



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

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

CP 55, 19<sup>e</sup> étage  
20, rue queen ouest  
Toronto ON M5H 3S8

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

**- and -**

**KEVIN WARREN ZIETSOFF**

**STATEMENT OF ALLEGATIONS**

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

**I. ALLEGATIONS**

2. This matter concerns a securities fraud perpetrated by Kevin Zietsoff (“Zietsoff” or the “Respondent”) from January of 2006 through December of 2012 (the “Material Time”), contrary to section 126.1(b) of the *Securities Act*, R.S.O. 1990, c. S. 5, as amended (the “Act”).
3. Zietsoff is an Ontario resident who has never been registered with the Ontario Securities Commission (the “Commission”). During the Material Time, Zietsoff sold promissory notes (the “Promissory Notes”) through a network of acquaintances, family members and referrals to at least 53 residents of Ontario and the State of Arizona (the “Investors”). The Investors paid the Respondent over CDN \$15 million to purchase Promissory Notes on the basis of false representations, including that Zietsoff was a successful trader with a proven system, that the Promissory Notes were low risk or risk free, and that the Investors would accrue

interest on the Investor Funds. In fact, Zietsoff had a record of consistent and near total trading losses both before and during the Material Time; he regularly made risky investments and the funds paid to Investors as “interest” or as repayment of principal were derived from monies deposited by other Investors.

4. Zietsoff promised to use the Investor Funds for a variety of purposes, including investments in various specific debt and equity investments and real estate investment, as well as futures trading using a specific system he claimed to have developed. The Respondent rarely followed through on these promises and disposed of most of the Investor Funds through his consistent investment losses.
5. When Zietsoff was unable to meet his ongoing obligations in respect of the Promissory Notes he used Investor Funds he had accepted for investment purposes to make “interest” payments to Investors and to repay the principal to other Investors who had exercised their option to call their Promissory Notes.
6. The Respondent dissipated the Investor Funds as follows:
  - a) over \$10 million was disposed of by way of trading losses;
  - b) over \$2 million was used to make “Interest Payments” to Investors;
  - c) over \$3 million was used to repay principal to Investors.
7. The Respondent’s acts, solicitations, conduct or negotiations directly or indirectly in furtherance of the sale or disposition of securities were for a business purpose and were undertaken without the benefit of an exemption from either the prospectus or dealer registration requirements under the Act.

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

8. The specific allegations advanced by Staff are:

- a) During the Material Time, the Respondent engaged or participated in acts, practices or courses of conduct relating to securities that he 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 Respondent engaged in the business of trading in securities or derivatives without being registered in accordance with Ontario securities law, contrary to section 25(1) of the Act and contrary to the public interest; and,
  - c) During the Material Time, the Respondent traded in previously unissued securities when a preliminary prospectus and a prospectus had not been filed and receipts had not been issued for them by the Director, contrary to section 53(1) of the Act and contrary to the public interest.
9. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

**DATED** at Toronto, August 19, 2013.