

IN THE MATTER OF
THE SECURITIES ACT, R.S.S. 1978, c. S-42
AND
ROBERT ELDON LINTTELL
HEARING HELD NOVEMBER 2, 1987

Held before: W. M. Wheatley, Chairman
Adelaide MacDonald, Vice-Chairman
Marcel de la Gorgendiere, Commission Member

Representing the Commission: Jay Joyner
Representing Mr. Linttell: Paul Grant

DECISION OF THE COMMISSION

Purpose of Hearing:

The purpose of the hearing was to determine whether it is in the public interest to order that the exemptions afforded by Section 20 of the Saskatchewan Securities Act (the "Act") should not apply to Robert Eldon Linttel.

Celebrations Le Club Limited Partnership ("Celebrations") made a public distribution of limited partnership units pursuant to a prospectus which was given a final receipt by the Saskatchewan Securities Commission on February 14, 1986. Celebrations offered units at \$6,000.00 per unit with a minimum of 140 units to be sold to a maximum of 250 units to be sold. The purpose of Celebrations was to acquire property and develop and operate a night club.

Celebrations was registered under the Saskatchewan Securities Act (the "Act") as a Securities Issuer and Robert Linttell was named as the trading officer. Linttell solicited investors in Celebrations. His method was to give sales presentations to individuals or groups of individuals at their home, a hotel room or their office. He used as a sales aid, a binder in which various glossy brochures showed the project and made claims about it. In that binder was also exhibited character references of Mr. Linttell whose background was with the R.C.M.P. There may have been other documentation. Perhaps a prospectus was in the binder.

In the sales presentation, representations were made on what cash was needed, how it could be borrowed, when cash flow would be generated to cover interest costs, and the anticipated high returns which could be generated by their investment. Each individual left the meeting buoyed by the dreams of instant success evidenced by the glossy brochures they had under their arms.

Little time, if any, was spent by Mr. Linttell to determine what the background of each investor was, what their goals and aspirations in investing were, and what their resources were. Little consideration was given as to whether the investment being promoted by Mr. Linttell met the investors' goals and needs.

While the concept of risk may have been discussed, no emphasis in the presentation was put on the extent of the risk. Some investors had the impression that because they were "Limited Partnership Units" there was no potential liability of a call for extra funds.

There is no question that Mr. Linttell was excited about the projects. That excitement led others to tell their friends and solicit units from Linttell. Little or no documentation was provided to these people. While there may have been prospectuses available at the meetings, the contents of the prospectus was never discussed. Mr. Linttell said that a system was put in place to catalogue contacts and that system would be the trigger which would generate the sending out of a prospectus. Unfortunately, nothing was left of that system except a list of the contacts made. The records of the prospectus being sent out were not kept.

Testimony was given to the Commission that prospectuses were not given to the investor and if they were, there is a significant time period between the date of sale and the time the prospectuses were provided to the investor. Not all of those who testified at the hearing knew what a prospectus was. However, those that did, were certain they had not seen a prospectus at the time of the sales meeting nor at the time they subscribed for the units. Although there may have been one available at the sales meeting or in the sales binder, that is not to say that prospectuses were never ever provided or made available. It appears to the Commission that prospectuses were sent out to investors, perhaps months past the time they were sold. But, some were not received at all.

Extravagant claims, reliance on background in the R.C.M.P., and little or no discussion of the risks involved in the venture were possible factors which drew people into a venture who, through no stretch of the imagination, should have been there. Reliance was placed on a marketing report to substantiate their claims, but other factors had to be brought to the attention of the investors, particularly the liability for a cash call.

It is important in the securities industry that the method of soliciting and conducting business must be such that it maintains confidence in the market place. The client's interest must be considered foremost, particularly, when one is dealing with unsophisticated investors such as a number of the unitholders in this case. Care must be taken to ensure that those unsophisticated people are aware of the risks involved. In this case, expectations of high returns on borrowed money, weren't balanced off against the risks inherent in the restaurant business and the possibility of a cash call that if not met, would force them out of the partnership.

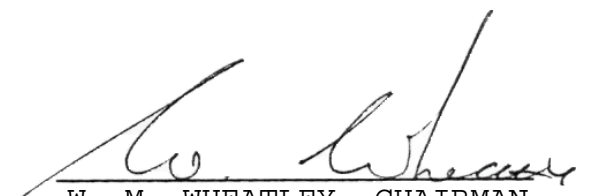
The question arises then, are these contraventions of industry norms and Securities Act provisions sufficient to deny Robert Linttell the exemptions afforded by the Act? Does the Commission think that to sell securities in the exempt market in Saskatchewan in the future, Mr. Linttell should apply to the Commission for approval to use exemptions? The answer to these questions in each case is "yes".

Robert Linttell was wrapped up in a venture that infected him with enthusiasm, but in so doing disregarded the interests of the small, unsophisticated investors he so actively sought. He disregarded the obligations in speculative ventures such as this, that the investment must fit the purchaser and the purchaser must be fully aware of the risks involved. Otherwise, the credibility of the securities industry is damaged.

The Commission would, however, consider a future application for Robert Linttell to sell securities in Saskatchewan under any of the exemptions provided for. The Commission sees no reason why Robert Linttell should not be licensed to a registered dealer in the province who would actively train and supervise his dealings until such time as he sufficiently gained the expertise in the securities market to deal with the public.

Pursuant to Section 20(5) of the Act, the Commission orders that the exemption allowed by Section 20 shall not apply to Robert Eldon Linttell. This denial of exemptions shall be in existence for a period ending December 31, 1988.

DATED AT REGINA,
THIS 24th DAY
OF FEBRUARY, 1988.


W. M. WHEATLEY, CHAIRMAN
ON BEHALF OF THE COMMISSION