

ALBERTA SECURITIES COMMISSION

NOTICE OF HEARING

Citation: Hallett Financial Services Ltd., Re, 2010 ABASC 65

Date: 20100218
Docket: E/04440
ENF-005567

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

To: Hallett Financial Services Ltd. and Phillip Ross Hallett

Notice: The Alberta Securities Commission (**Commission**) will convene at 2:00pm on Wednesday, the 10th day of March 2010, at Calgary, Alberta, to deal with any preliminary matters and to set a date for a hearing at Edmonton, Alberta, 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 to the Commission;
- (ix) Under subsections 202(1) and (2) of the *Act*, that you pay the costs of the

investigation and hearing to the Commission; and

(x) Such further and other orders 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 Richard J. Finn, c/o Alberta Securities Commission, 4th Floor, 300 - 5 Avenue SW, Calgary, Alberta, T2P 3C4, telephone 403.297.4967
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 fails to attend on March 10, 2010, at 2:00pm, 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 Hallett Financial Services Ltd. and Phillip Ross Hallett (the **Respondents**) traded illegally, and engaged in an illegal distribution of, the securities of Hallett Financial Services Ltd.

2 Staff alleges that the Respondent, Phillip Ross Hallett made misleading statements to Alberta investors.

3 Staff alleges that the Respondents acted contrary to the public interest.

Parties

4 The Respondent, Hallett Financial Services Ltd. (**HFS**) is a company incorporated under the laws of the Province of Alberta; at all material times, its head office was located in the City of Edmonton, Alberta and it carried on business as a provider of insurance and investment products.

5 At all material times, the Respondent, Phillip Ross Hallett (**Hallett**) was a director and shareholder of HFS. Hallett was the directing mind of HFS who authorized, permitted or acquiesced in the contraventions of the *Act* by HFS described herein.

Circumstances

Illegal Trading and Distribution

6 Staff alleges that HFS offered for sale and sold Fixed Rate Term Notes (**HFS Notes**) in Alberta with a total value of more than \$1,300,000 to Alberta investors between July 2006 and May 2008.

7 The HFS Notes promised rates of return on investment that varied from 12% to 15% per annum, with interest being paid monthly. All of the HFS Notes sold to investors had 12 month terms.

8 Staff alleges that the transactions undertaken in relation to HFS Notes were trades, as defined in the *Act* and that, as these trades related to securities that had not previously been issued, they constituted distributions, as defined in the *Act*.

9 Staff alleges that Hallett personally earned approximately \$39,000 as a direct result of his participation in the distribution of HFS Notes.

10 None of the Respondents was registered to sell securities at the material times;

11 None of the Respondents has ever filed a preliminary prospectus or prospectus with the Commission, or received a receipt for same.

12 None of the Respondents has ever filed a Report of Exempt Distribution with the Commission.

Misrepresentations to Investors

13 Staff alleges that Hallett made representations to Alberta investors in the course of his involvement with the distribution of HFS Notes that he knew, or ought to have known, were untrue or misleading at the time that they were made, or that failed to include information or facts that would have rendered them not misleading. Staff further alleges that the misrepresentations made by Hallett to investors would have reasonably been expected to have a significant effect on the market price or value of the securities being sold

14 Specifically, Staff alleges that Hallett misrepresented to investors that the HFS Notes were similar to Guaranteed Investment Certificates (**GICs**), and that they were safe investments, when in fact, this was not the case.

Breaches

15 As a result of the above, Staff alleges that the Respondents:

15.1 breached Section 75 of the *Act* by trading in securities of HFS without being registered to do so, and without an applicable exemption from this requirement;

15.2 breached Section 92(4.1) of the *Act* by making misrepresentations to investors; and

15.3 breached Section 110 of the *Act* by engaging in a distribution of securities of HFS without filing and obtaining a receipt for a preliminary prospectus or prospectus, and without an appropriate exemption from this requirement.

16 Staff further alleges that the Respondents' conduct, as described above, was contrary to the public interest.

Calgary, Alberta, February 18, 2010.) ALBERTA SECURITIES COMMISSION
)
)
) "*original signed by*"
) _____
) John P. Petch
) Director, Enforcement