



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

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

**- AND -**

**IN THE MATTER OF  
INNOVATIVE GIFTING INC., TERENCE LUSHINGTON, Z2A CORP.,  
and CHRISTINE HEWITT**

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

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

**THE RESPONDENTS**

1. Strategic Gifting Inc. was incorporated in Ontario in September, 2008. Peter Robinson (“Robinson”) was listed as the sole Director at the time of incorporation of Strategic Gifting Inc.
2. Two days after the incorporation of Strategic Gifting Inc., Robinson changed the name of the company to Innovative Gifting Inc. (“IGI”).
3. On September 17, 2008, Terence Lushington (“Lushington”) became the sole Director of IGI and the registered address was changed to an address in Markham, Ontario.
4. Z2A Corp. (“Z2A”) was incorporated in Ontario in June, 2005. Christine Hewitt (“Hewitt”) is the President of Z2A and is the sole registered Director of Z2A.
5. Lushington and Hewitt are residents of Ontario.

## II. BACKGROUND

- **Trading in Securities**

6. Staff allege that IGI, Lushington, Z2A, and Hewitt (collectively the “Respondents”) traded in securities of RCT Global Networks Inc. (“RCT”) between and including September, 2008 and January, 2009 (the “Material Time”).
7. The Respondents were not registered with the Ontario Securities Commission (the “Commission”) in any capacity during the Material Time.
8. During the Material Time, residents of Ontario and elsewhere in Canada received unsolicited phone calls from salespersons, agents and representatives of IGI and were solicited to participate in IGI’s “charitable gifting program” (the “IGI Program”).
9. The IGI Program was described as one where the participants would donate a certain amount of cash to a charity and, in exchange, the participants would receive shares of RCT with a fair market value of six to eight times the cash donated by the participant.
10. The IGI Program also stipulated that the shares gifted to the participant were subject to a mandatory five year hold period if the shares were not subsequently gifted to a charity in 2008.
11. IGI charged a fund-raising fee to the charities that was equivalent to 90% of the cash donated by the participants.
12. Z2A acted in furtherance of the trades made by IGI.
13. The Respondents participated in acts, solicitations, conduct, or negotiations directly or indirectly in furtherance of the sale or disposition of securities for valuable consideration, in circumstances where there were no exemptions available to the Respondents under the *Securities Act*, R.S.O. 1990, c. S. 5, as amended (the “Act”).

- **Fraudulent Conduct**

14. The IGI Program was described as being initiated by a non-resident Swiss philanthropist who would match the participants' cash donations to charities with a certain number of minority, non-control shares trading on the Frankfurt Stock Exchange. The IGI Program indicated that the fair market value of the shares received by the participants would be six to eight times the amount of cash donated by the participant to the charity.
15. There was no non-resident Swiss philanthropist.
16. A company called Mobiliare Argenti Ltd. ("Mobiliare") acquired, for valuable consideration, options to purchase eight million shares of RCT.
17. Mobiliare exercised these options at the direction of Z2A and caused share certificates to be issued in the names of the participants in the IGI Program.
18. Mobiliare was compensated by Z2A for exercising the options and having the shares issued in the names of the participants in the IGI Program.
19. Z2A was compensated by IGI for arranging for the issuance of the RCT shares in the names of the participants in the IGI Program.
20. Participants in the IGI Program were not informed that IGI charged a fund raising fee to the charities equal to 90% of the cash donation made by the participant.
21. During the Material Time, approximately \$2.1 million was collected from participants in the IGI Program. There were approximately five hundred persons who participated in the IGI Program during the Material Time.

### **III. Conduct Contrary to Ontario Securities Law and Contrary to the Public Interest**

22. The specific allegations advanced by Staff are:
  - (a) During the Material Time, IGI and Lushington engaged or participated in acts, practices or courses of conduct relating to securities that the Respondents knew or

reasonably ought to have known perpetrated a fraud on persons or companies, contrary to section 126.1(b) of the Act and contrary to the public interest;

(b) During the Material Time, the Respondents traded in securities of RCT without being registered to trade in securities, contrary to section 25(1)(a) of the Act and contrary to the public interest;

(c) During the Material Time, Lushington, being a director and officer of IGI, did authorize, permit or acquiesce in the commission of the violations of sections 25, 53 and 126.1 of the Act, as set out above, by IGI or by the employees, agents or representatives of IGI, contrary to section 129.2 of the Act and contrary to the public interest; and

(d) During the Material Time, Hewitt, being a director and officer of Z2A, did authorize, permit or acquiesce in the commission of the violations of sections 25, and 53 of the Act, as set out above, by Z2A or by the employees, agents or representatives of Z2A, contrary to section 129.2 of the Act and contrary to the public interest.

23. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

**DATED** at Toronto, March 2<sup>nd</sup>, 2010.