



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 BLUESTREAM CAPITAL CORPORATION,
BLUESTREAM INTERNATIONAL INVESTMENTS INC.,
KROWN CONSULTING CORP., 1859585 ONTARIO LTD. (operating as SOVEREIGN
INTERNATIONAL INVESTMENTS) and PETER BALAZS**

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

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

I. OVERVIEW

1. This proceeding involves the fraudulent activities of and unregistered trading and an illegal distribution by Bluestream Capital Corporation (“Bluestream Capital”), Bluestream International Investments Inc. (“Bluestream International”), Krown Consulting Corp. (“Krown Consulting”), 1859585 Ontario Ltd. (operating as Sovereign International Investments) (“Sovereign”), under the branding of Bluestream Private Client Services, (collectively, the “Bluestream Companies”) and Peter Balazs (“Balazs”) (collectively, the “Respondents”) in relation to the sale of securities to approximately 63 Ontario investors, from whom the Respondents raised approximately CAD\$2,620,815 and USD\$907,097.

2. Between August 2008 and May 2012 (the “Material Time”), the Respondents solicited Ontario residents to enter into investment contracts offered by the Bluestream Companies and Balazs. Further, the Respondents engaged in fraudulent conduct by making misleading or untrue statements to investors regarding the use of investor funds, using investor funds for personal expenditures, and using investor funds to pay returns and redemptions to investors.

II. THE RESPONDENTS

3. Bluestream Capital was incorporated in Ontario on November 29, 2002. Bluestream Capital has never been a reporting issuer in Ontario and has never been registered with the Ontario Securities Commission (the “Commission”) in any capacity. Bluestream Capital has never filed a prospectus or preliminary prospectus with the Commission.

4. Bluestream International was incorporated in Ontario on November 17, 2008. Bluestream Capital has never been a reporting issuer in Ontario and has never been registered with the Commission in any capacity. Bluestream International has never filed a prospectus or preliminary prospectus with the Commission.

5. Krown Consulting was incorporated in Ontario on March 4, 2010. Krown Consulting has never been a reporting issuer in Ontario and has never been registered with the Commission in any capacity. Krown Consulting has never filed a prospectus or preliminary prospectus with the Commission.

6. Sovereign was incorporated in Ontario on September 29, 2011. Sovereign has never been a reporting issuer in Ontario and has never been registered with the Commission in any capacity. Sovereign has never filed a prospectus or preliminary prospectus with the Commission.

7. Balazs is a resident of Nobleton, Ontario. He is a director or officer of all of the Bluestream Companies. Further, he was the directing mind of all of the Bluestream Companies during the Material Time. He has never been registered with the Commission in any capacity.

III. BACKGROUND

A. Trading in Securities and Illegal Distribution

8. During the Material Time, Balazs held himself out as a successful foreign currency trader. He solicited investments from Ontario residents, purportedly to engage in foreign currency trading (also known as forex trading) using investor funds. Investors entered into either verbal or written agreements with Balazs or one of the Bluestream Companies with respect to these investments.

9. The investment offered by Balazs and the Bluestream Companies was an “investment contract” and therefore a “security” as defined in subsection 1(1) of the Ontario *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “Act”) (the “Investment Contracts”).

10. Although the Investment Contracts often took the form of promissory notes and loan agreements, Balazs represented to investors that he would use the investor funds to engage in foreign currency trading and that investors would receive a fixed return based on the profits he generated through foreign currency trading. Based on his purported previous trading performance in the foreign currency market, Balazs offered investors a fixed annual percentage that varied based on the amount invested and the duration of the investment. The annual guaranteed returns offered ranged between 10 and 35 percent.

11. Balazs solicited Ontario residents to enter into the Investment Contracts by meeting with potential investors, discussing the nature of the investment, and showing investors statements demonstrating the purported profits he was making from trading foreign currencies. Balazs prepared and signed the Investment Contracts and deposited investor funds into several bank accounts in the names of the Bluestream Companies.

12. As a result of this activity, Balazs and the Bluestream Companies raised at least CAD\$2,620,815 and USD\$907,097 from 63 Ontario investors during the Material Time.

13. By engaging in the conduct described above, the Respondents traded and engaged in, or held themselves out as engaging in, the business of trading in securities and 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 Act, contrary to sections 25 and 53 of the Act.

B. Fraudulent Conduct

14. Contrary to the representations made by Balazs to investor, most of the investor funds were not used for foreign currency trading. Rather, a substantial portion of investor funds deposited into the bank accounts of the Bluestream Companies were used by Balazs for personal expenditures and to make return and redemption payments to investors.

15. During the Material Time, CAD\$2,620,815 and USD\$907,097 of investor funds deposited into the Bluestream bank accounts were dispersed as follows:

- (a) Only approximately CAD\$100,100 and USD\$140,275 was transferred from the Bluestream Companies' bank accounts into foreign currency trading accounts. Approximately CAD\$96,500 and US\$103,500 was sent via wire transfer through a foreign currency exchange service provider and it is not known where or to whom these wire transfers were directed;
- (b) Approximately CAD\$1,076,900 and USD\$595,430 was paid to investors to satisfy return and redemption payments;
- (c) Approximately CAD\$277,500 and USD\$101,100 was paid out of the Bluestream Companies' bank accounts for personal expenditures, including automobile financing, insurance, fuel and retail purchases;
- (d) Approximately CAD\$139,500 and USD\$69,500 was withdrawn from the Bluestream Companies' bank accounts in cash;
- (e) Approximately CAD\$36,500 and USD\$117,100 was transferred to Balazs' father-in-law and brother-in-law;
- (f) Approximately CAD\$188,600 and USD\$59,400 was transferred to Balazs's mother, who used those funds to make mortgage payments on the property on which Balazs resides.

16. Neither Balazs nor the Bluestream Companies had any significant source of income other than funds generated through sales of securities to investors during the Material Time.

17. During the Material Time, by making misleading or untrue statements to investors regarding the use of investor funds, using investor funds for personal expenditures, and using investor funds to pay returns and redemptions to investors, the Respondents engaged in fraudulent conduct contrary to subsection 126.1(b) of the Act.

IV. BREACHES OF ONTARIO SECURITIES LAW AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

18. The specific allegations advanced by Staff are:

- (a) During the Material Time, the Respondents traded and engaged in or held themselves out as engaging in the business of trading in securities without being registered to do so and without an available exemption from the registration requirements, contrary to subsection 25(1)(a) of the Act for the period before September 28, 2009 and contrary to subsection 25(a) of the Act for the period on and after September 28, 2009;
- (b) During the Material Time, the Respondents traded in securities when a preliminary prospectus and prospectus had not been filed and receipts had not been issued for them by the Director, contrary to subsection 53(1) of the Act;
- (c) During the Material Time, the Respondents engaged or participated in acts, practices or courses of conduct relating to securities that they knew or reasonably ought to have known perpetrated a fraud on persons or companies contrary to subsection 126.1(b) of the Act;
- (d) During the Material Time, Balazs, being an officer or director of the Bluestream Companies, authorized, permitted or acquiesced in the Bluestream Companies' non-compliance with Ontario securities law and accordingly failed to comply with Ontario securities law, contrary to section 129.2 of the Act; and
- (e) The Respondents' conduct was contrary to the public interest and harmful to the integrity of the Ontario capital markets.

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

DATED at Toronto, January 9, 2015.