

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

**- AND -**

**IN THE MATTER OF  
ROBERT JAMES EMERSON**

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

Staff of the Ontario Securities Commission (“Staff”) make the following allegations:

**Introduction**

1. During the period from approximately May 1995 to December 1996 (the “Material Time”), Robert James Emerson (“Emerson”) was the President of IPO Capital Corp. (“IPO Capital”) and registered pursuant to the Act as the sole trading officer of IPO Capital. During the Material Time, IPO Capital was registered pursuant to the Act as a securities dealer, until August 1996, at which time it was registered as a broker pursuant to the Act. Emerson has not been registered in any capacity pursuant to the Act since October 19, 1998.

**Trading by Emerson Contrary to the Requirements of Ontario Securities Law**

2. During the Material Time, Emerson traded in securities, where such trading was a distribution of such securities, without having filed a preliminary prospectus and a

prospectus, and obtaining receipts therefor from the Director, and without an exemption to the prospectus requirement, contrary to section 53(1) of the Act.

3. Emerson engaged in conduct which constituted trading in securities contrary to the requirements of Ontario securities law by carrying out acts in furtherance of trades of securities in certain companies, as described below. In particular, during the Material Time, Emerson solicited approximately 70 individuals and companies in Ontario and elsewhere, to purchase securities in three companies, namely, Royal Laser Tech Corporation ("Royal Laser"), Champion Communication Services Inc. ("Champion"), and Luxell Technologies Inc. ("Luxell") (collectively, referred to as the "Companies"). Of the 70 investors, at least 36 investors were clients of IPO Capital. Emerson arranged for these investors to purchase securities in the Companies through a series of pooling and subscription agreements entered into between the investors and Britwirth Investment Company, Ltd. (the "Agreements"). Britwirth Investment Company, Ltd. ("Britwirth") was incorporated pursuant to the laws of Turks and Caicos Islands and was not registered in any capacity under the Act.
4. Subsequent to receiving funds from investors for the purchase of securities in the Companies, Britwirth purchased securities in the Companies. Britwirth then distributed securities in Royal Laser and Champion to the investors who had purchased securities through the Agreements. In the case of the securities of Luxell, Emerson arranged for the transfer of Luxell shares from an account in the name of Britwirth held at IPO Capital to 57 individuals, 37 of which were clients of IPO Capital.
5. During the Material Time, IPO Capital or Emerson earned fees and commissions in the amount of at least \$61,000 in relation to the investors Emerson solicited to purchase securities in the Companies as described above. Emerson was the sole shareholder of IPO Capital during the Material Time.

6. During the Material Time, Emerson failed to deal fairly, honestly and in good faith with clients of IPO Capital, in breach of the requirements set out in Ontario securities law, and in particular subsections 2.1(1) and (2) of Rule 31-505, in that Emerson solicited certain clients of IPO Capital to purchase securities through the pooling arrangements described above when he was aware that such securities had not been distributed pursuant to a receipted prospectus.

### **Conduct Contrary To The Public Interest**

7. In summary, during the Material Time, Emerson violated Ontario securities law and engaged in conduct contrary to the public interest, by reason of the following:
  - (a) Emerson traded in securities, as outlined above, where such trading constituted a distribution of such securities, without filing and obtaining a receipt for a prospectus and without an exemption to the prospectus requirement, contrary to section 53(1) of the Act; and
  - (b) Emerson failed to deal fairly, honestly and in good faith with clients of IPO Capital, in breach of the requirements set out in Ontario securities law, and in particular subsections 2.1(1) and (2) of Rule 31-505, in that Emerson solicited certain clients of IPO Capital to purchase securities through the pooling arrangements described above when he was aware that such securities had not been distributed pursuant to a receipted prospectus.
8. Such additional allegations as Staff may submit and the Commission may permit.

DATED at Toronto, this 11<sup>th</sup> day of February, 2002