

2011 BCSECCOM 371

Notice of Hearing

Jerome John Rak

Section 161 of the *Securities Act*, RSBC 1996, c. 418

- ¶ 1 The British Columbia Securities Commission (Commission) will hold a hearing (Hearing) at which the Executive Director will tender evidence, make submissions and apply for orders against Jerome John Rak (Rak) under sections 161, 162 and 174 of the *Securities Act*, RSBC 1996, c. 418 (the Act), based on the following facts:

Background

1. Velo Energy Inc. (Velo) is an Alberta company and a reporting issuer whose shares traded on the TSX Venture Exchange. It had a business address in Vancouver, British Columbia and its directors were Vancouver residents.
2. Belmont Capital Corporation (Belmont) is a British Columbia company that purports to be an energy investment company. Belmont was a significant shareholder of Velo. In August 2009, Belmont and Velo had the same address in Vancouver.
3. Rak is a resident of West Vancouver, British Columbia and the president and a director of Belmont. Rak has sole trading authority over Belmont's trading account.
4. Arthur Millholland (Millholland) is a resident of Calgary, Alberta and formerly the president and chief executive officer (CEO) of Oilexco Inc., an oil exploration company.

Material facts and special relationship

5. In late July or early August 2009, Millholland heard about an opportunity to consider a reverse merger with a shell company.
6. On August 4, 2009, Millholland attended a meeting in West Vancouver with Rak and others to discuss the possibility of Millholland merging with Velo and becoming its president and CEO (the Vancouver Meeting). The Vancouver Meeting concluded with a verbal agreement, subject to due diligence, that Millholland would become Velo's president and CEO.
7. The next day, on August 5, 2009, Millholland began drafting the news release that would announce he had become the new president and CEO of Velo (the

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News Release). On August 6, 2009, Millholland sent the draft News Release to Rak.

8. At the end of the day on Friday, August 7, 2009, Velo issued the News Release. Velo's share price closed that day at \$0.20 per share. On August 10, 2009, the next trading day, Velo's share price rose to a high of \$0.495.
9. Between August 4 and August 7, 2009 (the relevant period), Rak was in a special relationship with Velo and had knowledge of the plan for Millholland to take over Velo and become its new president and CEO.

Insider Trading

10. During the relevant period, Rak through Belmont bought 172,000 shares of Velo on August 5, 6 and 7, 2009:

Date	Volume	Eastern Time	Price
05/08/2009	75,000	2:16:51 pm	\$0.17
06/08/2009	7,000	3:53:20 pm	\$0.17
07/08/2009	30,000	3:07:31 pm	\$0.19
07/08/2009	9,500	3:07:31 pm	\$0.195
07/08/2009	10,500	3:07:31 pm	\$0.195
07/08/2009	17,500	3:16:06 pm	\$0.195
07/08/2009	22,500	3:21:25 pm	\$0.195
	172, 000		

Breach of section 57.2

11. During the relevant period, Rak, while in a special relationship with Velo, and knowing of the plan for Millholland to take over Velo and become its new president and CEO before it was generally disclosed, purchased securities of Velo through Belmont's trading account contrary to section 57.2 of the Act.

Public Interest

- ¶ 2 It is in the public interest that the Commission issue orders under sections 161 and 162 of the Act.

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Hearing Process

- ¶ 3 The Respondent or his counsel is required to attend at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia, on **September 19, 2011 at 9:00 a.m.** if he wishes to be heard before the Commission sets a date for the Hearing. Relevant information gathered by Commission staff in the investigation of this matter will be disclosed to the Respondent upon his request to the Executive Director.
- ¶ 4 At the Hearing, the Respondent may be represented by counsel, make submissions and tender evidence. The Respondent is requested to advise the Commission of his intention to attend the Hearing by informing the Secretary to the Commission at PO Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC V7Y 1L2 phone: (604) 899-6500; email: commsec@bcsc.bc.ca.
- ¶ 5 If the Respondent or his counsel do not appear at the Hearing, the Executive Director may apply to have questions of liability and sanction heard at the same time. Determinations adverse to the Respondent may be made in his absence.
- ¶ 6 August 5, 2011
- Paul Bourque
- ¶ 7 Paul C. Bourque, Q.C.
Executive Director