

ALBERTA SECURITIES COMMISSION

Citation: Re Xfuels, Inc., 2022 ABASC 122

Docket: ENF-012635

Date: 20220919

NOTICE OF HEARING

To: Xfuels Inc., carrying on business as Xfuels, Inc., and Michael David McLaren

Notice: The Alberta Securities Commission (the **Commission**) will convene at 9:30 a.m. on Thursday, October 27, 2022, or as otherwise directed (the **Set Date Hearing**), at Calgary, Alberta, to set a date or dates for the conduct of a hearing regarding the allegations in this Notice (the **Merits Hearing**). At the Merits Hearing, the Commission will consider whether the allegations have been proven. If so, the Commission will subsequently consider whether it is in the public interest to make orders against you under sections 198, 199 and 202 of the *Securities Act*, RSA 2000, c S-4, as amended (the *Act*).

Location: Alberta Securities Commission, 5th Floor, 250 – 5 Street SW, Calgary, Alberta.

Procedure:

1. You may obtain disclosure and particulars of the allegations in this Notice from Sakeb Nazim, c/o Alberta Securities Commission, 600, 250 - 5 Street SW, Calgary, Alberta, T2P 0R4, telephone: 403.592.8187, email: sakeb.nazim@asc.ca.
2. You may be represented by legal counsel or represent yourself. You or your legal counsel may make representations at the Set Date Hearing as part of the process for scheduling the Merits Hearing and the hearing management sessions that will take place between the Set Date Hearing and the Merits Hearing. At the Merits Hearing, you or your legal counsel may make representations and introduce evidence regarding the allegations in this Notice.
3. If you or your legal counsel fail to attend the Set Date Hearing, the scheduling of the Merits Hearing and the hearing management sessions may proceed in your absence without further notice, following which orders may be made against you.

See attached sections 29, 93.1, 198, 199, and 202 of the Act, and Commission Rule 15-501 – Rules of Practice and Procedure for Commission Proceedings.

Reciprocation: Take notice that orders or settlements made by the Commission may form the basis for parallel orders in other jurisdictions in Canada. The securities laws of some other Canadian jurisdictions may allow orders made in this matter to take effect in those other jurisdictions automatically, without further notice to you. If an order is made or a settlement agreement is reached in relation to this Notice, you should contact the securities regulator of any other jurisdiction in which you may intend to engage in any securities related activities.

Allegations:

Parties

1. Xfuels Inc., carrying on business as Xfuels, Inc. (**Xfuels**), is a corporation that was registered in the State of Nevada, United States of America under a predecessor name in approximately June 2010. Its shares have traded on the OTC Markets in the United States since approximately April 2013.
2. Xfuels became a reporting issuer under the *Act* pursuant to Multilateral Instrument 51-105 in approximately September 2015, and continued to be so throughout the relevant period, approximately April 2020 to March 2022 (the **Relevant Period**). During the Relevant Period, Xfuels carried on or aspired to carry on business in the energy industry, including in Alberta, and had a head office in Airdrie, Alberta.
3. Michael David McLaren (**McLaren**) is an individual who resided in Airdrie, Alberta during some or all of the Relevant Period. He was a director, an officer (president and CEO) and the guiding mind of Xfuels during the Relevant Period.

Circumstances

4. On April 22, 2016, the Director, Corporate Finance of the Commission, acting under the delegated authority of the Executive Director of the Commission, issued a Cease Trade Order under section 33.1 of the *Act*, *Re Xfuels, Inc.*, 2016 ABASC 94 (the **Order**), which ceased trading or purchasing in respect of each security of Xfuels until the Order was revoked or varied.
5. According to the Order, Xfuels had failed to file periodic disclosure pursuant to section 146 of the *Act*, specifically, interim unaudited financial statements, interim management's discussion and analysis, and certification of interim filings for the interim period ended January 31, 2016.
6. The Order was a decision of the Executive Director made under Alberta securities laws.
7. The Order was sent to Xfuels on April 22, 2016. McLaren knew or ought to have known about the Order, including its terms, on or about that same date, and, in any event, before and during the Relevant Period.
8. The Order was never revoked or varied.

9. During the Relevant Period, and in breach of the Order, Xfuels issued securities to numerous individuals and entities, including but not limited to:
 - 9.1 Preferred stock issued to McLaren;
 - 9.2 Common stock issued to McLaren;
 - 9.3 Common stock issued to McLaren's mother, an Alberta resident;
 - 9.4 Common stock issued to McLaren's sister, an Alberta resident;
 - 9.5 Common stock issued to other directors and officers of Xfuels, at least one of whom was an Alberta resident; and
 - 9.6 Common stock issued to other Alberta and Canadian residents or entities.
10. The securities that Xfuels issued during the Relevant Period were trades within the meaning of section 1(jjj) of the *Act*.
11. McLaren approved all issuances of Xfuels securities during the Relevant Period.
12. During the Relevant Period, and in breach of the Order, Xfuels and McLaren also engaged in numerous acts, advertisements, solicitations, types of conduct, or negotiations in furtherance of trades in securities of Xfuels within the meaning of section 1(jjj)(vi) of the *Act*, including but not limited to:
 - 12.1 Issuing news releases and other public statements about issuances or prospective issuances of securities of Xfuels; and
 - 12.2 Executing agreements and other corporate documents involving issuances or prospective issuances of securities of Xfuels.
13. McLaren authorized, permitted or acquiesced in all of the trades and acts in furtherance of trades in securities that Xfuels engaged in during the Relevant Period.

Breaches

14. As a result of the above, Staff allege that Xfuels and McLaren breached section 93.1 of the *Act* by not complying with the Order.

Calgary, Alberta, 19 September, 2022.) ALBERTA SECURITIES COMMISSION
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) *“Original signed by”*
) _____
) David C. Linder, K.C.
) Executive Director