

## ALBERTA SECURITIES COMMISSION

**Citation: Re Bennett, 2017 ABASC 116**

**Docket: ENF-010449**

**Date: 20170706**

### AMENDED NOTICE OF HEARING

**To:** Wayne Loderick Bennett

**Notice:** The Alberta Securities Commission (**Commission**) will convene at 9:00 a.m. on Wednesday, August 9, 2017, at Calgary, Alberta, for the hearing regarding the allegations in this Notice of Hearing (**Notice**). At the hearing, the Commission will 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 (*Act*).

**Location:** Alberta Securities Commission, 5<sup>th</sup> Floor, 250 – 5 Street SW, Calgary, Alberta.

**Procedure:**

1. You may obtain disclosure and particulars of the allegations in this Notice from Heather Currie, c/o Alberta Securities Commission, 600, 250 - 5 Street SW, Calgary, Alberta, T2P 0R4, telephone: 403.592.3054, email: heather.currie@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 on August 9, 2017, or as directed, the hearing may proceed in your absence, and an order may be made against you without further notice.

*See attached sections 29, 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 Alberta Securities 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 of Hearing, 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. Wayne Loderick Bennett (**Bennett**) was the founder, president, sole director, a shareholder, and the guiding mind of Environmental Sentry Services Inc., also known as Environmental Sentry Services, Inc. (**ESSI**) during the Relevant Period (defined below). He resided in Irma, Alberta, and authorized, permitted, or acquiesced in all the conduct described in this Notice.
2. ESSI was federally incorporated in Canada on April 24, 2007, and had its registered office at 1250, 639 – 5 Avenue SW, Calgary, Alberta, T2P 0M9.

### Circumstances

#### *Background*

3. ESSI was ostensibly in the business of manufacturing and distributing hydrocarbon remediation products which assisted in the recovery of petroleum spills.
4. Bennett publicly represented that ESSI owned or controlled patents or patents pending on its products.

#### *Illegal Distributions*

5. Between about 2006 and 2015 (the **Relevant Period**), Bennett directly and/or indirectly raised on behalf of ESSI about \$5,309,406 by trading and issuing class "A" common shares and debentures to about 242 investors. Of that amount, \$4,218,079 was raised from about 192 Alberta investors.
6. Staff allege that:
  - 6.1 the shares and debentures were securities as defined in the *Act*;
  - 6.2 as first trades in securities that had not been previously issued, the trades were distributions under the *Act*;
  - 6.3 Bennett directly and/or indirectly traded in the securities of ESSI on behalf of ESSI notwithstanding that at no time was a preliminary prospectus or prospectus filed with the Executive Director of the Commission (**Executive Director**), nor was a receipt provided for same in respect of ESSI; and
  - 6.4 exemptions were not available for many of the trades in ESSI's securities.

#### *Misrepresentations*

7. Bennett repeatedly and falsely represented to potential investors that ESSI owned patents and patents pending for ESSI's products.

8. In fact, the following patents and patents pending were registered in the name of either Bennett or WLB Holdings Inc. (**WLB**), and were never owned by ESSI:
  - 8.1 CA2680891 – filter units;
  - 8.2 US 8241504 – filter units and filtration method; and
  - 8.3 WO 2105039229 – oil absorbent pads.
9. WLB was incorporated in Alberta on September 3, 2008, and had its registered office in Calgary, Alberta. Bennett was the sole director and the majority shareholder of WLB during the Relevant Period.
10. The ESSI products most heavily touted by Bennett were known as "Smart Crumbs" and "Aqua Fibre," both of which absorbed hydrocarbons from the environment.
11. Bennett falsely represented to potential investors that ESSI had patents or patents pending on "Smart Crumbs" and "Aqua Fibre," when in fact ESSI did not.
12. These representations were misleading because they failed to disclose that ESSI's primary products and intellectual property were either not owned by ESSI, or not protected by patents.
13. Bennett knew or ought to have known these statements would reasonably be expected to have a significant effect on the market price or value of ESSI's securities.

*Prohibited Representation*

14. Bennett repeatedly told investors that ESSI would soon be "going public".
15. Bennett did not receive permission from the Executive Director to represent that securities of ESSI would be listed on an exchange, or quoted on a quotation or trade reporting system.
16. Bennett was not granted approval by, nor did he receive consent from, an exchange or trade reporting system to list ESSI's securities.

*Breaches*

17. As a result of the above, Staff allege that the Respondent breached:
  - 17.1 section 110(1) of the *Act* when he engaged in illegal distributions of ESSI's securities;
  - 17.2 section 92(4.1) of the *Act* when he made statements to investors that they knew or ought to have known were misleading or untrue, or did not state facts that were required to be stated, or that were necessary to make the statements not misleading, which statements would reasonably be expected to have a significant effect on the market price or value of ESSI's securities; and

17.3 section 92(3)(b) of the *Act* when he represented that ESSI would be going public.

18. Staff further allege that the Respondent's conduct described above was contrary to the public interest.

Calgary, Alberta, 6 July 2017.

) ALBERTA SECURITIES COMMISSION

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) *"Original Signed By"*

) David C. Linder, Q.C.

) Executive Director