

**IN THE MATTER OF THE *SECURITIES ACT*
R.S.O. 1990, c. S.5, AS AMENDED**

- and -

**IN THE MATTER OF
JAMES RICHARD ELLIOTT**

**STATEMENT OF ALLEGATIONS OF STAFF
OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission make the following allegations:

I. THE RESPONDENT

1. James Richard Elliott (“Elliott”) is a resident of Ontario. From July 27, 1998, to November 25, 2005, while a resident of British Columbia, Elliott was a director, the president and the chief executive officer of MDMI Technologies Inc (“MDMI”). MDMI is a medical device company with its head office in Richmond, British Columbia.

II. OVERVIEW

2. Elliott has been sanctioned by the British Columbia Securities Commission (“BCSC”). The conduct for which he was sanctioned involved trading securities of MDMI when he was unregistered to trade securities and issuing securities of MDMI when no prospectus receipt had been received.

3. Elliott traded securities of MDMI in Ontario when he was not registered to do so and when no prospectus receipt had been issued in respect of MDMI securities and there were no registration or prospectus exemptions available in respect of the trades.

4. At the time he engaged in the conduct for which he was sanctioned in British Columbia, Elliott was a resident of British Columbia. He has now moved to Ontario.

III. ALLEGATIONS

British Columbia Conduct

5. On May 28, 2008, Elliott entered into a Settlement Agreement (the “Settlement Agreement”) with the BCSC respecting his conduct as the principal of MDMI. As part of the Settlement Agreement, Elliott admitted that:

- (a) He was a resident of British Columbia and a director, the president and the chief executive officer of MDMI from July 27, 1998 to November 25, 2005;
- (b) Elliott held presentations, met with investors and marketed the shares of MDMI from April 1999 to March 2005, raising approximately \$2.3 million from 262 British Columbia investors;
- (c) At the time, Elliott was not registered to trade securities in British Columbia, no prospectus receipt had issued in respect of MDMI’s securities, and there were no registration or prospectus exemptions available in respect of the trades;
- (d) All of the funds obtained from investors by MDMI went to research, development and marketing of its products.

6. Pursuant to the terms of the Settlement Agreement, Elliott consented to an Order that he, among other things:

- (a) cease trading in and be prohibited from purchasing any securities for five years, except in one account, in his own name, through a registered representative, if he provides a copy of the Order to the registered representative beforehand;
- (b) resign any officer or director position he may hold, be prohibited from becoming or acting as a director or officer of any issuer, be prohibited from acting in a managing or consultative capacity in connection with activities in the securities market and be prohibited from engaging in investor relations activities for the later of five years and the date he completes a course of study concerning the duties and responsibilities of directors and officers.

7. As a term of the Settlement Agreement, Elliott consented to the issuance of orders by other securities regulators based on the facts he admitted in the Settlement Agreement.

Ontario Conduct

8. Elliott also marketed, distributed and traded securities of MDMI in Ontario to Ontario investors when he was not registered to trade securities, when no prospectus receipt had issued in Ontario and when no registration or prospectus exemption was available.

9. Between November 2000 and April 2004, Elliott, as well as others employed by, instructed by or acting under the direction of MDMI, met with Ontario residents on behalf of MDMI, made presentations and actively solicited investment in MDMI in Ontario.

10. As a result of Elliott's and MDMI's marketing efforts and solicitation of investments in Ontario, over \$5,000,000 was raised from more than 300 Ontario investors, an amount representing approximately half of all funds raised by MDMI through share sales.

IV. CONDUCT CONTRARY TO ONTARIO SECURITIES LAW AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

11. By trading securities of MDMI in British Columbia while unregistered do so and distributing securities when no prospectus receipt had issued while there were no registration or prospectus exemptions available, Elliott contravened British Columbia securities law. He thereby acted contrary to the public interest.

12. By trading securities of MDMI in Ontario while unregistered to do so, Elliott contravened s. 25 of the Ontario *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “Act”) and by having distributed securities of MDMI when no prospectus receipt had issued to permit the trading of its securities, Elliott contravened s. 53(1) of the Act. He thereby acted contrary to Ontario securities law and contrary to the public interest.

13. Further, Elliott, as director and officer of MDMI, authorized, permitted or acquiesced in the commission of the violations of sections 25 and 53 of the *Act*, set out above, by MDMI and by persons employed by, instructed by or acting under the direction of MDMI and, accordingly, failed to comply with Ontario securities law pursuant to section 129.2 of the Act.

14. Staff allege that it is in the public interest to make orders against the Respondent.

15. Staff reserve the right to amend these allegations as they deem fit and the Commission may permit.

Dated at Toronto this 24th day of November, 2008.