



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-

**2241153 ONTARIO INC., SETENTERPRICE,
SARBJEET SINGH, DIPAK BANIK,
STOYANKA GUERENSKA, SOPHIA NIKOLOV
and EVGUENI TODOROV**

**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 unregistered trading by 2241153 Ontario Inc. (“2241153”), Setenterprice, Sarbjeet Singh (“Singh”), Dipak Banik (“Banik”), Stoyanka Guerenska (“Guerenska”), Sophia Nikolov (“Nikolov”) and Evgueni Todorov (“Todorov”), (collectively, the “Respondents”) and an illegal distribution by Setenterprice, Banik, Guerenska, Nikolov and Todorov.

2. Between November 2010 and June 2013 (the “Relevant Period”), the Respondents engaged in or held themselves out as engaging in the business of trading and engaged in acts in furtherance of trades in investment contracts issued by Todorov and 2241153. None of the Respondents were registered with the Ontario Securities Commission (the “Commission”) or were reporting issuers during the Relevant Period. In exchange for their investment monies, investors were issued promissory notes promising returns on their investment purportedly generated through trading in foreign currency exchange markets for profit. During the Relevant Period, approximately \$1.2 million was raised from 12 investors.

3. Further, during the Relevant Period, Todorov engaged in fraudulent conduct by misleading investors regarding the use of their investment monies and by putting investor funds to other uses,

including personal expenditures, to pay money owed to third parties, and to pay monthly returns to investors.

II. THE RESPONDENTS

4. 2241153 was incorporated on April 20, 2010 pursuant to the laws of Ontario and has never been a reporting issuer in Ontario and has never been registered with the Commission in any capacity.

5. Setenterprice is a sole proprietorship registered in Ontario on January 23, 2006 in the name of Nikolov. Its principal place of business is the residential address shared by Todorov and Nikolov in Toronto, Ontario. It has never been registered with the Commission in any capacity.

6. Todorov is a resident of Toronto, Ontario. Todorov was at all times a directing mind and *de facto* director of 2241153 and Setenterprice. Todorov has never been registered with the Commission in any capacity.

7. Singh is a resident of Brampton, Ontario. In October 2011, Singh became president and sole director of 2241153 and retained these positions throughout the Relevant Period. Singh was previously registered with the Commission in the category of Scholarship Plan Dealer from October 1999 to December 2003. During the Relevant Period, Singh was not registered with the Commission in any capacity.

8. Banik is a resident of Toronto, Ontario. In December 2011, Banik became vice-president, president and a director of 2241153. He has never been registered with the Commission in any capacity. In January 2015, Banik was removed as vice-president, president and director of 2241153.

9. Guerenska is a resident of Toronto, Ontario. Guerenska has never been registered with the Commission in any capacity.

10. Nikolov is a resident of Toronto, Ontario and the spouse of Todorov. Setenterprice is registered in her name. She has never been registered with the Commission in any capacity.

III. UNREGISTERED TRADING AND ILLEGAL DISTRIBUTION

A. Issuance of Investment Contracts by Todorov

11. During the Relevant Period, Todorov, Banik and Guerenska solicited Ontario investors, both directly and indirectly, to advance investment monies for the purpose of trading in the foreign currency exchange markets for profit. Investors entered into written agreements with Todorov with respect to these investments. Banik and Guerenska referred investors to Todorov in exchange for monetary compensation, or a “referral fee”, which was paid to them over a period of time.

12. In return for advancing funds for the purpose of investing in the foreign currency exchange market, investors were issued promissory notes promising periodic interest payments and the return of their investment principal at the end of the contractual term, which was generally one year. Typically, investors were offered an interest rate of 5 percent per month, or 60 percent per annum. Although the promissory notes on their face were characterized as “loan agreements”, the investors were led to believe that foreign currency exchange trading engaged in by Todorov would generate the funds or profits to pay the interest payments promised to them. During the Relevant Period, 12 investors invested with Todorov, for a total of approximately \$1-million (the “Todorov Investors”).

13. The promissory notes issued by Todorov are “investment contracts” and therefore securities within the meaning of subsection 1(1) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “Act”) (the “Todorov Investment Contracts”).

14. Todorov, Banik and Guerenska solicited Ontario residents to invest in the Todorov Investment Contracts by meeting with potential investors, discussing the nature of the investment and returns, and/or showing potential investors materials purporting to demonstrate the profits Todorov had generated from trading in the foreign currency exchange markets in the past. Todorov prepared and signed the Todorov Investment Contracts and deposited substantially all investor funds in a bank account in the name of Setenterprice or in his personal bank account.

15. Setenterprice is a sole proprietorship registered to Todorov’s spouse, Nikolov. When registering Setenterprice, Nikolov recorded the business activity of Setenterprice as “trading”. Further, Nikolov opened a bank account at a bank branch located in Ontario and was the sole signatory on the Setenterprice bank account during the Relevant Period.

16. During the Relevant Period, Todorov maintained control or direction over the funds in the bank account of Setenterprice. Nikolov was a signatory on certain of the cheques provided to investors as interest payments pursuant to the Todorov Investment Contracts.

17. During the Relevant Period, and contrary to representations made to the Todorov Investors, none of the investment monies were used for trading in the foreign currency exchange markets.

B. Issuance of Investment Contract by 2241153 Ontario Inc.

18. In November 2011, an Ontario investor advanced monies to 2241153 for the purpose of trading in the foreign currency exchange markets for profit. Guerenska referred the investor in exchange for monetary compensation, or a “referral fee”, which was paid to her over a period of time. The investor invested a total of \$200,000 with 2241153 (the “2241153 Investor”).

19. In return for advancing funds for the purpose of investing in the foreign currency exchange market, the 2241153 Investor was issued a promissory note promising periodic interest payments and the return of her investment principal at the end of the contractual term. The investor was offered an interest rate of 5 percent per month, or 60 percent per annum. As a result of the representations made, the 2241153 Investor was led to believe that foreign currency exchange market trading engaged in by Todorov would generate the funds or profits to pay the interest payments promised to her. The promissory note was signed by Singh in his capacity as an officer and director of 2241153.

20. The promissory note issued by 2241153 is an “investment contract” and therefore a security within the meaning of subsection 1(1) of the Act (the “2241153 Investment Contract”).

21. The 2241153 Investor’s funds were accepted and deposited into a bank account in the name of 2241153, which was opened by Singh. Investor monies were then transferred from the bank account of 2241153 to a brokerage account in the name of 2241153, which was also opened by Singh. Todorov was given access to the brokerage account of 2241153 by Singh, without designation of any formal trading authority. During the Relevant Period, Todorov maintained control or direction over the funds in the bank and brokerage accounts of 2241153.

22. By engaging in the conduct described above, the Respondents engaged in or held themselves out as engaging in the business of trading in securities and/or participated in acts, solicitations, conduct or negotiations directly or indirectly in furtherance of the sale or disposition of securities for

valuable consideration, contrary to section 25 of the Act, in circumstances where there were no exemptions available to the Respondents under the Act.

23. By engaging in the conduct described above, Setenterprice, Banik, Guerenska, Nikolov and Todorov engaged in or held themselves as engaging in the business of trading and participated in acts, solicitations, conduct or negotiations directly or indirectly in furtherance of a sale or disposition of securities in circumstances where 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.

VI. FRAUDULENT CONDUCT

A. Misleading Statements

(a) Statements Concerning Use of Investor Funds to Trade

24. During the Relevant Period, representations were made to investors that their investment monies would be used to trade in the foreign currency exchange markets for profit. With respect to the Todorov Investors, none of the \$1 million in funds raised was used to trade in the foreign currency exchange markets by Todorov or any other individual.

25. With respect to the 2241153 Investor, only 85 percent of her \$200,000 investment was initially deposited in the trading account and traded by Todorov in the foreign currency exchange markets. From the initial deposit, significant withdrawals were made from the trading account within the first 20 days of trading, totalling approximately \$150,000. The 2241153 Investor only received one payment of \$10,000 approximately one month after the date of her investment.

26. Instead of being used to trade in the foreign currency exchange markets, investor funds were put to other uses, including personal expenditures, to pay money owed to third parties, disbursements to the Respondents, and to pay monthly returns to investors.

27. Todorov's failure to use the investor funds as represented to investors was misleading and/or fraudulent in the circumstances.

(b) Statements Concerning Fixed Payments on Investment

28. During the Relevant Period, Todorov received numerous complaints from existing investors that they were not receiving their interest payments or repayment of their investment principal in accordance with the stated terms of the promissory notes. Todorov continued to accept new investment monies on the same or similar terms as existing investors while receiving complaints from existing investors. He failed to inform new investors that existing investors were not receiving interest payments or repayment of their investment principal

29. Todorov's continued acceptance of new investor funds when he knew that he was failing to meet his obligations to existing investors was misleading and/or fraudulent in the circumstances.

(c) Statements Concerning the Success of the Trading Strategy

30. Throughout the Relevant Period, some existing investors were shown materials purporting to demonstrate the profits Todorov had generated from trading in the foreign currency exchange markets in the past. Contrary to the representations made by Todorov, the materials shown to these investors were fictitious or were records from foreign currency exchange "demo accounts" and were not indicative of actual profit made by Todorov by trading in the foreign currency exchange markets.

31. At no time during the Relevant Period did Todorov correct these misrepresentations made to investors or produce any materials to investors that represented actual results from trading in the foreign currency exchange markets.

32. Todorov's representations to investors that he had a record of past success in trading in the foreign currency exchange markets was misleading and/or fraudulent in the circumstances.

USE OF INVESTOR FUNDS

(a) The Investment Contracts with Todorov

33. Of the \$1 million raised through the sale of the Todorov Investment Contracts, none of the funds were actually used for trading in the foreign currency exchange markets. Without the knowledge of the Todorov Investors, Todorov directed the funds to other uses, including:

- (a) to repay individuals who were owed money from previous personal loans and other business arrangement entered into by Todorov;
- (b) to pay interest payments to existing investors;
- (c) to pay personal expenditures, including credit card payments, condominium fees, and electronic purchases; and
- (d) to pay Banik and/or Guerenska as compensation for referrals.

(b) *Investment Contract with 2241153 Ontario Inc.*

34. During the Relevant Time, without the knowledge or authorization of the 2241153 Investor, funds were transferred in and out of the 2241153 bank and brokerage accounts, primarily at the direction of Todorov, for uses other than trading.

35. These funds were primarily directed to Singh, Banik, and Todorov or individuals, companies or entities associated with them. Payments were also made to Guerenska as compensation for her referral activities.

36. By August 2012, substantially all of the funds deposited in the 2241153 brokerage account had either been transferred out, as described above, or were lost through trading and the trading ceased. The 2241153 Investor was not informed by Todorov of the extent of the trading losses and was continually led to believe that she would receive her interest payments and principal in accordance with the terms of the 2241153 Investment Contract.

37. By engaging in the conduct described above, Todorov engaged in or participated in acts, practices, or courses of conduct relating to securities that he knew perpetrated a fraud on persons or companies contrary to subsection 126.1(b) of the Act.

VIII. BREACHES OF ONTARIO SECURITIES LAW AND/OR CONDUCT CONTRARY TO THE PUBLIC INTEREST

38. The specific allegations advanced by Staff are:

- (a) During the Relevant Period, the Respondents traded and engaged in, or held themselves out as engaging in, the business of trading securities without being registered to do so, contrary to subsection 25(1) of the Act;
- (b) During the Relevant Period, Setenterprice, Banik, Guerenska, Nikolov and Todorov 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 Relevant Period, Todorov engaged in or participated in acts, practices, or courses of conduct relating to securities that he knew perpetrated a fraud on persons or companies, contrary to subsection 126.1(b) of the Act;
- (d) During the Relevant Period, Todorov authorized, permitted or acquiesced in the non-compliance of 2241153 and Setenterprice, and Nikolov authorized, permitted or acquiesced in the non-compliance of Setenterprice with Ontario securities law, and accordingly failed to comply with Ontario securities law, contrary to section 129.2 of the Act; and/or
- (e) During the Relevant Period, the Respondents' conduct was contrary to the public interest and harmful to the integrity of the capital markets in Ontario.

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

DATED at Toronto, this 9th day of February, 2015.