

**IN THE MATTER OF THE *SECURITIES ACT*,
R.S.O. 1990, c. S.5, as amended**

- and -

**IN THE MATTER OF
EUSTON CAPITAL CORP. and GEORGE SCHWARTZ**

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

Staff of the Ontario Securities Commission make the following allegations:

The Respondents

1. Euston Capital Corp. is a company which was incorporated in Ontario on August 21, 2001. Euston is a reporting issuer in Nova Scotia. Euston is neither a reporting issuer nor a registrant in Ontario. The registered office of Euston is in Toronto.
2. George Schwartz is an Ontario resident and the President, Secretary and sole director of Euston. Schwartz is not registered with the Commission.

Sales of Common Shares of Euston

3. On August 26, 2002, Euston issued a private offering memorandum for the sale to accredited investors of one million common shares from treasury at a price of \$3.00 per share. The offering memorandum was delivered to the Commission in November 2002.
4. Between about January 2003 and about November 2004, the respondents engaged in a telemarketing campaign from offices in Toronto and traded Euston common shares to

investors in Canada and abroad. Most of the investors solicited by the respondents are resident outside of Ontario.

5. The respondents' conduct has resulted in cease trade orders and other sanctions in Saskatchewan (appeal pending) and interim cease trade orders pending hearings on the merits in Alberta and Manitoba.
6. The respondents engaged in trading without being registered to do so and thereby breached section 25 of the Act.
7. Euston and Schwartz purported to rely upon an exemption for trading securities to accredited investors contained in the Commission's Rule 45-501 and in other Canadian jurisdictions, Multilateral Instrument 45-103.
8. The respondents traded in Euston shares to investors who were not accredited investors.
9. In any event, in trading in Euston shares, Euston and Schwartz held themselves out as engaging in Ontario in the business of trading in securities, and thus acted as market intermediaries as defined in section 204 of the Regulation to the Act, R.R.O. 1990, Regulation 1015. As such, by virtue of section 3.4 of Rule 45-501, the accredited investor exemption from the registration requirements in Ontario securities law was not available to the respondents.
10. The trades of Euston shares by the respondents constituted trades in securities of an issuer that had not been previously issued. Neither a preliminary prospectus nor a prospectus was filed. By engaging in a distribution of securities to investors who did not qualify as accredited investors and for which no other exemption was available, the respondents breached section 53 of the Act.
11. The respondents' conduct was contrary to the public interest and harmful to the integrity of the Ontario capital markets.

12. Staff reserve the right to make such further allegations as Staff may advise and the Commission permit.

DATED AT TORONTO this 2nd day of May, 2006.