



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
LYNDZ PHARMACEUTICALS INC.,
LYNDZ PHARMA LTD., JAMES MARKETING LTD.,
MICHAEL EATCH and RICKEY MCKENZIE**

**STATEMENT OF ALLEGATIONS OF STAFF
OF THE ONTARIO SECURITIES COMMISSION
(In Support of Temporary Cease Trade Order)**

Staff of the Ontario Securities Commission (“Staff”) make the following allegations in support of a Notice of Hearing to extend the Temporary Order dated December 4, 2008, pending completion of Staff’s investigation:

I. THE RESPONDENTS

1. Lyndz Pharmaceuticals Inc. (“Lyndz”) is a company incorporated in Ontario. The corporation’s registered office is in Aurora, Ontario at the residential address of Michael Eatch (“Eatch”). Share certificates in Lyndz have been sold to investors both in Ontario and in the UK The business activity of Lyndz is purported to be the manufacture and distribution of pharmaceuticals. Lyndz is not a reporting issuer in Ontario and has not filed a prospectus. Its common shares are not known to be listed on any exchange.

2. Lyndz Pharma Ltd. (“Lyndz UK”) is a company registered in the UK with a registered office in London, England. Lyndz UK operates out of the same “virtual office” location as James Marketing Ltd. (“James Marketing”).
3. James Marketing is a company registered in the UK with a registered office in London, England, at the same “virtual office” as Lyndz UK. Shareholders in Lyndz purchased their shares through a payment to James Marketing. The sole director and shareholder of James Marketing is Rickey Blair McKenzie (“McKenzie”), a resident of Newmarket, Ontario.
4. Eatch is a resident of Ontario and lives at the registered business address of Lyndz. He is the president of Lyndz and the sole director and shareholder of Lyndz UK. Eatch has never been registered with the Ontario Securities Commission (the “Commission”).
5. McKenzie is an Ontario resident and the sole director and shareholder of James Marketing. He has promoted and sold shares in Lyndz to investors. McKenzie has never been registered with the Commission.

II. OVERVIEW

6. The Respondents have diverted funds raised through the sale of shares in Lyndz to the personal benefit of Eatch and McKenzie via James Marketing and Lyndz UK, contrary to section 126.1(b) of the *Securities Act* (the “Act”).
7. The Respondents have distributed securities in Lyndz in Ontario without being registered to do so under the Act, without having filed a prospectus and without the benefit of an applicable exemption contrary to section 53(1) of the Act.
8. The Respondents have made misleading or untrue statements in shareholder correspondence and marketing materials, in breach of sections 126.2(1)(a) of the Act.

9. The Respondents purported to issue shares in Lyndz and represented that the corporation was a going concern during a 26 month period when Lyndz was dissolved as an Ontario corporation, in breach of sections 126.1(b) and 126.2(1)(a) of the Act.

III. ALLEGATIONS

10. The Respondents have diverted funds raised from share distributions to the personal benefit of Eatch and McKenzie, via James Marketing and Lyndz Pharma.
11. Funds raised through the sale of shares in Lyndz were paid both to James Marketing and Lyndz UK. Monies paid to James Marketing were split between McKenzie and Eatch, with part of Eatch's share going to Lyndz UK and part being paid to him in cash. Eatch used the Lyndz UK account as if it were his own, purchasing personal items and covering his own living expenses.
12. In March 2006, Lyndz's Certificate of Incorporation was cancelled under section 240 of the Ontario *Business Corporations Act* (the "OBCA"), thereby dissolving the company. Lyndz remained dissolved until May 2008, when Articles of Revival were filed. During the 26 months that Lyndz was dissolved, the Respondents continued to represent that the company was a going concern. Eatch continued to solicit investment in Lyndz after acknowledging that the company was dissolved and before reviving the company.
13. Lyndz's shares were distributed to at least 40 Ontario investors. None of the Respondents is registered under the Act to trade securities in Ontario, no prospectus was filed for Lyndz and no exemption applied to the transactions.
14. Lyndz's shareholder correspondence and marketing materials contain misleading or untrue statements, including:
 - a. That Lyndz was going to purchase a British Columbia pharmaceuticals manufacturing facility when the facility in question had already been sold to another purchaser;

- b. That Lyndz would be building a manufacturing facility and had an agreement in place with an engineering and design company when nothing more than a brief, initial conversation had taken place between Eatch and the engineering and design firm; and,
- c. That the company had received offers to purchase the outstanding shares of Lyndz at \$2.00 per share, when at least one of the alleged purchaser corporations did not even exist.

IV. CONDUCT CONTRARY TO THE PUBLIC INTEREST

- 15. The Respondents have engaged in a fraud on the investors in Lyndz, contrary to s. 126.1(b) of the Act, by diverting funds raised from share distribution for their personal benefit and by representing that the corporation was an active legal entity and soliciting investment when they knew it had been dissolved.
- 16. The Respondents acted contrary to s. 126.2(1)(a) of the Act by making statements which, at the time and in light of the circumstances under which they were made, were misleading or untrue or failed to state facts that were required to be stated to make the statements not misleading.
- 17. The Respondents have represented, with the intention of effecting a trade in the securities of Lyndz, that a person or company will repurchase the outstanding securities of Lyndz, contrary to s. 38(1)(a) of the Act.
- 18. The Respondents have distributed shares in Ontario when no prospectus has been filed, without a receipt having been issued and without the benefit of an applicable exemption, contrary to s. 53(1) of the Act.
- 19. The Respondents' conduct is contrary to the public interest and harmful to the integrity of Ontario's capital markets.

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

DATED at Toronto this 8th day of December, 2008.