



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

**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: Meiz Mohammed Majdoub**

Heard: October 27, 2010, Toronto, Ontario  
Reasons for Decision: November 12, 2010

**REASONS FOR DECISION**

Hearing Panel of the Central Regional Council:

The Hon. Edward Saunders, Q.C.  
Selwyn Kossuth  
Ron Willis

Chair  
Industry Representative  
Industry Representative

Appearances:

Shelly Feld	)	For the Mutual Fund Dealers Association of
	)	Canada
	)	
Meiz Mohammed Majdoub	)	Did Not Appear
	)	
	)	

1. By Notice of Hearing dated June 7, 2010, the Mutual Fund Dealers Association of Canada (the “MFDA”) alleged the following violations by the Respondent:

**Allegation #1:** Between January 2005 and September 2005, the Respondent engaged in securities related business that was not carried on for the account of the Member and through the facilities of the Member by selling or facilitating the sale of approximately \$840,000 of units in investment products that were not approved for sale by the Member to 19 individuals, contrary to:

- (a) MFDA Rules 1.1.1 and 2.1.1; and
- (b) the policies and procedures of the Member and MFDA Rules 1.1.2 and 2.5.1.

**Allegation #2:** Between December 2004 and January 2006, the Respondent engaged in a dual occupation which was not disclosed to and approved by the Member or securities regulators by operating companies to raise capital and provide sales and administrative support for a capital raising entity, contrary to:

- (a) MFDA Rules 1.2.1(d) and 2.1.1; and
- (b) the policies and procedures of the Member and MFDA Rules 1.1.2 and 2.5.1.

2. The disciplinary hearing was held on October 27, 2010. The Respondent did not attend nor did any representative on his behalf. He did not file a Reply. Communication from his counsel indicated that he did not intend to oppose the allegations or participate in the proceedings in any way.

3. In brief the background of the allegations is as follows:

(a) The Respondent became an Approved Person within the meaning of the By-laws of the MFDA in August 1998. From June 1, 2004 to January 30, 2008 the Respondent was registered in Ontario as a mutual fund sales person. He was employed by Dundee Private Investors Inc., a member of the MFDA (“Dundee”).

(b) In late 2004 the Respondent met Michael MacInnis who told him of a business initiative to be operated through several affiliated companies to collectively provide services to small and medium sized enterprises throughout Canada. For example, one of the affiliates was to be called “Admin Express” and was intended to provide accounting and bookkeeping services to small businesses by screening and

- processing. It was anticipated that there would be 100 Admin Express offices, called “Depots”. At some point MacInnis offered the Respondent the franchise for 10 Depots and told him that the annual expected profits would be approximately \$1.6 million.
- (c) In order to start up the enterprise MacInnis raised money through Canadian Home Equity Advantage Inc. (“CHEA”) and other vehicles. Individuals subscribed to units which were said to be invested in a named company.
- (d) The Respondent provided \$60,000 by way of loan to the enterprise which was repaid in about six months with 25% interest. He also paid \$25,000 to CHEA for 5 units in the enterprise. He agreed to assist MacInnis in his financing endeavours.
- (e) The Respondent had an office in a suite of offices in Ottawa which was occupied by Dundee. Bert Beaulieu was the office manager and the immediate supervisor of the Respondent. There were 2 empty offices in the suite which the Respondent arranged to have leased to a numbered company he had incorporated to provide a vehicle to process the proceeds of the CHEA investments. The Respondent hired Pierre Cantive as a sales manager and there were 4 or 5 other sales persons also engaged. The office of Beaulieu was next to the 2 offices rented by the numbered company. The Respondent, Cantive and Beaulieu were friends of long-standing. They had all worked together at London Life.
- (f) Between January 2005 and September 2005 the Respondent and his sales force recommended and facilitated the subscription of at least \$840,000 units from 19 individuals. The documents indicated that the subscriptions would be repaid in amounts aggregating \$92,000 for principal and interest, over 36 months, for each 50,000 in subscriptions. For these transactions the Respondent received \$120,000 in commission. None of these transactions were for the account of Dundee and none were processed through its facilities. The Respondent never sought approval from Dundee for his activities. In addition, some of the investors were also sold coverage in Faubourg Investor Protection Fund (the “Faubourg Fund”).

- (g) The investors were to receive monthly payments of blended principal and interest. Some payments were made but in October 2005 the payments ceased. The investors lost all, or most, of the money they had provided.
- (h) The investigation by the MFDA reveals that the moneys received from the subscriptions were used to pay sales commissions (10%) and expenses (5%) and possibly to make payments pursuant to obligations to investors under the subscription agreements. While not all is known about the enterprise, there is no evidence of expenditure on start up expenses for Admin Express or any of the other proposed enterprises. No payments were received from the Faubourg Fund and there is no evidence that the fund even existed. So far as is known, the enterprise as directed by MacInnis is consistent with a Ponzi scheme. MFDA staff does not submit that the Respondent was complicit in such a scheme.

4. The Respondent did not serve and file a Reply as required by Rule 8.4 of the MFDA Rules of Procedure. The Panel is therefore entitled to accept the facts and conclusions contained in the Notice of Hearing. In addition, the Panel received:

- (a) a transcript of the interview held on December 17, 2008, with the Respondent by the investigating staff and counsel of the MFDA at which counsel for the Respondent was present and participated (Exhibit 5); and
- (b) the Affidavit sworn October 22, 2010, of Nadia Dedic, an MFDA investigator present at the interview (Exhibit 6).

The three documents supply ample evidence for the conclusions we have reached.

5. As to Allegation #1, the evidence establishes that the Respondent engaged in a securities related business (the sale of units through CHEA) that was not carried on for the account of Dundee or through the facilities of Dundee.

6. As to Allegation #2, the Respondent engaged in a dual occupation which was not disclosed to and approved by Dundee or securities regulators by operating companies to raise

capital and provide sales and administrative support for a capital raising entity.

7. The dual occupation was carried on in the Dundee premises and the branch manager knew something about what was going on as told to him by the Respondent. Five sales persons were occupying offices next to the branch manager. The extent of the knowledge of the branch manager is uncertain. The Respondent never sought the approval from Dundee as he was required to do. In reviewing the evidence, particularly the subscription agreement and the documents generated by MacInnis which were provided to the investors, it is a fair inference that if approval had been sought from the compliance department at Dundee it would have been refused. While Dundee may have been lax in supervising the activities of the Respondent, it was the responsibility of the Respondent to seek and obtain the required approval

8. Accordingly both Allegations in the Notice of Hearing have been established. Turning to the penalty, the MFDA submits that the following penalty should be imposed

(a) A permanent prohibition on the authority of the Respondent to conduct securities related business while in the employ of or associated with any Member of the MFDA, pursuant to section 24.1.1(e) of MFDA By-law No. 1;

(b) A fine in the amount of \$120,000, pursuant to s. 24.1.1(b) of MFDA By-law No. 1;  
and

(c) Costs in the amount of \$10,000, pursuant to s. 24.2 of MFDA By-law No. 1.

9. The key issue here is the request for a permanent prohibition. There is no evidence of any prior misconduct on the part of the Respondent. He co-operated with the MFDA in its investigation. He says he did not solicit his mutual fund clients to provide moneys through CHEA. He says the investors were his family and friends, as well as himself. He had a hope that the investment would work out. Nevertheless, he has committed a serious breach of the MFDA Rules with disastrous results to the investors. He and his employees facilitated investments through CHEA of at least \$840,000 by 19 individuals who lost all, or most of, the money they had invested. The purpose of the rules that he breached is to provide a safeguard to the public through the supervision by members of the industry in order to prevent such questionable

investments taking place. In all the circumstances in this case and in the public interest we consider a permanent prohibition to be appropriate. The fine of \$120,000 is equivalent to the commission paid to the Respondent and is, in our view, appropriate. The amount of costs of \$10,000 is reasonable in the circumstances. Accordingly, at the end of the Hearing we accepted the submissions of the MFDA with respect to penalty and signed the Order as requested.

10. Before leaving the matter we feel compelled to comment on the conduct of Dundee. We recognize that its conduct is not an issue in this proceeding. Nevertheless, it is of concern. Dundee permitted the activities which are the subject of these proceedings to be carried on in its offices under the very nose of its branch manager. If Dundee had been more vigilant perhaps the harm could have been avoided.

**DATED** this 12<sup>th</sup> day of November, 2010.

“Edward Saunders”

The Hon. Edward Saunders, Q.C.  
Chair

“Selwyn Kossuth”

Selwyn Kossuth,  
Industry Representative

“Ron Willis”

Ron Willis,  
Industry Representative