SECURITIES ACT*,
R.S.O. 1990, c. S.5, AS AMENDED**

- AND -

IN THE MATTER OF MICHAEL A. BECKLEY

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

Staff of the Ontario Securities Commission (“Staff”) make the following allegations:

A. Overview

1. Between September 2011 and July 2013 (the “Material Time”), Michael A. Beckley (“Beckley”) authorized, permitted or acquiesced in the contraventions of Ontario Securities law by HydraLogic Systems Inc. (“HydraLogic”), including breaches of the Cease Trade Order (the “CTO”); and non-compliance with subsection 9.1(2)(a) of National Instrument 51-102 *Continuous Disclosure Obligations* (“NI 51-102”), contrary to section 129.2 of the *Securities Act*, R.S.O. 1990 c. S.5, as amended (the “Act”).
2. HydraLogic breached the CTO by entering into three convertible debenture agreements and a non-binding letter of intent.
3. HydraLogic's Notice of Special Meeting of Shareholders and Management Information Circular dated September 30, 2011 (the “Notice” and the “Circular”) did not comply with the requirements of Item 14.1 of Form 51-102F5 and was in breach of subsection 9.1(2)(a) of NI 51-102.
4. Beckley’s conduct was contrary to Ontario securities law and contrary to the public interest.

B. The Respondent

5. HydraLogic was incorporated on January 14, 2002, and during the Material Time was a reporting issuer in the provinces of British Columbia, Alberta and Ontario with a head office in Ontario.
6. During the Material Time, Beckley was a resident of Ontario and the President and Chief Executive Officer and a directing mind of HydraLogic.
7. HydraLogic's wholly owned subsidiaries were Ecolo Odor Control Technologies Inc. ("Ecolo") and HydraLogic Systems Corp. ("HSC") (collectively, the "Subsidiaries"). Ecolo and HSC were HydraLogic's only substantial assets.

C. The Cease Trade Order

8. On May 14, 2010, the Ontario Securities Commission (the "Commission") issued a temporary order that all trading in the securities of HydraLogic, whether direct or indirect, cease immediately for a period of 15 days (the "TCTO"). On May 26, 2010, the CTO was issued by the Commission against HydraLogic.
9. The CTO was made because HydraLogic failed to file its audited financial statements for the year ended December 31, 2009; the related *Management's Discussion and Analysis* (the "MD&A"); and the certification required by National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*.
10. The CTO remains in effect.
11. Beckley is no longer an officer or director of HydraLogic and a new board of directors is now in place.

D. Breaches of the Cease Trade Order

(a) Convertible Debentures

12. In November 2011, while subject to the CTO, HydraLogic entered into convertible debenture agreements with Antevorta Capital Partners Limited, New Economy Holdings Ltd. and Stratbrand Enterprises Ltd. (collectively, the “Loans”). The lending entities had the option of converting all or any portion of the amounts outstanding to common shares of HydraLogic.
13. The Loans were signed by Beckley on behalf of HydraLogic.

(b) Letter of Intent

14. On July 18, 2013, while subject to the CTO, HydraLogic entered into a non-binding letter of intent (the “LOI”) with HydraServices Inc. The purpose of the LOI was to confirm the intention of HydraLogic and HydraServices Inc. to complete negotiations and to enter into an agreement of purchase and sale providing for the purchase of two environmental technologies.
15. The purchase price of \$500,000 was to be satisfied in part by the vendor causing HydraLogic, on closing of the agreement, “to issue to the [v]endor such number of common shares in HydraLogic's capital as is equal to the quotient obtained by dividing Two Hundred and Fifty Thousand Dollars (\$250,000) by the average of the daily closing price of the common shares on the TSX Venture Exchange over the period of twenty (20) Business Days ended on the Business Day immediately prior to the Closing Date.”

E. Insufficient Management Information Circular

16. Shareholders of HydraLogic received a Notice and Circular dated September 30, 2011. The Notice advised of a special meeting of shareholders to be held on November 2, 2011 at which shareholders would be asked to approve a special resolution allowing the sale of all of the issued and outstanding shares of the Subsidiaries to HydraServices Inc., pursuant to the terms of a share purchase agreement dated September 15, 2011 (the “Sale”).

17. The Notice also advised that shareholders would be asked to approve the three convertible Loans of USD \$33,333.00 each to HydraLogic.
18. HydraLogic had not filed audited financial statements for the year ending December 31, 2009 or interim financial reports for any subsequent period. As a result, the absence of financial disclosure in the Circular meant there was insufficient detail for a reasonable securityholder to make a reasoned judgment concerning the approval of the sale of the Subsidiaries, or the convertible Loans. The Circular therefore did not comply with the requirements of Item 14.1 of Form 51-102F5.

F. Breaches of Ontario Securities Law and Conduct Contrary to the Public Interest

The specific allegations advanced by Staff are:

19. Entering into the Loans and the LOI constituted trading in securities and/or acts in furtherance of trades by HydraLogic in breach of the CTO.
20. The Circular did not comply with the requirements of Item 14.1 of Form 51-102F5 in breach of subsection 9.1(2)(a) of NI 51-102.
21. Beckley authorized, permitted or acquiesced in the above contraventions of Ontario securities law by HydraLogic, pursuant to section 129.2 of the Act.
22. Beckley's conduct was contrary to Ontario securities law and contrary to the public interest.
23. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

DATED AT TORONTO this 12th day of March, 2015.