



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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**IN THE MATTER OF
WAYNE LODERICK BENNETT**

**STATEMENT OF ALLEGATIONS
(Subsections 127(1) and 127(10) of the *Securities Act*, RSO 1990 c S.5)**

1. Staff of the Enforcement Branch (**Staff**) of the Ontario Securities Commission (the **Commission**) elect to proceed using the expedited procedure for inter-jurisdictional proceedings as set out in Rule 11(3) of the Commission's *Rules of Procedure*.

A. ORDER SOUGHT

2. Staff request that the Commission make the following inter-jurisdictional enforcement order, pursuant to paragraph 4 of subsection 127(10) of the Ontario *Securities Act*, RSO 1990 c S.5 (the **Act**):

(a) against Wayne Loderick Bennett (**Bennett** or the **Respondent**) that:

- i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in securities or derivatives by Bennett cease permanently, except that this order does not preclude Bennett from trading in securities or derivatives through a registrant (who has first been given copies of the Order of the Alberta Securities Commission (the **ASC**) dated November 22, 2017 (the **ASC Order**), the Agreed Statement of Facts and Admissions dated July 21, 2017 (the **Statement**), and a copy of the order in this proceeding, if granted), in one registered retirement savings plan, one

registered retirement income fund, one tax-free savings account (as defined in the *Income Tax Act* (Canada)) and one locked-in retirement account, each for the benefit of one or more of Bennett and his spouse;

- ii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Bennett cease permanently, except that this order does not preclude Bennett from purchasing securities through a registrant (who has first been given copies of the ASC Order, the Statement, and a copy of the order in this proceeding, if granted), in one registered retirement savings plan, one registered retirement income fund, one tax-free savings account (as defined in the *Income Tax Act* (Canada)) and one locked-in retirement account, each for the benefit of one or more of Bennett and his spouse;
 - iii. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Bennett permanently;
 - iv. pursuant to paragraphs 7, 8.1 and 8.3 of subsection 127(1) of the Act, Bennett resign any positions that he holds as a director or officer of any issuer, registrant or investment fund manager;
 - v. pursuant to paragraphs 8, 8.2 and 8.4 of subsection 127(1) of the Act, Bennett be prohibited permanently from becoming or acting as a director or officer of any issuer, registrant or investment fund manager; and
 - vi. pursuant to paragraph 8.5 of subsection 127(1) of the Act, Bennett be prohibited permanently from becoming or acting as a registrant, investment fund manager or promoter;
- (b) such other order or orders as the Commission considers appropriate.

B. FACTS

Staff make the following allegations of fact:

3. Bennett is subject to the ASC Order, which imposes sanctions, conditions, restrictions or requirements upon him.
4. In its findings on liability dated November 22, 2017 (the **Findings**) a panel of the ASC (the **ASC Panel**) found that Bennett engaged in an illegal distribution of securities, contrary to section 110 of the *Alberta Securities Act*, RSA 2000 c S-4 (the **Alberta Act**), and made misleading statements and prohibited representations in respect of those securities, contrary to sections 92(4.1) and 92(3)(b) of the *Alberta Act*.

(i) The ASC Proceedings*Agreed Statement of Facts and Admissions*

5. During the course of the ASC proceedings, Bennett and ASC Staff entered into the Statement. Bennett made admissions therein concerning the allegations of illegal distribution, misleading statements and prohibited representations against him by ASC Staff. A summary of the Statement and the ASC Panel's Findings is set out below.

Background

6. The conduct for which Bennett was sanctioned occurred between September 8, 2010 and September 8, 2016 (the **Material Time**).
7. As of the date of the Findings, Bennett was an Alberta resident. Bennett was not registered with the ASC in any capacity during the Material Time.
8. 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**), from its incorporation until early 2016, when he resigned his positions as director and officer.

9. ESSI was in the business of manufacturing and distributing hydrocarbon remediation products to aid in the recovery of petroleum spills. ESSI, a federally incorporated Canadian company, has never been registered nor filed a prospectus or offering memorandum, with the ASC.
10. During the Material Time, Bennett directly and indirectly raised approximately \$3.8 million for ESSI by distributing Class "A" common shares and debentures to at least 100 investors in Alberta and Ontario.
11. Approximately half of the capital raised for ESSI during the Material Time was raised in reliance on the "close-connection" exemption under section 2.5 of National Instrument 45-106 *Prospectus and Registration Exemptions* (**NI 45-106**), and the other half raised in reliance on the accredited investor exemption under section 2.3 of NI 45-106. However, most investors did not qualify for the exemptions relied upon.
12. ESSI's most heavily touted products were known as "Smart Crumbs" and "Aqua Fiber," both of which absorbed hydrocarbons from the environment. Bennett admitted to having caused ESSI's promotional material to represent that ESSI held various patents and patents pending for its products. Bennett's representations related to six patents, all but one of which were registered in either Canada or the United States. Pursuant to the Statement, ESSI did not hold any of these patents as of March 2015; three patents had been registered in the name of WLB Holdings Limited (**WLB**), and two other patents were registered in ESSI's name but had been transferred to WLB on February 25, 2015 for nominal consideration. Bennett was the sole director and majority shareholder of WLB, an Alberta-incorporated entity.
13. Bennett admitted that statements in ESSI's promotional materials distributed to prospective investors were misrepresentations and did not disclose that (i) ESSI did not own all of the patents and patents pending, and (ii) ESSI's primary products and intellectual property, being Smart Crumbs and Aqua Fiber, were either not owned by ESSI or not protected by patents.

14. Further, Bennett also admitting to telling prospective investors that ESSI would be going public and would be listed on the Toronto Stock Exchange, when neither he nor ESSI had received permission from the ASC's Executive Director to do so, nor approval or consent from any exchange to list ESSI's securities.
15. The ASC Panel noted that with respect to ESSI investors, there was no indication of potential recovery of their investments as at the time of the ASC proceedings.

ASC Findings - Conclusions

16. In its Findings, the ASC Panel concluded, consistent with the Statement, that:
 - (a) Bennett engaged in an illegal distribution of securities, contrary to section 110 of the Alberta Act;
 - (b) Bennett made misleading statements to investors in respect of ESSI securities, contrary to section 92(4.1) of the Alberta Act; and
 - (c) Bennett made prohibited statements to investors in respect of ESSI securities, contrary to section 92(3)(b) of the Alberta Act.

(ii) The ASC Order

17. The ASC Order imposed the following sanctions, conditions, restrictions or requirements upon Bennett:
 - i. under s. 198(1)(d) of the Alberta Act, he must resign all positions he holds as a director or officer (or both) of any issuer, registrant, investment fund manager, recognized exchange, recognized self-regulatory organization, recognized clearing agency, recognized trade repository or recognized quotation and trade reporting system;

- ii. with permanent effect:
 - a. under ss. 198(1)(b) and (c) of the Alberta Act, he must cease trading in or purchasing securities or derivatives, and all of the exemptions contained in Alberta securities laws do not apply to him, except that these orders do not preclude Bennett from trading in or purchasing securities or derivatives through a registrant (who has first been given a copy of the ASC Order and the Statement) in one registered retirement savings plan, one registered retirement income fund, one tax-free savings account (as defined in the *Income Tax Act* (Canada)) and one locked-in retirement account, each for the benefit of one or more of him and his spouse;
 - b. under ss. 198(1)(c.1), (e.1), (e.2) and (e.3) of the Alberta Act, he is prohibited from engaging in investor relations activities, from advising in securities or derivatives, from becoming or acting as a registrant, investment fund manager or promoter, and from acting in a management or consultative capacity in connection with activities in the securities market;
 - c. under s. 198(1)(e) of the Alberta Act, he is prohibited from becoming or acting as a director or officer (or both) of any issuer (or other person or company that is authorized to issue securities), registrant, investment fund manager, recognized exchange, recognized self-regulatory organization, recognized clearing agency, recognized trade repository or recognized quotation and trade reporting system;
- iii. under s. 199 of the Alberta Act, he must pay to the ASC an administrative penalty of \$50,000; and
- iv. under s. 202 of the Alberta Act, he must pay to the ASC \$30,000 of the costs of the ASC's investigation and hearing.

C. JURISDICTION OF THE ONTARIO SECURITIES COMMISSION

18. The Respondent is subject to an order of the ASC imposing sanctions, conditions, restrictions or requirements upon him.
19. Pursuant to paragraph 4 of subsection 127(10) of the Act, an order made by a securities regulatory authority, derivatives regulatory authority or financial regulatory authority, in any jurisdiction, that imposes sanctions, conditions, restrictions or requirements on a person or company may form the basis for an order in the public interest made under subsection 127(1) of the Act.
20. Staff allege that it is in the public interest to make an order against the Respondent.
21. Staff reserve the right to amend these allegations and to make such further and other allegations as Staff deem fit and the Commission may permit.

DATED at Toronto this 1st day of May, 2018.

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