

ALBERTA SECURITIES COMMISSION
SETTLEMENT AGREEMENT AND UNDERTAKING

Citation: Hallett Financial Services Ltd., Re, 2010 ABASC 232

Date: 20100518
Docket: ENF-005567

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

Hallett Financial Services Ltd. and Phillip Ross Hallett

Introduction

- 1 The staff of the Alberta Securities Commission (respectively, **Staff** and **Commission**) conducted an investigation into allegations that Hallett Financial Services Ltd. (**HFS**) and Phillip Ross Hallett (**Hallett**) breached Alberta securities laws by engaging in illegal trades and distributions of securities of HFS and that Hallett breached Alberta securities laws by making prohibited representations to investors.
- 2 The investigation confirmed, and each of HFS and Hallett admit, that they breached the sections of the *Act* set out below and that each acted contrary to the public interest.
- 3 Solely for the purposes of the regulation of securities in Alberta, and elsewhere, and as the basis for the settlement set out below, HFS and Hallett make the statements and admissions set out in this Settlement Agreement and Undertaking (**Agreement**).
- 4 Terms used in this Agreement have the same meaning as provided for in Alberta securities laws, as that term is defined in the *Act*.

Hallett's Authority to Bind HFS

- 5 Hallett represents and warrants that he has authority to make statements and admissions on behalf of HFS in connection with this Agreement and that he has the ability to bind HFS in connection with the undertakings provided herein.

Circumstances

6 The issuer, HFS, is an Alberta corporation having its head office located in the City of Edmonton and at all material times carried on business as a provider of insurance and investment products.

7 HFS admits that it has never filed either a preliminary prospectus or prospectus with the Executive Director of the Commission.

8 HFS admits that it has never been registered with the Executive Director of the Commission in any capacity.

9 HFS admits that it sold HFS securities to Alberta investors valued at not less than \$1,300,000 between July 2006 and May 2008 and that these sales constituted distributions of securities as defined in the *Act*.

10 HFS admits that the HFS securities sold to investors at the material time were in the form of "Fixed Rate Term Notes" (**HFS Term Notes**) that promised annual rates of return of between 12% and 15%, paid monthly.

11 HFS admits that the investors who purchased the HFS Term Notes have not received any return on their investments since December 2008.

12 Hallett admits that he is an officer and director of HFS and that he was, at all material times, the sole directing mind of HFS.

13 Hallett admits that he was solely responsible for the sale of HFS Term Notes during the material time.

14 Hallett admits that he was not registered to deal in securities at the time that he took part in the distribution of HFS Term Notes.

15 Hallett admits that he earned at least \$35,000 in commissions as a result of his participation in the sale of HFS Term Notes during the material time.

16 Hallett admits that he represented to HFS investors that the HFS Term Notes were safe, and that they were similar to Guaranteed Investment Certificates or "G.I.Cs". He further admits that these statements constituted prohibited representations as defined in the *Act*.

Breaches - HFS

17 HFS admits that it breached s. 75 of the *Act* by trading in, and engaging in a distribution of HFS securities while not registered in accordance with the *Act*, and without the benefit of an applicable exemption from the registration requirement.

18 HFS admits that it breached s. 110 of the *Act* by engaging in a distribution of HFS securities without having filed a preliminary prospectus or prospectus with the Executive Director of the Commission, and without the benefit of an applicable exemption from the prospectus requirement.

19 HFS admits that its conduct during the material time, as described herein, was contrary to the public interest.

Breaches – Hallett

20 Hallett admits that he breached s. 75 of the *Act* by trading in, and engaging in a distribution of HFS securities while not registered in accordance with the *Act*, and without the benefit of an applicable exemption from this requirement.

21 Hallett admits that he breached s. 110 of the *Act* by engaging in a distribution of HFS securities undertaken without a prospectus, and without the benefit of an applicable exemption from this requirement.

22 Hallett admits that he breached s. 92(4.1) of the *Act* by making prohibited representations to investors in connection with the distribution of HFS securities.

23 Hallett admits that his conduct during the material time, as described herein, was contrary to the public interest.

Other Material Facts

24 Neither HFS nor Hallett has previously been sanctioned by the Commission.

25 HFS and Hallett state that they were introduced to the “Fixed Rate Term Note” investment product by Robert Sellars and Sellars Financial Inc. in 2003 and that HFS had invested its own funds in Fixed Rate Term Notes issued by Sellars Financial Inc. (**Sellars Term Notes**) prior to offering its own securities for sale.

26 HFS states that the investor funds obtained through the sale of HFS Term Notes were re-invested, by HFS, in Sellars Term Notes.

27 HFS states that it has not received any return in connection with its re-investment of HFS Term Note funds in Sellars Term Notes since December 2008.

28 HFS has pursued legal remedies against Robert Sellars, Penny Sellars and Sellars Financial Inc. in an attempt to recover funds for investors who purchased HFS Term Notes and has secured judgment against Sellars Financial Inc. in the Court of Queen’s Bench of Alberta. HFS has taken enforcement steps to realise on this judgment.

29 This Agreement has saved the Commission the time and expense associated with a contested hearing under the *Act*.

Settlement Payments and Undertakings

HFS

30 Based on these facts and admissions, HFS undertakes to the Executive Director of the Commission to permanently refrain from purchasing or trading in securities or exchange contracts and to permanently refrain from attempting to utilize any exemptions otherwise available under Alberta securities laws.

Hallett

31 Based on these facts and admissions, Hallett agrees to pay to the Commission the amount of \$40,000 to settle the allegations against him and the amount of \$2,000 for costs of the investigation.

32 Hallett further undertakes to the Executive Director of the Commission as follows:

32.1 Hallett shall resign from any position that he now holds as a director or officer of an issuer, as defined in the *Act*, and shall refrain from acting as a director or officer of an issuer for a period of five (5) years from the date of execution of the within Agreement, except that this undertaking shall not preclude him from serving as a director or officer (or both) of an issuer that is not a reporting issuer under the *Act* and does not distribute securities to the public; and

32.2 Hallett shall not attempt to benefit from any exemptions otherwise available to him under Alberta securities laws nor will he cause any issuer of which he is a director to benefit from any exemption, or both, for a period of five (5) years from the date of execution of the within Agreement.

Administration

33 HFS and Hallett acknowledge that each has sought and received legal advice and that the admissions herein have been made voluntarily.

34 HFS and Hallett each hereby waive any right existing under the *Act*, or otherwise, to a hearing, review, judicial review or appeal of this matter.

35 HFS and Hallett each acknowledge that this Agreement may be referred to solely for securities regulatory purposes in Alberta and elsewhere.

36 The Agreement resolves all issues involving HFS and Hallett as described in the above paragraphs, and Staff will take no further steps against these parties arising from these facts.

37 The Agreement may be executed by facsimile and in counterpart.

Signed by PHILLIP ROSS HALLETT at)
Edmonton this 13th day of May 2010, in)
the presence of:)

Richard J. Cotter)

WITNESS NAME)

"Original Signed By")
SIGNATURE)

"Original Signed By")
PHILLIP ROSS HALLETT)

Signed by HALLETT FINANCIAL)
SERVICES LTD. at Edmonton this 13th)
day of May 2010, in the presence of:)

Richard J. Cotter)

WITNESS NAME)

"Original Signed By")
SIGNATURE)

"Original Signed By")
Phillip Ross Hallett)
per HALLETT FINANCIAL SERVICES LTD.)
"I have authority to bind the Corporation")

) ALBERTA SECURITIES COMMISSION)

Calgary, Alberta, 18th May 2010)

) "Original Signed By")
) John P. Petch)
) Director, Enforcement)