



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels

FILE NO.: 200704

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

**IN THE MATTER OF A DISCIPLINARY HEARING
PURSUANT TO SECTIONS 20 AND 24 OF BY-LAW NO. 1
OF THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

**RE: RONALD FREYNET
DISCIPLINARY HEARING**

Hearing: June 12, 2007

Decision: August 14, 2007

DECISION AND REASONS

Hearing Panel of the Prairie Regional Council:

Daniel Ish, Q.C., Chair
Sheri Anderson, Industry Representative
Terry Ford, Industry Representative

Appearances:

Shelly Feld)	For the Mutual Fund Dealers Association
)	of Canada
Donald R. Knight, Q.C.)	For Ronald Freynet

1. THE ALLEGATIONS

In the Notice of Hearing in this case, dated March 13, 2007, the Mutual Fund Dealers Association of Canada (the “MFDA”) alleged the following violation of the Rules of the MFDA by Ronald Freynet, the Respondent:

(1) In or about January 2003, the Respondent obtained an unsecured loan in the amount of \$20,000 from client GN which he subsequently failed to repay, thereby placing his own personal interests above those of his client and failing to address the resulting conflict of interest by the exercise of responsible business judgment influenced only by the best interests of GN, contrary to MFDA Rules 2.1.4 and 2.1.1.

(2) In December 2003, the Respondent failed to deal fairly, honestly and in good faith with clients KG, CG and ML by misappropriating from them the total amount of approximately \$30,000, of which amount the Respondent failed to repay or otherwise account for \$10,000 received from ML, contrary to MFDA Rule 2.1.1.

2. PROCEDURE

A first appearance by teleconference before the Hearing Panel was held on Friday, April 20, 2007 at 10:00 a.m. (Central Standard Time). At that time, Mr. Freynet appeared with his counsel, Mr. Knight. Mr. Feld appeared on behalf of the MFDA.

The hearing in this matter was conducted on June 12, 2007 in Winnipeg, Manitoba. Again Mr. Freynet appeared with his counsel, Mr. Knight, and the MFDA was represented by Mr. Feld. At the outset of hearing, the parties submitted a written agreed statement of facts. In addition, further agreed facts were orally outlined to the Panel.

The Panel, after receiving submissions with respect to liability and penalty, made an order at the hearing on June 12, 2007 which will be confirmed and reproduced below.

3. EVIDENCE and FINDING

The entire written agreed statement of facts states as follows:

AGREED STATEMENT OF FACTS

I. INTRODUCTION

1. By Notice of Hearing issued on March 13, 2007, the Mutual Fund Dealers Association of Canada (the "MFDA") commenced a disciplinary proceeding against Ronald Freynet (the "Respondent") pursuant to ss. 20 and 24 of MFDA By-law No. 1.

2. The Notice of Hearing set out the following allegations:

(1) In or about January 2003, the Respondent obtained an unsecured loan in the amount of \$20,000 from client GN which he subsequently failed to repay, thereby placing his own personal interests above those of his client and failing to address the resulting conflict of interest by the exercise of responsible business judgment influenced only by the best interests of GN, contrary to MFDA Rules 2.1.4 and 2.1.1.

(2) In December 2003, the Respondent failed to deal fairly, honestly and in good faith with clients KG, CG and ML by misappropriating from them the total amount of approximately \$30,000, of which amount the Respondent failed to repay or otherwise account for \$10,000 received from ML, contrary to MFDA Rule 2.1.1.

II. IN PUBLIC / IN CAMERA

3. The Respondent and Staff of the MFDA ("Staff") agree that this matter should be heard in public in accordance with Rule 1.8(1) of the MFDA Rules of Procedure.

III. ADMISSIONS

4. The Respondent has reviewed this Agreed Statement of Facts and admits the facts set out and the documents referred to in Part IV herein. The Respondent admits that the facts contained herein constitute misconduct as alleged in Allegations #1 and #2 for which the Respondent may be penalized on the exercise of the discretion of a Hearing Panel pursuant to s. 24.1 of MFDA By-law No. 1.

IV. AGREED FACTS

3. Staff and the Respondent agree to make submissions on the penalty to be imposed on the Respondent based only on the agreed facts set out below and no other facts unless Staff and the Respondent both consent to the introduction of new facts or evidence at the hearing.

Registration History

4. From July 13, 1993 to September 13, 2005, the Respondent was registered in Manitoba as a mutual fund salesperson with the following mutual fund dealers:

- (a) July 13, 1993 to April 10, 1996-Laurentian Funds Management Inc.;
- (b) April 10, 1996 to June 20, 2003-Lawton Partners Financial Planning Services Limited (“Lawton”);
- (c) June 27, 2003 to October 25, 2004-Credential Asset Management Inc. (“CAMI”); and
- (d) December 1, 2004 to September 13, 2005-Rice Financial Group Inc. (“Rice”).

As a mutual fund salesperson with mutual fund dealers that were Members of the MFDA, the Respondent was an Approved Person subject to the jurisdiction of the MFDA and was bound by and obliged to comply with the MFDA By-Law, Rules and Policies.

- 5. Lawton became a Member of the MFDA effective April 10, 2002.
- 6. CAMI became a Member of the MFDA effective February 12, 2002.
- 7. Rice became a Member of the MFDA effective January 29, 2002.
- 8. Since September 13, 2005, the Respondent has not been registered in the securities industry in any capacity.

The Respondent’s Conduct

The Loan From GN

9. In or about January 2003, the Respondent obtained an unsecured loan in the amount of \$20,000 from GN, a client of Lawton. The Respondent had been GN’s investment advisor for many years prior to the loan.

10. The Respondent borrowed the money to finance his share of the cost of renovating a building in Winnipeg, Manitoba. The Respondent and a colleague had purchased the building to serve as the office for the Respondent’s financial services practice.

11. The Caisse Populaire St. Boniface (the "CPSB"), a credit union, agreed to purchase the building and the Respondent's financial services practice following completion of the renovation.

12. The Respondent and GN agreed that the \$20,000 loan would be repaid to GN in full over a period of one year and that interest would be payable on the loan at a rate of 12% per annum. The Respondent provided GN with an unsecured promissory note dated January 28, 2003, confirming the amount of the loan, the agreed upon interest rate and the fact that the principal amount would be repaid within one year unless the Respondent exercised his right to repay the balance of the loan earlier. The promissory note was signed by the Respondent personally on January 31, 2003.

13. GN did not obtain and was not advised by the Respondent to obtain any independent legal or other advice before lending the money to the Respondent.

14. Prior to borrowing the money from GN, the Respondent did not provide GN with any kind of written disclosure concerning the risks of the unsecured loan arrangement, the extent of the Respondent's other liabilities or the existence or possibility of any conflict of interest arising from the loan arrangement.

15. At the time that he borrowed the money from GN, the Respondent did not present GN with mutual fund investment alternatives that were approved products of Lawton to consider purchasing instead of entering into the loan arrangement with the Respondent.

16. The Respondent did not disclose any information to Lawton about his loan agreement with GN either prior to or after borrowing the money.

17. The Respondent did not include any record of the loan in GN's client file at Lawton.

18. The Respondent claims that at the time of the loan, the Respondent did not think it was necessary to inform Lawton about the loan arrangements with GN because by the time that the loan arrangement was made with GN, the Respondent had already provided verbal notice to Lawton that he intended to transfer his registration to another dealer.

19. In June 2003, CPSB purchased the Respondent's financial services practice and the building for \$385,000. The Respondent did not apply any portion of the proceeds of the sale to the repayment of GN.

20. CAMI has an arrangement with CPSB whereby CPSB employees are registered with and conduct mutual fund business through CAMI.

21. In June 2003, after selling his building and financial services practice to CPSB, the Respondent arranged for the transfer of his registration from Lawton to CAMI.

22. The Respondent did not provide any disclosure to CAMI about his loan agreement with GN.

23. For 6 months, in accordance with the loan agreement between GN and the Respondent, the Respondent made interest payments to GN of \$200 per month. Subsequently, all interest payments ceased.

24. After persistent requests by GN, the Respondent provided GN with a cheque dated April 8, 2004 in the amount of \$22,000 for the purpose of paying back the outstanding principal and interest that he owed GN.

25. When GN attempted to cash the April 8, 2004 cheque that he received from the Respondent, the cheque was returned due to insufficient funds.

26. Subsequently, GN commenced a lawsuit against the Respondent and had a lien placed on the Respondent's residential property but he was unable to recover the money owed to him before the Respondent declared bankruptcy on July 14, 2006.

27. To date, the Respondent has not made any additional interest payments on the loan from GN and he has not repaid or otherwise accounted for any portion of the principal amount or \$20,000 which he borrowed from GN.

Misappropriation Of Client Funds

28. During the fall of 2003, the Respondent was informed that his client EJ was soliciting money for investment in EJ's real estate business. In December 2003, the Respondent advised his client ML to invest \$10,000 with EJ, and advised his clients CG and KG to invest \$20,000 with EJ as set out in more detail below. The Respondent told ML, CG and KG that EJ would pay interest at a rate of 8.5% per annum.

29. The Respondent did not disclose any information to CAMI about the fact that he was soliciting money from clients of CAMI for investment in EJ's business.

Misappropriation of Funds Obtained From ML

30. In December 2003, as noted in paragraph 28 above, the Respondent advised ML to invest \$10,000 with EJ. He instructed her to make her cheque payable to the Respondent personally and led ML to believe that he would invest the \$10,000 with EJ.

31. The Respondent obtained a cheque dated December 9, 2003 from ML in the amount of \$10,000 which was made payable to the Respondent. Upon receipt of the cheque from ML, the Respondent deposited it into his personal bank account and used the money for his personal benefit, thereby misappropriating the funds.

32. The Respondent did not provide the \$10,000 that he received from ML to EJ.

33. The Respondent did not inform ML that he had deposited the \$10,000 that he obtained from her into his personal bank account and had not provided the money to EJ.

34. The Respondent did not place any record in ML's client file indicating that he had received or was holding \$10,000 of her money and he did not provide her with a promissory note or any other documentary acknowledgement that he had received or was holding her money.

Misappropriation of Funds Obtained From KG and CG

35. In December 2003, as noted in paragraph 28 above, the Respondent advised KG and CG to invest \$20,000 in the real estate venture with EJ.

36. The Respondent obtained a cheque dated December 16, 2003 from KG and CG. In accordance with the Respondent's instructions, the cheque payable section of the cheque was blank when KG and CG provided the cheque to the Respondent but the Respondent led KG and CG to believe that he would invest the \$20,000 in the real estate venture with EJ.

37. The Respondent filled in the payee line of the cheque with the name of the Respondent's company, "Ron Freynet Agencies" and deposited the cheque into his personal bank account and used the money for his personal benefit, thereby misappropriating the funds.

38. The Respondent did not provide the \$20,000 that he received from CG and KG to EJ.

39. The Respondent did not inform CG and KG that he had deposited the \$20,000 that he obtained from them into his personal bank account and had not provided the money to EJ.

40. The Respondent did not place any record in CG's and KG's client file indicating that he had received or was holding \$20,000 of their money and he did not provide them with a promissory note or any other documentary acknowledgement that he had received or was holding their money.

41. Beginning in late October 2004, after the Respondent left CAMI, ML, CG and KG made inquiries to CAMI about the status of their investments in EJ's business. As a result of the inquiries from ML, CG and KG, CAMI discovered for the first time that client money had been solicited by the Respondent for investment in EJ's real estate venture and that the money that the Respondent received from clients for investment in EJ's real estate venture had been deposited by the Respondent into his personal bank account.

42. On December 15, 2004, in accordance with its obligations pursuant to MFDA Policy No. 3, CAMI reported the allegations concerning the Respondent's conduct to the MFDA.

43. Around the time that the Respondent transferred his registration to Rice in December 2004, CG and KG began persistently questioning the Respondent

about what happened to the \$20,000 cheque that they had provided to him for investment with EJ. In response to the questioning, the Respondent eventually admitted to CG and KG that he had deposited their \$20,000 cheque into his personal bank account and had not invested their money in EJ's real estate venture.

44. CG and KG demanded repayment of their money and threatened to report the Respondent's conduct to the police and the news media if the Respondent did not repay them.

45. In or about December 2004, the Respondent repaid CG and KG \$20,000 plus interest.

46. The Respondent financed the reimbursement of CG and KG, in part, by borrowing money from a relative, CFG. CFG has never been fully repaid.

47. The Respondent never provided any disclosure to Rice about his loan arrangement with GN. He also never disclosed to Rice that he had deposited money obtained from ML into his personal bank account and failed to pay it back or that he had deposited money obtained from CG and KG into his personal bank account which was subsequently repaid.

48. Rice was informed for the first time that the MFDA was investigating the Respondent's conduct when Rice was copied on a letter dated December 22, 2004 from MFDA Staff to the Respondent inquiring about allegations that the Respondent had presented clients of CAMI with an off-book investment opportunity in a real estate venture.

49. On January 14, 2005, the Respondent replied to the letter from MFDA Staff and copied compliance staff at Rice. In his response, the Respondent confirmed that in December 2003, he had presented two clients with an opportunity to invest in a real estate venture in order to enable the clients to obtain a 'guaranteed rate of return' and take advantage of 'an increase in returns'. He stated that he had received no commission in connection with the investments because it was a private venture that a few clients wanted to take advantage of. He also stated falsely that the "[c]lients have since been reimbursed in full."

50. The Respondent did eventually admit to ML that he had not invested money obtained from her for investment in EJ's real estate venture, but instead, deposited the money into his personal bank account. Since the fall of 2004, the Respondent has frequently promised to reimburse ML. However, to date, the Respondent has not repaid or otherwise accounted for the \$10,000 or any interest owed on the money that he received from ML for investment in EJ's real estate venture.

51. On July 14, 2006, the Respondent declared personal bankruptcy. The Respondent listed GN, ML and CFG as creditors in the bankruptcy proceedings.

52. The Respondent admits that as alleged in Allegations #1 and #2 the Notice of Hearing issued on March 13, 2007:

(1) In January 2003, the Respondent obtained an unsecured loan in the amount of \$20,000 from client GN which he subsequently failed to repay, thereby placing his own personal interest above those of his client and failing to address the resulting conflict of interest by the exercise of responsible business judgment influenced only by the best interests of GN, contrary to MFDA Rules 2.1.4 and 2.1.1; and

(2) In December 2003, the Respondent failed to deal fairly, honestly and in good faith with clients KG, CG, and ML by misappropriating from them, the total amount of approximately \$30,000, of which amount the Respondent failed to repay or otherwise account for \$10,000 received from ML, contrary to MFDA Rule 2.1.1.

Dated at Toronto, this 6th day of June, 2007.

“Ronald Freynet”
Ronald Freynet
Respondent

“Shaun Devlin”
Shaun Devlin
Vice-President,
Enforcement–MFDA

It will be noted in the agreed statement of facts at paragraph 27 and paragraph 50 respectively that it is stated that client GN had not been repaid the \$20,000 which was borrowed by the Respondent and that client ML had not been repaid the \$10,000 misappropriated by the Respondent. At the outset of the hearing, the Panel was advised by Counsel that between the time the written agreed statement of facts was signed and the beginning of the hearing, both clients GN and ML were fully repaid the amounts owing to them by the Respondent and that both of the former clients signed releases. Therefore, although the Respondent admits the allegations against him, at the time of the hearing none of the Respondent’s former clients were out of money because of the Respondent’s actions.

It is clear from the agreed facts set out above that in borrowing money from client GN, Mr. Freynet placed his own personal interests above those of his client and he failed to address the resulting conflict of interest by the exercise of responsible business

judgment influenced only by the best interests of GN. Therefore, the Hearing Panel is satisfied that the Respondent breached MFDA Rules 2.1.4 and 2.1.1. Also, it is clear from the facts set out above that by misappropriating money from clients KG, CG and ML, Mr. Freynet failed to deal fairly, honestly and in good faith with those clients and thus he breached MFDA Rule 2.1.1. These breaches were agreed to by Mr. Freynet and are also found to be substantiated by this Hearing Panel.

4. PENALTY and ORDER

After the written agreed statement of facts was presented to the Panel, together with the additional information that the Respondent's former clients had been completely reimbursed, the remainder of the hearing on June 12, 2007 dealt with the matter of the appropriate penalty that should be borne by the Respondent. The parties made a joint submission with respect to penalty. Although the parties had agreed on penalty, the Panel indicated that it must be satisfied that the penalties imposed on the Respondent for the admitted infractions of the MFDA rules are appropriate ones in the circumstances. After hearing submissions from both parties and reviewing a number of previous authorities, the Panel deliberated with respect to penalty.

MFDA Bylaw No. 1, s. 24 sets out the disciplinary power of Hearing Panels. With respect to Approved Persons, which applies to the Respondent in this case, the bylaw states:

24. DISCIPLINE POWERS

24.1 Power of Hearing Panels to Discipline

24.1.1 Approved Persons

A Hearing Panel of the applicable Regional Council shall have power to impose upon an Approved Person or any other person under the jurisdiction of the Corporation any one or more of the following penalties:

- (a) a reprimand;
- (b) a fine not exceeding the greater of:

- (i) \$5,000,000.00 per offence; and
 - (ii) an amount equal to three times the profit obtained or loss avoided by such person as a result of committing the violation;
- (c) suspension of the authority of the person to conduct securities related business for such specified period and upon such terms as the Hearing Panel may determine;
 - (d) revocation of the authority of such person to conduct securities related business;
 - (e) prohibition of the authority of the person to conduct securities related business in any capacity for any period of time;
 - (f) such conditions of authority to conduct securities related business as may be considered appropriate by the Hearing Panel;

if, in the opinion of the Hearing Panel, the person:

- (g) has failed to carry out any agreement with the Corporation;
- (h) has failed to comply with or carry out the provisions of any federal or provincial statute relating to the business of the Member or of any regulation or policy made pursuant thereto;
- (i) has failed to comply with the provisions of any By-law, Rule or Policy of the Corporation;
- (j) has engaged in any business conduct or practice which such Regional Council in its discretion considers unbecoming or not in the public interest; or
- (k) is otherwise not qualified whether by integrity, solvency, training or experience.

In the submissions of counsel, numerous court cases and previous MFDA Panel decisions were cited. The courts, and other tribunals, have set out a number of factors to be taken into account in determining penalties to be imposed under provisions similar to s. 24 of bylaw #1. The Supreme Court of Canada has indicated that tribunals must keep in mind the primary goal of securities regulations which is the protection of the investing public (see *Pezim v. British Columbia (Superintendent of Brokers)*, [1994] 2 S.C.R. 557). The Supreme Court has also indicated that sanctions imposed in the securities regulatory context should be protective and preventative, intended to be exercised to prevent likely future harm to the capital markets (see *Committee for Equal Treatment of Asbestos Minority Shareholders v. Ontario (Securities Commission)*, [2001] 2 S.C.R. 132).

In *Re Mithras Management Ltd. et al* (1990), 13 O.S.C. B. 1600, the Ontario Securities Commission succinctly set out its role, not dissimilar to the role of this Panel, in determining penalty. At page 1610 the Commission stated:

...[T]he role of this Commission is to protect the public by removing from the capital markets items wholly or partially, permanently or temporarily as the circumstances may warrant – those whose conduct in the past leads us to conclude that their conduct in the future may well be detrimental to the integrity of those capital markets. We are not here to punish past conduct; that is the role of the courts, particularly under section 118 of the Act. We are here to restrain, as best we can future conduct that is likely to be prejudicial to the public interest in having capital markets that are both fair and efficient.

Several previous decisions of industry tribunals, including MFDA tribunals, have found that the following factors should be taken into account in determining the appropriate sanctions to impose:

- (a) the protection of the investing public;
- (b) the integrity of the securities market;
- (c) specific and general deterrence;
- (d) the protection of the governing bodies' membership;
- (e) the protection of the integrity of the governing bodies enforcement processes.

(*Re Parkinson*, [2005] MFDA Case No. 200501; *Re Tonnies*, [2005] MFDA Case No. 200503; *Re Greyeyes*, [2005] MFDA Case No. 200510)

The Supreme Court of Canada in *Re Cartaway Resources Corp.*, [2004] 1 S.C.R., has indicated that general deterrence is an appropriate consideration in making orders that are both protective and preventative. At para. 61 of that case, the court stated:

The penalty that is meant to deter generally is a penalty that is designed to keep an occurrence from happening; it discourages similar wrongdoing in others. In a word, a general deterrence is preventative. It is therefore reasonable to consider general deterrence as a factor, albeit not the only one, in imposing a sanction...the respective importance of general deterrence as a factor will vary according to the breach of the Act and the circumstances of the person charged....

In *Re Raymond Brown-John* [2005] MFDA Case No. 200502 the Panel stated that a “penalty must re-affirm public confidence in the regulatory system, and to do this, it must be seen to act as a general deterrent.

Other hearing panels have frequently considered a number of additional factors in determining an appropriate penalty, which include the following:

- The seriousness of the allegations proved against the respondent;
- The respondent’s past conduct, including prior sanctions;
- The respondent’s experience in the capital markets;
- The level of the respondent’s activity in the capital markets;
- Whether the respondent recognizes the seriousness of the improper activity;
- The harm suffered by investors as a result of the respondent’s activities;
- The benefits received by the respondent as a result of the improper activity;
- The risk to investors and the capital markets in the jurisdiction, were the respondent to continue to operate in capital markets in the jurisdiction;
- The damage caused to the integrity of the capital markets in the jurisdiction by the respondent’s improper activities;
- The need to deter not only those involved in the case being considered, but also any others who participate in the capital markets, from engaging in similar improper activity;
- The need to alert others to the consequences of inappropriate activities to those who are permitted to participate in the capital markets; and
- Previous decisions made in similar circumstances.

See *Belteco Holdings Inc.* (1998), 21 O.S.C.B. 7743; *M.C.J.C. Holdings and Michael Cowpland* (2002), 25 O.S.C.B. 1133; *Re Lamoureux*, [2002] A.S.C.D. No. 125 ; *Re Tonnies*, *supra* ; and *Re Greyeyes*, *supra*.

In their oral submissions in support of the joint submission with respect to appropriate penalty, both counsel were very mindful of the previous jurisprudence outlined above and the factors that should be taken into account.

With respect to this particular situation, there are a number of aggravating factors and a number of mitigating circumstances which this Panel has taken into account. With respect to aggravating factors we have considered the following:

- there were multiple transactions;
- the amounts misappropriated were not repaid until immediately prior to the current hearing;

- the Respondent made a payment to one of the former clients with a cheque that was returned NSF;
- the Respondent provided no security with respect to the loans;
- the Respondent did not advise his clients to seek independent advice prior to advancing the loans;
- the Respondent took advantage of his clients' trust in him;
- the Respondent defaulted on the loans;
- the Respondent failed to disclose the existence of the loans to the respective Members with whom he was affiliated.

There are a number of mitigating circumstances in this case that operate in favor of the Respondent. They include:

- the Respondent has no disciplinary history;
- the Respondent cooperated fully with the MFDA in its investigation of the client accounts;
- the Respondent did not dispute the allegation in the Notice of Hearing;
- the Respondent has admitted the infractions;
- the Respondent has now fully repaid his former clients;
- the Respondent entered into an agreed statement of facts acknowledging the infractions;
- the Respondent has agreed to payment of costs in this matter;
- the Respondent has shown considerable remorse for his actions.

The joint submission with respect to the appropriate penalty to be imposed upon Mr. Freynet in the opinion of this Panel properly reflects the seriousness of his actions but also properly reflects the mitigating factors which are outlined above. Therefore, the Panel is in agreement with the joint submission and made an order to that effect on June 12, 2007. The written order issued that day also included an order to redact the full names of the clients in exhibits and in the transcripts to be replaced only with the initials of the

former clients. We hereby confirm the Order that we made on June 12, 2007 which in its entirety states:

WHEREAS on March 13, 2007, the Mutual Fund Dealers Association of Canada (the “MFDA”) issued a Notice of Hearing pursuant to sections 20 and 24 of By-law No. 1 in respect of a disciplinary proceeding commenced against Ronald Freynet (the “Respondent”);

AND WHEREAS the first appearance in this Hearing was held before a Hearing Panel of the Prairie Regional Council of the MFDA on April 20, 2007;

AND WHEREAS at the Hearing, Staff of the MFDA requested an order to protect the privacy and confidentiality of former clients of the Respondent by redacting references to their names in documents filed during the Hearing and on the transcript of the Hearing that will form part of the public record;

AND WHEREAS the Hearing Panel reviewed an Agreed Statement of Facts filed by the MFDA Staff and the Respondent and considered a joint submission on penalty made by the MFDA Staff and the Respondent;

AND WHEREAS in the opinion of the Hearing Panel, the Respondent failed to comply with the MFDA Rules when:

- (1) in or about January 2003, he obtained an unsecured loan in the amount of \$20,000 from client GN which he subsequently failed to repay prior to the issuance of the Notice of Hearing, thereby placing his own personal interests above those of his client and failed to address the resulting conflict of interest by the exercise of responsible business judgment influenced only by the best interests of GN, contrary to MFDA Rules 2.1.4 and 2.1.1;
- (2) commencing in December 2003, he failed to deal fairly, honestly and in good faith with clients KG, CG and ML by misappropriating from them the total amount of approximately \$30,000, of which amount the Respondent failed to repay or otherwise account for \$10,000 received from ML, prior to the issuance of the Notice of Hearing, contrary to MFDA Rule 2.1.1;

IT IS HEREBY ORDERED THAT:

1. In order to protect the privacy and confidentiality of the clients affected by the Respondent’s conduct and in accordance with Rules 1.8(2), (4) and (5) of the *MFDA Rules of Procedure* the portions of Exhibit #5 to the Hearing that make reference to the names of former clients of the Respondent shall be redacted so that only the initials of such individuals are reflected on the public record and any references to the names of the former clients of the Respondent that were made

during oral submissions at the Hearing shall be recorded on the transcript of the Hearing only with the initials of the former clients.

2. The Respondent is permanently prohibited from conducting securities related business while in the employ of, or associated with, any MFDA Member, pursuant to MFDA By-Law No. 1, section 24.1.1(e).

3. The Respondent shall pay a fine in the amount of \$10,000 pursuant to MFDA By-Law No. 1, section 24.1.1(b).

4. The Respondent shall pay costs in the amount of \$2,500 to Staff of the MFDA, pursuant to MFDA By-law No. 1, section 24.2.

5. The Respondent shall pay the amounts referred to in this Order on the following terms:

- (a) \$5,000 to be paid immediately;
- (b) the balance shall be paid in five consecutive monthly installments of \$1,500 per month payable on the 15th day of each month commencing on July 15, 2007.

DATED at Winnipeg, Manitoba this 12th day of June, 2007.

Dated this 14th day of August, 2007.

“Daniel Ish”
Daniel Ish, Q.C., Chair

“Sheri Anderson”
Sheri Anderson, Industry Representative

“Terry Ford”
Terry Ford, Industry Representative