

Division of Securities
Utah Department of Commerce
160 East 300 South
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
FAX: (801) 530-6980

BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH

IN THE MATTER OF:

**COLT TECHNOLOGIES, LLC
TALI JAMES HALEUA**

Respondents.

**STIPULATION AND CONSENT
ORDER**

Docket No. SD-08-0090

Docket No. SD-08-0091

The Utah Division of Securities (the Division), by and through its Director of Enforcement, Dave R. Hermansen, and Colt Technologies, LLC and Tali James Haleua, hereby stipulate and agree as follows:

1. Colt Technologies, LLC (Colt Technologies) and Tali James Haleua (Haleua) were the subjects of an investigation conducted by the Division into allegations that they violated certain provisions of the Utah Uniform Securities Act (the Act), Utah Code Ann. § 61-1-1, *et seq.*, as amended.
2. In connection with that investigation, the Division issued an Order to Show Cause against

Respondents on September 3, 2008, alleging securities fraud. Criminal charges were also filed against Haleua¹, in connection with the investigation.

3. Respondents waive any right to a hearing to challenge the Division's evidence and present evidence on their behalf. Respondents understand that by waiving a hearing that they are waiving the requirement that the Division prove the allegations against them by a preponderance of evidence, waiving their right to confront and cross-examine witnesses who may testify against them, to call witnesses in their own behalf, and any and all rights to appeal the findings, conclusions and sanctions set forth in this Stipulation and Consent Order.
4. Respondents acknowledge that this agreement does not affect any enforcement action that might be brought by a criminal prosecutor or any other local, state, or federal enforcement authority.
5. Respondents admit the jurisdiction of the Division over them and over the subject matter of this action.

I. THE DIVISION'S FINDINGS OF FACT

THE RESPONDENTS

6. Colt Technologies, LLC (Colt Technologies) is a Utah limited liability company. Colt Technologies filed articles of organization on January 8, 2004, but its registration expired in

¹*State of Utah v. Tali James Haleua*, Case No. 081905851, Third Judicial District Court of Utah (2008). Haleua later pleaded to four counts of securities fraud, a third degree felony on March 5, 2010. Haleua was ordered to pay full restitution of \$500,000.

May 2008 for failure to file an annual renewal. Colt Technologies was purportedly in the business of developing and producing wireless technology for use in the livestock industry. At the time of dissolution, Tali James Haleua was the sole manager of Colt Technologies. Prior to dissolution, Colt Technologies started doing business as TekVet Technology, LLC (TekVet), although TekVet was registered as a separate Utah limited liability company on July 19, 2006. TekVet's entity status is currently "expired." D. Brett Smith and Tali James Haleua are the managers of TekVet.

7. Tali James Haleua (Haleua) is a resident of Salt Lake County, Utah.

GENERAL ALLEGATIONS

8. From approximately March 2005 through June 2006, Haleua raised \$431,000 for Colt Technologies from eight Utah investors. The investments made by three of the eight investors are described below in more detail.
9. Haleua told investors Colt Technologies was developing a wireless radio frequency device - a sensor tag attached to the animal and called the "TekVet Health Monitoring System" - to monitor the core temperature of cattle.
10. Haleua told investors they would receive anywhere from \$.01 to \$.15 royalty on each sensor sold, and a few investors were promised an equity interest in Colt Technologies. Four of the investors received royalty agreements from Haleua to memorialize their investments, and three received no written documentation.

11. One of the eight investors received a term sheet from Haleua, which promised the return of his principal investment in 180 days, plus interest of 100% in 365 days.
12. One investor received a portion of his investment back from Haleua and Colt Technologies, but the rest received nothing.
13. The investment opportunities offered and sold by Haleua and Colt Technologies are securities under the Act.

INVESTOR MC

14. In June 2006, MC met with Haleua and a Colt Technologies employee (Wallace Sr.) at Colt Technologies' offices in Salt Lake County, Utah, to discuss an investment opportunity.
15. At the meeting, Haleua told MC the following regarding an investment opportunity in Colt Technologies:
 - a. The market for the sensor technology was "huge";
 - b. Feed lots in Argentina and Kansas were ready to purchase the sensors;
 - c. There was little to no competition because Colt Technologies' product was head and shoulders above the others;
 - d. The sensors would sell for \$20 each, with a profit of \$10 per unit sold;
 - e. Colt Technologies was a start-up company so there was no track record for investors;
 - f. Colt Technologies was capitalized with money raised from private investors and Haleua's own money;

- g. MC would receive additional royalties if MC could bring other investors to Colt Technologies;
 - h. MC would be paid back as quickly as possible, probably within six to eight months;
 - i. MC's money would be used to pay Haleua's travel expenses to go to upcoming conventions in Argentina and Hawaii; and
 - j. MC would receive equity of 2% in Colt Technologies, and a royalty agreement for \$.15 on each sensor sold.
16. Haleua failed to tell MC, among other things, that Haleua had a criminal history, filed for bankruptcy in 1994, had several tax liens filed against him by the Utah State Tax Commission, and had an extensive history of civil litigation resulting in judgments as more fully described in paragraph 39 below.
17. On or about June 15, 2006, another Colt Technologies investor sent MC (via e-mail) a copy of Colt Technologies' June 2006 "Executive Summary." In the summary it states that Colt Technologies "received full F.C.C. approval of a proprietary radio frequency (RF/wireless) network system that is designed to monitor the health condition of livestock." The summary does not contain disclosure information typically found in a prospectus or private placement memorandum.
18. On or about June 20, 2006, Haleua's attorney (J. Bates) sent MC and Haleua (via e-mail) an unsigned "interim" royalty agreement.

19. On June 21, 2006, at a restaurant in Salt Lake County, MC invested \$100,000 in Colt Technologies by giving Haleua a personal check made payable to Colt Technologies. MC received no documentation of his investment at this time.
20. Shortly after the June 21, 2006 meeting, MC contacted J. Bates and asked for documentation of MC's investment. J. Bates told MC he would provide MC with a temporary document.
21. MC received a document entitled "Grant of Royalty and Membership of Interest" (the Royalty Agreement), but does not recall who gave it to him. The Royalty Agreement is back-dated June 20, 2006, is signed by D. Brent Smith (a former member of Colt Technologies), and states that MC would receive \$.15 for every sensor sold, and 2% membership interest in Colt Technologies.
22. Sometime in early 2007, MC discovered that Haleua did not attend the conventions in Argentina or Hawaii and that Haleua had a criminal history.
23. MC has received nothing from his investment in Colt Technologies, and the Respondents still owe him \$100,000 in principal alone.

INVESTOR JW

24. In May 2006, JW met with Haleua three times to discuss an investment opportunity in Colt Technologies. JW met with Haleua at a restaurant, at Haleua's home, and at Haleua's office, all of which are located in Salt Lake County.
25. Between the three meetings, Haleua told JW the following:

- a. Invested funds would be used for research and development and general operations of Colt Technologies;
 - b. “They” were “working out the bugs” and the sensors were “just about ready for production”;
 - c. Several high-volume customers were lined-up to purchase the sensors; and
 - d. JW would receive \$.10 for every sensor sold.
26. Haleua failed to tell JW, among other things, that Haleua had a criminal history, filed for bankruptcy in 1994, had several tax liens filed against him by the Utah State Tax Commission, and had an extensive history of civil litigation resulting in judgments as more fully described in paragraph 39 below.
27. On or about May 10, 2006, JW invested \$40,000 in Colt Technologies, via cashier’s check made payable to Colt Technologies.
28. In return for his investment, JW received a confidentiality agreement and grant of royalty interest (the Royalty Agreement). The Royalty Agreement was dated May 10, 2006, and signed by J. Bates.
29. JW has since received nothing from his investment in Colt Technologies, and the Respondents owe him \$40,000 in principal alone.

INVESTOR AM

30. In February 2005, AM met with Haleua at Colt Technologies’ offices to discuss an

investment opportunity.

31. Haleua told AM the following regarding the investment opportunity:
- a. Haleua needed \$200,000 to market Colt Technologies;
 - b. In return, AM would receive his principal plus interest of 100%, and 10% ownership of the assets of Colt Technologies and Colt Credit Service (CCS);² and
 - c. It was unlikely, but there was a small chance Colt Technologies would fail.
32. Haleua failed to tell AM, among other things, that Haleua had a criminal history, filed for bankruptcy in 1994, and had an extensive history of civil litigation resulting in judgments.
33. In March 2005, AM invested \$200,000 in Colt Technologies, via the following means:

<u>Date</u>	<u>Method of Payment</u>	<u>Amount</u>
03/15/2005	Official Check made payable to CCS	\$50,000
03/20/2005	Vehicle conveyed to Haleua	25,000
03/23/2005	Business check made payable to CCS	10,000
03/31/2005	Official Check made payable to CCS	<u>115,000</u>
	TOTAL =	<u>\$200,000</u>

34. On or about March 16, 2005, in return for AM's investments, AM received a "Term Sheet" from Haleua, which stated that AM would receive his principal investment within 180 days,

² CCS was registered as a Utah limited liability company on March 15, 2005, but its entity status is currently "Expired." K. Lee Price was the manager of CCS.

10% equity in Colt Technologies and CCS, and interest of 100% within 365 days. The Term Sheet was signed by Haleua and K. Lee Price (the manager of CCS).

35. Approximately one week after AM's last investment, AM's wife discovered that Haleua had a criminal history.
36. In April 2006, Haleua returned \$75,000 of AM's investment.
37. AM has since received no additional return from his investment, and the Respondents still owe him \$125,000 in principal alone.

SECURITIES FRAUD

38. In connection with the offer and sale of a security, Respondents, directly or indirectly, made false statements, including, but not limited to, the following:
 - a. The market for the sensor technology was "huge";
 - b. Feed lots in Argentina and Kansas were ready to purchase the sensors;
 - c. There was little to no competition because Colt Technologies' product was head and shoulders above the others;
 - d. MC would be paid back as quickly as possible, possibly six to eight months;
 - e. MC's money would be used to pay Haleua's travel expenses to go to conventions in Argentina and Hawaii;
 - f. MC would receive equity of 2% in Colt Technologies, and a royalty agreement for \$.15 on each sensor sold;

- g. “They” were “working out the bugs” and the sensors were “just about ready for production”;
- h. Several high-volume customers were lined-up to purchase the sensors;
- i. JW would receive \$.10 for every sensor sold;
- j. AM would receive his principal plus interest of 100% and 10% ownership of the assets of Colt Technologies and CCS, in return for an investment; and
- k. Colt Technologies “received full F.C.C. approval of a proprietary radio frequency (RF/wireless) network system that is designed to monitor the health condition of livestock.”

39. In connection with the offer and sale of a security, Respondents, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make statements made not misleading:

- a. Haleua had a criminal history;
- b. Haleua filed for bankruptcy in 1994;
- c. The Utah State Tax Commission filed tax liens against Haleua on April 17, 2000, August 29, 2005, and October 3, 2005, totaling \$126,606.
- d. Haleua had an extensive history of civil litigation which resulted in civil judgments against Haleua totaling approximately \$43,000; and
- e. The information typically included in a prospectus or private placement memorandum regarding Colt Technologies.

II. THE DIVISION'S CONCLUSIONS OF LAW

40. Based on the Division's investigative findings, the Division concludes that:
- a. The investment opportunities offered and sold by Respondents were investment contracts;
 - b. Investment contracts are securities under § 61-1-13 of the Act;
 - c. Respondents violated § 61-1-1 of the Act by making misstatements of material facts and by omitting to state material facts in connection with the offer and sale of a security.

III. REMEDIAL ACTIONS/SANCTIONS

41. Respondents Colt Technologies and Haleua admit the Division's findings and conclusions and consent to the sanctions below being imposed by the Division.
42. Respondents Colt Technologies and Haleua represent that any information they provided to the Division as part of the Division's investigation of this matter is accurate.
43. Respondents Colt Technologies and Haleua agree to the imposition of a cease and desist order, prohibiting them from any conduct that violates the Act.
44. Respondent Haleua agrees that he will be barred from (i) associating³ with any broker-dealer or investment adviser licensed in Utah; (ii) acting as an agent for any issuer soliciting

³ "Associating" includes, but is not limited to, acting as an agent of, receiving compensation directly or indirectly from, or engaging in any business on behalf of a broker-dealer, agent, investment adviser, or investment adviser representative licensed in Utah. "Associating" does not include any contact with a broker-dealer, agent, investment adviser, or investment adviser representative licensed in Utah incidental to any personal relationship or business not

investor funds in Utah, and (iii) from being licensed in any capacity in the securities industry in Utah.

45. Respondents Colt Technologies and Haleua agree to cooperate with the Division, the State of Utah, and the Federal Government in any future investigations and/or prosecutions relevant to the matter herein.
46. Respondent Haleua agrees to pay restitution as ordered in the criminal case, *State of Utah v. Tali James Haleua*, Case No. 081905851, Third Judicial District Court of Utah (2008).

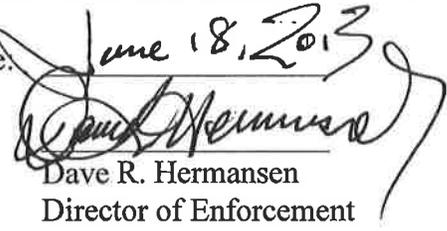
IV. FINAL RESOLUTION

47. Respondents acknowledge that this Stipulation and Consent Order, upon approval by the Securities Commission shall be the final compromise and settlement of this matter.
48. Respondents further acknowledge that if the Securities Commission does not accept the terms of the Stipulation and Consent Order, it shall be deemed null and void and without any force or effect whatsoever.
49. Respondents acknowledge that the Stipulation and Consent Order does not affect any civil or arbitration causes of action that third-parties may have against them arising in whole or in part from their actions, and that the Stipulation and Consent Order does not affect any criminal causes of action that may arise as a result of their conduct referenced herein.
50. The Stipulation and Consent Order constitutes the entire agreement between the parties herein and supersedes and cancels any and all prior negotiations, representations,

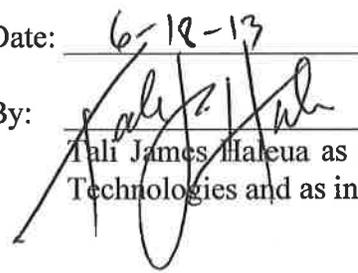
related to the sale or promotion of securities or the giving of investment advice in the State of Utah.

understandings, or agreements between the parties. There are no verbal agreements which modify, interpret, construe, or otherwise affect the Order in any way. Upon entry of the Stipulation and Consent Order, any further scheduled hearings are canceled.

Utah Division of Securities

Date: June 18, 2013
By: 
Dave R. Hermansen
Director of Enforcement

Respondent Haleua

Date: 6-18-13
By: 
Tali James Haleua as manager of Colt
Technologies and as individual.

Approved:


Paul G. Amann
Assistant Attorney General
D.P.

ORDER

IT IS HEREBY ORDERED THAT:

1. The Division has made a sufficient showing of Findings of Fact and Conclusions of Law to form a basis for this settlement.
2. Respondents Colt Technologies and Haleua cease and desist from violating the Utah Uniform Securities Act.
3. Respondent Haleua agrees to be barred from the securities industry in Utah.
4. Respondents Colt Technologies and Haleua cooperate with the Division in any future investigations.
5. Respondent Haleua agrees to pay restitution as ordered in the criminal case, *State of Utah v. Tali James Haleua*, Case No. 081905851, Third Judicial District Court of Utah (2008).

BY THE UTAH SECURITIES COMMISSION:

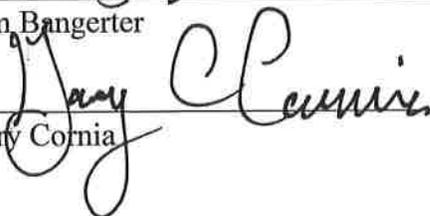
DATED this 14 day of August, 2013.



Brent Baker



Tim Bangerter



Gary Cornia



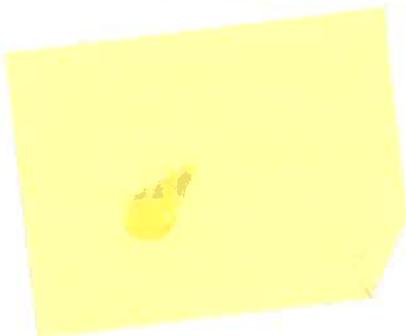
Erik Christjansen



David A. Russon

Certificate of Mailing

I certify that on the 14th day of August, 2013, I mailed, by regular mail, a true and correct copy of the Stipulation and Consent Order to:



Ma O