

ALBERTA SECURITIES COMMISSION

NOTICE OF HEARING

Citation: Harris, Re, 2010 ABASC 461

**Date: 20101001
Docket: ENF-005998**

Securities Act, R.S.A. 2000, c. S-4 as amended (Act)

To: Robert John Harris operating as Harris Agencies

Notice: The Alberta Securities Commission (**Commission**) will convene at 2 pm on Wednesday, the 10th day of November 2010, at Calgary, in Alberta, to deal with any preliminary matters, and to set a date for a hearing regarding the allegations in this Notice. At the hearing, the Commission will consider whether it is in the public interest to order:

- (i) Under subsection 198(1)(a) of the *Act*, that trading in or purchasing cease in respect of specified securities;
- (ii) Under subsection 198(1)(b) of the *Act*, that you cease trading in or purchasing securities;
- (iii) Under subsection 198(1)(b.2) of the *Act*, that you be reprimanded;
- (iv) Under subsection 198(1)(c) of the *Act*, that any or all of the exemptions contained in Alberta securities laws do not apply to you;
- (v) Under subsection 198(1)(d) and (e) of the *Act*, that you resign any positions that you hold as a director or officer of an issuer, registrant or investment fund manager and that you be prohibited from becoming or acting as a director or officer or as both a director and officer of any issuer, registrant, or investment fund manager;
- (vi) Under subsection 198(1)(e.3) of the *Act*, that you be prohibited from acting in a management or consultative capacity in connection with activities in the securities market;
- (vii) Under subsection 198(1)(i) of the *Act*, that you pay to the Commission any amounts obtained or payments or losses avoided as a result of non-compliance with Alberta securities laws;
- (viii) Under subsection 199 of the *Act*, that you each pay an administrative

penalty;

(ix) Under subsections 202(1) and (2) of the *Act*, that you pay the costs of the investigation and hearing; and

(x) Such further and other order under Section 198 as the Commission deems appropriate.

Location: Alberta Securities Commission, 6th Floor, 300 – 5th Avenue SW, Calgary, Alberta.

- Procedure:**
1. You may obtain disclosure and particulars of the allegations in this Notice from Carla A. Murray, litigation counsel, c/o Alberta Securities Commission, 4th Floor, 300 - 5 Avenue SW, Calgary, Alberta, T2P 3C4, facsimile 403.297.2210, carla.murray@asc.ca.
 2. You may be represented by legal counsel and you or your counsel may make representations and introduce relevant evidence.
 3. If you or your counsel fail to attend at 2 pm on Wednesday, the 10th day of November 2010, or as directed, the hearing may proceed in your absence and an order may be made against you without further notice.

See also section 29 of the Act and Commission Rule 15-501 – Rules of Practice and Procedure for Commission Proceedings.

Allegations

Summary of Breaches

1 Staff of the Commission (**Staff**) alleges that Robert John Harris operating as Harris Agencies (the **Respondent**):

- 1.1 traded in securities in Alberta without being registered to do so;
- 1.2 engaged in illegal distribution in Alberta of securities;
- 1.3 made misleading and untrue statements to Alberta investors;
- 1.4 perpetrated a fraud on Alberta investors; and
- 1.5 acted contrary to the public interest.

Parties

2 The Respondent Harris is an individual who, so far as is known to Staff, currently resides in Wasa, British Columbia. So far as is known to Staff, Harris Agencies was the Respondent Harris' unincorporated and otherwise unregistered business operated at all material times in Calgary, Alberta.

3 The Respondent has never been registered under the Act, has never been a reporting issuer in Alberta and has never filed a prospectus or preliminary prospectus in accordance with the Act.

Circumstances

4 At all material times, the Respondent was an agent licensed to sell life insurance and other insurance products in Alberta. In order to promote the sales of his insurance products to his clients (**Clients**), who were primarily from Alberta, the Respondent controlled and operated a real estate investment club (the **Club**) which he stipulated that only his Clients were eligible to participate in.

5 The Clients who invested in the Club (**Investors**) were told that their investment funds were being used to purchase real estate and second mortgages which would then be resold. After advancing their investment funds, Investors received promissory notes issued by Robert Harris/Harris Agencies which detailed the amount invested by the Investor, the anticipated rate of return and the purported product invested in, such as "leg 1" or "repossession 2".

6 Through the Club, the Respondent raised at least \$5 million from approximately 200 Investors from about 2000 to 2010.

7 The Respondent was thereby dealing in and trading securities in Alberta without being registered, and without filing a prospectus or without there being an applicable exemption to the registration and prospectus requirements.

8 Contrary to what was told to the Investors, the Respondent did not purchase any real estate or second mortgages. Instead, monies raised through the Club went to paying a high rate of interest, ranging between 15% and 23%, to prior Investors in the Club in the manner of a ponzi scheme.

9 The Respondent further advised Investors that their investments in the Club were “safe”.

10 The Respondent made statements to the Investors that he knew were misleading and untrue, including that he was purchasing real estate and second mortgages with their investment funds when he was not, and advising Investors that their investments were “safe”.

11 By engaging in the conduct described in, among other places, paragraph 8 above, the Respondent also engaged in a course of conduct that he knew would perpetrate a fraud on the Investors.

Breaches

12 As a result of the above, Staff alleges that the Respondent:

12.1 breached s. 75(1) of the *Act* by trading in securities in Alberta without being registered to do so or having an applicable exemption in accordance with Alberta securities laws;

12.2 breached s. 110 of the *Act* by trading in securities on the Respondent’s own account, and where such trade was a distribution as defined under the *Act*, without either a preliminary prospectus or prospectus having been filed and the Executive Director having issued a receipt for same;

12.3 breached s. 92(4.1) of the *Act* by making misleading and untrue statement to Investors; and

12.4 breached s. 93(b) of the *Act* by perpetrating a fraud on Investors.

13 Staff further alleges that the misconduct of the Respondent described above constitutes conduct that is contrary to the public interest.

Calgary, Alberta, October 1, 2010.) ALBERTA SECURITIES COMMISSION
)
)
) “Original Signed By”
) _____
) W. E. Brett Code
) Director, Enforcement