

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

- AND -

**IN THE MATTER OF
EDWARDS SECURITIES INC,
DAVID GERALD EDWARDS, DAVID FREDERICK JOHNSON,
CLANSMAN 98 INVESTMENTS INC. and DOUGLAS G. MURDOCK**

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

Staff of the Ontario Securities Commission make the following allegations:

Edwards Securities Inc., David Edwards and David Johnson

1. Edwards Securities Inc. (“ESI”) is a corporation incorporated under the laws of Ontario with a registered office at 240 Argyle Avenue in Ottawa. ESI was registered with the Commission as a Dealer in the category of Securities Dealer from September 15, 1988 to March 6, 2000.
2. David Gerald Edwards was at all material times an officer and the owner of the majority of the shares of ESI. Edwards was registered with the Commission as a Salesperson of ESI from September 22, 1988 to March 6, 2000.
3. David Frederick Johnson was at all material times the President and sole Director of ESI. Johnson was registered with the Commission as ESI’s designated Trading Officer from September 15, 1988 to March 6, 2000.

Mercristo Developments, Inc.

4. Mercristo Developments, Inc. is a corporation incorporated pursuant to the laws of Delaware, which traded on the OTC Bulletin Board under the symbol “MDEX”. At all material times, Edwards was the President, Chief Executive Officer, Chief Financial Officer, Director and the owner of the majority of the shares of Mercristo. In 1998, Mercristo changed its name to Addison Industries, Inc., which trades under the symbol “ADIS”.

Clansman 98 Investments Inc. and Douglas Murdock

5. Clansman 98 Investments Inc. is a corporation incorporated under the laws of Ontario with a registered office at 3660 Hurontario Street in Mississauga. Clansman has never been registered in any capacity under the *Securities Act*, and is not a reporting issuer in Ontario.
6. Douglas G. Murdock was at all material times the President, Secretary, Treasurer and sole Director of Clansman. He has never been registered in any capacity under the *Securities Act*.

Trading Without a Prospectus

7. During the period between February and April, 1998 the respondents traded in securities, namely shares of Clansman, where such trading constituted a distribution of securities, without a receipted prospectus contrary to section 53(1) of the Securities Act.
8. In the case of Clansman and Murdock, these trades were also conducted without registration contrary to section 25(1) of the Securities Act.

9. As a result of this illegal distribution, at least \$1,412,750 was raised from at least 89 individual investors.

Failure to Disclose Commission

10. In addition, ESI, Edwards and Johnson failed to disclose to investors that ESI would receive a commission of 20% on the sale of all Clansman shares, such failure being contrary to sections 40 and 41 of the *Securities Act*.

Failure to Disclose Interest

11. Finally, ESI, Edwards and Johnson and failed to disclose that some of the proceeds of the Clansman share purchases would be employed to purchase shares of Mercristo, such failure being contrary to sections 40 and 41 of the *Securities Act*.

Failure to Supervise

12. As the designated Trading Officer of ESI, Johnson failed to adequately supervise the sales of Clansman shares to ESI customers, as required by section 114(3) of the Securities Act Regulations and section 1.3(2) of Ontario Securities Commission Rule 31-505.

Conduct Contrary to the Public Interest

13. The conduct detailed in paragraphs 7 to 12, above, was also contrary to the public interest.

14. Such additional allegations as Staff may advise and the Commission may permit.

Dated at Toronto this 9th day of August, 2002