



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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**IN THE MATTER OF
LYNNE RAE NICKFORD
(aka LYNNE RAE ZLOTNIK dba LYNNE ZLOTNIK WEALTH MANAGEMENT)**

**STATEMENT OF ALLEGATIONS
(Subsections 127(1) and 127(10) of the *Securities Act*, RSO 1990 c S.5)**

1. Staff of the Enforcement Branch (**Staff**) of the Ontario Securities Commission (the **Commission**) elect to proceed using the expedited procedure for inter-jurisdictional proceedings as set out in Rule 11(3) of the Commission's *Rules of Procedure*.
- A. ORDER SOUGHT**
2. Staff request that the Commission make the following inter-jurisdictional enforcement order, pursuant to paragraph 4 of subsection 127(10) of the Ontario *Securities Act*, RSO 1990 c S.5 (the **Act**):
 - (a) against Lynne Rae Nickford (**Nickford** or the **Respondent**) (also known as Lynne Rae Zlotnik, and doing business as Lynne Zlotnik Wealth Management (**LZWM**)) that:
 - i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in securities or derivatives of LZWM cease permanently;
 - ii. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Nickford cease permanently;

- iii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Nickford cease permanently;
- iv. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Nickford permanently;
- v. pursuant to paragraphs 7 and 8.1 of subsection 127(1) of the Act, Nickford resign any positions that she holds as a director or officer of any issuer or registrant;
- vi. pursuant to paragraphs 8 and 8.2 of subsection 127(1) of the Act, Nickford be prohibited permanently from becoming or acting as a director or officer of any issuer or registrant; and
- vii. pursuant to paragraph 8.5 of subsection 127(1) of the Act, Nickford be prohibited permanently from becoming or acting as a registrant, investment fund manager or promoter;

(b) such other order or orders as the Commission considers appropriate.

B. FACTS

Staff make the following allegations of fact:

- 3. Nickford is subject to an order made by the British Columbia Securities Commission (the **BCSC**) dated February 2, 2018 (the **BCSC Order**) that imposes sanctions, conditions, restrictions or requirements upon her.
- 4. In its findings on liability dated August 8, 2017 (the **Findings**) a panel of the BCSC (the **BCSC Panel**) found that Nickford perpetrated a fraud, contrary to section 57(b) of the British Columbia *Securities Act*, RSBC 1996, c 418 (the **BC Act**).

(i) The BCSC Proceedings

Background

5. The conduct for which Nickford was sanctioned occurred between January 1, 2009 and March 31, 2010 (the **Material Time**).
6. Nickford had previously been registered in various capacities under the BC Act. She was not registered under the BC Act during the Material Time, but was licenced as a life and accident and sickness insurance agent.
7. During the Material Time, Nickford was the sole proprietor of LZWM. Through LZWM, Nickford offered a variety of investment and insurance services, which she promoted using seminars, YouTube videos and promotional materials.
8. The BCSC Panel found that 13 investors loaned money to, or invested a total of \$1,818,750 in, LZWM during the Material Time. Nickford told investors that LZWM was expanding, and offered investors varying rates of return, ranging from 12% to 16%, for the purpose of investment in LZWM's business operations and to grow the business.
9. LZWM issued either promissory notes or "private investment" documents covering \$1,518,750 of the amounts paid by the 13 investors to LZWM. The promissory notes set out the particulars relating to the investment, including amount loaned, interest rate and term, and stipulated that the amount loaned to LZWM was to be used only for Nickford's business operations. The "private investment" documents reflected similar investment particulars. While the "private investment" documents did not reflect what the amounts loaned were to be used for, some investors holding such documents stated that their investments were for expansion of LZWM's business.
10. The BCSC Panel found, however, that the investors' funds were not used for the purposes of the Respondent's business, LZWM. The BCSC Panel found that the Respondent transferred investor funds from LZWM's business

account to her personal account, and spent at least \$318,141 on personal expenditures unrelated to the business.

11. The BCSC Panel found that the investors' funds were put at risk when all of the funds were not used as intended. Further, as a result of bankruptcy of the Respondent and LZWM subsequent to the Material Time, investors have lost all of their investments.

BCSC Findings - Conclusions

12. In its Findings, the BCSC Panel concluded that:
 - (a) Nickford perpetrated a fraud on 13 investors in the aggregate amount of at least \$318,141, contrary to section 57(b) of the BC Act.

(ii) The BCSC Order

13. The BCSC Order imposed the following sanctions, conditions, restrictions or requirements upon Nickford, and Nickford doing business as LZWM:
 - (a) under section 161(1)(b)(i) of the BC Act, all persons cease trading in, and are permanently prohibited from purchasing, any securities or exchange contracts of LZWM;
 - (b) under section 161(1)(d)(i) of the BC Act, Nickford resign any position she holds as a director or officer of an issuer or registrant;
 - (c) Nickford is permanently prohibited:
 - i. under section 161(1)(b)(ii) of the BC Act, from trading in or purchasing any securities or exchange contracts;
 - ii. under section 161(1)(c) of the BC Act, from relying on any of the exemptions set out in the BC Act, the regulations or a decision;

- iii. under section 161(1)(d)(ii) of the BC Act, from becoming or acting as a director or officer of any issuer or registrant;
 - iv. under section 161(1)(d)(iii) of the BC Act, from becoming or acting as a registrant or promoter;
 - v. under section 161(1)(d)(iv) of the BC Act, from acting in a management or consultative capacity in connection with activities in the securities market; and
 - vi. under section 161(1)(d)(v) of the BC Act, from engaging in investor relations activities;
- (d) Nickford pay to the BCSC \$318,141 pursuant to section 161(1)(g) of the BC Act; and
- (e) Nickford pay to the BCSC an administrative penalty of \$300,000 under section 162 of the BC Act.

C. JURISDICTION OF THE ONTARIO SECURITIES COMMISSION

- 14. The Respondent is subject to an order of the BCSC imposing sanctions, conditions, restrictions or requirements upon her.
- 15. Pursuant to paragraph 4 of subsection 127(10) of the Act, an order made by a securities regulatory authority, derivatives regulatory authority or financial regulatory authority, in any jurisdiction, that imposes sanctions, conditions, restrictions or requirements on a person or company may form the basis for an order in the public interest made under subsection 127(1) of the Act.
- 16. Staff allege that it is in the public interest to make an order against the Respondent.

17. Staff reserve the right to amend these allegations and to make such further and other allegations as Staff deem fit and the Commission may permit.

DATED at Toronto this 23rd day of March, 2018.

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