



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

P.O. Box 55, 19th Floor
20 Queen Street West
Toronto ON M5H 3S8

CP 55, 19^e étage
20, rue queen ouest
Toronto ON M5H 3S8

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

- AND -

**IN THE MATTER OF
CROWN CAPITAL PARTNERS LTD, RICHARD MELLON
AND ALEX ELIN**

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

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

The Respondents

1. Crown Capital Partners Ltd. (“CCPL”) is an Ontario company operating from offices belonging to a company, Cahara Corp. (“Cahara”). CCPL is the registered business name in Ontario of Merax Resource Management Ltd. (“Merax”), a federally incorporated entity.
2. Richard Mellon (“Mellon”) is a resident of Toronto, Ontario, the sole director of Cahara and one of the two directors of Merax.
3. Alex Elin is also a resident of Toronto, Ontario and the other director of Merax.
4. The directing minds of CCPL are Mellon and Elin.
5. CCPL, Cahara and Merax are not registered in any capacity with the Ontario Securities Commission (the “Commission”) nor are any of them reporting issuers in Ontario.

6. Neither Mellon nor Elin are registered in any capacity with the Commission.

Sale of Securities by CCPL in Karp Mineral Resources and Legacy Mining Corp.

7. From January 2003 to November 2004, it was represented to investors that CCPL was acting as an underwriter and agent for two Ontario mining companies: Karp Mineral Resources Inc. (“Karp”) and Legacy Mining Corp. (“Legacy”). Karp is a subsidiary of Claim Lake Resources (“Claim”), a junior Ontario mining firm trading on the Canadian Unlisted Board (“CUB”). Securities on the CUB are unlisted and not quoted but can be bought and traded through brokers registered with the CUB. Legacy is a fictitious company.

(i) Karp

8. Late in 2002, CCPL purchased 2 million shares of Karp at 2.5 cents per share.
9. Some of these shares in Karp were sold by CCPL to investors, mostly from Europe. Employees of CCPL made prohibited representations to these investors including representations regarding the pending initial public offering of Karp and the potential share price of Karp shares upon such an offering.
10. Investors were also misled about the extent of the mining operations of Karp by employees of CCPL.
11. Shares in Karp were offered to the investors by employees of CCPL at prices ranging from \$1.00 to \$1.50 per share.
12. Investors were directed to send any correspondence to an address in Geneva, Switzerland that purported to be the offices of CCPL. This address was the premises of Regus Business Centre (“Regus”) and was a virtual office for CCPL.

13. This virtual office sent all correspondence received from investors to a post office box in Toronto rented by Elin. Phone calls were also forwarded to numbers registered to Cahara. Similarly, employees of CCPL sent promotional materials to Regus in Switzerland for mailing to European investors.
14. Investors who purchased shares in Karp were provided wire instructions to forward the funds via the Bank of America to an account at TD Canada Trust in the name of CCPL.
15. In reality, Karp was not about to embark on an initial public offering and its exploration operations were very limited. Karp has never filed a preliminary prospectus or a prospectus with any securities regulator.

(ii) Legacy

16. Nonetheless, some of the investors who had purchased shares in Karp were contacted by CCPL some months after their purchase and were told that in order to realize any gains in their Karp shares, these shares had to be sent back to CCPL along with additional funds in exchange for shares in Legacy.
17. Some investors did send CCPL more money and their shares in Karp and received shares in Legacy.
18. Similar to the representations regarding the sale of shares in Karp, employees of CCPL made prohibited representations to these investors including representations regarding the pending initial public offering of Legacy. In addition, the investors were informed by parties from CCPL that Legacy was an ongoing and successful mining exploration firm.
19. Investors were also directed by parties from CCPL to a website (www.legacyminingcorp.com) for more information about Legacy. The text and content for this website was provided by Mellon.

20. The information posted on this website cannot be verified and portions of the website appeared to have been lifted directly from other mining companies' websites.

Funds Received from the Sale of Securities by CCPL in Karp and Legacy

21. Accounts under the name of Merax and CCPL were set up for receipt of these funds at TD Canada Trust by Elin and Mellon.
22. These accounts received over \$500,000 from these sales of shares in Karp and Legacy. To date, none of the persons who sent CCPL funds for shares in Karp and/or Legacy have received anything of value in return.

Conduct Contrary to the Public Interest

23. By trading in securities without registration, making prohibited representations respecting securities and engaging in an illegal distribution of securities, the actions of the Respondents are contrary to sections 25, 38 and 53 of the *Securities Act R.S.O. 1990, c.S.5, as amended* and to the public interest.
24. Staff reserves the right to make such further and other allegations as Staff may submit and the Commission may permit.

DATED AT TORONTO this 21st day of November 2006